PAPUA NEW GUINEA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (PNGEITI)

TERMS OF REFERENCE

FOR

THE 2018 REPORT

Approved by the PNGEITI MSG on 18th April 2019
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1. **BACKGROUND**

The Extractive Industries Transparency Initiative (EITI) is a global standard that promotes transparency and accountability in the oil, gas and mining sectors.

EITI implementation has two core components:

- **Transparency**: oil, gas and mining companies disclose information about their operations, including payments to the government, and the government discloses its receipts and other relevant information on the industry. The figures are reconciled by an Independent Administrator (IA), and published annually alongside other contextual information about the extractive industries in accordance with the EITI Standard.

- **Accountability**: a multi-stakeholder group (MSG) with representatives from government, companies and civil society oversee the process and communicate the findings of the EITI reporting, and promote the integration of EITI into broader transparency efforts in that country.

The EITI Standard encourages MSGs to explore innovative approaches to extending EITI implementation to increase the comprehensiveness of EITI reporting and public understanding of revenues and encourage high standards of transparency and accountability in public life, government operations and in business. The requirements for implementing countries are set out in the EITI Standard. Additional information is available via [www.eiti.org](http://www.eiti.org).

It is a requirement that the MSG approves the terms of reference for the IA (requirement 4.9.iii), drawing on the objectives and agreed scope of the EITI as set out in the MSG’s Work Plan. The MSG’s deliberations on these matters should be in accordance with the MSG’s internal governance rules and procedures (see requirement 1.4.b). The EITI requires an inclusive decision-making process throughout implementation, with each constituency being treated as a partner.

It is a requirement that the IA be perceived by the MSG to be credible, trustworthy and technically competent (Requirement 4.9.b.ii). The MSG and the IA should address any concerns regarding conflicts of interest. The EITI Report prepared by the IA will be submitted to the MSG for approval and made publicly available in accordance with Requirement 7.1.

These terms of reference include “agreed-upon procedures” for EITI reporting (see section 4) in accordance with EITI Requirement 4.9.b.iii. The International EITI Board has developed these procedures to promote greater consistency and reliability in EITI reporting. The EITI process should be used to complement, assess, and improve existing reporting and auditing systems. The Board recommends that the process rely as much as possible on existing procedures and institutions, so that the EITI process draws on, complements and critically evaluates existing data collection and auditing systems. In this way, the EITI process has the potential to generate important recommendations to strengthen other oversight systems and process of government.

**EITI Implementation in Papua New Guinea (PNG)**

In 2013, the PNG Government led by the Minister for Treasury applied for EITI candidacy. In March 2014 PNG was accepted as a candidate country, with the government committing to work alongside civil society and extractive industry companies to implement EITI. In 2015 a MSG was officially established through a Memorandum of Understanding (MOU) to oversee the establishment and implementation of EITI in the country. In 2015 the PNG EITI National Secretariat office was established and operationalized. PNG published its first EITI Report for FY2013 in early 2016. The second EITI Report for FY2014 was published at the end of 2016 as
required by the EITI Standard. These were followed by the publication of the financial years 2015 and 2016 in 2017.

Implementation of EITI in PNG was validated in early 2018 against the 2016 EITI Standard and the country scored “Meaningful Progress”. This is the second scoring and is a step closer to achieving a compliant status.

The objectives of implementing EITI in PNG are to:

- Ensure a well-established and fully functional National Secretariat Office and the Multi-Stakeholder group (MSG);
- Show extractive industries’ contribution (both directly and indirectly) to the PNG economy;
- Improve public understanding of the governance of the extractive industries, including details of mining and petroleum licensing and approval process and any other prevailing licenses, reference to environmental and other regulatory processes and approvals;
- Strengthen revenue generation and collection, ensure consistency, transparency, accountability and accuracy of recorded payments or transfers by extractive industries to the government with receipts recorded by government (including sub-national government entities). Also to ensure there is accountability by government in the utilization of these funds, including transfers to the subnational levels of government and landowners;
- Engage stakeholders to effectively address issues affecting PNG’s extractive industries; and
- Monitor and evaluate EITI implementation in the country.

The above objectives are also included in the 2019 PNG EITI Work Plan and this can be accessed through the PNG EITI National Secretariat’s website: [www.pngeiti.org.pg](http://www.pngeiti.org.pg)

PNG EITI provides the citizens of PNG with better access to data and information necessary to improve public discourse around extractive sector revenues. It further ensures that benefits from the resource sector are fully accounted for, potentially facilitating in turn better utilization of the funds for the provision of public goods and services. The objective is also to promote good governance and thereby, encourage a transparent and conducive investment environment.

The MSG ensures that the PNG EITI framework is tailored to PNG laws and regulations. This is to ensure the initiative is implementable by relevant government agencies and industry companies. It is also to identify where there are weaknesses or deficiencies in the current regulatory environment which may require actions by government to address these issues. The preparation of 2018 Financial Year Report will build on from the 2013 to 2017 PNG EITI Reports and address deficiencies and data gaps identified and recommendations made from these past reports. A matrix of the recommendations of the EITI reports and actions that have been taken is attached to this TOR as annex 5. Additional information about PNG EITI is available on its website at [www.pngeiti.org.pg](http://www.pngeiti.org.pg)

2. OBJECTIVES OF THE ASSIGNMENT

On behalf of the PNG Government, the PNG EITI MSG seeks a competent and credible firm with EITI reporting experience (but not necessary), free from conflicts of interest to provide financial data reconciliation and verification services as an Independent Administrator (IA) in accordance with the 2016 EITI Standard. The IA must also provide contextual information for the sector as provided by reporting entities. The objectives of the assignment are to:

- Produce a scoping study based on the outcome and recommendations from the financial years 2013 to 2017 PNG EITI Reports, the 2018 validation report outcome and its
recommendations, and any other reports (previous scoping study reports, PNGEITI Annual Activity Reports, MSG meeting minutes, Beneficial Ownership study reports and roadmap, Sub-national payments and transfers study report, etc) and to recommend to the MSG on the scope of the 2018 EITI Report; and

- Produce PNGEITI Report in 2019 based on the 2018 financial data in accordance with the 2016 EITI Standard and consistent with section 3 below.

3. SCOPE OF SERVICES, TASKS AND EXPECTED DELIVERABLES

The work of the Independent Administrator (IA) has five conceptual phases (see Figure 1). These are elaborated in each phase in the sections below.

*Figure 1 – Overview of the EITI Reporting process and deliverables*

**Phase 0 - Scoping Analysis and Scoping Study**

**Objective:** Scoping work aims to identify what EITI Report should cover in order to meet the requirements of the EITI Standard, especially for the 2018 Report the corrective actions as recommended in the Validation Report. Scoping sets the basis for producing a timely, reliable and comprehensible EITI Report. It commonly involves looking at issues for the fiscal year to be reported, the contextual information that should be part of the Report, reviewing the types of assurances that are needed for ensuring that the data submitted by reporting entities is credible, determining which revenue streams from oil, gas and mining are material and consequently, which companies and government entities should be required to report. It is also an opportunity for the MSG to consider the feasibility of extending the scope of EITI reporting beyond the minimum requirements in order to address the objectives outlined in the PNGEITI 2019 Work Plan. Scoping may also investigate the likely gaps, the validation corrective actions and other issues that may be particularly challenging to include in this EITI Report with a view to identifying options, solutions and recommendations for an appropriate reporting methodology for consideration by the MSG.

The IA is expected to undertake the following tasks during the scoping phase:

2. Review and assess the challenges and recommendations from the 2018 validation report and the corrective measures identified in the report that need to be resolved before the second round of validation in April 2020. The corrective actions matrix has been attached to this TOR as annex 4 under sub-heading ‘Annexes’.
3. Identify data and information gaps as reported in the financial years 2013 to 2017 PNGEITI Reports and determine/document the actions already taken or are being taken to address these gaps. The IA is also required to address any outstanding areas that the MSG may need to pursue in this report and how the IA intends to address these challenges and fully address the gaps.

4. Review revenue streams and materiality thresholds for these revenue streams and industry companies to ensure that the information and data included in the report meet the 2016 EITI Standard and can be achieved by relevant government entities and industry companies.

5. Assess the challenges and recommendations from the Beneficial Ownership (BO) Scoping Study Report and the BO Roadmap available on PNGEITI website www.pngeiti.org.pg. The IA will work with the BO Roadmap Implementation Manager (RIM) and update the implementation of the roadmap in the 2018 report.

6. Assess the challenges and recommendations from the sub-national payments scoping study report. The IA is to consult the sub-national payments study consultant and discuss ways forward on the subnational reporting mechanism in the 2018 Report.

7. Liaise with JICA consultants on Resources Related Revenue Management Project Baseline Study Report, and on areas that require reporting, particularly the corrective actions from validation report that this project is undertaking with Department of Petroleum (DPE) on petroleum licence registry, and disclosure of production volumes and values and such other challenges and gaps as identified.

8. The IA is to ensure that current reporting companies report by project basis (instead of reporting by one single entity/operator/parent company), if they operate multiple projects.

9. Any additional contextual information that should be part of the 2018 EITI Report, reviewing the types of assurances required for ensuring that data submitted by reporting entities is credible;

10. Ensure that all industry companies that are at advanced stage of exploration report on any material payment streams (eg, Corporate Income Tax).

11. Highlight opportunities for the MSG to consider the feasibility of extending the scope of EITI reporting beyond the minimum requirements to address the objectives outlined in the 2019 PNGEITI Work Plan.

The PNGEITI 2018 Report will cover those payments reported in the financial years 2013 to 2017 PNGEITI Reports that have been published plus any additional revenue streams agreed to by the MSG to be included. Further, the IA is expected to refer to previous scoping studies from 2013 to 2017 EITI Reports, the MSG meeting minutes and data from other sources where applicable to scope the 2018 Report.

During the preliminary analysis period, the IA will confirm the scope of the 2018 Report. Following the review of the Inception Report, the MSG may adjust the scope of the 2018 Report, if necessary. While it is anticipated that the 2018 Report will again be focused primarily on national-level data, information on sub-national payments, landowner transfers, beneficial ownership and other details are expected to be covered in the narrative or unilaterally disclosed as agreed by relevant parties and the MSG. The IA is not allowed to release data in any other format beyond what is included in the reconciliation section of the 2018 Report, even if it receives such data in this reconciliation exercises. The IA may be required to sign confidentiality agreements with reporting companies and conduct training sessions on the reporting templates and necessary contextual data inputs with government entities and companies that will be required to report.

