

## Kuwait

The Resource Governance Index (RGI) measures the quality of governance in the oil, gas and mining sector of 58 countries. Learn more and explore findings at [www.revenuewatch.org/rgi](http://www.revenuewatch.org/rgi).

### Background

Kuwait has the fifth-largest oil reserves in the world. It is the third-largest oil producer in the Arab world, providing considerable wealth to a population of less than 3 million. In 2009, petroleum accounted for 43 percent of gross domestic product and 93 percent of exports. In 2010 the sector generated 83 percent of government revenue.

Kuwait	2000	2005	2011
Population (million)	1.94	2.26	2.82
GDP (constant 2011 international \$ billion)	48.1	91.5	176.6
GDP per capita, PPP (constant 2005 international \$)	38,359	48,783	47,935
Oil and gas revenue (% total government revenue)	...	77%	83%
Extractive exports (% total exports)	94%	95%	93%

SOURCES: Oil and gas revenue as share of total government revenue from the Economist Intelligence Unit and the International Monetary Fund. All other data from the World Bank. Oil and gas revenues 2011 data from 2010; Extractive exports 2005 data from 2004; 2011 data from 2009.

### Kuwait's Performance on the RGI

Kuwait ranked 42nd out of 58 countries and received a "weak" score of 41, with particularly poor performance on the Institutional and Legal Setting component.

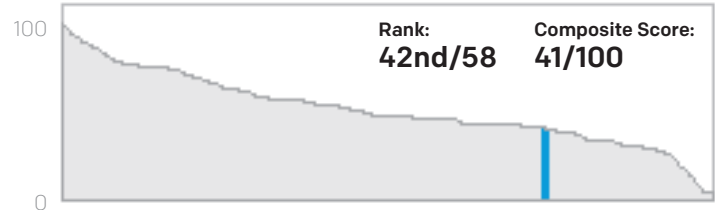
#### Institutional and Legal Setting

(Rank: 52nd/58 Score: 28/100)

Kuwait's "failing" score of 28 reflects the lack of a comprehensive legal framework.

Kuwait does not grant licenses for oil extraction; the state-owned Kuwait Petroleum Corporation (KPC) is the sole concessionaire. However, KPC and its subsidiaries do sign service contracts, in which international oil companies participate as subcontractors in upstream oil operations in exchange for a fee per barrel extracted. A handful of state-owned companies also subcontract services for downstream activities; these contracts are awarded following open bidding rounds with sealed bids.

Laws governing extractive activities provide only guiding principles and do not clearly designate regulatory responsibilities. In practice, the Oil Ministry and the Supreme Petro-



leum Council share oversight of the industry. KPC collects oil revenues from its subsidiaries and transfers them to the Kuwait Investment Authority.

There is no freedom of information law. Kuwait requires environmental impact assessments but does not make public the results.

#### Reporting Practices

(Rank: 37th/58 Score: 43/100)

Kuwait received a "weak" score of 43, the product of a lack of contract transparency and disaggregated revenue data.

KPC publishes information on subcontracting policies, the value of contracts, and the names of subcontracting companies, but the details of agreements are not disclosed.

The Supreme Petroleum Council does not publish revenue data. The Finance Ministry publishes only historical information on prices, the value of resource exports, and production costs in certain annual Minister Statements. The Oil Ministry publishes an online magazine with historical information on reserves, production volumes, prices, and estimates of investment in exploration and development, but does not publish information on disaggregated revenue streams. The Central Bank issues public reports that include historical comparisons of production volumes and prices, as well as current information on the value of resource exports.

#### Safeguards and Quality Controls

(Rank: 47th/58 Score: 36/100)

With insufficient mechanisms to ensure competition and prevent mismanagement of the oil sector, Kuwait received a "failing" score of 36.

Parliament plays a significant oversight role, although its activities often appear to be politically motivated. Lawmakers must approve all contracts with foreign companies, but there are no clear procedures for other parties to appeal contracting decisions.

