



Papua New Guinea Extractive Industries Transparency
Initiative
2020 Work plan

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

RATIONALE: The PNGEITI National Secretariat activities have increased over the last 5 years and additional resources including staffing to execute the tasks as outlined in this 2020 Work Plan. Again, there is a continuous need for capacity building and training on the evolving EITI Standard and Requirements for staff and the MSG. Capacity building in relation to training staff and members of the MSG to understand the process, issues, strategies, and alignment of a shared vision to implement EITI Standard in the country. 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. Consistent with the National Executive Council (NEC) Decision # 90/2013, the PNGEITI MSG will ensure that necessary policy framework and legislative arrangements are established to enable PNGEITI to become an independent entity by 2020.

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 some members of the 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 organised activities because of lack of incentives and other interests. 4. There has been some difficulties in extending MSG membership to cover other key State entities because of their own priorities and interest areas. 5. There is still a need to achieve some balance in the decision-making process at the MSG level. Sometimes decisions on issues affecting the extractive sector are not adequately debated or discussed by all stakeholders before reaching a consensus. These discussions are left to one or two individuals to dominate and influence the outcomes or resolutions. 6. Lack of knowledge on the EITI Standard and Requirements and general understanding on the performance of the extractive sector is still a challenge. 7. There is also lack of adequate knowledge on the extractive sector value chain, and an understanding on the fiscal and taxation regime governing this sector by staff of the National Secretariat and some members of the MSG. 8. Consistent with the PNGEITI National Policy Framework, a legislation is required to enable PNGEITI to operate as an independent entity in this country.

ACTIVITIES VERSUS CHALLENGES: Activities outlined below relating to capacity building of the National Secretariat are intended to address points 6, 7 and 8 above. All other activities under Objective 1 are intended to address points 1 to 5.

ACTIVITIES	TARGETED OUTCOME	RESPONSIBLE ENTITY	TIMELINE	ESTIMATED COST (PGK)	FUNDING SOURCE
1.1 CAPACITY BUILDING ACTIVITIES FOR NATIONAL SECRETARIAT OFFICE AND THE MSG					
<i>The outcome of this sub-objective is to achieve a fully functional 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 Standard, the Requirements and its applicability in the context of PNG's extractive sector.</i>					
Conduct monthly and quarterly meetings with the MSG, Technical Working Group (TWG), constituency members consistent with the PNGEITI MSG MoU	To further advance EITI implementation in the country and for implementation of EITI reports recommendations	MSG, National Secretariat	Monthly and Quarterly	PGK 120,000.00	GoPNG
Provide training and skills development for National Secretariat staff and MSG members	Fulfil skills and knowledge gaps through internal and external training programs for Secretariat staff for a fully functional office and the MSG for its effective oversight function.	National Secretariat	On-going	PGK 50,000.00	GoPNG
PNGEITI Financial Audit	Conduct annual financial audit for the PNGEITI National Secretariat.	National Secretariat	On-going	PGK 50,000.00	GoPNG
Integrated Financial Management System (IFMS) Integration of National Secretariat	Consult with Finance Department on IFMS integration and alignment.	National Secretariat	On-going	PGK 10,000.00	GoPNG
Recruitment of Administration Officer and a Technical Officer	Advertise and recruit a suitably qualified Administrative officer and	National Secretariat	On-going	PGK 10,000.00	GoPNG

	a Technical Officer for the National Secretariat.				
Engagement of a Short-Term Consultant/resource person (External Consultant) for PNGEITI MSG and National Secretariat capacity building	Achieve a National Secretariat office that is capable of delivering the programs as required by the MSG and the Annual Work Plan. Also, to ensure that skills, knowledge and technical capacities of Secretariat staff and MSG members on EITI Standard and its requirements are enhanced for effective EITI implementation in the country. Further, to support Secretariat's efforts in engaging with reporting entities, especially with State Owned Entities (SOEs) and key government departments	National Secretariat, MSG	June to December 2020	PGK 50,000.00	Development partners
Payment of annual membership subscription fees to domestic affiliations	Participate in member activities to promote PNG EITI activities	National Secretariat, MSG	As and when due	PGK 20,000.00	GoPNG
Payment of annual membership subscription fees to EITI International Secretariat (USD10,000)	To renew and maintain PNG's membership to the EITI Global organisation	National Secretariat	February/March	PGK 40,000.00	GoPNG

<p>Maintain PNGEITI National Secretariat operational and administrative activities. (Purchase of computers, equipment, stationeries, utilities, etc). Also, staff salaries and wages, taxes, superannuation contributions, bank charges and fees, etc.</p>	<p>To maintain an efficient functioning of the Secretariat office that can be relied upon by the MSG, development partners and others</p>	<p>National Secretariat</p>	<p>On-going</p>	<p>PGK 1,217,800.00</p>	<p>GoPNG</p>
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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 what is being generated from the extractive sector in totality and how much is being 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 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 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. 4. Determining government’s policy decision on granting tax holidays, exemptions and provision of such other fiscal incentives to the extractive sector like the Infrastructure Tax Credit (ITC) Scheme. 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 ITC Scheme 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 (a scoping study on sub-national payments and transfers is now completed and provide some guidance on this).

ACTIVITIES VERSUS CHALLENGES: All activities relating to the publication of PNGEITI reports (5 reports have been published to date) 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
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2.1 PUBLISH SEVENTH PNGEITI REPORTS (FY2019 REPORT)

The outcome of this sub-objective is to increase transparency in the extractive industry 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.

<p>Produce summary of the findings and recommendations from previous PNGEITI Reports (six reports) and an overview of the issues to be focused in the seventh Report. This is also covered in Objective 6 of this Work Plan that is intended to monitor EITI Report implementation commencing with the first PNGEITI Report (FY 2013 Report). Also, refer to NEC Policy Directive attached as Annex 1. Annex 2 is a matrix that provides an update on the implementation of first report recommendations as of December 2019</p>	<p>To highlight key policy issues from the third and fourth Reports in increasing transparency and accountability that is credible and comprehensible by all stakeholders and the public. This can contribute to further policy and legislative reforms in the sector</p>	<p>National Secretariat, MSG</p>	<p>March 2020</p>	<p>PGK 50,000.00</p>	<p>GoPNG</p>
<p>Commence procurement (call for Expression of Interests) process for the seventh PNGEITI Report (FY 2019 Report)</p>	<p>To fulfil EITI membership of publishing annual EITI Reports aimed at promoting transparency and accountability. Also, to enable public debates on extractive sector issues. Secondly, to ensure that the outcomes of these reports are translated into actual reforms to</p>	<p>National Secretariat, MSG</p>	<p>March 2020</p>	<p>PGK 10,000.00</p>	<p>GoPNG</p>

	improve sector management.				
Hiring of an Independent Administrator (IA) to analyse government and industry data for the seventh (FY 2019) PNGEITI Report	To engage the IA through an open tender or selective tender process to achieve the outcome as referred to in activity #3 above).	National Secretariat, MSG	April 2020	PGK 500,000.00	GoPNG
MSG to approve the scope (level of disaggregation, materiality threshold, etc) of the seventh EITI Report. This is part of activity 4 below.	To continue to promote transparency in the extractive sector, building on from what were reported in the previous PNGEITI Reports	National Secretariat, MSG	May 2020	PGK -	GoPNG
Inception Report - IA to develop reporting templates, review scoping report to understand PNG Context, governance arrangements, tax policies and legal framework. This is part of activity 4 below.	To continue to promote transparency and accountability in the extractive industry, building on from what were covered in the previous PNGEITI Reports	National Secretariat, MSG	June 2020	PGK -	GoPNG
IA to conduct training on reporting templates for reporting entities (government entities and companies) for the seventh report	To promote transparency and accountability in the extractive industry, building on from what were covered in the previous PNGEITI Reports	National Secretariat, MSG	July 2020	PGK -	GoPNG

Submission of reporting templates for seventh PNGEITI Report (FY2019 Report)	To continue to promote transparency and accountability in the extractive industry, building on from what were covered in the previous PNGEITI Reports	National Secretariat, MSG	August 2020	PGK -	GoPNG
Prepare seventh PNGEITI Report	To continue to promote transparency and accountability in the extractive industry, building on from what were covered in previous Reports	National Secretariat, MSG	June to December 2020	PGK -	GoPNG
PNGEITI Final Report released to MSG	To continue to promote transparency and accountability in the extractive industry, building on from what were covered in previous PNGEITI Reports	National Secretariat, MSG	December 2020	PGK -	GoPNG
Implementation of FY 2013 to FY2018 PNGEITI Report recommendations	Ensure actions are taken to implement recommendations from these reports to fulfil EITI objectives	National Secretariat, MSG	March to December 2020	PGK 100,000.00	GoPNG
Beneficial Ownership (BO) Roadmap implementation and BO Reporting.	To continue implementing the remaining activities (milestones) of BO Roadmap during this third year of implementation and	National Secretariat, MSG	March to December 2020	PGK150,000 -	GoPNG

	commencement of BO reporting.				
Scoping Study on the operations of State-Owned Enterprises (SOEs)	Undertake scoping study (in Consultation with office of State Enterprises) on the operations of SOEs as part of EITI implementation requirements and as recommended through PNGEITI first validation corrective actions	National Secretariat, MSG	March to July 2020	PGK 240,000.00	GoPNG
Scoping Study on On-line PNGEITI Data Reporting Platform	Undertake scoping study on the possibility of introducing Online Data Reporting for future PNGEITI Reports	National Secretariat, MSG	June to December 2020	PGK 210,000.00	World Bank
PNG Educational Mainstreaming	Scope the possibility of mainstreaming PNGEITI standards to educational institutions	National Secretariat, MSG	June to December 2020	PGK -	World Bank
CSO Capacity Building and outreach	Build the technical capacity of the CSO Coordinating body to support EITI implementation.	National Secretariat, MSG	June to December 2020	PGK -	World Bank
Sub-national Payments and Transfers Project Phase 2	Build the capacity and Governance structure of Subnational entities to report to PNGEITI. Implement recommendations from Sub-national Payments Scoping Study Report by	National Secretariat, MSG	April to December 2020	PGK -	PLGP (Government of Australia)

	piloting sub-national reporting in selected resources impact provinces				
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OBJECTIVE 3: IMPROVE PUBLIC UNDERSTANDING IN THE MANAGEMENT OF EXTRACTIVE INDUSTRIES					
<p>RATIONALE: Provincial Governments, Local Level Governments, landowners and people in the communities where natural resources are being extracted are not fully 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 the EITI Reports should be made available in easily accessible formats that could be easily understood by ordinary people at resources impacted areas and community levels. These 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 exploitation, management and distribution of revenues and benefits derived from 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 for management of 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 to bring about necessary policy and legislative reforms for better management of the extractives sector.</p>					
<p>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 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 to be fully engaged in debates and discussions.</p>					
<p>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 may be addressed and the public will ensure that extractive industry companies invest and extract these resources wealth according to the law and the Government manages revenues it receives well for the good of the country and its people.</p>					
ACTIVITIES	TARGET OUTCOME	RESPONSIBLE ENTITY	TIMELINE	ESTIMATED COST (PGK)	FUNDING SOURCE

