East Asia and the Pacific

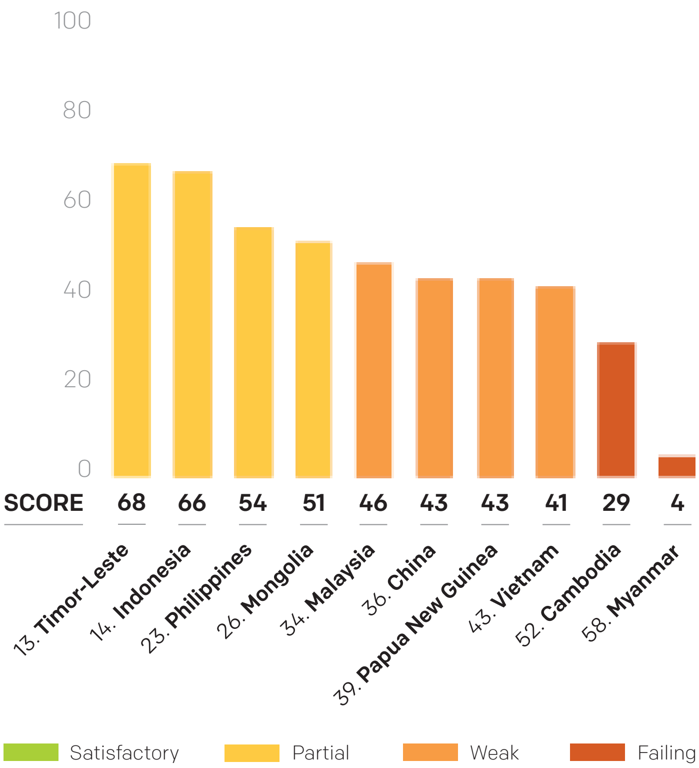
The Resource Governance Index measures the quality of governance in the oil, gas and mining industries in 58 countries worldwide. These industries are central to many East Asian and Pacific economies.

For the 10 Asia-Pacific nations in the Index (see Figure 1), oil, gas and minerals accounted for an average of 25 percent of total exports and 34 percent of government income in 2006-2011.[1] Good governance helps that citizens fully benefit from their natural resources.

To determine how each country performs, the Index looks at four key areas of transparency and accountability:

1. **Institutional and Legal Setting:** the degree to which laws, regulations and institutional arrangements facilitate transparency, accountability and open, fair competition.
2. **Reporting Practices:** government disclosure of information.
3. **Safeguards and Quality Controls:** the presence and quality of checks and oversight mechanisms that encourage integrity and guard against conflicts of interest.
4. **Enabling Environment:** the broader governance environment, based on more than 30 external measures of accountability, government effectiveness, rule of law, corruption and democracy.

Figure 1: East Asia and Pacific Index scores and ranking



Note: Ranks are out of 58 countries and appear in front of country names; composite scores appear below each column.

MAIN FINDINGS

Diversity within the region is striking. While none of the Asia-Pacific countries earned a satisfactory score, Indonesia and Timor-Leste received above average grades, suggesting significant progress toward a well-governed and accountable resource sector. In contrast, Cambodia and Myanmar received failing scores, with Myanmar ranking last out of all 58 nations.

Mongolia, Timor-Leste and Indonesia earned satisfactory scores of 80, 77 and 76 on **Institutional and Legal Setting**. These countries have comprehensive oil, gas and mining legislation, including an independent licensing process and clear frameworks for resource revenue collection. China, Malaysia and Myanmar lack laws and institutions that encourage integrity and openness, leading to poor performance.

Timor-Leste received a strong score of 82 on **Reporting Practices**, reflecting the government's commitment to transparency in the oil sector. It is the only country in the region to publish contracts with companies, though these disclosures are not routine. With the exception of Malaysia, regulating authorities do not publish environmental impact assessments or consult with communities prior to awarding extractive rights. While information on exploration and production is generally available, China, Cambodia, Myanmar, Papua New Guinea and Vietnam publish very little information on resource revenues.

1. The RGI assessed the oil and gas sector in Cambodia, China, Indonesia, Malaysia and Timor-Leste and the mining sector in Mongolia, Myanmar, Papua New Guinea, the Philippines and Vietnam.

