

**Timor-Leste EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE
(TL-EITI)**

A report on the activities of the TL- EITI for the year 2014

June 2015

Message.

The TL-EITI 2014 Progress Report shows that TL is making steady progress in implementing the new EITI standard. In regards to contextual information we will continue to improve this aspect of the TL-EITI Reporting.

Despite the deference which exists with the stakeholder the TL- MSG continue to work together and learn from each other.

This aspect of continue dialogue even at hard time is a trademark of the Timorese people, so I am confident that we will find solutions to whatever differences we may have.

This will be an important characteristic of the TL-MSG as we move in the next level of the EITI which is extracting EITI into the local system.

Once again congratulations to all for your hard work.



Alfredo Pires

Alfredo Pires
Minister of Petroleum and Minerals Resources

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Abbreviations

| | |
|-------------------|--|
| ANP: | Autoridade Nacional do Petroleo (<i>National Petroleum Authority</i>) |
| ASEAN: | Association of South East Asian Nations |
| BCTL: | Banco Central de Timor-Leste (<i>Central Bank of Timor-Leste</i>) |
| CPLP : | Comunidade dos Países de Língua Portuguesa (<i>Community of Portuguese-Speaking Countries</i>) |
| EITI : | Extractive Industries Transparency Initiative |
| g7 ⁺ : | Fragile and Conflict-Affected States |
| GDP : | Gross Domestic Product |
| EIPA : | Extractive Industry Professional Association |
| MSG : | Multi-Stakeholder Group |
| MoF : | Ministry of Finance |
| NGO : | Non-Governmental Organization |
| PFCC: | Petroleum Fund Consultative Council |
| MPRM : | Ministry of Petroleum and Mineral Resources |

General Assessment of the 2014 performance

This progress report was prepared as part of collaborative efforts from all members of Multi Stakeholder Working Group (MSG) in order to meet requirement 7.2 (a) of the EITI Standard. The report provides an overview of the progress of implementation of EITI principles in Timor-Leste and the activities of the Multi-Stakeholders Group (MSG) in 2014.

During 2014, the MSG held 15 meetings where issues related to the EITI implementation in Timor-Leste and other matters arising throughout the year were discussed and decisions were made. Once again it shows the continued close cooperation between the EITI Secretariat of Timor-Leste, MSG and all relevant key stakeholders in regards to ensuring implementation of EITI principles in the management of revenues from extractive sectors in 2014.

As envisaged in the Work plan for 2014, the main focus of the MSG's activity was to review and approve the reporting template for 5th (2012) and 6th (2013) TL EITI reports. After an extensive 10 months of discussion, the MSG approved the reporting templates reflecting the transition from previous EITI standard to the newly adopted EITI standard in Sydney in 2013. The MSG also approved the terms of reference and appointed Moore Stephens LLP to carry out the reconciliation of these reports. However, due to the delay in the approval of the reporting template, time required for selection process, request from the companies to enter into a confidential agreement with the IA on the data submitted and to review the information included in the report prior to publication in the report(s) and some companies failed to return the reporting template in time, had contributed to the delay in publication of the TL-EITI 5th report. The MSG decided to apply for extension to the EITI Board while continues to work on to publish the report which was then published on 6 February 2015 in the occasion of the visit of Mrs Clare Short, Chairperson of the EITI Board International.

It has been five (5) years now since Timor-Leste became a compliant country, however the MSG noted that there are still plenty of work to do, specifically in relation to the increasing awareness of extractive revenues which supported more than 85 percent of the state budget every year. Through outreach activities such as conducting workshops to the local community leaders, national media (print and electronic) and civil society organization, each of the pillars explained its roles in the EITI and how EITI can be used by the community to foster debate on the usage of the revenues (distribution of revenues). Media and CSO are considered as essential part in disseminating the information related to extractive industry activities. Both have wider coverage compared to MSG per se. Secretariat TL-EITI also collaborated with Petroleum Fund Consultative Council (PFCC)¹ and Luta Hamutuk² to disseminate information on natural resources management on annual basis to the districts.

¹ Petroleum Fund Consultative Council (PFCC) is the legal body that provides advise to the National Parliament on matters related to performance and operation of the PF and whether the usage of the PF provides benefit to current and future generation of Timor-Leste.

² Information about Luta Hamutuk can be accessed in www.lutahamutukinstitute.org.

The MSG also identified some weaknesses in the decision making process which taking longer than anticipated. Although improvement has been made, the MSG believes that there are more space for better process, coordination and planning.

Annual Activities and Events

Progress work on publication of TL EITI 5th (2012) and 6th (2013) Reports



(a) Revision of the Reporting Template

Following on the approval of the TL-EITI Work plan for 2014, the MSG commenced discussing the publication of the TL-EITI 5th and 6th reports.³

The MSG noted the changes in the EITI requirements following the new EITI standard approved in Sydney in May 2013, hence decided to revise the Reporting Template to reflect the new standard.