3.1 IMPROVE PUBLIC UNDERSTANDING IN THE MANAGEMENT OF EXTRACTIVE INDUSTRIES					
PNGEITI sixth (FY2018) Report launching and printing	To continue to promote transparency and accountability in the extractive industry, building on from what were covered in the previous reports	National Secretariat, MSG	March 2020	PGK 265,000.00	GoPNG
Preparation of statements and press releases on PNGEITI activities, including workshops with media groups on EITI implementation activities	To enhance public awareness and understanding on the management of extractive industries in PNG	National Secretariat, MSG	January to December 2020 (on-going)	PGK 100,000.00	GoPNG
Conduct outreach, roadshows, dialogues, networking and training with relevant sectors: sub-national governments; churches; landowner groups; academics and industries on EITI implementation and report releases. This activity will be undertaken in consultation with Civil Society Organisations through PNG Resource Governance Coalition (PNGRGC) supported by CIMC and INA	Increased public awareness and understanding on the management of extractive industries in PNG	National Secretariat, MSG	January to December 2020 (on-going)	PGK 340,000.00	GoPNG
Publication of educational reference materials,	To enhance public awareness and	National Secretariat, MSG	January to December 2020	PGK 100,000.00	GoPNG

primers, articles on EITI and EITI implementation, online trainings and digital presentations	understanding on the management of extractive industries in PNG		(on-going)		
3.2 ENGAGE IN CARRYING OUT PROMOTIONAL AND EDUCATIONAL AWARENESS THROUGH VARIOUS MEDIUMS					
Conduct monthly and quarterly meetings with the MSG, Technical Working Group (TWG), constituency members and politicians and political parties or as and when required consistent with the PNGEITI MSG MoU	To further advance the EITI implementation process in the country and pursue with implementation of EITI reports recommendations	National Secretariat, MSG	Monthly and Quarterly	PGK 120,000.00	GoPNG
Quarterly talk back shows with local radio stations	To bring about awareness of EITI implementation and gain support from the public and at the political level	National Secretariat, MSG	Quarterly	PGK -	GoPNG
Attendance at in-country conferences, seminars and workshops	To bring about awareness of EITI implementation and gain support from the public and at the political level	National Secretariat, MSG	As and when required	PGK -	GoPNG
Regular Newspaper articles and forums	To provide regular updates on EITI implementation activities and bring out issues in the extractive sector for public consumption	National Secretariat, MSG	As and when required	PGK -	GoPNG

<p>PNGEITI National Secretariat and MSG to attend relevant International Meetings, Conferences, Workshops and events (Moved from P1)</p>	<p>To fulfil PNG EITI membership requirements as a candidate country in attending to international obligations. Also, to ensure PNG is represented at these events as an EITI implementing country to learn from and share global best practices and experiences with other EITI countries.</p>	<p>National Secretariat, MSG</p>	<p>As and when required</p>	<p>PGK -</p>	<p>GoPNG</p>
<p>PNGEITI National Secretariat to organise Internal/in-country meetings, conferences, workshops and events (Moved from P1)</p>	<p>To achieve satisfactory implementation of EITI activities and to sustain and build on the progress made in the country</p>	<p>National Secretariat, MSG</p>	<p>As and when required</p>	<p>PGK 211,500.00</p>	<p>GoPNG</p>
<p>Printing and publicity of 2018 EITI Report</p>	<p>To promote transparency through awareness and public understanding on the outcome/findings of PNGEITI reports and progress updates on the implementation of the report recommendations and provide updates for future reports</p>	<p>National Secretariat, MSG</p>	<p>On-going</p>	<p>PGK 80,000.00</p>	<p>GoPNG</p>

Conduct public awareness, publicity and outreach programs for PNGEITI reports that have been published through social media – print media, advertisements, pamphlets, brochures, conferences, press releases and visits to regional centres through-out the country	To promote transparency through increased awareness and public understanding on the outcome and findings of PNGEITI reports and provide updates for future reports. At the same time provide an awareness on the report recommendations.	National Secretariat, MSG	February to December 2020 (on-going)	PGK 100,000.00	GoPNG
Production of quarterly PNGEITI Newsletter	Promote a transparent reporting of all EITI activities undertaken in the country	National Secretariat, MSG	Quarterly	PGK 100,000.00	GoPNG

OBJECTIVE 4: STRENGTHEN REVENUE GENERATION AND COLLECTION THAT IS CONSISTENT WITH GOVERNMENT POLICY SETTING AND NATIONAL DEVELOPMENT PRIORITIES

RATIONALE: Ensure constant monitoring of the systems and processes of revenue collection so that these revenues and other benefits are received by the Government as mandated by law. Any activities undertaken by the Government or practice by extractive industries that are inconsistent with the taxation laws and the fiscal regime will constitute unsound management and is not in the best interest of the country. This may result in government and industry officials held liable against their actions. The first EITI Report reviewed the existing laws, regulations, systems and process governing the sector and recommend critical areas that required further reforms and amendments of current legislative frameworks to ensure greater transparency and accountability. These recommendations are being acted upon by respective government entities following a Cabinet directive (National Executive Council Decision No. 91/2017) to ensure implementation. An updated matrix (as of December 2019) has been attached to this Work Plan as Annex 3.

For revenue collection, key government agencies like the Internal Revenue Commission, the PNG Customs, the Department of Petroleum, the Department of Mineral Policy and Geo-hazards Management and the Mineral Resources Authority should be assisted to strengthen their capacities to perform effectively. These entities should monitor and ensure that companies involved in the extractive sector comply with existing laws, project agreements or other contractual obligations. The current practice of investments in this sector lacks transparency as details on project agreements, fiscal arrangements and such contractual details are not publicly available. Therefore, activities undertaken in the sector lack transparency and the public are not in a position to monitor these activities.

Through release of the first EITI Report, it was intended that some of these areas would be addressed in so far as strengthening systems and processes of revenue collection and capacity building in key government agencies are concerned. A good number of recommendations have already been implemented such as the inclusion of SOEs in the MSG and removal of secrecy provision in the PNG Income Tax Act to allow the Internal Revenue Commission to disclose tax revenue data for EITI reporting purpose.

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 to medium terms, however some may be undertaken in the longer term. 3. Past experiences from public sector reforms in PNG demonstrates that there have 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 political instability and shift in policy priorities. That is, when new government comes in there is no guarantee that reform agendas would be sustained and this can be a challenge. 4. Reforming and building institutional capacities requires adequate 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
4.1 ENSURE GOVERNMENT RECEIVES ALL REVENUES FROM THE EXTRACTIVE INDUSTRIES IT IS MANDATED TO RECEIVE					
<i>The outcome of this sub-objective is to ensure maximum benefits are derived from resources extraction in PNG</i>					
Act on recommendation from PNGEITI Reports. Many of these activities are to be undertaken by respective government agencies following earlier Cabinet directive as directed. PNGEITI National Secretariat and MSG can only play a facilitative role	For improved administrative, legislative systems and process governing the management and extraction of resources from the extractive sector. Also, to enhance understanding and trust building among stakeholders (Government, Industry and civil society groups) to creating a conducive environment for further investments	National Secretariat, MSG	January to December 2020 (on-going)	PGK -	GoPNG
Engage a consultant to undertake a scoping study on implementing EITI Standard to sub-national levels of governments (provincial and local level governments) and landowner associations	To increase transparency and accountability of benefits flowing to provincial governments, districts, local level governments, landowners' groups and associations and, empowering people at community levels to address issues that directly affect them	National Secretariat, MSG	April to December 2020	PGK -	Pacific Leaders and Governance Program Support (PLGPS). Government of Australia

<p>PNGEITI Commission Bill and Consultation for drafting of PNGEITI Reporting Law</p>	<p>Legislating EITI activities in the country will ensure it has the legal basis to operate and sustain itself into the future. Therefore, the MSG will ensure that the PNGEITI Commission Bill that has been finalised goes to Parliament and that a PNGEITI Reporting Law is drafted.</p>	<p>National Secretariat, MSG</p>	<p>March to December 2020</p>	<p>PGK 500,000.00</p>	<p>GoPNG</p>
<p>4.2 ENHANCE STAKEHOLDER ACCOUNTABILITY (GOVERNMENT, CIVIL SOCIETY ORGANISATIONS AND EXTRACTIVE INDUSTRIES)</p>					
<p>The outcome of this sub-objective is to ensure stakeholders account for all the revenues and benefits derived from the extractive sector</p>					
ACTIVITIES	TARGETED OUTCOME	RESPONSIBLE ENTITY	TIMELINE	ESTIMATED COST (PNGK)	FUNDING SOURCE
<p>Strengthening the capacity of CSOs to participate and contribute effectively in the Multi-Stakeholder Group (MSG)</p>	<p>To empower and ensure CSOs play an active role in the MSG process and be accountable to its wider CSOs operating in the country</p>	<p>National Secretariat, MSG</p>	<p>January to December 2020</p>	<p>PGK -</p>	<p>GoPNG, Development partners</p>
<p>Strengthening the reporting and accountability capacities of industries in the reporting of payments to the Government</p>	<p>Ensure industries have an effective and efficient payment systems (preferably in EITI reporting formats) in place to record all material payments to the government, including sub-national levels of</p>	<p>National Secretariat, MSG</p>	<p>January to December 2020 (on-going)</p>	<p>PGK -</p>	<p>GoPNG, JICA</p>

	government and landowner groups, companies and associations.				
Strengthening the accountability of Government agencies in recording financial data from extractive payments and reporting of revenues and benefits received	Ensure relevant government agencies have an effective and efficient recording systems (preferably in EITI reporting format) in place to store data and to report on all material payments received. Also, to ensure there is capacity in key State agencies to support EITI implementation and to enable them to address public policy and administrative issues in a systematic manner for the extractive sector	National Secretariat, MSG	January to December 2020 (on-going)	PGK -	GoPNG, Development partners
Improve monitoring mechanisms for transfer of revenues from the industry and government to sub-national levels of governments and landowner groups on Special Support Grants (SSGs), Infrastructure Development Grants (IDGs), Business Development Grants	Ensure relevant government agencies have an effective and efficient method of transferring funds and to store data and report all revenues paid out. Further, to ensure there is capacity in key agencies to support EITI implementation. Finally, for government agencies	National Secretariat, MSG	January to December 2020	PGK -	GoPNG, Development partners

(BDGs), royalties, development levies, derivation grants, etc	to effectively address public policy and administrative issues in the extractive sector.				
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OBJECTIVE 5: ENDEAVOUR TO FULLY IMPLEMENT PNGEITI REPORT RECOMMENDATIONS AS DIRECTED BY CABINET

RATIONALE: Ensure that the EITI report findings and recommendations from the first report and all subsequent reports are implemented by responsible and affected government departments and agencies in a timely manner. This include adhering to Cabinet directive (NEC Decision 91/2017) by affected agencies incorporating the activities as directed by Cabinet into their respective work programs and providing the resources to implement them. The implementation of these recommendations is important to EITI implementation in PNG to ensure that these reports are translated into policy and legislative reforms to complement other government initiatives for better managing the extractive sector. Further, the implementation of these report recommendations would also address broader government initiatives on transparency and accountability, and governance and anti-corruption measures.

