



TRANSPARENCY IN COMMODITY-RICH COUNTRIES: IS STATE OWNERSHIP TO BLAME?

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Abstract

Since the late 1990s, transparency has emerged as a major governance pillar helping resource-rich countries improve their performance and escape the resource curse. Within this debate, a few scholars have pointed to the correlation between ownership structure and transparency, and have argued that under state ownership, transparency should not be expected, as government officials refrain from strengthening institutions to retain their discretionary power.

This study attempts to challenge scholarly existing knowledge by comparing transparency performances in two resource-rich countries with similar ownership structures, Norway and Russia. To this end, it analyses data from the Revenue Governance Index (2017). Overall, such a correlation is not confirmed. While in some cases, state ownership can in fact generate greater opacity, the example of Norway confirms that retaining control can also enhance transparency. As a result, it is suggested to look attentively at the features of state ownership, and in particular, at countries' institutional quality.

Introduction

Since the late 1990s, transparency has rapidly emerged as an international norm (Gillies, 2010) in political and economic arenas. Scholars have highlighted the key role that transparency plays in strengthening public governance, and non-governmental organisations (NGOs) have advocated for the implementation of more transparent policies. In the resource sector, the year 2003 saw the foundation of the Extractive Industries Transparency Initiative (EITI), an international standard aiming at enhancing transparency over payments and revenues from governments and enterprises. Overall, it has been argued that enhanced transparency would save resource-rich countries from the so-called resource curse (Auty, 1994) and improve their political and economic standards.

However, within this broader academic and policy debate, little attention has been devoted to the correlation between state ownership and transparency in commodity-rich countries. As a partial exception, a few scholars (Ascher, 1999; Luong and Weinthal, 2006a, 2006b, 2010) have generally suggested that state-owned resources are associated with reduced transparency and argued that, to retain their discretionary power government officials and bureaucrats refrain from strengthening institutions. As a result, they have concluded that under state ownership transparency should not be expected.

This paper attempts to fill a void in the literature and challenge scholarly existing knowledge by critically assessing the correlation between state ownership and transparency. To do so, it compares transparency assessments in the resource sector in Norway and Russia. Two reasons explain this selection. First, their consolidated history of state ownership provide multiple points of analysis on the evolution of their respective structures. Second, insights from literature seem to suggest that, despite their common 'state-owned fate', the resource industry has generated contrasting political and economic outcomes. To compare the two ownership structures, transparency-related data, questionnaires and scores from the Revenue Governance Index (2017) are analysed and discussed.

Overall, this paper finds that there is not an unfavourable correlation between state ownership and transparency. While in some cases state ownership can generate greater opacity, the example of Norway confirms that retaining control over resources can also enhance transparency. As a result of this, and in line with findings from other scholars (Stiglitz, 2002; Thurber et al., 2011; Khanna, 2017), it is suggested to look attentively at the features of state ownership, and in particular at commodity-rich countries' institutional quality.

The paper is organised as follows. First, a theoretical background on the resource curse literature, the concept of transparency and the relationship between state ownership and transparency is introduced and discussed. Second, to compare Russia and Norway, this paper provides a brief historical introduction on state ownership in both countries; presents the methodology used and data from reports; and analyses the main findings and the reasons behind different levels of transparency in Norway and Russia. Finally, a conclusion follows.

1. Transparency and ownership structure in commodity-rich countries: a literature review

Studies on transparency in commodity-rich countries intersect with an extensive body of literature discussing the relationship between natural resources and political and economic outcomes (Wheeler 1984; Collier and Hoeffler 2004; Wantchekon 2002; Ascher 1999; Luong and Weinthal

2006a, 2006b, 2010). Since the late 1980s, scholars have challenged older theories and pointed to the existence of a negative correlation between the possession of valuable commodities (oil, gas, etc.) and political and economic benefits. In other words, the so-called resource curse (Auty 1994), or the paradox of plenty, refers to the observation that commodity-rich countries end up consistently with poor outcomes. While an extensive review of the literature is beyond the reach of the paper, it should be highlighted that natural resources abundance seems to have a number of major consequences. For instance, Wheeler (1984) finds that sub-Saharan countries relying on natural resources grew more slowly than their commodity-poor neighbours. Also, Wantchekon (2002) highlights a negative correlation between commodity-based authoritarian countries and democracy transitioning. Similarly, Ross (2001, 2012, 2015) stresses three important effects of petroleum: it strengthens authoritarian regimes, increases corruption, and triggers conflicts in low- and middle-income countries. Concerns on the correlation between resources and civil war are also shared by other scholars. For instance, Collier and Hoeffler (2004) observe that the presence of natural resources increases risks of secessionist wars, while Doyle and Sambanis (2000) find a negative correlation between resource abundance and the success of peace-building initiatives.

