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## PNGEITI KEEN FOR BETTER RESULTS TO SHOW IN THE COMING SECOND COUNTRY VALIDATION



February 2020, Port Moresby: PNGEITI Technical Working Group during the second Validation Workshop.

The PNGEITI and the Multi-Stakeholder Group (MSG) will continue to work on the corrective actions to have better results to show for in the coming second country validation.

This will be the second time for PNG to be assessed on its efforts in implementing the EITI global best practice standard to promote transparency and improve governance in the extractive sector.

The second country validation exercise was supposed to have commenced on the 30th of April 2020, however, due to the COVID-19 pandemic and travel restrictions set up by most countries, the validation was deferred to October 2020.

During the first country validation in 2018, the EITI Board granted PNG 'Meaningful Progress' overall in implementing the EITI Standard.

It means that PNG met some of the key requirements of implementing the EITI Standard, however, there are still a number of critical areas the

Government needs to address in order to fully comply with the Standard.

One of the key recommendations is for PNG to publicly disclose licencing information related to award and transfer of mining tenements and oil and gas licences.

This information, including comprehensive information on the licences (mining, oil and gas) for all extractive companies operating in PNG should be made publicly accessible via registers or cadastre systems that are maintained by responsible government authorities.

Related to the above recommendation is for PNG to ensure that complete production and export volumes and values for all mineral commodities (including oil, condensate and gas), produced and exported during the year under review for each mineral commodity be made publicly accessible and disaggregated by commodities.

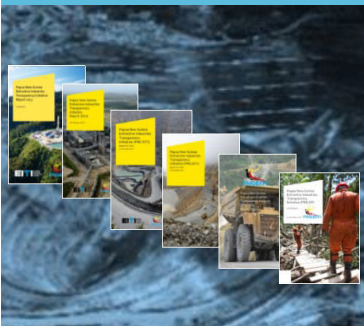
Another important recommendation

was for PNG to improve transparency in the operations of its extractive State-Owned Entities (SOEs).

This is to 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.

Other critical recommendations included increasing the comprehensiveness of all streams of extractive revenues collected by government, improvement in direct sub-national payments and transfers, and improving data quality for EITI reporting, and providing greater details on the distribution of extractive revenues for transparency purpose.

The EITI Board allowed PNG 18 months to undertake these corrective actions before the second validation according to the provisions of the EITI Standard. However this had been extended to October due covid-19 pandemic.



# WELCOME



**LUCAN ALKAN, Head of PNGEITI National Secretariat**

**Dear Stakeholders and Development partners, I welcome you to this edition of our Impact Newsletter.**

Let me highlight some of the activities and events that we planned for the year, some of which we have carried out in the previous years and are continuing, some we have initiated and are progressing slowly, while others still pending, due to reasons beyond our control.

The National Secretariat welcomed the year, with anticipation to progress implementation of EITI activities as per the annual workplan and especially prepare for the Second Country Validation.

The Secretariat implemented EITI activities and carried out projects successfully in the previous years and looks forward to build on those accomplishments as well as initiate new projects for the future.

Unfortunately, year 2020 did not turn out as we expected. We were struck by the covid-19 pandemic, which affected the rest of the world. Soon after the first imported Covid-19 case in PNG was identified and reported, the Government imposed a State of Emergency (SOE). A 14-day lockdown which began on March 24 was imposed to contain the spread of the deadly virus, then later the SOE was extended for another 2 months, from May to June 2020. During the first few months of the lockdown, business houses, corporate entities, the government departments, and agencies were forced to shut down and scale down on their operations.

PNGEITI National Secretariat like other government departments, closed its office, and the staff were asked to work from home. The Secretariat scaled down its operations, to operate within the safety measures imposed by the SOE Controller.

In early May, the government sent out a circular calling on all government workers and public servants to resume duties but to still operate within the safety measures and restrictions set by the SOE Controller.

Since we resumed office, we are revising some of our major programs that were supposed to have commenced but were delayed or are moving at a snail's pace because of the impacts of the Covid-19 pandemic.

A major activity on our calendar for this year was the Second Country Validation which was supposed to happen in April, however, due to the Covid-19 travel restrictions, it was deferred to October 2020.

This is actually a follow-up process from the first validation that was carried out in April 2018 where PNG was ranked as making "Meaningful Progress".

In spite of all that has happened in light of the covid-19 pandemic, we've slowly picked up and initiating progress. We advertised for expressions of interest, calling for bidders for the preparation of the PNGEITI 2019 Fiscal Year Report. We have gone through the selection process. We have analysed three competitive firms who submitted their proposals, and the information was circulated among the Technical Working Group for their input and feedback on the selection. We anticipate to engage the consultant in early June to start preparing for the report.

