



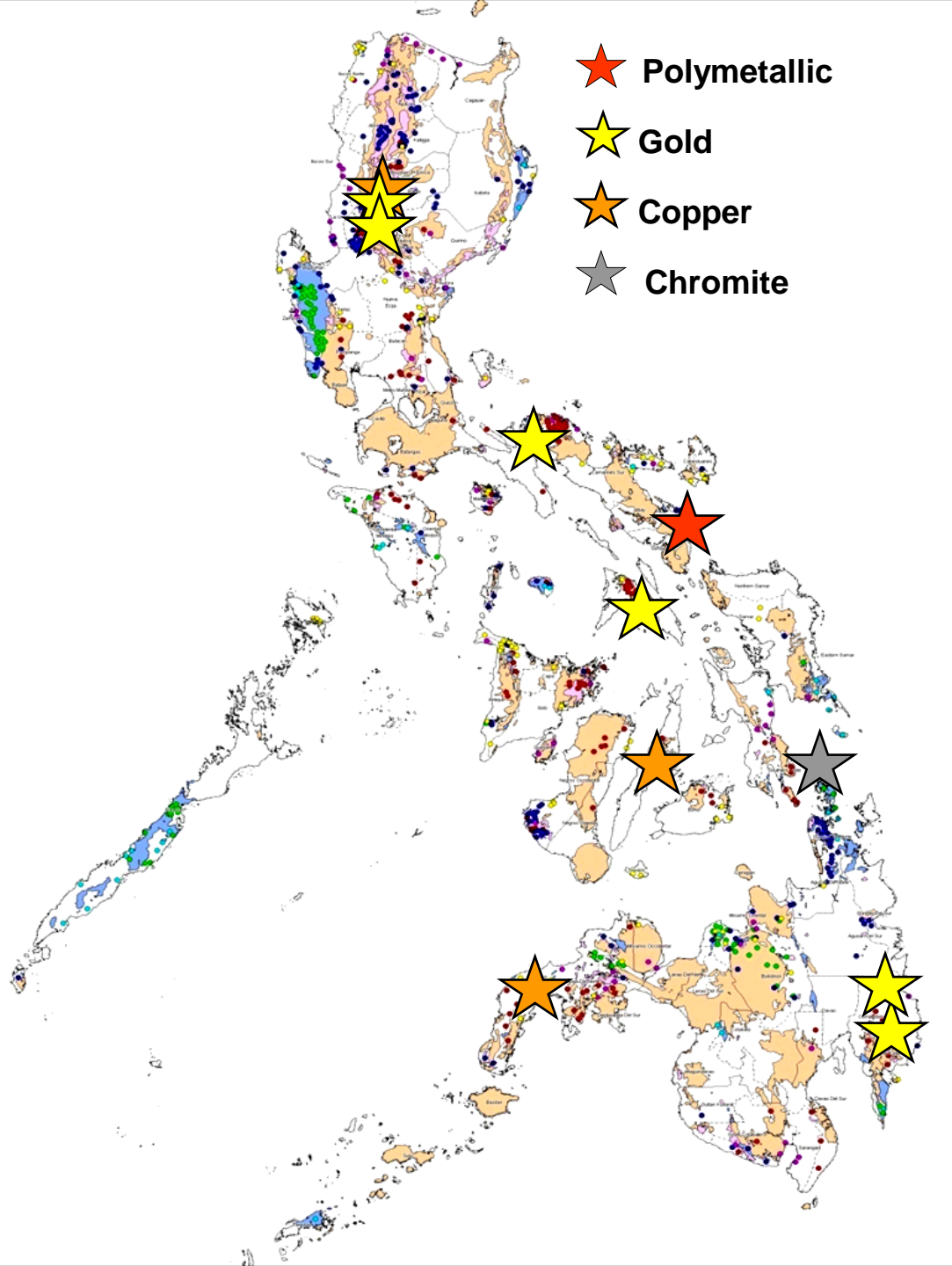
**Philippine Poverty
Environment Initiative -
PPEI**

Increasing natural resources revenues for local governments

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Department of Environment and Natural Resources





- ★ Polymetallic
- ★ Gold
- ★ Copper
- ★ Chromite

OPERATING MINES

4 Medium to Large Scale Gold Mines

- Victoria/Teresa Gold Project (Lepanto)
- Maco Gold Mine (Apex Mining)
- Banahaw Gold Project (Philsaga Mining)**
- Masbate Gold Project (Filimera/CGA)**