The MSG discussed at length the disaggregate level of information to be disclosed in the reporting template with considerations were given to information that may possess commercial sensitivity (given the current number of fields in operation), while ensuring the requirement and objective of the EITI report and transparency were achieved. The revised Reporting Template was approved by the MSG in [May, after nearly 10 months of discussion. The new template includes:

1. Template A : Disaggregate by company but aggregate by FTP/Royalties, profit oil and gas
2. Template B : Aggregate by companies and disaggregate by Tax payments
3. Template C : Disaggregate by companies and disaggregate by fees payments
4. Template D : Production BoE by companies
5. Template E : CSR by Companies
6. Template F : SOE
7. Template G : Financial Support During The operation of the Pipeline paid by AusAID government

In regards to the sensitivity of the information, the Industry requested to enter into a confidential agreement with the Independent Auditor to ensure the figures are reported exactly the same their submission and do not possess any commercially impact prior to circulating the report to the MSG.

³ Details of discussion and decision made can be seen in TL- EITI Minutes meeting available at the TL-EITI website www.eiti.tl

In addition to that MSG has agreed to consider to inclusion the contextual information about the extractive industries as per requirement 3.23.12 in the TL-EITI report. The contextual information shall be reviewed by the MSG prior to inclusion in the report.

(b) Engaging the Independent Administrator (IA)

MSG agreed to retender the consulting service of Independent Auditor to reconcile and produce TL-EITI 5th and 6th reports. The MSG noted discontentment of Industry pillar on the previous two reports on the level of details contained in both reports. A Terms of Reference for Independent Administrator (IA) was discussed and approved and published along with the other procurement documents on 9 July- 15 August 2014 in the Ministry of Finance, EITI International Secretariat and TL- EITI website.

There were three (3) firms applied to perform the service to the Ministry of Petroleum and Mineral Resources (MPRM) through Secretariat TL-EITI, namely Moore Stephens.LLP, Deloitte and Stantons International.



Given the short time to evaluate the proposals, the MSG agreed to establish a working group represented by each pillar with equal voting powers, a representation from procurement unit from MPRM as observer to ensure that all processes were carried out by MSG in a transparent manner and in line with the required procurement procedure.

Based on the highest average scored on both technical and financial proposals, the evaluation committee awarded the contract to Moore Stephens LLP (MS) to reconcile both reports. The cost for the work was funded by MPRM.

MS commenced their work on September 2014 with meeting MSG, followed by individual meeting with reporting entities ie companies and government agencies.⁴

Share and learn

(a) In country outreach activity

Visits of Mozambican EITI

A delegation from Mozambique EITI, lead by Mr. Milagre Langa, National Coordinator visited TL-EITI for exchange



⁴ Detailed discussion between MS and MSG can be found in Minutes dated 01/10/2014 published in www.eiti.org

of experience with Timor-Leste in managing revenues from oil and gas sector, as well as mining and implementation of the EITI principles in Timor-Leste and Mozambique.

During the visit, the delegation met with H.E. Mr Alfredo Pires, Minister of Petroleum and Mineral Resources, Consultative Council for the Petroleum Fund, National Petroleum Authority (NPA/ANP), Industries representatives, FONGTIL and Timor Gap.

The delegation held side visit to non-metallic mining project in Kaiteu and Here Power Plant in Hera.

Books Expo

TL-EITI continues to disseminate information about the EITI principle and its implementation in Timor-Leste. The main objective of the activity is to raise awareness and provoke public debate around the revenues from extractive sector and how it has been used by the government to benefit the people of Timor-Leste.

During the occasion of commemoration of the Popular Consultation Day on 30 August in the District of Suai and Proclamation of Independence Day on 28 November in the District of Aileu, TLEITI participated to share information through printed materials such as TLEITI reports and brochures, as well as actively responding to visitors' questions.



Vice Prime- Minister Fernando “Lasama” Araujo visited MPRM-TLEITI’s stand

Mr Sarmento attended questions from some students about EITI, transparency and budget

Workshop/Seminar

The TL-EITI conducted a workshop to the district officials in Suai and Viqueque. These two districts will be affected by the Government's plan to establish South Coast Project which consists of establishment of Supply Base and refinery plant. TL-EITI considers that it



is important for the community leaders to be well informed about these projects, what it all means to them in the future and how they can contribute to the success of the projects. Around 70 participants attended the workshop.

The MSG noted that TL-EITI current approach on the regional level is not sufficient. Therefore, for future workshop or seminar need to be held in a selected different district annually. This, of course, will require more time and budget supports.

