Farmers say cash assistance not enough amid import competition

THE Federation of Free Farmers (FFF) said in a statement that the government's decision to provide cash assistance to farmers affected by the typhoon will not offset the losses they have sustained due to competition from imports.

"Studies by the FFF indicate that rice farmers lost an average of P6,000 per hectare harvested in 2019 and 2020. This was due to the drop in farmgate prices, following the enactment of Republic Act (RA) 11203 or the Rice Tariffication Law (RTL) in March 2019 and the ensuing inflow of large volumes of imported rice," FFF National Manager Raul Q. Montemayor said.

On Dec. 10, President Rodrigo R. Duterte signed into law RA 11589, which gives monetary assistance to farmers from provinces hit by Typhoon Odette (international name: Rai).

The law will support rice farmers tilling land two hectares or below until 2024. Funds will be sourced from rice import tariff collections in excess of P10 billion annually.

The Economy

"Assuming a farmer has two hectares of land and harvests two times in a year, his losses in 2019 and 2020 would total P24.000. Last year, the Department of Agriculture (DA) started giving cash assistance of only P5,000 per farmer, using some P7 billion in excess tariff collections in 2019 and 2020. This is equivalent to only 20% of the farmers' losses during the two-year period," Mr. Montemavor said.

The FFF said that the cash transfer program is "discriminatorv," as it excludes farmers tilling land more than two hectares who are still affected by the drop in the price of palay, or unmilled rice.

"This subsidy would be negated by higher farm production costs resulting from the recent spike in fertilizer prices, even as palay prices have continued to decline due to the unimpeded arrival of rice imports particularly during peak harvest periods," the FFF said.

The FFF proposed to allocate some of the excess tariffs to other key programs, such as crop insurance and crop diversification.

"These programs can provide more significant, cost-effective and longer-lasting benefits to rice farmers who have to grapple with recurrent typhoons and price fluctuations. However, they will now lose their funding, because RA 11589 allocates all excess tariffs exclusively to cash transfers," said Mr. Montemayor.

The organization urged the DA to manage the inflow of imports

to prevent the fall of palay prices and avail of trade remedies, such as safeguard duties.

"Safeguard duties can temporarily increase rice tariffs, if imports are found to be excessive and seriously hurting local farmers. The DA has refused to use this remedy and has instead resorted to suspending the issuance of rice import clearances from time to time despite the absence of clear quarantine risks," the FFF said.

"It does not make sense for the DA to entice farmers with seed and fertilizer subsidies to increase their production while, at the same time, allowing excessive importation. This is a recipe for disaster. It will only cause a supply glut and plunging palay prices, which the DA will now try to offset partially through cash transfers," Mr. Montemayor added. – Luisa Maria Jacinta C. Jocson

THE Department of Energy (DoE) said it endorsed 279 power generation facilities applying to be certified by the Energy Regulatory Commission (ERC) in 2021.

DoE endorsed 279

power projects seeking ERC clearance in 2021

In the list released by the DoE on Friday, 213 of the facilities were diesel-powered, with the biggest being the Ingrid Pililla Diesel Power Plant Project of Ingrid Power Holdings, Inc. with capacity of 179.824 megawatts (MW).

Meanwhile, 27 facilities are hydro-powered, led by Pulangi IV Hydroelectric Power Plant in Bukidnon at 255.15 MW.

Solar-powered facilities accounted for 16 endorsed plants led by Belgrove Power Corp.'s Malaya Thermal Power Plant Unit 2 in Rizal at 394.2 MW.

Ten coal-fired power plants were on the list, clearing up the backlog of pending coalfired projects. No further

approvals of new projects are expected after a ban on such approvals by the DoE. GNPower Dinginin Ltd. Co.'s GNPower Dinginin supercritical coal-fired power plant was the largest of these at 1,449.93 MW.

Of the 279 facilities, 34 new facilities received endorsements.

CoCs (certificates of compliance) are issued by the ERC to clear the way for five more years of commercial operations. Certification indicates compliance with government standards. -Marielle C. Lucenio

Open-pit mining environment impact seen outweighing economic benefits

By Luisa Maria Jacinta C. Jocson

THE return of open-pit mining promises a boost to the economy, possibly at the expense of degrading the environment and living conditions for residents near the mines, a University of the Philippines (UP) academic said.

