

TIMOR-LESTE'S EITI NATIONAL WORKING GROUP

Minutes of the Third EITI National Working Group Meeting 25 & 26 September 2007, 9.30— 12.30pm, World Bank Office, Dill, Timor-Leste

Participants

Members:

Andrew Caddy, Director of Finance, TSDA
Manuel de Lemos, Director, Timor Sea Office
Fernando Da Silva, Chief Accountant, Venancio Alves Maria, Executive Director,
Banking and Payments Authority
Amandio Gusmao, Director, National Directorate for Oil and Gas (DNPG)
Cristino Gusmao, Director of Macro Economic policy, MoF
Mark Sherwill, Country Manager, Conoco Phillips Timor-Leste, SA
Santina Soares, Researcher, La'õ Hamutuk
James Kernaghan, External Relations and Communications Manager, ENI Australia
Carlos Florindo, Absent, AMKV

Joined follow-up discussion on 26 September 2007:

Domingos Maria, Office of the Secretariat of State for Natural Resources
Thomas Freitas, Director of Luta Hamutuk

Observers:

Catherine Anderson, Operations Analyst, Governance, World Bank (Dili)
Tobias Rasmussen, Resident Representative, IMF (Dili)
Vidar Ovesen, Fiscal Policy and Petroleum Fund Adviser, MoF

1. Introduction of Minister

The new Minister of Finance, Emilia Pires introduced herself and opened the meeting. See Annex I for her introductory remarks.

2. Group reviewed and adopted the minutes of the EITI National Working Group Meetings of 24 July and 8 and 23 August 2007.

3. Working Group Terms of Reference (ToR)

The Group reviewed the ToR, taking into account the following issues:

- **Membership.** Members suggested amending Working Group membership to reflect the GoTL restructure, removing Timor Sea Office and proposing to include three representatives from the Secretary of State for Natural Resources and regulating agencies; one Member suggested expanding Ministry of Finance participation to include a representative from the Petroleum Tax

Division; members also agreed to expand CSO and industry membership to three members each. On the latter, the Secretary of State for Natural Resources will write to the NGO Forum and Woodside (as largest share operator in the Sunrise development) to appoint one representative each to the Working Group.

- **Voting.** Because the number of GoTL vis-a-vis non-GoTL members now differs from the previously agreed version of the 'ToR, members agreed that the Secretary of State and Government EITI Coordinator will act as a single vote and that the mining representative would also be removed as this entity until the mining sector is fully established and legally regulated in Timor-Leste.
- **Language.** Current language arrangements (meetings conducted in English) preclude full participation of CSOs. The World Bank agreed to provide an interpreter for all future meetings until the Secretariat is functioning.
- **Timor-Leste EITI Secretariat.** Members discussed the role and reporting arrangements for the Secretariat as reflected in the ToR and agreed to remove references to the Secretariat in the ToR for discussion at a later date. Arrangements to ensure the independence of the Secretariat would be discussed at this time. In the short-term, members agreed to link the EITI Secretariat to GoTL.
- **Finalised ToR.** All other earlier comments on the ToRs for the Working Group were agreed. The Ministry of Finance incorporated all materials changes and circulated the ToR for voting.

The EITI National Working Group ToR were approved by consensus of all Members present.

3. ToR for EITI Coordinator will be amended to reflect the revised reporting structure ie. reporting to the Government EITI Coordinator in the Office of the Secretary of State for Natural Resources and no longer TSO. Members further agreed that recruitment of the EITI Coordinator is a priority, after which time the Working Group shall consider the need to recruit an additional EITI Administrator.

4. EITI Work Plan

The Group discussed the EITI work plan, including:

- **Timeframe.** Members agreed the EITI work plan should cover the period 2008-2009.
- **Line 2a, Working Group.** While comments previously proposed including all operators in EITI National Working Group, members reiterated that they were not in fact proposing to include all. Thus language currently proposed, 'petroleum companies and operators', is best.
- **Line 2c, EITI Budget.** With the transition budget confirmed, the EITI Working Group has US\$15,800 available during the transition period (that dates back from July to 31 Dec 2007). The Group agreed to review the EITI MDTF proposal at its next meeting. Regarding sustainable funding, one member noted that the EITI Sourcebook identified company contributions as possible source of funding, highlighting that it is not only for GoTL to support EITI. GoTL is willing to

finance US\$50,000 - \$100,000 in the FY2008 period, depending on proven capacity to execute funding. Industry resource availability would need to be assessed on a case by case basis, however it is possible that certain outreach activities (e.g., with infrastructure components) could be supported by industry. One member questioned what the nature of CSO support is. (If monetary resources are not available, in-kind contributions can also be made.)

