



PNG EXTRACTIVE INDUSTRIES
TRANSPARENCY INITIATIVE
NATIONAL SECRETARIAT



Level 8, Treasury Building
PO Box 1907,
PORT MORESBY, NCD,
Papua New Guinea

Telephone: (+675) 3133578
(+675) 3133651
Website: www.pngeiti.org.pg

Minutes of First Quarter MSG Meeting (Meeting # 1/2018)
Friday 29th March, 2019
10:00am – 12:00pm
The Treasury Building, Level 5 Conference Room

In Attendance

Government

- Penawa Andrew – Department of Mineral Policy & Geohazards Management
- Michael Awi – Department of Petroleum & Energy (DPE)
- Ketty Masu – Internal Revenue Commission (IRC)
- Albert Kenny – Internal Revenue Commission (IRC)

Industry

- Stanley Yarka – ExxonMobil PNG Limited
- Sally Dawkins – Newcrest Mining Limited
- Sheryl Peter – PNG Chamber of Mines & Petroleum
- Cornelius Soagai – Oil Search Limited

Civil Society

- Wallis Yakam – CIMC
- Lawrence Stephens – TIPNG
- Paul Barker – INA
- Marjorie Andrew – INA
- Patrick Lombaia – PNG Mining Watch Group

Consultants, Development Partners And Donors

KPMG (Beneficial Ownership Roadmap Implementation Manager)

- Cayllan Boeha
- Shimar Saxena
- Shane Kennedy

JICA

- Ryosuke Watanabe – JICA PNG office
- Margaret George – JICA PNG office
- Fiona Silo – JICA PNG office

Ernst & Young (Independent Administrator)

- James Gore

Australian High Commission – PLGP (Pacific Leadership & Governance Precinct)

- Tim Grice – Sub-national payments project consultant
- Moses David – Australian High Commission
- Jonah Simet - Abt
- Vanessa Paraka – Abt
- Karla Wheeler – Abt
- Deborah Knight – Abt
- Justice Gua – Abt

World Bank

- Wilfred Lus – World Bank PNG Office

National Secretariat

- Lucas Alkan
- Christopher Tabel
- Vaieke Vani
- Francis Diakon
- Delka Rinny Kemba
- Liyasi Taligatus Numaralai

Apologies

- Donald Hehona – Department of Treasury
- Manu Momo – Department of Treasury
- Richard Kassman – Total E&P Limited

1. INTRODUCTION

The National Secretariat (Lucas Alkan) welcomed MSG Members to the 1st Quarter MSG Meeting for 2019. He informed that the Alternate Chair Mr. Manu Momo was not available to chair the meeting and requested stakeholder representatives who were present to nominate an acting chair to preside over the meeting. Ketty Masu from the Internal Revenue Commission (IRC) was nominated to chair the meeting and this was unanimously agreed. The Acting Chair opened the meeting by requesting all participants who were in attendance to introduce themselves.

2. REVIEW OF MATTERS ARISING FROM MSG MEETING # 04/2018

The Acting Chair (Ketty Masu) allowed some time for members to review the Fourth Quarter Meeting minutes before being accepted. There were no comments on the minutes of previous meeting and it was accepted as a true record of that meeting.

3. PROJECT UPDATES

3.1 Publication of FY2017 PNGEITI Report & Preparation of FY2018 Report

The Acting Chair (Ketty Masu) asked the National Secretariat to provide an update on this sub-item. National Secretariat (Lucas Alkan) informed that the 2017 PNGEITI Report has already been published along with its Executive Summary and copies were already distributed to members for their information. Mr. Alkan added that the Report was also available on the

PNGEITI Website. If members wanted hard copies, the National Secretariat could arrange delivery later. Further, he advised that there would not be a launch event for this report.

With regards to the FY2018 Report preparation, Mr. Alkan indicated that the ToR was being drafted by the National Secretariat and should be ready to call for expression of interest for bidders soon. He said some revisions to the draft ToR were required to include the corrective actions in the report as agreed following the post-validation workshop held on 22 March, 2019. The draft ToR would be circulated to the MSG members for further feedback before being used.