To combat the resource curse, a number of economists and political scientists have stressed the role of transparency to address commodity-rich countries' critical performances (Ascher 1999; Caspary 2012; Corrigan 2014). However, while transparency has been promoted as an international norm in the resource sector, the review of existing literature confirms at present the absence of an agreed definition. Vishwanath and Kaufmann consider transparency as the "increased flow of timely and reliable economic, social and political information" (1999, 3). In Stiglitz's view, transparency relates to the basic right to know in order to correct the natural asymmetric information between agent and principal, respectively "those who govern and those whom they are supposed to serve" (2002, 27). Whereas such definitions focus more on the access to information, other scholars have linked transparency to accountability processes. In other words, transparency is "the release of information by institutions that is relevant to evaluating those institutions" (Florini 1999, 5). Finel and Lord (1999) stress that transparency can be fostered by any mechanism leading to public disclosure of information, such as free press, public hearings, and the presence of non-governmental watchdogs. When it comes to the resource sector, corporate transparency, defined as "the availability of firm-specific information to those outside publicly traded firms" (Bushman et al. 2004, 207) has gained momentum, and NGOs have called to oil and gas companies for increased openness about revenues and payments to governments.

Why is transparency supposed to play a key role in combating the resource curse? Scholars have found a strong association between transparency and the overall quality of governance (Islam 2006; Stiglitz 2002). In his study, Islam (2006) remarks that when freedom of information laws exist and governments disclose economic data, countries enjoy better governance. Also, the correlation between higher levels of transparency and the decrease in corruption has been highlighted (Stiglitz 2002; Kolstad and Wiig 2009). Kolstad and Wiig observe that a lack of transparency makes corruption more attractive: in an opaque system, the bribe is given to the bureaucrat so that he reports a higher cost to the oil company, thereby causing a reduction in the latter's taxes. As such, the authors conclude that the more transparent the financial reporting of the company is, "the more difficult it is for the bureaucrat to distort information and the easier it is to be caught doing so" (2009, 522-3). For the purpose of this study, this analysis retains the general definition proposed by Vishwanath and Kaufmann (1999) and the formulation of corporate transparency suggested by Bushman et al. (2004).

Within the broader debate over the resource curse, scholars have offered a number of different perspectives on the causes triggering commodity-rich countries' poor performances. Among those, in recent years a growing body of literature has proposed to look at the ownership structure adopted in commodity-rich countries (Ascher 1999; Luong and Weinthal 2006a, 2006b, 2010; Wolf 2009; Eller et al. 2011). In a comparative analysis of performance of state and private oil companies, Wolf (2009) finds that ownership does matter, and that private ownership seems to encourage greater efficiency in oil-rich countries. Similarly, Eller et al. (2011) observe that under state ownership, revenue inefficiencies are the results of rent-seeking governments.

What about the correlation between state ownership and transparency? While scholars have generally suggested that state-owned resources are associated with reduced transparency, the study of this relationship has been largely neglected. As a partial exception, in his analysis on governments' failure in the management of natural resources, Ascher stresses that, in the income redistribution process, government officials use low-visibility tactics as defensive tools in their struggles for power. Such a lack of transparency favours not only government officials, but also state enterprises, which gain in autonomy and act as "the state within the state" (1999, 17).

In a broader reassessment of the resource curse arguments, Luong and Weinthal (2006a, 2006b, 2010) point out that, under state ownership, business-state relations are blurred; although the population as a whole is "the nominal principal whose interests are ostensibly served by a multitude of agents," performance is not evaluated and "agents often act like principals, such that administrative tasks and political goals also become blurred" (2006a, 43). As a result of this, an implicit negotiation between both state elites and bureaucrats takes place and, to keep their discretionary power, they refrain from strengthening institutions and increasing transparency in the resource sector. Luong and Weinthal contrast state ownership and private domestic ownership, in which state and business need each other and commit themselves to enhance transparency.

