

# State of Resource Governance in Asia Pacific

Findings from the 2017 Resource Governance Index

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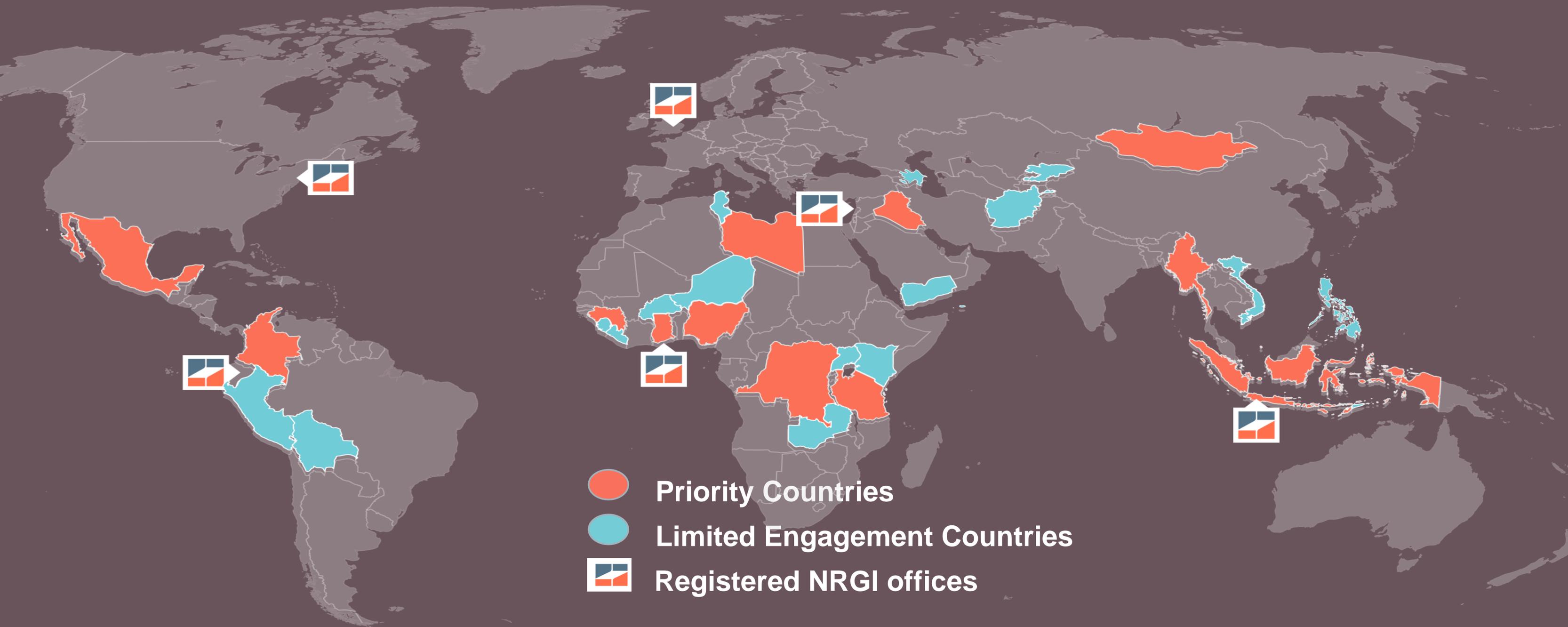
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Natural Resource Governance Institute



Natural  
Resource  
Governance  
Institute

Oil, gas and mining for development

# Where NREGI works



-  Priority Countries
-  Limited Engagement Countries
-  Registered NREGI offices

# The Natural Resource Charter Decision Chain



DOMESTIC  
FOUNDATIONS  
FOR RESOURCE  
GOVERNANCE

INTERNATIONAL  
FOUNDATIONS  
FOR RESOURCE  
GOVERNANCE

Discovery and  
deciding to  
extract

Getting a  
good deal

Managing  
revenues

Investing for  
sustainable  
development

PRECEPT 1  
Strategy,  
consultation and  
institutions

PRECEPT 2  
Accountability and  
transparency

PRECEPT 3  
Exploration and  
license allocation

PRECEPT 4  
Taxation

PRECEPT 5  
Local effects

PRECEPT 6  
Nationally owned  
resource  
companies

PRECEPT 7  
Revenue distribution

PRECEPT 8  
Revenue volatility

PRECEPT 9  
Government  
spending

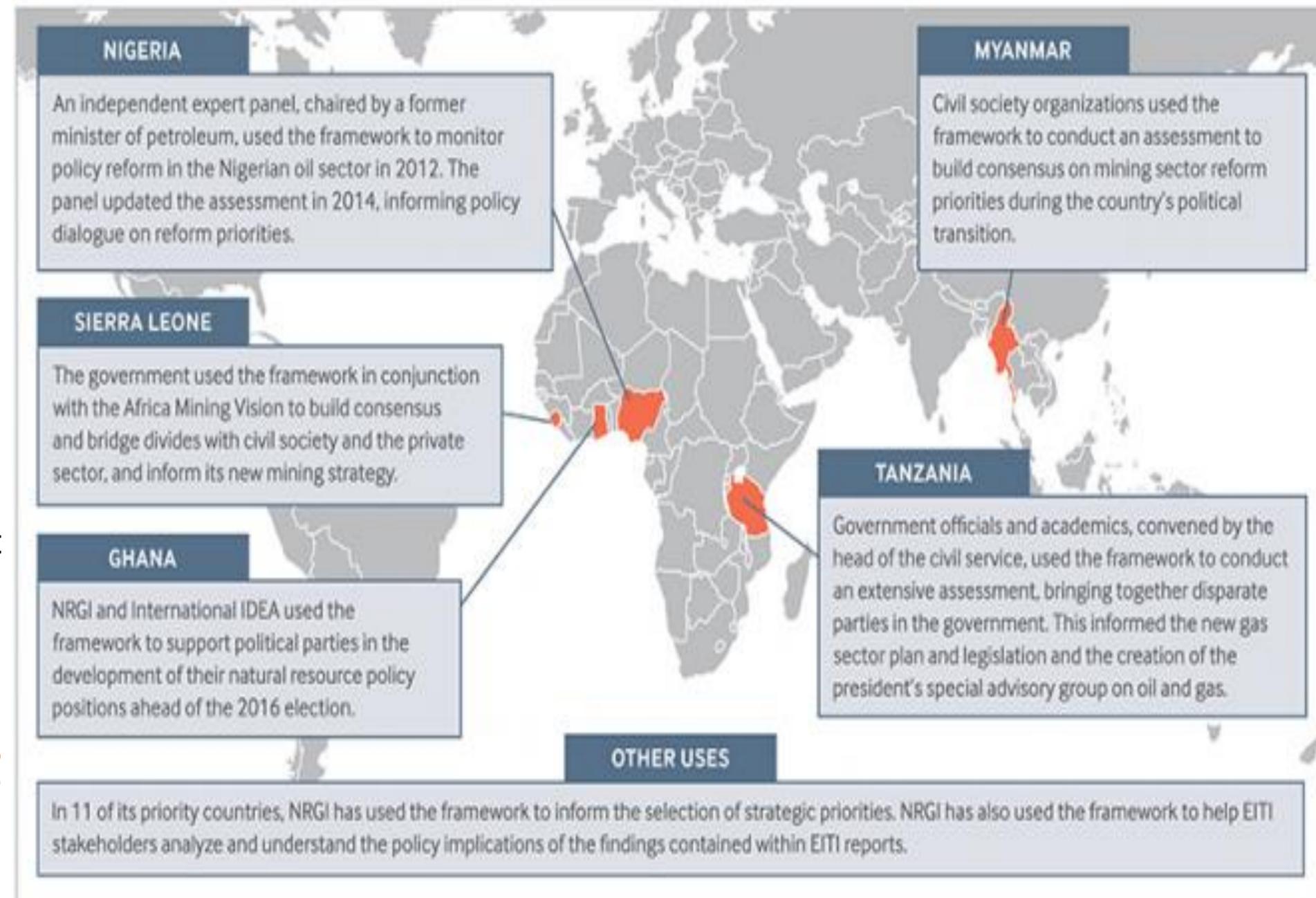
PRECEPT 10  
Private sector  
development

