

# Validation of Timor-Leste (2022):

## Final assessment of progress in implementing the EITI Standard

## Contents

Acronyms .....	3
Executive summary .....	4
1. Effectiveness and sustainability indicators .....	9
2. Outcomes and impact .....	11
3. Stakeholder engagement .....	17
4. Transparency .....	22
Overview of the extractive sector (Requirements 3.1, 6.3).....	22
Legal environment and fiscal regime (Requirements 2.1, 2.4, 6.4).....	23
Licenses and property rights (Requirements 2.2, 2.3) .....	26
Beneficial ownership (Requirement 2.5) .....	29
State participation (Requirements 2.6, 4.2, 4.5, 6.2) .....	33
Production and exports (Requirements 3.2, 3.3).....	35
Revenue collection (Requirements 4.1, 4.3, 4.4, 4.7, 4.8, 4.9) .....	36
Revenue management (Requirements 5.1, 5.3).....	39
Subnational contribution (Requirements 4.6, 5.2, 6.1).....	40
Background.....	43
Resources .....	44

## Acronyms

ANPM	National Petroleum and Mineral Authority
ASM	Artisanal and small-scale mining
BCTL	Banco Central de Timor-Leste (Central Bank of Timor-Leste)
BO	Beneficial ownership
CSO	Civil society organisation
DNPMR	National Directorate of Petroleum and Mineral Revenue
FONGTIL	Forum ONG Timor-Leste
GDP	Gross Domestic Product
IA	Independent Administrator
JPDA	Joint Petroleum Development Area
MoF	Ministry of Finance
MPMR	Ministry of Petroleum and Mineral Resources
NA	Not applicable
NGO	Non-governmental organisation
PEP	Politically exposed person
PSC	Production sharing contract
SOE	State-owned enterprise
TLEA	Timor-Leste Exclusive Area
TL-EITI MSWG	Timor-Leste EITI Multi-Stakeholder Working Group
ToRs	Terms of Reference
USD	United States Dollars

## Executive summary

This draft Validation report presents the findings of the International Secretariat's Validation of Timor-Leste, which commenced on 1 July 2022. The draft report was finalised for review by the multi-stakeholder group (MSG) on 23 January 2023. Following comments from the MSG on 20 February 2023, the Validation report was finalised for consideration by the EITI Board. The assessment suggests that Timor-Leste has fully met 11 EITI Requirements, mostly met nine and partly met six requirements, with six requirements assessed as not applicable.

### Key achievements

- The government has continued to maintain the solid basis of systematic disclosures on the oil and gas sector that were highlighted in previous Validations. Routine disclosures by the National Petroleum and Mineral Authority (ANPM), the Statistics Directorate of the Ministry of Finance and the central bank provide a robust foundation for restructuring EITI reporting to build on these systematic disclosures and for invigorating data use. The MSG is encouraged to continue strengthening systematic disclosures in the extractive sector, including through disclosing data in machine-readable and interoperable formats.
- Timor-Leste has expanded EITI implementation to cover sub-contractors in the oil and gas industry, a topic of significant public interest given national priorities around developing local content in the extractive industries. Extending the scope of both financial and contextual disclosures to sub-contractors is a welcome initiative to improve the relevance of EITI disclosures to national circumstances.
- Despite political unrest in 2019-2020 and the COVID-19 pandemic, the Timor-Leste EITI MSG has continued to operate and provide a forum for multi-stakeholder discussions about the governance of the extractive industries. The MSG is encouraged to further work on aligning the EITI process with national priorities and using the EITI forum to support public debate and public policy reforms in the extractive industries.

### Areas for development

- While the MSG has continued to operate throughout the period under review, weaknesses in coordination of the broader constituencies' engagement in the EITI process, capacity challenges and a lack of alignment of EITI objectives with national priorities have constrained the quality of multi-stakeholder oversight of extractive industry governance.
- Despite a vibrant public debate on the governance of the extractive industries in Timor-Leste and availability of routine disclosures, EITI data and findings do not appear to have made much impact on public debate about the mining, oil and gas sectors. EITI Reports appeared to provide very limited information on the issues relevant to recent debates in the extractive sector, including negotiations of new projects, state participation in these projects and management of the Petroleum Fund. A slowdown in dissemination and

outreach since the previous Validation appears to have pre-dated the COVID-19 pandemic, although the restrictions since 2020 have only exacerbated the lack of meaningful communications activities. There are important opportunities to make greater use of 11 years of EITI data to support public debate, research, analysis and advocacy if more proactively and creatively disseminated.

- Work on assessing the feasibility of mainstreaming EITI data through systematic disclosures since 2018 has not been followed up on to date. There is scope to restructure annual EITI reporting to build on the government's systematic disclosures, to help strengthen government and companies' systematic disclosures of EITI data, and to develop other, potentially risk-based, approaches to quality assurance of government extractive revenue data disclosed through the EITI.

### Progress in implementation

EITI Validation assesses countries against three components – “Stakeholder engagement”, “Transparency” and “Outcomes and impact”.

#### *Stakeholder engagement*

There has been a weakening of government engagement, with resulting impacts on the multi-stakeholder oversight of the EITI process, since the previous Validation that is only partly explained by the political volatility in 2019-2020. The government has maintained its commitment to the EITI in the past five years, through the provision of required data as well as technical and financial resources for implementation. However, weaknesses in government's operational engagement in the MSG and its input to the design of the EITI process to align with national priorities, as well as to dissemination and outreach are a concern. The lack of robust constituency coordination mechanisms has exacerbated capacity constraints of some MSG members, particularly from civil society. Nonetheless, industry and civil society have remained broadly engaged in the EITI process. A comprehensive review of the objectives for Timor-Leste's EITI implementation and more structured constituency coordination mechanisms could help reinvigorate the multi-stakeholder oversight of extractive industry governance.

#### *Transparency*

Timor-Leste has continued to publish EITI Reports based on conventional reconciliation since the previous Validation, with comprehensive disclosures of company payments and government revenues that are disaggregated by project. Most information on state participation and the role of the national oil company, Timor GAP, is systematically disclosed through the company's financial statements, although there is scope for strengthening transparency on the practices related to the SOE's procurement, expenditures and corporate governance. There has however been back-sliding since the previous Validation in terms of the MSG's use of EITI reporting as a diagnostic of practices in extractive industry licensing, in the approach to data quality and assurances for EITI disclosures and on license information and the extractive industries' contribution to employment. Timor-Leste has made more progress on the disaggregation of government revenue disclosures than on other new aspects of the 2019 EITI Standard, such as contract disclosure and beneficial ownership transparency. Building on previous work since 2018 on assessing the feasibility of mainstreaming EITI disclosures through government and company systems, there is an opportunity for Timor-Leste to use its EITI process to strengthen government

entities' and extractive companies' governance and disclosure systems, and to restructure EITI reporting in a risk-based approach to assessing the comprehensiveness and reliability of their systematic disclosures.

#### *Outcomes and impact*

As the MSG has focused primarily on the practicalities of conventional EITI reporting since the previous Validation, outreach and dissemination, follow-up on EITI recommendations and the MSG's annual review of EITI outcomes and impact have all been deprioritised. The annual TL-EITI work plan has remained relatively unchanged since the previous Validation, without clear alignment of the objectives for EITI implementation with national priorities from any of the three constituencies. There have been only a few efforts to disseminate EITI findings since 2018. The lack of a clear open data policy for TL-EITI has meant that EITI data has not been published in open format, beyond the preparation of EITI summary data files as part of the Independent Administrator's work. There is an opportunity for the MSG to consider the outcomes and impact of its work to date with a view to strengthening annual work planning and strengthening the mechanism for following up on EITI recommendations so that they lead to tangible reforms in policies and practices.

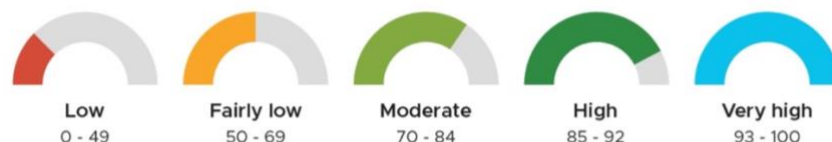
## Validation scorecard

Component & module	EITI Requirement	Progress	Score	
<b>Outcomes and impact</b>		<b>Low</b>	<b>30.5/100</b>	
Extra points	Effectiveness and sustainability indicators		0.5	
Outcomes and impact	Work plan (#1.5)	Partly met	30	↓
	Public debate (#7.1)	Partly met	30	↓
	Data accessibility and open data (#7.2)	Partly met	30	-
	Recommendations from EITI (#7.3)	Partly met	30	↓
	Outcomes & impact (#7.4)	Partly met	30	↓
<b>Stakeholder engagement</b>		<b>Fairly low</b>	<b>67.5/100</b>	
Multi-stakeholder oversight	Government engagement (#1.1)	Mostly met	60	↓
	Industry engagement (#1.2)	Fully met	90	=
	Civil society engagement (#1.3)	Mostly met	60	↓
	MSG governance (#1.4)	Mostly met	60	↓
<b>Transparency</b>		<b>Moderate</b>	<b>76/100</b>	
Overview of the extractive industries	Exploration data (#3.1)	Fully met	90	=
	Economic contribution (#6.3)	Mostly met	60	↓
Legal and fiscal framework	Legal framework (#2.1)	Fully met	90	=
	Contracts (#2.4)	Mostly met	60	-
	Environmental impact (#6.4)	Not assessed	-	-
Licenses	Contract and license allocations (#2.2)	Mostly met	60	↓
	License register (#2.3)	Mostly met	60	↓
Ownership	Beneficial ownership (#2.5)	Partly met	30	-
State participation	State participation (#2.6)	Fully met	90	-
	In-kind revenues (#4.2)	Not applicable	-	=
	SOE transactions (#4.5)	Fully met	90	=
	SOE quasi-fiscal expenditures (#6.2)	Not applicable	-	=
Production and exports	Production data (#3.2)	Fully met	90	=
	Export data (#3.3)	Fully met	90	=
Revenue collection	Comprehensiveness (#4.1)	Fully met	90	=
	Barter agreements (#4.3)	Not applicable	-	=
	Transportation revenues (#4.4)	Not applicable	-	=
	Disaggregation (#4.7)	Fully met	90	-
	Data timeliness (#4.8)	Fully met	90	=
	Data quality (#4.9)	Mostly met	60	↓
Revenue management	Distribution of revenues (#5.1)	Fully met	90	=
	Revenue management & expenditures (#5.3)	Not assessed	-	-
Subnational contributions	Direct subnational payments (#4.6)	Not applicable	-	=
	Subnational transfers (#5.2)	Not applicable	-	=
	Social and environmental expenditures (#6.1)	Mostly met	60	↓
<b>Overall score</b>		<b>Fairly low</b>	<b>58/100</b>	

## How EITI Validation scores work

### Component and overall score

The three components of EITI Validation – “Transparency”, “Stakeholder engagement” and “Outcomes and impact” – each receive a score out of 100. The overall score represents an average of the component scores.



### Assessment of EITI Requirements

Validation assesses the extent to which each EITI Requirement is met, using five categories. The component score is an average of the points awarded for each requirement that falls within the component.



- **Exceeded** (100 points): All aspects of the requirement, including “expected”, “encouraged” and “recommended” aspects, have been implemented and the broader objective of the requirement has been fulfilled through systematic disclosures in government and company systems.
- **Fully met** (90 points): The broader objective of the requirement has been fulfilled, and all required aspects of the requirement have been addressed.
- **Mostly met** (60 points): Significant aspects of the requirement have been implemented, and the broader objective of the requirement is mostly fulfilled.
- **Partly met** (30 points): Significant aspects of the requirement have not been implemented, and the broader objective of the requirement is not fulfilled.
- **Not met** (0 points): All or nearly all aspects of the requirement remain outstanding, and the broader objective of the requirement is far from fulfilled.
- **Not assessed**: Disclosures are encouraged, but not required and thus not considered in the score.
- **Not applicable**: The MSG has demonstrated that the requirement doesn’t apply.

