

Philippine Extractive Industries Transparency Initiative**80TH MULTI-STAKEHOLDER GROUP MEETING**

9 June 2022, Thursday | 9:00 AM - 10:30 NN | Hybrid Meeting

Department of Finance, Manila, and Google Meet

Attendees

Government	
1. OIC - Usec. Valery Joy Brion	Department of Finance (DOF)
2. Ms. Febe Lim	DOF
3. Engr. Romualdo Aguilos	Department of Environment and Natural Resources - Mines and Geosciences Bureau (DENR-MGB)
4. Dir. Araceli Soluta	Department of Energy (DOE)
5. Mr. Jedd John Castillo	Department of the Interior and Local Government (DILG)
6. Ms. Maricor Cauton	Union of Local Authorities of the Philippines (ULAP)

Industry	
1. Atty. Ronald Rex Recidoro	Chamber of Mines of the Philippines (COMP)
2. Atty. Francis Joseph Ballesteros, Jr.	Philex Mining Corp.
3. Atty. Odette Javier	Lepanto Consolidated Mining Company

Civil Society	
1. Mr. Vincent Lazatin	Bantay Kita - Publish What You Pay Philippines (BK)

2. Ms. Angelica Dacanay	BK
3. Mr. Chito Trillanes	Social Action Center - Ecology Desk, Diocese of Tandag, Surigao del Sur
4. Prof. Ladylyn Mangada	University of the Philippines - Tacloban

Consultants for the FY2020 Country Report	
1. Mr. Jerick Aguilar	
2. Ms. Linnet Madelane Chan	

PH-EITI Secretariat	
1. Mr. Eastword Manlises	
2. Ms. Mary Ann Rodolfo	
3. Ms. Mary Jane Baldago	
4. Ms. Anna Leigh Anillo	
5. Ms. Zoe Jimenez	
6. Ms. Roselyn Salagan	
7. Ms. Rhea Mae Bagacay	
8. Mr. Albert San Diego	
9. Ms. Rhoda Aranco	
10. Ms. Andrea Denise Samson	
11. Mr. Dennis Atienza	
12. Mr. Jaime Miguel	
13. Mr. Ricardo Evora	
14. Mr. Ivan Harris Tanyag	
14. Ms. Therese Andrea Bartolome	
15. Ms. Merry Jean Caparas	

16. Ms. Pamela Kim Aquino

Agenda

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Proceedings

I. Call to order

DOF OIC - Undersecretary Valery Joy Brion chaired the meeting. There being a quorum, the meeting was called to order at 9:08 AM.

II. Approval of the agenda of the 79th meeting

The Chair sought the approval of the agenda.

A civil society representative motioned for the approval of the agenda. The motion was seconded and the agenda was approved.

III. Main Business - The FY2020 PH-EITI Report

1. Contextual information

The Secretariat started the discussion on the contextual information chapter of the FY2020 PH-EITI Report. The Secretariat presented background information on the chapter, including the timeline of submissions.

Deliverables	Submission Date	Actions Taken	Date
Inception Report	September 24, 2021	Circulated to the MSG for comments	October 4, 2021
First Draft	January 13, 2022	Circulated to the MSG for comments (for 76th MSG meeting)	February 9, 2022
Second Draft	February 18, 2022	Review and Feedback of Secretariat	March 25, 2022
Third Draft	April 21, 2022	Review and Feedback of the Secretariat	April 22, 2022
Fourth Draft	May 23, 2022	Circulated to the MSG for review and comments	June 3, 2022

The Secretariat introduced Mr. Jerick Aguilar, the consultant for the contextual information chapter. The consultant proceeded with the presentation of his key findings for the report. A copy of the presentation is attached as an annex to the minutes.

The consultant discussed that the metrics for the extractives industries have declined from 2019 to 2020. He discussed the decrease in the gross value added (GVA) shares to the gross domestic product (GDP) of mining and quarrying (MAQ).

The Chair suggested that during presentations, it would be useful to proactively put in the slide insights or key messages being communicated through charts and graphs.

An industry representative pointed out the discrepancy of data from the MGB and PSA. He said that this might create confusion. It should explain why the data are different.

A government representative said that the MGB gave updated figures to the PSA, but there may be times when the data from the MGB increases because of reconciliation. He is not sure if the PSA gets updates as well.

An industry representative suggested that it may be good to look at how many COVID-19 cases the companies had in 2020, and show how it impacted them particularly. He said they were monitoring the COVID-19 cases in the companies and there were virtually zero cases. He said that it would be good to check on COVID cases in the mine sites.

The Chair commented on the consultant's recommendations, particularly on giving pecuniary incentives to MSG members. The Chair said that there is a policy on honoraria, especially for government officials, and that the delay on the production of reports cannot be linked to the lack of financial incentives.

An industry representative said that he was also surprised with the recommendations because the usual practice is that the MSG members are the ones that are asked to submit recommendations for the report. He said that what should be done is give MSG members the opportunity to comment on the proposed recommendations or add their own.

The Chair requested the MSG members to comment on the consultant's recommendations and add other suggestions as they deem fit.

A civil society representative said that as CSO representatives, it is hard for them to recommend incentives because what they do is considered a form of advocacy and volunteerism. He said that the incentives could be practical for the MSG since what they do are additional requirements. But for his representation, he said that they will do their best to help the PH-EITI and industries pass the standards.

Another civil society representative agreed that the lack of compensation for MSG members is not an issue.

On the part of global comparisons, the Chair asked if there are data from ASEAN countries. The consultant responded that the ASEAN data in his presentation was only on Indonesia. He said that he will add the data from other ASEAN countries.

The Secretariat asked if the consultant vetted the related agencies on quasi fiscal data. The Secretariat said that the MSG should confirm whether or not the requirement is applicable to the Philippine context. The other entities that could be consulted regarding this are the Philippine National Oil Company (PNOC) and the Philippine Mining Development Corporation (PMDC).

A civil society representative suggested coordinating with PSA and MGB to reconcile the discrepancies of data. The Secretariat said that there were previous efforts to convene with PSA and MGB. The Secretariat will just request another meeting. The Secretariat also suggested consulting the direct source of data which is MGB to address the discrepancy of data in the future.

An industry representative suggested highlighting the thesis of the report. He wants to see how the theme is fleshed out, how “recovery through transparency” will be achieved to give the story of 2020. The consultant responded that the actual chapter threshed out on the theme of recovery. He said that the MSG can give comments on how the story was told.

A government representative agreed that recommendations should be from the MSG. On the issue of giving incentives, she said that the absence of honoraria is not the reason for not participating.

An industry representative said that the priority should really be ensuring consistent and adequate funding for PH-EITI as a program.

2. Data reconciliation

The Secretariat discussed the process done for the reconciliation of data. The Secretariat presented the timeline of submission of data from agencies and companies.

Activity	Date
Start of Reporting Period	September 1, 2021
End of Reporting Period	September 30, 2021
Extension of Deadline	November 5, 2021

The FY2020 reporting period

Deliverables	Submission Date	Actions Taken	Date
Reconciliation Report Update (74th MSG Meeting)	December 10, 2021	Update on the Reconciliation Chapter by the Consultant	January 13, 2022
First Draft	February 21, 2022	Request for additional supporting documents from companies	February - March 2022,
Data encoding	March - April, 2022	Encoding of data by the Secretariat	March - April, 2022
Presentation for Reconciliation	June 8, 2022	Presentation of Reconciliation Results to the MSG	June 9, 2022

Timeline of submission

Government Agency	Date Requested	Submission Date
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BIR Batch 1 Batch 2	Batch 1 - November 4, 2021 Batch 2 - January 28, , 2022	Batch 1 - January 20, 2022 Batch 2 - March 9, 2022
BOC	October 25, 2021	December 2, 2021
MGB	September 20, 2021	November 18, 2021
DOE For Contextual Information For Reconciliation	October 22, 2021 September 9, 2021	October 29, 2021 September 13, 2021
DBM	October 19, 2021	November 2, 2021
SEC	May 7, 2021	1st Batch - December 20, 2021 2nd Batch - March 3, 2022
BLGF	September 23, 2021	September 29, 2021
PPA	October 19, 2021	December 3, 2021
PSA	November 16, 2021	November 29, 2021

Data submission of implementing agencies

The Secretariat discussed that communications were sent to the DOE (on 25 April 2022) and MGB (on 26 April 2022) regarding the non-participating companies.

