

CSO Assessment of the 4th PH-EITI Report: Region VI, VII, VIII



Photo Source: The New York Times



40 operating large-scale mining in the Philippines

Participating companies in the PH-EITI Report

26 participated in 2015

27 participated in 2016

Representing about 89% of sales

Currently, there are

3 operating

large-scale metallic mines
in Visayas (Region 6, 7, 8)

Atlas Consolidated Mining (Carmen Copper)
Chromiteking, Inc. (Cambayas/Techiron)
Strongbuilt Development Corp. (Leyte Iron Sand)





Overview of large-scale non-metallic mines

- 62 operating large-scale non-metallic mines in the Philippines
 - 5 participated in 2015
 - 46% of production
 - 4 participated in 2016
 - 43% of production
- 9 operating large-scale non-metallic mines in Visayas – which all are situated in Region 7.

How much did the government receive?

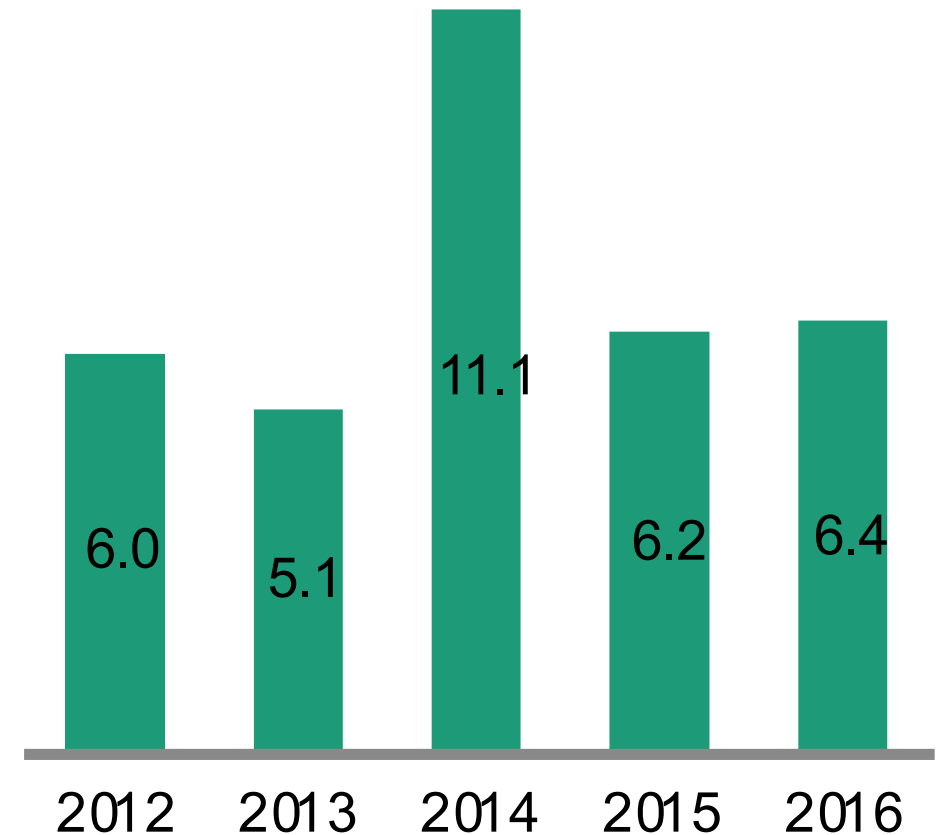