**Phase 1 – Preliminary Analysis and Inception Report**
Objective: The purpose of the inception phase is to confirm that the scope of the EITI reporting process has been clearly defined, including the reporting templates, data collection procedures, and the schedule for publishing the Report. It is imperative that the scope of PNG EITI reporting is clearly defined and is consistent with both the 2016 EITI Standard (http://www.pngeiti.org.pg/eiti-2016-standard/) and the MSG's agreed objectives and expectations for the PNG EITI reporting process. The findings from the first phase should be documented in an inception report (see sub-paragraphs 1.1-1.2 below). The IA is expected to undertake the following key tasks during the inception phase:

1.1 Review relevant background information, including governance, taxation policies and fiscal arrangements governing the extractive industries, the findings from past scoping study reports and the financial years 2013 to 2017 PNG EITI Reports to scope the 2018 Report based on these information. A list of relevant documentation has been provided as Annex 1 and additional documents will be provided to the successful bidder to assist in this review process.

1.2 Review the scope proposed by the MSG with particular focus on the following:

1.2.1 The comprehensiveness of the payments and revenues to be covered in the EITI Report as proposed by the MSG in Annex 1 and in accordance with EITI Requirement 4.

1.2.2 Comprehensiveness: In accordance with EITI Requirement 4.1, the IA should ensure that comprehensiveness of the companies and government entities that are required to report as defined by the MSG in Annex 1 and in this Requirement. The IA should ensure that the materiality threshold for selecting companies takes into account all payments that could affect the comprehensiveness of EITI reporting and this be included in the scope of reconciliation. Further, the IA should ensure that the 2018 Report includes its own assessment of the materiality of omissions from non-reporting entities, an assessment of the comprehensiveness of the EITI Report and that full unilateral government disclosure of total revenues, including from non-material companies is provided for each of the material revenue streams.

1.2.3 The audit and assurance procedures in companies and government entities participating in the EITI reporting process. This includes examining the relevant laws and regulations, any reforms that are planned or underway, and whether these procedures are in line with internationally accepted standards and practice. It is recommended that the EITI Report includes a summary of the findings, otherwise the MSG should make the results of the review of audit and assurance practices publicly available elsewhere.

1.2.4 The reporting templates are to be based on the agreed benefit streams to be reported and the reporting entities (1.1 – 1.2 above). The IA in collaboration with the PNGEITI National Secretariat will draft the templates for MSG’s approval. It is recommended that the templates include a provision requiring companies to report any other material payments to government entities and non-government entities (including landowner entities and exploration companies that are at advanced stages of development.

1.2.5 License allocations: In accordance with EITI Requirement 2.2, the IA is required to obtain and document information related to the award or transfer of mining tenements and oil and gas licenses pertaining to companies to be covered in the EITI report. The IA is to ensure that this information should include the number of mining tenements and oil and gas licenses awarded and transferred in the 2018 fiscal year, a description of the award and transfer procedures, including specific technical and financial criteria assessed, and any non-trivial deviations from statutory procedures in practice.
1.2.6 **License register:** In accordance with EITI Requirement 2.3, the IA should explicitly document in the report the availability of publicly-accessible register or cadaster system(s), including comprehensive information on licenses for all oil, gas and mining companies. The IA is to ensure that the information set out under EITI Requirement 2.3.b is publicly accessible for all mining, oil and gas companies. Where such register is not available or disclosed by DPE, the IA should provide a PDF or scanned version of the relevant information obtained on the PNGEITI website and provide a link in the report.

1.2.7 **State participation:** In accordance with EITI Requirement 2.6, the IA should recommend to the MSG to establish a definition of SOEs to delineate the SOEs within the scope of EITI reporting and ensure that a comprehensive list of State participation in the extractive industries, including terms associated with State equity and any changes in the fiscal year 2018 be publicly accessible. The IA must ensure that the 2018 Report clarifies the rules and practices governing financial relations between all SOEs, including their subsidiaries, and the State including the existence of any loans or loan guarantees extended by the State, or SOEs to extractive companies or projects.

1.2.8 **Production data:** In accordance with EITI Requirement 3.2, the IA should ensure that the complete production volume for oil and gas, and production values for each of the extractives commodities produced during the fiscal year 2018 is reported and is publicly accessible, disaggregated by commodity.

1.2.9 **Export data:** In accordance with EITI Requirement 3.3, the IA should ensure that export volumes and values are obtained from reporting companies and entities and publicly disclosed for each mineral commodity (including oil, condensate and gas) exported in the fiscal year 2018. Alternatively, for companies included in the 2018 Report, the IA should provide links to where all relevant data can be found in company reports.

1.2.10 **SOEs transactions:** In accordance with EITI Requirement 4.5, the IA should undertake a comprehensive assessment of transactions between extractives SOEs (and their subsidiaries) and mining, oil and gas companies, as well as between the extractives SOEs (including their subsidiaries) and government in scoping for future EITI Reports. All SOEs (including Trustees) collecting material revenues or making material payments to government should be included in future EITI reporting. If necessary, the IA should recommend to the MSG in this report for a scoping study to be undertaken on SOEs transactions to improve SOEs disclosures in future reports.

1.2.11 **Direct sub-national payments:** In accordance with EITI Requirement 4.6, the IA should establish whether direct subnational payments (to government entities) by extractives companies are material. Where material, the IA is required to ensure that direct subnational payments are reconciled between company payments and subnational government entities’ receipts. Given widespread confusion yet vivid interest among stakeholders from all constituencies over extractives revenue flows accruing to subnational governments, the IA should consider mapping out subnational revenue flows associated with each individual extractive project, drawing on results from the scoping study on subnational revenue flows published in April, 2019.

Key deliverables for the IA in this report is to identify communities where landowners have MOAs with the governments and flagging the terms and benefits of these MOAs. If necessary, the IA should recommend to the MSG in this report for an evaluation study to map out all MOAs between the landowners and government.
1.2.12 **Data quality:** In accordance with EITI Requirement 4.9, the EITI requires an assessment of whether the payments and revenues are subject to credible, independent audit, applying international auditing standards. In accordance with requirement 4.9.b.iii and the standard Terms of Reference for the Independent Administrator agreed by the EITI Board, the MSG and the Independent Administrator should:

Ensure that the Independent Administrator provides a clear and categorical assessment of comprehensiveness and reliability of the (financial) data presented, including an informative summary of the work performed by the Independent Administrator and the limitations of the assessment provided.

Ensure that the Independent Administrator provides an assessment of whether all companies and government entities within the agreed scope of the EITI reporting process provided the requested information. Any gaps or weaknesses in reporting to the Independent Administrator must be disclosed in the EITI Report, including naming any entities that failed to comply with the agreed procedures, and an assessment of whether this is likely to have had material impact on the comprehensiveness and reliability of the report.

1.2.13 **Distribution of extractive industry revenues:** In accordance with EITI Requirement 5.1, the Independent Administrator should check with the Department of Treasury and clarify in the report which extractive revenues are recorded in the national budget. Where revenues are not recorded in the national budget, the allocation of revenues should be explained, with links provided to other relevant financial reports.

1.2.14 **Sub-national transfers:** In accordance with EITI Requirement 5.2, the IA is required to ensure that material subnational transfers of extractive revenues are publicly disclosed, when such transfers are mandated by a national constitution, statute or other revenue sharing mechanisms such as benefit-sharing agreements. The MSG should also disclose any discrepancies between the transfer amount calculated in accordance with the relevant revenue sharing formula and the actual amount transferred between the central government and each relevant subnational entity on an annual basis.

The IA should follow up on implementing the recommendations from the subnational scoping study that was published in April, 2019. Where possible, the IA should update the reporting templates to ensure that companies report on subnational payments. MRDC to be engaged to ensure that calculated amounts and actual amounts transferred are reconciled.

1.2.15 **Mandatory social expenditures:** In accordance with EITI Requirement 6.1, the IA should ensure that reporting of mandatory social expenditures be disaggregated by type of payment and beneficiary, clarifying the name and function of any non-government (third-party) beneficiaries of mandatory social expenditures. The IA is to revise the reporting templates to ensure disaggregation by type of payment and beneficiary. The IA is to assist the MSG to agree on the categories of (beneficiaries of) mandatory social expenditures to be reported and adjust the deadline of submission of reporting templates to consider these new changes for the 2018 Report.

1.2.16 **SOEs quasi-fiscal expenditures:** In accordance with EITI Requirement 6.2, PNG should undertake a comprehensive review of all expenditures undertaken by extractives SOEs (and their subsidiaries) that could be considered quasi-fiscal. PNG should develop a
reporting process with a view to achieving a level of transparency commensurate with other payments and revenue streams and should include SOE subsidiaries and joint ventures. Reporting on SOE quasi-fiscal expenditures (QFEs) will require appropriate legislative amendments and the IA is expected to identify this and document or recommend this in the report.

The IA is to assist the MSG by recommending appropriate actions to build the capacity of companies to report on such QFEs in future reports. In the interim, the IA should consider including, where possible, QFEs by SOEs in the 2018 report.

1.3 On the basis of 1.1 and 1.2 as applicable, produce an inception report that:

1.3.1 Includes a statement of materiality (annex 1) confirming MSG's decision on the payments and revenues to be covered in the EITI Report, including:

- The definition of materiality threshold, and the resulting revenue streams to be included in accordance with EITI Requirement 4.1(b);
- The sale of State's share of production or other revenues collected in-kind in accordance with EITI Requirement 4.2;
- The coverage of infrastructure provisions and barter arrangements in accordance with EITI Requirement 4.3;
- The coverage of social expenditure in accordance with EITI Requirement 6.1;
- The coverage of transportation revenues in accordance with EITI Requirement 4.4;
- The reconciliation of payments to and from State owned enterprises (SOEs) in accordance with EITI Requirement 4.6;
- The materiality and inclusion of direct sub-national payments in accordance with Requirement 4.5 and material landowner payments under EITI Requirement 6.1;
- The materiality and inclusion of sub-national payments and transfers in accordance with EITI Requirement 5.2;
- The level and type of disaggregation of the PNGEITI Reports in accordance with Requirement 4.7; and
- All other data and information covering points 1.2.1 to 1.2.16 as outlined above.

1.3.2 Includes a statement of materiality (annex 1) confirming the MSG's decision on the companies and government entities that are required to report, including:

- Industry companies, (including SOEs) that make material payments to the State and will be required to report in accordance with EITI Requirement 4.1(c);
- Government entities, including SOEs (trustees included) and sub-national government entities and landowner companies/associations that receive material payments spent on infrastructure projects or provision of goods and services, as well as invested on behalf of landowners and future generations by Trustees like MRDC will be required to report in accordance with EITI Requirement 4.1(c-d), 4.5 and 4.6;
- Industry companies that are at advanced stages of development are required to report on any material payments made in the financial year being reported.
• Any barriers to full government disclosure of total revenues received from each of the benefit streams agreed in the scope of the EITI report, including revenues that fall below agreed materiality thresholds (Requirement 4.1(d); and

1.3.3 Based on the examination of the audit and assurance procedures in companies and government entities participating in the EITI reporting process (1.2.3 above), a confirmation of what information participating companies and government entities are required to provide to the IA in order to assure the credibility of the data in accordance with EITI Requirement 4.9.