Company/Project	Project/Contract number
Claver Mineral Development Corporation	MPSA No. 103-98-XIII (SMR)
Century Peak Corp.	MPSA No. 010-92-X (SMR)
Westernshore Nickel Corp.	MPSA No. 233-2007-XIII (SMR)
Alnor Nac's Construction and Development Corporation	MPSA No. 233-2007-XIII (SMR)
Mt. Sinai Mining Exploration and	MPSA No. 351-2011-VIII

Development Corporation	
Vincent Tan Tiong/Nicua Corporation	MPSA No. 290-2009-VIII
Oriental Synergy Mining Corp.	MPSA No. 011-92-X (SMR)
Tribal Mining Corporation	MPSA No. 090-97-XI

Non-participating metallic companies

Company/Project	Project/Contract number
Heirs of Arturo Zayco	MPSA-218-2005-VII
HMDC - Bunawan, Davao City (Assignment with Subscription Agreement for Holcim Phils., Inc.)	MPSA-080-97-XI
HRDC - Iligan City & Lugait, Misamis Oriental (Assignment from Holcim Phils. Manufacturing Corp.)	MPSA-281-2009-X
San Rafael Dev't Corp./Majestic Earth Core Ventures, Inc.	MPSA-136-99-IV
Solid North Mineral Corp. (Assignment from Holcim Philippines, Inc.)	MPSA-161-2000.III

Non-participating non-metallic companies

Company/Project	Project/Contract number
China International Mining Petroleum Co. Ltd.	SC No. 49
Galoc Production Company SPC (Formerly Galoc Production Company WLL)	SC No. 14C
The Philodrill Corporation	SC No. 14
Semirara Mining and Power Corp.	COC No. 5

The Secretariat introduced Ms. Linnet Madelane Chan, the independent administrator (IA) for the FY2020 PH-EITI report. She is a certified public accountant, and was hired as IA since the FY2018 report. The consultant proceeded with the presentation of the key findings for the chapter. A copy of the presentation is attached as an annex to the minutes.

The Chair asked why the amount received by LGU is bigger than the amount released by DBM. The consultant responded that there might be a timing difference, or misclassification on the side of LGUs. The Secretariat notes that this is not the first time that this observation was made. The Secretariat asked the IA on what should be done to address the recurring concern. The IA recommended having the data of the two agencies harmonized.

The Secretariat asked why Pacific Nickel is classified as voluntary. The IA responded that Pacific Nickel was not included in the initial list. The Secretariat will check with the IA and MGB regarding Pacific Nickel being classified as voluntary.

A civil society representative asked about the arrangement between the Secretariat and the National Commission on Indigenous Peoples (NCIP). The Secretariat answered that there is an existing engagement with NCIP, but it is for future implementation. NCIP's participation and compliance are just restarting so they cannot be compelled to submit data from previous years.

To address the issue of variance, the Secretariat will facilitate another walkthrough with the Bureau of Customs (BOC). Briefing with incoming new officials will also be done for reorientation.

The Secretariat asked the MSG what can be done with non-participating companies. A government representative responded that show cause letters were issued to the companies, requesting an explanation for not participating in the reporting.

3. SSM study

The Secretariat proceeded with the discussion on the small-scale mining (SSM) study chapter of the report. The timeline of SSM-related activities was presented to the MSG.

Activities	Persons Involved	Date
Initial meeting for the SSM Chapter	Secretariat and Consultant	3 August 2021
Contract signing with the Consultant	Consultant and DOF	6 August 2021
Letter requesting SSM related data was sent to the BLGF and BSP	Secretariat, Consultant, BLGF, and BSP	9 August 2021
Follow-up on the request was sent to the BLGF and BSP		16 August 2021
Received the response from BLGF on the requested data	Secretariat and Consultant	16 August 2021
Submission on the first draft of SSM and P/CMRB research		21 October 2021
Received the response from BSP on the requested data		2 November 2021
Submission of the Inception Report	Consultant	16 December 2021
Meeting with BSP	Secretariat, Consultant, and BSP	27 December 2021
Submission on the initial update of SSM study	Consultant	14 January 2021
Sending of letters requesting data on SSM and interviews with MGB CAR, MGB-V, MGB XI, and MENRO Masbate	Secretariat and Consultant	8 February 2022

Sending of letters requesting data on SSM and interviews with PENRO-Benguet; PENRO-Mountain Province; and MENRO-Sagada		9 February 2022
Sending of letters requesting data on SSM and interviews with MENRO-Paracale, MENRO-Lupon; MENRO-Labo, and PENRO-Davao Oriental		14 February 2022
Received the response from MGB-5 on the requested data	Secretariat; Consultant; and MGB-5	14 February 2022
Interview with MENRO Aroroy	Secretariat; Consultant; and MENRO Aroroy	23 February 2022
Received SSM related data from MENRO Aroroy		
Interview with PENRO Mountain Province	Secretariat; Consultant; and PENRO Mountain Province	24 February 2022
Interview with Itogon Sangguniang Bayan	Secretariat; Consultant; and Itogon Sangguniang Bayan representative	8 March 2022
Meeting with the consultant	Secretariat and Consultant	30 and 31 May 2022

The Secretariat reiterated what was discussed during the 79th regular meeting on the concerns of the consultant for the SSM chapter. The consultant encountered challenges on the collection of the required data for the SSM study, including: (i) COVID restrictions; (ii) logistical constraints; (iii) unavailability of data; and (iv) non-responsiveness of target stakeholders.

During the 79th meeting, the MSG instructed the Secretariat to meet the consultant and review the contract for the study. Upon the advice of the consultant, it was agreed to discontinue the production of the SSM study and its removal from the list of chapters to be included in the 8th Report. The consultant also sent a letter to the Chair to communicate these concerns and reiterate the recommendation.

The Chair asked if the SSM study is a mandatory requirement of the EITI and if its cancellation will affect compliance. The Secretariat responded that the EITI Standard only requires an overview of the small-scale mining sector in the contextual information chapter of the report but a stand alone chapter on it is not required. The requirement will still be addressed as long as estimates on the sector are included in the other chapters.

The Secretariat added that the main objectives of the SSM chapter was to review existing and proposed regulatory processes for SSM to help the sector become more formalized, and to test in other SSM areas the applicability of a previously developed SSM production and revenue monitoring tool.

The Chair opened the floor for discussion and asked if the MSG will agree to discontinue the production of the standalone report on SSM.

A civil society representative asked what the findings were after reviewing the contract.

The Secretariat said that the contract already lapsed in November 2021, and full compliance with the stipulations of the contract is the only thing that can be done now. A possibility is that the report can still be submitted, but without some data and information that were deemed difficult to gather due to logistical constraints. The Secretariat and the consultant agreed that it would appear like an attempt for a legal maneuver just to accommodate submission. Thus, canceling the contract would be the most judicious move to make.

The same civil society representative asked how the government intends to spend the funding that was allocated for the study. The Chair clarified that no zero payment was released. She reiterated that based on the agreement during the 79th meeting, the MSG doesn't want to certify that submissions were received for purposes of making payment, knowing that there will be attachments that will not be submitted. The Chair added that the data from the study is with the PH-EITI and the production of the study could be pursued should the conditions for its continuation be more favorable.

