

DoF says credibility of PPP program hurt by toll inaction

INACTION on toll rate hike applications by the North Luzon Expressway (NLEX) has served to erode confidence in the ability of companies participating in public-private partnerships (PPPs) to enforce the terms of their contracts, the Department of Finance (DoF) said on Sunday.

It said toll hike applications by NLEX have not been acted on by previous governments, with some applications dating back to 2010, the DoF said.

"The NLEX rate increase is for staggered implementation — not a one-time implementation. It staggered over several years," Finance Secretary Benjamin E. Diokno said.

"The increase piled up because of the inaction of previous admin-

istrations. The Marcos administration has had to act on petitions from 2010," he added.

On Saturday, the Toll Regulatory Board approved a toll rate adjustment for NLEX which will add P7 to the rate for the open system and 36 centavos per kilometer for the closed system.

The new rates are part of the authorized NLEX periodic adjustments due in 2012, 2014, 2018 and 2020. The rates will cover the last tranche of the 2012 and 2014 and half of 2018 and 2020 periodic adjustments.

Rene S. Santiago, a public transport expert, said that the approval of rate increases bodes well for future PPPs.

"It is a good sign for future PPPs, when our regulatory agencies respect terms of the conces-

sion agreement. I hope the TRB will accelerate unified toll cards between AutoSweep and Easytrip," he said.

"The petitions were carefully studied and analyzed. They were approved objectively and fairly. The government needs to perform its contractual obligations under the Supplemental Toll Operation Agreement," Mr. Diokno said.

"We are promoting PPPs. And the government will have no credibility as a partner if it does not comply with its contractual obligations under past PPP contracts," he added.

Under the new toll fee matrix. Motorists traveling anywhere within the open system will pay an additional P7 for class 1 vehicles or regular cars and SUVs,

P17 for class 2 or buses and small trucks and P19 for class 3 or large trucks.

Travelers along NLEX from Metro Manila to Mabalacat City, Pampanga will pay an additional P33 for class 1 vehicles, P81 for class 2 and P98 for class 3.

The open system runs from the Metro Manila cities of Navotas, Valenzuela and Caloocan to Marilao, Bulacan, while the closed system is between Bocaue, Bulacan and Sta. Ines, Mabalacat City, Pampanga, including Subic-Tipo.

The adjusted toll matrix will take effect on June 15, while public utility jeepneys under the NLEX Pass-ada and Tsuper discount and rebate program will continue to enjoy the old rates.

— **Justine Irish D. Tabile**

PHL, South Korea could still sign FTA this year

A PLANNED free trade agreement (FTA) between the Philippines and South Korea could still be signed this year after the initial timetable was called into doubt, according to the Department of Trade and Industry (DTI).

"From what I see, feasible this year (in terms of the signing), so far, based on signals that I got when I was in Detroit, talking to my counterpart from South Korea," Trade Secretary Alfredo E. Pascual told reporters in chance remarks last week.

According to Mr. Pascual, the legal review of the treaty's text has been completed.

In March, the DTI said that the signing of the FTA could happen by June or July.

In November, the DTI had set a signing target of the first quarter of 2023.

Negotiations between the two countries began in June 2019 and ended in October 2021.

Mr. Pascual said he has asked President Ferdinand R. Marcos, Jr. to authorize him to sign the FTA.

"I don't have the final say. It is up to the President (to give) me the authority to sign the FTA," Mr. Pascual said.

Under the proposed FTA, Philippine products expected to benefit from the ar-

rangement include banana, pineapple, and other tropical fruits, while South Korean vehicles and auto parts are projected to obtain expanded access to the Philippine market.

In October 2021, the DTI said that Philippine banana exports to South Korea will enjoy zero tariffs within five years while processed pineapple exports will be duty-free within seven years.

Currently, Philippine banana exports to South Korea are charged a 30% tariff. The proposed FTA will also remove the tariff on some South Korean auto parts within five years. — **Revin Mikhael D. Ochave**

National Gov't gross borrowings up 28% in April

THE National Government's gross borrowings rose 28.3% in April, the Bureau of the Treasury (BTr) said.

The BTr reported gross borrowings of P129.9 billion in April, against P101.26 billion in the same month a year earlier.

Month on month, gross borrowings declined 45.3%.

In April, domestic debt accounted for 74% of government borrowings.

Gross domestic borrowings increased 44.8% year on year to P96.127 billion during the month.

The BTr raised P94.475 billion from fixed-rate Treasury bonds and P1.652 billion from Treasury bills.

Meanwhile, external borrowings slipped 3.2% year on year to P33.779 billion in April.

This consisted of P27.566 billion in program loans and P6.213 billion in new project loans.

