



## Second Mining Sector Institutional Strengthening Technical Assistance Project

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### PROJECT DESCRIPTION

The project consists of five main components: (i) Strengthening the Policy and Regulatory Frameworks for the Mining Sector (ii) Strengthening mining sector governance, regulation, and sustainable development outcomes; (iii) Improving revenue collection and audits of the sector; (iv) Strengthening the foundations for a conflict-free mining sector in Bougainville; and (v) Project Management.

#### **Project Component 1 - Strengthening the Policy and Regulatory Frameworks for the Mining Sector;**

A number of legal issues and emerging policy topics (i.e., small scale mining safety, offshore mining, and mine closure) have arisen and remain to be fully addressed. In addition a number of initiatives commenced under the previous Technical Assistance Project where substantial progress was made but require some additional support to achieve completion. A priority objective of the Government is to complete a review of the existing mining policy and legislation and to develop new strategies and regulatory documents on these new topics.

The principal target group for this component is the staff of the Department of Mineral Policy and Geohazard Management. The DoMPGM in its current form is new, as are many of the staff and the Department needs to be strengthened to develop its role in policy and regulatory role and build the capacity for on-going and iterative improvements to the frameworks in place based on experience. The project will help to establish both the sound policy foundation, plus the capacity to continuously review progress and impacts of implementation and make revisions, through an effective policy development forum process for coordination and cooperation with other agencies, prepare new mining-related policies and legislation and review institutional infrastructure arrangements. The key outputs will be:

Legislative and Policy Activities:

- Mining Act 1992 completion of review and amendments;
- Sustainable Mining Development Policy completed and adopted, including:
  - Mine Closure Policy and regulations prepared and incorporating lessons learned from Misima;
  - Mine Resettlement guidelines;
  - Assessment of mining benefit streams management;
- Offshore Mining Policy and Act;
- Preparation of a new Small-Scale Mining Occupational Health and Safety Act;
- Completion and enactment of new Mining Safety Act;

Other supporting activities:

- Mining policy development forum process in place;
- Mineral Policy Handbook;
- Assessment of the potential benefits of participating in the Extractive Industries Transparency Initiative (EITI);

The key inputs will be consulting services, goods including core office equipment and computer hardware and software, training, workshop and incremental operating costs.

## **Project Component 2: Strengthening Mining Sector Governance, Regulation and Sustainable Development Outcomes**

This component will strengthen the Mineral Resources Authority (MRA) ability to undertake its mandated role. The MRA is a new institution established in early 2007 and is still recruiting staff and developing its systems and procedures. However, many of the MRA staff moved from the old Department of Mines from where MRA has inherited much of its functional mandate, including the coordination with mining companies and national and sub-national government stakeholders, acting on behalf of the government in negotiating contracts for new mining developments, and inspection and control of the industry, including improving the safety and impacts of Small Scale Mining. MRA also includes a Sustainable Development Team in the Coordination Unit which also has the role of secretariat for the Women in Mining Technical Committee in implementation of the National WIM Action Plan. The project is designed to support the development of MRA's capacity to become effective in the following three functional areas: i) Strengthen governance and accountability in the mining sector, ii) Promote, license, control, and monitor mining sector development, and iii) Improve sustainable development outcomes from the mining sector.

### ***2.1 Strengthen governance and accountability in the mining sector***

MRA's role will need to be strengthened to help improve governance and accountability in the broader mining sector, as well as internally. This will include strengthening institutional accountability by supporting the development, implementation and monitoring of an Anti-Corruption Action Plan for MRA and by putting in place mechanisms to monitor compliance with and outcomes of the policies and regulations developed by DoMPGM, especially regarding impacts on the most vulnerable groups in mining communities. The broader governance of the sector will include on-going dialogue on EITI and will also be supported through activities in other sub-components such as the emphasis on community participation, and transparency of benefit management in sub-component 2.3 below, and through use of the website developed in sub-component 2.2 below to disseminate strategic information to improve transparency and accountability. Therefore the project activities under this sub-component relate specifically to improving the internal governance and accountability of MRA and aims to build strong corporate governance, internal capacity, and essential operating systems within the MRA. Specifically the project will provide assistance to the Managing Director, Corporate Services Division and the MRA Board to:

- develop best practice corporate governance practices including fiduciary arrangements and internal audit procedures and establishment of anticorruption management systems (Ombudsman's Office);

- develop, implement and monitor the outcomes of an anti-corruption plan for MRA
- put in place mechanisms to monitor compliance with and outcomes of the policies and regulations developed by DoMPGM, especially regarding impacts on the most vulnerable groups in mining communities.
- design and deliver internal management information systems, and integrated financial management and human resources software;
- design and implement institutional electronic document management and archiving arrangements;
- establish an e-commerce system for receipt of payments from mining companies and other entities to MRA;
- develop procurement and contracts management systems.