Another workshop was held to the media (print and electronic), including the non-governmental organization (NGO) and relevant government media officials in June 2014.

The media and NGOs are considered as important key stakeholders within the country as both have role to provide information to the wider audiences. As such, it is essential for both to access to the correct information and to have good understanding of the extractive sector, hence to provide a good feedback and share balanced information to the public to held government accountable for its decision on how to utilize the resources to develop the country and benefit the people.



Over 40 participants from media and NGO attended the workshop. Speakers were from the each pillar of the EITI in the MSG and relevant government entities such ANP and Ministry of Finance. The specific issues covered as following:



1. PSC, revenue collection and management
2. legal framework in JPDA and TLEA
3. Draft Mining Law and government policy on transparency in revenues collection from mineral (non metallic)
4. Overview of potential natural resources identified in onshore and offshore
5. CSR and local content implementation by Industry and result
6. Contribution TIMOR GAP to the State
7. EITI implementation process and progress
8. Petroleum Fund management and investment
9. Revenue allocation to State Budget and its execution

(b) Overseas activities

Although relatively young country, Timor-Leste's achievement in ensuring transparency of revenues from extractive sector was seen as a good example and one at the highest standard. Transparency is one of the ingredients to avoid the so called resource curse. The commitment



and achievement so far can happen because of the hard work and contribution of each party involved in the extractive sector.

Timor-Leste was invited to share its experience in managing the revenues from natural resources on 28th EITI Board Meeting and Natural Resources Governance

Conference in Nay Pyi Taw, Myanmar, 14-16 October 2014.

It was highlighted the importance of transparency and communication to the public as one of the best practice elements. Good framework require strong commitment of the politician to respect the framework and governance structure that has been (or will be) established. A poorly designed framework will do more harm than good.

Timor-Leste also actively participated in seminars or workshops held in other neighbouring countries such as in the Philippine, PNG and Cambodia to share lessons gained from EITI implementation in Timor-Leste in promoting transparency and accountability.

(c) National Coordinator and Board Meeting

Ms Elda Guterres da Silva, National Coordinator of TL-EITI participated in 3 National Coordinator and Board meetings held in Norway, Mexico and Myanmar in 2014. The discussions and decisions made in those meetings had contributed significantly to provide guidance and policy recommendation to improve transparency in the extractive sectors in the EITI implementing countries (compliant or candidate) and to help finding solutions to resolve challenges or obstacles faced by those countries in management of extractive industry revenues. Details on decision can be seen in the EITI International website.

Appendix 1 Assessment of performance against targets and activities set out in the work plan 2014

| Objective | Activities/Progress | Implementation Period | Responsible Party | Outcome |
|---|--|---|-----------------------------|---|
| To continue identify other stakeholder commitment | Commitment from Directorate National Minerals to take part as member of MSG and to support EITI implementation in Timor-Leste. | 2014 | MSG and Secretariat TL-EITI | Minerals is actively participated in MSG meeting and have committed to report on revenues from mineral non-metallic sector eg sands and stones. |
| Capacity building for Media (Electronic and Print) | Identified Media Independent, Ministry and NGO. | 26-27 June | Secretariat TL-EITI | Organized workshop to media (print and electronic) on issues related to extractive sector. Around 40 participants attended and showed enthusiasm and actively participated in the discussion. |
| Capacity building for government Members | Carry out in Suai and Viqueque District for chief, Director and focal point Ministry in the District. | Suai 8-9 September 2014 Viqueque 19-20 November 2014 | Secretariat TL-EITI | Shared and discussed issues to the relevant stakeholders on revenue collection and distribution to the state budget. The audience, in particular the Director and Chief department appreciate and requested to Secretariat and MSG to conduct monthly or regular discussion with all institutions in regards to those issues. Over(60) participants were |

| | | | | |
|---|--|---------------|--|---|
| Produce 5th and 6th Report | <p>Finalized TOR for IA</p> <p>Opening competitive tender for IA and advertised MoF, TL-EITI, Secretariat International website</p> <p>Oversee the reporting process until published</p> | Q2 | MSG and Secretariat TL-EITI | <p>attended ToR finalized.</p> <p>Open tender conducted. Appointed MS as IA.</p> <p>Deadline end of December 2014 was missed. TL EITI 5th was published in February 2015. The 6th report is scheduled to be published prior to July 2015.</p> |
| Validation of EITI implementation | <p>MSG under discussion for ToR for Validation provide by EITI International Secretariat</p> | Upcoming 2015 | Secretariat International EITI, MSG and Secretariat TL-EITI | Ongoing discussion. |