Furthermore, in a study on the MENA region comparing oil-rich and -poor countries, Mohtadi et al. (2014) observe that revenues diminished incentives for the government to make their policies and institutions more transparent. On a similar note, by analysing corruption rates in China, Zhan (2017) finds a positive correlation between natural resources and propensity for corruption by state employees.

While studies of ownership structure in commodity-rich countries have provided new insights on poor economic and political performance, by treating ownership as the main variable, they have overlooked the quality of institutions as a key dimension. Also, some of the comparative analyses have taken into account such regions as the post-Soviet space and the MENA, with similar political and economic standards, and excluded those countries that have been able to benefit consistently from commodities (e.g., Norway and Botswana).

In an attempt to nuance conclusions from previous studies, Khanna (2017) observes that the effect of commodity wealth on economic growth differs across ownership structures. In other words, she finds that, while ownership matters, the quality of pre-existing institutions is another key element. As such, when the institutional setting is strong, state leaders are not allowed to use SOCs for personal and political objectives. In line with these findings, this paper aims to fill a gap in the current literature by assessing the correlation between state ownership and transparency in commodity-rich countries.

2. The State Ownership in Norway and Russia: Evidence from Data

To challenge and advance current knowledge, this section seeks to compare transparency performances of Norway and Russia in the resource sector, and also those of their state-owned companies (SOCs), Equinor and Gazprom. First, the evolution of the ownership structure in both countries is briefly presented. Second, the methodology is discussed and data from recent reports are examined. Finally, the last sub-section analyses the findings and attempts to explain the different levels of transparency found in Norway and Russia.

2.1 Ownership structure in Norway and Russia

Since the end of World War II, the state has become the major actor in the Norwegian economy. While in the post-war period, Norway was the poorest country compared to its Scandinavian neighbours, a real breakthrough took place in the late 1960s and early 1970s, with the oil discovery and the beginning of extraction activities. Not surprisingly, scholars have associated Norway's exceptional rise in GDP per capita to the flourishing of the oil industry (Lange and Garrett 1985; Larsen 2006).

In the 1970s, Norway was one of the few countries outside of the Organization of the Petroleum Exporting Countries (OPEC) that aimed at keeping state control over the oil sector. This vision was better articulated by the Storting (the Norwegian Parliament) in a White Paper produced in 1971. The new petroleum policy, which would be later known as the ten oil commandments (NPD 2010), stressed the importance of national management and control in order to benefit the entire Norwegian society, and called for the establishment of a SOC, named later Statoil, in order to safeguard national economic interests. Also, the white paper pointed out that the oil sector had national and international objectives, and that protection of the environment was a pillar of the new policy.

Together with the creation of a national company dealing with commercial interests at the national and international level, Norwegian policy-makers designed a triangular model of governance in the oil sector. The model rested on two other cornerstones: a Ministry of Petroleum and Energy that was in charge of petroleum legislation and policy making, and the Norwegian Petroleum Directorate (NPD), a regulatory body and delegated authority in oil-related areas. As such, since 1972, Norway has had a separation model in the oil sector and granted policy, commercial, and regulatory responsibilities to three different bodies.

In 2001 Statoil became a publicly listed and partially privatized company. As noted by Lie (2016), a consequence of partial privatisation was predominance of commercial aspects over politics. As a result, any decision should be admissible not only to the state, but also to other shareholders. Despite these changes, the state majority ownership together with the system created in the 1970s implied that Norway kept "a highly state regulated sector" (Claes 2002). In 2018, Statoil changed its name to Equinor, to signal the concept of equality behind the company and also its Norwegian roots.

