



REF: 371/GMPRM/XII/2016

**Date:**

7 December 2016

**To:**

Mr. Fredrik Reinfeld  
Chair of the EITI BOARD

Cc: Jonas Moberg

Ms. Maria Isabel Ulloa (Implementation Committee)

Ms. Agnes Solange Ondigui Owona (Implementation Committee)

**Subject:**

**Issues of Concern regarding Current Validation of Timor Leste**

Dear Chair Mr Reinfeld,

I am writing as Minister of Petroleum & Mineral Resources and Focal Point of EITI Timor Leste to raise a concern in relation to the recent Validation Report of EITI implementation in Timor-Leste produced by the Independent Validator, the Sustainable Development Strategies Group (SDSG) and the Secretariat dated 11 November 2016.

The reports indicate the likelihood of Timor Leste not meeting the Requirement 8.3.c(i) of the 2016 EITI Standard, namely on requirements for company engagement (1.2) and civil society engagement (1.3) that was scored **Meaningful** progress.

If you do not mind I will go straight into the heart of the issue. Timor Leste is on the verge of suspension due to issues related to Civil Society participation and Companies confidentiality requirements. I acknowledge that Government can take certain measures to cure these challenges but a careful analysis of these challenges faced in Timor Leste raises the question of fairness, should a Government be suspended for reasons, which cannot be entirely attributed to the actions of the Government.

Allow me to further explain the two issues in question and actions taken by the Government to find working solutions:

- *Company engagement (1.2) - issue of confidentiality and the disclosure of disaggregated revenue and production data.*

The issue of confidentiality rose due to differences, which existed, between the company and Government on the level of reporting disaggregated information. Not been able to reach an agreement back in 2012 the Government took a



unilateral decision to publish TL 2010/2011 reports in 2012 without company's consent.<sup>1</sup> Later, the company as a requirement for its continued participation in TL EITI, required the Independent Administrator (IA) to agree to a confidentiality agreement. This issue of confidentiality caused delays in the EITI process, which also affected the publication of disaggregated revenue and production data. After continued discussion with the company, in and outside the MSWG, the issue of disclosure of disaggregated revenue and production data has been cured since 6<sup>th</sup> July 2016. This fact was not captured in the current validation due to the period of limitation of activities falling on 1<sup>st</sup> of July 2016. Disaggregated information related to requirements 3.2, 3.3 and 4.7 is now available in the ANPM website.<sup>2</sup>

As additional information, we have included in our new Mining Code and offshore exclusive area decree law a provision to adhere to the EITI principles and standard.

- *Civil Society engagement (1.3) – Lack of CS's participatory and engagement*  
Timor-Leste enjoys vibrant civil society organizations. Their representatives in the MSWG were selected and appointed through a democratic process without interference from any party. New CS members are selected every two years. The two years tenure may also not be enough time for the process of capacity building. There is a risk that the selection process may end up with members relatively new to the EITI process thus affecting their participation.

To be fair to the local CS in the TL EITI some of them are not well resourced or connected to other international CSO, however they are very active outside TL EITI with their work on issues related to natural resource management, revenue distribution and oversight activities.

I have been informed that there are discussions within the CS community members regarding their participation in the TL EITI and recently new CS representatives to the MSWG have been appointed.

As a post-conflict nation Timor Leste has inherited specific challenges relating to institutional building and human resource development, which require long-term solutions. Government will pay further attention on issue of capacity within the MSWG.

<sup>1</sup> For details, please refer to *Report on initial data collection and stakeholder consultation by the EITI International Secretariat, dated 26 August 2016*

<sup>2</sup> <http://www.anp-tl.org/webs/anptlweb.nsf/vwAll/Resource-2013%20EITI%20Reporting%20of%20Bayu-Undan/Sfile/2013%20EITI%20Reporting%20of%20Bayu-Undan.pdf?openelement>



### Other Comments

I note the work by the Secretariat of the "Initial Assessment" which was followed by the work of the Independent Validator (SDSG). As stated in the SDSG report "the most significant challenge for the Validation Team is the compressed time frame within which to undertake its review of EITI implementation in Timor Leste". I note that other implementing countries were also subjected to similar time constraint but more time may have been needed to fully appreciate the challenge faced by Timor Leste and the efforts it has put into facing those challenges.

Another broad statement made the SDSG on pg. 2 "Implementation of EITI recently may even be said to be driven more by the desire to check the boxes and avoid suspension rather than reflectively pursuing the overall objectives of disclosure and transparency." does not reflect the spirit of what Timor Leste is trying to achieve. Ticking the boxes is a reality of EITI to keep track of progress made so far. Timor Leste has enjoyed stability in the last decade and is beginning to attract foreign investment, this can be partly attributed to the efforts of Transparency including EITI in Timor Leste. We are trying to encourage relevant Institutions within the Gov. and the stakeholders to make the required information more readily available as a first step then focus on the longer term goal of increasing the nations understanding of the Petroleum and Mineral industry to ensure that Timor Leste is able to maximize the benefits from the development of its natural resources.

Mr. Chair, I'm appealing for the Board/Relevant Committee to look deeper into Timor Leste specific case before making a final decision on its suspension. I'm not seeking a special treatment for Timor Leste but rather I'm seeking consideration on the issue of "fairness" as stated above.

I thank you in advance for taking the time to read this letter.

Respectfully,



Alfredo Pires

Minister of Petroleum and Mineral Resources  
Focal Point of the MSWG of Timor-Leste