



PNG EXTRACTIVE INDUSTRIES
TRANSPARENCY INITIATIVE
NATIONAL SECRETARIAT



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MINUTES OF FOURTH QUARTER MSG MEETING (MEETING #4/2019)

FRIDAY 20TH DECEMBER, 2019

10:00 AM – 1:00 PM

LAMANA CONFERENCE ROOM

IN-ATTENDANCE

GOVERNMENT

- Channan Kumalau – Department of Petroleum and Energy (DPE)
- Gregory Balavue – Department of Petroleum and Energy (DPE)
- Vicky Coleman – Department of Petroleum and Energy (DPE)
- Samuel Tobung – Department of Petroleum and Energy (DPE)
- Eileen Saiyomina – Department of National Planning and Monitoring (DNPM)
- Freda Duma - Department of National Planning and Monitoring (DNPM)
- Bridgitte Turalir – Department of Treasury (DoT)
- Albert Kenny – Internal Revenue Commission (IRC)

INDUSTRY

- Robert Aisi – ExxonMobil PNG (EMPNG)
- Leah Warupi-Morlin – PNG Chamber of Mines & Petroleum

CIVIL SOCIETY ORGANISATIONS

- Elizabeth Avaisa - Consultative Implementation & Monitoring Council (CIMC)
- Hercules Jim - Consultative Implementation & Monitoring Council (CIMC)
- Marjorie Andrew – Institute of National Affairs (INA) & PNGRGC
- Yuambari Haihuie – Transparency International PNG (TIPNG)
- Alois Sinen - Transparency International PNG (TIPNG)
- Melvia Lyandenge - Transparency International PNG (TIPNG)
- Rhonda Tevlone - Transparency International PNG (TIPNG)

OBSERVERS/CONSULTANTS/DEVELOPMENT PARTNERS

- Fiona Silo – JICA
- Ryosuke Watanabe – JICA
- Leonard Catalon – Ernst and Young (EY)

NATIONAL SECRETARIAT

- Lucas Alkan
- Christopher Tabel
- Vaieke Vani
- Francis Diakon
- Swartz Buf
- Oliver Maingu
- Sonia Kenu Becks
- Delka Kemba Rinny
- Steven Tai

APOLOGIES

- Manu Momo – Department of Treasury
- Donald Hehona – Department of Treasury

1. WELCOME & INTRODUCTION

National Secretariat (Lucas Alkan) welcomed MSG Members to the Fourth Quarter MSG Meeting for 2019. He informed that Mr Arnold Lakamanga from the Mineral Resources Authority (MRA) who always steps in to chair the meetings was already on leave. Mr. Alkan called on Mr. Channan Kumalau from the Department of Petroleum and Energy to chair the meeting.

2. REVIEW OF MATTERS ARISING FROM MEETING #03/2019

The Acting Chair (Channan Kumalau) allowed some time for members to review the Third Quarter MSG Meeting Minutes before being accepted.

There were a few minor comments and corrections made on the minutes;

2.1 Comment: Department of Petroleum going forward should be written as Department of Petroleum and Energy as with the recent changes. The acronym would be DPE and no longer DoP.

2.2 Correction: PNG Mine Watch should be written as PNG Mining Watch Group.

After the two corrections were raised, the Acting Chair (Channan Kumalau) asked for the minutes be accepted as a true record of that meeting.

TIPNG (Yuambari Haihuie) moved the motion to accept the minutes of the third quarter meeting whilst National Secretariat (Swartz Buf) seconded the motion. The minutes were accepted as official records of that meeting.

3. ENDORSEMENT OF 2018 PNGEITI REPORT

Ernst & Young (Leonard Catalon) presented the draft of 2018 PNGEITI Report.

3.1 Report Overview - key findings and observations;

- first draft – TWG did a comprehensive review in mid-November;
- second draft – TWG did a substantive review in the second week of October
- report as is presented is 80 -90% complete with a response rate of 98% which was significantly better than for the previous report and
- comments received in response to the figures and the narrative were overwhelming.

3.2 Observations from report compilation;

- IRC and Department of Treasury revenue data was different from national budget figures;
- IRC was still to clarify at the time this was presented;
- Department of Treasury provided clarification and would be incorporated;
- Infrastructure Tax Credit (ITC) reporting was incomplete and needed full expenditure figures.
- AGO should be engaged in testing the receipts of government agencies prior to completion of the EITI reports.

