PCIC in risk-sharing deal with microinsurance firm CARD Pioneer

THE Philippine Crop Insurance Corp. (PCIC) and CARD Pioneer Microinsurance, Inc. (CPMI) have tied up for a co-insurance agreement to address a gap in the market for agriculture coverage, the Insurance Commission said.

The two organizations will share risks underwritten for each insurance policy at a 70:30 ratio, with CPMI as the lead insurer.

"During the past years, the PCIC has solely provided multi-peril crop insurance for various types of agricultural commodities and the government has subsidized insurance premiums for the benefit of small farmers," Insurance Commissioner Dennis B. Funa said in a statement on Wednesday.

"Despite this, insurance coverage among farmers in the Philippines is still low. Clearly, there is a need to address the protection gap in the agricultural sector, considering its exposure to severe and frequent disasters."

The PCIC will offer capacity-building to CPMI in underwriting, policy administration, actuarial matters, and claims management.

Meanwhile, the company will offer PCIC's agriculture insurance products to farmers via its distribution channels.

"CPMI will attempt to increase agricultural insurance penetration by focusing on high-value crops in selected regions where PCIC has limited coverage," the commission said.

"By addressing the need for more affordable and effective products through this coinsurance agreement, this innovative public-private partnership between PCIC and CPMI will greatly contribute to the sustainable development of agricultural insurance in the Philippines, which, in turn, enables us to move closer to our collective vision of bridging the country's insurance protection gap," Mr. Funa said.

The two organizations will have a virtual signing ceremony on Thursday. — **Jenina P. Ibañez**

Frequency allocation process seen improving with PCC review

THE Philippine Competition Commission (PCC) said it would prefer to participate in the process of allocating broadcast frequencies in order to advise regulators on the implications for competition, following the recent award of frequencies previously held by ABS-CBN.

"Even without an amendment of the law, regulations, good governance practice, of the sectoral regulators, for instance in this case, the National Telecommunications Commission (NTC), could already accommodate such practice of involving the PCC in the allocation of frequencies," PCC Commissioner Johannes Benjamin R. Bernabe said in a television interview on Wednesday.

However, he said it might be good for the law to explicitly provide for PCC's participation in the allocation of frequencies.

"That has been done in other countries. For instance, our counterparts in Australia are involved in how frequencies are allocated. The same in other jurisdictions as well," Mr. Bernabe said.

Asked to comment further, Mr. Bernabe said in a Viber message that the specific law is Republic Act (RA) No. 3846 or the Radio Control Law.

"It's primarily the Radio Control Law. Though Republic Act No. 7925 (Public Telecommunications Policy Act) also provides general principles, the more specific mandate on frequency allocation is provided for by RA 3846, albeit to the Secretary of Commerce and Communications since there was no NTC yet back then," Mr. Bernabe said.

According to Mr. Bernabe, the commission wishes to be involved in allocating frequencies, which he described as "scarce resources," to provide a competition perspective.

"Because it impacts competition and consumer welfare, we believe that the PCC should have a say in how these frequencies or scarce resources as inputs to communication services are allocated," Mr. Bernabe said.

Mr. Bernabe said the allocation of frequencies should be done as a collaborative effort to avoid adding burdens and expenses to applicants.

"We don't want a situation where (a company is) sitting on (more) frequencies than necessary for (it) to be able to deliver the service," Mr. Bernabe said.

"Insofar as the competition perspective is concerned, insofar as how the allocation of frequencies might influence future competition, it would be good to have a competition authority that provides inputs to that allocation process," he added.

The PCC has said that the reallocation of frequencies formerly assigned to ABS-CBN is not covered by the merger review provisions stipulated in RA 10667, or the Philippine Competition Act.

Recently, NTC announced that digital Channel 16 and analog Channel 2 were awarded to the Villar-controlled Advanced Media Broadcasting System, Inc. while Channel 23 was assigned to Aliw Broadcasting Corp., and Channel 43 was granted to Swara Sug Media Corp. — **Revin Mikhael D. Ochave**

Bid deadline for P74-B Davao bus system extended to Feb. 10

PROSPECTIVE BIDDERS for the P73.93-billion bus system project in Davao City have been given more time to submit bids — until Feb. 10 — the Transportation department's procuring agent said.

