

BACKGROUND INFORMATION ON EXTRACTIVE INDUSTRY TRANSPARENCY INTERNATIONAL (EITI) AND PAPUA NEW GUINEA EITI

Extractive Industry International Transparency International (EITI)

The EITI is the abbreviation for Extractive Industries Transparency Initiative. The EITI is the global standard for promoting transparency and accountability in countries rich in oil, gas and mineral resources. The initiative emerged as a means to mitigate the outcomes of low per capita growth, slow progress on human development, and social and political instability common to resources rich developing countries.

EITI is a government led initiative with active support of companies, civil society groups, investors and international organizations. The initiative provides a platform for stakeholders (government, industry, civil society organizations) to systematically review, assess, and report on what is being paid by companies and received by governments from extractive industry operations. This is accomplished through the establishment of an EITI multi-stakeholder steering committee or group (MSG) that is led by government. Key functions of the MSG include: setting strategic direction of the initiative, defining the reporting scope of the initiative in each country, developing the national EITI work plan, and conducting the reconciliation process.

Papua New Guinea EITI (PNGEITI)

Discussion on EITI started in 2006 as a result of PNG Gas Project. The Government was asked to implement EITI as part of the Asian Development Bank (ADB) condition to finance the project (now defunct). A scoping study was therefore conducted to determine whether PNG should participate in the EITI.

The scoping study identified that PNG has already implemented some of the initiatives established under the EITI at the National Government level, although PNG was not an EITI member country. However, the study also highlighted that implementing EITI will greatly increase the transparency and accountability of extractive industries revenues to the National Government and redistribution to the provincial and local level governments.

On April 2011, based on the findings of the scoping study, the NEC in 2011, endorsed (NEC Decision No. 47/2011) the establishment of a State Working Group (SWG) to assess the advantages and disadvantages of signing up to EITI. In particular, the SWG was tasked with further investigating the possibility of implementing the EITI in PNG and report back to NEC with a detailed work plan for endorsement

As a result, the SWG engaged with major extractive industry participants and civil society organizations in PNG to gauge their views and support. A workshop was therefore organized and the stakeholders (government agencies, companies and civil society

organizations) expressed their views and support for PNG to participate in the EITI. A team from Timor Leste also shared their experience of implementing EITI during the workshop.

The key recommendation by the SWG to Cabinet after the consultations with relevant stakeholders on the possibility of EITI implementation in PNG, that it endorse the implementation of EITI and approved the establishment of a PNG Multi Stakeholder Group (PNGMSG) to develop a detailed work plan for EITI implementation in PNG that incorporated views of every interested stakeholders in the extractive industry.

An informal MSG was, therefore formed which comprises of the SWG, major industry players such as Esso Highlands Limited, Oil Search Limited, Ok Tedi Mining Limited, Newcrest Mining Limited and Barrick/PJV and civil society organizations including Transparency International PNG, PNG Institute of National Affairs and Consultative Implementing and Monitoring Council.

On March 2013, the NEC (NEC Decision No. 90/2013) approved that PNG will sign up to the EITI and endorsed the Treasurer as Minister responsible to lead the implementation of EITI in PNG and endorsed Treasurer to make the public announcement on behalf of the Government that PNG will sign up to the EITI.

The Treasurer made the announcement which was published in the print media and aired on television. The announcement was further reiterated by the Treasurer at the 6th EITI Global Conference held in Sydney on May 2013. The Treasurer proudly announced PNG Government's commitment to implement EITI in front of 1400 participants including international media and committed that PNG should submit its application for candidacy by end of 2013.

The NEC Decision No. 90/2013 basically approved the five sign up steps to be fulfilled before applying for candidacy.

Fulfilling the Sign up Steps towards Candidacy

Since NEC approved the implementation of EITI, the Government has been tasked to fulfill the sign up steps. Below is the chronological order of events to fulfilling the sign up steps requirements.

Step 1: *Public Announcement of Government intention to sign up to EITI;* The Treasure made public announcement to media in April 2013 and at the EITI Global Sydney Conference in Sydney on May 2013.

Step 2: *The Government to make commitment to work with the companies from the extractive industry and civil society organizations (CSOs) on EITI implementation;* Treasure stressed Government's commitment in the public announcement to work with the public announcement to work with the relevant stakeholders to successfully implement EITI in PNG.

Step 3: *Government to appoint a senior individual to lead the implementation of EITI in PNG;* The NEC (NEC Decision No. 90/2013) endorsed the appointment of Treasurer to lead the implementation of EITI.

Step 4: *Government is required to form a Multi Stakeholder Group (MSG) to lead the implementation of EITI in PNG;* PNG Multi Stakeholder Group (PNGMSG) has been formed on 1 November 2013 with representatives from relevant Government agencies, Industry and CSO to work together and implement EITI.

Step 5: *Government with PNGMSG has to develop and agree on a detailed costed work plan for the implementation of EITI;* the work plan has been developed and is being submitted to NEC for approval and yet to be endorsed by NEC.

*** PNGMSG MOU (document upload)**

A Memorandum of Understanding 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. The MoU is now in place to guide the PNGMSG and broader EITI implementation in the country. The signed version was published publically the same month within which it was signed. The MoU includes specific provisions for establishing rules and procedures necessary for the successful operation of the PNGMSG and effective PNGEITI implementation.

*** PNGEITI WORK PLAN (document upload)**

The PNGEITI Work plan contains measurable targets and timetable for implementation and incorporating the need for a capacity / gap assessment to be conducted to assist with capacity development across the spectrum of Government, civil society and industry stakeholders. 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 reforms.