



LGU STRATEGIES FOR EXTRACTIVE INDUSTRY REVENUE USE AND MANAGEMENT

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BACKGROUND

- National Government as the **Main Regulator of Extractive Industry**
- Local Government Units (LGUs) being the host of the mining sites, oil, gas fields, and principal offices of extractive industries, **play an important role in subnational EITI implementation**



BACKGROUND

ROLE OF THE LOCAL GOVERNMENT UNITS

in regulating the extractive industries

- No project or program that would have environmental impact may be implemented in its territory without consultation from the LGUs affected
- In the case of small-scale mining, the DENR-MGB, through the Provincial or City Mining and Regulatory Board (P/CMRB), regulates its operation. Functions include declaring lands as people's small-scale mining areas, awarding contracts, settling claims and disputes in the mining area, and crafting and implementing rules on small-scale mining
- Quarrying in public or private land for building and construction materials requires a permit from the Provincial Governor or City Mayor for ICCs and HUCs but the application must be lodged with the P/CMRB



LEGAL BASIS

Section 289, LGC

Share in the Proceeds from the Development and Utilization of the National Wealth
Local government units shall have an equitable share in the proceeds derived from the utilization and development of the national wealth within their respective areas

SECTION 290, LGC

Amount of Share of Local Government Units.

Local government units shall, in addition to the internal revenue allotment, have a share of forty percent (40%) of the gross collection derived by the national government from the preceding fiscal year from mining taxes, royalties, forestry and fishery charges, and such other taxes, fees, or charges, including related surcharges, interests, or fines, and from its share in any co-production, joint venture or production sharing agreement



TYPES OF NATIONAL WEALTH

TYPE OF COLLECTION	COLLECTING AGENCY
Forest Charges	DENR-OSEC
Royalties from Mineral Reservation	DENR-MGB
Energy Production Resources	Department of Energy
Mining Taxes	Bureau of Internal Revenue



DISTRIBUTION OF SHARES

NATURAL RESOURCES LOCATED IN THE PROVINCE

PROVINCE

20%

COMPONENT CITY/MUNICIPALITY

45%

BARANGAY

35%



DISTRIBUTION OF SHARES

NATURAL RESOURCES LOCATED IN TWO (2) OR MORE LGUS

POPULATION

70%

LAND AREA

30%



DISTRIBUTION OF SHARES

NATURAL RESOURCES LOCATED IN HIGHLY-URBANIZED INDEPENDENT COMPONENT CITY

CITY

65%

BARANGAY

35%



USES OF FUND

- SHALL BE USED TO FINANCE LOCAL DEVELOPMENT PROJECTS
- SHALL BE USED TO FINANCE LIVELIHOOD PROJECTS
- PROCEEDS FROM HYDROTHERMAL, GEOTHERMAL AND OTHER ENERGY SOURCES, 80% SHALL BE APPLIED SOLELY TO LOWER COST OF ELECTRICITY WHERE THE ENERGY SOURCE IS LOCATED
(Sec. 294 of RA 7160, Art. 391 IRR of RA 7160



UTILIZATION OF SHARES:

LGUs' Actual Practice

- Shares are used to augment funds for local development projects (included in lump-sum appropriations)
- Shares are accumulated annually to have enough funds for a specific project.
- Benchmark from other LGUs for best practices