3 Copper Mines

- Padcal Copper Mine (Philex)
- Carmen Copper Project (Atlas/CCC)**
- Canatuan Sulphide Phase Project (TVI)**

1 Polymetallic Mine

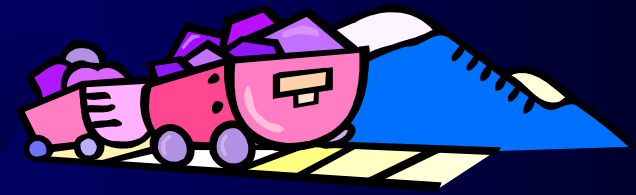
- Rapu-Rapu Mine

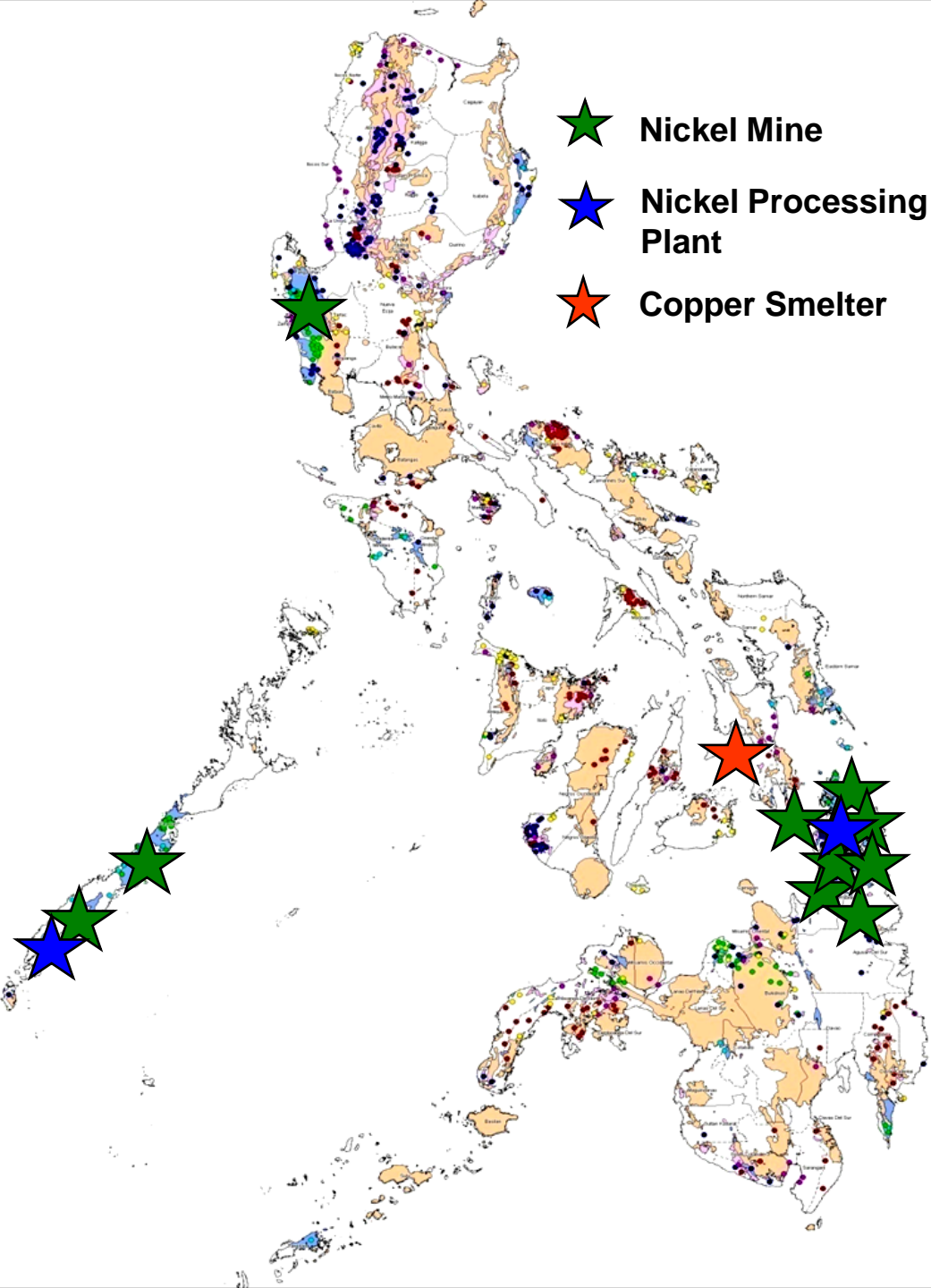
1 Chromite Mine

- Redondo Project (Krominco, Inc.)

