

Extractive Industries Transparency Initiative in the Philippines



Ma. Teresa Habitan
Assistant Secretary
Department of Finance



OVERVIEW OF EITI

What is EITI?

- A global standard of transparency that requires the extractive industries such as oil, gas, and mining to publish what they pay to the government, and the government to publish what they collect from these industries.

OVERVIEW OF EITI



Licenses & contracts

Monitoring production

Tax collection

Revenue distribution

Expenditure management



Licensing information

State ownership

Contract transparency (encouraged)

Beneficial ownership (encouraged)

Production data



Companies disclose payments

Transit payments (encouraged)



Government discloses receipts

State owned enterprises

Transfers to local government

Social and infrastructure investments



A national **multi-stakeholder group** (government, industry & civil society) decides how their EITI process should work.



Government revenues and company payments are disclosed and independently assessed in an **EITI Report**.



The findings are communicated to create **public awareness and debate** about how the country should manage its resources better.



OVERVIEW OF EITI

COMPOSITION OF THE MULTI STAKEHOLDER GROUP:

Government:

1. Department of Finance (under which the PH-EITI secretariat is lodged).
2. Department of Environment and Natural Resources
3. Department of Energy
4. Department of the Interior and Local Government
5. Union of Local Authorities of the Philippines.

OVERVIEW OF EITI

- CIVIL SOCIETY: Represented by Bantay Kita Philippines, a broad coalition of civil society organizations advocating transparency and accountability.



- Extractive Industries:

1. Petroleum Association of the Philippines
2. The Chamber of Mines Philippines
3. An elected representative from non-chamber members.



OVERVIEW OF EITI

Objectives and Benefits:

FOR THE GOVERNMENT:

1. Adoption of a uniform procedure for reporting of payments and revenues
2. Easy monitoring and regulation of the extractive industries
3. Generation of vital information for crafting policies



Objectives and Benefits:

FOR THE INDUSTRIES:

1. Level playing field as a result of transparency among industry players
2. Better investment climate
3. More trust and confidence from the public



Objectives and Benefits:

FOR THE CIVIL SOCIETY

1. Better monitoring of the industries
2. Platform for advocacies
3. Local communities can monitor the exact benefits that they are entitled to (e.g. Social Development and Management Program (SDMP) Environment Protection and Enhancement Program (EPEP), LGU payments and shares, IP shares)



Objectives and Benefits:

- Demonstrates the country's strong commitment to good governance.
- Improves the country's sovereign and corporate ratings



Objectives and Benefits:

Examples:

1. Nigeria: Recovery of USD 2 Billion worth of government revenue
2. Mongolia: 12.3% economic growth in 2012 --- a development that is attributed in part to the country's implementation of the EITI.
3. Ghana: Increased royalty rates.

EVOLUTION OF THE EITI

2003	EITI Principles
2005	EITI Criteria and Sourcebook (non binding guidance)
2008	EITI Validation Guide (binding requirements)
2011	EITI Rules and Validation Guide
2013	EITI Standard

THE NEW EITI STANDARDS

- In May 2013, the EITI International Board adopted new EITI standards to further expand the scope of EITI reporting.



EITI Rules (2011) 21 Requirements

EITI CANDIDATE

In order to apply for EITI Candidacy:

Before the end of the EITI Candidacy period:

EITI COMPLIANT

To retain EITI Compliance:

SIGN-UP REQUIREMENTS

- 1 The government is required to issue an unequivocal public statement of its intention to implement the EITL.
- 2 The government is required to commit to work with civil society and companies on the implementation of the EITL.
- 3 The government is required to appoint a senior individual to lead on the implementation of the EITL.
- 4 The government is required to establish a multi-stakeholder group to oversee the implementation of the EITL.
- 5 The multi-stakeholder group, in consultation with key EITI stakeholders, should agree and publish a fully costed work plan, containing measurable targets, and a timetable for implementation and incorporating an assessment of capacity constraints.

PREPARATION REQUIREMENTS

- 6 The government is required to ensure that civil society is fully, independently, actively and effectively engaged in the process.
- 7 The government is required to engage companies in the implementation of the EITL.
- 8 The government is required to remove any obstacles to the implementation of the EITL.
- 9 The multi-stakeholder group is required to agree a definition of materiality and the reporting templates.
- 10 The organisation appointed to produce the EITI reconciliation report must be perceived by the multi-stakeholder group as credible, trustworthy and technically competent.
- 11 The government is required to ensure that all relevant companies and government entities report.
- 12 The government is required to ensure that company reports are based on accounts audited to international standards.
- 13 The government is required to ensure that government reports are based on accounts audited to international standards.

DISCLOSURE REQUIREMENTS

- 14 Companies comprehensively disclose all material payments in accordance with the agreed reporting templates.
- 15 Government agencies comprehensively disclose all material revenues in accordance with the agreed reporting templates.
- 16 The multi-stakeholder group must be content that the organisation contracted to reconcile the company and government figures did so satisfactorily.
- 17 The reconciler must ensure that that the EITI Report is comprehensive, identifies all discrepancies, where possible explains those discrepancies, and where necessary makes recommendations for remedial actions to be taken.