FY 2015

Php 6,184,795,313

FY 2016

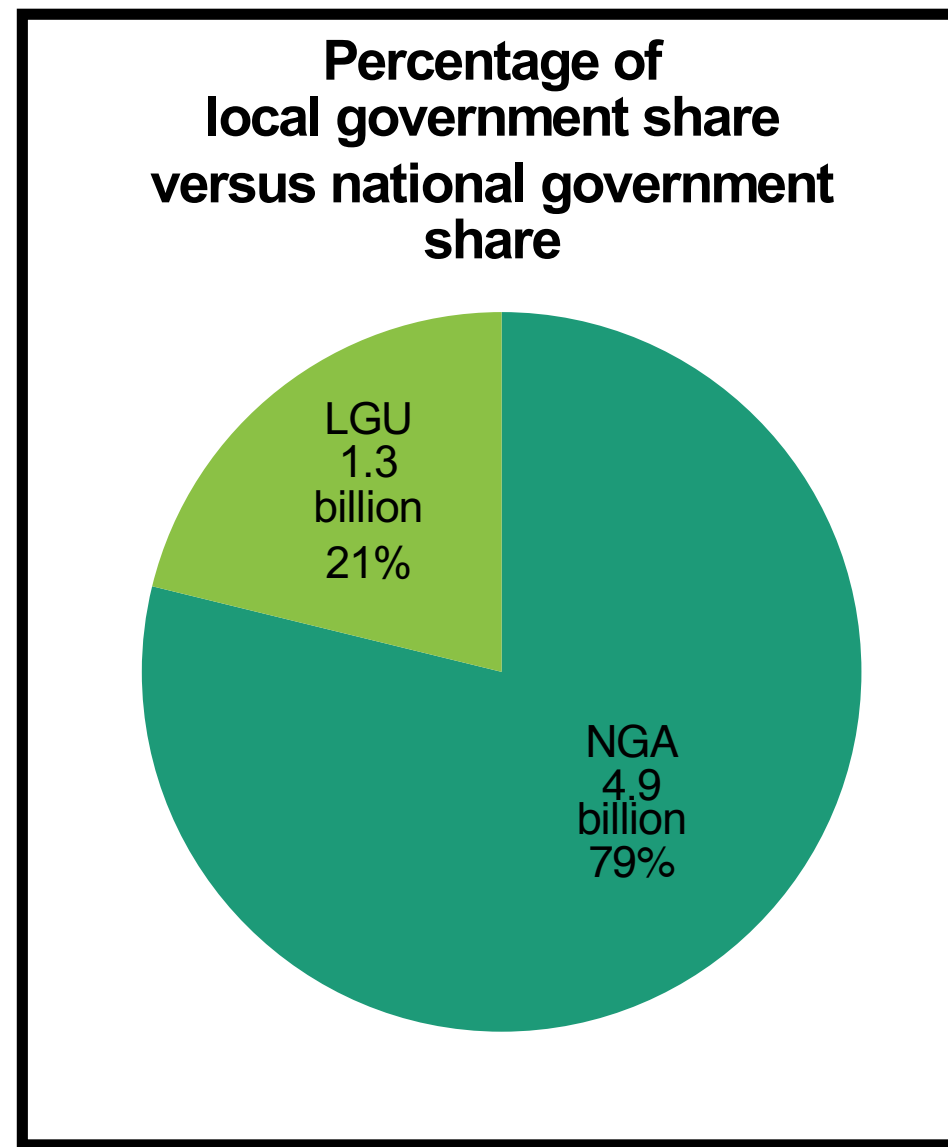
Php 6,371,353,084

Total government revenue
(in billions, Php),
2012-2016



Local government share, 2015

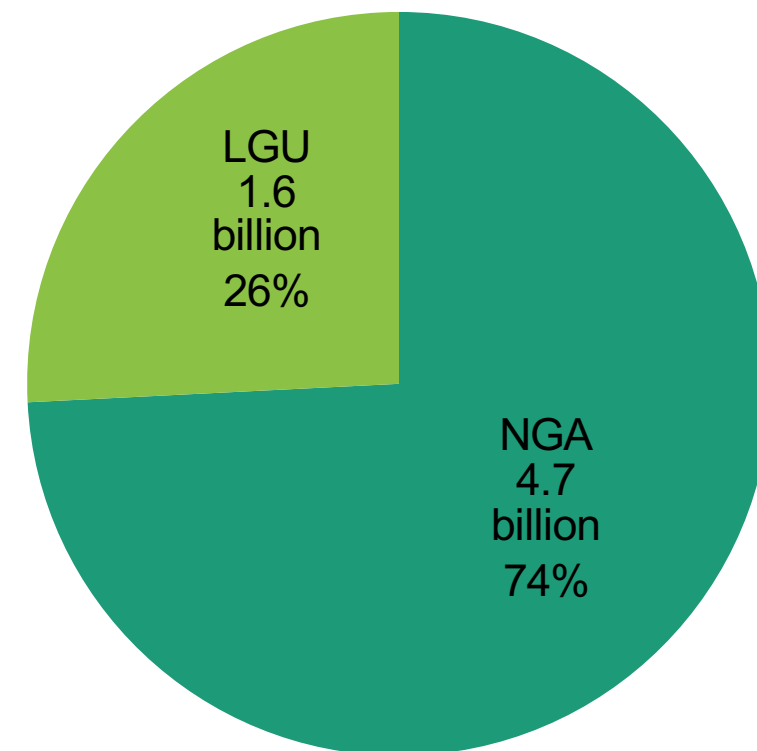
Revenue stream	Amount (Php)
National government	
Corporate income tax	2,666,419,067
Excise tax (60%)	780,067,835
Royalty on mineral reservation (54%)	563,866,305
VAT on imported materials	441,650,105
Withholding tax - royalty to claim owners	162,767,504
Royalty on mineral reservation (10%)	104,419,686
Withholding tax - foreign	79,334,041
Custom duties	76,623,291
Subtotal	4,875,147,834
Local government	
Excise tax (40%)*	520,045,223
Royalty on mineral reservation (36%)*	375,910,870
Local business tax	348,594,168
Real property tax - basic	35,497,812
Real property tax - SEF	29,599,405
Subtotal	1,309,647,479
Total	6,184,795,313