Beneficial Ownership reporting also became mandatory by January 2020. All EITI implementing countries are required to publish Company Beneficial Ownership information.

The Secretariat has also advertised for expressions of interest, calling for bidders to express interest in taking up the task of collating and compiling company beneficial ownership for the first ever report.

The Secretariat and the Multi-Stakeholder Group (MSG) have also commenced preparations to engage a consultant to scope out operations of the State-Owned Entities (SOEs) including Trustees involved in the extractive sector or those that have an equity share (either on behalf of the Government or provincial governments).

The execution of the study on SOEs was an important undertaking in meeting the requirement of the EITI Standard as recommended in the country's first validation.

It is also important as part of the Government's commitment to enhancing transparen-

cy in the operations of these entities.

We also embarked on a scoping study for an online reporting portal that commenced before the state of emergency.

The scoping study for an online digital reporting portal is funded by the World Bank through its bank executed program.

It was awarded to Deloitte to carry out the scoping study for the online reporting portal.

JICA on the other hand has also been supporting the Secretariat through the Japan Technical Cooperation agreement under the project for improving resource related revenue management in PNG.

It is a three-year project which ends in December 2020. Unfortunately, much of the program outputs that are supposed to be delivered this year, has not been achieved due to the covid-19 disruptions.

The Secretariat has suggested to the JICA PNG office for a possible extension of the project since there is still much work to be done to address corrective action areas indicated in the first validation exercise.

Also pending is another major project that we are looking forward to implement, which is the second phase of the subnational payments and transfers.

The first phase of the project was funded by the Australian government through the Pacific Leadership and Governance Precinct.

The Secretariat is still discussing the second phase with the Australian High Commission for their funding assistance.

The Secretariat is still finalising the PNGEITI Commission Bill to go through the State Solicitor for final vetting.

The Treasury Minister will be presenting the Bill to the NEC to endorse before it goes to the Parliament.

The whole process is slow at this stage and we look forward to pursuing the matter vigorously when the state of emergency is uplifted.

However, while everyone is adjusting to the new normal after the set covid-19 restrictions, we are focused on ensuring that the PNGEITI 2019 Fiscal Year Report is compiled on time for publication before end of December 2020.

We believe this can only be achieved through the continuous efforts and commitment of the members of the MSG and the Independent Administrator.

PNGEITI has published six country reports so far, the 2019 Fiscal year report will be the seventh report to be published.



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EITI implementing countries are assessed or validated, consistent with the EITI Standard. The first validation commences 3 years after a country signs up to implement the Standard.

The PNG Government signed up to implement the Standard in 2013 and has been implementing it for the last 6 years to date.

The validation process is a tool used by EITI International to assess the impact that the EITI process makes at the country level, particularly the policy and legislative reforms to strengthen the systems of government for better management of its extractive wealth.

Through this validation process, there are 5 categories that countries can be ranked based on their progress ranging from; No Progress, Inadequate Progress, Meaningful Progress, Satisfactory Progress and Progress Beyond the EITI requirements.

PNG having attained 'Meaningful Progress' in the first validation is actually a good outcome in its efforts to improve transparency and governance of the sector. This outcome is only one step short of becoming a fully compliant EITI country.

Following the first validation, a Technical Working Group (TWG) was established by the Multi-stakeholder Group (MSG) to spearhead preparation for the second validation and the TWG held its first meeting last year. Head of National Secretariat Lucas Alkan said the team would continue to meet and report to the MSG in the coming month as we prepare for the forthcoming validation.

"Our intention of setting up the committee is to engage the responsible entities, especially the concerned government departments and State entities to work on the corrective actions leading up to the April 2020 validation period," said Alkan.

During the first meeting, a resolution was made to meet the requirement of public disclosure for areas under license allocation and register.

The government entities responsible for disclosure of licenses allocation and registers are working to get that information available on the website and accessible to

the public.

Currently, these data are separately managed by respective entities in stand-alone databases.

Representatives of the responsible entities said to continue working on this requirement in the coming months.

Meanwhile, JICA consultants engaged under the PNGEITI support project have been working with relevant government entities to establish a network where all relevant datasets will be stored and accessed under one central point.

The Department of Petroleum and Energy have progressed with having its website up and running.

"The TWG also resolved to address data quality by working closely with relevant government entities to verify extractive revenue flows and for a possibility of auditing these figures for EITI reporting purposes.

"This is to ensure the data they provide are reliable to be included in the annual PNGEITI Reports. "For EITI reporting purposes, PNGEITI and the TWG will explore possibilities of engaging reporting government entities and the Auditor General's Office (AGO) to ensure timely audits.

