

Annual Activities Report for 2016

Timor-Leste EITI

*Multi Stakeholder Working Group
and Secretariat*

Contents

- I. Public Debate.....2
- II. Private Sector in Mining.....2
- III. Procurement of new Independent Administrator.....3
- IV. Strengthening Human Resource in the TL-EITI Secretariat4
- V. Dissemination of TL-EITI 6th report4
- VI. 2016 EITI Validation.....4
- VII. Participating in the International Board Meeting5
- VIII. Outreach and Share Experience5
- IX. Regular MSWG meeting5
- Appendix 1 - Assessment Performance against EITI requirements.....6
- Appendix 2 -Work Plan.....11
- Appendix 3 - MSWG response to the recommendation from reconciliation.....19
- Appendix 4-Strength or weakness to the EITI process.....24
- Appendix 5 - Expenditures of TL EITI Secretariat.....25
- Appendix 6 -Membership of MSWG.....26

I. Public Debate

The TL-EITI Secretariat with MSWG and the Ministry of Petroleum and Mineral Resources (MPRM) organized a public debate to the academics with the theme: "The Potential of Natural Resources in Timor-Leste which contribute to the income distribution towards fiscal sustainability."

The objective of the public debate is to disseminate information on the natural resources sector that adopts EITI global mechanism. The debate aimed to improve students' knowledge on the benefit of oil and gas revenues for the development of public infrastructures, education, and health, among others.

The Minister of Petroleum and Mineral Resources, H.E. Alfredo Pires, stated that Timor-Leste is a country that has been complying with EITI standards for over ten years, and its compliance became an example to the rest of the world: *"EITI is a process that has been evolving for ten years. Before it only published the amounts that companies were paying to the Government and assured the money that Government received is correct and made an annual report. The EITI process has developed and now not only publishes the amounts and beyond but also include cost recoverable materials that are related to the Oil, Gas and Minerals activities or as Extractive Industry"*.

The public debate event officially commenced on 10th June 2016 and took place at the National University of Timor-Leste (UNTL), Dili Institute of Technology (DIT) and the University of Dili (UNDIL). The academic community composed of the deans, lecturers and students expressed their appreciation and demonstrated enthusiasm with their participation in this program.

Overall, the tertiary students that took part in this event had the opportunity to directly learn from the speakers and experts from public sectors and the industry representative. The orators who participate in this event are represented by the National Petroleum and Mineral Authority (ANPM), the Ministry of Finance, the Central Bank of Timor-Leste (BCTL), ConocoPhillips, TIMOR GAP, E.P., and the representatives of the Civil Society Organizations.

II. Private Sector in Mining

On 9 September 2016, the TL-EITI Secretariat organized a seminar for private sectors of the mining industries, at the Hotel Timor in Dili, with the intention to disseminate information related to overall petroleum and mining management, legal framework, revenue collections, petroleum taxation, petroleum fund management & investment and also the EITI implementation process in Timor-Leste.

Timor-Leste has potentials in untapped mining (Manganese, Copper, Gold, and Silver). However, local mining companies mainly operate in sand and gravel exploration which is regulated by the Ministerial Diploma N^o.1/2008 of 30 July 2008. Timor-Leste is currently preparing a draft Mining Law which was submitted to the National Parliament for debate, after it was approved by the Council of Ministers. The drafted Mining Code contains provision on the requirement of mining companies to support the EITI implementation in Timor-Leste.

Mining companies as per Ministerial Diploma are required to pay fees as summarised in the table below:

Reference	Receipt	Middle-Scale Unit (ton)
Article 8	Fee per tons in USD	Sand and Grit : 1.5, Limestone : 2, Marble: 10
Article 19	Cost of License in USD	100 to 1,000

Through this seminar, it was expected that private sectors would be able to increase their knowledge and understanding on the importance of accountability and transparency in the management of natural resources in accordance with the Extractive Industries Transparency Initiative (EITI).

Over 50 participants of the local mining companies and tertiary students attended this event. Participants represented from the companies such as: Metalica Unipessoal. Lda, CNI, Carva Timor-Leste, TL Cement, Suai Indah Ltd., Libama, Tinolina, Jonize, CSI Company, Weng Enterprise Group, City Development and Montana Diak. The speakers were represented by each pillar of the TL-EITI MSWG and the Directorate for State Budget of the Ministry of Finance.

III. Procurement of new Independent Administrator

Based on the last evaluation performed by the TL-EITI MSWG on the services provided by previous Independent Administrator (IA), it was agreed to retender the selection process to engage the next IA to assist in the preparation of the 7th (2014) and 8th (2015) TL-EITI reports. A Terms of Reference for consulting service of IA to reconcile and produce the upcoming TL-EITI reports was discussed and approved by the TL-EITI MSWG. The ToR was later published along with the other procurement documents needed for bidding process in the Ministry of Finance, EITI International Secretariat and TL- EITI websites. The bidding process took one month to be completed and it took place from 15 August to 02 September 2016.

In response to the bidding announcement, there were four (4) firms that submitted applications to the Ministry of Petroleum and Mineral Resources (MPRM): Deloitte, Ernst and Young Audit & Associado - SROC, SA, Moore Stephens LLP, and Stantons International.

