

Minutes of Meeting

Petroleum Fund of Timor-Leste Investment Advisory Board

Held on 5th May 2008

At the offices of the Banking and Payments Authority

Present:

Abraão de Vasconcelos
Olgário de Castro
Cristino Gusmão
Tørres Trovik (by teleconference)
Suboth Mathur, as alternate for Mr Manuel Moneteiro

In attendance:

Venancio Maria Alves, Executive Director of the PF Department, BPA
Vidar Ovesen, Fiscal and Petroleum Advisor, MoF
Sam Robinson, Advisor for BPA
Hugo Nogueira, Legal advisor for BPA
Gastão de Sousa, Chief Economist, BPA (Secretary)

The Chairman declared the meeting open at 14.00 hours.

Apologies were received from Mr. Manuel Monteiro. Mr. Suboth Kumar Mathur, Treasury Advisor, was present as his alternate.

The Chairman welcomed Mr. Olgario de Castro as a new member of the IAB, and thanked Mr. Vidar Ovesen, the retiring member of the IAB, for his services.

The agenda for the meeting was approved without amendment.

Election of Chairman

The Chairman stated that based on Article 2.2 of the Board's Rules of Procedure, the chairman shall be elected for one year term and may be re-elected. The Chairman stated that his term had ended and that he did not seek re-election.

Mr Olgário de Castro was nominated for the position and elected by acclamation.

Minutes of Previous Meeting

The minutes of the previous meeting held on 16th November 2007 were approved without amendment. It was agreed that they should be published.

Business arising from the minutes

The Board discussed the possibility of amending the rules and procedures for circulating the draft minutes. It was agreed that the present rules would remain unchanged.

Report from the Minister's Working Group

Mr. Olgario, on behalf of the Minister's Working Group, updated the Board on the work that had been done based on its mandate, and submitted a draft report prepared for presentation to the Minister. He said that the Working Group had reviewed the current investment mandate and considered changes in the management agreement (MA) in order to expand the investment strategy within the limit of the current Petroleum Fund Law. The Group has also addressed the issue of amending the Petroleum Fund Law.

Mr Ovesen gave a further update on the work in the Working Group, including the remaining issues that are not yet resolved. The Working Group is still contemplating the investment mandates on which the contracts with the non-commercial managers will be based. He noted also that these issues need to be resolved before the Working Group can finalize its work.

The Board noted the information given by the Working Group and discussed the future process of appointing external managers. The Board agreed that appointments of external mandates should be undertaken by the BPA after the investment mandate has been determined by the Minister.

Assessment report on the appointment of the World Bank

Mr. Trovik declared a conflict of interest on the agenda item and withdrew from the meeting.

Mr. Abraao updated the Board with information relating to a draft assessment report on the appointment of the World Bank that had been prepared in response to a formal letter received from the Minister. He noted from a letter received from the Minister of Finance that the Minister would seek advice from the Board concerning the amount to be transferred to the external managers as well as how the overall investment mandate should be designed. He said that the BPA was working on preparing a draft budget for the PF management fee, including management fees to external managers and the fees for the global custodian. He also outlined the unresolved legal issues in the negotiations and the preliminary recommendation regarding the amount of money to be outsourced. He stated that the BPA will give its final recommendation to Minister when the negotiations are finalized

Mr. Abraao also raised the issue of transparency and stated that it could be useful to define the principles and procedures for transparency arrangements. He noted the wide provisions in the law, and the requirement that the authorities proactively promote transparency. He said that it would be helpful if the Minister could consider developing a general framework for transparency and proposed that the Secretariat or the BPA would provide the Board with draft recommendations.

IAB was oriented about the status of BPAs work on a transparency framework for the Petroleum fund and the proposal document that will be presented by the BPA to the Minister

The Board noted the appointment of Mr Vidar Ovesen to the IAB Secretariat and Mr de Vasconcelos advised that the BPA would provide the services of Mr Gastão de Sousa and Mr Venancio Alves to the Secretariat.

Mr Trovik rejoined the meeting at this point.

Other Business

It was resolved that the next meeting would take place on May 21, 2008.

The Board also agreed to have regular meetings at 14:00 hours on the 20th of the month following the end of each calendar quarter.

There being no other businesses the Chairman declared the meeting closed at 15.30 hours

Chairman

Minute Secretary