The IA should exercise judgement and apply appropriate international professional standards in preparing the PNG EITI Report. The IA should employ professional judgement to determine the extent to which reliance can be placed on the existing controls and audit frameworks of the companies and governments. Where deemed necessary by the IA and the MSG, assurances may include:

• Requesting sign-off from a senior company or government official from each reporting entity attesting that the reporting template containing the company or government financial data and contextual information are complete and accurate record;
• Requesting a confirmation letter from the companies’ external auditor that confirms that the information that have submitted is comprehensive and consistent with their audited financial statements. The MSG may decide to phase in any such procedure so that the confirmation letter may be integrated into the usual work programme of the company's auditor. Where some companies are not required by law to have an external auditor and therefore cannot provide such assurance, this should be clearly identified, and any reforms that are planned or underway should be noted; and
• Where relevant and practicable, request that government reporting entities obtain a certification of the accuracy of government's disclosures from their external auditor or equivalent (or seek this directly from the auditor, notably the Auditor General).

The inception report should document the options considered and the rationale for the assurances to be provided.

1.3.4 Confirms the procedures for integrating and analysing non-revenue information in the EITI Report. The inception report should incorporate table 1 below, confirming the division of labour between the IA, the MSG or other actors in compiling this data, and how the information should be sourced and attributed. The MSG has agreed that the IA will be required to prepare the entire EITI Report (inclusive of contextual information and financial data compilation and reconciliation). In certain areas, the MSG may decide to task another party to compile all or parts of the contextual information. If so, the MSG and the IA will agree to the procedures for how this would be incorporated in the EITI Report.

Table 1 – Non-revenue information to be provided in the EITI Report

The MSG has agreed to the contents of the table below for the IA to commence report preparation. It has outlined the scope of work required from the IA in collating contextual information, including likely sources of data. In completing this table, the MSG strongly recommends the IA to refer to the detailed EITI Requirements set out in the 2016 EITI Standard here.

1 For example, ISA 505 relative to external confirmations; ISA 530 relative to audit sampling; ISA 500 relative to audit evidence; ISRS 4400 relative to the engagement to perform agreed-upon procedures regarding financial information and ISRS 4410 relative to compilation engagements.
It is critically important that “the IA is required to adequately address in the 2018 Report the outcome from the 2018 Validation Report, especially scoping out how it intends to address the corrective actions as recommended in the Validation Report. The validation report is provided via [http://www.pngeiti.org.pg/pngeiti-validation-report/](http://www.pngeiti.org.pg/pngeiti-validation-report/). The IA is expected to work closely with PNGEITI Project Consultants and government entities to properly document in the report some of the work already being undertaken to address the gaps identified in the Validation Report, and also the progress being made in implementing the previous report recommendations.

<table>
<thead>
<tr>
<th>Non-revenue information to be provided in the EITI Report</th>
<th>Work to be undertaken by the Independent Administrator (IA)</th>
<th>Work to be undertaken by the MSG/others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal framework and fiscal regime in accordance with EITI Requirement 2.1.</td>
<td>Summary of PNG’s fiscal and taxation regime covering the mining, oil and gas sector and a general overview of the relevant laws and regulations governing these sectors. The IA will be required to liaise with the Departments of Treasury, Petroleum and Energy, Mineral Policy and Geohazards Management, the IRC, MRA and other relevant entities in providing this description. Refer to the PNGEITI Reports (2013 – 2017) for reference, the Validation Report, its recommendations, especially the corrective measures that are to be acted upon before the second validation in April 2020. The documents are available at PNGEITI website: <a href="http://www.pngeiti.org.pg">www.pngeiti.org.pg</a>.</td>
<td>No work will be required from MSG/others</td>
</tr>
<tr>
<td>An overview of the extractive industries, including any significant exploration activities in accordance with EITI Requirement 3.1.</td>
<td>The IA will be required to use the 2013 to 2018 scoping study reports, the fiscal years 2013 to 2017 PNGEITI Reports (Refer to <a href="http://www.pngeiti.org.pg">www.pngeiti.org.pg</a>), the Beneficial Ownership Study Report and Roadmap, the Sub-national Payments Scoping Study Report, the Tax Review Report for this purpose. Further, the IA is to liaise with the Departments of Petroleum and Energy, Mineral Policy and Geohazards Management and Mineral Resources Authority and any other relevant entities to obtain information and provide an overview on the extractive industries, including an update on exploration activities in PNG.</td>
<td>No work will be required by MSG/others</td>
</tr>
</tbody>
</table>
Information about the contribution of the extractive industries to the economy in accordance with EITI Requirement 6.3.

Where there are information gaps in the scoping study report on the points listed below and agreed to by the MSG, the IA is expected to fill these in by liaising with the Department of Treasury, Bank of PNG and industry companies to determine the contribution made to the PNG economy in the reporting period. Such information to include:

- Size of extractive industries and as a percentage of GDP, including an estimate of the informal sector
- Total government revenues generated by the extractive industries (taxes, royalties, bonuses, fees and other payments) in absolute terms and as a percentage of total government revenues.
- Exports from extractive industries in absolute terms and as a percentage of total exports.
- Employment in the extractive industries in absolute terms and as a percentage of total employment
- Regions/provinces where production is concentrated.

Production and export data in accordance with EITI Requirement 3.2 and 3.3

The IA is expected to use the information from the 2013 to 2017 scoping study reports and the 2013 - 2017PNG EITI Reports to disclose production data for 2018 in the PNGEITI Report. The production data should include:

- Total production volumes and the value of production by commodity and by region/provinces
- Total export volumes and the value of exports by commodity and province of origin.

Where there is gap in the information, the IA is expected to liaise with MRA, DPE and other relevant entities to verify the information.

Information regarding State participation in the

The IA is expected to liaise with Ok Tedi, Kumul Petroleum Holdings, MSG members and government agencies to provide assistance with respect to reviewing information collected by the IA.
| extractive industries in accordance with EITI Requirement 2.6 and 6.2.² | Kumul Mineral Holdings and Mineral Resources Development Company (MRDC) to provide an explanation on their roles and practices regarding the financial relationship between the Government (e.g., transfer of funds between the State and SOEs), retained earnings, State equity participation and reinvestment. Further background information can be obtained from PNGEITI Reports (fiscal years 2013 – 2017). The IA is also expected to liaise with Department of Treasury on the third party funding arrangements for mining, oil and gas projects including the PNG LNG project. The IA is expected to assess the level of disclosure and provide options to the MSG in the preliminary report. The IA is expected to liaise with Ok Tedi, Kumul Petroleum Holdings, Kumul Mineral Holdings, MRDC and other relevant State entities to provide their quasi-fiscal expenditures such as payments for social services, public infrastructure, fuel subsidies, third party financing and national debt servicing for the year 2018. The IA is expected to liaise with Ok Tedi, Kumul Petroleum Holdings, Kumul Consolidated Holdings, Kumul Mineral Holdings, MRDC and other relevant State agencies including Treasury, MRA, and DPE on level of beneficial ownership (BO) in mining, oil and gas companies operating within the country’s oil, gas and mining sector, including those held by SOEs (trustees included), subsidiaries and joint ventures and any change of ownership during the 2018 fiscal year. | provide assistance with respect to reviewing information collected by the IA |
| Information about the distribution of revenues from the extractive industries in accordance with EITI Requirement 5.1. | The IA is expected to use the 2013 – 2017 scoping study reports and the PNGEITI Reports (2013 – 2017) and where there are still information gaps, liaise with the Department of Treasury to identify revenues (cash or in-kind) that are recorded in the National Budget. Where there are | MSG members and government entities are required to assist in reviewing information collected by the IA to ensure they are factually correct and consistent |

<table>
<thead>
<tr>
<th>Information gaps, liaise with the Departments of Treasury, Finance, Petroleum and Energy and Mineral Resources Authority to address them in the 2018 Report.</th>
<th>Any further information requested by the MSG on revenue management and expenditures in accordance with EITI Requirement 5.3.</th>
<th>MSG members and government entities are required to assist in reviewing information collected by the IA to ensure these are factually correct and consistent</th>
</tr>
</thead>
<tbody>
<tr>
<td>The IA is expected to use the information in the PNgEITI financial years 2013 to 2017 Reports to address Requirement 5.3 and where there are information gaps, liaise with relevant government entities and SOEs to verify them.</td>
<td>The IA is expected to use the information in the scoping report and the PNgEITI financial years 2013 to 2017 Reports to address Requirements 2.2 and 2.3. Where such information gap exists, the IA is expected to consult with MRA, Environment and Conservation Protection Authority (CEPA) and DPE or the project consultants (JICA) to address the gaps or document actions being undertaken to meet these requirements. Where there is need for improvement, the IA should make recommendations to the MSG.</td>
<td>MSG members and government entities are required to assist with respect to reviewing information collected by the IA to ensure these are factually correct and consistent</td>
</tr>
</tbody>
</table>
| Information about license holders in accordance with EITI Requirement 2.3, and the allocation of licenses in accordance with EITI Requirement 2.2. | For the purpose of this report, the IA should work with the BO Roadmap Implementation Manager (KPMG) to:  
  - Propose a definition of BO for adoption by the MSG.  
  - Propose the disclosure of details on the identity of the beneficial owners.  
  - Propose an approach for assuring the BO assurance for adoption by the MSG.  
  - Reflect the MSG’s decision on the definition of BO, the details to be disclosed about the identity of the assurance process in the EITI’s model BO template.  
  - Develop guidelines to reporting companies on how | For the purpose of 2018 Report, the MSG will:  
  - Consider and agree the recommendations by the IA with regards to the definition of BO, the details to be disclosed about the identity of the BO, and the approach for BO data assurance.  
  - The IA is to consult the BO Roadmap Implementation Manager (KPMG) who has planned to pilot BO reporting |
| Any information requested by the MSG on beneficial ownership (BO) in accordance with EITI Requirement 2.5 |  
  - The IA is expected to work with the BO Roadmap Implementation Manager (KPMG) to:  
  - Propose a definition of BO for adoption by the MSG.  
  - Propose the disclosure of details on the identity of the beneficial owners.  
  - Propose an approach for assuring the BO assurance for adoption by the MSG.  
  - Reflect the MSG’s decision on the definition of BO, the details to be disclosed about the identity of the assurance process in the EITI’s model BO template.  
  - Develop guidelines to reporting companies on how |  
  - The IA is expected to work with the BO Roadmap Implementation Manager (KPMG) to:  
  - Propose a definition of BO for adoption by the MSG.  
  - Propose the disclosure of details on the identity of the beneficial owners.  
  - Propose an approach for assuring the BO assurance for adoption by the MSG.  
  - Reflect the MSG’s decision on the definition of BO, the details to be disclosed about the identity of the assurance process in the EITI’s model BO template.  
  - Develop guidelines to reporting companies on how |
to identify their beneficial owners and complete the reporting template.