PRECEPT 11  
Roles of  
multinational  
companies

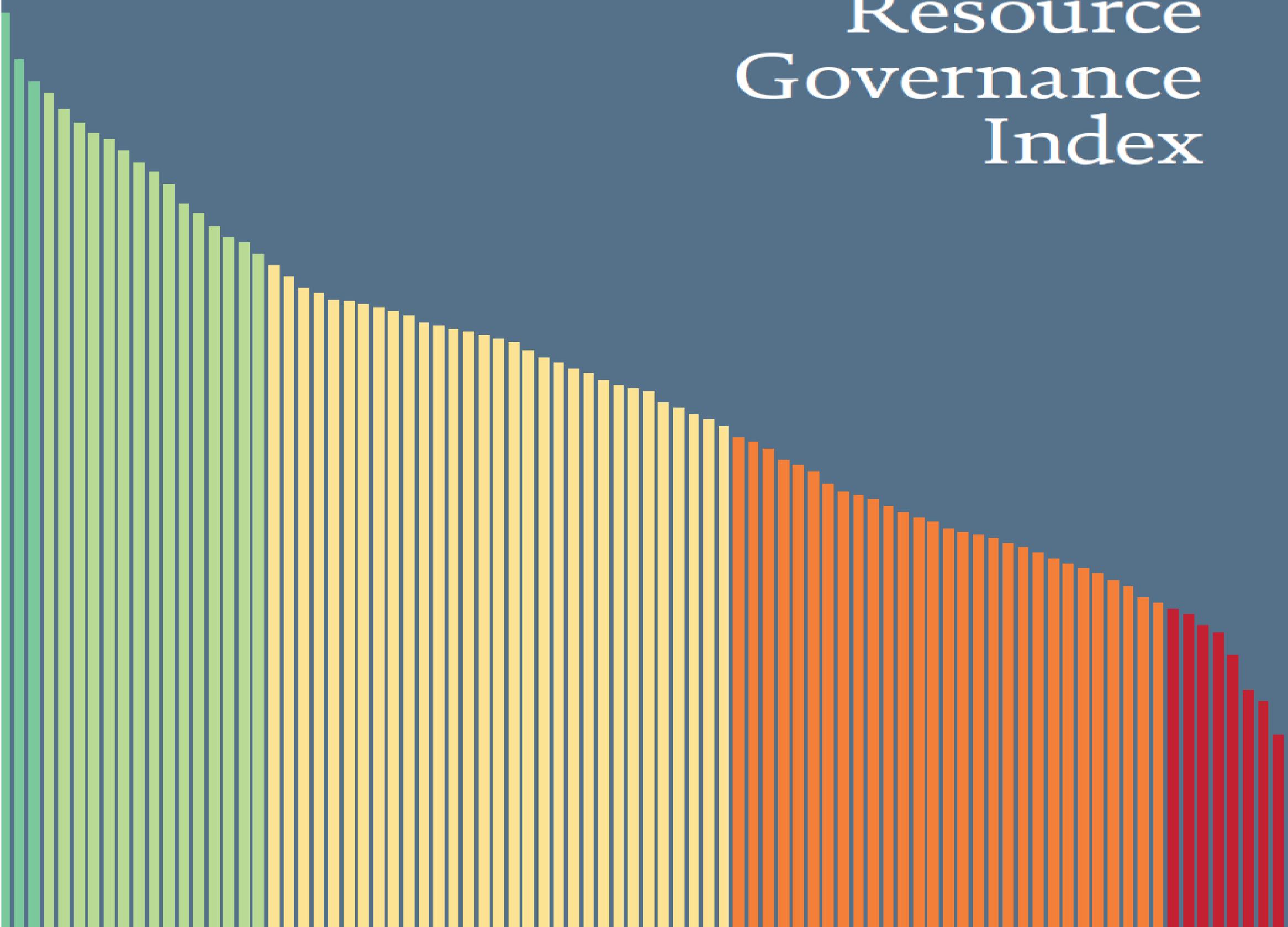
PRECEPT 12  
Role of  
international  
community

# Why use the Natural Resource Charter?

- A **tool for benchmarking** a country's management of oil, gas and minerals against global best practice
- Contains **a series of questions** that decision-makers and other stakeholders can use to structure research and strategic planning.
- Has **12 precepts** (eg. [Taxation and other company payments](#)) with guidance notes and explanation of concepts and practices
- **Diverse set of uses** (desk research, training curricula, producing primary research, cross-stakeholder dialogue, and evaluations of government strategy and its implementation)
- Assesses **priorities**, helps build **consensus**, and bridge **divides**
- We've **come a long way**, but there's a **long way to go**. Need to innovate.



# 2017 Resource Governance Index



# What is the RGI?

The only international index dedicated to the measurement of governance of extractive resources

## Objectives of the RGI

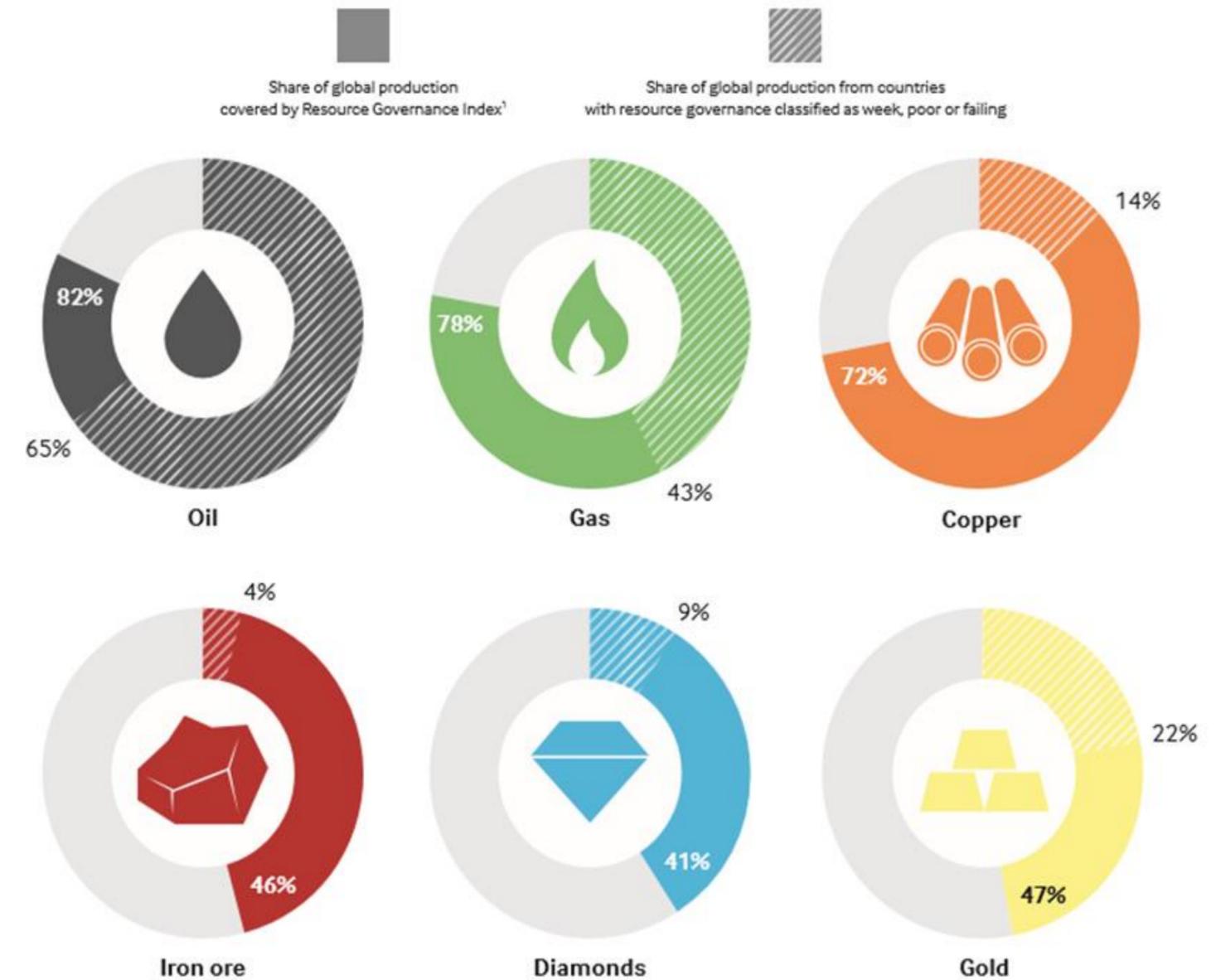
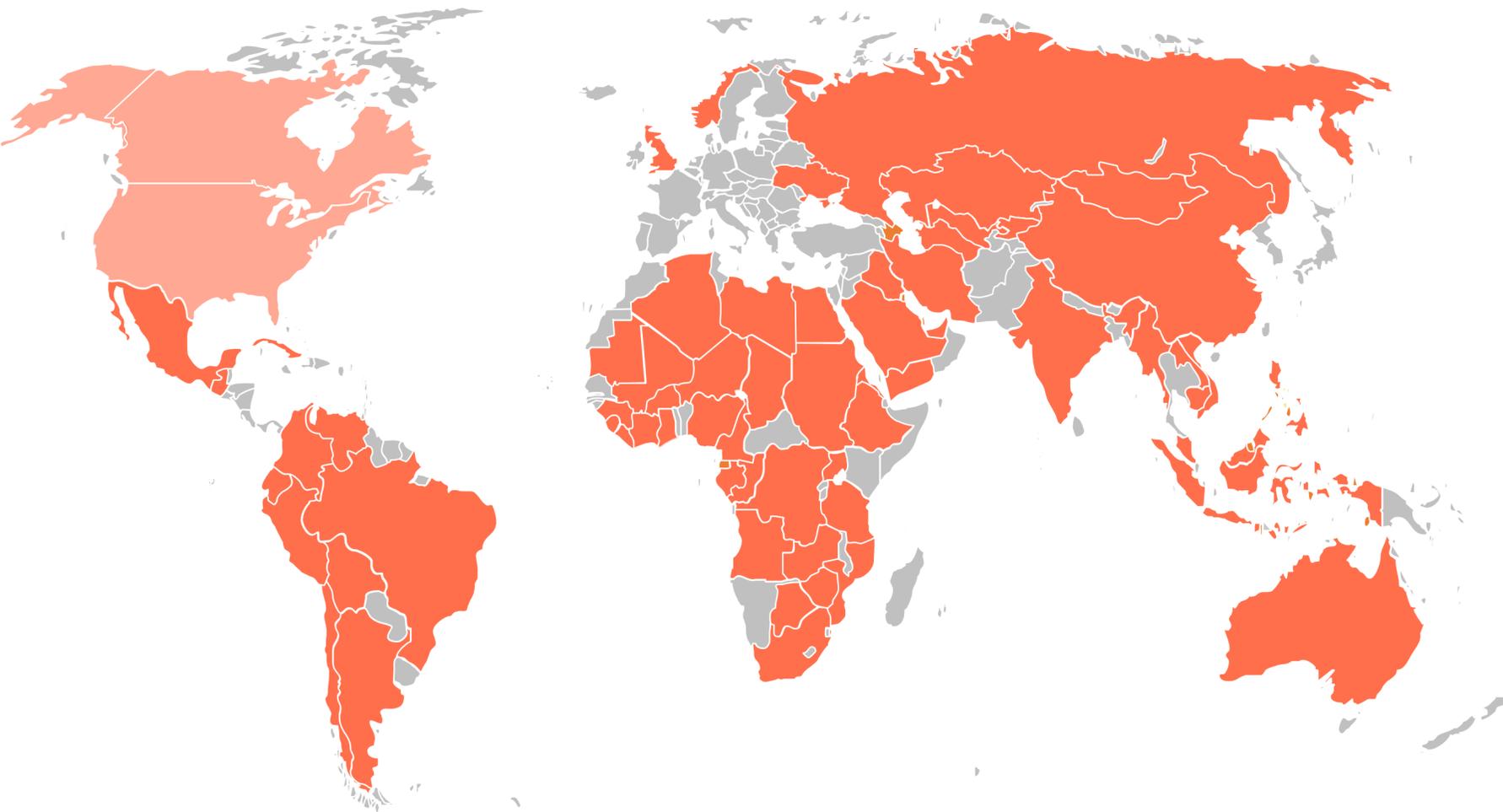
- Raise global awareness of **governance challenges** in the extractive sector
- Encourage **informed global dialogue** about extractives governance
- Ensure **better policy choices** by governments and parliaments, based on the use of high-quality data
- Further **multi-stakeholder dialogue** with civil society, academia and private sector