The MSWG agreed to establish a sub-committee group represented by each pillar with equal voting rights in order to complete the selection process. The selection process also involved the procurement unit of the MPRM as observers. The role of this unit is to ensure that all processes were carried out by MSWG in a transparent manner and in line with the required procurement procedure.

Based on the evaluation on both technical and financial proposals of the candidates, the sub-committee group concluded that Ernst and Young Audit & Associado - SROC, SA as the successful bidder. The firm later signed an annual service contract with the MPRM for their services in the reporting processes. These include the design of scoping study report and data collection reporting templates and manage the procedures for how the data will be presented in the future EITI reports.

IV. Strengthening Human Resource in the TL-EITI Secretariat

Attending the overload within TL-EITI Secretariat, MSWG assisted the Secretariat to carry out with the recruitment of new staffs. On June 2016, two new positions were created to support TL-EITI Secretariat, an adviser and a data base officer. The TL-EITI Secretariat, the legal department of the MPRM and the public sector permanent recruitment team designed the ToR for these positions and present to the TL-EITI MSWG for discussion and approval.

On July 2016, the vacancies were announced to public and the Secretariat received several submissions from the interested candidates.

The panelist were composed of MSWG members represented by TIMOR GAP E.P., Eni, Ministry of Finance and MPRM (TL-EITI Secretariat and the Directorate of Human Resources). There were seventeen applications for the advisor position and sixteen applied for data base officer. Following a long recruitment process, based on criteria and tests, two successful applicants were selected to fill the position: Mr Octavio Jordao de Araujo was selected as Adviser and Mrs Abelina do Rosario was selected as Database Officer effective from February 2017.

V. Dissemination of TL-EITI 6th report

The TL MSWG disseminated the 6th TL-EITI report in the following sub-municipalities:

Date	Location	Participants	Responsibility
28-29 Sep. 2016	Sub-municipality Cailaco, Bobonaro	65 participants from public servants, community leaders, traditional leaders, CSOs.	MSWG and TL-EITI Secretariat
18-19 Oct. 2016	Sub-municipality Venilale, Baucau	75 participants from public servants, community leaders, traditional leaders, CSOs.	MSWG and TL-EITI Secretariat

VI. 2016 EITI Validation

On 29 January 2016, an assessment on TL-EITI latest report was made by the International EITI Secretariat in Timor-Leste. Based on this assessment, there were several requirements not fully met by Timor-Leste. The MSWG continued to discuss the issues and agreed on remedial action to be

undertaken before the validation in July 2016. The corrective can be seen in the Appendix III. The Validation report can be accessed in <https://eiti.org/timorleste#validation>.

VII. Participating in the International Board Meeting

The Minister of Petroleum and Mineral Resources of Timor-Leste, H.E. Alfredo Pires, a member of the EITI Board representing the Governments since 2009, has been actively participated in the Board meetings. The last participation of Minister Pires in board meetings was held in Bern, Switzerland in October 2015. There were four meetings held in 2016, 32nd to 35th Board Meetings, in which Timor-Leste was not able to participate due to the schedule conflicts of the Minister with other national commitments.

VIII. Outreach and Share Experience

Timor-Leste has also welcomed and facilitated study tours or peer learning events with other countries. On 11 May 2016, the TIMOR GAP E.P., organized a courtesy visit for the delegation of Equatorial Guinea to TL-EITI secretariat.

The delegation team compose of:

1. Dr. Tito MBA , Ambassador of Equatorial Guinea for CPLP in Lisbon, Portugal
2. Dr. Juan Antonio Ndong Ondo, CEO of SONAGAS company
3. Salomon Ngu Nve, Petroleum Engineer of SONAGAS
4. Dr. Martin Tobias Ndong Nvo Bisa, Official Translator of SONAGAS
5. Dr. Rui Marques, CEO of In Totum company.

The intention of the meeting was to share Timor-Leste's experience in its admission as a candidate to EITI, acknowledging that Timor-Leste became the first CPLP nation implementing EITI. At this visit, Equatorial Guinea expressed their interest in implementing the EITI.

IX. Regular MSWG meeting

Regular TL-EITI MSWG meetings conducted periodically in every month except for urgent discussions in which the TL-EITI Secretariat would inform the MSWG and call for meeting. The agenda of the meetings would be circulated in advance to all participants through email. Discussions on MSWG meeting covers several aspects of transparency in Timor-Leste. In total, there were ten meetings¹ organized and held in the TL-EITI secretariat office in 2016.

¹<http://www.eiti.tl/secretariat/msg/msgminutes/2016>

Appendix 1 - Assessment Performance against EITI requirements

EITI Requirements	Progress
<p>Effective oversight by the multi-stakeholder group</p>	<p>The Government of Timor-Leste continues to support the implementation of the EITI principles in Timor-Leste, including provided budget of \$305,000 to support the Secretariat and as well as the MSWG’s activities in 2016.</p> <p>H.E. Alfredo Pires, Minister of Petroleum and Mineral Resources, is currently the Chair person for the EITI implementation in Timor-Leste.</p> <p>The MSWG is fully functioned with participation from all pillars. The representatives of each pillar are listed in Appendix 6. The role, responsibilities and right of the MSWG are outlined in the Terms of Reference which is available in the website.²</p> <p>The MSWG convened 10 meetings in 2016, where some key decisions were made:</p> <ol style="list-style-type: none"> a. MSWG approved work plan for 2016 reflecting annual activities to adhere to new EITI standard, including aligning the EITI activities and programs to the national priority, target and timeline. b. MSWG discussed and approved Supplementary Report to address findings from the pre-validation of the 6th (2013) Timor-Leste EITI Report. c. MSWG conducted evaluation on the previous Independent Administrator’s performance and reviewed the Terms of Reference for Independent Administrators (ToR-IA). The latter included the inclusion of confidentiality agreement in compliance with EITI Standard 2015. d. MSWG submitted an exception letter to EITI Board prior to ToR-IA’s approval in regards to the unmet requirements (EITI Standard 2015 (1.5) and EITI Standard 2016 (8.1)) on production/export data and disaggregated information. e. Approved ToR_IA, discussed the selection process and advertised the bidding process for the new IA; f. Prepared and discussed ToR for new supporting staffs for Timor-Leste EITI Secretariat, Technical Advisor and