The Secretariat agreed with the Chair and said that the drafting of TORs in the future must be realistic and considerate with relevant contexts and prevailing national situations.

The Chair recalled from previous discussions that the requirements of the study were somehow greater than the allocated funding, and this should be considered in the drafting of future TORs.

The Secretariat added that although the report did not push through, data that can be used in future reports were gathered without cost.

The Chair suggested drafting mini papers on SSM based on the data collected, and the compilation of these papers will serve as inputs to the full report. The Secretariat will check if data collected are sufficient to form a document.

The MSG approved the resolution subject to style. The Chair instructed the Secretariat to recirculate the draft resolution for comments and style edits of the MSG, and then circulate the final copy for the signatories.

VII. Summary of agreements

Agreement	Responsibility Center
The Secretariat to circulate the presentations of the consultants, and solicit comments from the MSG, particularly on the recommendations.	Secretariat
The IA to submit a written version of her verbal recommendations during the presentation of the Reconciliation Chapter. The Secretariat will circulate the recommendations, for comments of the MSG.	IA and Secretariat
The Secretariat to circulate the SSM resolution for style edits of the MSG, and then circulate final copy for the signatories.	Secretariat
The deadline for comments of the MSG on the presentation and recommendations of the consultants was set on June 17, 2022	MSG
The Secretariat will request another meeting with PSA and MGB regarding the reconciliation and harmonization of data.	Secretariat
The Secretariat will coordinate with the IA and MGB to check the voluntary participation of Pacific Nickel.	Secretariat, IA, and MGB

The Secretariat to circulate information about the concerns on BOC variance.	Secretariat
The Secretariat to check the data gathered for the SSM study to see if these are sufficient to produce mini papers that may serve as input for future reports.	Secretariat

VIII. Setting of the next meeting

The Secretariat proposed that the 81st MSG meeting be held on July 15, 2022 (Friday). The MSG approved the proposed schedule.

IX. Adjournment

With no other matters to be discussed, the meeting was adjourned at 11:44 am.

ANNEXES

Annex 1: Presentation of the consultant on the Contextual Information Chapter

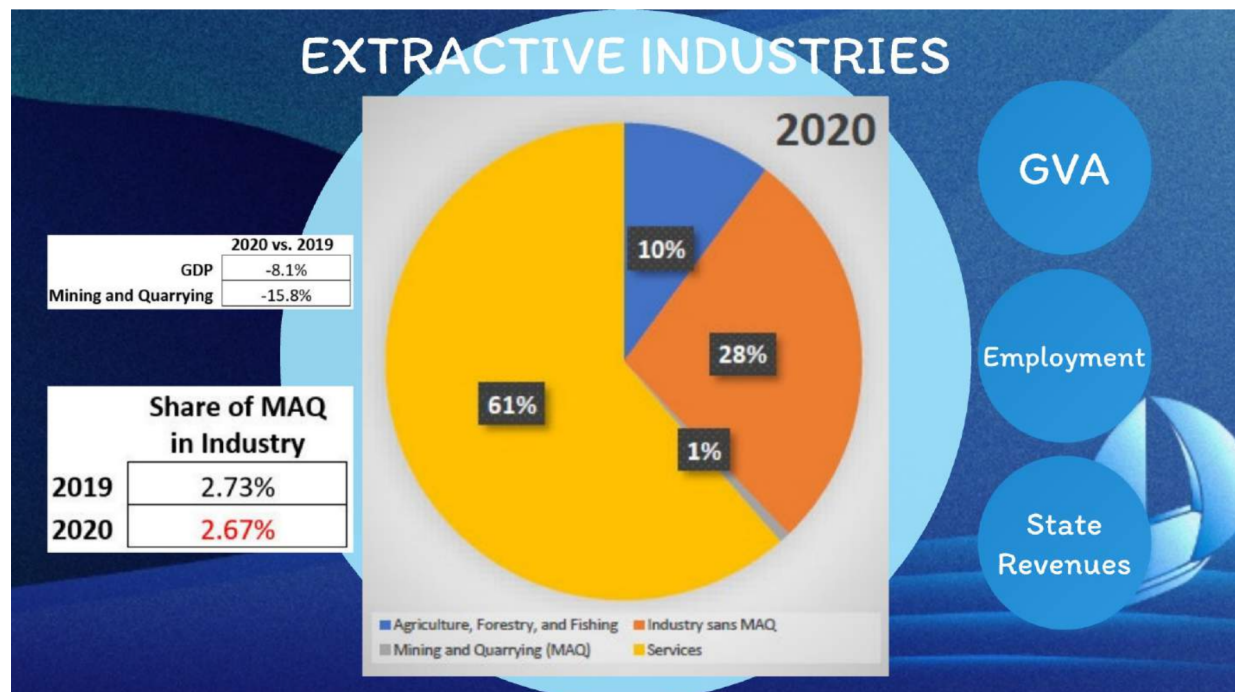
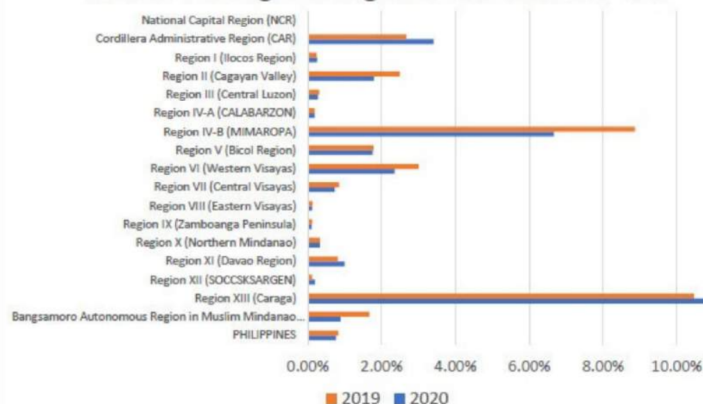


CHART 2: Changes in Regional GVA Shares to GDP



GROSS VALUE ADDED: Regional and Sectoral

GVA in MAQ 2020 vs. 2019	
Mining of Coal	-34.1%
Extraction of Crude Petroleum and Natural Gas	-39.6%
Mining of Copper Ores	-13.5%
Stone Quarrying, and Other MAQ	-16.1%

EMPLOYMENT: By Industry and By Gender

MAQ Employment	
Oct. 2019	167,628
Oct. 2020	155,538
Change	-7.21%

CHART 5: 2020 MAQ Employment by Gender



STATE REVENUE COLLECTION

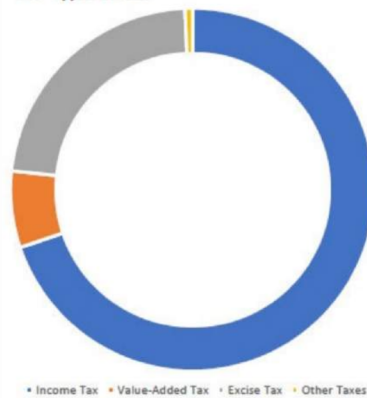
CHART 8: 2020 Shares in BIR Tax Collection from the Extractive Industries

	2020 vs. 2019
Non-Metallic	-0.05%
Oil and Gas	-26.15%
Income Tax	-7.28%
Other Taxes	-5.95%
TOTAL COLLECTED	-1.19%

Per Extractive Sector



Per Type of Tax



Metallic Mining

	Production Value (2020 vs. 2019)
Silver	-6.9%
Copper	-19.4%
Chromite	-23.4%
Mixed Nickel-Cobalt Sulfide	-6.1%

	Exports* (2020 vs. 2019)
Metal Components	-47.7%
Copper Concentrates	-66.9%
Gold	-23.6%
Iron and Steel	-24.6%
Chromium Ore	-11.2%