The Department of Transportation (DoTr) started inviting bidders in November last year, through the Procurement Service of the Department of Budget and Management (PS-DBM), for the design, construction, and completion of the Davao Public Transport Modernization Project, also known as the Davao High Priority Bus System Project.

The deadline for bid submission was originally set for Jan. 6, but the PS-DBM announced in its most recent general bid bulletin that it has been moved to Feb. 10 at 10 a.m.

This is "to provide prospective bidders sufficient time to evaluate the bid documents and attachments and be able to prepare better bids," the PS-DBM added.

The pre-bid conference took place on Nov. 26. In its presentation, the Bids and Awards Committee said that the project is part of the transport roadmap of the City Government of Davao, and is intended to replace jeepneys.

It is the first public bus system in Davao City aimed at providing efficient and affordable transport, it added.

The bus system will have 29 routes with a total route network of 672 kilometers, operating on over 580 kilometers of roads, and traversing the entirety of Davao City.

It will be delivered via a combination of diesel and electric bus fleets.

The project is "expected to commence construction in February 2022 and will commence operations in August 2023," the committee also said.

In its invitation to bid last year, the DoTr said the government had applied for financing from the Asian Development Bank (ADB).

The DoTr sought bidders for three contract packages, including a contract that covers the construction of Bunhangin Depot, Calinan Depot, and Calinan Driving School.

The second contract is for the Toril Depot and Terminal, Bunawan Terminal, and Calinan Terminal, while the third contract covers the civil works along bus routes, including bus stops, bus lanes, and other pedestrian improvement works.

It will be an open competitive bidding, and will follow ADB's Single-Stage, One-Envelope procedure. This means that bidders will submit bids in one envelope containing both the price proposal and the technical proposal. The envelopes will be opened in public at the date and time advised.

After evaluation and approval, the contract will be awarded to the bidder whose bid has been determined to be "the lowest evaluated substantially responsive bid," the ADB says on its website.

Transportation Assistant Secretary Goddes Hope O. Libiran has said the civil works component will cost P19.71 billion, while the bus fleet, both diesel and electric, will cost P21.17 billion. — **Arjay L. Balinbin**

Fuel marking program generates over P358 billion as of end-Jan.

TAXES collected from marked fuel products amounted to P358.6 billion at the end of January, counting back to 2019 when the program started, according to the Department of Finance.

The volume of marked fuel was nearly 36 billion liters since Sept. 4, 2019, according to data provided by Finance Secretary Carlos G. Dominguez III via Viber on Wednesday.

Revenue included P328.79 billion in Customs duties and P29.81 billion in excise tax.

Almost three-quarters of the fuel was marked in Luzon, with more than a fifth in Mindanao and 5.49% in the Visayas.

Diesel accounted for more than 60%, while gasoline had a 38.82% share, with kerosene taking up the remainder.

The program seeks to deter fuel smuggling by injecting a special dye into the products to signify tax compliance. The absence of the dye is an indication the fuel was smuggled.

In 2021, the Bureau of Customs (BoC) collected P166 billion in duties from the fuel marking program, the bureau said last week.

The BoC last year marked over 17 billion liters of gasoline, diesel, and kerosene.

It intercepted nearly 87,000 liters of smuggled diesel and kerosene worth P5.16 million last year, along with two tanker trucks containing unmarked fuel valued at P7.4 million. — **Jenina P. Ibañez**

BPO sector declares support for PHL participation in RCEP

THE Regional Comprehensive Economic Partnership (RCEP) trade agreement is expected to help boost investment in the business process outsourcing (BPO) industry, according to the industry association, the Information Technology and Business Process Association of the Philippines (IBPAP).