"The TWG through the National Secretariat will consider engaging an independent consultant to carry out a feasibility study, aimed at assisting the AGO to provide timely audit reports for government departments and state-owned entities that report to the EITI process," Alkan added.



The second Validation workshop, held in February 2020 at the Dixies Bungalows, 17 mile, Sogeri Road.

## BENEFICIAL OWNERSHIP REPORTING MANDATORY BY 2020

By year 2020 all countries implementing Extractive Industries Transparency Initiative (EITI) are required to publish Company Beneficial Ownership information.

The PNG Extractive Industries Transparency Initiative (PNGEITI) and the Multi-Stakeholder Group (MSG) have progressed work on engaging a consultant to prepare the company BO information that will be published in the 2019 fiscal year report. Head of Secretariat Lucas Alkan said that since this would be the first attempt to report on company BO information, the Secretariat is pushing for it to be undertaken separately and in parallel to the fiscal year 2019 PNGEITI Report.

"The option of preparing separate reports will prevent unnecessary delays to publishing the regular PNGEITI report because it will be the first time to undertake a comprehensive BO report and challenges are expected," Mr. Alkan said.

"We have called for expressions of interest from credible consulting firms and have also prepared a term of reference detailing the scope of work that requires the firm to undertake data and information gathering for a comprehensive first BO standalone reporting for PNG.

"However, this will be a huge challenge as we do not yet have the legal basis to demand all companies to disclose everything as work is currently being progressed separately with Investment Promotion Authority on this front," Mr. Alkan said.

"We intend for the consultant to initiate the BO reporting with the current EITI reporting companies to at least collect first layer of data.

"We also expect that the challenges and barriers are highlighted and recommendations put forward to mitigate them so that when we take on full disclosure, we can focus on these areas and address them.

"We also understand that amending of laws can be a lengthy process and therefore will require more time to work through to look at amending existing laws. For example the Companies Act to be able to report and for PNG to fully comply with the requirement for BO disclosure as an EITI implementing country," Mr. Alkan said.

In many cases, the identity of the real owners or the 'beneficial owners' that have acquired rights to extract oil, gas and minerals is unknown, often hidden behind a chain of corporate entities.

Any significant gaps or weaknesses in reporting on beneficial ownership information must also be disclosed.

### SUMMARY ACTIVITY AND MILESTONES OF THE PNGEITI POLICY AND LEGISLATION

YEAR	ACTIVITY
2016	Former Treasurer Hon. Patrick Pruaitch directed the National Secretariat to develop the PNGEITI National Policy and Legislation during Meeting 05/2016 and announced the decision to ensure a TWG is established.
2017	PNGEITI Policy and Legislative TWG Formalised in meeting 2/2017. The TWG held meetings and various online forums to develop a preliminary scope which led to a draft policy framework. TWG was compelled to proceed - recommendations were made for MSG to engage legal expert to proceed with the next phase of the development. MSG developed terms of reference to engage legal expert.
2018	TWG formalised the Policy and Legal Consultant ToR. Bid announced. MSG approved the successful bidder Adam Smith International to take up the project.
2019	NEC endorsed the EITI establishment policy. The National Secretariat and the MSG are now progressing to the legislative process to formulate the draft Legislative Bill.

## RELIABLE DATA IMPORTANT FOR PUBLIC INFORMATION AND POLICY DEVELOPMENT



Members of the Multi-Stakeholder Group (MSG) with members of the Media during the media workshop in January 2020. The media workshop was held to inform Media of the 2018 Report findings and recommendations.

Reliable data on the country's extractive industries is important for both public consumption and policy development.

Reliable data on extractives sector revenues, production, exports and employment will help governments make sound policy decisions.

This was highlighted by the Executive Director for PNG Chamber of Mines and Petroleum Dr. Albert Mellam during a one-day workshop for the Media fraternity.

Dr. Mellam said the reports formed public opinion and influenced policy development, if data is not presented well, the public misinterpret information and often leads to negative media propaganda.

The PNGEITI has published six country fiscal years reports from 2013 to 2018 focusing on the payments made by the extractive companies to the government and the government's receipts of those payments.

The report for 2018 was published in December 2019, fundamentally the availability of accurate data that is being reported, will have greater influence on policy development.

"The PNGEITI reports are now used as reference material; however, it is recommended that the EITI reports should not form the basis of research, other resources should also be consulted and considered for the same research," Dr. Mellam said.

"The EITI reports capture governance around the public section of the industry anchored on data, therefore it is important to have reliable data.

"If we don't have reliable data, then public policies are not aligned and we get all kinds of views about the revenue contribution of the resource industry to the country.

"Therefore, it is critically important that through the EITI reporting process, we try to show improvement in the data reporting processes.

