

## PNG EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVES (PNGEITI) WORK PLAN FOR 2016

### OBJECTIVE 1: ENSURING A WELL ESTABLISHED AND FULLY FUNCTIONAL NATIONAL SECRETARIAT OFFICE AND THE MULTI-STAKEHOLDER GROUP (MSG)

**RATIONALE:** Currently, the PNGEITI does not have a well-established office with the required level of staffing to implement the approved work-plan. The National Secretariat is currently run by the Head of the Secretariat with the assistance of a Treasury officer on secondment arrangement. The recruitment of 5 staff planned and approved by the MSG early this year was delayed due to significant delays in the release of approved funding by the Department of Treasury. There is also a need to upskill and build technical knowledge of current membership of the MSG to enhance their capacity to provide an effective oversight, direction and management of EITI implementation in the country.

**GOVERNANCE RELATED CHALLENGES:** 1. Lack of commitment and involvement in EITI activities, including attendance at MSG meetings by some key government agencies. 2. Lack of capacity by CSOs to understand technically complex issues and effectively contribute to the discussions at the MSG level. 3. Since EITI implementation is a voluntary activity, it has been difficult to get MSG members to remain committed to attend MSG meetings, Technical Working Group (TWG) meetings and other activities because of lack of incentives. 4. There has been some difficulties in extending MSG membership to cover other key State entities like the Mineral Resources Development Company (MRDC) and Petromin. 5. There is still a need to achieve some balance in the decision making process at the MSG level. Many times critical decisions on key issues affecting the extractive sector are not often debated or discussed by all stakeholders but left to one or two individuals to dominate discussions and get the agendas endorsed. 6. Lack of knowledge on EITI Requirements and Standards and general understanding on the performance of the extractive industry sector. There is also the lack of adequate understanding on the Fiscal and Taxation regime covering this sector by staff of the National Secretariat and some members of the MSG which is a challenge.

**ACTIVITIES VERSUS CHALLENGES:** Activities outlined below relating to capacity building of the National Secretariat are intended to address point 6 above. All other activities under Objective 1 are intended to address points 1 to 5 above.

ACTIVITIES	TARGETED OUTCOME	RESPONSIBLE ENTITY	TIMELINE	ESTIMATED COST (PNGK)	FUNDING SOURCE
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#### 1.1 CAPACITY BUILDING ACTIVITIES FOR THE NATIONAL SECRETARIAT OFFICE AND THE MSG

*The outcome of this sub-objective is to achieve a fully functional and independent entity that is capable of supporting the MSG in carrying out its functions and responsibilities in an effective and efficient manner. Also to have an MSG that is experienced and knowledgeable on global EITI Standards and Requirements and its applicability in the extractive sector in PNG.*

1. Recruitment and maintaining Secretariat staff	Finalise recruitment of the pending 5 staff (Media & Communications Officer, Procurement Officer, Finance Officer, Technical Officer and Administrative Assistant) as advertised in June 2015 for a fully functional National Secretariat Office	National Secretariat	January 2016	K200,000	GoPNG
2. Advertise & Recruit Assistant National Coordinator and maintain salary for Head of Secretariat and Assistant Coordinator	Appointment of Assistant National Coordinator to assist Head of National Secretariat and salary maintenance	National Secretariat	June 2016	K300,000	GoPNG
3. Establish and maintain PNGEITI National Secretariat Website	A separate website for National Secretariat Office	National Secretariat	January 2016	K100,000	GoPNG
4. Recruitment of Short Term Consultant (External Consultant)	Engagement of a short term (3-6 months) consultant to undertake capacity building programs for the MSG and staff of the National Secretariat.	National Secretariat, MSG	July 2016	K300,000	GoPNG, MDTF, Other development partners
5. Recruitment of Short-Term (Local Consultant)	Engagement of a legal expert on a short-term arrangement (3 months) to assess and provide report on the establishment of the PNGEITI National Secretariat Office through an enabling legislation or an Act.	National Secretariat, MSG	August 2016	K200,000	GoPNG, MDTF, Other Development Partners
6. International Meetings, Conferences, Workshops and events	Fulfil PNG EITI requirements as a candidate country in attending to international obligations. Also, ensure PNG is represented at these events as an EITI implementing country to learn from and share experiences with other EITI countries.	National Secretariat, MSG	On-going and including the International Conference in Lima, Peru in February, 2016	K400,000	GoPNG
7. National Secretariat Operations/Administration	An efficient and independent functioning entity	National Secretariat	On-going	K400,000	GoPNG

