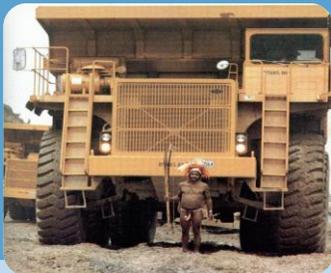




# 2014 Annual Activity Report



# Contents

<b>1.</b>	Background on EITI implementation in PNG	3
<b>2.</b>	General assessment of year's performance	4
<b>3.</b>	Performance against targets and activities set out in the work plan	6
<b>4.</b>	Performance against EITI requirements	9
<b>5.</b>	Overview of multi stakeholder group's responses to the recommendations from reconciliation and validation	11
<b>6.</b>	Specific strengths and weaknesses identified in the EITI process	11
<b>7.</b>	Total cost of implementation	12
<b>8.</b>	Additional comments	13
<b>9.</b>	Discussion of the activity report beyond MSG	13
<b>10.</b>	Details of MSG members and participation during the period	13-14

## 1. Background on EITI implementation in PNG

Following initial discussion from 2006 to 2011, work on EITI in PNG began in earnest in 2012 when the National Executive Council (“NEC”) established a State Working Group (SWG) with the direction to investigate the possibility of implementing EITI and report back with recommendations. As such, the first workshop on EITI was organised by the SWG and members of the extractive industries, the civil society organisations (CSOs) and landowners’ associations were invited to attend. A team from Timor Leste was invited and shared their experiences. Positive feedback was received from Government, industry and civil society which led to the establishment of an “Informal Multi-Stakeholder Group” comprising of members from the SWG, industry and civil society organisations.

The informal MSG met on multiple occasions with a key challenge being to ensure equal representation for CSOs on the MSG. As a result, a first CSO National Conference was organised by Transparency International PNG as an awareness raising and outreach activity. This conference was also to appoint the CSO members of the MSG. There was overwhelming support from the CSOs to implement EITI. Following the conference CSOs self-selected their representatives to the MSG and signed then issued a public Communiqué detailing the discussions during the conference and intent going forward.

A sub-committee was also established by the industry through the PNG Chamber of Mines and Petroleum. With the support from the industry and CSOs, the SWG reported back to the NEC recommending that the Government should implement EITI in PNG with the main objective to improve revenue transparency and accountability in the extractive industries.

In 2013, The Government of Papua New Guinea appreciated the background work undertaken by the informal MSG and endorsed the recommendation to implement EITI with the desire to improve revenue transparency and accountability in PNG’s mining and petroleum sectors. The objectives identified by the MSG representatives for EITI implementation in PNG included:

- i. Increased transparency of revenue flows from the companies to government, various landowners' trust funds, associations, companies and the provincial governments.
- ii. Use EITI as a diagnostic tool to assess government's management of resource revenue and its policy settings with recommendations to be used as a platform for broader reforms.
- iii. Provide reliable data for citizens to stimulate debate and hold government and companies accountable.
- iv. Increase investors' confidence to invest in PNG.
- v. Provide a forum for enhancing dialogue between the government, industry, landowners and citizens.
- vi. Support and complement PNG's Sovereign Wealth Fund (SWF) and Government reforms to fight corruption such as the recent set up of the Independent Commission Against Corruption (ICAC).

In November 2013, the Multi Stakeholder Group (MSG) was formally established with the signing of the Memorandum of Understanding (MoU). Subsequently, the MSG endorsed the PNGEITI work plan and submitted an application for candidacy in December 2013. Papua New Guinea was accepted as an EITI Candidate Country by EITI International during its Board Meeting in Oslo, Norway on 19 March 2014.