"How the data is interpreted from the reports and published in public domains is also fundamental," said Dr. Mellam.

## 2018 PNGEITI REPORT: FINDINGS AND RECOMMENDATIONS

The independent validation of PNG's 2016 EITI Report found that PNG has made meaningful progress in addressing the requirements of the EITI Standard. Through the Independent Administrator's (IA) process of collecting and analyzing revenue data, and via engagement with government, industry and civil society, it was observed that the Multi-Stakeholder Group (MSG) and other stakeholders in PNG EITI continue to seek to improve transparency, systems, and accountability across the extractives sector. Based on the work the IA have undertaken, the following recommendations are presented to enable the MSG to improve its EITI process across PNG for future reporting periods, in line with the requirements of the EITI Standard.

**Observation 1:** The independent validation of PNG's progress against the EITI Standard identified a number of areas where progress was 'inadequate'. The IA was endeavored to address each of these through the 2017 and 2018 reporting process. However areas of challenge remain.

**Recommendation:** The MSG should continue its program of work in relation to subnational payments and transfers. Some recommendations below will contribute to progress on other aspects, as will continued engagement with reporting entities.

**Observation 2:** IRC's initial data template reported erroneous revenues due to incorrect tax identification numbers (TIN).

The projected corporate income tax in the National Budget 2018 differs significantly from actual corporate income tax received from the extractive industries, according to the completed reporting templates provided to the IA.

**Recommendation:** IRC should maintain a database of extractive industry companies together with their correct tax identification numbers to enable accurate revenues to be provided for the EITI report. Notwithstanding the forward-looking nature of Budgets, the IRC should reconcile budgeted revenue against actual CIT received with commentary if this is not contained in the Final Budget Outcome.

**Observation 3:** It appears that certain companies have reported tax credits for the development of infrastructure, but these have not been reported to the Department of National Planning and Monitoring (DNPM).

**Recommendation:** There is a risk the tax credits may have been claimed on Tax Credit Schemes (TCS) not reported or approved by DNPM. We note, however, that TCS is currently halted and under review. Transparency would also be improved by establishing a website for DNPM.

**Observation 4:** Conservation and Environment Protection Authority (CEPA) data template omitted a number of payments from extractive companies, which then required the IA to provide supporting documents (i.e. bank statement transfers) to prove the payments.

**Recommendation:** CEPA's financial close process needs improvement to accurately capture payments.

**Observation 5:** Department of Petroleum and Energy (DPE) does not have access to infor-

mation that would enable them to check the accuracy of their data by reconciling royalties, levies and other fees against payments made.

**Recommendation:** DPE should be given access to government systems and bank statements, or be supplied with relevant government data to support its financial close process. Remittance receipts provided by extractive companies should be reconciled against the receipts recorded by DPE. Transparency would also be improved by establishing a website for DPE.

**Observation 6:** The accuracy and completeness of information within reporting templates remains a significant challenge across EITI reporting entities. It would appear that the current approach, in which an authorised company representative signs reporting templates, is not driving a focus on quality assurance of reported information. Unaudited data from government entities and some SOEs is a persistent issue. Several departments and SOEs are yet to be audited for the year ended 2018, or even for some years earlier.

**Recommendation:** If the Auditor-General is unable to complete its yearly audit, we recommend that the Auditor-General be given a scope of work to specifically test receipts from government agencies relevant to EITI reporting, prior to submission of data for the EITI report. The MSG could consider further measures to ensure that reporting entities provide accurate information for EITI reporting. This could include, e.g. requiring all entities to submit their templates with an independent assurance statement. The IA understands from the PNGEITI Secretariat that there are plans for the AGO to test receipts recorded by receiving government department entities prior to validation.

**Observation 7:** Some variances arise because companies are reporting on an accrual rather than a cash basis. The data template states that cash reporting is required, as agreed by the MSG. This included Treasury reporting of dividends received on the basis of budgeted amounts rather than amounts received during the reporting period.

**Recommendation:** Continued engagement with reporting entities, is required to reinforce the message that, for EITI purposes, data should be reported on a cash basis.

**Observation 8:** The IA still has not received a data template from Global Company (GloCo), as all parties are required to agree on providing this disclosure. This has been a subject of recommendations in previous EITI reports. Given the importance of the PNG LNG project, transparent reporting from GloCo is required to give a full picture of revenue flow from the extractive industries.

**Recommendation:** In future reporting periods, the IA and MSG should engage early with the participants in GloCo to facilitate agreement and enable GloCo to submit an EITI template in accordance with the agreed timelines.

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**Observation 9:** Production data, particularly from the oil and gas industry, continues to be incomplete and inconsistent.

