

Timor-Leste has achieved a fairly low overall score in implementing the 2019 EITI Standard

Outcome of the Validation of Timor-Leste Decision number: 2023-19
Decision basis: EITI Articles of Association 2019-2021, Article 12.1. ix)
25 April 2023

Board decision

Timor-Leste has achieved a fairly low score in implementing the 2019 EITI Standard (58 points). The overall score reflects an average of the three component scores on Stakeholder engagement, Transparency, and Outcomes and impact.

On Outcomes and impact, Timor-Leste achieved a low score (30.5 points), which reflects the need for the MSG to balance its primary focus on publishing EITI Reports with outreach and dissemination efforts aimed at informing public debate and policymaking. There is room for improvement to strengthen the links of EITI disclosures with broader national policies to create impact. The significance of the sector in Timor-Leste's economy highlights the need to define and strengthen the EITI's role in the governance of the sector beyond disclosing data. Considering the robust base of systematic disclosures of extractives data by government entities and the long track record of EITI reporting, there are opportunities to strengthen data use and data analysis by relevant stakeholder groups. The EITI Board encourages Timor-Leste EITI to strengthen its work on outreach and dissemination, follow-up on EITI recommendations and the MSG's annual review of EITI outcomes and impact to ensure a better alignment of its EITI implementation with national priorities and tangible reforms in policies and practices.

Timor-Leste achieved a fairly low component score on Stakeholder engagement (67.5 points). There have been challenges in multi-stakeholder oversight of the EITI process in recent years, which are only partly explained by the political volatility in 2019-2020 and impact of the COVID-19 pandemic. Validation found that the government has maintained its commitment to the EITI in terms of data disclosure and support to implementation, but that it has showed limited input to the design of the EITI process to align with national priorities or contributed to strengthening EITI dissemination and outreach. While recognising the existence of an enabling environment for civil society participation, the EITI Board calls for the reinvigoration of civil society engagement through outreach activities, efforts to make EITI implementation more relevant to the constituency's priorities, capacity building for civil society organisations and engagement of well-capacitated civil society organisations working on the extractive sector governance in the EITI process.

On the Transparency component, Timor-Leste achieved a moderate score (76 points). The EITI Board commends Timor-Leste for sustaining its routine disclosure of extractives data and encourages Timor-Leste EITI to restructure annual EITI reporting to build on existing systematic disclosures while strengthening the accessibility of information in open data format. Validation identified that there had 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 in disclosures of the extractive industries' contribution to national employment. Further work is required to address EITI Requirements related to beneficial ownership and contract transparency. Nonetheless, the EITI Board welcomes that 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.

The Board has determined that Timor-Leste will have until a next Validation commencing on **1 April 2025** to carry out corrective actions regarding Government engagement (Requirement 1.1), Civil society engagement (Requirement 1.3), MSG governance (Requirement 1.4), Work plan (Requirement 1.5), Contract and license allocations (Requirement 2.2), License register (Requirement 2.3), Contracts (Requirement 2.4), Beneficial ownership (Requirement 2.5), Data quality (Requirement 4.9), Social and environmental expenditures (Requirement 6.1), Economic contribution (Requirement 6.3), Public debate (Requirement 7.1), Data accessibility and open data (Requirement 7.2), Recommendations from EITI (Requirement 7.3), Outcomes and impact (Requirement 7.4). Failure to demonstrate progress on Stakeholder engagement, Transparency or Outcomes and impact in the next Validation may result in temporary suspension in accordance with Article 6 of the EITI Standard. The Board reserves the right to review progress in addressing corrective actions related to stakeholder engagement and outcomes and impact before the next Validation. In accordance with the EITI Standard, Timor-Leste may request an extension of this timeframe or request that Validation commences earlier than scheduled.

Corrective actions and strategic recommendations

The EITI Board agreed the following corrective actions to be undertaken by Timor-Leste. Progress in addressing these corrective actions will be assessed in the next Validation commencing on **1 April 2025**:

1. 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.
2. 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.
3. 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.
4. 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.

5. 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.
6. 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.
7. 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.
8. 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 should 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 of 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.
9. 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.
10. 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 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.

11. 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.
12. 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.
13. 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:
 - * 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.
 - * Ensure that all applicants for oil, gas and mining licenses disclose their beneficial owners.
 - * 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.
 - * Undertake an assessment of the comprehensiveness and reliability of beneficial ownership disclosures by all extractive companies to date.
 - * Ensure comprehensive disclosure of legal owners of oil, gas and mining companies in accordance with Requirement 2.5.g.

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.

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

15. 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.

