



PNG EXTRACTIVE INDUSTRIES
TRANSPARENCY INITIATIVE
NATIONAL SECRETARIAT



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MINUTES OF FIRST QUARTER MSG (MEETING # 02/2020)

FRIDAY 25TH SEPTEMBER, 2020

10:30 AM – 12:50 PM

LAMANA HOTEL CONFERENCE ROOM

IN ATTENDANCE

Government

1. Christy Tende – Department of Treasury (DoT)
2. Albert Kenny – Internal Revenue Commission (IRC)
3. Mathilda Lipil – Internal Revenue Commission (IRC)
4. Arnold Lakamanga – Mineral Resources Authority (MRA)
5. Maino Virobo – Conservation & Environment Protection Authority (CEPA)
6. Vicky Coleman – Department of Petroleum & Energy (DPE)
7. Samuel Tobung – Department of Petroleum & Energy (DPE)
8. Martin Moti – Department of Petroleum & Energy (DPE)
9. Eileen Kumara – Department of Petroleum & Energy (DPE)
10. Charles Ikitae – Department of Finance (DoF)
11. Mathew Konzel – Department of Finance (DoF)
12. Emmanuel Donigi – Department of Mineral Policy & Geohazards Management (DMPGM)
13. Lemeki Ila – Auditor General Office (AGO)
14. Wilma Seolo – PNG Customs Service

Industry

1. Professor Albert Mellam – PNG Chamber of Mines & Petroleum (online)
2. Leah Warupi-Morlin – PNG Chamber of Mines & Petroleum (online)
3. Samuel Koyama – Exxon Mobil PNG Limited (EMPL) - online
4. Thomas Clark – Exxon Mobil PNG Limited (EMPL) - online
5. David Paisi – Exxon Mobil PNG Limited (EMPL) - online
6. Richard Kassman – Total E&P PNG Limited - online
7. Sang Ratnam – Total E&P PNG Limited - online
8. Maryline Santana – Total E&P PNG Limited - online
9. Kakra Koram – Total E&P PNG Limited - online
10. Gertrude Tamade Elai – Barrick Niugini Limited (BNL)
11. Kepas Wali – Harmony Gold (PNG) Exploration Limited
12. Philip Samar – Kainantu Gold Mine
13. Cornelius Soagai – Oil Search (PNG) Limited
14. Fabian Kuais – Kumul Petroleum Holdings Limited (KPHL)
15. Vele Rupa – Mineral Resources Development Company (MRDC)

Civil Society Organisations (CSOs)

1. Collette Tsiperau – PNG Resource Governance Coalition (PNG RGC)
2. Arianne Kassman – Transparency International PNG (TIPNG)
3. Yuambari Haihue – Transparency International PNG (TIPNG)
4. Michael Arnold – Transparency International PNG (TIPNG)
5. Paul Barker – Institute of National Affairs (INA)
6. Henry Yamo – Consultative Implementation & Monitoring Council (CIMC)
7. Hercules Jim – Consultative Implementation & Monitoring Council (CIMC)
8. Alois Sinen – Centre for Environmental Law & Community Rights (CELCOR)

Development Partners / Consultants / Observers

1. Dr. Wilfred Lus – World Bank (WB)
2. Ryosuke Watanabe – JICA PNG
3. Takihiko Yokota – JICA PNG
4. Fiona Silo – JICA PNG
5. Alvin Mokavelaga – JICA PNG
6. Toyohiko Yogo – JICA Expert Team (online)
7. Harumi Toyama – JICA Expert Team (online)
8. Leonard Catalon – Ernst & Young (EY)
9. Cherry Jim Senas – Deloitte Touche Tohmatsu
10. Paul Kiruwi – Kuna Taberia Kiruwi Accountants & Advisors (KTK)
11. Mary Jane S. Valles – BDO PNG

National Secretariat (PNGEITI)

