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The Political Economy of Financing Children's Rights through Extractive Industries in the Philippines

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prepared for the UNRISD/UNICEF project on

Mobilizing Revenues from Extractive Industries:
Protecting and Promoting Children's Rights and Well-Being
in Resource-Rich Countries

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Introduction to Working Papers on Mobilizing Revenues from Extractive Industries: Protecting and Promoting Children's Rights and Well- Being in Resource-Rich Countries

This paper is part of a series of outputs from the UNRISD and UNICEF research project on Mobilizing Revenues from Extractive Industries: Protecting and Promoting Children's Rights and Well-Being in Resource-Rich Countries.

The project seeks to contribute to knowledge creation and institutional learning processes within the partner organizations; to bring knowledge to national and international debates about channeling revenues from mineral extraction towards social policy and investments in children; and to examine public finance mechanisms, economic and social policies, and political conditions that are conducive to this end.

More specifically, it aims to:

- advance knowledge and understanding of the linkages between extractive industries and public policies as they relate to children's rights and well-being in Mongolia, Papua New Guinea, and the Philippines; and
- advance knowledge and understanding of the political processes and institutions that impact on revenue mobilization in Mongolia, Papua New Guinea, and the Philippines.

For further information on the project visit <http://www.unrisd.org/eiandchildren>.

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Acronyms

4Ps	Pantawid Pamilyang Pilipino Programme
ADB	Asian Development Bank
Altai	Altai Philippines Mining Corporation
ATM	Alyansa Tigil Mina
BCF	Billion cubic feet
CCT	Conditional cash transfer
CIT	Corporate income tax
COA	Commission on Audit
DENR	Department of Environment and Natural Resources
EI	Extractive industries
EITI	Extractive Industries Transparency Initiative
EO	Executive order
FDC	Freedom from Debt Coalition
FDI	Foreign direct investment
FPIC	Free, prior, and informed consent
FTAA	Financial or Technical Assistance Agreement
GDP	Gross domestic product
IMF	International Monetary Fund
IPRA	Indigenous Peoples Rights Act
IRR	Implementing Rules and Regulations
LGUs	Local government units
MBC	Makati Business Club
MDGs	Millennium Development Goals
MGB	Mining and Geosciences Bureau
MPSAs	Mineral Production Sharing Agreements
NAPC	National Anti-Poverty Commission
NGO	Non-governmental organization
PDAF	Priority Development Assistance Fund
PHP	Philippine peso
PMC	Philex Mining Corporation
PNOC	Philippine National Oil Company
PWD	Person With disability
Sibuyan ISLE	Sibuyan Island Sentinels League for Environment Incorporated
SNPDC	Sibuyan Nickel Properties Development Corporation
SPEX	Shell Philippines Exploration
TRO	Temporary restraining order
US	United States
USD	United States dollar
VAT	Value added tax
WMCP	Western Mining Corporation Philippines

Summary

The surging investments in the extractive industries (EI) that began in the 1980s, as well as the commodity boom between 2002 and 2011, have increased the significance of the sector in national economic development. This paper takes the Philippines as a case study and provides a detailed analysis of two key aspects of mining governance: first, the political challenges in realizing a more positive role for EI in social development, particularly in promoting children's rights and children's welfare, and second, the political economy dynamics that might underpin the creation of a welfare regime able to sustain social investments for children. The findings of this paper suggest that in the Philippine context, where the expansion of the EI sector is contested in the public domain, the link between mining governance and the promotion and protection of children's rights is not necessarily straightforward. A likely future resurgence of high prices and the continuing interest of foreign investment in EI means that there will be political opportunity for relevant stakeholders to make a compelling argument for the need to ring-fence mineral rents for social investments in children and young people. To do so would require a strong pro-welfare policy coalition committed to channelling mineral wealth towards social investment and willing to craft a political consensus through negotiations between local and national elites, donor agencies, civil society organizations and affected local communities. Importantly, the state must also wrestle with multinational capital, large Filipino-owned companies and small-scale miners in the process of negotiating reforms. Ultimately, the state must seize this opportunity to take a more active role in laying the foundations of a mining governance framework, bargain with key stakeholders to reach agreement on EI-funded welfare and set out rights-based approaches to development.

This paper builds on a selective qualitative data collection from a variety of printed sources, including donor agency reports, government documents, NGO reports, newspaper archives, and interviews available online. It further builds on a short fieldwork period in Manila, in late August 2013, where key sources from civil society, academia, the extractive industry, the donor community and stakeholders were interviewed.

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