- Distribute the BO template to the companies included in the scope of the EITI Report, collect data and follow up on any missing or incomplete submissions.
- Compile the data in an open data format (xlsx or cvs)
- Present the findings in the EITI Report, noting for each of the companies in the scope of the report: the name of the BOs of each company, details about their identity, and information about how ownership is exerted. Where legal owners have been disclosed, this should be distinguished from beneficial ownership.
- Provide comments on the comprehensiveness and reliability of the BO information, and present recommendations for improving beneficial ownership reporting in the future, apart from the list of activities identified in the BO Roadmap.

| Any information requested by the MSG on contracts in accordance with EITI Requirement 2.4 | The IA should assess the possibility of contract disclosure in this report and highlight impediments and options to address these impediments. For mining companies, MRA is expected to work with the IA to disclose project agreements and contracts and, if not possible links should be provided in the report for public access to these contracts and agreements. For petroleum companies, DPE is expected to work with the IA to disclose contracts (including project agreements) and if possible, provide links in the report for public access to these agreements and contracts. However, if for some reason the | No work will be required from MSG/others |

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1.3.5 Confirms the reporting templates, as well as any procedures or provisions relating to safeguarding confidential information. The IA should also develop guidance and training for the reporting entities on how to complete the reporting templates.

**Phase 2 – Data Collection**

**Objective:** The objective of the second phase of work is to collect data for the EITI Report in accordance with the scope as agreed by the MSG in the Inception Report. The MSG and the National Secretariat will provide contact details for the reporting entities and assist the IA in ensuring that all reporting entities participate fully and provide the required data in a timely manner.

The IA is expected to undertake the following tasks during the data collection phase:

2.1 Distribute the reporting templates and collect completed forms and associated supporting documentation directly from the reporting entities, as well as any contextual or other information that the MSG has approved for the IA to collect in accordance with 1.3.4 above.

2.2 Contact the reporting entities directly to clarify any information gaps or discrepancies that may exist.

2.3 Where necessary for non-revenue information, the IA is to request, obtain and provide documentation on the processes relating to issuance of relevant approvals, endorsements and licenses.

2.4 Where data is kept at sub-national levels, the IA is expected to travel to the sites where these entities or companies are located to obtain such data and information, if necessary to complete the report on time.

**Phase 3 – Initial Reconciliation Report**

**Objective:** The objective of this phase is to compile the contextual information and reconcile revenue data with a view to identifying any gaps or discrepancies initially to be further investigated. The IA should:

3.1 Compile a database with the payments and revenue data provided by the reporting entities.
3.2 comprehensively verify and reconcile the financial data disclosed by the reporting entities, identify any discrepancies (including offsetting discrepancies) in accordance with the agreed scope and any other gaps in the contextual information provided.

3.3 identify any discrepancies above the agreed margin of error established in agreement with the MSG. The MSG and the IA may decide to agree on an acceptable margin of error in determining the discrepancies that may require further investigation.

**Phase 4 – Investigation of Discrepancies and Draft PNG EITI Report**

**Objective:** The purpose of this phase is to investigate any discrepancies identified in the initial reconciliation, and to produce a draft PNG EITI Report that contains the contextual information, reconciled financial data and an explanation on any discrepancies above the margin of error as determined by the MSG. Where applicable, the IA should:

4.1 Contact the reporting entities to clarify the causes of any significant discrepancies or other gaps in the reported data, and to collect additional data or an explanation from the reporting entities concerned.

4.2 Submit a draft EITI Report to the MSG for comments and feedback by the reporting entities, identify any discrepancies from the financial data provided, contextual and other information as presented or documented by the IA. The financial data should be disaggregated to the level of detail agreed by the MSG and in accordance with EITI Requirement 4.7. The draft PNG EITI Report should:

a) Describe the methodology adopted for the reconciliation of company payments and government revenues, and demonstrate the application of international professional standards.

b) Include a description of all revenue streams, related materiality definitions and thresholds (EITI Requirement 4.1).

c) Include an assessment from the IA on the comprehensiveness and reliability of the financial data presented, including an informative summary of the work performed by the IA and the limitations of the assessment provided.

d) Indicate the coverage of the reconciliation exercise, based on the government’s disclosure of total revenues as per EITI Requirement 4.1(d).

e) Include an assessment of whether all companies and government entities within the agreed scope of the EITI reporting process provided the requested information. Any gaps or weaknesses in reporting to the IA must be disclosed in the EITI Report, including naming any entities that failed to comply with the agreed procedures, and an assessment of whether this is likely to have had material impact on the comprehensiveness of the reports (EITI Requirement 5.3(d)).

f) Document whether participating companies and government entities had their financial statements audited in the financial year covered by the EITI Report. Any gaps or weaknesses must be disclosed. Where audited financial statements are publicly available, it is recommended that the EITI Report specifies how these statements could be accessed (EITI Requirement 5.3(e)).

g) Include non-revenue information as per EITI Requirement 2, 3, 5 and 6 and other information requested by the MSG. The contextual information should be clearly sourced in accordance with the procedures agreed by the IA and the MSG.

4.3 Where previous EITI Reports have recommended corrective actions and reforms, the IA should comment on the progress made in implementing those measures [EITI Requirement 5.3(e)]. The IA should make recommendations for strengthening the reporting process in the future, including any recommendations regarding audit
practices and reforms needed to bring them in line with international standards, and where appropriate, recommendations for other extractive sector reforms related to strengthening the impact of implementation of the EITI on natural resource governance. The IA is required to collaborate with the MSG in formulating such recommendations.

4.4 The IA is required to make recommendations on strengthening the template Terms of Reference for IA services in accordance with the EITI Standard for the attention of the EITI International Board.

Phase 5 – Final PNG EITI Report

Objective: The objective of this phase is to ensure that any comments by the MSG on the draft report have been considered and incorporated in the final PNG EITI Report.

5.1 The IA will submit the Report upon approval by the MSG. The MSG will endorse the report prior to its publication. Where stakeholders other than the IA decide to include additional comments, the authorship should be clearly indicated.

5.2 The IA will produce the final PNG EITI report in electronic and hard copy formats (both in Word and Pdf versions) for distribution as agreed to by the MSG. The IA may also be required to develop a set of power point briefing slides for MSG’s use in external communications.

5.3 The IA will provide files for all data in a searchable, sortable and machine-readable formats. These files shall be accompanied by comprehensive documentation that would allow any third party to easily understand and use these data files. This should include a description of data types, the meaning of data categories and available values. The final product of the files and data will be the property of the PNG EITI National Secretariat.

5.4 Following approval by the MSG, the IA is mandated to submit a summary data (in excel data formats) from the PNG EITI Report electronically to the International Secretariat according to the standardized reporting format (EITI Requirement 5.3(b)).

5.5 The IA shall take appropriate measures to ensure that the report is accurate and comprehensive. This includes ensuring that the report have high levels of readability, legality and usability. The MSG may also request for the reports to be edited by a professional copy-editor and/or be designed by a professional graphical designer.

5.6 The MSG may request that the IA submit to the National Secretariat all data gathered during reconciliation, including the contact information of all institutions contacted during the reporting period.

5.7 The IA should endeavor as much as possible to include information graphics into the Report for better illustration and understanding.

4. QUALIFICATION REQUIREMENTS FOR THE INDEPENDENT ADMINISTRATOR (IA)

The reconciliation of company payments and government revenues must be undertaken by an IA applying international professional standards (EITI Requirement 4.9). It is a requirement that the IA is perceived by the MSG to be credible, trustworthy and technically competent. Bidders must follow (and show how they will apply) the appropriate professional standards for the reconciliation and agreed-upon-procedures in preparing the report. The potential IA must be able to meet all relevant criteria and due diligence requirements and must have some experience working on similar financial budget / revenue issues and extensive experience in accounting, auditing, financial analysis and reconciliation. The IA will need to demonstrate some experience
in the oil, gas and mining sectors, preferably in PNG and must demonstrate adequate local knowledge by senior Papua New Guinean staff in the project team for this assignment. Preference may be given to bidders that have had prior international experience in undertaking similar EITI reporting and financial data reconciliation in other jurisdictions, but not necessary.

The IA is also required to demonstrate experience in the following:

**Data management and communication**

- Managing, analyzing, and translating complex and often “dry” financial data into easily understandable and usable formats for public users. The public may include; the general public, non-profit organizations, community groups, provincial and local level governments, State entities, educational and research institutions, companies, donors, development partners and others.

- Using state of the art data processing tools to ensure that the financial reconciliation is performed in the most efficient and effective manner (e.g., good properties of distributed systems: reliability, scalability, availability, etc.) and the data and source documents remain safeguarded.

- Developing, implementing and maintaining quality assurance, project and system processing procedures.

**Open government initiatives**

- Using applied research and experience working directly with regional, national and local institutions to leverage existing and relevant publicly sourced narrative pertaining to the extractives sector.

- Working with multi-stakeholder groups or multi-sector bodies or committees with diverse interests who will be integral to conducting PNGEITI work.

- Applying methods and theory of public involvement and consultation.

**Accounting**

- Complying with national accounting standards, where national standards exist, or international standards where this is non-existent.

- Reconciling differences in financial reporting from different sources, ideally involving large scale databases and extractive industries financial reporting of revenue obligations or payments within the PNG legal and regulatory environment and policy framework, relevant to PNGEITI requirements.

**Natural resource governance and legal framework**

- Documenting government policy specific to oil, gas and minerals, or similar experience documenting the laws, regulations and policies that govern government operations in PNG and internationally.

- Analyzing and interpreting mineral, oil and gas leasing, royalty contracts, and the legal and regulatory interpretations of those agreements.
• Managing and interpreting policies with respect to leasing, production and revenue reporting for use of the natural resource attributes of the national government’s assets, as well as taxation of the extractive industries

• Documenting the government’s policy on contracts and licenses that govern the exploration and exploitation of oil, gas and minerals. This would include identifying relevant laws, regulations, fiscal and taxation regime and financial systems that govern the extractive sector and access to lease terms for past lease sales

Relevant disciplines and areas of expertise

• PNG governance of natural resources and transparency issues
• Regional development, domestic natural resource markets and energy production and use
• Planning and public administration specializing in taxes, revenue and natural resource policy
• Accounting and legal expertise in natural resource governance
• Sustainable development, democratic natural resource governance and public involvement
• Public and private organizations specializing in oil, mining, gas, non-renewable resources, etc.
• Professional certifications in enterprise database design, implementation, and maintenance.