1. Christopher Tabel
2. Francis Diakon
3. Oliver Maingu
4. Sonia Kenu-Becks
5. Samuel Wann
6. Delka Kemba-Rinny
7. Naomi Puipei

APOLOGIES

1. Stanley Komunt – Newcrest Mining Limited (NML)
2. Channan Kumalau – Department of Petroleum & Energy (DPE)
3. Francis Lola - Kumul Minerals Holdings Limited (KMHL)
4. Isu Aluvula – PNG Council of Churches (PNGCC)

NOT REPRESENTED

1. Department of Prime Minister & National Executive Council (PMNEC)
2. Department of National Planning & Monitoring (DNPM)
3. Ok Tedi Mining Limited (OTML)
4. Kumul Consolidated Holdings (KCH)

1. WELCOME & INTRODUCTION

National Secretariat (Christopher Tabel) welcomed MSG members and informed that the Head of National Secretariat (Lucas Alkan) conveyed his apology and was not available to facilitate a chair for the meeting. He then sought among the government and MSG members present to stand in as acting chair. INA (Paul Barker) nominated Vice President of Kainantu Gold Mine (Philip Samar) to chair the meeting. Acting Chair (Philip Samar) welcomed members present and asked to introduce themselves before he called the meeting to order.

2. REVIEW OF MATTERS ARISING FROM MEETING #01/2020

Acting Chair (Philip Samar) allowed members to review the previous meeting minutes. There were no comments and members present were in agreement with the minutes.

INA (Paul Barker) moved to accept the minutes as written and MRDC (Vele Rupa) seconded the motion as true records of that meeting.

3. VALIDATION UPDATE

3.1) Updated Validation Matrix

National Secretariat (Christopher Tabel) provided an update on the country's second validation. He said the purpose of the validation process was to serve as a quality assurance mechanism by the EITI International Secretariat to assess the progress of EITI implementation against the requirements of the EITI global best practice standard. PNG underwent its first validation in 2018 whereby the EITI Board ranked PNG as having made '*Meaningful Progress*' in its EITI implementation. The EITI Board also agreed that the corrective actions be addressed and to be assessed in the second validation due on 30th October 2020. However, the EITI Board recently discussed the option of introducing the New Validation Model where all countries would be opted to use in April 2021, including PNG. He then welcomed further discussion on the adoption of the new validation model.

INA (Paul Barker) suggested for National Secretariat to consider having joint-countries getting involved in reviewing each other's validation reports.

Also, PNGRGC (Collette Tsiperau) queried the relevance and effect of adopting the new validation model and how soon would it be endorsed by the EITI Secretariat.

National Secretariat (Christopher Tabel) responded that the National Secretariat opted for the new validation model to allow more time and flexibility in addressing the corrective action items especially with acquiring and uploading licensing data on the DPE website. He also added that by mid October 2020, the EITI Board would release an official endorsement notice on the adoption of the new validation model and would inform the members soon.

Department of Petroleum and Energy (Samuel Tobung & Vicky Coleman) expressed that in their recent TWG meeting with National Secretariat, it was agreed that the National Secretariat would draft a written letter to DPE Secretary seeking approval to upload tenement data on DPE website as DPE was legally framed by its company act for disclosure of information.

National Secretariat (Oliver Maingu) added that from the recent meeting with DPE, one of the options raised was to temporarily upload DPE tenement data on MRA Cadastre System. He also added that seeking approval from Departmental Heads was one of the challenges faced causing delays. He later informed DPE that the National Secretariat had drafted a letter and would submit to DPE by Monday, 28th September 2020.

Mineral Resources Authority (Arnold Lakamanga) clarified that MRA was willing to upload DPE tenement data on MRA Cadastre System temporarily, however, approval from departmental head would be required.

World Bank (Dr. Wilfred Lus) said World Bank Project funded MRA in setting up the Mining Cadastre System. He also commented that dissemination of data and information should be distinguished clearly so that it could be minuted.

