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**EITI implementation in the Philippines:
Early gains in extractive sector governance**

by

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The views expressed are those of the author and do not necessarily reflect the views of
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Early gains in extractive sector
governance



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Summary of Presentation

1. Overview of Mining, Oil and Gas Industries in the Philippines
2. Challenges in Extractive Sector Governance in the Philippines
3. Ongoing Reforms Process (EO 79)
4. The Role of EITI in Implementing Government Policies and Addressing Challenges
5. Philippine context: Addressing challenges in EI governance through EITI
 - a. EITI Implementation in the Philippines
 - b. PH-EITI Objectives
6. Early gains from EITI Implementation
7. Conclusion

Challenges in EI Governance in the Philippines

Transparency

- Debate on actual figures as to how much is the government actually getting from the extractive industries

Regulatory issues

- Informal sector
- Fragmented regulations and regulatory agencies
- Need to streamline requirements

Challenges in EI Governance in the Philippines

Fiscal issues

- Companies raise issues on stability of tax policies and investment environment
- Companies raise issues regarding proliferation of impositions at the local level
- CSOs raise the issue of whether host communities are getting their fair share in extractive industries
- Companies raise the issue of where their social expenditures go

Challenges in EI Governance in the Philippines

Social acceptability

- Lack of dialogue among stakeholders
- Public perception about the industry

EO 79 Institutionalizing Reforms in the Extractive Sector

Six-point Agenda:

1. Ensure mining's contribution to the country's sustainable development
2. Adopt international best practices and promote good governance and integrity in the sector
3. Ensure the protection of the environment by adopting technically and scientifically sound and generally accepted methods as well as indigenous best practices

EO 79 Institutionalizing Reforms in the Extractive Sector

Six-point Agenda:

4. Ensure the consistency of local issuances with the Constitution and national laws
5. Ensure fair, adequate and equitable shared economic benefit for the country and the people
6. Deliver efficient and effective management of the mining sector.

Role of EITI in Implementing Government Policies and Addressing Challenges

- EITI report contains information on the industry's contribution to the economy
- EITI reporting prescribes adherence to international auditing standards
- EITI process provides opportunity to examine revenue collection and licensing processes,
- Examination of the legal and regulatory framework

Role of EITI in Implementing Government Policies and Addressing Challenges

- EITI promotes dialogue among stakeholders at the national and local levels
- EITI allows for examination of social expenditures
- Policies for reforms is an outcome of the EITI process

PHILIPPINE CONTEXT: ADDRESSING CHALLENGES THROUGH EITI

EITI IMPLEMENTATION IN THE PHILIPPINES

- EITI implementation is part of the Philippine Development Plan 2011-2016
- Executive Order No. 79 Institutionalizing Reforms in the Mining Sector

EITI IMPLEMENTATION IN THE PHILIPPINES

- The Philippines was admitted as an EITI candidate country on May 22, 2013 by the EITI International Board during the Global Conference in Sydney
- Governing body: 15-member MSG representing 5 government offices, Chamber of Mines of the Philippines, non-chamber members, Petroleum Association of the Philippines and a broad coalition of CSOs.

EITI Implementation in the Philippines

Milestones

- PH-EITI institutionalized
- Objectives formulated
- Roadmap finalized
- Regular MSG meetings conducted
- Outreach activities conducted
- IA hired
- Scope of report finalized

Challenges that PH-EITI aims to Address

Challenges in EI Governance	PH-EITI Objectives
Transparency issues	Show direct and indirect contribution of extractives to the economy
Social acceptability issues	Improve public understanding of the management of natural resources and public availability of data
Regulatory issues	Strengthen national resource management / strengthen government systems

Challenges that PH-EITI aims to Address

Challenges in EI Governance	PH-EITI Objectives
Social acceptability issues	Create opportunities for dialogue and constructive engagement in natural resource management in order to build trust and reduce conflict among stakeholders
Fiscal issues	Strengthen business environment and increase investments