²<http://www.eiti.tl/secretariat/msg/msg-tor>

	<p>Database Officer’ positions. MSWG to select interview panels for both roles.</p> <ul style="list-style-type: none"> g. Discussed the preparation of EITI’s Validation Process in July 2016; h. MSWG prepared and conducted outreach programs such as: 6th (2013) EITI report dissemination, seminars to private sector industry (mining) and transparency workshop on public expenditures (WP2016) with academic institutions. i. The selected IA prepared scoping study report and presented to MSWG for discussion and approval; j. Approved TL-EITI Annual Activities progress report for 2015.
<p>Legal and institutional framework, including allocation of contracts and licenses.</p>	<p>Timor-Leste has not established an EITI Law or a Transparency Law yet. The Government has prepared the draft law, however, wider consultation have not taken place due to other reform that currently take place.</p> <p>The description of the legal framework and fiscal regime governing the extractive industry is included in the TL-EITI reports.</p> <p>Most of Production Sharing Contracts (PSC) were disclosed in National Petroleum and Mining Authority (ANPM) website, except for the PSCs of Bayu Undan and Greater Sunrise which are regulated under Interim Petroleum Mining Code.</p> <p>Licenses and coordinate areas are addressed in the TL-EITI reports and also available in the ANPM’s website.</p> <p>Beneficial ownership has not been addressed in details as per EITI requirement. MSWG discussed and prepared a Beneficial Ownership roadmap to set recommendations and objectives for the transparency purpose. The MSWG has included a scoping study in the next reporting round to identify the gap with EITI standard and to agree on action to address it.</p>
<p>Exploration and production</p>	<p>The information related to exploration, production and exports are addressed in TL EITI reports.</p>

	<p>The MSWG noted the preliminary assessment by the EITI International Secretariat in November 2015 which indicates the level of disaggregation of production and export and revenues were not fully meet EITI Standard 2015 version, Requirement 3.9, 3.5a, 3.5b, and 4.1.b.</p> <p>The MSWG has responded to the lack of disaggregation of information in the Supplement 2013 Report. It was also decided that the upcoming 2014 and 2015 EITI reports would provide disaggregated information by entity and by each type of revenue stream.</p>
Revenue collection	<p>TL-EITI reports clearly defined taxes and revenues covered in it. Most of the revenues paid to the government were in dollar term, so far there is no in-kind collected. There is no infrastructure provisions and barter arrangement agreed so far. Any social expenditure made by the company was described in the TL-EITI report. More detailed information can also be accessed through the ANPM Annual reports.</p> <p><u>There is no payment considered as transportation payment.</u></p> <p>Payment to and revenues from state-owned enterprise (SOE)-TIMOR GAP E.P. in extractive industry is addressed in the 5th and 6th TL-EITI reports. Also available in its annual report published at www.timorgap.com.</p> <p>Currently, there is no payment or transfer from government or company made directly to the sub-national government.</p> <p>Data quality and assurance - the Independent Administrator (IA) was appointed through an open competitive bidding process with clear selection criteria as set out in the Terms of Reference for IA in accordance with the ‘agreed upon procedure for EITI Reports’.</p> <p><i>a) MSWG agreed to undertake reconciliation of the audited data in upcoming reports; b) Review audit and assurance practices.; c) appointed IA to guarantee the assurance of data from the reporting entities to be certified by an external auditor; d) Confidential agreement was discussed between the IA and Industries; e) Reconciliation data is disaggregated by individual company and by revenue stream. Draft of data collection reporting templates were</i></p>

	annexed with the draft of scoping study report proposed by the IA. MSWG will discuss the draft and expected to finalize the discussion and approve the documents in Q1 of 2017.
Revenue allocations	Revenues from oil and gas sector supported more than 85% of Government expenditure each year. The information about how much revenues collected and transferred to the Petroleum Fund can be obtained from the Central Bank (BCTL) website and expenditures/distribution can be seen in the Ministry of Finance website (budget section and Petroleum Fund section) as well as in the Timor-Leste Transparency Portal (www.transparency.gov.tl) which covers Budget, Aid, eProcurement and Government Results Portal.
Social and economic spending	<p>The social expenditures by extractive companies are addressed in 2012 and 2013 reports. There is no in-kind payment made by the companies in both reports. MSWG has thoroughly discussed with the Independent Administrator on the definition and classification application of social expenditures i.e. mandatory vs. voluntary. MSWG expected clarification on social commitments before disclosing information in upcoming EITI reports.</p> <p>Quasi-fiscal expenditures – there is no revenue payment or arrangements whereby SOE(s) undertake public social expenditures.</p> <p>The information on contribution of the extractive sector to the economy are addressed in TL-EITI reports. It is also available State Budget books (www.mof.gov.tl) and National Account³</p>
Outcomes and impact	<p>All TL-EITI reports are publicly available from the TL-EITI website. In the occasion of launching of a new report (ie for 5th and 6th reports), the TL-EITI Secretariat will ensure that the information is broadcasted through mobile phones (SMS), summary of the report is posted in newspaper, radio and national television channel. The reports were produced in four languages namely Tetum, Bahasa Indonesia, English and Portuguese.</p> <p>Each year, the MSWG and TL Secretariat organized dissemination of the reports through outreach events to the</p>

