



PNG EXTRACTIVE INDUSTRIES
TRANSPARENCY INITIATIVE
NATIONAL SECRETARIAT



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MINUTES OF SECOND QUARTER MSG MEETING (MEETING #2/2019)

FRIDAY 19TH JULY, 2019

10:15 AM – 12:50 PM

LEVEL 5 CONFERENCE ROOM, TREASURY BUILDING

IN ATTENDANCE

GOVERNMENT

- Albert Kenny – Internal Revenue Commission (IRC)
- Jennifer Jonathan – Internal Revenue Commission (IRC)
- Arnold Lakamanga – Mineral Resources Authority (MRA)
- Bridgitte Turalir – Department of Treasury (DoT)

INDUSTRY

- Anna Madgwick – Newcrest Mining Limited
- Susil Nelson-Kongoi – ExxonMobil PNG (EMPNG)
- Cornelius Soagai – Oil Search Limited

CIVIL SOCIETY ORGANISATIONS

- Wallis Yakam – Consultative Implementation & Monitoring Council (CIMC)
- Marjorie Andrew – Institute of National Affairs (INA) & PNGRGC
- Arianne Kassman – Transparency International PNG (TIPNG)
- Yuambari Haihuie – Transparency International PNG (TIPNG)

OBSERVERS/CONSULTANTS/DEVELOPMENT PARTNERS

- Cayllan Boeha – KPMG
- Brandley Sunico – Ernst & Young
- Deogracias Fabora – Ernst & Young
- Steven Vavine – Brian Hart Consulting
- Fiona Silo – JICA
- Koinuma Masato – JICA
- Shiro Otomo – JICA
- Wilfred Lus – World Bank

NATIONAL SECRETARIAT

- Lucas Alkan
- Christopher Tabel

- Vaieke Vani
- Francis Diakon
- Swartz Buf
- Liyasi Numaralai
- Oliver Maingu
- Sonia Kenu-Becks
- Delka Kemba Rinny

APOLOGIES

- Manu Momo – Department of Treasury
- Donald Hehona – Department of Treasury
- Paul Barker – Institute of National Affairs

1. WELCOME & INTRODUCTION

National Secretariat (Lucas Alkan) welcomed MSG Members to the Second Quarter MSG Meeting for 2019. He informed that Alternate Chair Manu Momo was not able to chair the meeting due to other commitments. He informed that Mr Arnold Lakamanga from the Mineral Resources Authority (MRA) would be the Acting Chair. Mr Lakamanga welcomed everybody who were present and asked participants to introduce themselves before the meeting commenced.

2. REVIEW OF MATTERS ARISING FROM MEETING # 01/2019

The Acting Chair (Arnold Lakamanga) allowed some time for members to review the First Quarter MSG Meeting Minutes before being accepted. There were no comments on the minutes and the Acting Chair moved that the minutes be accepted as a true record of that meeting. PNGRGC/INA (Marjorie Andrew) seconded and the minutes were accepted as official records of that meeting.

3. PROJECT UPDATES

3.1 Preparation of FY2018 PNGETI Report

The Acting Chair (Arnold Lakamanga) congratulated Ernst & Young for being engaged again as the Independent Administrator (IA) for preparation of the FY2018 Report. He then asked the IA to give a brief update on the project.

Ernst & Young (Brandley Sunico) expressed their gratitude for being appointed by the MSG as the Independent Administrator to undertake the FY2018 PNGETI Report. She presented their proposed timeline to undertake the project as follows:

- 23rd – 26th July, 2019: Preliminary analysis for scoping of reporting entities, revenue streams and gathering contextual information and understanding the challenges and recommendations from the Validation Report;
- 01st – 2nd August, 2019: Refining reporting templates;
- 05th- 07th August, 2019: Develop training materials for EITI reporting entities;
- 16th August, 2019: Submission of scoping study report & data collection, with data templates to be circulated to all reporting entities;
- 20th August 2019: Submission of the final inception report;
- 19th August – 4th October 2019: Completion of reporting templates

- 23rd September – 04th October, 2019: Compilation/Reconciliation of data and reporting information to be disclosed by reporting entities;
- 11th October 2019: EY proposed to meet with the MSG to discuss the initial reconciliation;
- 22nd November 2019: Submission of the Initial Draft Report to the MSG; and
- 6th December 2019: Final PNGEITI FY2018 Report to be released.

