

PH-EITI 8th MSG MEETING

9:00 AM- 12:00 PM | October 11, 2013

Visayas Room, Department of Finance,

Roxas Blvd., Manila

Attendees:

9	Asst. Sec. Ma. Teresa S. Habitan	Department of Finance (DOF)
10	Atty. Maria Karla L. Espinosa	DOF
11	Elsa P. Agustin	DOF
12	Febe J. Lim	DOF
13	Engr. Engr. Nenito C. Jariel, Jr.	Department of Energy (DOE)
14	Engr. Romualdo Aguilos	Mines and Geosciences Bureau—Department of Environment and Natural Resources (MGB-DENR)
16	Michael Joseph Juan	Union of Local Authorities of the Philippines (ULAP)
17	Dir. Anna Liza F. Bonagua	Department of the Interior and Local Government (DILG)
18	Alfredo V. Misajon	Bureau of Internal Revenue (BIR)
19	Dr. Cielo Magno	Bantay Kita
20	Prof. Jay L. Batongbacal	University of the Philippines, College of Law
21	Prof. Maria Aurora Teresita W. Tabada	Visayas State University
22	Ronald Allan A. Barnacha	Philippine Rural Reconstruction Movement (PRRM)/ North Luzon
24	Roldan R. Gonzales	GITIB, Inc.
25	Agustin Docena	Samar Island Bio-diversity Foundation (SIBF)/Eastern Visayas Network of NGOs and POs, Inc. (EVNET)
27	Engr. Artemio F. Disini	Chamber of Mines of the Philippines (COMP)
28	Gerard Brimo	COMP
29	Ronald S. Recidoro	COMP
30	Atty. Casiana N. Dalangin	CTP Construction and Mining Corporation
31	Sabino L. Santos	Petroleum Association of the Philippines (PAP)/ Chevron Malampaya LLC
33	Erwin Riñon	PAP/ Shell Philippines Exploration BV (SPEX)
34	Sonia D. Segovia	Sycip Gorres Velayo & Co. (SGV & Co.)
35	Eleanore A. Layug	SGV & Co.
36	Atty. Cherry Liez Rafal-Roble	SGV & Co.
37	Atty. Victor de Dios	SGV & Co.
38	Jimmy del Rosario	SGV & Co.
39	Atty. Gay Alessandra V. Ordenes	Secretariat
40	Maria Meliza T. Tuba	Secretariat

1 Abigail D. Ocate Secretariat
2 Mary Ann D. Rodolfo Secretariat
3 Babes M. Ancheta Secretariat
4 Grace A. Estacio Secretariat
5
6

7 **AGENDA:**

- 8 • Minutes of the 7th MSG meeting
 - 9 • Presentation of the mining sector on payments made and applicable laws
 - 10 • Matters arising from previous MSG meetings
 - 11 • Finalization of objectives for EITI implementation in the Philippines
 - 12 • Creation of working committee
 - 13 • Revision of workplan
 - 14 • BIR waiver
 - 15 • Financial report
 - 16 • Updates/Announcements
- 17
18

19 **1. Call to Order:**

20
21 1.1. The Philippine Extractive Industries Transparency Initiative (PH-EITI) Multi-Stakeholder Group (MSG)
22 meeting was called to order at 9:13 AM.

23
24 The proposed agenda was presented and subsequently approved by the body.
25

26 **2. Minutes of the 7th MSG Meeting**

27
28 2.1. The Chair mentioned that the minutes of the meeting was sent out to the Multi-Stakeholder Group
29 (MSG) Members after the 7th MSG meeting. It was then recalled that there were some reactions from the
30 MSG members regarding how the minutes of the previous meeting (6th MSG meeting) was reported. The
31 Chair noted that the outcome of the discussion is to have the minutes of the 7th MSG meeting more
32 detailed.

33
34 It was reiterated that the minutes of the 7th MSG meeting was sent to the MSG members for comments and
35 reactions, however, no comments were received by the Secretariat. The Chair then reminded the body of its
36 previous agreement that the Secretariat will provide a copy of the minutes as soon as the meeting is done,
37 and if no comments were received by the Secretariat a week after the minutes was circulated, the minutes is
38 deemed approved.
39

40 2.2. The body approved the minutes of the 7th MSG meeting with no revisions.