Where the evidence does not clearly suggest a certain assessment, stakeholder views on the issue diverge, or the multi-stakeholder group disagrees with the Secretariat’s assessment, the situation is described in the assessment.



## 1. Effectiveness and sustainability indicators

The country is awarded 0, 0.5 or 1 point for each of the five indicators. The points are added to the component score on Outcomes and impact. The Secretariat's assessment is that a total of one extra point is added to the Outcomes and impact component, reflecting strengths in the national relevance of EITI implementation and the environment for citizen participation in extractive industry governance.

### 1.1 National relevance of EITI implementation

This indicator considers the extent to which EITI implementation in Timor-Leste addresses nationally relevant extractive sector challenges and risks.

Available documentation and stakeholder consultations indicate that EITI implementation in Timor-Leste has been mainly focused on the preparation of EITI reporting since the previous Validation. There is limited evidence of the MSG's discussions on whether EITI implementation addresses relevant extractive sector challenges and other issues related to extractive sector governance, such as negotiations of new projects, management of the Petroleum Fund and state participation. There do not appear to have been broader consultations with stakeholders beyond the MSG in the development of the annual EITI work plan. The 'Outcomes and impact' template refers to the development of the Mining Code and acreage release as examples of how EITI implementation addresses nationally relevant extractive sector governance challenges. However, there is limited evidence that stakeholders involved in the EITI process have provided specific input in such legal reforms, although one CSO not engaged in the EITI had done so. In addition, the country is still working on the preparation and publication of an EITI Law that was noted as an important step to strengthen disclosures of the extractive sector data.

While the work plan includes activities related to stimulating discussions on transparency in public expenditures, economic diversification, the legal framework and sustaining contract transparency in extractive industries, the status of implementation of these activities is unclear. Stakeholders consulted noted that the COVID-19 pandemic had affected the implementation of planned activities. Therefore, there is insufficient evidence to suggest that significant efforts have been undertaken to ensure that EITI implementation in Timor-Leste addresses nationally relevant extractive sector challenges and risks.

The Secretariat proposes that zero additional points be added to the score on Outcomes and impact for this indicator.

### 1.2 Systematic disclosures of extractive industry data

This indicator considers the extent to which data on applicable requirements of the EITI Standard are routinely disclosed by relevant government agencies and companies.

Extractive sector data such as details about the legal framework, contracts and licensing, production data and non-tax revenue are publicly available on the [ANPM website](#). Some additional extractive sector data is available on respective government and company websites.

For example, Timor Gap's annual reports and financial statements are publicly available on the [company's website](#), which also provides details about state ownership and associated transactions, and oil and gas tax information and overall revenue data are also publicly available from the [Central Bank of Timor-Leste \(BCTL\)](#).

Overall, stakeholders consulted noted that a significant share of extractive sector data is routinely disclosed and publicly available, as described in Timor-Leste's 2018 EITI mainstreaming feasibility study. At the same time, stakeholders noted recommendations related to strengthening data comprehensiveness, including systematic disclosures of extractives revenues and beneficial ownership information. Moreover, there are varying views on the prospects for further reforms to strengthen systematic disclosures and limited evidence of the MSG follow-up on recommendations from the mainstreaming feasibility study due to challenges posed by the COVID-19 outbreak.

Therefore, the Secretariat proposes that 0.5 additional points be added to the score on Outcomes and impact for this indicator.

### 1.3 Environment for citizen participation in extractive industry governance

This indicator considers the extent to which there is an enabling environment for citizen participation in extractive sector governance, including participation by affected communities.

There are few provisions in the legislative and regulatory environment that support engagement of citizens in extractive industry governance beyond the EITI process. Considering that EITI reporting is available in Tetun, Portuguese, English and Bahasa, stakeholders from both urban and rural areas have access to information about the extractive industry in Timor-Leste. At the same time, there is limited evidence of how EITI implementation has affected communities in regions hosting extractive activities. For example, while the 2019-2022 Timor-Leste EITI work plans include activities related to strengthening capacity of civil society and more active engagement with communities, the status of these activities remains unclear and implementation appears to have been significantly affected by the impact of the COVID-19 pandemic. There is also hardly any evidence related to MSG engagement with local and national decision-making fora to strengthen citizen participation or MSG discussion on practices that could contribute to strengthening citizen participation, including at the community level. Therefore, there is insufficient evidence that significant efforts have been undertaken to support and strengthen environment for citizen participation in extractive sector governance of Timor-Leste, including participation by affected communities.

The Secretariat proposes that zero additional points be added to the score on Outcomes and impact for this indicator.

### 1.4 Accessibility and use of extractive industry data

This indicator considers the extent to which extractive sector data is accessible and used for analysis, research and advocacy.

The documentation provided by Timor-Leste EITI and stakeholder consultations indicates publishing of EITI Reports in four local languages and two outreach activities focused on dissemination of TL-EITI Reports (in Manufahi in 2019 and Covalima in 2021). At the same time, preparation of the popular version of the 2019 Timor-Leste EITI Report is currently underway. The [summary data file covering the 2019 fiscal year](#) is publicly available on the Timor-Leste EITI website. However, most systematically disclosed EITI data on government websites is not yet available in open format. Despite these efforts, there is limited evidence that stakeholders have used EITI data in the period under review and that the EITI has led to public debate, nor strengthened accountability mechanisms at the national or subnational levels due to capacity constraints and the impact of COVID-19. Several planned activities involving outreach to specific audiences, such as relevant academic institutions, to strengthen their use of EITI data, publication of EITI data on public or NGO websites, interactive TV and radio programs, and regular workshops for the MSG and CSO community about the EITI Standard were postponed. Stakeholders consulted noted that EITI data provide limited information on topics of public interest, such as economic diversification, expenditures linked to extractive industry revenues and environmental issues. Therefore, there is insufficient evidence that significant efforts have been undertaken to strengthen accessibility and use of extractive industry data in Timor-Leste.

The Secretariat proposes that zero additional points be added to the score on Outcomes and impact for this indicator.

### 1.5 EITI-related changes to extractive industry policy and practice

This indicator considers the extent to which EITI has informed changes in extractive sector policies and practices.

The documentation provided by Timor-Leste EITI points to opportunities for the EITI to contribute to changes of policies or practices in the extractive industries, such as input to the Mining Code and the Decree Law on Onshore Petroleum Activities. However, actual input by the EITI to the development of these laws appears to have been limited to including a general reference to EITI compliance. There is limited evidence that stakeholders and decision-makers have used either EITI data or EITI recommendations when revising extractive sector laws, policies or practices, nor in the government's routine oversight of the extractive sector. No specific examples of improvements in government and company systems, procedures, policies or practices as a result of EITI implementation were highlighted in documents provided or in stakeholder consultations.

The Secretariat proposes that zero additional points be added to the score on Outcomes and impact for this indicator.

## 2. Outcomes and impact

This component assesses EITI Requirements 7 and 1.5, which relate to progress in addressing national priorities and public debate.

### Progress by requirement and corrective actions

The detailed assessment of progress in addressing each EITI Requirement or corrective action is available from the data collection templates referenced in the annex to this report.

EITI Requirement and assessment	Summary of progress in addressing the EITI Requirement
<p><b>Work plan (Requirement #1.5)</b></p> <p><i>Partly met</i></p>	<p>The Secretariat’s assessment is that Requirement 1.5 is partly met, which reflects backsliding since the previous Validation. The objective of this requirement is to ensure that the annual planning for EITI implementation supports implementation of national priorities for the extractive industries while laying out realistic activities that are the outcome of consultations with the broader government, industry and civil society constituencies. The annual EITI work plan should be a key accountability document for the MSG vis-à-vis broader constituencies and the public.</p> <p>The 2022 TLEITI work plan and consulted stakeholder views indicate that significant aspects of this requirement have not been met and the broader objective has not been fulfilled. The work plan does not function as an effective planning document for the MSG or enable accountability towards the broader constituencies. Stakeholder consultations suggest that the work plan does not reflect the results of consultations with key stakeholders, although it has been endorsed by the MSG.</p> <p>In practice, it appears that there has been little MSG discussion about the objectives and priorities for EITI implementation since the previous Validation. The work plan reflects a focus on commissioning annual EITI Reports, without clear activities to follow up on past EITI recommendations. Several consulted stakeholders from different constituencies noted that there has been little activity beyond this, partly due to the COVID-19 pandemic in recent years.</p> <p>Overall, the TLEITI work plan does not sufficiently reflect the current priorities of stakeholders involved in the process. It does not provide stakeholders within or outside the MSG with a tool to plan concrete activities and monitor their implementation and outcomes.</p> <p>TLEITI has a publicly available <a href="#">work plan for 2022</a>. According to consulted stakeholders, the objectives of the work plan have remained largely unchanged since they were formulated in 2018-2019. The first two objectives focus on Validation and the publication of EITI Reports. The third and fourth objectives are more clearly linked to extractive sector governance, addressing contract transparency and public debate on revenue expenditure and economic diversification. The fifth objective relates to capacity-building.</p> <p>The activities and expected outcomes that are not clearly related to commissioning the EITI Report are not measurable, although they are costed. For example, under the objective related to public debate on expenditures, one of the activities is “[e]ncouraging active participation of CSO members within EITI Report, such as CSO analysis on their public</p>

	<p><i>engagement/discussions on extractive industry, PF, etc. towards development and relating information that capture EITI objectives.”</i></p> <p>Stakeholder consultations confirmed that the timeframe for implementation of successive work plan activities had shifted repeatedly since 2019, primarily due to the impact of the COVID-19 pandemic. Thus, EITI implementation had primarily focused on production of EITI Reports, with most other activities postponed.</p> <p>While the work plan mentions contract transparency, it does not set out specific activities related to strengthening contract disclosure. Beneficial ownership transparency and systematic disclosures are not addressed. The work plan does not create a link to other government efforts to disclose data systematically or engage the public in extractive sector governance.</p> <p>In its comments on the draft assessment, the MSG argued that information on contract transparency has been disclosed since 2020. The progress on this requirement has been recognised and reflected under Requirement 2.4. However, considering opportunities for strengthening disclosures and data use related to contract transparency, the work plan could be more specific on objectives and activities related to this requirement. The MSG’s comments also noted the 2020 Feasibility Study on Beneficial Ownership which provided an overview of progress per date. At the same time, available documentation and stakeholder consultations indicated that the MSG did not use the work plan as a tool to outline follow-up activities on the study or other priorities related to beneficial ownership transparency. Overall, there is a room for improvement related to ensuring that the annual planning for EITI implementation supports implementation of national priorities for the extractive industries by setting out realistic activities, including on the key thematic areas.</p>
<p><b>Public debate (Requirement #7.1)</b></p> <p><i>Partly met</i></p>	<p>The Secretariat’s assessment is that Requirement 7.1 is partly met, which reflects backsliding since the previous Validation. The objective of this requirement is to enable evidence-based public debate on extractive industry governance through active communication of relevant data to key stakeholders in ways that are accessible and reflect stakeholders’ needs. Available documentation and consulted stakeholder views suggest that this broader objective has not been fulfilled.</p> <p>Efforts to actively promote EITI disclosures have been very limited in the period under review. The ‘Outcomes and impact’ template documents one dissemination event in 2019 and one in late 2021. The MSG cites the COVID-19 pandemic and the resulting state of emergency as the reason why other outreach efforts were not undertaken. However, there is no evidence of the MSG undertaking alternative means of EITI outreach and dissemination. Documentation suggests that, due to resource constraints, the MSG decided to target sector experts and academia in its outreach, rather than the broader public. However, there is no evidence of the MSG reaching out to these groups in the period under review, or producing communications materials targeted to them. While limited Internet connectivity poses challenges to online communication efforts,</p>