Harmony Gold (Kepas Wali) mentioned that there was no issue with systems in obtaining approvals and should not be delayed any further.

Barrick (Niugini) Limited (Gertrude T. Elai) wanted to find out if DPE tenement data system with MRA would be temporary and how soon could DPE system be established. She also reminded all MSG members to fully participate in any upcoming MSG meetings as all the stakeholders have signed up the 2013 MOU for EITI implementation and should demonstrate their commitment.

Resolution:

It was resolved that;

- 1. DPE through the National Secretariat seek funding assistance with donor partners to setup DPE Tenement Data System.***
- 2. National Secretariat to draft letter to DPE Secretary seeking approval to upload Tenement Data on DPE website.***
- 3. National Secretariat to advise MSG members on the outcome of New Validation Model after October 2020.***

3.2) Updated NEC Decision

National Secretariat (Christopher Tabel) briefed the MSG on the implementation status of NEC Decision 91/2017 which called on implementing agencies to fully implement the first EITI Report recommendations. He informed that the action items in the matrix were progressing well and that it was vital to ensure commitment by concerned agencies to implementing and fulfilling the NEC directives.

The MSG took note of the updates.

4. PROJECTS UPDATE

a) Beneficial Ownership (BO) Report

Acting Chair invited the consultant, BDO PNG to provide an update on the project.

BDO PNG (Mary Jane Valles) verbally provided updates on BDO's project timeline and deliverables, and recommendations on the BO & PEP Definitions as follows:

Timeline & Deliverables

BDO is on track with the deliverables of the project following the delivery of the Inception and Scoping Report on the timeline agreed to by the MSG. One of the major challenges was the delayed response from the MSG and from the concerned entities that have information and data required for completion of the report. BDO was confident to deliver the report in November 2020 as per the project timeline.

- 07th August 2020 Phase 1 – Inception Report Delivered
- 28th September 2020 Phase 2 & 3 – Desktop Review and Stakeholder Engagement
- 30th October 2020 Phase 4 – Delivery of Draft Report
- 27th November 2020 Phase 5 – Final Report

BO & PEP Definitions and BO Declaration Forms

BDO PNG (Mary Jane Valles) notified that recommendations have been made on Beneficial Owner (BO) and Politically Exposed Person (PEP) definitions and clearly stated in the BO Scoping Report. BDO PNG recommended that a BO must be a “*natural person*” as it is in line with the approach taken by all comparator countries. BDO PNG also recommended that PNG adopts a modified version of the Anti-Money Laundering and Counter Terrorist Financial Act 2015 in defining PEP as it was simple and has proven to be effective.

Resolution:

It was agreed that MSG provided feedback on BO / PEP definitions and the proposed BO Declaration Forms by Friday, 02nd October 2020.

b) Preparation of FY2019 PNGEITI Report

Acting Chair called upon the consultant, EY (Leonard Catalon) to present an update on the sub-item. He outlined the presentation in two parts; the status, timeline and challenges faced during the project duration.

Status

- Drafting of chapters are in-progress, however, certain chapters would be available for review in October 2020.
- EY sent reporting templates to Oil and Gas and Mining Companies for collation of information and Canvas Portal testing commenced on 24th September 2020.
- Also, EY sent templates to MRA, DPE, Treasury (no change from prior year, except for information about the status of Audited Financial Statements)
- Templates for IRC, CEPA, DNPM, KMH and MRDC would be sent out on 25th September 2020.
- MSG to approve Reporting Templates by 25th September 2020
- Extended deadline for collation of reporting template on 09th October 2020
- Some reporting entities have registered in the MY EY Canvas Portal, however, some entities were facing difficulties in accessing the Portal due to internet connectivity issues. He added that this would be resolved progressively in the coming days and weeks.

Timeline

The report was scheduled to be completed and delivered to the MSG by 31st December 2020 as required. EY advised that it was working around that timeline and indicated that they would deliver a draft report in November 2020.

