

EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (EITI)
London Conference, 17 June 2003

REPUBLICA DEMOCARATICA DE TIMOR-LESTE

GABINETE DO PRIMEIRO-MINISTRO

Statement by H.E. Prime Minister Mari Alkatiri

Good Morning:

Baroness Valerie Amos Secretary of State for International Development
Distinguished Guests Ladies and Gentlemen

Thank you Honourable Secretary of State for the invitation to attend this Conference, and for the opportunity to make a statement on behalf of the world's newest nation, the Democratic Republic of Timor-Leste.

The Timor-Leste Government wishes to state its support of the Extractive Industries Transparency Initiative, and we welcome the opportunity to participate in the Initiative. We view this as a positive step towards achieving our goal of open and transparent government, and take this opportunity to commend Prime Minister Tony Blair for fostering this initiative.

After a year of independence we are a nation in the process of successfully building a democratic and sovereign state. We recognise that success will only come with good governance and that is why we have been focusing in the last year on creating an institutional culture, by setting up structures and institutions which can manage decision making processes in all arms of government in a responsible manner.

Strong institutional culture and good governance can only be achieved through accountability and transparency in all levels of Government and the public sector. However, to achieve this it is essential that our people are properly armed with the skills required. Assistance from the international community in education, employment and training of Timor-Leste nationals in the petroleum sector will help Timor-Leste achieve this objective.

The oil and gas industry is of the utmost importance to the ongoing development and growth of Timor-Leste. Proper management of revenues from this sector is critical in ensuring a strong economic and stable political future, not only for the current generations, but for the future generations, too. Generation equality is a central feature of the policies and structures we aim to put in place.

This conference comes at an important time for Timor-Leste. With Bayu-Undan, a world class liquids and gas project in the Timor Sea, set to go into production in 2004, Timor-Leste will start to receive considerable amounts of petroleum revenues. The world will be looking at Timor-Leste and whether we manage out petroleum revenues transparently.

We therefore intend to set up a Petroleum Fund to meet our aims. We have sought advice on international best practice that we can adapt to our needs from the IMF, World Bank and ADB. A Petroleum Fund is no substitute for sound fiscal management if it has wide political and popular support, clear rules and stores genuine savings by the Government.

Our Fund will be integrated into the budget process. Fund assets will be prudently managed and invested offshore. The rules and operations of the fund will be transparent with stringent mechanisms to ensure accountability and prevent misuse. At the same time our Fund will maintain the sovereignty of Parliament over revenue-raising and spending decisions.

We have learned from the experience of our friends in Norway and call the model we shall adopt "Norway Plus".

Very simply, the Fund will receive all our petroleum revenues and build up a balance that earns income. The Fund's objective is to maintain the real value of Petroleum wealth (both financial assets from petroleum already produced and estimated revenues from petroleum still in the ground), thus protecting the interests of future generations. Withdrawals from the Fund will meet the difference between our spending and our non-petroleum revenues.

The "plus" in Timor-Leste will be firstly, a guideline that only sustainable income from our petroleum wealth can be spent and, secondly, a range of accountability mechanisms including an independent Fund Council to oversee the operations of the Fund.

If government proposes to spend more than the sustainable income from petroleum wealth it must give a separate justification to Parliament and also estimate the long-term effect on petroleum wealth.

For transparency, we shall publish what goes into the Fund and publish what is taken out. Its accounts will be independently audited. We want the people of Timor-Leste and the rest of the world to know that this nation can make good use of its oil and gas wealth as it is extracted from the Timor Sea.

At present we are dealing with only one major project, developed under the Timor Sea Treaty between ourselves and Australia. We aim to complete our sovereign independence by settlement of permanent maritime boundaries between Timor-Leste and its neighbours as soon as possible. When that is done, we confidently expect additional major petroleum projects to be feasible. Thus it is vital that we put in place proper management structures for petroleum revenues from the outset.

Thank you.

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