# Adjusted milling season seen imposing hardships on sugar farm workers

THE proposed delay of the start of sugar milling season to October could result in lower yields and lower income for farm laborers, a planters' association official said.

"Canes need to be harvested when they are ripe, which means when they reach their maximum level of sugar content. When canes are overripe, they have less sugar content, which translates to less sugar production," Mark S. Ureta, executive director of the Confederation of Sugarcane Farmers told *BusinessWorld* in an e-mail.

Mr. Ureta noted that the two-month delay would hold up "transforming canes into income for all farmers" which could also lead to decrease in sugar production.

"Small planters and (agrarian reform beneficiaries), who comprise more than 90% of the producers, cannot afford to delay their harvest; they cannot suspend the grumbling of empty stomachs," he said.

At a public briefing last week, Pablo Luis S. Azcona, board member and planter's representative to the Sugar Regulatory Administration (SRA), said the move to an October start restores the "proper date" for embarking on milling, which will boost local sugar production.

According to Mr. Ureta, "this has not happened in our history," but added that the SRA could implement such a plan by not issuing milling permits until October.

He also noted that one of the challenges during the milling season was the scarcity of labor. A prolonged "tiempo muerto," as the offseason is known in sugar country, means sugar farms "might find themselves with a fewer workers" as they seek other employment opportunities.

He said the proposed transition should be coordinated properly "to minimize the unforeseen challenges" for the most vulnerable members of the industry.

"The bigger question now is, 'Can SRA lead this adjustment and can the farmers adapt effectively?' Most of the planters at this time are not ready for this immediate transition," Mr. Ureta said.

"The proposed adjustments in milling schedule need to be studied carefully first with a consultation (through) the Stakeholders Consultative Assembly. If it pushes through, the transition should be done gradually to minimize the effect on the stakeholders, particularly marginal farmers," he added.

The milling season usually starts during the last week of August and ends between April and May. The peak harvest season varies from area but tends to occur in the earlier months of the year.

Citing SRA data, Mr. Ureta said the agency's estimated preliminary production for crop year 2022-2023 was close to his organization's estimates of around 1.83 million metric tons (MT) of raw sugar.

The projection was 1.87 million MT in September. According to Mr. Ureta, the downgrade in forecast was primarily driven by the weather.

"Too much rain, which we have been experiencing since December, reduces the sugar content of canes, and the resulting muddy fields make it more difficult to harvest the canes," he said. — **Sheldeen Joy Talavera**

# Diokno: Maharlika-financed projects less prone to delay

**By Luisa Maria Jacinta C. Jocson** *Reporter*

PROJECTS financed by the Maharlika Investment Fund (MIF) will be at reduced risk of administrative and legal challenges, with official development assistance (ODA) also becoming harder to access, Finance Secretary Benjamin E. Diokno said.

"Financing through the GAA (General Appropriations Act, or the national budget) is lengthier and risky since this is subject to political review and approval. The official development assistance (ODA) and private-sector solicited and unsolicited proposals are by nature, time consuming, subject to lengthy negotiation and court challenges, and more careful appraisal," Mr. Diokno told reporters in a chat message on Sunday.

The fund "will provide an additional source of financing for, and possibly speedier implementation of government priority projects," he added.

He said mass transit systems, power grid distribution, renewable energy, and waste-to-energy projects were among the priority projects being contemplated by the government.

"The Philippines will soon graduate to be an upper middle-income country, and as such will cease to be eligible for the relatively less expensive ODA which is only available to less developed countries. In brief, the Philippines has to develop alternative sources of financing for its priority projects as ODA financing dries up," he added.

The Philippines hopes to reach upper-middle income status by 2025. It is currently classified as a lower middle-income country by the World Bank.

Gross national income (GNI) per capita was P188,939 or a little over $3,500 in 2022, up 3.6%.

The World Bank classifies those with a GNI of $4,256 to $13,205 as upper middle-income countries.

This year, the National Government is seeking to obtain $19.1 billion worth of ODA, consisting of $9.2 billion worth of loans from multilateral development partners and $9.8 billion in loans from bilateral lenders.

