



PNG EXTRACTIVE INDUSTRIES
TRANSPARENCY INITIATIVE
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SPECIAL MULTI-STAKEHOLDER GROUP MEETING # 6/2016
FRIDAY 16 DECEMBER, 2016
10:00 AM – 12:30 PM
LAMANA HOTEL BOARD ROOM

MEETING MINUTES

IN ATTENDANCE:

Government

Ketty Maso, Internal Revenue Commission
Maggie Buf, Internal Revenue Commission
Arnold Lakamanga, Mineral Resources Authority
Dianne Haikung, Mineral Resources Authority
Jonathan Omae, Kumul Petroleum Holdings Limited
Ismael Sunga, Department of Treasury

Industry

Richard Kassman OBE, Total P&E PNG Limited
Stanley Yarka, ExxonMobil PNG Limited
Robert Aisi, ExxonMobil PNG Limited
Cornelius Soagai, Oil Search Limited
Emmanuel Powiah 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
Mayambo Peipul, BACA
Martyn Namorong (Observer)

National Secretariat

Lucas Alkan

Christopher Tabel

Francis Diakon

Delka Kamba

Liyasi Numuralai Taligatus

Independent Administrator (Ernst & Young)

Madhu Nair

Pieter Steyn

MINUTES OF MEETING**1. Welcome and introduction**

The Head of Secretariat (Lucas Alkan) welcomed MSG members to the 6th Meeting for the year. He informed that the 6th Meeting was a special meeting as it had only one agenda item to discuss and that was on the Draft 2014 Report. The purpose of the meeting was for the Independent Administrator to present the Draft 2014 Report to the MSG. He indicated that unfortunately, either the Chairman or the Alternate Chairman were available to chair the meeting as they were in another meeting and there was no other senior Treasury officer to chair the meeting.

In the absence of Treasury to chair the meeting, Mr Richard Kassman from Total P&E PNG Limited moved that the MSG members present elected a Chair to conduct the meeting. The motion was seconded by Mr Lawrence Stevens from TIPNG and Mr Kassman was elected to chair the meeting.

The Acting Chair called the meeting to order and proceeded with the discussions. He welcomed members to the meeting and requested the IA to present the draft 2014 Report. There was no discussion on matters arising from previous meeting because it was a special meeting to consider the draft report only.

2. Presentation of Draft 2014 Report by the IA**2.1 Progress**

Madhu Nair from Ernst & Young (IA) did a power point presentation on the draft report. He informed that the report remained incomplete with significant data gaps due to delays in receipt of key data from a number of reporting entities. He advised MSG that the report would be submitted by 31 December 2016 in its incomplete form. He added that any additions and amendments on the report are not likely to be forthcoming until January because of the festive period.

The IA informed of the key gaps in the draft report as follows:

- data from IRC arrived only a week ago, allowing for only a limited analysis and investigation of the discrepancies;
- there was significantly better engagement with MRDC but still no data was forthcoming; and

- Some data was received from DPE that week but the bulk of the data was still outstanding.

2.2 Proposed structure of the Report

The IA presented the proposed structure of the report as follows:

- Chapter 1: Introduction;
- Chapter 2: Reporting streams and reporting entities;
- Chapter 3: Contribution of the extractive industries to the PNG economy;
- Chapter 4: Legal framework and fiscal regime;
- Chapter 5: Management and distribution of revenues;
- Chapter 6: Social expenditure;
- Chapter 7: Mining;
- Chapter 8: Oil and gas;
- Chapter 9: State owned enterprises;
- Chapter 10: Reconciliation of revenue streams; and
- Chapter 11: Findings and recommendations.

2.3 Additions and amendments to be submitted in early 2017

The IA informed that amendments and additions were yet to be submitted for the following sections:

- Executive summary;
- Appendices; and
- Final improvements to presentation such as cross-references and pagination.

The IA anticipated that outstanding data and information would be received by 27 January, 2017. Upon receipt of the information, the IA planned to:

- Complete reconciliation and analysis of the financial data;
- Complete reconciliation and analysis of oil and gas production data;
- Finalise any additional data submitted by reporting entities, notably MRDC and DPE; and
- Incorporate any amendments suggested by the MSG.

Further, the IA indicated that it would require three weeks from the agreed date of submission of outstanding data (ie, 27 January, 2017) to finalise the report.