Local government share, 2016

Revenue stream	Amount (Php)
National government	
Corporate income tax	2,482,401,709
Excise tax (60%)	936,521,782
Royalty on mineral reservation (54%)	453,644,201
VAT on imported materials	446,029,154
Withholding tax - royalty to claim owners	127,776,797
Custom duties	103,004,213
Withholding tax - foreign	94,659,748
Royalty on mineral reservation (10%)	84,008,185
Subtotal	4,728,045,790
Local government	
Excise tax (40%)*	624,347,855
Royalty on mineral reservation (36%)*	302,429,467
Local business tax	458,433,612
Real property tax - basic	135,908,191
Real property tax - SEF	122,188,169
Subtotal	1,643,307,294
Total	6,371,353,084

Percentage of local government share versus national government share

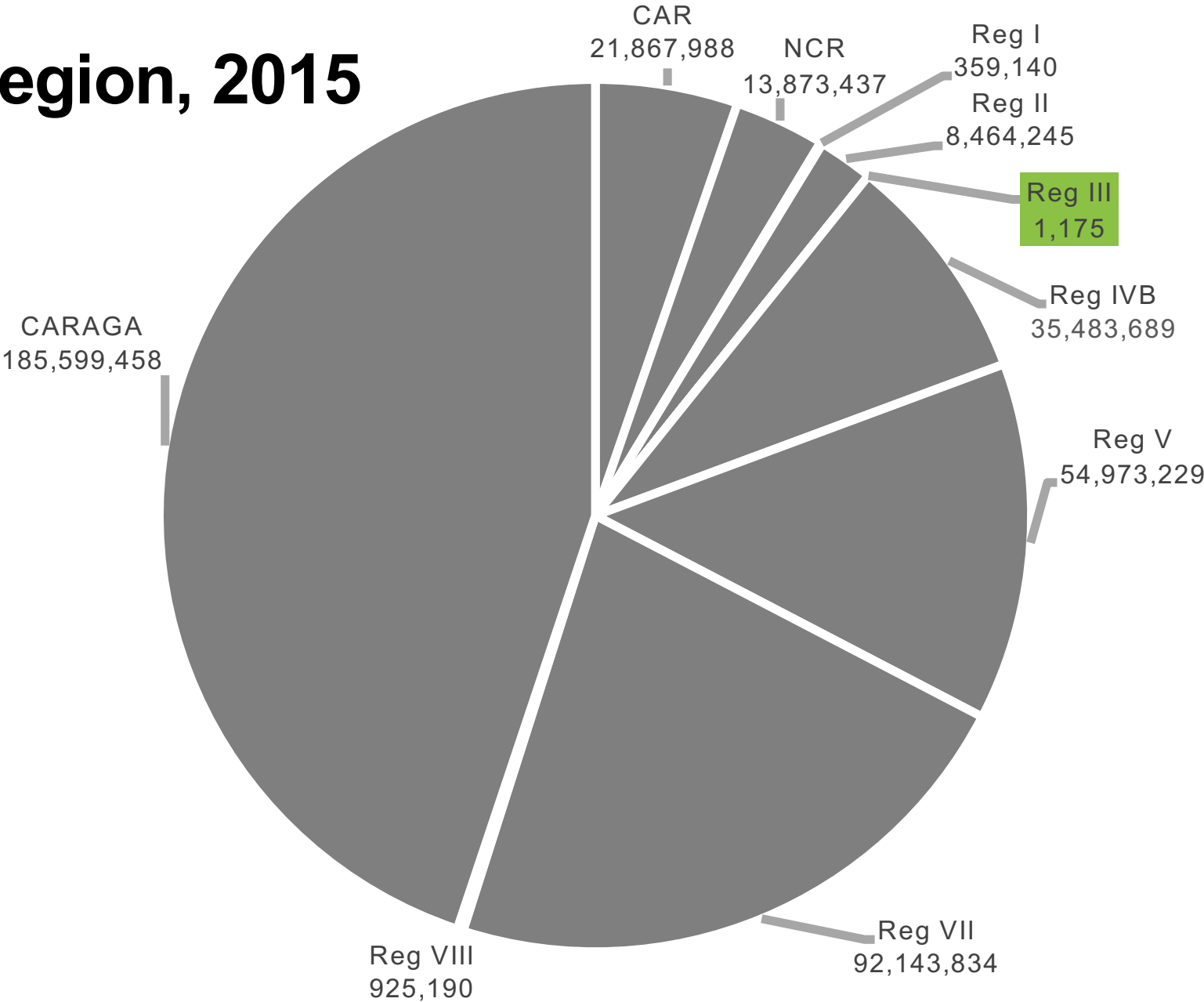


Local government collections

Revenue stream	Description	Rate
Local business tax	Allocated between head office and plant/project office	Not exceeding 2% of gross sales or receipts of the preceding calendar year
Real property tax - basic	Levied on land and machinery	1% to 2% of the assessed value of real property
Real property tax - special education fund	Expended exclusively for the activities of the Department of Education	

