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OFFICE OF THE MINISTER



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6 December 2013

The Rt. Hon. Clair SHORT
Chair of the Board
Extractive Industries Transparency Initiative

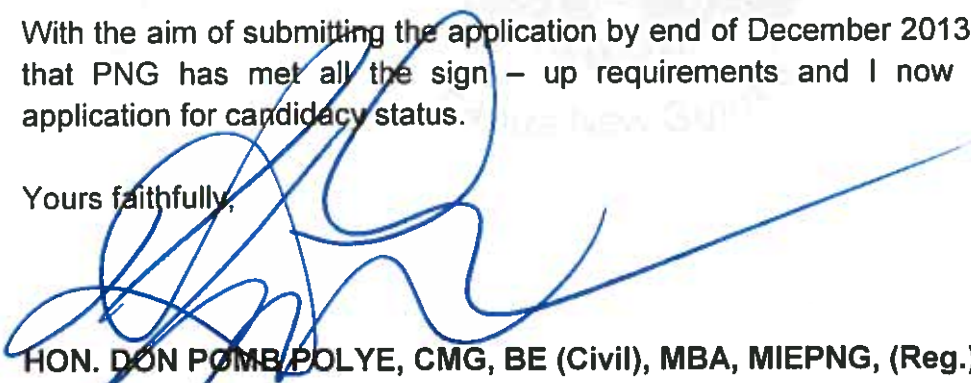
Dear Rt. Hon. Short,

SUBJECT: PAPUA NEW GUINEA APPLICATION FOR CANDIDACY

The Government of Papua New Guinea endorsed the implementation of EITI in March 2013 and appointed me as the Minister responsible for EITI matters. Since then, I made the public announcement of Government's intention to implement EITI and committed the Government to work with the companies from PNG's extractive industry and civil society organizations by forming a PNG Multi Stakeholder Group (PNGMSG) on 1 November 2013.

With the aim of submitting the application by end of December 2013, I am fully satisfied that PNG has met all the sign - up requirements and I now hereby submit the application for candidacy status.

Yours faithfully,


HON. DON POMB POLYE, CMG, BE (Civil), MBA, MIEPNG, (Reg.), MP
MINISTER FOR TREASURY

EITI Candidature Application Form

EITI CANDIDATURE APPLICATION FORM

Contents

Introduction	3
Applicant country information.....	4
EITI Sign up Requirements.....	5
Information about the Multi-Stakeholder Group.....	13
Annexes	16

INTRODUCTION

A government intending to implement the EITI is required to undertake a number of steps before applying to become an EITI Candidate country (See EITI Requirements 1.1 – 1.4)¹.

When the country has completed the “sign-up” steps and wishes to be recognised as an EITI Candidate country, the government should submit an EITI Candidature Application, endorsed by the multi-stakeholder group, to the EITI Board. The application should describe the activities undertaken to date and provide evidence demonstrating that Requirements 1.1 – 1.4, have been met. The application should include contact details for government, civil society and private sector stakeholders involved in the preparations for implementing the EITI. Application materials will be published on the EITI website and be available for public comment.

Once submitted, the application will be made publically available on the EITI website. The EITI Board, working through the Outreach and Candidature Committee, will review the application and assess whether the sign-up requirements have been met. The International Secretariat will contact stakeholders at the national level to ascertain their views on the sign-up process, and seek comments from supporting governments, international civil society groups, supporting companies and supporting organisations and investors. The International Secretariat will work closely with the senior individual appointed by the government to lead on EITI implementation in order to clarify any outstanding issues. Based on this and any other available information, the EITI Board’s Outreach and Candidature Committee will make a recommendation to the EITI Board on whether a country’s application should be accepted. The EITI Board takes the final decision.

The EITI Board aims to process applications within 8 weeks of receiving the application. The EITI Board prefers to make decisions on admitting an EITI Candidate country at EITI Board meetings, although may consider taking a decision via Board circular between meetings where appropriate.

When the EITI Board admits an EITI Candidate, it also establishes deadlines for publishing the first EITI Report and undertaking Validation. An implementing country’s first EITI Report must be published within 18 months from the date that the country was admitted as an EITI Candidate. EITI Candidate countries will be required to commence Validation (<http://eiti.org/validation>) within two and a half years of becoming an EITI Candidate. Further information on deadline policies is available in Requirement 1.6 of the EITI Standard (<http://eiti.org/document/standard>).