IBPAP President Jack Madrid said in a statement that the stable regulatory environment provided by the trade deal will encourage the entry of more investors and boost the economic recovery.

Mr. Madrid added that RCEP will provide seamless networks among member countries who will be tied to common standards, intellectual property regulations, rules of origin, customs processes, e-commerce, and competition policy.

"With stable and predictable rules, the Philippines could aspire to become a regional manufacturing and services hub, thereby creating much-needed domestic jobs. We believe that RCEP will increase external trade and spur more investments that create more livelihood and other business opportunities in the country," Mr. Madrid said.

"This framework will benefit the Information Technology and Business Process Management industry by making the country a more attractive investment destination and help expedite the economic recovery from the pandemic by creating more job opportunities," he added.

IBPAP represents over 332 companies and six partner associations involved in the BPO industry and related sectors.

RCEP was signed by President Rodrigo R. Duterte on Sept. 2, 2021 and is currently in the Senate for ratification.

Touted as the world's largest trade deal, RCEP started to take effect on Jan. 1, 2022 in Brunei, Cambodia, Laos, Singapore, Thailand, Vietnam, Australia, China, Japan, New Zealand, and South Korea. On March 18, Malaysia is also set to implement the trade agreement. — **Revin Mikhael D. Ochave**

OPINION

Easing barriers to foreign direct investment

TAXWISE OR OTHERWISE
KYRA KAE B. DIOLA

Barriers to foreign direct investment (FDI) in the Philippines are highly restrictive. In 2020, the Philippines ranked third-most restrictive out of the 84 countries in the Organization for Economic Cooperation and Development's (OECD) foreign direct investment regulatory restrictiveness index (FDI Index).

The FDI Index released by the OECD gauges the restrictiveness of a country's FDI rules by looking at four main types of restrictions: 1) Foreign equity limitations; 2) Discriminatory screening or approval mechanisms; 3) Restrictions on the employment of foreigners as key personnel; and 4) Other operational restrictions, e.g., restrictions on branching and capital repatriation or land ownership by foreign-owned enterprises.

The restrictions are evaluated on a 0 to 1 scale (1 being the most restrictive). It is no surprise that the Philippines scored 0.374, as we have several laws restricting FDI and most of them are enshrined directly in the Constitution. The Philippines is just a few points behind Libya and Palestine, both scoring a total FDI index of 0.713 and 0.388, respectively.

Last year, the President certified three bills as urgent —amendments to the 85-year-old Public Service Act (Senate Bill No. 2094), the 30-year-old Foreign Investments Act (Senate Bill No. 1156), and the 20-year-old Retail Trade Liberalization Act (Senate Bill No. 1840). These reforms primarily aim to spur economic activity by creating employment in the wake of the pandemic.

Before closing the first month of the new year, we welcomed the roll-out of Republic Act No. 11595 – An Act Amending Republic Act No. 8762, otherwise known as the Retail Trade Liberalization Act of 2000, signed into law on Dec. 10 and taking effect on Jan. 21. Below are the substantial amendments to the law:

LOWERING MINIMUM PAID-UP CAPITAL REQUIREMENT AND INVESTMENT PER STORE

Prior to the amendment, corporations engaged in retail trade under Category B, i.e., with foreign participation of not more than 60%, were required to have a minimum paid-up capital of $2.5 million. On the other hand, an enterprise may be wholly foreign-owned (Category C) if it has paid-up capital equivalent to at least $7.5 million, while enterprises under engaged in the sale of high-end or luxury goods (Category D) must have a paid-up capital of at least $250,000 per store.

Furthermore, the minimum investment per store for foreign retailers engaged in retail trade through more than one physical store was $830,000.

Now under RA 11595, the investment categories have been removed. Foreign-owned corporations, partnerships, and sole proprietorships may engage or invest in a retail business in the Philippines with a minimum paid-up capital requirement of P25 million (approximately $500,000).

In the case of retail trade through more than one physical store, the minimum investment per store is now down to P10 million (approximately $200,000).

