Policy Brief

SENATE ECONOMIC PLANNING OFFICE

December 2013 PB-13-02

Realizing the Philippines' Mining Potential

Given the country's mineral wealth, the mining industry can be a key driver of economic growth.

However, the industry is hounded by various issues and challenges. These include the social and environmental costs, a revenue sharing agreement that is seen as unfair and inequitable, the overlapping and weak enforcement of mining laws, and other problems relating to the mining sector.

Unless these are addressed through a clear, consistent and competitive mining policy, the sector's huge potential to bring economic benefits will unlikely be realized.

The SEPO Policy Brief, a publication of the Senate Economic Planning Office, provides analysis and discussion on important socio-economic issues as inputs to the work of Senators and Senate Officials. The SEPO Policy Brief is also available at www.senate.gov.ph.

Introduction

The mining industry has a great potential to be a key growth sector in the Philippines given the country's vast and rich mineral resource deposits. Mining can spur economic growth and generate employment opportunities in local communities as mining companies invest in infrastructure, utilities and other facilities within the mining sites. It can likewise contribute to the country's foreign-exchange earnings through exports and bring much needed revenues to the government through taxes and fees paid on mining and other related activities.

It appears though that the Philippine mining industry has not lived up to its potential. Critics have argued that the industry has had negligible contribution to the domestic economy and absorbed only a few workers. Its destructive impact on the environment and on the welfare of the people has also been pointed out. Proponents, meanwhile, claim that the flawed provisions in the current laws pertaining to the mining sector as well as other constraints have impeded investments in the sector, thereby limiting its contribution to the economy.

In order to address these challenges, President Benigno Aquino III issued Executive Order No. 79 on July 6, 2012. It sought to strengthen the protection of the environment, promote responsible mining, and provide a more equitable revenue-sharing scheme amid the projected boom in the sector. It is envisioned to harmonize mining policies and regulations in the country and make players in the mining industry more transparent and accountable. Pursuant to these objectives, EO 79 focused on strengthening coordination among stakeholders to ensure strict compliance by mining operators to the existing mining laws and regulations.

This Policy Brief discusses the potential and economic contribution of mining in the Philippines, identifies the present challenges confronting the sector, and proposes strategies that Congress may consider in its policy formulation.

Mining Potential and Economic Contribution

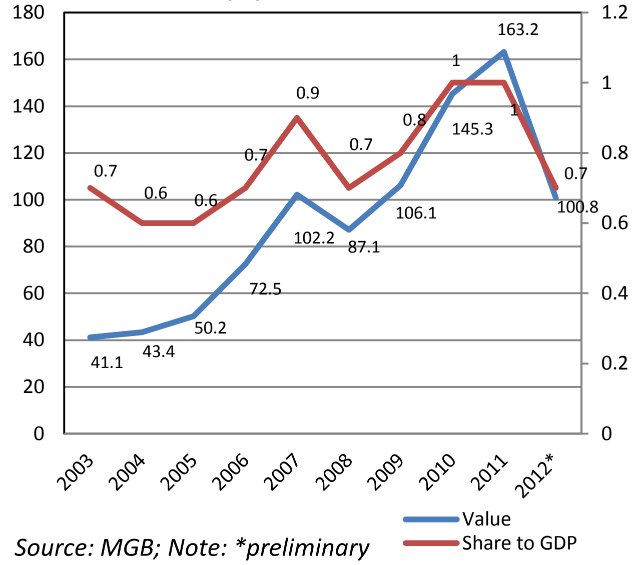
Mineral Resource Potential. The Philippines is one of the highly mineralized countries in the world with 9 million hectares considered to have high mineral potential. According to the Mines and Geosciences Bureau (MGB), the country is ranked top five in the world for overall mineral reserves, second in gold and third in copper resources. The Philippines has untapped mineral wealth worth at least US$840 billion (PhP47 trillion) in gold, copper, nickel, chromite, manganese, silver and iron. This is ten times the country's annual gross domestic product (GDP). The Philippines' gold reserves alone can amount to PhP7.36 trillion, (US$16.873 billion) or about 76 percent of the country's GDP of PhP9.73 trillion in 2011. This amount, according to the National Statistical Coordination Board (NSCB), is enough to completely eradicate poverty in the country, which remains the greatest challenge facing the government.

Production Value and Contribution to GDP. Gross production value in mining has generally increased for the past ten years (2003-2012) (Annex 1). From its production value of PhP41.1 billion in 2003, it has steadily grown to PhP163.2 billion in 2011. In 2012, it declined to PhP100.8 billion mainly on account of the EO 79 issued by the President on July 6, 2012, which imposed a moratorium on the approval of new mineral agreements until a legislation rationalizing existing revenue sharing schemes and mechanisms shall have taken effect. The moratorium effectively put the mining industry at a standstill as a thousand of applications for new mining contracts were put on hold.