Box 1 – Main steps in the Candidature application process

- 1. Country submits application for EITI Candidature.** The government should submit a formal application, endorsed by the MSG, in writing to the EITI Chair via the International Secretariat.
- 2. The EITI Board, working through the Outreach and Candidature Committee, will review the application and assess whether the sign-up requirements have been met.** The International Secretariat will ensure that the application is complete and will contact stakeholders at the national and international level to ascertain their views and seek comments. The International Secretariat will publish the application on the EITI international website.
- 3. The Outreach and Candidature Committee will make a recommendation to the EITI Board.** The recommendation will stipulate whether a country’s application should be accepted or not.
- 4. The EITI Board will take a decision on admitting the applicant as a Candidate country in accordance with the EITI Standard.**

¹ The requirements are provided in *The EITI Standard*: <http://eiti.org/document/standard>

APPLICANT COUNTRY INFORMATION

Please complete fields in blue

Applicant

Papua New Guinea

Government Contact Point

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Date of Application

11 December 2013

EITI SIGN-UP REQUIREMENTS

EITI REQUIREMENT 1.1

The government is required to issue an unequivocal public statement of its intention to implement the EITI.

The statement must be made by the head of state or government, or an appropriately delegated government representative.

On 14 March 2013, Papua New Guinea's National Executive Council (NEC) approved NEC Decision No. 90/2013 entitled *SIGN UP REQUIREMENTS FOR EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE IN PAPUA NEW GUINEA*. Through this NEC Decision, the Government of Papua New Guinea (GoPNG) expressed its unequivocal commitment to participate in the Extractive Industries Transparency Initiative (EITI).

The NEC Decision mandates the establishment of mechanisms to operationalize EITI in the mining and petroleum (oil and gas) sectors and named Treasurer, the Honorable Don Pomb Poly, Member of Parliament, as the EITI National Champion (*See attached NEC Decision in Annex 1*).

On 10 April 2013 the Treasurer participated in a press conference where he presented at length the government's commitment to implementing EITI and the potential benefits of the initiative for the stable development of the extractive industry in PNG. (*See attached copy of the press release in Annex 1*).

The Treasurer also announced that the Government was committed to working with companies from the country's extractive industry and civil society organizations (CSOs). In addition, the Treasurer announced that the Government will shortly invite the stakeholders to form the PNG Multi Stakeholder Group (PNGMSG). EITI implementation is seen as a complement to on-going initiatives to improve governance and accountability as well as address corruption in the country by using EITI as a platform for greater awareness and continued reform to sector specific governance that leads to inclusive, integrated and sustainable growth and development. Other GoPNG initiatives include the Government's National Anti-Corruption Strategy and the establishment of an Independent Commission Against Corruption (ICAC) which would embed in the PNG Constitution a law to investigate and combat corruption. While the details of the Sovereign Wealth Fund (SWF) remain to be delineated, the use of an SWF would – if structured well – allow government to better manage variability in revenue inflows to the national government budget associated with resource exports while providing funding support for ongoing development plus save surplus revenues for future investments in the country. The government is also in the process of rationalizing its mining, petroleum, and other commercial assets. A central intention of these initiatives is to reduce the risk of corruption in PNG by establishing structures that will enhance the visibility, transparency, accountability and ultimately effective governance of the revenue streams that are in large part derived from extractive sector activities in the country

During the 23 – 24 May EITI Global Summit in Sydney, Australia, the Treasurer re-stated the GoPNG position on EITI and committed the country to applying for EITI candidacy by December 2013. (*See attached copy of EITI Global Summit speech in Annex 1*).

As part of the effort to broaden awareness of EITI among civil society organizations, civil society workshops were held between 22 – 25 April in Alotau and between 7 – 9 October in Port Moresby. These workshops, organized by Transparency International PNG Chapter (TI PNG) and funded by various donors, included a spectrum of civil society organizations (CSOs) that gave a cross-section of the broader PNG civil society. During the October event the CSOs agreed on criteria for selecting their representatives to the PNGMSG then implemented the process through which their members were selected and legitimized by the CSOs present. These consultations and outreach events included a process of Civil Society self-selection of its seven representatives to the PNG EITI MSG. (*See Annex 3*)

Industry held a workshop hosted by the PNG Chamber of Mines and Petroleum on 29 July 2013 to further educate companies involved and other interested firms on EITI, to agree on a set of criteria for MSG membership, and to commence the process through which members to the MSG would be self-selected. This process, completed over a period of several weeks, saw the nomination of six companies plus the PNG

Chamber of Mines and Petroleum to be the representatives of the extractive industries. As there were only six companies nominated no further vote was required. Due notice was provided to Chamber members as well as to non-members that participate in other PNG-related business councils. (See Annex 4)

EITI REQUIREMENT 1.2

The government is required to appoint a senior individual to lead on the implementation of the EITI.