Appendix 2 Assessment of performance against EITI Requirements

An assessment of progress with meeting and maintaining compliance with each EITI requirement, and any steps taken to exceed the requirements. This should include any actions undertaken to address issues such as revenue management and expenditure (3.7-3.8), transportation payments (4.1.f), discretionary social expenditures (4.1.e), ad-hoc sub-national transfers (4.2.e), beneficial ownership (3.11) and contracts (3.12).

| EITI Requirements | Progress |
|--|---|
| Requirement 1- Effective oversight by the multi-stakeholder group | |
| 1.1 The government is required to issue an unequivocal public statement of its intention to implement the EITI. | The Government of TLS has strong commitment to ensure the implementation of the EITI principle in TLS as outlined in the Strategic Development Plan (SDP, pg.138). ⁵ The Prime Minister underlined the importance of “Transparency” in his speech (eg in annual budget debate 2014). |
| 1.2 The government is required to appoint a senior individual to lead the implementation of the EITI. | The Minister of Petroleum and Mineral Resources (formerly known as Secretary of State for Natural Resources) was appointed by Prime Minister to be the Chairperson for the EITI implementation in Timor-Leste. He is also a Board Member for period 2009-2015. |
| 1.3 The government is required to commit to work with civil society and companies, and establish a multi-stakeholder group to oversee the implementation of the EITI. | (a-g) MSG established in 2006. In 2013 TIMOR-GAP.E.P (TLS state oil company) and in 2014 National Directorate for Mineral, assigned its respective representative to join as member of the MSG. MSG is fully active and effectively engages in the discussion and decision on the EITI implementation in Timor-Leste. |
| 1.4 The multi-stakeholder group is required to maintain a current work plan, fully costed and aligned with the reporting and Validation | MSG has approved a 5 years work plan on December 9, 2013. Annual activities are revisited annually. The MSG continues to review the WP to adhere to new EITI standard, including aligning the EITI activities and programs to the national priority. |

⁵ Timor-Leste’s Strategic Development Plan and Budget Book 1 can be accessed in www.timor-leste.gov.tl and www.mof.gov.tl, respectively.

| | |
|---|---|
| deadlines established by the EITI Board. | Req 1.5 Not Applicable |
| 1.5 Adapted implementation | Timor-Leste EITI reports covering FY 2012 was approved by MSG on 30 January 2015 and launched in February 2015. |
| 1.6 EITI reporting and validation deadline | 1 st validation was done in 2010. 2 nd validation is scheduled to be finalized in October 2015. The MSG is reviewing Term of Reference. |
| 1.7 Suspension | Annual activity reports for 2011, 2012 and 2013 are available in TL-EITI website. |
| 1.8 Delisting | |
| 1.9 Appeals | The MSG made a request to the International EITI Secretariat for additional time to complete EITI 2012 report, however, the request was not discussed due to the report was published prior to the Board meeting. |
| | Requirement 1.7 – 1.9 is Not Applicable |

Requirement 2- Timely publication of EITI reports

| | |
|--|--|
| 2.1 Implementing countries are required to produce their first EITI Report within 18 months of being admitted as an EITI Candidate. Thereafter, implementing countries are expected to produce EITI Reports on an annual basis. | Up until 2014, TLEITI has produced 4 reports covering FY 2008, 2009, 2010 and 2011. There was no discrepancy found in those report. The TLEITI report for FY 2012 was published in February 2015. The delay was mainly caused by the delay in reconciliation of the data due to no respond from some reporting companies (ie. Minza Oil and Gas Ltd, Japan Energy Cooperation, Reliance Exploration & Production) and the industry pillar required to confirm the data to be included in the report prior to final approval by the MSG. The confirmation was proven to take longer than expected. |
| 2.2 EITI Reports must cover data no older than the second to last complete accounting period, e.g. an EITI Report published in calendar/financial year 2014 must be based on data no later than | The MSG approved the 5 th report (FY 2012) with has slight discrepancy of US\$235,365 or 0.001 |

calendar/financial year 2012. Multi-stakeholder groups are encouraged to explore opportunities to publish EITI Reports as soon as practically possible. In the event that EITI reporting is significantly delayed, the multistakeholder group should take steps to ensure that EITI Reports are issued for the intervening reporting periods so that that every year is subject to reporting.

percent as the result of non submission of data by those companies to IA.

TLEITI MSG is currently aiming to produce and publish the 6th (FY 2013) report in 2015.

2.3 The multi-stakeholder group is required to agree the accounting period covered by the EITI Report.

Requirement 3- EITI reports that include contextual information about the extractive industries

3.1 Compiling contextual information

For the TLEITI 5th and 6th reports, the MSG has agreed to include contextual information as per Requirement 3 which consists of: fiscal regime, local contents and CSR, contractual framework, production, licensing procedures, revenue allocations and expenditures.