Through the contract period EY faced the following challenges:

1. Challenges, recommendations and gaps from previous EITI Reports.

Validation Report:

- EY recommended MSG to continue its program in relation to subnational payments and transfers.
- IRC should maintain a database of extractive industry companies together with their correct tax identification numbers to enable accurate revenues to be provided to the EITI Report.
- IRC should reconcile budgeted revenue against actual Corporate Income Tax received with commentary if this is not contained in the Final Budget Outcome.

Data Completeness:

- Tax Credit Schemes (TCS) should be reported to DNPM
- CEPA financial close process needs improvement to accurately capture payments
- DPE to give access to government systems or supply relevant government data to support its financial close process

Data Accuracy:

- Data availability by AGO be given scope of work to specifically test receipts from government agencies, if unable to complete its yearly audit.
- Reporting entities to provide accurate information

Data Availability: for future reporting periods, PNG LNG should be engaged for reporting purposes

Data Consistency: DPE & PNG Customs to complete accurate and consistent disclosure of production data.

2. Reporting Entities and Materiality Threshold.

- MSG agrees to the 2% threshold before compiling the first report. No comments received from the MSG as yet on this after the production of the seven reports. MSG to decide on the threshold.

3. Proposed changes for the 2019 PNG EITI Report.

- MSG is required to consider Gender Balance

- MSG to agree and publish disclosing contracts with clear time frame and address any barriers to comprehensive disclosure on Contract Transparency.

Acting Chair asked members for any feedback on the presentation made by the Consultant (EY).

Oil Search (Cornelius Soagai) wanted to know the shares received from the total revenues from MRDC and Kumul Petroleum though it was included in the report.

EY (Leonard Catalan) responded that MSG would address this and to present it in the 2019 Report.

Resolution:

It was agreed that MSG provided feedback on the following items by Friday 02nd October 2020.

- 1) Revenue Streams for MRDC & Kumul Petroleum***
- 2) MSG to decide on 2% threshold***

c) SOEs Scoping Study

Acting Chair requested the consultant, KTK & Partners (Paul Kiruwi) to provide an update on this sub-item.

KTK & Partners (Paul Kiruwi) acknowledged National Secretariat and MSG for having confidence in KTK for the project deliverance. He then briefed the members on project deliverables, planned activities and the timeline.

TIMELINES & DELIVERABLES

The Consultant informed that it was progressing well with the scoping study and they are scheduled to deliver the project within the agreed work plan included in the inception report. Consultant was keen on getting approval from the MSG on the final inception report to progress to the next phase.

- 10th August 2020 Phase 1 – Inception Report is delivered
- 16th October 2020 Phase 2 – Draft Report to be delivered
- 13 November 2020 Phase 3 – Final Report to be delivered

KTK (Paul Kiruwi) expressed that one of the issues faced was for SOEs to disclose information for EITI reporting purposes and further sought SOE's contribution in this manner.

It was during the meeting that MSG agreed to provide response with their comments addressing SOE and QFEs definitions and other proposed recommendations by Friday 02nd October 2020.

Resolution:

It was agreed that MSG provided feedback on SOE & QFE definitions by Friday, 02th October 2020

d) World Bank Electronic Reporting Platform

The consultant, Deloitte (Cherry Jim Senas) informed on the World Bank funded PNGEITI Scoping Study on the Electronic Reporting Platform as follows:

TIMELINE & DELIVERABLES

He said that the scoping study would be undertaken in phases of system selection process as follows;

- Phase 1 – Gather system requirement was 100% completed
- Phase 2 – Identify capable system developers was 100% completed
- Phase 3 – Benchmark and credential checks was 100% completed
- Phase 4 – Recommendation for final report

ISSUES / CHALLENGES

- Process of data collection
- Reliability of data – as origin information comes from different sources
- Raw data provided are incomplete and makes it harder for some entities to understand and analyse the data.
- Reconciliation of numbers require substantial time and effort involved and there are no appropriate resources to deal with different issues.

