



## OFFICIAL CONFERENCE NOTES

### **Beyond EITI: Timor-Leste Transparency Model Extractive Industries Transparency Initiative (EITI) Regional Conference**

**Dili Convention Center  
25-27 August 2011**

#### **Introduction**

Timor-Leste had the honor to host 1st Extractive Industries Transparency Initiative (EITI) Asia-Pacific Regional Conference, on 25-27 August 2011 in Dili, Timor-Leste. This in large part due to its impressive achievement as the first EITI compliant country in Asia and the developing World, despite having less than 10 years of independence and having just emerged from conflict.

#### **g7+ Meeting**

On 24 August 2011, Timor-Leste's Ministry of Finance held a high-level meeting with the g7+ member countries on the **sidelines** of the Extractive Industries Transparency Initiative (EITI) Regional Conference held in Dili, Timor-Leste from 25-27 August 2011. Representatives from the Democratic Republic of Congo, the Solomon Islands, the Republic of Burundi, the Republic of Liberia, Guinea-Bissau, the Federal Democratic Republic of Nepal, the Islamic Republic of Afghanistan and the Central African of Republic were among the meeting's participants. Representatives from the OECD and International Dialogue on Peacebuilding and Statebuilding and the g7+ Secretariat also observed the meeting.

On behalf of the Prime Minister Xanana Gusmão, H.E. José Luís Guterres provided a warm welcome to distinguished delegates of the g7+ and pledged the Government's support to the g7+. The meeting agreed to set up 3 working groups in the lead up to the meeting in South Sudan on 18—19 October and to the 4<sup>th</sup> HLF in Busan (Korea), with the following leadership:

- Policy & Strategy: Democratic Republic of the Congo and Central African Republic
- Governance Structure: Afghanistan
- Strategic Communication: Timor-Leste and Liberia



**Thursday, 24 August 2011**

## **OPENING REMARKS**

### **H.E. Emilia Pires, Minister of Finance**

Minister Pires, who chaired the meeting, welcomed all participants to the EITI Regional Conference, acknowledging the presence of g7+ participants and in particular, Dr. Sri Mulyani, the Managing Director of the World Bank. The Minister also gave an introduction on the g7+ (as stated above), which represents 17 fragile states and their shared experiences and aspirations. Minister Pires explained that TL has come a long way to reach this level. Fundamental reforms have been made and are geared towards achieving the objectives of the SDP that was launched in July at the annual TLDPM. The most crucial thing is to invest in people as the foundation and the center of the development process. The country Strategic Development Plan is a country led and the country owned plan, which provides guidelines for the countries development in the next 20 years. This is based on the belief that Timor-Leste investing wisely will bring the country to join the upper middle-income countries in the coming years. The EITI acts as a complimentary mechanism to the Timor-Leste SDP, by helping to reduce corruption and make politicians and civil servants accountable.

## **Dr. Sam Bartlett, Regional Director, EITI Secretariat**

EITI comprises simple but difficult initiatives. It is simple because it only declares how much tax and revenue has been received by the government, but difficult because it requires collaboration from parties including government, civil society and the private sector. Historically these sectors have had difficulty working together.

Currently, there are 35 countries around the world under EITI initiative. Out of this total, only 11 countries that have achieved the standards of EITI and Timor-Leste is one of those countries. This reflects the hard work of the country. Therefore, Dr. Bartlett congratulated Timor-Leste for not only achieving the EITI targets, but also for organizing the conference and displaying strong leadership and commitment to transparency.

Before closing, Dr. Bartlett emphasized that the secretariat will work in close cooperation with the World Bank, which is ready to support the countries in the implementation stage of the EITI initiatives.

### **Keynote Address:**

## **Dr. Sri Mulyani, World Bank Managing Director**

Dr. Sri Mulyani thanked all stakeholders and EITI members who were present at the conference. She said their presence itself shows a strong signal of commitment to the EITI principles and contributions for the future of the region and the world, including fighting corruption and strengthening governance as the central demand in this momentum of reform. The World Bank will continue support to ensure that the EITI can motivate countries to use their resources wisely.

She emphasized that EITI and the principles of transparency and accountability play a central role in the World Bank's governance and anti-corruption strategy. She praised TL for its commendable achievement, not only in the Asia Pacific region but also worldwide. Their example demonstrated that lessons do not only come from the North, but also from the South. She expected that other countries can follow this example. Timor-Leste is the 3rd country in the world and 1<sup>st</sup> country in the Asia Pacific region to be EITI compliant and can be an inspiration to other countries.

Timor-Leste also has established a petroleum fund (PF) that will help to provide a sustainable income through high transparency. Additionally the country has spearheaded other impressive initiatives including a transparency portal and live public broadcasting of budget discussions. Countries should consider open budget initiatives as best practice and an example to the rest of the world. The WB has been providing funding support in partnership with 13 donors to 45 countries who are now adopting the EITI.

She asked: why does EITI matter for people in the Asia Pacific region? Oil and gas for many countries are limited, therefore the money should be spent wisely. This is why the role of transparency is so important. Transparency is about everyone, including civil society, local

communities in rural and urban areas being able to ask question of their government, and most importantly being provided with answers. In Indonesia, the government has approved 100 laws, including ones on corruption, new public finance, and established KPK, with hope that the country will have strong and clean governance in the future.