The Supreme Audit Authority reviews state accounts and its reports are presented annually to lawmakers. However, government officials and executives of state-owned companies are not required to disclose their financial interests in the extractive industry. A weak legislative framework, political interference, and disputes over regulatory responsibilities have created inefficiencies and opportunities for corruption.

## Enabling Environment

(Rank: 39th/58 Score: 26/100)

Kuwait received a “partial” score of 57, the product of mediocre rankings for corruption control and the rule of law, and a poor democracy and accountability score.

## State-Owned Companies

(Rank: 18th/45 Score: 63/100)

KPC is entirely state-owned and monopolizes oil industry. Together with its ten subsidiary companies, KPC manages all aspects of the upstream and downstream oil sector. The company publishes comprehensive, up-to-date information on revenue generation but its figures do not include disaggregated revenue streams, aside from income tax data. KPC’s annual reports are audited, and it provides information on its board of

directors, but rules governing the board’s decision-making are not available.

## Natural Resource Funds

(Rank: 19th/23 Score: 15/100)

The General Reserve Fund (GRF) and the Future Generations Fund (FGF) concentrate revenues from the extractive industries. The GRF receives all state revenues, most of which come from oil, and holds all government assets. Each year, 10 percent of these revenues are deposited in the FGF. The Kuwait Investment Authority manages both funds. Rules for deposits are set by executive decree and published. Internal, classified publications include information on the funds’ assets, transactions, and investments, but it is illegal to disclose the information. The funds are audited, but the results are not made public.

## Kuwait’s Composite, Component and Indicator Scores

Rank (out of 58)		Score (out of 100)
<b>42</b>	<b>COMPOSITE SCORE</b>	<b>41</b>
<b>52</b>	<b>Institutional and Legal Setting</b>	<b>28</b>
	Freedom of information law	0
	Comprehensive sector legislation	67
	EITI participation	0
	Independent licensing process	33
	Environmental and social impact assessments required	50
	Clarity in revenue collection	67
	Comprehensive public sector balance	33
	SOC financial reports required	0
	Fund rules defined in law	0
	Subnational transfer rules defined in law	..
<b>37</b>	<b>Reporting Practices</b>	<b>43</b>
	Licensing process	67
	Contracts	0
	Environmental and social impact assessments	0
	Exploration data	33
	Production volumes	17
	Production value	44
	Primary sources of revenue	0
	Secondary sources of revenue	100
	Subsidies	0
	Operating company names	0
	Comprehensive SOC reports	100
	SOC production data	86
	SOC revenue data	28
	SOC quasi fiscal activities	100
	SOC board of directors	50
	Fund rules	100

Rank (out of 58)		Score (out of 100)
	Comprehensive fund reports	0
	Subnational transfer rules	..
	Comprehensive subnational transfer reports	..
	Subnational reporting of transfers	..
<b>47</b>	<b>Safeguards and Quality Controls</b>	<b>36</b>
	Checks on licensing process	33
	Checks on budgetary process	100
	Quality of government reports	50
	Government disclosure of conflicts of interest	0
	Quality of SOC reports	67
	SOC reports audited	100
	SOC use of international accounting standards	100
	SOC disclosure of conflicts of interest	0
	Quality of fund reports	0
	Fund reports audited	17
	Government follows fund rules	0
	Checks on fund spending	0
	Fund disclosure of conflicts of interest	0
	Quality of subnational transfer reports	..
	Government follows subnational transfer rules	..
<b>39</b>	<b>Enabling Environment</b>	<b>57</b>
	Corruption (TI Corruption Perceptions Index & WGI control of corruption)	69
	Open Budget (IBP Index)	..
	Accountability & democracy (EIU Democracy Index & WGI voice and accountability)	32
	Government effectiveness (WGI)	59
	Rule of law (WGI)	66

<span style="color: green;">■</span>	Satisfactory	<span style="color: orange;">■</span>	Weak
<span style="color: yellow;">■</span>	Partial	<span style="color: red;">■</span>	Failing