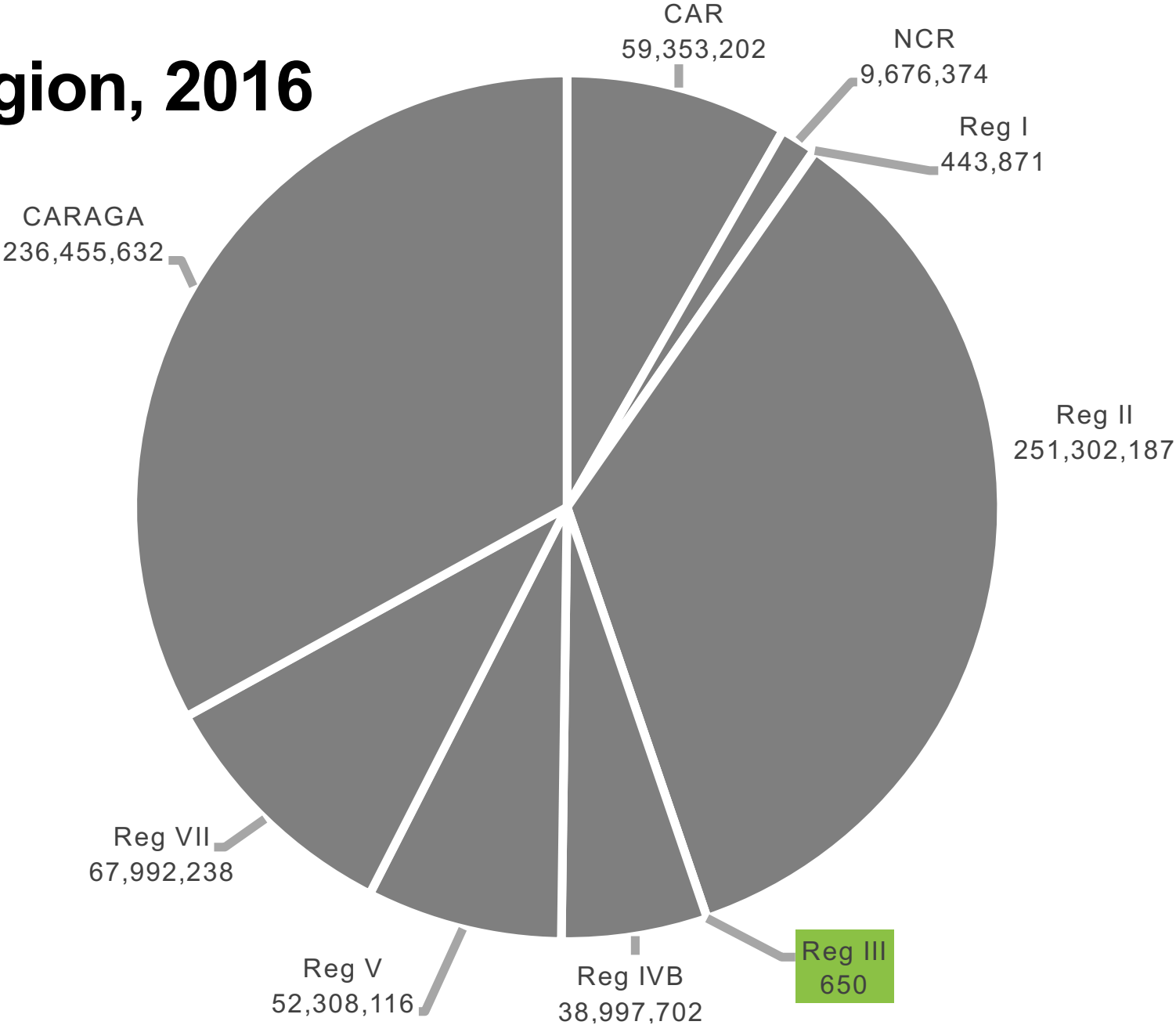
LGU collections per region, 2015

 **Region 3**
Php 1,175



LGU collections per region, 2016

 **Region 3**
Php 650



Shares from national wealth from mining taxes released by DBM to LGUs

Region	Province	Municipality/City	2015	2016
Region III	Bulacan		-	163,880
		Dona Remedios		-
		Norzagaray		-
		San Ildefonso	293,532	1,261,108
	Zambales		6,899,002	506,774
	San Felipe		-	-
	San Marcelino		-	-
	Santa Cruz	3,679,799	3,679,799	

Shares in national wealth from mineral resources

Region	Province	Municipality/City	2015	2016
Region III	Zambales		3,417,154	1,140,241
		Santa Cruz	7,688,597	2,565,542

Employment generated

Company	2015	2016
BenguetCorp Nickel Mines, Inc.	1,096	970
LNL Archipelago Minerals, Inc.	51	51
Zambales Diversified Metals Corp.	316	282

Social and environmental expenditures

Company	2015		2016	
	SDMP	EPEP	SDMP	EPEP
BenguetCorp Nickel Mines, Inc.	14,125,776	45,892,058	8,241,489	579,948
LNL Archipelago Minerals, Inc.	5,044,414	32,523,784	2,313,133	4,816,619
Zambales Diversified Metals Corporation	17,676,180	3,643,264*	19,143,382	26,765,060*

*No MMT/ISHES report

Challenges: Access, Coverage, and Sustainability

- Lack of access to relevant and disaggregated data and reports remains
- Limited coverage
- Confusion in the implementation of DAO 2017-07
- The PH-EITI process has yet to be institutionalized

Challenges Surfaced from PH-EITI Findings

- **Low economic contribution** of large scale metallic mining to the economy
- Most of the large scale metallic mining revenues go to the national government, but **social and environmental impacts are felt at the local level.**
- Limited assessment on the social and environmental impacts on mining
- Reporting of LGU business tax is not disaggregated by LGU recipient. This makes it challenging to follow amounts paid to LGU with head office (30%) and project office (70%).
