

“MINING ECONOMY: DEVELOPMENT AND ENVIRONMENTAL COOPERATION”

Remarks of Ambassador Delia Domingo – Albert
3rd Pacific Economic Cooperation Council (PECC)
Minerals Network Meeting
Shanxi, China, 8 –11 September 2005-9-9

Panel II – “Can Mining Benefit Economic Growth and Local People?”

My short, direct and clear answer to the panel questions “can mining benefit economic growth and local people” is a categorical “ yes”, if done responsibly. Let me tell you why and how I arrived at this affirmative response.

I come from Baguio City in the Philippines, a sister City of Hangzhou. We share a wonderful climate that averages 20 degrees centigrade the whole year round. We are situated 1,524 meters high in the mountain ranges of the Cordilleras. It is also a city that grew from mining communities that developed at the turn of the 20th century. Our gold and copper resources made the area attractive to development .The infrastructure linking the mountain range to the lowlands was built to ensure, among others, access to the mines.

The gold boom of the 1930s attracted people from all over the Philippines to move to the city in search of greener and “golden” pastures. It offered employment and a host of mines-related business opportunities.

Many of my schoolmates’ families depended on the mines for a living. They would never have had the opportunity to go to school and later contribute to society as educated responsible citizens had there been no jobs for their parents in the mines.

But my experience is only a drop in the history of the mining industry in the Philippines. One of my predecessors, former foreign minister S.P. Lopez, authored the first definitive history of mining in the Philippines, a country long known as the “Isles of Gold”. His research documented a wealth of information on the exploration, exploitation, processing and development of metallic and non-metallic minerals found in the Philippines. He also dealt with sensitive issues such as the impact of mining on the land as well as legal and environmental problems arising from mining operations. He was constantly aware that not only do minerals constitute a non-renewable resource but that digging for them and processing them impose a heavy charge on the economic and social viability of the nation as well as on the preservation of the

environment.

As a socio-political scientist he saw the need for a mining code that would respond to the manifold interests-social, economic and political in character as well as national, regional, and international in scope that is involved in the operation of an industry that is as elemental and global as mining.

Unfortunately, he did not live long enough to see that code-the Mining Act of 1995. It is a landmark code because it is a piece of legislation that won unanimous support from all branches of the government-the legislative, the executive and the judiciary. However, the constitutionality of the act was challenged in the courts and for 7 lean years the industry suffered form lack of investors' interest. It was only in December 2004 that the Supreme Court of the Philippines declared with finality the constitutionality of the mining act. Consistent with the constitution, the mining act declares state ownership of all mineral resources in the country. It also places the exploration, development, utilization, processing and conservation of mineral resources under the states' full control and supervision. It empowers the government to directly undertake these activities, grant mining permits or enter into mineral agreements with the contractors making available a new mode of mining rights (departing from the old leasehold system) for mining investors in the form of Exploration Permits, Mineral Agreements and Financial and Technical Assistance Agreement(FTTA).

The Mining Act of 1995 and its implementing rules and regulations have taken the following elements into consideration:

- a) local government empowerment
- b) equitable sharing of benefits from natural national wealth
- c) protection and wise management of the environment
- d) respect and concern for the indigenous cultural communities
- e) demands of present generation while providing the foundation for future generations
- f) worldwide trend towards globalization

The Philippine government's resolve to revitalize the minerals industry and advocate the industry's role as a responsible agent for sustainable development is manifested in the concrete measures that it has taken based on the mining act. To implement the Mining Act, national consultations were made to prepare the Minerals Action Plan (MAP). The plan is a time-bound comprehensive plan of action that translates in concrete terms the commitment of the government to attain sustainable development through responsible mining. It seeks to address issues that may hamper the full implementation of the national mining policy. It has the involvement of all mining stakeholders form the highest office of the Presidency, the local government units and

the various non-government sectors including the religious and academic sectors.

Moreover, to promote greater confidence in the industry, the Minerals Action Program(MAP) calls for measures to ensure that past mistakes are not repeated and feasible environmental problems are immediately and adequately responded to. The Environmental Impact Assessment (EIA) system and Environmental Protection and enhancement Program (EPE) will play a significant role by providing for the integration of environmental parameters at every phase in the life of the mine and provide for incentives for environmental management initiatives.