- Line 2d, Establishing a Local EITI Secretariat. Members proposed removing the EITI Secretariat budget breakdown from the footnote and putting this elsewhere. A budget breakdown by fiscal year was proposed to be included in the table itself.
- Line 3a, Review of Legal Framework to Remove EITI Obstacles. One member suggested that there is no need to refer to PSCs or other specific documents here and that it may not be the mandate of the Working Group to review PSCs. One observer suggested that PSCs should be looked at to ensure consistency with the overarching legal framework. Other members agreed, but overall the Group agreed to remove the bullet points as there was no need to specify each document to be looked at as all impediments to legal compliance with EITI were to be reviewed. Members queried whether US\$30,000 would be adequate to finance a review of the legal framework.
- Capacity Building. One member suggested that education is a big question and capacity building is not only about comprehension, but about dissemination of information. Some members disagreed, feeling that civil society needs capacity development support for informed and effective advocacy. The distinction between outreach and capacity building was discussed. Outreach was seen as primarily information dissemination while capacity building includes enabling beneficiaries (through transfer of skills/knowledge) to use information to participate effectively in the policy dialogue. Some members felt the aim should be to provide sufficient information to educate, but not complicate. It was suggested that, in the first instance, EITI is about making information available/dissemination the capacity of civil society and others to absorb the information could be addressed later. All members agreed that a capacity needs assessment is required as is support to improve civil society knowledge of the industry. An identification of obstacles to capacity development would be important to inform a sound capacity building effort. Civil society should also be consulted on capacity building needs. All members agreed that the bullets in this section could be removed with a view to identifying specific capacity building activities at a later time.

As time ran short, the Group agreed to reconvene the next day to continue the discussion.

Continuation of discussion on 26 September 2007:

- **Capacity Building and Outreach Cont'd.** As EITI is implemented, the Working Group may need to educate people about EITI. Capacity building 'for and from Industry' should be included. For instance, CSOs met with Reliance (a company with exploration rights in TimorLeste's exclusive zone) yesterday and Reliance indicated that they were not familiar with EITI. Industry members confirmed that they will probably convene a forum with other industry representatives in Timor-Leste to discuss EITI. Industry expects to fund such activities itself. Some members felt that rolling out a program to high schools to teach students about the petroleum industry should be undertaken by industry in collaboration with the

- EITI Coordinator. Members noted that Parliament and others in GoTL need capacity building in the petroleum sector. The last training with parliament in 2006 resulted in participation of only 5 members. It was suggested that the EITI Working Group could target Parliamentary Committee C in its capacity building activities. One member suggested that this could be a joint exercise with Consultative Council first quarter 2008.
- **Petroleum Resource Centre.** Members agreed that the reference to the petroleum resource centre should remain in the work plan as it is an important tool to provide information to the public. One member suggested that GoTL may want to utilize money from local content activities to finance such a Centre. Another member suggested that, for the time being, the EITI Working Group may want to wait for the GoTL to establish petroleum research centre or something similar first.
 - **Additional Information Sharing Mechanisms.** One member asked TSDA if it could reconvene the monthly meetings to share information with the public. The Group was advised that the monthly meetings were stopped because people did not attend. If the demand exists, TSDA would convene regular public briefings, though a venue would be needed. The EITI Secretariat could help to organize such briefings and TSDA and others could contribute. One member asked whether Timor-Leste had any plans for a national annual trade expo or anything similar.
 - **Auditing.** TSDA undergoes a financial audit each year and that the audit is publicly available. One observer noted that profit oil is not currently audited. One member recommended a general audit to review all audits. If relevant bodies are not audited then it is an obstacle to transparency. When implementing line 4(a) of the work plan, TSDA and related audits should be available to the auditor/aggregator.
 - **Line 4b, Aggregation/Disaggregation.** All members agreed to disagree on the level of aggregation vs. disaggregation. This matter was considered best addressed as part of the process to develop the reporting template in the first quarter of 2008. This would provide sufficient time for stakeholder groups to formulate their respective positions to be discussed.
 - **Line 4c, ToRs and Approval of EITI Auditor for Reconciliation of Payments and Receipts Data.** The current Petroleum Fund (PF) report states that it is an EITI report so members agreed to recruit a consultant to review all existing audit arrangements to see whether they do in fact cover all EITI audit requirements. EITI requires a reconciliation of all receipts and payments so the Group needs to clarify with Deloitte whether they do this as part of the PF audit. The EITI Working Group should also receive and review the ToR for the next PF audit as soon as they are prepared by GoTL. One member suggested getting an independent auditor for EITI rather than using the PF auditor. Others suggested it would be more appropriate first to determine whether or not the PF audit is an independent audit. Several members noted that it is important to trust the auditors—conducting an audit of completed audits is unnecessary. While the PF audit includes an EITI report, there was some question about the disaggregated information included in it and whether this was adequate for EITI purposes.
 - **Field Specific Audit.** One member objected singling out of a single project for audit Greater Sunrise as this may give rise to an unfair emphasis on a particular area. Members also agreed that specifying particular fields risked excluding

