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**MULTI-STAKEHOLDER GROUP MEETING # 5/2016**  
**WEDNESDAY 21<sup>st</sup> OCTOBER, 2016**  
**7:00 PM – 10:30 PM**  
**KOKOPO BEACH BUNGALOW RESORT CONFERENCE ROOM**

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**MEETING MINUTES**

**IN ATTENDANCE:**

Hon Patrick Pruaitch, CMG, MP, Minister for Treasury and Chairman – PNGEITI MSG

**Government**

Timothy Mais, Department of Treasury  
Langa Kopio, Department of National Planning and Monitoring  
Margaret Tenakanai, Department of Finance  
Arnold Lakamanga, Mineral Resources Authority  
Dianne Aikung, Mineral Resources Authority  
Steven Evekone, Mineral Resources Development Company Ltd  
Herry Manda, Department of Petroleum and Energy  
Ian Maru, Kumul Petroleum Holdings Limited  
Jonathan Omae, Kumul Petroleum Holdings Limited

**Industry**

Stanley Yarka, ExxonMobil PNG Limited  
Vele Rupa, ExxonMobil PNG Limited  
Cornelius Soagai, Oil Search Limited  
Emmanuel Powuh David, PNG Chamber of Mines and Petroleum

### **Civil Society**

Paul Barker, Institute of National Affairs

Lawrence Stephens, Transparency International PNG

Patrick Lombaia, PNG Mining Watch Group

Senson Mark, PNG Eco-Forestry

Henry Yamo, Consultative Implementing Monitoring Council

Martyn Namorong (Observer)

### **National Secretariat**

Lucas Alkan

Christopher Tabel

Ismael Sunga, (secondment from Department of Treasury)

### **Independent Observers**

Rosemary V. Sovek, Regional partner, New Guinea Islands Women Representative

Michaeline Sovek Sael, Regional partner, New Guinea Islands

Albert Jalmein, First Secretary to Treasurer

## **MINUTES OF MEETING**

### **1. Welcome and introduction**

The Head of Secretariat (Lucas Alkan) welcomed MSG members to the 5<sup>th</sup> Meeting for the year. He thanked the Treasury Minister and Chair, Hon. Patrick Pruaitch for making the time available to chair the meeting. He said the MSG has had four meetings for the year and that the purpose of the Kokopo meeting was to discuss a strategy to implement the recommendations of the PNGEITI first report.

The Chairman welcomed members to the meeting and asked each member present to introduce themselves and the organisations they were representing. After these introductions the Chairman called the meeting to order and proceeded with the meeting.

### **2. Matters arising from previous meeting**

The Chair allowed time for members to review minutes of meeting #4. Oil Search Limited (Cornelius Soagai) queried the validity of the special meeting by the Independent Administrator (IA) to present Cornelius the inception report to the MSG. The Head of Secretariat clarified that the meeting would be considered as MSG Meeting #3. He further clarified that the MSG meeting #4 held in Madang made reference to Matters Arising from MSG Meeting #2 because Meeting #3 had only one agenda, which was the presentation of the Inception part of the 2013 Report by the IA. Department of Petroleum and Energy (Herry Manda) apologised to MSG members for DPE not attending Meeting # 4 in Madang and promised that DPE will make every effort to attend all future meetings after the Kokopo meeting.



Department of National Planning (Langa Kopio) corrected the use of the term “donor” and pointed out that the word also referred to “development partners” as per the 2015 International Cooperation Policy Document.

The chair noted all these comments and directed the National Secretariat keeps accurate records of members attending MSG meetings to avoid misreporting in meeting minutes.

Resolution:

There being no further discussions, the minutes were accepted as true records of that meeting.

### **2.1. NEC Policy Submission on 2013 EITI Report Recommendations**

The Head of Secretariat informed MSG members that an NEC Policy Submission was submitted to the Treasurer to endorse it as the Chair and Minister responsible for EITI implementation. The purpose of the Policy Submission was to get NEC to endorse the recommendations of the report and direct relevant government entities and the MSG to implement the recommendations. The chair indicated that he had already signed the Policy Submission and the National Secretariat should submit it to NEC through the normal process.

The purpose of the Policy Submission was to get NEC endorsement from recommendations made in the first EITI report (2013 Report). This NEC Decision from the Policy Submission will task relevant government entities to implement these recommendations.

The Department of Petroleum and Energy (Herry Manda), in reference to point 12 of the submission on license registry indicated that more focus should be on revenue collection and distribution as the license registry was a lengthy process. He added that a NEC submission was made on licensing fees. The changes in fees and charges were publicly announced through the media. The Institute of National Affairs (Paul Barker) pointed out that transparency of licenses was part of the EITI process leading to revenue collection and distribution and this should be made accessible to the public.

