



TIMOR-LESTE EITI IMPLEMENTATION PROGRESS REPORT 2011

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Abbreviations

ANP : (Autoridade Nacional do Petroleo) – National Petroleum Authority

ASEAN : Association of Southeast Asian Nations

CBTL : Central Bank of Timor-Leste

CPLP : (Comunidade dos Países de Lingua Portuguesa)
Community of Portuguese-Speaking Countries

EITI : Extractive Industries Transparency Initiative

G7+ : Fragile and Conflict-Affected States

ICW : Indonesia Corruption Watch

IPC : Indonesian Parliamentary Center

MSG : Multi-Stakeholder Working Group

MoF : Ministry of Finance

NGO : Non-Governmental Organization

RWI : Revenue Watch Institute

SSNR : State Secretariat for Natural Resources

WB : World Bank

TIMOR-LESTE: TRANSPARENCY #GROWS # SUCCEED



Alfredo Pires, Secretary of State for Natural Resources

MESSAGE FROM SECRETARY OF STATE FOR NATURAL RESOURCES

This is Timor-Leste's first country EITI Progress Report. It is a compilation of what we did together in 2011 to ensure that we slowly entrench the principles of transparency into the way we do business in our country.

The work of the TL-MSG continued firmly with regular meetings throughout 2011 with the support of the TL-EITI Secretariat. The enthusiasm from the stakeholders, civil society, companies and government continues to be high.

In early 2011 we published our second EITI Report for 2009, which showed that we received a total of \$1.7 billion dollars from our petroleum industry.

Regarding outreach activities, Timor-Leste participated in the EITI 5th Global Conference, and organized a regional EITI Conference with representatives from over 40 countries attending.

In regards to training, a good number of activities were carried out around the country, and the demand for training continues to be high. This is something for the TL-MSWG to focus its attention on.

One of our highlights in 2011 was the visit of EITI Chairperson Ms. Clare Short in October. It was an important visit as it enriched all of us from our President to the villagers from the districts of Liquica, Aileu and Bobonaro.

I think everyone needs to be congratulated on the contributions towards the first TL EITI Progress Report. A lot of work has indeed been done.

Alfredo Pires



Map of Timor-Leste territorial (13 District, 65 Sub-District, 442 Villages and 2222 sub villages)



Timor-Leste is located in Southeast Asia on the southernmost edge of the Indonesian archipelago, Northwest of Australia.

BASIC FACTS & FIGURES

Office Name : Secreatry of State for Natural Resources
(TL-EITI Secretariat)

Capital and largest city: Dili

Geografic coordinates: 835 sq, 125, 36 E?

Time zone: UTC + 9 (Coordinated Universal Time)

Country Name: Democratic Republic of Timor Leste
(RDTL)

Chief of State: President Dr. Jose Manuel Ramos Horta

Head of Government: Prime Minister, Kay Rala Xanana
Gusmao he formerly used the
Name Jose Alexandre Gusmao

Cabinet : Council of Ministers

Location : Timor-Leste located in Southeast Asia, the
Island of Timor part of the Maritime, and is
the larges and esternmost of the lesser
Sunda Island, to North mountainous Island
are Ombai Strait, Wetar Strait and the
greater Band Sea, to the South the Timor
Sea seperate the Island from the Australia,
while to the West lies the Indonesia province
of East Nusa Tenggara.

Surface area: 14, 874 sq km

Climate: The local climate in Timor-leste is tropical and generally hot and humid, characterised by distinct rainy and dry seasons. Average temperatures range between : 29-35°C (84-95°F), in the dry season temperature average 20-33°C (68-91°F).

Population: 1,066, 409 Million

Religions: The population predominantly Roman Catholic (96%), though local animist traditions persistent and strong influence on the culture. The number of churches has growing up Religious minorities include Muslim, Protestants and Buddhist.

Official language: Portuguese and Tetun, English and Bahasa as Working languages.

GDP: USD 10%

GDP growth: 7,3 percent (2011) dollar is also
Currency: The American dollar is the official currency.
Government working hours: 8.00am 5.30pm

Multi Stakeholders Group

There are twelve (12) members of the EITI Multi Stakeholder Group and it consists of six (6) government agency representatives, three (3) industry representatives and three (3) civil society representatives. In this group, all of the members have the right to vote on issues discussed at the meetings.

Regular meetings of the MSG have been held in various places, including Company offices, Government departments, Civil Society institutions, International Organizations and at the TL-EITI Secretariat. Currently, the meetings are held regularly at TL-EITI Secretariat.