8. PNGEITI National Secretariat Office Rental Accommodation	Relocating to a separate office premises that will allow the National Secretariat to operate as an independent entity and an office environment that would provide easy access to the public	National Secretariat, MSG	July 2016	K300,000	GoPNG
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**OBJECTIVE 2: SHOW EXTRACTIVE INDUSTRIES CONTRIBUTION (BOTH DIRECT AND INDIRECT) TO THE PNG ECONOMY**

**RATIONALE:** PNG is one of the leading producers of minerals and ranks among the top 20 world gold and copper producers. Revenues from the extractive sector forms significant proportion of Government’s national budgets every year. For instance, in 2014, it was estimated that extractive industries contributed 84% of PNG’s exports and 18% of total GDP (PNGEITI Scoping Study Report, 2015, p.35).

However, available data and details are not accurate and in many instances do not reflect in totality what is being generated from the extractive sector and how much is contributed to the national economy. Data disaggregation is limited, there is non-existence of a central data storage system for data analysis and there is no mechanism to record data on social expenditures apart from that mandated through legislations and project agreements. PNG does not publish usable data on extractive industries due to lack of readily available data, awareness, capacity and legislative restrictions. One of the biggest challenges is lack of transparency in information relating to financial transactions and accountability. The EITI process is a tool that is intended to facilitate data collection, processing and documentation that can minimise some of these information gaps.

**GOVERNANCE RELATED CHALLENGES:** 1. Determination of data disaggregation from the national down to sub-national levels of governments and to the landowner groups. 2. Determining an appropriate taxation and fiscal regime for the extractive sector. 3. Achieving transparency in tax information which is currently being protected by secrecy provisions of the PNG Income Tax Act administered by the IRC. 4. Determining government’s policy decision on granting tax holidays, exemptions and provision of such other fiscal incentives to the extractive sector. Also taking account of the fiscal incentives that have already been provided and are currently being utilised. 5. Determining and quantifying the amount of revenue forgone through the Infrastructure Tax Credit Scheme (ITCS) and the expenditure. 6. Lack of capacity at the sub-national levels of governments that is a significant challenge to extracting data at these levels.

**ACTIVITIES VERSUS CHALLENGES:** All activities relating to the publication of PNGEITI First Report and improvement of data collection, addressing legislative and fiscal regime and providing tax incentives and ITC are intended to address points 1 to 6 as outlined above.

ACTIVITIES	TARGETED OUTCOME	RESPONSIBLE ENTITY	TIMELINE	ESTIMATED COST (PNGK)	FUNDING SOURCE
<b>2.1 PUBLISH SECOND PNGEITI REPORT</b>  <i>The outcome of this sub-objective is to increase transparency in the extractive industry in the country through a credible and comprehensive EITI Report that can be available to all stakeholders for consideration in policy formulation, legislative reforms and streamlining government systems and processes.</i>					
1. Produce summary of the findings and recommendations from the PNGEITI First Report and an over view of the issues to be focused in the Second PNGEITI Report	Highlight of key policy issues from the First Report in increasing transparency and accountability that is credible and comprehensible by all stakeholders and the public and that can contribute to further reforms in the sector	National Secretariat, MSG	February 2016	K20,000	GoPNG
2. Awareness, Publicity and Outreach Programs for PNGEITI First Report through social media – print media, advertisements, pamphlets, brochures, conferences, press releases and visits to regional centres through-out the country	Increased transparency through awareness and public understanding on the outcome/findings of PNGEITI First Report and the recommendations put forward for future actions	National Secretariat, CSOs	January 2016	K250,000	GoPNG
3. Commence procurement (call for Expression of Interest) of tendering process for the Second PNGEITI Report	Engage an Independent Administrator (IA) through GoPNG public tendering process (CSTB) or alternatively through the Selective Tender Process consistent with EITI Requirements and GoPNG procurement process	National Secretariat, MSG	February 2016	K50,000	GoPNG
4. Hiring of an IA to analyse Government and Industry data for the Second EITI Report	IA engaged through an open tender process.	National Secretariat, MSG	March 2016	K600,000	GoPNG

