Philippine competitiveness lags ASEAN due to high business costs

THE cost of doing business is causing the Philippines to lag in regional competitiveness, the Management Association of the Philippines (MAP) said on Thursday.

Mary Jade Roxas-Divinagracia, MAP Ease of Doing Business Committee vice chairperson, told *BusinessWorld Live* on One News Channel that the decline in competitiveness comes despite the passage of measures in the previous administration seeking to attract more investors.

She said some of the measures include Republic 11534 or the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Law, which lowered the corporate income tax, and amendments to the Public Service Act, the Retail Trade Liberalization Act, and the Foreign Investment Act.

"We are still losing competitiveness in ASEAN, because we are facing a lot of challenges (such as) the high cost of doing business, high power cost," Ms. Roxas-Divinagracia adding that issues with human capital are also a factor, like availability of talent, the workforce's aptitude for innovation, critical thinking, and business and digital skills.

Ms. Roxas-Divinagracia also cited the need to improve infrastructure and connectivity.

"It used to be that having a pool of young English-speaking workers was enough. But not anymore because our neighbors are also leveling up when it comes to that. We need to address the other areas where we are falling behind," Ms. Roxas-Divinagracia said.

"We also need to improve our quality of infrastructure and logistical services, including connectivity and digital infrastructure. We also need to invest more on research and development, transparency, respect for sanctity of contracts, and overall ease of doing business," she added.

Ms. Roxas-Divinagracia said business executives are concerned about corruption, citing the PwC Philippines-MAP 2022 CEO survey. The study found that 67% of business executives cited corruption as a factor that may delay the economic recovery.

"The problem of corruption has been there for so long. Unfortunately, we've not made significant progress... This is a very valid concern that chief executive officers are facing as corruption scares away investors," she said.

"(Corruption) can complicate doing business in the country. It can lead to unfair competition, delay some of the business processes. It will increase costs. Overall, it can hurt business viability. Whether corruption is perceived or real, it is making the country unattractive to investors both foreign and domestic," she added. — **Revin Mikhael D. Ochave**

DA to expand area devoted to salt production

THE Department of Agriculture (DA) said it hopes to upgrade salt production by increasing the area devoted to salt-making, describing the current shortage as a food security issue.

"Salt is a food security issue. Not being able to produce salt will hurt the country's competitiveness and ability to become a successful agro-industrial economy," the DA said in a memorandum circular.

"It is clear that increasing salt production (means an increase) in salt producing areas. Having the resources for identification, regulatory approval, construction and partnership, the government should lead the way in stimulating the salt industry by identifying, constructing and preparing the necessary salt-producing areas and make it ready for the private sector to operate them," it said.

The Development of Salt Industry Project (DSIP) aims to produce "excellent quality" salt through process enhancement and improved salt making practices, while complying with food safety standards.

Under the plan, the National Fisheries Research and Development Institute (NFRDI) will compile a comprehensive profile of salt farmers, producers, traders, distributors, importers, and consumers.

"In order to realize the program's goal of reviving the salt industry through technology development and research initiatives, the NFRDI will focus its activities on boosting and sustaining local salt production by providing necessary production, post-harvest, and marketing-related interventions to the selected salt farmers/project beneficiaries," according to the plan.

These initiatives include the development and standardization of processing methods, consumer acceptability tests, and market research to develop sea salt products, and the overhaul of policy and rules governing the industry.

The plan also includes capacity-building activities and training for qualified beneficiaries in food safety standards and production methods.

It also seeks to introduce various production techniques to the traditional pond-drying method, like the use of high-density polyethylene geomembrane. It also hopes to promote the use of greenhouses and cooking.

The DSIP will also upgrade post-harvest and storage facilities. — **Luisa Maria Jacinta C. Jocson**

Senate panel hears proposal to tap 2024 payables

SENATORS explored the possibility of "frontloading" a P715-billion allocation in the proposed 2023 budget which is intended to fund obligations due in 2024.

Senator Ana Theresia N. Hontiveros-Baraquel made the inquiry of the Department of Budget and Management (DBM) at a Senate finance committee hearing.

