

Timor-Leste EITI Multi Stakeholder Group

MEETING MINUTES

07 March 2017

Farol Office

Participants

Angelina Branco (Member)	Eni Country Representatives
Filipe Nery Bernardo (Member)	Petroleum Fund Analyst- MoF
Antonio dos Santos (Member)	Woodside Country Representative
Nelson Miranda (Member)	Luta Hamutuk
Dulce Natalia (Member)	ANPM
Helio Dias da Silva (Member)	Haberan
Agostinho G. Ramos (Member)	MoF/ DNPMR
Sabino Gusmao Fitun (Member)	Core Group Transparency
Francisco Alegria (Alternate)	TIMOR GAP E.P
Darson Silva (Alternate)	ANPM
David de Araujo (Alternate)	ConocoPhillips External Relations Officer
Henrique Monteiro (Alternate)	TIMOR GAP E.P
Martinah da Silva (Alternate)	FHF
Telma Alves	IA (Ernst & Young)
Rui Matos	IA (Ernst & Young)

TL-EITI Secretariat:

Elda Guterres da Silva	National Coordinator
Trifonio Flor Sarmiento	Outreach Officer
Octavio Jordão de Araújo	Adviser
Abelina Emilia do Rosario	IT Officer

Absents:

Jose Lobato (Member)	Country Manager ConocoPhillips Timor-Leste
Fernando Carvalho (Member)	Chief of Account BCTL
Timoteo T. Pires (Alternate)	BCTL

Meeting opened at 9.45 AM.

1. Apologies

Apology received from Mr. Angelo Lay who cannot attend the meeting. Mr. Lay assigned Ms. Dulce Natalia and Mr. Darson as alternates.

Apology received from Mr. Luis Martins who cannot attend the meeting. Mr. Martins assigned Mr. Francisco Alegria as alternate.

2. Approval of the agenda

The MSG agreed to the agenda of the meeting.

3. Approval of the minutes of the meeting

No minutes of the previous meetings were discussed and approved.

4. Business arising from the minutes not otherwise included in the agenda

The MSG discussed issues as identified in Annex 1. Action progress and status of the issue(s) are as outlined in the Annex 1 of the minutes.

5. Discussion of Materiality Threshold

The meeting started with Civil Society Group (CSO) present opinion on materiality threshold. CSO has consulted earlier with the Independent Administrator (IA) and then decide to discuss with other MSG stakeholders in today's meeting on materiality threshold. As proposed by the IA to set a threshold of 0.05%, CSO disagreed with this proposal for the reason of this threshold is not representing a large number of the reporting entities. They suggested a threshold that at least captures 50% of the total companies in each fiscal year (*i.e.* 38 out 76 companies in 2014 or 34/68 in 2015) beside government entities.

Ministry of Finance (MoF) representative replied that setting a threshold up to 0.05% would capture a significant and detailed information on revenue streams from 2014 and 2015 when compare to previous EITI reports. Previous reports solely involved the government entities and main extractive industries and captured non-disaggregate information.

Moreover, increasing numbers of entities in scope by reducing the threshold will produce a less significant change of the amounts to cover. It could also affect the timing of the reporting process knowing that we have deadlines upfront. In terms of CSO's proposal, due to time constraint may result in the minimum response from several industries to submit financial data for reconciliation, thus will likely affect the quality of the upcoming reports.

MoF also explained to CSO on the recent decision of EITI Board in giving a suspension to Timor-Leste because of the delay of the preparation of TL-EITI reports. Timor-Leste will have to respond the suspension by submitting the 7th EITI Report until June 17 and 8th Report until Dec 17. Hence, MSG urge CSO to decide on a threshold in order to allow the IA to carry out the reconciliation process and publish reports before deadline so that subsequently will discharge this suspension status.

