

PH-EITI

Philippine Extractive Industries Transparency Initiative



PH-EITI PRIMER

What is EITI

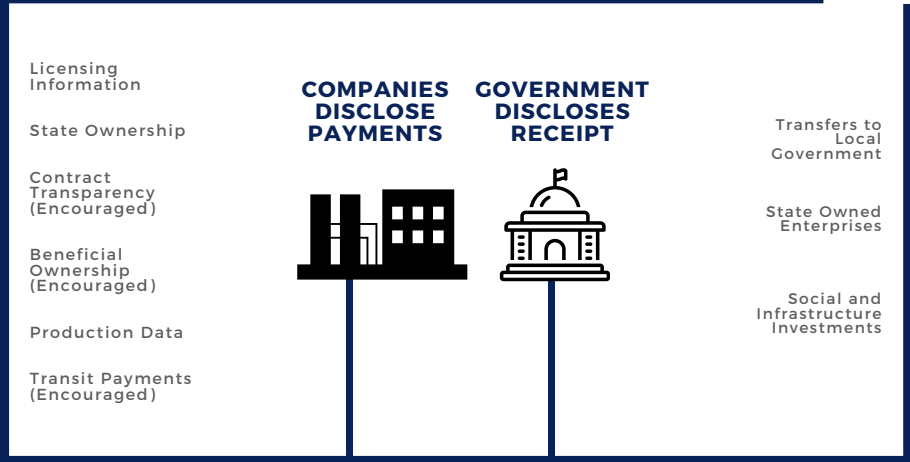
OVERVIEW

The EITI is a global standard of transparency that requires oil, gas, and mining companies to publish what they pay to the government; and the government to publish what they collect from these companies. The initiative aims to encourage countries to be more transparent in reporting the benefits they receive from their country's natural resources. By publishing material information on payments and revenues, the EITI aims to address the resource curse phenomenon in resource rich but poor economies.

The EITI adheres to the principle that there must be sound management of natural resources. It operates on the premise that the citizens own these resources, and therefore have the right to know how these resources are managed.

OVERVIEW OF THE EITI PROCESS

Licenses & Contracts Monitoring Production Tax Collection Revenue Distribution Expenditure Management



A national multi-stakeholder group (government, industry and civil society) decides how their EITI Process should work



Government revenues and company payments are disclosed and independently assessed in an EITI Report



The findings are communicated to create public awareness and debate about how the country should manage its resources better.



THE EITI STANDARDS REST ON 3 PILLARS:

1

A multi-stakeholder group, composed of representatives from the government, industry, and civil society, should manage the publication of extractives revenue data and information

2

All revenues from extractive industries should be regularly published and independently verified

3

Data should be effectively shared with the country's citizens and stimulate an informed debate about how natural resources are governed

A consistent and workable approach to disclosure is promoted, with its members collaborating to produce a comprehensive and comprehensible country report that aims to answer the following questions:



How much is the government really getting from the extractive industries?



How much is the industry actually paying to the government?



What are the gaps in our system that we need to address to foster transparency in the extractive industry?

BENEFITS OF EITI IMPLEMENTATION

Government

Governments benefit from following an internationally recognized transparency standard that demonstrates commitment to reform and anti-corruption, leads to improvements in the tax collection process, and enhances trust and stability in a volatile sector.



Industry

Companies benefit from a level playing field in which all companies are required to disclose the same information. They also benefit from an improved and more stable investment climate in which they can more effectively engage with citizens and civil society.

Citizens & Civil Society

Citizens and civil society benefit from receiving reliable information about the sector and a multi-stakeholder platform where they can better hold to account the government and companies.



WHO ARE INVOLVED IN THE EITI PROCESS?

Globally, EITI is overseen by an international board led by a chairperson, and composed of 20 members who represent implementing countries, supporting countries, civil society groups, business, and investment companies.

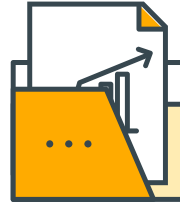
The EITI Board is supported by an international secretariat which operates under Norwegian law.