	<p>consultations noted that sector experts and academia could have been reached through online tools.</p> <p>The EITI Reports are succinct and comprehensible. They are translated into Tetun, Bahasa and Portuguese, which enables access by a wide range of stakeholders. However, Validation did not find strong evidence that the MSG and the broader stakeholder group have used EITI data for public debate in the period under review. The lack of use of data may be related to capacity constraints. However, stakeholder consultations indicated that the EITI was not responding to the most pressing concerns of stakeholders, such as those related to economic diversification and management of the Petroleum Fund.</p> <p>In its comments on the draft assessment, the MSG noted the existence of a Management Committee where several government representatives (particularly from the ANPM) were represented. The Management Committee met once a month to discuss topics such as onshore oil and gas projects, the Greater Sunrise Special Regime, and the Exclusive Area of the Sea of Timor-Leste. However, the MSG's comments did not clarify how these discussions were communicated to key stakeholders in ways that are accessible and reflect stakeholders' needs. In addition, the MSG comments provide links to several public consultations, although it is unclear whether EITI stakeholders or a broader group of extractive sector experts have participated in those discussions. The MSG comments also highlight government efforts to facilitate immigration related to key oil and gas projects, and to enact long-planned EITI legislation.</p>
<p><b>Data accessibility and open data (Requirement #7.2)</b></p> <p><i>Partly met</i></p>	<p>The Secretariat's assessment is that Requirement 7.2 is partly met. The objective of this requirement is to enable the broader use and analysis of information on the extractive industries, through the publication of information in open and interoperable formats. Consulted stakeholders did not express views on whether the objective has been achieved.</p> <p>The systematic disclosures of data required by the EITI through government portals such as ANPM are recognised and should be commended. However these disclosures are not yet in open format as required by Requirement 7.2, so there are further steps that need to be taken to meet the key aspects of this requirement. Stakeholder consultations suggest that the government is undertaking efforts to disclose extractive sector data through its systems and to engage stakeholders in various fora. In its comments on the draft assessment, the MSG provided a link to Article 150 of the <a href="#">Mining Code</a> indicating that relevant government agencies must prepare and publish reports on state revenues and other direct and indirect economic benefits received by the state as a result of mining activities on the annual basis. The Mining Code includes reference to public disclosure of certain mining data in accordance with international standards such as the EITI, but does not specify whether this includes the requirement for such data to be published in open format. The MSG's comments did not clarify if there is a similar provision for the oil and gas sector, nor whether there is a requirement for publication of government extractives data in open data format.</p>

	<p>Summary data files for EITI Reports up to 2019 are available on the <a href="#">TLEITI website</a>. The Outcomes and impact file notes that the MSG has not agreed an open data policy on the access, release and reuse of EITI data. Data from EITI Reports does not appear to be available in open and interoperable formats, beyond the summary data files.</p>
<p><b>Recommendations from EITI implementation (Requirement #7.3)</b></p> <p><i>Partly met</i></p>	<p>The Secretariat's assessment is that Requirement 7.3 is partly met, which reflects backsliding since the previous Validation. The objective of Requirement 7.3 is to ensure that EITI implementation is a continuous learning process that contributes to policymaking, based on the MSG regularly considering findings and recommendations from the EITI process and acting on those recommendations it deems are priorities. Available documentation and consulted stakeholder views suggest that this broader objective has not been fulfilled.</p> <p>Consulted stakeholders noted that the MSG did not regularly discuss EITI recommendations or follow up on them in other ways. The 'Outcomes and impact' file includes an overview of the status of recommendations from the 2018 EITI Report, which have been partially addressed by the government. For example, recent extractive sector legislation includes general transparency provisions and new PSCs no longer include confidentiality clauses. Another example highlighted through stakeholder consultations was inclusion of SERVE and TradeInvest agencies to strengthen progress on beneficial ownership. Overall, however, there is little indication of the MSG attempting to identify, investigate and address the causes of information gaps or to act upon lessons learnt. In its comments on the draft assessment, the MSG highlighted the challenges related to the COVID-19 pandemic and provided examples of activities requested to be conducted by the Independent Administrator when the state of emergency was lifted. The MSG comments also provided a reference to an <a href="#">MSG meeting held in June 2020</a> that included several action points related to EITI reporting and preparations for Validation, including conducting a workshop on the EITI and discussions over the clarification in the definition of "project" for EITI reporting purposes. Finally, the MSG's comments reference public disclosures by ConocoPhillips about their environmental management procedures. However, documentation provided does not provide information on mechanisms established by the MSG for following up on recommendations and discrepancies and their implementation in practice.</p>
<p><b>Review the outcomes and impact of EITI implementation (Requirement #7.4)</b></p> <p><i>Partly met</i></p>	<p>The Secretariat's assessment is that Requirement 7.4 is partly met, which reflects backsliding since the previous Validation. The objective of this requirement is to ensure regular public monitoring and evaluation of implementation, including evaluation of whether the EITI is delivering on its objectives, with a view to ensuring the EITI's own public accountability. Available documents and consulted stakeholder views suggest that this broader objective has not been met.</p> <p>The <a href="#">2019-2021 Annual Progress Report (APR)</a>, published in 2022, is publicly available, and the MSG provided some information on outcomes and impact in the Validation template. However, the MSG did not publish an</p>

	<p>annual review of EITI outcomes and impact in 2020-21. These documents provide an overview of activities undertaken by the MSG, reflecting that the EITI process has focused on commissioning EITI Reports, with little other activity. The government's progress in implementing EITI recommendations is reviewed in the EITI Report, but there is no analysis of the MSG's prioritisation of recommendations. The APR includes brief reflections on progress towards achieving the work plan's objectives. Considering that the work plan objectives have remained unchanged during the period under review, a more robust analysis of outcomes and impact could have been expected. The documents do not include an assessment of progress in addressing each EITI Requirement.</p> <p>The 'Outcomes and impact' template notes that stakeholders beyond the MSG rarely contribute to the EITI process, and there is no indication of the MSG seeking their views on the annual review of outcomes and impact.</p> <p>Weaknesses in the review of outcomes and the impact of EITI implementation on natural resource governance appear to reflect a broader detachment of the EITI process from key governance issues in Timor-Leste. Given that planned outcomes and impact have not been clearly defined in the work plan (see <i>Requirement 1.5</i>) and that there has been little activity to incite public debate (see <i>Requirement 7.1</i>) nor to act upon lessons learned (see <i>Requirement 7.3</i>), the monitoring of outcomes and impact of EITI implementation has proved challenging in the period under review.</p> <p>In its comments on the draft assessment, the MSG provided examples of activities carried out since the previous Validation, particularly related to contracts and beneficial ownership transparency. However, available documentation does not appear to include evidence that the MSG has yet published on an annual basis an assessment of progress in meeting EITI Requirements, an overview of progress in meeting each EITI Requirement and a narrative account of efforts to strengthen the EITI's impact.</p>
<p><b>New corrective actions and recommendations</b></p>	
<ul style="list-style-type: none"> <li>• In accordance with Requirement 1.5, Timor-Leste is required to maintain a current EITI work plan that reflects national priorities for extractive sector governance. The work plan and its objectives should be updated to reflect consultations with key stakeholders beyond the MSG who are working on national priorities. The MSG is encouraged to discuss its desired short-term and long-term impact for EITI implementation beyond data disclosure while considering national priorities on ensuring economic benefits of the sector to citizens and greater understanding of state participation in the extractive sector. Work plan activities and outcomes should be tied to the objectives. They should be measurable and address the scope of EITI disclosures, including systematic disclosures, contract transparency and beneficial ownership. The MSG is encouraged to use the work plan to track progress in achieving expected outcomes.</li> <li>• In accordance with Requirement 7.1, Timor-Leste is required to ensure that EITI disclosures contribute to public debate. Information should be widely accessible and distributed, considering the needs of different subgroups of citizens. The MSG should ensure that outreach activities are undertaken to spread awareness of and facilitate dialogue about governance of extractive resources.</li> </ul>	



- In accordance with Requirement 7.2, Timor-Leste should agree a policy on the access, release and reuse of EITI data. All EITI disclosures, including data disclosed through government websites, should be made available in open, machine-readable format.
- In accordance with Requirement 7.3, Timor-Leste should establish a mechanism for agreeing and following up on EITI recommendations. The MSG is encouraged to work with government agencies and extractive companies to ensure that EITI implementation results in improved extractive sector governance and to document these efforts.
- In accordance with Requirement 7.4, Timor-Leste is required to annually review and document the outcomes and impact of EITI implementation, reflecting consultations with stakeholders beyond the MSG. This should include a review of progress in meeting each EITI Requirement and a narrative description of efforts to strengthen the impact of EITI implementation.

### 3. Stakeholder engagement

This component assesses EITI Requirements 1.1 to 1.4, which relate to the participation of constituencies and multi-stakeholder oversight throughout the EITI process.

#### Progress by requirement and corrective actions

The detailed assessment of progress in addressing each EITI Requirement or corrective action is available from the data collection templates referenced in the annex to this report.

EITI Requirement and assessment	Summary of progress in addressing the EITI Requirement
<p><b>Government engagement (Requirement #1.1)</b></p> <p><i>Mostly met</i></p>	<p>The Secretariat's assessment is that Requirement 1.1 is mostly met, which reflects backsliding since the previous Validation. The objective of this requirement is to ensure a full, active and effective government lead for EITI implementation, both in terms of high-level political leadership and operational engagement, as a means of facilitating all aspects of EITI implementation. Stakeholders consulted expressed varying opinions on whether the objective had been fulfilled. While they noted overall government commitment to the EITI process, addition of the new agencies to the MSG and inclusion of provisions related to EITI in national legislation such as the Mining Code, most stakeholders noted that government engagement in the EITI could be more proactive, including on following-up on recommendations, development of more specific priorities and objectives for EITI implementation and support in strengthening disclosures and use of extractive data. Available documentation and consulted stakeholder views suggest that the broader objective of this requirement is mostly fulfilled.</p> <p>There is evidence of high-level government commitment to the EITI. The Government's current five-year program (<a href="#">Program of the Eighth Constitutional Government</a>, Section 4.2 on Oil and Mineral Resources) includes a link to the EITI, in particular provisions related to ensuring compliance with the EITI and continued publication of EITI Reports. The EITI process in Timor-Leste has consistently been led by a senior government official since the previous Validation, the Minister of Petroleum and Mineral Resources. The government provides primary financial support to the</p>