Ernst & Young (Brandley Sunico) further indicated that during the same period, they will be conducting training sessions for the reporting entities. She further stressed that the MSG and reporting entities needed to submit their feedback and that they must be available to be consulted and to discuss further with the IA after the completed templates have been submitted.

National Secretariat (Lucas Alkan) reminded that in last year's report preparation, the compliance rate from reporting entities in terms of submitting their completed templates had declined compared to previous reports and he urged them to improve on this in this year's reporting. He added that the IA was having difficulty last year in contacting MSG members and reporting entities for their feedback and as follow up discussions to clarify the data and information provided. He raised concern that there was lack of cooperation and support in this reporting process and this had caused further delay in publishing the FY2017 Report.

The MSG took note of the report preparation timeline as presented by the IA including the issues discussed above.

3.2 Beneficial Ownership (BO) Roadmap Implementation

KPMG (Cayllan Boeha) presented a summary of their implementation of the milestones from the BO Roadmap during the first quarter of 2019 and their achievements. The presentation was done in four parts as follows:

3.2.1 Raising Public Awareness

KPMG (Cayllan Boeha) advised that the Roadshow they were supposed to hold in Jiwaka as mentioned in the First Quarter 2019 NSG Meeting did not eventuate. However, they postponed it to the 07th- 09th of August, 2019. He commented that there has been active involvement by MSG Members as guest speakers and panellists in the previous 3 regional roadshows and this should continue as part of raising public awareness on the BO project. He added that previous roadshows held in Alotau and Madang were successful and had good turn-out due to active involvement and participation by the MSG, however there was poor attendance for the Kavieng Roadshow.

3.2.2 Mapping out and obtaining BO disclosures

KPMG (Cayllan Boeha) informed that KPMG had mapped out the shareholding structure of the extractive entities that report to PNGEITI. He mentioned that from these shareholding structures, they were able to obtain beneficial ownership information from publicly available databases such as that kept at the IPA and company websites. He pointed out that the EITI Standard requires any publicly listed company (including wholly owned subsidiaries) to disclose the stock exchange as well as a link to the filings of their stock exchange or where they are currently listed.

requirement for sub-national reporting. The workshop was intended to find a way forward in working with the provincial authorities to work out a mechanism for extending EITI implementation to sub-national levels. Further, to come up with a provincial MSG structure and how it should function. The workshop was very successful with a good number of provincial administrators attending.

CIMC (Wallis Yakam) raised a question on the existing mechanisms at the provincial level and wanted to know if the workshop discussed this. National Secretariat (Chris Tabel) indicated that there are existing mechanisms within the provincial level which provide channels for existing reports and there is data that exists. However, an issue would be the legality of reporting for EITI purpose as well as the reporting channels and how best they can capture inputs from CSOs. Different provinces have provided different options of reporting that can be utilized, bearing in mind that there is a cost in implementing at this level and this will need to be looked at going forward. Mr Tabel explained that capturing CSO's participation at that level is crucial and further advised the MSG that EITI Global has been progressively working towards mainstreaming EITI into existing laws and legal mechanisms, amending legislations/laws where required within the respective jurisdictions.

Acting Chair (Arnold Lakamanga) noted that the issue is about capacity building. He said there is a system already in place and it is about the capacity to take it on and making efforts to collect and collate the data. He then stated that piloting would bring out those issues and show us the way forward. National Secretariat (Lucas Alkan) further emphasised that this was the intention of the piloting exercise as a way forward on sub-national reporting.

The MSG took note of the Sub-national Payment and Transfers Scoping Study Report that was published with its recommendations, and including future challenges on sub-national reporting as discussed.

3.4 JICA Technical Cooperation Project

The Acting Chair (Arnold Lakamanga) called upon JICA Project Consultants to provide an update on the progress of their project.

JICA (Shiro Otomo) did a presentation on the progress of the project for Improving Resources Related Revenue Management. As per their project timeline, it is a 3-year project that is expected to be completed by December 2020.

Otomo-san talked on the developments that have taken place over the last quarter which included; capacity building training and programs for the MSG Members, technical skills training, capacity development programs for National Secretariat staff and the reporting entities. Otomo-san indicated that one of the major objectives that the JICA Team worked on was raising public awareness on EITI implementation and the outcomes and recommendations from the EITI reports that have been implemented or are being implemented.