Mining's contribution to the economy is small, ranging merely from 0.6 to 1.0 percent of the GDP during the said period. In 2012, mining accounted for merely 0.7 percent of the GDP.

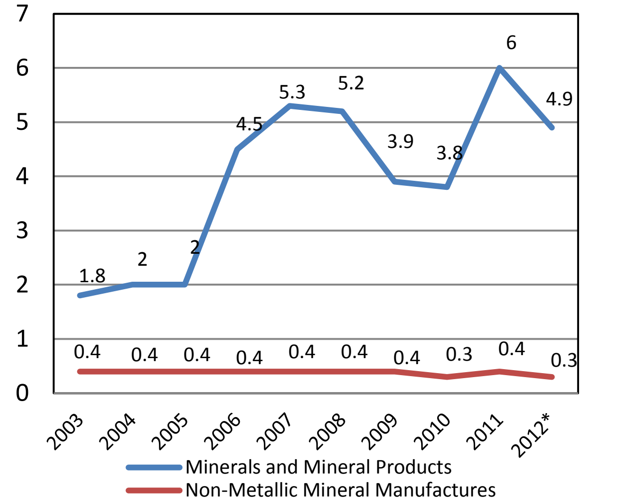
Contribution to Exports. Mining has not contributed much to exports either with the sector's contribution to total exports remaining at single digits, hovering around two to six percent. Export of minerals and mineral products only averaged 3.94 percent from 2003-2012 (Annex 1). Total exports of non-metallic mineral manufactures are even lower at around 0.4 percent.

Figure 1. Gross Production Value in Mining (Billion PhP) and Share to GDP (%), 2003-2012



*Source: MGB; Note: *preliminary*

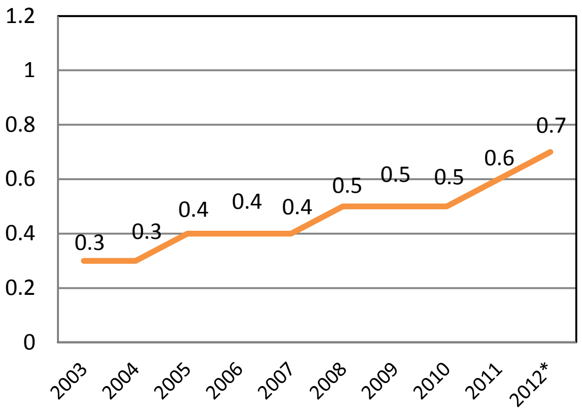
Figure 2. Mining Contribution to Total Exports (%), 2003-2012



*Source: MGB; Note: *preliminary*

Contribution to Employment. The mining (and quarrying) sector's contribution to national total employment has consistently been below one percent. In 2003, mining directly employed 104,000 people. This has modestly grown to 252,000, or 0.7 percent of total employment in 2012. Extractive mining is known as a low-employment generating activity due to the high capital investment in machines and other labor efficient technologies by the mining companies. However, it is estimated that for every job created in the mining sector, at least five indirect jobs are generated in the upstream and downstream sectors (Mining Journal Special Publication, London, 2006). Moreover, the assistance provided in developing or strengthening community development programs and supply chain linkages generates as much as 28 indirect jobs (IFC Jobs Study, 2013).

Figure 3. Mining Contribution to Total Employment (%), 2003-2012

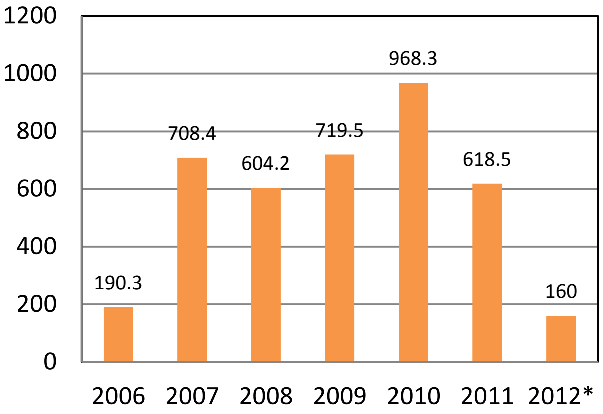


*Source: MGB; Note: *preliminary*

Foreign Investments. Investments in the mining industry generally escalated from 2006 to 2010 (Annex 1). The upsurge in foreign mining investment can be attributed to the decision of the Supreme Court to uphold the constitutionality of the Financial or Technical Assistance Agreement (FTAA) and Republic Act No. 7942 or the Philippine Mining Act of 1995. The law allows foreign ownership in Philippine mining companies (Disini, 2009).