SIMPLIFIED CONDITIONS FOR FOREIGN RETAILERS

Previously, all retail trade enterprises under Categories B and C, with foreign ownership exceeding 80%, must offer a minimum of 30% of their equity to the public, through any stock exchange in the Philippines, within eight years from their start of operations.

In addition, foreign retailers were required to submit an application for pre-qualification to the Board of Investments before filing a formal application with the Securities and Exchange Commission (SEC) to engage in retail or invest in a retail store.

RA 11595 removes both the public offering of shares of stocks and the pre-qualification requirements.

IMPLEMENTING AGENCIES

The monitoring and regulation is to be the responsibility of the SEC instead of the Department of Trade and Industry (DTI). However, the DTI will continue to have regulatory authority over foreign retailers that have or will establish sole proprietorships in the Philippines.

In coordination with the SEC and National Economic and Development Authority (NEDA), the DTI will issue the implementing rules and regulations of RA 11595 within 90 days after approval of the law, or by March 10.

REDUCTION OF PENALTIES

RA 11595 also reduced the penalties for violations from the imprisonment of six to eight years to four to six years, and capping the fine to P5 million, down from the previous maximum of P20 million.

As with all things, balance is the key. To protect domestic retailers, RA 11595 encourages foreign retailers to have a certain level of inventory consisting of products made in the Philippines. Moreover, it explicitly mandates compliance with the provisions of the Labor Code of the Philippines on the determination of non-availability of a competent, able, and willing Filipino citizen, before engaging the services of a foreign national.

The P25 million minimum paid-up capital is also subject to review by the DTI, SEC, and NEDA every three years from the effectivity of the law.

The scale of the disruption caused by the pandemic has pushed the government to prioritize amendments to FDI rules. Even prior to the updated rules, foreign retailers had been selling directly to Filipino consumers through e-commerce and internet retailing. Relaxing the restrictions and allowing foreigners to register and invest directly in the Philippines may allow the country to reap more benefits, particularly employment generation.

The amendments to the Retail Trade Liberalization Act (RTLA) represent just the first of three priority bills seeking to lift or reduce FDI barriers to put our country in a more competitive position relative to our Asian peers. We wait in anticipation whether the other bills (Senate Bill No. 2094 and Senate Bill No. 1156) pending before Congress will be enacted before the upcoming national elections or carried over as priority bills in the next administration. Either way, I hope the government continues to relax the rules while also protecting the local industry because I believe that easing barriers to FDI will help boost economic recovery.

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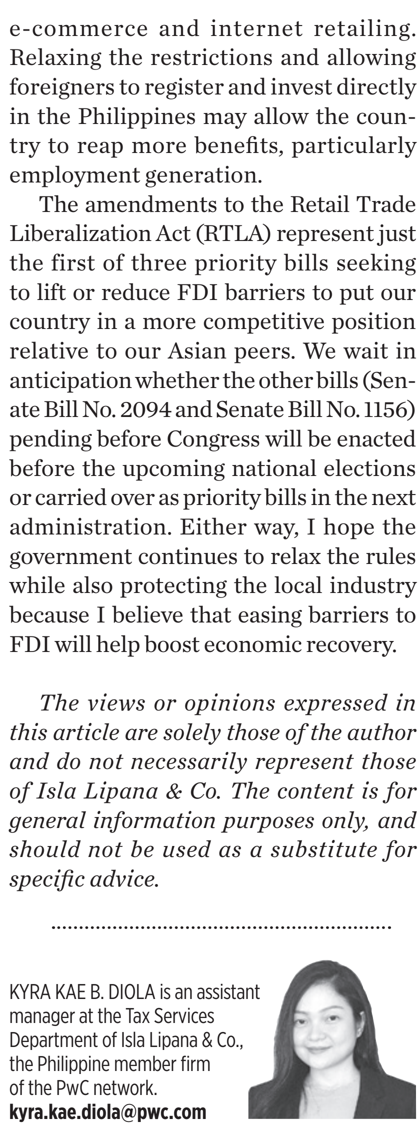

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