

PH-EITI 2nd MSG MEETING
9 am-12nn March 01, 2013
Executive Lounge, Boncodin Hall, DBM
General Solano St., Manila

Attendees:

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| Secretary Elisea Gozun | Focal person for EITI/ Office of the Presidential Adviser for Climate Change (OPACC) |
| Usec. Jeremias Paul, Jr. | Department of Finance (DOF) |
| Elsa Agustin | DOF |
| Trinidad Rodriguez | DOF |
| Engr. Romualdo Aguilos | Mines and Geosciences Bureau—Department of Environment and Natural Resources (MGB-DENR) |
| Michael Juan | Union of Local Authorities of the Philippines (ULAP) |
| Engr. Artemio Disini | Chamber of Mines of the Philippines (COMP) |
| Nelia Halcon | COMP |
| Casiana Dalangin | CTP Construction and Mining Corporation |
| Sebastian C. Quiniones, Jr. | Shell Philippines Exploration BV (SPEX)/ Petroleum Association of the Philippines (PAP) |
| Cielo Magno | Bantay Kita |
| Prof. Maria Aurora Teresita W. Tabada | Visayas State University |
| Ronald Allan Barnacha | Philippine Rural Reconstruction Movement (PRRM)/ North Luzon |
| Atty. Jay Batongbacal | University of the Philippines (UP) Law |
| Paolo Mar Chan | Presidential Management Staff (PMS) |
| Jemimah Landicho | PMS |
| Julliane Lallana | PMS |
| Catalina Babes Ancheta | Secretariat |
| Michelle Alice Baguilat | Secretariat |

1. Call to Order:

Secretary Elisea G. Gozun, opened the meeting and asked the MSG members including some representatives from the Presidential Management Staff (PMS) who were also present as observers to the meeting, to introduce themselves.

The Chair then presented the draft agenda which was approved by the MSG. The Minutes of the 1st MSG meeting which was circulated to the MSG members prior the 2nd meeting for their review was also approved. Ms. Cielo Magno, Bantay Kita Coordinator inquired if the minutes of the 1st MSG meeting could be circulated publicly. Since this has been approved by the MSG, it was agreed that it can be disseminated to the public.

2. Finalization of the Terms of Reference (ToR)

The secretariat electronically circulated the draft ToR among the MSG members for their review and reference prior to the second MSG meeting. The output from the national workshop including further recommendations from the MSG members that were discussed at length and approved during the first MSG meeting were already incorporated in the latest draft ToR. Hard copies were also distributed before the start of the second meeting.

Further discussion of the ToR ensued as follows:

2.1. On Section III- Functions of the PH-EITI MSG

Usec. Paul Jeremias, Jr. of the Department of Finance commented on the use of the descriptive term ‘political’ preceding the word commitment [to the implementation of PH-EITI] citing that it cannot be political with all stakeholders involved. Ms. Cielo Magno, Bantay Kita coordinator seconded this observation and said that the statement needs to be rephrased.

Agreement 1: The body agreed to do away with the descriptive term “political” commitment and approved the function of the MSG to be that of ensuring commitment of all stakeholders to the implementation of PH-EITI.

2.2. On Section V- Role of Government Representatives

The Chair pointed out that once the government implements EITI in the country, it will be mandatory for the government agencies regulating the extractive industry to ascertain their participation in EITI. She further said that the case would be different with the civil society where participation of the CSO will be voluntary.

Agreement 2: The body agreed that the role of the government is to ensure the full participation of the extractive industries and encourage full participation of the CSO. These are to be stated in separate bullet statements.

Ms. Elsa Agustin from DOF suggested the use of the word ‘disclose’ in place of ‘release’ of government revenues in the last bullet of the roles of government representatives. She added that the government revenues should be disclosed in a timely manner. Mr. Jay Batongbacal,

representative from the CSO proposed the inclusion of disclosure of relevant data aside from disclosure of government revenues and that these data are to be reported in an accurate manner.

Ms. Nelia Halcon, Executive Vice President of the Chamber of Mines commented that what is considered timely will depend on the timeliness of the data of the MGB and the COA audit. Mr. Artemio Disini, chairman of the Chamber of Mines shared that there is a cut-off for companies in their submission of data. Mr. Sebastian Quiniones, Vice President of the Petroleum Association of the Philippines reported that they submit their reports to the Department of Energy every month. The Chair said that the submission of data will have to be synchronized.

Agreement 3: The body agreed to both suggestions of Ms. Agustin and Mr. Batongbacal that the role of the government is to disclose revenues and relevant data in an accurate and timely manner.