"From the view of sustainable development, the decision might not be right considering the impact of large-scale mining on local communities. While there might be economic benefits that can be gained from implementing this liberal policy on mining and granting new permits, these benefits, however, have to be weighed against the long-term impact of mining activities on the environment and the lives of the people," according to political scientist Ruth R. Lusterio-Rico, associate dean of UP Diliman's College of Social Sciences and Philosophy, who studies environmental politics.

"Some sectors have openly questioned and criticized this shift

in policy particularly in light of the recent natural disaster experiences that are already considered to be related to climate change. Thus, for advocates of environmental protection, the economic benefits that could be gained now would not outweigh the consequences on the environment for the future generations," she added.

On Dec. 23, the government lifted the four-year ban on openpit mining, which superseded an earlier order issued by the late Environment Secretary Regina L. Lopez.

In April, President Rodrigo R. Duterte lifted the nine-year moratorium on granting mining permits.

"There were indications that the administration has softened on its stance on mining. As everyone knows, in the early period of the Duterte administration, the position of the administration, particularly the President, was strongly against mining. Evidence of this (included) his strong statements against mining and mining companies in his State of the Nation Addresses (SONAs) in 2016 and 2017," Ms. Lusterio-Rico said.

"Mr. Duterte even directed the (Department of Environment and Natural resources) to review all mining permits and ensure compliance of mining companies to all government standards and regulations. It would be recalled that this strong position against mining was implemented by Ms. Regina L. Lopez," she added. "After Ms. Lopez's exit from the DENR, the position on mining gradually shifted. In his later SONAs, Mr. Duterte no longer talked about mining. The focus shifted to cleaning up Boracay and Manila Bay."

Ms. Lusterio-Rico said the government and miners must ensure that the lives of those in mining communities are not disrupted.

"I think the government must very carefully study the situation in the communities that would potentially be affected by mining activities, on a case-to-case basis. To be fair, there were also mining companies that practiced what may be considered 'responsible mining.' But definitely, knowing how communities would be affected by mining activities is very

SUITS THE

important. Aside from the longterm impact on the environment, let us not forget the consequences of mining activities on people and their communities," she said.

"There have been several studies made on the consequences of mining on people's lives as well as on the environment. There are communities that have been divided because of the issue of mining, primarily because there are people who gain and there are those who lose," she added.

However, she called the consequences of open-pit mining inevitable in the event of mining accidents.

"In other words, even if the mining company can be a potential provider of employment, not everyone in the community can be hired by the mining company. There are also heavy consequences on communities, such as loss of livelihood, poor health conditions, etc. when accidents happen in mining areas," Ms Lusterio-Bico said

"I suppose that the risks involved in revitalizing the mining industry cannot be overemphasized. It is very clear based on past experience and the current challenges posed by climate change that the Philippines has to be vigilant and ready to face the possible consequences of irresponsible action," she added.

Pambansang Lakas ng Kilusang Mamamalakaya ng Pilipinas (PAMALAKAYA), an organization of small fishermen, called the job creation benefits minor compared to the potential costs.

Open-pit "only creates very small number of jobs and a paltry amount of value to the Philippine economy" at the expense of degrading the environment, PAMALAKA-YA National Charmain Fernando L. Hicap said in a statement.

"The resumption of open-pit mining spells greater environmental destruction and disaster for farmers, indigenous peoples, and fisherfolk. We do not buy the pretext that inviting more mining companies into our land will help revive the pandemic-battered economy... There are more sustainable ways to restore the economy (than) exposing our natural resources and sacrificing our national patrimony to big mining interests," Mr. Hicap added.

The mining industry welcomed the lifting of the ban, taking the position that the practice can be made environmentally sustainable.

"The mining method is dependent on the location and configuration of the ore body. Open-pit mining is employed for shallow or near-surface mineral deposits, where underground operations are impractical. There are sufficient safeguards to ensure that all mining operations including open-pit are done safely and with due consideration to the environment and host communities," the Philippine Mining and Exploration Association (PMEA) said in a statement.

"We hope that this will encourage investment in mining in the future and that the government will facilitate and expedite the permitting process. This will allow the mining industry to contribute more to the country's economic recovery from the disastrous effects of the pandemic," PMEA added.

Legislators tout open access bill as recovery driver

LEGISLATORS said they expect a bill which they coauthored to improve competition in the digital services industry, helping propel the economy's recovery, ultimately reducing poverty.

