China wind power firms may invest $4 billion, BoI says

By Justine Irish D. Tabile
Reporter

THE Board of Investments (BoI) said it is expecting $4 billion worth of investment from two Chinese manufacturers of offshore wind equipment.

The two Chinese companies making towers, turbines and blades have recently visited the Philippines, Trade Undersecretary and BoI Managing Head Ceferino S. Rodolfo told reporters.

"Hopefully we can close it this year. They have been to the Philippines to look at different locations and I think they are already closing in on one particular location where they might be close to each other," Mr. Rodolfo said.

He said that the Chinese companies expect to capture orders from offshore wind project proponents holding service contracts with the Department of Energy.

"They want to invest here because of the local demand and then the opportunity to make us as their hub for the region and also the other big markets like the US and Europe," Mr. Rodolfo said.

On the sites being considered, he said: "It is impossible (for them to locate) inland, they should be situated near a port, for ease of transport from the manufacturing base to the project area," he said.

He said that the two companies will be getting the standard set of incentives from the government, though it is likely they will qualify for a longer period to avail of incentives.

"They will receive the standard perks. But their investment will presumably exceed the threshold (that will allow) the President (the flexibility to offer) a longer incentive availment period," he added.

The two companies hope to finalize their location decisions this year, the negotiations for which the government is closely monitoring, Mr. Rodolfo said.

In the nine months to September, approved BoI investments totaled P740 billion, more than double the year-earlier approvals of P362 billion.

Asked whether the BoI is still confident in hitting its P1.5-trillion investment approvals target this year, Mr. Rodolfo said: "We remain hopeful, but it is almost November."

"The important thing is by the end of December our pipeline of very strong projects will be around that amount, P1.5 trillion," he said.

Maharlika seen depriving gov't of dividends from state banks, compressing fiscal space

THE Maharlika Investment Fund (MIF) may have a negative impact on the Philippines' fiscal flexibility by denying the government access to the dividends of major state banks, a former central bank official said.

GlobalSource Partners Country Analyst Diwa C. Guinigundo, a former deputy governor of the Bangko Sentral ng Pilipinas (BSP), said Executive Order (EO) 43, which President Ferdinand R. Marcos, Jr. issued last week, overrides the law on dividends, which requires government financial institutions (GFIs) to remit at least 50% of their profits to the government.

"This move could impose both fiscal sustainability and financial stability consequences," he said in a note. "By waiving its potential income from GFIs' dividends to fund the MIF, the Philippine government is also denying itself of additional revenue."

"Unless this is compensated for by higher taxes or higher borrowing or both, fiscal space could be compressed further," he added.

EO 43 reduced Land Bank of the Philippines' (LANDBANK) dividend obligation to 0% of net earnings from 50% previously, in compensation for providing seed capital to the MIF. The Development Bank of the Philippines (DBP) is also requesting similar dividend relief.

The executive order was issued after both banks remitted their contributions to the Maharlika Investment Corp. (MIC), which manages the Philippines' first sovereign wealth fund.

The MIF will have authorized capital stock of P500 billion. Under the law, LANDBANK and DBP are responsible for P50 billion and P25 billion, respectively, of the MIC's initial funding.

The BSP also said the two GFIs are seeking regulatory relief from the central bank as a result of their contributions to the sovereign wealth fund.

According to Mr. Guinigundo, the lending operations of the two state-run banks could be constrained unless they are given more time to build up their capital.

"They could fail in their statutory mission to helping agriculture and industry, as well as in putting up critical infrastructure in the Philippines," Mr. Guinigundo said.

Under BSP regulations, all investments of banks are fully charged against a bank's capital. This means the investment of DBP and LANDBANK in the MIF will be deducted from the banks' capital in computing for their capital adequacy ratios.

This ratio compares the available capital that a bank has on hand to its risk-weighted assets. The more risk a bank is taking on, the more capital it will be required to keep on hand to protect depositors.

"By extending assistance to these two GFIs, the BSP will be effectively belying the claims of both institutions that their balance sheets are essentially robust. But if no support is given, the GFIs might eventually get into trouble," Mr. Guinigundo said.

"They could end up violating the BSP's regulatory capital requirements, and penalized with controls on lending and declaration of dividends. Financial stability becomes a challenge when depositors eventually become jittery and market confidence is eroded," he said.

The Department of Finance (DoF) has said both banks "maintain their solid financial positions" despite their contributions to the fund. It also said that the banks' contributions are taken from their investible funds and not from the loanable funds to farmers and other sectors.

Foundation for Economic Freedom President Calixto V. Chikiamco said the government's fiscal space is already at risk due to the likely economic slowdown this year.

Gross domestic product (GDP) growth may average 4.5-5% this year, below the government's 6-7% target.

"The government's fiscal plan was anchored on 6% to 6.5% growth for the next five years," Mr. Chikiamco said.

The economy grew 4.3% in the second quarter, its weakest showing in more than two years. First half GDP stood at 5.3%. Third-quarter GDP data will be released on Nov. 9.

"For sure, the weakening of the balance sheets of DBP and LANDBANK will constrain their ability to lend. This will not only contribute to the economic slowdown, but also to the non-generation of dividends," Mr. Chikiamco said.

Last week, Mr. Marcos suspended the MIF law's implementing rules and regulations (IRR) in order to amend its organizational structure.

Mr. Marcos also clarified the suspension would not impact on the MIF's target to begin operations by the end of the year.