³<http://www.statistics.gov.tl/category/survey-indicators/national-accounts/>

districts. The TL-EITI Secretariat and MSWG also participated in the discussion or activities related to resource management and revenue distribution.

From time to time, the MSWG made efforts to improve the approach in implementation of EITI principles in Timor-Leste, including implementing the recommendation from the auditor and validators. Some of the recommendation has not been fully implemented. MSWG have discussed the assessment on outcomes and impacts of EITI implementation in Timor-Leste and will implement this assessment based on 2016 EITI requirement (7.4).

Appendix 2 -Work Plan

2016 Work Plan on implementation of the Extractive Industries Transparency Initiative (EITI) in the Timor-Leste

The status of the implementation of the activities can be seen in the following table.

Objective	Action(s) Needed	Constraints	Timeframe	Responsibility	Estimated Cost & Source of Funding	Expected Output/ Outcome	Status
Priority one: Ensure publication of TL EITI report in timely manner and in accordance with the EITI standard.							
Development and publication of TL-EITI Reports	TL- EITI Supplement Report for 2013	Organize one day workshop to address findings and comments on TL-EITI 2013 report as per pilot validation conducted by EITI International Secretariat		22 January		Supplement report for 2013 produced and submitted	Completed
		Prepare and submit 2013 supplement report		31 March	No funding required, unless MSWG decided to use external parties.		
	Production of TL EITI report for FY 2014 and 2015	MSWG to decide on engaging IA (contract extension or to retender)		February (Procurement to start immediately if the	MSWG & TL-EITI Secretariat	To be disclose once the contract is awarded	MSWG agreed to retender All the process remain

Objective	Action(s) Needed	Constraints	Timeframe	Responsibility	Estimated Cost & Source of Funding	Expected Output/ Outcome	Status
			decision is to retender)				continue in 2017
	MSWG to discuss and approve ToR for IA, including decision to involve IA in the process of designing the Reporting Template, agreed on procedures on how the information/data will be presented in the 2014 & 2015 reports		March	MSWG			Completed
	MSWG to consider alternative approach to allow elimination of Confidential Agreement.						Under Negotiation
	Discuss and approve 2014 & 2015 reports, including release to the public and post in website (Tetum, Portuguese, Indonesian and English languages) + popular version		December 2016	MSWG			Remain continue in 2017
	MSWG to submit exemption letter to the EITI Board for requirement 3.5a and b.						Complete
	Review current plan for public dissemination of the report						Completed

Objective	Action(s) Needed		Constraints	Timeframe	Responsibility	Estimated Cost & Source of Funding	Expected Output/ Outcome	Status
	TL Annual Progress Report	Produce TL-EITI annual progress report for 2015		July	MSWG	No fund foreseen. Require time and effort		Completed
	2 nd Validation of the implementation of EITI principles in Timor-Leste	Organize and prepare for 2 nd Validation report		TBD	International Secretariat	Funded by International Secretariat		Completed
<p>Impact and outcomes of Priority One: EITI Report publication</p> <p>Impact on increased level of disclosure of the latest TL-EITI reports and community access to information including those that were not previously reported in early publications i.e. coverage on mineral activity information disclosed in 2013 EITI reports. MSWG has also increased efforts on extending the scope of reporting entities i.e. involving subcontractors defined by the established materiality threshold in the upcoming EITI reports.</p> <p>Increased awareness of EITI's contribution to the economy. The publication of the reports has its impact on community through the outreach programs, and how it influenced national policies and legal reform, where it would allow the access to legal information and social auditing leading to accountability</p> <p>Ability to influence budget debate: in terms of community knowledge on the published information within EITI reports, it has influenced the public debate on national budget organized by CSOs.</p>								
<p>Priority two: Encourage discussions on transparency in public expenditures, including investment decisions focus on economic diversification</p>								
Increase public awareness on	Organize talk-show or discussion on Radio or TV/TL on issues related to the distribution of			Aim for monthly		\$ 8.000.00		

Objective	Action(s) Needed	Constraints	Timeframe	Responsibility	Estimated Cost & Source of Funding	Expected Output/ Outcome	Status
expenditures of state budget to encourage discussions on major investment decisions to reduce oil dependency	revenues from extractive sector through state budget.		discussion in the media Up to 11 sessions discussion	TL-EITI Secretariat & MSWG			Remain continue in 2017
	Prepare and publish related information through brochures, booklet, banners, etc.						
Allow avenue for discussion on expenditures of state budget to ensure maximum benefit to the community.	CSO to cooperate with the Academic Institutions for public meeting		3 times in a year	CSO	\$ 3.000.00		Completed however remain continue in 2017
	Include additional information within EITI report to capture government expenditures for investments, such as investments on State Own Enterprises or other government purchase of companies' shares		December 2016	MSWG	Cost included in production of TL- EITI report		In progress Remain continue in 2017

