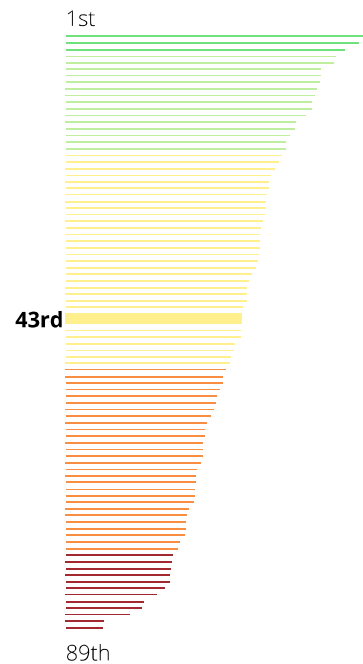


# Timor-Leste

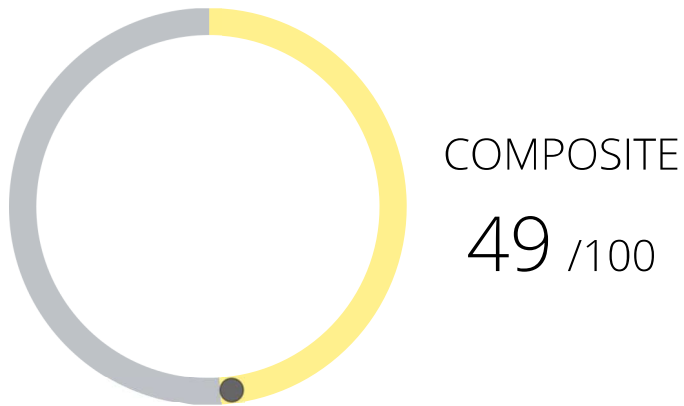
## OIL & GAS

Timor-Leste's oil and gas sector scores 49 of 100 points in the 2017 Resource Governance Index (RGI), ranking 43rd among 89 assessments and eighth among 15 assessments in the Asia Pacific region. This overall score is lowered by a poor score in the enabling environment component. Even though both extractive sector components, value realization and revenue management, achieve similar scores, there is great variation in performance at the subcomponent level. The oil and gas sector constituted 98 percent of exports and 97 percent of government revenues in 2013, making this sector a key facilitator of economic development.<sup>1</sup>