However, foreign and domestic mining investment dropped to US$618.5 million in 2011

Figure 4. Total Mining Investments (US$ Million), 2006-2012



Source: MGB

from US$956 million in 2010 after the government stopped issuing new permits and began a comprehensive review of the sector to ensure that the government receives more revenues. Mining investments further slipped to US$160 million in 2012 following the issuance of EO 79, which barred the granting of new mining contracts pending the passage of a legislative measure on the revenue sharing between the government and mining companies. EO 79 also cut mining contracts' term to 25 years from 50.

Revenues/Taxes Received by the Government. Government revenues through taxes, fees and royalties from the mining industry has been on the upsurge since 2003 (PhP1.5 billion) to 2011 (PhP22 billion) except in 2008 due to low commodity prices. The recovery in revenues in 2009 was largely due to the increase in gold and copper prices and increased production in response to high prices (International Monetary Fund, 2012).

On the average, from 2003 to 2012, nearly three quarters of total revenues from mining were accounted for mostly by taxes collected by national government agencies (these include corporate income taxes, value-added tax or VAT on imported equipment, etc.). Excise tax collected by the Bureau of Internal Revenue (BIR) accounted for 13 percent while fees, charges and royalties accounted for a relatively small amount of the total revenues from the sector.

Table 1. Taxes, Fees and Royalties from Mining (PhP Million), 2003-2016

Taxes, Fees and Royalties from Mining	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012*
Fees, Chargers and Royalties Collected by DENR-MGB	79.8	120.1	210.2	192.1	774.0	557.4	396.2	800.6	1,180.8	1,644.1
Excise Tax Collected bv BIR	155.8	232.5	251.4	489.6	942.1	660.3	718.8	1,305.9	6,985.8	-
Taxes Collected by the NGAs	1,039.2	2,769.1	4,733.6	5,313.2	8,371.7	5,949.5	10,272.5	10,187.9	12,886.0	5,817.8
Taxes and Fees Collected by LGUs	226.9	358.5	453.5	395.0	359.8	522.2	992.8	1,070.8	1,179.1	496.6
TOTAL	**1,501.7**	**3,480.2**	**5,648.7**	**6,389.9**	**10,447.6**	**7,689.4**	**12,380.0**	**22,231.7**	**22,079.8**	**7,958.5**

*Source: MGB; Note: *preliminary*

Issues and Challenges

The Philippine mining industry is beset with various issues and challenges, which affect the sector's social acceptability. The following issues have arguably been the most controversial and pressing, namely: environmental and social cost; low economic contribution; revenue sharing between the government and mining companies; and overlapping and weak enforcement of mining laws.

Environmental and Social Costs. The mining industry continues to find low acceptance and strong opposition from communities due to observations that it inflicts environmental damage and displace people. Mining is deemed to overexploit and adversely affect environmentally critical areas, leading to risks and hazards to the public's health, safety and general welfare.

In 2007, a Fact-Finding Team composed of human rights and environmental experts from the United Kingdom observed the mining operations in the country. Among its findings are the following: 1) mining operations invariably evicted indigenous peoples from mining sites; 2) mining poses an imminent danger to indigenous culture; 3) mining polluted the rivers at their sites; 4) mining destroyed mangroves; 5) mining damaged coral reefs; 6) mining ruined agriculture; and 7) mining damaged the nation's biodiversity. The team observed that "the record of mining companies with regard to environmental protection, disasters and post-mining clean-up in the Philippines is widely acknowledged to be very poor" (Doyle, et al., 2007).

In 2012 alone, at least two major disasters related to mining happened, which damaged various ecosystems. In June 2012, a fish kill occurred in Lake Bito, a rich fishing ground in Leyte. The tragedy was traced to mine wastes from Nicua Mining Corporation, which was then operating in another village in MacArthur, Leyte. The MGB suspended Nicua operations following the fish kill. In August 2012, a waste spill happened in the province of Benguet. About 20 million metric tons of tailings gushed out from the tailings-pond of Philex's Padcal mines, surpassing what was spilled out of the Marcopper mine in 1996 in Marinduque (3-4 million tons). The huge discharge drained out to the Balog and Agno River systems, which provide the water requirements of San Roque Dam for agricultural irrigation and power generation while serving a number of municipalities in the province of Pangasinan, like San Manuel.

The existing abandoned mines, on the other hand, pose environmental and human health problems in the immediate vicinity of the mines. The damages include acid mine drainage, heavy metal contamination of the surface water, sedimentation, pit void, and visual aesthetic problems. According to the MGB, these have arisen due to the failure of the project proponents to undertake mine rehabilitation or maintenance procedures. At present, there are 22 abandoned mines in the Philippines with six priority mines under rehabilitation namely: Bagacay Pyrite Mine in Western Samar; Antamok Mine; Black Mountain Mine in Benguet; Basay Copper Mine in Negros Oriental; Black Mountain Copper Mine in Benguet; and Dizon Mine. Rehabilitation of these six priority mines are expected to be completed at the end of the Aquino Administration.