Mr. Diokno said Maharlika's initial capital will not come from dividends provided by government-owned and -controlled corporations (GOCCs).

He said Maharlika will have at least $5 billion worth of initial funding, including P100 billion from the Bangko Sentral ng Pilipinas (BSP).

"That's 100% of (the bank's) net income for two years and 50% for the succeeding year. The gross international reserves won't be touched," Mr. Diokno said.

"BSP Governor Felipe M. Medalla acknowledged that the BSP is in a good financial state. He categorically said that BSP can afford to gradually increase its capitalization from P50 billion to P200 billion. In fact, at the height of the COVID-19 pandemic, the BSP declared a substantial dividend in favor of the NG, much higher than any GOCC, though it was not required to do so by law," he added.

Other financing sources are Land Bank of the Philippines (LANDBANK) with P50 billion or 3.8% of its P1.3 trillion investible funds; the Development Bank of the Philippines (DBP) with P25 billion or 3.1% of its P800 billion in investible funds, and privatization proceeds equal to P100 billion that could potentially rise to P150 billion.

"Since the MIF can only be used for investment in infrastructure projects approved by the NEDA Board, I'm sure both investments by the LANDBANK and the DBP will give a higher return on investment compared to what both institutions are getting right now," he added.

He also cited other potential sources of funds, such as foreign-exchange denominated infrastructure bonds and royalties from the mining sector.

"As new sources for large priority projects are developed, the fiscal space of the National Government will widen. This means more resources of the government might be allocated for investment in human capital and social protection," Mr. Diokno said.

"As a result of the scarring effect of the pandemic, upskilling and retraining of our young population have high social and economic payoff. In an aging world population, our young people — tech-savvy, easily trainable, and mostly English speaking — are our most formidable asset," he added.

## NEA wants finances to play bigger role in power cooperative ratings

THE National Electrification Administration (NEA) said it is seeking to amend the classification system for electric cooperatives (ECs) to better reflect their technical and financial capacity.

"I want (the categories to reflect) the true state of operations both on the technical and financial management aspects," Antonio Mariano C. Almeda, NEA administrator, said in a briefing last week.

Mr. Almeda said that financial management should weigh more heavily in how ECs are rated.

"The department that undertakes the categorization and I will be implementing major amendments into the criteria involved because I have to put emphasis on the financial management," Mr. Almeda added.

According to NEA, ECs are currently rated based on performance standards. ECs with the highest rating will be given a score of "AAA" which indicates that the EC complied with the parameters set by NEA such as financial, regulatory, and operational soundness in the agency's performance, while ECs with the lowest rate are given a grade of "D."

In June 2022, NEA reported that 72% or 87 of the 121 ECs received the top AAA rating; nine ECs were rated AA, five A, seven B, six C and seven D.

"Financial management, for me, will be a big reflection of how the day-to-day operations and the level of accomplishment or level of efficiency of a certain co-op will be put into figures. Financial management is the bulk for me because I am taking it from the idea that it is the money of the consumers, not the co-ops, and it is my mandate to protect the money of the consumer-members," Mr. Almeda said.

Based on the current categorization, NEA assigns financial criteria a maximum of 25 points, institutional strengths 30 points, technical capacity 20 points, level of electrification 20 points, and compliance with reporting requirements five points.

A triple A rating indicates that the ECs scored 95-100 points; AA 90-94 points; A 85-89 points; B 75-84 points; C 50-74 points; and D 49 points and below.

"There will be co-ops for sure that will go down in categorization... PSALM (Power Sector Assets and Liabilities Management Corp.) (has) one co-op that is rated AAA but owes PSALM around P1.5 billion," Mr. Almeda said.

PSALM, which is headed by Dennis Edward A. Dela Serna as its president and chief executive officer, is the agency tasked with privatizing government power industry assets.