The budget scrutiny comes as the National Government (NG) scrambles to fund its obligations after taking on record debt to fund the economic recovery and as local governments expand their cut of NG revenue.

Congress is examining the proposed P5.268-trillion budget for 2023.

"The P715 billion stated in the circular is the estimated obligations that we expect not to be paid within the year, but instead are accounts payable the following year because some projects will not be completed within the year so we cannot disburse or pay for them on that year," Budget Secretary Amenah F. Pangandaman replied.

Ms. Hontiveros had asked whether the amount can be reallocated by issuing a Multi-Year Contracting Authority (MYCA), a DBM certification of the availability of funds to cover the full contract cost of multiyear projects.

Resorting to a MYCA will allow the government to "frontload appropriations for faster-moving projects that the departments deem urgent," she said.

"If we possess the information on what the slow-moving projects types were in recent years, could Congress add to the list of projects covered by MYCAs, so that fiscal space can be created for fast moving projects."

Ms. Pangandaman said MYCA items in agency budget proposals are still subject to the agencies' absorption capacity — "whether they can disburse the funds even (with) MYCA."

"This is part of our budget management considering that we have limited fiscal space in our budget," she added.

Separately, Sen. Joseph Victor G. Ejercito also flagged the budget increase for the Department of Transportation (DoTr) despite its low disbursement rate last year. — **Diego Gabriel C. Robles**

FULL STORY

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ACEF seen benefiting importers, not farmers

THE Agricultural Competitiveness Enhancement Fund (ACEF), which is funded by import tariffs on farm goods, contains a built-in incentive to import more food and generate more revenue for the government, to the detriment of the farmers it was designed to help, legislators said.

The House committee on agriculture and food, which is evaluating proposals to extend ACEF, heard allegations from legislators that traders and importers are benefiting, and not farmers.

"We need a consultative assembly so resources will be directed to measures that will respond to the problems of our agriculture industry. I appreciate the value of ACEF. Out of the import taxes, we are able to support our agri-fisheries. However, it appears that this program is not being felt by our individual farmers and even our consumers," Batangas Rep. Gerville R. Luistro told the committee on Thursday.

"If there is anyone benefiting from this, it appears to be the traders and importers. It's like we are giving them permission or license to go for more imports. We should focus on agri-sustainability," she added.

Quezon Rep. Wilfrido Mark M. Enverga, who also chairs the committee, said that the program is not intended to promote imports.

"Unfortunately, it's a reality and we do have to make the most out of it. (The funds) must be given back to the affected sectors in agriculture," he added.

ACEF proceeds fund the development of farm machinery and infrastructure, as well as other support projects to improve the lives of farmers.

Collections routed to ACEF between 2000 and March 2022 are at P20.07 billion.

Mr. Enverga introduced House Bill No. 2385, which seeks to extend the implementation period for ACEF.

"Tariffs collected were not envisioned to be distributed as dividends, Conditional Cash Transfer (CCT) style. Instead, they are intended to be used to build, and, as provided in the law, 'irrigation, farm-to-market roads, post-harvest equipment and facilities, credit, research and development,'" according to the bill.

Also covered are marketing infrastructure, provision of market information, retraining, extension services, and other forms of assistance and support to the agricultural sector.

"The idea was to use the very same taxes levied on imports to finance projects that would boost agriculture and allow it to compete with imports," it added.

The bill calls for extending ACEF and backed the earmarking of tariffs for farm development as a valid concept.

"What is needed is not to write the requiem to ACEF, but a law reforming and extending its validity to help farmers and fisherfolk improve their productivity and competitiveness... our produce has to be competitive, as integration enlarges markets for both local and regional firms," according to the bill.

The bill hopes to "debug" ACEF "of corruptive and corrosive practices. Stringent safeguards against deliberate acts that go against the purpose of the program have been put in place as the overarching principle that only legitimate farmers and fisherfolk must benefit from ACEF," it added.

The bill also highlighted that ACEF's mandate is not just to ramp up agriculture production, but also to produce graduates of agriculture courses.