- a) The appointee should have the confidence of all stakeholders
- b) The appointee should have the authority and freedom to coordinate action on the EITI across relevant ministries and agencies
- c) The appointee should be able to mobilize resources for EITI implementation.

In accordance with EITI requirement 1.2 a senior GoPNG official, the Honorable Treasurer Don Pomb Polye, was named as the PNGEITI National Champion and will lead EITI implementation. Treasurer Polye is the Chairman of the PNGMSG per NEC Decision 90/2013. The Treasurer has the confidence of all stakeholders, and from his position within the Department of Treasury is well positioned to maintain appropriate oversight over the process to coordinate action on EITI across relevant ministries and agencies and be able to mobilize resources for PNGEITI implementation per the NEC Decision mandate.

Under the direction of Treasurer Polye, Mr. Donald Hehona has, with the support of Assistant Economist Ismael Sunga, led the initiative operationally, setting agendas and co-organizing and participating in workshops and PNGEITI-related activities. In addition, in the absence of Treasurer Polye and the Secretary for Department of Treasury, Mr. Hehona will serve as the PNGMSG Chairman.

EITI REQUIREMENT 1.3

The government is required to commit to work with civil society and companies, and establish a multi-stakeholder group to oversee the implementation of the EITI.

- a) The government, companies and civil society must be fully, actively and effectively engaged in the EITI process.
- b) The government must ensure that there is an enabling environment for company and civil society participation with regard to relevant laws, regulations, and administrative rules as well as actual practice in implementation of the EITI. The fundamental rights of civil society and company representatives substantively engaged in the EITI, including but not restricted to members of the multi-stakeholder group, must be respected.
- c) The government must ensure that there are no obstacles to civil society or company participation in the EITI process.
- d) The government must refrain from actions which result in narrowing or restricting public debate in relation to implementation of the EITI.
- e) Stakeholders, including but not limited to members of the multi-stakeholder group:
 - i. must be able to speak freely on transparency and natural resource governance issues;
 - ii. must be substantially engaged in the design, implementation, monitoring and evaluation of the EITI process, and ensure that it contributes to public debate;
 - iii. must have the right to communicate and cooperate with each other; and
 - iv. must be able to operate freely and express opinions about the EITI without restraint, coercion or reprisal.
- f) In establishing the multi-stakeholder group, the government must:
 - i. ensure that the invitation to participate in the group is open and transparent;
 - ii. ensure that stakeholders are adequately represented. This does not mean that they need to be equally represented numerically. The multi-stakeholder group must comprise appropriate stakeholders, including but not necessarily limited to: the private sector; civil society, including independent civil society groups and other civil society such as the media and unions; and relevant government entities which can also include parliamentarians. Each stakeholder group must have the right to appoint its own representatives, bearing in mind the desirability of pluralistic and diverse representation. The nomination process must be independent and free from any suggestion of coercion. Civil society groups involved in the EITI as members of the multi-stakeholder group must be operationally, and in policy terms, independent of government and/or companies;
 - iii. ensure that senior government officials are represented on the multi-stakeholder group; and
 - iv. consider establishing the legal basis of the group.
- g) The multi-stakeholder group is required to agree clear public Terms of Reference (ToRs) for its work. The ToRs should at a minimum include provisions on:

The role, responsibilities and rights of the multi-stakeholder group:

 - i. Members of the multi-stakeholder group should have the capacity to carry out their duties.
 - ii. The multi-stakeholder group should undertake effective outreach activities with civil society groups and companies, including through communication such as media, website and letters, informing stakeholders of the government's commitment to implement the EITI, the central role of companies and civil society, as well as widely disseminating the public information that results from the EITI process such as the EITI Report.
 - iii. Members of the multi-stakeholder group should liaise with their constituency groups.

Approval of workplans, EITI Reports and annual activity reports:

 - iv. The multi-stakeholder group is required to approve annual workplans, the appointment of the Independent Administrator, the Terms of Reference for the Independent Administrator, EITI Reports and annual activity reports.

- v. The multi-stakeholder group should oversee the EITI reporting process and engage in Validation in accordance with chapter 3.