In the four months to April, gross borrowings stood at P1.11 trillion, down 5.9% from a year earlier.

Gross domestic debt fell 14.7% to P780.785 billion in the first four months.

External gross borrowings rose 22.8% year on year to P328.883 billion.

Rizal Commercial Banking Corp.'s Chief Economist Michael L. Ricafort said inflation drove the rise in gross borrowings during the month.

"Higher prices also increased the government's expenditures and the (need to borrow)," he said in a Viber message.

Headline inflation eased to 6.1% in May, bringing the five-month inflation average to 7.5%.

This is still above the central bank's 2-4% target and 5.5% full-year inflation forecast.

"Higher interest rates that increased financing costs may have also contributed to higher borrowing requirements, as well as the weaker peso," he added.

The Monetary Board paused its aggressive tightening cycle after hiking for nine straight meetings. Since May last year, the Bangko Sentral ng Pilipinas has raised key interest rates by 425 basis points to 6.25%. — **Luisa Maria Jacinta C. Jocson**

Napocor hoping to convert off-grid unit to 100% renewable

THE National Power Corp. (Napocor) said it expects the unit which provides power to off-grid areas to switch over completely to renewables by 2028.

Fernando Martin Y. Roxas, Napocor president, said on the sidelines of briefing that the company is seeking to make its Small Power Utilities Group (SPUG) fully renewable by 2028.

"By the time this admin steps down by 2028," Mr. Roxas said when asked for a timeline.

Napocor's SPUG currently operates 281 power plants, mostly powered by diesel. To date, only 2% of SPUG plants are powered by renewable energy (RE).

"We are looking at alternatives. Right now technologies are (mature)," he said.

Last week, Napocor announced a partnership with the German-Philippine Chamber of Commerce and Industry to study the feasibility of green hydrogen and fuel cell technologies in off-grid areas.

Mr. Roxas said Napocor intends to "hybridize" at least 25% of its diesel generating sets before converting the remaining 75% to biofuels like hydrogen.

He said moving away from diesel units is not feasible at the moment.

"But we can minimize them. We are looking to convert the

first 25% into renewables then later on once we achieve that our plan is to convert the remaining 75% using biofuels," Mr. Roxas said.

He said small islands should be fully powered by renewables to be attractive to tourists.

"Tourists don't like diesel, so we want to improve their perceptions. At the same time, we can make it sustainable by asking RE providers to link it to a livelihood component," Mr. Roxas said.

Mr. Roxas said that Napocor is in talks with potential partners to hybridize SPUG.

"I talked to about 18 developers; out of 18 only two have said that they are not interested. Majority of them, maybe 90% of them are local but we are talking about the biggest (companies)," he said.

Mr. Roxas said off-grid areas are also ideal locations for nuclear plants.

"You just have to be selective where to put it because the problem is, even in the main grids, while you are putting more solar and wind the variability of your power supply increases. Nuclear can control the cost, it is a possible replacement for coal plants," he said.

"For off-grid... plants of between 30 megawatts (MW) and 50 MW, (ideal locations would be) Palawan, Mindoro and Basilan," he said. — **Ashley Erika O. Jose**

Budget release rate hits 88.9%

THE Department of Budget and Management (DBM) said it had released P4.68 trillion of the 2023 national budget at the end of May.

The release rate was 88.9%, slightly ahead of the year-earlier pace of 88.8%.

The DBM said in its Status of Allotment Release report that P585.66 billion remains undistributed from the budget.

At the end of May, releases to government agencies and departments amounted to P3.02 trillion or 95.9% of their allocations.

Special Purpose funds released by the end of the month stood at P262.77 billion, representing 50.9% of the funds allocated to them.

Automatic Appropriation releases amounted to P1.19 trillion or 73.9%.

These include the P550.93 million for retirement and life insurance premiums of various National Government agencies and P10 billion for the Rice Competitiveness Enhancement Fund. — **Luisa Maria Jacinta C. Jocson**

OPINION

The role of micro transformations in organizational growth

The global market and economy continually grapple with various disruptions and crises, and it has become imperative for chief information officers (CIOs) to maintain day-to-day operations with a reduced margin of error. It is incumbent on CEOs to balance technological investment with budget constraints while executives continually face the pressure of showing their clients and stakeholders the value of their operational strategy.

The burgeoning demand for investment value underscores the importance of micro transformations in businesses. Micro transformations are incremental yet substantive initiatives that target an organization's key performance indicators (KPIs) based on their overall business strategies. Compared to traditional projects, micro transformations can help identify bottlenecks and strengths of pre-existing processes. CIOs can use this agile methodology to generate value for their companies.