## **2. General assessment of year's performance**

The Scoping Study for the first report was undertaken by Deloitte (the consultant) in August 2014 and was fully funded by the World Bank. The final Scoping Report is to be reviewed by the PNGEITI MSG during its mid July 2015 meeting to ensure previously identified inaccuracies were addressed. The Report is considered to have been done thoroughly but with some final polishing still required. It took almost 9 months to complete the Report with MSG members providing significant support to the Deloitte

team. The Report took much longer to produce than anticipated due to the following reasons:

- Difficulty to access information from key Government agencies. Most Government agencies keep information manually thus making it difficult to access information in a timely manner.
- The delay in establishing the National Secretariat made it difficult for the consultant where support was needed to facilitate engagement with Government departments and agencies.
- Limited on the ground presence by the consultant's primary author exacerbated the challenges posed by information access.

Apart from that, almost all Government agencies co-operated well and provided information to the consultant to come up with the final Scoping Study Report.

To overcome some of the difficulties in getting information, a one day workshop facilitated by the World Bank and Deloitte brought Government officials from the Mineral Resources Authority (MRA), Internal Revenue Commission (IRC), PNG Customs, National Petroleum Company of PNG (NPCP), Petromin Holdings Limited, the Departments of Treasury, Finance and Petroleum and Energy together to discuss and provide relevant information to the consultant to complete the study. This workshop also developed and enhanced cooperation and communication between government agencies and state owned enterprises. A similar workshop was conducted for the industry and civil society organisations.

A significant milestone was achieved by the CSOs in 2014 with the establishment of the PNG CSO coalition for EITI called the "Natural Resource Governance Coalition". Although not yet fully launched, there was a soft launch during the visit by the World Bank and International Secretariat in March 2015.

Other activities include:

- A technical workshop on the scoping study facilitated by the World Bank and International Secretariat in March 2014, before PNG was accepted as a candidate country.
- The National Secretariat, under the auspices of the Department of Treasury presented on the implementation of EITI at the Australia-PNG Business Council conference in Cairns, Australia in April 2014.
- Secretary for Treasury presented at the PNG Chamber of Mines and Petroleum conference in Sydney, Australia on the implementation of EITI in December 2014. Some EITI CSO representatives also attended the conference.
- A panel of PNGEITI MSG Members and the Interim National Coordinator appeared on PNG's main periodic public policy talk 'talk back' television program called "Tanim Graun" and discussed the implementation of the EITI and its benefits to PNG. Exxon Mobil PNG, a member of the MSG was a co-funder of the panel.
- The Treasurer updated the National Parliament on the implementation of EITI during the handing down of PNG's National Budget for Fiscal Year 2015.

### **3. Performance against targets and activities set out in the work plan**

As per PNGEITI Work Plan 2013

#### **Sign-up objective:**

- Government endorsed and announced the implementation of EITI in March 2013.
- In order to mobilize Civil Society Organisations and to appoint their representatives to the MSG, a National CSOs workshop was organised by Transparency International PNG in Alotau. The CSOs nominated and elected their representatives to the MSG.

- The companies MSG self-selection meeting was facilitated through the PNG Chamber of Mines and Petroleum (PNGCM&P), resulting in the selection of three representatives from Petroleum, three from mining plus the PNGCM&P.
- The Second National CSO workshop and related communications and awareness campaign for CSOs was held in October to finalize members of the CSOs to the MSG.
- In November 2013, the formation of the PNGEITI MSG was formalized with the signing of the Memorandum of Understanding (MoU).
- In December 2013, MSG approved the PNGEITI Work Plan and subsequently submitted the application to the EITI International Board for a candidacy status.

**Preparation Objective:**

- In February 2014, a one day workshop was held for the MSG members on capacity building facilitated by the World Bank and the International Secretariat.
- In August 2014, a Scoping Study was undertaken by Deloitte and completed it in June 2015.
- Recruitment for the PNGEITI National Secretariat office, originally set to commence in early 2014 was delayed until February 2015 due to funding and process constraints for the recruitment of permanent staff outside the Public Service of PNG. Funding issues were resolved by the Department of Treasury in late 2014 with the Head of National Secretariat position publicly advertised and recruitment overseen by an MSG committee (three MSG members representing each constituency). In early 2015, the committee recommended Mr. Lucas Alkan and he was endorsed by the MSG during the February 2015 meeting. This delayed the establishment of the Secretariat by a year, but additional staff recruitment and setting up of the Secretariat offices and administration is now well underway. It is expected that the Secretariat will be fully staffed by the third quarter of 2015.

