

2018

# TIMOR LESTE ANNUAL PROGRESS



Multi-stakeholders Working Group and Secretariat

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## I. General assessment of year's performance

### I.1. 2016 EITI Standard Second Validation

In January 2018, the International Secretariat Validation Committee conducted a desk review to evaluate the MSWG's implementation of the 2016 Standard requirements. The validation report issued on February 2018 shows that Timor-Leste has fully satisfied all the objectives of the EITI requirements, particularly on those related to requirements: *1.2. Companies' engagement, 1.3. Civil Society engagement, 1.4. MSWG Governance, 4.7. Disaggregation of information, 4.9. Data quality and assurance, 6.1. Social and economic expenditures, and 7.4. Outcomes and impacts of EITI Implementation.* These requirements were progressed from meaningful status to satisfactory classification following the publication of 2014 (7<sup>th</sup>) and 2015 (8<sup>th</sup>) EITI reports and 2017 Annual Progress report.

The MSWG addressed requirement 7.4 by including the analysis of the outcomes and impacts from the EITI implementation in the 2016 Annual Progress Report. A narrative statement on the efforts to strengthen the MSWG engagement was also included and it is expected that these achievements would be continuously monitored and improved in the future.

### I.2. Preparation of 9<sup>th</sup> (2016) EITI Report and beyond

Timor-Leste was scheduled to publish its 9<sup>th</sup> EITI Reconciliation report (FY 2016) by the end of 2018. However, due to the political standoff an extension was granted and allowed Timor – Leste to delay the publication of the report. Understanding the political situation in the country, MSWG took the initiative to send a request for extension to EITI Board. The Board then granted an extension of the report publication until 30 June 2019.

During this period, the MSWG had extensive discussion to improve and finalize the Terms of Reference to engage the Independent Administrator for the preparation of EITI reconciliation report which covers three fiscal years (2016, 2017 and 2018). The selected IA will also undertake a feasibility study on Beneficial Ownership (BO) and analyse the previous research conducted by the International Secretariat on mainstreaming with objective to further investigate the benefits, constraints, gaps of mainstreaming implementation in Timor-Leste.

In 2017 MSWG approved a roadmap for implementation of BO and, the consulting firm is required to help to identify the best approach/practice in implementing BO in accordance with the legal regime of Timor-Leste. With this study, it is expected the consultant would be able to assist the MSWG in identifying the commendable definition of BO<sup>1</sup>, recommend revision of the BO 2017 roadmap, identifying constraints, gaps and recommendation.

It is expected that the publication of the reports would enable readers to access information about extractive industries governance in the country and enhance public debate among the community.

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<sup>1</sup> Timor-Leste has defined the Beneficial Ownership, including 25% threshold and mechanism to collect information through enactment of Law No. 10/2017 on Anti-Money Laundering.

### I.3. Dissemination of EITI Reports

Following the publications of the 7<sup>th</sup> (2014) and 8<sup>th</sup> (2015) TL-EITI Reports, the National Secretariat and the MSWG organized an outreach activity to disseminate the information contained in these reports in 26-27 November 2018 in Uatulari, Viqueque Municipality. The initial plan was to hold the dissemination program in two different locations, however due to budget constraint, the event was eventually held in one location.

There were around two hundred (200) participants from the community leaders, students and villagers took part in the event. Apart from the information contained in the reports, the presentation material also covered the extractive industry revenues management under the petroleum fund management and utilization of the revenues through state budget. Speakers were from the Central Bank (PF Management), Ministry of Finance (budget), EITI National Secretariat (EITI standards, reports, and update) and Civil Society organizations (how the information can be used to hold Government accountable and benefits the people).

The audiences expressed their gratitude to the organizer as that was the first time for communities in Uatulari Town and surrounding areas to access such presentation, which would help them to oversee the use of the money in their villages. The dissemination programs in Timor-Leste were designed to reach the maximum participation at geographic levels.

In 2019, similar events are expected to undertake in other localities.