The Chairman added that although the licensing is a lengthy process as per the Oil and Gas Act, it is MSG’s role to capture and report on the revenue collection and distribution process.

The Department of Petroleum and Energy (Herry Manda) suggested that some recommendations from the PNGEITI Report be integrated and reflected in various five year development plans to aid its implementation at various levels.

The Head of Secretariat advised that after the Submission is endorsed by the NEC, there will be consultations with relevant government entities for feedback and comments on the Submission before it was finalised for Cabinet. The Chairman added that the Government would support implementation of the policy decision through budget allocation so long as those entities reflected these action areas in their annual work programs, fully costed and submitted to the Department of Treasury through the annual budget bidding process.

Resolution:

The National Secretariat was directed to facilitate the NEC Policy Submission to implement the report recommendations.

### **2.2. Progress on phase 3 (data collection on 2014 EITI Report)**

The Head of Secretariat updated the MSG on Phase 3 relating to data collection by the Independent Administrator (IA). He indicated that it was a lengthy phase and would require additional time. It was informed that so far 11 out of 19 entities submitted their data. He indicated that not all tax waiver letters were received by the IRC and urged industry members to submit theirs, if they have not yet done so.



He said that the IA had requested the MSG to come up with a proper definition on 'mandatory and voluntary' social expenditures. He indicated that 'mandatory' could be defined as a contractual agreement between the two parties such as project agreements entered into between the State and an investor. On the other hand, 'voluntary' expenditures could be defined as non-obligatory payments such as donations and community service activities for public relations. These were voluntary activities not bound by any agreements. The Head of Secretariat informed that the IA wanted clarification on mandatory and voluntary social spending and MSG members needed to agree a definition. The Secretariat recommended that the IA should stick to the original definition by EITI International to avoid getting into unnecessary complications, if these terms were re-defined. The only unique case for PNG was how to define Infrastructure Tax Credit (ITC) spending – whether it was 'mandatory' or 'voluntary'. The MSG noted that an expenditure only becomes 'mandatory' when the State (through the ITC Committee) approves a project to be implemented under the ITC using the government's prescribed ITC rates.

The Chair highlighted that the ITC needed to be defined in terms of how it is applied, e.g. roads, bridges, hotels and hospitals. He said that it is the government's forgone tax revenue that would have otherwise come into the consolidated revenue.

Resolution:

On the outstanding data, MSG directed the National Secretariat to assist the IA to follow through with the outstanding tax waiver letters with reporting entities.

On the definition of 'mandatory' and 'voluntary' social expenditures, the MSG agreed that the IA should stick to EITI International Secretariat's definition and not to deviate from it. MSG noted PNG's unique situation relating to ITC expenditures and agreed that an expenditure only becomes 'mandatory' when the Government approved and enters into a project agreement through the ITC application and approval process.

**2.3. Progress on Beneficial Ownership (BO) Roadmap**

The Head of Secretariat informed that KPMG international accounting firm was selected to undertake the above project. He added that there were two phases to the project. Phase 1 involved a scoping study that will require the consultant to carry out consultations and document existing practices and legislative arrangements relating to BO information. The second phase will require the use of recommendations from the scoping report to develop a BO Roadmap for approval by the MSG.

Resolution:

The National Secretariat was directed to finalise a BO contract to execute the project as soon as possible to ensure a Roadmap was in place by 1<sup>st</sup> January 2017 as required by EITI International.

**2.4 Revised 2017 Work Plan and MSG MoU for endorsement**

The Head of Secretariat presented the Revised 2017 Work Plan for further review and endorsement. He advised that the work plan was revised following inputs from MSG members during the Madang MSG meeting. He also presented the draft MSG Memorandum of Understanding (MoU) and sought inputs and comments before finalisation. The inputs will mainly include names and signatories of representatives that have been included in the PNGEITI MSG membership. The draft MoU has 21 membership that comprises 7 representatives from each constituency. The draft MoU has now included an independent observer group that will be sitting on the MSG and participate in meetings and all other activities but will have no voting powers.

Institute of National Affairs (Paul Barker) recommended that the Revised 2017 Work Plan should include the outstanding project on extending EITI to sub-national levels of government.



The Head of Secretariat responded that the project was in the 2016 Work Plan but could not be implemented due to lack of adequate funding. It has again been included in the Revised 2017 Work Plan and depending on the availability of funding, a scoping study would be commissioned on the project.