## What's unique about the RGI

- Bespoke expert-designed questionnaire
- One year of primary **data collection by 150 consultants**, 10,000 supporting documents
- Allows policymakers, civil society and experts to **benchmark countries** against best practice, global leaders, regional or other peers
- Enables **focusing efforts of governance reform** by identifying gaps

# 81 resource-producing countries

- 6 billion people, account for  $\frac{3}{4}$  of world's population; 1.8 billion poor
- 82% of global oil production
- 78% of global gas production
- 72% of global copper production
- Among other commodities



<sup>1</sup> Only accounts provincial production for United States of America (Gulf of Mexico), Canada (Alberta), Australia (Western). Includes all minerals of an assessment that covers the mining sector; does not include oil and gas production of mining sector assessment and minerals production of oil and gas sector assessment

# MINING IN THE PHILIPPINES

2015 PH-EITI Report (reflecting 2013 data)



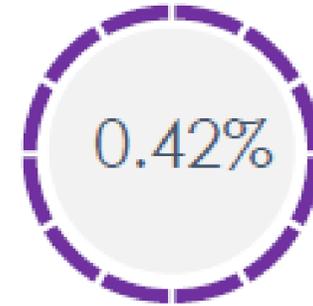
5<sup>th</sup>

**Most Mineralized  
Country in the  
World**

In terms of ratio to land area

3<sup>rd</sup>

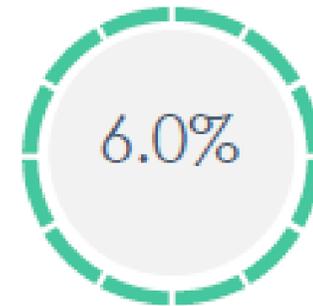
**Biggest Gold  
Reserves**



Of Gross Domestic Product

4<sup>th</sup>

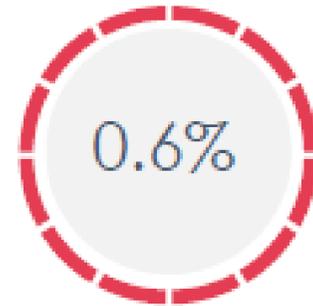
**Biggest Copper  
Reserves**



Of Total Exports

5<sup>th</sup>

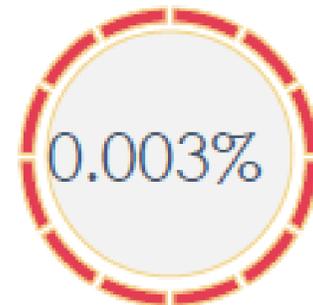
**Biggest Nickel  
Reserves**



Of Total Employment

1<sup>st</sup>

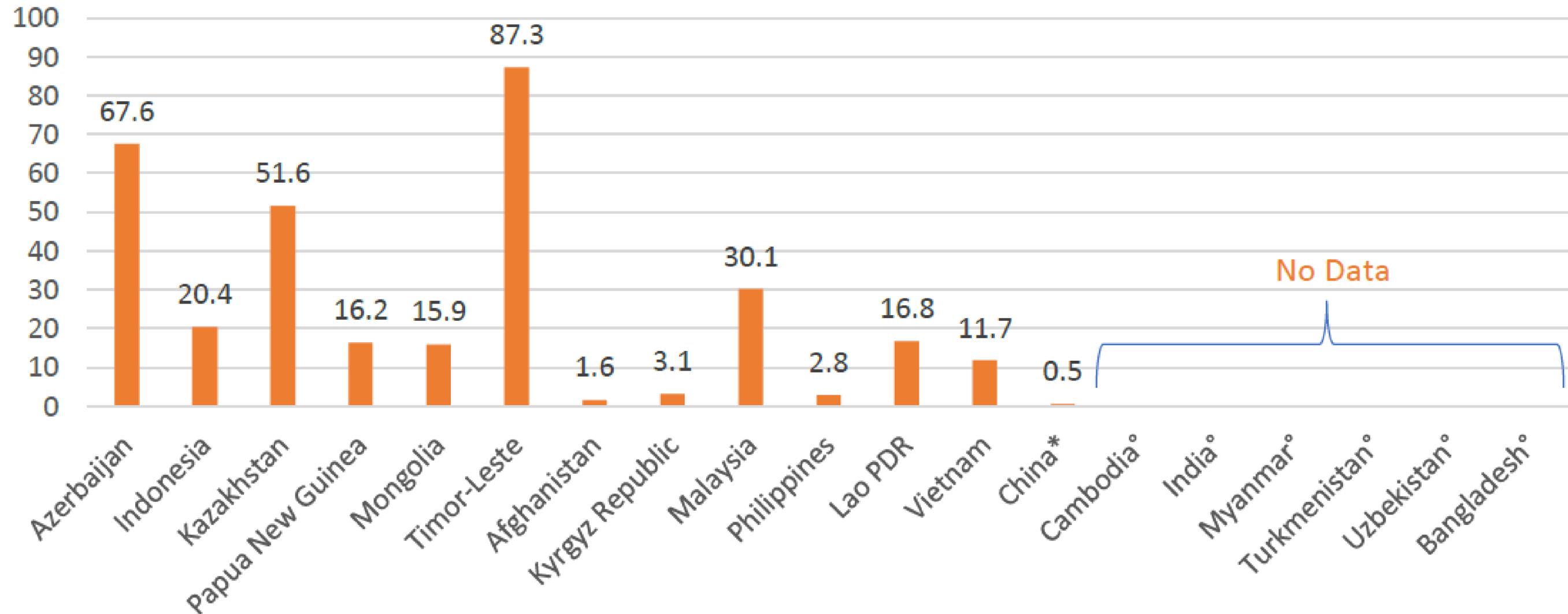
**Top Nickel  
Exporter (2013)**



Of Total Government Revenues

# 78 of these countries

- Raised over USD 1.2 trillion in resource revenue in 2014
- In that year, Asia Pacific generated USD 109 billion.



# Extractive revenues in SE Asian countries

	Oil & Gas	Minerals	Total	State revenue share
<b>Philippines</b>	848,868,405	217,695,264	1,066,563,670	2.4%
<b>Myanmar</b>	2,568,993,000	442,290,000	2,568,993,000	23.6%
<b>Indonesia</b>	26,250,000,000	2,874,615,385	29,124,615,385	33.0%

# What does the RGI measure?

## Measured in the RGI

### *Governance defined as transparency and accountability*

- Existence of rules, laws or policies and actual practices related to disclosure of information, transparency, and oversight
- Issues that are comparable across countries and sectors

*Are tax rates disclosed in laws?*

## Cannot be measured in the RGI

### *Policy outcomes*

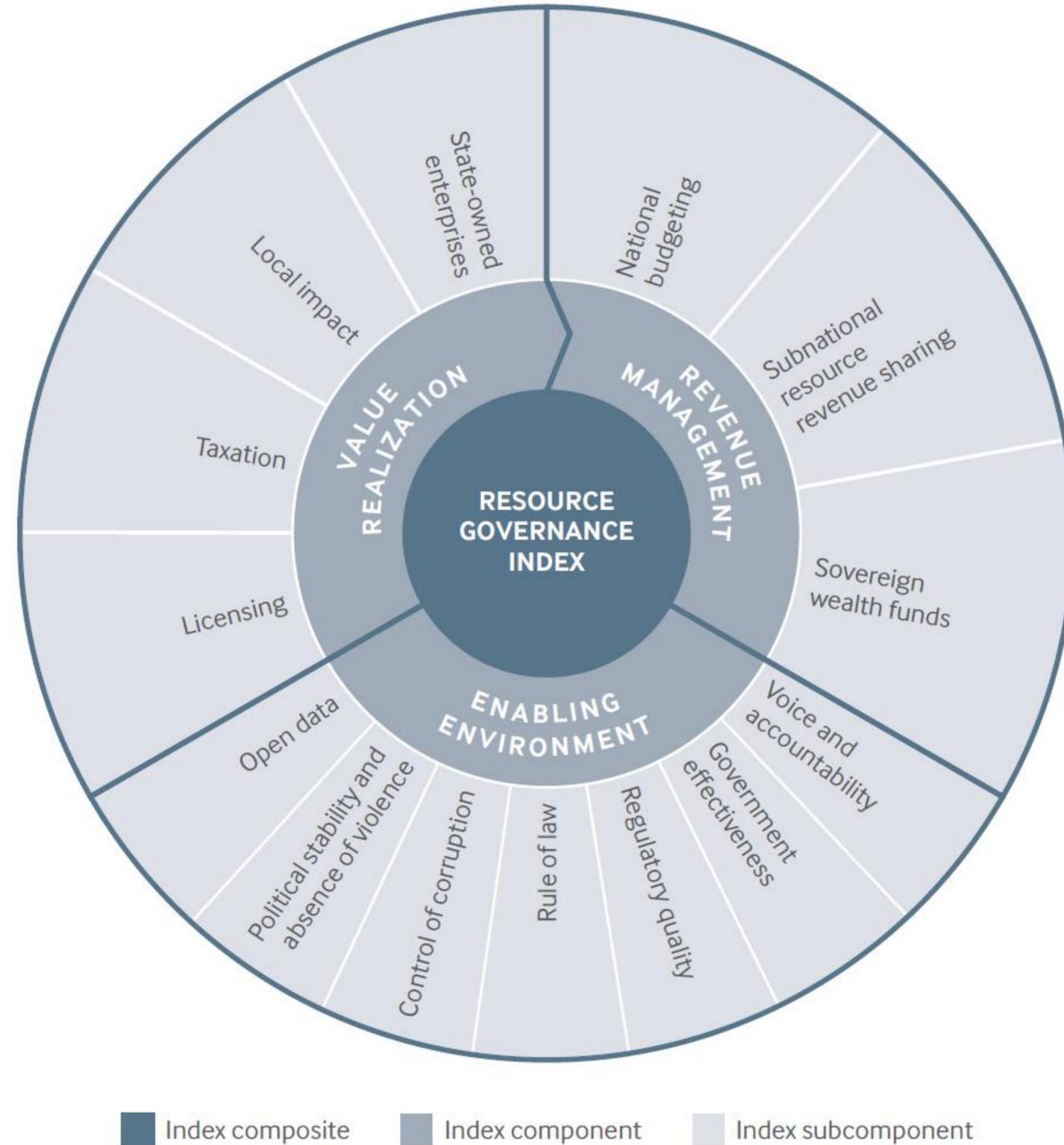
- Quality, success or appropriateness of policies
- Context-based, or that require subjective judgement