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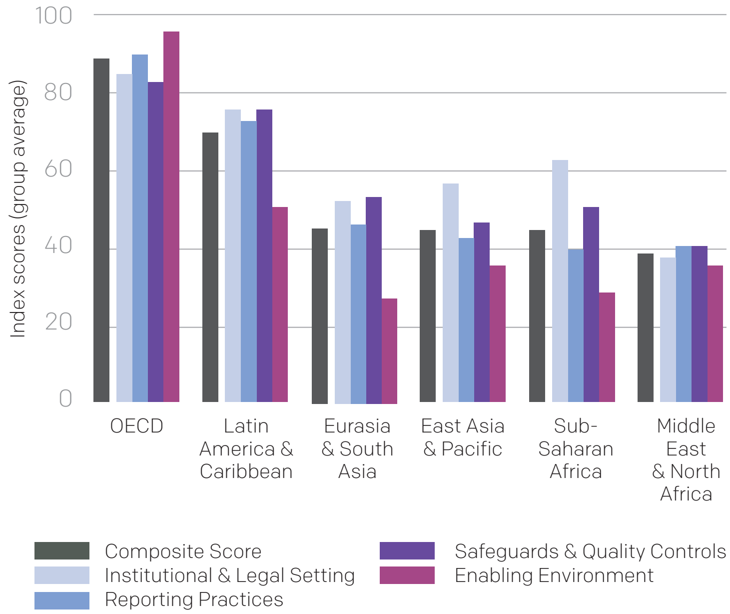
Performance on **Safeguards and Quality Controls** ranges widely, from Indonesia's satisfactory 75 to Myanmar's failing score of 2. China, Indonesia, Malaysia, Myanmar and Vietnam do not require government officials to disclose their financial interests in extractive projects. Only Indonesia requires oversight of its licensing process; the other countries lack effective monitoring or do not allow appeals of licensing decisions.

Malaysia's **Enabling Environment** score of 60 was the region's highest, reflecting strong government effectiveness but weak democratic accountability. Myanmar scores close to 0 on all measurements of governance. Timor-Leste received its lowest score on this component, the result of poor government effectiveness, control of corruption and the rule of law.

REGIONAL COMPARISON

The East Asia and Pacific region as a whole performs poorly on the Index. The region's average score of 44 out of 100 places it below the Index's global average of 51 and at the same level as sub-Saharan Africa (see Figure 2). However, regional averages mask great variation between countries.

Figure 2: Average country score by region and component



Note: The OECD region includes five countries; the Latin America & Caribbean nine countries; Eurasia & South Asia six countries; East Asia & Pacific 10 countries; Sub-Saharan Africa 17 countries; and the Middle East and North Africa 11 countries.

RECOMMENDATIONS

1. **Adopt laws requiring disclosure of oil, gas and mining information.** Only Indonesia and Mongolia have reporting requirements that do not exclude major extractive companies or public agencies. The Index findings suggest that such requirements are common features of effective systems of resource governance.
2. **Disclose contracts.** Timor-Leste's publication of some oil contracts illustrates how commercially and politically feasible this practice is. Disclosure allows citizens to evaluate the benefits their country receives for natural resources and ensure government and companies live up to their obligations.
3. **Instill timely reporting through the Extractive Industries Transparency Initiative.** EITI can help establish transparent practices in the oil, gas and mining sector, as seen in Mongolia and Timor-Leste, the region's only compliant countries. The Philippines and Myanmar should follow through on their promises to implement EITI, and Indonesia should remove the obstacles which delayed its first EITI report. Cambodia, China, Malaysia, Papua New Guinea and Vietnam should join the initiative.
4. **Require resource ministries and regulatory agencies to close information gaps.** The extractive industries play a major role in the budgets of China, Cambodia, Myanmar, Papua New Guinea and Vietnam, but their governments publish minimal information on revenues. Agencies governing the sector should be responsible for comprehensive reporting on each project.
5. **Publish social and environmental impact assessments.** Community-level conflicts over resources are common in the region. Government agencies should require social and environmental impact assessments, publish the results, and see that a full consultation process takes place before mineral rights are awarded.
6. **Manage governance and transparency deficits in state-owned companies (SOCs).** SOCs in China, Malaysia and Papua New Guinea publish reports on production and revenues, but employees are not required to disclose their financial interests in extractive activities. Mongolia's Erdenes received one of the Index's lowest scores on SOC governance. SOCs in Mongolia, Vietnam and the Philippines play a central role and should adopt more assertive reporting requirements and anti-corruption policies.
7. **Address the broader governance environment by controlling corruption and strengthening the rule of law.** Nine of the 10 countries received less than satisfactory scores in these areas. A general lack of government and private sector accountability undermines transparency and efficiency in the resource sector.

The complete Index, along with the full methodology and 58 country profiles, can be found at www.revenuewatch.org/rgi.

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