National Secretariat (Francis Diakon) pointed out that a timeline was attached to the ToR in the agenda items that indicated that the project was going to commence in April. Mr Diakon added that the report should be published in late November or early December this year. He urged MSG Members to provide their comments, if any.

National Secretariat (Lucas Alkan) brought to MSG's attention that the response rate from MSG members and reporting entities dropped significantly from last year's report and this was a concern for future report preparations. He stressed the importance of reporting entities submitting completed forms early to allow sufficient time for the Independent Administrator to cross check and verify the data and information provided on a timely manner. It was also noted that data quality was still an issue that the MSG should find ways to address.

Resolution:

MSG members took note of the update including the issues and challenges as presented.

3.2 Beneficial Ownership (BO) Roadmap Implementation

The Acting Chair (Ketty Masu) requested KPMG, as the Roadmap Implementation Manager to provide an update on this sub-item. KPMG (Cayllan Boeha), as the BO Roadmap Implementation Manager provided an update on the project as follows:

- (i) **Raising public awareness.** KPMG (Cayllan Boeha) informed that they had conducted a total of three regional awareness roadshows in Kavieng (NGI region), Alotau (Southern region) and Madang (Momase region) and they were currently planning to collaborate with the PNGEITI National Secretariat to run the final roadshow in Jiwaka Province for the Highlands region. He indicated that this would occur in late April or early May.
- (ii) **Disclosure of Beneficial Ownership details.** KPMG (Cayllan Boeha) presented the draft BO Disclosure Form to MSG members for their information and endorsement. The form was developed following initial consultations with the MSG, EITI International Secretariat, the Investment Promotion Authority and BPNG and it would be used to collect beneficial ownership details. He pointed out that many of the questions in the form were the same as what were in the Companies Registration Form that IPA administered. He added that KPMG and the PNGEITI National Secretariat have been consulting with the IPA and had developed the hybrid form that incorporated what were contained in the template issued by the EITI International Secretariat and the company registration form used by the IPA. The hybrid form would be used for BO reporting purpose.

Mr Boeha clarified that a lot of the information in the draft hybrid form remained the same except for a few notable changes such as "ownership section". This section would require a company to disclose or describe how ownership occurs in a particular extractive company. Another change was on the section requiring "supplementary details for beneficial ownership". He pointed out that the hybrid form was with the IPA for further review. He informed that legislations were currently being reviewed which were deemed necessary to disclose BO details and

that was a long-term action that needed to be taken. However, in the short-term, KPMG would be undertaking a pilot BO disclosure exercise with current reporting entities in which BO details would form part of the FY2018 PNGEITI Report.

The Acting Chair (Ketty Masu) thanked KPMG for the update and asked members if there were any comments on the BO project update. Oil Search (Cornelius Soagai) queried on the legality of the form that was drafted as this may be deemed illegal to demand for company data. KPMG (Cayllan Boera) advised that this would be addressed through amendments to the IPA Act.

National Secretariat (Chris Tabel) queried KPMG if there was enough time for amendments to be made to the IPA Act to enable BO reporting by 2020 timeframe. KPMG (Shimar Saxena) replied that KPMG would have to undertake a pilot disclosure mapping exercise whilst awaiting legislative amendments to be made because the legislative amendments process would take time.

Institute of National Affairs (Marjorie Andrew) queried on the relevance of the IPA's Associations Act and the BO project. KPMG (Shimar Saxena) replied that this was because some landowner groups were registered as associations initially and then converted into companies. He said the aim of integrating these forms was to ensure it was applicable to all entities in different sectors of the economy (manufacturing, service, wholesale/retail trade, fishing, forestry, agriculture, etc) and not just confined to the extractive sector (mining, oil and gas). Therefore, the form (hybrid form) that has been produced should be applicable across all industries or sectors. KPMG (Shimar Saxena) further added that these points were discussed during their consultations with the IPA.