1 **3. Presentation of the Business Sector on Payments Made and Applicable Laws**

2
3 3.1. The business sector invited its auditing firm, Sycip Gorres Velayo to make a presentation regarding the
4 different taxes that the mining industry pays to the government.

5
6 3.2. Sycip Gorres Velayo & Co. presented the taxes and fees that mining companies pay to the government
7 (the presentation material is attached as Annex A).

8
9 3.3. A representative from the Civil Society Organizations (CSOs) asked if it is possible for the Sycip Gorres
10 Velayo & Co. to present a model that will show how much a mining company pays to the government in one
11 year based on actual gross income.

12
13 3.4. The representative from Sycip Gorres Velayo & Co. responded that they do not have the actual amount
14 of taxes that are being paid by the mining company and that they cannot disclose the said information since
15 it is confidential on the part of the companies. However, it was suggested that the MSG members directly
16 ask a mining company for the actual payments. The body was also advised to identify the stage of operation
17 of a particular mining company since the taxes will vary depending on the stage of operation and the nature
18 of operation. It was mentioned that the MSG members can coordinate with the Chamber of Mines of the
19 Philippines (COMP) for this information.

20
21 3.5. There was a suggestion to make a hypothetical model showing the taxes being paid.

22
23 3.6. A representative of COMP affirmed that they can do a hypothetical model of tax payments for copper,
24 gold and nickel mines. It was also mentioned that the computation of the excise tax can also be included
25 since this is important for the MSG members to understand. The COMP representative recalled that they
26 have already made models before, during tax discussions with government.

27
28 3.7. Another suggestion from an MSG member was to disaggregate the taxes that are being paid by the
29 mining companies to avoid the impression that all taxes are liabilities of the mining companies. One example
30 that was given is the withholding tax on the wages of the employees. It was noted that this type of tax is a
31 direct liability of the employees of the mining company and not the mining company itself. Another example
32 that was cited is the withholding tax on the purchase of goods and services which is being deducted from
33 the purchases of the mining company and does not go into the profit and loss statement as cost but instead
34 as tax liability for remittance to the Bureau of Internal Revenue (BIR)

35
36 3.8. The Chair responded that the hypothetical modeling is supposed to also show the suggested
37 disaggregation of taxes.

38
39 3.9. A representative from COMP stated that given what was presented, the issue on materiality should be
40 discussed. It was mentioned that 60% or 70% of the different taxes being paid are insignificant amounts
41 thus, will not be captured.

1 3.10. The COMP representative reiterated that given the quantity of different taxes that the mining
2 companies pay, there is indeed an issue of materiality when it comes to EITI reporting which need to be
3 discussed in order to only capture significant taxes in the model for proper understanding.
4

5 3.11. It was also shared to the body that the mining companies model withholding tax on dividends. The
6 COMP representative explained that even though the mining companies are just a withholding agent the
7 amount still comes from the income that the companies produce and pay out as a dividend. It was also
8 mentioned that since the withholding tax in dividends is a big amount, third parties take this into
9 consideration during tax studies.
10

11 3.12. It was further suggested that the materiality be discussed by the Technical Working Group (TWG) of
12 PH-EITI.
13

14 3.13. Nickel Asia Corporation volunteered to provide the TWG members with a breakdown of all the taxes
15 and fees that the company paid for years 2011 and 2012. From these data, the PH-EITI TWG will then
16 determine the significant taxes that should be included in the EITI report.
17

18 3.14. A concern was raised regarding the misinformation in the community level. A CSO representative
19 shared that the people in the community are not actually aware of how much the mining companies are
20 really paying thus, it is better to show them all the taxes being paid by the mining companies and not only
21 those with significant amount.
22

23 3.15. An MSG member stated that the modeling should really consider what the significant amounts are in
24 order to understand exactly how the taxes affect the financial reporting of the company. However, for the
25 people in the community to understand mining a more detailed breakdown of what the companies are
26 paying is important.
27