Impact and outcomes of Priority Two: Engage in discussions on revenue management and economic diversification

Ability to participate in discussions on public expenditure. Civil Society Organizations (CSOs) play an active role to promote EITI implementation publicly. Together with the national EITI Secretariat, they regularly organized discussion activities with several organizations and used local media to discuss information contained in the EITI report through talk shows, public debates and in their letters to the government;

The publication of EITI reports had contributed to CSOs reaction and comments on budget proposal. For instance, the public debate with the academics held in June 2016 and dissemination programs on 6th EITI Timor-Leste report in September and October 2016.

Objective	Action(s) Needed	Constraints	Timeframe	Responsibility	Estimated Cost & Source of Funding	Expected Output/ Outcome	Status
Priority three: Reforming the legal framework and maintain contract transparency within extractive industries and other revenues generate in Timor-Leste.							
Promote EITI principles in new oil and gas regulations and/or PSC and new draft mining law	MSWG's active participation in discussions e.g provide comments/input to draft law/ regulations		December 2016	Relevant pillar in MSWG	No funding foreseen. Require time and effort		Remain continue in 2017
Public awareness and comprehension on contracts ;	Ensure awarded contract in extractive sector is published and updated e.g. in ANPM website (www.anpm.tl /www.anp-tl.org)		Regular review	ANPM	No funding foreseen. Require time and effort		Completed. Existed in ANPM lafaek database (ANPM new website is currently under development. In the future, all information in Lafaek database will be available in Petroleum
Establish Transparency Law for TL-EITI			Secretariat (through MPRM)		\$ 209,000		Internal consultation between relevant institution and legal firm

Objective	Action(s) Needed	Constraints	Timeframe	Responsibility	Estimated Cost & Source of Funding	Expected Output/ Outcome	Status
							Remain continue in 2017
Impact and outcomes of Priority Three: Revise legal framework and promote contract transparency							
Impact on EITI enabled contract disclosure, licenses and rationale for awarding licenses to entities. The comprehension level on the discussed Production Sharing Contracts (PSCs) among MSWG stakeholders has been increased as with understanding of benefits given by companies to communities. The mining policy regime also involves EITI process within the context of the Mining Code which is currently under preparation. The CSOs have also been actively provide inputs on legal references throughout their participation in EITI.							
Priority four: Institutional development for TL EITI secretariat, including capacity building for the MSWG and outreach activities							
Strengthen human resources within EITI Secretariat to ensure appropriate planning for all TL-EITI activities each year							
	Ensure availability of budget for the Secretariat (through MPRM 2016 Budget)			June 2015 (inclusion in MPRM Budget FY 2016)	TL-EITI Secretariat		Completed
	Ensure adequate human resource to support TL	Prepare and approval of ToR for the following positions: 1. Data Base Officer 2. Technical professional (consultant/advisor)		March 2016	TL-EITI Secretariat		Completed

Objective	Action(s) Needed		Constraints	Timeframe	Responsibility	Estimated Cost & Source of Funding	Expected Output/ Outcome	Status
	EITI Secretariat	Recruitment of staff (vacancy announcement, interview and employment offer)		April-June	TL-EITI Secretariat			In progress
		Develop training plan for TL-EITI secretariat.		February 2016	TL-EITI Secretariat			Remain continue in 2017
Capacity Building & Outreach activities (National and International)	Prepare and execute activities for the workshop, seminar and training (eg. discuss topics, logistical arrangement, etc).			March 2016	TL-EITI Secretariat & MSWG			Remain continue in 2017
	Using proper communication tools (printing and Electronically) to raise public awareness			Q2-Q3	TL-EITI Secretariat, MSWG	\$85.000.00		Remain continue
	Participate in EITI events abroad (conferences, seminars, training, exhibitions, Board meetings, National Coordinator meetings, exchange program, etc)			February 2016				Remain continue
Total Budget						\$305.000.00		

Objective	Action(s) Needed	Constraints	Timeframe	Responsibility	Estimated Cost & Source of Funding	Expected Output/ Outcome	Status
<p>Impact and outcomes of Priority Four: Improve capacity of MSWG and secretariat</p> <p>The stakeholders are able to improve their understanding of the new EITI requirements, such as increased understanding on Beneficial Ownerships. Also, stakeholders such as CSO have increased capacity in analysing information as well as making comparison with previous reports.</p> <p>The Civil Society members able to enhanced ability to comment intelligently on budget preparations and use it for advocacy. CSOs also experienced capacity learning by engaging with Government, extractive companies and other CSOs at regional level & outside their local network. This engagement can be seen from the increased understanding on revenue flows and financial systems.</p>							

Appendix 3 - MSWG response to the recommendation from reconciliation

This section is to address the status of and progress made in addressing the recommendations from reconciliation and validation as per requirement 7.4.a. (iii).