TIMOR-LESTE: RGI SCORE AND RANK



TIMOR-LESTE: RGI AND COMPONENT SCORES



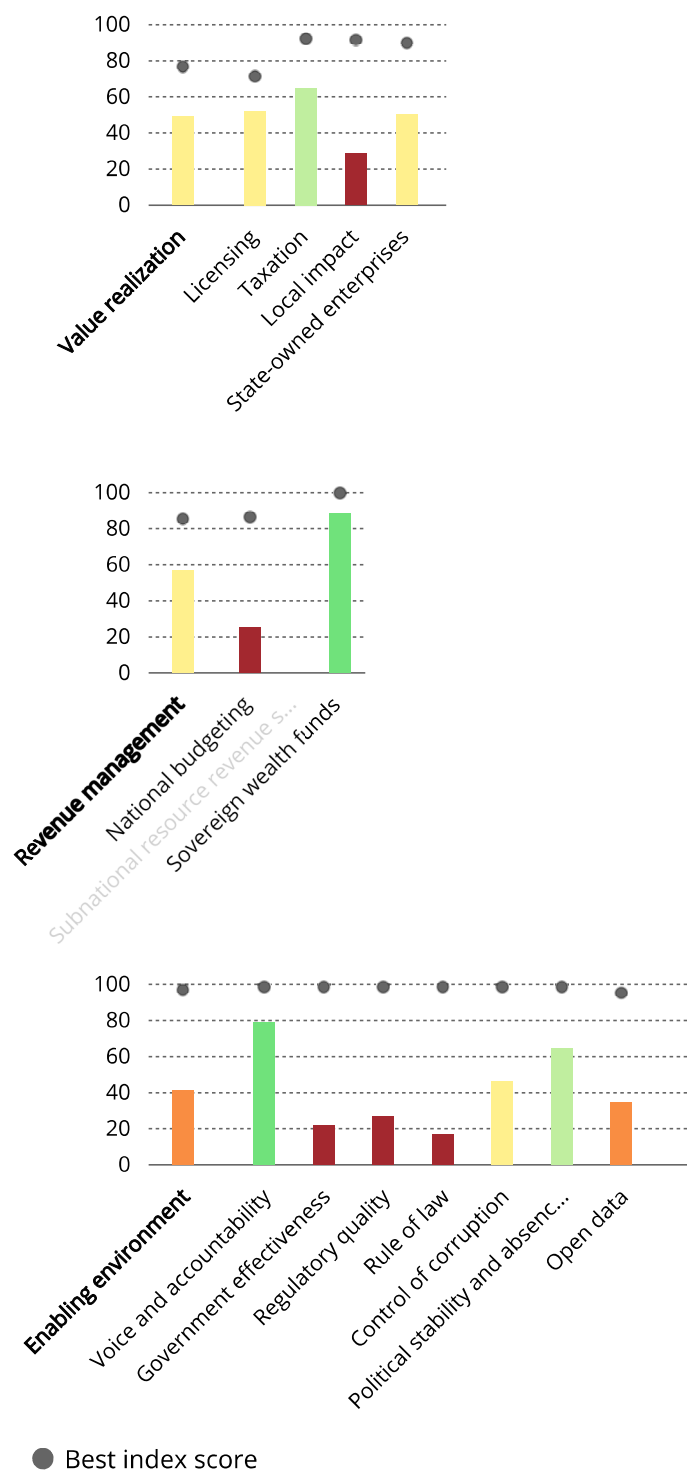
● Average

## Index results summary

### UNEVEN PERFORMANCE BETWEEN POLICY AREAS FOR TIMOR LESTE

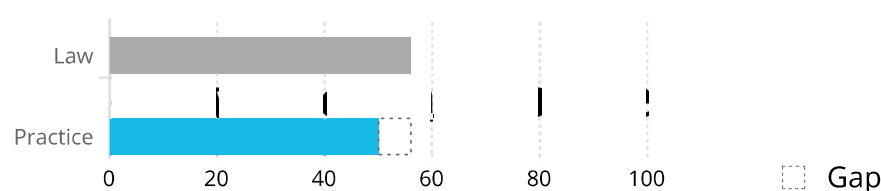
Timor Leste's oil and gas sector has one of the widest ranges between subcomponent scores observed in the index. This pattern is repeated throughout the governance components. In the enabling environment component, Timor Leste is among the highest ranking countries in the voice and accountability subcomponent in the Asia Pacific region, after Australia, India and Indonesia. This contrasts with the country ranking second to last in rule of law and third to last in regulatory quality in the region, above only Myanmar.

TIMOR-LESTE: SUBCOMPONENT SCORES



Timor Leste achieves a satisfactory taxation score within the value realization component as a result of disclosure of production, export and company payment data and clear tax rules. The government could improve by carrying out independent audits of extractive companies and the national tax authority. In contrast, Timor Leste fails at governing the local impacts of the extractive sector because it does not disclose environmental impact assessments, as required by law. This also contributes to the six-point difference between the average score for indicators assessing laws and rules, and those assessing practices.

### TIMOR-LESTE: LAW AND PRACTICE SCORES



Within the revenue management component, Timor Leste scores 25 of 100 points in national budgeting and ranks 78<sup>th</sup> among 89 assessments. Budget and resource revenue data are disclosed, but debt levels are not, and there is no centralized data portal with key sector datasets. The Petroleum Fund Law introduced a policy for utilization of petroleum revenues, but due to its non-binding nature, it does not constitute a fiscal rule. This contrasts with good management of the sovereign wealth fund, which ranks sixth in the index.

## State-owned enterprise governance

TIMORGAP SCORES A WEAK 50 DUE TO MIXED INDICATOR-LEVEL PERFORMANCE

Timor-Leste's state-owned enterprise (SOE), TIMORGAP EP scores a weak 50 of 100 points and ranks 36<sup>th</sup> of 74 SOEs assessed in the index. It was founded in 2011 to manage the state's assets in the oil and gas sector and it engages in production sharing contracts with private companies. The company's governance performance is mixed, ranging from good financial reporting to vague rules governing fiscal transfers between the government and the company and those governing commodity sales, although there are rules that mandate petroleum to be sold at an arms-length principle. To date, TIMORGAP has not transferred any revenues from its sales of oil to the government.