*Do fiscal regimes realize the full value of the resource consistent with attracting investment?*

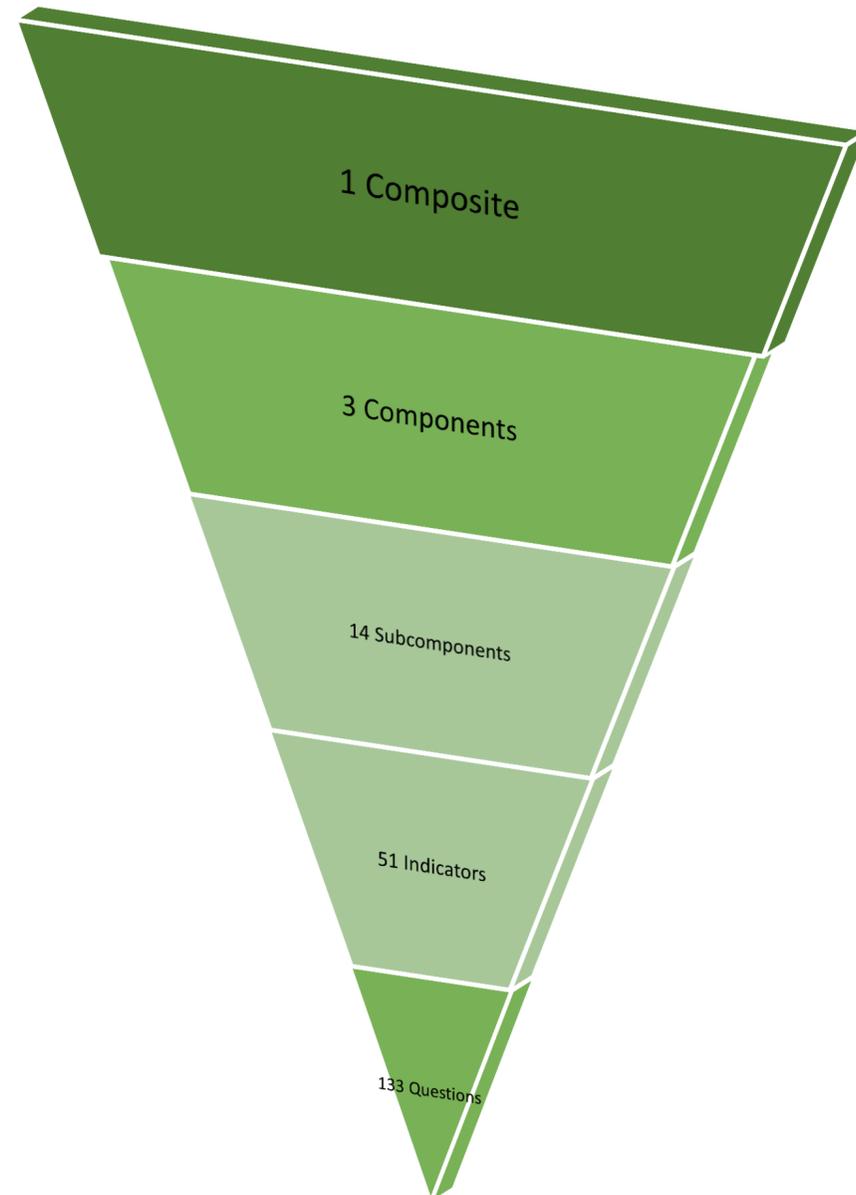
*Are there good working relationships between all stakeholders within affected communities?*

*Is the government's spending and borrowing sustainable?*

# 2017 Resource Governance Index: Structure & Components



# Scoring and organization of results



The 2017 RGI is made up of **five different levels of information**.

## ***Questions***

133 scored questions are used in the calculation of the index. Letter criteria assigned a numerical score on a scale of 0-100.

## ***Indicators***

Indicators are comprised of either one or multiple questions. Individual question scores are averaged to produce the indicator score.

## ***Subcomponents***

Each subcomponent is the simple average of all the indicators it contains.

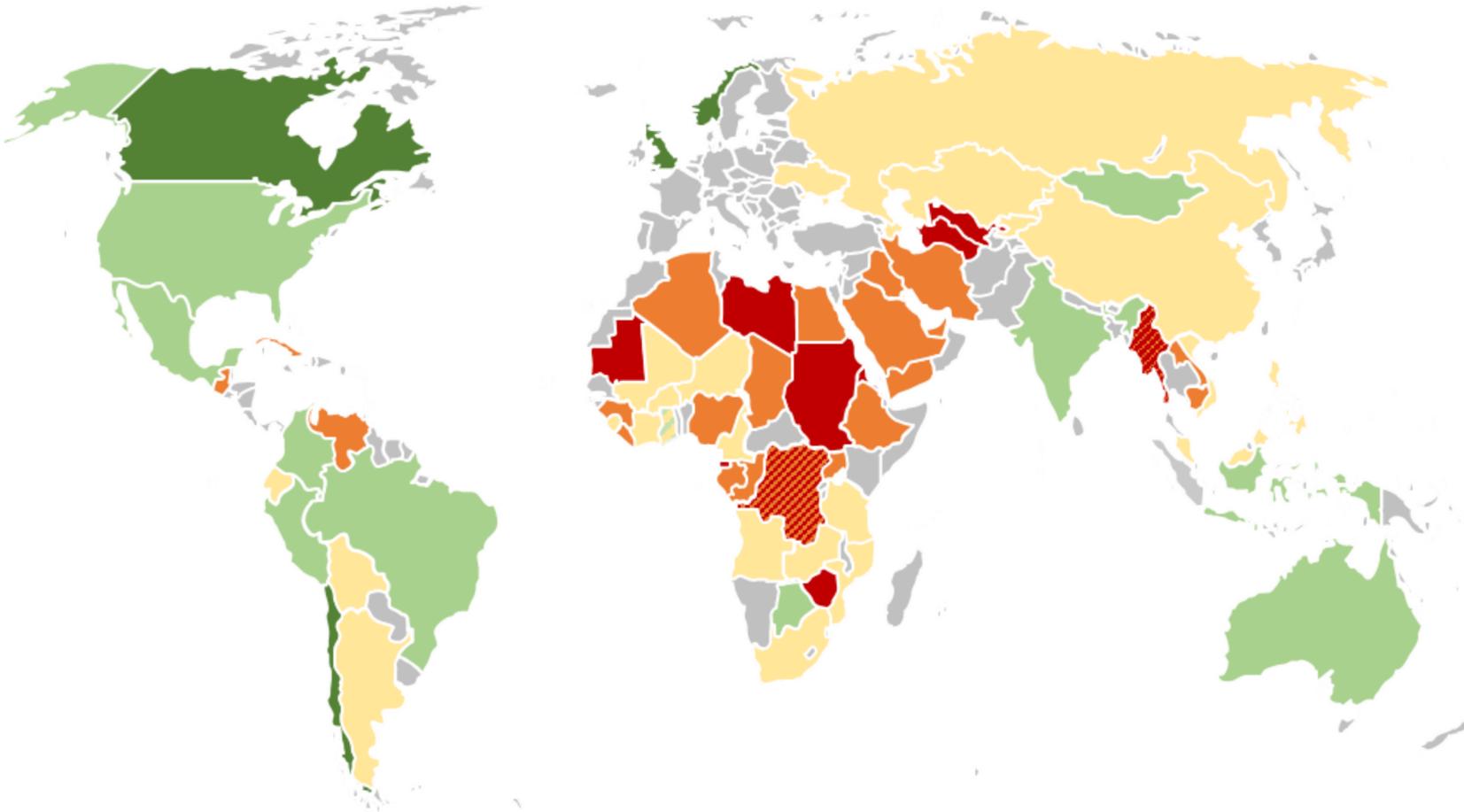
## ***Components***

Each component is the simple average of all the subcomponents it contains.