According to Clive Montgomery Wicks, Vice Chair of the Commission on Environmental, Economic and Social Policy of the Switzerland-based International Union for Conservation of Nature (IUCN), most of the mining companies in the Philippines do not identify the possible dangers that might occur, as well as their proposed remedies in such events in the required Environmental Impact Assessment/ Environmental Impact Statement (EIA/EIS). This is contrary with international standards, where mining companies are obliged to identify the environmental impact posed by their operations and to identify contingency or remedial measures that will be undertaken. It is proposed that the government put in place a structure or a body that would specifically look into mining and strictly enforce responsible mining policies to avoid the negative impact of mining on the environment and people.

Mining Contribution. Despite the sector's economic potential, mining contribution to the economy remains low. Based on the MGB figures, the mining industry has merely accounted for no more than 0.91 percent of the GDP from 2003 to 2012, on the average. Production has been fraught for the past years by the effects of natural disasters and low international prices. Investments in the mining sector are also hindered by long-standing complaints about the lengthy, tedious approval process for exploration permits (EPs). Industry players argue that the practice of having the MGB central office review and validate approvals done at regional offices are redundant and is one of the main factors causing delay. Foreign investments were also obstructed by the requirement of 60 percent domestic equity control and high excise taxes (mineral royalties) on production.

The measly contribution to the economy was also attributed to the limited processing of minerals in the country. Most of the industry's products are currently exported in primary form (e.g. as raw material ore). For 50 years, the mining industry has remained to be an extract-and-export-ore activity and there is no significant industrialization footprint. Mining has never played a major role in national development even during the mining boom of the seventies and early eighties (Habito, 2010).

Revenue Sharing**.** The amount of revenues that the government derives from the mining sector is one of the main drivers behind the government's mining policy thrust. At present, the government receives its revenue share from two mining contract schemes, namely: the Mineral Production Sharing Agreement (MPSA); and the Financial or Technical Assistance Agreement (FTAA). Under the MPSA, the share of the State is limited to the excise tax, which is two percent of the value of the mineral extracted. Under the FTAA, the State receives no share of the value of the minerals extracted by foreign firms, other than the usual taxes (e.g corporate income tax and business tax) (Habito, 2010).

According to the Department of Finance (DOF), with the existing rate, the government only generates around PhP2 billion a year in revenues, or less than one percent of the country's GDP. Other governments such as

Chile, Peru, Ghana, Zambia and Papua New Guinea have revenues from mining that exceed ten percent of their respective GDPs. In other mining-intensive economies such as Australia and Chile, the excise tax ranges as high as 15 percent (Annex 2).

EO 79 calls on Congress to pass a new mining law that will raise the government's revenue share. According to the MGB, the Mining Industry Coordinating Council (MICC) is in the final stages of crafting a draft bill for a new revenue-sharing scheme between the government and mining companies.

Subject to deliberation in the final drafting of the said bill are the proposed two new revenue sharing schemes: the imposition of a 10-percent tax on gross revenues; and the imposition of a 50-percent tax on adjusted mining revenues plus 10 percent of gross sales if metal prices increase by 25 percent annually. The revenue-sharing scheme that would produce the most earnings for the government shall be used. Both schemes would be inclusive of income tax and royalties. Adjusted mining revenues pertain to the difference between gross sales and direct cost, which comprises the costs incurred in the actual production of ore (direct mining cost) and administrative expenses.

Industry players led by the Chamber of Mines have argued though that both proposals would make the Philippine mining industry more uncompetitive. They pointed out that the two percent excise tax is just one component out of the 12 taxes imposed on mining. They referred to a 2012 International Monetary Fund (IMF) study on the Philippine mining tax regime which shows that nearly 60 percent of the total value of a mining project is turned over to the government based on the internationally accepted Average Effective Tax Rate (AETR).[1] This AETR is significantly higher than all large mining countries.

Thus, industry players believe that the government should take into account that mining is a high risk and capital intensive business, and that investors need some incentive to equalize the risk that they are taking.

Overlapping and Weak Enforcement of Mining Laws. Based on the draft midterm review of the Philippine Development Plan (PDP) 2011-2016, some provisions in the country's current mining policy (RA 7942) either overlap or run counter with other national and local laws such as the Indigenous Peoples Rights Act (IPRA) of 1997, National Integrated Protected Areas System (NIPAS) Act of 1992, Local Government Code (LGC) of 1991, Agriculture and Fisheries Modernization Act (AFMA) of 1997, Climate Change Act of 2009, and the EIA/EIS, among others. For instance, there is a policy inconsistency between the Mining Act and the authority given to local government units (LGUs) by virtue of the LGC. While the Mining Act promotes the national policy of mining in LGUs with mineral deposits subject to limitations, some LGUs have refused mining activities altogether in their provinces.