Resolution:

It was agreed that if there are any further comments, these should be submitted to the Secretariat to finalise the draft documents for MSG's consideration and endorsement.

### **3. Update on Report Dissemination Strategy and Way Forward**

#### **3.1. Regional and resources host provinces roadshows**

National Secretariat Communications Officer (Chris Tabel) updated the MSG on Report Dissemination plans. He said the National Secretariat will be working with CSO and Industry to undertake phase 2 of the Roadshow to target provincial and sub-district groups. He informed that a pilot site roadshow will be conducted in Lihir and Simberi and extended to Kavieng and Namatanai. The purpose of the site Roadshow is to sensitize sub-national groups on the requirements of reporting in the EITI report.

The MSG agreed that more engagement of the roadshows be focused on recipients of benefits at the provincial and district levels to ensure a more focused reporting. Recipients of funds going down to provincial, districts and LLG levels must be engaged to come forward and report on their usage. Exxon Mobil (Stanley Yarka) commented that there was a need to move forward with a scoping study on sub national payments prior to site roadshows.

The Head of Secretariat responded that funding and time constraints may be a factor in executing the project. The Secretariat (Chris Tabel) clarified that the roadshows will focus on information dissemination and EITI awareness but not aimed at direct engagement.

#### **3.2. Progress on communications strategy and sub-group**

The communication strategy is complete and provides a roadmap on engagement.

Resolution:

The National Secretariat was directed to conduct roadshows on EITI awareness and informing the public on EITI report recommendations. After the pilot roadshows in New Ireland, similar roadshows should be held in other resources impact provinces. Invitations should be extended (apart from landowner groups and associations) to representatives from the provincial and sub district levels of governments to participate in PNGEITI activities.

### **4. Update from National Secretariat**

#### **4.1. Third Quarter 2016 Trust Account expenditure Report**

The Head of Secretariat presented the third quarter report of the Secretariat trust account operations. He informed that the account balance was slightly over K2 million, sufficient for the remaining months of 2016 and first quarter of 2017. He provided a summary report to the MSG for their information. There were no comments on the account report.

#### **4.2. Update on 2016 Budget funds and submission for 2017 Budget allocation**

The Head of Secretariat informed that the Secretariat made a submission for K5 million to the Department of Treasury in late 2015 to implement the 2016 Work Plan. However, the Department allocated only K1.7 million and agreed to allocate another K3.7 million later in the

year. He said that the K1.7m allocation was in addition to the earlier K1.7 million received. The Secretariat indicated that the additional K2 million was to cater for the scoping study on Beneficial Ownership, the PNGEITI Policy and Legislative developments and the second PNGEITI Report.

The MSG was informed that the current budget allocation for PNGEITI is under the Treasury Miscellaneous item 207 vote. This was because PNGEITI began as a project under the Sectoral Policy Division of the Department of Treasury.

The Chairman noted and strongly recommended that it was important for the PNGEITI to have its own budget line item to show that the Government is committed to implementing the EITI in the country. He added that it was not good government talking about EITI and not showing to the public the resources it is committing in terms of budget support. The Chairman assured the MSG that he will ensure Treasury creates a separate budget line for EITI in the 2017 budget allocation.

Institute of National Affairs (Paul Barker) reminded that the budget submission should also take into consideration funding for CSO activities such as roadshows and outreach programs as outlined in the PNGEITI 2017 Work Plan.

#### Resolution:

It was agreed that:

- The Chairman, assisted by the Head National Secretariat will raise EITI budget allocation matter with the Department of Treasury to ensure that PNGEITI has a separate budget line item in the 2017 Budget allocation; and
- The National Secretariat should follow up with the Department of Treasury for release of the remaining funds for 2016.

#### **4.3. PNGEITI Policy and Legislative Framework**

The Head of Secretariat raised the importance of developing EITI policy and legislation framework for sustainability of EITI into the future. He said the EITI implementation is now based on NEC Decision but it should have a legal basis to exist as an entity. He pointed out that there are existing laws such as the Oil and gas Act or the Mining Act that the PNGEITI could consider or alternatively, it could have an Act of its own. It was informed that the Secretariat has included this as an activity in the 2017 Work Plan to engage a legal expert to provide legal advice for possible development of the EITI legislation.

General sentiments by the MSG was that existing lawyers from the core MSG could be engaged to facilitate the process through a Technical Working Group (TWG).

The Chair suggested for legislative drafting to be done first to guide this process. He stressed the importance of having a legislation that will formalise the EITI implementation and provide the legal basis to exist. He added that a PNGEITI legislation should also allow implementation of EITI to sub-national levels of government where substantial resource revenues and benefits flow down from the national government.