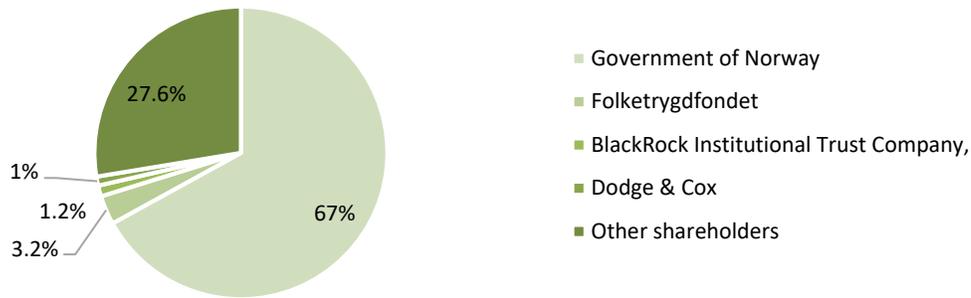


Figure 1: Equinor’s shareholders (Equinor, 2018)

Similarly to Norway, Russia’s economy has relied heavily on the state, notably in the gas sector. The Soviet gas industry expanded significantly throughout the 1970s, when neither Soviet political leaders nor the State Planning Committee (Gosplan) expected to find extensive oil and gas deposits in West Siberia. With the expansion of its gas output, already by the 1980s the country had succeeded in answering its own needs and those of its satellites in Eastern Europe.

Russia’s ownership structure in the resource sector results to a large degree from the privatisation processes in the chaotic phase that followed the collapse of the Soviet Union. In this respect, oil and gas face two different destinies: while in the oil industry, a breakup of the former Soviet structure took place, in the gas sector, such a process was successfully contained by two political leaders who acted pragmatically to keep the industry whole: Viktor Chernomyrdin, who headed the newly-created state corporate enterprise Gazprom between 1989 and 1992 and was able to acquire Soiuzgazexport, the company in charge of all gas export; and prime minister Yegor Gaidar, who averted the breakup (Gustafson 2012). Gazprom’s story is an exception rather than the rule after the break-up of the Soviet Union, as most former Soviet ministries, including coal and electricity, were broken up into individual enterprises and encouraged to compete domestically and abroad.

Even if Gazprom avoided the breakup that took place in the oil sector, it could not escape post-Soviet privatizations. However, its story as a private company was a relatively short one. In 1993, Gazprom became a joint-stock company and Russian citizens received vouchers to purchase its shares. The state retained about 38 per cent of Gazprom until the early 2000s, when President Putin changed its management and succeeded in bringing the company back under Kremlin control. Today, the Russian state controls slightly more than 50 per cent of Gazprom’s share.

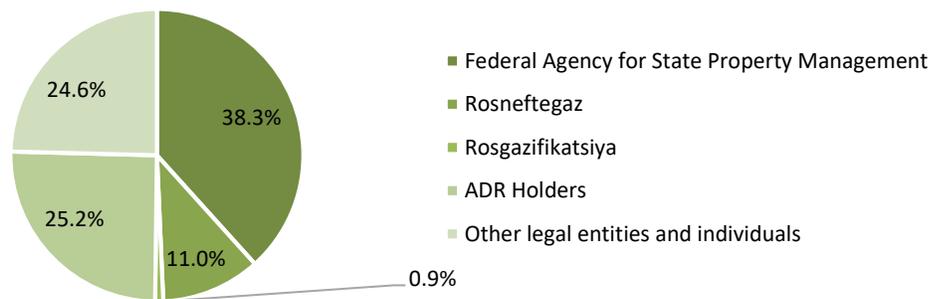


Figure 2: Gazprom’s shareholders (Gazprom 2018)

2.2. Methodology and data

To compare the levels of transparency in the resource sector in Norway and Russia, this section analyses data from the Resource Governance Index (RGI 2017a, 2017b, 2017c), assessing the quality of governance in 81 countries in the extractive sector. The index, which is designed by the National Resource Governance Institute, includes 133 multiple-choice questions in each assessment with a score ranging 0-100. When the answer is ‘not applicable,’ a non-numerical value is assigned. Three major governance components are assessed: value realization, revenue management, and enabling environment. For the purpose of this work, this section takes into account those sub-components that are directly related to transparency rules and practices in the extractive sector. The following sub-components are therefore analysed: Licensing, Taxation, Local impact, National budgeting, and Sovereign wealth funds. Also, as seen earlier, theoretical explanations of state ownership take into account both ‘sides’ of the sector, the government and the SOC. In line with these approaches, a sixth sub-component, reviewing Equinor’s and Gazprom’s performances at the transparency level, is included in the analysis. Finally, as a methodology note, all the questions from these sub-components and related to transparency have been answered based on primary sources (legislation, policy documents, financial reports, and the like). Supporting documents and additional information on the scores assigned are provided in the methodology section of the index (RGI 2017a).

