

**PH-EITI 35<sup>th</sup> MSG MEETING**  
**9:00 AM- 12:00 PM | August 5, 2016**  
**Waling-Waling Room, Orchid Garden Suites**  
**Pablo Ocampo Street, Manila**

**Attendees:**

9	Engr. Romualdo D. Aguilos	Mines and Geosciences Bureau—Department of Environment and Natural Resources (MGB-DENR)
11	Analynsia C. Alarde	Bureau of Internal Revenue (BIR)
12	Genixon David	Union of Local Authorities of the Philippines (ULAP)
13	Ana Martha Galindes	ULAP
14	Marilyn Posadas	Department of Energy (DOE)
15	Araceli S. Soluta	DOE
16	Renato P. Simon, Jr.	DOE
17	Atty. Ronald S. Recidoro	Chamber of Mines of the Philippines (COMP)
18	Sabino L. Santos	Chevron Malampaya LLC
19	Anthony P. Ferrer	Galoc Production Company
20	Atty. Jay L. Batongbacal	College of Law, University of the Philippines
21	Dr. Merian C. Mani	Marinduque State College
22	Starjoan D. Villanueva	Alternate Forum for Research in Mindanao (AFRIM)
23	Chadwick G. Llanos	Cebu Alliance for Safe and Sustainable Development (CASSE)
25	Buenaventura M. Maata Jr.	Philippine Grassroots - Engagement in Rural Development Foundation, Inc. (ERDF)
27	Tina Pimentel	Bantay Kita
28	Atty. Maria Karla L. Espinosa	Secretariat
29	Abigail D. Ocate	Secretariat
30	Mary Ann D. Rodolfo	Secretariat
31	Joylin A. Saquing	Secretariat
32	Marikit J. Soliman	Secretariat
33	Angelita P. Galano	Secretariat
34	Roselyn A. Salagan	Secretariat
35	Ryan A. Dael	Secretariat
36	Katherine Denise M. Domingo	Secretariat
37	Rhea Mae G. Bagacay	Secretariat
38	Jaime Miguel	Secretariat
39	Ricardo Evora	Secretariat
40	Imelda Feliciano	Secretariat

1 RESOURCE PERSONS:

2

3 Pocholo Domondon Isla Lipana & Co.

4 Corina Molina Isla Lipana & Co.

5

6 Guest/observer:

7

8 Jelson Garcia Natural Resource Governance Institute (NRGI)

9

10

11 AGENDA:

- 12 • Minutes of the 35<sup>th</sup> MSG meeting
- 13 • Matters arising from previous MSG meetings
- 14 • MSG Selection Process
- 15 • Updates on the LGU Roadshow
- 16 • Updates on and planning for PH-EITI Validation
- 17 • Approval of Reporting Templates
- 18 • Presentation on and approval of Materiality
- 19 • Other matters

20

21

22 **1. Call to Order**

23

24 The 35<sup>th</sup> Philippine Extractive Industries Transparency Initiative (PH-EITI) Multi-Stakeholder Group (MSG)  
25 meeting was called to order at 9:18 AM. Engr. Romualdo Aguilos of the Mines and Geosciences Bureau  
26 (MGB) chaired and facilitated the meeting.

27

28 **2. Minutes of the 33<sup>rd</sup> MSG Meeting**

29

30 The Chair proceeded with securing the body's approval of the minutes of the 34<sup>th</sup> MSG meeting which  
31 was sent a day earlier. The Chair asked the body for comments on the minutes. With no comments  
32 being raised, the Chair declared that members will be given one week to comment after which the  
33 minutes will be deemed approved.

34

35 **3. Matters arising from previous MSG meetings**

36

- 37 • *Offer of Timor Leste to conduct training for EITI MSG on Sovereign Wealth Fund (SWF) Process*

38

39 Since the last MSG meeting, the offer of Petroleum Association of the Philippines (PAP) to provide a  
40 resource person to give presentation on SWF is still pending. The body agreed then that they will decide  
41 on the matter of accepting the offer of Timor Leste after the presentation on SWF. To date, there are

1 still no resource speakers but the Secretariat already received the two (2) materials on SWF sent by PAP,  
2 one is a copy of the Santiago Principles (2008) and the other is a 2013 IMF Working Paper. As others  
3 may prefer just the electronic copies, the materials were no longer included in the kit but the Secretariat  
4 prepared hard copies for those who would be interested.

5  
6 The Secretariat asked if the body wanted to close the matter or still want a resource person as originally  
7 intended.

8  
9 A Civil Society Organization (CSO) representative commented that this topic has long been appearing in  
10 the Matters Arising, and that the decision of the MSG has been pending since 2013. He noted that this  
11 topic has been discussed in the last 3 to 4 meetings but there are no specific and concrete actions made.  
12 The same representative suggested that the body decide on this matter already.

13  
14 Before closing the matter, the Chair asked for comments from the new MSG representatives.

15  
16 One member of the MSG noted the materials provided by PAP would give some idea on what SWF is.  
17 He opined that the issue with summarizing the materials is that some information may be missed out, so  
18 it is better to have the whole document instead of having a summarized presentation.

19  
20 The Chair echoed the proposal saying that if the body will not proceed with the presentation due to the  
21 unavailability of a resource speaker, then the body will just contend with the two (2) documents from  
22 PAP as resource.

23  
24 Another MSG member suggested that since everyone is in agreement that the matter is important  
25 considering the insights and learnings it will provide the members, however there is the question of  
26 funding, she suggested to park the matter for the meantime so it would no longer appear in the Matters  
27 Arising which has been there since 2013. While the matter is important, there are also other important  
28 issues and concerns which the body needs to attend to. So meantime that there is no available resource  
29 person, the matter will be parked and then revisited once funding is available and the MSG has decided  
30 where and when to start.

31  
32 The proposal has been seconded and carried on by the body. The matter will be parked for the rest of  
33 the year until there are developments. The Chair added that at the end of the year, all matters or issues  
34 parked will be reviewed/revisited.

35  
36 A clarification was sought by the Secretariat as to whether they will produce another document on  
37 parked items so that pending matters can still be discussed.

38  
39 The Secretariat noted that the constraint really was the funding, meaning, even if the MSG accept the  
40 offer of Timor Leste it would be PH-EITI's expense. She reminded about Dr. Magno's previous statement  
41 about other organizations and resources like NRGi who already has modules on SWF, which could be  
42 another option for MSG. The point of it is the training and knowledge that the MSG can get from the

1 exercise. The body was not able to explore the NRG resource if that would be free or there is cost  
2 involved, because if there is none, then probably NRG would be viable option.

3  
4 Notwithstanding that the matter will be parked as agreed by the body, one MSG member asked if it is  
5 possible to ask Timor Leste to provide the funding so the training can proceed. Someone replied that it  
6 does not work that way.