Institute of National Affairs (Paul Barker) asked KPMG on the deadline for BO reporting as set by EITI International Secretariat, stating that all implementing countries were required to report on Beneficial Ownership in 2020. National Secretariat (Lucas Alkan) said that amending the law or an Act is a lengthy process and would take time. However, this does not stop PNG from reporting on BO details through the proposed piloting exercise until such time the laws were amended.

The Acting Chair (Ketty Masu) also queried on the planned piloting exercise. She asked whether companies would be willing to disclose if it is a voluntary exercise. KPMG (Shimar Saxena) admitted that it was illegal to collect BO information and this would have to be done voluntarily until the IPA Act was amended to use the BO Disclosure Form.

Resolution:

MSG members took note of the update as presented including the issues as discussed.

3.3 Sub-National Payments and Transfers Scoping Study

The Acting Chair (Ketty Masu) requested Dr. Tim Grice (PLGP Consultant) to provide an update on sub-item 3.3. Dr. Grice provided updates on the three (3) areas as follows:

- (i) Endorsement of Sub –National Payments and Transfers Scoping Study Report.

Dr. Grice indicated that the feedback received from some members of the MSG and the ANU representatives on the draft final report circulated earlier were very positive. He suggested to the Acting Chair, if the MSG could endorse the report to be circulated after the meeting. The Acting Chair noted that the MSG needed some time to have a final look before endorsing the report and therefore allowed a week for them to review and revert back to the National Secretariat. It was agreed that all feedbacks must be received by Dr. Grice and the National Secretariat by Friday

13th April, 2019. It was further agreed that if there was no response after that date, the report would be deemed final and will be used officially.

- (ii) **Proposal for report launch.** Dr. Grice informed the MSG of the earlier proposal to launch the report by the Chair (Hon. Charles Abel) on the 1st of May, 2019. He indicated that the launch would then be followed by a two (2) days workshop for provincial administrators and treasurers in the extractive impacted provinces. He stated that the workshop would raise public awareness of the EITI itself and also, secure support for establishment of provincial EITI Desks and the roll out of pilot reporting.
- (iii) **Proposed piloting of sub-national payments reporting.** Dr. Grice outlined report recommendations and pointed out that one of the recommendations was to pilot reporting of sub-national payments and transfers. This piloting exercise would be done with existing EITI reporting companies and in 3 extractive impacted provinces. He further explained that the Concept Note that was also presented to the MSG had proposed for the piloting exercise to commence this year. He then presented the report and clarified that the report provides the background and an analysis on implementing the EITI Subnational Reporting. It also provided the scope and materiality of reporting at the subnational levels and possible options for reporting and how to roll this out to these extractive impacted provinces.

Oil Search (Cornelius Soagai) was concerned about the sensitivity on subnational payments reporting. He suggested for the National Secretariat to do a media notice or a press release on this reporting so the authorities at the subnational levels are aware of what was forthcoming. The Institute of National Affairs (Paul Barker) and World Bank (Dr. Wilfred Lus) reiterated the need for subnational scoping study mechanisms and more engagement with current reporting provinces.

ExxonMobil PNG (Stanley Yarka) also raised the capacity problem for reporting entities. Dr Grice explained that this was what the report addressed by putting in place a governance frame aimed at bringing in management changes at an institutional level. He further stressed that communication and engagement would be consistent.

Newcrest Mining Limited (Sally Dawkins) emphasised who and what should be reported and mentioned that the report provided recommendations on capacity building but required enthusiastic volunteering by concerned parties. She however raised the concern at the difficulty or challenges that may be encountered in attempting to collect data on revenue and expenditures, and including in-kind revenues.

Resolution:

MSG members noted the Sub-national Payments and Transfers Scoping Study Report as presented and approved it in-principle. They undertook to take a week to review the report and to endorse it by Friday 12th April, 2019. They further agreed that if no responses were received by the National Secretariat or by Dr Tim Grice by 12th April, the report would be deemed as endorsed by the MSG.