## II. Assessment performance against EITI Requirements

EITI Requirements	Progress
<p><b>Requirement 1. Effective oversight by MSG multi-stakeholder group</b></p>	<p>In regards to the publication of recent TL-EITI reports, and corrective action plans delivered to the International Secretariat, there were improvements with engagements from the companies (Req. 1.2) and CSO (Req. 1.3.) constituents which lead to a meaningful MSWG governance (Req. 1.4) of extractive sector. In 13 February 2018, the Board has agreed that Timor-Leste has made satisfactory progress in implementing these requirements.</p> <p>Between January and December 2018, the MSWG convened six (6) regular meetings where some key decisions were made as the following:</p> <ul style="list-style-type: none"> <li>a) MSWG approved the 2018 work plan which captures activities adhering the EITI standard, including activities aligning with national priorities, achieving targets and deadlines;</li> <li>b) MSWG agreed with the Board’s second Validation results, where TL was validated against 2016 EITI Standard requirements</li> <li>c) MSWG discussed on the impact of political stalemate towards EITI implementation where budget constraints may hinder execution of new activities</li> <li>d) MSWG agreed to prepare a request letter to the Board for the extension on the publication of 2016 EITI Report due to the reason stated in point c);</li> <li>e) MSWG discussed the evaluation performance of the previous IA and proposed changes for the upcoming procurement processes such as: IA personnel identification in the service contract to be aligned with the proposed structure within ToR, extension of service contract up to three fiscal years and the inclusion of additional services (e.g. feasibility studies).;</li> <li>f) MSWG discussed on the preparation of Terms of Reference for IA which included the preparation of EITI Reports fiscal years 2016, 2017 and 2018;</li> <li>g) MSWG discussed the feasibility study for Beneficial Ownership (Req. 2.5) and further research on mainstreaming;</li> <li>h) MSWG agreed to implement the template of ToR for the IA plus Beneficial Ownership research;</li> </ul>

EITI Requirements	Progress
	i) MSWG also agreed to draft a separate ToR for mainstreaming for the same IA to undertake further research on the pre-existent feasibility study on mainstreaming; j) MSWG discussed the preparation of the dissemination of information of the last published EITI Reports; k) MSWG discussed and approved Annual Progress Report 2017
<b>Requirement 2. Legal and institutional framework, including allocation of contracts and licenses</b>	<p>Timor-Leste has yet to establish EITI (Transparency) Law. The draft law will require a wider consultation in which have not taken place, due to other reform that is currently taking place.</p> <p>Detailed description of the legal framework and fiscal regime governing the extractive industry is included in the TL-EITI reports.</p> <p>Most of petroleum regulations and Production Sharing Contracts (PSC) were disclosed in Lafaek database of National Petroleum and Mineral Authority (ANPM) website<sup>2</sup>.</p> <p>Licenses are addressed in the TL-EITI reports and available in ANPM website<sup>3</sup>.</p> <p>MSWG continuously discussed the BO roadmap to set recommendations and objectives for the transparency purpose. MSWG has also shared knowledge with other implementing countries and International Secretariat to identify gaps and further action in determining BO definition for the country as required by EITI Standard. A feasibility study to assist MSWG to determine the definition and the production of road map for BO will be considered in Work Plan 2019.</p>
<b>Requirement 3. Exploration and Production</b>	<p>Information related to petroleum production, exploration and exports for FY 2014 and 2015 are addressed in the 7<sup>th</sup> and 8<sup>th</sup> TL-EITI reports. EITI reports clearly covered information on production and export in volume unit (BOE) and in dollar terms. In addition, these information were monthly updated and can be assessed publicly via ANPM website<sup>4</sup>.</p>
<b>Requirement 4. Revenue collection</b>	<p>The last published TL-EITI reports clearly defined taxes and revenues which are disclosed based on agreed materiality threshold (Req. 4.1). So far, there are no payments in Timor-Leste covered revenue collections in-kind (Req. 4.2), infrastructure provisions and barter arrangements (Req. 4.3), transportation revenues (Req. 4.4) and sub-national payments</p>

<sup>2</sup> <http://www.anpm.tl/jpda2/> and <http://www.anpm.tl/tlea>

<sup>3</sup> <http://www.anpm.tl/timor-leste-eiti/>

<sup>4</sup> <http://web01.anpm.tl/webs/anptlweb.nsf/pgLafaekFieldList> and <http://www.anpm.tl/publish-what-you-pay/>