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 to medium terms, however some may be undertaken in the longer term. 3. Past experiences from public sector reforms in PNG demonstrate that there have been no consistent efforts to build on the reforms made to progress them further. There is the problem of sustainability and continuation of reforms due to political instability and shift in policy priorities. 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 (PGK)	FUNDING SOURCE
5.1 ENDEAVOUR TO FULLY IMPLEMENT PNGEITI REPORT RECOMMENDATIONS AS DIRECTED BY CABINET					
<i>The outcome of this sub-objective is to ensure responsible government departments and agencies act by implementing the report recommendations as directed by Cabinet on an on-going basis</i>					

<p>PNGEITI National Secretariat to develop a matrix to keep track on the implementation of report recommendations as directed by Cabinet with affected government entities. Refer to matrix update dated December 2019 attached to this Work Plan as Annex 3. Also, National Secretariat to provide updates on the implementation to the MSG on a quarterly basis.</p>	<p>To achieve an improved administrative and legislative systems and process and public policies governing the management and extraction of resources from the extractive sector. Enhance understanding and trust building among stakeholders (government, industry and civil society groups) to creating a conducive environment for further investment</p>	<p>National Secretariat, MSG</p>	<p>January to December 2020 (on-going)</p>	<p>PGK -</p>	<p>GoPNG, Development partners</p>
<p>The Policy TWG of the National Secretariat conducts regular follow up meetings with affected government entities to ensure these recommendations are being implemented. If there any implementation issues or any agencies not making efforts to implement respective recommendations, the Secretariat will need to understand the reasons and challenges preventing them from doing so and will report to MSG accordingly.</p>	<p>To speed up the process of EITI Reports implementation and ensure that some of these reports are translated into actually reforms in the sector</p>	<p>National Secretariat, MSG</p>	<p>January to December 2020 (on-going)</p>	<p>PGK -</p>	<p>GoPNG, Development partners</p>

5.2 INTERNATIONAL PARTNER COORDINATION					
<i>The outcome of this sub-objective is to ensure the coordination of international partner partnership programs</i>					
Coordinate all development partners initiatives in alignment with PNGETI Annual Work Plan	To ensure there is better coordination and harmonization of development partners and alignment of their programs support with PNGETI Annual Work Plan	National Secretariat, MSG	January to December 2020 (on-going)	PGK 50,000.00	GoPNG, Development partners
5.3 VALIDATION PHASE 2					
<i>The outcome of this sub-objective is to ensure the coordination of the PNGs Second EITI Validation Exercise</i>					
Conduct the second PNG Country Validation	To ensure that the corrective actions as recommended from the first PNG Country Validation have been fully implemented	National Secretariat, MSG	April 2020	PGK 50,000.00	GoPNG, Development partners
5.4 MAINSTREAMING STEPS					
<i>The outcome of this sub-objective is to ensure EITI implementation is decentralised into national and provincial functions</i>					
Establish EITI Provincial Desk	Engagement of a consultant or organization perceived by the multi-stakeholder group to be credible, trustworthy and technically competent to conduct a feasibility of mainstreaming EITI with regards to Completeness, Source, Timeliness and Accessibility of reporting.		April to December 2020	PGK 100,000.00	GoPNG, Development partners

	A designated PNGETI Desk will be focused on the technical and operational aspect of mainstreaming, including liaising with relevant tiers of government and company authorities.				
Maintenance, upgrade and modernisation of PNGETI National Secretariat Website.	Maintain a reliable PNGETI website at all times that can be easily accessed by anybody	National Secretariat, MSG	January to December 2020 (on-going)	PGK 20,000.00	GoPNG, Development partners
Engagement of Short-Term consultant on Development of PNGETI Reporting Policy Framework & Legislation.	Consistent with the PNGETI National Policy Framework, develop a Legislation to provide better direction and govern the extraction and management of wealth generated from extractive activities. Outcome to be in the form of a draft PNGETI Reporting.	National Secretariat, MSG	July to December 2020	PGK 300,000.00	GoPNG,
Contract Transparency	Engagement of a consultant or organization perceived by the multi-stakeholder group to be credible, trustworthy and technically competent to conduct a feasibility of undertaking Contract Transparency in PNG.	National Secretariat, MSG	February to December 2021	PGK 200,000.00	GoPNG, Development partners

5.5 ENDEAVOUR TO FULLY IMPLEMENT RECOMMENDATIONS FROM FIRST VALIDATION					
<i>The outcome of this sub-objective is to ensure responsible government departments and agencies take action by implementing the report recommendations as directed by Cabinet on an on-going basis</i>					
PNGEITI Technical Working Group (TWG) to secure a Cabinet Directive to ensure relevant State entities and departments implement the NEC Decision	To ensure the recommended corrective actions are acted upon within the required time frame (18 months) to meet the EITI Standard and all its Requirements to realise its potential for becoming a compliant country after the second validation.	National Secretariat, Validation Technical Working Group and MSG	February to December 2020	PGK -	GoPNG, Development partners
Engage a short-term consultant to plan out the corrective actions and coordinate with implementing entities to implement these activities. An updated matrix on the validation corrective actions have been attached as Annex.	To ensure the recommended corrective actions are acted upon within the required time frame (18 months) to meet the EITI Standard and all its Requirements to realise its potential for becoming a compliant country after the second validation.	National Secretariat, MSG	January to April 2020	PGK 300,000.00	GoPNG, Development partners
Attend a third country study by National Secretariat staff and the MSG to prepare for second validation	To learn from other EITI implementing countries that have gone through similar process (second validation) before being compliant to learn valuable experiences from them.	National Secretariat, MSG	March 2020	PGK 60,000.00	GoPNG, Development partners

OBJECTIVE 6: MONITORING AND EVALUATION (M&E)					
<p>RATIONALE: Though the Work Plan will continually be updated to delete what has been accomplished as planned and to include new activities to be undertaken as determined by MSG from time to time, an evaluation on the Work Plan implementation will still be required. 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 6 Objectives. This kind of evaluation provides a useful feedback for MSG to determine their success rate in the overall EITI implementation in PNG and to address any 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. Therefore, thought the actual work plan will be reviewed and updated throughout the year, the original plan will be used as a basis to evaluate the progress.</p>					
<p>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.</p>					
<p>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 6 above.</p>					

<p style="text-align: center;">TOTAL FUNDING REQUIRED IN 2020 = PGK5,824,300.00</p> <p style="text-align: center;">2020 Budget allocation by Government of PNG = PGK3,000,000.00</p> <p style="text-align: center;">Support from donors and development partners = PGK2,824,300.00</p>

ANNEX 1: NEC Decision # 91/2017 – Progressive update matrix (updated 01/12/18)

NEC Directives	Agency/Department Responsible	Progress made/Actions taken to date	Next Steps
<p><i>Minister for Petroleum and Energy to immediately implement a reliable electronic registry system to supersede the current paper ledger system</i></p>	<p>DPE</p>	<ul style="list-style-type: none"> • The Acting Secretary of DPE, responded in a letter dated 8th August, 2017 regarding this directive. The Acting Secretary reiterated the importance for the Electronic Registry System (ERS) to be established as soon as possible, and acknowledged and appreciated this NEC Policy directive. • Acting Secretary also indicated for noting, that DPE had provided the information required by the EITI Secretariat for Ernst & Young in the compilation of the 2015 and 2016 reporting periods. • DPE considered that for immediate implementation of this directive, it requested the Secretariat through the Department of Treasury to assist DPE meet the cost of recruiting a consultant to assist in the establishment of an ERS. • DPE believes that, with the assistance of the consultant, most of the records 	<ul style="list-style-type: none"> • The Secretariat presented this to the MSG member at the last meeting held in August this year for their consideration and resolution. • The Secretariat will continue to liaise with DPE, Treasury and JICA to ascertain the scope of work and resources required through engagement of a consultant and implement the ERS and have it operational for the medium term for EITI reporting purposes. • The Secretariat will also work in consultation with DPE and Treasury through the EITI reporting process and engage with development partners such as the World Bank to explore possible assistance towards the proposed establishment of a petroleum authority.

NEC Directives	Agency/Department Responsible	Progress made/Actions taken to date	Next Steps
		<p>and information on revenue, production and related details kept on the paper ledger system will be recovered and registered to significantly improve the record keeping and reporting process.</p> <ul style="list-style-type: none"> • The National Secretariat has relayed DPE's request to JICA to be considered under the forthcoming technical assistance (TA) project on Strengthening Resource Related Revenue Management agencies including DPE. The project is anticipated to commence in February 2018. • The Secretariat also brought DPE capacity issues and the proposed Petroleum Authority to the attention of the World Bank through the PNGEITI MSG Chair and Treasurer in October, seeking Bank's possible assistance to strengthen capacity at DPE. Discussions are on-going on the World Bank's engagement. 	
<p><i>Minister responsible for MRDC to ensure that the MRDC engages fully with the PNGEITI MSG and reports through the EITI process on the equity distribution and all other funds it holds in trust and</i></p>	<p>DPE/MRDC</p>	<ul style="list-style-type: none"> • The formal letter to MRDC was sent early this year in relation to this directive. This NEC Directive was actioned because MRDC is now engaged at the MSG level and has been participating in the EITI reporting process. 	<ul style="list-style-type: none"> • However, there are still some areas that both the MRDC and the Secretariat will continue to work through to enhance MRDC's effectiveness and efficiency in all aspects of EITI

NEC Directives	Agency/Department Responsible	Progress made/Actions taken to date	Next Steps
<i>invests for the landowners and for future generation</i>			reporting and to sustain MRDC's engagement in this EITI process.
<i>Minister responsible for Kumul Consolidated Holdings Limited to ensure KCH participates in the EITI process an regularly reports through the EITI process the State's share/interest in the mining and petroleum sectors that it manages under the General Business Trust (GBT)</i>	KCH	<ul style="list-style-type: none"> • KCH does not necessarily engage directly in the PNGEITI reporting process after its organizational re-structure in August 2015. There are subsidiary entities under KCH that deal directly as a trustee of the GBT with State's interest in the Mining and Petroleum Sectors. The remaining project that KCH is now responsible for the extractive sector as of 2016 is that it holds 3.2% shareholding in Highlands Pacific. • This NEC directive has been actioned because KCH is now fully engaged at the MSG level and has been participating in the EITI reporting process. 	<ul style="list-style-type: none"> • The continued engagement and participation in the EITI process by KCH may not be necessary in the future because KCH will not be responsible for the extractive sector. As part of Kumul restructure, the GBT investment in Highlands Pacific will be transferred to Kumul Mineral Trust as soon as all legal processes are completed.
<i>Minister responsible for Kumul Mineral Holdings Limited and Kumul Petroleum Holdings Limited to ensure these enterprises are fully engaged in the EITI process and to report as required under the EITI Standard</i>	KMHL/KPHL	<ul style="list-style-type: none"> • These two entities, now coordinate the government's interest in the Mining, Oil and Gas sectors. • Preliminary engagement has been sought by the Secretariat with these entities to ensure that they too are aligned to the reporting processes and requirements of PNGEITI. 	<ul style="list-style-type: none"> • Secretariat to continue its consultation with both KMHL & KPHL to identify areas which both entities can be able to engage effectively in the reporting process. • At this stage, it still needs to be ascertained as what type of reporting, information collection and areas of

NEC Directives	Agency/Department Responsible	Progress made/Actions taken to date	Next Steps
		<ul style="list-style-type: none"> This NEC directive has been actioned. Both KMH and KPH have engaged in the EITI process and have participated in the EITI reporting process. 	<p>engagement of KMHL & KPHL in the EITI process, hence not much can be reported from their end thus far.</p>
<p><i>Minister for Treasury to ensure the National Economic and Fiscal Commission (NEFC) amend its Budget and Fiscal Reports to collect information on subnational payments and transfers consistent with the EITI Requirements</i></p>	<p>Treasury/NEFC</p>	<ul style="list-style-type: none"> National Secretariat has consulted with NEFC on this issue. A meeting between the Head of Secretariat, and the CEO of NEFC along with relevant officers was convened on the 20th of September, 2017. This meeting outlined NEFC's current information collection and reporting procedures, and also discussed avenues in which this process could also incorporate and/align to the EITI process, particularly in the area of sub-national payments and transfers information. It was ascertained that the NEFC's current reporting on sub-national payments and transfers is provisioned under the Inter Government Relations (Functions & Funding) Act, which governs the mandate of NEFC's operations. Hence, it was discussed that NEFC along with the Secretariat work together to identify mechanisms that 	<ul style="list-style-type: none"> NEFC and the Secretariat will engage more frequently and consult with each other to ensure that reporting mechanisms are aligned in regard to not only sub-national payments and transfers but all other payments for the various levels of governments.

