



EXECUTIVE ORDER NO. 2001/7
ON THE ESTABLISHMENT OF THE FOUNDATION FOR
POVERTY REDUCTION IN EAST TIMOR

The Special Representative of the Secretary-General (the Transitional Administrator),

Pursuant to the authority given to him under United Nations Security Council resolution 1272 (1999) of 25 October 1999, as reaffirmed in United Nations Security Council resolution 1338 (2001) of 31 January 2001,

Taking into account United Nations Administration in East Timor (UNTAET) Regulation No.1999/1 of 27 November 1999 on the authority of the Transitional Administration in East Timor,

Taking into account the Grant Agreement between the Asian Development Bank (as joint implementing agency of the Trust Fund for East Timor and representative of the International Development Association, as Trustee of the Trust Fund for East Timor) and the United Nations Transitional Administration in East Timor, for the Microfinance Development Project,

Taking further into account United Nations Transitional Administration in East Timor (UNTAET) Directive No. 2000/7 of 21 November 2000 on the Registration of Charitable Organizations (as amended),

For the purpose of creating a foundation, that will own or control all or substantially all of the shares of a microfinance institution necessary for the implementation of Part 1(c) of Schedule 2, section 2, of the Grant Agreement, until such time as laws relating to the creation and governance of foundations is promulgated in East Timor,

After consultation with the Council of Ministers, and in light of the Council of Ministers Decision No. 2001/5/4 of 26 October 2001,

Promulgates the following:

Section 1 Definitions

Wherever used in the present Executive Order, the following terms shall have the following meanings:

(a) “*Foundation*” means the Foundation for Poverty Reduction in East Timor, Inc, as established in Section 2.1 of the present Executive Order.

(b) “*Founding Documents*” means the Founding Instrument and Statutes attached as Annex 1 to the present Executive Order.

(c) “*Grant Agreement*” means the Grant Agreement dated 18 December 2000 between the Asian Development Bank (as joint implementing agency of the Trust Fund for East Timor and representative of the International Development Association, as Trustee of the Trust Fund for East Timor) and the United Nations Transitional Administration in East Timor, for the Microfinance Development Project.

Section 2 Establishment of the Foundation

2.1 The Foundation for Poverty Reduction in East Timor, Inc. is hereby established in accordance with the *Founding Documents*.

2.2 The *Foundation* shall be a domestic legal entity and shall, solely in connection with the implementation of Part 1(c) of Schedule 2, section 2, of the *Grant Agreement*, have the capacity to -

(a) Enter into contracts and incur liabilities;

(b) Institute legal proceedings and other causes of action, and be subject to the same; and

(c) For the purposes of the execution of its objectives, to acquire, hold, and dispose of property, whether movable or immovable.

2.3 The *Foundation* shall at all times comply with all requirements of UNTAET Directive No. 2000/7 of 21 November 2000 on the Registration of Charitable Organizations (as amended).

Section 3 Internal Governance and Activities of the Foundation

In addition to, and notwithstanding any provision to the contrary contained in, the *Founding Documents*,

(a) The *Foundation* shall submit an annual report on its activities, as well as any other records upon request, for inspection by the Minister for Economic Affairs and

Development, which report shall also be made available for inspection by the public at the principal office of the *Foundation*.

(b) Any member of a governing body shall recuse himself from the consideration or decision of any matter in which he has a personal or economic interest, and any transaction between the *Foundation* and its members, officers, members of the governing board or employees shall be concluded at fair market value or on terms more favorable to the *Foundation*.

(c) The *Foundation* shall not engage in lobbying, fundraising or campaigning to support or oppose political parties or candidates for public office, nor shall it propose, register or in any way endorse candidates for public office either directly or indirectly.

(d) The *Foundation* may engage in economic activities for the purpose of supporting its not-for-profit activities, provided -

(i) all such activities shall be reported in the annual report of the *Foundation*; and,

(ii) the *Foundation* shall not distribute any net earnings or profits as such to any person, and the assets, earnings, and profits of the foundation shall be used to support its not-for-profit purpose and, except with respect to the payment of reasonable compensation to such persons for work actually performed for the *Foundation*, shall not be used to provide benefits, directly or indirectly, to any founder, director, officer, member, employee, or donor of the *Foundation*.

(e) Trustees, officers and employees of the *Foundation* shall not be personally responsible for any debts, liabilities or obligations of the *Foundation*; provided, however, that Trustees, officers and employees of the *Foundation* shall be personally responsible to the *Foundation* and injured third parties only for willful or grossly negligent performance or neglect of their duties.

Section 4 Transitional Provisions

4.1 The *Foundation* shall, immediately upon the promulgation of laws relating to the creation and governance of foundations in East Timor, be re-established in accordance with the provisions of those laws.

4.2 Upon the re-establishment of the *Foundation* in accordance with Section 4.1 of the present Executive Order, this Executive Order shall cease to be of effect.

4.3 Notwithstanding any other provision of this Section 4, the re-establishment of the *Foundation* shall in no event act to alter or diminish, and the *Foundation*, as re-established, shall be deemed to have assumed and shall be liable for, all of the obligations and liabilities of the *Foundation* as of the time of re-establishment.

Section 5
Entry into Force

The present Executive Order shall enter into force upon signature.

Sergio Vieira de Mello
Transitional Administrator