28 3.16. For the purpose of educating the public about the taxes, it was suggested that the hypothetical models
29 be included in the EITI report. It was explained that the EITI report would include the background materials,
30 the hypothetical models presenting all the costs and payments. On the other hand, the level of materiality
31 on what items should be disclosed will be discussed in the actual report of each company.
32

33 3.17. A representative from the CSO inquired which of the taxes or payments go directly to the national
34 treasury. The Mines and Geosciences Bureau (MGB) was also asked whether there are tax payments that go
35 to the discretionary fund of the agency.
36

37 3.18. A representative from MGB responded that all taxes and payments are remitted to the national
38 treasury. However, DBM appropriates 10% of the 5% mineral reservation royalties to be used for MGB
39 projects.

1 3.19. The Chair also noted that even regulatory fees also go to the treasury. It was further explained that all
2 fees and charges are also remitted to the treasury on the year that they were collected. The following year,
3 the agencies then request for a portion of the remitted fees and charges and include it in their budget.
4 The representative of MGB agreed to the explanation made by the Chair.
5

6 3.20. A representative from the industry sector mentioned that when the payment is remitted to the
7 national government, these are being allocated to the different Local Government Units (LGUs) in minimum
8 of 2 years and with a lot of follow up from local government. The issue is whether the correct amount is
9 being paid to the LGUs and if they are being paid on time.
10

11 3.21. The Chair suggested that BIR and DBM be invited to discuss how collections are allocated to the
12 intended beneficiaries and how long the process of distribution takes.
13

14 The body agreed.
15

16 3.22. One of the MSG members requested to include the income tax holidays in the financial modeling.
17

18 3.23. In relation to the request, a CSO representative proposed that the BOI be invited in an MSG meeting to
19 discuss the incentives that they are providing including the schedule of incentives.
20

21 3.24. An industry representative responded that there is no need for the MSG to invite BOI since the tax
22 holiday will already be removed.
23

24 3.25. On the contrary, it was explained that the MSG members need to understand the new policy regarding
25 incentives in order for them to clearly communicate to the public that there are no more incentives.
26

27 3.26. The body agreed to invite BOI in an MSG meeting to present on the current incentive regime for
28 mining.
29

30 3.27. There was a question whether the new policy regarding incentives will automatically amend the
31 contracts of currently operating mines and not only to those that will be applying for new contracts.
32

33 3.28. The Chair stated that this will also be asked from the BOI when they present to the MSG.
34

35 3.29. The oil and gas sector also presented the terms of Service Contract No. 38 or the Malampaya
36 development operated by Shell Philippines Exploration B.V., in partnership with Chevron Malampaya LLC
37 and PNOC Exploration Corporation. The presentation material is attached as Annex B.
38

39 The salient points of the presentation are as follows:
40

- 41 • Contractor is exempt from all taxes except income tax [cf. Section 6.2 of SC38]
- 42 • Contractor is liable for the payment of income tax [cf. Section 6.1 of SC38]

- Contractor's payment of income tax and branch profit remittance tax is part of Government Share [cf. Section 6.3 of SC38]

3.30. It was recalled that during the MSG training in Davao, the guests from Indonesia presented that in their country, only 10% of the net proceeds goes to the contractor after deducting all the operating expenses. The CSO representative pointed out that the share (40%) of the contractors from Malampaya proceeds is significantly higher.

3.31. The Petroleum Association of the Philippines (PAP) representative was asked if the fiscal rationalization incentives will affect the oil and gas companies.

3.32. In the comment regarding percentage of shares, the PAP representative explained that as a development goes deeper into the body of water, the share of the contractors are increasing. And since the Malampaya project is in 800 meter of water, they were allowed to have more than 10% of shares. It was further explained that the 10% presented by the representatives from Indonesia is probably from an onshore development.

As for the incentives, the PAP representative stated they are not being affected by the incentives since the government share is fixed to 60%. However, it was mentioned that the government is trying to improve the incentives to encourage more oil and gas developments.

3.33. A CSO representative asked for the total amount that was paid to the government excluding income tax from the Malampaya operations.

