

GOCC for renewable energy proposed to manage Agus-Pulangi hydro

A BILL has been filed at the House of Representatives calling for the creation of a new government-owned and -controlled corporation (GOCC) specializing in renewable energy which will be tasked to run Mindanao's largest hydroelectric power complex.

House Bill 4205 proposes to concentrate the government's efforts to promote renewable energy in the Philippine Renewable Energy Corp., the establishment of which will involve the takeover of functions currently exercised by a unit of the Philippine National Oil

Corp. (PNOC), PNOC Renewables Corp. "It is imperative for the government to take a more active role in assuring adequate supply of electricity with the use of RE sources, thereby reducing the country's dependence on imported fossil fuels and mitigate the impact of climate

change," Cagayan de Oro Rep. Rufus B. Rodriguez said in the bill's explanatory note. The proposed GOCC will operate the Agus-Pulangi Hydroelectric Power Plant complex, effectively keeping Agus-Pulangi in government hands, contrary to the broader trend of privatization of the

power industry. Mindanao business leaders favor keeping the complex in government hands because it generates cheap power for the southern island.

The bill proposes a P7 billion initial appropriation to capitalize the new GOCC. — **Matthew Carl L. Montecillo**

Diokno: Developing countries need help funding climate efforts

DEVELOPING countries are heavily dependent on outside financing to execute their climate-change mitigation plans, Finance Secretary Benjamin E. Diokno said at the annual meetings of the International Monetary Fund (IMF) and World Bank in Washington, DC.

"We strongly support the call for the World Bank, the IMF, and all other multilateral institutions to continue providing technical and financial assistance that will cater to emerging and developing countries on a much greater scale. This will provide us with better opportunities to access funding that is tailored to fit each country's needs," Mr. Diokno said on Tuesday.

Mr. Diokno was addressing the 108th Meeting of Ministers and Governors of the Intergovernmental Group of 24 on International Monetary Affairs and Development (G-24), according to a statement carrying his remarks issued by the Department of Finance (DoF).

The World Bank Group has said that it is ready to increase its support for the Philippines in the areas of agriculture, education, tourism, water and energy.

Approved commitments for this year amount to \$1.5781 bil-

lion. As of March, the World Bank was the Philippines' third-largest source of official development assistance, with loans and grants accounting for 23.38% of the total.

"At present, the World Bank Group has a Global Crises Response Package to help countries navigate multiple crises, including food and energy security, learning losses due to school closures during the pandemic, climate change mitigation and adaptation, and other long-term development challenges," the DoF said.

Last year, the World Bank, also known as the International Bank for Reconstruction and Development, provided \$1.376 billion in budget support loans to the Philippines, accounting for 12% of that year's external financing.

During an intervention before the constituency members of World Bank Executive Director Erivaldo Gomes, Mr. Diokno outlined several of the Philippine government's policy interventions against rising inflation.

"To cushion the effects of inflation, the Philippine government continues to extend targeted support to the most vulnerable sectors, including public trans-

port workers, farmers, fisherfolk, and indigent senior citizens," Mr. Diokno said. "We are also investing in improvements to local food production, ensuring the timely importation of goods, improving distribution efficiency, ensuring adequate power supply, and carefully monitoring policy considerations on wage and transport fare hike petitions."

"We expect inflation to remain elevated as long as world prices of oil remain high," he added. "Nevertheless, with our combination of fiscal and monetary policies, we are optimistic that the average inflation rate will be within our target of 4.5% to 5.5% for 2022."

On the monetary side, the Bangko Sentral ng Pilipinas has so far raised borrowing costs by 225 basis points since May.

Concerning climate change, Mr. Diokno said that the integrated green, resilient, and inclusive development (GRID) strategies baked into its post-pandemic recovery plans.

Mr. Diokno affirmed Philippine commitments under the Paris Agreement, specifically the adoption of its first nationally determined contribution (NDC) of reducing its greenhouse gas emissions by 75% by 2030, among others.

"As in other countries, these NDC actions are heavily reliant on external financing. We see the key role of the World Bank Group — the largest multilateral provider of climate finance — in mobilizing more international public and private finance to accelerate GRID programs," Mr. Diokno said.

Last month, Mr. Diokno said that he was not concerned about the tight prevailing fiscal conditions as he sought to finance the government's climate change initiatives. In the P5.268-trillion proposed budget for 2023, the climate change adaptation budget has increased to P453.1 billion from P289.7 billion this year.

At the end of the second quarter, the Philippines' debt-to-gross domestic product ratio was 62.1%, above the prescribed 60% threshold multilateral lenders recommend for developing economies. Its rise from 39.6% at the end of 2019 reflects the debt taken on to finance pandemic containment measures.

Mr. Diokno has said that the government intends to keep foreign borrowing at 25% of the total, falling eventually to 20%, in order to minimize foreign exchange risk. — **Diego Gabriel C. Robles**

PHL assures Norway, France of compliance with convention on seafarer training norms

THE Transportation department said on Thursday that it expressed to European governments the Philippines' commitment to complying with seafarer training standards.