3.2 The EITI Report must describe the legal framework and fiscal regime governing the extractive industries.

Summary of description the legal framework and fiscal regime were identified and included in the TLEITI 5th report, page 16-20 and 22-23.

3.3 The EITI Report should provide an overview of the extractive industries, including any significant exploration activities.

In the 2014, the National Petroleum Authority (NPA/ANP) conducted a series of public consultation on the new Production Sharing Contract model. The detail is available at www.anp-tl.org.

3.4 The EITI Report must disclose, when available, information about the contribution of the extractive

The 5th report included information about the size of extractive industry as share of GDP, government revenues generated by the sector, share of exports, employment and region where the extractive activities were held. Apart from the TLEITI report(s), most of the information on how TL managed its revenues from oil and gas sector is widely available on Banco Central de Timor-

industries to the economy for the fiscal year covered by the EITI Report.

Leste and Ministry of Finance website.

3.5 The EITI Report must disclose production data for the fiscal year covered by the EITI Report, including:

The TLEITI 5th report did not include information on total employment in dollars terms (as agreed by the MSG to be included in the template). The total employment in absolute term is available at the ANP's website: (<http://www.anp-tl.org/webs/anptlweb.nsf/vwAll/2012%20Annual%20Report>)

3.6 Where state participation in the extractive industries gives rise to material revenue payments, the EITI Report must include:

Total production is reported as Barrel of Oil Equivalent (BOE) (5th TLEITI report page 10), however it is not reported separately by production commodity. Total value of exports by commodity is reported in the report (page 22) and in Timor-Leste National Account 2000-2012.

3.7 The EITI Report must describe the distribution of revenues from the extractive industries.

TIMOR. GAP E.P purely funded by the State budget and other revenues collection from its activities (which is not disclosed in the TL EITI report) as well as expenditures are available at TIMOR GAP's Annual report which can be seen in

3.8 The multi-stakeholder group is encouraged to include further information on revenue management and expenditures in the EITI Report, including:

<http://www.timorgap.com/databases/website.nsf/vwAll/Annual%20Reports>.

3.9 Register of licenses

3.10 Allocation of licenses

3.11 Beneficial ownership

3.12 Contracts.

All revenues collected in 2012 amounted to USD 3,789,543,275. The revenues were transferred directly to Petroleum Fund Account managed by the BCTL. The TLEITI report briefly describes the distribution of revenues from extractive industry in the Government's annual budget. More details are discussed in Budget Book which published in MoF website and as well as in the Transparency Portal which can be accessed in www.mof.gov.tl and www.transparency.gov.tl, respectively.

There is no revenue from extractive industry earmarked to specific programs or geographic regions. Article 145(1) of the Constitution of RDTL stated that the state budget shall be prepared

by government and approved by the national parliament. Each year, the government presents state budget proposal to the National Parliament where national priorities and programs and its respective source of financing were debated and approved (or rejected). The revenues and (planned) expenditures are outlined in 6 budget books where details of projects and beneficiaries were identified and costed. This information are publicly available, eg. State budget expenditure can be found in the www.transparency.gov.tl. For annual budget books and audit report can be seen in www.mof.gov.tl.

Except for mining sector where licensing is under MPRM, all licences of oil and gas activities are given by ANP and information is available in ANP website (www.anp-tl.org).

There is no oil and gas licensing round issued in 2012. For mining sector licenses are renewed annually.

Beneficial ownership is reported in EITI report (page 24). If not stated in the report, a link will be provided.

A summary of contract in TLEA & JPDA are disclosed in ANP website (www.anp-tl.org).

Requirement 4

The production of comprehensive EITI Reports that include full government disclosure of extractive industry revenues, and disclosure of all material payments to government by oil, gas and mining companies.

4.1 Defining the taxes and revenues to be covered in the EITI Report

A TL-EITI report clearly defines taxes and revenues covered in the report. 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 companies was described in the 5th TLEITI report (page 36). More detailed information can also be

4.2 Defining which companies and government entities are required to report

accessed through the ANP's Annual report (page 53-58). Payment to and revenues from state-owned enterprise in extractive industry is addressed in the 5th TL EITI report (page 23). Currently there is only one SOE in this regards: the Timor GAP. Other information which is not covered by the EITI report (eg revenues from subsidiary) is made available in its annual report published at www.timorgap.com.

Currently, there is no payment or transfer from government or company made directly to the sub national government.

Requirement 5

A credible assurance process applying international standards

5.1 Appointment of the Independent Administrator

The 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'.