Future of EITI:

EITI must go beyond the validation process in order to provide transparency of revenue, which then can allow for prosperity communities. For the long term, whether it meets the expectation of the general community should be given attention. Working with policy makers the EITI should:

1. Ensure EITI is financially self-sufficient.
2. Work in partnership with civil society on a good governance agenda
3. To learn from other experiences that show EITI's excellent platform for further reform – on financial reform. In this regards the WB has joined other partners to strengthen public financial management in developing countries, and provide basic infrastructure. In particular with regards to water and sanitation.

Dr. Sri Mulyani encouraged all civil society organizations to particularly look after how money is being spent, because Reforms in public institutions are necessary for real reform.

She concluded, that EITI initiative has existed for less than 10 years, however Timor-Leste has met the compliance criteria. Hence, Timor-Leste can serve as an example to other countries striving to become EITI compliant.

### **H.E. Jose Ramos Horta, President of Republic**

President Horta started with sharing the experience from his visit to South Korea, where the country lacks an abundance of natural resources, but is highly successful because they invest more in their people. Therefore the President saw South Korea as an example to Timor-Leste in the future.

The President thanked the participants including, Dr. Sri Mulyani who came all the way to Timor-Leste for the EITI conference.

He looks forward to seeing fragile states, including TL's economies improve, significantly and emerge from real fragility to become robust economies, with the public service as the engine of reform, transparency and good governance.

He praised the Government, in particular the Ministry of Finance, for successful major reforms made so far. These include the transparency portal and the coming procurement portal to be launched in this conference, which show real commitment to transparency and good governance. This deserves high praise and recognition from all of us. In fact, he said, the commitment to the EITI has been made since the previous government and now continues with this government under the leadership of PM Xanana Gusmao, in particular the SERN.

He also praised the government for its accomplishment in regards to the EITI. The President also highlighted several major achievements on the HDI according to the UN Human Development Report for 2010. The country index has increased to 0.52 in 2010, placing it in medium human development stage from 0.420 in 2005 and 0.37 in 2002. Since 2005, life expectancy has increased more than 2 years. Poverty has reduced from 49% to 41% according to estimates by the World Bank. The President also acknowledged the cooperation with Cuba on health and education, by which literacy has been increased across the country.

Timor-Leste leads the g7+ countries that represent 350 million people, which despite still being fragile, strive to reach their potential on the future by guiding their own development. Through Peace building and State building initiatives and programs the g7+ countries can make significant headway to achieve the MDG goals.

**Friday, 25 August 2011**

### **Opening Remarks**

### **H.E. Kay Rala Xanana Gusmão, Prime Minister of RDTL**

The Prime Minister (PM) opened the second day of the regional conference on Extractive Industries Transparency Initiative (EITI). The PM noted that Timor-Leste will soon celebrate 10 years of Independence, as such it has a reason to rejoice in the way it has successfully managed its natural resources.

The PM recalled the establishment of the Petroleum Fund in 2005, and the recent amendment to both the Petroleum Fund and Investment Law, aimed at accomplishing good governance and transparency of the Petroleum Fund. The amendment to the PF Law, allowed diversification of 10% of the funds based on “Santiago Principles” and that no less than 50% remain in USA Reserve Bonds. This was aimed to increase revenues in the future, a condition sine qua non for the future development process. All these steps allowed Timor-Leste to become a "model of transparency" with regard to good governance, inclusiveness, and civic responsibility. He stressed that transparency and accountability in the whole process of Public Financial, Management are the keys to resource management for the sake of people’s welfare. This requires a strong and clean government.

As way of a challenge, the Prime Minister proposes to openly discuss the views on how the government can transform the wealth extracted from land into concrete benefits for people and considers it appropriate to discuss this within the “beyond the EITI” forum. How can the country contribute so that the extractive industries become more accountable and transparent? He said that his government is committed to transparency, and the country wants to go far beyond on what was mandated by the 18 principles. The major challenges are how to transfer the wealth to the benefit of the people, from the point of extraction to the point of transparency.

For the last 4 years, the GoTL has made major and impressive achievements. In its commencement of work, the government established the Civil Service Commission (CSC) to ensure merit in employment and improve public service delivery and promote good governance. Further in 2009, it established CAC to fight against corruption and in 2011 it launched the Transparency Portal. Recently the government held an exhaustive, open and live public budget debate, which demonstrates its transparent nature. In this conference today, the launch of procurement portal, is another example of success which certifies the commitment and accountability of good governance to bring the nation towards the objectives as set out in the SDP

### **Tony Blair, former British Prime Minister**

Thanked the g7+ countries who participated in this conference. He said, there are things that can be shared in this event, and participants should strive to develop common concepts.

He said that the EITI that was developed when he was the British PM is adapting to the realities and challenges of today. To develop resource wealth a country should start with how to manage the resources that are of benefit to everyone in the country. Having resources in the country can be a blessing, but it they must be used wisely. It is important to ensure that for things to get done, there is proper management of process. This is a real challenge and not an easy task.

Finally, he advocated for optimism and hope, as the future can be different if people have the ambition to make changes happen.

### **Launch of Procurement Portal by H.E. Emilia Pires, Minister of Finance**

Minister of Finance Emilia Pires launched the “E-Procurement “ noting that the Timor-Leste transparency model that the government developed is comprised of 5 pillars. All of these are equally important and need to be strengthened. The E-procurement is one of the 5 pillars of transparency.