2 Small-Medium Scale Gold Mines

- Acupan Gold Operations (Benguet Corp)
- Paracale Gold Project (Johnson Gold Mining)





OPERATING MINES. . .

10 Medium-Scale Nickel Mines

- CRAU Mineral Resources Corp. - Sta. Cruz Nickel Proj., Zambales
- Berong Nickel Project - Quezon, Palawan
- Rio-tuba Nickel Mining Corp. - Bataraza, Palawan
- Cagdianao Mining - Dinagat Province
- Hinatuan Mining - Tagana-an Project, Surigao del Norte
- CTP Constn, and Mining Corp. - ACT Project, Surigao Sur
- Taganito Mining Corp. - Claver, Surigao Norte
- Platinum Group Metals – Cagdianao Nickel Project, Surigao Norte
- SR Metals Inc. - Tubay Nickel Project, Agusan del Norte
- **CTP/CNC - Carrascal Ni Project, Surigao Sur**

1 Nickel Process. Plant - Palawan (CBNC)

1 Copper Smelter - Leyte (PASAR)

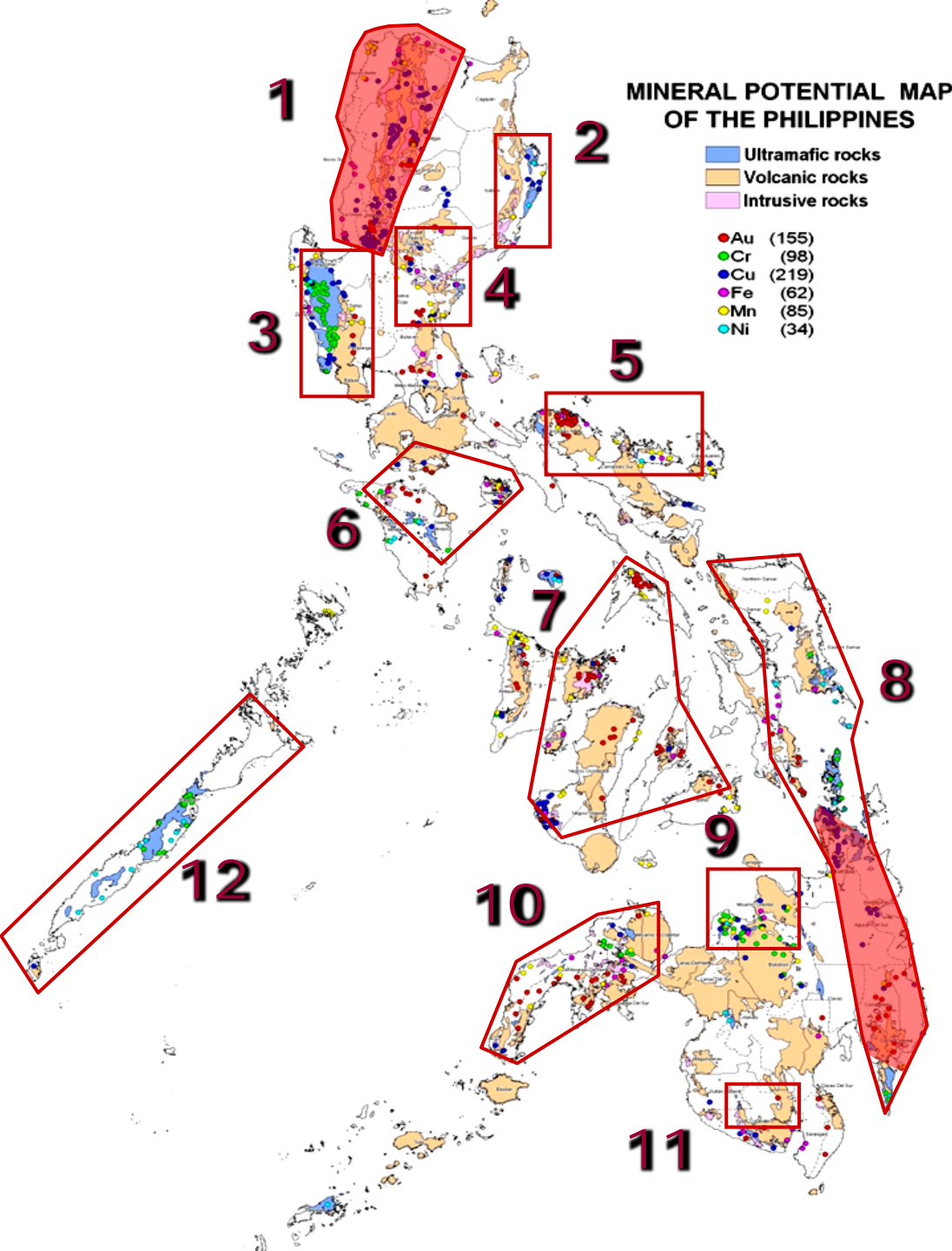
1 Proposed Nickel Process. Plant – Surigao