7  
8 The Chair said that the matter will be parked and suggested that they wait for the PAP to identify  
9 presentors. PAP representatives agreed and committed to just notify in advance if there are already  
10 persons identified and schedule is determined.

11  
12 Acknowledging the fact that funding is a major bottleneck, a CSO member commented that if NRG can  
13 offer the training for free that would be a good thing. It would be best as well if the training will jive  
14 with the presentation from Oil and Gas/PAP. She noted that while some materials may have been  
15 provided already, like the document on Santiago principle, she did not think everybody will read the  
16 material now, so it would be better that it be included in the training. She hoped the training can  
17 happen within the year.

18  
19 The Secretariat informed the body of the presence of Mr. Jelson Garcia, NRG's representative in the  
20 meeting. She confirmed that NRG can provide the training free of charge.

21  
22 In closing the discussion of the issue, the Chair noted that now the MSG has options- either from NRG  
23 or PAP. But meantime the matter will be parked until further developments. Efforts will be exerted in  
24 order that this will push through.

25  
26 The Secretariat has instructions to coordinate with possible resource persons, so while this will be  
27 parked, the timeline is still within the year. Meantime this will be taken out from the matters arising.

28  
29 • *Secretariat's institutionalization*

30  
31 The Secretariat reported that the matter is still pending. Based on the last update, DOF representative  
32 mentioned that they have included the Secretariat as an organic unit in the DOF in their proposed  
33 rationalization plan.

34  
35 From the last MSG meeting, the members expressed willingness to support the Secretariat by signing a  
36 letter addressed to Finance Secretary as there was also a decision to initiate first with the Finance  
37 Secretary before other department secretaries. The Secretariat acted on this by sending a memorandum  
38 on July 25, 2016 addressed to the Secretary which was signed by Atty. Espinosa through Undersecretary  
39 Beltran because the entry point to the Secretary is through organizational level. The approach was to  
40 communicate initially as an office within the structure. The memorandum indicated the urgent concerns  
41 of the EITI. Other information provided include a short and concise background of EITI, role of DOF with  
42 respect to EITI, the achievements and recognitions received and the main issues which are basically on

1 the pending contracts for approval and the ongoing activities vis-à-vis the depleting resources. The  
2 memorandum also included explanation on the implications for DOF of the issues. To date, there is no  
3 feedback yet but the Secretariat committed to provide updates once there are available.

4  
5 • *Draft EITI bill*

6  
7 Based on the last meeting, the body agreed that Atty. Golda Benjamin will be part of the TWG who will  
8 draft the EITI bill. The initial draft will still be pursued though and the body agreed to hire consultant for  
9 this. TWG has not yet been reconvened to discuss the matter but it is among the more important action  
10 item that is pending.

11  
12 • *Selection process for MSG members*

13  
14 There was a proposal raised in the last meeting that MSG should review and approve the selection  
15 criteria for the 3 sectors, government, CSO and industry. According to the Secretariat, the status of the  
16 selection processes from the 3 sectors has not changed. The processes of the two (2) sectors, CSO and  
17 business/industry, have already been approved while that of the government sector remains  
18 unapproved. Since the body cannot partially approve the processes, they will have to wait for the  
19 approved process from the government side. Meanwhile, the Secretariat will continuously follow-up  
20 with the DOE on the matter.

21  
22 • *Engagement of Large Scale Non-Metallic (LSNM) mining associations.*

23  
24 The Secretariat was instructed to make a list of non-metallic firms to invite to participate in EITI, brief  
25 them on EITI, and present the findings of the report. The MSG agreed to include the LSNM mining in the  
26 4<sup>th</sup> Report in 2017 but for the 3<sup>rd</sup> Report, the sector will be included only as part of the contextual  
27 information. The Secretariat also informed the body that one of the consultants has already established  
28 network with a group comprising of non-metallic mining members so this is a good avenue for engaging  
29 the sector. The Secretariat will continue to coordinate on this.

30  
31 • *Update on the process of downloading of shares*

32  
33 The Secretariat apprised the body that they were able to secure an official joint circular of the DBM and  
34 DOF (No. 2016-01) on the Guidelines for the Direct Release of Funds by the Bureau of Treasury to LGUs.  
35 A copy of this joint circular is included in the kit distributed to members. She also apprised that on  
36 August 4, 2016 the DBM had a meeting with the collecting agencies to discuss the guidelines.

37 One participant shared that during the August 4 meeting, they tried to gather reactions from the local  
38 government units. Relative to the current format that LGUs have, the data/information will now be  
39 disaggregated to the point that companies who paid and how much were paid to the collecting agencies  
40 will be seen from the matrix. The Secretariat noted that considering that the last action item of securing  
41 copy of the joint circular was already accomplished, then this item can now be closed.

1 • *Revenue management at the local level*

2

3 The Secretariat was supposed to coordinate with the Local Government Academy and the National  
4 College of Public Administration for the conduct of the training for local chief executives (LCE) on  
5 revenue management. The Secretariat informed that this is included in their workplan and is still for  
6 implementation.

7 A representative from ULAP commented that part of the joint circular provides that local government  
8 should submit their utilization report, so the revenue management training will really be helpful for  
9 LGUs. He shared about one issue: that collecting agencies do their own projections and the LGUs also  
10 do the same thing for their taxes. Apparently however, the LGU projections for their local taxes are also  
11 the projections by the collecting agencies. They think that this is not right as this causes problems with  
12 the projections versus the actual collections.

13

14 A CSO representative asked if the revenue management is an EITI activity. He opined that it seems the  
15 body is focusing only on the LCEs who have little hands on the utilization of the funds that local  
16 government receives. He suggested that treasurers and budget officers be included in the training  
17 because based on interviews, LCEs are very dependent on their finance officers. According to him, if the  
18 utilization report is there, LGUs should be able to produce as well the monitoring report for the money  
19 used for development projects.

20

21 The Chair remarked that this is what the ULAP representative earlier reported on.

22

23 The ULAP representative mentioned about the proposed utilization report which is Annex B of the joint  
24 circular issued. The document includes date of Notice of Authority to Debit Account Issued or NADAI  
25 (which replaced the previous Special Allocation Report or SARO), the type of projects/programs, name  
26 and title of the projects/programs, location, mode of implementation, etc. He noted that it is really a  
27 comprehensive report compared to the earlier utilization report where only amount was indicated.

28

29 A representative of the CSOs shared that one of the biggest problem in all development projects given  
30 through the national wealth, is on the result and impact of the projects. Many people say they are not  
31 enjoying the benefits of the money given for the projects. In this particular case, the report only  
32 indicates the status of the project whether it is ongoing or failure or whatever. It does not indicate what  
33 really happened to the project. It would be very good if monitoring and evaluation system can be  
34 integrated in the process.