Minister Pires did a demonstration to show how the e-procurement portal works. The procurement portal allows Internet users to have access, in an interactive way, to the Government's proposals. These proposals are grouped by type of business, to classify companies. Users can also access and review all concluded contracts. The Public Procurement Portal is accessible to the public, non-governmental organizations, companies and development partners and ensures that all proposals for public entities are put into a single site. All results from acquisitions, as well as all its procedures, changes and instructions, are published and transparent.

The Minister also said that TL has established the ADN (NDA), which, is responsible for managing the major projects and the processing of these projects through a transparent and accountable procurement system.

### **Session 1: Reflections & Roadmap – EITI Implementing Countries**

- Moderator: H.E. Agio Pereira, Secretary of State for CoM
- Timor-Leste – H.E. Alfredo Pires, SERN
- Mongolia – Mr. Shar Tsolmon, EITI – Mongolia
- Liberia – Senator Gbehzorhngar M. Findley
- Conoco Philips – Mr. Jose Lobato, COP Country Manager

#### **Timor-Leste – H.E. Alfredo Pires, SERN**

SERN Alfredo Pires described how the oil reserves in the sea bed in Bayu Undan (\$40 Billion), Greater Sun Rise another \$40 billion, and on shore could have around \$40 or \$50 billion according to the Indonesian research results. The experience dealing with civil society organizations is almost the same as that in other countries. The key is to build trust between the stakeholders and avoid dominance from any one group, whether it be government, companies or civil society. This will force them to work together so they can set agreements on templates and on aggregates or disaggregates reports. Mr. Pires reported that TL achieved compliance results in 2008 with the amount of \$2.5 billion and 2009 with the amount of \$1.7 billion. Currently, the country is working on a 2010 report, with a greater engagement of civil society. Timor-Leste achieved its compliance to EITI in 2010, and the future direction is to continue dissemination, provide annual reports and do revalidation. In conclusion he said : “ if you have nothing to hide just do the EITI....”

## **Mongolia – Mr. Shar Tsolmon, EITI – Mongolia**

Mongolia is a country with 80% of its GDP produced by the private sector. Mongolia needs PPP (public private partnership), using EITI mechanism to apply in other sector of Mongolia social sector. Mongolia decided to Join EITI in 2006, and made 4 consolidation reports, covering all templates. Despite this some discrepancies still occurred. Specifically, the number of companies that were reported were different between the government report and the companies reports.

Mr. Tsolmon reported on the achievements between 2006 – 2010 , including the total companies to have implemented the EITI criteria are increasing. For instance, in 2006 there were 64 companies and in 2010 the number reached 263 EITI implementing companies. The prominent resources are gold, and coal. Mongolia's economy is very reliant (100%) on mining companies, of which 80% of their product are exported.

He noted that several discrepancies remain to be fixed including : data exchange , lack of legal framework, public-private partnerships are yet to be set up, the increase of wages, contracting issues and reconciliation of reports. The country is currently working on the 5<sup>th</sup> report, for which the indicator has been selected, and tentatively the report will be finished before the New Year. 150 companies will be part of the 5<sup>th</sup> reconciliation report.

The Mongolia government is currently setting out the new strategic plan as well as drafting new EITI laws to regulate the discrepancies.

## **Liberia – Senator Gbehzorhngar M. Findley**

Senator Gbehzorhngar extended his appreciation to Timor-Leste for organizing this important event. Mr. Findley reported that the Liberia EITI (L-EITI) was established on April 4, 2008 with MOU signed by government, the private sector, civil society organizations and development partners. The MOU defined the scope, mandate and membership. An independent secretariat was established and the law was passed by the Parliament on July 2009 to establish the EITI and a budget of \$300,000 was approved for the EITI, with high level of political and community involvement.

Liberia is one of few implementing countries that has complied with the criteria. Reports have been disseminated through media including drama programs, radio and translated into local languages for easy access to local communities. Current challenges include not being able to implement contract, so the government is striving to make new law on contract transparency. Beyond the EITI core there is involvement in forestry, agriculture, distribution of revenue between nationals and locals in Liberia.

Conclusion: Transparency has become an issue that needs to be seriously discussed and be agreed upon within the country. EITI report should be used in the budgetary process. Furthermore, transparency should include how much to pay and how much should be paid. Only when this is done transparently can this be considered a success.

## **Conoco Philips – Mr. Jose Lobato, COP Country Manager**



Conoco Philips has been operating in 30 countries, including Timor-Leste, with 30,000 staff including from Timor Leste (450 in Tasi Timor), and assets totaling \$160 billion. The company is an exploration company and operator for Bayu Undan field. Conoco Philips is also a participant member of EITI in Timor-Leste.

He congratulated the government for the launch of the e-procurement portal as a good transparency initiative, and supports the EITI mission to improve financial management. However disagreed with the disaggregate report because he argues it has no additional benefits to the community. In that sense he appreciated the government for having produced aggregate reports, so that communities can easily understand the information presented.

He viewed that this EITI conference and discussions that involve many people in the working groups will present great opportunities for all to share ideas and lessons learned. Despite some difficulties, he believed they would find a consensus on what should be included in the report. Finally, he argued for the importance of maintaining a good environment for investors, which would create fair competition within the country.

## **Session 2: Transparency & Stability: An Evaluation of the Timor-Leste Transparency Model (TLTM)**

**Moderator: Dr. Dionisio Babo Soares (Secretary General of CNRT)**

**Ms. Herborg Fiskaa Alvsaker, Counselor – Political Affairs, Government of Norway**

Ms. Alvsaker said that she was proud and impressed that Timor-Leste has gone further and achieved more than transparency and accountability. Hence, she congratulated the government for achieving an early status of EITI compliance.