"I briefed the ambassador of France... the other day. Yesterday, I met the ambassador of Norway," Transportation Secretary Jaime J. Bautista told reporters on the sidelines of the Norway-Philippines Maritime & Energy Conference.

"I will meet some other ambassadors to assure them that the government is committed to complying with the requirements of the STCW (Standards of Training, Certification &

Watchkeeping for Seafarers)," he added.

The European Union (EU) has told the Philippines to bring seafarer training up to the norms required by the STCW convention.

Following an inspection conducted in 2020, the European Commission notified the Philippines of a number of deficiencies — including serious ones — identified in the education, training, and certification system for Philippine seafarers.

The EU has noted that "inconsistencies have been identified in relation to the competencies covered by the education and training programs leading to the issuing of officers' certificates, as

well as in several approved programs regarding teaching and examination methods, facilities and equipment."

"Inconsistencies have also been identified in the monitoring of inspections and evaluations of the schools. In addition, there have been concerns regarding findings as regards simulators and on-board training," it added.

Mr. Bautista said the Philippines is "addressing the issues."

"We will just continue to communicate with EMSA (European Maritime Safety Agency) *kung ano na 'yung status nung mga action plans* (on the status of the action plans)," he added.

"The plan is to have regular

diplomatic briefings, which I have started," he added.

He said the department is roping in the Commission on Higher Education, maritime schools, the Department of Migrant Workers, and the Maritime Industry Authority to address the issues.

Mr. Bautista said that the government is keen to collaborate with the Norwegian shipping industry to employ more Filipino seafarers.

"There are 25,000 Filipino seafarers who are on board Norwegian ships. We will continue that. We will encourage more Filipinos to work with the Norwegian shipping industry," he added. — **Arjay L. Balinbin**

DPWH promises fewer infra delays caused by lack of project studies

THE Department of Public Works and Highways (DPWH) said on Thursday that it has improved its processes for determining the feasibility of infrastructure works, which were found to have contributed to delays in a number of projects.

The DPWH was queried at the Senate Finance Committee on findings by the Commission on Audit (CoA) that 3,440 infrastructure projects did not proceed or were delayed by the failure to clearly establish feasibility or technical viability beforehand.

Senator Francis N. Tolentino said at the hearing, citing CoA, that "the DPWH was not able to cite the technical viability of projects during the feasibility and preliminary engineering study, which resulted in delayed completion and non-implementation of 3,440 infrastructure projects worth at least P245 billion."

The auditors, he added, also concluded that the DPWH completed only one out of 12 foreign-funded projects worth a combined P1.151 billion.

"I can assure the good Senator that under my watch we would have a stricter planning process," Public Works Secretary Manuel M. Bonoan said. "Other than the central office, we also have planning services at the district and regional levels."

Mr. Tolentino made the remarks in the context of a DPWH request for more funding for support functions like conducting project studies.

"You are asking for an increase of your STO (support to operations) budget for fiscal year 2023 and one of the reasons for the increase is a P14.8 billion increase in the budget for the conduct of full-scale feasibility studies," Mr. Tolentino said.

"I can assure you that the budget we are asking now for preliminary feasibility study and preliminary detailed engineering will substantially

address the preparation of our projects in 2023, even at the district level," Mr. Bonoan replied.

"For 2022, I think the budget proposal for preliminary feasibility study and preliminary detailed engineering was actually P15.82 billion but what has come out of the 2022 budget was a mere P1.17 billion," he added, "but this level of investment is necessary in order to provide the necessary budget for our operating offices to make the preparations."

The funding will support staffing for planning services at the district and regional levels, he added.

As for the delays in completing and implementing projects in 2021, Mr. Bonoan said: "I understand that there had been some intervening reasons such as projects included in the 2021 budget that were for later release, and this is up for the approval of the Office of the President. It took some time for these to be processed and approved."

Mr. Bonoan described the process for making even small changes to project contracts funded by the General Appropriations Act involved preliminary work at the district level and then approval by the Office of the Secretary, adding that such modifications were needed because "many of the projects were incorporated in the budget without preliminary (studies)."

"It took some time for the department to make the necessary preliminary engineering (studies) that are needed for actual contract execution," he added.

Mr. Tolentino said that he has received reports that some district engineers would rely or delegate the function of planning to contractors, thus making the projects "contractor-initiated," without regard for the real needs of the local government units or the field planning office of the DPWH. — **Alyssa Nicole O. Tan**

VAT exemption for key commodities seen as negative for peso

A BILL seeking to exempt key commodities from value-added tax (VAT) carries the risk of weakening the peso by calling into doubt the government's capacity to meet its obligations, a senior legislator said.

"(The proposed measure) is going to make things worse, not better," Albay Rep. Jose Ma. Clemente S. Salceda told reporters via Viber message. "That's because tax cuts cast a shadow of doubt on the ability of a state to maintain its operations and honor its debts."

With a weaker peso, "we will have to pay more for our imports, and our imported inputs, like fuel, will also be more expensive in peso terms. So, we have to be careful about a VAT cut," he added.