**Recommendation:** The IA and MSG should engage with companies, DPE and PNG Customs to encourage complete, accurate and consistent disclosure of production data, and overcome barriers such as different categories of commodity and units of reporting.

**Observation 10:** The PNGEITI 2019 Report will need to be presented in accordance with

the 2019 EITI Standard.

**Recommendation:** To prepare for implementation of the 2019 Standard, the MSG is encouraged to undertake a systematic review of definitions for key terms including SOEs, social payments and quasi-fiscal expenditures. The MSG will also need to understand new disclosure requirements around contracts, commodity trading, environmental and gender data, and the steps necessary to address them.

## COVID-19 RESPONSE – EITI REPORTING OPTIONS

### Background

The Covid-19 pandemic is having significant effects on the extractive industry in nearly every implementing country.

Core aspects of the EITI Standard, such as convening stakeholders disseminating information, may be difficult under current circumstances.

Recognising these profound challenges, the EITI Board has agreed measures to provide flexibility in EITI implementation and reporting.

Implementation of these measures can be undertaken subject to MSG endorsement, and where data collection and dissemination are feasible without posing health risks.

### Board Decisions

Measures relating to reporting deadlines and extension requests:

-Focus on relevance and impact: Ensuring that EITI implementation is safely contributing to global and national efforts.

-Extensions: The Covid-19 pandemic constitutes an “exceptional circumstance” for all EITI members countries. MSG-endorsed reporting extension requests submitted by November 1 2020 will be granted.

-Flexibility: Implementing countries may deviate from Requirement 4.9.b (requiring an IA, reconciliation, etc.) for reports published by 31 December 2020.

-MSG oversight: Implementing countries must take “reasonable steps to seek MSG comments and approval”

Update on Validation during COVID-19:

-On request the International Secretariat can extend deadlines for MSG feedback by 4 weeks.

-For countries with Validation before 31 August, extension requests can be granted upon request, for a maximum period of 6 months.

-For countries with Validation after 31 August, the usual procedure applies.

### Options for EITI Reporting

#### 1. Conventional Reporting

-Follows standard procedure

-Extensions available

-**Encourage** forward-looking work, includes responses to Covid-19

-Continue to support;

-Mainstreaming opportunities,

-Improved data collection,

-Open data,

-Use of data

#### 2. Flexible Reporting

-No need to follow requirement 4.9b

-No requirement for an IA

-Focus on unilateral disclosures (without reconciliation)

-Must include forward looking elements

-Requires “An assessment by the MSG of the comprehensiveness and reliability of the disclosed data and identifying any gaps or weaknesses in reporting”.

Where necessary, the MSG should agree what additional work is needed

#### 3. Pilot on Alternative Approaches

(**Long-term option, not necessarily linked to Covid-19**)

-Focus on developing alternative approaches for the longer term (beyond the covid-19 crisis)

-No need to follow # 4.9b.

-International Secretariat to invite countries to join.

-No formal application required, but MSG support is critical.

-Participants “will not be disadvantaged at Validation”

-“Relief from reporting deadlines will be considered on request”

## EITI INTERNATIONAL UPDATES

### Beneficial Ownership Disclosure

Beneficial ownership disclosure became an EITI Requirement on 1 January 2020.

In the lead-up to the new requirement entering into force, several countries published new data on beneficial owners of extractives companies: Nigeria published its first beneficial ownership data for oil, gas and mining companies on an app that brings together data provided by relevant government agencies and reporting companies. Ghana, Ethiopia, Kazakhstan, Mongolia, Myanmar, Tanzania and Timor-Leste published beneficial ownership data online. In addition to publishing beneficial ownership data, Madagascar disclosed an overview of the corporate structures of the companies in its EITI Report.

Validations will now be assessing progress made in meeting Requirement 2.5. This will be a useful opportunity to take stock of progress to date and facilitate discussions with stakeholders on how to improve disclosures and support the use of data. The Secretariat is also updating guidance on MSG oversight of beneficial ownership disclosures and the beneficial ownership declaration form (to be published on [eiti.org](http://eiti.org) once final).

### Validation Decisions

As of 20 January 2020, A total of 44 of our 52 implementing countries have completed their first Validation under the EITI Standard, with 13 of these having completed their second Validations. We invite you to review our blog on crunching the numbers on these Validations and to dig deeper beyond the headline Validation findings by querying the Validation data yourselves!

Most recently in December, the EITI Board has concluded that Indonesia and the United Kingdom have achieved “meaningful progress” in implementing the 2016 EITI Standard, while Zambia was found to have made “meaningful progress” with considerable improvements since its first Validation. With 14 other Validations ongoing, more decisions are expected shortly. The EITI Board also completed Validations of Burkina Faso, Guatemala and Tajikistan recently. You can track progress with the Validation schedule [here](#).