NEC Directives	Agency/Department Responsible	Progress made/Actions taken to date	Next Steps
		can align both NEFC reporting to that of the PNGETI requirements.	
<p><i>Minister responsible for Mineral Resources Authority (MRA) and the Minister responsible for the State Solicitor to ensure these entities make publicly available Memorandum of Agreements (MOAs) for EITI purposes and for the benefit of the general public</i></p>	Mining/MRA/State Solicitor	<ul style="list-style-type: none"> • The Secretariat has conveyed the official letter to the two concerned agencies outlining this directive. A follow up via official email correspondence has been sent to the relevant contacts within MRA to gauge the progress of this directive but are yet to receive any further feedback. • It is the Secretariat's understanding that MRA was to consult and clarify from State Solicitor the legality of making public the MOAs, however feedback on this consultation is yet to be received and cannot be reported on at this stage. 	<ul style="list-style-type: none"> • The Secretariat will work with relevant agencies early next year to check if there are any progress being made in implementing this Directive.
<p><i>Minister for Treasury to implement the recommendation of the EITI report in relation to:</i></p> <ol style="list-style-type: none"> 1) <i>Publication of budget preparation process on its website;</i> 2) <i>Clearly and comprehensively list relevant assumptions and basis for</i> 	Treasury	<ul style="list-style-type: none"> • The Secretariat has sent an official letter early this year outlining these directives to the Secretary for Treasury for attention and implementation. The directives were also conveyed by the National Secretariat through a submission in May this year to Treasury's call for pre-budget submission for the 2018 National Budget. 	<ul style="list-style-type: none"> • National Secretariat will continue to liaise with Treasury to understand if there has been any actions taken to implement these directives and if not, whether these directives have been included in its work plan. This is to ensure the directives are included as part of Treasury's budget review/process and considered for

NEC Directives	Agency/Department Responsible	Progress made/Actions taken to date	Next Steps
<p><i>calculation for budget document tables; and</i></p> <p>3) <i>Ensure units of measurement are standardized between government departments, particularly with respect to production data in budget documents</i></p>		<ul style="list-style-type: none"> • The submission was received and reviewed by the relevant divisions within the Treasury Department and the outcome of this analysis is as follows: <p>1) <i>Publication of budget preparation process on the website.</i> Treasury has already been issuing budget circulars to all government departments and spending agencies informing of the budget preparation process well before the government signed up to implementing the EITI. Also, it has been a practice for Treasury to advertise in the social media (local newspapers) outline the key dates for preparation of the national budget and calling for policy submission from the public in the first quarter of every year.</p> <p>However, this has been done through the government's internal process and needed to be made transparent by way of publishing on the Treasury website. Treasury has a reliable website (www.Treasury.gov.pg) that needs to be constantly updated and maintained.</p> <p>Also, Treasury regularly publishes its quarterly warrant release in the local newspapers and other social media. This has been a practice well before the EITI implementation in the country.</p>	<p>implementation in coming budgets.</p> <ul style="list-style-type: none"> • National Secretariat will also closely liaise with Treasury to properly document its current activities and practice on budget transparency that may directly address some of the Cabinet Directives outlined in this section.

NEC Directives	Agency/Department Responsible	Progress made/Actions taken to date	Next Steps
		<ul style="list-style-type: none"> The other two directives (#s 2 and #3) are outstanding and Treasury has yet to advise if there were any actions taken or will be taken to address them. 	
<p><i>Minister for Treasury to legislate the EITI reporting requirements into the Government reporting process (in lieu of current practice of using waiver letter) and report back with draft legislation for NEC's consideration before the FY 2015 EITI Report</i></p>	<p>Treasury/IRC</p>	<ul style="list-style-type: none"> National Secretariat has been in consultation with the legal team from the IRC to get clarification on this issue. Advice from IRC indicated that there needs to be a legislative amendment to cater for the proposed changes. Specific and relevant provision within the Income Tax Act was identified, and it was ascertained that this would require a minor technical amendment to remove secrecy provisions in the Income Tax Act to allow IRC to disclose tax revenue information. IRC considered that this was a policy matter that required direction from Treasury before it can draft and consolidate the amendment to be included as part of the 2018 Budget Amendments. National Secretariat had also included this issue in its pre-budget submission to Treasury in May this year and has been awaiting Treasury to provide advice on this. 	<ul style="list-style-type: none"> To build on the progress made, PNGEITI National Secretariat Policy and Legislative Technical Working Group will continue to progress with the current work on a EITI Policy and Legislative Framework. Background work by the TWG was completed in October this year and the Secretariat will soon call for an expression of interest to engage a legal and policy expert to commence drafting of the EITI Bill.

NEC Directives	Agency/Department Responsible	Progress made/Actions taken to date	Next Steps
		<p>This Directive has now been implemented by Treasury as part of the tax amendments in the 2018 National Budget.</p> <p>Amendments effective 1 January 2017 will allow tax information to be provided to:</p> <ul style="list-style-type: none"> - the Extractive Industries Transparency Initiative Secretariat or equivalent body for the purposes of reporting in accordance with the Initiative - the Financial Analysis and Supervision Unit for purposes of the Anti-Money Laundering and Counter Terrorism Financing Act 2015. 	
<p><i>Minister for Finance to undertake assessment of all monies received from mining and petroleum projects that are held in trust accounts, which include future generation trust and set up data base to effectively monitor the trust accounts in accordance with Section 15 of the Public Finance (Management) Act 1995</i></p>	<p>Finance</p>	<ul style="list-style-type: none"> • This Directive has been actioned. The Department of Finance has incorporated this as part of its work on the Financial Framework Review (FFR) this year. This has triggered current amendments to the Public Finance (Management) Act (PFMA) 1995 to review all government Trust Accounts (inclusive of extractives trust accounts). Part of the reforms to the new PFMA 2016 included financial instructions to review all Trust Accounts and migrate them onto the Integrated Financial Management System (IFMS) for effective monitoring, compliance and transparency purposes. 	<ul style="list-style-type: none"> • National Secretariat will continue its consultation with the Department of Finance to ensure that through review of trust accounts, monies sitting in mining, oil and gas trust accounts are reviewed to bring about transparency for EITI reporting purposes.

NEC Directives	Agency/Department Responsible	Progress made/Actions taken to date	Next Steps
		<ul style="list-style-type: none"> There are still areas which need to be clarified, especially with regard to monies held in mining and petroleum trust accounts and others. Department of Finance is continuing with this work to ensure it is achieved. 	
<p><i>Minister for Finance to take action to ensure payments currently being done manually via cash or cheque by some government agencies are improved and modernized to electronic systems such as the use of EFTPOS because the absence of a robust system for managing resource payments leaves the system vulnerable to fraud, corruption and human error</i></p>	Finance	<ul style="list-style-type: none"> National Secretariat's consultation with the Department of Finance recently reveals that this particular Cabinet Direction has been actioned. Part of the amendments to the PFMA also directed government entities to transition from cash and cheque-based payments to electronic transactions. There were specific financial instructions from the Finance Minister for government agencies to heed this change and transition into electronic payments system where possible. Currently, all previous cash-based transactions have now been converted in electronic transactions as per the financial instructions. 	<ul style="list-style-type: none"> National Secretariat will continue to engage and work closely with Department of Finance to ensure that this electronic payment system is implemented successfully.
<p><i>That Government Agencies ensure to submit their books to the Auditor General's Office in a timely manner for audit purposes; that the capacity at the Auditor General's Office be improved to undertake audits as highlighted under the</i></p>	Auditor General	<ul style="list-style-type: none"> The formal letter of notification on this directive was conveyed to the AG's office in September this year. To date no formal response has been received on their implementation progress. 	<ul style="list-style-type: none"> National Secretariat to continue following up with the AG's office to gauge an update and ensure progress is being made to implement this directive.

NEC Directives	Agency/Department Responsible	Progress made/Actions taken to date	Next Steps
<i>heading of “Way Forward” of the submission; and that this would be one of the Government’s key agendas to improve transparency and accountability in the public service.</i>			

SUMMARY:


- It is important to note that a good number of Cabinet Directives have already been achieved to some degree. In fact some of these activities that have been directed have already been done (eg Treasury on budget transparency) well before the EITI Standard was adopted and implemented. This demonstrates that progress has been made in many areas but continued engagement with these entities is vital to ensure full implementation is achieved and sustained.

KEY ACTIONS:

- The National Secretariat will be vigorous in its consultation and follow up with agencies early next year to ensure that these Directives are progressed.
- The National Secretariat will seek MSG’s support in ensuring the relevant contacts from the respective implementing agencies are directed to coordinate with the Secretariat, in not only providing the necessary feedback on these directives, but ensuring that progress towards implementation is achieved.

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Deputy Sec (EP)
FAS MEPO
FAS SDD
FAS BOB
EITI SECRETARIAT
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 **PAPUA NEW GUINEA GOVERNMENT**
NATIONAL EXECUTIVE COUNCIL

Decision No: **91/2017** Meeting No: **04/2017**

Subject: **PAPUA NEW GUINEA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (PNGEITI) FIRST REPORT RECOMMENDATIONS FOR ENDORSEMENT**

On 06th April 2017, Council:

- noted the content of Policy Submission No. 05/2017;
- directed the Minister for Petroleum and Energy to immediately implement a reliable electronic registry system to supersede the current paper ledger system;
- directed the Minister responsible for MRDC to ensure that MRDC engages fully with the PNGEITI MSG and reports through the EITI process on the equity distribution and all other funds it holds in trust and invests for the landowners and for future generation;
- directed the Minister responsible for Kumul Consolidated Holdings Limited to ensure KCH participates in the EITI process and regularly reports through the EITI process the State's share/interest in the mining and petroleum sectors that it manages under the General Business Trust (GBT);
- directed the Minister responsible for Kumul Minerals Holdings Limited and Kumul Petroleum Holdings to ensure these enterprises are fully engaged in the EITI process and to report as required under the EITI Standard;
- directed the Minister for Treasury to ensure the National Economic and Fiscal Commission amend its Budget and Fiscal Reports to collect information on subnational payments and transfers consistent with the EITI Requirements;

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- directed the Minister responsible for Mineral Resources Authority (MRA) and the Minister responsible for the State Solicitor to ensure these entities make publicly available Memorandum of Agreements (MOAs) for EITI purposes and for the benefit of the general public;
- directed the Minister for Treasury to implement the recommendation of the EITI report in relation to:
 - publication of budget preparation process on its website;
 - clearly and comprehensively list relevant assumptions and basis for calculation for budget document tables; and
 - ensure units of measurement are standardized between government departments, particularly with respect to production data in budget documents.
- directed the Minister for Treasury to legislative the EITI reporting requirements into the Government reporting process (in lieu of current practice of using a waiver letter) and report back with a draft legislation for NEC's consideration before the FY 2015 EITI Report;
- directed the Minister for Finance to undertake assessment of all monies received from mining and petroleum projects that are held in trust accounts, which include future generation trust and set up data base to effectively monitor the trust accounts in accordance with Section 15 of the *Public Finance (Management) Act 1995*;
- directed the Minister for Finance to take action to ensure payments currently being done manually via cash or cheque by some government agencies are improved and modernised to electronic systems such as the use of EFPOS because the absence of a robust system for managing resource payments leaves the system vulnerable to fraud, corruption and human error; and
- directed that Government Agencies ensure to submit their books to the Auditor General's Office in a timely manner for audit purposes; that the capacity at the Auditor General's Office be improved to undertake audits as highlighted under the heading "Way Forward" of this submission; and that this would be one of the Government's key agendas to improve transparency and accountability in the public service.