In order to ensure the quality and independence of the exercise, the IA is required, in its proposal, to disclose any actual or potential conflicts of interest, together with a commentary on how any such conflict can be avoided. Where required by government or industry, the IA is expected to sign confidentiality agreements to ensure sensitive commercial and technical data is protected and that any conflicts of interest situations are effectively mitigated.

5. OTHER INDEPENDENT ADMINISTRATOR’S (IA) RESPONSIBILITIES

Program Management Plan
At least seven (7) business days prior to the post award meeting, the IA shall provide to the PNG EITI National Secretariat and the MSG an overall program management plan for completing the requirements of the Terms of Reference.

Post Award Meeting
The post award meeting will be held in-person with the contract managing partner, relevant staff, and the PNG EITI Secretariat staff and the relevant MSG technical working group members at the PNG EITI National Secretariat office within fifteen (15) business days of the fully executed contract.

Monthly Status Reports
The monthly Status Reports must document the work completed and efforts made in the completion of each phase of the project. The IA will draft the initial monthly status report template to be agreed upon at the post award meeting. The report shall include but not limited to the following requirements:

a. Project status, to include objectives met, work completed, work in progress and work outstanding
b. Notable achievements/non-achievements, reasons/explanations for non-achievements
c. Issues or obstacles impeding progress and recommended solutions
d. Description of work completed and plans for the following month
e. Summarize the efforts of each phase in the Terms of Reference
f. Update on project personnel/staffing with contact information
g. Budget update

**Evaluation Report**

The IA shall provide an evaluation report within fourteen (14) days after the delivery of the PNGEITI 2018 Report. The Report will summarize objectives achieved, significant issues and challenges experienced and recommendations to improve the process of reporting in the future.

### 6. REPORTING REQUIREMENTS AND TIME SCHEDULE FOR DELIVERABLES

The PNGEITI Multi-Stakeholder Group (PNGEITI MSG) will award a fixed price (FFP) contract to the successful bidder. The Independent Administrator shall complete the work associated with each task in accordance with the schedule below as approved by the MSG:

<table>
<thead>
<tr>
<th>Task</th>
<th>Date(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Signing of contract</td>
<td>14 May, 2019</td>
</tr>
<tr>
<td>Scoping Study</td>
<td>15 – 21 May</td>
</tr>
<tr>
<td>Submission of draft Scoping Study Report</td>
<td>22 May</td>
</tr>
<tr>
<td>MSG Reviews and provides feedback</td>
<td>23 – 31 May</td>
</tr>
<tr>
<td>Submission of Final Scoping Study Report</td>
<td>03 June</td>
</tr>
<tr>
<td>Preliminary analysis</td>
<td>04 – 11 June</td>
</tr>
<tr>
<td>Submission of draft Inception report</td>
<td>12 June</td>
</tr>
<tr>
<td>MSG Reviews and comments</td>
<td>13 – 21 June</td>
</tr>
<tr>
<td>Final Submission of Inception report</td>
<td>24 June</td>
</tr>
<tr>
<td>Data collection</td>
<td>25 June – 25 September</td>
</tr>
<tr>
<td>Initial reconciliation</td>
<td>26 September - 01 October</td>
</tr>
<tr>
<td>Investigation of discrepancies</td>
<td>02 October – 31 October</td>
</tr>
<tr>
<td>Submission of draft PNGEITI Report</td>
<td>01 November</td>
</tr>
<tr>
<td>MSG Reviews and provides Inputs</td>
<td>04 – 11 November</td>
</tr>
<tr>
<td>Submission of revised Draft PNGEITI Report</td>
<td>14 November</td>
</tr>
<tr>
<td>Final review and comments by MSG</td>
<td>18 – 21 November</td>
</tr>
<tr>
<td>Submission of final report by IA</td>
<td>27 November</td>
</tr>
<tr>
<td>MSG approves final report</td>
<td>28 November</td>
</tr>
</tbody>
</table>
Payments will be made progressively based on delivery of the following outputs:

- 10% following delivery of the scoping study report
- 20% following delivery of the inception report
- 30% following delivery of the draft EITI report
- 30% following MSG approval and publication of the EITI report
- 10% following submission of Evaluation Report, excel summary data sheets and the reporting templates it used to collect data to compiled the report

7. **CLIENT’S INPUT AND COUNTERPART PERSONNEL**

The PNGEITI National Secretariat will support the work of the IA by providing counterpart staff, facilitate meetings, trainings and workshops with reporting entities and other tasks as and when required.

The Technical Working Group (TWG) on 2018 PNGEITI Report Preparation, on behalf of the MSG will provide overall oversight and direction to the IA in the preparation of the Report.

**ANNEXES:**

**ANNEX 1. STATEMENT OF MATERIALITY**

The scoping work is to be undertaken by the Independent Administrator and forms part of the inception report.

1. **Taxes and revenues to be covered in the PNGEITI Report (EITI Requirement 4.1)**

With regards to the revenue streams set out in EITI Requirements 4.1-4.2, the multi-stakeholder group agreed in the previous reports that the following revenue streams were material and were to be included in the reports to be reconciled. The 2018 Report is expected to cover the same revenue streams however, if there are any additions or exclusions, these will be determined by the MSG based on the scoping report to be done by the IA.

<table>
<thead>
<tr>
<th>Revenue stream</th>
<th>Estimated value and share of total extractive industry revenue</th>
<th>Government recipient</th>
<th>Additional commentary on work to be undertaken by the Independent Administrator (IA) as necessary</th>
</tr>
</thead>
<tbody>
<tr>
<td>(The MSG should list the names of the extractive industry revenue stream that it has identified as material and should be included for reconciliation)</td>
<td>(The MSG should indicate the estimated share of each revenue stream relative to total</td>
<td>(The MSG should list the name of the government entity, including any sub-national government entity that collects the revenue stream).</td>
<td>(For each revenue stream, the MSG should indicate additional work to be undertaken by the IA, if any).</td>
</tr>
</tbody>
</table>

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7 Guidance Note 13: on defining materiality, reporting thresholds and reporting entities, [https://eiti.org/files/Guidance%20note%20on%20defining%20materiality_0.pdf](https://eiti.org/files/Guidance%20note%20on%20defining%20materiality_0.pdf)
<table>
<thead>
<tr>
<th>Revenues from the sector</th>
<th>Authoritative body</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Mining and Petroleum Tax (Corporate Income Tax)</td>
<td>Internal Revenue Commission (IRC)</td>
<td>The IA is to determine the quantum of mining and petroleum tax paid to IRC in 2018. This amount is to be verified by the data collected from the IRC.</td>
</tr>
<tr>
<td>2. Royalties</td>
<td>Department of Petroleum and Energy (DPE) and Mineral Resource Authority (MRA)</td>
<td>The IA is expected to reconcile payments of royalties made by petroleum companies to DPE for petroleum sector. For the mining sector, payments are not made to MRA but directly to the relevant beneficiaries such as individual landowners, their associations, future generation trust funds and provincial and local governments. MRA only issued receipts of payments made to these beneficiaries. The distribution of royalty payments are made in accordance with the benefits sharing agreements of each project. Therefore, in order to make it more relevant to PNG context and to stimulate discussion of how royalties are distributed, the IA should include information regarding royalty payment process and relevant information from the various benefits sharing agreements. In terms of verification and reconciliation of royalty payments, the IA may ask the companies to provide bank receipts of transactions made to</td>
</tr>
<tr>
<td>------------------------</td>
<td>----------------------------------------------------------------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>4. Production Levy</td>
<td>Mineral Resources Authority (MRA)</td>
<td>The IA is expected to verify production levy paid by mining companies to MRA.</td>
</tr>
<tr>
<td>5. Dividends</td>
<td>Department of Treasury and Department of Mineral Policy and Geo-hazards Management and Kumul Consolidated Holdings (formerly IPBC)</td>
<td>The IA is expected to liaise with Ok Tedi, Kumul Petroleum Holdings (previously Petromin) to identify dividends that were paid to the State in 2018. Furthermore, the IA is expected to liaise with Department of Mineral Policy and Geohazard Management on dividend payments made by Ok Tedi to Western Province Peoples Dividend Trust Fund. The IA is also expected to liaise with Highlands Pacific and Oil Search to identify dividends paid to Kumul Consolidated Holdings Limited (KCHL) in 2018.</td>
</tr>
<tr>
<td>6. Development Levy</td>
<td>Southern Highlands and Hela Provincial Governments</td>
<td>The IA is expected to determine and quantify development levies paid by the companies and verify these with provincial government on</td>
</tr>
<tr>
<td>7. Infrastructure Tax Credits (ITC)</td>
<td>Department of National Planning and Monitoring and IRC</td>
<td>The IA will need to liaise with resource companies that participated in undertaking ITC-related projects in 2018 and verify this with the Department of National Planning and Monitoring and the IRC to quantify ITC expenditure. The IA need to assess the process of ICT expenditure and do the reporting template accordingly in consultation with DNPM and IRC. The IA will also work with DNPM to explain the process of ITC expenditure, the guidelines and criteria used in approving ITC projects, and how these expenditures would be filled in the reporting templates.</td>
</tr>
<tr>
<td>8. Group Tax (Taxes withheld on employees’ salaries)</td>
<td>IRC</td>
<td>The IA is expected to liaise with the IRC to disclose Group Tax. The MSG expects that this revenue/payment stream will be unilaterally declared by the IRC, including for all companies in advanced stages of exploration and development stages.</td>
</tr>
<tr>
<td>9. Mandatory Social Expenditure</td>
<td>Reporting Companies</td>
<td>Mandatory social spending is mandated by legislation or contractual obligations that requires the developer to fund or provide in-kind support for community development programs that are above and beyond those payments.</td>
</tr>
</tbody>
</table>
or other support required to construct and manage producing mine, oil or gas operations. (The payments streams identified in the scoping studies will be reported as Mandatory Social Expenditure for the PNGEITI report. The MSG expects that the payments will be unilaterally declared by the companies when applicable. The MSG expects that the companies provide a short narrative or description of how voluntary and mandatory payments are distinguished.

| 10. Foreign Company/Contractor Withholding Tax | Internal Revenue Commission (IRC) | The IA is expected to liaise with the IRC and provide background information for inclusion in a related annex; where data is available it will be provided as a unilateral disclosure (i.e. not for reconciliation) by sector. The 2013 to 2017 reporting years may pose some challenges for this reporting, but it is anticipated that related data availability will improve in later years. |
| 11. Additional Profits Tax | Internal Revenue Commission | APT is a component of the tax application to PNGLNG project. It is part of the revenue stream to the government and will be reported by the IRC, if there were any payments made in the 2018 reporting year. |
The multi-stakeholder group has agreed that revenue streams from the extractive sector listed in Table 2 should be unilaterally disclosed by the Government in the PNGEITI Report rather than reconciled with company figures. The reasons for unilateral disclosure rather than reconciliation should be documented for the MSG.

