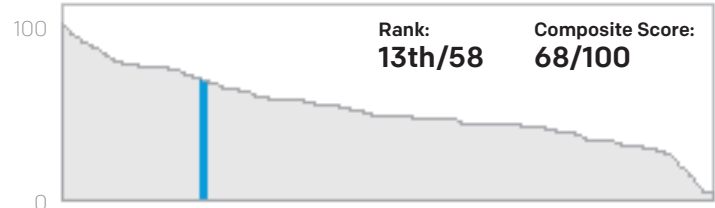


Timor-Leste



The Resource Governance Index (RGI) measures the quality of governance in the oil, gas and mining sector of 58 countries. Learn more and explore findings at www.revenuewatch.org/rgi.



Background

Oil wealth funded much of Timor-Leste's reconstruction after its bloody struggle for independence from Indonesia ended in 2006, with petroleum receipts responsible for 94 percent of government revenues in 2011. Limits on government withdrawals from the national Petroleum Fund have helped make Timor-Leste's budget surplus as a percent of gross domestic

Timor-Leste	2000	2005	2011
Population (million)	0.83	0.98	1.18
GDP (constant 2011 international \$ billion)	0.4	0.5	1.1
GDP per capita, PPP (constant 2005 international \$)	1,174	985	1,393
Oil and gas revenue (% total government revenue)	94%
Extractive exports (% total exports)	..	0%	..

SOURCES: Oil and gas revenue as share of total government revenue from the Economist Intelligence Unit and the International Monetary Fund. All other data from the World Bank.

product the largest in the world.

Timor Leste's Performance on the RGI

Timor-Leste received a "partial" score of 68, ranking 13th out of 58 countries. A very low Enabling Environment score offset "satisfactory" performance on the other components of the RGI.

Institutional and Legal Setting

(Rank: 15th/58 Score: 77/100)

With a comprehensive legal framework and independent licensing process, Timor-Leste received a "satisfactory" score of 77.

The National Petroleum Authority (ANP) awards production-sharing contracts to companies through competitive public bidding rounds and regulates the sector.

Currently, all of Timor-Leste's oil and gas is produced in the offshore Joint Petroleum Development Area (JPDA). Government revenues from the area are received in cash rather than in kind, with a 10 percent share going to Australia under the Timor Sea Treaty. However, when production begins in

Timor-Leste's Exclusive Zone, companies will be required to provide the government with in-kind oil payments for the domestic market.

The ANP supervises the marketing of petroleum produced in the JPDA and collects all "first tranche petroleum" payments, while the Finance Ministry collects taxes. All of Timor-Leste's petroleum revenues go into the Petroleum Fund, administered by the central bank.

The Petroleum Act guarantees public access to some industry information, but technical data and "trade secrets" remain confidential. Environmental and social impact assessments are not required, though companies must submit an environmental protection plan. Timor-Leste achieved compliance with the Extractive Industries Transparency Initiative in 2010.

Reporting Practices

(Rank: 8th/58 Score: 82/100)

Timor-Leste releases substantial data on many aspects of the hydrocarbon industry, earning a "satisfactory" score of 82.

Many, but not all, petroleum contracts are publicly available. The Petroleum Act requires extensive disclosure on licensing rounds, but the ANP has yet to release this information.

Finance Ministry budget reports include data on production volumes, prices, export values, and disaggregated resource revenue streams. The ANP also publishes considerable information on the petroleum industry, including data on reserves, production volumes, and investment, but these figures are not organized systematically. The central bank and the Finance Ministry publish Petroleum Fund receipts. The Finance Ministry's budget clearly delineates petroleum and non-petroleum revenues.

Safeguards and Quality Controls

(Rank: 16th/58 Score: 70/100)

Incomplete government monitoring but extensive audit requirements led to a "satisfactory" score of 70.

National law limits the discretion of the licensing authority and ensures that the licensing process is competitive and fair. Contract awards may be appealed. Parliament has no legal mandate to review contracts but has nevertheless taken an oversight role.

The government employs an external auditor to review rev-

venues deposited into the Petroleum Fund. Audits are submitted to the Finance Ministry, which in turn provides reports on petroleum revenues to parliament, usually with at least a year's delay.

Enabling Environment

(Rank: 38th/58 Score: 28/100)

Timor-Leste's particularly poor performance on measurements of government effectiveness and the rule of law led to a "failing" score of 28, by far its lowest on any component of the RGI.

State-Owned Companies

In 2011 the government created Timor-Gap Empresa Publico, an entirely state-owned company intended to participate in the country's oil industry, but not to monopolize it. Timor-

Gap is not yet fully operational and, as of July 2012, had published no information on its activities.

Natural Resource Funds

(Rank: 5th/23 Score: 83/100)

In 2005 Timor-Leste created the Petroleum Fund to help preserve resource revenues for future generations. The Finance Ministry is responsible for the overall management of the fund, while the Banking and Payments Authority oversees operational management. The Petroleum Fund law includes rules governing deposits and withdrawals, and additional transfers from the fund must be approved by the legislature. Comprehensive monthly, quarterly, and annual reports on the fund's operations are available to the public, as are annual audit reports.

Timor-Leste's Composite, Component and Indicator Scores

Rank (out of 58)		Score (out of 100)
13	COMPOSITE SCORE	68
15	Institutional and Legal Setting	77
	Freedom of information law	33
	Comprehensive sector legislation	100
	EITI participation	100
	Independent licensing process	100
	Environmental and social impact assessments required	0
	Clarity in revenue collection	83
	Comprehensive public sector balance	100
	SOC financial reports required	..
	Fund rules defined in law	100
	Subnational transfer rules defined in law	..
8	Reporting Practices	82
	Licensing process	100
	Contracts	67
	Environmental and social impact assessments	0
	Exploration data	100
	Production volumes	100
	Production value	67
	Primary sources of revenue	100
	Secondary sources of revenue	50
	Subsidies	100
	Operating company names	100
	Comprehensive SOC reports	..
	SOC production data	..
	SOC revenue data	..
	SOC quasi fiscal activities	..
	SOC board of directors	..
	Fund rules	100

Rank (out of 58)		Score (out of 100)
	Comprehensive fund reports	100
	Subnational transfer rules	..
	Comprehensive subnational transfer reports	..
	Subnational reporting of transfers	..
16	Safeguards and Quality Controls	70
	Checks on licensing process	67
	Checks on budgetary process	44
	Quality of government reports	53
	Government disclosure of conflicts of interest	100
	Quality of SOC reports	..
	SOC reports audited	..
	SOC use of international accounting standards	..
	SOC disclosure of conflicts of interest	..
	Quality of fund reports	83
	Fund reports audited	100
	Government follows fund rules	83
	Checks on fund spending	100
	Fund disclosure of conflicts of interest	0
	Quality of subnational transfer reports	..
	Government follows subnational transfer rules	..
38	Enabling Environment	28
	Corruption (TI Corruption Perceptions Index & WGI control of corruption)	20
	Open Budget (IBP Index)	35
	Accountability & democracy (EIU Democracy Index & WGI voice and accountability)	62
	Government effectiveness (WGI)	10
	Rule of law (WGI)	10

 Satisfactory	 Weak
 Partial	 Failing