The key inputs will be consulting services, goods including computer software and hardware specifically dedicated to the system functions, scanning and communications devices; training, workshops and incremental operating costs.

## ***2.2 Promote, license, control, and monitor mining sector development***

This sub-component focuses on building the institutional capacity and resources for MRA to carry out its technical role in promoting the mining sector in PNG, and in licensing, controlling and monitoring the industry. The sub-component activities will support several units in MRA with the overall objective of establishing a cohesive and functioning institution capable of sustaining its role beyond the life of the project. The activities include the following:

- *Strengthening of Mineral Tenements Management* through development of a fully computerized mineral tenements management system with sufficient security features to ensure data integrity and which incorporates all aspects of tenement administration and processing required under the Mining Act 1992. The new system will be linked to the MRA central GIS and available for web-based on-line lease. This will replace the existing exploration and mining lease documentation system which is a combination of paper registers and computerized databases. Design work for a new integrated lease management system was prepared under the last project.
- *Improving the quality and availability of Geological Information:* This component is to strengthen the capacity of the PNG Geological Survey to contribute to and benefit from the newly available data sources and digital mapping capability. Activities include: i) Map rectification and development of a national standard stratigraphic nomenclature: ii) ongoing Development of Geological Information Systems iii) Technical Assistance for Geothermal Resource Survey and Low Carbon Electric Power Promotion: iv) Geotechnical Laboratory Development. Activities include:
  - **Map rectification and development of a national standard stratigraphic nomenclature:** Rationalization of the geological units present in Papua New Guinea and map edge rectification of the digital 1:250,000 geological map series of Papua New Guinea are essential. Geoscience Australia has digitized the PNG 1:250,000 geological map series which are available at the Geological Survey. This process has highlighted a considerable number of map boundary mismatches showing different geological units which need to be rationalized prior to the completion of a nationwide seamless digital

geological map of PNG. Activities include the development of a national standard nomenclature and stratigraphic column and database; and resolution of the existing edge-matching problems in the existing geological map series. This process will require field mapping and checking of map boundary areas on the ground to determine the most appropriate geological units to be used in map rectification.

- **Technical Assistance for Geothermal Resource Survey and Low Carbon Electric Power Promotion:** The construction and successful operation of a 56MW geothermal power station on Lihir Island has demonstrated the potential for this technology in PNG and opens up opportunities for geothermal power development in other parts of PNG. This initiative could substantially reduce PNGs dependence on oil fired power generation, particularly in the New Guinea Islands region. Not only is this seen as a contribution to reducing greenhouse gas emissions, but also as an opportunity to substantially reduce generation costs. The Geological Survey has in the past undertaken some preliminary scoping studies on geothermal resources and now wishes to extend this work and link it to possible opportunities for commercialization. The project will assist the geological survey to prepare an updated scoping study and develop links with commercial developers to fund feasibility studies.
- **Geotechnical Laboratory Development:** The Geological Survey Division includes an engineering geology/geotechnics group which requires a modern laboratory in order to perform engineering test work on soils and rocks. Activities include technical assistance to support the establishment of commercial functions for field and laboratory activities, identify essential equipment needs and prepare equipment specifications, and undertake staff technical training.
- *Strengthening Information Management and Marketing:* The information and marketing division of the MRA is responsible for management and sales of maps and data products and for the development of materials to promote the mineral potential of Papua New Guinea. The component will: 1) complete the development of a Geological Information System (GIS) with full national coverage; 2) develop and maintain a web site to provide detailed information to stakeholders increasing the transparency of the activities of the mineral industry of Papua New Guinea; and 3) develop the capacity to perform on-line orders and sales of data products. The component will support MRA staff with:
  - **Ongoing Development of the Geological Information System.** MSISTAP I (2000-2006) supported commencement of the development of a national geological and geochemical database and GIS through supporting the digitization of geological point data derived from mineral exploration reports. This completed coverage of approximately 60% of the country and digitized over 500,000 discrete data points. Activities include: completing the digitization of open file data, and digitizing closed file data and drill holes in open file reports.
  - **Development and maintenance of a web site** to provide detailed information to stakeholders increasing the transparency of the activities of the mineral industry of Papua New Guinea. The web site will also include the capacity to perform on-line orders and sales of data products.