## ***Composite***

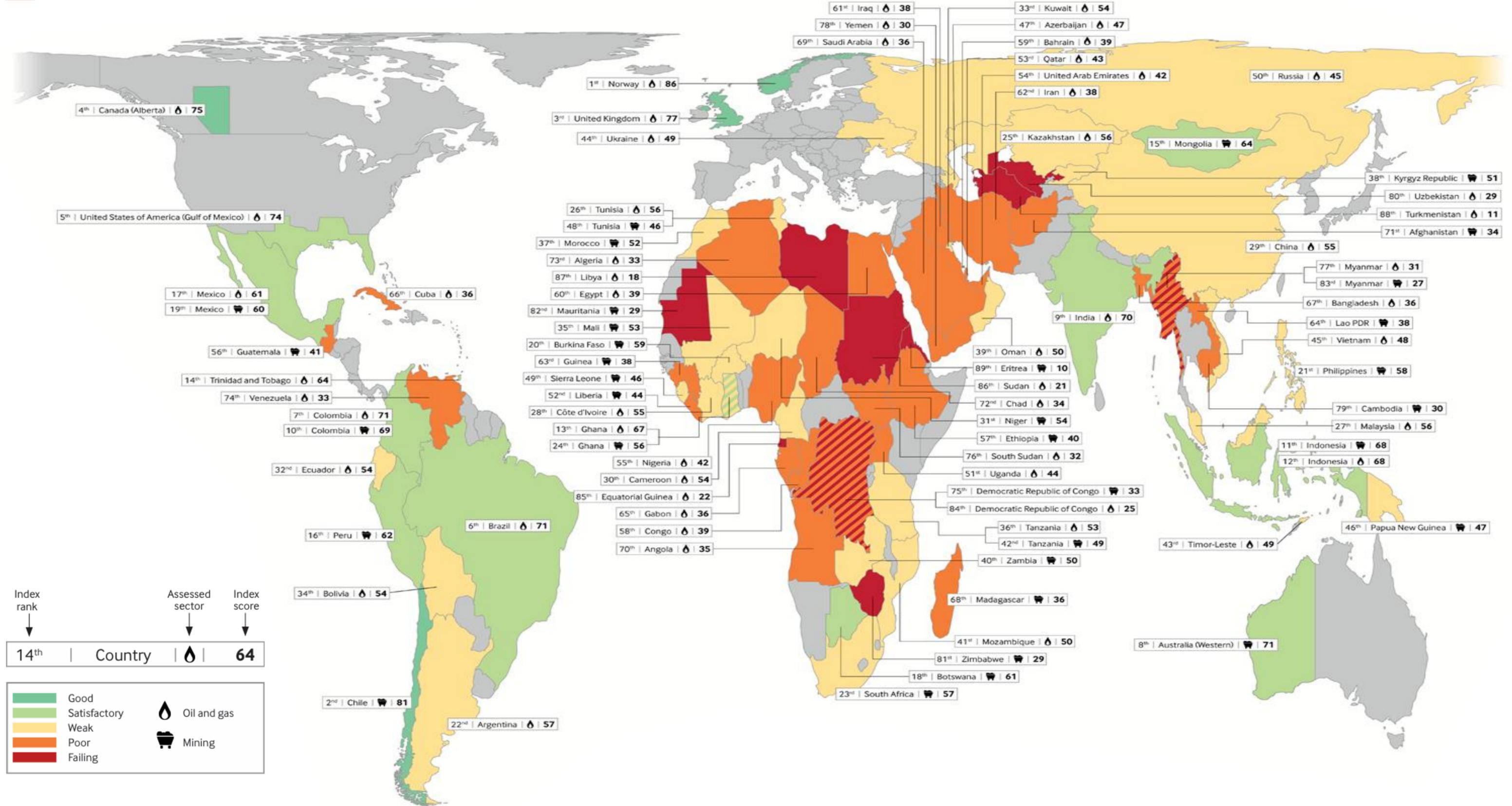
The RGI score is an average of each component score.

# Performance bands group similarly performing countries together

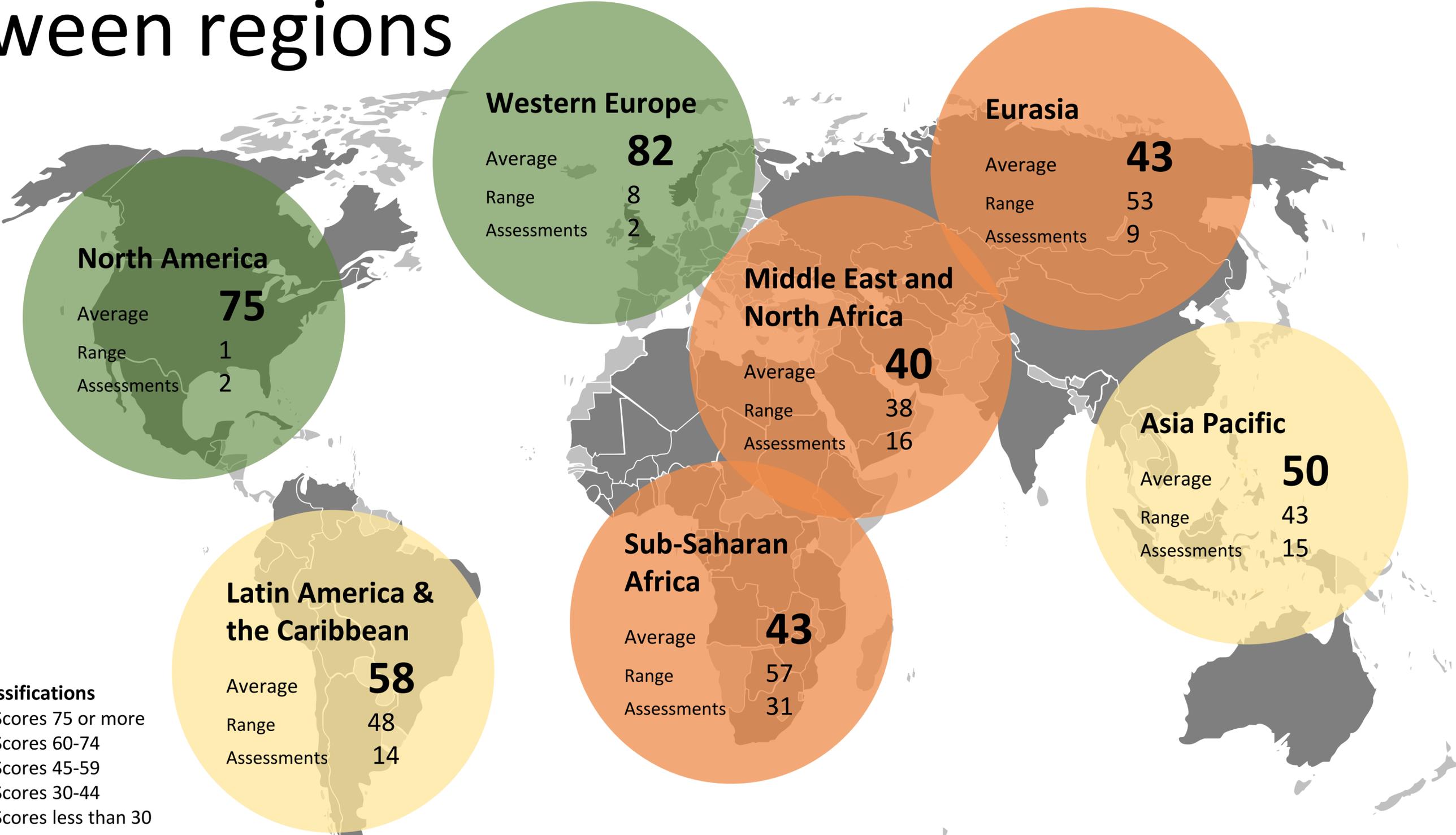


<b>Good</b>	≥75	A country has established laws and practices that are likely to result in wealth from extractive resources benefiting citizens, although there may be some costs to society.
<b>Satisfactory</b>	60-74	A country has some strong governance policies and practices, but some areas need improvement. It is likely to result in extractive resource wealth benefiting citizens, but there may be costs to society.
<b>Weak</b>	45-59	A country has a mix of strong and problematic areas of governance. Results indicate that while resource extraction could eventually result in extractive resource wealth benefiting citizens, it is likely that such benefits are currently weak.
<b>Poor</b>	30-44	A country has established some selective and minimum procedures and practices to govern resources, but most elements necessary to result in extractive resource wealth benefiting citizens are missing.
<b>Failing</b>	<30	A country has almost no governance framework to result in extractive resource wealth benefiting citizens. It is highly likely that any benefits flow mostly to some companies and the elite.