Recommended Action	Progress made	Implementation period	Executor	Status/Remarks
From TL-EITI 2012/2013				
RDTL-EITI database	Database is not in place yet.	New recruitment in 2016.	MSWG, TL-EITI Secretariat and MPRM	To be re-advertise in 2016.
Response to the delaying of 2012 TL-EITI report's publication and unmet EITI requirements.	TL-EITI MSWG published a supplement report to address the findings on the pre-validation assessment on 2012 report & observations made on 2013 report.	19 April 2016	MSWG & TL-EITI Secretariat	Concluded
Reconciliation – Scoping study	The MSWG discussed and agreed to include scoping study in the next reconciliation (Fiscal Year 2014). A scoping study report for FY2014 & FY2015 was prepared and presented to MSWG for discussion and for approval.	8 April 2016- Q1 2017 December 2016 – Q1 2017	MSWG and IA	Discussion began in April 2016 (<i>Ref: Minutes 8 April 2016</i>). Presentation first draft scoping study report to MSWG concluded in December 2016. Ongoing further discussion in 2017.
Limitations of the reporting template	MSWG agreed to involve the new IA to prepare draft templates in the next reporting process. Along with scoping study draft report, proposed data collection reporting templates for different Government and industry entities were prepared.	8 April 2016 - Q1 2017 December 2016 – Q1 2017	MSWG and IA	Discussion began in April 2016 (<i>Ref: Minutes 8 April 2016</i>).

	<p>Data templates included disaggregated information by each entity, commodity and by revenue stream.</p> <p>Drafts were submitted for MSWG discussion and approval.</p>			<p>Data templates drafted in December 2016.</p> <p>Ongoing discussion.</p>
Timing of the reconciliation work	<p>MSWG noted this recommendation and adopted it accordingly to the opening tender for IA.</p> <p>The reconciliation work to be started on 2017 by the IA.</p>	Week 2 - July 2016 & 2017	MSWG & IA	Ongoing
Delays in the preparation of the EITI Report	<p>A request for extension of the publication of the upcoming reports was prepared by MPRM to EITI International Board on 2016. The reasons for this delay include: time constraints for discussing & prepare supplement report 2013 along with discussion & preparation of ToR and tender process of new IA.</p>	December 2016	MSWG & TL-EITI Secretariat	Ongoing
Lack of EITI law	<p>The Government through MPRM has contracted <i>Miranda Correia Amendoeira & Associados</i> to prepare a draft Transparency Law.</p> <p>The draft was circulated to the MSWG, however, it was not discussed. Note that EITI standard also change, hence the draft law needs to consider it as well.</p> <p>The Government is currently undertaken fiscal reform, which include review of other existing relevant laws.</p>	N/A- pending progress in fiscal reform	MSWG	Ongoing

Recommended Action	Progress made	Implementation period	Executor	Status/Remarks
From EITI Board validation 2016 (Corrective Actions)				
<p>Industry Engagement.</p> <p>Companies should demonstrate that they are fully, actively and effectively engaged in the EITI process (requirement 1.2). The MSWG noted recommendation to consider different approach addressing company concerns around confidentiality and the disclosure of disaggregated revenue and production data.</p>	<p>Industry believes that its members have been participating and engaging all EITI process. Industry is mindful of any confidentiality discussion would not create obstacles or delays on reporting process. Industry has been in advance discussing its Confidential Agreement with Independent Administrator (IA) to ensure no impediment when IA commence their work on next reporting exercise. Companies has agreed to disclose further information related to requirement 3.2, 3.3 and 4.7. With the selected IA on board in February, MSWG will discuss and agree on the reporting template that capture the EITI requirement 4.7</p>	<p>Mid 2016 – July 2017</p>	<p>MSWG, IA and the National EITI Secretariat</p>	<p>Ongoing. Expected information on disaggregation, production and export, will be discussed thoroughly in early 2017.</p> <p>An action plan was prepared by the companies and has been submitted to EITI Board.</p>
<p>CSO Engagement.</p> <p>Civil society should demonstrate that they are able fully, actively and effectively engaged in the EITI process (requirement 1.3).</p> <p>Specifically, civil society should ensure that they are able to fully contribute and provide input to the EITI process and that they have adequate capacity to participate in the EITI. In accordance with requirement 8.3.c.i, the civil society constituency is requested to develop and disclose an action plan for addressing the deficiencies in civil society engagement documented in the initial assessment and</p>	<p>MSWG has been discussed on how to improve CSOs participation whilst also providing support to enhance their understanding in oil and gas and mining value chains.</p> <p>CSO stakeholders with the assistance from National EITI Secretariat would prepare corrective actions plan to address this issue, include capacity training and workshop on understanding the current 2016 EITI Standard and transparency sector, sharing experience with other CSOs. These activities are expected to begin implementing on early 2017. Work Plan 2017 to foreseen budget and resource to provide capacity building on this issue.</p>	<p>December 2016 to Q1 2017</p>	<p>CSO-MSWG, TL-Secretariat</p>	<p>Ongoing. Attempts have been made to approach CSO-stakeholders to discuss their initiatives and the preparation of the corrective actions plan.</p>

validator’s report within three months of the Board’s decision.

In accordance with requirement 1.4. i, civil society members of the multi-stakeholder group should ensure that they have the capacity to carry out their duties.

MSWG Governance.

The MSWG is encouraged to consider strengthening the national EITI Secretariat to take a more active role in supporting implementation and the work of the MSWG, including building capacity with a view to supporting more mainstreamed EITI implementation.

Recruiting two national staffs, an advisor and a database officer, to assist with the EITI MSWG activities.