Internal governance rules and procedures:

- vi. The EITI requires an inclusive decision-making process throughout implementation, with each constituency being treated as a partner. Any member of the multi-stakeholder group has the right to table an issue for discussion. The multi-stakeholder group should agree procedures for nominating and changing multi-stakeholder group representatives, decision-making, the duration of the mandate and the frequency of meetings. This should include ensuring that there is a process for changing group members that respects the principles set out in Requirement 1.3(f).
- vii. There should be sufficient advance notice of meetings and timely circulation of documents prior to their debate and proposed adoption.
- viii. The multi-stakeholder group must keep written records of its discussions and decisions.

Applicants should also take note of protocol note #4 regarding the participation of civil society²

The Government of PNG through Treasurer Polye emphasized from the inception of PNG's efforts to promote EITI that GoPNG will work closely with civil society and the extractive industries to implement EITI in a meaningful manner. As the attachments demonstrate there is a clear commitment and recognition by the Government that EITI cannot be effectively implemented without a collaborative approach among all stakeholders, including civil society groups.

The formation of the PNG Multi-Stakeholder Group (PNGMSG) and signing of the MoU by PNGMSG representatives on 1 November 2013, following preparatory work by the State Working Group (SWG) for EITI and an informal then interim multi-stakeholder group, are tangible examples of this collaborative approach. The selection of all civil society and extractive industries representatives to the PNG MSG was conducted by self-selection processes stewarded by the respective stakeholder groups in line with agreed criteria (See Annex 3 and Annex 4).

There is strong and constructive engagement and support on EITI from civil society and the extractive companies in PNG to date. All stakeholder groups have equal voice and opportunity to influence decisions related to the EITI process in PNG. Work related to the development of the PNG EITI MoU, work plan, and budget was undertaken through a collaborative process whereby all stakeholder groups participated. Those who were unable to attend the meetings were also given an opportunity to review and comment upon the documents electronically. Opinions and views were and are openly discussed and debated. (See MoU and Work Plan attached in Annex 2)

The PNG Constitution establishes the legal and enabling framework for freedom of speech and self-expression, and assembly. PNG civil society has the right to express its views with regards to EITI or any other issues they see fit to address. Moreover, PNG has a free press which is active, vocal, engaged and can freely and independently report on any issues of interest to the public.

The decision making process within the PNGMSG is focused on building consensus and involving equal participation from all stakeholders. Members are encouraged to consult with constituents on matters of concern or major importance, as well as on a routine basis to promote awareness of the PNGEITI program and the different roles and responsibilities of stakeholders regarding transparency and processes through which greater accountability and good governance are created. The MoU sets out a framework for decision-making and the evolution of the MoU and related PNGEITI processes. GoPNG and extractive companies are aware of, respect and actively promote civil society's monitoring and accountability function that is critical for effective EITI implementation. The PNG National Secretariat will be central to the long term sustainability of the PNG EITI program. Once accepted as a candidate country the PNGMSG and National Secretariat will, with World Bank and British High Commission support, commence a capacity assessment of civil society that will include stakeholder mapping of relevant civil society organizations and their specific capabilities, limitations and challenges going forward as well as suggested solutions to address identified gaps and strategies for effective EITI-related communications. This will update and build upon an initial scoping study done in 2006. Meanwhile, communications and outreach activities as detailed in the work plan (line items 13, 16 – 20) are intended to promote learning about the EITI as well as how transparency supports

² See *The EITI Standard*: <http://eiti.org/document/standard>, p. 41-42.

accountability and good governance. Additional scoping and assessment efforts relative to Government as well as industry capacity are also planned.

Overview – EITI in the PNG Context

There is also consensus among PNGMSG members to take advantage of this unique opportunity and space created by EITI to discuss and learn about other issues related that go beyond revenue transparency and accountability. Treasurer Polye, newly selected to serve as the Chairman of the IMF and World Bank Boards of Governors leads on EITI as well as broader efforts to promote transparency in PNG. Transparency is fundamental to create better and more accountable nations and a global economy that serves the interests of their own and the world's populations. The Government recognizes the fundamental importance of transparency and accountability and the role all EITI stakeholders play in contributing to creating a stable economy and sustainable outcomes for all citizens of PNG from natural resource derived revenues. GoPNG is in the process of passing legislation which will see the establishment of the Independent Commission Against Corruption (ICAC). When implemented the PNG EITI program will complement the work of the ICAC by providing information that can trigger investigations relating to corruption in the extractive industry where necessary, although a major aim of both initiatives is to raise awareness and minimise the incidence of such malpractice. It also complements legislation passed by the PNG Parliament seeking to prevent money laundering and curtail benefits from the Proceeds of Crime.