5.2 Agreement of Independent Administrator's Terms of Reference

MSG agreed to undertake reconciliation not an audit for the data; The MSG expects the IA to provide an assurance not by reporting entities provide certified external audit; d- Confidential agreement have set between IA and Industries ; e. Reconciliation Results by Extractive Company- Disaggregate by Company and Aggregate by Payment data (EITI report page 30) revenue stream – Disaggregate by payment data and Aggregate by Company (EITI report page 31)

5.3 Assessment and recommendations from the Independent Administratora.

5.4 The multi-stakeholder group should endorse the EITI Report prior to its publication.

IA has comply with Req 5.3.a and has identified discrepancy; The IA has prepared and available electronic data files, however its publication is subject to MSG review and approval The IA has made recommendations which are available in EITI report. The MSG will review and improve in the next report. Yes MSG has endorsed and approved the report prior to its publication.

Requirement 6

EITI Reports that are comprehensible, actively promoted, public accessible, and contribute to public debate

6.1 The multi-stakeholder group must ensure

All TL EITI reports are publicly available from the TL EITI website. In the occasion of

that the EITI Report is comprehensible, actively promoted, and publicly accessible and contributes to public debate.

6.2 The multi-stakeholder group is encouraged to make EITI Reports machine readable, and to code or tag EITI Reports and data files so that the information can be compared with other publicly available data.

launching of a new report (eg for 5th report), the Secretariat will ensure that the information is broadcasted through mobile phones (SMS), summary of the report is posted in newspaper, radio and TV. The reports were produced in four languages namely Tetum, Bahasa Indonesia, English and Portuguese. It also disseminated through outreach events to the districts

TL-EITI reports are published in TL-EITI website. The data or information on extractive industry can be compared to those published by the ANP in its website. The information about how much revenues collected so far can be obtained from the BCTL website and expenditures/distribution can be seen in the MoF website (budget section and PF section) as well as in the Transparency Portal.

Requirement 7

The multi-stakeholder group to take steps to act on lessons learned and review the outcomes and impact of EITI implementation

7.1 The multi-stakeholder group to take steps to act on lessons learned and review the outcomes and impact of EITI implementation

From time to time, the MSG made efforts to improve the approach in implementation of EITI principles in TL, including implementing the recommendation from the auditor and validator. Some of the recommendation has not been fully implemented. See Annex 3 for detail discussion.

7.2 The multi-stakeholder group is required to review the outcomes and impact of EITI implementation on natural resource governance.

The MSG is making efforts to comply with requirement under 7.2 and publish in the website once it has been approved by the MSG.

(d)

Appendix 3 Overview of the multi-stakeholder group's responses to the recommendations from reconciliation and Validation

| Validator | | | | |
|---|---|---|-----------------------------------|---|
| Recommended Action | Action Taken | Implementation Period | Executor | Remarks |
| 1. MSWG takes necessary steps to ensure that reports submitted by oil companies and governmental agencies are certified by a designated external auditor (in the case of extractive companies), or a public entity/authority in the case of Government Agencies | The MSG has discussed this issue. But as understand by MSG that the IA should provide assurance not by reporting entity to give their external assurance. (to be revised) | N/A | MSG | MSG aware that the EITI Requirement 5 requires a credible assurance on EITI report to contain reliable information. |
| Secretariat should have data base of all Oil and Gas companies operating in Timor-Leste | Database is not place. Waiting for recruitment of the Database Officer. Recruitment process was carried out by MPMR (human resources directorate), however, so far there has not been any successful applicant received. | June 2014. Job to be re-advertised in 2015. | MPRM, Secretariat TL-EITI and MSG | Database will improve the data collection and make easier to contact those companies in the future reconciliation. |
| <i>scoping study is carried out before each exercise in order to define the reconciliation scope including:</i> <input type="checkbox"/> <i>the activities to be considered (oil, gas, minerals, etc...);</i> <input type="checkbox"/> <i>the revenue streams to be reconciled;</i> <input type="checkbox"/> <i>the extractive companies</i> | The MSG decided not to conduct the scoping study provided that the Government entities (ANP and DNPMR) have list of all companies operate in Timor-Leste and have collected revenue stream. This issue can be addressed in the current reporting template. | No time period agreed. | N/A | |

that will report; and

□ *the government agencies included in the process.*

MSG considered to undertake such study in the future where more extractive industries (not only oil and gas) to be included in the TL EITI report.

Appendix 4 Any specific strength or weakness to the EITI process

1. Strength

- MSG need to analysis the EITI requirements in order to ensure the reports are comply with the EITI standard
- Institutional Assessment to successor their representative in MSG.
- Improve participation of MSG, Team work and effective communication
- Increase report writing skills for TL-EITI secretariat
- Evolution process for participants

2. Weakness

1. TL so far have not create LAW for Natural Resources (EITI and Transparency)
2. Dissemination Report only based on regional level due to very low cost expense compare to district level
3. Unqualified Staff in TL-EITI Secretariat
4. Limited staff
5. Lack of process in Minute taking and decisions made by MSG.
6. Lack of planning to complete tasks

Appendix 5 Expenses of TL EITI Secretariat

TL -EITI Secretariat

The TL -EITI Secretariat is responsible to ensure all decisions made by MSG are followed and executed, organized and coordinated logistics support to the MSG and maintained regular contact with them. From time to time, the TL- EITI Secretariat also responded to the inquiries of the entities and organizations, which are not direct participants of EITI and performed other functions, as well as participated in local and international EITI and related events.