Name of state-owned enterprise	State ownership level	Revenue (USD)	Score (/100)	Rank (/74 SOEs)	Rank (/52 oil & gas SOEs)
Timor Gás & Petróleo, Empresa Pública	100%	10 million (2015)	50	36	

## Sovereign wealth fund governance

STRONG LEGAL FRAMEWORK BUT CHALLENGES WITH EXCEEDING WITHDRAWALS FROM THE SOVEREIGN WEALTH FUND

The Timor Leste Petroleum Fund was established in 2005. The fund publishes quarterly reports that are audited and reviewed by the parliament. Withdrawals, deposits and investments are rules based, but the Estimated Sustainable Income (ESI) guideline for Petroleum Fund withdrawals has been violated in every year but one since 2009. In 2015, withdrawals were more than double ESI, and in 2016 they are budgeted to be more than triple.

Name of Sovereign Wealth Fund	Value of assets under management (USD)	Score (/100)	Rank (/34)
Petroleum Fund	16,238 million (2015)	88	6

## What is the Resource Governance Index?

The 2017 RGI assesses how 81 resource-rich countries govern their oil, gas and mineral wealth. The index composite score is made up of three components. Two measure key characteristics of the extractives sector – value realization and revenue management – and a third captures the broader context of governance — the enabling environment. These three overarching dimensions of governance consist of 14 subcomponents, which comprise 54 indicators calculated by aggregating 133 questions and external data.

Independent researchers, overseen by NRGI, in each of the 81 countries completed a questionnaire to gather primary data on value realization and revenue management. For the third component, the RGI draws on external data from over 20 international organizations. The assessment covers the period 2015-2016. For more information on the index, how it was constructed, and references to external data, review the RGI Methodology.

The 2017 Resource Governance Index is a product of NRG. For more information please visit <http://www.resourcegovernanceindex.org/>

Timor-  
Leste

<b>2017 RESOURCE GOVERNANCE INDEX</b>	<b>Index</b>	<b>49</b>
<b>1) VALUE REALIZATION</b>	<b>Component</b>	<b>49</b>
<b>1.1) LICENSING</b>	<b>Sub-Component</b>	<b>52</b>
<b>1.1.1) RESERVES DISCLOSURE</b>	<b>Practice Indicator</b>	<b>57</b>
1.1.1a) Reserves volume disclosure	Practice Question	100
1.1.1b) Reserves disclosure timeliness	Practice Question	20
1.1.1c) Reserves disclosure machine-readability	Practice Question	50
<b>1.1.2) CADASTER</b>	<b>Practice Indicator</b>	<b>100</b>
1.1.2a) Cadaster coverage	Practice Question	100
1.1.2b) Cadaster platform	Practice Question	100
1.1.2c) Cadaster block coverage	Practice Question	100
1.1.2d) Cadaster interest holders	Practice Question	100
<b>1.1.3) PRE-LICENSING ROUND RULES</b>	<b>Law Indicator</b>	<b>25</b>
1.1.3a) Qualification criteria requirement	Law Question	100
1.1.3b) Biddable terms disclosure requirement	Law Question	0
1.1.3c) Licensing process requirement	Law Question	0
1.1.3d) Licensing authority independence	Law Question	0
<b>1.1.4) PRE-LICENSING ROUND PRACTICE</b>	<b>Practice Indicator</b>	<b>7</b>
1.1.4a) Qualification criteria disclosure	Practice Question	0
1.1.4b) Biddable terms disclosure	Practice Question	20
1.1.4c) Licensing process rule disclosure	Practice Question	0
<b>1.1.5) POST-LICENSING ROUND RULES</b>	<b>Law Indicator</b>	<b>75</b>
1.1.5a) License applicant disclosure requirement	Law Question	0
1.1.5b) License winner disclosure requirement	Law Question	100
1.1.5c) Block allocation disclosure requirement	Law Question	100
1.1.5d) Licensing decision appeal requirement	Law Question	100
<b>1.1.6) POST-LICENSING ROUND PRACTICE</b>	<b>Practice Indicator</b>	<b>73</b>
1.1.6a) License applicant disclosure	Practice Question	20
1.1.6b) License winner disclosure	Practice Question	100
1.1.6c) Block allocation disclosure	Practice Question	100
<b>1.1.7) FINANCIAL INTEREST DISCLOSURE RULES</b>	<b>Law Indicator</b>	<b>50</b>
1.1.7a) Public officials asset disclosure requirement	Law Question	100
1.1.7b) Beneficial ownership requirement	Law Question	0
<b>1.1.8) FINANCIAL INTEREST DISCLOSURE PRACTICE</b>	<b>Practice Indicator</b>	<b>0</b>
1.1.8a) Public officials asset disclosure	Practice Question	0
1.1.8b) Beneficial ownership disclosure	Practice Question	0
<b>1.1.9) CONTRACT DISCLOSURE RULES</b>	<b>Law Indicator</b>	<b>100</b>
1.1.9a) Contract disclosure requirement	Law Question	100
<b>1.1.10) CONTRACT DISCLOSURE</b>	<b>Practice Indicator</b>	<b>35</b>
1.1.10a) Contract disclosure timeliness	Practice Question	20
1.1.10b) Historical contract disclosure	Practice Question	50
<b>1.2) TAXATION</b>	<b>Sub-Component</b>	<b>65</b>
<b>1.2.1) PRODUCTION DISCLOSURE</b>	<b>Practice Indicator</b>	<b>83</b>

