Early start to sugar milling seen easing shortages

THE reopening of some sugar mills ahead of the traditional milling season is expected to address sugar supply concerns, according to the vice-governor of a leading sugar-producing province.

"With (early reopening), we hope (to contribute) to resolving supply issues; in turn, we will also be seeing growth in our local economy," Negros Occidental Vice-Governor Jeffrey P. Ferrer said in a statement.

Mr. Ferrer said that he made the appeal to sugar mills months ago as sugar prices rose.

"There were rumors of a sugar shortage (at the time). And I am very much appreciative that our sugar mills responded favorably," he added.

Mills that have announced their reopening include First Farmers, Hawaiian Philippines Co., Victorias Milling Co., URC La Carlota and Sagay Central.

"The early start of the milling season is also going to be beneficial to our sugar farmers as it coincides with the reopening of the school year and they will have one less problem (in terms of expenses to deal with) especially since some schools are now going to conduct face-to-face classes," he added.

As of July 29, the average price of refined sugar in wet markets was P93 per kilogram, according to the Sugar Regulatory Administration.

The Department of Agriculture (DA) has announced that it will consult the sugar industry to assess the state of the sugar inventory.

The DA is exploring a reclassification of sugar stocks to ensure the diversion of supply to the consumer market and away from industrial users, and also to determine appropriate import levels if needed. — **Luisa Maria Jacinta C. Jocson**

Palace encourages LGUs to seek out PPP infra projects

PRESIDENT Ferdinand R. Marcos, Jr. has urged local governments to pursue public-private partnerships (PPPs) to build infrastructure within their jurisdictions.

"I think this is the way forward, and I encourage all our local government units (LGUs) to be open to the possibilities of PPPs," he said in a meeting with the League of Cities of the Philippines on Tuesday. His remarks were released by the Palace on Wednesday.

Mr. Marcos said the government has received offers to fund big-ticket projects.

"There are many opportunities especially in infrastructure. Many of our friends from abroad — especially the ambassadors who paid courtesy calls to us — are offering help," he said.

The offers, Mr. Marcos said, include funding via official development assistance and joint ventures by private-sector entities.

"Well, you're local government, you know that already. Local government generally cannot do it by itself," Mr. Marcos said.

"We have to find partners, we have to find local partners, we have to find investors. *Sanay na kayo diyan* (you're used to this)."

Mr. Marcos said he sees digitalization playing a prominent role among the PPP projects. "Digitalization is going to be a very natural fit for something like PPPs," he said.

In his first address to Congress, the President said his government would create more opportunities to collaborate with the private sector.

Mr. Marcos is also pushing for amendments to the Build-Operate-Transfer Law.

The Management Association of the Philippines urged the administration last month to "rectify overly stringent" Material Adverse Government Action provisions that discourage PPP investment due to high regulatory and political risks.

It said the government should also honor the sanctity of contracts through good-faith adherence to PPP contract terms and decisions of international arbitration tribunals.

The government's infrastructure push is expected to generate jobs. But Terry L. Ridon of InfraWatchPH told *BusinessWorld* that this is "dependent on how fast PPPs are greenlighted by the current government while ensuring social and environmental safeguards."

"There can be no massive job generation in PPPs until the last government approval has been secured," he said. "The government can adopt the initiatives of the private sector to create new areas of study to support the country's infrastructure push." — **Kyle Aristophere T. Atienza**

PETE WRIGHT-UNSPLASH

Workforce skills critical if Philippines is to gain from 'demographic dividend'

ANY RELIANCE on the so-called "demographic dividend" for economic growth will depend on the skills young workers acquire on the way to becoming the most numerous cohort of the working-age population, analysts said.

However, "this is nothing more than the demographic transition. For the first time in our history, we have a larger proportion of working age individuals instead of those who are still in schooling and those who are retired," according to Leonardo A. Lanzona, director of the Ateneo Center for Economic Research and Development.

"The main question is how advanced are we in taking advantage of our demographic transition. Our Asian neighbors have been able to utilize this resource to the full by engaging in more industrialization and enhancing trade. So far, we don't see much of this developing," he added in an e-mail on Wednesday.

Finance Secretary Benjamin E. Diokno said on Saturday that the relative youth of the population will drive the consumer-driven economy forward.