35

36 The Chair expressed his thoughts that this may be part and parcel of the local development plans, that  
37 their utilization is being projected, where and how it will be used. As to the point raised on monitoring  
38 and evaluation, the LGUs themselves should be able to establish these systems.

39 The ULAP representative acknowledged the point raised by the CSO representative but noted that for  
40 now it is important to take the first step to transparency and from there, the monitoring and evaluation  
41 of the results of projects may be pursued.

1 As regard to the succeeding items in the Matters Arising, the Secretariat informed that these are all  
2 included in the workplans of the Secretariat.

3

4 • *Online reporting tool for companies*

5

6 The last update was that USAID through the DAI expressed willingness to fund it. The Secretariat  
7 already submitted a Concept Note however there is no feedback yet. This matter is still pending.

8

9 • *Report analysis for the second report*

10

11 The Secretariat refreshed the MSG members that there was a proposal and the body agreed on a design  
12 for the report analysis workshop. This was supposed to be a photo essay contest but this has been  
13 overtaken by more urgent matters and there was issue on finances hence this matter was parked for the  
14 meantime. She noted though that this is till for implementation.

15

16 • *EITI trainings for media*

17

18 The Secretariat explained that this training is on how to understand the EITI report. She noted that this  
19 is included in the workplan.

20

21 • *Measuring public's awareness of EITI*

22

23 The action item is to come up with a measure of EITI awareness. The Secretariat noted that in the past  
24 meeting, there was a suggestion to include a question in the feedback form used during LGU roadshows  
25 on: "Can we start measuring public awareness on EITI?" She reported that this was already done. But  
26 she noted too that as to the bigger project of coming up with a measure of EITI awareness, this is still for  
27 implementation.

28

29 • *Engagement of ARMM*

30

31 The Secretariat recalled that there was a lengthy discussion on this matter during the last MSG meeting.  
32 ULAP reported then that they will start engagement after the transition period of the new  
33 administration. Meantime though, they said that they were doing initial interviews/engagement with  
34 ARMM and trying to establish contacts.

35

36 The Chair requested for updates on this front from CSO representatives.

37 ULAP replied that they already set an initial meeting with ARMM on September 12, 2016 where EITI is  
38 part of the agenda. They noted that they have current engagement with the office of the President of  
39 Sulong Pilipinas, and they are also doing separate ARMM roadshows.

40

1 In terms of the ongoing scoping study in ARMM, a CSO representative reported that they will conduct  
2 presentation and validation of findings to be done in 2 legs, first for the mainland participants to be held  
3 on August 16 and 17 and the other for Basilan, Sulu and Tawi-Tawi (BASULTA) which will be held on  
4 August 22 and 23. The invitation has already been sent to the regional governor. She noted that they  
5 have been trying to schedule for a courtesy call with the office of the governor for 3 weeks already but  
6 has not been successful.

7  
8 The CSO representative acknowledged that the group is still grappling with the situation that there are  
9 no hard economic data, those that surface are mostly environmental and fishery issues. Incidentally  
10 there is an ongoing Mindanao Report of World Bank where the CSO group is made in charged. Its goal is  
11 to develop and formalize the large informal economy of Mindanao to be able to catch up with other  
12 regions of the country. A validation meeting has been scheduled on August 18 and one of the agenda is  
13 a dialogue with the mining sector. It would be good to be present in the event as hopefully through this  
14 WB formal channels, the data gaps can be addressed. The group hoped too that they can give more  
15 significant developments in the succeeding meetings.

#### 16 17 **4. MSG Selection Process**

18  
19 According to the Secretariat while they have prepared a matrix on this, the item will be skipped as it  
20 would be futile to discuss for approval considering that the government process has not yet been  
21 approved by the Department of Energy.

#### 22 23 **5. Updates on LGU Roadshow**

24  
25 The roadshow updates were presented by the project manager for the roadshows, Ms. Joy Saquing. She  
26 reported that there will be six (6) legs starting on August 10 in Davao City, August 24 in Cebu City,  
27 August 31 in Baguio City, September 7 in Surigao City, September 14 in Puerto Princesa City and  
28 September 21 in Manila.

29  
30 The first roadshow, the Davao cluster, will be held at the Apo View Hotel. It will cover the LGUs in the  
31 provinces of Compostela Valley, Zamboanga del Norte, Tawi Tawi and cities and municipalities hosting  
32 metallic mining operations. To date, out of the eight (8) LGUs invited, there were six (6) who confirmed  
33 participation. The two (2) remaining LGUs with no confirmation yet are Languyan and Tawi Tawi.

34 In each LGUs, the invitees include the local chief executive, treasurer and accountants, CENRO, PENRO,  
35 MENRO, environmental and natural resource officers, planning and development officers and public  
36 information officers.

37  
38 Out of the 15 government agencies invited, 12 have already confirmed. For the CSOs, everyone invited  
39 have confirmed participation. Those from industries are still for follow up.

40  
41 All invitations up to the 5<sup>th</sup> leg of the roadshows have already been sent, the only one remaining is that  
42 of the Manila leg.



1 There are already confirmed speakers up to the 4<sup>th</sup> leg of roadshows.

2

3 The program would comprise the following: welcome remarks, presentation of forum objectives and  
4 expectations, overview of PH-EITI, presentation of findings and recommendation of the 2<sup>nd</sup> Country  
5 report, issues and government actions on the report recommendations. It would likewise include an  
6 Open forum, Transparency Pledge Ceremony for LCEs. There will also be a plenary, with topics on the  
7 following: LGU shares in national wealth, SDMP and local development planning process, environmental  
8 governance and monitoring practices and then the mining development framework. There will be a  
9 workshop with two (2) break out sessions.

10

## 11 **6. Validation in 2017**

12

13 The Secretariat reported that PH-EITI validation is still good to go for the January 2017 schedule. She  
14 recalled that during the last MSG meeting, there was an idea broached about postponing the validation  
15 but there was reaction from CSO representative that postponement may work against the country  
16 validation. This is why the Secretariat is still preparing for the January 2017 validation. The preparation  
17 includes taking charge of documents that are within the control of the Secretariat, making sure that  
18 preparations are on track as much as circumstances permit.

19

20 The Secretariat also apprised members about the communication training that was held back to back  
21 with the last 34<sup>th</sup> MSG meeting. The objective of the training was to come up with key messages from  
22 MSG for PH-EITI outreach activities. She emphasized that this is also an integral part of preparation for  
23 validation saying that other than the documents, there will be interviews to be conducted by the  
24 validating team to assess the awareness on EITI among stakeholders. The role of coming out with key  
25 unified messages for outreach activities is with PH-EITI. She noted however that the training then had  
26 slim participation due to simultaneous meetings held that day as well.

