

Board decision on the second Validation of Timor Leste

Decision reference: 2018-15/BM-39

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The Board's decision

The EITI Board agreed that Timor-Leste has fully addressed the corrective actions from the country's first Validation. Consequently, Timor-Leste has made **satisfactory progress** overall in implementing the EITI Standard.

The EITI Board commends Timor-Leste for addressing the corrective actions by improving the level of disclosures in EITI Reports and by enabling more meaningful participation by the civil society and companies.

The Board also welcomed progress in mainstreaming EITI implementation, are encouraged the Multi-Stakeholder Working Group (MSWG) to consider further the opportunities to improve government and company disclosures.

The Multi-Stakeholder Working Group (MSWG) should continue to ensure adherence to the EITI Principles and Requirements. Where concerns are raised about whether implementation of the EITI has fallen below the required standard, the EITI Board reserves the right to require the country to undergo a new Validation. In accordance with Requirement 8.3.b, stakeholders may petition the EITI Board if they consider that Timor Leste's status should be reviewed. Otherwise, in accordance with Requirement 8.3.d.i, Timor-Leste will be revalidated in three years, with the next Validation commencing on **14 February 2021**.

Background

Timor-Leste was accepted as an EITI Candidate in February 2008 and was designated as compliant with the EITI Rules in July 2010.

The first Validation of Timor-Leste commenced on 1 July 2016. On 11 January 2017, the EITI Board found that Timor-Leste had made meaningful progress in implementing the 2016 EITI Standard. The Board established seven corrective actions related to:

1. Industry engagement (requirement 1.2);
2. Civil society engagement (requirement 1.3);
3. MSG governance (requirement 1.4);
4. Disaggregation (requirement 4.7);
5. Data quality (requirement 4.9);
6. Mandatory social expenditures (requirement 6.1); and

7. Outcomes and impact of implementation (requirement 7.4).

The Board asked Timor-Leste to address these corrective actions to be assessed in a second Validation commencing on 11 January 2018.








Timor-Leste’s second Validation commenced on 11 January 2018. The Validation has been conducted in accordance with a procedure agreed by the Validation Committee and per the 2018 work plan. Specifically:








1. The MSG was advised regarding the commencement of Validation, and invited to contact the Secretariat with any comments and concerns regarding EITI implementation and progress in addressing the corrective actions;
2. The EITI International Secretariat undertook a desk review, assessing the progress made in addressing the seven corrective actions established by the EITI Board. The desk review followed the standardised procedure for data collection and stakeholder consultation as per the [Validation procedures](#). The Secretariat’s [draft assessment](#) concluded that Timor Leste has addressed all of the corrective actions and has made “satisfactory progress” on the corresponding requirements.
3. The draft assessment was sent to the Timor Leste Multi-Stakeholder Working Group (MSWG) for comment on 19 January.
4. Following receipt of these comments, the Secretariat’s assessment will be finalised for consideration by the EITI Board via the Validation Committee.
5. The Validation Committee reviewed the Secretariat’s assessment and the feedback from the MSG. The Committee made a recommendation to the Board on 30 January 2018.

Scorecard

EITI Requirements		Level of Progress				
Categories	Requirements	No Progress	Inadequate	Meaningful	Satisfactory	Beyond

EITI Requirements		Level of Progress				
Categories	Requirements	No Progress	Inadequate	Meaningful	Satisfactory	Beyond
MSG oversight	Government engagement (#1.1)					
	Industry engagement (#1.2)					
	Civil society engagement (#1.3)					
	MSG governance (#1.4)					
	Workplan (#1.5)					
Licenses and contracts	Legal framework (#2.1)					
	License allocations (#2.2)					
	License register (#2.3)					
	Policy on contract disclosure (#2.4)					
	Beneficial ownership (#2.5)					
	State participation (#2.6)					
Monitoring production	Exploration data (#3.1)					
	Production data (#3.2)					
	Export data (#3.3)					
Revenue collection	Comprehensiveness (#4.1)					
	In-kind revenues (#4.2)					
	Barter agreements (#4.3)					
	Transportation revenues (#4.4)					
	SOE transactions (#4.5)					
	Direct subnational payments (#4.6)					
	Disaggregation (#4.7)					
	Data timeliness (#4.8)					
	Data quality (#4.9)					
Revenue allocation	Distribution of revenues (#5.1)					
	Subnational transfers (#5.2)					
	Revenue management and expenditures (#5.3)					