3.34. The PAP representative illustrated that from the 60% government share, the tax will comprise about 22% which will go to the BIR, while 38% will be paid to the Department of Energy (DOE).

3.35. A representative from CSO recalled that in the previous years, the Commission on Audit (COA) questioned why the income tax is not separated from the government share of production. The PAP representative was asked how the COA resolved the said issue.

3.36. It was mentioned that this is still a pending matter and is being appealed with the commission proper. The representative from DOE agreed to the statement of PAP.

3.37. It was stated that this subject matter is significant since there could be an issue in terms of what the oil and gas companies are supposed to report.

3.38. From the presentation, a representative from the mining sector observed that the business model for oil and gas is very different than the business model for mining. It was mentioned that the operating margin for oil and gas production is much higher compared to the operating margin for mining.

1 3.39. The CSO noted that the FTAA model of MGB was patterned after the service contract model of PD 87.
2 The MGB was asked to cite the differences between the original service contract model and FTAA designed
3 for the mining sector.
4

5 3.40. The representative from MGB explained that the FTAA's are totally different since FTAA's have 50-50%
6 share. It was also mentioned that FTAA's have 5 year recovery and that the government share can only be
7 collected after the recovery period.
8

9 **4. Matters Arising from Previous MSG Meetings**

10
11 4.1. *Harmonization of PH-EITI work plan with Philippine Poverty Environment Initiative (PPEI) work plan:* This
12 was reported to be still on-going. The Secretariat recalled that the body decided to defer the discussion
13 since the work plan needs to be revised first and that there is pre work that needs to be done regarding this.
14

15 4.2. *Election of co-chairs of the MSG:* The Secretariat recalled that there was an agreement that each sector
16 would choose among themselves who will sit as co-chairs. The body discussed this further at the latter part
17 of the meeting.
18

19 4.3. *Government -issued regulations on participation in the EITI:* The Secretariat recalled that there was an
20 agreement for DOE and the Department of Environment and Natural Resources (DENR) to issue a regulation
21 on disclosing information necessary for EITI. It was also mentioned that the Secretariat was tasked to look at
22 the statement of commitment that was signed by the MSG members during the national conference to
23 determine if this document would suffice. The Secretariat shared that they sent the MSG members a copy of
24 the statement of commitment on August 30, identifying paragraphs 3 and 4 as the relevant provisions.
25

26 Paragraph 3: "We likewise commit to fully cooperate in all undertakings needed to meet all the
27 requirements of EITI and to remove all constraints that will hinder us from fully adhering to its principles."
28

29 Paragraph 4: "In addition, we state our commitment to support all reforms that promote transparency and
30 accountability to ensure full disclosure of material information in accordance with the EITI process."
31

32 4.4. The Chair again asked the MSG members if the statement of commitment is already sufficient to
33 indicate the commitment of both DOE and DENR in complying with EITI requirements.
34

35 4.5. The body approved that the statement of commitment already is already sufficient and that there is no
36 more need for DENR and DOE to issue a regulation.
37

38 4.6. *Establishment and management of a revenue-linked database:* This was reported to be a pending
39 matter since the MSG cannot proceed until the Multi-Donor Trust Fund (MDTF) from the World Bank is
40 made available.
41

1 4.7. *Auditing of government reports*: In order to determine if there is a need to engage COA in EITI
2 implementation, the Secretariat clarified this matter with the International Secretariat. It was shared to the
3 body that according to Mr. Wouter Biesterbos of the International Secretariat, it is ideal to have all
4 government data audited according to international standards of supreme audit institutions (an
5 international body that issues regulations on how to audit government data) which is issued by the
6 International Organization of Supreme Audit Institutions (INTOSAI). However, it was pointed out that this is
7 not a requirement. Mr. Biesterbos also clarified that when government data is not compliant with the
8 international standards of supreme audit institutions, the MSG and the independent administrator can
9 agree on what assurances can be made in order to attest that government data is reliable and accurate.
10

11 4.8. It was raised that the identification of existing auditing practices of the government is already part of
12 the Terms of Reference (TOR) for the scoping study.
13