Final Mine Rehabilitation and Decommissioning Team and post abandonment land use, including progressive rehabilitation and an appropriate environmental surety shall be instituted from the start of the mining project. At the same time, the guidelines and standards for mine waste and mill tailings management shall be rationalized to effect continual improvement and to keep abreast with current technology. Voluntary third party audits shall be encouraged for greater transparency and bring out best practice in addressing a mining concern.

Furthermore, the implementation of mining projects in ecologically sensitive areas such as high biodiversity areas and small islands, shall also be addressed through the EIA system and science based valuation tools Biodiversity considerations shall form part of the EIA system in accordance with existing laws and international commitments.

The present government has made the minerals industry an important component of the Medium Term Development Plan for the period 2004 to 2010 in order to help the economy grow and sustain poverty alleviation projects. The growth strategy rests on maximizing the country's natural resources and geographical competitive advantage through wealth-creating projects.

But what in essence do all these mining policies really mean to the people? Can they contribute to benefit economic growth and local people?

The National Economic Development Authority, the overseer of Philippine economic policies has given the following observations:

“The growth of the mining industry is a critical ingredient in inducing economic growth, attracting more investments, creating more jobs and relieving poverty particularly in the rural areas”. It means the establishment of schools and extension of basic services such as health, transportation, communications facilities, energy and water supply as well as providing livelihood projects and small business specially in areas that government budget cannot reach

“It is also critical in stabilizing the macro economy by:

- a) increasing tax collection thereby reducing budget deficit
- b) reducing creditor risk perceptions and improving credit rating reducing the interest foreign creditors charge for loans
- c) generating a substantial increase in exports and increase the level of foreign exchange reserves and thereby strengthen and stabilize the currency.”

The revitalization program of the minerals industry is now in full swing aided by policy reforms embodied in the Mining Act which includes environmental and social reforms and the Minerals Action Plan which implements the act, renewed investors confidence in the sector and government efforts to engage various stakeholders.

But, the basic principles and actual applications of responsible mining are still vague to some stakeholders because of the lack of information, misinformation or actual negative experiences of past mining practices anti-mining advocates have taken their campaign to the grassroots level to drum up resistance to mining projects and the perceived sell-out of national patrimony to foreign investors.

To address these basic concerns, especially issues that relate to the environment and the impact on host communities, a program of dialogue with stakeholders was launched by the President in February this year. The national stakeholders’ forum was followed by regional consultations which identified remaining regional or local concerns . They were designed to increase stakeholder confidence and support for responsible mining as well as establish local support networks especially in the areas where major mining projects are located. They also identified and developed local feedback mechanisms and venues for continued dialogues and consultations.

To attend to the multifaceted challenges presented to government by the industry, and to keep the momentum of the interest generated by the Supreme Court decision on the finality of the constitutionality of the Mining Act, the President designated a Presidential Adviser on Minerals Development to act as her Special Envoy to promote the industry . The appointment also gave substance to the shift in government policy from “tolerance” to “promotion” of the mining industry.

The adviser is assisted by an inter-agency team, a minerals development council which placed under one roof the major public and private sector institutions which participate in overseeing the various processes related to the implementation of the Minerals Action Plan.

The team has also taken the road leading to mining centers such as South Africa, Canada, Japan, Australia, and of course China to deliver messages that the Philippines, a highly minerals endowed country being situated geographically along the called “Rim of Fire” has put in place the necessary framework for a revitalized mining

industry.

In sum, what are the conditions favoring the growth of the mining industry in the Philippines today.

- a) The country's vast resources which have been kept in reserve for the past years while we were sorting out the rules;
- b) Clear , stable and investor friendly policies embodied in the mining act, endorsed by the three branches of government and guided by a realistic & responsible action program;
- c) Policy of promotion rather than tolerance;
- d) Geographic proximity to markets; and
- e) Favorable commodity prices.

I thank the organizers of this conference for the kind invitation and for leading the region in taking up an important and significant economic activity such as mining. I look forward to participating in this forum perhaps not as a natural scientist but as a socio-political scientist engaged in mining diplomacy.

Thank you.