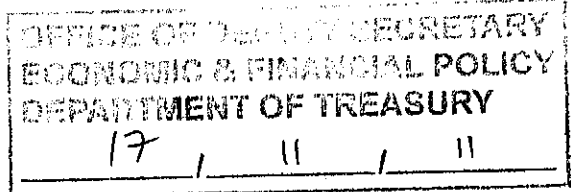


TREASURER 25/11/11



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11<sup>th</sup> November 2011

Action officer: D. Hehona

To: Secretary

Through: Deputy Secretary

From: A/FAS, SPID

*Signed 25/11/11*  
*Endorsed & noted 20/11*

**SUBJECT: UPDATE ON IMPLEMENTATION OF NEC DECISION No. 47/2011 - STATE WORKING GROUP (SWG) FOR THE EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (EITI) PROGRESS REPORT**

Please find attached a self-explanatory brief and NEC information paper to the Minister on the above subject.

**DONALD HEHONA**  
Acting First Assistant Secretary



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## **BRIEF FOR TREASURER:**

To: Hon. Don Polye, MP

Date: 16 November 2011

**SUBJECT: UPDATE ON IMPLEMENTATION OF NEC DECISION No. 47/2011 - STATE WORKING GROUP (SWG) FOR THE EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (EITI) PROGRESS REPORT**

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### **PURPOSE:**

1. The purpose of this information paper is to:
  - i. update the National Executive Council ("NEC") on the above subject; and
  - ii. note the next steps for the SWG in implementing the NEC Decision No. 47/2011.

### **BACKGROUND**

2. EITI is a global initiative that ensures improved transparency and accountability for payments and revenues in countries rich in oil, gas, and mineral resources. EITI programs help governments and other stakeholders – companies, civil society groups, investors, media, and so forth – to systematically report on, review, and assess what is being paid by companies to (and received by) government agencies. This transparency is a fundamental cornerstone for good sector management and broader good governance.
3. Recognizing PNG's interest in exploring EITI, NEC meeting No. 2/2011 of 28 March 2011 made the following decisions:

and Local Government Affairs, Department of Petroleum and Energy, Department of National Planning and Monitoring, Department of Mineral Policy and Geohazards Management, Internal Revenue Commission, and Mineral Resource Authority to work on the EITI concept;

- ii. approved the Department of Treasury to be the Lead Agency for the State Working Group;
- iii. approved the appointment of EITI focal points in each EITI SWG Departments/Agencies at no less than First Assistant Secretary (FAS) Level;
- iv. approved that the SWG further investigate the implementation of Extractive Industries Transparency Initiative (EITI) concept in Papua New Guinea;
- v. approved the engagement of the SWG to negotiate with the World Bank (WB) for the provision of Technical Assistance (TA) to develop a detailed implementation plan for the EITI concept;
- vi. directed that the EITI implementation plan be submitted to NEC for approval before its implementation in the country; and
- vii. directed that all sovereign issues of the Government of the day shall be respected by all working groups established to carry out such work.

4. Following is the progress report on implementation of these above NEC approvals and directions and the next steps for progression.

#### **FACTS AND CONSIDERATIONS**

5. The State Working Group has been formed and has met twice. The Department of Treasury is the lead agency and has been performing the role of Secretariat to the SWG. The Secretariat has formulated a Terms of Reference (ToR) for the SWG to work on. Attached.

6. The Secretariat has sent out letters to the SWG various Departments and Agencies asking for nominations of the focal points to the SWG. Nominees have attended the two meetings.
7. The SWG has written to the WB requesting TA. The WB has agreed to provide assistance and has designated a specific EITI expert to work with the SWG. The expert has twice met with the Secretariat and has attended the second SWG meeting where he briefed the SWG on the EITI concept.
8. The TA also assisted to send a member of the SWG to attend an EITI workshop in Jakarta from the 24 to the 27 October 2011. The workshop helped participants learn about the EITI concept, its advantages to stakeholders, its sign up requirements for countries, its principle stages of implementation (implementation program), its reporting processes and requirements, its validation process, and its stakeholder engagement processes. Current EITI implementing countries also shared their experiences to the participants.
9. The workshop also helped participants learn about how to execute the EITI process. The three main processes include: planning (regulatory framework, time bound and costed work plan), implementation (determination of scope, distribution and collection of templates, reconciliation, reporting, etc...) and financing (secure government support, consider possibility of WB multi donor trust fund support).

#### **WAY FORWARD**

10. EITI is a new concept to Papua New Guinea and not many people fully understand its nature and the processes involved. Therefore the SWG proposes to develop greater stakeholder and general public awareness next year.
11. The awareness will include four regional workshops for stakeholders (including the general public). These workshops will be run by the SWG and be held in Port Moresby, Lae, Kokopo and Goroka. The purpose of these workshops is to make the general public aware of the EITI concept as well as gauge their views on implementing the concept in the country.
12. A high level workshop is also proposed by the SWG to be held in Port Moresby. This workshop will include senior bureaucrats and key

Government ministers. Its purpose is to get the participants talking about EITI and ensure their support for the implementation of EITI in PNG. This workshop is also important for the SWG as it should help the identification of a political champion and a national coordinator for the National EITI Secretariat once established.

13. The WB TA will provide assistance in some of the workshops, especially the high level workshop and maybe one of the four regional workshops. The proposal is that the TA will bring in two National Coordinators from Mongolia and Timor Leste to share their experiences during the workshops. A representative from the International EITI Secretariat may also be brought in to share his/her knowledge and experiences of working with the Secretariat in implementing the EITI concept.
14. It is also proposed that the WB TA will arrange to bring in the Secretary of State for Natural Resources from Timor Leste to talk about implementation of the EITI in Timor Leste.
15. After all stakeholder consultations and the high level workshop, the SWG, supported by TA assistance, will develop a detailed implementation EITI plan and submit it to the NEC for its consideration and endorsement. The SWG aims to achieve this by the end of the first half of 2012.
16. Apart from requesting endorsement of the detailed implementation plan, it is proposed that the submission will request the NEC to endorse a political champion and a national coordinator for EITI. The political champion will then be required to make a public statement on behalf of the Government that PNG will implement the EITI concept.
17. After this statement by the political champion the SWG will establish the national EITI Secretariat and the multi-stakeholder group (MSG) to assist the national secretariat implement the EITI in the country. The MSG comprises representatives from the Government, Civil Society, and the Industry. Its task is to ensure sound and timely implementation of the EITI process in the country and to stimulate greater public debate about how time-limited resource revenues are spent.

## **RECOMMENDATIONS**

18. It is recommended that the NEC note the:

- i. contents of this information paper; and
- ii. proposed way forward in implementing NEC Decision No. 47/2011 by the SWG.

A handwritten signature in black ink, appearing to read 'Simon Tosali', written in a cursive style.

**SIMON TOSALI**  
Secretary for Treasury