Otomo-san highlighted a number of improvements made by PNGEITI in compliance with the EITI Global Standard and these were as follows:

1. Data management at the Department of Petroleum has been improved to comply with the EITI Requirements, particularly on:
 - Establishment: Appointment of focal or key contact persons in the Department of Petroleum to facilitate implementation of EITI in the country;
 - Internal data management: Procedures of data collection, storage and reporting was now in compliance with the EITI Requirements.
 - Training and awareness: There have been a number of workshops and trainings conducted for the MSG and National Secretariat staff as part of capacity building and awareness activity; and

- Information disclosure: There has been increased sharing and dissemination of data and information with relevant government entities and industry companies for EITI purpose.
2. **MSG & Reporting Entities:** The EITI reporting mechanism among extractive companies and government agencies are being enhanced by:
 - Engaging PNGEITI MSG by conducting education sessions;
 - Improvement of Reporting Practices;
 - Technical skills of training EITI: capacity development of the National Secretariat; through supporting process; and
 - Interactive Educational Tools.
 3. **Awareness Promotion:** Awareness and implementation of EITI has been enhanced in the country through:
 - Enhanced strategic implementation;
 - Improved attractiveness of awareness promotion;
 - Dialogue and consultation with people; and
 - Increased implementation capacity.

After presenting the above objectives, Otomo-san then presented their progress and project outcomes based on these objectives. He informed that they had completed a Baseline Survey Report for Improving Resource Related Revenue Management in March, 2019 and this was presented to the MSG in the First Quarter 2019 MSG Meeting. He further stressed the importance of the baseline survey and how it can assist PNG to become compliant with the EITI Global Standard.

The Acting Chair (Arnold Lakamanga) acknowledged the presentation and noted that it also set a scene for the Department of Petroleum's willingness to participate in EITI implementation in the country. CIMC (Wallis Yakam) questioned if there was any involvement or participation from MRDC. National Secretariat (Lucas Alkan) replied that when EITI was first implemented, MRDC did not participate at the MSG level or in the EITI reporting process. However, they eventually participated in the reporting and attended MSG meetings as observers in recent times and the MSG does not have any issues with MRDC now in terms of participation. MRDC had cooperated well and supplied data and information to the IA for preparation of PNGEITI Reports in recent publications. However, there are still significant challenges and information gaps to work through to improve governance and enhance transparency at MRDC going forward.

The MSG took note of the update as provided by JICA Project Consultant and the challenges as discussed.

3.5 World Bank Funding Program

World Bank (Wilfred Lus) commented that with the reporting templates, commitments are made when the MoU's are signed. He further indicated that quite a number of these challenges were identified in the Sub-national Payments and Transfers Scoping Study Report. He expressed support for the MSG's effort to operationalize EITI implementation down to sub-national level and it would be efficient if the CSO's are on board to assist as well.

Further, Dr Lus said that sometimes resources are not made available to set up a structure or a channel for reporting templates to be completed and returned in a timely manner or the tools that can be put in place for the work of CSO's to be enhanced and supported. Dr Lus informed that the Bank had been working closely with Digicel to come up with a timely reporting solution by way of on-line completion of forms and submission and to allow MSG Members to report swiftly.

The Acting Chair (Arnold Lakamanga) queried if the money promised by the World Bank had already been allocated for this project. World Bank (Wilfred Lus) confirmed that money was already allocated for the project and is available to be drawn, executed directly by the World Bank. He also expressed that CSO needed to be funded to strengthen its capacity.

CIMC (Wallis Yakam) added that a National Coordinator for PNG Resource Governance Coalition is needed because the position has been vacant for a while due to lack of funding. She said that an internal change was made in which Marjorie Andrew from the INA was now taking on this role.

The MSG took note of the update as provided by the World Bank.

3.6 PNGEITI National Policy Framework & Legislation

The Acting Chair (Arnold Lakamanga) requested the National Secretariat to provide an update on this sub-item. National Secretariat (Vaieke Vani) briefed members on the status of the Policy and the Legislation to establish PNGEITI National Secretariat as a Commission.