The TLEITI Secretariat is fully funded by government through the annual budget of Ministry of Petroleum and Mineral resources. For 2014, a total amount of US\$469,000 was budgeted to the Secretariat to finance the activities as identified in the 2014 Work plan which includes salary for seven (7) staff, outreach activities, business trips and production of TLEITI 5th Report. In 2014, the Secretariat executed 72% of its budget allocation.

X. Any additional comments

The MSG is considering including other activities performed by each pillar which was held independently from EITI outreach activities in the next progress report.

IX. Feedback from other key stakeholders

The MSG will identify feedback from other key stakeholders in the next progress report.

Membership of MSG

Multi-Stakeholder Group

History and Structure - On 24 August 2007, the EITI Secretariat was established through commitment to form Multi-Stakeholders Working Group (MSG). 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 MSG is chaired by the Minister of Petroleum and Mineral Resources. The MSG comprises the following members:

| | |
|--|---|
| <p><u>Representative from Government</u></p> <p>Mr Alfredo Pires, Minister of MPMR- Chairperson Mr Agostinho G. Ramos Mr Filipe Nery Bernardo Mr Angelo Lay Mr Venancio Alves Maria Mr Tobias Ferreira (Alternate) Mr Oscar Faria (Alternate) Ms. Elda Guterres da Silva Ms. Elga Anita Pereira Auxiliadora Coelho (Alternate)</p> | <p><u>Representative from Industry</u></p> <p>Mr Jose Lobato Mr David de Araujo (Alternate) Ms Angelina Branco Mr Antonio C. Santos</p> |
| <p><u>Representative from Civil Society Organization</u></p> <ol style="list-style-type: none"> 1. Nelson Seixas Miranda 2. Alzira S.F dos Reis 3. Sabino Gusmão Fitun 4. Helio Dias da Silva (Alternate) 5. Martinha da Silva (Alternate) 6. Aurelia M.S Rodriques (Alternate) | <p><u>Representative from State Owned Enterprise</u></p> <ol style="list-style-type: none"> 1. Luis Martins 2. Henrique Monteiro (Alternate) 3. Francisco Alegria |

Roles and Responsibilities - The MSG 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 MSG, and the day-to-day running of implementation activities for the EITI process in Timor-Leste.

Requirement 7.2 (b) 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

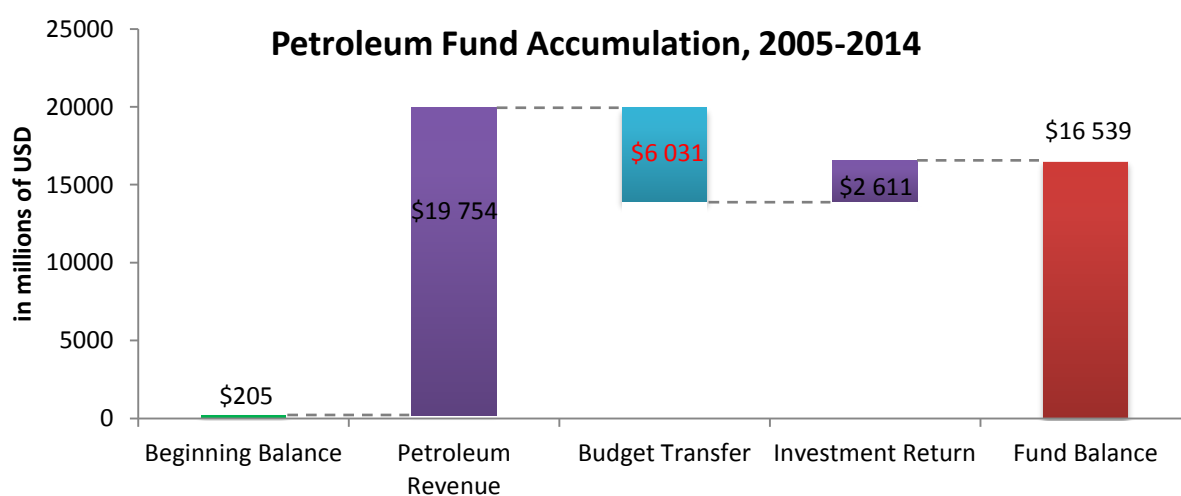
Approved by MSG

Date: 1, July 2015

Managing National Wealth

The Petroleum Fund of Timor-Leste. As one of the country's most dependent on the natural resources such as revenues from oil and gas, Timor-Leste needs to establish mechanisms that assist Timor-Leste in sustainably managing its petroleum revenues, and in doing so attempts to avoid the resource curse.