- Absence of a **timely and accessible national wealth tracker.** This impacts the LGU receipts and expenditure tracking and the required utilization of mining proceeds.

Challenges Beyond the Report

- Capacity deficiency
- Independent selection process for CSO representatives in mining oversight committees is absent
- Clear and measurable **criteria for SDMP** monitoring to ensure it meets its objectives and is aligned with the LDP remains wanting
- Inclusive platforms for engagement throughout the mining life cycle as well as the public financial management is lacking
- Space for more meaningful participation in SDMP management is lacking

Moving Forward

- Insist on access to timely, disaggregated, complete information and documentation
- Expand the report to cover more extractive entities
- Sustain PH-EITI through the passage of a law
- Revisit fiscal policies on extractives to enhance revenue sharing and value added

Moving Forward

Consider guidelines on:

- Faster/direct downloading of LGU shares
- Enhanced monitoring of transfers and expenditure management
- Clarifying terms, timelines and enhanced collaboration between the PH-EITI Secretariat and the relevant DENR Bureaus in the implementation of DAO 2017-07

Moving Forward

Enhance Natural Resource Governance

- Create knowledge products and provide capacity building for better understanding of policies and data on extractives management
- Establish more inclusive platforms for engagement throughout the mining life cycle as well as the public financial management
- Increase meaningful participation in IP royalty and SDMP management.
- Complement local development plans with SDMP
- Clarify DAO 2017-15 in relation to CDAO 2010-21
- Develop guidelines for a transparent and independent selection process of CSOs in mining oversight committees

Moving Forward

Mainstream PH-EITI at the local level

- Adopt EITI guidelines and principles in the LGU's regular business process, oversight structures, disclosure policy, and record managements