*Gross Kilo

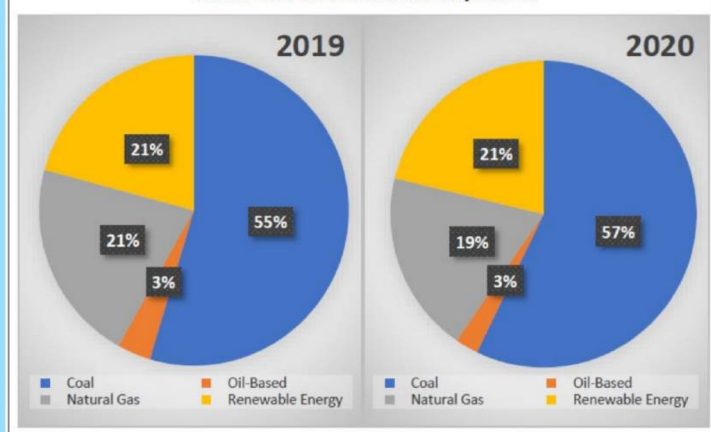
Non-Metallic Mining

Production Volume (2020 vs. 2019)		Production Value (2020 vs. 2019)	
Limestone^	-19.2%	Silver	-6.9%
Silica^	-55.3%	Copper	-19.4%
Zeolite^	-35.0%	Chromite	-23.4%
Sand and Gravel~	-21.4%	Mixed Nickel-Cobalt Sulfide	-6.1%
Basalt~	-35.9%	Export* (2020 vs. 2019)	
Aggregates~	-93.8%		
^metric tons		Non-Metallic Mineral Manufactures	-8.2%
~cubic meters		*Gross Kilo	

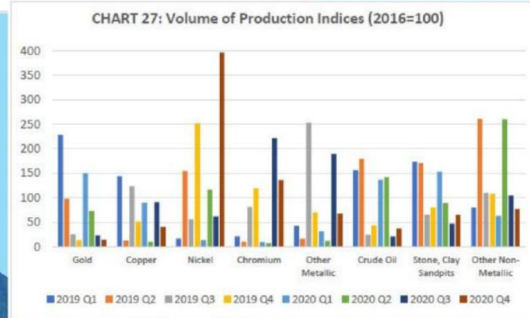
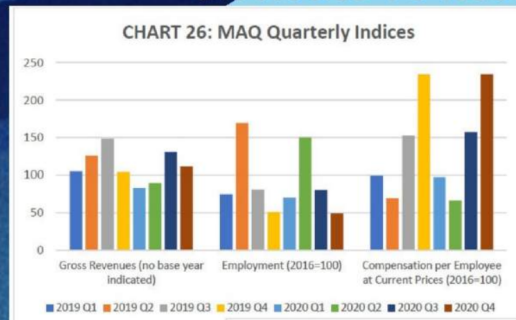
Oil and Gas / Coal

Petroleum and Coal Production (2020 vs. 2019)	
Oil (in barrels)	-9.8%
Gas (in million standard cubic feet)	-9.1%
Condensate (in million barrels)	-13.1%
Semirara Mining and Power Corporation'	-13.2%
Small-Scale Coal Mining Program Operators'	-6.2%
*thousand metric tons	
Export* (2020 vs. 2019)	
Coal	-33.3%
*Gross Kilo	

CHART 20: Power Generation by Source



En Route To Recovery

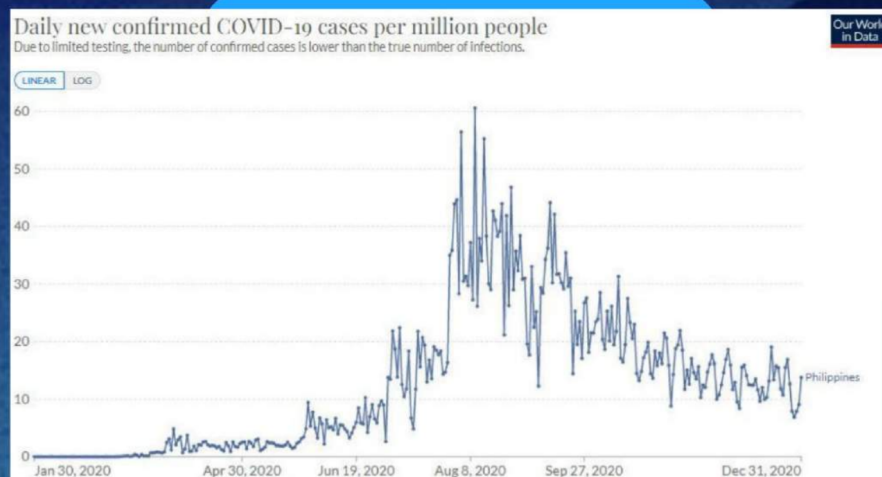


The
Ongoing
COVID-19
Pandemic

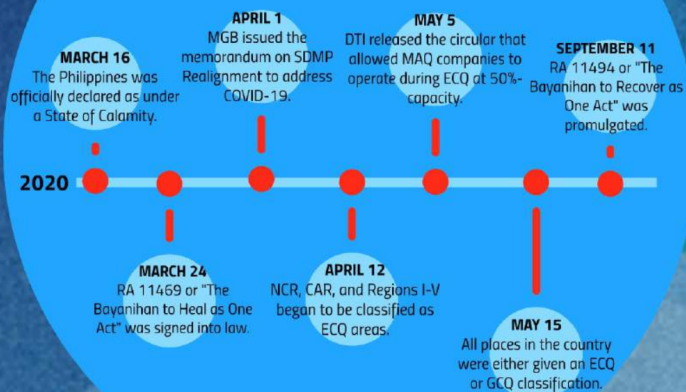
Timeline of
Government
Support

SDMP
Realignment,
Etc.

The Ongoing COVID-19 Pandemic



Timeline of Government Support

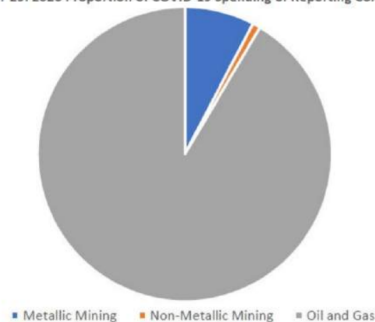


SDMP Realignment

MGB REPORT HIGHLIGHTS		
	Targeted	Actual Helped
Frontliners/Individuals	255,894	297,491
Families	1,025,501	1,099,090
No. of Participating Entities	206	
Budget Reallocation	PHP 407.6 million	
Utilization Rate	93.3%	

From April 2 to August 1, 2020

CHART 29: 2020 Proportion of COVID-19 Spending of Reporting Companies



Legislative Changes

Fiscal Reforms

Recent Developments

Legislative Changes

- * **SB 1495, HB 06135, and HB 06020** - improving the regulatory framework of the mining sector
- * **SB 1495, HB 06540, and HB 08184** - strengthening environmental standards in the extractive industries
- * **HB 08150, HB 06082, HB 06563, and HB 08276** - reaching the goal of natural sustainable development in specific areas
- * **HB 07928** - monitoring and regulating the prices of fuel and petroleum products
- * **SB 1382, HB 07299, HB 07606, HB 10213, HB 07317, and HB 00772** - promoting the use of electric and hybrid vehicles for a sustainable and environment-friendly transport system
- * **SB 1955, SB 1819, and HB 07251** - bettering the LPG and natural gas sub-sectors
- * **HB 06009** - amending certain provisions of "The Coal Mining Development Act of 1976"

Fiscal Reforms

- * **Mandanas Ruling** - LGUs are entitled to a "just share" on all national taxes collected and not solely from BIR's IRA.
- * **CREATE Act** - Corporate Income Taxes (CIT) are reduced to as low as 20 percent.
- * **ASEAN-Hong Kong, China Free Trade Agreement (AHKFTA)** - All parties agreed to reduce from 2020 and eliminate by 2032 the customs duties on the imports of different kinds of commodities.

