

Revenue Watch Index

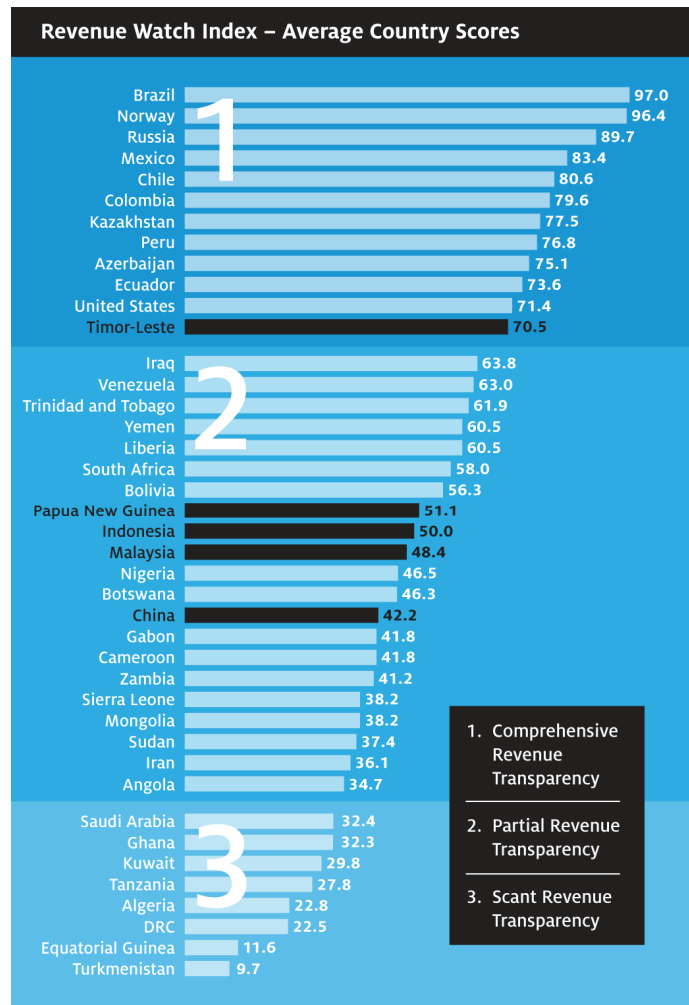
Asia/Pacific and the oil, gas and mining industries

Natural resources are critical to many economies in the Asia/Pacific region. China, despite being a net importer of hydrocarbons, is the world's fifth largest oil producer. In Timor-Leste, oil accounts for almost 90 percent of government revenues and 70 percent of its GDP. In Malaysia, 44 percent of government revenues come from oil exports; for Indonesia, the figure is nearly 30 percent. Transparency in the management of oil, gas and minerals is essential to ensure that their profits are effectively used for development in this region.

MAIN FINDINGS

The Revenue Watch Index is the first attempt to measure and compare the information that these and other governments disclose about the oil, gas and mining industries. Of the five Asia-Pacific countries included in the index, Timor-Leste is the only one implementing the Extractive Industry Transparency Initiative (EITI) and ranks in the highest tier of the index.

The majority of countries in this region provide only partial information about their management of the oil and gas sector, as well as about their income from oil and gas extraction. The region has therefore substantial room for improvement. For instance, Timor-Leste is the only country from the region that discloses contracts in full to the public; Malaysia and Papua New Guinea are the only ones that publish environmental and social impact reports. This lack of transparency is reflected in their institutional setting, since no parliament in the region has authority to examine or ratify contracts. Despite a formal commitment by several of these governments to disclose payments and revenue from oil, gas and mining activities, critical public information remains incomplete.



Country scores are constructed as an average of the Revenue Watch Index's transparency indicators. Countries are ranked according to their average score. To learn more and download report data, go to: www.revenuwatch.org/rwindex.

Countries in this region disclose information about their income from extractive activities, although with significant gaps. In particular, state-owned companies provide scant information. The state-owned companies of Indonesia and Malaysia do not publish audited reports about their operations. In contrast, Chinese companies that are partially listed on international stock exchanges publish reports about their operations.

Timor-Leste and Malaysia have created funds to save or invest a share of oil revenue. In both cases, the government provides information about the fund's assets and operations. However, governments in this region provide little information about transfers linked to resources to local governments, with the exception of Indonesia.

This region presents a mixed picture for transparency, with governments showing uneven reporting and disclosure practices. Local civil society organizations interested in transparency could undertake to analyze information already available, to highlight the need to broaden the scope of disclosure and access to information. Independent analysis of this information would be crucial to improve accountability on how governments use their income from extractive activities. The results of the Revenue Watch Index can be used as a tool to identify additional topics to be monitored by these organizations, subjects such as management of natural resource funds, transparency in the transfers by central governments to regional and local entities or operations of state-owned companies.

Countries in the region should support the EITI and begin to implement it. This would highlight the commitment of governments to transparency and accountability, while allowing different stakeholders, in particular civil society organizations, to participate in discussions crucial to the development of resource-rich countries.

Governments in the region should also improve reporting practices across all the different areas of natural resource governance, and make comprehensive, periodical and timely disclosure of information a departure point to improve accountability. Transparency is not an end in itself but rather a tool to further accountability and effective management of natural resources.

OUR RECOMMENDATIONS

1. Contract transparency needs to improve substantially in the Asia/Pacific region. Contracts, details about investment agreements and government income from the oil, gas and mining industries should be open to public scrutiny.
2. Governments from the Asia/Pacific region should require companies operating within their borders to disclose detailed financial information on oil, gas and mining projects.
3. All resource-rich countries in the region should support the EITI; either through national companies operating in implementing countries, considering implementation or backing international initiatives to strengthen transparency standards in the extractive sector.
4. Resource ministries and oil, gas and mining state-owned companies should meet the same standard of public reporting as central banks, finance ministries and other public institutions controlling important public resources.
5. Governments should make periodic, comprehensive and timely reporting a mandatory requirement for their state-owned natural resource companies.
6. Countries with natural resource funds showing poor reporting practices should develop measurable benchmarks to monitor transparency and accountability of these accounts.
7. Governments in the region should make information about transfers of revenues to regional and local governments available to all their citizens. Regional and local governments should be held to the same disclosure standards as national governments.
8. Parliaments need to make better use of their oversight powers to provide more effective checks on executive powers.
9. Governments in the region should improve their levels of transparency regarding reports about the environmental and social impact of the activities of extractive industries.

The Revenue Watch Index evaluates the availability of information in seven key areas of natural resource management: access to resources, generation of revenue, institutional setting, state-owned companies, natural resource funds, sub-national transfers and implementation of the Extractive Industry Transparency Initiative.

The index, which ranks countries according to their score out of a possible total of 100, can be an important tool for citizens, elected officials, civil society and media seeking greater access to resource information.