

Board decision on the Validation of the Philippines

Decision reference: 2017-40/BC-239

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The Board's decision

The Board came to the following decision regarding the Philippines' status:

The Board agrees that the Philippines has made satisfactory progress overall in implementing the 2016 EITI Standard. The Board's determination of the Philippines' progress with the EITI's requirements is outlined in the assessment card below.

The EITI Board agrees that the Philippines has gone beyond the requirements in the EITI Standard on Requirements 1.4, 1.5, 2.1, 2.4, 5.1, 6.1, 7.1, 7.3 and 7.4. The Board agrees that the Philippines has made satisfactory progress in meeting all other requirements.

The EITI Board disagrees with the Validator on requirement 4.1 related to comprehensiveness, considering that the broader objective of comprehensive revenue transparency was achieved despite relatively small gaps in reconciliation. However, the EITI Board strongly encourages the MSG to ensure comprehensive reconciliation of all material revenues from companies in the scope of reporting in future EITI Reports.

Accordingly, the EITI Board agrees that the Philippines will be designated as EITI Compliant and be revalidated in three year, with Validation commencing on **5 October 2020**. In accordance with the EITI Standard, the Philippines' MSG may request an extension of this timeframe, or request that Validation commences earlier than scheduled.

The Board's decision follows a Validation that commenced on 1 January 2017. In accordance with the 2016 EITI Standard, an initial assessment was undertaken by the International Secretariat. The findings were reviewed by an Independent Validator, who submitted a draft Validation Report to the MSG, who was invited to comment on the findings. The MSG's comments on the report were taken into consideration by the Independent Validator, who responded to the MSG and finalised a Validation report. The final decision was taken by the EITI Board.

Background

The Philippines has been an EITI implementing country since 2013. The Philippines' decision to implement the EITI was primarily intended to address public mistrust over mining and strengthen the government's oversight of the extractive sector. The Philippines EITI MSG was formally established by Executive Order 79.

The Validation process commenced on 1 January 2017. In accordance with the Validation procedures, an [initial assessment](#) was prepared by the International Secretariat. The Independent Validator reviewed the findings and wrote a [draft Validation report](#). [Comments](#) were received from the MSG. The Independent Validator reviewed the comments and responded to the MSG, before finalising the [Validation Report](#).

The Validation Committee reviewed the case on 28 August 2017. Based on the findings above, the Validation Committee agreed to recommend the assessment card below.

The Committee also agreed to recommend an overall assessment of "satisfactory progress" in implementing the 2016 EITI Standard. Requirement 8.3.b. of the EITI Standard states that:

b) Consequences of compliance

Where Validation verifies that a country has made satisfactory progress on all of the requirements, the EITI Board will designate that country as EITI Compliant.

EITI Compliant countries must maintain adherence to the EITI Principles and Requirements in order to retain Compliant status. Where a country has become EITI Compliant, but concerns are raised about whether its implementation of the EITI has subsequently fallen below the required standard, the EITI Board reserves the right to require the country to undergo a new Validation. Stakeholders may petition the EITI Board if they consider that Compliant status should be reviewed. This request may be mediated through a stakeholder’s constituency representative(s) on the EITI Board. The EITI Board will review the situation and exercise its discretion as to whether to require an earlier Validation or Secretariat Review. Subject to the findings of that assessment, the EITI Board will determine the country’s status.

Where a Compliant country is being re-validated and validation concludes that the country has not met all EITI requirements, the consequences set out in (c) below apply.

In accordance with Requirement 8.3.d.i, Philippines will be revalidated in three years:

d) Timeframes for achieving compliance.

(i) EITI Candidate countries are required to commence the first Validation within two and a half years of becoming an EITI Candidate. EITI Compliant countries are required to be re-validated every three years. In accordance with provision 8.5, a country may request an extension of this timeframe. A country may also request to commence Validation earlier than scheduled by the EITI Board.

Scorecard

EITI Requirements		Level of Progress				
Categories	Requirements	No Progress	Inadequate	Meaningful	Satisfactory	Beyond
MSG oversight	Government engagement (#1.1) 					
	Industry engagement (#1.2) 					
	Civil society engagement (#1.3) 					
	MSG governance (#1.4) 					
	Workplan (#1.5) 					

EITI Requirements		Level of Progress				
Categories	Requirements	No Progress	Inadequate	Meaningful	Satisfactory	Beyond
Licenses and contracts	Legal framework (#2.1)					
	License allocations (#2.2)					
	License register (#2.3)					
	Policy on contract disclosure (#2.4)					
	Beneficial ownership (#2.5)					
	State participation (#2.6)					
Monitoring production	Exploration data (#3.1)					
	Production data (#3.2)					
	Export data (#3.3)					
Revenue collection	Comprehensiveness (#4.1)					
	In-kind revenues (#4.2)					
	Barter agreements (#4.3)					
	Transportation revenues (#4.4)					
	SOE transactions (#4.5)					
	Direct subnational payments (#4.6)					
	Disaggregation (#4.7)					
	Data timeliness (#4.8)					
	Data quality (#4.9)					
Revenue allocation	Distribution of revenues (#5.1)					
	Subnational transfers (#5.2)					
	Revenue management and expenditures (#5.3)					
Socio-economic contribution	Mandatory social expenditures (#6.1)					
	SOE quasi-fiscal expenditures (#6.2)					
	Economic contribution (#6.3)					
Outcomes and impact	Public debate (#7.1)					
	Data accessibility (#7.2)					
	Follow up on recommendations (#7.3)					
	Outcomes and impact of implementation (#7.4)					