27

28 In the communications training held, there were exercises and sharing among MSG members present.  
29 The pending action item is to come up with key messages for PH-EITI. As this will be useful for PH-EITI,  
30 the Secretariat wanted to know how the members would like to proceed.

31

32 The Secretariat proposed that alongside the preparation for the country report, they would also like to  
33 plan for the validation in 2017. She suggested that PH-EITI do a workplan that is very specific as to  
34 actions that will be taken towards getting a positive rating for the Philippines on the different criteria for  
35 validation.

36

37 A CSO representative expressed very strong appreciation for the Secretariat considering the works being  
38 done for the 2017 validation. He noted that he is getting 2 messages: 1) There is not enough funds to  
39 continue with all the activities being done and is there an assurance that the activities can be sustained  
40 without sufficient funds considering further that the Secretariat has been working despite lapsed  
41 contracts; and 2) What are the fund generation activities being done? While efforts are exerted to pass  
42 and secure country validation in 2017, but where is the funding?

1 On the matter of fund availability, the Secretariat noted that this matter is included for discussion under  
2 Other Matters. But since the issue has been raised already, she deemed it timely to provide updates  
3 already.

4  
5 The EGPS is a World Bank grant that is supposed to fund PH EITI for 3 years, 2016 to 2018. The release  
6 has been delayed already, for 7 months now and counting. The process is quite lengthy and it passes  
7 through a number of agencies before funds get to be released to the specific account of PH EITI. It has  
8 been reviewed by the NEDA already.

9  
10 As to the status, it is now on the part of the Philippine government, represented by the DOF, to approve  
11 it. The process is steered by the Internal Finance Group (IFG) and legal clearance is needed prior to the  
12 approval and signature of the Secretary. To date, it has not been approved yet despite several  
13 memorandum sent expressing the urgency of its approval. As of now, the funds being used are still GOP  
14 counterpart and it is practically depleted. This run down has seriously affected the ease with which  
15 procurement of necessary services and goods for activities are done. Payments have been difficult as  
16 well.

17  
18 But the Secretariat is still functioning. As of now, 5 out of 13 staff still have contracts, the rest have  
19 lapsed contract since July 1. Despite these, the Secretariat has decided to push through with the  
20 activities because in the event that things turn around, there will not be much of a hard time in catching  
21 up with the preparations.

22  
23 Going back to the validation process, Atty. Recidoro suggested that the body run through on what will  
24 happen in the validation process when the validation team is in the country, what meetings will  
25 transpire, what the validation team will be looking for, what will be expected from the 3 stakeholders so  
26 that responsibilities can be assigned. He suggested to come up with cheat sheet for each sector so that  
27 sector members can be prepared as well.

28  
29 The Chair agreed and responded that such will be part of the workshop.

30  
31 The Secretariat noted that the MSG can hold the validation workshop and there are available ways to  
32 fund it. She raised the possibility that one MSG meeting can be used to hold the workshop. The Chair  
33 agreed.

34  
35 One participant raised the issue of scheduling the workshop. She pointed out that learning from MSG's  
36 past experience, the pre-validation workshop needs to be conducted long before January 2017. She  
37 further raised her concern, that it is not enough to thank and appreciate the Secretariat for what they  
38 are doing. She queried if there is a way for the industry and CSO to facilitate and expedite the  
39 institutionalization of the Secretariat?

40

1 The Secretariat expressed appreciation for the concern shown by the MSG. But assessing the situation,  
2 they deem it more appropriate to approach the matter internally as they would not also want to exert  
3 undue pressure on the MSG at this time.

4  
5 A CSO representative stressed that the reasons for the delay must be determined. If it is a matter of  
6 bureaucracy, there should be something that MSG or maybe people from government can do because  
7 this will affect a lot of activities that are being done for EITI.

8  
9 The Chair reminded that there is still one avenue, the MICC which is chaired by the DENR. He noted that  
10 may be in one of the MICC meetings when the committee convenes, a lobby on these concerns can  
11 possibly be done. The body agreed and further added that the MICC will be the one to remind the DOF.

12  
13 The Secretariat asked for directions as regard to the MICC, noting that the council is co-chaired by the  
14 Secretaries of DOF and DENR with the Secretariat function being lodged with the NEDA. Apparently  
15 upon occasional checking with NEDA, there is no meeting scheduled anytime soon. Thus the future of  
16 MICC as a venue remains a question as well.

17  
18 ULAP representative mentioned about the Open Government Partnership or OGP, saying that EITI is one  
19 of the commitments of the Philippines in the 2015-2017 National Action Plan. Moving along with the  
20 creation of the 2017-2019 National Action Plan, ULAP, as representative of local government, will  
21 proposed that EITI remain as one the country's commitments in the OGP.

22  
23 Before moving on to the next topic, the Chair encouraged everyone to see what help can be done for  
24 the Secretariat and to explore the possibilities.

25  
26 **7. Approval of Reporting Templates**

27  
28 The Secretariat reminded about the need to approve the reporting template as these are critical in the  
29 data gathering for the 3<sup>rd</sup> Country Report. She reminded that body that the Secretariat already sent the  
30 template via email and provided at least 2 weeks of review period. She acknowledged the presence of  
31 the Independent Administrator (IA) in the meeting to present their own comments on the templates  
32 and their recommendations based on their experience doing the 2<sup>nd</sup> country report.

33  
34 The MSG comments on the revised templates sent via email have been included in the meeting  
35 documents/kit. The Secretariat noted that they have already either directly implemented the changes in  
36 the reporting templates or contacted the person who gave the comments to discuss and arrive at  
37 resolutions.

38  
39 Of the 12 reporting templates, only 3 were commented on by the MSG members: 1) the mining  
40 company template, 2) the LGU template, and 3) MGB template. It was assumed that the rest of the  
41 templates are already approved considering there were no comments received during the review  
42 period.

1 According to the Secretariat, the 3 templates are basically the same ones used in the 2<sup>nd</sup> country report.  
2 For the LGU, it is just a matter of formatting and an additional note on the quality or the content of  
3 answer required for a particular field, e.g. under the “nature of expense or project”, add “(include short  
4 description of the project)”. Also a column on total project cost was added.

5  
6 After giving brief explanation, the Secretariat asked the body for the approval of the reporting template  
7 as presented.

8  
9 The Chair, speaking for MGB, stated that they made concise what the IA did as it initially looked very  
10 long and it would be hard for MGB to complete and fill-up. MGB came up with a matrix that is simple  
11 but still covers everything that was suggested by the IA. He then asked if the body would like to approve  
12 the template so data collection can commence. A CSO representative made a motion to approve the  
13 template. It was seconded by the members.