Organizations can effect sustainable change across their people, processes, and technologies by focusing on gradual changes rather than larger-scale and time-consuming efforts. Micro transformations can help businesses adapt to and address disruptions while targeting their most valuable KPIs.

Launching a new feature such as an automated customer service chatbot to address customer-specific pain points and adopting the cloud to streamline internal processes are examples of micro transformations. Another example of a micro-transformation project is the implementation of an online deposit

account opening solution. In a remote world, financial institutions benefit from a completely digital, user-friendly and seamless customer experience. We see this demonstrated in some digital banks that allow the opening of deposit accounts with only a mobile phone. The ability to open a deposit account at any time and place provides immediate customer value.

It should be noted, however, that micro transformations should also be guided by an overall transformation strategy to ensure that all micro transformation initiatives are cohesive. The small victories resulting from smaller, bite-sized technology upgrades can create instant value for organizations while paving the way for more robust digital initiatives, projects, and solutions later on.

ADDRESSING DIGITAL TRANSFORMATION FATIGUE

Digital transformation can be a cumbersome and intimidating process that may appear promising at the start but fail to deliver results. On the other hand, micro transformations can target benchmarks that would be most impacted by a new offering or service, reducing the time it would take for businesses to realize gains. Organizations can further develop operational efficiencies, risk mitigation, and resource optimization by clearly delineating KPIs.

For example, an up-and-coming startup envisions a new strategy after having difficulties with launching its first product offering. This strategy involves interfacing with potential clients and investors while bolstering the former with recent market research.

Getting fresh perspectives can help management focus on and refine critical areas most relevant to their strategic priorities. Considering the customers' needs is vital in formulating a sustainable business plan, which organizations can do via smaller-scale initiatives.

If one were to dissect a micro transformation, one could say that it is underpinned by more than just the solution and execution of the work. It also goes beyond automation and changes because it entails continuous improvement and deep process design efforts. This process incentivizes organizations to think big while creating an agile, scalable plan to materialize gains. By returning to the drawing board, companies can identify market opportunities and streamline their day-to-day operations, even if it means upending pre-existing processes. Micro transformations involve adapting to change with a data-substantiated, systematic approach coherent with the organization's business strategy.

REDUCE COMPLEXITY, ADD CONNECTIVITY

Traditionally, an organization focuses on initiatives involving collaboration platforms, feedback mechanisms, and workflow plans. While these could yield positive results, siloed efforts often require considerable micromanagement, which could introduce more variables to an already complex system.

Micro transformations take a more systematic approach by focusing on project-centered priorities. Data is fed to the appropriate teams, ensuring that the same workflow plan governs everyone. Knowledge is provided to the digital system, which continuously evolves with each project stage. This consolidated ap-

proach gives organizations a level of connectivity that would have been a challenge had they abided by standard and traditional practices. Micro transformations assist businesses with streamlining their day-to-day operations to adapt and respond to different risks, which could boost client and customer confidence.

As companies pivot into the digital space, micro transformations allow them to capitalize on value-driven core capabilities and identify market opportunities without immense commitments. This streamlined process allows management to deconstruct silos and test the waters with less risk than traditional, larger-scale transformations. In this case, end-to-end digital transformation may be able to help businesses materialize value faster with minimal disruptions to day-to-day operations.

ELEMENTS OF MICRO TRANSFORMATIONS

1. Processing of data and identification of KPIs

Identifying and articulating KPIs are vital to micro transformations. Organizations can strengthen their overall strategy using analytics-driven data by focusing on metrics that directly impact the business.

2. Optimization of KPIs

Once the organization has identified its KPIs, management can identify opportunities and pain points of the company. Consequently, they can refine their product offerings and address underlying areas of improvement.

3. Engagement of clients and stakeholders

Communicating with stakeholders at different points of the project is essential for the success of micro transformations. Organizations should align

initiatives and engage interest to foster investor confidence.

4. Identification of appropriate technologies

Technology underpins successful micro transformations, and the former is requisite for implementing changes on an organization-wide scale. By leveraging suitable technologies, businesses can engineer KPI-specific solutions and implement agile application frameworks for various strategic initiatives.

GETTING STARTED WITH MICRO TRANSFORMATIONS

Micro transformations are holistic approaches that create business value based on their strategy-related benchmarks. This manifold process allows companies to enhance their operating models based on insights-driven data. Management must select projects carefully, delineate the appropriate KPIs, and focus on customer experiences and needs to boost confidence.

While micro transformations can yield immediate gains, instant gratification is not the end goal. Ultimately, it is a systematic approach that can help organizations position themselves in the global market and pave their way toward bigger digital transformation agendas.

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