Key inputs for the above sub-components will include international and local consultants to design the Tenements Administration System, and programmers and data entry consultants to complete system development, enter existing lease information and geological data, other international and local consultants, staff development and training in use and management of the new systems, incremental operating costs for field work and travel, and goods including specialist software and hardware, including website software, web servers and high speed communications equipment, and the hosting of a Geothermal Resources workshop.

### **2.3 *Improving sustainable development outcomes from the mining sector***

Mining projects cause significant social, economic, and environmental change in often remote rural areas where land ownership is under customary title. Managing this change and ensuring that project benefits are channeled into ultimately sustainable development activities which can sustain local communities beyond mine life is the function of the Development Coordination Division of the Mineral Resources Authority.

The role of MRA in improving sustainable development outcomes from the mining sector has already been expanded and institutionalized with the establishment of a Sustainable Development Team under the Coordination Unit. Already three staff are in place, and the proposal is to increase this. This team will work closely with the Coordinators and the Mine Liaison Officers. The role of the latter will be strengthened through the recruitment of Community Facilitators at each of the mine sites. Other target groups for this component are the MRA (Artisanal and Small Scale Mining Department), the WIM TC, Women's associations, LLGs and landowners..

In developing the role of MRA in this respect the project will include activities to i) establish high standards for mitigating negative environmental and social impacts of mining; ii) improve the safety and effectiveness of small scale mining; iii) coordinate and improve the management of mining benefits including trust funds, and monitor and assess the positive and negative environmental and social impacts of mining. The component will assist MRA staff to

- *Establish high standards for mitigating negative environment and social impacts of mining:*

The Sustainable Development team of MRA in consultation with DoEC and DoCD will be assisted to prepare standard guidelines and procedures for environmental and social management including, for example, resettlement guidelines, and guidelines for consultations. Environmental awareness and technical training activities such as water quality, Acid Rock Drainage, Tailings management, mine closure and rehabilitation, and environmental monitoring will be provided to both MRA and DoEC staff.

- *Improve the health, safety and effectiveness of Small-Scale Miners*

Improvements in mining technologies and safety training will be targeted at youth who are more willing to adopt new practices and technologies. MRA will undertake or support :

- a detailed survey and statistical information collection in conjunction with CBOs and NGOs of artisanal and small scale mining areas

(including GIS of resource base and workings) and demographic data collection (including not only economic data, but also social and welfare data) regarding the present role of women, youth and children in ASM and documentation of any gender and age group disparities

- trials of mercury management equipment (retorts) and other gravity separation equipment;
- training of youth in improved ASM methods and mine safety with retorts as a course completion bonus;
- establishment and full implementation of a small scale miners registration and identity card system; and
- technical assistance and support to examine the technical and financial feasibility of establishing a gold assay laboratory for ASM gold.

International jewelry companies are looking for and prepared to pay a premium for “fair traded” ASM gold (like “fair traded” coffee) and this component will also support the Communities and Small Mines (CASM) Secretariat to engage with PNG ASM miners to inform them about what would be needed to upgrade their social and environmental practices so that they could become eligible to be certified for environmentally and socially responsible “fair traded” gold production.

- *Coordinate and improve the management of mining benefits including trust funds,*

Initially, a full review will be undertaken to map out the different benefit streams, assess the different procedures being used, identify best practices and lessons learned, and identify ways to improve accountability and transparency. Community facilitators will be recruited in each of the mine sites to work alongside the existing Mine Liaison Officers to provide training and outreach to LLGs, Landowners, and youth and women’s groups and to coordinate and monitor implementation of the WIM Action Plan and oversee implementation of a small grants program for women’s groups. External expertise in participatory planning will be sought to help develop participatory planning procedures and prepare Local Level Mining Community Development Plans in consultation with Local Level or District Level Governments where appropriate. End-user beneficiaries, including women and youth in the mining areas, will be trained to understand more about the mining benefits and to monitor the use of the funds. An important element of this component is the implementation of the WIM Action Plan for which the MRA Gender Coordinator will provide the secretariat function. Activities will include:

- preparation of an Information, Communication and Education strategy for building the division’s capacity to work with communities and local level government;
- development and publication of booklets promoting community development and good governance of mining benefits in mining impacted communities; as well as integrating gender into the activities and materials of MRA;
- building of MRA coordination and liaison capacity (train the trainer) to implement local government training and development programs, including hiring community facilitators;

- training for local government officials to improve their capabilities to plan, implement and monitor development project activities in mining areas;
- capacity building of local women's and youth groups to participate more effectively in community development, as community facilitators;
- supporting Women in Mining Technical Committee (WIM TC) monitoring of the implementation of the WIM Action Plan
- preparation of an operational manual for a small grants program for women's groups that will support women's groups' activities including implementation of the National WIM Action Plan. In particular, the Small Grants program financed under the project will support activities in new sites not included in the preparation of the National WIM Action Plan and sites where the funds for women's activities are limited. Such sites include Misima, Simberi, Sinivit and Wau.
- development of a youth internship program to develop community development skills and positive leadership skills for youth from mining communities;
- organization of workshops and conferences related to women and mining programs
- development of a framework/guide for women's representation in proposals and decisions relating to the use of mining-related Trust Funds and other institutional structures at each of the mines;
- preparation of a review of all project MoAs and preparation of a handbook on all agreements relating to women and youth for fast reference in negotiating for funds and assistance for women and youth projects;
- preparation of a review of good practice lessons from the activities of the Porgera Development Authority (which has successfully used mining related income to support improved health outcomes at Porgera) and from benefit sharing arrangements at Ok Tedi, Lihir and Kainantu which include benefit sharing arrangements with women's groups for women's projects.

These tasks will also contribute to building more robust local institutions ready to take on responsibility for sustaining development progress after mine closure.

- *Monitor Social and Environmental outcomes from mining activities*

Monitoring and evaluation systems for determining the value and effectiveness of community development activities carried out by both government and mining companies is weak. Social baseline data is thin and as a result it is difficult to assess whether particular initiatives achieve their stated objectives. Activities will include:

- preparation of the Strategic Environmental and Social Assessment to identify policy and regulatory gaps which may need to be addressed in consultation with the Government;
- preparation of guidelines for measurement and evaluation of the impacts of community development programs;
- implementing community development and environmental surveys;
- developing and delivering training workshops to field officers, including those of the respective agencies represented in the WIM TC;

- preparation of guidelines on gender equality in mining communities;

- *Establish an Information Dissemination and Communications Program*

An Information Dissemination and Communications Program will be prepared and implemented to inform key stakeholders, and in particular mining communities on Bougainville, of project objectives, activities and achievements. The program will also inform about MRA's overall communications activities so that it will continue after the project is completed. In this way, all stakeholders will be well informed about the project and the benefits it will bring for them and for the people of PNG, especially those on Bougainville

Key inputs for this component will include international and local consultants to design the Tenements Administration System, and programmers and data entry consultants to complete system development, enter existing lease information and geological data, consultants for communications strategy, staff development and training in use and management of the new systems, incremental operating costs for field work and travel, and goods including specialist software and hardware, including website software, web servers and high speed communications equipment, and the hosting of a Geothermal Resources workshop; international and local consultants and trainers, workshops with an international component, and incremental operating costs related to travel, training, internships and workshops all related to mining community activities. The component will also support retreats, seminars, workshops and conferences (including follow-up events to the WIM conferences and a Youth in Mining Conference). MRA will take the lead in organizing such events to involve all interested stakeholders, provincial governments and other government departments. In particular, this will support MRA in addressing how mining development can better contribute to poverty alleviation and rural development in PNG. The participation of local government officials in these activities should lead to mining development being better integrated into overall rural and regional development.

## **2.6 Staff Development and Training**

Permeating all of the above project components will be on-the-job training and staff development. In addition the project will support participation in formal training activities, conferences and workshops.

**Project Component 3 - Improving revenue collection and audits of the sector;** The principal target group for this component is the staff of the Resources Monitoring Division of the Internal Revenue Commission (IRC) who will be provided support to review and make needed mineral tax legislative amendments, conduct risk assessments to determine matters to be scrutinized and its effect to the revenue; carry out full mining and petroleum project audits and other duties of IRC as relevant to the natural resources sector.