EITI Requirements	Progress
	<p>(Req. 4.6).</p> <p>Based on the previous assessment by the EITI International Secretariat in November 2015, MSWG agreed to address the lack of disaggregation of information (Req. 4.7.) By 2017, this requirement was fully implemented by MSWG and reporting entities, where information from reporting entities would be disaggregated ,by type of revenue streams and project level. The results can be consulted in 2014 and 2015 EITI Reports.</p> <p>MSWG assured that payments and revenue data provided are subjected to a credible and independent audit applying international standards, therefore, an international Independent Administrator (IA) was hired to undertake the reconciliation activities (Req. 4.9a) &amp; 4.9b)). Furthermore, all of the documentation related to EITI activities are approved and signed by MSWG constituents to assure the quality of information. In February 2018, it was validated that MSWG has satisfactorily implemented this requirement.</p> <p>Efforts were made mutually amongst MSWG constituents and National Secretariat staff members to implement these requirements.</p>
<p><b>Requirement 5. Revenue allocations</b></p>	<p>More than 85% of government’s annual budget depended on revenues generated from the oil &amp; gas sector.. The information on how much revenues collected and transferred to the Petroleum Fund are captured in the Central Bank of Timor-Leste(BCTL) website<sup>5</sup>, whereas expenditures-distribution information can be observed in Ministry of Finance website<sup>6</sup>, under the budget and Petroleum Fund sections. The related information can also be seen in Timor-Leste Transparency Portal<sup>7</sup> which covers Budget, Aidsfrom International Development Partners (Donors), e-Procurement and Government results portal. TL-EITI Reports also provided summary on the development of Petroleum Fund and revenue management in the country (Req. 5.1 and 5.3). The information on sub-national transfer (Req. 5.1) is not applicable to Timor Leste.</p>
<p><b>Requirement 6. Social and</b></p>	<p>The social expenditure information was reported in 2014 &amp; 2015 TL-EITI Reports. MSWG constituents have unilaterally</p>

<sup>5</sup><https://www.bancocentral.tl/en/go/about-petroleum-fund>

<sup>6</sup><https://www.mof.gov.tl/budget-spending/budget-treasury-documents/?lang=en>

<sup>7</sup><https://www.mof.gov.tl/budget-spending/budget-transparency-portal/?lang=en>

EITI Requirements	Progress
<b>economic expenditures</b>	<p>decided on disclosure of social expenditures classified in mandatory and voluntary payments (Req. 6.1). MSWG was validated in 2018 to be fully compliant with this requirement.</p> <p>So far, there is no information about quasi-fiscal expenditure to be disclosed (Req. 6.2).</p> <p>Information of contribution of the extractive sector to the economy has been captured in aforementioned reports. This includes information on the size of the industry (GDP percentage), total government revenues, exports and employment in extractive industry. All of this information is reported in absolute terms and in %. (Req. 6.3 a)-d)).</p> <p>The information on contribution of the extractive sector to the economy is captured in TL-EITI reports and in State Budget books<sup>4</sup> and National Account<sup>5</sup>.</p>
<b>Requirement 7. Outcomes and impact</b>	<p>The MSWG assured that the last TL-EITI reports are publicly released through the national and international EITI secretariat website<sup>7</sup> and expect that the information within reports would contribute to public debate (Req. 7.1). MSWG and the National Secretariat were able to disseminate the content of 2014 and 2015 TL-EITI reports in November in eastern side of the country.</p> <p>A summary (in Excel) of contextual and reconciliation information of the published TL-EITI reports was prepared and updated by the International Secretariat (Req. 7.2).</p> <p>Discrepancies and recommendations from EITI reports have been addressed within the content of the report (Req. 7.3). A review on the outcomes and impact of EITI implementation in Timor-Leste, includes progress assessment of each activity addressed in Work plan 2018 and a narrative statement of efforts to strengthen the identified impact on natural resource governance has been covered in Annual Progress Report 2018 (Req. 7.4).</p> <p>According to 2018 Validation report, with this effort, MSWG have fully implemented requirement 7. With all of the objectives of EITI requirements have been successfully implemented, stakeholders and the National Secretariat expect to continuingly maintain the current progress in the upcoming EITI reconciliation and reporting processes.</p>

<sup>7</sup> <http://www.eiti.tl/secretariat/reports/tl-eiti-reports>

<sup>8</sup> <http://www.eiti.tl/secretariat/reports/progress-reports>



### III. Assessment performance against targets and activities set out in the work plan

The following table provides achievement details on activities identified in Work plan 2018, include the list of outcomes and impacts from the implementation of each objective.