- The PNGEITI National Secretariat website is yet to be developed. It is currently under design and expression of interest has been sought from vendors. The website is expected to be in operation before the publication of PNG's first EITI Report.
- While ad hoc communication and awareness activities have occurred since 2012, no systematic nationwide awareness campaigns have been undertaken as yet. The MSG has delegated the Awareness and Campaign activities to the CSOs to lead with other constituency groups supporting. CSOs are in the process of establishing a CSO Desk to plan and implement communications activities administered by the Consultative Implementation and Monitoring Council (CIMC). An interim CSO EITI media/communications officer was appointed, on a part time basis in April 2015 and an interim coordinator in June 2015. The media officer prepared a draft communications strategy in early June 2015. The Government allocated PNGK777, 700.00 in December 2014 to the CSO members of the MSG to carry out awareness campaign for the next six months starting January 2015. A portion of these funds are supporting the establishment of a CSO Coordination Desk and to contribute to three regional and provincial awareness and consultative workshops, notably to be held in extractive resource-rich provinces in the second half of 2015. The funds have also been used to send CSO members to attend networking and capacity building events in Sydney, Australia, and Manila, the Philippines.
- The CSOs have also been busy over the last couple of months having discussions including workshops with support from Publish What You Pay (PWYP) International Secretariat, the World Bank, EITI International Secretariat and other EITI implementing countries to assist set up a CSO Coordination Desk and a CSO Coalition of EITI. Lessons and experiences from CSOs in other EITI implementing countries have been used to help shape the context in which CSO engagement in PNG EITI will be framed. There was a soft launch of the newly adopted coalition during the course of the CSO meeting with the International Secretariat and World Bank delegation in March 2015.
- The PNG Treasurer reiterated Government's keen support to the implementation of EITI in his November 2015 Budget Speech during the Budget Presentation to Parliament.

- A capacity building workshop on the content of the Scoping Study and information gaps required to complete the study was undertaken by the World Bank with assistance from Deloitte (engaged to undertake the study) for Government officials, company representatives and members of the CSOs.
- MSG agreed on the definition of materiality, number of reporting entities, disclosure of voluntary and involuntary payments, social expenditures, reporting by SOEs and disclosure of contracts by mining companies.
- The Independent Administrator (IA) is to be recruited in July 2015 to produce PNG's first EITI Report.
- The MSG agreed to use a Waiver Letter to release tax revenue information by the Internal Revenue Commission (IRC); language was agreed between industry and the IRC then approved by the MSG.

#### **Activities conducted outside of the work plan:**

- The Secretary for Treasury did a presentation on EITI implementation at the PNG Chamber of Mines and Petroleum conference in Port Moresby in December 2013 and again in Sydney in December 2014.
- In March 2014, the Interim National Coordinator did a presentation on EITI Implementation in PNG at the Australia-PNG Business Forum in Australia
- A panel of PNGEITI MSG members plus other Government and CSO representatives were invited and appeared on a television programme called "Tanim Graun" and discussed the implementation of EITI in PNG and its benefits. The event was funded in part by MSG member Exxon Mobil PNG.
- Members of the CSOs were invited to discuss and promote EITI implementation through radio broadcasting.

## 4. Performance against EITI requirements

In 2014, the MSG's technical working group (TWG) met frequently to review and refine the Work Plan, with the primary focus of the MSG being to support Deloitte in completing the Scoping Study.