The Internal Revenue Commission (IRC), through the Resources Monitoring Division, carries out audits of mining and petroleum companies to collect revenues. The current capacity within IRC, however, restricts it to undertaking assessments of financial records of the companies as provided and to a limited number of audits. Only two field audits have ever been carried out. Audits performed under the last Mining Sector TA project

have identified a number of issues in the Income Tax Act with respect to tax treatment of rehabilitation and closure costs as well as community development expenditures.

In order to resolve legislative deficiencies and to provide IRC with long term audit capacity to enhance the country's revenue base, this Project component supports IRC to develop staff capacity to:

- review and make legislative amendments to resolve issues related to rehabilitation and closure costs and remedy other identified deficiencies in the legislation relating to mining and petroleum sector tax administration;
- conduct tax-related risk assessments to determine matters to be scrutinized and its effect to the revenue;
- carry out full mining and petroleum company tax audits; and
- carry out other duties of IRC as relevant to the EI and natural resources sectors.

This Project component will be implemented through a participatory approach and on-the-job training. The key inputs will be consulting services; goods including basic core office equipment, and technical literature, training and incremental operating costs.

**Project Component 4 - Strengthening the foundations for a conflict-free mining sector in Bougainville .** The principal target group for this component is the staff who will be appointed to form a Mining Department for the ABG. These staff will be provided with support to establish an interim regulatory framework, prepare new mining-related policies and legislation and review institutional infrastructure and housing arrangements.

The former North Solomons Province of PNG (now known as the Autonomous Bougainville Region) was granted special Autonomous Government status in 2005 potentially giving it powers over natural resource development in the Region. In order to exercise these powers local capacity must be built so that the Autonomous Bougainville Government can manage the development of the mining sector. A request for support for capacity building has been received from the ABG to develop a Department of Mining as well as guiding policy, legislation and regulations to guide mineral development in the region.

The ABG has appointed a Minister for Mines and a CEO of a Department of Mining, but otherwise has no legislative basis or institutional capacity to manage mining. Bougainville formerly hosted a very large copper mine, which was closed in 1989 following an uprising by local communities and an ensuing civil war within the region. The restoration of peace and the establishment of political autonomy has led to a decision by the ABG to reconsider opening up the region to mineral exploration and development.

The project will support the following activities:

#### **4.1 Developing Transitional Arrangements**

- Development of transitional arrangements to allow for lifting the exploration moratorium and granting of exploration licenses, including responsibilities for approval and grant.

#### **4.2 Developing the Mining Regulatory Environment**

- Preparation of a Bougainville Sustainable Mining Policy (including consideration of community consent and benefits sharing arrangements); and
- Preparation and enactment of a Bougainville Mining Act, Mining Safety Act and enabling regulations.

#### **4.3 Institutional Development and Capacity Building for the ABG DoM**

- Provision of specialist advisors on mining and mineral policy;
- Study tours to modern mining sites;
- Institutional analysis and design for the ABG Dept of Mining (examination of staffing requirements and organizational structure);
- On the job training of ABG mining staff and twinning of ABG Mining Department staff into MRA and DMPGM or other appropriate organizations;
- Development of small-scale mining support services and outreach; and
- Vehicles and office equipment for ABG Mining Department.

Key inputs for this project component will include international and local consultants and training, goods including office equipment and vehicles and incremental operating costs for staff twinning into other relevant functioning regulatory agencies.

**Project Component 5** - The principal target group for this component is the staff of the Special Projects Unit (SPU) of the MRA who will be provided support to monitor, supervise, and provide technical and administrative management control of the Project. The key outputs will be project procurement documents, financial accounts and reports.

The Project will be implemented through the Special Projects Unit (SPU) of the MRA. It will monitor, supervise, and provide technical and administrative management control of the Project. The SPU will manage procurement, including all contracting works and purchases, and the hiring of consultants, the contractual relationship with IDA and the Project's overall administration and financial management, which includes accounting, reporting, managing the Project's Designated Account (Special Account) and its other funding. SPU will be responsible for preparing and submitting to IDA, quarterly reports dealing with Project implementation, and for contracting the annual audits of the Project including the timely submission of such audit reports to IDA. The key inputs will be consulting services for specialists to mentor in-line SPU staff in particular for procurement but also for other activities as required, goods including operational equipment and incremental operating costs.

For further information, please contact –

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