#### 14 15 **8. Presentation and approval of materiality** *(with attached presentation, Annex A)*

16  
17 The IA started the presentation by noting that their presentation will cover discussion on definition of  
18 materiality, scoping of companies, high-level overview of their reconciliation procedure and other  
19 matters.

20  
21 Materiality. The definition of materiality was reviewed. The speaker underscored the following points,  
22 noting its consistency with the EITI standards:

- 23
- 24 • MSG is required to agree which payments and revenues are material and therefore must be  
25 disclosed, including appropriate materiality definitions and thresholds;
  - 26 • Payments and revenues are considered material if their omission or misstatement could significantly  
27 affect the comprehensiveness of the EITI report;
  - 28 • In establishing materiality definitions and thresholds, the MSG should consider the size of the  
29 revenues streams relative to total revenues.

30  
31 The IA proposed that, similar to 2013, the application of fixed percentage of 2% to total revenue  
32 collection per each of the three sectors and that is consistent and aligned with other EITI implementing  
33 countries.

34 The IA explained what it means to provide for threshold. He referred to the presentation slide where a  
35 sample materiality calculation for 2014 using 2013 data was presented. Providing a threshold means  
36 that for any revenue stream or for any taxes amounting to P122 million, all of those will already be  
37 included as part of the reconciliation process. Company A, for example, provided for a tax payment  
38 aggregating to at least P122 million, all of those will now have to be reconciled.

39  
40 The figure shows that for mining, it will be P122 million and for oil & gas, it will be 720 million. The same  
41 process done last year will be followed. The difference this time, as the IA noted, is that for the 2013  
42 data covered in the 2<sup>nd</sup> Country Report, the IA relied on data from the participating companies/industry, as

1 there was no information collected from the government. But what the IA did in the 2<sup>nd</sup> country report  
2 as part of the addendum, they requested for the aggregate receipt from the different government  
3 agencies and thus was they were able to provide all these numbers for scoping purposes.

4  
5 For the 2014 data covered in the 3<sup>rd</sup> Country Report, since there is data from the government side, IA  
6 used the government receipts as means of determining the threshold. According to the IA, this is  
7 actually more in line with how other territories or countries are doing it.

8  
9 Using the threshold for mining as well as for oil & gas, the total in scope revenue stream that would  
10 have to be reconciled by IA will be about P5.9 billion for mining and P35.5 billion for oil & gas. But  
11 recalling from last year where even if a threshold of 2% is set, there were certain revenue streams or  
12 taxes that were requested by the MSG to be still included even if they fall below materiality. And if these  
13 are included, with a total of P113 million for mining, that will bring total coverage for 2014 to P6.1 billion  
14 for mining and still P35.5 billion for oil & gas.

15  
16 The in scope total line item presupposes that IA will cover all companies regardless of materiality. If  
17 material companies will be disaggregated from non-material, those material companies (*defined as*  
18 *those with reported sales of at least P1 billion*), will total to 85.89% of payment for mining companies and  
19 98.10% for oil & gas companies. But if it will be all companies regardless of materiality, IA will be able  
20 to cover 99% for both mining and oil & gas companies.

21  
22 But to be more prudent and strategic in approach, IA would only focus (*and do follow-ups*) on material  
23 companies as part of the reconciliation. But if there are submissions from non-material companies,  
24 those would still be reconciled.

25  
26 The succeeding slides showed an enumeration of different revenue streams to be covered by the IA. For  
27 mining the same items will be covered as those in 2013 but with additional items such as withholding  
28 tax and real property tax which for 2014 will be scoped in. The IA also showed the list of fund that will  
29 be covered regardless of materiality.

30  
31 For coal, the IA noted there was no reconciliation for 2013 as the sole material entity did not participate.  
32 However, data from its financial statements were presented as matter of information. But for 2014, it  
33 will be covered using the 2013 data provided by the government with scoped in revenues such as: 1)  
34 government share in production (DOE); 2) real property tax (LGU); and 3) Wharfage fees (PPA).

35  
36 Scoping of Companies. The next slide showed the material mining entities for 2013 and 2014. From  
37 2013 listing, there were 2 additional companies being scoped in 2014, these are Shuley Mine and  
38 Century Peak Corporation, both are involved in nickel mining. Rapu Rapu has reported zero revenue  
39 because it already closed even in 2013. TVI Resources slowed down operations in 2014. For the 2  
40 companies with pending financial statement, CTP Construction and Adnama Mining, it is assumed that  
41 they will still be considered material companies considering 2014 was a boom for nickel companies.

1 A CSO representative asked clarification if for this year's reporting there will be less number of  
2 companies under materiality compared to 2014 reporting? The IA answered in the affirmative, basing on  
3 the 2014 reported sales. They noted further that last year, there were about 24 companies, which is  
4 now down to 21.

5  
6 A CSO member expressed opinion that materiality aside, the essence of participation in EITI is that once  
7 a company is in, participation should be sustained. SR Languyan, for instance, is a material company  
8 based in 2013, yet it did not submit making it a non-material company now. Will it mean that they will  
9 no longer be invited? The point is that participation in EITI should be a sustained commitment.

10  
11 The IA agreed and even said that there are actually 50 or 40 identified mining companies from last year  
12 and all of them will still be provided with templates for completion, but priority will be given on material  
13 companies.

14  
15 The CSO representative suggested to include all large scale mining companies. Whether or not they  
16 comply or submit the required documents would reflect their level of interest in the reconciliation  
17 activity.

18  
19 According to IA even in the 2<sup>nd</sup> Country Report they raised a concern that if all companies are invited  
20 and the MSG decide that all have to be in scope, in the event that companies did not submit, it would  
21 have to be proven, for validation process, that the non-submission did not compromise the overall  
22 sufficiency of the report. That is the reason why the IA wants to prioritize just the material companies as  
23 they are already adequate representation of the industry.

24  
25 The Chair opined that the participation of non-material companies should also be invited and should still  
26 be published, but the reconciliation will be done only on the material companies.

27  
28 The IA once again clarified that even non-material companies, if they submit their template, the IA will  
29 proceed and include them in the reconciliation. However, in terms of prioritizing efforts, it will be given  
30 on the material companies first, because they will be enough to respond to the requirements of EITI.

31  
32 The IA reminded the MSG that even the International body had some question why the non-material  
33 companies are included in the report, but the MSG still decided that it would be best that they are all  
34 included just to persuade them to join because later on they may be classified as material, depending on  
35 the extent of their operation.

36  
37 The next slide shows the material oil & gas companies for 2013 and 2014. There are 2 new entrants for  
38 2014, these are TransAsia Oil & Energy and Oriental Petroleum. The IA expressed their intent to get  
39 confirmation from DOE as it appears that TransAsia is generating revenue not from oil extraction but  
40 more on power generation. IA was suggesting to exclude TransAsia because they are not necessarily  
41 representative of the oil industry.