EITI Requirements		Level of Progress				
Categories	Requirements	No Progress	Inadequate	Meaningful	Satisfactory	Beyond
Socio-economic contribution	Mandatory social expenditures (#6.1) 					
	SOE quasi-fiscal expenditures (#6.2) 					
	Economic contribution (#6.3) 					
Outcomes and impact	Public debate (#7.1) 					
	Data accessibility (#7.2) 					
	Follow up on recommendations (#7.3) 					
	Outcomes and impact of implementation (#7.4) 					
Overall progress						

-  **No progress.** All or nearly all aspects of the requirement remain outstanding and the broader objective of the requirement is not fulfilled.
-  **Inadequate progress.** Significant aspects of the requirement have not been implemented and the broader objective of the requirement is far from fulfilled.
-  **Meaningful progress.** Significant aspects of the requirement have been implemented and the broader objective of the requirement is being fulfilled.
-  **Satisfactory progress.** All aspects of the requirement have been implemented and the broader objective of the requirement has been fulfilled.
-  **Outstanding progress (Beyond).** The country has gone beyond the requirements.
-  This requirement is only encouraged or recommended and should not be taken into account in assessing compliance.
-  The MSG has demonstrated that this requirement is not applicable in the country.

News

Timor-Leste meets all of the requirements of the EITI Standard

The TLEITI has increased understanding and engagement in the governance of the oil and gas sector

Oslo, 14 February - A year after being assessed to have achieved meaningful progress in implementing the EITI Standard, Timor-Leste has been received an overall assessment of satisfactory progress.

The decision came after the Board determined that Timor-Leste had sufficiently addressed the seven corrective actions imposed by the Board when it first Validated the country on 11 January 2017. The Board found that Timor-Leste had demonstrated satisfactory progress in improving engagement in company and civil society participation in the EITI. This was evident through the recently published 2015 EITI Report, which provided company data disaggregated by project and a civil society analysis of the expenditures of the Petroleum Fund. The 2015 EITI Report also addressed earlier transparency gaps related to social expenditures.

The second Validation of Timor-Leste also documented the impact of EITI implementation, notably increased understanding of public expenditures, revenue flows and financial systems, which has enabled public participation in discussions on the national budget and the management of the Petroleum Fund. Members of the Timor-Leste multi-stakeholder group also acknowledged that the EITI had increased their knowledge of the licensing process, social expenditures, and had been a platform to push for contract transparency.

The EITI Board commended Timor-Leste's progress on aspects such as systematic disclosure of extractives data through government websites, expansion of scope of companies to include subcontractors, a review of the sustainability of the Petroleum Fund, and implementation of project level reporting.

Fredrik Reinfeldt, Chair of the EITI, said:

"Timor Leste's rapid progress in addressing the corrective actions speaks to the commitment of this country to the principles of the EITI. We hope that Timor Leste can become a pioneer for systematic disclosures of extractives data. We urge the Timorese to continue to use the EITI to evaluate their revenue management—a clearly important issue in Timor Leste. Finally, we applaud how the country has moved to reporting revenues and production at the project level enabling everyone to explore if what should have been paid, actually was paid."

Timor-Leste has been an EITI country since 2008. It now joins Philippines and Mongolia, the other two countries from the same region, that have been assessed to have achieved satisfactory progress in implementing the EITI Standard.

Scorecard

Notes

- [Validation](#) is the EITI's independent evaluation mechanism. It assesses countries against progress made in meeting the 2016 Standard.
- See [here](#) for a full explanation of the various levels of progress under the EITI Standard.
- See the interactive scorecard for Timor-Leste [here](#).
- The documentation of Timor-Leste's Validation can be found [here](#).
- For further information about the EITI in Timor-Leste, please visit the [country page on the EITI website](#).