The global transparency agenda sets out a pathway for building stronger nations, promotes a business climate based on a level playing field, and sets a foundation for core interests to be reflected and realized through public and private investment that benefits all citizens. Analyses of recent international financial crises highlight the need for improvements in how economies operate, including enhanced transparency and this is also true in the PNG context. Better transparency means improving the understanding of information generated by governments and all market participants; and how that information is used by various players in pursuing their individual objectives.

The better the availability and quality of information the better the resulting policies and decisions, helping to make economies less vulnerable to shocks, panics or imbalances. While there are a number of definitions of transparency, the core principle is the concept of openness to scrutiny and the willingness to report and exchange information in a way that is understandable. Transparency is needed across all areas of government and the private economy.

Corruption and a lack of transparency are recognized as major impediments to stability, economic growth and poverty reduction. Where the activities of industry and government are influenced by corruption, this inevitably results in diminished availability of public benefit and funds. The effects of corruption are far reaching and disabling. In addition to damaging social stability and capacity, it reduces economic performance through mismanagement, distorting market forces and deterring sound investment. Corruption poses a threat to democracy and good governance, and undermines the rule of law. Where corruption is engrained, realising an effective transition to greater accountability and a more equitable system can prove challenging, particularly when that system supports and benefits those in authority.

Transparency and access to information are considered critical by the PNG government and PNGMSG members. These are essential requirements to provide increased community participation and voice in government decision-making, oversight and activities. They allow citizens to have a voice in decision making and resource revenue management, and to judge if revenues are being utilised correctly, and expended and distributed fairly. Essential to these efforts is creating opportunity to scrutinise revenue management; assess if funds are used for their intended purpose; and ensure decisions regarding government spending are based on merit and serve the public interest. Transparency is a precursor for increased community access as well as the building of stakeholder capacity to build informed analyses and exert appropriate influence.

Transparency itself is not the final product, rather it is expected that greater transparency will lead to greater accountability. Decisions that are accountable alter the conditions around decision making. Where they are opaque there is greater opportunity for self-serving interests to be promoted and public resources exploited. Accountability ensures that decisions, actions, products, and policies (and their impacts) are answerable; and that the burden of responsibility is clear. Principles and practices of accountability aim to improve standards of individuals, group conduct and organisational outcomes and strategies.

Transparency and accountability supports the development of a system that best serves the national interest. They are both essential ingredients of good governance. Transparency and good governance are considered necessary conditions for sustainable development, providing opportunity for improved: innovation

and technology; economic performance; social security; and environmental preservation. It is the foundation of secure, productive and sustainable nations. This provides confidence in financial systems and sends important signals to investors.

Formation of the PNG EITI Multi-Stakeholder Group (PNGMSG)

On 1 November 2013 the PNG multi-stakeholder group (PNGMSG) was formed. Representatives from the government, civil society, private sector, mining companies and landowners were in attendance during the Treasurer's announcement. Immediately afterwards the Treasurer convened the first formal PNGMSG meeting during which the PNGMSG Memorandum of Understanding was reviewed and signed by representatives from each stakeholder group. (See *MoU and Work Plan attached in Annex 2*)

The MSG includes representatives from government, civil society and the extractive companies. The full list of PNGMSG members are attached as part of this application. Alternates for each PNGMSG representative were also appointed as available depending upon the organization. The Treasurer is also the PNGMSG Chairman and has the support of senior GoPNG officials as stated in the NEC Decision 90/2013.

The PNGMSG was formed through a voting process whereby each stakeholder group self-selected their representatives with a mechanism for transparent succession and replacement of members over time to ensure effective ongoing representation. The PNGMSG members have demonstrated their commitment through participation during the interim and formal MSG meetings and other PNGEITI activities, workshops, and engagements with a spectrum of PNG government, civil society and industry groups. All PNGMSG members are capable of carrying out their duties capably with regards to PNGEITI implementation, with skills and experiences of the members reflecting decades worth of public, private and non-governmental / non-profit activity

The PNGMSG decision making process is inclusive and each stakeholder is treated and considers themselves as a partner. The civil society group has a strong voice and representation in the PNGMSG. The government is committed to ensure that civil society is able to participate fully in the process, particularly playing the important accountability function that is critical to EITI success. The proportion of budget dedicated to capacity building in the work plan is a clear demonstration of this commitment. Both GoPNG and the extractives companies involved continue to support civil society on EITI and transparency in general, and actively engage during civil society meetings and workshops when invited. (See *attached agendas from Alotau and POM workshops in Annex 3*).