	<p>national secretariat and EITI activities through the national budget. MSG meeting minutes confirm that government representatives attend meetings regularly. However, available documentation and stakeholder consultations provide limited evidence of active government leadership and engagement in discussions on the EITI process, including related to the design of the EITI process, outreach and dissemination, strengthening outcomes and impact of the EITI process and ensuring continuous follow-up on recommendations. In its comments on the draft assessment, the MSG provided evidence of two companies' engagement, including ENI's global transparency, anti-corruption and tax strategy as well as Timor Resources' request from ASNPM to support its development of a new road.</p>
<p><b>Industry engagement (Requirement #1.2)</b></p> <p><i>Fully met</i></p>	<p>The Secretariat's assessment is that Requirement 1.2 is fully met, as in the previous Validation. The objective of this requirement is to ensure that extractive companies are fully, actively and effectively engaged in the EITI, both in terms of disclosures and participation in the work of the multi-stakeholder group, and that the government ensures an enabling environment for this. Stakeholders consulted noted continuous company engagement in the EITI reporting process, albeit highlighting opportunities for strengthening company engagement in the MSG, including input to the design of the EITI process. The Secretariat's view is that these minor weaknesses in industry engagement reflect the misalignment of EITI objectives with national priorities (see <i>Requirement 1.5</i>) and weaknesses in government operational engagement (see <i>Requirement 1.1</i>). Available documentation and consulted stakeholder views suggest that, on balance, the objective is fully met, even if there is scope for industry engagement to be further strengthened.</p> <p>The industry constituency on the MSG includes representatives of the key extractive industry players in Timor-Leste, namely ENI, Woodside, Santos and Timor Resources. Company representatives appear to have broadly participated in MSG meetings in the period under review and provided input to the EITI reporting process. All material companies have complied with their EITI reporting requirements in the period under review. In terms of support to outreach activities, the 'Stakeholder engagement' template provides an example of company participation in the EITI Report dissemination activity in Covalima in October 2021. Stakeholder consultations indicated that more active participation of all constituencies, including company representatives, in outreach and dissemination work was limited due to the impact of the COVID-19 outbreak.</p> <p>While development of the draft EITI Law is still ongoing, there appears to be an enabling environment for company participation in the EITI. Stakeholders consulted noted that relevant legislation and regulations as well as actual practice in implementation of the EITI have not created any obstacles to company participation in the EITI process. In its comments on the draft assessment, the MSG noted Timor Resources' request to ANPM for support in developing a new road as well as the government's travel restrictions imposed during the COVID-19 pandemic and its broader efforts to support economic diversification.</p>

<p><b>Civil society engagement (Requirement #1.3)</b></p> <p><i>Mostly met</i></p>	<p>The Secretariat's assessment is that Requirement 1.3 is mostly met, which reflects backsliding since the previous Validation. The objective of this requirement is to ensure that civil society is fully, actively and effectively engaged in the EITI process, and that there is an enabling environment for this. Available documentation and consulted stakeholder views suggest that the objective of the requirement is mostly met, considering that there is an enabling environment for civil society participation, but noting the scope for strengthening efficient civil society engagement.</p> <p>While <a href="#">CIVICUS</a> characterises civic space in Timor-Leste as obstructed, stakeholders consulted confirmed the lack of significant deterioration in civic space and the lack of breaches of the civil society protocol since the previous Validation. The <a href="#">Freedom in the World</a> ranking of civic space in Timor-Leste has remained constant, categorised as 'free', since the previous Validation. Consulted stakeholders noted that there is an enabling environment for civil society participation in Timor-Leste and that stakeholders had not experienced any obstacles related to expression, operation, association, engagement and access to public decision-making since 2018. Stakeholders consulted expressed concerns about the potential impact of the Media Law, draft Criminal Defamation Law and draft Cybercrime Law on freedom of expression, although no restrictions affecting EITI implementation were noted. It was indicated that feedback to these laws had been clearly expressed by civil society representatives (for example, <a href="#">here</a> and <a href="#">here</a>), and the discussion related to amendments and adoption of these laws was ongoing. At the same time, stakeholders consulted confirmed that there had been no significant impact of relevant legislation on civil society's ability to publicly express their opinions about natural resource governance as of August 2022.</p> <p>Stakeholder consultations indicated that some challenges highlighted during previous Validations continue. Capacity-building, outreach activities, as well as consultations with the broader constituency, were limited since the previous Validation. In its comments on the draft assessment, the MSG provided information about the workshop on the Mining Code that included civil society stakeholders, and noted that the COVID-19 pandemic had affected the number of capacity-building activities that could be conducted in this period. Stakeholders consulted also flagged limited technical capacity of civil society to analyse extractive industry data, as well as financial constraints due to the limited availability of funding. The 'Stakeholder engagement' template indicates that CSO representatives in Timor-Leste have limited human and financial resources to engage in design, implementation, monitoring and evaluation of the EITI process actively and effectively. It appears that there are well-capacitated stakeholders working on the extractive sector governance issues that are currently not engaged in the EITI process, but could strengthen active participation of civil society in ensuring that the transparency created by the EITI can lead to greater accountability and improved governance of oil, gas and mineral resources.</p>
<p><b>Multi-stakeholder group (Requirement #1.4)</b></p>	<p>The Secretariat's assessment is that Requirement 1.4 is mostly met, which reflects backsliding since the previous Validation. The objective of this requirement is to ensure that there is an independent MSG that can</p>

<p><i>Mostly met</i></p>	<p>exercise active and meaningful oversight of all aspects of EITI implementation that balances the three main constituencies' (government, industry and civil society) interests in a consensual manner. Stakeholders consulted broadly considered that the objective of a balanced multi-stakeholder oversight of EITI implementation had been broadly fulfilled, but highlighted scope for strengthening the MSG's oversight of all aspects of EITI implementation. Available documentation and consulted stakeholder views suggest that the broader objective of this requirement is mostly fulfilled. While the MSG's governance documents cover most aspects required by the EITI Standard, albeit with minor gaps reflecting new provisions of the 2019 EITI Standard, the lack of regular constituency coordination practices has compounded MSG members' capacity constraints and weakened the multi-stakeholder oversight of the EITI process. In practice, the MSG's focus appears to have been solely on the production of EITI Reports since the previous Validation. Stakeholders consulted from all constituencies confirmed that the MSG had prioritised EITI reporting over all other aspects of the EITI process, including prior to the onset of the COVID-19 pandemic, although this was exacerbated by the sanitary crisis. Therefore, the Secretariat's assessment is that the objective is mostly met.</p> <p>There are no set procedures for each constituency's nominations to the MSG, beyond the MSG Terms of Reference (ToRs) provisions for each constituency to appoint its own MSG members. The CSO nominations continued to be coordinated by FONGTIL based on minimum criteria for eligibility to sit at the MSG, while the industry nominations have continued to be coordinated by individual companies already represented on the MSG. The lack of formalised constituency nomination procedures is not considered a material gap given the small size of the industry and civil society constituencies. Replacements of MSG members have continued to operate on the basis of a bi-annual FONGTIL assembly and ad hoc replacements of government and industry representatives. However, the lack of formalised constituency coordination mechanisms is a concern given the lack of evidence of regular MSG member consultations with their broader respective constituencies. In practice, there is little evidence of coordination and liaison between MSG members and their broader constituencies on EITI-related matters. The MSG's 'Stakeholder engagement' template concedes that key EITI documents such as the work plan and the annual review of outcomes and impact are discussed only by MSG members (and within the individual companies directly represented on the MSG), without seeking input from their constituencies. Several stakeholders noted capacity constraints of certain MSG members, particularly from the government and civil society constituencies on technical aspects of the EITI Standard and noted that planned capacity-building activities had not taken place in recent years.</p> <p>The MSG's <a href="#">ToRs</a> have remained unchanged since the previous Validation and have not been updated for the 2019 EITI Standard. The ToRs address all aspects of Requirement 1.4 in the 2016 EITI Standard, but do not include provisions for taking gender considerations into account in MSG nominations nor provisions related to conflict of interest. The MSG's</p>
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	<p>'Stakeholder engagement' template notes that the MSG intends on including provisions on conflict of interest in future updates to its ToRs. In practice, there appear to have been some deviations from the MSG's ToRs, including less frequent meetings than the monthly meetings planned, with few meetings held between mid-2020 and early 2021 due to the COVID-19 pandemic. While the ToRs state that the MSG should take decisions by consensus, or a qualified majority vote if that is not possible, all decisions appear to have been taken by vote in the period under review.</p>
<b>New corrective actions and recommendations</b>	
<ul style="list-style-type: none"> <li>• In accordance with Requirement 1.1, the government should rejuvenate full, active and effective engagement in the EITI process, including strengthening its input to the design of the EITI process to align with national priorities and ensuring continuous follow-up on recommendations.</li> <li>• To strengthen implementation, the industry constituency is encouraged to consider activities aimed at strengthening its engagement in the EITI process, including in development of EITI activities linked to the constituency's priorities.</li> <li>• In accordance with Requirement 1.3, the civil society constituency should reinvigorate full, active and effective engagement in the EITI process. This could include outreach activities, engaging actively in discussions to make EITI implementation more relevant, development of a capacity-building plan for civil society organisations and engagement of well-capacitated civil society organisations working on the extractive sector governance issues in Timor-Leste. To strengthen implementation, Timor-Leste is encouraged to monitor and discuss any legal and regulatory reforms to ensure that there continues to be an enabling environment for civil society participation. Civil society is encouraged to raise any concerns related to constraints on their engagement in public debate on natural resource governance, should they arise in future.</li> <li>• In accordance with Requirement 1.4, Timor-Leste should ensure that the TL-EITI multi-stakeholder group exercises oversight of all aspects of EITI implementation beyond the production of EITI Reports, including active engagement in the design of the EITI process, outreach and dissemination of EITI findings and follow-up on EITI recommendations to strengthen the governance of the extractive industries. Members of the TL-EITI multi-stakeholder group must have the capacity to carry out their duties, that they undertake effective outreach activities with civil society groups and companies and that they liaise with their constituency groups. The MSG is encouraged to review its Terms of Reference and other governance documents to ensure their alignment with provisions of the 2019 EITI Standard, including with regard to gender considerations in the process for nominating MSG members. To strengthen implementation, the civil society and industry constituencies are encouraged to formalise their constituency nominations and coordination procedures to strengthen the MSG's public accountability.</li> </ul>	

## 4. Transparency

This component assesses EITI Requirements 2 to 6, which are the requirements of the EITI Standard related to disclosure.

### Overview of the extractive sector (Requirements 3.1, 6.3)

#### Overview of progress in the module

The government maintains the same level of systematic disclosures of information on the extractive industries as in the previous Validation, through the ANPM and Statistics Directorate's websites. EITI reporting has tended to simply summarise these sources, providing the same level of data for the past decade of reporting. The lack of more comprehensive reporting of employment data beyond the EITI's data collection from a handful of companies is a concern. There is scope for Timor-Leste to use the EITI to more actively centralise information on the extractive industries, with annual updates on exploration activities.

#### Progress by requirement and corrective actions

The detailed assessment of progress in addressing each EITI Requirement or corrective action is available from the data collection templates referenced in the annex to this report.

EITI Requirement and assessment	Summary of progress in addressing the EITI Requirement
<p><b>Exploration (Requirement #3.1)</b></p> <p><i>Fully met</i></p>	<p>The Secretariat's assessment is that Requirement 3.1 is fully met, as in the previous Validation. The stakeholders consulted did not express particular views on progress towards the objective of public understanding of the extractive industries' potential, although the Secretariat's view is that the objective has been achieved. The ANPM <a href="#">annual reports</a> provide some information on the mining, oil and gas sectors, including some updates on exploration activities in the oil and gas sector in particular. Timor-Leste's EITI Reports have summarised this information and added some data on exploration activities. There is scope for further strengthening both ANPM's and extractive companies' systematic disclosures of ongoing and planned exploration activities.</p>
<p><b>Contribution of the extractive sector to the economy (Requirement #6.3)</b></p> <p><i>Mostly met</i></p>	<p>The Secretariat's assessment is that Requirement 6.3 is mostly met, which represents backsliding since the previous Validation. Stakeholders consulted did not express particular views on progress towards the objective of public understanding of the extractive industries' contribution to the economy. The Secretariat's view is that the objective is mostly achieved given gaps in the comprehensiveness of extractive employment data, which is of high public interest given ongoing debates about the importance of developing local content in the extractive industries.</p> <p>Timor-Leste's General Directorate of Statistics at the MoF publishes annual <a href="#">reports</a> on national accounts that provide information on the oil and gas sector's contribution to GDP, while the country's EITI Reports provide the</p>

	extractive industries' contribution, in absolute and relative terms, to GDP, government revenues and exports. With regards to employment data, leading companies like ENI and TIMOR-GAP publish detailed information disaggregated by gender and nationality but not yet by occupation. However, Timor-Leste's EITI reporting has only provided a small selection of material companies' reporting of their employment, rather than total employment in the mining, oil and gas sectors in absolute and relative terms. The ANPM website provides an overview of the location of oil and gas activities, but not yet for mining.
<b>New corrective actions and recommendations</b>	
<ul style="list-style-type: none"> <li>In accordance with Requirement 6.3, Timor-Leste should ensure public disclosure of employment in the extractive industries in absolute terms and as a percentage of the total employment. The information should be disaggregated by gender and, when available, further disaggregated by company and occupational level. To strengthen implementation, Timor-Leste is encouraged to use the EITI to help improve its systematic government disclosures of employment data.</li> </ul>	

## Legal environment and fiscal regime (Requirements 2.1, 2.4, 6.4)

### Overview of progress in the module

Timor-Leste continues to have a robust basis of systematic disclosures of applicable laws in the mining, oil and gas sectors as in the previous Validation, although there is little indication that EITI implementation has led to the strengthening of these disclosures in recent years. There is scope for Timor-Leste to use its EITI implementation to formalise the government's policy on the public disclosure of licenses and contracts in the extractive industries, with a view to achieving full disclosure of contracts if confidentiality constraints in the oil and gas sector can be overcome. Despite significant public interest in the environmental impacts of the extractive industries, Timor-Leste's EITI reporting has only provided a cursory review of laws related to the environment to date, with important opportunities for the EITI to provide an annual diagnostic of practices related to managing the environmental impacts of the mining, oil and gas sectors.