a. Sub-component 1 – Licensing

Under the first sub-component, the RGI measures to what extent citizens have access to information on the national licensing process. Overall, Norway performs slightly better than Russia, even though both countries score 0 on financial interest disclosure, as senior public officials are not obliged by the law to publicly disclose their holdings in extractive companies. At the cadastre level, both countries maintain a publicly available registry including rights and license details, even though it does not provide information on unassigned areas.

Table 1: Sub-component 1 – Licensing (RGI 2017b and 2017c).

	Norway	Russia
Reserves disclosure	93	0
Cadastre	88	88
Pre-licensing round rules	88	75
Pre-licensing round practice	100	33
Post-licensing round rules	25	50
Post-licensing round practice	100	50
Financial interest disclosure rules	0	10
Financial interest disclosure practice	0	0
Contract disclosure rules	0	0
Contract disclosure	0	0
Overall	49	31

Furthermore, in the Scandinavian country, the government has publicly communicated up-to-date data on reserves via its SOC, while this has not taken place in Russia. In the pre-licensing phase, the major difference between the countries relates to the presence of pre-defined criteria qualifying companies to participate in each licensing process: Norway publicly discloses minimum criteria, while Russia does not. Also, in the post-license round, another significant difference involves the disclosure of submitted applications, the identity of the winning bidder, and also the list of areas allocated in the license. In a number of cases, Russia's licensing authority did not disclose information on each of these elements.

b. Sub-component 2 – Taxation

Under sub-component 2, eight indicators are included in the index. This work analyses those five that take into account aspects of disclosure. On production, even though both countries disclose up-to-date data, Norway performs slightly better than Russia, as the latter provides only aggregated data on the volume of extractive resource production. Aggregated data are also available at the export level in both countries.

Table 2: Sub-component 2 – Taxation (RGI 2017b and 2017c).

	Norway	Russia
Production disclosure	93	77
Export disclosure	80	77
Company payment rules	100	0
Company payment disclosure	100	67
EITI affiliation and reporting	85	30
Overall	92	50

The most striking difference at the taxation level can be found on payment rules, as Russia's law does not require the government to disclose data on payments from extractive companies to the government. Also, while Norway provides information on the value of tax and payment receipts at the company level (and data are also disaggregated by payment type), in Russia only aggregated data are publicly available.

Finally, on EITI affiliation, the different score can be explained by the fact that Russia has not joined EITI (and does not plan to), while Norway is a current member and has provided updated data in its most recent report. It should be noted that, to give a lower weight to the question in comparison to more crucial indicators, countries with no EITI affiliation were granted a score of 30 in the index instead of 0. This applies indeed to Russia.

c. Sub-component 3 – Local impact

Within value realization, the last sub-component relates to the effect of extraction activities on countries' local environment. In this regard, four indicators assessing data disclosure are discussed in this work. The first two indicators involve the adoption of Environmental Impact Assessments (EIAs) and Socio-economic Impact Assessments (SIAs) in the framework of extraction activities. Whereas in Norway both EIAs and SIAs are required under law and have to be publicly available, in Russia only EIA is legally mandatory while SIA has been practiced as part of environmental impact studies. Perhaps more importantly, Gulakov and Vanklay have studied the issue in depth and assessed that the EIA process in the Russian Federation "does not adequately address social issues" (2018, 11). As such, SIAs are de facto subordinated to environmental concerns and companies lack capacities to address the social impact of their activities.

Table 3: Sub-component 3 – Local impact (RGI 2017b and 2017c).