A Memorandum of Understanding – that incorporates specific terms of reference (ToRs) – that clearly spells out the objectives of the PNGMSG, its functions and strategic responsibilities in implementing EITI was developed by and approved by PNGMSG consensus as noted above, and is now in place to guide the PNGMSG and broader EITI implementation in the country. The MoU includes specific provisions for establishing rules and procedures necessary for the successful operation of the PNGMSG and effective PNGEITI implementation. The signed MoU is publicly available on the Dept. Treasury website (along with the work plan), with efforts to distribute hardcopies to those groups and individuals that lack internet access ongoing.

The PNGEITI Work plan was developed and agreed upon on the understanding that it can be amended if the PNGMSG deems it necessary to make changes. Funding for work plan activities will be financed through initial support from both GoPNG (budget request for approximately PGK 5 million submitted), with a grant proposal to the EITI multi-donor trust fund (MDTF) to be submitted for the additional required funding. The PNGMSG will be approaching other donors operating in PNG to provide assistance as required and appropriate. Treasury has advised that EITI-related funding already included in the national budget will be reviewed and adjusted in line with the agreed work plan. This further demonstrates the government's commitment to the process.

To assist with capacity development across the spectrum of Government, civil society and industry stakeholders, the PNG EITI work plan incorporates the need for a capacity / gap assessment to be conducted. As the PNG EITI strengthens over time it is envisaged that the Government, with the support from stakeholders, will assess the potential for embedding EITI within specific legislative and regulatory reforms.

Overview - PNG's Economy, the Role of Extractive Industry, and Relevant Legislation

Papua New Guinea (PNG) is rich in gold, oil, gas, copper, nickel, silver, timber and is home to abundant marine, notably tuna, resource. Its population of over 7 million is strikingly diverse, organized in small, fragmented social groups and speaking over 800 distinct languages. The economy is highly dualistic, consisting of a relatively small enclave based formal sector that focuses mainly on large-scale export of natural resources, provision of urban-based goods and services and the public sector and a large non-formal economy dominated by subsistence and semi-subsistence (including smallholder cash-cropping) activities of the majority rural population and a growing urban / peri-urban informal economy, although a local non-mineral small and medium enterprise sector is also now emerging.

Various structural reforms and tighter fiscal management in the first decade of the new millennium, combined with more favorable market and investment conditions, turned the economy around from the instability and lack of growth of the prevalent in the 1990s into the longest uninterrupted period of economic growth since the country's independence in 1975. PNG's economy continued to expand strongly through 2012, slowing slightly in 2013, with lower commodity prices and winding down of the construction phase of the PNG-LNG project.

The turn-around from the economic crises of the late 1990s has been broad based. While the USD 19 billion PNG LNG investment has been the most notable, other investments in communications, construction and real estate, for example, have given significant impetus and created spillovers into other sectors. These investments have supported growth in formal employment, creating shortages of skilled labor.

There has been important progress in key areas of structural reform in recent years; in particular, opening markets in telecommunications and certain air transport has produced major welfare gains for the population. To diversify the economy and increase employment, attention is needed to challenges such as enhancing and maintaining law and order, improving the business climate, commercializing state-owned enterprises, reducing the regulatory and licensing burden, and equitably accessing resources (including land) for development and extending skills and improving skills levels in the populace. Developing infrastructure and utilities – electricity, telecommunications, road and other transport plus water and sewage – continue to be a critical precondition for accelerated and sustained private sector-led growth.

Translating strong macroeconomic performance and extractive industry revenues into a broad improvement in living standards remains the key challenge for PNG. Ensuring the integrity of the public financial management for service provision, improving efficiency of sectoral spending, raising the performance of the civil service, and improving transparency and accountability in budget management will be crucial in converting expected increased revenue into palpable improvement in service delivery.