The Multi Stakeholder Group meeting is conducted once a month, bringing together representatives from the government, civil society, petroleum industry and international organizations to contribute knowledge or ideas, and discuss matters to be resolved and achieved within the EITI Work Plan. This activity aims to identify any obstacles, which could impact achieving an EITI compliant country and guarantee the continuation of the status of the compliant

As part of the discussion of the Work Plan, the MSG have been considering the effective means of dissemination and publications of the EITI reports and activities to the communities in Timor Leste. This is an ongoing process that needs continuous improvement to ensure effectiveness of the activity.

Endorse by MSG

Timor-Leste Government representatives are :

Alfredo Pires; (_____)

Secretary of State for Natural Resources

Elda Guterres da Silva;(_____)

TL-EITI National Coordinator

Venancio Maria Alves;(_____)

Executive Director for Petroleum Fund Department (Central Bank of Timor-Leste)

Fernando Carvalho da Silva;(_____)

Chief of Account Central Bank of Timor-Leste

Emanuel Angelo Lay;(_____)

Director of Commerce (National Petroleum Authority)

Honesia dos Reis Amaral Barros Araujo;(_____)

Marketing and Revenue Management Officer

Joao Demetrio Xavier;(_____)

Head of Operational Department (MoF)

Filipe Nery Bernardo;(_____)

Petroleum Fund Analysis (MoF)

Civil Society Representatives

Mericio Juvinal dos Reis,(_____)
Director of Luta Hamutuk (Monitoring and Analysis of
Petroleum Fund)
Carlos Alberto Barros Florindo,(_____)
Program Manager of ETADEP (East Timor Development
Action and Peace)
Martina da Silva Pinto ;(_____)
Director of FHF (Feto Hadomi Familia)
Remigio Viera Laka;(_____)
Director of Farming Study Group

Industries;

Angelina Baptista Branco;(_____)
Country Representative Eni Timor-Leste

Jose Maria Lobato;(_____)
Country Manager Conocophilips Timor-Leste

Brendan Augustin;(_____)
Country Manager for Sunrise (Woodside)

I. Introduction

Since June 2003, the Government of Timor-Leste has unequivocally declared its commitment to and support in implementation of EITI rules and principles. In late 2006, the Timor-Leste Government invited civil society and industry to nominate their representatives to form a Multi-Stakeholder Working Group (MSG). The first MSG meeting occurred in May 2007, guaranteeing that Timor-Leste had fulfilled one of the EITI requirements for becoming a candidate. Timor-Leste's newly elected government continued to work on the EITI process, and later that year finalized the EITI Timor-Leste Work Plan, while also agreeing on the Terms of Reference for the MSG. Upon completion of the process and submission to the EITI Board, Timor-Leste was admitted as a candidate on 22 February 2008. This demonstrated that through collaboration, the members of the MSG effectively oversaw the first stage of the EITI procedures.

By publishing and disseminating the first EITI report in December 2009 Timor-Leste achieved the final requirements for validation in line with the TL-EITI Work Plan. On 6 April 2010 the MSG approved the final validation report, which stated Timor-Leste had complied with all the indicators. The EITI Board then duly designated Timor-Leste as compliant country on 1 July 2010, the first country in Southeast Asia to achieve the status and the third EITI-compliant nation in the world. Timor-Leste needs to have its EITI status revalidated by June 2015, and to do so the young country must ensure the commitment to the EITI principles is maintained. Work in this regard continues accordingly.

This report is mainly covering the Timor-Leste EITI Activities in 2011.

II. Timor-Leste EITI Activities in 2011.

In 2011 the TL-EITI Secretariat organized and participated in variety of EITI activities in line with the Work Plan priorities in 2011.

Training

The State Secretariat for Natural Resources (SSNR) continues its commitment in building capacity within civil society in relation to the petroleum sector. The SSNR held intensive training for civil society from 7 to 12 February 2011 in Dare (20 minutes from Dili). The Core Group Transparency (CGT)¹ had two representatives from each of the 13 districts in attendance, this make the total number of participants to 56,



including the team organizers and key speakers.

Photo 1: Civil Society Training in Dare, February 2011

The training was funded by the World Bank and covered the following topics; Production Sharing Contracts (PSC), Management and Investment of the Petroleum Fund, Budget Allocation and Execution, EITI, Revenue Analysis, Revenue Collection, Introduction on How to Draft EITI Law, SSNR Policy and Programs. The training presenters were from the National Petroleum Authority (ANP), the Central Bank of

¹ Core Group Transparency is a coalition of several local NGOs with objective to monitor the Government's budget and revenues from the oil sector to be used to benefit the Timorese people.

Timor-Leste (CBTL), the Ministry of Finance (MoF), the Indonesian Parliamentary Center (IPC), and SSNR.