	Norway	Russia
EIA/SIA rules	100	70
EIA/SIA disclosure	100	50
Environmental mitigation plan rules	100	25
Environmental mitigation plan disclosure	100	0
Overall	100	36

Furthermore, Russia performs consistently worse than Norway on environmental mitigation. Extractive companies are not obliged by the law to prepare mitigation plans prior to project development. As such, the absence of a legal framework has allowed companies to avoid preparation and disclosure of such plans. On the contrary, the index finds that Norway provides clear rules and legal obligations for extractive companies.

d. Sub-component 4 – National budgeting

Three indicators on national budgeting have a direct relevance to transparency purposes. The first indicator relates to the presence of an online portal containing data on reserves, production, and exports in the extractive sector. While in Russia such a governmental service does not exist, Norway has produced an online and up-to-date database, with machine-readable data that is available under open license and with no restrictions on use. These parameters explain the countries' different scores. High levels of disclosure are found in both countries when it comes to the national budget, while on debt, some concerns are expressed for Moscow, as its level is not publicly disclosed and available information is not disaggregated by currency denomination.

Table 4: Sub-component 4 – National budgeting (RGI 2017b and 2017c).

	Norway	Russia
Online data portal	95	0
National budget disclosure	100	100
National debt disclosure	100	50
Overall	98	50

e. Sub-component 5 – Sovereign wealth funds

A number of relevant indicators to information disclosure are included under sub-component 5. In line with the overall trend, Norway seems to perform consistently better than Russia on wealth fund transparency. On withdrawal practices, Russia lacks rules governing the size of deposits into the fund, which in turn contributes to increased opacity in the broader process. On SWF investment practices, while both countries have disclosed investment returns in their recent financial reports, Russia's most recent does not include a list of assets held. Finally, when it comes to financial reporting rules and practices, in principle, in both countries, annual financial reports are legally required and accessible, but in the case of Russia and contrary to Norway, they are not subject to a periodic external audit or to a parliamentary review.

Table 5: Sub-component 5 – Sovereign wealth funds (RGI 2017b and 2017c).

	Norway	Russia
SWF deposit and withdrawal practice	75	50
SWF investment practice	100	50
SWF financial reporting rules	100	50
SWF financial reporting practice	100	33
Overall	94	46

f. Sub-component 6 – SOCs

With an overall score of 80 in the index, Equinor (referred as Statoil in the index, as this was published before the name change) ranked fourth in the extractive ranking and third among oil and gas SOCs. The report highlighted that the company's main weaknesses lie in the limited disclosure of commodity sales. At present Equinor lacks rules on the selection of buyers and on the prices at which it should sell its production. Similarly, according to the report the company would also need rules governing how the proceeds from the production sale should be transferred to the government. At the disclosure level, Equinor publishes the value and volume of production sold only in the aggregate and not for each sale. It should be noted that all these issues are also identified in Gazprom, which performs poorly when it comes to commodity sales.

Table 6: Sub-component 6 – SOCs (RGI 2017b and 2017c).

	Equinor	Gazprom
SOC-government transfers rules	100	100
SOC-government transfers disclosure	100	50
SOC financial reporting rules	67	67
SOC non-commercial activity practice	100	0
SOC financial reporting practice	100	100
SOC production disclosure	100	100
Commodity sale rules	25	0
Commodity sale disclosures	25	25
SOC joint ventures and subsidiaries disclosure	80	60
SOC corporate governance practice	100	60
Overall	80	56

Furthermore, both companies show good performances on SOC-government transfers, as in both countries the law specifies the rules governing fiscal transfers between the two parties. However, the index observes that in Russia transfers disclosure is not two-way: in other words, while Gazprom's transferred revenue are publicly available, the government does not disclose how much it gets from the company. While SOCs receive the same score on financial reporting rules (and the report highlights as a weakness that both companies are not required to submit annual reports to the legislature on its activities), their methods differ on non-commercial activity practices, and so does their assessment. In particular and contrary to Equinor, Gazprom engages in non-commercial activities and does not disclose the amount allocated to any of them in Russia and abroad. This may alert on the political and social role that Gazprom plays in those areas where it enjoys a strong commercial presence.