42

1 One MSG member asked where the figures in the presentation came from noting that their own figures  
2 are per service contracts.  
3

4 The IA replied that the numbers are from the audited financial statement of the companies. For scoping  
5 purposes, the sales figures as reported by the company were used, but later on, IA will do a  
6 reconfirmation based on revenue stream or total taxes paid.  
7

8 A clarification was sought if Trans Asia, one of the 2 new entrants as reported earlier, volunteered to be  
9 part of the material consideration or were they invited? How does the process go?  
10

11 The Chair answered that what was done, for example in 2014, was to identify the operating metallic  
12 mining companies, subject them for reconciliation and invite them for submission of templates. The list  
13 comes from government agencies, like MGB and DOE.  
14

15 According to the IA, they take it that the when the company submits templates, it reflects already their  
16 interest to participate. If they do not submit, then it is an indication of non-interest in the initiative.  
17

18 A concern was raised that if data will be published in the report and companies will see the data,  
19 considering they are not part of the cooperating volunteers in the EITI, then there may be potential  
20 problems.  
21

22 The Chair explained that this has been done in the past, where companies operating in the mining and  
23 oil & gas sectors were encouraged to participate. If they do not sign a waiver, there can be no  
24 reconciliation part. Since the government has the monitoring function, they can only encourage.  
25

26 The question was clarified and reiterated: How and when does the engagement of companies start, for  
27 example for Trans Asia, did EITI send an invitation letter or EITI just picked them? And if they were  
28 picked, how can their cooperation in the EITI in terms of providing the data be ensured?  
29

30 The IA noted that the overarching criteria for inclusion come from MGB and DOE. Per MGB, all large  
31 scale metallic mining companies will be included, and according to DOE, all companies with service  
32 contracts in oil and natural gas will be included. It just happen that some companies, like Trans Asia,  
33 have multiple product and revenue segments like service contracts and electricity. The Chair added that  
34 these companies are the ones that MGB, or government agencies monitor for that matter.  
35

36 The Secretariat noted that on the part of PH-EITI since they are the ones pushing the papers, she  
37 confirmed that the list come from government agencies such as MGB and DOE. PH-EITI sends the letters  
38 of invitation, but participation is voluntary rather than mandatory. Government agencies support the  
39 initiative by encouraging participation. Companies respond by signing a waiver, or filling up the  
40 templates or sending a note/letter saying they will not participate. In any case, it is an action to the  
41 documents that Secretariat sends them.

1 One MSG member emphasized the importance of documenting the process in any event that they are  
2 asked as to why certain companies are included in the report.  
3

4 Reconciliation Procedure. The IA noted that the same process will be done, a full examination of any  
5 noted differences both for the industries and government entities. The reconciliation process will start  
6 with the entity first, engaging them and asking for the necessary documents. If there will be none from  
7 the entity, then IA will reach out to the government side.  
8

9 Other Matters. On other matters for MSG reconfirmation, there are two (2) items under Contextual  
10 information, one is on the carry-over of information, how MSG would wish to present the information  
11 from both 1<sup>st</sup> and 2<sup>nd</sup> reports. This has been a point of contention when the 2<sup>nd</sup> report was drafted. IA  
12 asked for the MSG consensus.  
13

14 The second item is for small scale mining (SSM), where IA noted that this would already be part and  
15 parcel of the actual report, and will be presented as appendix similar to what was done in the 2<sup>nd</sup> report.  
16

17 According to a CSO representative, the issue on carry over is practical, the problem was because the 1<sup>st</sup>  
18 report contains all the contextual information, so in the 2<sup>nd</sup> report, we just referred back to the 1<sup>st</sup>  
19 report. So with the new report, we could use the same technique, but only supplement it with recent  
20 developments like the new circulars on downloading of shares to LGUs  
21

22 That will be the approach to be taken for the 3<sup>rd</sup> report, exactly the same as the second but with  
23 supplements.  
24

25 For the timeline, the IA has initially set the cut-off for the Reporting templates on September 9, the  
26 preliminary results will be presented in the October MSG meeting and the submission of final report on  
27 December 3.  
28

29 The developments for the 3<sup>rd</sup> report is that in terms of submissions to the MSG, the contextual  
30 information will be prioritized so that would be done much earlier, target is September and for the  
31 reconciliation it would be in November.

32 The Chair reminded that last year companies and government were requested to submit the 2013 and  
33 2014 data. How will the 2014 data be treated? IA responded that submissions will be reviewed and  
34 subjected to reconciliation. But IA noted too that but there were actually very few who provided 2014  
35 data. For the government side, both DOE and MGB have provided data already. To the extent that they  
36 can already start the reconciliation, they will already commence.  
37

38 A concern was raised on what can be expected by those who already submitted the 2013 and 2014 data.  
39 IA said that since the MSG has just approved the templates, the same will be emailed and new data  
40 submissions will be rechecked. The Chair assured that the newly approved templates will be provided to  
41 all.



1 Before moving on to the last item, the Secretariat asked the Chair if the Materiality is now approved as  
2 presented and discussed.

3  
4 She also informed the body of another pending concern, that the IA still does not have a contract as the  
5 procurement of their services got caught likewise in the transition. So it is but goodwill on their part to  
6 cooperate by starting the work already despite the absence of contract.

7

8 **8. Other Matters**

9

10 The Secretariat noted that the Updates on Extractives Global Programmatic Support (EGPS) grant from  
11 the World Bank (WB) was already taken up earlier and likewise the concerns of the Secretariat. She  
12 asked if there were other matters to discuss, otherwise the body can proceed with the scheduling of the  
13 next MSG meeting.

14

15 Schedule of next MSG meeting. According to the Secretariat, following the usual 1<sup>st</sup> Friday schedule of  
16 MSG meetings, the 36<sup>th</sup> MSG meeting should be on September 2, but that would be the Cebu leg of the  
17 LGU roadshow. She thought that MSG may want to consider another schedule.

18

19 The Chair asked if meeting can be held instead in the 2<sup>nd</sup> week, September 9? The Secretariat informed  
20 that this will coincide with the Surigao leg.