The international community provides support to EITI implementation both bilaterally and through the EITI Multi-Donor Trust Fund managed by the World Bank.

At the national level, the EITI is governed by a multi-stakeholder group composed of representatives from the government, the extractive industries, and the civil society. This body sets the direction for EITI implementation by formulating country objectives, engaging stakeholders, crafting and implementing a work plan, publishing an EITI report, and recommending reforms based on the findings of the EITI report.

HOW DOES EITI WORK?

A country admitted to the EITI first assumes the status of a candidate country.



1 8 m o n t h s

Candidate Country

See page 7 for details

Report Publication

It then publishes a **report on the extractive sector**, within 18 months from admission

An **Independent Administrator** performs the reconciliation process.



Validation Process

Following the publication of the report, a candidate country goes through a validation process to determine if its implementation of EITI complies with the EITI Standard. A validator appointed by the International Board evaluates the country's overall implementation according to seven main requirements.

Report Dissemination

After publication, the report is widely disseminated to stimulate public debate and improve the citizens' understanding on how their natural resources should be governed.



If the Board finds that the country has complied with the requirements, the country is declared a compliant country and then undergoes validation every three years.

An EITI report contains the following information:

- Contextual information about the extractive industries;
- Material payments from the extractives sector as reported by the companies and the government;
- Identification and explanation of discrepancies in the reported figures;
- Recommendations on how to address the problems identified by the report.

REQUIREMENTS OF THE 2019 EITI STANDARD



- 1 - Oversight by the multi-stakeholder group
- 2 - Legal and institutional framework, including allocation of contracts and licenses
- 3 - Exploration and production
- 4 - Revenue collection
- 5 - Revenue allocations
- 6 - Social and economic spending
- 7 - Outcomes and impact



A country may hold EITI candidate status for not more than five years from the date of its admission as an EITI candidate.

If a country has not achieved compliant status within three and a half years of becoming a candidate, the country will be designated EITI candidate country (suspended) while undertaking final corrective actions. The Board may revoke the country's candidate status when it has exceeded the maximum candidacy period, or where the validation shows no meaningful progress has been achieved.



EITI IMPLEMENTATION IN THE PHILIPPINES

The Philippines expressed its commitment to participate in the EITI through Executive Order (EO) No. 79, series of 2012, and EO 147, series of 2013. The latter issuance formally established the Philippine EITI Multi-Stakeholder Group (MSG) and laid down the operational requirements for the initiative. The MSG is tasked to ensure sustained commitment to the initiative, set the strategic direction for implementing the EITI, remove barriers to its implementation, set the scope of the EITI process, and make sure that the initiative is effectively aligned with the government's reform agenda.

The PH-EITI Multi-stakeholder Group (MSG)

The PH-EITI MSG is chaired by the Department of Finance, and is composed of representatives from the government, the extractive industries, and the civil society.

The government is represented by the:

- Department of Finance
- Department of Environment and Natural Resources - Mines and Geosciences Bureau
- Department of Energy
- Department of the Interior and Local Government
- Union of Local Authorities of the Philippines

The extractive industries are represented by the Chamber of Mines of the Philippines, Petroleum Association of the Philippines, and an elected representative from non-associated members.

The civil society is mainly represented by Bantay Kita Philippines, a broad coalition of civil society organizations advocating transparency and accountability in the government and in the management of the country's natural resources.