Meanwhile, ANPM propose new materiality threshold which can apply for both petroleum and mining sectors. A threshold proposal of \$100,000 for First Tranche Petroleum and Profit Petroleum and of \$500 for fees collected from petroleum industry (i.e. contract service fee & development fee) and mining was recommended by ANPM. Moreover, the intention to separate threshold for different revenue types because of the nature of each payment that is different. However, EY emphasized MSG to determine one materiality threshold to apply for all commodities per extractive sector. Based on EITI requirement (4.2), the proposed threshold should apply for the whole industrial sector and not for each commodity. The reconciled data shall capture all revenue streams include tax and non-tax payments. EY finds impossible to document data per separate threshold for specific revenue stream as proposed by the ANPM.

MSG agreed on \$100k threshold for oil & gas proposed by ANPM. The scoping report will be amended by the IA with the inclusion of final inputs from today's meeting as well as new list of entities in scope. The IA reminds MSG that with the new threshold will increase the number of reporting entities to more than 50% of the totals as proposed earlier by the CSO. It may involve the companies (subcontractors) that provided short services in 2014 and 2015 and are no longer active in 2017 and thereby will be difficult to obtain their financial record.

The new scoping study report and data collection templates will send to the reporting entities within this month. The TL-EITI Secretariat will assist the IA to send a request letter to the reporting entities to complete data collection templates by 31 March 2017. ANPM and MoF are required to cooperate with TL-EITI Secretariat and the IA to prepare the contact details of the entities in scope. The IA recommends all entities to report in full all payments for all the revenue streams that considered as significant with no exclusion. The proposed threshold should encompass all the payable entities and all types of revenue streams.

6. Discussion of Reconciliation of Mining Sector in 7th & 8th TL-EITI reports

In regards to mining sector, if MSG consider to establishing reconciliation of mining activities, it will imply the changes in the scoping study. Hence, the IA will need to obtain the list of mining companies in Timor-Leste and prepare revenue data collection templates.

According to the IA, based on mining Licenses registered in 2014 (18 licenses) and 2015 (34 licenses), all of the registered companies will be captured in the reconciliation when apply the \$500 threshold. The IA cannot guarantee the quantity of data reconciled in such short period and to figure out the output and quality of the upcoming reports. Attending to the small revenues that may obtain from local mining industries, reconciliation may not possible to conduct.

The IA recalled on the options as proposed in the scoping study report to disclose information about Artisanal Small Scale Mining (ASM) rather than financial reconciliation:

- i. To provide an overview of the ASM sector
- ii. To provide an overview on ASM activity, production and export data
- iii. To provide an overview on ASM activity, production, export and revenue data.

In terms of the ASM options above, ANPM suggest the third option exclude the export data as there is no mining product being exported. ANPM also will present and discuss the inputs on mining their Mining Directorate later.

MSG decided to postpone the reconciliation of mining activities this time. The reconciliation may be considered in future reports (i.e. 2016 TL-EITI Report). The reason for this, the mining status in Timor-Leste, has been recently regulated by ANPM in 2016 and the local industry network still need to improve. It would be difficult to locate the local companies that conduct services in 2014 and 2015 to obtain their financial data in short time, and thus, will slow down the reporting process.

MSG suggests to include in the recommendation part of the upcoming reports, that the full procedure of reconciliation process will be considered in future EITI reports once the mining sector development in Timor-Leste is improved.

7. Discussion of "threshold for reconciliation"

The IA suggested MSG to determine a "threshold" for reconciliation, which refers to the difference of the reported amounts and the amount after reconciliation. This means, for example, should the difference of a small number such as \$5 be reconciled or not and/or should the difference of \$100 be presented as a percentage or an absolute value. MSG decided to set zero threshold on this and to report the coexisted amount difference include a justification on larger amount differences if applicable.

8. Discussion of Other Business

There were no information other than agenda was discussed in the meeting.

9. Schedule next meeting

No meeting was scheduled yet. The Secretariat will confirm the exact date and time.

The Chair declared the meeting closed at 11:45am.

Minutes approved and signed by:

(Name)

(Signature)


1.

Filipe N. Bernardo



2.

Dulce da Silva



3.

HELIO DIAS DA SILVA



4.

Sabino G. Fitun



5.

Martinha da Silva

Maaf:-

6.

Antonio dos Santos



7.

8.