21

22 The body deliberated over a number of possible dates and finally arrived at October 7 as schedule of the  
23 36<sup>th</sup> MSG meeting considering the following reasons: by this time, there would be feedback from the  
24 LGU roadshows, and initial IA feedback from the submission of reporting templates

25

26 The meeting was adjourned at 11:50 am.

# *Elevating Transparency*

PH - Extractive Industries  
Transparency Initiative

MSG Meeting

August 2016

*Isla Lipana & Co/  
PwC*



# Key concepts

*Defining materiality*

**1**

*Scoping*

**2**

*Reconciliation process*

**3**

*Other matters*

**4**



# Defining materiality



- ....the multi-stakeholder group is required to agree which payments and revenues are material and therefore must be disclosed, including appropriate materiality definitions and thresholds.
- Payments and revenues are considered material if their omission or misstatement could significantly affect the comprehensiveness of the EITI report.
- In establishing materiality definitions and thresholds, the multi-stakeholder group should consider **the size of the revenues streams relative to total revenues.**

---

## *Defining materiality (cont'd)*



*2013 Final  
materiality  
basis*

- 2% of total payments on a per industry basis
- nature of the payments based on their relevance and significance to communities



*Proposed  
materiality  
for 2014*

- Same as 2013 basis (to be more consistent and aligned with EITI implementation in other territories)

## ***Defining materiality (cont'd)***

### ***2014 proposed materiality calculation (based on 2013 data)***

<b>Materiality calculation</b>	<b>Mining</b>	<b>Oil &amp; Gas</b>
Total payments*	6,107,938,457	36,007,046,272
@2% threshold	122,158,769	720,140,925
In scope (above threshold)	5,954,617,789	35,473,541,690
In scope (additional per MSG)	113,288,597	nil
In scope (Total)	6,067,906,386	35,473,541,690
<b>% coverage (PY material &amp; participating)</b>	<b>85.89%</b>	<b>98.10%</b>
<b>% coverage (industry)</b>	<b>99.34%</b>	<b>98.52%</b>

*\*excluding Funds, to be assessed separately*

## Defining materiality (cont'd)

	2014	2013
MINING revenue streams	<p><b><u>Using threshold (2013 data):</u></b></p> <ol style="list-style-type: none"> <li>1. Corporate income tax (BIR)</li> <li>2. Excise tax on minerals (BIR)</li> <li>3. Withholding tax - Foreign shareholder dividends (BIR)</li> <li>4. VAT on imported materials and equipment (BOC)</li> <li>5. Royalty in mineral reservation (MGB)</li> <li>6. Local business tax (LGU)</li> <li>7. Customs duties (BOC)</li> <li>8. Royalty for IPs (NCIP)</li> <li>9. Real Property Tax - Basic and SEF</li> </ol> <p><b><u>Additional specified by MSG:</u></b></p> <ol style="list-style-type: none"> <li>1. Withholding tax - royalties to claim owners</li> <li>2. Funds - <i>refer to list on next slide</i></li> </ol>	<p><b><u>Using threshold:</u></b></p> <ol style="list-style-type: none"> <li>1. Corporate income tax (BIR)</li> <li>2. Excise tax on minerals (BIR)</li> <li>3. Withholding tax - Foreign shareholder dividends (BIR)</li> <li>4. VAT on imported materials and equipment (BOC)</li> <li>5. Royalty in mineral reservation (MGB)</li> <li>6. Local business tax (LGU)</li> <li>7. Customs duties (BOC)</li> <li>8. Royalty for IPs (NCIP)</li> </ol> <p><b><u>Additional specified by MSG:</u></b></p> <ol style="list-style-type: none"> <li>1. Withholding tax - royalties to claim owners</li> <li>2. Real Property Tax - Basic and SEF</li> <li>3. Funds - <i>refer to list on next slide</i></li> </ol>

## *Defining materiality (cont'd)*

	<b>FUNDS (2014 and 2013)</b>
MINING revenue streams	<ol style="list-style-type: none"><li>1. Rehabilitation Cash Fund - Actual Expenditure</li><li>2. Monitoring Trust Fund - Actual Expenditure</li><li>3. Environmental Trust Fund - Actual Expenditure</li><li>4. Final Mine Rehabilitation and/or Decommissioning Fund - Actual Expenditure</li><li>5. Mine wastes &amp; Tailing fees</li><li>6. Annual EPEP</li><li>7. Social Development &amp; Management (host and neighboring communities)</li><li>8. Mining Technology and Geosciences advancement</li><li>9. Information, Education &amp; Communication (IEC)</li><li>10. Safety and Health Programs</li></ol>



## Defining materiality (cont'd)

	2014	2013
OIL AND GAS revenue streams	<p><b><u>Using threshold (2013 data):</u></b></p> <ol style="list-style-type: none"><li>1. Corporate income tax (BIR)</li><li>2. Withholding tax - Profit remittance to principal (BIR)</li><li>3. Government share from oil and gas production (DOE)</li></ol> <ul style="list-style-type: none"><li>• <b>No additional scoped-in revenues specified by MSG.</b></li></ul>	<p><b><u>Using threshold:</u></b></p> <ol style="list-style-type: none"><li>1. Corporate income tax (BIR)</li><li>2. Withholding tax - Profit remittance to principal (BIR)</li><li>3. Government share from oil and gas production (DOE)</li></ol> <ul style="list-style-type: none"><li>• <b>No additional scoped-in revenues specified by MSG.</b></li></ul>

## Defining materiality (cont'd)

	2014	2013
COAL revenue streams	<p><b><u>Using threshold (2013 data):</u></b></p> <ol style="list-style-type: none"><li>1. Government share in production (DOE)</li><li>2. Real property taxes (LGU)</li><li>3. Wharfage fees (PPA)</li></ol> <ul style="list-style-type: none"><li>• <b>No threshold for above revenue streams since there is only one material entity (Semirara Mining and Power Corporation).</b></li></ul>	<ul style="list-style-type: none"><li>• <b>Not subjected to reconciliation since the sole material entity (97% of industry) did not participate. However, data from its financial statements were presented as matter of information.</b></li></ul>