Many thanks to stakeholders that have provided input to the EITI Board’s review of the Validation model, through the consultation on the future of Validation. The voice of those implementing the EITI Standard is key for the Board’s review! The deadline for contributions has been extended to 31 January 2020 to foster a range of responses, across regions and stakeholder groups.



# INTRODUCTORY MESSAGE



**Mark Robinson, Executive Director  
EITI Secretariat**

Dear National Coordinators,  
Firstly, let me wish you all my best wishes for the year ahead. We began 2020 on a good note, with several countries publishing new data on the beneficial owners of extractives companies. It is encouraging to see the progress that has been made since this became a requirement in the 2016 Standard. Back then, the 2020 deadline seemed daunting. Your efforts have shown what can be achieved and how the EITI can provide leadership on this global agenda. We are ready to work with you on improving disclosure mechanisms, undertaking data analysis and agreeing on data verification procedures. Central to this will be a step change in accelerating the move to systematic disclosure as outlined in the Board paper from the Implementation Committee. We hope to launch a series of pilots this year documenting lessons from efforts in different countries in making systematic disclosure and open data the norm.

The Board is scheduled to meet on 12-14 February in Oslo. They will begin with a strategy retreat to discuss the direction for the EITI for the next three years. There is an opportunity for you to provide inputs to this

important session by participating in the survey shared in December and through the invited delegates who are attending the implementing countries workshop prior to the Board events. Comments are welcome until 31 January. The Secretariat would be happy to convene regional conference calls if you wish. More details are provided below.

We communicated in the previous NSC the need to integrate action plans for contract transparency and mainstreaming in your 2020 work plans. So far, a third of EITI countries have no publicly available work plans and only 25% of these cover the year 2020. I cannot overemphasise the need to have updated and fully costed work plans to help align EITI implementation with national priorities. I urge you to prioritise updating your work plans and to ensure that they reflect steps to implement contract transparency, mainstreaming, project level reporting, as well as other requirements under the 2019 EITI Standard.

We are about to complete the first round of Validations for 52 countries. The Board is currently undertaking a review of the Validation procedure to take stock of lessons learned and find ways to improve the process. We welcome your views on this. We have outlined below how you can participate in this review.

Lastly, several countries have completed their Validation in the past weeks including Indonesia, Zambia, the United Kingdom, Burkina Faso and Tajikistan. Please join me in congratulating these countries for progress made in implementing the EITI.

The past year saw many positive developments in the EITI's work nationally and globally. In this blog, I outlined our milestones and shared my vision for the road ahead. The International Secretariat will work hard to remain an innovative and effective organisation, one that is ready to engage with an exciting future agenda, as one EITI. We look forward to working with all of you in 2020.

## THREE WAYS EXTRACTIVES TRANSPARENCY CAN HELP COUNTRIES TACKLE THE TRIPLE CRISIS

**Mark Robinson, Executive Director**

*Countries that depend on revenues from oil, gas and mining are facing a triple crisis. In this blog, I highlight three areas where transparency can help shore up hard won gains in sector accountability through these difficult times.*

For resource-rich countries, the Covid-19 pandemic is posing a triple crisis. First, it is placing a huge strain on public health systems as countries struggle to cope with the growing spread of the virus across the world. Second, the oil price crash is making oil production significantly less profitable with a massive fall in investment and exploration. Third, the slowdown in the global economy is reducing demand for oil, gas and minerals with resultant price fluctuations. All these factors are having a major effect on public finance, with revenues declining rapidly while demands on public expenditure increase sharply.

Many observers worry that national commitments to improved governance will diminish in response to – and recovery from – the global health and economic crisis. There are concerns about heavy-handed government responses and the erosion of civic space leading to reduced accountability. There are also fears of increased corruption risk, with the weakening of oversight institutions and prospect of shady deals. And there are fears about diminishing transparency, with the possibility of reduced commitment to openness and the publication of data as other priorities take precedence.

The EITI's mission is to foster improved transparency in the oil, gas and mining sector. The 2019 EITI Standard sets out a common set of reporting requirements for all 53-member countries. Governments and companies in each country implement these provisions, which set a high bar for reporting and have the potential to move the needle on extractives governance. Yet, these gains are potentially at risk as governments and companies are under pressure to recover investments rapidly in the face of economic downturns. Such actions should not come at the expense of efforts to promote the long-term contributions of natural resource wealth to the wellbeing of citizens in resource-dependent economies. Reliable data on extractives sector revenues, production, exports and employment will help governments make sound policy decisions and better manage the crisis. Furthermore, at least three provisions recently introduced into the EITI Standard offer the opportunity for governments, companies and civil society organisations to safeguard progress made on transparency and counter the risk of corruption in these challenging times.