Requirements	Progress
<b>EITI requires effective oversight by the multi-stakeholder group</b>	These requirements have been met. MSG has had regular meetings and made important decisions relating to the financial year for PNG's first report, the appointment of the Head of Secretariat, facilitation of scoping study that was completed and now being finalised for approval, procurement of an Independent Administrator for the report that is in progress and the review of its Work Plan (now being undertaken).
<b>EITI requires timely publication of EITI Report</b>	PNG is on track to publishing its first EITI Report in December 2015 covering the FY2013 and has until end of 2017 to undertake Validation
<b>The EITI requires EITI Reports that include contextual information about extractive industries</b>	<p>As part of EITI Standard, these will be covered in the first report</p> <p>The beneficial ownership issue has been discussed by the MSG; where public information is available data will be included, with future reports to push for increased disclosure</p> <p>As per the EITI Standard (2013), companies are encouraged but not required to disclose contracts. Any contracts disclosed will be included as an annex to the first report.</p>
<b>The EITI requires the production of comprehensive EITI Reports that include full government disclosure of extractive industry revenues and disclosure of all material payments to government by oil, gas and mining companies.</b>	<p>The MSG agreed for these requirements to be included in the report. For requirement (c) there are no such arrangements in PNG.</p> <p>There are no payments directly to the sub-national governments. Royalties are paid to provincial governments and landowners through national government. In the mining sector, royalties are commonly paid directly by companies on behalf of the Government given incidence of delays in disbursement. In such instances companies provide to the Government proof of payment.</p> <p>The Government also makes payments from the</p>

	National Budget to provincial governments that host mining projects; these payments are called Special Support Grants. Such transactions are considered government expenditure and will not be taken into account for reconciliation in the first report.
<b>The EITI requires a credible assurance process applying international standards.</b>	The MSG is currently in the process of recruiting an Independent Administrator (IA). Terms of Reference was approved by the MSG and expressions of interest were called for submissions in June 2015. An IA expected to commence in mid July.
<b>The EITI requires Reports that are comprehensible, activity promoted, publicly accessible, and contribute to public debate.</b>	PNGEITI will ensure these requirements are met.
<b>The EITI requires the multi-stakeholder group to take steps to act on the lessons learnt and to review the outcomes and impact of EITI implementation.</b>	PNGEITI will ensure these requirements are met.

## **5. Overview of multi-stakeholder group's responses to the recommendations from reconciliation and validation**

Not yet applicable.

## **6. Specific strengths or weaknesses identified in the EITI process**

### **Weaknesses**

When the scoping study was undertaken, it was noted that some of the sources of information were difficult to access. There were several information gaps, and where information was provided by Government agencies, these were not in all cases up to date. From this early assessment, there is a critical need for information to be kept electronically rather than manually and for annual reporting to be completed in a timely and comprehensive manner. This will improve information and data accuracy and contribute to improved regulatory management by the Government.

Members of the MSG need more capacity building for the purposes of discussing technical issues at the MSG level. It has been observed that the participation by CSOs members as well as some Government representatives during discussions on technical issues at the MSG meetings has been weak due to limited literacy on key EITI components.

Representation of senior Government officials from key Departments and agencies at the MSG meetings has been poor. Some Government departments have attended one or two meetings with others not having participated in any of the MSG meetings during 2014. The absences of key Government agencies in these meetings has limited the MSG's ability to effectively address and engage on the spectrum of EITI issues and requirements as they pertain to the PNG context.

### **Strengths**

The discussion at the MSG has improved engagement and information sharing between the three stakeholders. The EITI has also improved communication and information sharing between Government agencies.

In the PNG case, the focus is to implement EITI in a manner that can be achieved with the capacity in place, with this foundational effort to be evolved and broadened over time.

## 7. Total cost of implementation

The source of funding for the EITI implementation comes from the Government of PNG. In 2014, there was no allocation in the National Budget for EITI activities. However, the Department of Treasury reallocated PNGK2.5 million for implementation for 2014 and an additional PNGK2.5 million for 2015. The total cost of implementation from 2013 to March 2015 is as shown in the table below.

Particulars	Amount in Kina
Media Advertisements	K77, 297.00
Venue Hire	K35, 744.50
Refreshments for meetings	K6, 493.50
TI PNG Service Payment – Shirt on launching of MSG	K12, 481.00
Accommodation for government workshop	K9, 940.00
Incidentals for government workshop	K2, 120.00
CSO awareness campaigns	K777, 700.00
<b>Total</b>	<b>K869, 176.00</b>

\*PNGK1=US\$0.35 cents

As the EITI allocation is under the National Budget, the remaining 2014 funds were not carried forward, but were instead pooled back into the consolidated revenue for the 2015 Budget.