Agreement 4: The body further agreed that the same role should also apply to the business sector.

2.3. On Section V- Role of the Business Sector

Agreement 5: Parallel to the role of the CSO to communicate widely to all stakeholders and build capacities on EITI, the business sector will also communicate to the industry stakeholders developments on EITI.

2.4. On Section VI- Terms of Office of the Members of the PH-EITI MSG

Agreement 6: After considerable discussion, the body agreed to the following formulation of the terms of office for the members of the PH-EITI MSG to ensure continuity:

All members of the MSG shall serve for a term of 3 years, except for the initial set of representatives from the business sector and civil society organizations. For such members, 3 representatives shall serve for 3 years or the equivalent of 2 reporting cycles, and 2 representatives shall serve for 2 years or the equivalent of 1 reporting cycle. Thereafter, all members of the MSG shall serve the full term of 3 years, on a staggered basis to ensure that there will be institutional memory among them. Representatives may be re-appointed; the members of each sector shall identify who among them shall continue for subsequent terms.

3. Finalization of the draft work plan

The output from the National Workshop and suggestions that were deliberated and approved in the 1st MSG meetings on the Work Plan were incorporated and also circulated among the MSG members before the 2nd MSG meeting. Hard copies of the document were also given out before the meeting.

Discussions and agreements that followed include the following:

3.1. Objective 3.1 Institutionalizing the PH-EITI: Formal creation of PH-EITI and establishment of EITI National Secretariat

Agreement 7: The body agreed that the order of the required actions for activity 3.1 on the Formal creation of PH-EITI and the establishment of EITI National Secretariat will sequentially be as follows:

- (1) Set up an interim PH-EITI Secretariat (PMO)
- (2) Define the operational requirements of PH-EITI Secretariat
- (3) Issuance of an Order creating an EITI Secretariat (PMO)

Agreement 8: The body agreed that the timeline for defining the operational requirements of PH-EITI Secretariat will be during the 2nd quarter of 2013

3.2. Objective 3.4. Addressing Barriers to the Implementation and institutionalization of the PH-EITI

It was recalled that a consultant will be hired to review the legal and administrative barriers to EITI implementation. Mr. Batongbacal suggested that consultant to be hired for this task should be familiar with the sectors involved in EITI.

The Chair mentioned that the taxes collected by the Bureau of Internal Revenue (BIR) from mineral and extractive resources are lumped in an assigned numeric tax code that does not provide data for individual minerals. She informed the MSG that the BIR will revise their existing tax codes to disaggregate the groupings of minerals. This can happen through the issuance of an Administrative Order without the need for a law.

She mentioned that the first PH-EITI report might not be disaggregated per mineral since the excise taxes collected were lumped under one tax code. However, the possibility of getting payment data per mineral from the companies that paid will also be explored.

It was also noted that the MSG can only engage Congress but cannot ensure that a law institutionalizing PH-EITI will be passed.

3.3. Objective 3.5. Sub-national Implementation of PH-EITI

The Chair reiterated the agreement made during the first MSG meeting last Jan. 29, 2013 that the MSG cannot actively identify but will merely support or encourage pilot sites for the sub-national implementation of EITI. Ms. Maria Aurora Tabada of the Visayas State University suggested to change the choice of word from identify to support. Ms. Elsa Agustin from DOF proposed that there is a need to clarify the meaning of support as used in the statement explaining that it could refer to either financial support or technical support.

Agreement 9: The body agreed to provide technical support to pilot sites in the implementation of sub-national EITI.

Agreement 10: It was also agreed that the timeline for the capability building and institutional preparation for sub-national implementation of EITI be changed from 3rd quarter of 2013-2014 to 3rd quarter of 2013 onwards meaning the capability building will be a continuing process.

Ms. Cielo Magno mentioned that a proposal similar to the Compostella sub-national EITI will be shared with Nueva Vizcaya.

3.4. Objective 4.1. Preparation of reference materials for EITI implementation

Secretary Gozun mentioned that Mr. Philip Chan of World Bank sent a sample of Materiality Study however; she said it is in Spanish version. Mr. Jay Batongbacal volunteered to help in translating the materiality study into an English version.

The Chair also pointed out the possibility of creating two reporting templates with one tailored for the local governments and the other one for the national level.

3.5. Objective 4.2. Build the required capacity for EITI implementation, monitoring, and reporting

Agreement 11: The body agreed to also seek support from World Bank for the capacity assessment in the implementation of the PH-EITI.