3.3 Summary of revenue variances discussed;

- some of the variances were explained during the last TWG meeting;
- important to have data portal especially MRDC - for LOs to see or access information; the same for DPE - which is a working progress.
- MRDC presented a few errors, which resulted in some of the variances because they provided figures in USD rather than PGK. But generally, there was an increased transparency from MRDC.
- CEPA needs to improve on its reporting processes, e.g. some information missing on the December receipts but were showing on the bank statements.
- more cooperation is needed from a few more departments - DNPM and other departments to disclose more information;
- scoping study to be conducted on the role of SOEs ownership and activities;
- beneficial ownership updates to be included in the report.

3.4 There were a few templates still outstanding for signing;

- IRC was still to submit at the time this was presented;
- PNG Customs did not provide their reporting template; however, it was reporting below the materiality threshold of 2%, so it wasn't a case of urgency.
- Otherwise, at least all reporting entities submitted signed reporting templates on time.

3.5 Production data and production value;

- DPE provided the production data which significantly reconciles with oil and gas production data;
- MRA also reported on the same, however, did not report on the production value since they did not receive information on the production value- they only received information on the ship value, ship quantity, and the production quantity but not the production value. Due to that the production value will be estimated in the report.
- comprehensiveness has long been discussed – especially on the comprehensiveness of data; while private companies have their audited financial statements ready, our concern is with government departments and agencies that are yet to be audited as of 2018.
- going forward – National Secretariat and AGO are planning to try other alternatives to improve comprehensiveness and reliance on the data provided– AGO to test the receipts received from the government departments and agencies. A timeline would be provided prior to the validation.
- direct subnational payments – the reporting template is more detailed but is still a 'unilateral disclosure'.

3.6 Mandatory and social expenditure – reporting is similar to subnational payments, disclosure would be more specific to beneficiaries, type of payments, name of recipient or the sector receiving payment, etc.

3.7 Quasi-fiscal expenditure – information is updated based on the data received.

3.8 Some of the findings and recommendations from the 2017 report are still applicable in the 2018 report;

- Address the findings of the validation report – has been discussed.
- Increase data availability through PNG government web portals for license allocation and production data – working progress;
- Improve comprehensiveness of revenue data—coordinated/reconciliation of subnational payments and transfers to be done for the 2019 FY report, we will need to confirm whether the recipients of subnational payments actually receive the funds and transfers from the reporting entities.
- Improve data quality - a recurring discussion whereby we say EITI reporting should form part of your annual financial reports or statements and processes.

3.9 Important notes for consideration

- completed all four stages of the reporting timeline.
- materiality threshold of 2% or more total revenue received by the government.
- companies reporting below the materiality threshold to name a few Simberi, Hidden Valley, Ramu Nico.

EY (Leonard Catalon) reminded all to submit templates with final figures/information. Compiling the report is not an easy process. However, generally, there was better engagement this year (2019) compared to last year (2018).

Questions raised;

- PNG Mining Watch Group (Late Patrick Lombaia) questioned the role of the PNG Global Company and if there could be some information about them shared in the report for transparency purpose.

Acting chair (Channan Kumalau) noted the question for the National Secretariat and Joint Venture partners to consider.

- TIPNG (Yuambari Haihuie) asked why a scoping study is needed to be carried out on SOEs.

National Secretariat (Lucas Alkan) responded that the scoping study needed to be conducted as per validation correction action area. He also pointed out that the on-going collaboration between DPE and MRA for data disclosure was also required because it was one of the validation correction areas.

INA and PNGRGC (Majorie Andrew) acknowledged the team for the effort in ensuring information on Social Expenditures, Beneficial Ownership and Subnational payments are well captured in this round of reporting. However, she pointed out that Appendix A needed updating as many have moved on, some have changed positions etc. She said to email the updated list (names) to EY.

National Secretariat (Christopher Tabel) also pointed out the need to omit logos of Eco Forestry Forum and Business Against Corruption Alliance (BACA) from the MSG members' logo page (in the report).

National Secretariat (Lucas Alkan) commented on the report saying that the 6th Report was more comprehensive and had a very good response rate of at least 98%. He thanked the reporting entities that committed extra time and resources in providing the data and being available to assist the Independent Administrator in preparing the report, especially KPHL and MRDC. He also acknowledged the Department of Finance for its collaboration in the ongoing work to disclose Trust Account information.

