

Yemen

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.

Background

Yemen's economy is highly dependent on petroleum. In 2010, oil and gas made up 63 percent of government revenues. However, oil production has declined steadily; in 2011 Yemen produced 228,000 barrels a day, a 24 percent drop from 2010. Seeking to diversify the economy, the government has worked to attract foreign investment in the natural gas sector. Yemen

Yemen	2000	2005	2011
Population (million)	17.72	20.65	24.80
GDP (constant 2011 international \$ billion)	12.3	19.0	33.8
GDP per capita, PPP (constant 2005 international \$)	2,120	2,236	2,060
Oil and gas revenue (% total government revenue)	...	67%	63%
Extractive exports (% total exports)	97%	94%	89%

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.

began exporting liquefied natural gas in 2009, partially offsetting the decline in oil revenues.

Yemen's performance on the RGI

Yemen received a "weak" score of 43, ranking 37th out of 58 countries. A relatively high Institutional and Legal Setting score contrasted with "failing" performance on the Enabling Environment component.

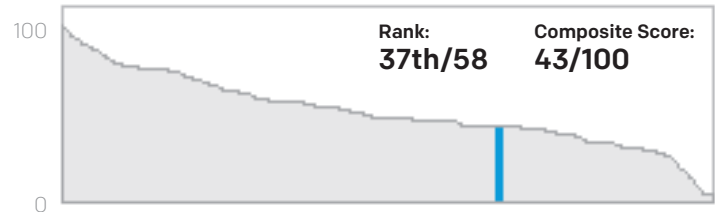
Institutional and Legal Setting

(Rank: 34th/58 Score: 57/100)

Yemen's "partial" score of 57 reflects clear systems for collecting payments from petroleum companies but an incomplete legal framework.

The Oil and Minerals Ministry regulates the sector, while the Petroleum Exploration and Production Authority grants rights and licenses. Licensing follows open and competitive bidding rounds, and companies ultimately sign production sharing contracts. All revenues from extractive companies are collected by the Finance Ministry and placed in the treasury.

Laws relating to the petroleum industry are publicly avail-



able, but include only general principles; implementation regulations, fiscal terms, and methods of assessing revenue are not defined. Environmental impact assessments are required but not published. The legislature passed a freedom of information law in 2012 but Yemen was suspended from the Extractive Industries Transparency Initiative in February 2013.

Reporting Practices

(Rank: 31st/58 Score: 46/100)

Yemen received a "weak" score of 46, the product of a lack of contract transparency and incomplete government reporting.

Licensing criteria are provided before bidding begins, and the Oil and Minerals Ministry publishes information about winning bids on its website. However, contract terms and other important license information are not disclosed.

The Finance Ministry publishes petroleum prices, the value of resource exports, costs of social investments, government share in production sharing contracts, special taxes, and bonuses. The Oil and Minerals Ministry regularly discloses similar information. The Petroleum Exploration and Production Authority publishes data on reserves, production by block, and the names of companies operating in the country, but not petroleum revenues. The central bank publishes production volumes, prices, oil and gas export values, the cost of subsidies, production stream values, and government share in production sharing contracts. The Parliamentary Committee for Development, Oil and Natural Resources publishes reports containing similar information, along with estimates of investment in exploration, block-by-block production data and costs, royalties, special taxes, and bonuses.

Safeguards and Quality Controls

(Rank: 32nd/58 Score: 52/100)

With relatively effective government monitoring but insufficient audit capabilities, Yemen received a "partial" score of 52.

Without legally-mandated fiscal terms, licensing officials have discretion when negotiating with petroleum companies. The legislature has significant oversight responsibilities; a parliamentary committee must approve petroleum contracts and may amend or terminate agreements. Final licensing decisions may be appealed through an arbitration process.

The Finance Ministry and the state auditor must review petroleum revenues, but often lack the capacity to do so effectively. Audit reports are to be presented to lawmakers and

the president, but it is unclear whether this happens in practice. The reports are not publicly available.

Enabling Environment

(Rank: 47th/58 Score: 16/100)

Yemen performed poorly on global rankings of corruption control and democratic accountability, resulting in a “failing” score of 16.

State-Owned Companies

(Rank: 25th/45 Score: 45/100)

The Yemen Oil and Gas Company and its six affiliates are entirely state-owned. The company enters into joint ventures with foreign companies and provides subsidized fuel to the domestic market. Its only published report is from 2008 and

contains information on reserves, production volumes, prices, the value of resource exports, the names of companies operating in Yemen, production data by block, subsidies, government share in production sharing contracts, and royalties; it does not provide financial balances. State-owned companies must be audited, but it is unclear whether these audits meet international standards.

Subnational Transfers

(Rank: 29th/30 Score: 11/100)

The central government transfers a portion of petroleum receipts to local authorities, but only after merging resource revenues with other fiscal income. Very little information is available on these payments, which do not appear to be linked to regional petroleum production.

Yemen’s Composite, Component and Indicator Scores

Rank (out of 58)		Score (out of 100)
37	COMPOSITE SCORE	43
34	Institutional and Legal Setting	57
	Freedom of information law	0
	Comprehensive sector legislation	67
	EITI participation	100
	Independent licensing process	100
	Environmental and social impact assessments required	50
	Clarity in revenue collection	100
	Comprehensive public sector balance	100
	SOC financial reports required	0
	Fund rules defined in law	..
	Subnational transfer rules defined in law	0
31	Reporting Practices	46
	Licensing process	83
	Contracts	0
	Environmental and social impact assessments	17
	Exploration data	33
	Production volumes	83
	Production value	67
	Primary sources of revenue	50
	Secondary sources of revenue	25
	Subsidies	100
	Operating company names	100
	Comprehensive SOC reports	83
	SOC production data	24
	SOC revenue data	21
	SOC quasi fiscal activities	100
	SOC board of directors	0
	Fund rules	..

Rank (out of 58)		Score (out of 100)
	Comprehensive fund reports	..
	Subnational transfer rules	0
	Comprehensive subnational transfer reports	33
	Subnational reporting of transfers	0
32	Safeguards and Quality Controls	52
	Checks on licensing process	78
	Checks on budgetary process	33
	Quality of government reports	57
	Government disclosure of conflicts of interest	100
	Quality of SOC reports	50
	SOC reports audited	67
	SOC use of international accounting standards	100
	SOC disclosure of conflicts of interest	0
	Quality of fund reports	..
	Fund reports audited	..
	Government follows fund rules	..
	Checks on fund spending	..
	Fund disclosure of conflicts of interest	..
	Quality of subnational transfer reports	33
	Government follows subnational transfer rules	0
47	Enabling Environment	16
	Corruption (TI Corruption Perceptions Index & WGI control of corruption)	11
	Open Budget (IBP Index)	26
	Accountability & democracy (EIU Democracy Index & WGI voice and accountability)	13
	Government effectiveness (WGI)	14
	Rule of law (WGI)	14

■ Satisfactory	■ Weak
■ Partial	■ Failing