14 4.9. On the other hand, the Secretariat clarified that the issue is whether or not to engage COA for this
15 purpose.
16

17 4.10. Considering that COA is the government mandated institution that audits government transactions,
18 there was a move for the MSG to involve COA. In addition, there was also a suggestion to invite COA to be a
19 member of the MSG. With this, the body will have an in-house auditing group.
20

21 4.11. The Chair responded that there is already enough number of government agencies involved in the
22 MSG and now is not the time to ask COA to be involved as an MSG member.
23

24 4.12. A member of the MSG shared that during the joint mission, Senate and House representative
25 expressed their interest to join the MSG since EITI entails policy direction.
26

27 4.13. With this, there was a suggestion from the CSO that the Secretariat be mandated to do exploratory
28 talks with these different offices so that the MSG can brief them on EITI, discuss with them and then get
29 feedback.
30

31 4.14. A concern was raised regarding COA mandate. It was expounded that the mandate of COA is to focus
32 more on expenditure and not on revenue which is the concern for EITI.
33

34 4.15. The Secretariat was also asked to explain what would be the relationship between COA and the
35 reconciler in the event that COA gets involved.
36

37 4.16. It was explained that COA will not perform the functions of the independent administrator who will do
38 the reconciliation.
39

40 4.17. On the other hand, it was noted that COA can advise regarding current auditing practices of the
41 government and provide insight whether these comply with the standards of INTOSAI.

1 4.18. The Chair asked the Secretariat to invite COA to discuss current auditing practices on government data
2 to determine if we comply with the International Supreme Audit standards and if they are doing anything
3 along these lines as well.
4

5 4.19. *Whether service contracts should be part of the waiver:* It was recalled that formal letters were sent to
6 DOE and DENR requesting them to inform the MSG members regarding their policies on public disclosure.
7 The Secretariat reported that this is still a pending matter since DOE and DENR have not yet replied to the
8 letters.
9

10 4.20. The DOE and MGB were asked to update the body regarding this.
11

12 4.21. The MGB representative stated that DENR is currently revising its disclosure policy and that the MGB
13 already submitted their comments regarding the DENR administrative order. It was mentioned that the MGB
14 will adopt a policy of full disclosure.
15

16 4.22. As for DOE, the representative explained that they just need consent from the contractors. Thus, if the
17 contractors are willing to disclose the service contracts then DOE can disclose copies of these contracts.
18

19 4.23. The Chair asked DOE and DENR to submit a formal reply to the Secretariat.
20

21 4.24. *List of accredited reconcilers:* It was noted that the Secretariat was tasked to survey the cost of hiring a
22 reconciler. However, the cost will depend on the standard TOR for the reconciler/administrator which is still
23 being finalized by the International Secretariat.
24

25 4.25. *Offer of Timor Leste to conduct a training for the PH-EITI MSG on the Petroleum Fund process:* The
26 Secretariat recalled that the body agreed to decide on this when the need arises.
27

28 4.26. *Auditing of PH-EITI's expenses:* The Secretariat recalled that during the last MSG meeting the body
29 decided to defer the discussion of this matter due to lack of time.
30

31 4.27. On the Election of Co-chairs, the CSO representative pointed out that this was an issue raised at the
32 time of Sec. Bebet Gozun.
33

34 On the other hand, the CSO representative shared that a weak commitment from the government was
35 observed during the Joint Mission since the expected people from the government were not able to attend
36 the said event. The CSO representative also mentioned being confused as to who sits as the focal person for
37 EITI.
38

39 4.28. In connection with this, a business representative proposed that the Co-Chair of the MSG be someone
40 from the government and not from the CSO and business sector.
41

42 4.29. One the MSG members asked what will be the tasks of the Co-Chairs.

