



Independent State of Papua New Guinea

Confidential
Minister for Treasury
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INFORMATION PAPER No. 01 /2011
FOR MEMBERS OF THE NATIONAL EXECUTIVE COUNCIL

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

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:
 - i. approved the establishment of a State Working Group (SWG) comprising of the Department of Treasury, Department of Provincial and Local Government Affairs, Department of National Planning and Monitoring,

Department of Petroleum and Energy, 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 the above NEC approvals and directions and the next steps for progression.

FACTS AND CONSIDERATION

5. The State Working Group has been formed and has met twice. The Department of Treasury is the lead agency and is also performing the role of Secretariat to the SWG. The Secretariat has formulated a Terms of Reference (ToR) for the SWG to work on, which is attached here with as Annexure A.
6. The SWG wrote to the WB on 24 May 2011 requesting for TA. The WB responded by agreeing to provide assistance and has designated a specific EITI expert to work with the SWG. The expert already met twice with the Secretariat and did attend the second SWG meeting where he briefed the SWG on the EITI concept.
7. The TA also assisted in sending two members 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, signing up requirements for countries, principle stages of implementation (implementation program), reporting processes and requirements, validation process, and stakeholder engagement processes. Current EITI implementing countries also shared their experiences to the participants.

8. The workshop highlighted three main processes in executing the EITI process. These 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

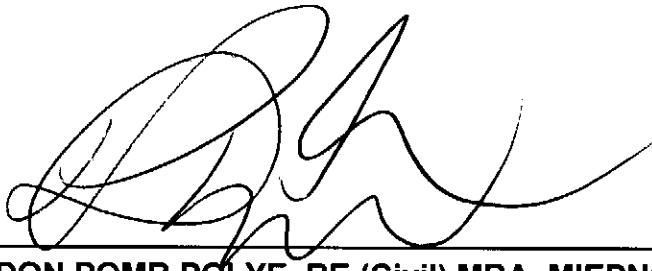
9. EITI is a new concept in Papua New Guinea and not many people fully understand the initiative and the processes involved. The SWG therefore proposes to develop greater stakeholder and public awareness next year.
10. The awareness will include four regional workshops for stakeholders (including the public). These workshops will be conducted by the SWG and will be held in Port Moresby, Lae, Kokopo and Goroka. The purpose of these workshops is to make the public aware of the EITI concept as well as gauge their views on implementing the initiative in the country.
11. A high level workshop is also being proposed by the SWG to be held in Port Moresby. This workshop will include senior bureaucrats and key Government ministers. The purpose of this workshop is to discuss the EITI with decision makers and ensure their support for the implementation of EITI in PNG. This workshop is also important to identify a political champion and a national coordinator for the National EITI Secretariat once established.
12. The political champion will be responsible for pushing the EITI agendas (work plan and funding support) at National and International political levels. He/She will therefore be required to make a public statement on behalf of the National Government that PNG will implement the EITI concept. The Political Champion together with the national coordinator will also be invited by the EITI International Secretariat to attend EITI Board meetings held bi-annually.
13. The national coordinator will be responsible for the daily operation and management of the National EITI Secretariat which should be formed after Government endorsement of implementation of the EITI concept in the country.
14. 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.
15. In addition, 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.

16. A detailed implementation plan will be developed and submitted to the NEC for its consideration and endorsement as soon as all stakeholder consultation process has been completed. The SWG aims to achieve this by the end of the first half of 2012.

RECOMMENDATION

17. It is recommended that the NEC:

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



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ANNEXTURE: A

STATE WORKING GROUP – TERMS OF REFERENCE