Mr. Almeda did not identify that EC, but added, "at least this EC should take measures to amortize or fulfill payment... I suppose you have retained earnings at the end of the year so you have to allocate something to pay off (debt in arrears)." — **Ashley Erika O. Jose**

# ADB flags cancer treatment shortcomings as case count rises in Asia

ASIAN GOVERNMENTS must innovate in how they support cancer care, which is underfunded even while the incidence of cancer rises, the Asian Development Bank (ADB) said.

"Compared to COVID-19, cancer is a long-term challenge for health-care systems. No lockdowns can stop or slow the emergence of cancer incidences," the ADB said in a blog.

"There is a massive gap in annual investment in public health-care, with investment of less than $100 per capita in countries such as India, Indonesia, the Philippines, and Vietnam compared to more than $3,500 per capita in Japan," it added.

The ADB said that half of all cancer patients and their households in Southeast Asia face "financial catastrophe" from high medical expenditures.

In Asia, the annual number of new cancer cases increased from 4.9 million in 2002 to 9.5 million in 2020.

"The pandemic has put a spotlight on health system resilience around the world. Demands on healthcare provision have skyrocketed in record time and brought some healthcare systems to the brink of collapse. Public funds to purchase testing equipment, protective equipment, and later on also vaccines were cleared quickly," the bank said.

"The COVID-19 pandemic has created tremendous momentum in the field of healthcare. However, the long-term challenge for health systems in Asia lies with non-communicable diseases, in particular cancer, spurred by shifting demographics. There is an urgent need to address the growing demands in cancer care," it added.

The ADB recommended that governments include new value- and evidence-based medicines in national formularies in order to maximize positive patient outcomes with limited resources.

"Health technology assessment is a tool to support evidence-based reimbursement decision-making for inclusion in national formularies, but its use is still in its infancy in many Asian countries," it said. **— Luisa Maria Jacinta C. Jocson**

OPINION

# Understanding the implications of the EPR Law

**SUITS THE *C*-SUITE**

**BENJAMIN N. VILLACORTE** *and* **ERICA NICOLE D. GOMEZ**

*(First of two parts)*

With the signing of Republic Act No. 11898, also known as the Extended Producer Responsibility (EPR) Act of 2022, obliged enterprises are now engaged in establishing their own EPR programs to meet the deadline for EPR registration on Feb. 13.

The Philippines is considered one of the top plastic polluters globally. A 2019 study by the Global Alliance for Incinerator Alternatives shared that Filipinos use a material amount of plastic packaging. Moreover, the National Solid Waste Management Status Report revealed that recyclables make up almost 30% of waste in the Philippines, comprising mostly of plastics and paper. Meanwhile, a WWF Philippines' study showed that only around 9% of post-industrial and post-consumer plastics are recycled. This is relatively low compared to other countries, but with the Act now being implemented, there is this greater anticipation that the country will see a significant increase in its overall recycling rate. Although the Act only covers plastic packaging in the early years of its implementation, the coverage will be gradually expanded to encompass other materials as well.

The Implementing Rules and Regulations (IRR) for the law were issued in January. The IRR provides detailed implementation requirements for the obliged enterprises, waste diverters and verification bodies, among others. Having established the need to implement an EPR program, obliged enterprises should explore what steps to take moving forward to comply.

In the first part of this article, we discuss six recovery programs, six reduction strategies and additional steps that obliged enterprises can do as part of their EPR programs.

**EPR MECHANISMS: WHAT OBLIGED ENTERPRISES SHOULD PREPARE FOR**

As the country moves towards a more circular economy, obliged enterprises have been given the responsibility of managing their products throughout their lifecycles, starting with plastic packaging covered in the Act, with potential expansion of coverage in the future. By the February EPR registration deadline, obliged enterprises are required to submit their EPR programs with both recovery methods to effectively prevent the leakage of waste into the environment, and strategies to reduce non-environmentally preferable packaging products.