1.2.1a) Production volume disclosure	Practice Question	100
1.2.1b) Production disclosure timeliness	Practice Question	100
1.2.1c) Production disclosure machine-readability	Practice Question	50
<b>1.2.2) EXPORT DISCLOSURE</b>	<b>Practice Indicator</b>	<b>60</b>
1.2.2a) Export value disclosure	Practice Question	50
1.2.2b) Export disclosure timeliness	Practice Question	80
1.2.2c) Export disclosure machine-readability	Practice Question	50
<b>1.2.3) COMPANY PAYMENT RULES</b>	<b>Law Indicator</b>	<b>100</b>
1.2.3a) Payment disclosure requirement	Law Question	100
<b>1.2.4) COMPANY PAYMENT DISCLOSURE</b>	<b>Practice Indicator</b>	<b>83</b>
1.2.4a) Payment disclosure	Practice Question	100
1.2.4b) Payment disclosure timeliness	Practice Question	100
1.2.4c) Payment disclosure disaggregation	Practice Question	50
<b>1.2.5) TAXATION RULES</b>	<b>Law Indicator</b>	<b>90</b>
1.2.5a) Income tax rate rule	Law Question	100
1.2.5b) Royalty rate rule	Law Question	50
1.2.5c) State equity rule	Law Question	100
1.2.5d) Withholding tax rate rule	Law Question	100
1.2.5e) Production sharing arrangement rule	Law Question	100
<b>1.2.6) TAX AUTHORITY RULES</b>	<b>Law Indicator</b>	<b>33</b>
1.2.6a) Payment deposit requirement	Law Question	100
1.2.6b) Taxpayer audit requirement	Law Question	0
1.2.6c) Tax authority audit requirement	Law Question	0
<b>1.2.7) TAX AUTHORITY PRACTICE</b>	<b>Practice Indicator</b>	<b>0</b>
1.2.7a) Tax authority audit timeframe	Practice Question	0
<b>1.2.8) EITI AFFILIATION AND REPORTING</b>	<b>Practice Indicator</b>	<b>70</b>
1.2.8a) EITI affiliation	Practice Question	70
1.2.8b) EITI report timeliness	Practice Question	70
<b>1.3) LOCAL IMPACT</b>	<b>Sub-Component</b>	<b>29</b>
<b>1.3.1) EIA/SIA RULES</b>	<b>Law Indicator</b>	<b>50</b>
1.3.1a) EIA/SIA requirement	Law Question	50
1.3.1b) EIA/SIA disclosure requirement	Law Question	50
<b>1.3.2) EIA/SIA DISCLOSURE</b>	<b>Practice Indicator</b>	<b>0</b>
1.3.2a) EIA/SIA disclosure practice	Practice Question	0
<b>1.3.3) ENVIRONMENTAL MITIGATION PLAN RULES</b>	<b>Law Indicator</b>	<b>100</b>
1.3.3a) Environmental mitigation plan requirement	Law Question	100
1.3.3b) Environmental mitigation plan disclosure requirement	Law Question	100
<b>1.3.4) ENVIRONMENTAL MITIGATION PLAN DISCLOSURE</b>	<b>Practice Indicator</b>	<b>0</b>
1.3.4a) Environmental mitigation plan disclosure practice	Practice Question	0
<b>1.3.5) ENVIRONMENTAL COMPLIANCE RULES</b>	<b>Law Indicator</b>	<b>50</b>
1.3.5a) Environmental penalty requirement	Law Question	100
1.3.5b) Project closure requirement	Law Question	0
<b>1.3.6) ENVIRONMENTAL COMPLIANCE PRACTICE</b>	<b>Practice Indicator</b>	<b>0</b>
1.3.6a) Project closure compliance	Practice Question	0
<b>1.3.7) COMPENSATION TO LAND USERS AND OWNERS RULES</b>	<b>Law Indicator</b>	<b>0</b>
1.3.7a) Compensation requirement	Law Question	0
1.3.7b) Resettlement requirement	Law Question	0

