



CSO ASSESSMENT PH-EITI REPORT FISCAL YEAR 2013

WHY WE PUSH FOR FISCAL REFORMS

GOVERNMENT REVENUES FROM THE EXTRACTIVE INDUSTRY IS AT MERE 3% OF TOTAL. NO SIGNIFICANT CHANGE IN GOVERNMENT TAKE FROM THE MINING INDUSTRY WAS RECORDED IN 2013.

IS THERE REALLY AN INCREASE IN PARTICIPATION?

THE MATERIALITY REQUIREMENT IN REPORTING HAS BROUGHT PARTICIPATION DOWN SIGNIFICANTLY CONTRARY TO CLAIMS OF THE REPORT. JUST BECAUSE A COMPANY IS EARNING LESS DOES NOT MEAN IT IS ABIDING BY THE RULES.



METHODOLOGY OF THE 2013 REPORT

FACT: ONLY 31 OF THE 48 OPERATING METALLIC MINES PARTICIPATED. THAT EQUATES TO 65% PARTICIPATION AMONG COMPANIES.

THE 1 BILLION PESO MATERIALITY THRESHOLD HAS LIMITED THE BASE OF TARGETED COMPANIES. EITI SHOULD SERVE TO INCREASE TRANSPARENCY IN THE EXTRACTIVE INDUSTRY. IF SOME COMPANIES ARE DISREGARDED JUST BECAUSE THEY ARE EARNING LESS THEN IT DEFEATS THE PURPOSE OF EITI. ALL OPERATING COMPANIES REGARDLESS OF REVENUE SHOULD PARTICIPATE.

PROBLEMS WITH MATERIALITY RULE

FACT: 14 NONMATERIAL COMPANIES ARE NOT NEGLIBLE. THEY ARE NOT ANY LESS IMPORTANT.

COMBINED REVENUES: 4 BILLION PESOS

TOTAL HECTARES COVERED: 23,748 HECTARES (11 MPSA)

EXPIRATION OF CONTRACT: 2029-2034

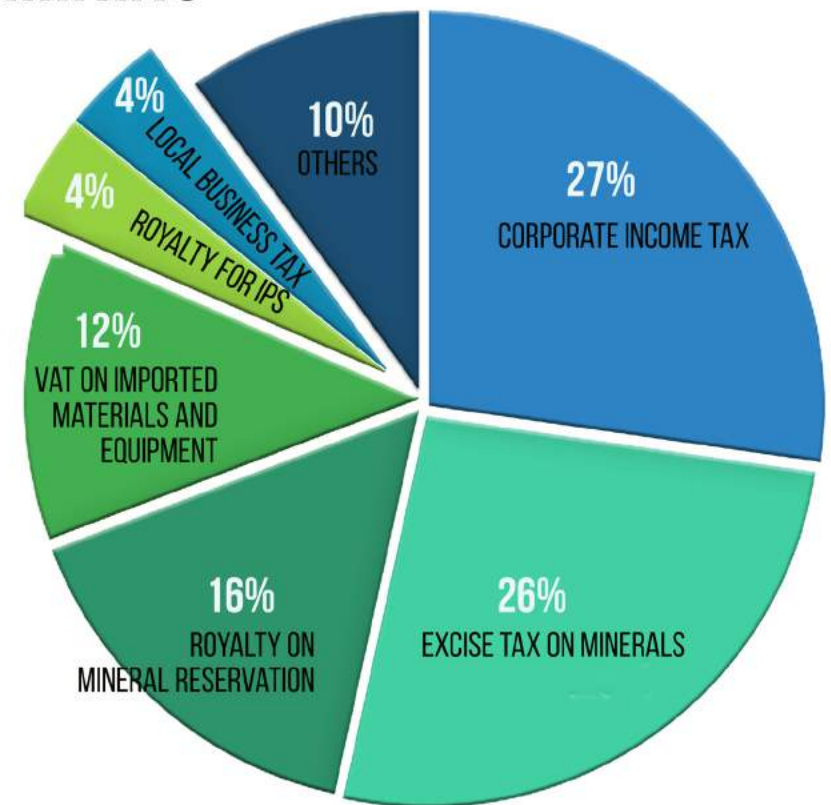
WHEN PRICES AND DEMAND IS LOW, THE BASE OF TARGETED COMPANIES WILL SURELY BECOME NARROWER. ALSO, WE ARE SETTING OUR THRESHOLD TOO HIGH IF WE COMPARE OURSELVES WITH OTHER EITI IMPLEMENTING COUNTRIES IN THE REGION:

PHILIPPINES
21 MILLION USD

MYANMAR
8 MILLION USD

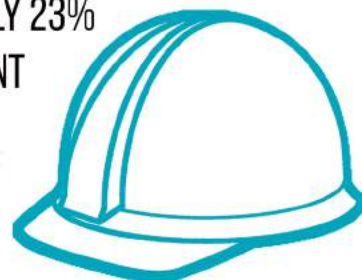
MONGOLIA
124 THOUSAND USD

REVENUES FROM MINING



TOTAL RECONCILED PAYMENTS TO GOVERNMENT AMOUNT-ED TO 5.6 BILLION PESOS IN 2013. CORPORATE INCOME TAX AND EXCISE TAX ON MINERALS ACCOUNT FOR 59% OF TOTAL WHILE ROYALTIES WAS ONLY 16% OF TOTAL. **TOTAL PAYMENTS TO LOCAL GOVERNMENT UNITS (LGUS) AND IN-DIGENOUS PEOPLES IS LOW AT 4% EACH.** EVEN WITH SHARE FROM THE NATIONAL WEALTH*, LGUS RECEIVED ONLY 23% OF TOTAL MINING REVENUES. NATIONAL GOVERNMENT KEEPS 73% OF REMAING REVENUES.

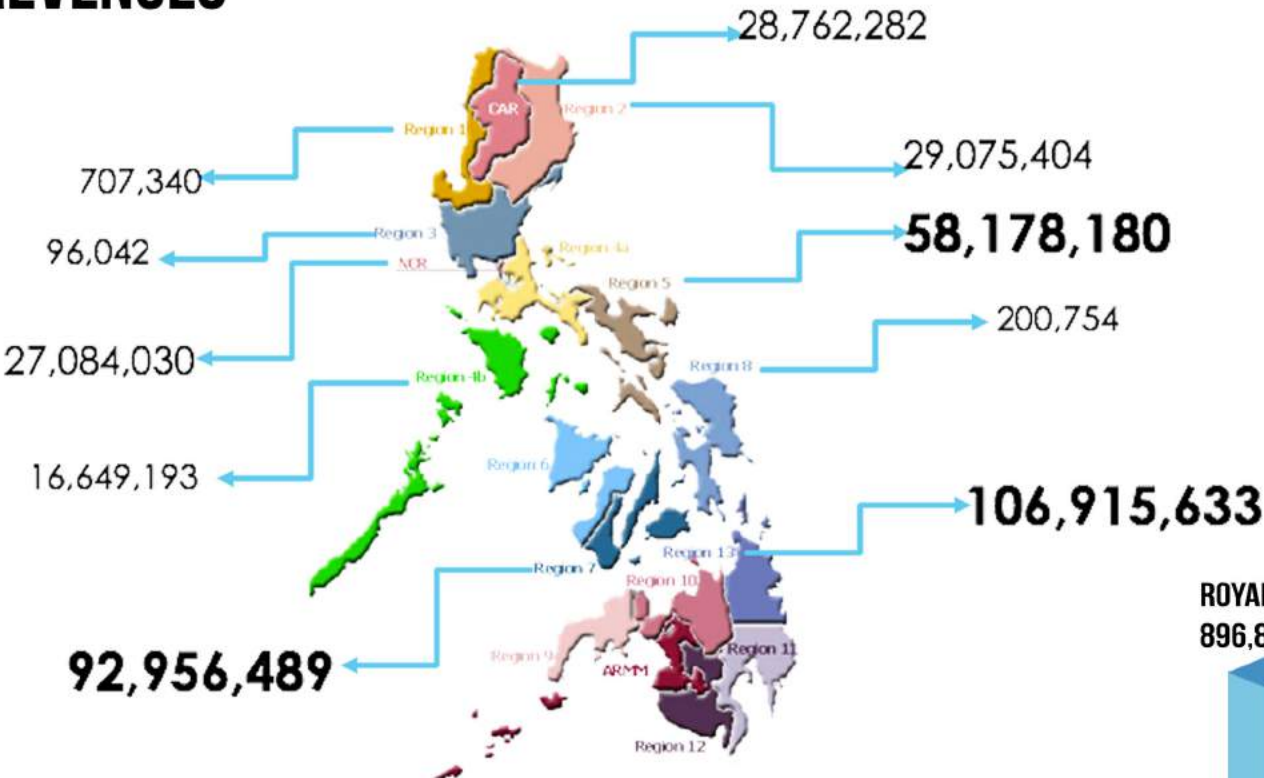
* 15% OF MINERAL ROYALTIES AND 40% OF EXCISE TAX ON MINERALS. THIS COMPRISE OF THEIR SHARE FROM NATIONAL WEALTH ON TOP OF THEIR INTERNAL REVENUE ALLOTMENT (IRA).