#### TL-EITI WORK PLAN 2018

#### 1<sup>ST</sup> OBJECTIVE: to implement the recommendation from the last Validation in enhancing EITI principles in Timor-Leste

**Rationale** The first Validation results as reported in 11 January 2017 indicate that Timor-Leste had made a meaningful progress in implementing EITI Standard 2016. Seven (7) requirements were assessed by Validator and required improvement from MSWG. These requirements pertaining industry (1.3) and civil society (1.4) engagements, MSG Governance (1.5), disaggregated information (4.7), data quality and assurance (4.9), social expenditures (6.1), and outcomes and impacts of EITI implementation (7.1). Timor-Leste had been temporarily suspended from EITI in March 2017 and the implementation status was regained following the publication of 2014 EITI Report in June 2017. Efforts were made by MSWG to improve these requirements and corrective actions were prepared to increased participation of the constituents within EITI. Through publication of two EITI reports in 2017 and implementation of previous work plan, MSWG expect to achieve a satisfactory progress in 2018 by adhering the corresponding requirements.

ACTIVITIES	EXPECTED OUTCOME	TIMEFRAME	ESTIMATED COST	SOURCE OF FUNDING	RESPONSIBLE PARTY	COMMENT /STATUS
Preparation for 2 <sup>nd</sup> Validation process, include MSWG self-assessment of progress made against EITI Requirements, information gathering and documentation to be validated	To improve implementation of EITI Standard.	Dec 2017 – W1 Jan 2018	NA	NA	TL-EITI Secretariat and MSWG	Completed

2nd Validation of EITI implementation in Timor-Leste in accordance with the EITI Validation Guide and the Standard Requirements as well as corrective actions by MSWG	To improve implementation of EITI Standard.	11 Jan – W1 Feb	--	International Secretariat	International Secretariat, TL-EITI Secretariat and MSWG	Completed
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**2<sup>nd</sup> OBJECTIVE: To ensure the publication of EITI Report in timely manner and in accordance with EITI Standard 2016**

**Rationale:** Following the Standard procedures, it is require an early selection of Independent Administrator (IA), an evaluation of Terms of References for IAs and assessment of the last IA performance on previous work. Improvement of EITI reports means considering the inclusion of other extractive sectors (e.g. mining) and attempt for reducing discrepancies within reconciliation and carry out research for non-implementing EITI Requirement (e.g. Req. 2.5 on Beneficial Ownership).

It is important to note that this objective may be not fully realized in 2018. MSWG members and TL-EITI Secretariat have discussed activities assigned for this objective and realized the dependency between execution of these activities against the current situation of Government structure and the preparation of upcoming national election in May 2018. Currently, TL-EITI programs are financed with small-scale monthly budget (1/12<sup>th</sup> budget system) allocation to short-term activities which require implementation within 30 days. This system will automatically terminate when the new established VIII Government introduce new budget proposal. Hence, MSWG observed that this situation may affect the timeline of the preparation of 2016 TL-EITI report and other EITI activities that require expenditure from government's annual budget.

ACTIVITIES	EXPECTED OUTCOME	TIMEFRAME	ESTIMATED COST	SOURCE OF FUNDING	RESPONSIBLE PARTY	COMMENT /STATUS
Evaluation performance and ToR for Independent Administrator (IA) for the	To improve transparency in extractive industry (EI) governance and relevant EITI	Jan – Apr	N.A.	N.A.	All constituents and National	Completed