16 Cement Plants and Quarries

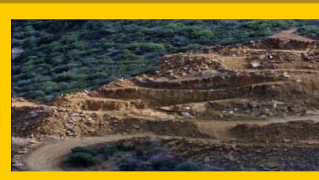
1000+ Gold & Metallic Small Scale Mines

**2000+ Non-metallic Small Scale Mines/
Quarries**

Potential Areas and Deposits



1. Luzon Central Cordillera – Au, Cu, Fe, Mn
2. Northern Sierra Madre – Cr, Ni, Cu
3. Zambales – Cr, Ni, Co, Pt, Cu, Au
4. Vizcaya-Aurora – Cu, Au
5. Bicol – Au, Fe, Cu
6. Southern Tagalog – Cu, Au, Ni, Co
7. Central Visayas – Cu, Au, Mn
8. Samar-Eastern Mindanao – Au, Cu, Fe, Cr, Ni, Co, Pt, Mn
9. North Central Mindanao – Cr, Cu, Au
10. Zamboanga Peninsula – Au, Cu, Cr, Fe
11. Southern Mindanao – Cu, Au
12. Palawan – Cr, Ni, Co, Pt, Au, Rare Earth Elements



PHILIPPINE ECONOMIC POTENTIAL

Priority Metallic Mining Projects:

- **US \$ 90.8 B** - **Gross value of mineral deposits**
- **US \$ 13.5 B** - **Foreign direct investments**
- **US \$ 3.4 B** - **Annual sales/foreign exchange**
- **US \$ 61.4 M** - **Annual excise tax on minerals**
- **US \$ 432 M** - **Annual corporate income tax**
- **200,000** - **Additional direct & indirect employment**



MINING INDUSTRY INDICATORS (2009/2010-est)

	2008	2009	2010 <i>(Projections)</i>
Gross Production Value	PhP 86.8 Billion (US\$1.95Billion)	PhP106.5 Billion (US\$ 2.22Billion) <i>estimates</i>	PhP138.5 Billion (US\$ 2.95Billion)
Contribution to GDP (current prices)	PhP 89.5 Billion US\$2.01 Billion (1.2%)	PhP 100.5 Billion (US\$ 2.10 Billion) (1.3%) <i>estimates</i>	PhP 110.4 Billion US\$2.30 Billion (1.4%)
Total Exports of Minerals and Mineral Products	US\$2.50 Billion (5.2%)	US\$ 2.720 Billion (5.4%) <i>estimates</i>	US\$2.980 Billion (5.4%)
Taxes, Fees and Royalties	PhP7.62 Billion	PhP7.50 Billion <i>estimates</i>	PhP8.00 Billion
Employment in Mining (and Quarrying)	158,000	166,000	200,000



SOCIAL EQUITY AND COMMUNITY DEVELOPMENT

Social Equity & Community Development*



- **Social Development and Management Programs (SDMP)**
- **40% Share of Taxes to local governments**
- **Royalties to Indigenous Peoples**
- **Retention of social and community infrastructures**

** As Provided by the Philippine Mining Act of 1994*

Annual Social Development and Management Program (SDMP)



It is a comprehensive five-year (5-yr) plan used as a tool for the development and implementation of community programs/projects/ activities in consultation and in partnership with the host and neighboring communities.

Allocation of 90% of 1% of annual direct mining and milling costs for the development of the host and neighboring communities

Social Responsibilities – Development/Operations Stage

Social Development and Management Program Projects



...poultry livelihood



farm tractor distribution...