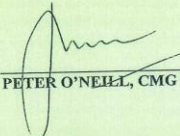
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
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I Certify the above to be a correct record of the Decisions reached by the National Executive Council


PETER O'NEILL, CMG Chairman


ILAGI VEALI, MBE, MPS Secretary, NEC

Date: 12th April 2017

Distribution: PRIME MINISTER/DEPUTY PRIME MINISTER/MINISTER FOR JUSTICE & ATTORNEY GENERAL/MINISTER FOR TREASURY/MINISTER FOR PETROLEUM & ENERGY/MINISTER FOR FINANCE/MINISTER FOR MINING/TREASURY/PETROLEUM & ENERGY/MINERAL RESOURCES AUTHORITY/MRDC/KUMUL CONSOLIDATED HOLDINGS/KUMUL MINERALS HOLDINGS/KUMUL PETROLEUM HOLDINGS/FINANCE/NEFC/STATE SOLICITOR/AUDITOR GENERAL/PMNEC/ JUSTICE & ATTORNEY GENERAL/

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ANNEX 2: Copy of NEC Decision

ANNEX 3: PNGEITI Annual Report Recommendations – Progressive Update Matrix

The First PNGEITI Report for the Financial Year 2013, identified a number of findings and provided a set of recommendations regarding areas that could benefit process improvements and better procedures in conforming to the EITI Standard. The set of recommendations were translated into a National Executive Council (NEC) or Cabinet Submission, and conveyed to NEC for their information, deliberation and further direction. An ensuing NEC Decision (Decision #91/2017) followed, containing about 11 Cabinet Directives to various reporting entities within the EITI process to implement on the recommendations as outlined from the 1st PNGEITI Annual Report.

Tabulated below is a progressive assessment of these Cabinet directives and an update on what the responsible agencies or stakeholders have done and are doing in relation to the implementation of these directives. This table basically illustrates the progress on the implementation of the report recommendations, in few cases into policy reforms.

Directive	Agency/Department Responsible	Progress/Actions taken	Next Steps
Minister for Petroleum and Energy to immediately implement a reliable electronic registry system to supersede the current paper ledger system	DPE	<ul style="list-style-type: none"> • DPE has undertaken to transition from its current paper ledger registry to an electronic registry system. This project will be done with technical assistance from JICA under its support program to the PNGEITI National Secretariat. • The technical assistance program will commence in 2018. 	<ul style="list-style-type: none"> - The Secretariat will liaise with DPE on implementation process of this project.
Minister responsible for MRDC to ensure that the MRDC engages fully with the	DPE/MRDC	<ul style="list-style-type: none"> - The formal letter to MRDC was sent in 	<ul style="list-style-type: none"> - The Secretariat will work with MRDC to iron out

Directive	Agency/Department Responsible	Progress/Actions taken	Next Steps
<p>PNGEITI MSG and reports through the EITI process on the equity distribution and all other funds it holds in trust and invests for the landowners and for future generation</p>		<p>relation to this directive. MRDC is now engaged within the EITI reporting process.</p> <ul style="list-style-type: none"> - There are still some areas that both the MRDC and the Secretariat will work through to sustain MRDC's engagement in this EITI process. 	<p>any issues, to ensure MRDC continues its engagement in the EITI process.</p>
<p>Minister responsible for Kumul Consolidated Holdings Limited to ensure KCH participates in the EITI process a regularly reports through the EITI process the State's share/interest in the mining and petroleum sectors that it manages under the General Business Trust (GBT)</p>	KCH	<ul style="list-style-type: none"> - KCH doesn't necessary engage directly in the PNGEITI reporting process due to its organizational structure and mandate. There are subsidiary entities under KCH that deal directly with its interest in the Mining and Petroleum Sectors. 	
<p>Minister responsible for Kumul Mineral Holdings Limited and Kumul Petroleum Holdings Limited to ensure these enterprises are fully engaged in the EITI process and to report as required under the EITI Standard</p>	KMHL/KPHL	<ul style="list-style-type: none"> - These two entities, now coordinate the government's interest in the Mining, Oil and Gas sectors. - Preliminary engagement has been sought by the Secretariat with these entities to ensure that they too are aligned to the reporting processes 	<ul style="list-style-type: none"> - Secretariat to continue its consultation with both KMHL & KPHL to identify areas which both entities can be able to engage effectively in the reporting process.

Directive	Agency/Department Responsible	Progress/Actions taken	Next Steps
		<p>and requirements of PNGEITI.</p> <ul style="list-style-type: none"> - At this stage, it still needs to be ascertained as what type of reporting, information collection and areas of engagement of KMHL & KPHL in the EITI process. 	
<p>Minister for Treasury to ensure the National Economic and Fiscal Commission (NEFC) amend its Budget and Fiscal Reports to collect information on subnational payments and transfers consistent with the EITI Requirements</p>	<p>Treasury/NEFC</p>	<ul style="list-style-type: none"> - The National Secretariat has consulted with NEFC on this issue. - This consultation outlined NEFC's current information collection and reporting procedures, and also discussed avenues in which this process can also incorporate and/align to the EITI process, particularly in the area of sub-national payments information. - It was ascertained that the NEFC's current reporting on sub-national payments and transfers is provisioned under the Inter Government Relations (Functions & Funding) Act, which 	<ul style="list-style-type: none"> - NEFC and the Secretariat will engage in more frequent consultation to ensure that reporting mechanisms are aligned in regard to not only sub-national payments but all other payments for the various levels of governments.

Directive	Agency/Department Responsible	Progress/Actions taken	Next Steps
		<p>governs the mandate of NEFC's operations.</p> <ul style="list-style-type: none"> - Hence, it was discussed that NEFC along with the Secretariat work together to identify mechanisms that can align both NEFC reporting to that of the PNGEITI requirements. 	
<p>Minister responsible for Mineral Resources Authority (MRA) and the Minister responsible for the State Solicitor to ensure these entities make publicly available Memorandum of Agreements (MOAs) for EITI purposes and for the benefit of the general public</p>	<p>Mining/MRA/State Solicitor</p>	<ul style="list-style-type: none"> - The Secretariat has conveyed the official letter to the two concerned agencies outlining this directive. A follow up via official email correspondence has been sent to the relevant contacts within MRA to gauge the progress of this directive but are yet to receive any further feedback. - It is the Secretariat's understanding that MRA will to consult and clarify from State Solicitor the legality of making public the MOAs, however feedback on this consultation is yet to be received and cannot be reported on at this stage. 	<ul style="list-style-type: none"> - The Secretariat to work with the relevant agencies to ensure that the directive is implemented.

Directive	Agency/Department Responsible	Progress/Actions taken	Next Steps
<p>The Minister for Treasury to implement the recommendation of the EITI report in relation to:</p> <ul style="list-style-type: none"> 4) Publication of budget preparation process on its website; 5) Clearly and comprehensively list relevant assumptions and basis for calculation for budget document tables; and 6) Ensure units of measurement are standardized between government departments, particularly with respect to production data in budget documents 	Treasury	<ul style="list-style-type: none"> - The Secretariat has sent the official letter outlining the said directives to Treasury, for its noting and implementation. The directives were also conveyed in the - This has been reviewed by the relevant team within Treasury and the outcome of its analysis yet to be received. 	<ul style="list-style-type: none"> - The Secretariat will communicate with Treasury in ensuring the directives are included as part of Treasury's budget review/process and considered for implementation in coming budgets.
<p>Minister for Treasury to legislate the EITI reporting requirements into the Government reporting process (in lieu of current practice of using waiver letter) and report back with draft legislation for NEC's consideration before the FY 2015 EITI Report</p>	Treasury/IRC	<ul style="list-style-type: none"> - The Secretariat has been in consultation with the legal team from the IRC to get clarification on this issue. The advice from the IRC indicated that there needs to be a legislative amendment to cater the proposed changes. The specific and relevant provision within the Income Tax Act was identified, and it was ascertained that this would require a minor technical amendment. - The relevant Secrecy provisions were amended and 	<ul style="list-style-type: none"> - The Secretariat will follow up to obtain the certified copy of the amendment.

Directive	Agency/Department Responsible	Progress/Actions taken	Next Steps
		incorporated as part of the 2018 Budget Amendments.	
Minister for Finance to undertake assessment of all monies received from mining and petroleum projects that are held in trust accounts, which include future generation trust and set up data base to effectively monitor the trust accounts in accordance with Section 15 of the Public Finance (Management) Act 1995	Finance	<ul style="list-style-type: none"> - This directive has been incorporated as part of the Department's work with the Financial Framework Review (FFR) which triggered current amendments to the PFMA 1995 to review Trust Accounts. Part of the reforms to the new PFMA 2016 included financial instructions to review all Trust Accounts and incorporate onto the IFMS for effective monitoring and compliance purposes. - There are still areas which need to be clarified especially with regard to monies held in mining and petroleum trust accounts and others, but the relevant team within Finance Department is continuing work to ensure this is achieved. 	<ul style="list-style-type: none"> - The Secretariat will continue its consultation with the Department of Finance to ensure any issues relating to these directives are ironed out, hence the full implementation of the said directives.

Directive	Agency/Department Responsible	Progress/Actions taken	Next Steps
<p>Minister for Finance to take action to ensure payments currently being done manually via cash or cheque by some government agencies are improved and modernized to electronic systems such as the use of EFTPOS because the absence of a robust system for managing resource payments leaves the system vulnerable to fraud, corruption and human error</p>	<p>Finance</p>	<ul style="list-style-type: none"> - The Department of Finance provided feedback that, part of the amendments to the PFMA also directed to the transition from cash-based payments into electronic transactions. There were specific financial instructions from the Finance Minister for government agencies to heed this change and transition into electronic payments system. Currently, all previous cash-based transactions have now been converted in electronic transactions as per the financial instructions. 	
<p>That Government Agencies ensure to submit their books to the Auditor General's Office in a timely manner for audit purposes; that the capacity at the Auditor General's Office be improved to undertake audits as highlighted under the heading of "Way Forward" of the submission; and that this would be one of the Government's key agendas to improve transparency and accountability in the public service.</p>	<p>Auditor General</p>	<ul style="list-style-type: none"> - The formal letter of notification on this directive had been conveyed to the AG's office. To date no formal response has been received on their implementation progress and/or strategy. - The Auditor General has undertaken active audit 	<ul style="list-style-type: none"> - The Secretariat to continue its follow with the AG's office to gauge an update and ensure progress is been made to implement this directive.