### Progress by requirement and corrective actions

The detailed assessment of progress in addressing each EITI Requirement or corrective action is available from the data collection templates referenced in the annex to this report.

EITI Requirement and assessment	Summary of progress in addressing the EITI Requirement
<b>Legal framework and fiscal regime (Requirement #2.1)</b>	The Secretariat's assessment is that Requirement 2.1 is fully met, as in the previous Validation. Stakeholders consulted did not express particular views on progress towards the objective of transparency in the legal and fiscal framework. The Secretariat's view is that this objective has been achieved

<p><i>Fully met</i></p>	<p>through EITI reporting, although there is scope for strengthening the government's timelier systematic disclosures of this information.</p> <p>The ANPM <a href="#">website</a> provides the full text of key laws governing the mining, oil and gas sectors, while the central bank <a href="#">website</a> describes the institution's key functions. Timor-Leste's EITI reporting has provided a succinct description of the legal framework, fiscal regime and key government entities with oversight of the extractive industries, as well as an overview of ongoing and planned reforms. There is no fiscal devolution of extractive revenues in Timor-Leste. There is scope for strengthening key government entities' systematic disclosures related to implementing regulations and the fiscal regime governing the extractive industries.</p>
<p><b>Contracts (Requirement #2.4)</b></p> <p><i>Mostly met</i></p>	<p>The Secretariat's assessment is that Requirement 2.4 is mostly met. Stakeholders consulted did not express particular views on progress towards the objective of public understanding of contractual rights and obligations in the extractive industries. The Secretariat considers that the objective is mostly met taking into account systematic disclosure of some contracts, but given the lack of a review of comprehensiveness of contract and license disclosure by TL-EITI and limitations related to enabling full contract transparency.</p> <p>Article 30 of the Law on Petroleum Activities notes the requirement to disclose contracts. However, it appears unclear whether the requirement applies to full texts of contracts or their summaries. In addition, Article 25 of the Mining Code includes a provision requiring public disclosure of mining contracts. Timor-Leste's 2019 EITI Report documents confidentiality clauses that limit public accessibility of a number of contracts in the oil and gas sector but does not discuss efforts to overcome these constraints. It does not appear that these confidentiality provisions extend to the mining sector.</p> <p>There appear to have been several awards of new contracts in the extractive sector since January 2021, although the negotiations are still ongoing. According to the <a href="#">ANPM website</a>, these contracts will be published online upon conclusion of contract negotiations. It appears that a number of production sharing contracts (PSCs) had been published in the Official Gazette and online (<a href="#">JPDA</a>, <a href="#">TLEA</a>), including those awarded prior to 2021. There appear to be six PSCs in the oil and gas sector where publication of the full text, including annexes, amendments and riders, is not possible due to legal barriers. However, the ANPM website discloses summaries of the key terms of these PSCs. It remains unclear if disclosure of these PSCs would be possible in case of any amendments. In its comments on the draft assessment, the MSG noted disclosure of some active PSCs, but did not clarify whether all PSCs granted, entered into and amended since 1 January 2021 have been disclosed in full. The comments explain that some information on contracts is disclosed two years after the contract is lodged with the government authority. The comments also provide an update on the Timor Sea Maritime Boundary Treaty but do not clarify any developments related to the disclosure of the full text of extractives contracts. A review of the ANPM website indicates that the full text of some additional licenses and contracts has been published since the start of Validation. However,</p>



	<p>there remains no publicly accessible comprehensive list of all active licenses and contracts (including annexes, amendments and riders) indicating where each document is publicly accessible and highlighting those contractual documents that have not yet been published.</p> <p>A list of mining licenses awarded since 2006 is publicly available, and a government official consulted confirmed that no mining license awarded prior to 2006 remained active today. The MSG has not yet clarified whether all mining licenses are pro forma. A government official consulted confirmed that oil and gas PSCs were not pro forma and that there were important differences between contracts, particularly those concluded prior to 2015.</p> <p>The MSG does not yet appear to have published a comprehensive list of all active mining, oil and gas licenses and contracts, indicating which are publicly accessible and which are not, with specific links to access each published document where available.</p>
<p><b>Environmental impact (Requirement #6.4)</b></p> <p><i>Not assessed</i></p>	<p>This requirement has not been assessed, as all encouraged aspects have not yet been implemented. Stakeholders consulted did not express particular views on progress towards the objective of providing a basis for stakeholders to assess the adequacy of the regulatory framework and monitoring efforts to manage the environmental impact of extractive industries. The Secretariat's view is that this objective is still far from being achieved given the lack of review of environmental management practices in the extractive industries to date.</p> <p>Timor-Leste has started using its EITI reporting to provide a cursory overview of laws applicable to managing the environmental impacts of the extractive industries, with the full text of these laws systematically disclosed on the Ministry of Justice website. However, the EITI Reports have yet to describe the implementation of this legal framework, nor include information on environmental impact assessments, certification schemes, or licences and rights granted to oil, gas and mining companies. There is significant scope for Timor-Leste to expand its use of EITI disclosures to provide the public with information on regular environmental monitoring procedures, administrative and sanctioning processes of governments, as well as environmental liabilities, environmental rehabilitation and remediation programmes.</p>
<p><b>New corrective actions and recommendations</b></p>	
<ul style="list-style-type: none"> <li>• To strengthen implementation of Requirement 2.1, Timor-Leste could work with key government entities to strengthen systematic disclosures of implementing regulations and the fiscal regime in the mining, oil and gas sectors.</li> <li>• In accordance with Requirement 2.4, Timor-Leste should ensure that any new mining, oil and gas licenses and contracts granted or amended after 1 January 2021 are comprehensively disclosed to the public, including any annexes and amendments, in accordance with Requirement 2.4.a., Full texts of all contracts should be published instead of summaries. Timor-Leste is required to publish a list of all active contracts and licenses in both the mining and petroleum sectors, indicating which are publicly available and which are not (including annexes, amendments and riders), with specific links to each published document. In accordance with Requirement 2.4.c.iii, Timor-Leste should publish an explanation for any</li> </ul>	

deviations between disclosure practices and legislative or government policy requirements concerning the disclosure of contracts and licenses. The MSG should also seek to address legal barriers, if any, ahead of the next Validation to ensure full disclosure of contracts. The MSG is also required to clarify the government's policy on contract disclosure considering the apparent difference between policy and practice.

- To strengthen implementation of Requirement 6.4, Timor-Leste could use its EITI reporting to provide an overview of relevant legal provisions and administrative rules as well as actual practice related to environmental management and monitoring of extractive investments in the country.

## Licenses and property rights (Requirements 2.2, 2.3)

### Overview of progress in the module

Timor-Leste does not maintain publicly accessible cadastral portals in either mining or oil and gas, although some information on active mining licenses and oil and gas PSCs is systematically disclosed on the ANPM website. The country has used its EITI reporting to disclose much license information, although dates of application are not available for all active PSCs and dates of application and expiry are not accessible for mining licenses. While EITI reporting has provided a summary of the general procedure for awarding and transferring mining, oil and gas rights, albeit with a lack of clarity on the technical and financial criteria assessed, the MSG no longer appears to have used its EITI reporting to perform a diagnostic of non-trivial deviations from statutory procedures for license and contract awards and transfers in practice. There is scope for Timor-Leste to expand its use of EITI reporting to provide this type of diagnostic.

### Progress by requirement and corrective actions

The detailed assessment of progress in addressing each EITI Requirement or corrective action is available from the data collection templates referenced in the annex to this report.

EITI Requirement and assessment	Summary of progress in addressing the EITI Requirement
<p><b>Contract and license allocations (Requirement #2.2)</b></p> <p><i>Mostly met</i></p>	<p>The Secretariat's assessment is that Requirement 2.2 is mostly met, which represents backsliding since the previous Validation. Stakeholders consulted did not express particular views on progress towards the objective of transparency in licensing practices. The Secretariat considers that this objective is mostly met given the lack of clarity on the details of the statutory procedure for extractive rights awards and transfers and the lack of review by TL-EITI of non-trivial deviations from this framework in practice.</p> <p>The government systematically discloses some information on the award of mining licenses and oil and gas PSCs. While the 2019 EITI Report identifies the mining licenses awarded in 2019, it does not adequately describe the awards process, nor the technical and financial criteria considered. The mining sector is considered to be not material, but there appear to be</p>

	<p>individual mining companies that make payments above the USD 100,000 materiality threshold.</p> <p>The transfer of licenses is not permitted in the mining sector, although they are allowed in oil and gas. Following the implementation of new oil and gas regulations through the MBT, there were four oil and gas licenses transferred in 2019, which involved the transfer of ownership from Australia to Timor-Leste but within the same operating consortium of companies. An additional transfer of participating interests in an oil and gas contract occurred in 2019 when the participating interests in ConocoPhillips and Shell were acquired by Timor GAP. While evidence suggests that this transfer was approved by the government, the EITI Report does not describe the statutory procedure for transferring participating interests in oil and gas projects.</p> <p>A <a href="#">new bidding round</a> was initiated at the end of 2019 but it appears that all bidders and awards occurred in subsequent years. Technical and financial criteria for this second bidding round are clearly laid out in public government sources and it appears that all criteria are weighted equally. The MSG does not appear to have undertaken a review of non-trivial deviations from the statutory procedure in license and contract awards and transfers in either mining or oil and gas. A government official consulted explained that the ANPM's assessments of applications for new licenses were considered confidential and thus not disclosed to the public. The government official noted in consultation that there had been no non-trivial deviations from statutory procedures in the awards and transfers that took place in 2019, although this assessment was only provided orally and is not publicly accessible (it also remains unclear whether the MSG has considered this government official's assessment of non-trivial deviations).</p> <p>None of the license awards in the mining sector in 2019 appear to have been based on competitive bidding, which was confirmed by government officials consulted. The list of bidders for oil and gas contracts awarded through competitive bidding in subsequent years does not appear to be disclosed on government websites. The MSG has not yet used EITI reporting to provide a diagnostic of the efficiency of the licensing and contracting procedures in either mining or oil and gas. In its comments on the draft assessment, the MSG only referred to the public disclosure of summaries of seven oil and gas PSCs, but without providing clarifications on the process for awarding and transferring PSCs.</p>
<p><b>Register of licenses (Requirement #2.3)</b></p> <p><i>Mostly met</i></p>	<p>The Secretariat's assessment is that Requirement 2.3 is mostly met, which represents backsliding since the previous Validation. Stakeholders consulted did not express particular views on progress towards the objective of transparency in extractive property rights. The Secretariat considers that this objective is mostly fulfilled given the lack of progress in improving the accessibility of license data since the previous Validation and the continued lack of public disclosure of dates of application for some contracts in the oil and gas sector.</p> <p>The government does not maintain publicly accessible license registers or cadastral portals in either the oil and gas or the mining sector, however,</p>