- review of new fields not already captured under the existing framework. Members agreed to remove the field specific focus from line 4d of the work plan.
- **Completing the EITI Reporting Template.** One member asked which government agency would be responsible to populate the EITI reporting template. Members emphasized that an auditor cannot fill in the information, and that this should be the responsibility of the BPA or Ministry of Finance based on information needed from respective agencies (e.g., Ministry of Finance has responsibility for providing information for the PF audit). For the Petroleum Fund Audit 2006/07 Deloitte went through reports prepared by others. The process would be similar for the EITI report. Companies would be expected to complete a reporting template with relevant information on payments. If the payments data that companies provided is based on audited financial statements, there would be no need for the EITI auditor to “re-audit” the numbers; in fact, the exercise would be more of a reconciliation rather than a traditional audit. Some members noted that any agency that channels revenues into the PF should be audited.
 - **Additional Comments/Observations on Timor-Leste’s Petroleum Revenue Management and Transparency Arrangements.** One member noted that the PF Audit 2006/2007 did not include all requirements of section 24 of Petroleum Fund Law. The member also noted that the Consultative Council has not received any statement on the Estimated Sustainable Income (ESI). Another member responded that each time GoTL calculates ESI a report is submitted to the Parliament. However, a member indicated that the Consultative Council did not receive this for the transition budget. This member further noted that last year TSDA refused to provide data on Bayu Undan projections, making it impossible for Parliament to assess ESI. Some felt that GoTL should make the model available, while another member noted that the model is very complex and difficult to use and understand. While the model was demonstrated at the petroleum revenue management workshops in 2006, there is clearly a need for more widespread training on how modeling is done, what it is used for, how assumptions are determined, etc. Revenue projections and scenarios feed into the budget process, but there is a clear need to improve GoTL’s process and capacity for properly disseminating such information.
 - **EITI Audit Schedule.** The PF auditor has finished the work for 2006/07 and the Ministry of Finance is completing the report to be published in November 2007, thus audit requirements reflected in the EITI work plan will apply to fiscal year 2008. It was proposed to undertake this activity in the second quarter of FY08. This was considered practical as it will likely take three months to determine the level of aggregation.
 - **Work plan publication.** Members agreed to publish the EITI workplan on the La’o Hamutuk, TSDA and Secretary of State for Natural Resources websites. The EITI focal point for GoTL, Manuel Lemos will send updated EITI workplan to the EITI Board for their information.

With the incorporation of the above comments, the Work Plan was agreed by all members present. The Work Plan would be made publicly available and would be shared with the international EITI Board and Secretariat.

5. EITI East Asia Pacific Event. The World Bank informed the Group that Santina Soares, CSO representative, was elected by the Group to participate in the regional EITI event in Bangkok being organized by the World Bank on October 2, 2007. However, Ms

Soares had reported that she was unable to attend. In her stead, Manuel Lemos would attend as the alternate candidate. All members supported this proposal.

6. Next Meeting

The Group agreed to meet on 26 October 2007, 9:30 a.m. -12:30 p.m., in Dili, at the Ministry of Natural Resources, Minerals and Energy Policy. The agenda for this meeting will be as follows:

- Update of EITI Compliance Status/Results of 27 September EITI Board Meeting
- Publication/Dissemination of the EITI Work Plan
- EITI Funding Issues, including Review of the EITI Multi-donor Trust Fund Grant Proposal
- Establishment of Local EITI Secretariat, including TOR and Recruitment Process