Recent Developments

- * **July 24** - Signing of EO 116 making the country utilize nuclear energy and become less reliant on coal as a source of electrical power
- * **October 15** - President Duterte lifting the moratorium on oil exploration in the West Philippine Sea (WPS), paving the way for the resumption of employment and additional petroleum production/ reserves in the area
- * **October 27** - DOE Secretary Cusi declaring a moratorium on endorsements for greenfield coal power plants

To-Do List (Major Recommendations)

- * As with the mining sector, mandate the oil and gas as well as coal sectors to fully participate in the PH-EITI process
- * Ensure the timeliness of reporting (e.g., it is already Q2 2022 yet today is still the second presentation of the FY 2020 8th Report)
- * Maintain accuracy, harmony, and consistency of data (e.g. employment figures are divergent between MGB and PSA; not all, and different, companies report in one year and the next)
- * Further develop (and keep sustainable) the extraction of metallic, non-metallic minerals, petroleum, and coal to increase their contribution to local and national development
- * Increase the hiring of women given that only 1 out of 10 females are employed in the extractive industries
- * Benchmark formally with other companies within and outside of the Philippines particularly in terms of pandemic response
- * Like in other EITI member countries, provide pecuniary incentives for MSG officials especially since this is additional work on their part

Additions in this 8th Report

- * Addressed EITI requirements not covered in previous reports:
 - 6.2 Quasi-Fiscal Expenditures
 - 6.4 Environmental Impact of Extractive Activities
 - 7 Outcomes and Impact
- * Included quarterly analyses of relevant metrics
- * Added the Natural Resources Development Council as a related GOCC
- * Provided a general economic outlook beyond 2020

* Compendia on Legislative Framework and Fiscal Regime

* Global Comparisons

Compendia on Legislative and Fiscal Framework

Annex 1A: COMPENDIUM OF SIGNIFICANT LEGISLATIONS IN PREVIOUS PH-EITI REPORTS

SCOPE		1st	2nd	3rd	4th	5th	6th	7th
National resource governance	1987 Constitution - The articles that directly relate to natural resource governance are I on National Territory, X on Local Government, and XII on National Economy and Patrimony. ¹							
	Republic Act (RA) No. 7160, otherwise known as the Local Government Code of 1991 - The act transfers control and responsibility of delivering basic services to the hands of local government units (LGUs). It aims to enhance provision of services in the grass roots level as well as improve the efficiency in resource allocation. Moreover, it seeks to widen the decision-making space by encouraging the participation of stakeholders, especially at the local level. ²							
	RA 8371 (1997) - This law makes provision for the promotion and recognition of the rights of indigenous Cultural Communities/Indigenous Peoples (ICCs/IPs), with a view to preserve their culture, traditions, and institutions, and to ensure the equal protection and non-discrimination of members. ³							
	Presidential Decree (PD) No. 87, otherwise known as the Oil Exploration and Development Act of 1972 - The decree provides the legal basis for the exploration and development of indigenous petroleum resources in the country authorizing the grant of service contracts entered into through public bidding or negotiations. ⁴							
Oil and gas	PD 1857 (1983) - This decree amends certain sections of PD 87 offering improved fiscal and contractual terms to service contractors with special reference to deepwater oil exploration. ⁵							
	Department of Energy (DOE) Department Circular (DC) No. 2017-12-0017 - The circular adopts the Philippine Conventional Energy Contracting Program of Awarding Petroleum Service Contracts and creates the Review and Evaluation Committee. ⁶							
	Philippines-China Memorandum of Understanding on Cooperation in Oil and Gas Development - The document represents an agreement between the Philippines and China to come up with mutual oil and gas							
	budget and finances, as well as bids and public offerings. ⁷							
	DILG MC 2011-134 - This is an amendment of DILG MC No. 2010-83. ⁸							
	EO 147 (2013) - The executive order is the legal basis of the creation of the Philippine Extractive Industries Transparency Initiative (PH-EITI). ⁹							
	DOF Order No. 049-2016 - The order permits the inclusion of environment and natural resources data in the electronic statement of receipts and expenditures system for local treasurers. ¹⁰							
	DENR DAO 2017-07 - This order mandates mining contractors to participate in PH-EITI. ¹¹							

Annex 1B: COMPENDIUM OF FISCAL REGULATIONS IN PREVIOUS PH-EITI REPORTS

	1st	2nd	3rd	4th	5th	6th	7th
RA 8424, otherwise known as the Tax Reform Act of 1997 - This act primarily introduces amendments to the National Internal Revenue Code. ¹²							
RA 10021, otherwise known as the Exchange of Information on Tax Matters Act of 2009 - This law allows BIR to exchange information on tax matters with foreign tax authorities to comply with the Philippines' commitments under existing tax treaties and international conventions. It is envisioned to help combat international tax evasion and avoidance as well as address tax concerns that affect international trade and investment. It also seeks to instill confidence in the capacity of the country's tax administration to perform its commitments to its tax treaty partners. ¹³							
RA 8388, otherwise known as the Election Code of 1971. ¹⁴							
EO 326 (1987) - The executive order is also referred to as the Omnibus Investments Code of 1987. ¹⁵							
RA 7729 (1994) - The act reduces the excise tax rates on metallic and non-metallic minerals and quarry resources, amending a specific section of the National Internal Revenue Code. ¹⁶							
RA 1327 (1997), otherwise known as the Tariff and Customs Code of the Philippines - This law revises and codifies the tariff and customs laws of the Philippines. ¹⁷							
DOE-DILG Joint MC No. 98-01 - The circular is the Manual of Procedures for the DENR-DILG-LGU partnership. ¹⁸							
RA 7918 (1998) - The act is mainly an amendment to a particular section of the Omnibus Investments Code of 1987. ¹⁹							
Office of Energy Affairs Circular No. 93-10-05 - The circular grants a maximum of 7.5 percent of Filipino Participation Incentive Allowance to Petroleum Service Contractors in deepwater contracts. ²⁰							
Commission on Audit (COA) 2009 Annual Audit Report of DOE. ²¹							
RA 10708 (2015), otherwise known as the Tax Incentives Management and Transparency Act or TIMTA - The act enhances transparency in the management and accounting of tax incentives administered by investment promotion agencies. ²²							
Taxes and fees mandated and collected by LGUs							
DOF-Department of Budget and Management Joint Circular No. 2016-1 - The circular forms the guidelines for the direct release of funds by the Bureau of the Treasury to LGUs from Fiscal Year 2016 and beyond. ²³							
RA 10963 (2017), otherwise known as the Tax Reform for Acceleration and Inclusion or TRAIN - The act targets the Philippine tax system to be simpler, fairer, and more efficient in order to promote investments, create jobs, and reduce poverty. ²⁴							