### SUMMARY ACTIVITY AND MILESTONES OF THE PNGEITI POLICY AND LEGISLATION

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# EITI INTERNATIONAL NEWS AND BLOG POSTS

## COVID-19: LIKELY IMPACTS, WIDER IMPLICATIONS AND OUR RESPONSE

In light of the escalating Covid-19 pandemic, I would like to express my support for all EITI implementing countries affected by the current circumstances on behalf of the EITI Board.

We recognise that countries around the world are facing a deeply challenging and unpredictable situation caused by the spread of the virus.

At the same time, the upheaval in the markets for oil and other commodities will have far reaching consequences for governments which depend on revenues from the extractives sector.

In some countries, even small changes in commodity prices can have a material impact on both industry profitability and government revenues.

Under current price scenarios, we can expect exploration and the development of new projects to be delayed or cancelled.

We can also anticipate closures and restructuring of some existing projects. Companies and their employees and suppliers will be affected.

Vulnerable communities who depend on extractives operations will be among those most severely impacted.

It is inevitable that in some countries there will be short-term delays in EITI implementation as governments and stakeholders reassign their time to more pressing priorities. Over the longer term, there may be delays to technical assistance, capacity development, communication, and dissemination activities.

The International Secretariat is working closely with national stakeholders to respond and adapt to these challenges.

Restrictions on travel, trade and everyday life caused by the Covid-19 pandemic are being felt around the world.

In response to this, the 47th EITI Board meeting in June will be held virtually.

The events are unprecedented, and we will need to be creative and innovative in how we work. One lesson which has been learnt from the current public health situation is the need for transparency.



Helen Clark, EITI Board Chair

In this time of profound uncertainty, the EITI's work to promote greater transparency and good governance is as important as ever.

The International Secretariat will continue to support countries to move towards greater transparency and good governance in the extractives sector.

Despite commodity price falls, the extractives sector remains an engine for growth in many countries and a source of much-needed funding for countries in handling the current health crisis.

There will be a need to bring stability to the industry after this period of crisis.

We see a role for dialogue and collective approaches in this task.

We stand ready to work with donors, civil society, supporting companies and countries to consider how EITI multi-stakeholder structures may best serve in the current crisis and its immediate aftermath.

In the interim, we urge all stakeholders to go about their business in a way which safeguards public health, and takes account of the gravity of the situation. Please observe any restrictions on movement in your countries and, above all, remain safe and well.

## All hands on deck: Three reasons why Civil Society is needed in the response to Covid-19

Promoting transparency and accountability are important goals in themselves.

But the current crisis has also shown how much government decision makers stand to benefit from open and inclusive governance.

The health and economic impacts of the Covid-19 crisis are unfolding day-by-day.

It is having a dramatic effect on the economic contribution of the extractive sector, and creating wider social impacts that governments and companies cannot tackle on their own. At the international level, the UN has called for collaborative leadership and multilateralism. At a community level, social cohesion and cooperation are critical to mitigate the health, economic and social impacts of the virus.

In the extractives sector, experience from the EITI's multi-stakeholder approach has shown that civil society can contribute knowledge, networks and diversity to policy debate.

But civil society organisations can only play this role if they have the freedom to operate. Faced with the pressure of handling a crisis, some governments may be intolerant towards criticism, leaving civil society further isolated or under threat.

There are at least three ways civil society can play a meaningful role in mitigating the negative impacts of the Covid-19 crisis.

Civil society organisations offer deep expertise and insight. A recent example from Zimbabwe shows how grass roots community campaigns can have far-reaching consequences, by applying the knowledge and skills of civil society activists.

Harnessing such expertise can help governments understand a fast-moving and complex situation. Inputs from civil society can support government assessments and inform collective, community-based responses. An example is a recent briefing from the Centro de Integridade Publica, which highlights the potential implications of Covid-19 for the extractive sector in Mozambique.

In a similar vein, Colombia's Alliance for Responsible Mining and Solidaridad has analysed the impact of Covid-19 on artisanal and small-scale mining in that country, and offers concrete recommendations to support an industry that employs close to half a million people. It also offers an alternative perspective on the future of the sector, calling for a rethinking of our consumption habits and greater focus on responsible production.