RECOMMENDATION MADE FOR SYSTEM DEVELOPER

- Kumulsoft Limited was 100% nationally owned ICT company. Few clients have been using their software and they are Department of Treasury and the National Broadcasting Commission.
- Minsoft Limited was also considered. Few clients have been using their software were the Electoral Commission, PNG Power, Nambawan Super Ltd, NAQIA, Department of Education and Climate Change.
- Dattabot was a foreign developer based in Indonesia.

Resolution:

It was agreed that the MSG provided feedback on the selection of System Developer by Friday, 02nd October 2020.

e) World Bank CSO Capacity Development Scoping Study

It was advised at the meeting that the project funded under the World Bank on CSO Capacity Development Scoping Study would be delayed by the consultant, Dr Tim Grice, due to covid-19 travel restrictions. However, PNGRGC would be reviewing the draft Report once delivered and provide feedback to the World Bank at a later date.

The MSG took note of the project update

f) World Bank Education Mainstreaming Scoping Study

National Secretariat (Christopher Tabel) expressed that the project was planned for this year to scope out the possibility of mainstreaming PNGEITI Standard to educational institutions (universities and colleges). The activity was included and approved for implementation in the 2020 PNGEITI Work Plan, however, this would have to be deferred to next year due to the Covid -19 pandemic disruptions.

The MSG took note of this update.

g) JICA Technical Cooperation Project

JICA PNG office (Ryosuke Watanabe) informed all that the JICA Expert Team would present their project updates through the Microsoft Teams. JICA Expert Team (Toyohiko Yogo) greeted everyone and presented the current progress on project's timeline extension, rationale, focused area of activity and activity plan.

g.1) JICA Project Timeline Extension

1) PROJECT TIMELINE EXTENSION

The project period has been extended from December 2020 to December 2021 due to covid-19 pandemic and travel restrictions both in PNG and Japan.

2) POSTPONED PROJECT ACTIVITIES AND TIMELINE FOR YEAR 2021

Output 1 – Training by Online

- Jan – Jun 2021 Set up information infrastructure, practical training of database management, and Finalize standard operation procedure
- July – Dec 2021 Implementation of database management

Output 2 – Reporting process for 2019 EITI Report, Second Validation, and Remote Support

- Jan – Jun 2021 Action plan for recommendations, and Training materials development
- July – Dec 2021 Reporting process for 2020 EITI report, and on-site support

Output 3 – Revision of Communication Strategy, and Materials Development

- Jan – Jun 2021 Awareness promotion activity (online), and materials development.
- July – Dec 2021 Awareness promotion of activity (on-site), and materials development
- Jan – Dec 2021 **Stage**– Establishment of standardized practices, and utilizing online tools. Implementing and replicating the standardized practices, and improving the capacity for the next validation

3) ACTIONS GOING FORWARD

- The Joint Coordinating Committee (JCC) meeting has been tentatively scheduled for Friday 02nd October 2020 to basically discuss the extension plan and consensus to revise the plan including the revision of project plan meeting minutes with JCC members. This meeting would be conducted through the National Secretariat confirming the venue and time.
- All presentation materials (Achievement & Plan, Proposed Extension of Project Period & MM, and PNGEITI New Communications Strategy) would be uploaded online. All JCC members were urged to review the presentation materials online and provide feedback by Thursday, 01st October 2020 through the google form. There were also options provided to access link to google classrooms either through google account or email.

Resolution:

- ***MSG took note of the Project Timeline Extension from December 2020 to December 2021.***
- ***JCC members to provide feedback through the google classroom links provided by Thursday, 01st October 2020.***

g.2) Towards Gender Responsive Extractive Industry in PNG

JICA Expert Team (Ms. Harumi Toyama) also did presentation on Gender Equality through Microsoft Teams. She explained the necessity of gender equality inclusion in the EITI Policy stating the EITI Reporting Standard Requirements and the Proposed Actions for PNGEITI.