Ms. Alvsaker reiterated President Ramos Horta's comment to use the resources to invest in people. She stated that Norway has been assisting TL in regards to management of petroleum resources for several years. This has included assisting in the design of the legal framework. She believed that the Timor-Leste Petroleum Fund Model, with such a governance structure, is even more rigorous than in Norway, because it requires very democratic and tight political decision making through the National Parliament. This experience is well recorded and assessed, not only internally, but across the world.

The EITI is meant to be a contribution to social and economic development. Consequently, it encourages many resource-rich countries to become candidates of EITI and the EITI is about building trust, which is fundamental to invest in people. Moreover, transparency in oil and gas sector is a matter that deals with poverty reduction, ensures that the oil revenues be used effectively, and that the information is shared with the community on how the revenues are used.

Norway is committed to support the EITI as a priority. She said that e-procurement has the potential to increase transparency and prevent corruption and makes the revenues more beneficial for the people. She recommended the government take pains to avoid the revenue curse that has occurred in other parts of the world. The challenge is how to strengthen

participation of all in the monitoring and implementation of the EITI. Norway fully supports sharing experiences with TL and other implementing countries.

### **Mr. Greg Thompson, Representing Transparency International**

Mr. Thompson commenced with congratulating the government of Timor-Leste for having achieved EITI Compliance. He said that he was impressed with the strong leadership and the establishment of the e-procurement portal. This demonstrates how those entrusted with power are leading the country for the sake of future generations. He called attention to climate change and argued that the revenues collected from oil resources have to be properly managed. This means investing in people, building schools and health infrastructure, roads and bridges and other indispensable infrastructure as the foundation of socio economic livelihoods.

Transparency International recently published a global report, which reminded nations that the transparency of a country's natural resource is very important in ensuring the its economic development. Some experiences showed countries that lack transparency, can encounter problems like in Libya, a country where the majority of income comes from oil and gas.

Transparency International welcomes the initiative of strengthening rules and regulation and private companies should be transparent on their own. To make transparency meaningful, companies should voluntarily disclose their information, enabling civil society organizations to conduct oversight, because all people in the country have the right to know how much money is received and where it is spent.

Finally, Mr. Greg informed participants that Transparency International will continue to call on G20 countries to give their support to EITI, because people deserve to be informed.

### **Mr. Andrew Bauer, Revenue Watch Institute**

Mr. Bauer said that there are **3 main issues**:

- 1) Progress made
- 2) Investments in EITI
- 3) Challenges regarding transparency and accountability.

Transparency and accountability are a necessary condition to ensure stability, and he advised the importance of political stability as a pre-condition to sustainable development.

He noted that of the 10 EITI compliant countries, TL is one of the most compliant in the world. That is why he recommended the sharing of experiences of government and civil society organizations with other parts of the world, including Vietnam and the Phillipines. He informed that the USA, UK and EC are committed to implementing these transparency rules and recommended putting all issues on the table for discussion/dialogue, to provide valuable information.

Regarding reporting, he informed that 25 countries have produced their reports. However, the quality of reports needs to be evaluated as many may not be comprehensive. He commended Timor-Leste for its report as one of the world's strongest, because of its comprehensive nature and the information was widely disseminated. How to advance will depend on how each can improve the quality of report. Another way to improve is to have a real time budget. The EITI processes can be updated by including tracking of the flow of funds. The information can be used by companies and governments to see inconsistencies in their reports, and to see whether the government is accountable.

He further encouraged the conference to stimulate dialogue with all stakeholders and improve mechanisms and systems, so as to facilitate how citizens can follow how much money is being spent.

**Challenges:** He recognized that Transparency and procurement are enormous initiatives because they need Internet access and people must be taught how to use it. Timor-Leste has been a pioneer of the EITI initiative. However, further challenges remain, including bridging the gap between accountability and transparency.

But overall he said that he is impressed with the e-procurement and transparency portal as a real milestone of transparency.

### **Mr. Matthew Tybell, Head of Corporate & Institutional Banking, ANZ Bank**

Matthew Tybell- His presentation focused on the Timor-Leste transparency model from a financial services perspective.

The current government's launching of the procurement portal, will enable private companies, civil servants and private companies to track contract awards. Coupled with the transparency portal on financial allocation and expenditure, Timor-Leste has become the first country in the Asia region that has strong transparency and accountability in the financial services. ANZ will continue to provide its supports to Timor-Leste on the EITI initiative.

## **Session 3: Parallel Sessions**

### **Candidate Countries**

#### **Moderator: Mr. Sam Bartlett, Regional Director, EITI Secretariat**

#### **Mr. Muhamad Husen, EITI Indonesia**

Indonesia is a country with 228.1 million people; its natural resources are huge, comprising oil (currently 1.3 million barrel/day), coal, etc. Indo-EITI is currently on the road to EITI compliance. Since 2008, the government has formally invited the EITI secretariat to work together in implementing the EITI in Indonesia.

The President of the Republic of Indonesia has signed and enacted Presidential Decree no.26/2010. This officially confirmed Indonesia's commitment to transparency and the EITI, with the creation of the EITI Indonesia Steering Team and implementing team to oversee the process.

Indonesia candidacy to the EITI was accepted by the EITI board in September 2010 and the validation deadline was extended 2.5 years, to April 2013. Indonesia also has been elected to the EITI Board to represent candidate countries. At the present time, Indonesia is in the process of fulfilling the first 11 out of 21 requirements. Around 38 NGOs have been involved in the formation team, in addition to extractive industry companies that have been continuously active in the process, including helping to improve reporting templates. In the past 10 years, Indonesia has shown a real commitment to increase its fight against corruption. EITI will be an ingredient of nation building.