1 4.30. A representative from the business sector responded that the task of the Co-Chairs is to take charge
2 when the Chair is not present.
3

4 4.31. An MSG member also expressed that the government needs to be fully committed to EITI
5 implementation. It was also added and that the structure of the lead government agency should be clear in
6 terms of who should be in-charge in EITI conferences such as the Joint Mission.
7

8 4.32. It was mentioned that it is important for the MSG members to know who is in charge from the
9 government and that the person in charge does not report to anybody else but the President.
10

11 4.33. On the election of Co-Chairs, one MSG member recalled in the discussions that Co-Chairs were
12 proposed to show that members of the MSG are on equal footing and to take charge when the Chair is
13 absent.
14

15 4.34. Another CSO representative recalled that the election of Co-Chairs was proposed since there was an
16 instance where the Chair was not able to attend the MSG meeting and no one from the government
17 representatives wanted to Chair the meeting. It was further explained that the election of Co-Chairs was
18 more on the administrative aspect of actually conducting a meeting. On the other hand, the CSO
19 representative noted that since the MSG operates on a consensus basis, having Co-Chairs is not really an
20 issue.
21

22 4.35. A member of the MSG pointed out that a meeting should be moved to a different date when the Chair
23 will not be able to attend.
24

25 4.36. In order to move forward it was suggested that the government clarify the extent of their current
26 commitment to EITI and also update the body regarding the status of the Executive Order institutionalizing
27 EITI. The CSO representative also asked for the status of the appointment of focal person for EITI.
28

29 4.37. The Chair assured the MSG members that DOF is very committed to EITI implementation. The body
30 was also informed that the EO is still in the approval process. The Chair also mentioned that even though all
31 the legal review has been done prior to the submission to the Office of the President, another round of
32 review by the different agencies will be done.
33

34 4.38. The body was also informed that a Department Order was already drafted by the Department of
35 Finance appointing the Chair as the focal person for EITI. It was mentioned that if the Department Order
36 does not get signed by Sec. Purisima, the Chair is certain that Sec. Purisima will appoint a senior official to
37 take over.
38

39 4.39. The Chair reassured the MSG members that the DOF and the government are committed in
40 implementing EITI and in submitting the EITI report on time.
41

1 4.40. In relation to this, the Chair also informed the MSG members that the DOF issued a press release
2 regarding the outcome of the Conference on the Adoption of the 2013 standards, cleared by the DOF PR,
3 and that the focus of that press release is the statement made by Usec. Paul. Chair also mentioned that the
4 office of the PH-EITI Secretariat has already been transferred to DOF.

5
6 4.41. Considering the foregoing discussion, the body agreed not to have Co-Chairs for the MSG.

7 8 **5. Finalization of Objectives for EITI implementation in the Philippines**

9
10 5.1. The Secretariat presented the draft objectives that were formulated by Mr. Wouter Biesterbos at the
11 end of the Conference on the Adoption of the 2013 EITI Standard.

12
13 5.2. The Secretariat also shared that the CSOs sent their revisions to the objectives. The suggested revisions
14 were also presented to the body.

15
16 5.3. One of the MSG members requested that the body be given more time to review the objectives first.

17
18 5.4. The Chair asked the Secretariat how important it is to have consolidated objectives.

19
20 5.5. The Secretariat explained that the consolidated objectives will be the basis for revising the work plan
21 which should be submitted to the World Bank by the end of October.

22
23 5.6. The Chair asked the MSG members to submit their proposed revisions to the objectives on or before
24 October 18, 2013.

25
26 5.7. A representative from the CSO commented that what the MSG members should revise in the work plan
27 would be the timeline of activities.

28
29 5.8. The Secretariat responded that the activities of the PH-EITI have to be aligned with the consolidated
30 objectives. It was further explained that the current work plan of PH-EITI does not actually cover most of the
31 objectives that were presented, thus, it is necessary to finalize the objectives.

32
33 5.9. It was clarified that with the new set of objectives the MSG members will be adding more activities in
34 the work plan.

35
36 5.10. The Secretariat explained that during the conference, there were breakout sessions where each sector
37 presented their objectives. On the basis of these objectives, the advisers from World Bank and International
38 Secretariat formulated a set of objectives which was approved by the MSG members subject to further
39 discussion.