preparation of upcoming EITI Reconciliation Process	activities as well as producing comprehensive EITI report that can be used for public discussion.				Secretariat	
Selection of new IA to reconcile the upcoming EITI reports (Fiscal Year 2016).	To improve transparency in EI governance and relevant EITI activities as well as producing comprehensive EITI report that can be used for public discussion.	TBC(expected delays due to delay of budget approval)	Only require time and effort.	MP or relevant ministry in new government structure	All constituents and TL-EITI Secretariat	Execution will depend on the upcoming budget FY 2019 of the VIII Govt.MSWG have published the ToR for IA for three fiscal year services.
Contract Award to IA. Include preparation of scope of work for an eventual RFQ (Procurement Law 10/2005). The ToR for IA to include feasibility study of Beneficial Ownership (BO).	To improve transparency in EI governance and relevant EITI activities as well as producing comprehensive EITI report that can be used for public discussion.	TBC(expected delays due to delay of budget approval)		MP or relevant ministry in new government structure	TL-EITI Secretariat	Execution depends on the upcoming budget and on the procurement result for the new IA in 2019.
Preparation of scoping analysis report and data reporting templates. This includes approval of data templates, Scoping Report and Inception Report by reporting entities.	To improve transparency in EI governance and relevant EITI activities as well as producing comprehensive EITI report that can be used for public discussion.	TBC(anticipation for delays)		MP or relevant ministry in new government structure	IA and MSWG (reporting entities)	To be issued after contract award of the new IA.
Reconciliation Process for	To improve transparency in	TBC(antic		MP or	IA and	To be issued after new

upcoming EITI Reports. This includes reconciliation of revenue data templates submitted by reporting entities, draft report for MSWG reviews and comments and final publication.	EI governance and relevant EITI activities as well as producing comprehensive EITI report that can be used for public discussion.	ipation for delays)		relevant ministry in new government structure	MSWG (reporting entities)	contract award
Develop consultancy of Beneficial Ownership (BO) and mainstreaming. Maintain discussion on BO Roadmap and definition.	To improve transparency in EI governance and relevant EITI activities as well as producing comprehensive EITI report that can be used for public discussion.	Throughout 2018 (MSG meetings)	NA	MP or relevant ministry in new government structure	All constituents and TL_EITI Secretariat	Propose to include in scope of work / ToR for the new selected IAs. A feasibility study will be scheduled in 2019.
Develop and produce TL MSG Annual Progress Report (APR) 2017. Include: Discussion and approval of the draft and submission or publication of the final report.	To report the implementation progress of WP and measure the outcome and impact on EITI implementation in the country.	Feb – end of Jun.	N.A.	N.A.	All constituents and TL_EITI Secretariat	Submitted in June 2018.

**3<sup>RD</sup> OBJECTIVE: To encourage discussions on transparency in public expenditures, including investment decisions focus on economic diversification**

**Rationale:** Enabling communication tools to the communities for accessing information about public expenditures and extractive activities in transparent manner. Through EITI, we expect local community can use EITI data to emphasize public debate and create discussions on extractive

industry governance and on government activities in accordance to the Law. This objective was include in previous Work Plan however was not fully implemented due to public election occurrence. This concerns with stakeholders from Government and CSO constituents in taking part of Election preparation. Some activities subscribed in this objective may initiate under the new Government formation (see explanation provided within 2<sup>nd</sup> objective).

ACTIVITIES	EXPECTED OUTCOME	TIMEFRAME	ESTIMATED COST	SOURCE OF FUNDING	RESPONSIBLE PARTY	COMMENT/ STATUS
Launching ceremony of 2014 and 2015 EITI reports	To improve transparency in EI governance and relevant EITI activities as well as producing comprehensive EITI report that can be used for public discussion.	Aug – Sept	N.A	To be defined	Stakeholders and MP	<b>Canceled. MSWG decided to proceed with dissemination of the report information.</b>
Printing and publishing the 7 <sup>th</sup> and 8 <sup>th</sup> TL-EITI reports in Popular version, in Tetum, as well as in Portuguese & Indonesia	Increased public awareness on EI and EITI issues for transparency purpose	Between Jun – Sep.	US \$ 8,000 (either from one twelfth budget or upcoming budget)	MP or relevant ministry in new government structure	TL_EITI Secretariat and IA	Complete
Maintained press release about transparency and EI. Participation in talk shows and discussions with local media.	Increased public awareness on EI and EITI issues for transparency purpose	Throughout 2018 (updates every 3-4		MP	MSWG, TL_EITI Secretariat	Cancelled due to budget shortage.