DISTRIBUTION OF REVENUES

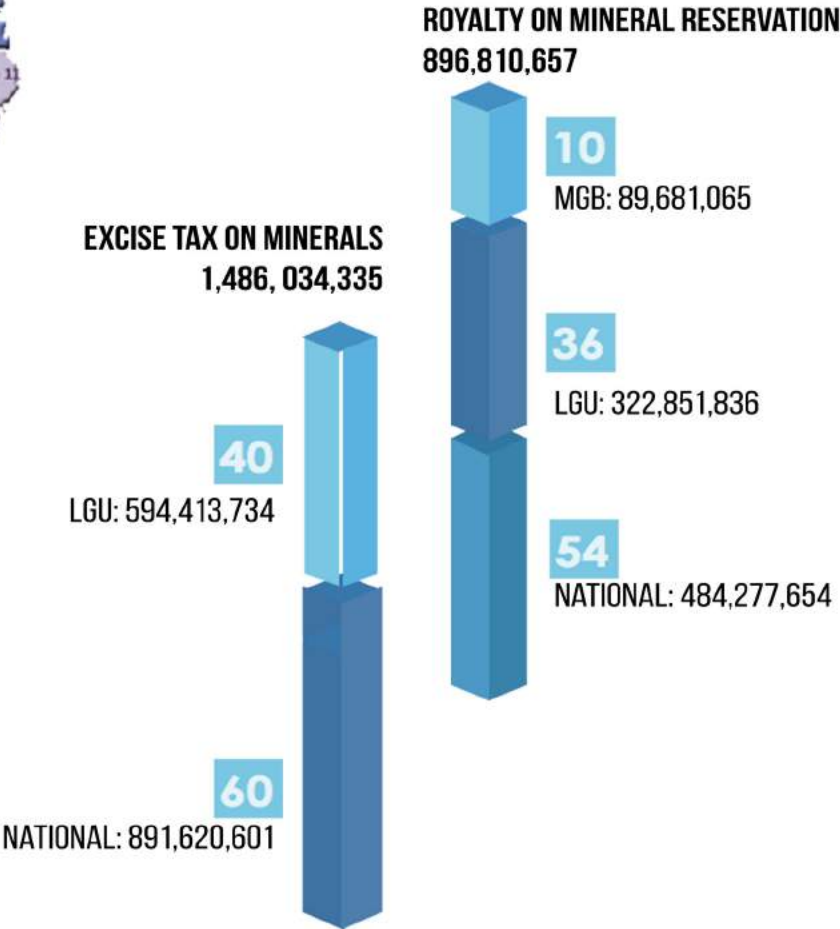
LGUS ALSO COLLECT VARIOUS TAXES IN THEIR JURISDICTION SUCH AS LOCAL BUSINESS TAXES, REAL PROPERTY TAXES AND OCCUPATION FEES AMONG OTHERS. IN 2013, LGUS IN CARAGA COLLECTED THE MOST FOLLOWED BY REGION 7 WHERE CARMEN COPPER IS LOCATED FOLLOWED BY REGION 5. REGION 2 IS NOW AT TOP 4 FOLLOWING THE COMMERCIAL OPERATIONS OF OCEANAGOLD IN NUEVA VIZCAYA.

