

Board decision on the Validation of Timor-Leste

Decision reference: 2017-4/BC-224

On 11 January 2017, the EITI Board came to the following decision on Timor-Leste's status:

The Board agreed that Timor-Leste has made meaningful progress overall in implementing the 2016 EITI Standard. In taking this decision the EITI Board noted the strong commitment by the Government of Timor-Leste to EITI implementation and the effective oversight provided by the Timor-Leste Multi-Stakeholder Working Group (MSWG). The EITI Board highlighted that the EITI has provided a positive platform for discussion and debates about oil sector management, involving all stakeholders and the wider public. The EITI Board was encouraged by the government's efforts to make government systems transparent and urged the MSWG to work towards further mainstreaming EITI disclosures.

The Board's determination of Timor-Leste's progress with the EITI's requirements is outlined in the assessment card, below. The EITI Board agreed that Timor-Leste had not made satisfactory progress on requirements 1.2, 1.3, 1.4, 4.8, 4.9, 6.1 and 7.4. The major areas of concern relate to company engagement (#1.2), civil society engagement (#1.3), including capacity of civil society to carry out their duties (#1.4), disaggregation (#4.7), data quality (#4.9), social expenditures (#6.1) and documentation of impact (#7.4). The EITI Board disagreed with the validator on the following requirements: license registers (#2.3) and comprehensiveness (#4.1).

Accordingly, the EITI Board agreed that Timor-Leste will need to take corrective actions outlined below. Progress with the corrective actions will be assessed in a second Validation commencing on **11 January 2018**. Failure to achieve meaningful progress with considerable improvements across several individual requirements in the second Validation will result in suspension in accordance with the EITI Standard. In accordance with the EITI Standard, the Timor-Leste Multi-Stakeholder Group may request an extension of this timeframe, or request that Validation commences earlier than scheduled.








The Board's decision followed a Validation that commenced on 1 July 2016. In accordance with the 2016 EITI Standard, an initial assessment was undertaken by the International Secretariat. The findings were reviewed an Independent Validator, who submitted a Validation Report to the EITI Board. Timor-Leste's Multi-Stakeholder Working Group were invited to comment throughout the process. The Multi-Stakeholder Working Group's comments on the Report were taken into consideration. The final decision was taken by the EITI Board.

Assessment card

The EITI Board agreed the following assessment card:

EITI Requirements		Level of progress				
		No progress	Inadequate	Meaningful	Satisfactory	Beyond
Timor-Leste 2017 Validation scorecard						
Categories	Requirements					
MSG oversight	Government engagement (#1.1)					
	Industry engagement (#1.2)					
	Civil society engagement (#1.3)					
	MSG governance (#1.4)					
	Work plan (#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)					
Socio-economic contribution	Mandatory social expenditures (#6.1.a)					
	Discretionary social expenditures (#6.1.b)					
	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 assessment	Meaningful progress					

Legend to the assessment card

-  The country has made no progress in addressing the requirement. The broader objective of the requirement is in no way fulfilled.
-  The country has made inadequate progress in meeting the requirement. Significant elements of the requirement are outstanding and the broader objective of the requirement is far from being fulfilled.
-  The country has made progress in meeting the requirement. Significant elements of the requirement are being implemented and the broader objective of the requirement is being fulfilled.
-  The country is compliant with the EITI requirement.
-  The country has gone beyond the requirement.
-  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.

Corrective Actions

The EITI Board agreed the following corrective actions to be undertaken by Timor-Leste. Progress in addressing these corrective actions will be assessed in a second Validation commencing on **11 January 2018**:

1. In accordance with requirement 1.2, companies should demonstrate that they are fully, actively and effectively engaged in the EITI process. In accordance with requirement 8.3.c.i, the company constituency is requested to develop and disclose an action plan for addressing the deficiencies in company engagement documented in the initial assessment and validator's report within three months of the Board's decision, i.e. by **11 April 2017**. The government should also ensure that there is an enabling environment for company participation with regards to relevant laws, regulations and administrative rules.

2. In accordance with requirement 1.3.a, civil society should demonstrate that they are able fully, actively and effectively engaged in the EITI process. Specifically, civil society should ensure that they are able to fully contribute and provide input to the EITI process and that they have adequate capacity to participate in the EITI. In accordance with requirement 8.3.c.i, the civil society constituency is requested to develop and disclose an action plan for addressing the deficiencies in civil society engagement documented in the initial assessment and validator's report within three months of the Board's decision, i.e. by **11 April 2017**.
3. In accordance with requirement 1.4.i, civil society members of the multi-stakeholder group should ensure that they have the capacity to carry out their duties.
4. In accordance with requirement 4.7, the MSWG should ensure that the financial data disclosed is disaggregated by individual company, individual government entity and individual revenue stream. to the levels required by the EITI Standard.
5. In accordance with requirement 4.9.c, the MSWG and the Independent Administrator should ensure that future EITI Reports are produced in accordance with the 'agreed upon procedure for EITI reports' as outlined in the standard Terms of Reference for EITI Reports developed by the EITI Board. Specifically, the MSWG should ensure that:
 - a) The procedure for safeguarding confidential information do not disadvantage any stakeholders or create obstacles and delays to EITI Reporting;
 - b) Future reporting templates are developed in consultation with the Independent Administrator and that there is no deviation from the templates approved by the MSG; and
 - c) A review of prevailing auditing and assurance practices is undertaken and that assurances are agreed upon prior to commencing data collection.
 - d) The Independent Administrator is viewed by all MSG members as credible, trustworthy, and technically competent.
6. In accordance with requirement 6.1, the MSWG should ensure that mandatory social expenditures are disclosed, and where possible, reconciled. Specifically, with regards to local content commitments provided in-kind, the MSWG should ensure that the nature and the deemed value of each in-kind commitment is disclosed.
7. In accordance with requirement 7.4.a.iv and v, the MSWG should ensure that future annual progress reports include an assessment of progress with achieving the objectives set out in its work plan, including the impact and outcomes of the stated objectives. The annual progress report should also include a narrative account of efforts to strengthen the impact of EITI implementation.

The MSWG is encouraged to consider the other recommendations in the Validator's Report and the International Secretariat's initial assessment, and to document the MSG's responses to these recommendations in the next annual progress report.

This decision can be found online under: <https://eiti.org/validation/timor-leste/2017>

The documentation on this Validation (Validation Report, MSG Comments and initial data collection) can be found here: <https://eiti.org/document/validation-timorleste-2017-documentation>