Strategic recommendations

Timor-Leste is encouraged to consider the following recommendations to strengthen EITI implementation:

Stakeholder engagement

1. 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.

Transparency

1. 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.
2. 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.
3. 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.
4. 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 future oil and gas production that could lead to greater financial flows collected and managed by the company.
5. 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.
6. 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.

7. 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.
8. 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.

The government and all stakeholders are encouraged to consider these recommendations, and to document Timor-Leste's responses to these recommendations in the next annual review of outcomes and impact of EITI implementation.

Background

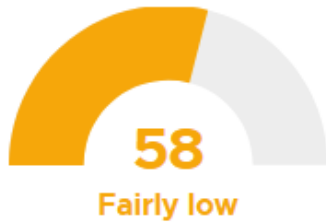
In February 2018, the EITI Board [agreed](#) that Timor-Leste had made “satisfactory progress” in implementing the 2016 EITI Standard. The next Validation of Timor-Leste was scheduled to commence on 14 February 2021. In December 2020, the EITI Board [agreed](#) a revised Validation schedule, with Timor-Leste's Validation scheduled to commence on 1 July 2021. In July 2021, the EITI Board agreed that Timor-Leste was eligible for an extension of the Validation deadline. The next Validation of Timor-Leste [was rescheduled](#) to commence on 1 January 2022. In October 2021, the EITI Board agreed that Timor-Leste was eligible for an extension of the reporting deadline for the EITI Report covering 2019. The deadline for the publication of the outstanding report [was extended](#) to 31 March 2022.

Timor-Leste EITI collated documentation for Validation using the Board-agreed data collection templates on Stakeholder engagement, Transparency, and Outcomes and impact. The files are available on the [Timor-Leste EITI website](#). The International Secretariat's Validation team prepared an initial assessment following the [Validation procedure](#) and [Validation Guide](#). In accordance with the Validation procedure, a public call for stakeholder views on EITI implementation [was open](#) from 1 June to 1 July 2022. Stakeholder consultations were undertaken virtually in August 2022. The draft assessment was shared with the MSG for feedback on 23 January 2023. The MSG comments were received on 20 February 2023. The International Secretariat reviewed the comments and responded to national stakeholders, before finalising the assessment.

In accordance with [Article 4.c of Section 4](#) of the 2019 EITI Standard, the overall assessment consists of component scores on Stakeholder engagement, Transparency, and Outcomes and impact, as well as an overall numerical score. The component score represents an average of the points awarded for each applicable requirement. The points awarded on the effectiveness and sustainability indicators are added to the component score on Outcomes and impact. The overall score is the average of the three component scores.

Scorecard for Timor-Leste: 2023

OVERALL SCORE ⓘ



COMPONENT

SCORE ⓘ

Outcomes and impact



Stakeholder engagement



Transparency



Scorecard by requirement	
Outcomes and impact	
Effectiveness and sustainability indicators	0.5
1.5 Work plan	Requirement: Partly met 30
<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. 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. 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. 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. TLEITI has a publicly</p>	

<p>available work plan for 2022. 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. 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 engagement/discussions on extractive industry, PF, etc. towards development and relating information that capture EITI objectives.” 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. 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. 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>7.1 Public debate</p>	<p>Requirement: Partly met 30</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. 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</p>	

<p>producing communications materials targeted to them. While limited Internet connectivity poses challenges to online communication efforts, consultations noted that sector experts and academia could have been reached through online tools. 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. 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>7.2 Data accessibility and open data</p>	<p>Requirement: Partly met 30</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. 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 Mining Code 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. Summary data files for EITI Reports up to 2019 are available on the TLEITI website. 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>7.3 Follow up on recommendations</p>	<p>Requirement: Partly met 30</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. 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 MSG meeting held in June 2020 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>7.4 Review of outcomes and impact of implementation</p>	<p>Requirement: Partly met 30</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. The 2019-2021 Annual Progress Report (APR), 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 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</p>	

have been expected. The documents do not include an assessment of progress in addressing each EITI Requirement. 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. 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 Requirement 1.5) and that there has been little activity to incite public debate (see Requirement 7.1) nor to act upon lessons learned (see Requirement 7.3), the monitoring of outcomes and impact of EITI implementation has proved challenging in the period under review. 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.