*Livelihood Projects at
Rio Tuba Mining
(Bataraza, Palawan)*

Enhancing Corporate Social Responsibilities - SDMP

Educational Assistance

Scholarship Programs



School Facilities Support



...at Philex Boyungan, Surigao del Norte



ROYALTY PAYMENTS TO INDIGENOUS PEOPLES

(In Million Pesos)

Company	2007	2008	Values in 2009 pesos
TVIRD Phils (Zamboanga)	11.11	1.80	24.42
Rio Tuba (Palawan)	8.97	13.02	16.23
Taganito Mining (Surigao del Norte)	42.48	21.35	10.42 (estimate)
Philex Mining (Benguet)	-	69.07	88.85
Berong Nickel (Palawan)	15.40	7.07	1.71
TOTALS	77.96	112.31	141.63



ENSURING GOVERNMENT SHARE FROM MINING PROJECTS



Philippine Poverty Environment Initiative - PPEI

A joint project of the Department of Interior and Local Government (DILG) and the UNDP with the Department of Environment and Natural Resources (DENR), Department of Finance (DOF) and Department of Budget and Management (DBM)

Phase I started on March 2011; and the Phase II starting in January 2012

Budget: (Phase I at US\$ 70,000 and Phase II at US\$ 100,000)

PPEI: Increasing natural resources revenues for local governments

- **Focuses on improving the country's competitiveness and accelerated growth , in line with the Philippine Development Plan 2011-2016**
- **Seeks to strengthen local development planning in the use of natural resources and the revenues derived from them, complimented by the growing corporate social responsibility and active civil society.**
- **Builds on the efforts of the Philippine Government for transparency and good governance in the environment sector, particularly the Extractive Industry Transparency Initiative.**

OBJECTIVES of the PPEI: Increasing natural resources revenues for local governments

- a) Identify opportunities and mechanisms for improved environment and natural resource revenues and benefits for poverty reduction and environment sustainability;**
- b) Enhance Local Government Unit's capacities to improve benefit sharing from sustainable natural resource and environment management for poverty reduction; and,**
- c) Establish enabling conditions at national level to promote the identified opportunities for sustainable natural resource and environment management for poverty reduction.**

Component 1: Review of Collection and Distribution of Revenues from Environment and Natural Resources led by Department of Finance (DOF)

Objectives

- Conduct a review of the collection and distribution of revenues from ENR;
- To provide recommendations on how the share of LGUs can be increased;
- Review focus mainly on the mining industries (large-scale and small-scale) and on electric power generation from coal, natural gas, geothermal, hydrothermal and renewable energy resources.

Component 2: Public Environmental Expenditure Review at National and Local Levels led by Department of Budget and Management (DBM)

Objectives

- Sought to analyze the allocation and management of public expenditures in the Philippines;
- To provide key guidance to strategic planning and budget preparation;
- To identify ways in which to improve the efficiency and effectiveness of resource allocations;
- Explored the manner by which the level of environmental expenditure data could be incorporated in the Medium Term Expenditure Framework

Component 3: Advocacy and Support for the Introduction of the Extractive Industry Transparency Initiative (EITI) for Mining and Energy Industries in the Philippines led by Department of Environment and Natural Resources (DENR)

Objective

- To bring about the introduction/ implementation of the Extractive Industry Transparency Initiative (EITI) in the Philippines.

The EITI is a global voluntary initiative which aims to support good governance and transparency in extractive industries like mining, and a tool for poverty reduction that links poverty and environment concerns through transparency and governance.

Component 4: Review of Utilization of Revenues from Natural Resources and Application of Best Practices and Media Strategy led by Department of the Interior and Local Government (DILG).

Objectives

- To establish mechanisms of mainstreaming ENR management for poverty alleviation within the LGU;
- To analyze the collection and utilization of revenues by the LGU generated from the extractive industries;
- Review the existing policies on the release of LGU shares from the national government.

ACCOMPLISHMENTS AND PLANS of the PPEI: Increasing natural resources revenues for local governments

- **Phase I: Focused on conducting policy reviews and in-depth studies on the manner of collection, distribution and utilization of revenues and resources from ENR, particularly on the extractive industries.**
- **Phase II: Focuses on the pilot testing or implementation of activities derived from recommendations in the reviews/studies conducted in year one. It intends to design, test and roll-out various activities across the country, especially in two to three poor local communities.**

PPEI YEAR 1 MILESTONE

What have we done?

