

NEC Decision # 91/2017 – Progressive update matrix (updated 29/10/20)

NEC Directives	Agency/Department Responsible	Progress made/Actions taken to date	Next Steps
<p><i>Minister for Petroleum and Energy to immediately implement a reliable electronic registry system to supersede the current paper ledger system</i></p>	DPE	<ul style="list-style-type: none"> • With recent meeting with DPE on the 14th September 2020, DPE advised that some work are in progress with regard to this NEC directive. However due to some internal administrative issues, the progress of this activity has been slow. • DPE together with JICA and the National Secretariat Team are working towards establishing a reliable registry system for DPE. 	<ul style="list-style-type: none"> • The issue was brought to MSG’s attention to assist DPE setup its internal Central Database System/electronic registry system, data portal & website. • MRA, JICA and World Bank showed interest to assist DPE. DPE to further consult the interested parties to assist them in setting up its electronic registry system, suitable data portal and website upgrading since DPE has a recent existing website. • The proposed petroleum authority back in early 2019 eventuated recently. DPE is now divided into two separate entities: National Petroleum Authority & National Energy Authority. Administrative functions yet to be properly demarcated, currently in working progress.
<p><i>Minister responsible for MRDC to ensure that the MRDC engages fully with the PNGEITI MSG and reports through the EITI process on the equity distribution and all other funds it holds in trust and invests for the landowners and for future generation</i></p>	DPE/MRDC	<ul style="list-style-type: none"> • This NEC directive was implemented since last year. MRDC is now engaged at the MSG and TWG level and has been satisfactory participating in the EITI reporting process. 	<ul style="list-style-type: none"> • There are still some areas that both the MRDC and the Secretariat will continue to work through to enhance MRDC’s effectiveness and efficiency in all aspects of EITI reporting and to sustain MRDC’s engagement in this EITI process.
<p><i>Minister responsible for Kumul Consolidated Holdings Limited to ensure KCH participates in the EITI process and regularly reports through the EITI process the State’s share/interest in the mining and petroleum sectors that it manages under the General Business Trust (GBT)</i></p>	KCH	<ul style="list-style-type: none"> • KCH does not necessarily engage directly in the PNGEITI reporting process after its organizational re-structure in August 2015. There are subsidiary entities under KCH that deal directly as a trustee of the GBT with State’s interest in the Mining and Petroleum Sectors. The remaining project that KCH is now responsible for the extractive sector as of 2016 is that it holds 3.2% shareholding in Highlands Pacific. • This NEC directive has been actioned because KCH is now fully engaged at the MSG level and has been participating in the EITI reporting process. 	<ul style="list-style-type: none"> • The continued engagement and participation in the EITI process by KCH may not be necessary in the future because KCH will not be responsible for the extractive sector. As part of Kumul restructure, the GBT investment in Highlands Pacific will be transferred to Kumul Mineral Trust as soon as all legal processes are completed.
<p><i>Minister responsible for Kumul Mineral Holdings Limited and Kumul Petroleum Holdings Limited to ensure these enterprises are fully engaged in the EITI</i></p>	KMHL/KPHL	<ul style="list-style-type: none"> • These two entities, now coordinate the government’s interest in the Mining, Oil and Gas sectors. 	<ul style="list-style-type: none"> • Secretariat to continue its consultation with both KMHL & KPHL to identify areas which both entities can be able to engage effectively in the reporting process.