# The 2017 Resource Governance Index



# Resource governance differs significantly between regions



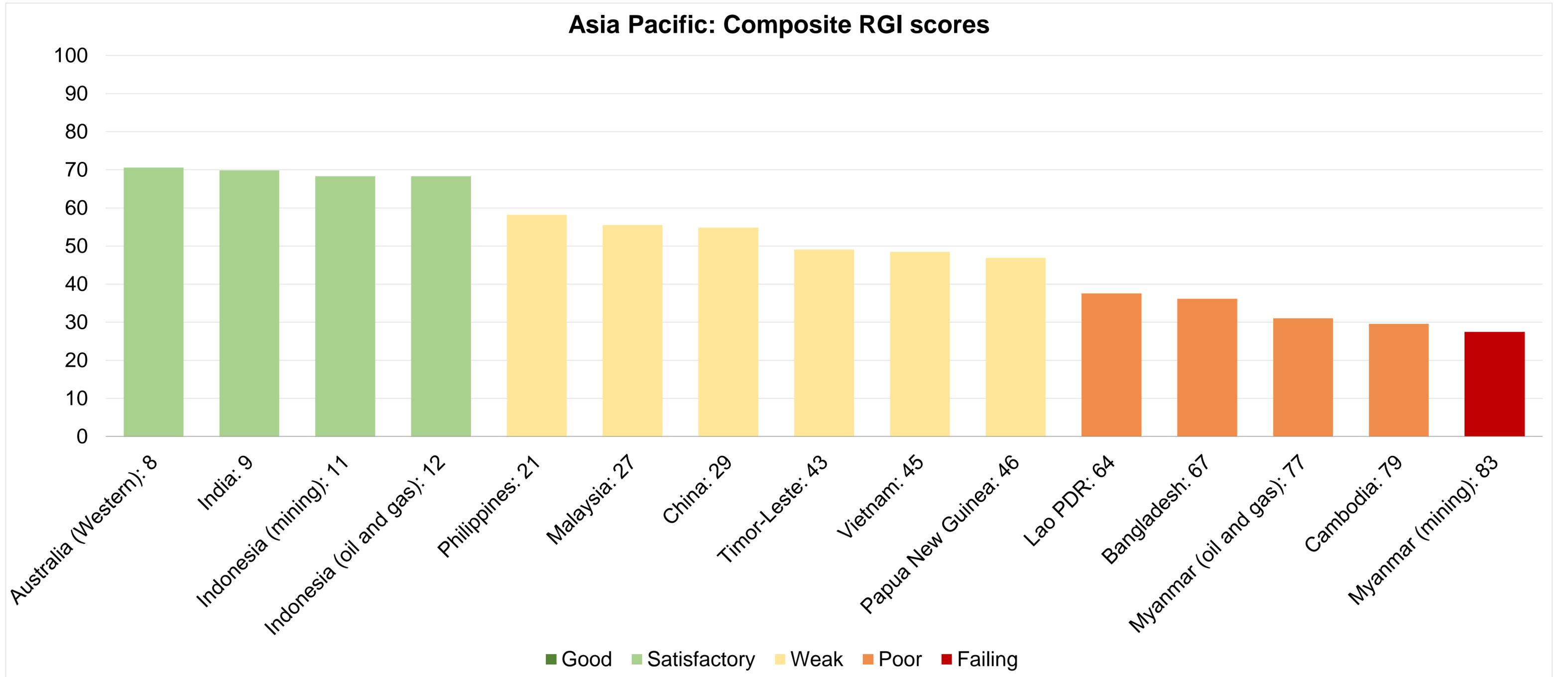
**Performance classifications**

<b>Good</b>	Scores 75 or more
<b>Satisfactory</b>	Scores 60-74
<b>Weak</b>	Scores 45-59
<b>Poor</b>	Scores 30-44
<b>Failing</b>	Scores less than 30

# Asia Pacific RGI results in the global context

Region / Average score	Eurasia	Middle East and North Africa	Sub-Saharan Africa	Latin America	Asia Pacific	Northern America	Western Europe	RGI sample
Resource Governance Index	43	40	43	58	50	75	82	48
<b>Value realization</b>	49	40	48	57	51	68	74	50
Licensing	39	27	38	44	33	52	55	37
Taxation	55	57	64	66	60	83	89	62
Local Impact	50	31	50	54	56	70	74	49
State-owned enterprises	51	44	39	68	58	.	80	49
<b>Revenue management</b>	38	31	41	57	46	61	76	43
National budgeting	33	28	42	58	46	50	73	43
Subnational resource revenue sharing	56	54	43	54	55	57	.	50
Sovereign wealth funds	50	34	31	72	64	88	90	49
<b>Enabling environment</b>	42	50	39	60	53	95	96	49
Voice and accountability	36	37	48	68	53	96	97	51
Government effectiveness	46	56	32	64	57	96	98	50
Regulatory quality	44	53	40	59	54	95	97	51
Rule of law	38	59	41	52	54	96	97	50
Control of corruption	30	60	40	58	55	95	98	50
Political stability and absence of violence	44	42	44	53	52	95	93	49
Open data	59	42	28	65	45	95	93	45

# Wide range of governance in Asia Pacific



# Country illustration of index scores: Indonesia (mining)

Score: 68 / 100 Rank: 11 / 89

LAW: 80 PRACTICE: 61

## VALUE REALIZATION

64

## REVENUE MANAGEMENT

76

## ENABLING ENVIRONMENT

65

LICENSING	37	TAXATION	84	LOCAL IMPACT	58	STATE-OWNED ENTERPRISES	78
RESERVES DISCLOSURE	77	PRODUCTION DISCLOSURE	67	EIA/SIA RULES	100	SOE-GOVERNMENT TRANSFERS RULES	100
CADASTER	0	EXPORT DISCLOSURE	60	EIA/SIA DISCLOSURE	0	SOE-GOVERNMENT TRANSFERS DISCLOSURE	100
PRE-LICENSING ROUND RULES	75	COMPANY PAYMENT RULES	100	ENVIRONMENTAL MITIGATION PLAN RULES	100	SOE FINANCIAL REPORTING RULES	67
PRE-LICENSING ROUND PRACTICE	0	COMPANY PAYMENT DISCLOSURE	100	ENVIRONMENTAL MITIGATION PLAN DISCLOSURE	0	SOE NON-COMMERCIAL ACTIVITY PRACTICE	50
POST-LICENSING ROUND RULES	75	TAXATION RULES	75	ENVIRONMENTAL COMPLIANCE RULES	100	SOE FINANCIAL REPORTING PRACTICE	100
POST-LICENSING ROUND PRACTICE	67	TAX AUTHORITY RULES	100	ENVIRONMENTAL COMPLIANCE PRACTICE	.	SOE PRODUCTION DISCLOSURE	100
FINANCIAL INTEREST DISCLOSURE RULES	75	TAX AUTHORITY PRACTICE	100	COMPENSATION TO LAND USERS AND OWNERS RULES	50	COMMODITY SALE RULES	25
FINANCIAL INTEREST DISCLOSURE PRACTICE	0	EITI AFFILIATION AND REPORTING	70			COMMODITY SALE DISCLOSURES	38
CONTRACT DISCLOSURE RULES	0					SOE JOINT VENTURES AND SUBSIDIARIES DISCLOSURE	100
CONTRACT DISCLOSURE	0					SOE CORPORATE GOVERNANCE PRACTICE	100

NATIONAL BUDGETING	80	SUBNATIONAL RESOURCE REVENUE SHARING	73	SOVEREIGN WEALTH FUNDS	.
ONLINE DATA PORTAL	0	SUBNATIONAL TRANSFER AGENCY RULES	100	SWF DEPOSIT AND WITHDRAWAL RULES	.
FISCAL RULES	100	SUBNATIONAL TRANSFER RULES	100	SWF DEPOSIT AND WITHDRAWAL PRACTICE	.
FISCAL RULE PRACTICE	100	SUBNATIONAL TRANSFER DISCLOSURE	67	SWF INVESTMENT RULES	.
NATIONAL BUDGET DISCLOSURE	100	SUBNATIONAL TRANSFER AUDIT RULE	100	SWF INVESTMENT PRACTICE	.
NATIONAL DEBT DISCLOSURE	100	SUBNATIONAL TRANSFER AUDIT PRACTICE	100	SWF FINANCIAL REPORTING RULES	.
				SWF FINANCIAL REPORTING PRACTICE	.

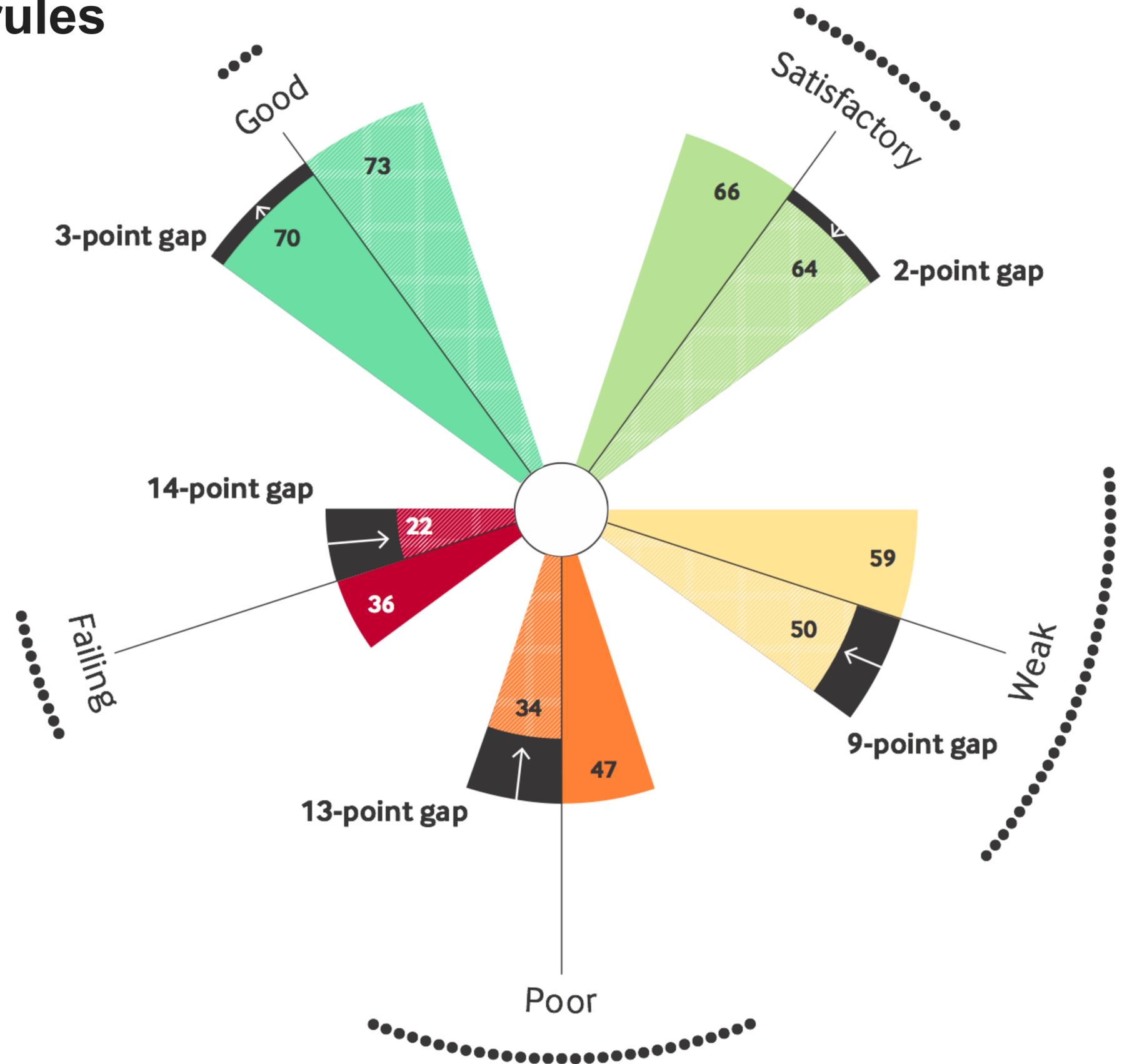
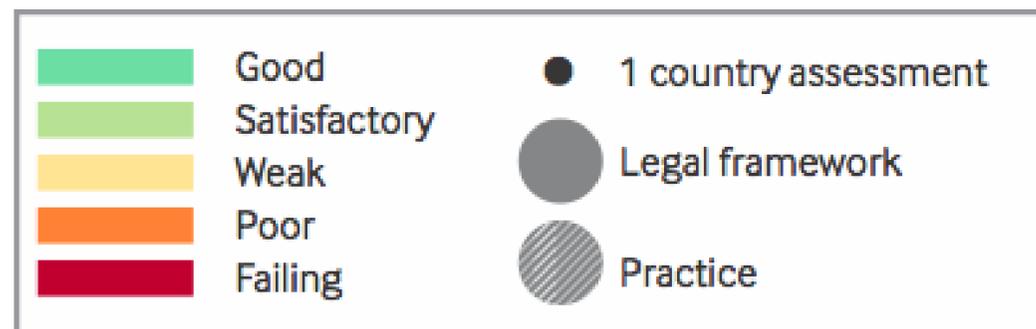
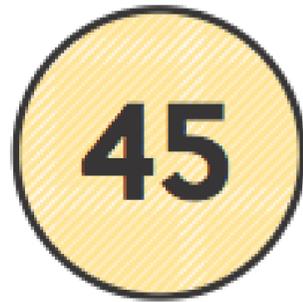
VOICE AND ACCOUNTABILITY	78
GOVERNMENT EFFECTIVENESS	62
REGULATORY QUALITY	70
RULE OF LAW	63
CONTROL OF CORRUPTION	63
POLITICAL STABILITY AND ABSENCE OF VIOLENCE	46
OPEN DATA	69
OPEN DATA INVENTORY	60
OPEN DATA BAROMETER	69
OPEN DATA INDEX	78