		months)				
Dissemination information from the recently published TL-EITI Reports; include provision of copies of EITI Reports (translated), booklet, brochures etc.	Increased public awareness on EI and EITI data. Improve capacity of stakeholders and TL-EITI Secretariat staffs with public engagements.	Sept. - Dec	N.A	MP or relevant ministry in new government structure	MSWG, TL_EITI Secretariat and relevant Govt entities	Conducted in one locality. Budget limitation has impeded to realize in other localities.
Discussion on state budget situation and major investments on important development sectors to specific audience (e.g. academics, private sectors). This includes information within EITI Report that capture Govt expenditures/investments incl. SOEs roles and shared contracts with companies.	Increased public awareness on EI and EITI issues for transparency purpose	Jun -Dec		MP or relevant Ministry in new government structure	MSWG, TL_EITI Secretariat and relevant Govt entities	

**4<sup>TH</sup> OBJECTIVE: To encourage discussions on legal framework and maintain contract transparency within extractive industries and other revenues generate in Timor-Leste**

**Rationale:** MSWG observe the importance of strengthening the EITI implementation within Timor-Leste Government structure. To achieve this, it is important to implement basic research on standard policies, include consultation with relevant institutions and with other EITI implementing countries which have established legal regimen to govern EITI. MSWG also noticed that some activities from this objective were not fully implemented in

previous year with the election occurrence. Some activities subscribed in this objective may initiate under the new Government formation (see explanation provided within 2nd objective).

ACTIVITIES	EXPECTED OUTCOME	TIMEFRAME	ESTIMATED COST	SOURCE OF FUNDING	RESPONSIBLE PARTY	COMMENT/ STATUS
Active participation in discussions on draft law/regulations to promote EITI principles in new oil & gas regulations, PSCs and Mining Law	To ensure that the Government system encompass EI and EITI for transparency purpose. Promote reforms through institutionalization of policies and relevant laws.	Throughout 2018	N.A	MP or relevant ministry in new government structure	MSWG, TL_EITI Secretariat	Draft Law is currently under review by ANPM Legal Department. Continued process since 2016.
Maintain update EITI Law study/research.	To ensure that the Government system encompass EI and EITI for transparency purpose. Promote reforms through institutionalization of policies and relevant laws.	Throughout 2018		MP or relevant ministry in new government structure	TL_EITI Secretariat and MP	
To share knowledge with other implementing countries on their National EITI establishment and its legal regime	To ensure that the Government system encompass EI and EITI for transparency purpose. Promote reforms through institutionalization of	Throughout 2018	N.A.	N.A.	TL_EITI Secretariat	Inconclusive

	policies and relevant laws.					
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**5<sup>TH</sup> OBJECTIVE: To enhance EITI institutional development include capacity building for MSWG and National Secretariat members**

**Rationale::** This objective is to continually emphasize capacity building programs in order to enable stakeholders’ fully participation within EITI, particularly for CSO constituents and TL-National Secretariat Staffs. With the high demands concerning new EITI Standard, it is required stakeholders are fully trained and prepared to implement the established requirements and create advocacies. Some activities subscribed in this objective may initiate under the new Government formation (see explanation provided within 2nd objective).

ACTIVITIES	EXPECTED OUTCOME	TIMEFRAME	ESTIMATED COST	SOURCE OF FUNDING	RESPONSIBLE PARTY	COMMENT/ STATUS
Capacity building programs for MSG and national secretariat. Sharing knowledge amongst stakeholders (in sessions) on EITI Standard, TL-EITI Reports and extractive industry (EI) governance.	Improve capacity among stakeholders and TL-EITI Secretariat staff members. Increased public engagement on EI and EITI data.	Apr – Jun (S1) Jul – Sep (S2) Oct – Dec (S3)	10,781.20	MP or relevant ministry in new government structure	All constituents	Inconclusive due to CSO’s commitment with the election process and new government structure.