	<p>some information is available through various pages on the ANPM website. This affects efficient access to information which impacts the assessment of whether the overall objective of the requirement has been met. The 2019 EITI Report provides a full list of all 12 active oil and gas PSCs, which cover all active licenses in the country, but provides all required information aside from the dates of expiry for certain PSCs and the dates of application and coordinates for all active petroleum rights. Nonetheless, the dates of expiry and coordinates of oil and gas licenses are available on the ANPM <a href="#">website</a>. The 2019 EITI Report provides a list of mining licenses categorised by their year of award, but provides only the name of the license, name of license-holder and year of license award, but not the other information listed under Requirement 2.3.b. However, no mining company was considered material in the 2019 EITI Report. The ANPM <a href="#">website</a> provides map user interfaces where licenses awarded between 2006 and 2019 are visible and which provides the coordinates of these licenses, although government officials confirmed that this webpage was not regularly updated. A government official consulted explained that ANPM was planning reforms to ensure that comprehensive updated license information was available from the ANPM website in future. In its comments on the draft assessment, the MSG provided a link to a published oil and gas PSC related to a block in the Joint Development Zone, which provides the geographic coordinates of the contract area as well as the date of contract expiry. However, this information does not appear to be publicly accessible for all active extractive contracts and licenses, nor for all licenses and contracts held by material extractive companies. Indeed, while the ANPM website has recently published the full text of a larger number of active licenses and contracts, which provide dates of expiry and geographic coordinates, the Secretariat's understanding is that several older (yet active) oil and gas contracts have not yet been disclosed, which are held by material companies included in the scope of TLEITI reporting.</p>
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#### New corrective actions and recommendations

- In accordance with Requirement 2.2, Timor-Leste should ensure that information on mining, oil and gas license awards and transfers is publicly disclosed, including the identity of licenses transferred and the process for transferring licenses. In accordance with Requirement 2.2.a.iv, Timor-Leste is required to ensure public disclosure of its assessment of any material deviations from the applicable legal and regulatory framework governing license transfers and awards in license awards and transfers in the period under review by EITI reporting.
- In accordance with Requirement 2.3, Timor-Leste should ensure that dates of application and expiry as well as license coordinates of each extractive license and contract are publicly disclosed and accessible for each active license and contract in the mining, oil and gas sector. At a minimum, this information should be publicly available for those licenses and contracts held by material companies covered by Timor-Leste's EITI Reports.

## Beneficial ownership (Requirement 2.5)

### Overview of progress in the module

Adherence to Requirement 2.5 on beneficial ownership is assessed in Validation as of 1 January 2022 as per the [framework agreed by the Board in June 2019](#). The assessment consists of a technical assessment and an assessment of effectiveness.

### *Technical assessment*

The Secretariat's assessment is that Timor-Leste has partly met Requirement 2.5. The [2017 Companies Act](#) created the Financial Intelligence Unit (UIF) and established a definition of beneficial owner (BO) and politically exposed person (PEP). Beneficial owners are natural persons directly or indirectly holding 25% or more equity capital or voting rights in a company (§293). The information about the identity of beneficial owners that a company is required to collect (§294) meets the provisions of Requirement 2.5.d. The company is required to maintain a registry of its beneficial owners and to provide BO information to authorities upon request (§297) and to the commercial registry (§298). The Companies Act does not address the disclosure of beneficial ownership information through the commercial registry.

The MSG commissioned a report that was published in 2020, the Feasibility Study on Beneficial Ownership, that provides suggestions for strengthening data quality assurances in BO collection and proposes policies for BO disclosure. The study documents the government's policy on BO disclosure (2.5.b). There does not appear to be discussion of these proposals in the TL-EITI 2019 Report, other than a cursory mention of the study itself. The 2019 EITI Report acknowledges that legal policies and practices regarding the disclosure of BO are still only partially in place. Questions also remain concerning the comprehensiveness and reliability of BO collection to date, as an assessment by the MSG is lacking.

BO reporting templates appear to have been supplied to eight oil and gas companies (including Timor Gap) making payments above USD 100,000 in the 2019 fiscal year. Consulted stakeholders confirmed that subcontractors or mining companies were not included in the scope of BO reporting. It does not appear that BO information has systematically been requested from all companies holding or applying for extractive licenses since January 2020. Legal ownership information and share of ownership are disclosed through EITI reporting for oil and gas companies considered to be within scope, but this ownership information does not extend to oil and gas subcontractors, nor to any companies in the mining sector.

Of the material oil and gas companies within the scope of TLEITI's BO reporting, most are subsidiaries of publicly listed companies. Timor Gap is a state-owned enterprise, and Timor Resource Pty Ltd is the only privately held company. The names of the two beneficial owners of Timor Resources Pty Ltd are provided, though all other BO data points are missing. For the remaining six companies listed on international stock exchanges, the MSG provides links to their stock exchange listings. Unfortunately, the majority of these links are broken. The 2019 EITI Report or consulted stakeholders were not able to confirm whether these subsidiaries are wholly owned by the publicly-listed parent company (2.5.f.iii).

The 2019 EITI Report includes the BO reporting templates and definitions of BO and PEP-Reporting companies were asked to provide all the required data points and to identify any PEPs that are beneficial owners (2.5.c-d). There does not appear to be a separate threshold for reporting PEPs.

### Assessment of effectiveness

Publicly available central databases or registers of legal or beneficial ownership information do not appear to exist in Timor-Leste, and the responsibility for the collection and verification of BO information lays in the hands of extractive companies (2017 Companies Act). Timor-Leste does not appear to have established a mechanism for the systematic disclosure of BO data held by companies. The UIF has the power to request this information from companies, but it is unclear how often this is done in practice. The Feasibility Study on BO notes that companies are required to provide information on BO to the business registry, pursuant to Article 298 of the 2017 Companies Law but this is not elaborated upon either in this study of the TL-EITI 2019 Report.

To address gaps in systematic disclosures of legal and beneficial ownership data, TLEITI requested data from license-holding oil and gas companies that made material payments in 2019. This approach excludes license applicants, as well as any company applying for or holding a mining license. This approach cannot be considered effective for achieving comprehensive disclosures in accordance with Requirement 2.5.c. As the weight of the mining sector in the economy grows, BO disclosures are critical for ensuring transparency and accountability. To improve the effectiveness of BO disclosures in anti-corruption efforts, Timor-Leste could also consider including subcontractors in the scope of BO disclosures.

The MSG does not appear to have reviewed mechanisms to ensure the reliability of BO data or the quality and comprehensiveness of BO information collected for the 2019 EITI Report. The same assurance procedures applied for BO data as for data on payments (see *Requirement 4.9*). The threshold for beneficial ownership is at 25% of control, which is on the high side and may limit the effectiveness of disclosures. It does not appear that the MSG had considered a lower threshold for reporting PEPs. The MSG should confirm whether the subsidiaries of publicly-owned companies are fully owned by the listed parent company. If this is not the case, a reporting mechanism should be established to disclose the legal and beneficial owners. This is important from an effectiveness perspective, as oil and gas projects are large-scale.

### Progress by requirement and corrective actions

The detailed assessment of progress in addressing each EITI Requirement or corrective action is available from the data collection templates referenced in the annex to this report.

EITI Requirement and assessment	Summary of progress in addressing the EITI Requirement
<b>Beneficial ownership (Requirement #2.5)</b>  <i>Partly met</i>	The Secretariat's assessment is that Requirement 2.5 is partly met. The objective of this requirement is to enable the public to know who ultimately owns and controls the companies operating in the country's extractive industries, particularly those identified by the MSG as high-risk, to help deter improper practices in the management of extractive resources. Available disclosures, legal documents and stakeholder consultations suggest that this objective has yet to be fulfilled, although some aspects of the requirement have been addressed.

	<p>Timor-Leste has made progress in establishing a legal framework for collecting, although not disclosing, beneficial ownership data. Gaps in disclosures have partly been addressed through EITI reporting. However, BO information has not been requested from all companies within the scope of Requirement 2.5. Disclosures by companies that were requested for BO data are partial. The MSG does not appear to have assessed the reliability or comprehensiveness of BO disclosures.</p> <p>In its comments on the draft assessment, the MSG noted that the majority of companies are subsidiaries of publicly listed companies and it was expected that the source and the information of the ownership was available. At the same time, the referenced <a href="#">2020 Timor-Leste EITI Report</a> includes several broken links that do not allow readers to confirm the availability of beneficial ownership information for publicly listed companies (pp.108-110). The MSG's comments also highlighted that beneficial ownership information was requested for the 2020 Timor-Leste EITI Report, including full name, identification number, tax ID, date of birth, nationality, residential or service address, contact details and information on whether the beneficial owner is a PEP. However the MSG comments did not provide information on the outcomes of this exercise nor whether this data is comprehensively disclosed to the public.</p>
<p><b>New corrective actions and recommendations</b></p>	
<ul style="list-style-type: none"> <li>• In accordance with Requirement 2.5, Timor-Leste is required to disclose the beneficial owners of all companies holding or applying for extractive licenses. To ensure disclosure of this information going forward, Timor-Leste should undertake the following measures: <ul style="list-style-type: none"> <li>○ Request all companies holding oil, gas and mining licenses to disclose beneficial ownership information, including all data points listed in Requirement 2.5.d, and provide adequate assurances for data reliability.</li> <li>○ Ensure that all applicants for oil, gas and mining licenses disclose their beneficial owners.</li> <li>○ For publicly-listed companies and their wholly-owned subsidiaries, functioning links to stock exchange filings should be disclosed. Where subsidiaries are not 100% owned, beneficial owners should be disclosed in accordance with Requirement 2.5.c-d.</li> <li>○ Undertake an assessment of the comprehensiveness and reliability of beneficial ownership disclosures by all extractive companies to date.</li> <li>○ Ensure comprehensive disclosure of legal owners of oil, gas and mining companies in accordance with Requirement 2.5.g.</li> </ul> </li> </ul> <p>To strengthen implementation of Requirement 2.5, Timor-Leste is encouraged to disclose beneficial and legal ownership information systematically through the corporate registry. Timor-Leste may wish to consider a lower threshold for beneficial ownership, in particular for politically exposed persons (PEPs). Extending beneficial ownership disclosures to subcontractors in the oil and gas sector is encouraged.</p>	



## State participation (Requirements 2.6, 4.2, 4.5, 6.2)

### Overview of progress in the module

Timor-Leste's sole SOE in the extractive industries, the national oil company Timor GAP, maintains a robust level of systematic disclosures by regularly publishing its audited financial statements on its corporate website. Much of the information required of SOEs by the EITI Standard is disclosed through these financial statements, although there is scope for improving the company's disclosures of the rules and practices of its procurement, expenditures and corporate governance. There are few financial transactions involving Timor GAP, which relies on grant funding from the government to fund its operations, although the country's EITI reporting and the SOE's financial statements adequately disclose the flows of payments and revenues involving the company (primarily the government's grant funding). While the state does not collect in-kind revenues and the SOE does not finance quasi-fiscal expenditures to date, there is scope for these aspects of its operations to gain importance in future if new oil and gas projects lead to greater flows of payments and revenues through the SOE in coming years.

### Progress by requirement and corrective actions

The detailed assessment of progress in addressing each EITI Requirement or corrective action is available from the data collection templates referenced in the annex to this report.