3.4 JICA Technical Cooperation Project on resources related revenue management

The National Secretariat (Christopher Tabel) assisted JICA PNG (Ryosuke Watanabe) and jointly presented the Baseline Survey Report that was completed and released by JICA during the Joint Coordinating Committee (JCC) meeting on the 5th of March, 2019. JICA PNG (Ryosuke Watanabe) stressed the importance of the baseline survey and how it can assist

PNG to become compliant with the EITI Global Standard. They then presented the Project Design Matrix.

Newcrest Mining Limited (Sally Dawkins) noted that the Report strongly focused on the petroleum sector. She said it briefly mentioned the role of the Mineral Resources Authority (MRA) however, it did not have the Department of Mineral Policy & Geohazards Management listed anywhere in the report. She then suggested that they (JICA) need to be very clear as to how the project is described, whether it is reporting on petroleum or on mining. JICA PNG (Ryosuke Watanabe) clarified that JICA focused more on strengthening the capacity problem at the Department of Petroleum because its staff lacked reporting skills, database inputting and so forth. He further explained that there was a huge gap in performance levels between the Mineral Resources Authority (MRA) and Department of Petroleum (DOP) and he explained that they would amend the report so it clearly reflected that.

JICA PNG (Margaret George) queried on whether power generation by ExxonMobil PNG can be considered as a revenue stream for their reporting purpose. National Secretariat (Lucas Alkan) responded that he would raise this query with EITI International Secretariat on how other countries treated this kind of benefit in their EITI reporting process.

Institute of National Affairs (Paul Barker) commented that much of the gas and petroleum products were exported. However, he said here are a few domestic markets that these products are consumed and this is very low compared to when it commenced operation in 1992.

The Acting Chair enquired with members if they wished to approve the baseline survey report at the meeting or request for an extension to review first before approving. There being no further comments, members agreed to endorse the report in principle.

Resolution:

MSG members took note of the report as presented and endorsed it in principle.

3.4 Update on World Bank Assistance

This sub- item was not included in the meeting agenda, however since World Bank (Dr. Wilfred Lus) was present, the Acting Chair asked if he could provide an update on the outstanding Bank support to PNGEITI implementation. World Bank (Dr Wilfred Lus) informed that the Bank had secured some funds from the Extractive Governance Program Support (EGPS) facility to support PNGEITI National Secretariat commencing April 2019. He added that he has had ongoing discussions with the PNGEITI National Secretariat on some grants to support outreach activities and this would be directly executed by the Bank.

Resolution:

MSG members took note of the update as presented and no action was required.

3.5 PNGEITI National Policy Framework & Legislation

The Acting Chair (Ketty Masu) requested the National Secretariat to provide an update on this sub-item. Mr Vaieke Vani gave an update on the status of this project. He informed that consultations with the project consultants (Adam Smith International) were completed late last year that culminated in the production of a PNGEITI National Policy document. He further stated that NEC Submission on this Policy was compiled by the National Secretariat, endorsed by MSG (after consultations) and subsequently signed off by the Treasurer and submitted to the National Executive Council (NEC) for consideration and endorsement.

Resolution:

MSG members took note of the update as presented and no action was required.

4. VALIDATION OUTCOME – PROPOSED OPTIONS FOR CORRECTIVE ACTIONS

The Acting Chair (Ketty Masu) requested the National Secretariat to provide an update on this agenda item. The National Secretariat (Lucas Alkan) said the Post-Validation Self-Assessment Workshop was held on 22nd March, 2019. He informed that the workshop was successful with good turnout from MSG members and other stakeholders. He commented on the outstanding feedback from members on the approach to taking corrective actions within the given time period before the second validation. He said the 18 corrective actions as recommended through the validation process consisted of both short-term and longer term actions. The corrective actions that were recommended were for the Independent Administrator (IA) to address term in the next report.

The longer term reforms related actions such as amendments to existing laws and legislations could be actioned over successive years going forward. He said it was important for the MSG to take immediate actions as recommend to avoid PNG being suspended as a EITI member as what had happened to other EITI implementing countries.