Further training was conducted in Jakarta from 24 to 28 October 2011, which focused on comparative case studies from Indonesia and Timor-Leste. Following SSNR's commitment to support skill development for young people in the NGO and improve public servants' knowledge of transparency, accountability and issues surrounding natural resources, SSNR selected 24 people from Civil Society Organization (CSO) and public servant to attend the training. The funding was provided by the TL Government and NORAD, the Norwegian Government's aid agency.



Photo 2: Civil Society Training in Jakarta, October 2011

The topics covered included: Basic Mining Concepts, EITI Implementation, Production Sharing Contract Calculation, International Mining Law, Advocacy and Networking, and Upstream, Midstream and Downstream Operations in the Petroleum Sector. The speakers were from IPC, Revenue Watch Institute (RWI), Indonesia Corruption Watch (ICW) and Bandung's Institute of Technology (ITB).

Upon the completion of the training conducted from September 2010 to October 2011, it was decided that legal training would be beneficial to the participants. The legal training was conducted in November 2011 in Baucau. Prior to the training, a small team of Timorese lawyers undertook a study on the drafting of TL-EITI law.

The areas the team assessed were in relation to decree laws, state laws, presidential laws and parliamentary legislation.

The training was then developed from the study and had speakers from both Timor and Indonesia presenting on the following: Laws - Form and



Photo 3: Civil Society training in Baucau, November 2011

Structure, the Extractive Industries' Business Cycle, the

South Coast Project (Supply base, Refinery and LNG Plant), the viability of the existence of the project and its environmental impact, and the general budget cycle. There were 36 participants from 13 districts took part in this training, funded by the World Bank.

The participants were very enthusiastic and active in discussing the training content and it served to strengthen the relationships and coordination between civil society representatives from each district. It provided an opportunity to increase participants' knowledge of petroleum and transparency issues, and build confidence and better understanding of the Extractive Industries for the future. The members will be focal points for the speakers and organizers at district level with the assistance of the national EITI focal point.

III. Global Conference (Paris).

The Fifth EITI Global Conference entitled 'Transparency Counts' was held in Paris from 2 to 3 March 2011. Participants from more than 70 countries with representatives from government, industry and civil society gathered at the said conference to share their experiences of EITI and to plan for the future of the organisation.

Timor-Leste's delegates consisted of the Secretary of State for Natural Resources (Mr. Alfredo Pires), Government Representatives (Joao Dimetrio Xavier and Trifonio Flor Sarmiento), and Civil Society Representatives (Carlos Alberto Barros Florindo, Mericio Juvinal dos Reis, Helio dias da Silva).

The first National Exhibition displayed variety of materials from 35 countries, where representatives from EITI implementing countries presented activities and shared experiences.

At the Timor-Leste stand were the condensed versions of the first and second TL-EITI reports, some pamphlets providing basic EITI information made for Timorese readers, a video of EITI transparency and the Bayu Undan project, and a banner displaying oil and gas seepage. The TL Government funded five of the six delegates from Timor-Leste, with Catholic Agency for Overseas Development (CAFOD) supporting one civil society representative.



Photo 4: Delegates at the Fifth EITI Global Conference in Paris, March 2011

IV. Regional Conference: Beyond EITI.

Government of Timor-Leste hosted the EITI Asia-Pacific conference “Beyond EITI: Timor-Leste Transparency Model” from 25 to 27 August 2011.²

The main objectives of the conference were on the benefit of the nation’s natural resources to all citizens, to establish cooperation between MSG, and establish the standard for companies to publish what they pay and for the Government to disclose what it receives.



Photo 5: TL Government hosts the EITI Regional Conference, August 2011

Over 400 participants attended the conference representing ASEAN countries, [g7+](#) (a group of Fragile and Conflict Affected States), CPLP (Portuguese Speaking Countries), EITI International NGOs, EITI Implementing Countries, Pacific Islands, private sector, development

² For further details please see: <http://www.mof.gov.tl/wp-content/uploads/2011/09/EITIFinalSummary.pdf>

partners both external and internal, and World Bank Managing Director Sri Mulyani as the keynote speaker.

The Conference was opened by the former President Jose Ramos-Horta, who stated in his opening speech that EITI was “a cornerstone of our institutional framework to ensure transparency”.

The Conference launched Timor-Leste’s Transparency Model, consisting of five pillars, and presented by the Minister of Finance Ms. Emilia Pires as follows:

1. Transparency Portal – budget online, procurement online, aid online and government results online.
2. EITI -Transparency International.
3. Petroleum Fund Law.
4. Live budget debate in Parliament broadcast on Television and Radio.
5. Council of Ministers’ decision to publish on the TL Government website.