<b>1.4) STATE-OWNED ENTERPRISES</b>	<b>Sub-Component</b>	<b>50</b>
<b>1.4.1) SOE-GOVERNMENT TRANSFERS RULES</b>	<b>Law Indicator</b>	<b>0</b>
1.4.1a) SOE-government transfers governance rule	Law Question	0
<b>1.4.2) SOE-GOVERNMENT TRANSFERS DISCLOSURE</b>	<b>Practice Indicator</b>	<b>n.a.</b>
<b>1.4.3) SOE FINANCIAL REPORTING RULES</b>	<b>Law Indicator</b>	<b>67</b>
1.4.3a) SOE annual report disclosure requirement	Law Question	100
1.4.3b) SOE financial audit requirement	Law Question	0
1.4.3c) SOE report legislative review requirement	Law Question	100
<b>1.4.4) SOE NON-COMMERCIAL ACTIVITY PRACTICE</b>	<b>Practice Indicator</b>	<b>50</b>
1.4.4a) SOE non-commerical activity	Practice Question	0
1.4.4b) SOE non-commerical spending	Practice Question	100
<b>1.4.5) SOE FINANCIAL REPORTING PRACTICE</b>	<b>Practice Indicator</b>	<b>80</b>
1.4.5a) SOE audit timeframe	Practice Question	0
1.4.5b) SOE annual report disclosure	Practice Question	100
1.4.5c) SOE balance sheet disclosure	Practice Question	100
1.4.5d) SOE cash flow statement disclosure	Practice Question	100
1.4.5e) SOE income statement disclosure	Practice Question	100
<b>1.4.6) SOE PRODUCTION DISCLOSURE</b>	<b>Practice Indicator</b>	<b>n.a.</b>
<b>1.4.7) COMMODITY SALE RULES</b>	<b>Law Indicator</b>	<b>25</b>
1.4.7a) SOE production buyer selection rule	Law Question	0
1.4.7b) SOE production sale price rule	Law Question	100
1.4.7c) SOE sales proceed transfer rule	Law Question	0
1.4.7d) SOE sales disclosure rule	Law Question	0
<b>1.4.8) COMMODITY SALE DISCLOSURES</b>	<b>Practice Indicator</b>	<b>n.a.</b>
<b>1.4.9) SOE JOINT VENTURES AND SUBSIDIARIES DISCLOSURE</b>	<b>Practice Indicator</b>	<b>80</b>
1.4.9a) SOE joint ventures disclosure	Practice Question	100
1.4.9b) SOE joint venture participatory interest disclosure	Practice Question	100
1.4.9c) SOE joint venture cost and revenue disclosure	Practice Question	100
1.4.9d) SOE subsidiaries disclosure	Practice Question	100
1.4.9e) SOE subsidiaries cost and revenue disclosure	Practice Question	0
<b>1.4.10) SOE CORPORATE GOVERNANCE PRACTICE</b>	<b>Practice Indicator</b>	<b>50</b>
1.4.10a) SOE code of conduct	Practice Question	0
1.4.10b) SOE board of directors independence	Practice Question	100
<b>2) REVENUE MANAGEMENT</b>	<b>Component</b>	<b>57</b>
<b>2.1) NATIONAL BUDGETING</b>	<b>Sub-Component</b>	<b>25</b>
<b>2.1.1) ONLINE DATA PORTAL</b>	<b>Practice Indicator</b>	<b>0</b>
2.1.1a) Online data portal coverage	Practice Question	0
2.1.1b) Online data portal timeliness	Practice Question	0
2.1.1c) Online data portal machine-readability	Practice Question	0
2.1.1d) Online data portal open license	Practice Question	0
<b>2.1.2) FISCAL RULES</b>	<b>Law Indicator</b>	<b>0</b>
2.1.2a) Fiscal rule existence	Law Question	0
2.1.2b) Fiscal rule monitoring requirement	Law Question	n.a.
<b>2.1.3) FISCAL RULE PRACTICE</b>	<b>Practice Indicator</b>	<b>n.a.</b>
<b>2.1.4) NATIONAL BUDGET DISCLOSURE</b>	<b>Practice Indicator</b>	<b>100</b>
2.1.4a) Revenue projections disclosure	Practice Question	100