"The young population, they consume a lot. (Domestic consumption is) actually the major mover or source of growth, plus investment. Investment... (creates) a lot of jobs, and along the way, you create a lot of consumption also," Mr. Diokno said.

University of Asia and the Pacific Economist Bernardo M. Villegas said in an e-mail on Wednesday that the relative youth of the workforce remains a powerful driver.

"The greatest asset of the Philippines is our young and growing population. Thanks to a very youthful population (our median age is 24 years), our domestic market is very attractive to both domestic and foreign investors. Personal consumption is a growth driver," he said.

According to the Philippine Statistics Authority (PSA), the youth labor force consisted of 7.3 million out of an estimated youth population of 20.14 million, or 36.25%, in May 2022.

New entrants to the labor force tagged between 15 and 24 years old increased by 11.12% from a month earlier to 999,000 in May.

The youth employment rate improved to 87.9% in May, against 85.5% a year earlier, and 87.7% a month earlier, according to the PSA.

But Mr. Villegas concurred that human capital development will be critical.

"The challenges we have to face are addressing the poor quality of basic education and the mismatch between what our institutions of higher education are producing as graduates and the actual demand of industry. There should be more emphasis on technical vocational courses than college diplomas," Mr. Villegas said.

"The problem is that our industry is regionally concentrated in only NCR, Calabarzon and Central Luzon. Unless we push our industries to the other regions, we will remain a fragmented economy regionally. But without the needed skills in these regions, this goal will not be feasible. The priority in infrastructure which the previous and current administrations have indicated will not (deliver the expected) returns if we do not engage in skills development," Mr. Lanzona said.

A silver lining from the pandemic could be a shift in how the young view technical vocational courses.

"The pandemic convinced many young people to forget getting a college diploma and take short courses in order to reskill, upskill and retool themselves so that they could be immediately employed in industries that are short of technical skills," Mr. Villegas said.

"It will be the young who can be upskilled, reskilled and retooled to be employed in knowledge-based IT enterprises that will grow faster than the call centers, which are in danger of being replaced by Artificial Intelligence and Robotics," he added. — **Diego Gabriel C. Robles**

Tulfo threatens to summon officials of inefficient power co-ops before Senate Energy Committee

THE CHAIRMAN of the Senate Energy Committee said he intends to summon or even file charges against officials of inefficient power cooperatives that fail to deliver reliable and low-cost services to the countryside.

Citing high power costs and frequent rotational power interruptions, Senator Rafael T. Tulfo said in a statement on Wednesday: "I will make sure that I take immediate action on the problems faced by the people, especially the frequent brownouts in the provinces, including Palawan, Bataan, and Davao."

He also said he plans to investigate officials and individuals involved in delivering unreliable power.

"If we need to summon, we will summon the capitalist politicians, who, more often than not, are partners or directors of electric cooperatives that cause frequent brownouts in the provinces," he said, raising the possibility of filing charges against such persons.

"Regardless if they are my friends or not, I will charge them," he said.

"Because that's my promise to the Filipinos who voted for me that once I get elected as a Senator, I'll make sure that all the problems they bring to me will be heard in the Senate," he added.

He plans to set meetings to hear proposals from industry experts and stakeholders, seeking to question why several problems recur and how to solve them.

Priority bills before the energy committee in the 19th Congress include Senate Bill (SB) 358 or the proposed Recoverable System Loss Act, SB 151 or the proposed Waste to Energy Act and SB 156 or the proposed Energy Advocate Act. — **Alyssa Nicole O. Tan**

JUNIOR FERREIRA-UNSPLASH

OPINION

Let's talk about sanctions

TAXWISE OR OTHERWISE

JOANNE REYES

In February, Russia invaded Ukraine, bringing down upon Moscow a regime of sanctions mostly from Western countries. What does it mean when sanctions are imposed on an individual, class of persons, entity or country?

The Association of Certified Anti-Money Laundering Specialists (ACAMS) defines sanctions as "punitive or restrictive actions taken by individual countries, regimes, or coalitions with the primary purpose of provoking a change in behavior or policy. Sanctions can restrict trade, financial transactions, diplomatic relations, and movement. They can be specific or general in their implementation and enforcement. Sanctions are also referred to as restrictive measures."

Sanctions can be imposed by one country (unilateral) or by multiple countries (multilateral) on an individual, class of persons, entity, or country to influence their actions.

