



EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE

The Asian Development Bank and the World Bank introduced the Extractive Industries Transparency Initiative (EITI) concept to PNG several years ago. The aim of EITI is to ensure that all monies paid by the mining and petroleum industry to Government and State agencies are transparent including public reporting and documenting through avenues that are readily available to anyone. The PNG Government has accepted the value of EITI and has agreed in principle to pursue the endeavour and eventually become part of the EITI fraternity. The World Bank Technical Assistance Programme to Mining phase II that is expected to commence early next year includes a project that will provide technical support to setup an EITI framework in PNG.

There is broad support in the mining and petroleum industry for greater transparency in regards to monetary payments between the different stakeholders involved. The Chamber has expressed public support for the EITI initiative but at the same time highlighted a number of critical issues that will have to be addressed to achieve meaningful outcomes from the process.

The Chamber believes that from a general perspective it is in the interest of all parties to publish details of the contribution that the resource industry makes to the Nation in a form readily available to the public. If information on the level of benefits paid by the industry is readily available from an independent source it will clearly demonstrate to the government and the public at large the very significant contribution that is made by the mining and petroleum industry. It will also provide assurance to International Agencies, financiers and bankers, and potential investors in the resources sectors, that the country is willing to embrace internationally recognised systems of governance and transparency.

The EITI process will also be invaluable to government organisations and others as a central data source on the industry that is in a consistent format. At present, various arms of Government often utilise information on the industry that is drawn from sources which are unreliable or second hand.

Issues and challenges flagged by the Chamber that will be faced with the introduction of the EITI process include:

- Commitment – comprehensive Government commitment to the process before it is implemented, rather than lip service, is vital otherwise it will surely fail to the detriment of the country's image. Sustainability of the EITI process will require the cooperation of many government bodies including Departments of Treasury, Finance, National Planning and Monitoring, Petroleum and Energy, and Mineral

Policy and Geohazards Management, as well as MRA, IRC and Mineral Resources Development Company and its associated landowner companies.

- Implementation – prescribing what level or tier the PNG EITI will eventually extend to. Ideally, for it to be really effective in PNG, it is important to publish the monies paid from resource projects to all tiers of Government - National Government, Provincial Government, and Local-level Government – as well as landowners, and this is a very big call. The misuse of the provincial and landowner benefit streams is widespread and the further down the system the EITI process extends the harder it will be to manage.
- The reporting process – ensuring that all the benefit streams for the respective tiers are included as the system in PNG is complex and there are many variations on a project by project basis. For example, the distribution formula for landowner royalty is different for every project. The reports produced must be widely distributed and freely available to everyone at all levels, from National Government departments to the provincial administrations, to the public at large and the affected communities.
- Performance – ensuring that the EITI office functions as required. The government already has great difficulty maintaining and reporting statistics. EITI should not become a rationale for growing another government bureaucracy which does not perform. The Chamber recommended that the Secretariat be housed in an independent body such as the Institute of National Affairs or Transparency International.
- Data collection from industry – should not be an onerous process as the resource projects already report to a wide range of government organisations, including the Quarterly Review process, which consumes a lot of time and effort. The EITI reporting requirements should be kept simple and should conform as much as possible to existing reporting processes to avoid additional burden on the projects.