SHARES FROM NATIONAL WEALTH ARE INTENDED BY LAW TO FUND LOCAL DEVELOPMENT PROGRAMS. SINCE THE 1ST EITI REPORT, THE DEPARTMENT OF BUDGET AND MANAGEMENT SHALL START DISAGGREGATING DISBURSEMENT OF SUBNATIONAL TRANSFERS. THE NEXT TRACK WOULD BE TO TRACK SPENDING AND IDENTIFY WHETHER THEY ARE USED AS INTENDED.



MINING REVENUES FOR LOCAL DEVELOPMENT

REVENUES FROM FINITE RESOURCES SUCH AS MINERALS SHOULD BE SPENT TO CONTRIBUTE TO SUSTAINABLE DEVELOPMENT OF COMMUNITIES SCARRED BY EXTRACTION. THIS IS HARD TO SEE UNDER THE CURRENT FISCAL REGIME WHERE LGUS AND IPS RECEIVE AMONG THE LOWEST SHARE.



MANDATORY EXPENDITURES REPORT

SOCIAL AND ENVIRONMENTAL EXPENDITURES

- ☐ ANNUAL ENVIRONMENTAL PROTECTION AND ENHANCEMENT PROGRAM
- ☐ COMMUNITY DEVELOPMENT PROGRAM
- ☐ SAFETY AND HEALTH PROGRAM
- ☐ SOCIAL DEVELOPMENT AND MANAGEMENT PROGRAM

ENVIRONMENTAL FUNDS

- ☐ MINE REHABILITATION FUND
- ☐ MINE WASTE AND TAILINGS FEES RESERVE FUND
- ☐ FINAL MINE REHABILITATION AND DECOMMISSIONING FUND



A LITTLE TOO LATE?

P1 BILLION PENALTY PAID BY PHILEX REMAINS UNSPENT 3 YEARS LATER. THE SAID PENALTY WAS BASED ON THE PROVISIONS OF SECTION 190 OF DAO NO. 2010-21 THAT REQUIRES VIOLATING COMPANIES TO PAY PHP50/MT OF DISCHARGED TAILINGS. THE BALOG CREEK AND AGNO RIVER WAS HEAVILY AFFECTED BY THE SPILL. THE PAYMENT WAS DEPOSITED IN LANDBANK OF THE PHILIPPINES AS REQUIRED BY SECTION 189. THE FINE WILL BE USED FOR COMPENSATING THE DAMAGES CAUSED BY THE MINING OPERATION.

P2.6 BILLION



4.3x total LGU share



3x Mineral Reservation Royalties



AEPEP P2.1 BILLION (81%)

SDMP P319 MILLION (12%)
S&H P77.9 MILLION (3%)
OTHERS P87 MILLION (3%)

IT IS IMPORTANT TO STRESS THE IMPORTANCE OF MONITORING MANDATORY EXPENDITURES. MANDATORY EXPENDITURES IN 2013 AMOUNTED TO 2.6 BILLION PESOS WHICH 4.3 TIMES TOTAL LGU SHARE AND 3X THE MINERAL RESERVATION ROYALTIES. MANDATORY EXPENDITURES ARE UNILATERAL PAYMENTS AND ARE NOT PAID TO THE GOVERNMENT. THESE EXPENSES, HOWEVER, ARE MANDATED BY LAW AND SHOULD BE MONITORED CLOSELY BY THE MINES AND GEOSCIENCES BUREAU.

“FURTHER, SOME OF THE REPORTS DO NOT EXPLICITLY PROVIDE THE SPECIFIC ACCOMPLISHMENTS RELATED TO ENVIRONMENTAL PROTECTION AND ENHANCEMENT PROGRAM TO INCLUDE MONITORING OF THE RELATED ACTUAL EXPENDITURE.”

2ND EITI REPORT, VOL. I, PG 75

UNACCOUNTED FUNDS?