**Table 2 – Material revenues to be unilaterally disclosed by the Government**

<table>
<thead>
<tr>
<th>Revenue stream</th>
<th>Estimated value and share of total extractive industry revenue</th>
<th>Government recipient</th>
<th>Additional commentary on data sources and the work to be undertaken by the Independent Administrator (IA) as necessary</th>
</tr>
</thead>
<tbody>
<tr>
<td>License fees</td>
<td>(The MSG should list the names of the extractive industry revenue streams that have been identified as material and should be included for reconciliation)</td>
<td>DPE; MRA and CEPA</td>
<td>(For each revenue stream, the MSG should indicate additional work to be undertaken by the IA, if any).</td>
</tr>
</tbody>
</table>

**Table 3 – Immaterial revenue streams from the extractive sector to be excluded from the Report**

<table>
<thead>
<tr>
<th>Revenue stream</th>
<th>Estimated value and share (%) of total extractive industry revenue</th>
<th>Government recipient</th>
<th>Additional commentary on data sources and rationale for concluding that the revenue stream is immaterial</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(The MSG should list the names of the extractive industry revenue streams that have been identified as immaterial and should be excluded from reconciliation)</td>
<td>(The MSG should list the name of the government agency, including any sub-national government agency that collects this immaterial revenue stream).</td>
<td>(For each revenue stream, the MSG should indicate additional work to be undertaken by the IA, if any).</td>
</tr>
<tr>
<td></td>
<td>&lt;value&gt; (&lt;percentage&gt;)</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
2. Additional benefit streams:
With regards to the benefit streams set out in Requirement 4, the MSG has agreed to the following:

Table 4 – Additional benefit streams

<table>
<thead>
<tr>
<th>Benefit stream</th>
<th>Applicable/material?</th>
<th>Estimated value and share (%) of total extractive industry revenue</th>
<th>Government recipient</th>
<th>Additional commentary on data sources and the work to be undertaken by the IA as necessary.</th>
</tr>
</thead>
<tbody>
<tr>
<td>The materiality and inclusion of infrastructure and barter arrangements (EITI Requirement 4.3)</td>
<td>Not applicable</td>
<td></td>
<td></td>
<td>(For each revenue stream, the MSG should indicate additional work to be undertaken by the IA, if any).</td>
</tr>
<tr>
<td>The materiality and inclusion of mandatory social payments (EITI Requirement 6.1(a))</td>
<td>Not applicable</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The materiality and inclusion of voluntary social payments (EITI)</td>
<td>Applicable – the voluntary social payments are done by companies and reported in their various website or through their</td>
<td>The IA is required to quantify the share of value from the report</td>
<td>Voluntary social payments are paid to any stakeholders including the government,</td>
<td></td>
</tr>
</tbody>
</table>

---


1. **List of reporting entities (companies and government agencies) (EITI Requirement 4.1)**

### 3.1 Mining Companies

<table>
<thead>
<tr>
<th>Projects</th>
<th>Operator/Owner</th>
<th>MSG's Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ok Tedi Mining</td>
<td>• Ok Tedi Mining Limited (operator)</td>
<td>• The MSG has agreed that the operator for each mining project will report by project (project by project reporting). A reporting template will have to be filled in with information available to it (excluding any information that is confidential and/or privileged for which the operator will seek approval) and submitted to the IA. Subject to compliance with applicable contractual or statutory approval processes, the operator will report on the payments derived from the operations plus equity distributions to State partners, while the partners are independently accountable for reporting their tax payments to IRC separately. To enable the IRC to disclose tax receipts from</td>
</tr>
<tr>
<td></td>
<td>• Mineral Resources OK Tedi Star No. 2 Limited</td>
<td></td>
</tr>
<tr>
<td>Porgera Joint Venture</td>
<td>• Barrick (Niugini) Limited (Operator)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Mineral Resources Enga Limited</td>
<td></td>
</tr>
<tr>
<td>Lihir</td>
<td>• Newcrest Mining Limited (Operator)</td>
<td></td>
</tr>
<tr>
<td>Hidden Valley</td>
<td>• New Crest Mining Limited (operator)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Harmony Gold Limited</td>
<td></td>
</tr>
<tr>
<td>Ramu</td>
<td>• MCC RamuNiCo Limited (operator)</td>
<td></td>
</tr>
</tbody>
</table>

---


<table>
<thead>
<tr>
<th></th>
<th>Ramu Nickel Limited</th>
<th>Mineral Resources Ramu Limited</th>
<th>Mineral Resources Madang Limited</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tolukuma</td>
<td>Petromin Holdings Limited (operator)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Simberi</td>
<td>St Barbara Limited (operator)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sinivit</td>
<td>New Guinea Gold Limited (operator)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 1.2 Oil Companies

With oil companies, the operator will report on royalty, levy and social payments on behalf of the consortium members, however it is now required to be reported in the 2018 Report that all EITI implementing countries should move towards project level reporting and this should be undertaken where possible. Each consortium member will report their own corporate tax and any ITC related deductions.

<table>
<thead>
<tr>
<th>Operator</th>
<th>Oil Search Limited</th>
</tr>
</thead>
<tbody>
<tr>
<td>IV Partners</td>
<td></td>
</tr>
</tbody>
</table>

**PDL1 Owners:**
- ExxonMobil PNG Limited
- Lavana Limited
- Santos Hides Limited
- Oil Search (Tumbudu) Limited
- National Petroleum Company of PNG (Kroton) Limited
- Gas Resources Gigira Limited

**PDL1 – Hides GTE Project Owners:**
- Oil Search (Tumbudu) Limited

**PDL2 Owners:**
- Oil Search (PNG) Limited
- Ampolex (PNG Petroleum), Inc.
- Merlin Pacific Oil Company Limited
- Merlin Petroleum Company

The MSG has agreed that the operator will fill in the template with information available to it (excluding any information that is confidential and/or privileged and send to the IA. Subject to compliance with applicable contractual or statutory approval processes, the operator will report on the payments derived from the operations plus equity distributions to State partners, while the partners are independently accountable for reporting their tax payments to IRC. To enable the IRC to disclose tax receipts from the operator for the purpose of reconciliation, IRC will use the amended law in the PNG Income Tax Act to disclose tax information. The secrecy provision in the Income Tax Act was amended during the 2018 National Budget presented to Parliament in November 2017 and this came into effect in January 2018.

Again, it is strongly encouraged that project by project level reporting is required for the 2018 Report and this should be undertaken where feasible.
- Petroleum Resources Kutubu Limited

**SE Mananda JV in PDL2 Owners:**
- Oil Search (PNG) Limited
- Merlin Petroleum Company
- Petroleum Resources Kutubu Limited

**PDL3 Owners:**
- Barracuda Limited
- Southern Highlands Petroleum Co., Ltd
- NPCP Oil Company Pty Limited
- Oil Search (PNG) Limited
- Petroleum Resources Gobe Limited

**PDL4 Gobe Main Owners:**
- Oil Search (PNG) Limited
- Ampolex (Highlands) Limited
- Merlin Petroleum Company
- Petroleum Resources Gobe Limited

**SE Gobe Unit PDL3 / PDL4 Owners:**
- Oil Search (PNG) Limited
- Barracuda Limited
- Southern Highlands Petroleum Co., Ltd
- NPCP Oil Company Pty Limited
- Petroleum Resources Gobe Limited
- Ampolex (Highlands) Limited
- Merlin Petroleum Company

**PDL5 Owners:**
- Esso PNG Moran Limited
- Oil Search (PNG) Limited
- Eda Oil Limited
- Petroleum Resources Moran Limited

**Moran Unit PDL2 / PDL5 Owners:**
- Oil Search (PNG) Limited
- Ampolex (PNG Petroleum), Inc.
- Merlin Pacific Oil Company Limited
- Merlin Petroleum Company
- Petroleum Resources Kutubu Limited
- Esso PNG Moran Limited
- Eda Oil Limited
- Petroleum Resources Moran Limited

**PDL 6 Owners:**
- Oil Search (PNG) Limited
- Ampolex (Highlands) Limited
- Merlin Petroleum Company
- Petroleum Resources North West Moran Limited

**Greater Moran Field PDL2 / PDL5 / PDL6 New Tract Participation:**

**PDL2 (44%)**
- Oil Search (PNG) Limited
- Ampolex (PNG Petroleum), Inc.
- Merlin Pacific Oil Company Limited 1.278750%
- Merlin Petroleum Company
- Petroleum Resources Kutubu Limited

**PDL5 (55%)**
- Esso PNG Moran Limited
- Oil Search (PNG) Limited
- Eda Oil Limited
- Petroleum Resources Moran Limited

**PDL6 (1%)**
- Oil Search (PNG) Limited
- Ampolex (Highlands) Limited
- Merlin Petroleum Company
- Petroleum Resources North West Moran Limited

**1.3 Gas Companies**

**Operator**
ExxonMobil

ExxonMobil PNG Limited is the operator of the PNG LNG gas operations. MSG has agreed that the operator will complete the template with information available to it (excluding any
PDL7 (Ex PRL12) Owners:
- ExxonMobil PNG Limited
- Oil Search (Tumbudu) Limited
- National Petroleum Company of PNG
- (Kroton) Limited
- Kumul Petroleum Holdings Limited
- Gas Resources Hides No.4 Limited

PDL8 (Ex PRL11) Owners:
- ExxonMobil PNG Limited
- Oil Search (Tumbudu) Limited
- National Petroleum Company of PNG
- (Kroton) Limited
- Kumul Petroleum Holdings Limited
- Gas Resources Angore Limited

PDL9 (Ex PRL2) Owners:
- Esso PNG Juha Limited
- Oil Search (Tumbudu) Limited
- Ampolex (Papua New Guinea) Limited
- Kumul Petroleum Holdings Limited
- National Petroleum Company of PNG (Kroton) Limited
- Nippon Papua New Guinea LNG LLC

Gas Resources Juha No.1 Limited

Information that is confidential and/or privileged and sent to the IA. Subject to compliance with applicable contractual or statutory approval processes, the operator will report on the payments derived from the operations plus equity distributions to State partners, while the partners are independently accountable for reporting their tax payments to IRC. To enable the IRC to disclose tax receipts from the operator for the purpose of reconciliation, IRC will use the amended law in the PNG Income Tax Act to disclose the tax information. The secrecy provision in the Income Tax Act was amended during the 2018 National Budget presented to Parliament in November 2017 and this came into effect in January 2018.