Dianne from MRA suggested that lawyers from the MSG could form the TWG to prepare Drafting Instructions as a way forward on this task. The Chair proposed that the TWG sources existing international legislations from other jurisdictions to model the PNGEITI legislation.

#### Resolution:

The National Secretariat was directed to establish a TWG on PNGEITI Policy and Legislative development. It was agreed that the TWG members will consist of legal officers from the MSG to work through this and prepare drafting instructions for MSG's consideration by Q1 of 2017.



#### **4.4. Salary and payroll issues for National Secretariat staff**

The Head of Secretariat brought to the attention of MSG salary and payroll issues for the Secretariat. He informed that Secretariat staffing level was now 95% complete. He mentioned that there is a lot of inconvenience in paying salary for staff every fortnight because of manual cheques that needed to be signed. There was a need for the Secretariat to run its own payroll but the commercial banks cannot allow this because of the current trust account operations. The EITI has progressed from being a project (that's way trust account was set up initially) to now fully operationalised and staffed and it has no longer a project status. There is a need for Secretariat to open an operational account for this purpose.

The Head of Secretary also informed that he is currently not a signatory to the PNGEITI account and needs to open an operational account to ensure he takes responsibility and accountable to the operations of the account as Head of an entity.

Apart from the above, MSG members were informed (through the submission) that the Secretariat will apply the outstanding 2016 salary increments for staff before end of the year. He said that the Secretariat staff annual salary increments are applied based on existing PEA wage agreements for public sector employees.

The Chairman agreed and recommended that PNGEITI National Secretariat should open an administrative account and have Head of Secretariat sign as one of the signatories. This will enable installation of payroll and make it convenient for staff salary and superannuation payments.

##### Resolution:

- It was agreed that the National Secretariat establishes an EITI operational account and the signatories should also include the Head of Secretariat; and
- The MSG noted and endorsed Secretariat's submission to apply the outstanding annual salary increments for its staff.

#### **5. Any Other Business**

##### **5.1. Progress of Draft PNGEITI Report**

Institute of National Affairs (Paul Barker) raised the issue of the timeliness and queried the date of the first draft of the PNGEITI Report. Head of Secretariat replied that the IA has indicated its schedule to have the report ready around the first and second week of December, 2016.

##### **5.2 Regional CSO Members**

PNG Resource Governance Coalition (Martyn Namorong) introduced their regional partner, Rosemary V. Sovek in the New Guinea Islands and informed the MSG that the CSOs have conducted a number of activities with their regional partners with funding assistance from the Treasury Department. He added that this was a crucial step in bringing information down to the communities,

He informed that the PNG Central Bank Quarterly Economic Report indicated that Exxon Mobil Export data figures were not reported. This raised a lot of questions as LNG shipment took place in April. He added that the Central Bank advised that they could not obtain figures and asked EMPNG to clarify on this matter. Mr Barker reiterated on the importance of the unreported data and requested a response. DPE (Herry Manda) advised that they have not yet received the quarterly payment from Exxon Mobil and that could probably be the reason why BPNG was not able to report it in their quarterly bulletin.

Exxon Mobil (Stanley Yarka) responded that his team would bring the query on unreported LNG export data to their management team to look into. Exxon Mobil (Rupa Vele) added that EMPNG submits monthly reports to Finance on all exports and they will look into this matter.

PNG Resource Governance Coalition (Martyn Namorong) asked the Chairman and MSG members to consider if the National Secretariat could provide travel allowances for CSO representatives participating in the PNGEITI external meetings (outside of Port Moresby). This is because CSOs do not pay travel allowances for their staff travelling for external meetings.

The Chairman supported CSO's suggestion and moved that Secretariat provides allowances for CSO representatives travelling out for EITI meetings. The rates should be based on the current per diem rates applied to public servants (both domestic and abroad duty travels). He recommended that the National Secretariat organises and holds 2 MSG meetings outside of Port Moresby/NCD in a year.

Resolution:

It was resolved by the MSG that:

- The National Secretariat will pay travel allowances for CSO representatives travelling out (both domestic and abroad) for EITI meetings based on the current rates applied to public servants; and
- The National Secretariat plans and organises for 2 (of the 4 meetings required in the MSG MoU) MSG meetings outside of Port Moresby.

**Date of next meeting:**

The MSG agreed to have the next MSG meeting on the 29<sup>th</sup> of November, 2016 at the Sunset Lodge in Port Moresby.

There being no further matters for discussion, the meeting closed at 10:30pm.



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**HON PATRICK PRUITICH, CMG, MP**  
Chairman of the PNGEIT MSG and  
Minister for Treasury