Agreement 12: The body also agreed that the timeline for the required actions for activity 4.2 will be adjusted as follows:

| Required Activity | Original Timeline | Adjusted Timeline |
|----------------------------|------------------------------|---|
| Scoping study for capacity | 3 rd Quarter 2013 | 2 nd -3 rd quarter 2013 |

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|--|------------------------------|---|
| assessment | | |
| Conduct of training with government agencies, local government units, and industry on how to complete the reporting template | 3 rd Quarter 2013 | 3 rd Quarter 2013 onwards. |
| Conduct of training with CSOs to understand the PH-EITI reporting | 2 nd Quarter 2013 | 2nd Quarter 2013 onwards |
| Submission of completed reporting templates | 4 th Quarter 2013 | 1 st Quarter 2014 which is more realistic. |

3.6. Objective 4.3. Preparation and Publication of EITI report

Mr. Romualdo Aguilos of the DENR-MGB inquired on what report will be given for the first submission to the International EITI. The Chair replied that the first report will cover 2011 and 2012 payments by and revenues from large scale metallic mining and oil and gas.

Agreement 13: The body agreed to also make amendments in the timeline for the following activities in 4.3.

| Required Activity | Original Timeline | New Timeline |
|--|---|------------------------------|
| Drafting of EITI Report | 1 st Quarter 2014 | 2 nd Quarter 2014 |
| Release of the draft PH-EITI report to the MSG | 1 st Quarter 2014 | 2 nd Quarter 2014 |
| Discussion and approval of EITI report | 1 st -2 nd Quarter 2013 | 2nd Quarter 2014 |

3.7. Objective 5 Audit/Reconcile and Report on Revenue Flows Between the Philippine Government and Extractive Industries

Agreement 14: The body agreed to the changes in the timeline for the specified activities in Obj. 5

| Required Activity | Original Timeline | New Timeline |
|--|------------------------------|---|
| Prepare a ToR and hire an independent validator to | 2 nd Quarter 2014 | 1 st -2 nd Quarter 2014 |

| | | |
|---|------------------------------|---|
| evaluate progress of PH-EITI implementation | | |
| Respond to validator's assessment and recommendations | 2 nd Quarter 2014 | 2 nd -3 rd Quarter 2014 |

Mr. Sebastian Quiniones of the Petroleum Association of the Philippines inquired if there is a minimum number of companies that needs to submit a report. The Chair responded that there is no set minimum number of companies that is required to submit a report in the International EITI. Those with reconciled reports will be the ones included.

3.8. Objective 6.1. Establish and Maintain Website

Ms. Cielo Magno mentioned that in order to put up a website for the PH-EITI, an estimate amount of forty thousand pesos (Ph 40,000.0) is needed. She proposed that the different sectors of the MSG (government, business, and CSO) divide the cost and come up with the amount needed so that the website can be set up as soon as possible.

Agreement 15: It was agreed that the business and CSO sectors will contribute P 13,500.00 each for the establishment of the PH-EITI website. Mr. Michael Juan of ULAP will consult with Governor Umali for the remaining P 13,000 needed to complete the amount for the set up of the PH-EITI website.

3.9. Public Dissemination of EITI report.

The Chair reiterated that the EITI report will be translated into five (5) languages as agreed in the first MSG meeting. Ms. Cielo Magno proposed that considering the expensive cost for translation, the full EITI report will be printed in English and Tagalog while it will be the Executive Summary report that will be translated in other popular languages.

Agreement 16: The body approved this.

4. PH-EITI participation in the EITI Global Conference at Sydney Australia

The Chair read the invitation letter that was sent by the International Secretariat for the PH-EITI MSG members to participate in the EITI Global Conference at Sydney Australia on May 23-24, 2013. She mentioned that the EITI International will sponsor three PH-EITI MSG members and relayed the recommendation of the EITI International secretariat that at least one of the delegates be a CSO representative.

Agreement 17: The body agreed that it would be good for the entire MSG to attend. Since the policy of the present administration is to attend international conferences which are fully funded, the body agreed that the three delegates to be sponsored by the EITI International Secretariat will be composed of two MSG representatives from the government sector and one from the CSO. It was further agreed that the business sector will fund their own participation. The body agreed to seek the support of development partners in funding the participation of the remaining seven (7) MSG representatives.

5. Other matters

The Chair reminded the government agencies and business sector to send official communication to the secretariat designating their permanent and alternate representatives to the MSG.

Agreement 18: It was agreed that letters will be sent to those concerned.

Agreement 19: It was further agreed that subsequent MSG meetings will be scheduled every first Friday of the month.

The Chair thanked everyone for their active participation. Having no further matters to discuss, the meeting was adjourned 11.45 AM.