The lack of governance and weak enforcement of the mining laws have also led to the proliferation of illegal small-scale mining. At present, illegal small-scale mining activities are found in more than 30 provinces in the country, with thousands of persons directly engaged in the activity. Because they are not properly regulated, the government loses a considerable amount of revenues. According to the MGB, small-scale mining also poses problems such as the unabated use of mercury in extracting gold; unsafe mining practices; lack of environmental impact mitigation; illegal use of heavy equipment and explosives; and rapid decrease of mineral deposits, among others.

Other Problems Relating to the Mining Sector. EO 79 and the proposed new policies on mining should aim to address the other problems of the sector which include the: a) absence of integrated map of areas closed to mining/"no-go

[1]The AETR is the government's share of pre-tax net present value (NPV), usually measured at the government's assumed discount rate.

zones"; b) lack of guidelines on small-scale mining; c) absence of national program and roadmap for the development of value-adding activities and downstream industries for strategic metallic ores; d) lack of transparency in mining revenues and taxes paid by mining firms; and f) absence of centralized database for the mining industry. These problems, when addressed, are expected to boost the performance of the mining sector, ensuring that the country extracts equitable gains from the industry while minimizing environmental and social costs.

Proposed Legislative Measures

In the Senate of the 16th Congress, a number of legislative measures instituting reforms in the mining industry have been filed. Senate Bill No. 43[2] seeks to address the challenges facing the mining industry by providing a framework for the utilization and management of the country's mineral resources that focuses on the needs of the domestic economy and upholds the rights of all stakeholders involved, including the workers, farmers, indigenous peoples and the local or host communities. Under this legislative proposal, the State shall have at least a share equivalent to ten percent of the gross revenues from the development and utilization of mineral resources that are owned by it to be set aside for the general fund of the government.

On the other hand, SBN 334[3] seeks to institute an independent health and environmental assessment for all mining projects. This bill intends to temper economic strategy by putting in place possible safeguards to protect the environment, ecology and health of the potential mining communities. These safeguards were drawn from the tragic experience of the people of Marinduque due to the Marcopper mining disaster, with the hope that the said tragedy will never be repeated and should never be experienced by potential mining communities.

SBN 457,[4] meanwhile, seeks to increase the tax on minerals and quarry resources from two to seven percent. With the passage of this bill, the national government can look forward to higher revenues than it has collected in recent years. The potential revenue from the proposed increase in excise tax on mineral products shall be equally divided between the national government and the LGUs where the mineral and quarry resources are extracted. In particular, revenues from the 3.5 percent tax on minerals shall accrue to the National Treasury, while revenues from the other 3.5 percent tax on minerals shall be remitted directly to the LGUs as support for their Special Education Fund (SEF). With the infusion of additional funds, it is hoped that the perennial shortages of classrooms, tables and chairs, books, teaching aids, and other educational materials will be addressed.

In the House of Representatives, House Bill No. 171[5] seeks to re-orient the country's mining industry by ensuring the highest industry development standards. Meanwhile, HBN 984[6] seeks to regulate the rational exploration, development and utilization of mineral resources, and ensure the equitable sharing of benefits for the State, indigenous peoples and local communities. HBN 1173,[7] on the other hand, proposes to create the Department of Mines and seeks to institute a revised regulatory framework for the country's mining industry, which will thereby amend or repeal the existing mining laws particularly the Philippine Mining Act of 1995.

---

[2] SBN 43 was filed by Senator Sergio R. Osmeña III on July 1, 2013.

[3] SBN 334 was filed by Senator Pia S. Cayetano on July 2, 2013.

[4] SBN 457 was filed by Senator Ralph G. Recto on July 4, 2013.

[5] HBN 171 is principally authored by Representative Neri Colmenares on July 1, 2013.

[6] HBN 984 is principally authored by Representative Teodoro Brawner Baguilat Jr. on July 3, 2013.

[7] HBN 1173 is principally authored by Representative Philip Pichay on July 8, 2013.

Conclusion and Recommendations

Considering the wealth of the country in terms of mineral deposits, mining can be a potential sector for spurring growth in the economy. If mining is done right and with an equitable revenue sharing agreement, mining can generate more employment and further increase government income.

Communities have a tendency to view mining operations with suspicion because of the industry's potential to cause environmental damage to the area. If all mining companies comply with existing laws, employ environmental protection measures and are fully aware of their social responsibilities, environmental damages and adverse social impact can be avoided or reduced. If the mining industry is to be a successful driver of the economy and will outweigh its environmental and social costs, sector development efforts should be anchored and aligned on the right policy frameworks particularly on the nation's blueprints for sustainable development and inclusive growth, the Philippine Agenda 21 (PA 21),[8] its follow-up document the Enhanced PA 21 (EPA 21),[9] and the PDP 2011-2016. These development documents provide strategies that integrate the sustainable development parameters in the development of the mining industry.

