

Promoting Revenue Transparency: Challenge and Civil Society engagement

This presentation is solely for the use of client personnel. No part of it may be circulated, quoted, or reproduced for distribution outside the client organization without prior written approval of the board of commissioner and directors. This material was used during an oral presentation; it is not a complete record of the discussion.

Introduction

- To some countries, State Owned Enterprises (SOE) contribute to significant amount of GDP.
- Indeed, SOE are often prevalent in utilities and infrastructure industries I.e. Telecommunication, Transportation, Oil and Energy

Introduction

- There is a nature of why the SOE exist not only in Developing Countries but also to advance countries
- From country to country the rationale comprise of the mix of Social-Political, Economic and Strategic reasons
- Due to its potential and changing global context, public as the stake holder of the SOE need to ensure that the potential are successfully translated to economic growth and in turn better public welfare

National Oil Companies (NOC)

- Oil and Gas are considered as a politically strategic commodities
- Particularly because Oil and Gas remain considered as source of revenue stream for countries :
 - Price of Oil shows increasing tendencies as a un renewable and scarce commodity
 - Rents generated from oil and gas is indeed greater than minerals

National Oil Companies (NOC)

Some countries established NOC as SOE on behalf of national interest protection with the main function to :

- Economic Development
- Welfare Distribution
- Job Creation
- Foreign Policy and Energy Security

National Oil Companies (NOC)

- NOC remain plays their importance in the world oil and gas industry

Rank	Company	Reserves
1	Saudi Aramco	262,200
2	NIOC	137,500
3	INOC	115,000
4	KPC	101,500
5	PDV	79,700
6	Adnoc	56,920
7	Libya NOC	33,235
8	NNPC	21,540
9	Lukoil	16,114
10	QP	15,200

Source : Energy Intelligence Research: The Energy Intelligence Top 100, Ranking The Worlds Top Oil Company, 2007 Edition

National Oil Companies (NOC)

- Except Lukoil, 10 biggest reserve holder of Oil and Gas deposit are NOC's
- It Suggest that major NOC will continue to reshape the Worlds Oil and Gas Industry in more dominant fashion
- International Oil Companies are also in a more competitive situation since many oil reserves countries established its own NOC

Challenges for NOC

Yet, NOC are pose to challenges that is unfortunately arise from its nature of its existence:

- Some of them suffers from accountability dillution i.e. being protected by corporate risk like takeover and bankruptcy (create inefficiency problem)
- Some of the SOE are in distance with good governance due to its complex sometimes unclear structure (board of management, ownership, entities)
- Most of the NOC suffers from political interest and undue hands-on (state capture, political corruption)
- Then, NOC's are prevent to contribute to welfare creation for the benefit for public as the true owner of natural resource endowment

Role of Civil Society

- Resource boom might bring a grim picture while its presence might bring detrimental result (*Resource Curse* or *Paradox of Plenty* Phenomenon)
- In case of NOC, without a sound management welfare creation from oil and gas is something up out of reach
- It is inevitable that countries to reap the benefit from resource endowment depends pretty much on the quality of public policy, democratic institution and on the citizen oversight

Role of Civil Society

- Yet, there are lot of incidence that citizen oversight have been at least been neglected in policy discussion and formulation
- In other hand companies also assume that striking the consultation process with government is already enough
- This situation emphasize the importance of Civil Society role as the channel for citizen oversight function

Role of Civil Society

In the case of NOC, Civil Society provides critical role in a way forward in Natural Resources management:

- Civil Society organization may provide intervention take form as capacity building
- In longer term Civil Society provide a route to greater citizen participation include:
 - Building and raising awareness to create pressure for better natural resources management
 - Ensure redistribution revenue to society
 - Capacity building for local government
 - Development and facilitation of tripartite relationship consists of Government, Companies and Community

Conclusion

- Oil and Gas as natural resources is a valuable endowment for countries economic development
- Some countries established NOC as a way to tap this potential
- Infact, there are some incidents that NOC brings reverse impact
- It comes from ineffective management and weak citizen oversight to revenue generated
- Civil Society provides a channel as well as instrumental resources for greater citizen monitoring
- It is inevitable that Civil Society has to be elaborated in the way to create a sound Oil and Gas management through NOC