40
41 5.11. The Chair suggested that in further revising the objectives, the body should consider that each sector's
42 proposals were already incorporated in this set of objectives. In addition, if these objectives already capture

1 the essence of what the sectors want for EITI to achieve then the MSG members should already finalize
2 these objectives in order to meet the deadline.
3

4 5.12. For clarification, the Secretariat mentioned that the draft objectives were sent to the MSG members
5 along with the other meeting documents and that the CSO voluntarily sent their suggested revisions to the
6 objectives.
7

8 5.13. One CSO representative mentioned that they removed the phrase “foreign investments” from
9 objective number 5 (increase foreign investment / strengthen business environment) since EITI can also
10 increase domestic investment.
11

12 5.14. The Chair suggested that the objectives be limited to five items with two or three bullets under each
13 items. The body was informed that objectives should be precisely worded, should allow for a broader
14 interpretation and should provide direction to move forward.
15

16 5.15. To simplify the objectives, one member of the MSG suggested to start each objective with a verb.
17 Another suggestion was to simplify the objectives. As an example, the CSO representative mentioned that
18 the objective “create space for public participation in natural resource management” could be changed to
19 “enhance public participation”. Another example was to rephrase “widen democratic space to create
20 opportunities for dialogue and constructive engagement in natural resource management” to “create
21 opportunities for dialogue and constructive engagement in natural resource management”.
22

23 5.16. For objective number 3 letter b, a member of the group suggested to state “assess tax and legal
24 systems” instead of “diagnostic of systems, including tax and legal systems”.
25

26 5.17. A representative of the CSOs pointed out that since objective number 2 is about natural resources
27 management, the sub-objective under that could be changed to “increase publicly accessible data for
28 informed decision making” instead of stating “enable informed decisions on natural resource management
29 through an increase in publicly accessible data”.
30

31 Another suggestion was to remove the word “publicly” and reword the sub-objective to “increase the
32 accessibility of data for informed decision making”.
33

34 5.18. The Chair suggested to change objective number 2 from “strengthen government accountability in the
35 management of natural resources” to “strengthen public oversight in the management of natural
36 resources”. With this, it was suggested that the sub-objective “enhance public participation” be removed
37 since the objective “strengthen public oversight” already takes into consideration that the venue for public
38 participation will be created.
39

40 5.19. A CSO representative noted that emphasizing government accountability is important to the public. In
41 this connection, it was suggested that a sub-objective on enhancing government accountability be added
42 under objective 3.

1 However, it was mentioned that all stakeholders need to be accountable and not only the government. In
2 this regard, the objective “enhance government accountability” was changed to “enhance stakeholder
3 accountability”.

4
5 5.20. A representative of the industry sector suggested that the phrase “to build trust and reduce conflict”
6 be added to objective number 4. Thus, the objective number 4 was worded as “create opportunities for
7 dialogue and constructive engagement in natural resource management in order to build trust and reduce
8 conflict among stakeholders”.

9
10 5.21. The industry sector representative also mentioned that EITI should not only strengthen business
11 environment but also increase investments. In effect, the fifth objective was changed to “strengthen
12 business environment and increase investments”.

13
14 5.22. Given the foregoing discussions, the MSG members agreed to the consolidated objectives, as follows:
15

- 16 1. Show direct and indirect contribution of extractives to the economy
- 17 2. Strengthen public oversight in the management of natural resources
 - 18 a. Increase public understanding of the extractive industry
 - 19 b. Increase the accessibility of data for informed decision making
- 20 3. Strengthen national resource management / strengthen government systems
 - 21 a. Assess tax and legal systems
 - 22 b. Ensure government receives all it is supposed to receive
 - 23 c. Enhance stakeholder accountability
- 24 4. Create opportunities for dialogue and constructive engagement in natural resource management in
25 order to build trust and reduce conflict among stakeholders
- 26 5. Strengthen business environment and increase investments

27 28 **6. Creation of Working Committee**

29
30 6.1. The Secretariat informed the body that after coming up with a set of objectives, the MSG members
31 need to revise the work plan. For this purpose, there is a need for a working committee composed of MSG
32 members from each sector, which will work with the Secretariat in revising the work plan. The working
33 committee will then present the revised work plan to the MSG for the latter’s review and approval.
34

35 6.2. The Chair asked each sector to nominate one representative to the working committee and submit the
36 names to the Secretariat within the day.
37

38 **7. Revision of Work Plan**

39
40 7.1. The Chair clarified that the MSG members need to review and approve the revised work plan thus, it
41 should be ready before the next MSG meeting.