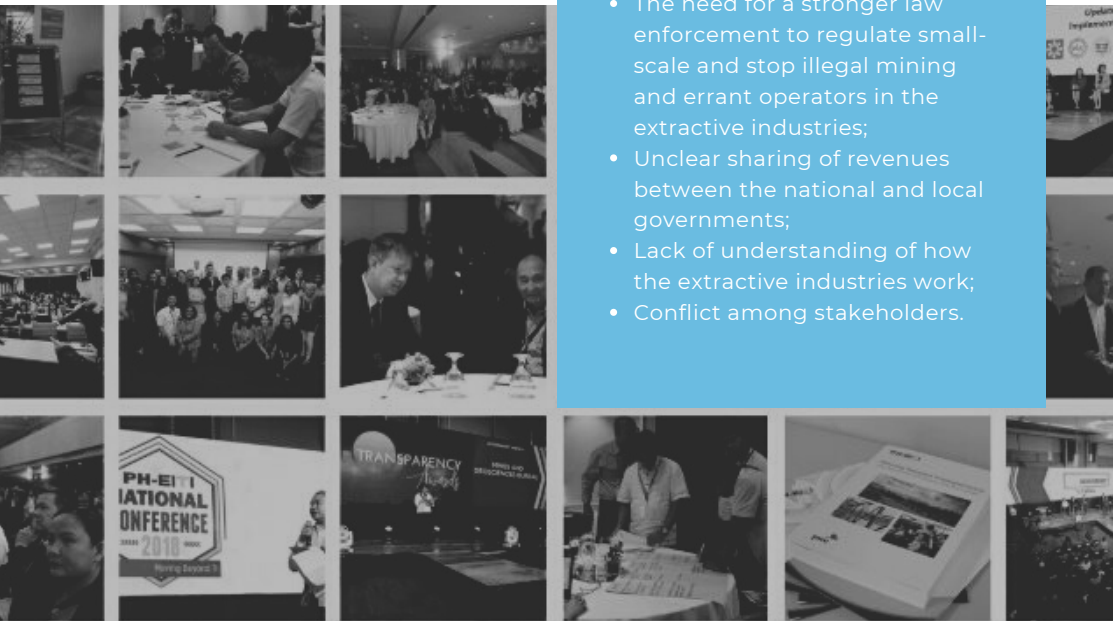
The MSG is supported by a Technical Working Group (TWG) and a Secretariat lodged under the Department of Finance which implements the directives of the MSG.

WHY IS THE PHILIPPINES IMPLEMENTING EITI?

The Philippines was admitted as a candidate country by the EITI Board on May 22, 2013 at the EITI Global Conference in Sydney, Australia. Subsequently, the PH-EITI MSG determined its objectives for EITI implementation by examining major issues in natural resource governance in the country.

Consultations with government, industries, and CSO representatives revealed the following major issues that should be addressed:

- The need for more transparency and accountability in the extractive industries;
- Conflicting laws and fiscal regime in relation to extractive industries;
- Lack of or conflicting information on taxes paid and benefits received by communities from extractive industries;
- The need for a stronger law enforcement to regulate small-scale and stop illegal mining and errant operators in the extractive industries;
- Unclear sharing of revenues between the national and local governments;
- Lack of understanding of how the extractive industries work;
- Conflict among stakeholders.



Given the issues, the MSG delved into a discussion of how EITI implementation can address these concerns, taking into account the information and procedures prescribed by the EITI Standard. As an outcome of this exercise, the MSG articulated its expectations from the EITI as follows:

1. Build trust among stakeholders;
2. Facilitate the production of timely and reliable data that can serve as bases for the formulation of policies;
3. Provide a platform for informed discussion and dialogue for improved natural resource governance;
4. Level the playing field for industry players;
5. Potential to influence where revenues may be spent;
6. Empowered citizenry; and
7. Promote transparency and accountability



GOALS OF EITI IMPLEMENTATION IN THE PHILIPPINES

Linking their identified issues in extractive industries with their expectations from EITI implementation, the MSG then determined the following goals of EITI implementation in the Philippines:

1. Show the direct and indirect contributions of extractives to national development.
2. Improve public understanding of the management of natural resources and availability of data.
3. Strengthen government systems for natural resource governance.
4. Create opportunities for dialogue and constructive engagement in natural resource governance in order to build trust and reduce conflict among stakeholders.
5. Pursue and strengthen the extractives sector's contribution to sustainable development.

KEY RESULTS OF THE EITI PROCESS:

- Annual publication of EITI report
- Platform for dialogue for government, civil society and industry
- Policy recommendations and reforms to improve governance of the extractive sector
- Increased transparency in revenue collection and expenditures
- Increased awareness of issues in natural resource management through public debates

Learn more about the PH-EITI

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