Recruitment period: July - December 2016

MSWG and TL-EITI Secretariat

Ongoing. New hired staffs are expected to start on Jan 2017.

The MSWG is also encouraged to review the governance arrangements of the MSWG with regard to national secretariat participation in the MSWG and the role of the Chair.

The role of the Chair in MSWG meetings was discussed by stakeholders to decide who should act as a chairperson.

December 2016

MSWG and TL-EITI Secretariat.

Ongoing. Continue to discuss and decide in 2017.

Data quality and assurance.

The MSWG and the Independent Administrator should ensure that future EITI Reports are produced in accordance with the ‘agreed upon procedure for EITI reports’ as outlined in the standard Terms of Reference for EITI Reports developed by the EITI Board (Req. 4.9). This to ensure:
- The Independent Administrator is viewed by all MSWG members as credible, trustworthy, and technically competent;

IA is being selected to commence this work, MSWG has confident on the selected IA to ensure that future reports are procedure in accordance with EITI Standards.

2016 to 2017

MSWG and TL-EITI Secretariat.

Ongoing. Continue to discuss in 2017.

MSWG has confident to the selected IA relative to previous IA.

<p>- Future reporting templates are developed in consultation with the Independent Administrator and that there is no deviation from the templates approved by the MSWG; and</p> <p>- A review of prevailing auditing and assurance practices is undertaken and that assurances are agreed upon prior to commencing data collection</p> <p>-</p>	<p>Scoping of reporting template has been planned for the upcoming Feb 2017 IA to work closely with MSWG.</p> <p>Audit of PSC Returns has been consistent with International Auditing Practice.</p>			
<p>In preparing for the next EITI Report, the MSWG should find a workable solution to industry concerns about disclosing disaggregated production, export, and revenue data to ensure compliance with the EITI Standard.</p>	<p>MSWG have discussed the implementation of disaggregated information as required by EITI Standard 2016 in upcoming TL-EITI reports (2014 & 2015).</p>	<p>Mid 2016 - 2017</p>	<p>MSWG and National Secretariat</p>	<p>Ongoing.</p>
<p>Social Expenditure.</p> <p>In accordance with requirement 6.1, the MSWG should ensure that mandatory social expenditures are disclosed, and where possible, reconciled. Specifically, with regards to local content commitments provided in-kind, the MSWG should ensure that the nature and the deemed value of each in-kind commitment is disclosed.</p>	<p>MSWG began discussion with the IA. Mandatory CSR is normally recoverable under PSC purpose. This can be designed at such that Government declare and Company confirm, accompany with explanation. MSWG is to make sure the design of reporting template by the IA foreseen this.</p>	<p>Mid 2016 – July 2017</p>	<p>MSWG, IA and the National EITI Secretariat</p>	<p>Ongoing.</p>

Appendix 4-Strength or weakness to the EITI process

1. Strength

- MSWG committed to analysis the EITI requirements in order to ensure the reports are complying with the EITI standard
- MSWG maintained open communication and transparency in discussions
- MSWG participation have improved
- MSWG participation in public discussions allowed for information sharing with public

2. Weakness

- Timor-Leste by far has not created a legal system for EITI compliance by operators (i.e. EITI and Transparency Laws)
- Reduced staff members and minimal improved capacity within TL-EITI Secretariat.
- Slow progress in documentation reviews and decisions made by MSWG.
- The commitment of all MSWG members in attending meetings at allocated time.

Efforts to strenghten EITI Implementation in Timor-Leste :

TL MSWG attempts to contribute to the implementation of EITI in Timor-Leste to address the described weaknesses and the recommendations from EITI validators. As mentioned earlier, one of the challenge that stakeholders faced is time allocation to support the EITI activities out of their busy working schedules. There were several occasions that stakeholders found difficulties to participate MSWG meetings or to revise documentations relevant to EITI process. Hence, acknowledging the workload amount within EITI and the demands in accelerating EITI activities, MSWG agreed to hire new staffs (a technical adviser and a data base officer) to assist with the implementation of these activities. This would also enable to strengthen the performance capacity of the national EITI Secretariat.

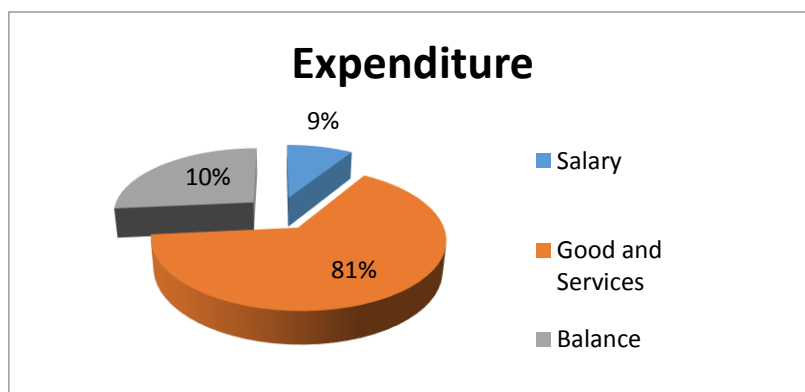
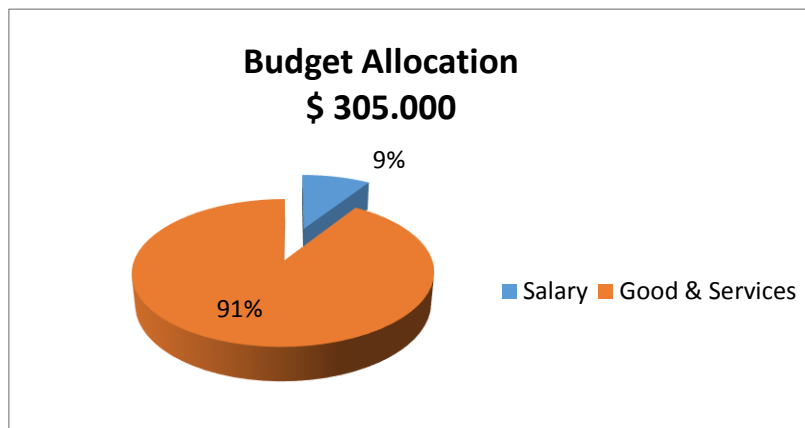
Meanwhile, efforts were made to assist the Civil Society representative in actively participate the EITI process. Communication and many documents relevant to transparency sector and EITI are mainly delivered in English and language barrier is one of the main obstacles for the CSO representatives. The MSWG is managed to assist CSO with this matter by regularly using the national language (Tetum) in MSWG meetings; also, there is an initiative to translate documents relevant to CSO participation in EITI and to publish EITI reports in other languages comprehended by CSO representatives (i.e. Bahasa Indonesia). Other concerns from the CSO representative is on their struggle to understand the contents of the new EITI Standard and the specific financial terms. The National Secretariat and the MSWG has regularly assisted CSO to prepare a corrective action plan to organize essential workshop and trainings to guide the CSO on EITI requirements. In meetings, other stakeholders would create the environment for CSO's ability in discussion and provide opinions.

A draft of EITI and Transparency Law was prepared since 2015 and is currently under review by the legal entities of the Government. The National Secretariat has been attempted to follow up with its process and expected an advance progress soon. Meanwhile, other Laws in preparation such as the

national Mining Code also involve EITI process in its content. The implementation of this Laws in the future would encourage reporting entities to comply with EITI.

Appendix 5 - Expenditures of TL EITI Secretariat

The TL-EITI Secretariat is fully funded by government through the annual budget of Ministry of Petroleum and Mineral resources. In 2016, a total amount of US\$305,000 was budgeted to the Secretariat to finance the activities as identified in the 2016 Workplan which includes salary for seven (7) staff, outreach activities, business trips and production of TLEITI Reports.



Appendix 6 -Membership of MSWG

Multi-Stakeholder Group

History and Structure - On 24 August 2007, the EITI Secretariat was established through commitment to form Multi-Stakeholders Working Group (MSWG). The Minister of Petroleum and Mineral Resources (formerly known as Secretary of State of the Natural Resources) was designated as focal point of the EITI process in Timor-Leste. The MSWG is chaired by the Minister of Petroleum and Mineral Resources. The MSWG comprises the following members:

<p><u>Representative from Government</u></p> <p>H.E. Alfredo Pires, Minister of MPMR- Chairperson</p> <p>Elda Guterres da Silva</p> <p>Agostinho Gregorio Ramos</p> <p>Filipe Nery Bernardo</p> <p>Emanuel Angelo Lay</p> <p>Venancio Maria Alves</p> <p>Fernando de Carvalho</p> <p>Timoteo Gomes Pires</p> <p>Dulce da Silva (Alternate)</p>	<p><u>Representative from Industry</u></p> <p>Jose M. Lobato Gonçalves</p> <p>Angelina Baptista Branco</p> <p>Antonio Dos Santos Pires</p> <p>David de Araujo (Alternate)</p>
<p><u>Representative from Civil Society Organization</u></p> <p>Sabino Fitun</p> <p>Nelson Seixas Miranda</p> <p>Helio dias da Silva</p>	<p><u>Representative from State Owned Enterprise</u></p> <p>Luis Gusmão Martins</p> <p>Henrique Monteiro</p> <p>Francisco Alegria</p>

- Minister of Petroleum and Mineral Resources (Chairperson);
- Two (2) representatives of the Ministry of Finance;
- Representative of the Banco Central de Timor-Leste (BCTL);
- Two (2) representatives of the Ministry of Petroleum and Mineral Resources;
- Three (3) representatives of the Civil Society; and
- Three (3) representatives of oil companies.
- One Representative of State Oil Company
- One representative of MPRM's Directorate of Minerals (former).

Roles and Responsibilities - The MSWG is dedicated to the overall EITI strategy, both political and strategic, and to the supervision of the implementation of the EITI process, as well as the evaluation of its impact on sustainable development and alleviation of poverty. The Committee has a tripartite structure including representatives of the government, the private sector and civil society.

A National EITI Coordinator was appointed to manage the EITI Secretariat. The Secretariat is in charge of the implementation of decisions made by the MSWG, and the day-to-day running of implementation activities for the EITI process in Timor-Leste.

In accordance with requirement 1.4.b (iv), all stakeholders should be able to participate in the production of the annual activity report and reviewing the impact of EITI implementation. Civil society groups and industry involved in the EITI, particularly, but not those serving on the multi stakeholder group, should be able to provide feedback on the EITI process and have their views reflected in the annual activity report.

Approved by MSWG

Date: 23 of June 2017