He highlighted some areas that were also worked on, some turned out well, while others would require more effort going forward;

- more detailed information on subnational payments to be provided;
- collaboration between JICA, DPE and MRA on licence information, production and export data was progressing well;
- MSG and the National Secretariat needed to re-engage with CEPA;
- DNPM to work closely with Works Department in year 2020 as some ITC information are kept by Works Department;
- *data quality and comprehensiveness* to be a priority area for AGO;
- PNG Customs need to collaborate more with MSG, though they're not significantly reporting;
- work in progress for 'data portal' for reporting - initial discussion was held with World Bank and Digicel PNG for the development of the portal.

Acting Chair (Channan Kumalau) acknowledged EY's effort in compiling and giving the presentation on the status of the report. And he asked that the MSG members accept and endorse the PNGEITI 2018 Report.

The MSG members accepted the 2018 PNGEITI FY Report as presented in principle and endorsed it for publication before 31 December, 2019.

4. UPDATE ON PNGEITI COMMISSION BILL

National Secretariat (Lucas Alkan) informed that the proposed presentation of the EITI Commission Bill did not eventuate in FY 2019 due to political disturbances and changes in key government portfolios. The National Secretariat will progress this in FY 2020.

5. NATIONAL SECRETARIAT MATTERS

The National Secretariat (Lucas Alkan) provided the following updates:

5.1 Financial statement for 3rd Quarter and 2020 Budget allocation to PNGEITI

- 3rd Quarter financial statement was attached for MSG's information;
- The MSG was informed that the full 2019 budget allocation to PNGEITI had been received;
- MSG was informed that the 2020 budget request was for K2.7 million but it was allocated a K3.0 million by the Department of Treasury.
- The draft Annual workplan for 2020 has been compiled by the National Secretariat (Christopher Tabel) and it was informed that it would be circulated to the MSG for approval.
- The MSG was also informed that the PNGEITI National Secretariat was working with the Departments of Finance and Treasury to transition into the IFMS system.

5.3 Suggestions for inclusion in the workplan:

- PNG Mining Watch Group (Late Patrick Lombaia) requested if funding for capacity development for MSG members, especially the civil society group, can be catered for.
- INA & PNGRGC (Majorie Andrew) suggested that the workplan should reflect a closer collaboration with PNGRGC, especially in the EITI implementation and funding for roll out of outreach activities;
- TIPNG (Yuambari Haihuie) also added that plans for Open Government Partnership be also included in the workplan.

The comments were noted and the National Secretariat (Lucas Alkan) indicated that the above issues would be considered in the Work Plan. He further stated that the CSO could

assist through the National Secretariat but there must be a formally registered umbrella CSO body that the EITI Secretariat could work with. Currently the PNGRGC was representing the interest of all CSOs but capacity was a challenge. Whilst he recognised the importance of effective civil society participation in the EITI implementation process, direct funding assistance to CSO activities from the National Secretariat could compromise its position and would work against the EITI principle. The EITI should be neutral and operate independently to serve the interests of all three constituent stakeholder groups and should not be seen to favour one particular stakeholder grouping.

He further informed that the National Secretariat had instead sought other external support to assist the PNGRGC to strengthen its capacity and effectively represent the CSOs and support EITI implementation in PNG. In this particular case, he informed that the PNGEITI National Secretariat and the World Bank had been working closely for the Bank to provide funding and technical assistance to the PNGRGC to build its capacity and operationalise its activities going forward.

6. ANY OTHER BUSINESS

6.1 Attendance at major conferences and events for greater awareness;

- CPA conferences – Momase region CPA conference/August 2019, CPA Australia and CPAPNG joint conference/November 2019;
- PNG Mining and Petroleum Conference and Exhibition/December 2019 - 3 days of exhibition booth, and a panel discussion on the final day;
- National Secretariat (Oliver Maingu) said there were positive feedback from the participants throughout the conferences. That gave the satisfaction to the PNGEITI National Secretariat to continue creating awareness through such national conferences/events.
- National Secretariat (Christopher Tabel) extended a word of Thank You to the PNG Chamber of Mining and Petroleum for the invitation for the PNGEITI National Secretariat to participate. The PNGEITI National Secretariat and the MSG looked forward to the 2020 Mining and Petroleum Conference in Sydney, Australia.

6.2 Board nomination to the EITI International Secretariat;

- It was informed that the outcome from PNG's nomination to the EITI Board was still pending response from EITI International.

With no other business for discussion, the Acting Chair (Channan Kumalau) thanked MSG Members for their attendance and closed the meeting at 1.00pm.

He announced that the National Secretariat would inform of the details for the First Quarter 2020 MSG Meeting at a later date.



CHANNAN KUMALAU (MR)

Acting Chair

Director – Special Projects & Head of DPE-PNGEITI Unit

Department of Petroleum and Energy (DPE)