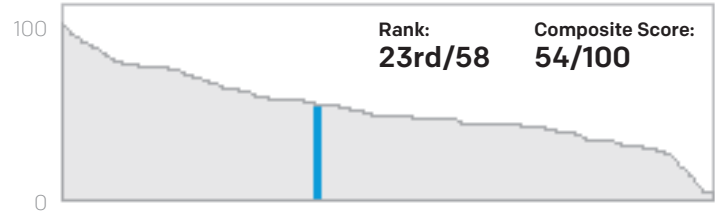


Philippines



The Resource Governance Index (RGI) measures the quality of governance in the oil, gas and mining sector of 58 countries. Learn more and explore findings at www.revenuewatch.org/rgi.



Background

The Philippines produced 11 percent of the world's nickel in 2010. The country's rich natural resources also include major copper deposits, chromium, gold, and silver; minerals made up 8 percent of merchandise exports in 2011. However, with low royalty rates and an ineffective fiscal system, the government receives only a small share of this resource wealth. In July 2012

Philippines	2000	2005	2011
Population (million)	77.31	85.55	94.85
GDP (constant 2011 international \$ billion)	103.4	116.7	224.8
GDP per capita, PPP (constant 2005 international \$)	2,697	3,051	3,638
Extractive exports (% total exports)	3%	4%	8%

SOURCES: World Bank.

the government announced it would stop issuing mining licenses while it revised the sector's legal framework.

The Philippines' Performance on the RGI

The Philippines received a "partial" score of 54, ranking 23rd out of 58 countries. It ranked in the top half of countries surveyed on all four components, suggesting that the government has made meaningful progress toward improved resource governance.

Institutional and Legal Setting

(Rank: 24th/58 Score: 63/100)

The Philippines received a "partial" score of 63, its highest on any component, the product of comprehensive mining legislation but incomplete disclosure requirements.

The Mines and Geosciences Bureau grants exploration permits on a first-come, first-served basis, but there are plans to introduce competitive bidding based on technical, financial, and environmental criteria. The Environment and Natural Resources Department negotiates mineral agreements, which must be approved by the president. Local governments approve contracts for small-scale mining.

The Bureau of Internal Revenue collects payments from large companies; small-scale gold miners pay taxes to the central

bank and fees to local governments. Some payments go directly to indigenous groups. All central government revenues are deposited in the national treasury.

Mining projects must undergo an environmental impact review, but rules requiring community consultation and consent are not consistently followed. The Philippines has not passed a freedom of information law. The government took its first steps toward joining the Extractive Industries Transparency Initiative in January 2013.

Reporting Practices

(Rank: 23rd/58 Score: 54/100)

With poor contract transparency and uneven disclosure of mining data, the Philippines received a "partial" score of 54.

The current administration provides more information than its predecessors. Maps of licensing areas are posted online and copies of contracts can be requested from the director of the Mines and Geosciences Bureau. However, joint operating agreements between the state-owned Philippine Mining Development Corporation and private firms are not made public, and access to environmental impact assessments is still restricted.

The Mines and Geosciences Bureau regularly publishes information on mineral reserves, production, investments, approved operations, and disaggregated revenues. The Bureau of Internal Revenue reports annual tax data, and the Environment and Natural Resources Department publishes royalty receipts. Royalties paid to indigenous groups are not published. The central bank is the main source of data on production, foreign direct investment, and mining exports. Local governments are less transparent, and their failure to accurately report on artisanal mining skews national statistics.

Safeguards and Quality Controls

(Rank: 35th/58 Score: 51/100)

Insufficient checks on the licensing and revenue collection processes led to a "partial" score of 51.

Congress does not play a regular oversight role in the licensing process. Lawmakers have conducted investigations of contract negotiations, but their requests for industry information often go unanswered.

The Commission on Audit oversees all state accounts, including those of the national mining company. Audits are submitted annually to congress, which may launch ad hoc reviews but

does not regularly monitor mineral receipts. A recent independent report found significant discrepancies in official data on mineral production and exports, and noted that the government appears to be under-collecting excise taxes.

Enabling Environment

(Rank: 22nd/58 Score: 46/100)

With mediocre global rankings on corruption control and the rule of law, the Philippines received a “failing” score of 46.

State-Owned Companies

(Rank: 26th/45 Score: 44/100)

The Philippine Mining Development Corporation negotiates agreements on behalf of the government with outside inves-

tors. It submits reports to the national Securities and Exchange Commission, but only very limited information on the company’s operations is available to the public.

Natural Resource Funds

(Rank: 16th/30 Score: 61/100)

The central government transfers a portion of mineral revenues to producing regions according to detailed revenue sharing procedures defined by law. Funds must be used for development projects and are notoriously subject to delay. The central government does not provide information on disbursements, but local governments are required to publish receipts.

Philippines’ Composite, Component and Indicator Scores

Rank (out of 58)		Score (out of 100)
23	COMPOSITE SCORE	54
24	Institutional and Legal Setting	63
	Freedom of information law	33
	Comprehensive sector legislation	100
	EITI participation	33
	Independent licensing process	67
	Environmental and social impact assessments required	50
	Clarity in revenue collection	83
	Comprehensive public sector balance	0
	SOC financial reports required	100
	Fund rules defined in law	..
	Subnational transfer rules defined in law	100
23	Reporting Practices	54
	Licensing process	83
	Contracts	0
	Environmental and social impact assessments	0
	Exploration data	100
	Production volumes	100
	Production value	100
	Primary sources of revenue	67
	Secondary sources of revenue	100
	Subsidies	0
	Operating company names	100
	Comprehensive SOC reports	50
	SOC production data	5
	SOC revenue data	0
	SOC quasi fiscal activities	83
	SOC board of directors	50
	Fund rules	..

Rank (out of 58)		Score (out of 100)
	Comprehensive fund reports	..
	Subnational transfer rules	100
	Comprehensive subnational transfer reports	33
	Subnational reporting of transfers	0
35	Safeguards and Quality Controls	51
	Checks on licensing process	67
	Checks on budgetary process	78
	Quality of government reports	73
	Government disclosure of conflicts of interest	100
	Quality of SOC reports	33
	SOC reports audited	22
	SOC use of international accounting standards	0
	SOC disclosure of conflicts of interest	100
	Quality of fund reports	..
	Fund reports audited	..
	Government follows fund rules	..
	Checks on fund spending	..
	Fund disclosure of conflicts of interest	..
	Quality of subnational transfer reports	0
	Government follows subnational transfer rules	33
22	Enabling Environment	46
	Corruption (TI Corruption Perceptions Index & WGI control of corruption)	26
	Open Budget (IBP Index)	66
	Accountability & democracy (EIU Democracy Index & WGI voice and accountability)	52
	Government effectiveness (WGI)	52
	Rule of law (WGI)	35

■ Satisfactory	■ Weak
■ Partial	■ Failing