2.4 Next steps

The IA concluded its presentation by outlining the next steps to be taken to complete the report. The IA proposed a revised timeline as follows:

- MSG to review and submit any essential editorial changes by close of business Wednesday 21 December;
- IA to provide the draft report by close of business Friday 23 December'
- IA to complete the additions and amendments in early February 2017, subject to receipt of information; and
- IA to begin the process for 2015 Report as soon as possible, to allow adequate time to prepare a complete report for validation.

2.5 Feedback from MSG on the draft Report

The Acting Chair thanked the IA for presenting a detailed report and expressed that the report contained significant data gaps that had to come in before it was completed. MSG noted that

further information was required on sub-national transfers and MSG needed to clarify in the report how it wanted to progress this work going forward in the 2015 Report.

In response to the IA's request for MSG to re-define 'mandatory and voluntary social expenditures', the Head of Secretariat suggested that the IA needed to stick to the definition by EITI International to avoid unnecessary complications and confusions in trying to re-define these terms. Having said this, the Head of Secretariat expressed that PNG had a unique case of defining Infrastructure Tax Credits (ITC) expenditure.

For ITC, MSG understood that as soon as a project was approved by the ITC Committee, it became a 'mandatory social expenditure'. MSG agreed that a better definition for social expenditure was something to take note of in the 2015 Report.

The Head of Secretariat suggested that the 2014 Report should give credit to some of the positive steps the MSG had taken in implementing the 2013 Report recommendations. It was pointed out that a significant step was taken through the NEC Policy Submission that was before Cabinet. The Policy Submission included all the recommendations from the first report for relevant government entities to take action once endorsed by Cabinet. The process would take time but it was a significant step that the 2014 Report should take into account.

On the IA's revised timeline to complete the report, MSG noted that submitting the next draft report on the 27th of January was too late into the month. It was resolved that the 27th January 2017 was the date the MSG would publish the final report. MSG agreed to the following dates for deliverables:

- 16-21 December – MSG to submit comments/feedback to the IA;
- 22-30 December – IA to incorporate comments and any additional data received;
- 31 December – Secretariat releases an incomplete report to EITI International Secretariat and publishes same on the website;
- 20-23 January 2017 – IA to follow up and obtain outstanding data and information;
- 27 January – IA submits final report to MSG; and
- 30 January – Secretariat conducts an email circular for MSG's approval and report published.

The MSG agreed that to meet EITI International reporting requirement, an incomplete report would be released by 31 December. This action was consistent with the advice from EITI International Secretariat.

3.0 Any other business

Paul Barker from INA queried as to whether the Secretariat progressed any work on staff salary and payroll issues raised at the Kokopo MSG Meeting in October. The Head of Secretariat responded that nothing has progressed to date because ANZ Bank where the Secretariat account is held has advised that an operational account could not be established on a trust account. The Secretariat has approached the Department of Finance on this matter and was advised that the Secretariat cannot operate an administration account until it was an independent entity and had a separate budget code.

MSG was informed that currently Secretariat staff are paid by manual cheques and this has caused inconveniences for staff. The Head of Secretariat added that apart from salary and payroll matters, he as the Head of Secretariat was not a signatory to the Secretariat account as head of an entity. He also expressed that there was a need to ensure the management and operation of the account truly reflected the MSG arrangement by having a signatory from each of the stakeholders instead of the current arrangement where all signatories are from Treasury. It was however, noted that this would not be feasible unless an operational account was established and trust account is abolished.

He added that his salary package was set and approved by the MSG. However, when it came to determining the rate to be applied and entering into contract of employment, Treasury facilitated this. He was concerned that some components of his salary and benefits did not make sense. For example, a significant component of his salary being deducted as car allowance for car provided to him. This did not make sense because he will not own the car after his employment as it belonged to the Secretariat office.

The Acting Chairman noted and commented that the Head of Secretariat was appointed by merit through a recruitment process undertaken by the MSG and he was involved in this process. He added that the salary was set and approved by the MSG and that should be applied to the Head of Secretariat. The collective decision by MSG should not be undermined by one stakeholder. This act can undermine the true spirit of stakeholder collaboration, trust and understanding we has been established. He said he was involved in the initial MSG establishment and feared this kind of situation could arise at some point but the EITI should be an independent entity and not to be treated as one of the divisions within the Department of Treasury.

Resolution:

It was resolved that the Head of National Secretariat brings this this matter to the attention of the MSG at the next meeting.

There being no further matters for discussion, the meeting closed at 12:30pm.

RICHARD KASSMAN, OBE
Acting Chairman - PNGEIT MSG