The law specifies the recovery targets that obliged enterprises need to meet, beginning with a 20% recovery rate by the end of 2023 until 80% by the end of 2028 and every year thereafter. To do this, the IRR presents six recovery programs that obliged enterprises can do as part of their EPR programs:

1. Waste recovery schemes through redemption, buy-back and offsetting with the goal of achieving high retrievability, high recyclability and resource recovery of packaging waste;

2. Diversion of recovered waste with the intention of diverting packaging waste into value chains or other value-adding useful products;

3. Transportation of recovered waste to proper diversion or disposal sites, ensuring proper tracking for traceability and transparency;

4. Involvement in waste clean-up in coastal and public areas, with close coordination with local government and communities;

5. Investment in establishing commercial or industrial waste diversion or disposal facilities, backed by a business case or pre-feasibility study to justify the insufficiency of existing facilities in the country; and

6. Partnerships with local governments, communities and informal waste sectors for waste recovery-related purposes, ensuring the adequate and proper involvement of key stakeholders in the EPR program implementation.

On top of the recovery methods, the Act also requires obliged enterprises to adopt measures to reduce non-environmentally preferable packaging products. While the law does not specify reduction targets unlike for recovery, it still provides six reduction strategies:

1. Replacing single-use packaging with reusable ones aimed at improving the packaging's reusability, recyclability and retrievability;

2. Including recycled content or recycled materials in packaging, considering the amount of material effectively recycled and the efficiency of the recycling process including energy used;

3. Deploying refilling systems for retailers, basing on the amount of single-use containers avoided as a result of the availability of refilling system;

4. Establishing a viable reduction rates plan focused on upstream reduction of used material during the manufacturing of packaging;

5. Preparing an information and education campaign during the first year and updating annually; and

6. Ensuring appropriate labeling of packaging to facilitate recovery, reuse, recycling and proper disposal, following relevant standards and eco-label processes.

**TAKING ONE STEP AT A TIME**

Since the EPR programs are relatively new to most businesses, obliged enterprises may opt to implement their own EPR programs or decide to work with others, i.e., other obliged enterprises or Producer Responsibility Organizations (PROs). A PRO refers to an organization that is either formed or authorized by obliged enterprises with the function of supporting them in the formulation, registration, implementation and audit of their EPR programs.

To advance the compliance of obliged enterprises with the provisions of the law, the IRR defines certain incentives. These include tax incentives, consideration of EPR expenses as necessary expenses deductive from gross income, and tax and duty exemptions of donations, legacies, and gifts. However, the law also penalizes non-compliance with fines ranging from P5 to P20 million, with an automatic suspension of a business permit for the third offense.

Registering EPR programs with the National Ecology Center (NEC), which works under the oversight function of the National Solid Waste Management Commission, by February is the first official deadline under the law. The NEC is responsible for maintaining an EPR Registry containing all registered EPR programs, and will provide technical expertise, information, training and networking services for the implementation of the law. Registration is imperative for obliged enterprises and failure to do so is the first possible offense.

With only a few days left before the deadline, obliged enterprises should also consider that the timely submission of their EPR programs would demonstrate their ability to really implement and operationalize these programs in the long-term. Considering that programs are expected to scale-up and be reported regularly moving forward, obliged enterprises must begin to, if they have not yet, incorporate their EPR programs and targets into their corporate strategies and annual plans.

**MOVING TOWARDS CIRCULARITY**

A shift in mindset and action is necessary in accomplishing a more sustainable way of doing business. Companies should start thinking of long-term strategies for implementing their EPR programs in order to reach the target recovery rate of 80% by 2028 onwards. More than compliance and incentives from this Act, the implementation of these EPR programs will also reflect upon the values of the company, as well as its shareholders and stakeholders.

The transition to a more circular economy in the Philippines still has a long way to go, but the Act serves as a catalyst to encourage collaborative efforts from the government, companies, communities, and informal sectors to make conscious decisions in reducing the generation of plastic wastes in the country.

In the second part of this article, we discuss EPR registration, EPR implementation, and keeping confidence through third-party assurance.

*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 authors and do not necessarily represent the views of SGV & Co.*

BENJAMIN N. VILLACORTE is a partner and ERICA NICOLE D. GOMEZ is a senior associate from the Climate Change and Sustainability Services team of SGV & Co.