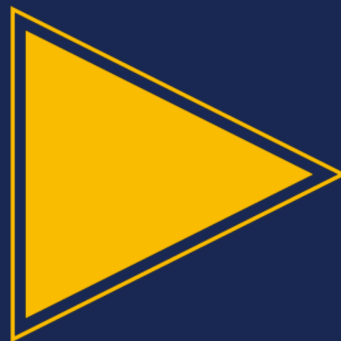


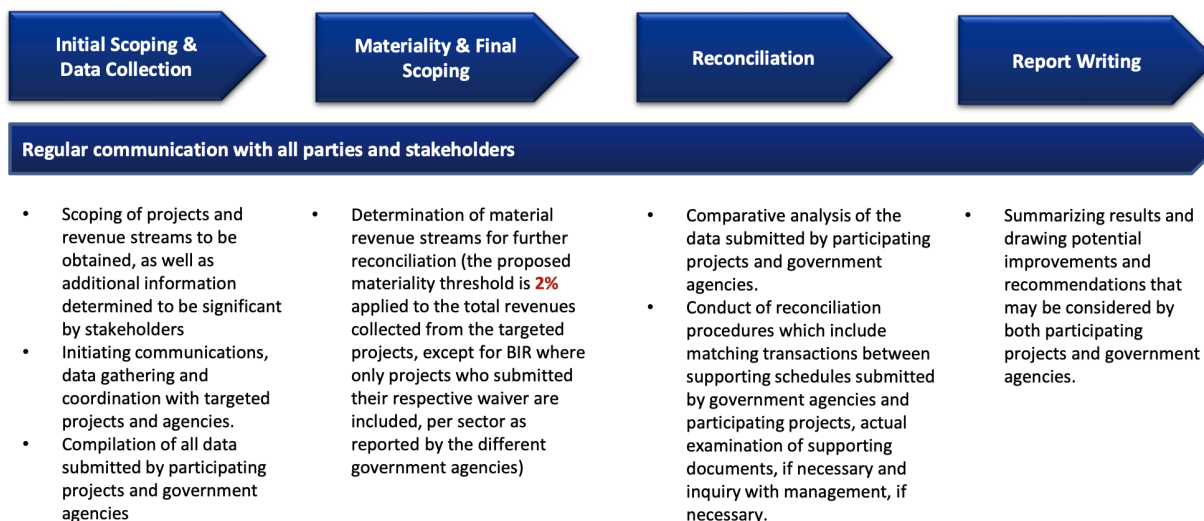


8th Report - Reconciliation Chapter

Linnet Madelane C. Chan

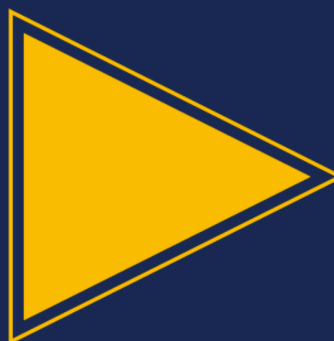
Chapter 2 Methodology





Chapter 2

Scoping



Chapter 2: Reconciliation

Scope - Projects

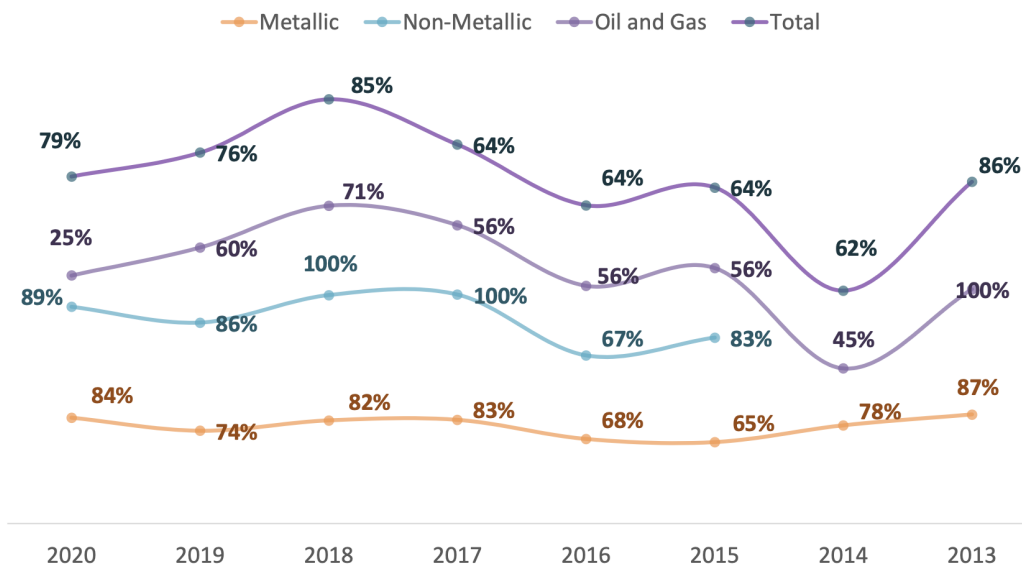
**includes voluntary participation of MPESA No. 072-97-XIII (SMR) of Pacific Nickel Philippines, Inc.*

Sector	Target	Participating	Participation Rate	Non-Participating
Metallic (producing)	33	30	91%	3
Metallic (non-producing)	19	13	72%	5
Under Suspension	4	3	75%	1
Under Care and Maintenance	10*	9*	82%	1
Expired with Application for Renewal	3	1	33%	2
Cancelled	1	0	0%	1
Metallic - Subtotal	51	43	84%	8
Non-Metallic	35**	31**	89%	4
Oil and Gas	4	1	25%	3
Coal	1	0	0%	1
Total	86	70	81%	16

***with voluntary participation of MPESA-29-95-IV, MPESA No. 238-2007, and MPESA No. 296-2009-IVA (operators: Republic Cement and Building Materials, Inc. - Batangas, Holcim Mining and Development Corporation - La Union, and BL Gozon & Co. Inc., respectively)*

Chapter 2: Reconciliation

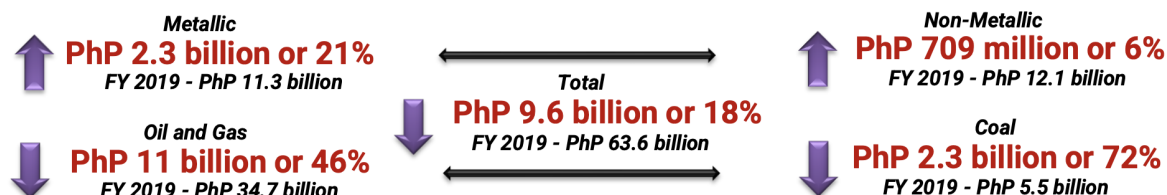
Scope - Projects



Chapter 2: Reconciliation

Scope – NGA

NGA	Metallic	Non-Metallic	Oil and Gas	Coal	Total
BIR	10,501,122,681	10,886,237,979	6,193,208,109	1,143,675,242	28,724,244,012
BOC	606,493,817	1,160,017,889	22,098,960	63,153,838	1,851,764,504
DOE	Not applicable	Not applicable	17,517,605,149	1,724,804,409	19,242,409,558
LGU	1,035,696,013	749,716,122	2,604,301	214,695,474	2,002,711,910
MGB	1,798,947,306	-	Not applicable	Not applicable	1,798,947,306
PPA	305,861,690	60,542,526	28,785	33,947,604	400,380,605
Sub-total	14,248,121,508	12,856,514,516	23,735,545,304	3,180,276,568	54,020,457,895
NCIP	-	-	Not applicable	Not applicable	-
Total	14,248,121,508	12,856,514,516	23,735,545,304	3,180,276,568	54,020,457,895



Chapter 2: Reconciliation

Scope – Revenue Streams

	Metallic	Non-Metallic	Oil and Gas	Coal	Total
Industry Total	14.2 billion	12.9 billion	23.7 billion	3.2 billion	54 billion
Target Total	14.2 billion	10.8 billion	22.5 billion	1.8 billion	49.3 billion
In-Scope Total	14.1 billion	10.5 billion	22.4 billion	1.8 billion	48.8 billion
Scoped-Out Total	124 million	367 million	22 million	35.6 million	548 million
Percentage covered - targeted revenue streams	99.1%	96.6%	99.9%	98%	98.9%
Percentage covered - total revenue streams	98.8%	81.5%	94.6%	57%	90.4%