Mr. Salceda was responding to the Makabayan bloc-sponsored House Bill 5504, which seeks to remove VAT sales of basic food commodities like bread, canned goods, instant noodles, biscuits, sugar, oil, salt, candles and drugs.

"Much of the inclusions in the Makabayan bloc proposal are already VAT exempt," he added. "That includes sugar, beef, fish, salt, charcoal, and firewood."

The removal of VAT will result in foregone revenue of P86.4 billion, he added.

Mr. Salceda, who also chairs the committee on ways and means, put forward a fertilizer subsidy, farmer aid and imports of 300,000 metric tons (MT) of refined sugar as alternative solutions.

"We can make sugar cheaper by importing 300,000 MT of refined sugar, which is more or less our structural deficit. (This will) also make biscuits and bread cheaper," he said.

China Banking Corp. Chief Economist Domini S. Velasquez said she prefers targeted subsidies to relieve the pressure from high prices.

"The problem with an across-the-board removal of a certain tax is that first, it erodes much-needed revenue, and second, it benefits even those who can

afford to pay for it," she said in a Viber message. "In the recent world economic outlook, the International Monetary Fund even recommended the use of targeted subsidies (in dealing with) this cost-of-living crisis."

Nicholas Antonio T. Mapa, ING Bank N.V. Manila senior economist, said that although the proposed measure can alleviate price pressures for basic goods, it may run counter to fiscal authorities' efforts to consolidate their debt given the impact of such on the government's revenue stream.

"One compromise would be to intensify and expand existing subsidies for targeted households which may not cover all those who may need but could possibly strike a balance to still chase fiscal consolidation while still recognizing the need to provide support to our citizenry," he said in an e-mail.

The proposed measure was filed on Oct. 10 by Party-list Representatives Arlene D. Brosas, France L. Castro and Raoul Dannel A. Manuel. — **Kyanna Angela Bulan**

ERC working to clear backlog in capex applications

THE Energy Regulatory Commission (ERC) said it will work with power plant operators to clear a backlog in applications from the industry to undertake capital investments to upgrade their operations.

In a statement on Thursday, the ERC said it will work with the Private Electric Power Operators Association (PEPOA)

to reduce application delays. The industry must seek permission from the ERC to undertake capital expenditures (capex).

The ERC must also clear all power supply agreement, under the authority granted it by Republic Act No. 9136 or the Electric Power Industry Reform Act.

In a Viber message on Thursday, Floresinda Baldo G. Dugal, an ERC commissioner, told *BusinessWorld* that distribution utility cases before the commission totaled 309, of which 80 were capex applications.

The ERC added that it has also discussed with PEPOA the rate reset process under performance-based regulation.

Last month, during a Senate Committee on Energy hearing, Senator Rafael T. Tulfo blamed slow ERC approvals for capex applications for recurring power outages in provinces.

ERC Commissioner and Chief Executive Officer Monalisa C. Dimalanta has said that the ERC is trying to clear its application backlog. — **Ashley Erika O. Jose**



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DEPARTMENT CIRCULAR NO. 003 - 2022
AUGUST 19, 2022

TO : HEADS OF ALL NATIONAL GOVERNMENT AGENCIES, GOVERNMENT - OWNED OR - CONTROLLED CORPORATIONS/ GOVERNMENT FINANCIAL INSTITUTIONS AND PROVINCIAL, CITY, MUNICIPAL AND BARANGAY TREASURER (LOCAL TREASURERS)

SUBJECT : INCLUSION OF THE PHILIPPINE VETERANS BANK AS AN AUTHORIZED GOVERNMENT DEPOSITORY BANK AMENDING SECTION 5.2 OF DEPARTMENT CIRCULAR 002-2022

Section 1. Inclusion of the Philippine Veterans Bank as an Authorized Government Depository Bank (AGDB).

Pursuant to Section 28 of Republic Act No. 11597 (2021), otherwise known as the "Philippine Veterans Bank Act", declaring the Philippine Veterans Bank to be an official government depository, and authorizing the Secretary of Finance, among others, if they so desire, to make and actually maintain deposits of any government or corporate funds with the Philippine Veterans Bank, Section 5.2 of Department Circular No. 002-2022 is hereby amended to read as follows:

"GOCCs and LGUs, specifically allowed by laws, rules, and regulations to retain income and/or for operations and/or working balances, shall deposit and maintain Government Funds with any of the following banks, without the need of prior approval from the Secretary of Finance, in the case of GOCCs, or from the Executive Director of the BLGF, in the case of LGUs:

- "a. Land Bank of the Philippines;
- "b. Development Bank of the Philippines;
- "c. Overseas Filipino Bank;
- "d. Al Amanah Islamic Investment Bank of the Philippines; and
- "e. Philippine Veterans Bank.

"Provided, however, that the inclusion of the Philippine Veterans Bank as an AGDB shall be effective only for a period of two (2) years from effectivity of this Circular."

Section 2. Publication and Effectivity.

This Circular shall take effect immediately upon publication in the Official Gazette or in a newspaper of general circulation in the Philippines.



BENJAMIN E. DIOKNO
Secretary

SEP 08 2022