## ***Scoping - Material entities (mining)***

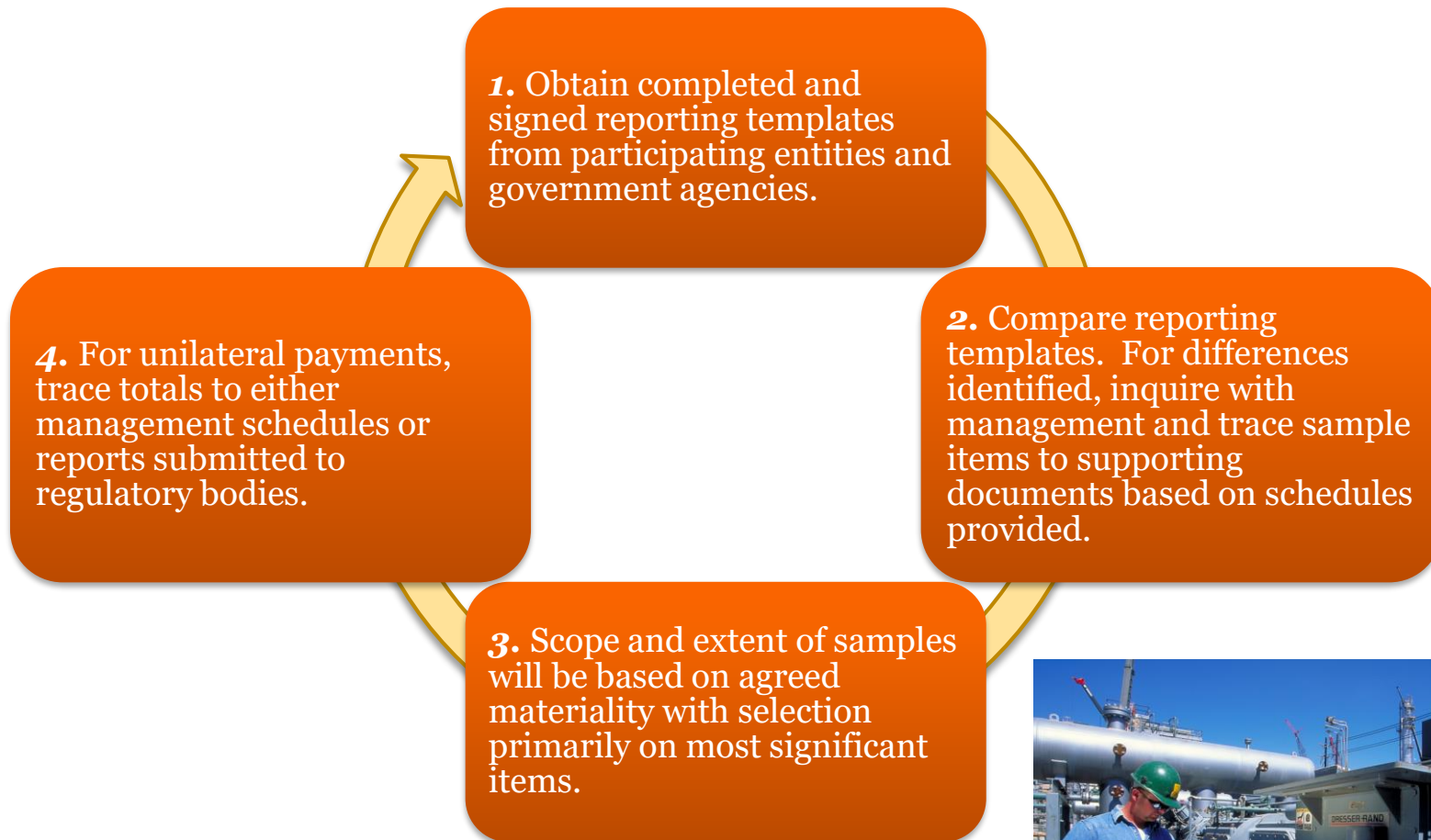
<b>No.</b>	<b>Company Name</b>	<b>2013 Revenues (Php'000)</b>	<b>2014 Revenues (Php'000)</b>
1	Carmen Copper Corporation	13,583,950	13,886,226
2	Philex Mining Corporation	10,243,407	10,582,360
3	Oceana Gold Inc.	8,466,400	13,261,194
4	Carrascal Nickel Corporation	4,408,217	5,188,456
5	Platinum Group Metals Corporation	3,759,984	11,979,678
6	Hinatuan Mining Corporation	3,438,856	5,122,763
7	Rio Tuba Nickel Mining Corporation	3,189,634	6,926,564
8	Taganito Mining Corporation	3,109,101	8,907,493
9	SR Metals, Incorporated	2,596,409	4,533,782
10	Marcventures Mining and Development	2,516,601	2,526,963
11	TVI Resources Development Philippines, Inc.	2,389,331	597,830
12	CTP Construction and Mining Corporation	2,070,323	Pending FS
13	Lepanto Consolidated Mining Company	2,025,213	1,482,291
14	Adnama Mining Resources Incorporated	1,781,413	Pending FS
15	Apex Mining Company Inc.	1,735,841	1,730,742
16	Eramen Minerals, Inc.	1,635,756	2,483,223
17	Citnickel Mines and Development Corporation	1,623,658	3,548,552
18	Filminera Resources Corporation	1,480,635	3,547,265
19	Rapu-Rapu Minerals, Inc.	1,399,693	-
20	Benguet Nickel Mines, Inc.	1,289,326	1,983,208
21	SR Languyan	1,239,321	557,649
22	Greenstone Resources Corporation	1,234,982	2,426,875
23	Shuley Mine Incorporated	437,022	2,075,581
24	Century Peak Corporation (Casiguran & Esperanza)	69,118	1,008,272

# Scoping - Material entities (OG)

No.	Company Name	2013 Revenues (Php'000)	2014 Revenues (Php'000)
1	Chevron Malampaya LLC	25,063,402	28,084,294
2	Shell Philippines Exploration B.V.	24,136,053	23,683,792
3	PNOC - Exploration Corporation	6,451,523	6,601,795
4	Galoc Production Company	3,436,894	3,295,538
5	TransAsia Oil & Energy Devt. Corp.*	508,835	1,042,619
6	Oriental Petroleum & Minerals Corp.	671,725	1,008,804

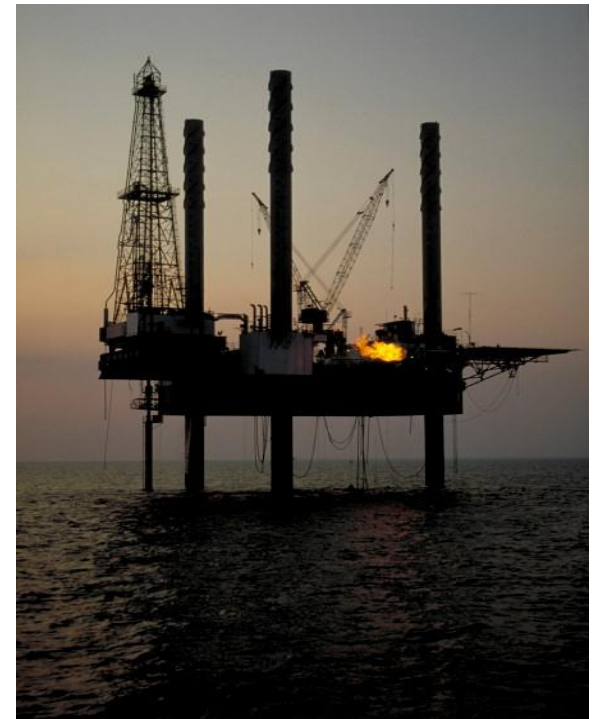
*\*operations were limited from power generation and trading rather than oil and mineral exploration*

# Reconciliation process



## *Other matters*

- **Contextual information**
  1. Carry over of information from prior reports
  2. Expected narrative on small scale mining
- **Timeline**
  1. Reporting templates cut-off (September 9)
  2. Preliminary results to be presented in October MSG meeting
  3. Submission of final report on December 3



# *Questions?*