EITI Requirements		Level of Progress				
Categories	Requirements	No Progress	Inadequate	Meaningful	Satisfactory	Beyond
Overall Progress						

-  **No progress.** All or nearly all aspects of the requirement remain outstanding and the broader objective of the requirement is not fulfilled.
-  **Inadequate progress.** Significant aspects of the requirement have not been implemented and the broader objective of the requirement is far from fulfilled.
-  **Meaningful progress.** Significant aspects of the requirement have been implemented and the broader objective of the requirement is being fulfilled.
-  **Satisfactory progress.** All aspects of the requirement have been implemented and the broader objective of the requirement has been fulfilled.
-  **Beyond.** The country has gone beyond the requirements.
-  This requirement is only encouraged or recommended and should not be taken into account in assessing compliance.
-  The MSG has demonstrated that this requirement is not applicable in the country.

Corrective actions

Recommendations

The MSG is encouraged to consider the recommendations in the Validation Report and the International Secretariat’s initial assessment that could help the Philippines make even greater use of the EITI as an instrument to support reforms, and to document the MSG’s responses to these recommendations in the next annual progress report.

News

The Philippines recognised as the first country to achieve satisfactory progress against the EITI Standard

The EITI Board congratulates the Philippines on its achievement, noting the impact of the EITI in generating reforms.

5 October 2017 - The Philippines’ was today assessed as the first country to meet all the

requirements of the EITI Standard. The decision was made by the EITI Board, who noted the pioneering efforts in using EITI data to drive government reforms and generate a vibrant public debate.

Upon receiving the news of the Board's decision, Teresa Habitan, Assistant Secretary of Finance and Chair of PH-EITI, said:

"Working through differences but with a singular goal in mind has been the framework of PH-EITI. All stakeholders in the multi-stakeholder group value transparency in the manner by which the development and management of the extractive sector must move forward. What has been validated for the Philippines is the perseverance of all stakeholders to do what is right and what is best not only for the extractive industries but more importantly for the country and our people."

According to the Validation report, the Philippines presents a dynamic case of EITI implementation, with its fast-paced and innovative multi-stakeholder group engaging in strategic discussions linking the EITI to national priorities for the extractive sector. Government, industry and civil society have all used the EITI to address local demands for information and identify areas for reform. PHEITI's engagement in formulating recommendations for reform and actively following up on their implementation has ensured the EITI has had a tangible impact, particularly in terms of reform of government systems.

EITI has also built trust in a country where the mining sector has often been contentious. Jerry Brimo, CEO and President of Nickel Asia Corporation, said: *"The industry is delighted that the Board has declared the Philippines as an EITI compliant country. We have worked hard for this over some years now. The cooperation shown by all groups in the multi-stakeholder group, the leadership of the Department of Finance, and the dedication of the Secretariat have all contributed to this successful outcome."*

Recommendations

Referring to the Philippines' Validation, Fredrik Reinfeldt, Chair of the EITI, said:

"I congratulate the Philippines on its use of the EITI Standard to build trust, generate public debate and inform policy, which serves as an example to other countries. Meeting all the EITI requirements is a milestone for the EITI and, more importantly, a significant achievement for all the stakeholders in the Philippines that have supported EITI implementation. I urge them to continue to ensure progress, particularly in the coal sector where further work is needed to ensure full transparency."

Cielo Magno, Secretary of the Board of Bantay Kita, a civil society network, said:

"The results of the Philippine validation reflect the hard work and commitment of the different stakeholders to improve governance in the extractive sector. It affirms that having a political space to work together as co-equal facilitates convergence of interests. PH-EITI is a success because we aimed to be relevant. There are still tons of work to be done so I hope we will continue to be effective, open, critical and radical."

The Board identified nine requirements where the Philippines has gone beyond the minimum required by the EITI Standard. These areas include disclosing information on the legal and fiscal framework, disclosing contracts, revenue management, revenue expenditure and social expenditures. The Philippines has used the process to drive several reforms in the sector, including

in distribution of mining revenue from central to local levels and revenue management within local governments. Despite challenges in covering the coal sector, the EITI Board considered that the broader objective of revenue transparency had been achieved.

Scorecard

Notes

- [Validation](#) is the EITI's independent evaluation mechanism. It assesses countries against progress made in meeting the 2016 Standard.
- The Board decision in full [can be found here](#).
- See the full 2016 validation page for the Philippines [here](#).
- [See here](#) for a full explanation of the various levels of progress under the EITI Standard.
- For further information about the EITI in the Philippines, please visit the [country page on the EITI website](#) and [the Philippines' own EITI website](#).