Directive	Agency/Department Responsible	Progress/Actions taken	Next Steps
		<p>program on relevant government agencies. Recently the AG has come out in the media identifying and outlining issues surrounding the non-reporting of agencies or the deficiencies and the reports submitted to the AG.</p>	

The 2nd PNGEITI Annual Report covering the financial year 2014 provided an update on certain areas brought out within the 1st Report, and focused more on reiterating the need for recommendations from the First PNGEITI Report to be implemented. The 2014 Report outlined the importance of continued stakeholder engagement, particularly with reporting entities and encouraged more timely participation in the reporting process. More importantly, the FY 2014 report stressed the need for the Government to address the recommendations set out in the FY 2013 Report. No new recommendations were put out, but rather a reassurance on the need to act upon the recommendations of the 2013 Report.

A NEC Information Paper had been formulated on the outcome of the 2014 EITI Annual Report and registered with the NEC on the 21st of November 2017, we now await feedback on the deliberation and further advice from NEC.

In Summary of the 11 NEC Directives given as per NEC Decision 91/2017 for the 2013 Report Recommendations, a total of 8 recommendations have been acted upon and implemented by the respective implementing agencies. The National Secretariat continues to carry out follow ups with respective agencies to ensure that the directives are fully implemented and to also work through any issues arising from the implementation of these recommendations.

2015 & 2016 EITI Annual Report Recommendations – Assessment Matrix

Following the 2nd PNGEITI Annual Report, the 3rd and 4th Reports for the financial years 2015 & 2016 respectively, were compiled and published in line with the requirements of the EITI Standard on annual reporting. These reports were compiled and collated concurrently, hence both reports presented and reinforced on a number of new recommendations, 8 in total. The recommendations are listed in the matrix below, with a brief progress update on each recommendation. It is envisaged that these recommendations will be informed onto the NEC for their information and

further direction, similar to those of the first report. It is however important to note that, one particular recommendation from the 2015 & 2016 Reports in relation to the Infrastructure Tax Credits Scheme, was acted upon recently with an official statement from Honourable Prime Minister of Papua New Guinea, Hon. Peter O’Neil announcing an indefinite suspension to the scheme until a comprehensive review is undertaken, supporting the sentiments of various commentaries and recommendations on this scheme, such as that also outlined in the PNGEITI 2015 & 2016 Report Recommendations.

Report Recommendation	Observation	Recommendation
Reconciliation differences	<p>It was recommended on the need to continue to drive improvement in the reconciliation process In particular, it was observed the following key challenges:</p> <ul style="list-style-type: none"> ▶ Failure of some reporting entities to attend training ▶ Delayed completion, or partial completion of reporting templates ▶ Failure to respond to follow-up queries from the IA ▶ Inconsistent application of the reporting guidelines provided by the IA, including time period, basis of accounting, and definition of revenue streams <p>Despite significant investment of time and resources, at the time of finalising this report, some differences were unable to be explained.</p>	<p>To continue to drive improvement in the reconciliation process, we recommend that the MSG:</p> <ul style="list-style-type: none"> ▶ Continues to engage with reporting entities throughout the year, to assist in building an understanding of the importance of the EITI process ▶ Engages the IA for the 2017 PNG EITI Report early in 2018, to enable additional lead time, in acknowledgement of the challenges collecting data ▶ Investigates options for mainstreaming EITI reporting within existing regulatory frameworks, to reduce duplication of effort
Material revenue streams	<p>The scale of known revenue streams reported by the IRC for the reporting period has identified that the following revenue streams account for greater than 2% of known revenue:</p> <ul style="list-style-type: none"> ▶ Group tax ▶ Foreign contractor withholding tax <p>Group tax was not originally reconciled for previous reports based on an earlier decision by the MSG Where information was available, these amounts were</p>	<p>Group tax and Foreign contractor withholding tax are material revenue streams that should be reconciled in future EITI reports.</p> <p>The MSG should also investigate options to expand the definition of material reporting entities in respect of specific revenue streams (such as group tax and social payments) to include companies in advanced exploration or pre-production phases.</p>

	<p>reconciled in this report and 90% of the revenue stream was reconciled.</p> <p>The data collected through the 2016 reporting process identified that foreign contractor withholding tax was now also a material revenue stream accounting for 4% of the total revenue.</p>	
Engagement with government stakeholders	<p>The IA sought input and data from a range of government stakeholders for the 2016 EITI report. Whilst the majority of stakeholders provided most or all of the requested information, input from the following entities was either not received or received well outside the requested submission deadline:</p> <ul style="list-style-type: none"> ▶ DNPM (ITC) ▶ DPE (not reporting ExxonMobil revenue, and delayed submission of requested contextual information) ▶ BPNG <p>Conversely, it was noted that there was a significant increase in engagement and participation from the MRDC.</p>	<p>Building on Recommendation 1, conduct targeted stakeholder engagement and education in relation to the reporting entities that failed to report, or reported information incorrectly for the 2016 reporting period.</p> <p>It is recommended that this stakeholder engagement be carried out prior to the April Validation of the 2016 report so that any remaining data required can be supplied and made available on the PNG EITI website.</p> <p>In particular, DPE should seek visibility over royalty and development levy payments made by electronic transfer and be prepared to provide this information for reporting purposes.</p>
Sub-national payments	<p>During the reporting process for the 2016 PNG EITI report, a scoping study for the inclusion of subnational payments in the EITI reporting process was initiated. This work is being undertaken by the Australian government Department of Foreign Affairs and Trade. At the time of finalising this report, the National Secretariat informed the IA that consultation with subnational entities had commenced.</p> <p>Developing a greater understanding of these payments, including benefit sharing for oil and gas projects, and communicating this to key stakeholders, will go some way to addressing the concerns held by landholders impacted by extractive industries projects.</p>	<p>Build on the progress made in understanding subnational payments, through expansion of the PNG EITI report scope to incorporate these payments for the 2017 reporting period.</p> <p>Acknowledging that this may be challenging, it is recommended that the MSG considers including a sample of subnational payments and considers unilateral reporting by subnational governments, in the first instance.</p> <p>It is recommended that any preliminary information made available through the</p>

		scoping study into subnational reporting be made available on the PNG EITI website prior to the validation process occurring in April 2018.
Reporting of quasi-fiscal expenditure	The EITI Standard requires that quasi-fiscal expenditure is reported. Little or no information on quasi-fiscal expenditure had been provided to the IA as at the date of publication. Treasury noted that they were aware of quasi-fiscal expenditures by SOEs. Treasury commented that work on updating the reporting of government finance to the International Monetary Fund, Government Finance Statistics Manual 2014 is progressing well, and will be extended to cover transactions of extra-budgetary units and the SOEs in the medium to long term.	The MSG should continue to engage with Treasury in relation to understanding quasi-fiscal expenditure. For the 2017 reporting period, it is recommended that the MSG: <ul style="list-style-type: none"> ▶ Works with Treasury to understand the nature of payments made by SOEs ▶ Continues progress towards Mainstreaming the reporting of extractive industry revenue through government reporting processes.
Value of infrastructure tax credit (ITC) scheme	<p>Previous PNG EITI reports have found discrepancies and inconsistencies in the reporting of the value of tax forgone as a result of funds spent on infrastructure development.</p> <p>Reporting templates for the 2016 report were updated in an attempt to clarify the value of funds spent on ITC projects within the reporting period as well as the value of the tax forgone as a result of ITC project spending. Due partially to the lack of response from DNPM, during the validation process, the IA was unable to verify the value of approved ITC project spending by reporting entities. There were also significant discrepancies between the ITC offset reported by companies and the IRC that in some cases could not be clarified due to differences in methodologies for reporting the value of the tax credit.</p> <p>The recommendations of the Taxation Review Report the PNG government has announced that the scheme will not be abolished but will be reviewed to improve administration. The government has also noted that the</p>	<p>Increase transparency and accountability regarding the approval process by DNPM, funds administered on projects by companies and resulting tax offset by the IRC.</p> <p>Evaluate the method currently being used to reconcile this information for EITI purposes through cash basis reporting.</p>

	process needs to be more transparent regarding guidelines and criteria involved in the approval process. And that the ITC expenditure should be included in the annual national budget books and DNPM should be able to show this information on its website.	
Status Update: A Ministerial Directive from the Prime Minister, Hon. Peter O'Neil was given to suspend the Infrastructure Tax Credit (ITC) Scheme for an indefinite period, until a comprehensive review is undertaken on the overall implementation, monitoring and administration of the ITC Scheme.		
Oil & Gas licence transfers	The transfer process for oil and gas licences is outlined in the Oil & Gas Act (OGA), but there was no evidence of criteria being applied by DPE.	DPE should establish criteria for the transferring of oil and gas licences. These criteria should be published in an updated version of the 'Petroleum Policy Handbook' with content made easily available to the public.
Reporting of Social expenditure	Inconsistencies have been observed in what companies classify as 'social' expenditure, and in which expenditures are classified as 'mandatory' or 'discretionary'.	The MSG should consult with EITI and provide more detailed guidance on these categories. It is expected that through the finalisation of the scoping study for subnational payments, there will be an opportunity to clarify this guidance. It is also expected that as further progress is made against the NEC directive to make MOAs publically available, mandatory and discretionary expenditure will become easier to delineate.

The Recommendations from the 2015 and 2016 EITI Annual Reports are been reviewed and a comprehensive NEC Information Paper has been prepared and will be submitted to the National Executive Council for their information and further direction if any.

ANNEX 4: Papua New Guinea 2018 Post-Validation Self-Assessment Workshop 22 March & 24 October 2019

Requirement	Validation Results	Corrective Actions	Status	Next steps (Timeline=before 30 April 2020)	Comments:
<p>License Allocations (#2.2)</p> <p><i>*Concerned Agencies: (MRA/DoP/JICA/EY)</i></p>	Inadequate	<ul style="list-style-type: none"> ✓ PNG is required to publicly disclose information related to the award or transfer of mining tenements and oil and gas licenses pertaining to companies covered in the EITI Report. ✓ This information should include the number of mining tenements and oil and gas licenses awarded and transferred in the year under review, a description of the award and transfer procedures, including specific technical and financial criteria assessed, and any non-trivial deviations from statutory procedures in practice. 	<ul style="list-style-type: none"> ✓ The non-financial data request templates for MRA and DoP were updated specifically to request, for each tenement/licence awarded, extended, or transferred, extended, surrendered or cancelled during the reporting period: ID, ownership and date of award/transfer/ extension. <p><i>Remaining data (not available to the time when report was finalised) will be made available on the PNG EITI website.</i></p> <ul style="list-style-type: none"> ✓ JICA to provide update on DoP and MRA on the progress. ✓ <i>It is one of the five (5) focus areas of the JICA project.</i> 	<ul style="list-style-type: none"> ✓ MRA and DoP to provide comprehensive information about licence awarded, extended, or transferred, extended, surrendered or cancelled during the reporting period. <p>Timeline – Prior to Submission of Scoping Study</p>	<ul style="list-style-type: none"> ✓ <i>Missing data identified from 2017 report – Gas licence transfers and awards</i> ✓ <i>Initial data provided by DoP and MRA is under review.</i> ✓ <i>MRA has provided license allocation data to IA for the 2018 report.</i> ✓ <i>Data processing/review is in progress for providing full disclosure – full compliance ('satisfactory') status likely to be met in the 2018 report.</i> ✓ <i>IA identified gap in 2016 report and have updated the data templates to address this inadequacy. The gap will be addressed in the 2018 report as indicated by IA.</i> ✓
<p>License Register (#2.3)</p>	Meaningful	<ul style="list-style-type: none"> ✓ PNG should maintain a publicly accessible 	<ul style="list-style-type: none"> ✓ JICA to provide update on DoP progress. 	<ul style="list-style-type: none"> ✓ JICA to provide update on DoP progress. 	<ul style="list-style-type: none"> ✓ <i>DoP – need for electronic system. IA</i>