Disclosure is high for both SOCs when it comes to production disclosure, but on joint ventures and subsidiaries the index assesses that Gazprom lies behind when compared to other extractive companies. Issues to be addressed are opacity on costs and revenues related to Gazprom's participation in joint ventures and also on those deriving from its subsidiaries. The first recommendation is also addressed to Equinor. Finally, as another key indicator, the index assesses corporate governance practices in SOCs on two questions: whether the SOE has a publicly

available code of conduct, and whether the majority of the SOC's board of directors is independent of the government. Both SOCs have a publicly available code, but different scores are in fact provided on the second question. While Equinor's board is composed by a majority of independent members, on Gazprom's board, only a few representatives are independent, while most of them are tied to, or part of, the Russian government.

2.3. Analysis: explaining different levels of transparency under state ownership

Evidence from RGI data confirms that Norway is at present a leader in resource transparency. It ranks first in the overall index, including other governance indicators, and appears to be particularly strong in most of the transparency-related sub-components. The country has paid special attention to the local impact of its extractive actions and developed sound legal requirements to deal with environmental concerns. Despite a weaker performance in licensing, Norway is one of the six countries of the index requiring and efficiently disclosing information on tax and other payments of extractive companies to governments. Data are also disaggregated company to company and by payment type. The index stresses that this outcome is the result of both EITI membership and the adoption of a 2014 stricter regulation on payments to governments. On the SOC level, Equinor's performance on transparency appears to be as strong as that of the government. The company ranks fourth in the index and demonstrates "good practice in financial reporting and transparency about government transfers, production, and subsidiaries" (RGI 2017b). This provides a first important finding: when a government ensures high levels of transparency, the SOC also does so. As such, the domestic context in which a SOC operates seems to greatly affect its disclosure performance.

To further test this finding, one can look at Russia's and Gazprom's performances on transparency. Overall, Russia's disclosure in the extractive sector is ranging from weak to very weak across the different sub-components. In light of its spectacular levels of inequality, even compared to other countries of the Eurasian region, the RGI remarks a "troubling absence of transparency" (RGI 2017c) around public officials' holdings in extractive companies and companies' payments to the government. On the National Wealth Fund, the limited oversight by auditors or the Parliament could further weaken disclosure of information, while the fund itself lacks clear rules on a number of points. Similarly, concerns are raised on opacity regarding Gazprom's non-commercial activities and on board members' governmental ties. Gazprom's overall score seems to confirm that where governments perform badly in terms of transparency, SOCs are not exempt from bad performance.

Bearing in mind scholars' assumptions on the detrimental correlation between state ownership and transparency, while Russia seems to confirm their concerns, Norway's case shows that the concentration of wealth, as it occurs under state ownership, can also enrich the state and lead to strong transparency mechanisms, even stronger than in other different ownership structures, as the report suggests. Therefore, if state ownership is unable to explain such different levels of transparency in Norway and Russia, one should look at other factors.

In recent years, increasing attention has been paid to the features of the Norwegian extractive sector, as well as to its potential implementation in resource-rich developing countries. Thurber et al. note that transparency in the Norwegian separation model improves "the ability of the

government to monitor and benchmark both the NOC and other players in the sector, thereby improving performance” (2011, 3), and reduces any conflict of interest. While such a model accounts for a possible explanation, it has also been stressed that its effectiveness may be undermined by the overall political and institutional context, given that “a formal regulator [...] may be powerless in practice and vulnerable to NOC political lobbying and other forms of agency capture” (ibid.). The case of Russia may be used for this purpose. While a formal separation exists and is highlighted by the RGI, and the Federal Tariff Service has a clear regulatory role for Gazprom, Grigoryev notes, “in essence Gazprom is a quasi-ministry that is regulating itself” (2007, 3041). Also, Thurber et al. (2011) remark that Russia has low institutional quality and low political competition, and that these factors account for the failure of the separation model.

As a matter of fact, the separation of functions can become a crucial gateway to enhance transparency only when excellent public management is already in place. In this respect, scholars (Stiglitz 2002; Melhum et al. 2006) have pointed out that this is crucial in the resource sector. Thurber et al. have also added that institutional quality, coupled with political competition, “as the possibility that an executive and his or her political faction will lose power” (2011, 4), are the factors leading to an effective separation model. In this view, transparency is not only an outcome; rather, transparent state institutions enhance greater transparency in the resource sector.