To assist the good governance of National Secretariat and its personnel. Include salaries and oversea programs that may occur in 2018.	Improve capacity of National Secretariat staffs and strengthen the institutional development of EITI in the country.	Throughout 2018	\$ 91,244.71	MP or relevant ministry in new government structure	TL-EITI Secretariat	Contractservice for EITI staffmembers are maintained. No oversea activities held in 2018.
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**Impact and outcomes of Validation results**

Increased knowledge of MSWG constituents on the requirement objectives compare to previous year performances of EITI Standard. Increased level of disclosure of the latest TL-EITI reports, particularly with disaggregated information (4.7) and quality and assurance of data (4.9). MSWG continued to contribute towards EITI activities and would maintain active participation to improve the quality of EITI reports and MSWG governance of extractive information.

**Impact and outcomes of ensuring publication of EITI reports within deadline and engage discussion on revenue management and economic diversification**

Although Timor-Leste was not able to publish 2016 EITI report in the established deadline, MSWG were maintained the same level of disclosure with the latest EITI reports should be implemented in the future report. MSWG also acknowledge the importance of EITI report information for the community access, specially information that were not previously reported in early publications but are necessary in future reports. This include, for instance, increased details of mineral activity coverage in 2016 or 2017 EITI reports. MSWG has discussed in the preparation of draft ToR for Independent Administrator the inclusion of subcontractors based on the agreed materiality threshold and on the implementation of Beneficial ownership in 2020.

MSWG and National Secretariat have maintained the increased awareness of EITI's contribution to the economy and ensure that the information of EITI report are publicly disseminated. Although with limited time and cost, efforts are made by CSO members to organize a public debate event with the community and using EITI as a platform to conduct discussion on budget transparency and impacts of the national budgets towards economy.

**Impact and outcomes of understanding legal framework and promoting contract transparency**

Impact on EITI enabled contract disclosure, licenses and rationale for awarding licenses to entities. The comprehension levels on the discussed

Production Sharing Contracts (PSCs) among MSG stakeholders are maintained as previous years. With the new membership, CSOs have been increased their understanding of Requirements 2 and 3. The CSOs have also been actively providing inputs on legal references throughout their participation in EITI.

**Impact and outcomes of improved capacity building of MSG and secretariat members**

As previous years, stakeholders are able to fully understand the EITI requirements, e.g. Increased understanding on Beneficial Ownership. This includes CSO increased capacity in analysing information & make comparison with previous EITI reports.

The Civil Society members able to enhanced ability to comment intelligently on budget preparations and use it for advocacy. CSOs also experienced capacity learning by engaging with Government, extractive companies and other CSOs at regional level & outside their local network. This engagement can be seen from the increased understanding on revenue flows and financial systems.

Sharing knowledge activities were designed in previous year work plan, however due to the commitment of CSO members with the election and new government formation in 2018, these activities were not organized as planned.

#### **IV. Overview of the multi stakeholder group's responses to the recommendations from reconciliation and validation.**

A good progress has been made to meet most, if not all, of the recommendations from the reconciliation and validation. Please see Section I and II above.

#### **V. Specific strengths or weakness identified in the EITI process**

##### *Highly committed in the implementation of EITI principles.*

Between 2017 and 2018, Timor-Leste had been through changing of government. In May 2018, early election was held following the suspension of the previous government. In the midst of election process, all new propose activities were put on hold due to budget constraints. TL-EITI MSWG maintained its commitment on the implementation of the EITI Standard by ensuring maximum participation and ensuring that the released EITI reports would capture the objective of each requirement. MSWG members continued to promote an open communication and being transparent in every discussion amongst the stakeholders as well as with the community as a whole. This is evident in the progress as discussed in the previous sections.

##### *The EITI status with the new forming Government*

Following May election, the new VIII Constitutional Government of Timor-Leste was formed. The indicated Ministry for the Petroleum and Minerals (MPM), together with 8 other Ministries/State Secretaries, has not formally taken up the position. The Ministry of Presidency of Council of Ministers is temporarily in charge for these institutions, including the MPM, which manages the EITI activities in the country. This has slightly impacted on the timely response and approval of issues related to the EITI. Despite the challenge, the stakeholders continued to demonstrate their willingness to participate in the EITI related matters. In 2018, two main activities were conducted by MSWG, the preparation of ToR for Independent Administrator and the dissemination of TL-EITI reports. The referred ToR was initiated following the approval of the budget FY2018 in October 2018. The draft ToR was only finalized in December 2018, hence, new proposed EITI activities shall be shifted to 2019 and subject to the FY2019.