[8]The PA 21, which is the nation's blueprint for sustainable development, advocates a fundamental shift in development thinking and approach. Its action agenda elaborates a mix of strategies that integrates the SD parameters in the development of the country's minerals and mines resources.

[9]The EPA 21 is an improved document that seeks to clarify and laymanize the concept, vision and principles of sustainable development and provide a more focused and catalytic action agenda for promoting, mainstreaming, and sustaining sustainable development initiatives in the country. It builds on the core principles of the PA 21 with distinction on the shift from ecosystem-based management to thematic approach. The EPA 21 has five goal elements, namely: Poverty Reduction; Social Equity; Empowerment and Good Governance; Peace and Solidarity; and Ecological Integrity.

To address the low share received by the government from mining, there is a need to fast-track the legislation of new revenue sharing mechanism. The challenge is determining the optimal mining tax mix, one that will ensure the greatest possible benefit for the public without damaging the firms' incentives to invest. It has also been proposed that the government put in place a structure or agency that would specifically look into mining and strictly enforce responsible mining policies to avoid the negative impact of mining on the environment and people. Complementary to this, there must be clear and measurable indicators to monitor compliance from mining companies and track progress in reforms to ensure responsible mining and inclusiveness of economic benefits, as well as social, cultural and environmental safeguards (Ateneo School of Government, 2011).

Taking off from other successful countries' and other domestic mining companies' experiences, a comprehensive compilation of best practices should be prepared to provide the government, mining companies and affected communities with information and models for decision-making processes. There should also be a continuous capacity building for mining companies and LGUs on the following areas: a) natural resources valuation; b) measuring local economic impact; c) measuring impact on community values and culture; d) establishing systematic monitoring and evaluation of environmental, social and economic impacts at all levels (project, local and national); and e) genuine and inclusive process of obtaining free and prior informed consent.

It is also high time for the mining industry to move toward more domestic processing to make growth in the sector more inclusive. Legislation could be introduced that will mandate large mining enterprises especially foreign ones to set up processing facilities in the country. The establishment of processing plants would generate more tax revenues and more employment opportunities.

Congress may also legislate the institutionalization of the Extractive Industries Transparency Initiative (EITI) in the Philippines. The EITI is a global standard for transparency in the extractive industry sector that involves the reconciliation of company payments with government receipts by an independent administrator, and disclosure of this information to the public. Its objective is to ensure that accurate figures about revenues are publicly available, to identify any potential discrepancies between payments and receipts and to investigate and address the underlying causes of such. Government, mining companies and civil society groups will work together on this process. It is a voluntary initiative in which participating mineral and oil-rich governments agree to publish their receipts from oil, gas and mining activities, and extractive sector companies.

The Philippines was admitted as a “candidate” country by the EITI International Board on May 22, 2013 during the International EITI Conference in Sydney, Australia. The Philippines is among the 37 countries that have committed to implement or are implementing the EITI. Member countries have shown significant revenue increase in mining and oil sectors such as Peru and Nigeria. The latest Peruvian EITI showed that the government received over US$5 billion in 2010, about six times as much as in 2004, when Peru started disclosing the figures. The government received more than 60 percent of the revenue from the mining sector and over US$1 billion from gas and oil exploitation. Across Latin America, revenue from extractive sectors has increased 20 times over the past decade. Similarly, the Nigerian government uncovered vast discrepancies between what the government has received and what they should have received. For the three-year period 2009-2011, Nigeria EITI Reports revealed that a company owed tax payments adding up to US $8.3 billion.

Lastly, a long-term plan for the sustainable development of the country’s mineral resources should be developed, which will define the roles and responsibilities of all stakeholders. The plan shall reflect the official government policies and directions on mining and shall serve as the clear basis for development reforms.

References:

Alonzo, E.M. (2012). Issues affecting the mining industry. STRSO Taxbits, 3 (15). Retrieved from http://www.senate.gov.ph/publications/taxbits%2015%20vol3%20September%20%20October%20%202012.pdf.

Alyansa Tigil Mina (2011). ATM Position Paper on the Continued Adoption of the Aquino Government of the Revitalization of the Philippine Mineral Industry Policy. Retrieved from http://www.slideshare.net/farahsevilla/atm-policy-paper-on-mining-in-the-philippines.

Ateneo School of Government Policy Brief (2011). Is There a Future for Mining in the Philippines? Retrieved from http://bantaykita.ph/pdfs/ASOG_Mining%20Policy%20Brief.pdf.

Disini, Artemio F. (2009). Economy stays buoyant despite downturn. Mining Journal special publication– Philippines. Retrieved from http://www.mining-journal.com/_data/assets/supplement_file_attachment/0003/173217/Philippines_scr.pdf.