To provide some insights on institutional quality in Norway and Russia, one could refer to data from Worldwide Governance Indicators (WGI), a research dataset summarizing the views on governance quality through six dimensions: voice and accountability, government effectiveness, regulatory quality, rule of law, control of corruption, and political stability. While scholars have highlighted a number of weaknesses in the dataset (see Apaza 2009), including the fact that the overall study is based on perceptions, the WGI can nevertheless be useful to get a snapshot, albeit imperfect, of countries’ governance performance.

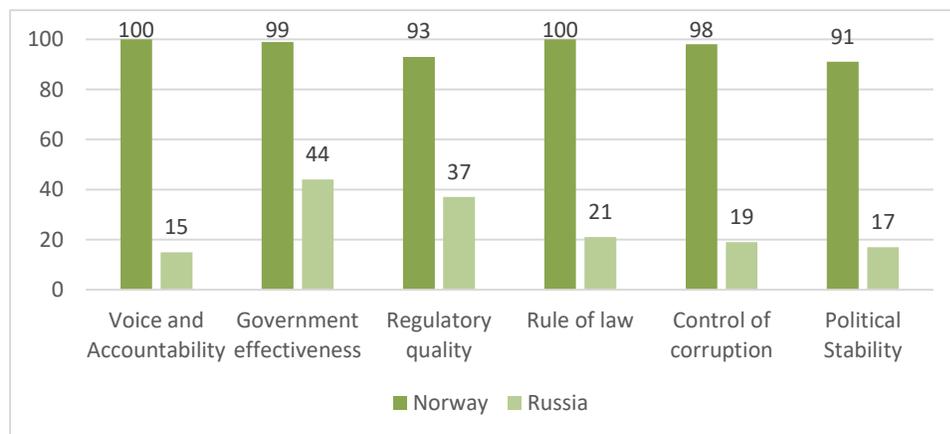


Figure 3: Percentile rank among all countries (ranges from 0 (lowest) to 100 (highest) rank). Data from Worldwide Governance Indicators (WGI) project.

Data from figure 3 suggest that Norway’s extractive sector greatly benefits from a strong enabling environment, with high scores for all indicators. When compared with those of Russia, data seems to confirm that institutional capacity deserves a closer look in commodity-rich countries in order to enhance transparency and escape the resource curse. One should also remark that Moscow’s

specific features further complicate the picture, as “Russia’s strong vertical integration of political power reduces the space for any bottom-up transparency initiatives” (Belyi and Greene 2012, 2). In addition to the strong connection between the executive and the industry, and as the WGI score on ‘voice and accountability’ may suggest, Russia’s civil society influence on transparency issues is significantly limited and “the lack of political opposition contributes to the opacity of the relationship between the extractive industry and political power” (ibid.). The key role of the industry for the executive at both domestic and international levels, coupled with Russia’s authoritarian features since President Putin’s rise to power, indicate that opacity, rather than transparency, is a strategic feature of Russian state ownership.

Conclusion

This paper attempted to demonstrate that state ownership in the resource sector is not always associated with opacity. While scholars’ cautions seem valid on Russian ownership structure and confirm the need for a deeper look at state ownership as a variable and not a constant (Luong and Weinthal 2006b), in some cases, such as Norway, state control over resources has led to improved performance and enhanced transparency. In this respect, this paper nuances those conclusions and stresses that the features of state ownership should be more investigated, and namely states’ capacity to effectively implement a separation of policy, commercial, and regulatory functions. Also, this paper shares scholars’ focus (Stiglitz 2002; Melhum et al. 2006; Thurber et al. 2011; Khanna 2017) on the broader institutional and political framework within which state ownership is designed.

To paraphrase a famous expression of the resource literature, this paper highlights the absence of a ‘state ownership curse’. As much as Norway did in the 1970s, a number of resource-rich countries have retained control over resources and successfully committed themselves to strengthen their institutions (Stiglitz 2002; Thurber et al. 2011). If the effect of commodity wealth on transparency differs across state ownership structures, future studies should take into account not only state ownership, but also those institutional conditions under which commodity-rich countries can enjoy enhanced transparency and ultimately improve their political and economic outcomes. Finally, to further test the correlation between ownership and transparency, other scholars could also analyse levels of disclosure under private ownership and assess whether privatisations produce a change in transparency and ultimately allow resource-rich countries to escape the curse.

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