2.1.4b) Budget disclosure	Practice Question	100
2.1.4c) Government expenditure disclosure	Practice Question	100
2.1.4d) Resource revenue disclosure	Practice Question	100
<b>2.1.5) NATIONAL DEBT DISCLOSURE</b>	<b>Practice Indicator</b>	<b>0</b>
2.1.5a) Debt level disclosure	Practice Question	0
2.1.5b) Debt currency denomination	Practice Question	0
<b>2.2) SUBNATIONAL RESOURCE REVENUE SHARING</b>	<b>Sub-Component</b>	<b>n.a.</b>
<b>2.3) SOVEREIGN WEALTH FUNDS</b>	<b>Sub-Component</b>	<b>88</b>
<b>2.3.1) SWF DEPOSIT AND WITHDRAWAL RULES</b>	<b>Law Indicator</b>	<b>100</b>
2.3.1a) SWF withdrawal rule	Law Question	100
2.3.1b) SWF national budget review requirement	Law Question	100
2.3.1c) SWF deposit rule	Law Question	100
<b>2.3.2) SWF DEPOSIT AND WITHDRAWAL PRACTICE</b>	<b>Practice Indicator</b>	<b>80</b>
2.3.2a) SWF size of fund disclosure	Practice Question	100
2.3.2b) SWF deposit and withdrawal amounts disclosure	Practice Question	100
2.3.2c) SWF withdrawal rule adherence	Practice Question	20
2.3.2d) SWF deposit rule adherence	Practice Question	100
2.3.3) SWF INVESTMENT RULES	Law Indicator	50
2.3.3a) SWF domestic investment rule	Law Question	100
2.3.3b) SWF asset class rule	Law Question	0
<b>2.3.4) SWF INVESTMENT PRACTICE</b>	<b>Practice Indicator</b>	<b>100</b>
2.3.4a) SWF rate of return disclosure	Practice Question	100
2.3.4b) SWF assets held disclosure	Practice Question	100
2.3.4c) SWF asset class disclosure	Practice Question	100
2.3.4d) SWF national budget review practice	Practice Question	100
2.3.4e) SWF asset class rule adherence	Practice Question	100
<b>2.3.5) SWF FINANCIAL REPORTING RULES</b>	<b>Law Indicator</b>	<b>100</b>
2.3.5a) SWF annual financial reporting requirement	Law Question	100
2.3.5b) SWF financial report disclosure rule	Law Question	100
2.3.5c) SWF financial audit requirement	Law Question	100
2.3.5d) SWF legislative review requirement	Law Question	100
<b>2.3.6) SWF FINANCIAL REPORTING PRACTICE</b>	<b>Practice Indicator</b>	<b>100</b>
2.3.6a) SWF financial report disclosure	Practice Question	100
2.3.6b) SWF financial audit timeframe	Practice Question	100
2.3.6c) SWF legislative review	Practice Question	n.a.
<b>3) ENABLING ENVIRONMENT</b>	<b>Component</b>	<b>42</b>
<b>3.1) VOICE AND ACCOUNTABILITY</b>	<b>Sub-Component</b>	<b>79</b>
<b>3.2) GOVERNMENT EFFECTIVENESS</b>	<b>Sub-Component</b>	<b>22</b>
<b>3.3) REGULATORY QUALITY</b>	<b>Sub-Component</b>	<b>27</b>
<b>3.4) RULE OF LAW</b>	<b>Sub-Component</b>	<b>17</b>
<b>3.5) CONTROL OF CORRUPTION</b>	<b>Sub-Component</b>	<b>46</b>
<b>3.6) POLITICAL STABILITY AND ABSENCE OF VIOLENCE</b>	<b>Sub-Component</b>	<b>65</b>
<b>3.7) OPEN DATA</b>	<b>Sub-Component</b>	<b>35</b>
3.7.1) OPEN DATA INVENTORY	Indicator	31
3.7.2) OPEN DATA BAROMETER	Indicator	n.a.
3.7.3) OPEN DATA INDEX	Indicator	39