Resolution:

MSG members took note of the need to take immediate actions to address the validation recommendations and agreed to work closely with the Independent Administrator for the FY2018 Report to ensure these are acted on in the Report.

5. NATIONAL SECRETARIAT MATTERS

5.1 2018 Fourth Quarter Financial Statement & 2019 Budget Allocation

National Secretariat (Delka Rinny) presented the Financial Statement for the 4th Quarter of 2018 and the 2019 budget allocation from the Department of Treasury. On the 2018 financial report, she stated that the National Secretariat's biggest expense in the 4th quarter of 2018 was on consultants' service fees.

On the 2019 budget allocation, she indicated that the National Secretariat had already received its first instalment payment of K675,000.00 and was yet to receive the remaining balance. The total allocation for the National Secretariat from the 2019 National Budget was K2.7 million.

Resolution:

MSG members took note of the update as presented and no action was required.

5.2 Appointment of Deputy Prime Minister and Treasurer to the EITI Board

National Secretariat (Lucas Alkan) informed that the Deputy Prime Minister, Minister for Treasury and Chairman of the PNGEITI MSG, Hon. Charles Abel was appointed to the EITI International Board for the period 2019-2022 through the regional board members nomination and voting process. He added that the Deputy Secretary for the Department of Finance of the Philippines came second in the voting process and would therefore assume the Alternate Board Member role. He further informed that the appointment of PNG to the Board of this global initiative was good for PNG and the Treasurer would represent the interests of all EITI implementing countries in the East Asia and Pacific Region. The incoming board members would be officially announced at the forthcoming EITI Global Conference in Paris in June.

Newcrest Mining Limited (Sally Dawkins) commented that it was a fantastic achievement and a real endorsement of EITI International's confidence in PNG. She further stated that the appointment of PNG to a board level of an international body raised PNG's profile at the global arena. She however stressed that this also resulted in additional workload for the Treasurer who had other responsibilities as the Deputy Prime Minister. She noted that there were a number of meetings held each year that required his attendance and this demanded better

coordination with his alternate in the region to represent PNG effectively on this board. Further, the PNGEITI National Secretariat and the MSG would have to work closely and support the Treasurer so he represents PNG well.

Institute of National Affairs (Paul Barker) shared the same view and expressed that it would also raise PNG's obligations and profile at the global arena which was good for the country.

Resolution:

MSG members took note of the update as presented and no action was required.

5.3 Preparation for EITI International Global Conference in Paris, France

The Acting Chair (Ketty Masu) requested the National Secretariat to talk on sub-item 5.3. Mr Vaieke Vani gave an update on the preparation for PNG's attendance at the above conference. He informed that the International Secretariat was sponsoring 4 delegates per country and had therefore requested for nominations comprising 2 representatives each from the MSG constituency groups. He indicated that the National Secretariat would sponsor 4 delegates comprising 2 each from the respective MSG constituency group. He said the registration process had commenced for registering delegates on the EITI International website.

Newcrest Mining Limited (Sally Dawkins) suggested that there be equal representation from organizations, especially for civil society. In regards to setting up of a booth, Mr Vani informed that approval would be sought from the MSG during the meeting to endorse the National Secretariat to seek possible support (funding and in-kind) from industry partners for the conference, particularly for the booth set up and promotional merchandise. Oil Search (Cornelius Soagai) expressed that it was appropriate for the National Secretariat to seek for such support. National Secretariat (Lucas Alkan) felt that expenditure areas could be shared among industry members. For example, one industry member could take care of the booth set up, another could assist with travel expenses, and another partner could assist with accommodation expenses and so forth.

Resolution:

The MSG members agreed and endorsed the National Secretariat's proposal to seek financial and in-kind support from industry companies for PNG's attendance at the 2019 Global Conference in Paris, France.

With no other businesses for discussion, the Acting Chair (Ketty Masu) thanked MSG members for attending and closed the meeting at 12:15pm. It was informed that the details of next MSG meeting would be advised by the National Secretariat later.



.....
KETTY MASU (MRS)

Acting Chair & Director Resources Policy & Advice
Internal Revenue Commission