Requirement	Validation Results	Corrective Actions	Status	Next steps (Timeline=before 30 April 2020)	Comments:
<p>*Concerned Agencies: (MRA/DoP/JICA/EY)</p>		<p>register or cadastre system(s), including comprehensive information on licenses for all oil, gas and mining companies.</p> <p>✓ In the interim, PNG should ensure that information set out under EITI Requirement 2.3.b is publicly accessible for all mining, oil and gas companies.</p>	<p>✓ <i>It is one of the five (5) focus areas of the JICA project.</i></p>		<p><i>indicated that hard files to be provided by DoP – no central database at this time. DoP data are separately managed by respective branches within DoP in stand-alone databases (revenue, production, licencing).</i></p> <p>✓ <i>JICA is currently working with DoP to establish a network (a central database and a website) where all relevant datasets will be stored and/or accessed on one central point.</i></p> <p>Way Forward/Resolution:</p> <p>✓ <i>To meet requirement of public disclosure, MRA indicated the possibility of having DoP data (pdf/excel) uploaded on CCOP</i></p>

Requirement	Validation Results	Corrective Actions	Status	Next steps (Timeline=before 30 April 2020)	Comments:
					<p><i>GSI portal, which is managed by MRA.</i></p> <ul style="list-style-type: none"> ✓ <i>DoP and MRA to initiate some discussions on how best MRA can assist DoP. Both MRA and DoP (Arnold & Kumalau) agreed to meet this week (weekending 1st Nov) to come up with the way forward on how MRA can assist DoP to upload its data onto the MRA cadastre online register.</i> ✓ <i>JICA to continue work with DoP in the background to get the database and website up and running. Once a website is up & running, the standalone registers can be easily uploaded onto the central database and website, which can</i>

Requirement	Validation Results	Corrective Actions	Status	Next steps (Timeline=before 30 April 2020)	Comments:
					<p><i>then be publicly accessible.</i></p> <ul style="list-style-type: none"> ✓ <i>JICA indicated that procurement of the ITC materials by JICA for the set-up of the DOP website will begin soon and installation of the technology at DOP will follow afterwards. JICA will try to complete the website set up before the second validation in 2020.</i> ✓ <i>Comprehensive description of what is available and what can be done in the subsequent period – document process in the 2018 report</i>
<p>State Participation (#2.6)</p> <p><i>*Concerned Agencies:</i></p>	<p>Meaningful</p>	<ul style="list-style-type: none"> ✓ PNG should clearly establish its definition of SOEs to delineate the SOEs within the scope of EITI reporting and ensure that a comprehensive list of 	<ul style="list-style-type: none"> ✓ The EITI Report has been updated to include comprehensive disclosure about SOE. 	<ul style="list-style-type: none"> ✓ SOE timely collaboration with Independent administrator is important to provide comprehensive disclosure and update in the report. 	<ul style="list-style-type: none"> ✓ <i>The 2017 EITI report updated to include comprehensive disclosure about SOE/State participation.</i>

Requirement	Validation Results	Corrective Actions	Status	Next steps (Timeline=before 30 April 2020)	Comments:
(KPHL/OTML/EY)		<p>state participation in the extractive industries, including terms associated with state equity and any changes in the year under review, be publicly accessible.</p> <ul style="list-style-type: none"> ✓ PNG must also clarify the rules and practices governing financial relations between all SOEs, including their subsidiaries, and the state, including the existence of any loans or guarantees extended by the state, or SOEs, to extractives companies or projects. 		<p>Timeline – During Submission of EITI Templates</p>	<ul style="list-style-type: none"> ✓ SOE's (KPHL/OTML/KMHL) are requested to provide additional information such as existing loans, guarantees extended by the State (where necessary) in the draft 2018 report to be circulated by IA. ✓ The main issue here is compliance from SOEs in reporting the data requested/required on time. ✓ SOEs are to review the draft report to ensure what is reflected in the draft report is correct and consistent with the data they submitted to IA. Where necessary, SOEs are also required to provide additional narratives on the draft report to ensure their sections are

Requirement	Validation Results	Corrective Actions	Status	Next steps (Timeline=before 30 April 2020)	Comments:
					<p><i>updated and is comprehensive.</i></p> <ul style="list-style-type: none"> ✓ <i>IA anticipates 'satisfactory' rating for this requirement in the 2018 report.</i> ✓ <i>Reporting entities to document EITI reporting as part of their annual operational activities.</i> ✓ <i>MSG resolved in 2018 for a TOR for Scoping Study for SOEs. Consultants to be engaged in January 2020. The tendering processes will be included in the 2018 report as mention by the IA representative (Leonard)</i>

<p>Production Data (#3.2)</p> <p><i>*Concerned Agencies: (MRA/DoP/JICA/EY)</i></p>	<p>Inadequate</p>	<ul style="list-style-type: none"> ✓ PNG should ensure that the complete production volume for oil and gas, and production values for each of the extractives commodities produced during the year under review be publicly accessible, disaggregated by commodity. 	<ul style="list-style-type: none"> ✓ IA has again requested this information in the reporting templates. ✓ Estimates of these values based on available information have been included in this report, where actual production values were not supplied by the reporting entities. ✓ <i>It is one of the five (5) focus areas of the JICA project.</i> 	<ul style="list-style-type: none"> ✓ Require all reporting entities to provide information as required by EITI standard <p>Timeline – During Submission of EITI Templates</p>	<p><i>Mining:</i></p> <ul style="list-style-type: none"> ✓ <i>Data reported by MRA for 2018 report.</i> ✓ <i>Companies are complying in reporting required data.</i> ✓ <i>Some data from company reports not captured by MRA. MRA to work with companies to rectify that.</i> <p><i>Oil & Gas:</i></p> <ul style="list-style-type: none"> ✓ <i>Oil Search and DoP have provided some information (produced qty, not produced value).</i> ✓ <i>Exxon also provided some data but not provided production/export values.</i> ✓ <i>Project agreements need to factor clauses that counter confidentiality clauses to allow companies/operator/J</i>
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Requirement	Validation Results	Corrective Actions	Status	Next steps (Timeline=before 30 April 2020)	Comments:
					<p><i>V to report to state/EITI.</i></p> <ul style="list-style-type: none"> ✓ <i>Call for State, if possible, to audit the project partners' books to establish facts about data reported for EITI purposes.</i> ✓ <i>IA emphasis again on the need for actual production value to be included in the 2018 report. IA to work closely with all reporting entities to confirm whether this information are disclose in the reporting templates provided.</i>
<p>Export Data (#3.3)</p> <p><i>*Concerned Agencies: (MRA/DoP/ EY)</i></p>	<p>Meaningful</p>	<ul style="list-style-type: none"> ✓ PNG should ensure that export volumes and values are disclosed publicly for each mineral commodity (including oil, condensate and gas) exported in the year under review. 	<ul style="list-style-type: none"> ✓ Complied included in the report. 	<ul style="list-style-type: none"> ✓ Reporting entities should provide this information as required by EITI standard. <p>Timeline – During Submission of EITI Templates</p>	<ul style="list-style-type: none"> ✓ <i>IA indicated that estimated values were used (in part) in 2017 to avoid 'inadequate' reporting.</i> ✓ <i>IA indicated that already some data were provided for the 2018 report.</i>

Requirement	Validation Results	Corrective Actions	Status	Next steps (Timeline=before 30 April 2020)	Comments:
					<ul style="list-style-type: none"> ✓ <i>'Satisfactory' rating expected for this requirement.</i> ✓ <i>Call for possibility of IA to estimate 2018 data, especially PNG LNG data (for Exxon and other JV partners), based on data reported by KPH for 2018 report.</i> ✓ <i>IA needed to include export value in the 2018 report – all reporting entities must disclose this export value in their reporting templates - same as above.</i>

<p>Comprehensiveness (#4.1)</p> <p><i>*Concerned Agencies: (IRC/JICA/EY)</i></p>	<p>Inadequate</p>	<ul style="list-style-type: none"> ✓ PNG should ensure that the materiality threshold for selecting companies ensures that all payments that could affect the comprehensiveness of EITI reporting be included in the scope of reconciliation. ✓ The MSG should ensure that PNG's next EITI Report includes the IA's assessment of the materiality of omissions from non-reporting entities, an assessment of the comprehensiveness of the EITI Report and that full unilateral government disclosure of total revenues are provided, and including from non-material companies is provided for each of the material revenue streams. ✓ In accordance with Requirement 8.3.c.i, the MSG should develop and disclose 	<ul style="list-style-type: none"> ✓ IRC reporting template was updated to clarify that total revenue stream value is requested and the IA have been working to confirm full unilateral disclosure of all government extractive revenue streams. ✓ Specifically, concerning the revenue streams from projects that are not yet in production. ✓ <i>It is one of the five (5) focus areas of the JICA project.</i> 	<ul style="list-style-type: none"> ✓ IA to collaborate with IRC to obtain early in the process all extractive companies in calculating materiality. <p>Timeline – Prior to submission of Scoping Study</p>	<ul style="list-style-type: none"> ✓ <i>Lack of capacity by AGO or internal audit teams from entities to have their annual reports audited in time for purposes of EITI reporting.</i> ✓ <i>State entities have to be audited before April 2020 to ensure there is credibility/confidence in figure reported. Copy of audited reports to be provided (when available) to IA and PNGEITI website.</i> ✓ <i>MSG to engage more closely with AGO.</i> ✓ <i>Possibility for MSG/PNGEITI to get some directive for State Agencies to be audited on time for the purposes of EITI reporting.</i> ✓ <i>MSG to agree on a TOR for a consultant/IA to scope out the work to be done to assist the AGO office with non-audited books for</i>
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Requirement	Validation Results	Corrective Actions	Status	Next steps (Timeline=before 30 April 2020)	Comments:
		<p>an action plan for addressing the deficiencies in comprehensiveness of reporting documented in the initial assessment.</p>			<p><i>government agencies and SOEs soon. The MSG to agree and endorse this assignment soon so IA will document and include the endorsement in the 2018 report.</i></p>
<p>SOE Transactions (#4.5)</p> <p><i>*Concerned Agencies: (KPHL/OTML/EY)</i></p>	<p>Meaningful</p>	<ul style="list-style-type: none"> ✓ PNG should undertake a comprehensive assessment of transactions between extractives SOEs (and their subsidiaries) and mining, oil and gas companies, as well as between the extractives SOEs (including their subsidiaries) and government in its scoping for future EITI Reports. ✓ All SOEs collecting material revenues or making material payments to government should be 	<ul style="list-style-type: none"> ✓ The EITI Report has been updated to include comprehensive disclosure about SOE. 	<ul style="list-style-type: none"> ✓ SOE timely collaboration with Independent administrator is important to provide comprehensive disclosure and update in the report. <p>Timeline – During Submission of EITI Templates</p>	<ul style="list-style-type: none"> ✓ <i>Discussion and issues identified are in line with discussions/notes highlighted in requirement #2.6.</i> ✓ <i>MSG to finalise the TOR soon for Scoping Study for SOEs. Tendering processes and timeline will be included in the 2018 report.</i> ✓ <i>'Satisfactory' rating expected for 2018 report.</i>