Before closing, Mr. Muhamad informed participants that Indonesia, the chairman of ASEAN in 2011, is attempting to put EITI on the regional agenda in order to promote transparency and accountability. The belief is also that EITI can improve regional energy cooperation and promote a better investment climate in the ASEAN region.

#### **Dr. Abdul Razak Normahomed, Deputy Minister of Mineral Resources, Mozambique**

Dr. Abdul started by congratulating the heroic people of Timor Leste for their impressive achievements in the area of socio economic livelihood that are clearly benefiting the people. Furthermore, he congratulated the Timor-Leste government for organizing this EITI regional conference.

Mozambique is a country in the southern part of Africa with a population of 22 million. He reported that 70% of Mozambique's 22 million people live in rural areas. The extension of coastline stretches more than 2,000 kilometers. Currently there are 12 research companies because Mozambique is very rich in minerals. It is projected that Mozambique will be one of the biggest coal producers in the world. Their objective is to adhere and comply with the EITI criteria and principles as part of the government. Mozambique is fully committed, as shown in their fiscal regime.

In May 2009, the EITI Secretariat accepted Mozambique as an EITI candidate country. A Secretariat of EITI was established in Mozambique in which civil Society and the private sectors representatives engaged in the design, management and monitoring of the EITI implementation process. The first EITI report produced and the validation report were submitted to the international EITI secretariat. Currently, the Government of Mozambique is working on the production and dissemination of the second report.

Actions that have been taken by the government for good management include mining industry access to the public, mandatory inclusion in all contracts of anti-corruption clauses and obligations for the contracts to be approved by the Administrative Court.

Some future challenges that were presented included how to strengthen relations on the scope of the commitment of self-confessed stakeholders and how to finance the activities without external funds (being an expensive process).

Dr. Abdul concluded by requesting that the EITI secretariat continue providing technical support and methodological advice. In addition, he advocated the consultant companies to be more familiar with the EITI process and to work in the country's official language.

**Ms. Tanya Constable, Head of Resource Division, Department of Resources, Energy and Tourism**

Ms. Tanya commenced with congratulating the Timor-Leste's government for the successful achievement of being EITI compliant and for the leadership shown in bringing the region together to this important meeting. The Australian government remains committed to principles of transparency, anti-corruption and fully supports transparency guidelines of the OECD and United Nations. Australia continues its support in developing effective bureaucracies as seen through its capacity building efforts in the region. Australia recognized the EITI as a valuable mechanism and this is why Australia government has committed \$11.5 million in funding to the World Bank Trust fund.

In promoting and supporting transparency and capacity building, the Australia government is considering conducting a domestic pilot, and working with EITI secretariat to test EITI's appropriateness for the Australian system. This is to test one of the impediments on the privacy provisions contained in taxation and royalty administration arrangements. This is because disclosure of tax related information is presently bound by privacy provisions under legislation and hinders the government from releasing data suitable for an EITI pilot. However, should

Australia become a full participating country then a more detailed legislative review may be required.

Australia has a strong reputation for its transparency and anticorruption efforts through participation in international organizations including IFC, UN Global Compact and UN Convention against Corruption.

Australia's leading practice program provides practical guidance on sustainable development issues relevant to the mining industry through handbooks and workshops to assist with the implementation of leading practices and the shift towards sustainable development. The handbook provides mine managers, communities and regulators with information and case studies. Due to international demand, some of the handbooks have now been translated into Spanish, Bahasa (Indonesia) and Chinese. To date, they have produced 14 different handbooks including, community engagement and development, mine rehabilitation, biodiversity and hazardous material management.

To conclude, Ms. Tanya reiterated Australian government continuous commitment to financial transparency in the resource sector.

#### **Discussion:**

##### **Ms. Ghazaal Habibyar, Director of Policy, Ministry of Finance, Afghanistan**

*Question to Indonesia and Mozambique: what is the composition of the multi stakeholders in the committee? And how do you manage the skilled minor mining individuals/companies in the validation process?*

Response from Indonesia: Indonesia's steering committee is chaired by the Minister of Economy with the membership consisting of 13 Director General from relevant Ministries and Government agencies. This includes 3 representatives from the provincial government's resource- rich regions, 3 from civil society and 3 from extractive industries.

Response from Mozambique: Mozambique's committee is chaired by the Vice Minister of Natural Resource with the composition of remaining members being 4 representatives from government, 4 from civil society and 4 from companies. Regarding how to manage the skilled minor mining individuals /companies, he said that the Mozambique experience has showed that it has been very difficult to control and to include them in the validation process because too many are illegal and they are very small in size. The government has attempted to organize them into proper associations so that they can have their voices on the committee. This has proved challenging, but the government still looks forward to accommodating them in the future.

##### **Mr. Robert Moldokana, EITI Permanent Secretariat Coordinator, Central African Republic**

*Question to the panelist: how is confidentiality aligned with transparency?*

Response from Mozambique: the experience of Mozambique has shown that some companies disagreed with the disaggregated report. Consequently, the solution was to have an aggregate report, so that people don't see the income from each individual company. However, this has to be addressed in the future in order to come up with solutions and consensus in the future.

Response from Timor-Leste SERN: this issue has been quite heavily addressed during the discussion in Timor-Leste. This is an ongoing issue; however confidentiality should be confused with the need and responsibility to publish the information.

Response from EITI: This is really an important issue to be discussed. It is totally up to each individual country to decide on their own solution.

Response from Australia: what happened in Australia is that the taxation law prohibits the information to be shared with the third party due to some inherent issues. So, this needs to be discussed and debated in each individual country case.

### **Parallel Session: Civil Society Organization**

#### **Moderator: Ms. Dinorah Granadeiro, Director NGO Forum**

- **Moderator:** Dinorah Granadeiro, FONGTIL
- **Presenters:**
  - Mr Mericio Akara, Luta Hamutuk, representative of CSO in the Timor-Leste EITI Working Group and representative of CSO of Asia Pacific region in the EITI Board
  - Ms. Sophia, Publish What You Pay – UK
  - Mr. Greg .. Transparency International / Publish What You Pay – Australia
  - Mr. Frank .. Publish What You Pay - Indonesia

#### **Mr. Mericio Akara from Luta Hamutuk, representative of CSO in the Timor-Leste EITI Working Group**

Mr. Akara's presentation covered the overall role of Civil Society in the EITI process, challenges and benefits, taking Timor-Leste's experience as a case study. CSOs consider EITI as a tool to promote transparency and to ensure government and companies are transparent. Furthermore, it accounts for payments made and received through the extractive industries activities, Mr. Akara described the CSO participation in the process of implementation of the EITI principles in Timor-Leste since early 2002 when ex-Prime Minister Mari Alkatiri declared Timor-Leste's commitment to implementing EITI principles.

Mr. Akara reiterated that there is a paradox that many nations that are wealthy in oil and gas, while at the same time their people live in poverty. These nations experience low per capita growth, increased corruption, poor facilities and services, and social and political instability, as well as constant violence and conflict. He took nations in Africa as examples. This is something that he encouraged all nations to work hard to avoid.

Mr. Akara described the process of EITI implementations in Timor-Leste as being straight forward, yet explained that there was some disagreement in the early stages. For example, in developing the reporting templates, where the company/industry preferred to report figures on an aggregated basis, the CSO preferred disaggregated reporting. Mr. Alfredo Pires in his capacity as Chairman of TL-EITI Working Group, as well as a representative of the government, supported the CSO's view which ultimately led to implementation of disaggregated reporting . The main reason why Timor-Leste could achieve the status as EITI compliant in a very short time was because of the high commitment and cooperation from all pillars, namely, Government, CSOs and the companies within the industry. This included working towards fulfilling all requirements set by the EITI such as reporting, dissemination of EITI report to the public, independent selection of representative from each pillar and so on.



According to Mr. Akara of benefit to the CSOs was the degree of involvement they had and the independence of the selection of CSO representative. CSO representatives in the TL-EITI Working Group were selected by FONGTIL, the NGO umbrella. CSOs played a significant role in the implementation of the EITI principles, were highly involved in the validation process and selection of the international auditor and dissemination of information to the CSO's members as well as to the public as a whole. Therefore, he stated that without CSO/NGO participation Timor-Leste would never have reached the EITI compliant country status, and that he would thus question the government claim that they made all the efforts, which led to these successes.

Mr. Akara stated that the main challenge to disseminating information regarding EITI principles and reports was the fact that many Timorese still cannot read and write, let alone understand the terms used in the petroleum activities.



In closing, Mr. Akara reiterated that while Timor-Leste has successfully become an EITI compliant country in July 2010, it's more important to look beyond this achievement, to include wider transparency in areas such as the execution of government budgets.

### **Ms. Sophia Harding, Publish What You Pay – UK**

Ms. Harding explained that PWYP was launched in 2002 to get companies to publish what they pay and governments to publish what they get. PWYP was involved in the monitoring and design of EITI processes and its objectives were to make sure information was disseminated to wider civil society and to ensure standards are strengthened and upheld.

PWYP has representatives in the EITI and is pushing for EITI to be made more meaningful as a standard for transparency. The PWYP has broader disclosure than EITI, such as including budget. However the EITI provides a space where civil society doesn't normally have a seat at the table and helps to increase the access to information. EITI maintains government sovereignty, it's a global brand, is widely recognized as standard of quality in extractive industry transparency and has proven to be a starting point for broader reforms, e.g in Nigeria and Liberia.

Ms. Harding underlined several challenges in the implementation of the EITI:

- Engaging as an equal stakeholder in the process: the CSO's involvement shouldn't be perceived as just 'lip service'. The difference in the resources and capacities and technical know-how that is needed makes it difficult for CSOs to get up to speed.
- Problem of access to technology: In many countries people don't have access to technology, which makes it a challenge to get the EITI principles to reach the broader citizen base.
- EITI is very narrow in focus. It only looks at revenue transparency and needs to be complimented by transparency efforts in other areas such as on the expenditure side, it's minimum requirements are insufficient.

Recommendations:

- There is a need to ensure consistency and quality of EITI reports in the future. Disaggregated reporting should be mandatory.
- There is a need to expand the scope of EITI to include for example revenue flow to sub national level governments. The EITI should move beyond the extractive transparency to include how governments spend revenue, contract transparency, and so forth.
- EITI needs a firmer legal basis, to give it "more teeth" nationally and internationally.
- EITI must engage local citizens, e.g involving community representative on multi party groups

### **Mr. Greg Thompson - Transparency International**

According to Mr. Thompson, Australia has historically been a supporter of EITI by encouraging other governments of resource rich countries to sign up for the EITI and providing funding through the World Bank trust fund.

Therefore, Australia should be an EITI implementing country. Mr. Thompson stated that currently Australian CSOs are working with industry and government to move toward it.

The main challenge is the complex natural resource settings. It is a federated country where payments go through three layers of government. Another layer of complexity in Australia is that many minerals are being found in areas that are owned by traditional land owners.

Therefore, rather than moving toward direct implementation, Australia would instead move to trial the EITI process. There is a huge commitment from the Australian government, which is exemplified by the number of representatives from Australia presents at this meeting.

PWYP Australia has identified companies that will volunteer to be involved with this trial and have set up systems to elect civil society members to be involved.

### **Mr. Frank Simanjuntak, Publish What You Pay – Indonesia**

Mr. Simanjuntak's presentation provided information on the extractive industry in Indonesia. Indonesia is a country rich with natural resources, and is the largest exporter of thermal coal in the world, although it is currently an importer of oil.

The extractive industry in Indonesia has been riddled with corruption and there has been recent tax evasion cases concerning some of the countries coal companies, one of which belonged to the leader of one of the country's largest political parties. Furthermore there is a history of human rights abuses and high levels of poverty in resource rich provinces such as Aceh and West Papua. These resource rich provinces also have the lowest human capital index compared to other provinces in Indonesia. Taking these factors into account the need for EITI compliance in Indonesia is clear.

Since 2008 PWYP Indonesia has lobbied for compliance with EITI principles through socialization of EITI via their website. Furthermore, some champions for EITI like Dr. Sri Mulyani have secured the establishment of the Indonesian Corruption Eradication Commission and so on. Following on from this, the Indonesian President – Mr. Susilo Bambang Yudhoyono - signed a document signaling Indonesia's commitment to implement EITI principles in Indonesia in April 2010, and Indonesia managed to become an EITI candidate country in October 2010.

Mr. Simanjuntak explained the challenging path to agreeing on the template of the report, regarding which it took a year to achieve the agreement of all parties. Indonesia however is now expected to produce its first EITI report by early 2012. Another challenge in the implementation of EITI principles and dissemination of information stems from how dispersed the country is geographically and logistically. Additionally, communication can be very difficult in such a large country. Communicating complicated material to the public and the low commitment of local government bodies added other challenges to the process.

Mr. Frank stated that the next step in the EITI implementation process should be moving beyond revenue transparency to include the expenditures side and cost recovery transparency (where government has to compensate the companies' exploration cost).

## **Questions & Answers**

### **Charlie Scheiner – Lao Hamutuk**

Mr. Scheiner reminded everyone that the EITI process is only a small part of a bigger process. The fact is that there are deficiencies in many other areas including tenders which are not transparent, Timor-Leste is the most oil dependent country in the world, that TL is heavily reliant on imports and that Bayu Undan and Kitan will be depleted in a decade. The important thing that CSOs should consider is how to use the information contained in the EITI report to help Timor-Leste to avoid the resource curse?

### **Representative of PWYP – Australia**

The representative of PWYP – Australia requested Mr. Akara to explain more about the participation of CSOs in Timor-Leste in the process of implementation of EITI principles in TL.

Mr. Helio expressed his pride at the CSOs' involvement in the EITI implementation and underlined that without CSO participation Timor-Leste would not have achieved the status of a EITI compliant country.

Mr. Helio further stated that the current Terms of Reference of the EITI Working Group is not sufficient to guarantee the existence of EITI working group in the future. Timor-Leste needs to have more concrete legal basis such as EITI Act or law, which will mandatorily require all relevant parties to publish payment and revenue from extractive industry, widen the scope of the coverage of EITI to reach more people in the country and in particular to include tendering process of new fields.

### **Mr. Mericio Akara – Luta Hamutuk**

In response to comments and questions raised, Mr. Akara stated that EITI is a good principle, however it is just to guarantee transparency in the revenue inflow, and to complete the current principles and spirit of the Petroleum Fund. He agreed that EITI should also include the expenditures side. He cited the remarks of President Ramos Horta that Timor-Leste must invest in human capital and it should account for 30% of the state budget. However, the reality shows that this year (2011) it is only 6% of the budget allocated in education. This is not in line with the spirit of EITI.

Mr. Akara shared CSOs experience in the EITI process in Timor-Leste. CSOs should be dynamic and establish a good relationship with all pillars. The most important achievement was to reach agreement on the reporting template at the disaggregated level. The industry, for instance, in the beginning did not agree to publish the report on the disaggregate level. However, through networking with CSOs in other countries and obtaining government support, CSO representative

in TL-EITI Working Group managed to push forward to disaggregate reporting templates. Hence, obtaining commitment from government and industry is critical. It is necessary to reach a consensus without sacrificing the spirit of transparency and people's right to information.

Mr. Akara reiterated that the most important thing is to ensure that information reaches the public and they can understand and use it to hold governments and companies' accountability.

**Ms. Martinha da Silva – Director of FHF**

Ms. Da Silva reiterated the importance of information reaching the people in the districts and to simplify the terms in order to ensure people understand EITI.



**Mr. Juvinal Diaz – La'o Hamutuk**

Mr. Diaz expressed his view to include contract transparency in the EITI. Until now, the public cannot access the contracts signed concerning Bayu Undan by the Operators and Government. The development fees received by ANP are not paid to the Petroleum Fund account, which according to PF law all payments related to petroleum activities should be paid into the PF account.