Again, it is strongly encouraged that project by project level reporting is required for the 2018 Report and this should be undertaken where feasible.

3. Additional benefit streams:
With regards to the benefit streams set out in Requirements 4, the MSG has agreed to the following:

4. Government to government transactions (Requirement 4)

Table 6 – Government to government transactions included in the scope of the EITI Report

<table>
<thead>
<tr>
<th>Transactions</th>
<th>Applicable/materail?</th>
<th>Financial flow</th>
<th>State-owned company</th>
<th>Government agency</th>
<th>Additional commentary on work</th>
</tr>
</thead>
</table>

Page | 33
The disclosure and reconciliation of payments to and from state-owned enterprises (EITI Requirement 4.6) \(^{12}\) Not applicable

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5. **Additional commentary on scope**

The IA is required to refer to the Inception Report for suggested materiality in the EITI financial years 2013 to 2017 PNGEITI Reports.

| The materiality and inclusion of sub-national payments (EITI Requirement 5.2) \(^{13}\) | Oil and Gas – development levy and royalties are paid by the oil and gas companies to DPE. These payments are then distributed to provincial governments and landowners by the MRDC. Mining – in certain instances royalties are paid by the companies directly to the landowners (landowner associations, LLGs) and provincial governments on behalf of the government and then send proof of payments to MRA. Ok Tedi pays direct to the provincial and local level governments, and into individual beneficiary accounts (accounts of individuals or families) on behalf of the government. MRA keeps records of payments made to the groups as stated above.

For the PNGEITI 2018 report, it is envisioned that sub-national payments will not be included in the data for reconciliation, but will be covered in relevant narrative sections following recommendations made from the Sub-national Payments and Transfers Scoping Study Report that was released in April, 2019. |

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**EITI REQUIREMENTS**

- [WWW.EITI.ORG](https://www.eiti.org)
- [THE INTERNATIONAL 2016 EITI STANDARD](https://eiti.org)

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PNGEITI IMPLEMENTATION

- PNGEITI 2019 Annual Work Plan
- PNGEITI Candidacy Application
- PNGEITI Multi-Stakeholder Group Meeting Agenda, Summaries, and Materials
- MSG Meeting Minutes
- PNGEITI Scoping Study Reports
- PNGEITI Annual Progress Reports
- PNGEITI Beneficial Ownership (BO) Scoping Study Report and Roadmap
- PNGEITI Open Data Policy and Framework
- PNGEITI Sub-national payments and transfers scoping study report
- PNGEITI 2018 Validation Report and its recommendations/corrective actions

ANNEX 2. PROCUREMENT PROCESS AND TIMELINE

<table>
<thead>
<tr>
<th>Event</th>
<th>Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>PNGEITI National Secretariat calls for expression of interest (EOI)</td>
<td>18 – 25 April</td>
</tr>
<tr>
<td>PNGEITI, National Secretariat receives responses from interested vendors (closing date for all submissions)</td>
<td>26 April</td>
</tr>
<tr>
<td>PNGEITI National Secretariat with MSG Technical Working Group (TWG) undertake screening process to select the successful bidder</td>
<td>29 April – 03 May</td>
</tr>
<tr>
<td>National Secretariat and MSG TWG submit final assessment and recommendation to MSG for approval and selection of successful bidder</td>
<td>10 May</td>
</tr>
<tr>
<td>PNGEITI National Secretariat informs the successful bidder</td>
<td>13 May</td>
</tr>
<tr>
<td>Contract Awarded/signed</td>
<td>14 May</td>
</tr>
</tbody>
</table>

ANNEX 3. EVALUATION CRITERIA

1. **Technical Approach** – Vendors must demonstrate a thorough understanding of the tasks and effort required to produce a PNGEITI report. Bidders should address their unique approach to accomplishing the work set forth in the solicitation and include innovative methods to completing the report within the required period. Bidders shall provide a detailed management plan explaining schedules, project-management, quality assurance procedures, and assurances for on time completion within the required budget. A quality and assurance control plan should also be included.

2. **Qualifications/Experience** – Bidders should address the qualifications of the firm. In addition, bidders should provide a one-page containing resumes displaying the qualifications, experience, operational knowledge, and skills of key personnel who will work on the project.

3. **Past Performance** – Bidders shall provide past performance information for similar work including a list of clients with contact information for current projects and projects completed within the past two years.

4. **Financial proposal** – Bidders shall provide a complete, detailed breakdown of all labor hours and travel expense estimates within the proposal.
### ANNEX 4. PNG EITI VALIDATION CORRECTIVE ACTIONS MATRIX

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Validations results and Technical Gaps/Corrective Actions</th>
<th>Next steps</th>
<th>Authority responsible and Timeframe (before 30 April 2020)</th>
</tr>
</thead>
</table>
| License allocations (#2.2) | **Inadequate**  
PNG is required to publicly disclose information related to the award or transfer of mining tenements and oil and gas licenses pertaining to companies covered in the EITI Report. This information should include the number of mining tenements and oil and gas licenses awarded and transferred in the year under review, a description of the award and transfer procedures, including specific technical and financial criteria assessed, and any non-trivial deviations from statutory procedures in practice. | Provide PDF or scanned version of relevant information on the PNG EITI website if this information is not publicly disclosed by the DPE yet | MSG – Short term (next report)  
JICA project - Long term |
| License register (#2.3) | PNG should maintain a publicly-accessible register or cadastre system(s), including comprehensive information on licenses for all oil, gas and mining companies. In the interim PNG should | Provide PDF or scanned version of relevant information on the PNG EITI website if this information is not publicly disclosed by the DPE yet | MSG – Short term (next report)  
JICA project - Long term |
<p>| State participation (#2.6) | PNG should clearly establish its definition of SOEs to delineate the SOEs within the scope of EITI reporting and ensure that a comprehensive list of state participation in the extractive industries, including terms associated with state equity and any changes in the year under review, be publicly accessible. PNG must also clarify the rules and practices governing financial relations between all SOEs, including their subsidiaries, and the state, including the existence of any loans or guarantees extended by the state, or SOEs, to extractives companies or projects. | Kumul Consolidated Holdings (KCHL) should provide technical support and advise the MSG in developing a definition of SOEs, including the rules and practices governing financial relations between all SOEs. Improve disclosures in next report. | Kumul Consolidated Holdings (KCHL) MSG (short-term- next report) |
| Production data (#3.2) | PNG should ensure that the complete production volume for oil and gas, and production values for each of the extractives commodities produced during the year under | Valuation method to be discussed by the MSG | MSG – short term (next report) |</p>
<table>
<thead>
<tr>
<th>Review</th>
<th>Extracted text</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Export data (#3.3)</strong></td>
<td>PNG should ensure that export volumes and values are publicly disclosed for each mineral commodity (including oil, condensate and gas) exported in the year under review. In progress to include data on export volumes and values in the 2018 EITI report. Alternatively, for company included in the 2018 EITI report, MSG should provide links to where all relevant data can be found in company reports.</td>
</tr>
<tr>
<td><strong>Comprehensiveness (#4.1)</strong></td>
<td>PNG should ensure that the materiality threshold for selecting companies ensures that all payments that could affect the comprehensiveness of EITI reporting be included in the scope of reconciliation. The MSG should ensure that PNG’s next EITI Report includes the IA’s assessment of the materiality of omissions from non-reporting entities, an assessment of the comprehensiveness of the EITI Report and that full unilateral government disclosure of total revenues, including from non-material companies, is provided for each of the material revenue streams. In accordance with the materiality thresholds, MSG to decide and ensure comprehensiveness of 2018 report.</td>
</tr>
<tr>
<td><strong>with requirement 8.3.c.i, the MSG should develop and disclose an action plan for addressing the deficiencies in comprehensiveness of reporting documented in the initial assessment.</strong></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td></td>
</tr>
<tr>
<td><strong>SOE transactions (#4.5)</strong></td>
<td>PNG should undertake a comprehensive assessment of transactions between extractives SOEs (and their subsidiaries) and mining, oil and gas companies, as well as between the extractives SOEs (including their subsidiaries) and government in its scoping for future EITI Reports. All SOEs collecting material revenues or making material payments to government should be included in future EITI reporting.</td>
</tr>
<tr>
<td><strong>Direct subnational payments (#4.6)</strong></td>
<td>PNG should establish whether direct subnational payments (to government entities) by extractives companies are material. Where material, PNG is required to ensure that direct subnational payments are reconciled between company payments and</td>
</tr>
</tbody>
</table>
Given widespread confusion yet vivid interest among stakeholders from all constituencies over extractives revenue flows accruing to subnational governments, PNG should consider mapping out subnational revenue flows associated with each individual extractive project, drawing on results from the scoping study on subnational revenue flows being prepared in 2018.

| Data quality (#4.9) | The EITI requires an assessment of whether the payments and revenues are subject to credible, independent audit, applying international auditing standards. In accordance with requirement 4.9.b.iii and the standard Terms of Reference for the Independent Administrator agreed by the EITI Board, the MSG and Independent Administrator should:

Ensure that the Independent Administrator provides a clear and categorical MSG to monitor TOR compliance to data quality checklist |
| MSG to monitor TOR compliance to data quality checklist | MSG – Short term (next report) |
assessment of comprehensiveness and reliability of the (financial) data presented, including an informative summary of the work performed by the Independent Administrator and the limitations of the assessment provided.

Ensure that the Independent Administrator provides an assessment of whether all companies and government entities within the agreed scope of the EITI reporting process provided the requested information. Any gaps or weaknesses in reporting to the Independent Administrator must be disclosed in the EITI Report, including naming any entities that failed to comply with the agreed procedures, and an assessment of whether this is likely to have had material impact on the comprehensiveness and reliability of the report.