1 7.2. The Secretariat suggested that the revised work plan be circulated to the MSG members once finalized
2 by the working committee but still for final approval by the MSG in the next meeting.

3 4 **8. BIR Waiver**

5
6 8.1. The BIR representative shared that the dissemination of information will only be limited to the
7 documents that taxpayers submit to the BIR as part of their tax returns and financial statements. Thus,
8 information gathered by BIR for purposes of enforcement will not be disclosed.

9
10 8.2. It was also explained that the words “taxpayer database” was deleted from the phrase “related
11 information available in the taxpayer database of the Bureau” since BIR collects information from other
12 parties and these information are just for purposes of enforcement and should not be disclosed.

13
14 8.3. The BIR representative added that they deleted the phrase “the execution of the foregoing waiver is
15 without prejudice to remedies available to the company as taxpayer provided under the Tax Code and
16 related laws” to avoid legal problems in the future.

17
18 8.4. A representative of the business sector stated that if the documents that will be disclosed will be limited
19 only to those that were submitted by mining companies and if only for EITI compliance, then they don’t see
20 any problems with the suggestions of the BIR.

21
22 8.5. The industry representatives of the MSG agreed to the revisions on the waiver.

23 24 **9. Financial Report**

25
26 9.1. The Secretariat discussed the expenses for EITI activities. It was mentioned that the Joint Mission was
27 sponsored by World Bank including the meals, accommodation and transportation of the participants.

28
29 9.2. The Secretariat noted there was a substantial savings from the government funds equivalent to
30 P1,732,117.62 .

31
32 9.3. It was raised that there is a pending issue whether there is a need to audit the expenses of the
33 Secretariat.

34
35 9.4. The Chair responded that what is being spent through the budget of the DOF will be audited by COA,
36 however, they need to have a discussion with their resident auditor regarding auditing of funds from
37 donors.

38
39 9.5. It was clarified that the Secretariat did not incur any expense for the subnational conference in Davao,
40 and hence, there is no need to include it in the financial report of the Secretariat.

1 9.6. There was a suggestion that the expenditures of the industry sector incurred from participating in EITI
2 be also incorporated in the financial report. This is to show that the industry has a counterpart in EITI
3 implementation when the financial reports are made publicly available.
4

5 9.7. The industry representatives agreed to report their EITI related expenses and the Secretariat was tasked
6 to provide a template for this.
7

8 **10. Updates/Announcement** 9

10 10.1. There was a suggestion from the industry sector that the MSG meeting for November be held in a
11 mine site, specifically in Rio Tuba mine site which is located in Southern Palawan. It was mentioned that
12 lodging, meals and transportation to mine site will be covered by the mining company.
13

14 10.2. The industry sector representative also pointed out that mining revenues and computation of excise
15 taxes can be discussed as part of the orientation to the mine site.
16

17 10.3. It was noted that the budget for food and accommodation of the CSO members can be realigned to
18 cover the plane fares to Palawan.
19

20 10.4. The representative of the CSO mentioned that they will request for the realignment of the budget from
21 the British Embassy to cover the transportation costs of the government representatives and the
22 Secretariat.
23

24 10.5. The body agreed to hold the next MSG meeting in Rio Tuba mine site within the week of November 25.
25

26 10.6. The Secretariat reminded the body that in the letter sent by the Chair of the International Secretariat,
27 Ms. Claire Short, there is an item that gives the MSG an option whether to publish EITI report for the year
28 2012 or 2013. It was further discussed that the deadline for the 2012 report is December 31, 2014 while the
29 2013 report should be submitted by May 2015.
30

31 10.7. The Chair mentioned that once the scoping study has initial findings, the body can then make an
32 informed decision on which deadline to adopt.
33

34 **ADJOURNMENT** 35

36 There being no other matters to discuss, the meeting was adjourned at 11:28 AM.