## 8. Additional comments

The level of funding expended underscores the increasing embedding of PNG EITI in key Government agencies and its profile in the broader good governance dialogue within PNG.

The World Bank funded the Scoping Study for the PNG's first EITI Report.

Government did not lodge an application for the EITI Multi Donor Trust Fund or seek assistance from other international donor agencies for the first reporting period. However, the National Secretariat will seek assistance in the next reporting period to support targeted outreach and awareness campaigns and capacity building for CSOs, MSG members and the PNGEITI National Secretariat office.

## 9. Discussion of the activity report beyond MSG

This report has been circulated to the MSG members and the MSG members had accordingly shared and discussed this report with their constituents before it was finalized. The report will be posted on the PNG Department of Treasury website for the meantime until the PNGEITI website is created. It is also intended that the report will be released in the local newspapers by the Chairman of the PNGEITI MSG (Treasury Minister).

## 10. Details of MSG members and participation during the period

Indicated in the table below are details of MSG members and their records of participation in the MSG meetings for the past 12 months.

Primary Members	Organisation	Meeting #1	Meeting #2	Meeting #3	Meeting #4	Meeting #5	Meeting #6
Hon. Patrick Pruaitch, CMG,MP	Minister for Treasury		Donald Hehona (Alternate)	Donald Hehona (Alternate)	Donald Hehona (Alternate)	Manu Momo (Alternate)	Manu Momo (Alternate)
Betty Palaso	Commissioner General, IRC	John Heni (Proxy)		John Heni (Proxy)	Iru Loi (Alternate)	Ketty Masu (Alternate)	Joe Maiauka (Proxy)
Rendle Rimua	Secretary, DPE						Kepsey Puiye (Proxy)
Ken Ngangan	Secretary, Finance						
Julianna Kubak	Secretary, Planning	Rosemary Isicar (Alternate)				Karren Hiawalyer (Proxy)	Karren Hiawalyer (Proxy)
Philip Samar	Managing Director, MRA	Sean Ngansia (Alternate)		✓	✓		Arnold Lakamanga (Alternate)
Shadrach Himata	Secretary, DMPGM	Harry Kore (Alternate)	Samuel Himata (Proxy)	Penewa Andrew (Proxy)			
Mayambo Peipul	BACA	✓	✓	✓	✓	✓	✓
Wallis Yakam	CIMC	✓	✓	✓	Elizabeth Avaisa (alternate)		✓
Paul Barker	INA	✓		✓	Majorie Andrew (Alternate)	✓	✓
Bishop Denny Guka	PNG Council of Churches	✓		✓			✓

Lawrence Stephens	TIPNG	✓		Emily Taule (Alternate)	✓	✓	✓
Patrick Lombaia	PNG Mining Watch	✓	✓	✓	✓	✓	✓
Thomas Paka	Eco-Forestry Forum	✓					
Peter Graham	Exxon Mobil PNG	✓	John Moore (Alternate)	John Moore (Alternate)	Daniel Worrall (Alternate)	John Moore (Alternate)	John Moore (Alternate)
Greg Anderson	PNG Chamber of Mines & Petroleum	✓			✓		✓
Anthony Smare	Barrick Niugini Limited	✓		✓			
David Wissink	Morobe Mining Joint Venture	✓	Stanley Komunt (Proxy)	✓		✓	
Gerea Aopi	Oil Search Limited	✓		Lucy Igo (proxy)	Cornelius Soagai (Alternate)	Cornelius Soagai (Alternate)	Cornelius Soagai (Alternate)
Richard Kassman	Talisman Niugini Limited			✓		John Moore (Proxy)	

**This Annual Activity Report was approved by the PNGEITI MSG members on the 30<sup>th</sup> of June, 2015.**