The Mining Act (1992) is the main piece of legislation that governs mining activities in PNG. Section 5 of the Mining Act gives the ownership of all minerals found on or (6ft.) below the land surface or water to the State. The Act also dictates the process for acquiring different types of tenements which are issued by the Mining Minister on recommendation by the Mining Advisory Council (MAC). These tenements are: Exploration License, Mining Lease, Special Mining Lease, Alluvial Mining Lease, Lease for Mining Purpose and Mining Easement. The Mining Act also provides for compensation payments by the holder of a tenement to landowners and provides an avenue for disputes as to compensation to be determined by a Warden. The Oil and Gas Act (1998) provides the legal framework that governs applications for and issuance of tenements in respect of prospecting, extraction and development of petroleum (including oil and gas) in PNG. Section 6 of the Oil and Gas Act gives the State ownership of all hydrocarbons found on or below the surface of the land. There are five tenements that the Act refers to, namely the Petroleum Prospecting Licenses (PPL's), Petroleum Retention Licenses (PRL's), Petroleum Development Licenses (PDL's), Pipeline Licenses (PL's), and Petroleum Processing Facility Licenses (PPFL's). The legislation also provides for compensation to affected landowners and stipulates the process wherein any dispute as to compensation is determined by a Warden. The legislation also provides for equity and royalty benefits to affected area landowners, including local level governments and provincial governments in the project areas.

EITI REQUIREMENT 1.4

The multi-stakeholder group is required to maintain a current workplan, fully costed and aligned with the reporting and Validation deadlines established by the EITI Board.

The workplan must:

- a) set EITI implementation objectives that are linked to the EITI Principles and reflect national priorities for the extractive industries. Multi-stakeholder groups are encouraged to explore innovative approaches to extending EITI implementation to increase the comprehensiveness of EITI reporting and public understanding of revenues and encourage high standards of transparency and accountability in public life, government operations and in business;
- b) reflect the results of consultations with key stakeholders, and be endorsed by the multi-stakeholder group;
- c) include measurable and time bound activities to achieve the agreed objectives. The scope of EITI implementation should be tailored to contribute to the desired objectives that have been identified during the consultation process. The workplan must:
 - i. assess and outline plans to address any potential capacity constraints in government agencies, companies and civil society that may be an obstacle to effective EITI implementation;
 - ii. address the scope of EITI reporting, including plans for addressing technical aspects of reporting, such as comprehensiveness and data reliability (Requirements 4 and 5); and
 - iii. identify and outline plans to address any potential legal or regulatory obstacles to EITI implementation, including, if applicable, any plans to incorporate the EITI Requirements within national legislation or regulation.
- d) identify domestic and external sources of funding and technical assistance where appropriate in order to ensure timely implementation of the agreed workplan;
- e) be made widely available to the public, for example published on the national EITI website and/or other relevant ministry and agency websites, in print media or in places that are easily accessible to the public;
- f) be reviewed and updated annually. In reviewing the workplan, the multi-stakeholder group should consider extending the detail and scope of EITI reporting including addressing issues such as revenue management and expenditure (3.7-3.8), transportation payments (4.1.f), discretionary social expenditures (4.1.e), ad-hoc subnational transfers (4.2.e), beneficial ownership (3.11) and contracts (3.12)³. In accordance with requirement 1.3 (g)(viii), the multi-stakeholder group is required to document its discussion and decisions;
- g) include a timetable for implementation that is aligned with the EITI reporting and Validation deadlines established by the EITI Board⁴ and that takes into account administrative requirements such as procurement processes and funding.

The Work Plan was developed and reviewed initially by the interim MSG and subsequently endorsed by the formal PNGMSG.

This application and the attachments provided demonstrate that the GoPNG has fulfilled the EITI International Secretariat's sign up requirements. Minutes from the informal, interim and formal PNGMSG meetings also demonstrate the consultative process that underpinned the development of the PNGMSG MoU and work plan. Once PNG is accepted as an EITI candidate, a press conference will be held to make the announcement as part of ongoing outreach and related communications efforts. Once the PNG EITI website is in place the EITI work plan and MoU will be placed on the site, with related documents, meeting minutes and other relevant articles and information also housed on the website. In the meantime the MoU and the EITI work plan will be posted on the Department of Treasury as well as Transparency International PNG's and other stakeholder organization's websites.

Initial reviews indicate a need to use an external consultant to identify and develop solutions to existing

³ See *The EITI Standard for specifications of these issues*: <http://eiti.org/document/standard>, p. 35-39.

⁴ See *The EITI Standard*, paragraph 1.6 a) *EITI reporting deadlines*, p. 15.

issues relating to PNGEITI implementation from a legal and regulatory perspective, with specific focus upon privacy laws around reporting of tax payments. This will require close coordination and collaboration between the Department of Treasury, the Department of Finance, the Internal Revenues Commission, and other government agencies.