5. MSG to approve on the scope (level of disaggregation, materiality threshold, etc) of the Second EITI Report	To maximise transparency in the extractive sector as much as possible, building on from what was covered in the First PNGEITI Report	National Secretariat, IA	April, 2016	National Secretariat operational Budget	GoPNG
6. Inception Report - IA to develop Reporting Templates, Review Scoping Report to understand PNG Context, governance arrangements, tax policies and legal framework.	To maximise transparency and accountability in the extractive industry, building on from what was covered in the First PNGEITI Report	IA, MSG, National Secretariat	May, 2016	National Secretariat operational budget	GoPNG
7. IA to conduct training on reporting templates for reporting entities (government entities and companies)	To maximise transparency and accountability in the extractive industry, building on from what was covered in the First PNGEITI Report	IA, MSG and National Secretariat	May 2016	IA project budget	GoPNG
8. Submission of reporting templates	To maximise transparency and accountability in the extractive industry, building on from what was covered in the First PNGEITI Report	Government agencies and companies	July 2016	IA Project budget	GoPNG
9. Release of draft PNGEITI Second Report to MSG	To maximise transparency and accountability in the extractive industry as much as possible, building on from what was covered in the first Report	IA	August 2016	IA Project budget	GoPNG
10. PNGEITI Final Report released to MSG	To maximise transparency and accountability in the extractive industry, building on from what was covered in the First PNGEITI Report	IA	September 2016	IA Project budget	GoPNG
11. PNGEITI Report Launch and Conference	To maximise transparency and accountability in the extractive industry, building on from what was covered in the First PNGEITI Report	IA, MSG and National Secretariat	November 2016	K150,000	GoPNG

## 2.2 VALIDATION OF PNGEITI REPORT

*The outcome of this sub-objective is to achieve increased transparency in the extractive industry in the country and a credible and comprehensive EITI Report that can easily be validated and that meets global EITI Standards and Requirements for PNG to be admitted as an EITI compliant country (full membership status).*

12. Procurement of Validator	To ensure EITI implementation in PNG meets global EITI Standards and Requirements to realise its potential for becoming fully compliant country	International Secretariat, PNGEITI National Secretariat	December 2016	International Secretariat Budget	International Secretariat
13. Publication of Second PNGEITI Report	To maximise transparency and accountability in the extractive industry, building on from what was covered in the first Report	MSG & National Secretariat	December 2016	K200,000	GoPNG

### OBJECTIVE 3: IMPROVE PUBLIC UNDERSTANDING IN THE MANAGEMENT OF EXTRACTIVE INDUSTRIES

**RATIONALE:** Provincial Governments, Local Level Governments, landowners and people in the communities where natural resources are being extracted are not informed and are not able to debate and have their say on issues of concern. Necessary data and other contextual information relating to the extractive sector through EITI Reports should be made available in easily accessible methods that could be understood by ordinary people at community levels. The Reports should empower the public to use them to engage in constructive debates, public forums and through other avenues to have their say in the management and use of these resources. Transparency and accountability can be enhanced to a greater extent and good governance can prevail as a result of Government adopting good public policies in the extractive sector. This can build trust and confidence among different stakeholders and create a better environment for further investments. Ensuring that funds generated from the extractive industries are spent in an accountable and transparent manner and are used for the purposes as mandated by law (through the budget process). If monies are to be paid to landowners in the affected communities, these should go straight to the intended beneficiaries.

The EITI reporting process provides an avenue for stimulating debates and discussions on these issues.

**GOVERNANCE RELATED CHALLENGES:** 1. Ensuring continued political ownership and commitment is key to addressing issues concerning the extractive sector. 2. Creating and maintaining public support and involvement would demand a lot of consultation, public awareness, outreach activities, information dissemination, networking and other activities to build capacity at the community levels for greater public involvement. 3. Limited financial data at sub-national levels of governments to support this initiative. 4. Lack of reliable telecommunication infrastructure (access to internet, newspapers, smart phones,

computers, etc.) in many remote communities and the fact that over 80% of PNG's population is still illiterate is a real constraint to enabling the public at large to be fully engaged in debates and discussions.