Doyle, C., Wicks, C., and Nally, F. (2007). Mining in the Philippines: Concerns and Conflicts. Report of a Fact-Finding Mission to the Philippines. Society of St. Columban, West Midlands, UK, 63pp.

Habito, Cielito F. (2010). *An Agenda for High and Inclusive Growth in the Philippines*. Available from http://www.slideshare.net/no2mininginpalawan/agenda-for-high-and-inclusive-growth-in-the-philip-pines.

International Finance Corporation (IFC) Jobs Study (2013). Assessing Private Sector Contributions to Job Creation and Poverty Reduction. Retrieved from http://www.ifc.org/wps/wcm/connect/d3b612004e3468c783d5ab7a9dd66321/IFC_FULL+JOB+STUDY+REPORT_JAN152013_FINAL.pdf?MOD=AJPERES.

Mining Industry Statistics (2013). Retrieved from http://www.mgb.gov.ph/Files/Statistics/MineralIndustryStatistics. pdf.

Mining Journal Special Publication, London (2006). Philippines: Revitalizing the Minerals Industry. Retrieved from http://denver.miningopp.govtools.us /DOCUMENTS/ Philippines_MiningJournal.pdf.

Mining Journal Special Publication, London (2006). Philippine Mining: A Wealth of History and Experience. Retrieved from http://denver.miningopp.govtools.us /DOCUMENTS/ Philippines_MiningJournal.pdf.

Michelitsch, R., Armenta, G., Casadevall-Massuet, F., Datta, M., Denisova, A., Grover,R., LLeyva,L., Oikawa, J. and Shi, A. (2013). Assessing Private Sector Contributions to Job Creation and Poverty Reduction. *International Finance Corporation (IFC) Jobs Study.* Retrieved from http://www.ifc.org/wps/wcm/connect/d3b612004e3468c783d5ab7a9dd66321/IFC_FULL+JOB+STUDY+REPORT_JAN152013_FINAL.pdf?MOD=AJPERES.

Nakayama, K., Caner, S., and Peter Mullins (2011). Philippines: Technical Assistance Report on Road Map for a Pro-Growth and Equitable Tax System. International Monetary Fund (IMF) Report, 12/60. Retrieved from http://www.imf.org/external/pubs/ft/scr/2012/cr1260.pdf.

National Economic and Development Authority (2013). Philippine Development Plan (PDP) 2011-2016 Midterm Review. Pasig City.

Pasimio Jr., H. (2005) Extracting Growth from Mining. SEPO Policy Insight. Retrieved from http://www.senate.gov.ph/publications/PI%202005-11%20%20Extracting%20Growth%20from%20Mining.pdf.

What is EITI? Retrieved from http://eiti.org/eiti.

This Policy Brief was principally prepared by Mr. Sherwynne B. Agub with inputs from Microeconomics Sector Head Peter Anthony S. Turingan, under the supervision of the SEPO Directors and the overall guidance of its Director General.

The views and opinions expressed herein are those of the SEPO and do not necessarily reflect those of the Senate, of its leadership, or of its individual members. For comments and suggestions, please e-mail us at sepo@senate.gov.ph.

Annex 1. Philippine Mining Industry Profile, 2003-2012

Item	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012+
Gross Production Value in Mining (MGB; in current prices, Billion PhP)	41.1	43.4	50.2	72.5	102.2	87.1	106.1	145.3	163.2	100.8
Gross Value Added in Mining (NSCB; current prices, Billion PhP)	30.3	32.6	37.1	43.9	60.0	53.6	65.8	88.2	96.9	72.8
Mining Contribution to GDP (%)	0.7	0.6	0.6	0.7	0.9	0.7	0.8	1.0	1.0	0.7
Total Exports of Minerals and Mineral Products (BSP; Million US$)	637	797	820	2,103	2,605	2,498	1,470	1,929	2,840	2,265
Mining Contribution to Total Exports (%)	1.8	2.0	2.0	4.5	5.3	5.2	3.9	3.8	6.0	4.9
Total Exports of Non-Metallic Mineral Manufactures (BSP; Million US$)	128	165	171	182	223	211	156	162	177	145
Mining Contribution to Total Exports (%)	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.3	0.4	0.3
Total Mining Investment (Data from the Revitalization Program under EO 270) (MGB; Million US$)	-	-	-	190.3	708.4	604.2	719.5	968.3	618.5	160
Employment in Mining and Quarrying (DOLE; number of persons)	104,000	118,000	123,000	141,000	149,000	158,000	169,000	197,000	211,000	252,000
Mining Contribution to Total Employment (%)	0.3	0.3	0.4	0.4	0.4	0.5	0.5	0.5	0.6	0.7
Taxes, Fees and Royalties from Mining (Million PhP)										
Fees, Chargers and Royalties Collected by DENR-MGB	79.8	120.1	210.2	192.1	774.0	557.4	396.2	800.6	1,180.8	1,644.1
Excise Tax Collected by BIR	155.8	232.5	251.4	489.6	942.1	660.3	718.8	1,305.9	6,985.8	n/a
Taxes Collected by the NGAs	1,039.2	2,769.1	4,733.6	5,313.2	8,371.7	5,949.5	10,272.5	10,187.9	12,886.0	5,817.8
Taxes and Fees Collected by LGUs	226.9	358.5	453.5	395.0	359.8	522.2	992.8	1,070.8	1,179.1	496.6
TOTAL	**1,501.7**	**3,480.2**	**5,648.7**	**6,389.9**	**10,447.6**	**7,689.4**	**12,380**	**22,231.7**	**22,079.8**	**7,958.5**