EITI Requirement and assessment	Summary of progress in addressing the EITI Requirement
<p><b>State participation (Requirement #2.6)</b></p> <p><i>Fully met</i></p>	<p>The Secretariat's assessment is that Requirement 2.6 is fully met. Stakeholders consulted did not express particular views on progress towards the objective of transparency in SOEs' financial management, although several considered that Timor GAP provided a satisfactory level of disclosures on its operations and financial management. The Secretariat considers that the objective has been fulfilled.</p> <p>The oil and gas SOE, Timor GAP, publishes both audited financial statements and other reports on its website, which provide the bulk of information required by the EITI Standard. The 2019 EITI Report provides a brief overview of the role of the SOE in the oil and gas sector. Timor Gap's audited financial statements are not consolidated in the state's budget and the only revenue flow connecting Timor Gap to the government is the transfer of funds (loans and grants) from the State to Timor Gap. In 2019, it appears that the state transferred USD 650m to Timor Gap from the Petroleum Fund. The government also transferred a separate grant of USD 16.9m to Timor GAP in 2019. The 2019 EITI Report provides a succinct description of the SOE's statutory financial relations with the state, with additional information on Timor GAP's statutory entitlements to third-party funding, retained earnings and reinvestment in Decree-Law No. 31/2011. The SOE's audited financial statements, combined with Law No. 13/2005 on Petroleum Activities and Decree-Law No. 31/2011, describe the statutory rules and practices of Timor GAP's financial relations with the state</p>

	and equity interests in subsidiaries and joint ventures. The financial statements also describe the terms attached to the SOE's equity interests in other companies and extractive projects. Loans and loan guarantees are discussed through EITI reporting and in Timor GAP's financial statements. There is no publicly available evidence of the MSG's assessment of any changes in state or SOE participation in extractive companies during the reporting period, although such changes in participation would have been described in the SOE's financial statements. Encouraged disclosures on the practice of the company's procurement, sub-contracting and corporate governance do not yet appear to be available in the public domain.
<b>Sale of the state's in-kind revenues (Requirement #4.2)</b>  <i>Not applicable</i>	The Secretariat's assessment is that Requirement 4.2 is not applicable, as in the previous Validation. There was consensus among stakeholders consulted that the state did not collect any revenues in-kind, either directly or through its SOE Timor GAP. The 2019 EITI Report confirms this.
<b>Transactions related to state-owned enterprises (Requirement #4.5)</b>  <i>Fully met</i>	<p>The Secretariat's assessment is that Requirement 4.5 is fully met. Stakeholders consulted did not express particular views on progress towards the objective of transparency in SOE transactions. The Secretariat's view is that this objective has been fulfilled through the publication of Timor GAP's audited financial statements and EITI reporting.</p> <p>The 2019 EITI Report describes Timor GAP's revenues and confirms that it did not collect any fiscal payments from companies. The report confirms that the SOE relies on grant funding from the government and provides the value of government transfers to the SOE in 2019, based on data from Timor GAP's audited financial statements. These financial statements also confirm the lack of dividends from Timor GAP to the state in 2019.</p>
<b>Quasi-fiscal expenditures (Requirement #6.2)</b>  <i>Not applicable</i>	The Secretariat's assessment is that Requirement 6.2 is not applicable, as in the previous Validation. While most stakeholders consulted did not express views on progress towards the objective of transparency in off-budget government expenditures, several government and company officials confirmed that Timor GAP had not undertaken any quasi-fiscal expenditures to date. The Secretariat's view is that this requirement remains not applicable, as is confirmed in the 2019 EITI Report with reference to the SOE's audited financial statements. There is no evidence of such quasi-fiscal expenditures and Timor GAP has relied on government grant funding as its sole source of revenues to date.
<b>New corrective actions and recommendations</b>	
<ul style="list-style-type: none"> <li>• To strengthen implementation of Requirement 2.6, Timor-Leste could consider working with Timor GAP to strengthen the SOE's systematic disclosure of information on the rules and practices related to its operating and capital expenditures, procurement, subcontracting and corporate governance.</li> <li>• To strengthen implementation of Requirement 4.5, Timor-Leste could consider working with Timor GAP to strengthen the company's systematic disclosures of information on the practice of its financial transactions with oil and gas companies and with the state ahead of expected</li> </ul>	

future oil and gas production that could lead to greater financial flows collected and managed by the company.

## Production and exports (Requirements 3.2, 3.3)

### Overview of progress in the module

Timor-Leste's systematic disclosures of production and export data have remained consistent since the previous Validation, with some oil and gas data routinely disclosed by the ANPM. EITI reporting has served to provide production values and some coverage of the mining sector. There is scope for the EITI to help strengthen ANPM's systematic disclosures of production and export data in accordance with the EITI Standard.

### Progress by requirement and corrective actions

The detailed assessment of progress in addressing each EITI Requirement or corrective action is available from the data collection templates referenced in the annex to this report.

EITI Requirement and assessment	Summary of progress in addressing the EITI Requirement
<p><b>Production (Requirement #3.2)</b></p> <p><i>Fully met</i></p>	<p>The Secretariat's assessment is that Requirement 3.2 is fully met, as in the previous Validation. Stakeholders consulted did not express particular views on progress towards the objective of transparency in production levels. The Secretariat's view is that this objective has been fulfilled through Timor-Leste's EITI reporting.</p> <p>The ANPM annual reports provide some information on oil and gas production volumes, while Timor-Leste's EITI reporting has disclosed production volumes and values for both oil and mining.</p>
<p><b>Exports (Requirement #3.3)</b></p> <p><i>Fully met</i></p>	<p>The Secretariat's assessment is that Requirement 3.3 is fully met, as in the previous Validation. Stakeholders consulted did not express particular views on progress towards the objective of transparency in export levels. The Secretariat's view is that this objective has been fulfilled through Timor-Leste's EITI reporting.</p> <p>The ANPM annual reports provide some information on oil and gas export volumes, while Timor-Leste's EITI reporting has disclosed oil and gas export volumes and values.</p>
<p><b>New corrective actions and recommendations</b></p>	
<ul style="list-style-type: none"> <li>To strengthen implementation of Requirements 3.2 and 3.3, Timor-Leste may wish to explore ways of strengthening systematic disclosures of mining, oil and gas production and exports through government agencies such as ANPM or the Statistics Directorate.</li> </ul>	

## Revenue collection (Requirements 4.1, 4.3, 4.4, 4.7, 4.8, 4.9)

### Overview of progress in the module

Timor-Leste has disclosed comprehensive, disaggregated data about government revenues from the petroleum sector. Disclosures extend to oil and gas subcontractors, which is commendable. Leveraging systematic disclosures, Timor-Leste could continue to build transparency around revenues collected from the nascent mining industry. While consulted stakeholders did not express concerns related to data reliability, further transparency is required to ensure that the public has oversight of reporting entities' audit policies and practices.

### Progress by requirement and corrective actions

The detailed assessment of progress in addressing each EITI Requirement or corrective action is available from the data collection templates referenced in the annex to this report.

EITI Requirement and assessment	Summary of progress in addressing the EITI Requirement
<p><b>Comprehensive disclosure of taxes and revenues (Requirement #4.1)</b></p> <p><i>Fully met</i></p>	<p>The Secretariat's assessment is that Requirement 4.1 is fully met, as in the previous Validation. Disclosures and stakeholder consultations suggest that taxes and revenues have been comprehensively disclosed. In addition to oil and gas companies holding licenses, reconciliation includes subcontractors making payments to the Petroleum Fund. In this aspect, Timor-Leste has exceeded the requirement.</p> <p>However, the requirement expects companies to publicly disclose their audited financial statements or the main items (i.e. balance sheet, profit/loss statement, cash flows) where financial statements are not available. The 2019 EITI Report notes that annual financial statements were requested from reporting companies but does not specify which companies provided them or where they can be accessed. Also, subcontractors did not provide comprehensive data for the report. The requirement is therefore assessed as fully met, rather than exceeded.</p> <p>The MSG only considers oil and gas revenues as material. There are individual mining companies that make payments above the USD 100,000 materiality threshold, but as a whole the mining sector is not material. In 2019, Timor-Leste collected USD 766m from oil and gas companies and USD 2.4m from mining companies. Fees collected from mining companies increased significantly in 2018 and 2019 compared to previous years. These revenues are disclosed in the 2019 EITI Report at company level and by revenue stream for the mining sector as a whole.</p> <p>Reconciliation covers all revenue streams and all oil and gas companies that made payments of above USD 100,000. This led to coverage of over 99% of revenues. There are no non-material revenue streams. Consulted stakeholders confirmed that all payments made by O/G companies go to the</p>

	<p>Petroleum Fund and that all those revenue streams are covered in reconciliation. After clarifications sought from reporting entities, the final discrepancies represent only 0,0004% of extractive revenues. Ten subcontractors that made material payments in 2019 did not submit the requested payment data. The payments of non-reporting companies, which are named in the report, totalled USD 2,4m. Government data on revenues collected from these companies is disclosed.</p>
<p><b>Infrastructure provisions and barter arrangements (Requirement #4.3)</b></p> <p><i>Not applicable</i></p>	<p>The Secretariat's assessment is that Requirement 4.3 is not applicable, as in the previous Validation. The 2019 EITI Report confirms this. While oil and gas contracts are not publicly available, there is no indication that they include infrastructure provisions or barter arrangements.</p>
<p><b>Transportation revenues (Requirement #4.4)</b></p> <p><i>Not applicable</i></p>	<p>The Secretariat's assessment is that Requirement 4.4 is not applicable, as in the previous Validation. The 2019 EITI Report confirms this.</p> <p>As part of the Timor Sea Treaty, the Australian government makes annual payments to Timor-Leste for the use of a pipeline from the Bayu-Undan gas field to Darwin in northern Australia. The MSG and the previous Validation have concluded that this is not a payment for the transportation of gas. The payment is made by Australia's development programme DFAT. It is a fixed amount, which is not tied to the volume or value of gas in the pipeline.</p>
<p><b>Level of disaggregation (Requirement #4.7)</b></p> <p><i>Fully met</i></p>	<p>The Secretariat's assessment is that Requirement 4.7 is fully met. The objective of this requirement is to ensure disaggregation in public disclosures of company payments and government revenues from oil, gas and mining that enables the public to assess the extent to which the government can monitor its revenue receipts as defined by its legal and fiscal framework, and that the government receives what it ought to from each individual extractive project. Disclosures and stakeholder consultations suggest that the requirement has been fully met.</p> <p>The Independent Administrator confirmed that in Timor-Leste, oil and gas companies are required to establish a separate entity (SPV) for each project. Revenue and payment disclosures in the 2019 EITI Report are disaggregated by each of these entities. The Transparency file points to the EITI Report for definitions of a project and an interconnected agreement. However, these definitions could not be located in the report. Considering that disclosures are available at project level, this is not considered a material gap in the assessment.</p>
<p><b>Data timeliness (Requirement #4.8)</b></p> <p><i>Fully met</i></p>	<p>The Secretariat's assessment is that Requirement 4.8 is fully met, as in the previous Validation. Stakeholders consulted considered that the objective of timely disclosures had been fulfilled, although some CSOs considered that the delay of two years in publishing data was a concern given the availability of timelier systematic disclosures on the oil and gas sector from government websites. Timor-Leste has published EITI Reports within the Board-approved timelines since the previous Validation. EITI Reports covering 2016, 2017 and 2018 were published in June 2019, November 2019 and December 2020 respectively. In October 2021, the <a href="#">EITI Board granted</a> Timor-Leste an</p>