**ACTIVITIES VERSUS CHALLENGES:** Activities listed below under this objective are intended to create awareness in the extractive sector by ensuring that information are disseminated regularly through various forms (forums, conferences, publications, radio talk back shows and other social medias). It is hoped that through these activities, the challenges highlighted above will be addressed and many more people will ensure that Government and industry manage these natural resources well and according to the law.

ACTIVITIES	TARGET OUTCOME	RESPONSIBLE ENTITY	TIMELINE	ESTIMATED COST	FUNDING SOURCE
<p><b>3.1 ENGAGE IN CARRYING OUT PROMOTIONAL AND EDUCATIONAL AWARENESS THROUGH VARIOUS MEDIUMS</b></p> <p><i>The outcome of this sub-objective is to maximise public understanding in the management of extractive industries</i></p>					
1. Release of statements and press briefings on PNGEITI activities, including workshops with media groups on EITI implementation	Increased public awareness and understanding on the management of extractive industries in PNG	MSG, National Secretariat, CSOs	On-going	K70,000	GoPNG
2. Continuous outreach /dialogue/training with specific sectors: sub-national governments; churches; landowners; academics and industries to give updates on EITI implementation	Increased public awareness and understanding on the management of extractive industries in PNG	MSG, National Secretariat, CSOs	On-going	K400,000	GoPNG
3. Publication of reference materials, primers, articles on EITI and EITI implementation, online trainings and digital presentations	Increased public awareness and understanding on the management of extractive industries in PNG	MSG, National Secretariat, CSOs and relevant government agencies	On-going	K200,000	GoPNG

4. Develop PNGEITI Communications Strategy	Increased public awareness and understanding on the management of extractive industries in PNG	MSG, National Secretariat	January 2016	K60,000	GoPNG
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**OBJECTIVE 4: STRENGTHEN REVENUE GENERATION AND COLLECTION THAT IS CONSISTENT WITH POLICY SETTING**

**RATIONALE:** Ensure constant monitoring of the systems and processes of revenue collection so that revenues and other benefits are received by the Government as mandated by law. Any activities done by the government and industries that are inconsistent with the taxation laws and fiscal regime and not in the best interest of the country will constitute unsound management. This will result in public officials, government and industry officials held liable against their actions. To ensure this outcome, the First EITI Report will review the existing laws, regulations, systems and process governing the sector and recommend areas that require further reforms and amendments of current legislative frameworks to ensure greater accountability.

For revenue collection, key government agencies like the Internal Revenue Commission, the PNG Customs, the Department of Petroleum and Energy and the Department of Minerals and Geo-hazards Management should be assisted to strengthen their capacity to perform better. These agencies should monitor and ensure that companies involved in the extractive sector comply with existing laws, project agreements or other contractual obligations. The current practice in investments in this sector lacks transparency as details on project agreements, taxation arrangements and such are not readily available to the public. Therefore, the public is not in a position to monitor activities being undertaken in this sector.

Through the release of First EITI Report, it is intended that some of these areas will be addressed in so far as strengthening systems and processes of revenue collection and capacity building in key government agencies.

**GOVERNANCE RELATED CHALLENGES:** 1. Improving government systems and process and capacity building will require reforms and amendments to existing laws and legislations governing the extractive sector. 2. Some of these reforms may require consensus building at the political level and the willingness to take ownership of these reforms by the Government. This would mean that certain reforms could be undertaken in the short term, but some may be undertaken in the longer term. 3. Past experiences from public sector reforms in PNG indicates that there has been no consistent efforts to build on the reforms made to progress further. There is the problem of sustainability and continuation of reforms due to change of governments – when new government comes in there is no guarantee that reform agendas will continue and this is the real challenge. 4. Reforming and building institutional capacity requires resourcing and strong political leadership.

**ACTIVITIES VERSUS CHALLENGES:** All activities listed below are intended to address the above challenges and these are key actions.