In accordance with requirement 8.3.c.i, the MSG should develop and disclose an action plan for addressing the deficiencies in the
<p>| <strong>Distribution of extractive industry revenues (#5.1)</strong> | PNG should clarify which extractive revenues are recorded in the national budget. Where revenues are not recorded in the national budget, the allocation of revenues should be explained, with links provided to relevant financial reports. | IA to check which extractive revenues are recorded in the national budget. MSG to further consult with the treasury to check and record as necessary. | MSG – Short term (next report) IA – Short term |
| <strong>Subnational transfers (#5.2)</strong> | PNG is required to ensure that material subnational transfers of extractives revenues are publicly disclosed, when such transfers are mandated by a national constitution, statute or other revenue sharing mechanism such as benefit-sharing agreements. The MSG should also disclose any discrepancies between the transfer amount calculated in accordance with the relevant revenue sharing formula and the actual amount transferred between the central government and each relevant subnational entity on an annual basis. | Follow up on implementing the recommendations from the subnational scoping study. Update the reporting template to ensure that companies report on subnational payments. MRDC to be engaged to ensure that calculated amounts and actual amounts transferred are reconciled. | Short term – next report MSG MRDC Companies |
| <strong>Mandatory social expenditures</strong> | PNG should ensure that reporting of mandatory social expenditures be disaggregated by type of payment and beneficiary. | Revise reporting template to ensure disaggregation by type of payment and beneficiary. | Short term – next report MSG |</p>
<table>
<thead>
<tr>
<th>Subsection</th>
<th>Task Description</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>6.1</strong></td>
<td>beneficiary, clarifying the name and function of any non-government (third-party) beneficiaries of mandatory social expenditures.</td>
<td>MSG to agree on the categories of (beneficiaries of) mandatory social expenditures. Adjust deadline of submission of reporting templates to consider these new changes.</td>
</tr>
<tr>
<td><strong>6.2</strong></td>
<td>PNG should undertake a comprehensive review of all expenditures undertaken by extractives SOEs (and their subsidiaries) that could be considered quasi-fiscal. PNG should develop a reporting process with a view to achieving a level of transparency commensurate with other payments and revenue streams and should include SOE subsidiaries and joint ventures.</td>
<td>Reporting on SOE quasi-fiscal expenditures (QFEs) will require appropriate legislative amendment. MSG to build the capacity of companies to report such QFEs. In the interim, the IA should consider including, where possible, QFEs by SOEs in the 2018 report.</td>
</tr>
<tr>
<td><strong>7.4</strong></td>
<td>MSG is required to review the outcomes and impact of EITI implementation on natural resource governance in PNG by ensuring that all the prescribed details of the annual progress report are mentioned in the next report. The MSG should ensure that all stakeholders, including those outside of the MSG, are given an opportunity to participate in the production of, and have their view reflected in,</td>
<td>MSG to conduct an impact assessment.</td>
</tr>
</tbody>
</table>
the annual progress report.

ANNEX 5. **Progressive Update Matrix on Implementation of NEC Decision # 91/2017 Directives**

<table>
<thead>
<tr>
<th>NEC Directives</th>
<th>Agency/Department Responsible</th>
<th>Progress made/Actions taken to date</th>
<th>Next Steps</th>
</tr>
</thead>
</table>
| *Minister for Petroleum and Energy to immediately implement a reliable electronic registry system to supersede the current paper ledger system* | DPE                           | • The Acting Secretary of DPE, responded in a letter dated 8th August, 2017 regarding this directive. The Acting Secretary reiterated the importance for the Electronic Registry System (ERS) to be established as soon as possible, and acknowledged and appreciated this NEC Policy directive.  
  • Acting Secretary also indicated for noting, that DPE had provided the information required by the EITI Secretariat for Ernst & Young in the compilation of the 2015 and 2016 reporting periods.  
  • DPE considered that for immediate implementation of this directive, it requested the Secretariat through the Department of Treasury to assist DPE meet the cost of recruiting a consultant to assist in the establishment of an ERS.  
  • DPE believes that, with the assistance of the | • The Secretariat presented this to the MSG member at the last meeting held in August this year for their consideration and resolution.  
  • The Secretariat will continue to liaise with DPE, Treasury and JICA to ascertain the scope of work and resources required through engagement of a consultant and implement the ERS and have it operational for the medium term for EITI reporting purposes.  
  • The Secretariat will also work in consultation with DPE and Treasury through the EITI reporting process and engage with development partners such as |
<table>
<thead>
<tr>
<th>NEC Directives</th>
<th>Agency/Department Responsible</th>
<th>Progress made/Actions taken to date</th>
<th>Next Steps</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>consultant, most of the records and information on revenue, production and related details kept on the paper ledger system will be recovered and registered to significantly improve the record keeping and reporting process.</td>
<td>the World Bank to explore possible assistance towards the proposed establishment of a petroleum authority.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• The National Secretariat has relayed DPE’s request to JICA to be considered under the forthcoming technical assistance (TA) project on Strengthening Resource Related Revenue Management agencies including DPE. The project is anticipated to commence in February 2018.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• The Secretariat also brought DPE capacity issues and the proposed Petroleum Authority to the attention of the World Bank through the PNGEITI MSG Chair and Treasurer in October, seeking Bank’s possible assistance to strengthen capacity at DPE. Discussions are on-going on the World Bank’s engagement.</td>
<td></td>
</tr>
<tr>
<td>Minister responsible for MRDC to ensure that the MRDC engages fully with the PNGEITI MSG</td>
<td>DPE/MRDC</td>
<td>• The formal letter to MRDC was sent early this year in relation to this directive. This NEC</td>
<td>• However, there are still some areas that both the MRDC and</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>NEC Directives</th>
<th>Agency/Department Responsible</th>
<th>Progress made/Actions taken to date</th>
<th>Next Steps</th>
</tr>
</thead>
<tbody>
<tr>
<td>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</td>
<td>Directive was actioned because MRDC is now engaged at the MSG level and has been participating in the EITI reporting process.</td>
<td>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.</td>
<td></td>
</tr>
</tbody>
</table>
| Minister responsible for Kumul Consolidated Holdings Limited to ensure KCH participates in the EITI process an 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) | KCH | • 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. | • 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. |
| Minister responsible for Kumul Mineral Holdings Limited and Kumul Petroleum Holdings Limited to ensure these enterprises are fully engaged in the EITI process and to | KMHL/KPHL | • These two entities, now coordinate the government’s interest in the Mining, Oil and Gas sectors.  
• Preliminary engagement has been | Secretariat to continue its consultation with both KMHL & KPHL to identify areas which both entities can be |
<table>
<thead>
<tr>
<th>NEC Directives</th>
<th>Agency/Department Responsible</th>
<th>Progress made/Actions taken to date</th>
<th>Next Steps</th>
</tr>
</thead>
<tbody>
<tr>
<td>report as required under the EITI Standard</td>
<td></td>
<td>sought by the Secretariat with these entities to ensure that they too are aligned to the reporting processes and requirements of PNGEITI.</td>
<td>able to engage effectively in the reporting process.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• This NEC directive has been actioned. Both KMH and KPH have engaged in the EITI process and have participated in the EITI reporting process.</td>
<td></td>
</tr>
<tr>
<td>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</td>
<td>Treasury/NEFC</td>
<td>• National Secretariat has consulted with NEFC on this issue. A meeting between the Head of Secretariat, and the CEO of NEFC along with relevant officers was convened on the 20th of September, 2017.</td>
<td>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 subnational payments and transfers but all other payments for the various levels of governments.</td>
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<td>• 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 subnational payments and transfers information.</td>
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<td>• It was ascertained that the NEFC’s current reporting on subnational payments and transfers is</td>
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<td>provisioned under the Inter Government Relations (Functions &amp; Funding) Act, which governs the mandate of NEFC's operations.</td>
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<td>• 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.</td>
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| 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 | Mining/MRA/State Solicitor | • The Secretariat has conveyed the official letter to the two concerned agencies outlining this directive. A follow up via official email correspondence has been sent to the relevant contacts within MRA to gauge the progress of this directive but are yet to receive any further feedback.  
• It is the Secretariat’s understanding that MRA was to consult and clarify from State Solicitor the legality of making public the MOAs, however feedback on this consultation is yet to be received and cannot be reported on at this stage. | • The Secretariat will work with relevant agencies early next year to check if there are any progress being made in implementing this Directive. |
<p>| Minister for Treasury to implement the recommendation of the | Treasury | • The Secretariat has sent an official letter early this year | • National Secretariat will continue to liaise |</p>
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<td><strong>EITI report in relation to:</strong></td>
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<td>1) <strong>Publication of budget preparation process on its website;</strong></td>
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<td>2) <strong>Clearly and comprehensively list relevant assumptions and basis for calculation for budget document tables; and</strong></td>
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<td>3) <strong>Ensure units of measurement are standardized between government departments, particularly with respect to production data in budget documents</strong></td>
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<td>Outlining these directives to the Secretary for Treasury for attention and implementation. The directives were also conveyed by the National Secretariat through a submission in May this year to Treasury's call for pre-budget submission for the 2018 National Budget.</td>
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<td>• The submission was received and reviewed by the relevant divisions within the Treasury Department and the outcome of this analysis is as follows:</td>
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<td>1) <strong>Publication of budget preparation process on the website.</strong> 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.</td>
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<td>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</td>
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<td>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.</td>
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<td>• 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.</td>
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<td>reliable website (<a href="http://www.Treasury.gov.pg">www.Treasury.gov.pg</a>) that needs to be constantly updated and maintained. 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.</td>
<td>Treasury/IRC</td>
<td>• 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</td>
<td>• 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. Background work by the TWG was completed in October this year and the Secretariat will soon call for an expression of interest to engage a legal and policy</td>
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<td>• 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.</td>
<td>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</td>
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<td>from Treasury before it can draft and consolidate the amendment to be included as part of the 2018 Budget Amendments.</td>
<td>expert to commence drafting of the EITI Bill.</td>
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<td>• National Secretariat had also included this issue in its pre-budget submission to Treasury in May this year and has been awaiting Treasury to provide advice on this.</td>
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<td>This Directive has now been implemented by Treasury as part of the tax amendments in the 2018 National Budget. Amendments effective 1 January 2017 will allow tax information to be provided to:</td>
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<td>- the Extractive Industries Transparency Initiative Secretariat or equivalent body for the purposes of reporting in accordance with the Initiative</td>
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<td>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</td>
<td>Finance</td>
<td>• This Directive has been actioned. The Department of Finance has incorporated this as part of its work on the Financial Framework Review (FFR) this year. This has triggered current</td>
<td>National Secretariat will continue its consultation with the Department of Finance to ensure that through review</td>
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<td><em>effectively monitor the trust accounts in accordance with Section 15 of the Public Finance (Management) Act 1995</em></td>
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<td>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.</td>
<td>of trust accounts, monies sitting in mining, oil and gas trust accounts are reviewed to bring about transparency for EITI reporting purposes.</td>
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<td><em>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</em></td>
<td>Finance</td>
<td>• National Secretariat will continue to engage and work closely with Department of Finance to ensure that this electronic payment system is implemented successfully.</td>
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<td>• 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</td>
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<td><em>fraud, corruption and human error</em></td>
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<td>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.</td>
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<td><em>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.</em></td>
<td>Auditor General</td>
<td>• The formal letter of notification on this directive was conveyed to the AG’s office in September this year. To date no formal response has been received on their implementation progress.</td>
<td>• 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.</td>
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