House Bill No. 8910, also known as the Open Access in Data Transmission Act, hopes to promote fair and open competition by lowering barriers to entry for the telecommunications industry, in the process lowering

the cost of such services. -

Jaspearl Emerald G. Tan



Read the full story by scanning the QR code with your smartphone or by typing the link

<bit.ly/OpenAccess011022>

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OPINION

Accelerating growth in the post-pandemic world

s the pandemic continues to impact businesses across global economies, it has also fueled a reset in strategy for many organizations who now place focus on thriving instead of merely surviving. More than half of the respondents surveyed in the latest EY Global Capital Confidence

Barometer, which gathered insights from more than 2,400 C-Suite executives globally, even expect a recovery **C-SUITE** in profitability that matches pre-pandemic levels by 2022. Most of these executives share satisfaction with their

performance in response to the pandemic in comparison to their competitors, with more than half of the Southeast Asian respondents (which include Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam) believing that their organizations outperformed their competitors in engaging with local communities, operational stability, and digital performance.

However, this progress does not change the reality that disruption will continue at an accelerated pace not seen before the pandemic. Startups are rewriting the rules of the game, challenging business models in all industries as products and services enter markets much faster.

This makes it imperative for companies to continuously review how they can future-proof their strategy and business fundamentals. They must also critically review their portfolio to determine if it will remain relevant and profitable in the long term. A constant strategic and portfolio review process will allow companies to identify areas of growth at the earliest opportunity, as well as more quickly address areas of underperformance. To take advantage of opportunities to drive transformation for success beyond the crisis, executives will need to make bold moves and act with urgency.

DIVESTING UNDERPERFORMING ASSETS

The act of divesting distressed and underperforming assets is a conventional trend during a crisis - and it should also be expected to continue beyond the pandemic. It should be noted, however, that if it does not fit with an organization's strategy, then even a strong-performing business might be tying down

capital that can be better deployed in investments that deliver higher impact.

While business unit management bias is understandable, it can obscure the holistic view of the business that the review process should yield. Top-down assessments by the management and

> board can sometimes conflict with a bottom-up review process, especially when it comes to assessing synergies and the value of business units as stand-alone entities or potential divestitures. Companies will need to

consider their divestiture by identifying assets at the risk of disruption as well as those that are facing future growth challenges.

MAKING TRANSFORMATIVE, STRATEGIC ACQUISITIONS

The survey revealed that over half of the Southeast Asian respondents at 56% seek to actively pursue mergers and acquisitions (M&A) in the next 12 months. This beats the average of 44% in the previous 11 years, and has been the highest number since 2012. Some of the drivers that increased this appetite for M&A include issues relating to regulations, the strengthening of technology, tariffs and trade flows, talent and new capabilities, and growth into adjacent business sectors or activities.

Most of the deals that survey respondents intend to pursue this year target the acquisition of specific capabilities as well as bolt-on deals, where smaller companies are acquired and added to an existing business. Many Southeast Asian corporate M&A deals tend to have bolt-on characteristics due to them being easier to execute. However, it remains to be seen if these smaller acquisitions will be sufficient for companies seeking growth in an environment that may look very different in the wake of the pandemic. Some companies also attempted roll ups, which consolidates multiple small companies so that the resulting larger entity can take advantage of economies of scale, but it should be noted that these transactions hold a much greater risk and a higher degree of difficulty to execute.

The success of the M&A approach depends on several factors. This includes ensuring that the acquisition is part of the business strategy, adequately considering and mitigating transaction risks, having a deep and well-structured analysis of the market and target, and securing correct financing of the acquisition. The extent of a detailed value-creation thesis with proper ownership and implementation actions will also make a difference between success and failure.

SUSTAINABILITY AS A CORE CONSIDERATION

Management and the board will also need to be strong stewards of the community as companies acquire and grow, making environmental, social and governance (ESG) considerations an important component of the corporate acquisition playbook.

Companies will need to update their ESG and acquisition frameworks to reflect various topics, with examples that include sustainable practices, environmental compliance, and operating with integrity from the perspective of all stakeholders.

TRANSFORMING AND TRANSACTING TO EMERGE STRONGER

It has been established that companies capable of transforming and transacting in previous crises have emerged stronger than their competitors. This means that embracing transformation accelerated by the right acquisitions will be key now and beyond the pandemic.

In this time of rapid disruption, boards must ask themselves whether their business strategy helps maintain market leadership and growth, and if their current portfolio strategy is sound or needs to be reshaped through divestments and investments. By taking advantage of the right M&A opportunities, organization will be able to drive long-term success beyond the COVID-19 crisis.

This article is for general information only and is not a substitute for professional advice where the facts and circumstances warrant. The views and opinions

expressed above are those of the author and do not necessarily represent the views of SGV & Co.



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