Requirement	Validation Results	Corrective Actions	Status	Next steps (Timeline=before 30 April 2020)	Comments:
		included in future EITI reporting.			
<p>Direct Subnational Payments (#4.6)</p> <p><i>*Concerned Agencies: (MRDC/DoT/EY)</i></p>	Inadequate	<ul style="list-style-type: none"> ✓ PNG should establish whether direct subnational payments (to government entities) by extractives companies are material. ✓ Where material, PNG is required to ensure that direct subnational payments are reconciled between company payments and subnational government entities' receipts. ✓ Given widespread confusion, yet vivid interest among stakeholders from all constituencies over extractives revenue flows accruing to subnational governments, PNG should consider mapping out subnational revenue 	<ul style="list-style-type: none"> ✓ A scoping study of sub-national payments and transfers are being undertaken. ✓ EY has met with this consultant to compare approach and confirm timeframes. 	<ul style="list-style-type: none"> ✓ Results or status of Sub-national study to be disclosed in the report. <p>Timeline – Prior to submission of Inception Report.</p>	<ul style="list-style-type: none"> ✓ <i>First Validation took place while Scoping study and the 2017 report were being worked on.</i> ✓ <i>Recommended to be included in the 2018 report. 2018-report data template amended to capture 'unilateral disclosure' of subnational payments in 2018 report.</i> ✓ <i>Improvement made in 2017 to include in the 2018 report.</i> ✓ <i>'Reconciliation' of subnational payments to be included in 2019 report onwards, including implementation of recommendations from the scoping study report.</i>

Requirement	Validation Results	Corrective Actions	Status	Next steps (Timeline=before 30 April 2020)	Comments:
		flows associated with each individual extractive project, drawing on results from the scoping study on subnational revenue flows being prepared in 2018.			
<p>Data quality (#4.9)</p> <p><i>*Concerned Agencies: (AGO/JICA/EY)</i></p>	Inadequate	<ul style="list-style-type: none"> ✓ The EITI requires an assessment of whether the payments and revenues are subject to credible, independent audit, applying international auditing standards. In accordance with Requirement 4.9.b.iii and the standard Terms of Reference for the Independent Administrator agreed by the EITI Board, the MSG and Independent Administrator should: <ul style="list-style-type: none"> ✓ <i>Ensure that the Independent Administrator (IA) provides a clear and categorical</i> 	<ul style="list-style-type: none"> ✓ Engagement with the PNG Auditor General's Office was undertaken to establish the status of the audit of Government and SOE accounts. ✓ The information has been incorporated into the assessment of data quality in the reconciliation chapter of the report. ✓ <i>It is one of the five (5) focus areas of the JICA project.</i> 	<ul style="list-style-type: none"> ✓ Continue coordinating with AGO to provide update regarding status of audit of Government and SOE accounts. <p>Timeline – During Submission of EITI Templates</p>	<ul style="list-style-type: none"> ✓ <i>IA to include comments on this requirement in the 2018 report.</i> ✓ <i>Some government entities are still dragging behind in terms of auditing resulting in lack of credibility of financial data provided.</i> <p>Way Forward:</p> <ul style="list-style-type: none"> ✓ <i>IA to undertake verification for certain government entities (while awaiting formal audits to be completed) to ensure their data are reliable to be included in the</i>

Requirement	Validation Results	Corrective Actions	Status	Next steps (Timeline=before 30 April 2020)	Comments:
		<p><i>assessment of comprehensiveness and reliability of the (financial) data presented, including an informative summary of the work performed by the Independent Administrator and the limitations of the assessment provided.</i></p> <p>✓ <i>Ensure that the Independent Administrator provides an assessment of whether all companies and government entities within the agreed scope of the EITI reporting process provided the requested information. Any gaps or weaknesses in reporting to the Independent</i></p>			<p><i>report (2018), prior to the validation in April. IA to document this procedure in the 2018 report.</i></p> <p>✓ <i>For EITI reporting purposes, PNGEITI and IA, to explore possibility of engaging with reporting government entities and AGO to ensure they are audited on time.</i></p> <p>✓ <i>TWG to submit a recommendation to the MSG for MSG to task the National Secretariat to look at scoping out a way on how we can have more engagement with AGO – possibility of engaging with external auditing firms to improve auditing processes and procedures for reporting entities going forward.</i></p>

Requirement	Validation Results	Corrective Actions	Status	Next steps (Timeline=before 30 April 2020)	Comments:
		<p><i>Administrator must be disclosed in the EITI Report, including naming any entities that failed to comply with the agreed procedures, and an assessment of whether this is likely to have had material impact on the comprehensiveness and reliability of the report.</i></p> <p>✓ In accordance with Requirement 8.3.c.i, the MSG should develop and disclose an action plan for addressing the deficiencies in the reliability of reporting documented in the initial assessment.</p>			<p>✓ Possible engagement with IFMS to capture certain aspects of revenue reporting (receipts/payments), especially for reporting entities (Govt. entities).</p> <p>✓ IA expects improvement in rating for 2018 report.</p> <p>✓ Validation TWG resolve to engage an independent consultant to scope or do a feasibility study on how to assist AGO on updated audits reports for government agencies and SOEs.</p>
<i>Distribution of Extractive Industry Revenues (#5.1)</i>	Inadequate	<p>✓ PNG should clarify which extractive revenues are recorded in the national budget.</p>	<p>✓ Information relating the distribution of revenues has been updated in this report and additional information is provided relating to the</p>	<p>✓ Provide more information as required, in coordination with IRC.</p>	<p>✓ Disclosed in 2017 report (section 5.5, pg. 48)</p>

Requirement	Validation Results	Corrective Actions	Status	Next steps (Timeline=before 30 April 2020)	Comments:
<p><i>*Concerned Agencies: (MRDC/DoT/IRC/EY)</i></p>		<ul style="list-style-type: none"> ✓ Where revenues are not recorded in the national budget, the allocation of revenues should be explained, with links provided to relevant financial reports. 	<p>distribution of funds managed by MRDC.</p>	<p>Timeline – During Submission of EITI Templates</p>	<ul style="list-style-type: none"> ✓ IA indicates no major actions required for 2018 report. Additional information (narratives) to be included in the 2018 report. ✓ With IRC financial data submitted, IA will update the gaps identified in 2017 report and address the corrective actions in this 2018 report.
<p>Subnational Transfers (#5.2)</p> <p><i>*Concerned Agencies: (MRDC/EY)</i></p>	<p>Inadequate</p>	<ul style="list-style-type: none"> ✓ PNG is required to ensure that material subnational transfers of extractives revenues are publicly disclosed, when such transfers are mandated by a national constitution, statute or other revenue sharing mechanism such as benefit-sharing agreements. ✓ The MSG should also disclose any 	<ul style="list-style-type: none"> ✓ A scoping study of subnational payments and transfers is being undertaken. ✓ EY has met with this consultant to compare approach and confirm timeframes. 	<ul style="list-style-type: none"> ✓ Results or status of Subnational study should be disclosed in the report. <p>Timeline – During Submission of EITI Templates</p>	<ul style="list-style-type: none"> ✓ Discussed together with 'Direct Subnational Payments #4.6' ✓ Unilateral disclosure for 2018 report. ✓ Scoping study report and recommendations are to be documented in the 2018 report. ✓ 'Reconciliation' of subnational payments to be

Requirement	Validation Results	Corrective Actions	Status	Next steps (Timeline=before 30 April 2020)	Comments:
		discrepancies between the transfer amount calculated in accordance with the relevant revenue sharing formula and the actual amount transferred between the central government and each relevant subnational entity on an annual basis.			<p><i>included for 2019 report onwards.</i></p> <p>✓ <i>Leonard inform that IA will include in the 2018 report but unilateral reporting. Reconciliation of sub-national will be included in the FY2019 report.</i></p>
<p>Mandatory social expenditures (#6.1)</p> <p><i>*Concerned Agencies: (NS/EY)</i></p>	Meaningful	<p>✓ PNG should ensure that reporting of mandatory social expenditures be disaggregated by type of payment and beneficiary, clarifying the name and function of any non-government (third-party) beneficiaries of mandatory social expenditures.</p>	<p>✓ Mandatory social expenditure disaggregated by beneficiary has been included in the report.</p> <p>✓ EITI template has been updated to reflect the requirements.</p> <p>✓ More comprehensive disclosure is required in compliance with the EITI Standard.</p>	<p>✓ Require all reporting entities to provide more comprehensive information about mandatory social expenditures.</p> <p>Timeline – During Submission of EITI Templates</p>	<p>✓ <i>This was not included in 2017 report, but will be included in the 2018 report.</i></p> <p>✓ <i>Included in 2018 report template for reporting entities to report on (disaggregated). IA anticipates Improvements in the 2018 report.</i></p>
<p>SOE quasi-fiscal expenditures (#6.2)</p>	Inadequate	<p>✓ PNG should undertake a comprehensive review of all expenditures</p>	<p>✓ IA requested contextual and financial information from each SOE subsidiary (including Ok Tedi Power and Ok Tedi Foundation)</p>	<p>✓ To address in the next report. Reporting entities covered should provide more information about quasi-fiscal expenditures.</p>	<p>✓ <i>To be included in SOE scoping study. IA to ensure this is</i></p>

Requirement	Validation Results	Corrective Actions	Status	Next steps (Timeline=before 30 April 2020)	Comments:
<p><i>*Concerned Agencies: (KPHL/OTML/EY)</i></p>		<p>undertaken by extractives SOEs (and their subsidiaries) that could be considered quasi-fiscal.</p> <ul style="list-style-type: none"> ✓ PNG should develop a reporting process with a view to achieving a level of transparency commensurate with other payments and revenue streams and should include SOE subsidiaries and joint ventures. 	<p>and KPH to assist with addressing this requirement in this report. At the time this report was finalised, IA has not yet received this information.</p>	<p>Timeline – During Submission of EITI Templates</p>	<p><i>documented in the 2018 report</i></p> <ul style="list-style-type: none"> ✓ <i>IA to chase up reporting entities for additional information on quasi-fiscal activities and other information.</i> ✓ <i>Not reported by OTML and KPHL.</i> ✓ <i>TOR for a scoping study into SOEs operations in the extractive sector in progress and will include findings on quasi-fiscal expenditures and recommend a way forward for MSGs deliberations. IA will include the tendering process in the 2018 report.</i>
<p>Outcomes and impact of implementation (#7.4)</p>	<p>Meaningful</p>	<ul style="list-style-type: none"> ✓ MSG is required to review the outcomes and impact of EITI implementation on natural resource governance in PNG by 	<p>✓</p>	<p>✓</p>	<ul style="list-style-type: none"> ✓ <i>Refers to the PNGEITI Annual Report documenting the National Secretariat's work plan and progress on certain</i>

Requirement	Validation Results	Corrective Actions	Status	Next steps (Timeline=before 30 April 2020)	Comments:
*Concerned Agencies: (NS)		<p>ensuring that all the prescribed details of the annual progress reports are mentioned in the next report.</p> <p>✓ The MSG should ensure that all stakeholders, including those outside of the MSG, are given an opportunity to participate in the production of, and have their view reflected in, the annual progress report.</p>			<i>reforms/policy agendas.</i>