The Conference provided an opportunity for countries interested in Timor-Leste’s Transparency Model to endorse and later implement it. It was also a forum to share and learn from each other in terms of EITI implementation in the region, and to discuss the connection between stability and transparency in fragile states.



Photo 6:

Delegates at the ‘Beyond EITI’ Conference in Dili, August 2011

V. Clare Short Visits Timor-Leste.

The United Kingdom's Former Secretary of State for International Development and current Chair of the EITI, Ms. Clare Short, visited Timor-Leste from 22 to 24 October 2011. Heading the EITI Team, her intention was to monitor and evaluate Timor-Leste's implementation, and in doing so she met representatives from the TL Government, MSG, the President of the Republic and former Prime Minister Mari Alkatiri.

Ms Short also conducted a field visit to the Sub-district of Bazartete in Liquisa District organized by NGO *Luta Hamutuk* bringing together over 50 participants from Aileu, Ermera Bobonaro and Liquisa. This site visit was intended to engage local communities in the EITI process more effectively.



Photo 7: EITI Chair Ms. Clare Short in Dili, October 2011

In the countries that communities affected by resource extraction they received little benefit and suffer its worst impacts. In order to avoid any potential problems that might occur, the Government needs to ensure the involvement of local community in every extractive industry activities.

It is hoped that the local community can contribute and start to shape to making the EITI process more relevant by helping MSG to organize and disseminated EITI information and any sources.

It was pointed out that increasing the implementation of sub-national reporting was a mechanism through which the EITI process could be brought closer to communities in regions where the extractive sector is dominant.

VI. Release of TL-EITI II Report 2009.

On 25 March 2011, the second TL-EITI report was released at the Dili Convention Centre. Participants came from variety of international agencies, private sector, political parties, community leaders, youth, universities and religious representatives ensuring the event was well attended.

Speakers included Jose Amaral (NGO Forum), Manuel Tilman (President, Parliament Committee C), State Secretary for Natural Photo 8:



Mr. Manuel Tilman hands out the Report in Dili, March 2011

Resources Mr. Alfredo Pires, Mr. Tony Heynen (Eni, representing the Industry), and Ms. Martinha da Silva (representative of EITI's MSG). The report is available to the public in an easily readable format, and the

verification of data shows no discrepancies between company payments and Government receipts from the [first and second TL-EITI report](#).

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VII Dissemination of TL-EITI Report.

The MSG disseminated the second TL-EITI report in the following regions of Timor-Leste:

Date	Location	Participants	Responsibility
30 Sep 2011	District of Suai	88 participants from District of Suai, Aileu, Anaro and Manufahi	MSG and Secretariat TL-EITI
07 Oct 2011	District of Baucau	70 participants from District of Baucau, Manatuto, Lautem and Viqueque	MSG and Secretariat TL-EITI
14 Oct 2011	District of Maliana	64 participants from District of Maliana, Liquica and Ermera	MSG and Secretariat TL-EITI
11 Nov 2011	District of Oecusse	82	MSG and Secretariat TL-EITI

Table 1: TL-EITI Report II Dissemination

During the discussion, the MSG noted that most of the questions from the audience were related to government's budget allocation and execution, which is beyond the scope of EITI. As a result, the MSG is considering involvement of high-level government officials during the next dissemination process in order to provide information on EITI process and expenditure of revenue received from the Extractive



Industries by the Government institutions i.e. through the budgeting process. Previously, the report was only disseminated at regional level

but there is consideration for the EITI Secretariat to undertake dissemination at both district and sub-district level.

VIII. EITI Board Meeting.

The State Secretary for Natural Resources, Mr. Alfredo Pires, and Director of *Luta Hamutuk* Mr. Mericio Juvinal dos Reis, were elected to serve as members of the EITI Board for a two-year period at the Fourth Global Conference in Doha, February 2009.



Photo 10 : State Secretary Mr. Alfredo Pires in Jakarta, October 2011

The 2011 Board meeting discussed a Report from the Outreach and Candidacy Committee, and the Validation Committee. Final validation reports were received from Albania, Burkina Faso, Côte d'Ivoire, Mauritania and Cameroon, all of which were hoping to achieve the status of an EITI-complaint country last year.

IX. TL-EITI Secretariat.

The Office of Timor-Leste's EITI Secretariat has been fully functioning since July 2008. The office was established to support the activities of the TL-EITI MSG, including coordinate and organize meetings, training and workshops, publication and dissemination of information about EITI implementation in Timor-Leste, as well as managing the administrative and financial matters. In November 2011, Ms. Elda da Silva succeeded Mr. Manuel de Lemos as TL National Coordinator.