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<i>process and to report as required under the EITI Standard</i>		<ul style="list-style-type: none"> • Preliminary engagement has been sought by the Secretariat with these entities to ensure that they too are aligned to the reporting processes and requirements of PNGEITI. • This NEC directive has been actioned. Both KMH and KPH have engaged in the EITI process and have participated in the EITI reporting process. 	<ul style="list-style-type: none"> • At this stage, it still needs to be ascertained as what type of reporting, information collection and areas of engagement of KMHL & KPHL in the EITI process, hence not much can be reported from their end thus far.
<i>Minister for Treasury to ensure the National Economic and Fiscal Commission (NEFC) amend its Budget and Fiscal Reports to collect information on subnational payments and transfers consistent with the EITI Requirements</i>	Treasury/NEFC	<ul style="list-style-type: none"> • National Secretariat has consulted with NEFC on this issue • This meeting outlined NEFC's current information collection and reporting procedures, and also discussed avenues in which this process could also incorporate and/align to the EITI process, particularly in the area of sub-national payments and transfers information. • It was ascertained that the NEFC's current reporting on sub-national payments and transfers is provisioned under the Inter Government Relations (Functions & Funding) Act, which governs the mandate of NEFC's operations. • Hence, it was discussed that NEFC along with the Secretariat work together to identify mechanisms that can align both NEFC reporting to that of the PNGEITI requirements. 	<ul style="list-style-type: none"> • NEFC and the Secretariat will engage more frequently and consult with each other to ensure that reporting mechanisms are aligned in regard to not only sub-national payments and transfers but all other payments for the various levels of governments.
<i>Minister responsible for Mineral Resources Authority (MRA) and the Minister responsible for the State Solicitor to ensure these entities make publicly available Memorandum of Agreements (MOAs) for EITI purposes and for the benefit of the general public</i>	Mining/MRA/State Solicitor	<ul style="list-style-type: none"> • Meeting held with MRA – see attached minute. State Solicitor is the custodian of MOA's/Contracts/Agreements therefore the Secretariat needs to get their views with regard to contract disclosure. • The PNGEITI National Secretariat met with State Solicitor on the same. However, State Solicitor stated that the existing reporting laws do not clarify or specify which components of MOA's/Contracts/Agreements are to be publicly disclosed. State Solicitor advised that the parties to the MOA's should be consulted with regard to contract disclosure. Should parties to the MOA's agree to disclose certain components of the MOA's then the National Secretariat with MRA, DPE and the Consultant – Ernst & Young can upload the said information on website. 	<ul style="list-style-type: none"> • The National Secretariat is currently working with the Consultant – Ernst & Young to write a letter to State Solicitor requesting specific information that needs to be captured in the EITI Report and for public disclosure/website.

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		<ul style="list-style-type: none"> In the same meeting, State Solicitor advised that a letter requesting specific information to be written to State Solicitor for the purposes of EITI to be disclosed. State Solicitor then can formally provide a response The obstacle in general here is that the current legislations does not provide for MOAs/Contracts/Agreements to be made public to fulfil EITI reporting requirements. According to State Solicitor, until such time when legislations are made or changed then these information's can be made available. 	
<p><i>Minister for Treasury to implement the recommendation of the EITI report in relation to:</i></p> <ol style="list-style-type: none"> <i>1) Publication of budget preparation process on its website;</i> <i>2) Clearly and comprehensively list relevant assumptions and basis for calculation for budget document tables; and</i> <i>3) Ensure units of measurement are standardized between government departments, particularly with respect to production data in budget documents</i> 	Treasury	<ul style="list-style-type: none"> The Secretariat has sent an official letter outlining these directives to the Secretary for Treasury for attention and implementation. The submission was received and reviewed by the relevant divisions within the Treasury Department and the outcome of this analysis is as follows: <ul style="list-style-type: none"> <i>1) Publication of budget preparation process on the website.</i> Treasury has already been issuing budget circulars to all government departments and spending agencies informing of the budget preparation process well before the government signed up to implementing the EITI. Also, it has been a practice for Treasury to advertise in the social media (local newspapers) outline the key dates for preparation of the national budget and calling for policy submission from the public in the first quarter of every year. <p>However, this has been done through the government's internal process and needed to be made transparent by way of publishing on the Treasury website. Treasury has a reliable website (www.Treasury.gov.pg) that needs to be constantly updated and maintained.</p> <p>Also, Treasury regularly publishes its quarterly warrant release in the local newspapers and other social media. This has been a practice well before the EITI implementation in the country.</p> <ul style="list-style-type: none"> The other two directives (#s 2 and #3) are outstanding and Treasury has yet to advise if there were any actions taken or will be taken to address them. 	<ul style="list-style-type: none"> National Secretariat will continue to liaise with Treasury to understand if there has been any actions taken to implement these directives and if not, whether these directives have been included in its work plan. This is to ensure the directives are included as part of Treasury's budget review/process and considered for implementation in coming budgets. National Secretariat will also closely liaise with Treasury to properly document its current activities and practice on budget transparency that may directly address some of the Cabinet Directives outlined in this section.