EARLY GAINS FROM EITI IMPLEMENTATION

A. EARLY GAINS FOR THE GOVERNMENT

E0 79 Six-point agenda	PH-EITI Objectives	Early Gains
1. Ensure mining's contribution to the country's sustainable development (i.e. economic and social growth and environmental protection)	Show direct and indirect contribution of extractives to the economy Strengthen business environments and increase investments	Examination of fiscal regime Illustration of mining's contribution to economy through contextual information Surfaced issues regarding lack of baseline data

A. EARLY GAINS FOR THE GOVERNMENT

E0 79 Six-point agenda	PH-EITI Objectives	Early Gains
2. Adopt international best practices and promote good governance and integrity in the sector;	Strengthen public oversight in the management of natural resources Strengthen national resource management and government systems	EITI has shed light on the following: 1. Fiscal and incentives regime -Universe of payments -Cost recoverable items -Government share/Revenue sharing mechanism -Tax and duties exemptions

A. EARLY GAINS FOR THE GOVERNMENT

E0 79 Six-point agenda

PH-EITI Objectives

Early Gains

2. Financial tracking

- Collections of agencies from taxes and royalties that go to the national treasury, special funds, community projects, local units, etc.

- Payment mechanisms are illustrated

- Transfers from national government to local governments are tracked

- Role of SOEs are clarified

- Commitment from companies and government agencies to disclose the following: Contracts, Social expenditures, Earmarked expenditures, Tax information through company waivers

A. EARLY GAINS FOR THE GOVERNMENT

E0 79 Six-point agenda	PH-EITI Objectives	Early Gains
3. Ensure the protection of the environment by adopting technically and scientifically sound and generally accepted methods as well as indigenous best practices	Strengthen natural resource management, enhance stakeholder accountability	Environmental Protection Plans are made accessible (as part of contract disclosure)

A. EARLY GAINS FOR THE GOVERNMENT

E0 79 Six-point agenda	PH-EITI Objectives	Early Gains
4. Ensure the consistency of local issuances with the Constitution and national laws	Create opportunities for dialogue and constructive engagement in natural resource management in order to build trust and reduce conflict	Scoping of local tax codes Platform for local units to air grievances

A. EARLY GAINS FOR THE GOVERNMENT

E0 79 Six-point agenda	PH-EITI Objectives	Early Gains
5.Ensure fair, adequate and equitable shared economic benefit for the country and the people	Strengthen national resource management , ensure government receives all it is supposed to receive, enhance stakeholder accountability	Special funds are identified and explained Mandatory social expenditures are tracked Transfer mechanisms from national funds to local funds are explained

A. EARLY GAINS FOR THE GOVERNMENT

E0 79 Six-point agenda	PH-EITI Objectives	Early Gains
6. Deliver efficient and effective management of the mining sector.	Strengthen national resource management/government systems	Recommendations to achieve participatory governance are discussed within MSG Improved coordination among government agencies

B. Early Gains for the Industry

1. Industry is able to illustrate how much it pays
2. EITI creates awareness on the need to reconcile payments and receipts
3. Other sectors are informed about how the industry operates



B. Early Gains for the Industry

4. Government is made aware of the need to simplify the framework for granting applications
5. Renewed confidence that EITI will help the industry keep track of where its payments are utilized
6. Demonstrates the industry's willingness to be transparent in order to dispel doubts regarding their operations
7. Opportunity to engage CSOs and government

B. Early Gains for the Industry

8. Sends the message that government wants ethical investors
9. Deters irregularities committed by some companies

C. Early Gains for CSOs

1. EITI was instrumental in pushing for disclosure of contracts, expenditures, subnational transfers.
2. Subnational implementation allows localities to discuss mining issues



3. Sustained dialogue with industries

C. Early Gains for CSOs

4. Creates opportunity for the CSO to engage the government in a discussion about fiscal policies
5. Creates space for participatory governance



CONCLUSION

Early significant gains are:

1. Stakeholder Engagement
2. Improved access to data
3. Transparency of fiscal regime
4. Understanding the industry

THANK YOU!!!

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