	extension until 31 March 2022 for publishing the 2019 EITI Report, due to the impact of the COVID-19 pandemic. The 2019 EITI Report was published in March 2022. Available evidence demonstrates that the MSG approved the reporting period for each EITI Report.
<p><b>Data quality and assurance (Requirement #4.9)</b></p> <p><i>Mostly met</i></p>	<p>The Secretariat’s assessment is that Requirement 4.9 is mostly met, which represents backsliding compared to the previous Validation. The objective of this requirement is to ensure that appropriate measures have been taken to ensure the reliability of disclosures of company payments and government revenues from oil, gas and mining. The aim is for the EITI to contribute to strengthening routine government and company audit and assurance systems and practices and ensure that stakeholders can have confidence in the reliability of the financial data on payments and revenues. Review of documentation suggests that the objective has been mostly met. Limited information is available about the audit processes of reporting entities and their results. Consulted stakeholders did not express concerns about the reliability of data presented in the 2019 EITI Report.</p> <p>The approach to data quality follows the standard Board-approved approach. The 2019 EITI report includes a brief description of data quality assurances agreed by the MSG. It includes the Independent Administrator’s assessment that data quality is “adequate” based on the assurances provided. Reporting entities were requested to attest their reporting templates, and the report suggests that all complied with the request. However, reconciliation results also demonstrate that ten subcontractors failed to submit data.</p> <p>The 2019 EITI Report notes that reporting government entities had undergone external audits, but it does not comment on whether these are based on international auditing standards or indicate how to access audit reports. During consultations, the IA confirmed that it considered data in the EITI Report to be reliable.</p> <p>Reporting companies were requested to provide annual financial statements. However, the 2019 EITI Report does not indicate, which companies complied with the request. The Transparency file includes links to the annual reports of ConocoPhillips, ENI, Woodside, Santos and Inpex, but not to all companies within the scope of EITI reporting. The 2019 EITI Report does not comment on the results of the reporting entities’ audits.</p>
<b>New corrective actions and recommendations</b>	
<ul style="list-style-type: none"> <li>• To strengthen implementation of Requirement 4.1, Timor-Leste is encouraged to ensure that all subcontractors within the agreed scope of EITI reporting submit comprehensive data. Timor-Leste is encouraged to establish a cost-effective approach to routinely disclosing revenues collected from mining companies, with appropriate data quality assurance in place.</li> <li>• To strengthen implementation of Requirement 4.8, Timor-Leste is encouraged to ensure timelier publication of EITI data by leveraging routine disclosures by government agencies and extractive companies.</li> <li>• In accordance with Requirement 4.9 and the Board-approved ToRs for EITI reporting, Timor-Leste is required to review reporting entities’ audit processes and practices and document the findings, including a statement on the comprehensiveness and reliability of the financial data</li> </ul>	

disclosed. Information on how to access the audited financial statements of reporting entities should be disclosed.

## Revenue management (Requirements 5.1, 5.3)

### Overview of progress in the module

All oil and gas revenues collected by Timor-Leste enter the Petroleum Fund, from which a portion is annually withdrawn for the national budget. There do not appear to be any off-budget revenues. There is high stakeholder demand for disclosures and public debate regarding the use and sustainability of extractive revenues. The EITI is encouraged to play a key role in informing this debate.

### Progress by requirement and corrective actions

The detailed assessment of progress in addressing each EITI Requirement or corrective action is available from the data collection templates referenced in the annex to this report.

EITI Requirement and assessment	Summary of progress in addressing the EITI Requirement
<p><b>Distribution of extractive industry revenues (Requirement #5.1)</b></p> <p><i>Fully met</i></p>	<p>The Secretariat's assessment is that Requirement 5.1 is fully met, as in the previous Validation. The objective of this requirement is to ensure the traceability of extractive revenues to the national budget and ensure the same level of transparency and accountability for extractive revenues that are not recorded in the national budget. Stakeholder consultations and disclosures suggest that the objective has been met.</p> <p>The 2019 EITI Report confirms that all oil and gas revenues enter the Petroleum Fund. A maximum of 3% of the wealth can be transferred annually to the national budget. Consulted government stakeholders confirmed that in 2019 all petroleum revenues entered the fund and none were withheld by collecting agencies. The funds are invested abroad. The 2019 EITI Report provides an update on the balance of the fund, as well as funds withdrawn to date. The Petroleum Fund's annual reports should be publicly available, but the Secretariat was not able to access them on the <a href="#">Ministry of Finance website</a> at the time of the assessment. The Petroleum Fund is annually audited by an external auditor (EY Portugal in 2019). In its comments on the draft assessment, the MSG highlighted the role of the ANPM and Ministry of Petroleum in overseeing oil and gas projects and described the provisions capping annual withdrawals from the sovereign wealth fund. The comments noted the existence of the Ministry of Finance and central bank portals on oil and gas revenues and management of the sovereign wealth fund.</p>

<p><b>Revenue management and expenditures (Requirement #5.3)</b></p> <p><i>Not assessed</i></p>	<p>This requirement has not been assessed, as all encouraged aspects have not yet been implemented. The objective of this requirement is to strengthen public oversight of the management of extractive revenues, the use of extractive revenues to fund specific public expenditures and the assumptions underlying the budget process.</p> <p>Consulted stakeholders noted that the management of petroleum revenues was an area of high interest, where disclosures should be strengthened. In particular, civil society and development partners stressed the importance of revenue forecasting, planning related to economic diversification and the use of petroleum revenues. These areas were identified as important for public debate regarding the sustainability of extractive revenues and economic development after oil and gas production ceases. Consulted government stakeholders noted that projections of future extractive revenues were currently not available. They noted that the government hoped that revenues from mining and carbon capture and storage (CCAS) would help replace waning petroleum revenues. Increasing public understanding of revenue management and economic diversification is one of the objectives in the EITI work plan. However, progress on this has been limited.</p>
<p><b>New corrective actions and recommendations</b></p>	
<ul style="list-style-type: none"> <li>• To strengthen implementation of Requirement 5.1, Timor-Leste is encouraged to establish an approach to ensuring transparency in the distribution of revenues from the mining sector. For the petroleum sector, the MSG is encouraged to consider using the EITI process to shed light on issues around the management of the petroleum fund to make implementation more relevant.</li> <li>• To strengthen the implementation of Requirement 5.3.c, Timor-Leste is encouraged to disclose timely information that will further public understanding and debate around issues of revenue sustainability and resource dependence. This may include the assumptions underpinning forthcoming years in the budget cycle and relating to projected production, commodity prices and revenue forecasts arising from the extractive industries and the proportion of future fiscal revenues expected to come from the extractive sector.</li> </ul>	

## Subnational contribution (Requirements 4.6, 5.2, 6.1)

### Overview of progress in the module

There are no subnational government units collecting revenues from the extractive industries. Timor-Leste has used its EITI reporting to disclose information on a small number of oil and gas companies' local content procurement and voluntary social expenditures, although most oil and gas companies have not disclosed such information. There is at least one type of payment to government related to the environment, in the form of payments for environmental licenses and permits, although only one company's payments to government under this revenue flow has been disclosed to date. There is scope for Timor-Leste to strengthen its use of the EITI process to ensure greater public clarity on extractive companies' environmental payments to provide a basis



for public understanding of extractive companies' compliance with environmental expenditure requirements.

### Progress by requirement and corrective actions

The detailed assessment of progress in addressing each EITI Requirement or corrective action is available from the data collection templates referenced in the annex to this report.

EITI Requirement and assessment	Summary of progress in addressing the EITI Requirement
<b>Subnational payments (Requirement #4.6)</b>  <i>Not applicable</i>	<p>The Secretariat's assessment is that Requirement 4.6 remains not applicable in the period under review, as in the previous Validation. There are no subnational government units receiving payments from extractive companies in Timor-Leste.</p>
<b>Subnational transfers (Requirement #5.2)</b>  <i>Not applicable</i>	<p>The Secretariat's assessment is that Requirement 5.2 remains not applicable in the period under review, as in the previous Validation. There are no subnational governments receiving transfers of extractive revenues in Timor-Leste.</p>
<b>Social and environmental expenditures (Requirement #6.1)</b>  <i>Mostly met</i>	<p>The Secretariat's assessment is that Requirement 6.1 is mostly met. Stakeholders consulted did not express particular views on progress towards the objective of transparency in social expenditures and environmental payments to government. The Secretariat considers that the objective is mostly fulfilled given the lack of demonstrably comprehensive disclosures of extractive companies' environmental payments to government to date.</p> <p>The 2019 EITI Report confirms that extractive companies are legally required to make commitments to increase their use of local content, which is categorised as a form of mandatory social expenditures. The report provides disclosures of these local content expenditures by two companies (ConocoPhillips and Timor Resources Pty Ltd). While these disclosures do not appear to be comprehensive of all material extractive companies' local content expenditures, the Secretariat's view is that requirements for a certain level of local content in extractive companies' procurement do not represent forms of mandatory social expenditures but rather legally mandated procurement targets. Timor-Leste has used its EITI reporting to disclose some oil and gas companies' voluntary social expenditures, although these disclosures do not clearly distinguish between cash and in-kind voluntary social expenditures. The comprehensiveness of these voluntary social expenditure disclosures is also in question given disclosures related to only two companies.</p> <p>The 2019 EITI Report indicates that extractive companies are required to make payments to government related to environmental licenses and permits. However, only one company's (Timor Resources Pty Ltd) payments for environmental licenses/permits are provided in the 2019 EITI Report, which raises concerns over the comprehensiveness of disclosures. No additional information is provided in the 2019 EITI Report on other types of environmental expenditures to third parties by extractive companies. In its</p>

	<p>comments on the draft assessment, the MSG provided links to the <a href="#">environmental impact statement of Timor Resources</a> and a description of its <a href="#">public consultations</a>, but did not further comment on the comprehensiveness of extractive companies' disclosures of environmental payments to government to date.</p>
<p style="text-align: center;"><b>New corrective actions and recommendations</b></p>	
<ul style="list-style-type: none"><li>• In accordance with Requirement 6.1, Timor-Leste should ensure public disclosures of all payments by extractive companies to the government related to the environment mandated by law, regulation or contract, where such payments are material. To strengthen implementation of Requirement 6.1, Timor-Leste is encouraged to consider ensuring public disclosure of environmental expenditures and transfers by extractive companies to third parties, where material.</li></ul>	

## Background

### Overview of the extractive industries

An overview of the extractive industries is accessible on the [country page](#) of the EITI website for Timor-Leste.

### History of EITI implementation

The history of implementation is accessible on the [country page](#) of the EITI website for Timor-Leste.

### Explanation of the Validation process

An overview of the Validation process is available on the EITI website.<sup>1</sup> The [Validation Guide](#) provides detailed guidance on assessing EITI Requirements, while the more detailed [Validation procedure](#) includes a standardised procedure for undertaking Validation by the EITI International Secretariat.

The International Secretariat's country implementation support team include Emanuel Bria and Gay Ordenes, while the Validation team was comprised of Olesia Tolochko, Lydia Kilpi and Riley Zecca. The internal review for quality assurance was conducted by Gay Ordenes, Gisela Granado, Bady Baldé and Alex Gordy.

### Confidentiality

The detailed data collection and assessment templates are publicly accessible, on the internal Validation Committee page [here](#).

The practice in attribution of stakeholder comments in EITI Validation reports is by constituency, without naming the stakeholder or its organisation. Where requested, the confidentiality of stakeholders' identities is respected, and comments are not attributed by constituency. This report is shared with stakeholders for consultation purposes and remains confidential as a working document until the Board takes a decision on the matter.

### Timeline of Validation

The Validation of Timor-Leste commenced on 1 July 2022. A public call for stakeholder views was issued on 1 June 2022. Stakeholder consultations were held virtually on 15-26 August 2022. The draft Validation report was finalised on 23 January 2023. Following comments from the MSG on 20 February 2023, the Validation report was finalised for consideration by the EITI Board.

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<sup>1</sup> See <https://eiti.org/validation>

## Resources

- Validation data collection file – [Stakeholder engagement](#)
- Validation data collection file – [Transparency](#)
- Validation data collection file – [Outcomes and impact](#)