Chapter 2: Reconciliation

Scope – Revenue Streams

Industry	Total government collections from extractive industry	Total government collections of participating projects	% of participating companies to total	FY2019	Differential
Metallic	14,248,121,508	13,594,607,565	95%	97%	2%
Non-Metallic	12,856,514,516	10,706,565,565	83%	91%	8%
Oil and gas	23,735,545,304	22,381,748,198	94%	99.7%	6%
Coal	3,180,276,568	-	0%	0%	0%
Total	54,020,457,895	46,682,921,328	86%	89%	3%



Chapter 2: Reconciliation

Unilateral Disclosure – SMPC (Coal)

NGA	Revenue Stream	Amount
BIR	Corporate income tax	11,823,607
Subtotal(s)		11,823,607
BOC	Customs duties	6,128,373
BOC	VAT on imported materials and equipment	29,031,263
BOC	Excise tax on imported goods	780
Subtotal(s)		35,160,416
DOE	Government share from oil and gas production	1,723,016,513
Subtotal(s)		1,723,016,513
LGU	Local business tax	45,565,646
LGU	Real property tax (Basic)	1,473,870
LGU	Real property tax (SEF)	1,473,870
LGU	Mayor's permit	250,000
LGU	Community tax	-
LGU	Occupation fees	-
Subtotal(s)		48,763,385
PPA	Wharfage fees	33,910,439
Subtotal(s)		33,910,439
Total(s)		1,852,674,360



PhP 2.6 billion or 59%
FY 2019 - PhP 4.5 billion

3.4%

Total revenues streams and other taxes for the entire extractive sector

13%

Metallic

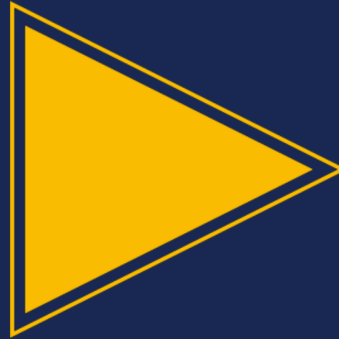
8%

Oil and Gas



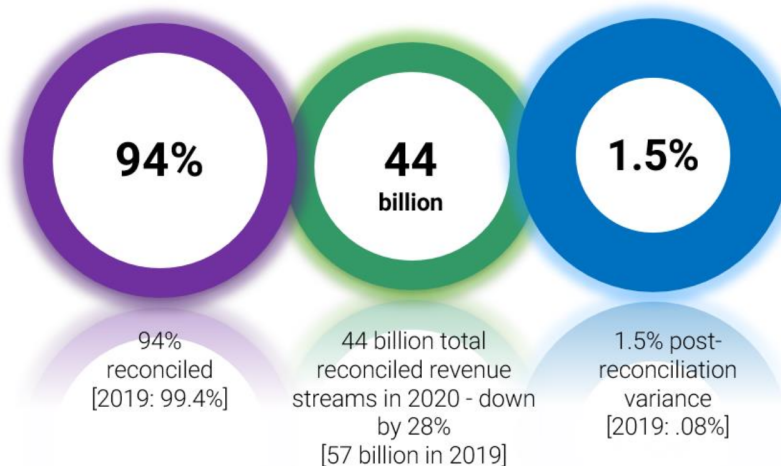
Chapter 2

Reconciliation Results



Chapter 2: Reconciliation

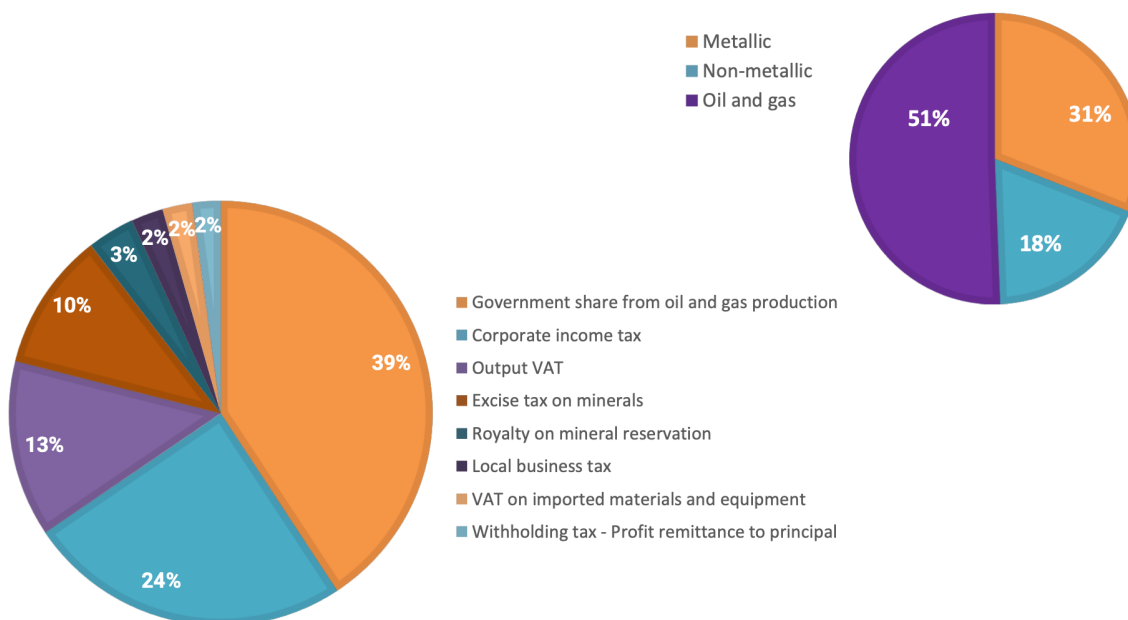
Reconciliation Results – Revenue Streams and Other Taxes



% reconciled is derived by dividing the reconciled revenue streams and other taxes by the total in-scope revenue streams and other taxes reported by government agencies

Chapter 2: Reconciliation

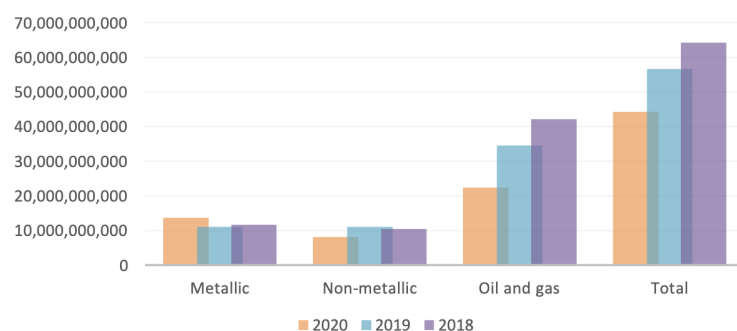
Reconciliation Results – Revenue Streams and Other Taxes



Chapter 2: Reconciliation

Reconciliation Results – Revenue Streams and Other Taxes

Reconciled Revenue Streams in 2020, 2019 and 2018



Industry Sector	2020	2019	2018	Change (2020 vs 2019)	% change	Change (2020 vs 2018)	% change
Metallic	13,719,202,013	11,085,803,397	11,655,959,842	2,633,398,616	19%	2,063,242,171	15%
Non-metallic	8,181,184,005	11,041,652,841	10,456,300,436	(2,860,468,836)	-35%	(2,275,116,432)	-28%
Oil and gas	22,423,685,783	34,556,152,486	42,145,247,219	(12,132,466,704)	-54%	(19,721,561,437)	-88%
Total	44,324,071,800	56,683,608,724	64,257,507,497	(10,619,791,103)	-24%	(19,933,435,697)	-45%