With the support of the World Bank and the British High Commission the Government will commission a review of the previously developed scoping study (2006 – see Annex 1) to further inform PNGMSG discussions regarding the optimal scope of the PNG EITI. Anticipated outcomes from this study are:

- A detail report of the necessary contextual information given the MSG's objectives and work plan, and the EITI's requirements (EITI Requirement 3)
- Recommendations regarding the payments and revenues streams to be reported, including appropriate materiality thresholds where applicable (EITI Requirement 4.1);
- Suggested additional benefit streams from the extractive sector to be reported (EITI Requirement 4.2)
- Recommended processes for companies, state-owned enterprises and government entities to report (EITI Requirement 4.3)
- An overview of the auditing practices and the assurances to be provided by the reporting entities (EITI Requirement 5)
- Identification of barriers to disclosure of the required information

The British High Commission has agreed in principle to support this effort and the World Bank will support the management and quality control of the contract.

INFORMATION ABOUT THE MULTI-STAKEHOLDER GROUP

Provide a list of members from the national Multi-Stakeholder Group, their organisational affiliation and contact details. If appropriate, attach information regarding additional government, civil society and private sector stakeholders involved in the sign-up process.

Name	Title	Organisation	Contact details (Phone & Email)
Hon. Don Pomb Polye	Treasurer	Department of Treasury	(Tel) +6753128870, (Email) don_polye@treasury.gov.pg
* Dairi Vele	Secretary	Department of Treasury	(Tel) +6753128870, (Email) dairi_vely@treasury.gov.pg
Shadrack Himata	Secretary	Dept. of Mineral Policy and Geohazards Management	(Tel) +6753211961, (Email) shadrack_himata@minerals@gov.pg
Betty Palaso	Commissioner General	Internal Revenue Commission	(Tel) +6753226600, (Email) bpalaso@irc.gov.pg
Rendle Rimua	Secretary	Department of Petroleum and	(Tel) +6753224273, (Email) rendle_rimua@peteroleum.gov.pg
Philip Samar	Managing Director	Mineral Resource Authority	(Tel) +6753213511, (Email) psamar@mra.gov.pg
Juliana Kubak	Secretary	Department of Planning and Monitoring	(Tel) 6753288302, (Email) juliana_kabak@planning.gov.pg
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Peter Graham	Managing Director	Esso highlands Ltd.	(Tel) +6753097176, (Email) peter.m.graham@exxonmobil.com
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David Wissink	General Manager Sustainability	Morobe Mining Joint Ventures	(Tel) +67570316561, (Email) david.wissink@morobejv.com
Peter Aitsi	Country Manager	Newcrest Mining Ltd.	(Tel) +6753217735, (Email) peter.aitisi@newcrest.com.au

* The Treasury Secretary is the first alternate to Treasurer Polye; alternates for the other MSG members are listed in Annex 2

ANNEXES

Annex 1: Government Documents

- Chronology of Key PNG EITI Activities
- 2006 Scoping Study
- 2012 EITI Workshop – Press Release
- 2011 NEC Decision No. 90/2011 – Further investigation of EITI implementation
- 2013 NEC Decision No. 47/2013 – Approved implementation of EITI
- Public Statement on April 2013 through media conference
- Public Statement at the 6th EITI Global Conference
- Government invitation to civil society and industry to form PNGMSG
- 1 Nov PNGMSG Event – Press Release
- Public Announcement plus related media articles

Annex 2: PNGMSG Documents

- List of informal, interim and formal MSG meeting dates
- Example of Meeting Minutes (1 March 2012 Informal MSG, 25 Oct 2013 Interim MSG, 1 Nov 2013 PNGMSG, 14 Nov 2013 PNGMSG)
- PNGMSG MoU (with embedded ToR language) – Signed Document
- PNGEITI Work Plan
- PNGEITI Logo
- List of PNGMSG Members
- Related media articles

Annex 3: Civil Society Documents

- Agenda from April 2013 Civil Society Workshop
- Communique from April 2013 Civil Society Workshop
- Agenda from October 2013 Civil Society Workshop
- Declaration from October 2013 Civil Society Workshop with MSG membership criteria
- Communique from October 2013 Civil Society Workshop

Annex 4: Industry Documents

- 19 July 2013 Workshop Agenda
 - Presentations during April 2013 Civil Society Workshop*
 - Presentations during October 2013 Civil Society Workshop*
 - Industry Criteria for PNGMSG Membership
 - Industry statement during 1 Nov 2013 PNGMSG Event
 - EITI Banner and Program Insert from December 2013 PNG Mining and Petroleum Conference
- * ExxonMobil delivered the same presentation in April and October at the workshops