Source: DENR-MGB, 2013

Annex 2. Summary of Mining Tax Rates of Selected Countries

Type of Taxes	Australia	Chile	China	India	Indonesia	Peru	Philippines	South Africa
Income Tax Rate	30.0%	18.5%	25.0%	Indian Company – 32.45% Foreign Company – 42.024%	25.0%	30.0%	30.0%	28.0%
Mineral Taxes	**State Royalties (State)** Copper – 2.7-3.5% Gold – 1.0-2.5% Iron Ore – 6.5-7.5% Coal – 7.0-10.0% **Minerals Resource Rent Tax or MRRT (Federal)** Copper – N/A Gold – N/A Iron Ore – 22.5% Coal – 22.5%	**Specific Mining Tax (Federal)** – 14.0%	**Resource Tax (Federal)** Copper – 5-7 RMB per tonne Gold – 1.5-7 RMB per tonne Iron Ore – 10-20 RMB per tonne Coal – 2-8 RMB per tonne **Compen-sation for Mineral Resource (Federal)** Copper – 0.5-4.0% Gold – 0.5-4.0% Iron Ore – 0.5-4.0% Coal – 0.5-4.0%	**Royalty (State)** Copper – 4.2% Gold – 2.0% Iron Ore – 10.0% Coal – 55 + 5.0% (P) -INR 130 + 5.0% (P) The 5% representing a surcharge and P being the sales price per tonne of coal at mine mouth.	**Government Royalty (Federal)** Copper – 4.0% Gold – 3.75% Iron Ore – 3.0% Coal – 3.0-7.0%	**Mining Royalty (Regional)** Copper – 1.0-12.0% Gold – 1.0-12.0% Iron Ore – 1.0-12.0% Coal – 1.0-12.0% **Special Mining Tax (National)** Copper – 2.0-8.4% Gold – 2.0-8.4% Iron Ore – 2.0-8.4% Coal – N/A **Special Mining Contribution (National)** Copper – 4.0-13.12% Gold – 4.0-13.12% Iron Ore – 4.0-13.12% Coal – N/A	**Excise Tax (Federal)** Copper – 2.0% Gold – 2.0% Iron Ore – 2.0% Coal – 1.0-PhP10.00/ metric tonne **Royalties to Mineral Reservations (Federal)** Copper – 5.0% Gold – 5.0% Iron Ore- 5.0% Coal – 5.0% **Royalties to Indigenous Cultural Communities (Federal)** – As agreed	**Mining and Petroleum Resources Royalty or MPRR (Federal)** Copper – 0.5-7.0% Gold – 0.5-5.0% Iron Ore – 0.5-7.0% Coal – 0.5-7.0%
Tax on Exports	N/A	N/A	N/A	Ore Extracted – 10.0-20.0% Processed Ore – 10.0-40.0% Refined Metal – 10.0%	N/A	N/A	N/A	N/A

Withholding Tax	Dividends – 30.0% Interest – 10.0% Royalties – 30.0% Services Fee – 5.0%	Dividends – 35.0% Interest – 4.0-35.0% Royalties – 30.0% Services Fee – 15.0-20.0%	Dividends – 10.0% Interest – 10.0% Royalties – 10.0% Services Fee – varies	Dividends – N/A Interest – 21.01% Royalties – 10.51% Services Fee – 42.02%	Dividends – 20.0% Interest – 20.0% Royalties – 20.0% Services Fee – 20.0%	Dividends – 4.1% Interest – 4.9% Royalties – 30.0% Services Fee – 15.0%	Dividends – 15.0-30.0% Interest – 20.0% Royalties – 30.0% Services Fee – 30.0%	Dividends – 10.0% Interest – N/A Royalties – 12.0% Services Fee – N/A

Source: Global Mining Industry Updates, June 2012, PricewaterhouseCoopers[10]

[10]PricewaterhouseCoopers (trading as PwC) is a multinational professional services firm which is headquartered in London, United Kingdom. Accordingly, it is the world's largest professional services firm and the largest of the “Big Four” accountancy firms (along with Deloitte, Ernst & Young, and KPMG) as measured based on 2012 revenues.