# Countries don't follow their own rules

Legal framework average score

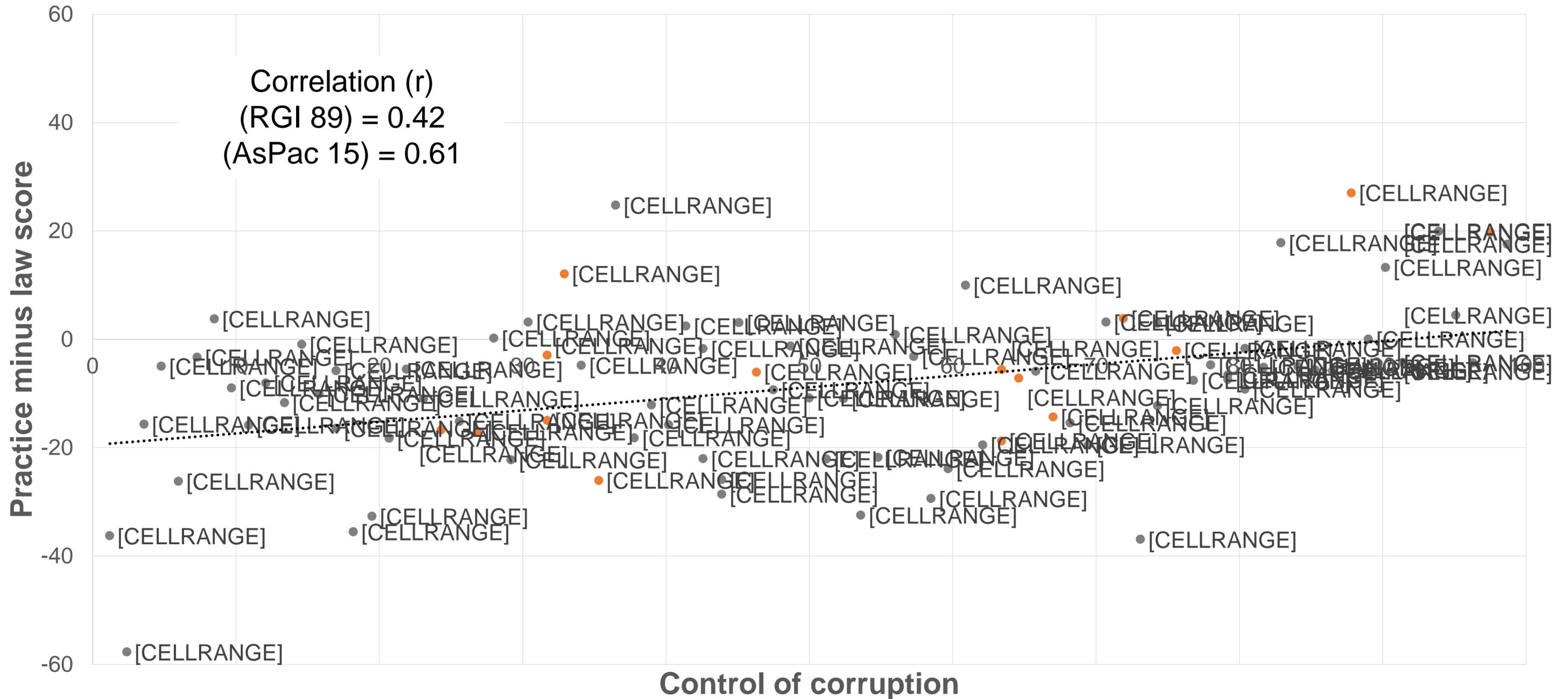


Practice average score



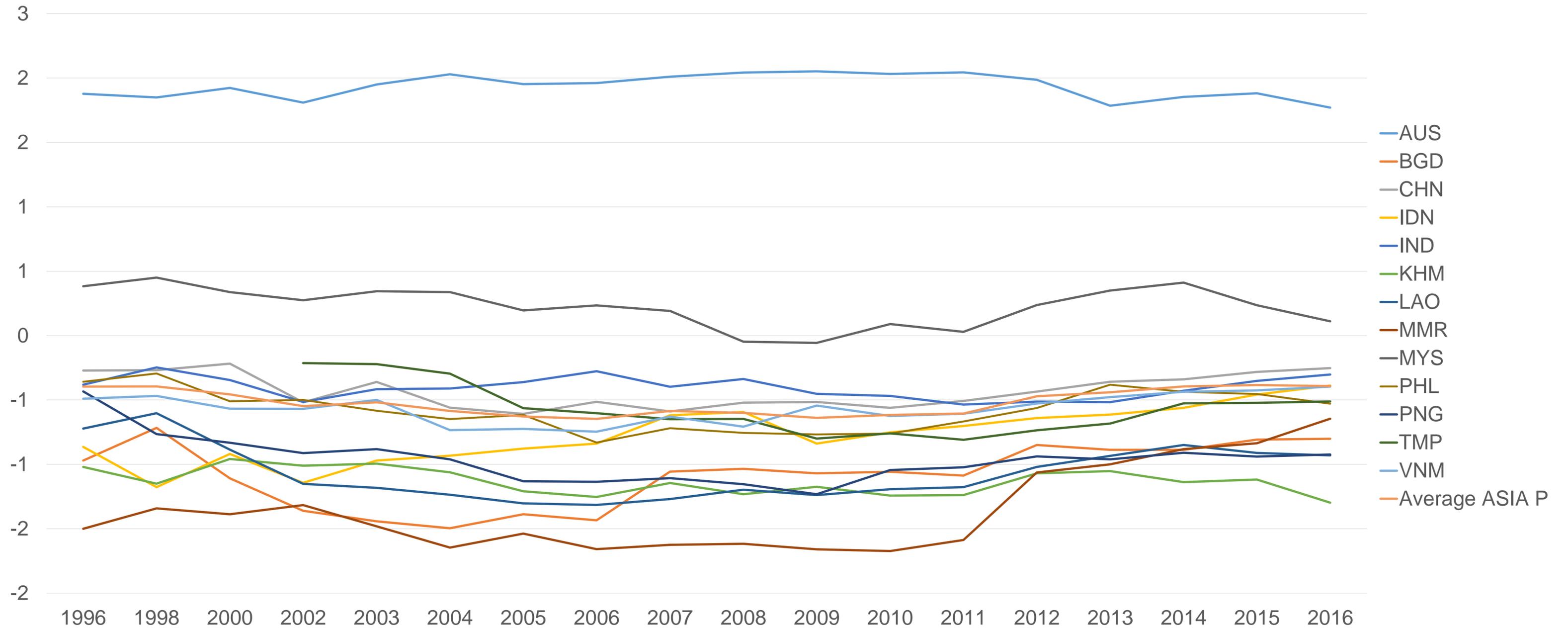
# A narrower implementation deficit is associated with better control of corruption

The correlation in the 15 Asia Pacific assessments is even stronger than for all 89 assessments of the RGI



# 20 years of measuring corruption control show little progress globally, and in Asia Pacific

WGI control of corruption trend 1996-2016



Source: Worldwide Governance Indicators, 2017, <http://info.worldbank.org/governance/wgi/#home>

# Index highlights several corruption risks in the extractive sector

In addition to the control of corruption subcomponent, the index measures a range of extractive sector processes that are prone to corruption:

## Transparency of licensing process and contracts

Country	Rules	Practices
Australia (Western)	54	75
Philippines	71	67
India	13	56
Indonesia (oil and gas)	29	56
China	50	50
Papua New Guinea	42	44
Malaysia	0	44
Timor-Leste	67	38
Bangladesh	17	36
Myanmar (oil and gas)	0	33
Indonesia (mining)	50	22
Lao PDR	33	17
Vietnam	33	15
Cambodia	17	12
Myanmar (mining)	0	11

## Ultimate owners and conflicts of interest

- Only in Vietnam, **public officials' declarations of financial interests** in extractive projects were made public
- But rules require it also in Indonesia, Philippines and Timor Leste
- **Beneficial owners** not disclosed systematically by the government in any country

## Commodity sales

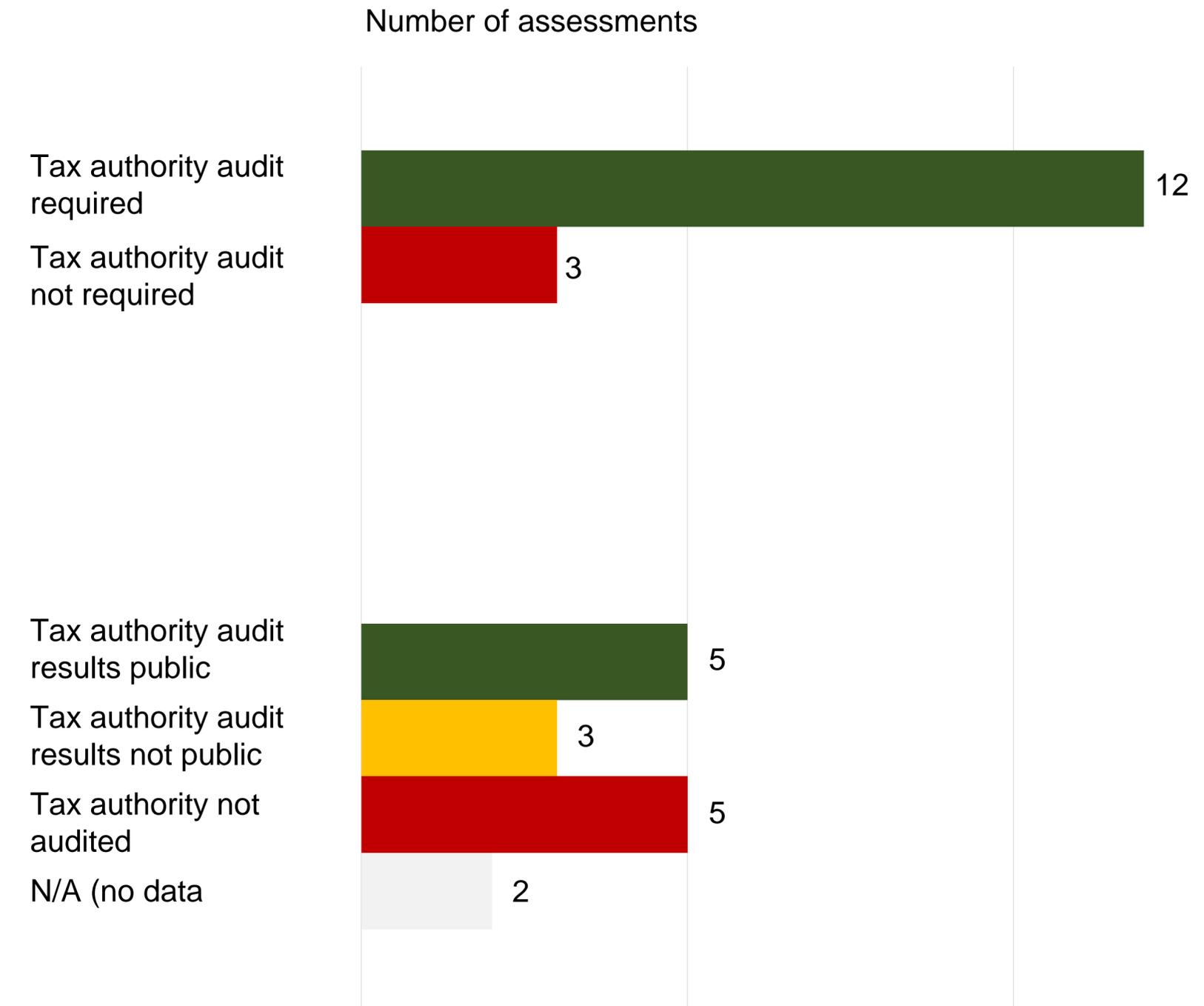
- The following state-owned enterprises disclosed an aggregate volume of **oil sales**:
  - China National Petroleum Company
  - Myanmar Oil and Gas Enterprise
  - Petronas
  - Pertamina
  - Petro Bangla
  - Petro Vietnam
- But **none disclosed further details** that allow tracking who is involved and benefits from commodity sale deals:
  - Sale-by-sale volumes and values
  - Sale dates
  - Buyers

# Improved transparency without accountability through audits is not enough

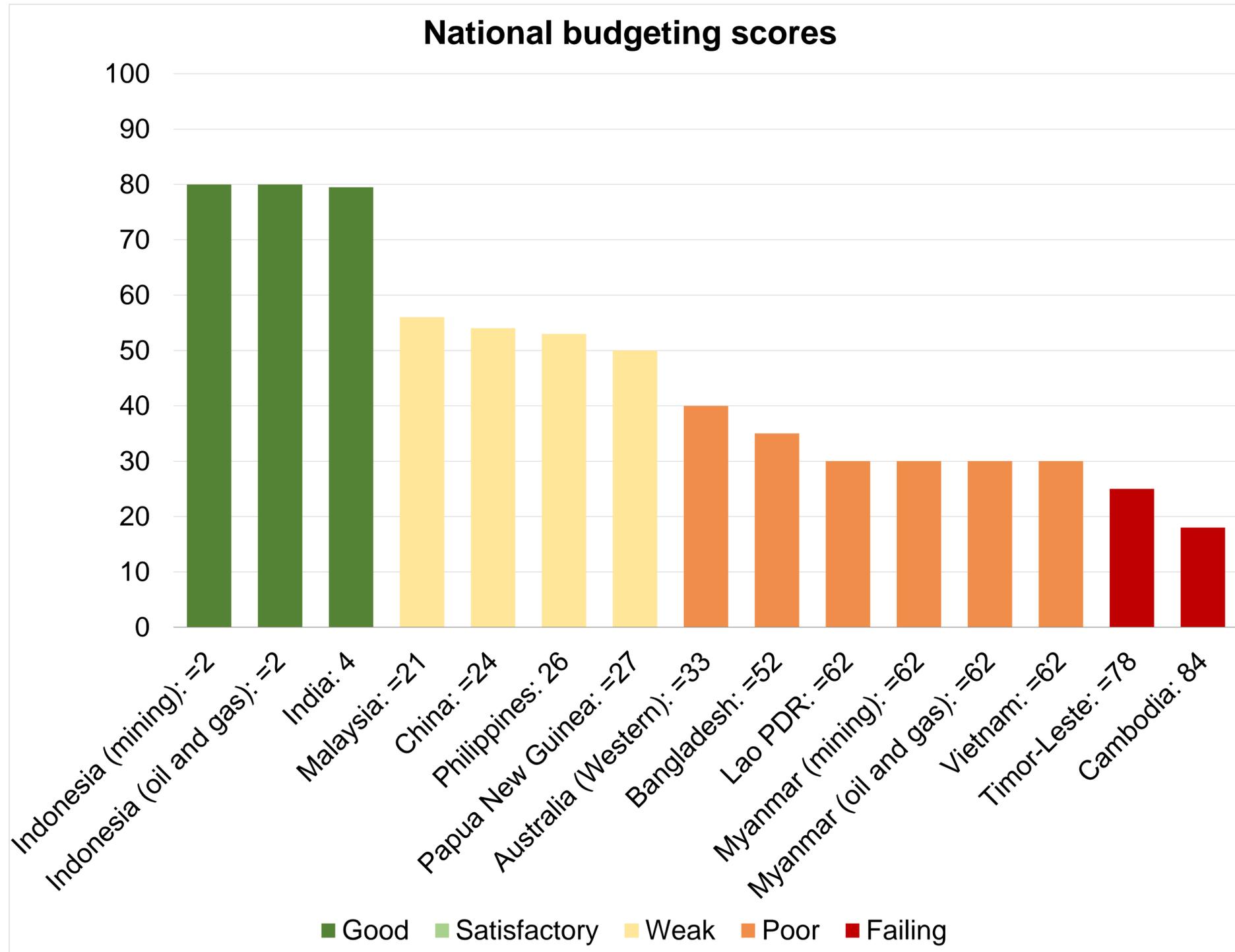
EITI helps with disclosing how much revenue is collected from extractive companies:

Country	Company payments disclosure	EITI affiliation
Indonesia (oil and gas)	100	Yes
Indonesia (mining)	100	Yes
Philippines	93	Yes
India	83	No
Timor-Leste	83	Yes
Papua New Guinea	83	Yes
Myanmar (oil and gas)	77	Yes
Myanmar (mining)	77	Yes
Australia (Western)	67	No
China	67	No
Malaysia	67	No
Lao PDR	57	No
Bangladesh	57	No
Vietnam	50	No
Cambodia	0	No

But most could improve releasing audited accounts of the tax authority to the public:



# Diverging revenue management transparency



Country	Total resource revenue % of government revenue
Bangladesh	-
Cambodia	-
China*	0.5
India	-
Indonesia	20.4
Lao PDR	16.8
Malaysia	30.1
Myanmar	-
Papua New Guinea	16.2
Philippines	2.8
Timor-Leste	87.3
Vietnam	11.7

Source:

<https://www.resourcedata.org/dataset/resource-revenue-data>

# Resource Governance Index recommendations

1

Focus on implementation

2

Continue to open governments

3

Bolster state-owned enterprise governance

4

Protect civic space and combat corruption

5

Strengthen global norms and institutions

6

Use data to drive reform