The Petroleum Fund was established in 2005 and designed that all incomes from petroleum production to be saved in the Petroleum Fund account. This is to manage the temporarily high income, but will eventually decrease before ending, when existing oil producing fields are depleted. Spending all the money as it flows in from petroleum activities would have been likely to seriously disrupt the small Timorese economy. It would also involve leaving nothing for later generations.



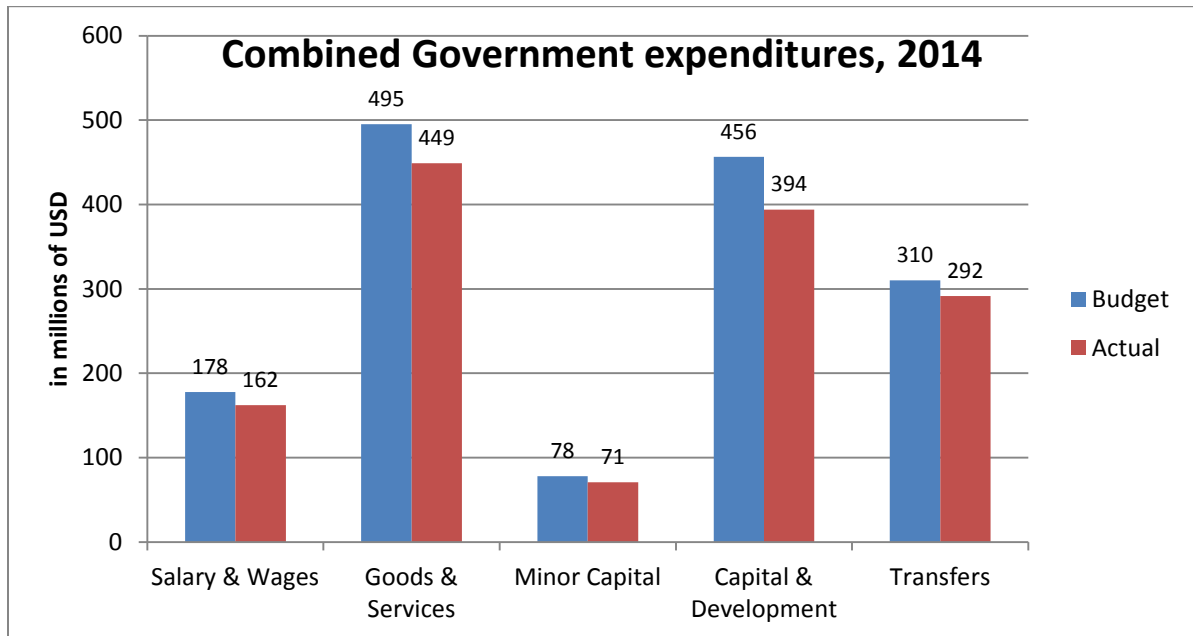
Petroleum Fund inflows – A combination of Production Sharing Contract (PSC) and taxation regimes generates revenues for Timor-Leste. From 2005 to 2014, the accumulated petroleum revenues in the form of payment of taxes, royalties/First Tranche Petroleum (FTP), profit oil and other related fees amounted to USD20 billion. These revenues mainly derived from the production of oil and gas in Bayu-Undan and later on Kitan (in late 2011).

The legislation requires Timor-Leste's petroleum revenues to be invested entirely abroad. Since the inception of the Fund, the cumulative investment income amounted to about USD 2.6 billion by 2014.

Petroleum Fund outflow - Decisions on how much is withdrawn from the Fund, and for what purpose, are maybe the most important decisions for the Government. The Law requires

transfers to be preceded by Parliament’s approval. In particular, transfers from the Fund in the Fiscal Year shall only take place after the publication of the budget law, or any subsequent changes thereto, in the Official Gazette, confirming the appropriation amount approved by Parliament for that Fiscal Year.

In 2014, from \$902.9 million approved by the Parliament, the Government has transferred \$732 million from the Fund to finance (actual) Government’s expenditures of \$1,367 million (\$1.3 billion). In total over USD 6 billion has been transferred from the Petroleum Fund to the State Budget between inception of the Petroleum Fund in 2005 and the end of 2014.



The Petroleum Fund balance is steadily increased every year. By the end of 2014, it has reached USD16.5 billion, approximately ten times the non-oil GDP.