

Papua New Guinea



The Resource Governance Index (RGI) measures the quality of governance in the oil, gas and mining sector of 58 countries. Learn more and explore findings at www.revenuewatch.org/rgi.

Background

Petroleum, copper, gold, and other minerals made up 32 percent of gross domestic product in 2010, with oil and gas accounting for 23 percent of government revenues. Papua New Guinea's estimated 8 trillion cubic feet of natural gas reserves have the potential to dramatically increase national income,

Papua New Guinea	2000	2005	2011
Population (million)	5.38	6.10	7.01
GDP (constant 2011 international \$ billion)	4.5	5.6	12.9
GDP per capita, PPP (constant 2005 international \$)	1,951	1,866	2,363
Oil and gas revenue (% total government revenue)	...	24%	23%
Extractive exports (% total exports)	80%	60%	..

SOURCES: Oil and gas revenue as share of total government revenue from the Economist Intelligence Unit and the International Monetary Fund. All other data from the World Bank. Oil and gas revenues 2011 data from 2010; Extractive exports 2005 data from 2004.

and gas exports are expected to begin in 2014. The country's mining industry has a troubled history, with decades of poor management leading to severe environmental damage and social upheaval. The RGI assesses the mining sector.

Papua New Guinea's Performance on the RGI

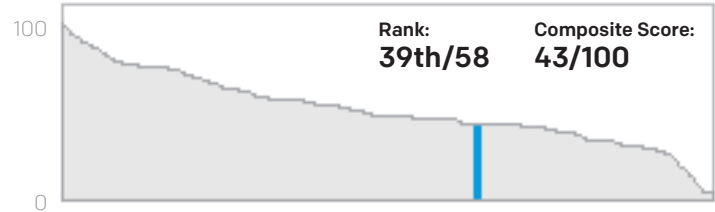
Papua New Guinea received a "weak" score of 43, ranking 39th out of 58 countries, a reflection of critical gaps in government oversight across most aspects of the extractive sector.

Institutional and Legal Setting

(Rank: 31st/58 Score: 59/100)

While Papua New Guinea has detailed mining legislation, it lacks clear revenue collection mechanisms, leading to a "partial" score of 59.

Papua New Guinea's legal framework includes clear principles and specific requirements that govern the mining industry. The Mineral Resources Authority represents the state's interests and acts as a regulator; it is subject to reporting and auditing



requirements. The minister of mining grants licenses to companies on a first-come, first-served basis in exchange for royalties and taxes.

The Mineral Resources Authority collects royalties and the Internal Revenue Commission collects taxes; some revenues appear to bypass the treasury and are not reported to parliament. Environmental impact assessments are required prior to granting mineral rights but are rarely published. There is no effective freedom of information law. The government has expressed interest in implementing the Extractive Industries Transparency Initiative, but is not yet a signatory.

Reporting Practices

(Rank: 44th/58 Score: 34/100)

With a lack of official data on most aspects of the extractive industries, Papua New Guinea received a "failing" score of 34.

The 1992 Mining Act requires that limited information about the licensing process be disseminated publicly, but mining contracts are not published and the details of negotiations are not disclosed. Neither the Mineral Resources Authority nor the Internal Revenue Commission publishes information on resource revenues. The central bank provides information on prices, the value of resource exports, and production stream values; the Treasury Department publishes some information on dividends.

Safeguards and Quality Controls

(Rank: 36th/58 Score: 50/100)

Papua New Guinea's "partial" score of 50 reflects limited government checks on the licensing process and revenue collection system, but also accounts for substantial audit requirements for state-owned companies.

The legislature does not review contracts or play a significant oversight role. Licensing decisions are discretionary, with the minister of mining often participating in contract negotiations. However, government officials involved in regulating the extractive sector must report their financial interests.

The Auditor General's Office reviews resource revenues and publishes annual reports. The findings are presented to Parliament, but its Public Accounts Committee does not actively scrutinize revenues.

Enabling Environment

(Rank: 28th/58 Score: 38/100)

Papua New Guinea's "failing" score of 38 is due in part to especially poor performance on measurements of corruption control and the rule of law.

State-Owned Companies

(Rank: 14th/45 Score: 69/100)

Petromin is one of several state-owned extractive companies. It manages the government's equity in mineral and petroleum projects and is fairly transparent; it publishes annual reports with information on reserves, estimates of investment in explo-

ration, production costs, the names of subsidiaries, information on quasi-fiscal activities, royalties, special taxes, dividends, and license fees. Petromin is subject to annual audits by an independent external auditor.

Natural Resource Funds

Papua New Guinea is in the process of creating a sovereign wealth fund to receive revenues from several massive natural gas projects that are underway. The fund will also manage government surpluses from mineral exports. Though the details are still unclear, the fund is expected to begin operations in the next few years.

Papua New Guinea's Composite, Component and Indicator Scores

Rank (out of 58)		Score (out of 100)
39	COMPOSITE SCORE	43
31	Institutional and Legal Setting	59
	Freedom of information law	0
	Comprehensive sector legislation	100
	EITI participation	33
	Independent licensing process	100
	Environmental and social impact assessments required	50
	Clarity in revenue collection	50
	Comprehensive public sector balance	100
	SOC financial reports required	100
	Fund rules defined in law	..
	Subnational transfer rules defined in law	0
44	Reporting Practices	34
	Licensing process	33
	Contracts	33
	Environmental and social impact assessments	33
	Exploration data	0
	Production volumes	0
	Production value	44
	Primary sources of revenue	33
	Secondary sources of revenue	22
	Subsidies	0
	Operating company names	0
	Comprehensive SOC reports	100
	SOC production data	43
	SOC revenue data	67
	SOC quasi fiscal activities	83
	SOC board of directors	50
	Fund rules	..

Rank (out of 58)		Score (out of 100)
	Comprehensive fund reports	..
	Subnational transfer rules	0
	Comprehensive subnational transfer reports	67
	Subnational reporting of transfers	0
36	Safeguards and Quality Controls	50
	Checks on licensing process	11
	Checks on budgetary process	67
	Quality of government reports	42
	Government disclosure of conflicts of interest	100
	Quality of SOC reports	50
	SOC reports audited	100
	SOC use of international accounting standards	100
	SOC disclosure of conflicts of interest	0
	Quality of fund reports	..
	Fund reports audited	..
	Government follows fund rules	..
	Checks on fund spending	..
	Fund disclosure of conflicts of interest	..
	Quality of subnational transfer reports	33
	Government follows subnational transfer rules	0
28	Enabling Environment	38
	Corruption (TI Corruption Perceptions Index & WGI control of corruption)	13
	Open Budget (IBP Index)	73
	Accountability & democracy (EIU Democracy Index & WGI voice and accountability)	58
	Government effectiveness (WGI)	26
	Rule of law (WGI)	18

■	Satisfactory	■	Weak
■	Partial	■	Failing