Chapter 2: Reconciliation

Reconciliation Results – Revenue Streams and Other Taxes

	Metallic mining	Non-metallic mining	Oil and gas	Total
Total reconciled revenue streams	13,719,202,013	8,181,184,005	22,423,685,783	44,324,071,800
Total sector revenue streams reported by government	14,248,121,508	12,856,514,516	23,735,545,304	50,840,181,328
Percentage reconciled to total sector revenue streams – FY2020	96%	64%	94%	87%
Percentage reconciled to total sector revenue streams – FY2019	98%	91%	99.5%	97%
Difference	-2%	-27%	-5.5%	-10%
Total in-scope revenue streams reported by government	14,078,127,774	10,479,394,920	22,448,473,275	47,005,995,970
Percentage reconciled to total in-scope revenue streams – FY2020	97%	78%	99.9%	94%
Percentage reconciled to total in-scope revenue streams – FY2019	101%	96%	99.8%	99.4%
Difference	-4%	-18%	-.01%	-4.6%

Chapter 2: Reconciliation

Reconciliation Results – Revenue Streams and Other Taxes

Percentage reconciled revenue streams and other taxes of projects to total sector revenue streams and other taxes reported by government

Agency	Metallic mining	Non-metallic mining	Oil and gas	Total	FY2019	Difference
BIR	98%	68%	81%	82%	97%	-15%
BOC	88%	38%	not in scope	55%	77%	-23%
DOE	N/A	N/A	99.5%	99.5%	99.8%	0.3%
LGU	114%	41%	not in scope	83%	110%	-27%
MGB	85%	N/A	N/A	85%	86%	-1%
Total	96%	64%	94%	87%	97.4%	-10%

Percentage reconciled revenue streams and other taxes of projects to the total in-scope collections reported by government

Agency	Metallic mining	Non-metallic mining	Oil and gas	Total	FY2019	Difference
BIR	97%	80%	101%	91%	100%	-9%
BOC	100%	55%	not in scope	73%	81%	-8%
DOE	N/A	N/A	99.5%	99.5%	99.8%	-0.03%
LGU	128%	83%	not in scope	115%	145%	-30%
MGB	86%	N/A	N/A	86%	86%	0%
Total	97%	78%	100%	94%	99.4%	-5%

Chapter 2: Reconciliation

Reconciliation Results – Revenue Streams and Other Taxes

Government Agency	Project Amount	Government Agency Amount	Variance Pre-Recon	Reconciled Amount	Variance Post-Recon	% Reconciled*
BIR	20,094,803,543	24,817,001,108	4,722,197,565	22,665,757,962	464,257,729	91%
BOC	1,395,289,941	1,336,955,879	(58,334,062)	976,068,834	(71,254,503)	73%
DOE	4,465,526,167	17,517,605,149	13,052,078,982	17,430,411,739	86,688,971	99.5%
LGU	1,539,286,134	1,289,655,566	(249,630,568)	1,487,855,302	216,340,256	115%
MGB	1,804,542,989	1,789,205,767	(15,337,222)	1,537,669,309	17,990,931	86%
PPA	269,639,143	255,572,501	(14,066,641)	226,308,655	216,363	89%
Total	29,569,087,916	47,005,995,970	17,436,908,053	44,324,071,800	714,239,747	94%
NCIP	494,810,016	-	(494,810,016)	492,376,261	(92,447,622)	100%

*Reconciled amount divided by government agency amount

PROJECT AMOUNT ↓ **Php 27.5 billion or 93%**
FY 2019 - Php 57.1 billion

GOVERNMENT AMOUNT ↓ **Php 9.5 billion or 20%**
FY 2019 - Php 56.5 billion

RECONCILED AMOUNT ↓ **Php 12.4 billion or 28%**
FY 2019 - Php 56.7 billion

Chapter 2: Reconciliation

Reconciliation Results – SHES

Actual social and environmental expenditures	Project amount	Government agency amount	Variance pre-reconciliation	Reconciled amount	Variance post-reconciliation
Metallic mining					
Subtotal - Environmental expenditure	2,756,569,719	2,338,722,593	(417,847,126)	1,948,230,017	(36,293,197)
Safety and Health Programs - Actual expenditure	306,418,021	378,657,059	72,239,038	256,318,496	2,238,379
Subtotal - Annual SDMP	1,006,518,317	693,750,208	(312,768,108)	766,678,354	(106,097,514)
Subtotal - Metallic mining	4,069,506,057	3,411,129,860	(658,376,197)	2,971,226,866	(140,152,333)
Non-metallic mining					
Subtotal - Environmental expenditure	216,240,055	220,299,842	4,059,787	153,056,196	(2,102,860)
Safety and Health Programs - Actual expenditure	68,178,946	78,264,657	10,085,711	58,360,932	9,403,624
Subtotal - Annual SDMP	76,587,103	58,169,335	(18,417,767)	80,810,833	3,574,165
Subtotal - Non-metallic mining	361,006,104	356,733,835	(4,272,269)	292,227,960	10,874,930
	4,430,512,161	3,767,863,695	(662,648,466)	3,263,454,826	(129,277,403)

87%
Reconciled

3%
Post-Variance

15%
of Reconciled Revenue - Combined

22%
of Reconciled Revenue - Metallic

4%
of Reconciled Revenue - Non-Metallic

PROJECT ↓ **Php 641 million or 14%**
FY 2019 - Php 5.07 billion

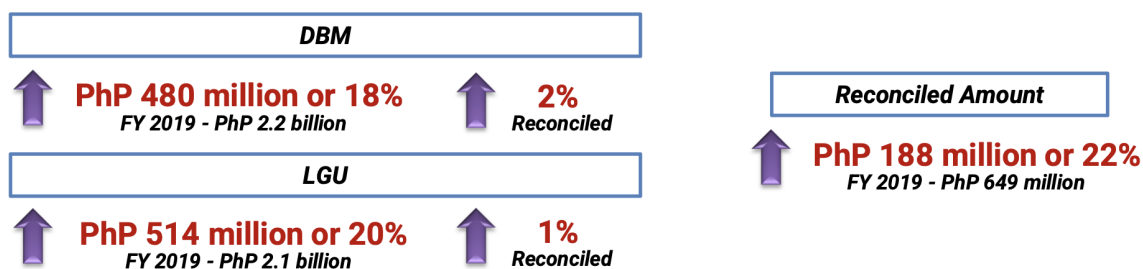
GOVERNMENT ↓ **Php 214 million or 6%**
FY 2019 - Php 3.98 billion

RECONCILED ↓ **Php 987 million or 30%**
FY 2019 - Php 4.2 billion

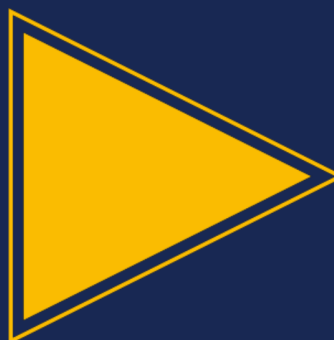
Chapter 2: Reconciliation

Reconciliation Results – Shares in National Wealth

National Wealth	Amount released by DBM	Amount received by LGU	Variance pre-reconciliation	Reconciled amount	Variance post-reconciliation	% Reconciled DBM	% Reconciled LGU
Energy Production	1,179,096,080	179,516,333	999,579,746	57,364,162.35	999,579,746	5%	32%
Forestry Charges	3,278,450	14,363,512	(11,085,063)	2,273	(11,087,336)	0%	0%
Mining Taxes	1,202,515,363	2,141,567,333	(939,051,970)	534,046,454	(939,051,970)	44%	25%
Mineral Reservation	316,546,100	288,602,400	27,943,700	246,044,480	27,943,700	78%	85%
Total	2,701,435,992	2,624,049,579	77,386,413	837,457,370	77,384,140	31%	32%



Chapter 2 Recommendations



Mandatory participation for oil and gas and coal

Timeliness and timing

- Earlier data collection from companies and government agencies (should be finished by July; August should be the latest)
- Reconciliation should happen in August/September to November (at least 3 months)
- Finalization and publication in December or January

Quality reporting of government agencies

- Specifically for LGU, MGB-SHES and NCIP

Thank
You!



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