For instance, under the United Nations Charter, the Security Council can take action to maintain or restore international peace and security under Chapter VII of the charter. The Security Council is composed of 15 Members. The five permanent members are China, France, the Russian Federation, the UK, and the US. The 10 non-permanent members are elected for two-year terms by the General Assembly. Sanctions that have been approved are binding on all member states.

The European Union (EU) implements all sanctions adopted by the UN Security Council. In addition, the EU may also decide to impose sanctions on its own initiative ('EU autonomous sanctions'). EU sanctions apply within the jurisdiction of the EU, to EU nationals in any location and to companies and organizations incorporated under the law of a member state. Enforcement must be undertaken by the member states.

Moreover, the Office of Foreign Assets Control (OFAC) of the US Department of the Treasury administers and enforces economic and trade sanctions based on US foreign policy and national security goals against targeted foreign countries and regimes, terrorists, international narcotics traffickers, those engaged in activities related to the proliferation of weapons of mass destruction, and other threats to the national security, foreign policy or economy of the US. OFAC publishes lists of individuals and companies owned or controlled by, or acting for or on behalf of, targeted countries. It also lists individuals, groups, and entities, such as terrorists and narcotics traffickers designated under programs that are not country-specific.

The Export Control Organization (ECO) of the UK licenses controlled goods and goods caught by a country-specific embargo, while Her Majesty's Treasury licenses funds or assets.

Taking the war in Ukraine as an example, the US and the UK have both imposed additional sanctions on Russia, which include: banning new inbound investment, as well as severe sanctions on two Russian financial institutions (Alfa Bank and Sberbank), on major state-owned enterprises, and on government officials and their family members.

As part of the UK's efforts to isolate Vladimir Putin, it announced sanctions against seven oligarchs. Roman Abramovich, the owner of Chelsea Football Club, had his assets frozen, and was prohibited from transacting with UK individuals and businesses, and barred from travel. Abramovich's one-time business partner, industrialist Oleg Deripaska, was also similarly sanctioned.

Another notable example is the long-time sanctions regime imposed on North Korea due to the country's continuing pursuit of its nuclear and missile program. Executive Order 13722 blocks the Government of North Korea and the Workers' Party of Korea; prohibits the export and re-export of goods, services (including financial services), as well as technology from the US, or by a US person to North Korea; and prohibits new investment in North Korea by a US person.

Sanctions can further be classified into four types: diplomatic, financial, trade and travel. A diplomatic sanction restricts or suspends membership in international organizations and diplomatic visits that affect the ability of the target to interact with other countries. It can also limit access to financial aid or loans. Financial sanctions can involve account seizures or freezing. Trade sanctions, sometimes called embargoes, limit the import/export of specific goods (e.g., arms, oil or diamonds) or services (e.g., technology, training, financing). Travel sanctions restrict the mobility of individuals on the list (preventing them from traveling to and through certain countries). It can extend to any asset including bank accounts to pay for travel.

As payment transactions are predominantly the only record that can detect a potential sanctions violations, a financial institution's role is crucial in discerning the circumstances that warrant sanctions. Financial institutions also have the right to seize or freeze assets to prevent payments to certain individuals.

Thus, a financial institution must have a robust Anti-Money Laundering (AML) compliance program in place which should be based on the following pillars to combat financial crime: internal policies, procedures and controls; designation of an AML officer; employee training; independent testing; and customer due diligence (CDD).

As part of CDD, financial institutions must identify and verify the identity of the customer as well as the parties that own or control them, their transactions and the applicable sanctions. The customer's and parties' name would need to be screened against the sanctions list. These are done through intelligence gathering, checking of transactions with violations, and filing of suspicious activity reports. A good AML compliance program will help financial institutions determine any involvement that a customer has with a sanctioned target or if the customer itself is a sanctioned individual or entity. Lastly, there should be a check done on the customer's transactions to make sure that they are not dealing with sanctioned individuals or entities. When done properly, it should help prevent financial institutions from violating sanctions.

The views or opinions expressed in this article are solely those of the author and do not necessarily represent those of Isla Lipana & Co. The content is for general information purposes only, and should not be used as a substitute for specific advice.

JOANNE REYES is a manager at the Financial Crime practice of PricewaterhouseCoopers Consulting Services Philippines Co. Ltd., a Philippine member firm of the PwC network.
+63 (2) 8845-2728
joanne.reyes@pwc.com