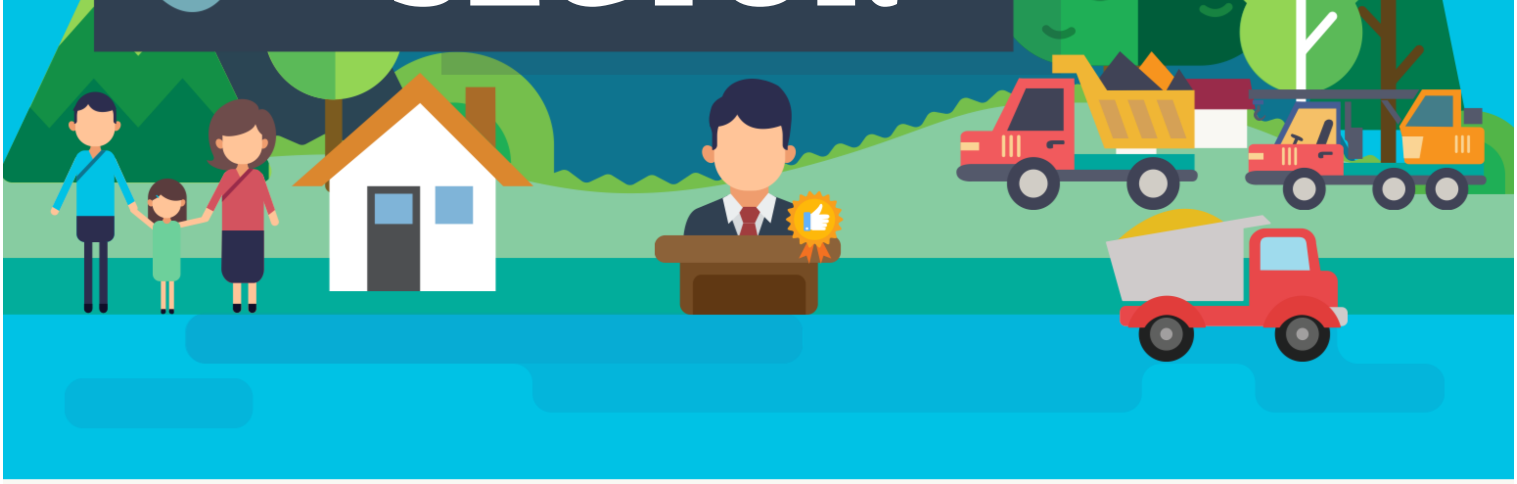
BantayKita

TACKLING GOVERNANCE ISSUES IN THE MINING SECTOR



CONTEXT

The Philippines is the 5th most mineralized country in the world according to the Fraser Institute. Was the Philippines able to translate its mineral potential to development? Despite the size of mineral reserves, mining has contributed 0.42% of GDP in 2013.

Economic contribution has been little relative to the negative social and environmental impacts.

Some high profile cases of mining disasters include Philex Mining 2012 spill which today is the biggest in Philippine history; the 1996 Marcopper disaster in Marinduque which caused the death of Boac River and health issues among locals; and the 2015 flooding in Sta. Cruz, Zambales.

Social impact of mining also touches on human rights. According to Global Witness, 2015 was the deadliest year for land and environmental activists. The Philippines came in 2nd with the most deaths with 33 trailing behind Brazil's 50.

The mining sector continues to be haunted by governances issues which includes corruption, agency capture, poor monitoring, low tax rates, lack of transparency, and poor management of government revenues from mining. Serious governance reforms are needed to ensure that mining benefits the people.

What governance reforms in the mining sector do you want to see in the new Administration?

POOR REGULATION AND LACK OF TRANSPARENCY

Environmental Damage

MGB Director Jasareno: Half of the 44 metallic mines frequently violate environmental rules; some have been slapped with suspension orders. (June 6, 2016)

Environmental Impact

Of the 42 operating metallic mines in 2013, 12 have missing or undisclosed environmental impact statements. The Environmental Management Bureau had previously no document tracking system.

Transparency and Accountability

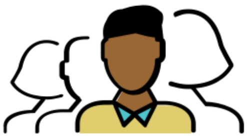
17 of the 48 operating mining entities in 2013 DID NOT join the Philippine Extractive Industries Transparency Initiative.

Environmental Standards

28 of the 42 operating metallic mines DO NOT have ISO 14001 beyond the April 30 deadline of MGB.

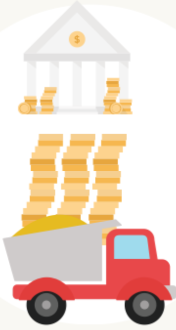
Key Questions

SMALL ECONOMIC CONTRIBUTION



Poverty remains high in mining areas

Mining does not cause poverty. However, despite its vast financial resources and huge revenues, it failed to contribute to economic development of communities.



NO Payment for Minerals

Not ALL companies pay royalties. In 2013, government collected P889 million of the P74 billion estimates sales that year. That translates to just 1.21% of total.

NO Natural Resource Fund

We have no mechanism in place to ensure future generations benefit from proceeds of natural resources.

Low mining taxes

The Philippines is in the second lowest taxing quartile among mining countries. In 2013, government collect P5.6 billion pesos which 0.003% of total collection that year.

Granting of ineffective and redundant fiscal incentives

In 2013, government foregone an estimated P3.2 billion from tax incentives given to mining companies. Despite generous incentives and low tax rates, the Philippines remains 17th among 25 mining destinations in the world in 2011 - an indicator that lowering tax rates and granting incentives does not necessarily translate to mining investments.

Poor monitoring of social development and management programs

PH-EITI Report on Monitoring Reports: impact of these projects are not mentioned in the report. There was also no discussion on any mechanism in place to ensure that consultation was done and that participatory process was employed in planning and implementing the SDMP.

Sources:

MGB Director Jasareno's Statement: http://www.mb.com.ph/mgb-half-of-44-metal-mines-frequently-violate-environmental-rules/
EIS Documents: Vol II PH-EITI Report, Page 21
EITI Non-Participating Companies: PH-EITI Report Volume I, page 153-154
ISO 14001 Policy: DAO 2015-07

NOTES AND QUESTIONS