



Informal comments on the Draft Paper on the EITI Standard

From La'o Hamutuk, 2 April 2013

Although La'o Hamutuk is not directly involved in the EITI process in Timor-Leste any more, and we left the Multi-Stakeholder Group here three years ago, we continue to advocate for transparency and often use information made available by EITI and other means to analysis Timor-Leste's state budget, finances and economy. Therefore, we would like to help make EITI more effective in achieving our common goal of responsible use of public funds which come from extractive activities.

We do not currently plan to attend the EITI Conference in Sydney next month. The civil society groups from Timor-Leste who are participating are more involved with the government than La'o Hamutuk is, and we have not been invited. However, as we have participated in international EITI meetings since 2005, we believe that we should not ignore this important discussion.

We have not written a comprehensive submission, but would like to offer suggestions related to particular clauses and articles in the 14 March 2013 draft of EITI Board Paper 22-9-B, on proposed changes in the EITI Standard, particularly Chapters 2 and 3:

Section 2.2, Para 1.5: any exemption from implementation requirements must be transparent, published on both the EITI Secretariat website and in the EITI reconciliation reports of the relevant country.

1.6(c) Has Timor-Leste's MSG published any Annual Activity reports?

3.1 Good addition. But does "where appropriate and available" in 3.2 create a loophole which makes this information meaningless? Who decides appropriateness? For countries with a Sovereign Wealth Fund which receives extractive revenues, perhaps 3.2 can also include information about deposits into and withdrawals from the Fund.

Perhaps also something about Foreign Direct Investment in the Extractive Industry sector?

3.3 Good, but should be further disaggregated by company and project, as revenue is. Should cover domestic sales as well as exports. How does this apply when production is offshore in international waters? Perhaps "sales" (including internal transfers between E&P and other divisions of the same company) is more comprehensive than "exports."

3.5, 4.2(b)(i): delete "gives rise to material revenue payments". EITI should report on state participation even if revenues are yet to be received, or if the state-owned company fails to earn net revenues.

- 3.7(b) If adequate information is not “publicly available” on budgeting and expenditures, can EITI encourage better budget transparency? The proposal from International Budget Partnership and others to the post-2015 MDG process could be a good standard to use.
- 3.7(c) Should also include reserve estimates, including estimate projections of results from future exploration.
- 3.8, 3.11 We continue to advocate that all contracts and licenses be published in full. Exploration should be included.
- 3.8(d)(iii) Could be more than one commodity. Should include quantities and sales revenue, not just names.
- 3.7(b), 3.8(e), 3.9(c) and elsewhere. Timor-Leste’s experience is that a link to published data is not reliable – a change of government can remove such information from public access. For example, TL’s 2006 PSCs were posted in full on a Government website before the change of government in 2007, but aren’t any longer. Similarly, the website of the 2007-2012 State Secretariat for Natural Resources (<http://www.sern-tl.org/>) no longer exists.
- 3.9 If a license or contract is sold or transferred from one company to another during the year, including a change of ownership within a Joint Venture, the EITI report should disclose the seller, buyer, price and other relevant terms of the transfer.
- 4.3. We strongly support project-level reporting, as proposed.

We agree with the new Requirement 6.

- 6.3(c) is a good idea, providing continuing disclosure on an ongoing basis. It would also be helpful if the Annual EITI report had monthly (or quarterly) breakdowns of each revenue stream.

We also agree with 7.2(b), especially in terms of including civil society or industry groups who are not serving on the MSG. Perhaps this can be broadened to involve them in other aspects of EITI (not just producing the annual report) and to include wider communication (such as with academic institutions, Parliament, local community groups, etc.) as an explicit responsibility of MSG members. EITI and revenue transparency must spread beyond the specialists and experts if it is to have significant impacts.

Thank you for your consideration and hard work, and we apologize for not having been involved more deeply in this process.

We hope that the meeting in Sydney is productive, and are happy to respond to questions or provide further clarification.

Sincerely,



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Charles Scheiner