3.6.1 PNGEITI National Policy Framework

Mr Vani advised that in the second quarter 2019 MSG Meeting, the PNGEITI National Policy was finalised and submitted to NEC for consideration and endorsement after the MSG had endorsed it. The NEC considered and endorsed it in early March, 2019.

3.6.2 PNGEITI Legislation

The National Secretariat (Vaieke Vani) noted that there were more consultations conducted by the consulting firm, Adam Smith International (ASI) and the PNGEITI National Secretariat in May of this year. Following these consultations, the ASI finalised the document. A number of agencies including; the Department of Treasury, Attorney General's Office (AGO), Department of Mineral Policy and Geohazards Management (DMPMG) submitted written inputs on the draft legislation. He further stated that the National Secretariat was working with relevant State entities and the Policy and Legislation Technical Working Committee (TWG) to finalize the PNGEITI Commission Bill for MSG's endorsement.

The Acting Chair (Arnold Lakamanga) commented that if things run smoothly as planned then the PNGEITI National Secretariat would be transformed into a Commission as of next year. National Secretariat (Vaieke Vani) informed that the EITI International Secretariat had also provided its comments and feedback on the proposed PNGEITI Commission Bill, which will need to be incorporated for the TWG and MSG to consider.

The INA and PNGRGC (Marjorie Andrew) referred to the NEC Decision No. 80/2019 in which Directive NO. 4 (ii) states that 'the proposed Commission be funded by donor partners, rather than the State'. She was concerned about this and queried as to what would happen going forward.

The National Secretariat (Vaieke Vani) responded by saying that the National Secretariat was aware of this and this would be looked into to rectify the matter. It seemed obvious that it was a typical error as it did not make sense.

The National Secretariat (Lucas Alkan) brought to the MSG's attention the feedback from EITI International Secretariat regarding the proposed structure, the number of MSG members on the Board of Commissioners and the independence of each stakeholder groups nomination and appointment process to the Board. He pointed out that the EITI International Secretariat was concerned about the proposal to reduce the number of MSG members on the proposed Board because it is inconsistent with the EITI Principles. The EITI required an MSG to be broad enough to include all stakeholders and not to be narrowed down to a few representatives. Mr Alkan said the National Secretariat will work with the TWG to address this concern. He also said there were other points of concern raised by EITI International to ensure

the proposed legislation to be finalised is consistent with the EITI Global principles and objectives.

Newcrest Mining Ltd (Anna Madgwick) queried as to how the National Secretariat would be an independent body if it is still being funded by the Government. National Secretariat (Lucas Alkan) replied that there are not many EITI countries that have their own establishment laws like what PNG is intending to do. For PNG's case, the MSG considered that having a legal basis to operate is necessary because EITI implementation in the country needs to be sustained into the future and to accord some legal standing to demand data and information and do such other things as and when required.

The MSG took note of the updates on the PNGEITI National Policy and the Legislation. The MSG also took note of the feedback from the EITI International Secretariat on the proposed PNGEITI Commission Bill and the work to be pursued by the Policy and Legislation Technical Working Group to finalise the draft Bill.

3.7 National Secretariat salary and benefits benchmarking review report

The Acting Chair (Arnold Lakamanga) requested Brian Hart Consulting (BHC) to present their findings from the Salary and Benefits Benchmarking Review Study. The National Secretariat through MSG's endorsement engaged BHC to undertake the above review in which a report was published with a number of recommendations for MSG's consideration as follows:

- (i) MSG to approve 3 yearly review of the market position of PNGEITI National Secretariat to keep them at approved policy level.
- (ii) National Secretariat positions received backdated pay increases for years 2017 & 2018, the already approved 2019 3% increase be paid and backdated to 1 January 2019.
- (iii) CEO to be paid at level approaching average of other similar organizations and above the All Organizations 25th Percentile.
- (iv) 20% increase in Base Salary for all staff.
- (v) A 33% increase in Housing Allowance.
- (vi) A movement to the Car Allowance paid in lieu of the provision of a motor vehicle at K35,000.
- (vii) Introduce paid Airfares at the level of K10,000 per annum.
- (viii) The Deputy Head of Secretariat to be paid at 80% of the level of the Head.
- (ix) On the basis of assessed work value, Media & Communication Specialist be raised from PS Gr15 to Gr16 with accompanying increased Base Salary.
- (x) Total Packages for all EITI Positions below the Deputy Head level be set at the equivalent All Organisation 25th Percentile amounts shown in Table 3 in the study Report.
- (xi) The position titles: Head of Secretariat and Deputy Head of Secretariat be changed to Director and Deputy Director or Commissioner.