March 10, 2011

- The Standard Letter of Agreement between the United Nations Development Programme (UNDP) and the Government of the Philippines (GoP) was signed

Mar 18, 2011
Linden Suites,
Pasig City

- Inception Workshop
- PPEI Annual Work Plan for 2011
- Divided the project into five components

June 7, 2011
Regalia Tower,
QC

- Orientation and Leveling-of Expectations w/ Responsible Parties
- Various policies, rules and initiatives on ENR management and on the collection, distribution and utilization of revenues and other benefits from ENR were discussed
- Work and Financial Plans for the five PPEI components were prepared

August 9, 2011
The Linden Suites,
Pasig City

- Technical Workshop for Component Consultants and Responsible Parties
- Consultants' technical proposals and PPEI Organizational Framework were presented
- MOA between the PPEI Implementing Partner and Responsible Parties were finalized

Sept. 13-15
Sofitel, Pasig

- Exhibit at the Phi. Mining Conference 2011
- Advocated the Introduction of EITI
- Obtained support from mining firms and other stakeholders through their signatures

Oct. 6, 2011
DILG, QC

- Formulated the NRM for the Introduction of EITI
- Discussed issues and obstacles, and Identified various possible actions on how to introduce EITI in the Phil.

Sept. 19-22 – Leyte
Oct. 17-22 - Benguet

- On-site Data Gathering for Component 4 in Kananga, Leyte and Tuba, Benguet
- LGUs usually receive their shares six to eighteen months late;
 - Uncertain amounts received (i.e. In Tuba, they received more than P20M in 2009, but in 2010 they only got P8M);
 - inadequacy of developmental projects being implemented in the localities

Nov. 15, 2011
DILG, QC

- Public Environmental Expenditure Review
- Conducted a one-on-one meeting with the NEDA on the impact of environmental expenditure to P-E Outcomes;
- Validated data with NEDA, and
- Defined the environmental expenditure of the national government

Dec 2, 2011
The Linden
Suites Hotel

- PPEI Dissemination Workshop
- Discussed the initial findings of the studies under PPEI
- Rendered policy proposals to mainstream P-E-D development linkages.

Feb. 29 &
March 9,
2012

- Finalized reports for each component submitted to UNDP



EXECUTIVE ORDER NO. 79:

INSTITUTIONALIZING AND IMPLEMENTING REFORMS IN THE PHILIPPINE MINING SECTOR



E.O. No. 79: Mining Policy Reforms

SPECIFIC ACTIONS	Implementing Agency/ies	Implementation Time Frame
<ul style="list-style-type: none">• Demand operational and financial reports from the mining Contractors; both large and small-scale (cooperatives and associations) at all stages of the mining cycle	DENR-MGB	New rules to be issued within 3 months from the date of this directive
<ul style="list-style-type: none">• Conduct verification at the national, regional and local levels of taxes and fees payable to Government, and monitor all existing and possible entry and exit points of minerals in the country	Lead: DENR-MGB Partners: DOF, DOST, DTI, BOC	New rules/ guidelines to be issued within 6 months from the date of this directive

E.O. No. 79: Mining Policy Reforms

SPECIFIC ACTIONS	Implementing Agency/ies	Implementation Time Frame
<ul style="list-style-type: none">• Ensure inter-agency coordination relative to Government share in mining revenues; and hasten LGU access to their share in mining revenues (i.e., similar to PEZA share)	DENR-MGB; DOF; DBM	New rules to be issued within 6 months from the date of this directive
<ul style="list-style-type: none">• Update, with the participation of stakeholders, the mineral commodity profile, conduct studies and build a database on new markets, products and available technologies towards the development of downstream industries and value-adding activities	Lead: DENR-MGB Partners: DOST, DTI, DOF, NEDA	Study to be completed within 1 year from the date of this directive

E.O. No. 79: Mining Policy Reforms

SPECIFIC ACTIONS	Implementing Agency/ies	Implementation Time Frame
<ul style="list-style-type: none">• Conduct a study on existing mechanisms for benefit sharing, possible minimum terms for equitable benefit sharing, review of existing taxes and fees being imposed, and incentives received by mining companies	<p>Lead: DOF, DTI</p> <p>Partners: DENR-MGB, NEDA</p>	<p>Study to be completed within 6 months from the date of this Directive</p>
<ul style="list-style-type: none">• Study the terms and conditions of service contracts entered into by the Department of Energy (DOE) for energy resources for possible application for mining agreements	<p>Lead: DENR-MGB</p> <p>Partners: DOE, DOF, DTI</p>	<p>Study to be completed within 6 months from the date of this Directive</p>

... mining projects should be able to absorb the environmental and social costs of modern mining as well as contribute to real economic development in the areas hosting their operations...



Maraming salamat po!

www.denr.gov.ph

www.mgb.gov.ph