VARIANCE
PRE-RECONCILIATION:
1,252,410,495



VARIANCE
POST-RECONCILIATION:
89,476,247

P242 MILLION
DISCLOSED IP ROYALTY
PAYMENTS

PAYMENTS		PAYMENTS	
PHILEX MINES	P84M	TAGANITO MINING	P24M
CARRASCAL NICKEL	P44M	PHILSAGA MINING	-
RIO TUBA NICKEL	P32M	SR METALS	-
PLATINUM GROUP	P29M	APEX MINING*	P17M
MARCVENTURES	P27M	TVI RESOURCES*	P36.2M

*UNRECONCILED
DUE TO LACK OF
SUPPORTING
DOCUMENTS



1.21%

ROYALTY PAYMENT FOR MINERALS

IN 2013, COMPANIES PAID P889 MILLION PESOS AS ROYALTY PAYMENTS. ESTIMATING FOR TOTAL REVENUES, WE USED THE 2% EXCISE TAX ON MINERALS AND CAME UP WITH P74 BILLION PESOS. THE SAID ROYALTY PAYMENTS AMOUNT TO ONLY 1.21% OF TOTAL REVENUES. MINING COMPANIES ARE REQUIRED TO PAY OTHER TAXES, JUST LIKE ANY OTHER BUSINESS OPERATING IN THE COUNTRY. ONLY COMPANIES OPERATING IN MINERAL RESERVATION AREAS PAY ROYALTIES.

3.2 BILLION PESOS

LOST DUE TO TAX INCENTIVES

ACCORDING TO THE 2ND REPORT, 8 COMPANIES APPLIED FOR INCOME TAX HOLIDAY. THESE ARE ADNAMA MINING, CARRASCAL NICKEL CORP., MARCVENTURE MINING AND DEVT CORP., PLATINUM GROUP METALS, TVI RESOURCES DEVT., CARMEN COPPER, KROMINCO INC., AND OCEANAGOLD. THESE COMPANIES PAID LITTLE TO NO INCOME TAXES.

2.8 BILLION PESOS

POTENTIAL INCOME IF ALL COMPANIES PAY ROYALTIES

CURRENTLY, ONLY THOSE OPERATING IN MINERAL RESERVATIONS IN REGION 3 AND CARAGA PAYS ROYALTIES. ROYALTIES ARE GUARANTEED PAYMENTS GOVERNMENTS SHOULD RECEIVE FROM EXTRACTION OF THEIR FINITE NATURAL RESOURCES. IF ALL COMPANIES PAY THE 5% ROYALTIES, IT WAS ESTIMATED THAT GOVERNMENT TAKE WILL MOVE UP FROM 18% TO 28%. THROUGH THIS, LOCAL GOVERNMENT UNITS IN OTHER MINING AREAS WILL ALSO RECEIVE MORE FROM THE NATIONAL WEALTH.

METAL PRICES ARE GOING DOWN. DOES THAT MEAN THE MINING INDUSTRY IN THE PHILIPPINES IS SLOWING DOWN?

FROM 2011 TO 2014

METALS PRICES:

COPPER -23%

GOLD -16%

SILVER -46%

NICKEL -27%

PRODUCTION VALUE - 55%

TOTAL EXPORTS OF MINERALS - 41%

OPERATING METALLIC MINES - 43%

NUMBER OF FTAA APPLICATIONS - 19%

APPLICATION FOR EXPLORATION PERMITS - 17%

APPROVED MINERAL PROCESSING PERMITS - 44%

APPLICATION FOR MINING PROCESSING - 46%

AROUND THE WORLD, MINING COMPANIES ARE CUTTING DOWN ON THEIR PRODUCTION DUE TO LOW PRICES. IN THE PHILIPPINES, THE TREND IS CONTRARY. PROJECTS CONTINUE TO GET APPROVED. PRODUCTION VALUE KEEPS INCREASING WHICH IS BACKED BY INCREASING PRODUCTION VOLUME. OUR CURRENT FISCAL REGIME HAS ALLOWED FOR SUCH SCENARIO. NICKEL OUTPUT HAS INCREASED AS A RESPONSE TO INDONESIA'S BAN ON EXPORT OF RAW NICKEL. THE PHILIPPINES IS NOW THE LEADING NICKEL PRODUCER IN THE WORLD AND WE ARE SELLING OUR MINERALS CHEAPLY.