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<p><i>Minister for Treasury to legislate the EITI reporting requirements into the Government reporting process (in lieu of current practice of using waiver letter) and report back with draft legislation for NEC's consideration before the FY 2015 EITI Report</i></p>	<p>Treasury/IRC</p>	<ul style="list-style-type: none"> • National Secretariat has been in consultation with the legal team from the IRC to get clarification on this issue. Advice from IRC indicated that there needs to be a legislative amendment to cater for the proposed changes. Specific and relevant provision within the Income Tax Act was identified, and it was ascertained that this would require a minor technical amendment to remove secrecy provisions in the Income Tax Act to allow IRC to disclose tax revenue information. IRC considered that this was a policy matter that required direction from Treasury before it can draft and consolidate the amendment to be included as part of the 2018 Budget Amendments. <p>Treasury has implemented this Directive as part of the tax amendments in the 2018 National Budget. Amendments effective 1 January 2017 will allow tax information to be provided to:</p> <ul style="list-style-type: none"> - the Extractive Industries Transparency Initiative Secretariat or equivalent body for the purposes of reporting in accordance with the Initiative - the Financial Analysis and Supervision Unit for purposes of the Anti-Money Laundering and Counter Terrorism Financing Act 2015. 	<ul style="list-style-type: none"> • To build on the progress made, PNGEITI National Secretariat Policy and Legislative Technical Working Group will continue to progress with the current work on a EITI Policy and Legislative Framework. • The EITI Policy & Legislative Framework was completed and launched in 2019. Work is currently in progress on drafting of the PNGEITI Commission Bill. Once the proposed Bill is enacted then the National Secretariat will work its reporting law.
<p><i>Minister for Finance to undertake assessment of all monies received from mining and petroleum projects that are held in trust accounts, which include future generation trust and set up data base to effectively monitor the trust accounts in accordance with Section 15 of the Public Finance (Management) Act 1995</i></p>	<p>Finance</p>	<ul style="list-style-type: none"> • This Directive has been actioned. The Department of Finance has incorporated this as part of its work on the Financial Framework Review (FFR). This has triggered amendments to the Public Finance (Management) Act (PFMA) 1995 to review all government Trust Accounts (inclusive of extractives trust accounts). Part of the reforms to the new PFMA 2016 included financial instructions to review all Trust Accounts and migrate them onto the Integrated Financial Management System (IFMS) for effective monitoring, compliance and transparency purposes. • There are still areas, which need to be clarified, especially with regard to monies held in mining and petroleum trust accounts and others. Department of Finance is continuing with this work to ensure it is achieved. • Department of Finance can only provide information for Petroleum Trust Accounts, with assistance from DPE. • For the mining trust accounts & future generation trust Department of Treasury to provide this information with State Solicitor. This needs to be clarified by Treasury & State Solicitor. 	<ul style="list-style-type: none"> • National Secretariat will continue its consultation with the Department of Finance to ensure that through review of trust accounts, monies sitting in mining, oil and gas trust accounts are reviewed to bring about transparency for EITI reporting purposes.

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<p><i>Minister for Finance to take action to ensure payments currently being done manually via cash or cheque by some government agencies are improved and modernized to electronic systems such as the use of EFTPOS because the absence of a robust system for managing resource payments leaves the system vulnerable to fraud, corruption and human error</i></p>	Finance	<ul style="list-style-type: none"> National Secretariat's consultation with the Department of Finance recently reveals that this particular Cabinet Direction has been actioned. Part of the amendments to the PFMA also directed government entities to transition from cash and cheque based payments to electronic transactions. There were specific financial instructions from the Finance Minister for government agencies to heed this change and transition into electronic payments system where possible. Currently, all previous cash based transactions have now been converted in electronic transactions as per the financial instructions. 	<ul style="list-style-type: none"> National Secretariat will continue to engage and work closely with Department of Finance to ensure that this electronic payment system is implemented successfully.
<p><i>That Government Agencies ensure to submit their books to the Auditor General's Office in a timely manner for audit purposes; that the capacity at the Auditor General's Office be improved to undertake audits as highlighted under the heading of "Way Forward" of the submission; and that this would be one of the Government's key agendas to improve transparency and accountability in the public service.</i></p>	Auditor General	<ul style="list-style-type: none"> The formal letter of notification on this directive was conveyed to the AG's office. To date no formal response has been received on their implementation progress. 	<ul style="list-style-type: none"> National Secretariat to continue following up with the AG's office to gauge an update and ensure progress is been made to implement this directive.

SUMMARY:

- It is important to note that a good number of Cabinet Directives have already been achieved to some degree. In fact some of these activities that have been directed have already been done (eg Treasury on budget transparency) well before the EITI Standard was adopted and implemented. This demonstrates that progress has been made in many areas but continued engagement with these entities is vital to ensure full implementation is achieved and sustained.

KEY ACTIONS:

- The National Secretariat will be vigorous in its consultation and follow up with specific/individual agencies that are falling behind schedule early next year to ensure that these Directives are progressed.
- The National Secretariat will seek MSG's support in ensuring the relevant contacts from the respective implementing agencies are directed to coordinate with the Secretariat, in not only providing the necessary feedback on these directives, but ensuring that progress towards implementation is achieved.