

# ASEAN FRAMEWORK ON EXTRACTIVE INDUSTRIES GOVERNANCE

---

Fabby Tumiwa

Institute for Essential Services Reform

Jakarta, 20 August 2014

# CONTEXT

- ASEAN is moving toward establishing ASEAN Economic Community (AEC)
  - Extractive industries (mineral and hydrocarbon) sees as key component in realizing the AEC
  - Extractives industries play vital role in the current economic integration in the region
-

# WHY EXTRACTIVE INDUSTRIES MATTER?

1. Most of ASEAN member countries are endowed with abundant hydrocarbon/fossil-fuel resources and mineral deposits
  2. Rapid growth in reserve and production, drive the tendency of host government to formulate policy and action to attract more investment (domestic and foreign)
  3. Contribution to the economy of ASEAN member countries
-

# CHALLENGES

- Governance: weak of rule of law, lack of transparency and accountability mechanism, predictability of public institution, effective participation of citizen
  - Sector specific: Uncertainties about investment process, licensing process, access to land, uncertainties regarding regulatory framework.
  - Market: price volatility of commodity and competition among producers
-

# RESOURCE GOVERNANCE INDEX (RWI, 2013)

	Composite score	Institutional and legal setting	Reporting practice	Safeguards and quality control	Enabling environment
Indonesia	66	76	66	75	46
Philippines	54	63	54	51	46
Malaysia	46	39	45	39	60
Vietnam	41	63	39	31	30
Cambodia	29	52	13	46	20
Myanmar	4	8	5	2	2

**Note:** 0-40 = failing; 41-50 = weak; 51-70 = partial; 71-100 = satisfactory

Decision to  
extract/not to  
extract

Fiscal Terms

Trading of  
commodities

Revenue Mngt  
and allocation



Awarding of  
contracts/  
licenses

Extraction  
prosess

Tax and  
revenue  
collection

Development  
project/policies

# WHY EI REGIONAL FRAMEWORK IS NEEDED?

- The development of the extractive industry in ASEAN calls for a strong and effective policy framework.
  - the requisite legal, regulatory and institutional frameworks to pursue economic, social and environmental objectives;
  - accountability, transparency, and stakeholder consultation; and
  - systems to deliver tangible benefits to the country's citizens.
- The regional policy framework must serve to address the development divide and accelerate the economic integration of the less developed ASEAN member countries.

- The proposed framework aims to reiterate commitment in realizing the ASEAN Economic Community through:
  - (i) the development of competitive economy region in which energy cooperation and mining cooperation are integral parts of its infrastructure development that promote environmentally and socially sustainable development;
  - (ii) the advancement of equitable economic development in the structure of The Initiative for ASEAN Integration (IAI) which gives the direction and sharpens the focus of collective efforts to narrow the development gap not only within ASEAN but between ASEAN and other parts of the world as well; and
  - (iii) the forward drive towards the Integration into the global economy by enhancing participation in global supply networks through continuous adoption of international best practices and standards in production and distribution of good and services.
- Contribute to the development of an accountable, transparent, and well-governed extractive industries that effectively stimulate economic growth at regional, national and sub national level, environmentally friendly, socially responsible and appreciated by surrounding communities

# OBJECTIVES OF THE PROPOSED FRAMEWORK

- To provide principles and platform for harmonization of policies in the extractive industry in the ASEAN member countries to ensure high standards of accountability for mining companies and governments, adoption of human rights, sound fiscal framework and revenue management, transparency and social equity, as well as protection for local communities and the environment.
  - To provide standard setting instrument for management of extractive industry in ASEAN that ensure a similar level of competitiveness environment across ASEAN member countries, avoiding “competing to race to the bottom”
  - To provide tool for monitoring the progress of extractive industry development in the ASEAN member countries
-

[fabby@iesr.or.id](mailto:fabby@iesr.or.id)

THANK YOU