DISSEMINATION REQUIREMENTS

- 18 The government and multi-stakeholder group must ensure that the EITI Report is comprehensible and publicly accessible in such a way as to encourage that its findings contribute to public debate.

REVIEW AND VALIDATION REQUIREMENTS

- 19 Oil, gas and mining companies must support EITI implementation.
- 20 The government and multi-stakeholder group must take steps to act on lessons learnt, address discrepancies and ensure that EITI implementation is sustainable. Implementing countries are required to submit Validation reports in accordance with the deadlines established by the Board.

RETAINING COMPLIANCE REQUIREMENTS

- 21 Compliant countries must maintain adherence to all the requirements in order to retain compliant status.

EITI Standard (2013) 7 Requirements

BOX 1 EITI REQUIREMENTS

The EITI requires:

- 1 Effective oversight by the multi-stakeholder group.
- 2 Timely publication of EITI Reports.
- 3 EITI Reports that include contextual information about the extractive industries.
- 4 The production of comprehensive EITI Reports that include full government disclosure of extractive industry revenues, and disclosure of all material payments to government by oil, gas and mining companies.
- 5 A credible assurance process applying international standards.
- 6 EITI Reports that are comprehensible, actively promoted, publicly accessible, and contribute to public debate.
- 7 That the multi-stakeholder group takes steps to act on lessons learned and review the outcomes and impact of EITI implementation.



RATIONALE FOR THE NEW STANDARDS

- To make the reports easier to understand
- To make EITI more relevant in each country
- To promote better and more accurate disclosure
- To condense the previous 21 requirements into 7 coherent standards
- To impart transparency across the extractive industries value chain

2013 EITI STANDARDS

1. Effective oversight by the multi-stakeholder group.
2. Timely publication of EITI Reports.
3. EITI Reports that include contextual information about the extractive industries.
4. Production of comprehensive EITI Reports that include full government disclosure of extractive industry revenues, and disclosure of all material payments to government by oil, gas and mining companies.



2013 EITI STANDARDS

5. Credible assurance process applying international standards.

6. EITI Reports that are comprehensible, actively promoted, publicly accessible, and contribute to public debate.

7. The multi-stakeholder group to take steps to act on lessons learned and review the outcomes and impact of EITI implementation.





EITI IMPLEMENTATION IN THE PHILIPPINES



PH-EITI's Candidature and Work Plan

Steps we undertook to become a candidate:

- Issuance of an unequivocal public statement of the country's intention to implement the EITI.



Executive Order 79

SECTION 14. Improving Transparency in the Industry by Joining the Extractive Industries Transparency Initiative. In order to improve transparency, accountability, and governance in the sector, the government shall support and commit participation in the Extractive Industries Transparency Initiative (EITI). The DENR is mandated to ensure that mechanisms are established to operationalize the EITI in the mining sector, in consultation and coordination with the mining industry and other concerned stakeholders.





Statement of the President

“We will implement the Extractive Industries Transparency Initiative (EITI) in order to improve transparency in the collection and payment of government taxes and other revenues from extractive industries. We earlier declared this commitment through Section 14 of Executive Order No. 79. We will apply for EITI Candidacy in January 2013.”



PH-EITI's Candidacy and Work Plan

Steps we undertook to become a candidate:

- Appointment of a senior individual to lead on the implementation of the EITI.
- Coordination with civil society and companies, and establishment of a multi-stakeholder group to oversee the implementation of the EITI.



Steps we undertook to become a candidate:

- Development of a work plan, fully costed and aligned with the reporting and Validation deadlines established by the EITI Board.



Objectives of the PH-EITI work plan:

1. Establish commitment and support to implement EITI through EO 79 where the country stated its firm commitment to the EITI process
2. Form the MSG, develop and publish the TOR and work plan
3. Institutionalize PH-EITI through the issuance of an EO and legislation creating EITI
4. Implement and monitor PH-EITI progress
5. Report, reconcile, audit revenue flows
6. Communicate, build knowledge and engage citizens



- Upon completing the above steps, the government submitted an EITI Candidate Application to the EITI Board on April 5, 2013.

The Philippines was admitted as a Candidate Country on May 22, 2013 during the EITI Global Conference in Sydney, Australia.





NEXT STEPS

1. Scoping study to determine the following:

- a. Material benefit streams
- b. Government agencies that should be included in the report
- c. Companies that should be included in the report
- d. Barriers to EITI implementation and how to address these barriers



NEXT STEPS

2. Capacity-building activities

- a. Training on new EITI standards
- b. Financial tracking to identify the payments made and their materiality
- c. Revenue Management to see how revenue resources are managed
- d. SDMP reporting to determine the valuation of social expenditures that will be included in the report

3. Continuous outreach to stakeholders



NEXT STEPS

4. Drafting of the reporting template

5. Hiring of an independent reconciler who will evaluate if there are discrepancies between the data reported by the government and the industries

6. Drafting and publication of EITI report

7. Validation to commence on July 2016 to evaluate whether the Philippines complied with the EITI process

THANK YOU!!!

PH - EITI Secretariat

Contact Details:

Email

info@ph-eiti.com

www.ph-eiti.org

Telephone: 5250487