UTILIZATION OF SHARES: *Challenges*

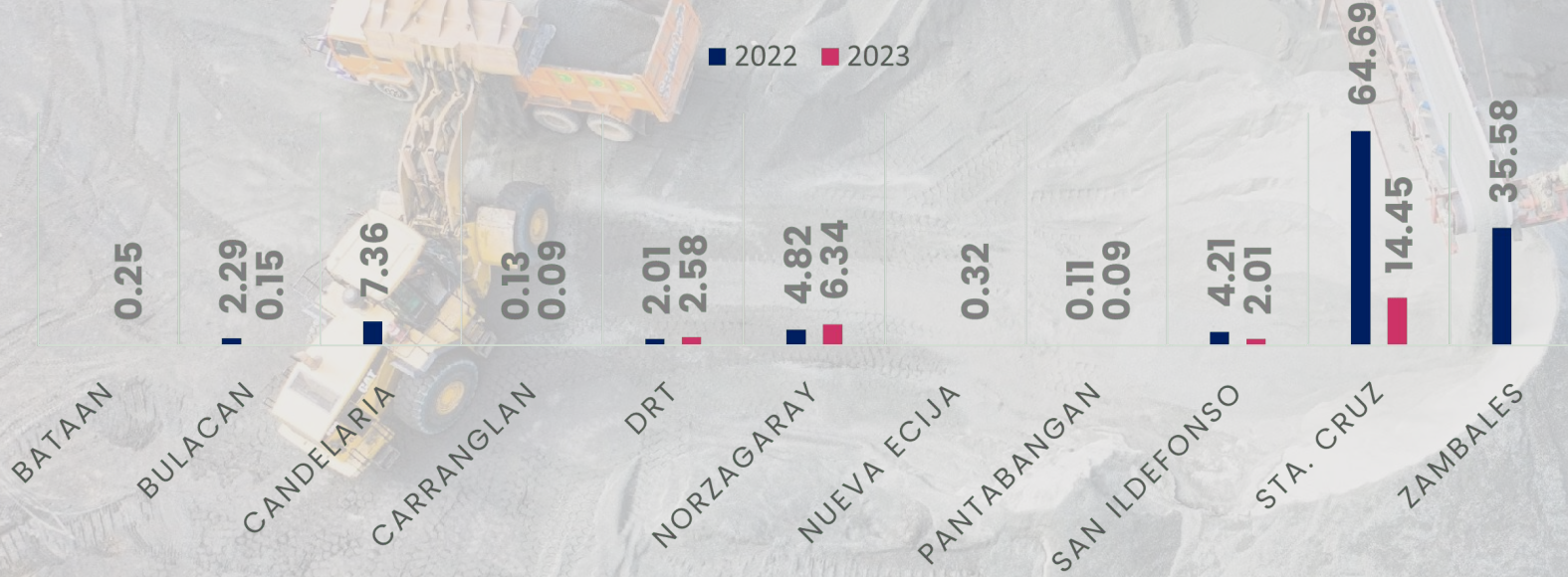
- Minimal amount, hence difficult to appropriate for a specific local development or livelihood projects
- Limited information on the usage of the fund
- No project or program menu given for the shares received
- No liquidation report required by authorities

DOF-BLGF REPORTING TOOLS

- LGU Integrated Financial Tool (LIFT)
- Environment and Natural Resources Data Management Tool (ENRDMT)



SHARES FROM NATIONAL WEALTH 2022-2023



	2022	2023
BATAAN	-	245,989.39
BULACAN	2,287,978.53	153,872.44
CANDELARIA	7,357,113.00	-
CARRANGLAN	129,968.62	91,096.34
DRT	2,005,591.16	2,584,076.87
NORZAGARAY	4,821,996.70	6,344,341.32
NUEVA ECIJA	-	315,171.38
PANTABANGAN	113,932.24	91,096.34
SAN ILDEFONSO	4,211,769.74	2,006,452.79
STA. CRUZ	64,688,499.25	14,451,686.00
ZAMBALES	35,582,539.52	-



POINTS TO CONSIDER FOR DISCUSSION

- Is it possible for the revenue be earmarked for specific purposes?
- How much should be allocated for current needs and for economic diversification/growth?
- *“Revenue is temporary and its sources exhaustible because it comes from the transformation of a non-renewable asset. To avoid an abrupt fiscal adjustment once resources are depleted, and to enable future generation to benefit, a portion of revenue needs to be saved for future use or invested in assets that will generate future revenue. Resource exhaustibility calls for a long-term fiscal strategy, implemented through robust medium-term expenditure planning and execution systems.” (Roe et. al, n.d)*



An aerial photograph of a quarry or construction site. A long conveyor belt runs diagonally across the frame, carrying material from the top right towards the center. A yellow truck is positioned near the conveyor belt, and another yellow vehicle is visible below it. The ground is covered in large piles of grey material, likely gravel or crushed stone. The entire image is framed by a thin blue border.

THANK YOU



BUREAU OF LOCAL GOVERNMENT FINANCE REGION III