She indicated that the EITI Policy Brief on Gender Equality was published in February 2018 stating few reasons as to why gender equality should be included in the EITI Implementation. One of them being that woman should play a leading role in the consultation and decision making processes.

She elaborated more on the key requirements specified in the EITI Standard 2019 as follows;

- Gender requirement 1.4 – MSG are required to consider gender balance in their representation.
- Gender requirement 6.3 – The contribution of the extractive sector to the economy in which reporting requires employment figures disaggregated by gender, project and role,
- Gender requirement 7.1 – Public debate where MSGs are required to consider challenges and information needed of different genders and sub-groups.
- Gender requirement 7.4 – Review the outcomes and impact of EITI implementation where MSGs are encouraged to document how they improved gender equality and social inclusion.

Moreover, changes introduced to EITI Reporting Standard (2019) would be the Promotion of Gender Equality.

Proposed next steps would be gender assessment of PNGEITI & MSG, recommendations, workshop with MSG, and finally how well Gender Action Plan would be incorporated into PNGEITI Work Plan.

She welcomed options and remarks on the presented material.

INA (Paul Barker) suggested that the gender initiative to engage business entities and NGOs as few CSO members were actually involved in addressing gender issues.

Resolution:

- ***The MGS took note on Gender Equality Action Plan to be incorporated in the PNGEITI Work Plan.***

JICA PNG (Rysosuke Watanabe) briefly wrapped up the presentation and in addition, informed that JICA PNG Office received an official letter from the Minister for Treasury on the application for Phase 2 Technical Assistance Program. He said the letter is currently with the Government of Japan for further consideration and pending approval, hopefully in April 2022.

Mr. Watanabe extended his word of appreciation to all MSG members for a positive working relationship during his three years with JICA PNG in the EITI work and further thanked DPE for their support on the Phase 1 Project.

National Secretariat (Christopher Tabel) acknowledged and appreciated Mr. Rysosuke Watanabe's contribution and support in the EITI implementation at the MSG level. Mr. Watanabe had greatly assisted in the coordination of JICA Project Phase 1 establishment. He will soon be relocating to JICA Office in Fiji. In his place, National Secretariat (Christopher Tabel) welcomed his successor Mr. Takihiro Yokota, Senior Representative (JICA PNG).

5. NATIONAL SECRETARIAT MATTERS

National Secretariat (Christopher Tabel) briefly informed on the National Secretariat Matters. Three items for discussion were on the second Quarter Financial Statement, Annual Activity Report, and PNGRGC financial support letter.

He asked the members to view the second Quarter Financial Statement and provide feedback or comments for National Secretariat to note further. He also added that the EITI National Secretariat through the 2019 Standard have relaxed the timeline from July to December 2020 for the Annual Activity Report.

Arianne Kassman (TIPNG) requested a separate meeting between the National Secretariat and PNGRGC be convened at a later date in relation to financial support by PNGRGC and inform the MSG in the next MSG meeting no.3.

The MSG took note on this updates.

6. ANY OTHER BUSINESS (AOB)

Oil Search (Cornelius Soagai) requested for a Special MSG Meeting to be arranged the following Friday, 02nd October 2020 due to bandwidth issues as few MSG members especially the Industries could not actively participate in this meeting through the provided virtual platform. MSG members like TIPNG, PNG Chamber of Mines & Petroleum, and Exxon Mobil have not contributed their inputs in this meeting.

Resolution:

It was agreed for a Special MSG Meeting to be convened on Friday, 02nd October 2020.

With no other businesses for discussion, the Acting Chair thanked everyone for their attendance and closed the meeting at 12:50pm. It was informed that details of the next MSG meeting would be advised by the National Secretariat later.

A handwritten signature in blue ink, appearing to read 'Samar', is written over a light blue rectangular background.

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PHILIP SAMAR (MR)

Acting Chair

Vice President External

K92 Mining Limited