BHC (Steven Vavine) recommended that the PNGEITI MSG would need to take on board these recommendations and implement where required for the staff of the National Secretariat.

Acting Chair (Arnold Lakamanga) suggested for the MSG Remuneration Committee to meet and deliberate on these findings and the recommendations. National Secretariat (Lucas Alkan) stated that the Secretariat has been fully operationalised and in operation for 5 years now. It has been fully funded by Department of Treasury and Secretariat Staff are being paid according to the existing Public Service pay grades.

He further indicated that his contract of employment had expired last year. The Acting Chair (Arnold Lakamanga) suggested that the report and notice for a meeting be circulated to the MSG Remuneration Committee for their review and to convene a meeting to consider these recommendations. TIPNG (Arianne Kassman) suggested that a deadline be set for the Remuneration Committee to meet as this matter has been outstanding for over 3 years.

Resolution:

The MSG resolved that a meeting be held by the Remuneration Committee at the end of July, 2019 to consider the study review report recommendations and recommend to the MSG at the Third Quarter 2019 MSG Meeting.

4. VACANCY AT THE EITI INTERNATIONAL BOARD DUE TO REPLACEMENT OF TREASURER HON. CHARLES ABEL

Regarding the above matter, the National Secretariat (Lucas Alkan) informed that an email circular was sent to the MSG with possible options to nominate a replacement to the EITI International Board. The options presented to MSG were as follows:

- Option 1. The new Treasurer Minister
- Option 2. MSG Member to be nominated
- Option 3. PNGEITI National Coordinator

Mr Alkan indicated that it was necessary to nominate a replacement as soon as possible due to the recent replacement of Hon Charles Abel as the Minister for Treasury following a Cabinet reshuffle by the Prime Minister. He said if PNG did not nominate a replacement then the vacancy may be allocated to another country within the South East Asian region.

Mr Alkan informed that the CSO had already voted for the third option, however no responses were received from both the industry and the government constituencies. He urged members present to revert with their decisions quickly for the National Secretariat to advise EITI International accordingly.

Resolution:

Members agreed that a decision would be made the following week and sent back to the Secretariat.

5 NATIONAL SECRETARIAT MATTERS

Due to the limited time available, Mr. Alkan quickly covered this agenda item and discussions held have been recorded below:

5.1 Second Quarter Financial Report

Mr. Alkan informed that the First Quarter 2019 Financial Report was inserted into the bound document of the meeting folder for members' information as usual. He added that should there be any queries, these could be directed to the Finance Officer of the National Secretariat.

5.2 Attendance at the 2019 EITI Global Conference in Paris, France

Mr. Alkan informed that the above conference was successful with a good number of PNGEITI MSG members attending. He also acknowledged the financial support towards PNG's attendance by a couple of industry companies including; ExxonMobil, Total and New Crest Mining Limited. He informed that a full report on PNG's attendance at the Global Conference was inserted into the bound copy of the meeting folder for members' information.

5.3 Brief for the incoming Treasury Minister and Chair of PNGEITI MSG


Mr. Alkan informed the MSG that the National Secretariat had already issued a brief to the new Treasurer, Hon. Sam Basil, MP as usual for his information. A copy of the brief was also inserted into the bound copy of the meeting document for members' information.

5.4 Annual Progress Report (APR) for 2018/2019

Mr. Alkan mentioned that the above Report was a requirement for all EITI implementing countries to publish. The report documents the activities that have undertaken in the last 12 months. He said the report is often published on the 1st of July every year. He said the National Secretariat had compiled this report and was released by the due date of 1st July, 2019. A copy of the APR was attached in the bound meeting document for MSGs' information.

With no other business for discussion, the Acting Chair (Arnold Lakamanga) thanked MSG Members for their attendance and closed the meeting at 12:58pm.

He informed that the National Secretariat would inform of the details for the next MSG Meeting at a later date.



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ARNOLD LAKAMANGA (MR)
Acting Chair & Manager – GIS Mineral Information
Mineral Resources Authority