THE UNTALKED ABOUT COAL AND OIL & GAS INDUSTRY

SEMIRARA MINING REFUSES TO PARTICIPATE, AGAIN

THE COAL INDUSTRY WILL REMAIN OPAQUE FOR AS LONG AS SEMIRARA MINING AND POWER CORPORATION (SMPC) DEFERS FROM JOINING EITI. FOR 2 YEARS IN A ROW, THE COAL COMPANY REFUSED TO JOIN. IT CONTROLS MORE THAN 95% OF ALL COAL EXTRACTION IN THE PHILIPPINES. IT ENJOYS INCOME TAX HOLIDAY AND HAS APPLIED FOR SEVERAL COAL SERVICE CONTRACTS AS IT EXPANDS ITS PRODUCTION BASE.

HOW THE MALAMPAYA FUND IS BEING SPENT

ENDING BALANCE AS OF DECEMBER 31, 2014: **P161 BILLION**

DISBURSMENTS SINCE 2012:

DEPARTMENT OF NATIONAL DEFENSE: **P880 MILLION**

NATIONAL ELECTRIFICATION ADMINISTRATION: **P1.1 BILLION**

NATIONAL ELECTRIFICATION ADMINISTRATION: **P4.5 BILLION**

DEPARTMENT OF NATIONAL DEFENSE: **P335 MILLION**

SEMIRARA MINING AND POWER CORPORATION (OWNED BY DMCI)
OPERATING DESPITE EXPENSES 81% OF REVENUES

REVENUES

16,677,421,744

TOTAL EXPENSE

13,447,448,030

INCOME BEFORE TAX

5,193,200,179

INCOME TAX PAYMENT (CREDIT)

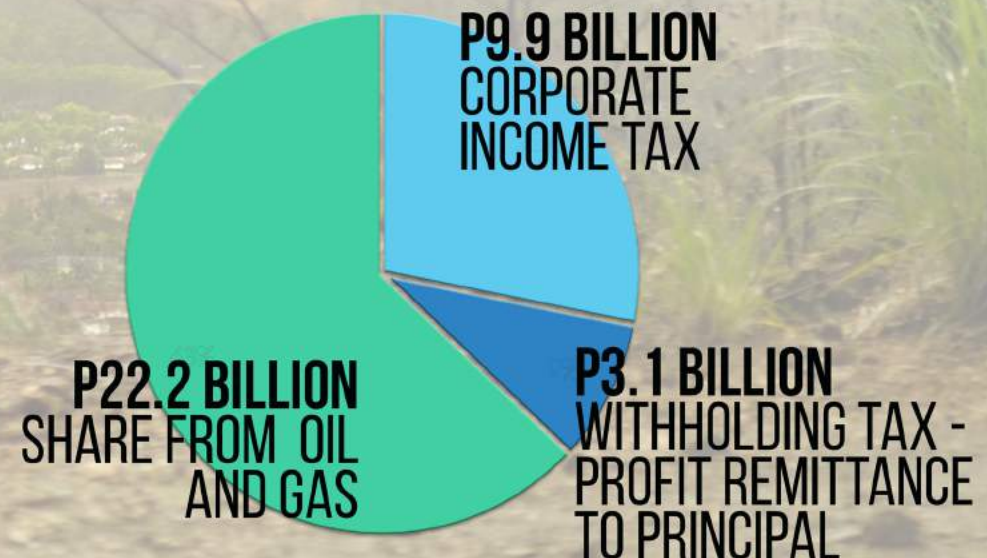
LOSS DUE TO INCOME TAX HOLIDAY

1,480,000,000

PAYMENT TO DOE

1,304,961,185

OIL AND GAS REVENUES 2013





ADVOCATING FOR TRANSPARENCY AND
ACCOUNTABILITY IN THE EXTRACTIVE INDUSTRY

WITH THE SUPPORT FROM:

