

IMPACT STORY: PHILIPPINES



Helping the Philippines Tender a Non-Performing Government Mining Asset



Undergoing a process of evaluation and a technical assessment (and producing a template) to boost revenues, create jobs, and contribute to the green transition

THE CHALLENGE

What is the government to do with a brownfield copper mine that was last operational in the 1980s? The simplest, turn-key answer may be privatizing, but the tender process is quite complex and technical for such an asset. While the potential is there, the uncertainty of an old, non-operational mine is quite high. Governments typically do not have the bandwidth to undergo the tedious valuation process, and that is where CONNEX came in.

Having lifted the moratorium on mining in the Philippines in 2021 through Executive Order No. 130, the government is keen to turn a number of previously idle assets into producing assets, creating jobs and increasing domestic revenues.

One of these non-performing government assets is the Basay Mine in Negros Island, conveniently located in the center of the archipelago where the supply of transition minerals can be easily accessed. The upside of this defunct copper mine is immense as several countries in 2023 have placed copper on their own “critical minerals” list, attesting to copper’s increasing demand.

The Basay Mine, after declaring bankruptcy in the early 1980s, underwent liquidation, and ownership of the mine was subsequently transferred to the Philippine Government’s privatization agency within the Department of Finance - the Privatization Management Office (DOF-PMO).

The DOF-PMO announced that it would be tendering the Basay Mine – its first mining asset to be auctioned off. This marked a departure from the office’s usual focus on real asset disposition, requiring external expertise. Further

to this, the DOF-PMO anticipates publicly tendering additional mines in the years to come to maximize the other National Government-Owned Mining Assets (NGOMA).

OUR ROLE

After receiving the Privatization Council’s approval for support to the Basay Mine project, CONNEX sent a member of the Advisory Committee and the Secretariat for a scoping mission to Manila. The mission’s goal was to better understand the government’s priorities, where its capacities could be supported and to outline the scope and timing given the government’s own timeline. Before the scoping mission, CONNEX encouraged the government to carry out a capacity mapping exercise of its own expertise, to pinpoint exactly which disciplines may be needed.

The scoping study agenda looked at all aspects – providing a detailed overview of the site, and potential legacy issues as well as a more in-depth understanding of the government’s thinking. The two-day workshop highlighted the government’s need for technical, financial, and legal expertise.

CONNEX is used to curating multidisciplinary expert teams, sometimes simultaneously, sometimes over several months. The Philippines chose the latter, starting out with technical experts to evaluate the asset itself. Although there was a lack of data, the technical experts provided a good overview of the key issues to consider in attracting an investor.

CONNEX provided modeling expertise to the DOF-PMO team, developing a model that accurately reflects the 2024 economic landscape and the Mine’s potential. Through a series of workshops, the financial modeler and the team

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Philippine government representatives, CONNEX secretariat and Advisory Committee members during the scoping mission to Manila. | Source: Joan Grace Ortilla

delved into the model's intricacies and broader contextual issues, including the significance of transition metals, infrastructure requirements, and government objectives.

London-based lawyers provided through the International Senior Lawyers Project (ISLP), took the lead in transforming the technical and financial workstreams into a comprehensive set of tender documents designed to attract potential investors to the mine.

OUR IMPACT

While the Basay Mine has not yet been put up for auction, CONNEX's work with the Philippine government has laid the framework for a successful tender and has, more importantly, built the government's capacity understanding the complexities of selling a mining asset. The old adage of "the journey is the goal" is applicable to the Philippines, which could be adopted to "the process is the goal."

To the broader public, contracts only involve lawyers, but crafting optimal deals requires a multi-faceted approach. By analyzing the mine's geology and infrastructure, economists and financial experts can develop accurate financial models that consider global market trends. This

informed approach then enabled lawyers to craft well-structured Request for Qualifications (RFQs) and Request for Proposals (RFPs), laying the groundwork for the future bidding process to select a potential investor.

Given the mine's extended period of inactivity and data limitations, the exploration opportunities for potential investors are immense. However, the Philippine Government's collaboration with CONNEX has provided a valuable framework for future mining projects.

“ We were very pleased to work with CONNEX. Our portfolio includes numerous mining and real estate assets, and we are committed to maximizing their value. This project represents an initial step in what we anticipate will be a highly productive and profitable approach to the development and disposition of government-owned assets.”

Cathy Fong, Undersecretary for Privatization and Corporate Affairs, Department of Finance (DOF)

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