ACTIVITIES	TARGETED OUTCOME	RESPONSIBILITY	TIMELINE	ESTIMATED COST	FUNDING SOURCE
<b>4.1 ENSURE GOVERNMENT RECEIVES ALL REVENUES FROM THE EXTRACTIVE INDUSTRIES IT IS SUPPOSED TO RECEIVE</b>  <i>The outcome of this sub-objective is to ensure maximum benefits are derived from resources extraction in PNG</i>					
1. Act on recommendations from the First PNGEITI Report	Improved administrative and legislative systems and process and public policies governing the management and extraction of resources from the extractive sector. Also enhance understanding and trust building among stakeholders (Government, Industry and civil society) to creating a conducive environment for further investment	MSG, relevant government agencies, National Parliament	December 2016	National Secretariat operational budget	GoPNG, MDTF, Other Development Partners
2. Engage consultants to undertake scoping study to investigate the possibility of implementing EITI Standard to sub-national governments (provincial governments) and landowner associations.	To increase transparency and accountability of benefits flowing to sub-national governments and landowners and, empowering people at community level to address issues that directly affect them	National Secretariat, MSG	July, 2016	K500,000	GoPNG, MDTF, Other development partners
3. Adoption of policies for continuous improvement and refinement in the data collection process	Improved administrative and legislative systems and process and public policies governing the management and extraction of resources from the extractive sector. Also enhance understanding and trust building among stakeholders (Government, Industry and civil society) create a conducive environment for further investment	MSG, Relevant government agencies, National Secretariat	On-going	National Secretariat operational budget	GoPNG

4. Engage the legislative and executive arms of the government to addressing barriers to full implementation of EITI; engaging consultants to draft proposed legislations and amendments to existing laws where required	Improved administrative and legislative systems and process and public policies governing the management and extraction of resources from the extractive sector.	MSG, National Secretariat, Relevant government agencies	August, 2016	K300,000	GoPNG, MDTF, Other development partners
<b>4.2 ENHANCE STAKEHOLDER ACCOUNTABILITY (GOVERNMENT, CIVIL SOCIETY ORGANISATIONS AND INDUSTRIES)</b>					
<b>The outcome of this sub-objective is to ensure stakeholders account for all the revenues and benefits derived from the extractive sector</b>					
ACTIVITIES	TARGETED OUTCOME	RESPONSIBLE ENTITY	TIMELINE	ESTIMATED COST (PNGK)	FUNDING SOURCE
1. Monitoring and strengthening the accountability of CSOs in the multi-stakeholder Group (MSG)	To empower and ensure CSOs play an effective role in the MSG process and be accountable to its wider CSOs operating in the country	National Secretariat, MSG, CSO	On-going	National Secretariat operational budget	GoPNG
2. Monitoring and strengthening the accountability of industries in reporting of payments to the Government	Ensure industries have an effective and efficient payment systems in place to record all payments to the government, including sub-national levels of government and landowner groups, companies and associations.	National Secretariat, MSG, industry	On-going	National Secretariat operational budget	GoPNG
3. Monitoring and strengthening the accountability of government agencies in reporting of revenues and benefits received.	Ensure relevant government agencies have an effective and efficient recording systems in place to store data and to report on all payments received. Also to ensure there is capacity in key agencies to support EITI implementation and to enable them to address public policy and	National Secretariat, MSG, relevant government agencies	On-going	National Secretariat operational budget	GoPNG

	administrative issues in a systematic manner for the extractive sector				
4. Improve monitoring mechanisms for transfer of revenues from the industry and the government to sub-national levels of governments and landowner groups on Special Support Grants (SSGs), Infrastructure Development Grants (IDGs) and Business Development Grants (BDGs)	Ensure relevant government agencies have an effective and efficient method of transferring funds and to store data and to report on all revenues paid out and ensure there is capacity in key agencies to support EITI implementation. Also government agencies effectively address public policy and administrative issues in the extractive sector.	National Secretariat, MSG, relevant government agencies	On-going	National Secretariat operational budget	GoPNG

**OBJECTIVE 5: ENGAGEMENT OF STAKEHOLDERS TO EFFECTIVELY ADDRESS ISSUES AFFECTING PNG'S EXTRACTIVE INDUSTRIES**

**RATIONALE:** Stakeholders understanding on issues affecting the extractive sector is critical in enabling them to be fully engaged in public debates and discussions on matters of their interest and in bringing these into the domain of the public policy making process. A consultative approach to public sector reforms and taxation and policy reforms in the extractive sector is the way to go in building confidence and trust among stakeholders that can have positive impact on public policy development and implementation. This approach creates a better environment for further investments in the sector. A participatory approach to the decision making process in resources extraction and the use of revenues and other benefits derived from this sector enhance transparency and accountability is the key to addressing the negative perception the public has on the management of the sector by the government and industry.