Stakeholder engagement



67.5 Fairly low

Scorecard by requirement	
Multi-stakeholder oversight	
1.1 Government engagement	Requirement: Mostly met 60
<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. There is evidence of high-level government commitment to the EITI. The Government’s current five-year program (Program of the Eighth Constitutional Government, 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 national</p>	

<p>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, anticorruption and tax strategy as well as Timor Resources' request from ASNPM to support its development of a new road.</p>	
<p>1.2 Industry engagement</p>	<p>Requirement: Fully met 90</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 multistakeholder 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 Requirement 1.5) and weaknesses in government operational engagement (see Requirement 1.1). 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. 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. 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>1.3 Civil society engagement</p>	<p>Requirement: Mostly met 60</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. While CIVICUS 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 Freedom in the World 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, here and here), 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. 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>1.4 MSG governance</p>	<p>Requirement: Mostly met 60</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 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 multistakeholder 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</p>	

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. 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 capacitybuilding activities had not taken place in recent years. The MSG’s ToRs 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 ‘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.

Transparency



Scorecard by requirement	
Overview of the extractive industries	

3.1 Exploration data	Requirement: Fully met 90
<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 annual reports 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>	
6.3 Contribution of the extractive sector to the economy	Requirement: Mostly met 60
<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. Timor-Leste’s General Directorate of Statistics at the MoF publishes annual reports on national accounts that provide information on the oil and gas sector’s contribution to GDP, while the country’s EITI Reports provide the 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.</p>	
Legal and fiscal framework	
2.1 Legal framework	Requirement: Fully met 90
<p>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 through EITI reporting, although there is scope for strengthening the government’s timelier systematic disclosures of this information. The ANPM website provides the full text of key laws governing the mining, oil and gas sectors, while the central bank website describes the institution’s key functions. Timor-Leste’s EITI reporting has provided a succinct description of</p>	

<p>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>2.4 Contracts</p>	<p>Requirement: Mostly met 60</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. 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. 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 ANPM website, 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 (JPDA, TLEA), 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, 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. 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. 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>	

6.4 Environmental impact	Not assessed
<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. 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>	
Licenses	
2.2 Contract and license allocations	Requirement: Mostly met 60
<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. 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 individual mining companies that make payments above the USD 100,000 materiality threshold. 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. A new bidding round 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</p>	

<p>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). 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>2.3 Register of licenses</p>	<p>Requirement: Mostly met 60</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. The government does not maintain publicly accessible license registers or cadastral portals in either the oil and gas or the mining sector, however, 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 website. 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 licenseholder 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 website 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</p>	

<p>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>	
<p>Ownership</p>	
<p>2.5 Beneficial ownership</p>	<p>Requirement: Partly met 30</p>
<p>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. 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. 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 2020 Timor-Leste EITI Report 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>State participation</p>	
<p>2.6 State participation</p>	<p>Requirement: Fully met 90</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. 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</p>	

<p>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 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.</p>	
<p>4.2 In-kind revenues</p>	<p>Not applicable</p>
<p>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.</p>	
<p>4.5 SOE transactions</p>	<p>Requirement: Fully met 90</p>
<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. 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>	
<p>6.2 SOE quasi-fiscal expenditures</p>	<p>Not applicable</p>
<p>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 quasifiscal expenditures and Timor GAP has relied on government grant funding as its sole source of revenues to date.</p>	

Production and exports	
3.2 Production data	Requirement: Fully met 90
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. 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.	
3.3 Export data	Requirement: Fully met 90
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. 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.	
Revenue collection	
4.1 Comprehensiveness	Requirement: Fully met 90
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. 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. 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	

<p>whole. 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 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>4.3 Infrastructure provisions and barter arrangements</p>	<p>Not applicable</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>4.4 Transportation revenues</p>	<p>Not applicable</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. 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>4.7 Level of disaggregation</p>	<p>Requirement: Fully met 90</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. 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>4.8 Data timeliness</p>	<p>Requirement: Fully met 90</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 EITI Board granted Timor-Leste an 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>	
<p>4.9 Data quality and assurance</p>	<p>Requirement: Mostly met 60</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. 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. 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. 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>	
<p>Revenue management</p>	
<p>5.1 Distribution of revenues</p>	<p>Requirement: Fully met 90</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. 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 Ministry of Finance website 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>5.3 Revenue management and expenditures</p>	<p>Not assessed</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. 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>Subnational contributions</p>	
<p>4.6 Subnational payments</p> <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>	<p>Not applicable</p>
<p>5.2 Subnational transfers</p> <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>	<p>Not applicable</p>

<p>6.1 Social and environmental expenditures</p>	<p>Requirement: Mostly met 60</p>
<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. 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. 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 comments on the draft assessment, the MSG provided links to the environmental impact statement of Timor Resources and a description of its public consultations, but did not further comment on the comprehensiveness of extractive companies’ disclosures of environmental payments to government to date.</p>	