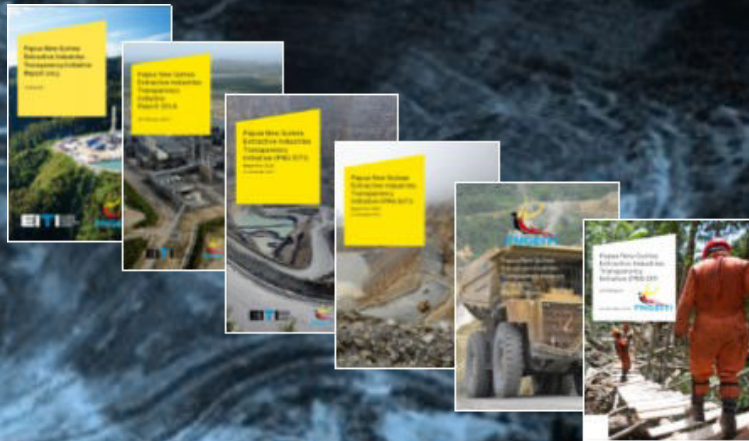
*The PNG Extractive Industries Transparency Initiative (PNGEITI) is an independent body established by the PNG Government to promote transparency and accountability of revenue it receives from the mining, oil & gas sectors and how it spends these funds. PNGEITI is part of a global best practice standard known as the Extractive Industries Transparency Initiative (EITI) that promotes good governance in the extractive sector. In EITI implementing countries, companies involved in the extractive natural wealth (oil, gas and minerals) industries are required to report on what they pay to the governments and governments are required to publish what they receive from these companies in a given financial year. These financial data are then reconciled by an independent administrator and are published in the annual EITI Reports for public information.*



# CONTACT US

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## KEY DATES

### TENTATIVE DATES:

1. July–November 2020 PNGEITI 2019 FY Report Preparation
2. July–November 2020 Preparation of PNG's first Beneficial Ownership Disclosure Report
3. October 2020—Second Country Validation
4. August & November 2020 PNGEITI to participate in the CPA Conferences
5. December 2020 PNGEITI to publish the 7th Fiscal Year Report
6. December 2020 PNGEITI participation the Petroleum and Mining Conference—Sydney

## PNGEITI PROGRESS TO DATE

- ◆ PNGEITI MSG has produced six (6) EITI Country Fiscal Year Reports from years 2013- 2018.
- ◆ Covered 20 Mining Companies, 5 Oil and Gas companies, 5 state-owned entities and 9 Government Departments
- ◆ The PNGEITI Reports cover over 24 Revenue streams. 9 of which were reconciled. 14 Unilaterally Declared, and One partially Reconciled in the 2017 Report.
- ◆ Increased participation by key stakeholders in the PNGEITI Multi-Stakeholder Group with over 36 meetings since signing of the PNGEITI MSG MoU in 2013.
- ◆ Current MSG members is at over 30 since 2013 and includes voting members from Government Industry, CSOs, SoEs and non voting observers such as Development Partners, Academics and other interest groups.
- ◆ Conducted over 35 roadshows and regional/provincial presentations since 2015 to promote the PNGEITI Reports.
- ◆ Became affiliated members of the PNG Chamber of Mines and Petroleum as well as Transparency International as well as active participants in various political, academic, development forums.
- ◆ Consistent engagement with media stakeholders since 2016.
- ◆ Conducting studies into Beneficial ownership and Sub-national payments reporting in future EITI reports. Developing PNGEITI National Policy and Legislation since 2018.
- ◆ Currently undergoing Validation by the EITI International Secretariat to become a fully compliant EITI country.
- ◆ Technical Working Group working on correction action areas leading up to second validation April 2020.
- ◆ Produced 2018 EITI Country Report.

## PNGEITI MILESTONES

- 2013 - NEC Decision 90/2013 endorsed the implementation of the EITI Standard. MSG signs PNGEITI MoU.
- 2014 - PNG applied and was accepted as an EITI candidate country.
- 2015 - PNGEITI National Secretariat Office established under Treasury Department.
- 2015 - First PNG EITI Report for FY 2013 published.
- 2016 - Second PNG EITI Report for FY 2014 published.
- 2017 - Third and fourth PNG EITI Reports for FYs 2015 and 2016 published.
- 2017 - NEC Policy Decision 91/2017 called for implementation of 2013 Report Recommendation by the responsible entities.
- 2018 - Fifth PNG EITI Report for FY 2017 published.
- 2018 - PNGEITI validated by EITI International and awarded Meaningful Progress in EITI implementation.
- 2019 - Sixth PNG EITI Report for FY 2018 published.

**2013**

PNGEITI office established under Department of Treasury

**2015**

PNG produced its first EITI Report for Fiscal Year 2013

**2016**

PNG produced its EITI Report for Fiscal Year 2014

**2017**

PNG produced its EITI Reports for Fiscal Years 2015 and 2016

**2018**

PNG Validated PNG made 'Meaningful Progress' in Implementing the EITI Standard

**2019**

PNG produced its 6th EITI Report for fiscal year 2018

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