##### *Addressing the language barriers.*

One of the findings in the first validation was the lack of participation from the CSO representatives, mainly related to language barrier and difficulties in understanding the technical terms and the complexity of the extractive industry. The CSO has addressed this through reappointment of new representatives with ability to communicate in English and established a capacity building plan. In 2018, a new CSO constituent with good understanding in English was nominated. The MSWG and National Secretariat are continuingly seeking to boost up the level of confidence amongst members through its capacity building program.

### *Compliance with EITI Standard, improving responsiveness and decision making process*

Not all EITI Standard requirements can be easily applied to Timor-Leste. For instance, there have been concern for MSWG to implement Requirement 2.5 (Beneficial Ownership) in the established timeframe (January 2020). MSWG acknowledge the importance of this issue, however it also aware that this issue might require discussions beyond MSWG level and could also engage government entities in its decision making process. In regards to mainstreaming, MSWG perceived of not having full confidence to go beyond EITI report in short time following the encouragement from International Secretariat. For these reasons, MSWG has decided to hire an independent consultant to carry out further investigation towards these requirements aligning with the country's legislation/policies prior to its implementation in the future. It is expected that the research would assist MSWG to determine a definition of these requirements for Timor-Leste. Stakeholders would continue to discuss these items and consider them in next year's work plan.

The National Secretariat has continuously attempted to follow up the draft of EITI/transparency Law which is currently under review. Implementation of the Law and other associated legal material(s) would encourage active participation of reporting entities and possibly would assist in the decision making process in implementing requirements stated above.

TL-EITI MSWG have also attempted to address the delayed on the progress of document reviews and decision making process required for EITI activities, which directly resulted from frequent scheduling conflict faced by each constituent. The decision to enhance the capacity of National Secretariat by hiring additional staff has immensely assisted the workload faced by stakeholders. To increase capacity, the stakeholders and the National Secretariat will maintain sharing knowledge activities (*i.e.* workshop, trainings) in the upcoming work plan.

## **VI. Total cost of implementation**

TL-EITI Secretariat is fully funded by the government through the annual budget allocated to Ministry of Petroleum and Minerals, In 2018, a total amount of US\$ **72,224.00** was allocated to finance the EITI activities in that year. From this budget, around 78.15% are spent, which contribute to 19.50% for permanent staff salaries, 58.65% for good and services (include staff members salaries).

**VII. Membership of the MSG during the period of progress report** (including details of numbers of meetings held and attendance record)

No	Name	Institution	Total Meetings held	Attendance	Remarks
<b>Government Representatives</b>					
1	Filipe Nery Bernardo	PFAU- MoF	10	6	Core member
2	Agostinho G. Ramos	DNPMR-MoF	10	7	Core member
3	Dulce Natalia	ANPM	10	9	Alternate
4	Honesia Araujo	ANPM	10	6	Alternate
<b>Company Representatives</b>					
5	Angelina Branco	Eni	10	9	Core member
6	Antonio dos Santos	Woodside	10	4	Core member
7	Jose M.Lobato G.	ConocoPhillips	10	1	Core member
8	David de Araujo	ConocoPhillips	10	6	Alternate
<b>SOE Representatives</b>					
9	Henrique Monteiro	TIMOR GAP E.P	10		Member
10	Amandio -Ribeiro	TIMOR GAP E.P	10	1	Alternate
11	Francisco Alegria	TIMOR GAP E.P	10	4	Observer
<b>CSO Representatives</b>					
12	Sabino G. Fitun	Core Group Transparency (CGT)	10	5	Core member
13	Helio Dias da Silva	Habernan	10	6	Core member
14	Estefanus Coli	MDI	10	5	Alternate then core member

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**National Secretariat Staffs**

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No	Name	Institution	# of meeting held	Attendance	Remarks
1	Elda Guterres Da Silva	MPRM-TL-EITI	10	10	Coordinator/ Technical Specialist
2	Trifonio Sarmento	MPRM-TL-EITI	10	10	Outreach Officer
3	Octavio Jordao	MPRM-TL-EITI	10	10	National Adviser
4	Abelinado Rosario	MPRM-TL-EITI	10	9	IT Officer