



**EXECUTIVE ORDER NO. 2001/8**  
**ON THE ESTABLISHMENT OF THE MICROFINANCE INSTITUTION**  
**OF 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,

For the purpose of creating a legal entity, 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 corporations 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) “*Institution*” means the Microfinance Institution of East Timor, as established in Section 2.1 of the present Executive Order.

(b) “*Founding Documents*” means the Establishment Certificate and Articles of Association 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 Institution

2.1 The Microfinance Institution of East Timor is hereby established in accordance with the *Founding Documents*.

2.2 The *Institution* 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 *Institution* shall have all the powers necessary to achieve its objectives, and to conduct its business, and as far as is relevant to a legal entity, the Institution shall have all the rights, powers and privileges of a natural person.

## Section 3 Internal Governance and Activities of the Institution

The *Institution* shall be governed and shall conduct its affairs as provided in the *Founding Documents*, and, in addition, shall comply with the following:

(a) The *Institution* 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 *Institution*.

(a) (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 *Institution* 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 *Institution*.

(c) The *Institution* 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 *Institution* shall not distribute any net earnings or profits as such to any person, and the assets, earnings, and profits of associations or foundations 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 *Institution*, shall not be used to provide benefits, directly or indirectly, to any founder, director, officer, member, employee, or donor of the *Institution*.

(e) The *Institution* may engage in economic activities, provided –

- (i) all such activities shall be reported in the annual report of the *Institution*; and
- (ii) the *Institution* shall distribute any net earnings or profits only as provided in the *Founding Documents*.

(f) Prior to the commencement of any economic activity, the *Institution* shall be registered as a business pursuant to UNTAET Regulation No. 2000/9, and shall maintain its registration under any subsequent law which may become applicable.

(g) In carrying out any financial services falling within the purview of UNTAET Regulation No. 2000/8 on Bank Licensing and Supervision, the *Institution* shall at all times, comply with and be subject to that Regulation and to any other applicable law.

(h) Insofar as the *Institution* is organized as a limited liability corporate entity with shares registered in the name of their beneficial owners, it shall be deemed, for the purposes of UNTAET Regulation No. 2000/8 on Bank Licensing and Supervision, to satisfy the requirements of Section 11.1 of that Regulation.

(i) The *Institution* shall have the authority to amend the *Founding Documents* according to the procedure set forth therein.

#### Section 4 Limitations on Personal Liability

(a) A person for the time being entered in the Register as a member of the *Institution* shall not be liable for an obligation of the *Institution* by reason only of being a member of the *Institution*.

(b) The liability of a member of the *Institution* to contribute towards the payment of the debts and liabilities of the *Institution* or the costs, charges and expenses of the winding up of the *Institution* is limited to the subscription amount unpaid on a share held by a member.

(c) Members of the Board of Directors, officers and employees of the *Institution* shall be personally responsible to the *Institution* and injured third parties only for willful or grossly negligent performance or neglect of their duties.

(d) The East Timor Public Administration shall be responsible to the *Institution* and injured third parties only for willful or grossly negligent performance or neglect of duties on the part of its representative on the Board of Directors of the *Institution*.

#### Section 5 Apparent Authority

A person dealing with the *Institution* shall not be concerned to see or enquire as to whether the powers of the Directors have been in any way restricted under the *Founding Documents* or as to whether any requisite consent required under the *Founding Documents* has been obtained, and no obligation incurred or security given or transaction effected by the *Institution* to or with any third party is invalid or ineffectual unless the third party had at the time express notice that the incurring of such obligation or the giving of such security or the effecting of such transaction was in excess of the powers of the Directors.

#### Section 6 Transitional Provisions

6.1 The *Institution* shall, immediately upon the promulgation of laws relating to the creation and governance of bodies corporate in East Timor, be incorporated in accordance with the provisions of those laws.

6.2 Upon the incorporation of the *Institution* in accordance with Section 4.1 of the present Executive Order, this Executive Order shall cease to be of effect.

6.3 Notwithstanding any other provision of this Section, the incorporation of the *Institution* shall in no event act to alter or diminish, and the *Institution*, as incorporated, shall be deemed to have assumed and shall be liable for, all of the obligations and liabilities of the *Institution* as of the time of incorporation.

#### Section 7 Entry into Force

This Executive Order shall enter into force upon signature.

Sergio Vieira de Mello  
Transitional Administrator