Mr. Diaz further questioned the World Bank's commitment. On one hand the WB supports the EITI but on the other hand lobbies the poor countries like TL to take loans from the WB.

**Estavano .. – Matadalan Institute**

Mr. Estavano put forward three issues: 1) the EITI MSG should have access to litigation against Woodside and ConocoPhillips; 2) the EITI report in Timor-Leste should include other revenue as

well, such as forestry and mining; 3) EITI report should also include budget execution and how the budget implementation has benefited the Timorese peoples.

## **Report Back to Plenary**

**Result of discussion from Session on “Candidate Countries”,** by Mr. Sam Bartlett, Regional Director, EITI:

- Indonesia is preparing the ground and is currently in the stage of implementation.
- Mozambique needs to find ways to make EITI more efficient and effective. It is currently on a process of reporting. Challenges are: more efficiency, expensive for reconciliation and the need for more technical advice and language barriers.
- Australia has been providing support to EITI for many years.

**Result of discussion from Session on “Civil Society”:** by Dinorah Granadeiro, Director, NGO Forum

- Civil Society has been actively participating in the EITI process since the establishment of EITI and also helps disseminate the information to communities in rural areas.
- **Challenges:**
  - community has no access to information on EITI or the transparency portal.
  - EITI only focuses on revenue, but does not look at expenditure and contracts.
  - EITI is just like an entry point to transparency and the accountability process.
- **Recommendations:**
  - To establish national regulation that guarantee EITI implementation;
  - To disseminate the information to rural areas;
  - To simplify the report and transparency portal to become more communicative so that communities can easily understand;
  - To involve media in the dissemination of EITI information;
  - To correspond with rural community concerns, such as the environment;
  - To diversify the revenue generation so that TL not only depends on oil revenues.

## **Special Announcement**

**Hon. Gordon Darcy Lilo, Minister of Finance & Treasury, Solomon Island.**

The Minister thanked Timor-Leste’s authorities in convening this regional conference and combining it with the g7+ initiative. Solomon Islands has been a member of g7+ since its inauguration and is proud to be part of this initiative.

The Solomon Islands delegation holds this visit as an opportunity to share their experiences and learn from Timor-Leste in the management of the natural resource in a manner that will be beneficial to all citizens.

Solomon Island is currently at a crossroad in the management of its natural resources. The country's biggest export, round logs, is expected to decline dramatically in the next few years as accessible logging areas are depleted. Earlier this year, the nation's gold mining resumed at the Gold Ridge in central Guadalcana after ten years of suspension. The government of Solomon Islands has been leading this initiative with the support from the mining companies, civil society groups, investors and international organizations.

The Minister showed his strong interest to see how revenue is generated through mining and how it contributes to the economy from the EITI practice. Over the next year, the government of Solomon Islands will take the final steps to achieve EITI candidacy and promote this important initiative.

Before closing, the Minister presented his intention to ensure that all those who are involved in or affected by the mining sector will receive fair reward or compensation for the extraction of the national natural resource.

#### **Question & Answer:**

- **(unknown) to** To SERN TL : - do you have an EITI Plan? If yes, when will it be set up?
- Answer by SER Alfredo Pires: he said that the Plan has not been set up yet. But reminded people that learning from past experiences is that we should not raise people's expectation unnecessarily.

#### **Charles from Lao Hamutuk:**

Question to all panelist: Can anyone share stories where the EITI reduced corruption and promoted transparency?

Response from Mr. Sam Bartlett, Regional Director, EITI: a study has been conducted on the impact of the EITI. The 1<sup>st</sup> report is from Liberia where companies disclosed payments to the staff, whereby fraud can be identified through the EITI process.

#### **Juvinal, Lao Hamutuk**

The TL PF law amendment was submitted to Parliament to be approved by Parliament, including issues regarding diversification. Why is the PF is put as collateral for borrowing? Dr Sri Mulyani praised the government for its success; does she encourage TL to borrow too? How this will promote transparency and benefit for people of TL?

Response from Mr. Sam Bartlett, Regional Director, EITI: debt has an important role to play in the country development.

Response from Emilia Pires, Minister of Finance: debt is not really something bad or good. The important thing is how to have good management of the fund. TL has taken years to decide whether to borrow or not. She emphasized that borrowing will be less costly than not borrowing. Because if borrowing the benefit rate is less than 1%, the investment revenues from borrowing can be high. However, the borrowed money “must” only be invested in capital development and human capital, which will have economic returns.

**Intervention by Iwao Kitahara, Ambassador of Japan in Timor-Leste**: Congratulated the government on the launch of the procurement portal and the previous launching of the Strategic Development Plan. The government of Japan is the one of the main EITI supporting countries and Japan has been actively supporting EITI initiatives.

### **Closing Remark**

#### **H.E. Fernando La Sama de Araujo, President of National Parliament**

The President of the National Parliament, Fernando Lasama de Araújo, reiterated the importance of transparency, and congratulated Timor-Leste for the fact of being able to provide this exchange of experiences between countries, as an example for the world.

The Timor-Leste Transparency model and the recent launched e-Procurement portal have placed the country among the world’s best in the transparency of public financial management. Mr. Lasama also said that the country has pursued the EITI with confidence and also encouraged the candidate countries to achieve the country compliant status. He also congratulated the Solomon Islands who have announced their intention to become a candidate country.

In his closing speech of the conference, the President thanked the EITI Secretariat and to Mr. Sam Barlet, the Regional Director.

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