"In hindsight, the scholarship component of ACEF is one of its few bright spots. Some loans for production capital may have been misappropriated but by and large, the tuition to train human capital was not. While some borrowers may have left debt notes, ACEF scholars have diplomas as proof of grants well spent," it added.

Agriculture Undersecretary Rodolfo V. Vicerra proposed that ACEF measures be routed through farmers' cooperatives and associations (FCAs).

The Department of Agriculture (DA) has been handicapped by devolution which keeps DA technical assistance outreach at the regional level. "It's going to be much easier to implement this program and reach out to more farmers (through cooperatives)," he said.

"We can reach more farmers and effectively assist in the development of our rural sector... there is a big gap with the DA's centralized system. We need to be able to reach out directly to farmers and fishers and strengthen partnership between the DA and local government units," he added.

Land Bank of the Philippines (LANDBANK) Assistant Vice-President Edgardo S. Luzano also recommended a capacity-building fund to be allotted to strengthen FCAs and technology transfer.

"We are only able to extend credit assistance to 33,000 farmers and fishers that are individual borrowers. This is a small segment being targeted by the DA for the program," Mr. Luzano said.

"We agree to the statement to increase our penetration of FCAs although the bank has assigned officers to cover all municipalities in the country; we recognize that FCAs serve as an additional touchpoint to increase reach to farmers and fishers," he added.

Rolando Ortega, a farmer from San Jose, Occidental Mindoro, told the committee that forming more FCAs would speed up the application process.

"I benefited from the ACEF loan program. I support the continuation of this program... It would be easier if there were formed groups. What happens right now is that farmers go straight to LANDBANK. It would be more efficient if every region has a group or co-operative to easily process the documents," he said.

Mr. Vicerra also said program administrators should be treating farmers as borrowers or enterprise groups and refrain from describing the funding as *ayuda* or government-provided assistance. — **Luisa Maria Jacinta C. Jocson**

LGUs posted P279.4-B surplus in 2021 — DoF

LOCAL government units (LGUs) posted a surplus of P279.4 billion last year, Finance Secretary Benjamin E. Diokno told the Senate Committee on Finance on Thursday, reflecting their revenue collection efforts as well as their share of National Government revenue.

Mr. Diokno, speaking to the committee, said provinces reported a surplus of P57.65 billion, cities P94.48 billion, and municipalities P92.39 billion. The Special Education Fund posted a surplus of P36.8 billion.

"It's revenue, from (the) National Government plus their locally collected revenue minus their expenditure," Mr. Diokno said.

LGUs are entitled to a share of 40% of the National Government's "internal revenue," with their share formerly known as the Internal Revenue Allotment (IRA). Following a Supreme Court ruling redefining the scope of the LGU entitlement, the IRA was renamed the National Tax Allotment.

The surplus reinforces fears that LGUs will not be able to spend their expanded allotments due to a lack of capacity to plan for or implement projects devolved to them from the National Government. — **Diego Gabriel C. Robles**

Industry group touts rooftop solar as quick solution to power shortage

SOLAR PANELS on household and commercial establishment rooftops are a viable means of addressing the power crisis, the Philippine Solar and Storage Energy Alliance (PSSEA) said on Thursday.

"Lacking supply of power means that any unplanned outages in the power system will likely result in brownouts and reduction of electricity service," the PSSEA said in a statement.

The group cited a government estimate that a 5% penetration rate for solar on household rooftops is equivalent to 673 megawatts, achievable within 12 months.

It also promoted solar as a key component of the transition to clean energy transition.

The National Grid Corp. of the Philippines placed the Luzon grid on yellow and red alert on Monday due to the forced shutdown of several power plants.

PSSEA called increased solar rooftop installation a form of "relief to the grid and... an immediate solution compared to the development of utility-scale solar which takes three years to deploy," PSSEA said.

To accelerate solar rooftop deployment, PSSEA proposed the removal of the 100-kilowatt cap for net-metering; a simplified application process for incentives; standardized protocols for permit issuance; and access to financing. — **Ashley Erika O. Jose**