**GOVERNANCE RELATED CHALLENGES:** 1. Management of different interests from different stakeholder groups poses a challenge in this approach. 2. Extensive consultations among different stakeholders can be problematic and can derail or sabotage efforts to achieve good policy reforms and amendments to laws and legislations governing the sector. 3. Some reform initiatives and policy changes could take a long while to achieve and would require resources to achieve. 4. Persistent lack of institutional capacity in key state agencies to take a lead role in facilitating and driving stakeholder engagements.

**ACTIVITIES VERSUS CHALLENGES:** All the activities listed below are intended to address the above governance related challenges. In situations where any unforeseen challenges arise, these may require specific actions to deal with these challenges.

ACTIVITIES	TARGETED OUTCOME	RESPONSIBLE ENTITY	TIMELINE	ESTIMATED COST (PNGK)	FUNDING SOURCE
<p><b>5.1 CREATING AN AVENUE FOR CONSULTATIVE APPROACH TO PUBLIC POLICY DEBATES IN THE EXTRACTIVE SECTOR</b></p> <p><i>The outcome of this sub-objective is to adopt public policies that could culminate from consultative approach to policy making and policies that could be implemented successfully to address issues affecting the extractive sector. Also, to ensure that PNG has a vibrant taxation and fiscal regime governing the extractive sector that is able to attract further investment.</i></p>					
1. Conduct quarterly and monthly meetings with the MSG, the TWG, constituency members or as and when required consistent with the PNGEITI MSG's existing MoU	Achieve a transparent and sound environment for public policy development and reforms in the extractive sector	MSG, National Secretariat	Monthly	National Secretariat operational budget	GoPNG
2. Forum with Members of Parliament	Bring about awareness of EITI implementation and gain support at the political level	MSG, National Secretariat	As and when required	National Secretariat operational budget	GoPNG
3. Quarterly talk back shows with local radio stations	Bring about awareness of EITI implementation and gain support from the public and at the political level	MSG, National Secretariat	Quarterly	National Secretariat operational budget	GoPNG
4. Attendance at in-country conferences, seminars and workshops	Bring about awareness of EITI implementation and gain support from the public and at the political level	MSG, National Secretariat	As and when required	National Secretariat operational Budget	GoPNG
<p><b>OBJECTIVE 6: MONITORING AND EVALUATION (M&amp;E)</b></p> <p><b>RATIONALE:</b> An effective monitoring and evaluation system is critical to assisting the MSG to determine the achievement and non-achievement of the program of activities of the above 5 Objectives. This kind of evaluation system provides a critical assessment and useful feedback for MSG to determine their</p>					

success rate in the overall EITI implementation in PNG and address areas of weakness or failures and take measures early for future success. Adopting a well-designed Work Plan without a mechanism to monitor and evaluate its performance will not be effective.

**GOVERNANCE RELATED CHALLENGES:** 1. Management of differing interests from different stakeholder groups poses a challenge in executing an evaluation in an objective way. 2. Extensive consultations among different stakeholders can be problematic and can hinder effective monitoring and evaluation. 3. Monitoring and evaluation of some activities would not be possible in a given year or over the medium term as these would take a long while to achieve and would require resources to achieve them. 4. Persistent lack of institutional capacity in key state agencies to take a lead role in facilitating and driving stakeholder engagements can contribute to poor performance outcome in evaluation.

**ACTIVITIES VERSUS CHALLENGES:** There are no activities listed under this objective because M&E is a tool that will be used to assess the performance of the activities listed in Objectives 1 to 5 above.

SUMMARY OF FUNDING SOURCES	
GOVERNMENT OF PNG (GoPNG)	K3,700,000.00
MULTI-DONOR TRUST FUND (MDTF) & OTHER DEVELOPMENT PARTNERS	K 1,300,000.00
STAKEHOLDERS	
<b>TOTAL</b>	<b>K5,000,000.00</b>