The economic team has said it is working with the Office of the President to review the MIF rules. The government has yet to specify which exact provisions from the IRR need revision. — **Keisha B. Ta-asan**

Pag-IBIG collections up to P67B in Q3 as more members increase savings

Pag-IBIG Fund members collectively saved P66.73 billion during the first nine months of 2023, up by P6.3 billion or 10% year-on-year, as more members contributed more than the required Pag-IBIG monthly savings, agency officials announced Monday (23 Oct).

"We are happy that more Filipino workers are saving with Pag-IBIG Fund. The trust and confidence in our savings programs continue to grow as proven by our record-high members' savings collections in January to September 2023. This is good news because the increase in the savings collected shall allow us to finance the increasing demand for our home loans and short-term loans, and thus allow us to serve more members. This is in line with the directive of President Marcos to provide financial access to better the future of every Filipino," said Secretary Jose Rizalino L. Acuzar, who heads the Department of Human Settlements and Urban Development (DHSUD) and the 11-member Pag-IBIG Fund Board of Trustees.

Pag-IBIG Fund Chief Executive Officer Marilene C. Acosta, meanwhile, noted that the collections from the agency's mandatory Regular Savings and voluntary MP2 Savings both increased during the period and have posted new record-highs.

Collections from the Pag-IBIG Regular Savings amounted to P31.6 billion, an increase of 7% from the P29.6 billion from the same period last year. The amount includes P7.69 billion in upgraded savings from members, or savings which members have voluntarily entrusted with Pag-IBIG Fund on top of the required monthly savings. The agency's MP2 Savings, on the other hand, sustained its popularity as collections reached P35.13 billion, a 14% increase from the P30.81 billion collected as of September last year.

"The record-high in members' savings we collected from January to September this year shows the wider appreciation of our members on the benefits of saving with Pag-IBIG Fund. We are grateful that the biggest growth areas in our savings collections come from our voluntary MP2 Savings and from members who save more than their mandated monthly savings," Acosta said.

"We recognize that our members' trust in our programs stems from how we have gained competitive returns on their savings over the past many years. We highly value that trust and that is why we assure them that we shall continue to prudently manage their hard-earned savings. That is the Lingkod Pag-IBIG way," Acosta added

VAT zero-rating certificate guidelines updated for BoI registered exporters

THE BOARD of Investments (BoI) has updated its guidelines for granting value-added tax (VAT) zero-rating certifications for registered export enterprises (REEs) making local purchases.

Memorandum Circular (MC) No. 2023-007 governs the local purchases of goods and services directly and exclusively used in the registered project or activity. Eligibility for such a certification is good for 17 years from date of registration. The MC was signed on Oct. 17 and published on Oct. 24.

Trade Undersecretary and BoI Managing Head Ceferino S. Rodolfo said that the MC clarifies the changes to the revenue regulations in the implementing rules and regulations (IRR) of the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act.

"We need this to implement the IRR; this will serve as guidance to BoI-registered business enterprises (RBEs) ... to make sure that even if their income tax holiday (ITH) incentive period ends, they can still register but only for purposes of availing of VAT zero-rating, as long as they are exporters," Mr. Rodolfo said.

He said that some exporters, whose incentive availment period has ended, had not been allowed to avail of VAT zero-rating prior to the amendment of the IRR.

In August, the Departments of Finance (DoF) and Trade and Industry (DTI) approved the amendment of Rule 18, Section 5 of the CREATE Act IRR. — **Justine Irish D. Tabile**

FULL STORY

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Metro Pacific Agro calls for integration of public, private sector farm investment

INVESTMENT in agriculture from both the public and private sector needs to be integrated to ensure food security, Metro Pacific Agro Ventures, Inc. said.

Speaking at a BW Insights and Project KaLIKHAsan forum on Monday, Juan Victor Hernandez, president and chief executive officer of Metro Pacific Agro, said food security requires maximizing resources and a degree of investment coordination among public and private entities, adding that the shortcomings of agriculture are long-running.

"The problems from 30 years ago are the same exact problems we're seeing today," Mr. Hernandez said, identifying the need in particular to consolidate efforts in investing in technology for agriculture as well as for other industries.

This has resulted in other countries in the region overtaking the Philippines in crop production, with food security in the country deteriorating, he noted.

The United Nations' (UN) State of Food Security and Nutrition in the World report estimated that 50.9 million people in the Philippines did not have constant access to adequate food in 2022.

The Philippines thus accounted for almost half of the 110.9 million food-insecure in Southeast Asia.

The UN report also indicated that around 5.9 million Filipinos (or 5.2% of the population) were undernourished in the 2020-2022 period, the second-highest in the region.

Demand for food in Southeast Asia is expected to grow 40% by 2050, business intelligence organization Eco-Business said.

Gerald Glenn F. Panganiban, program director for the National Urban and Peri-Urban Agriculture Program of the Department of Agriculture (DA), said increased funding is "not always enough" to solve the food security issue.

While the DA's current crop priority is rice with a 2024 budget of P30.87 billion, Mr. Panganiban also noted the limited funding for high-value crops (HVC) of P1.94 billion, which he said may limit the potential of HVC farmers to access markets and minimize post-harvest losses.

The Philippines classifies coffee, cacao, fruit, root crops, vegetable crops, and legumes as HVCs.

Farmers in the Philippines lose up to 50% of their harvest each year, according to a Research Gate study.

According to the Trends in Food Science and Technology journal, more than 40% of food waste in the region occurs at the post-harvest level as the crop progresses through the supply chain.

Mr. Panganiban said that agricultural tech know-how resides in various silos, adding that "It's just a matter of integrating them."

"Government money will never be enough," according to Ruth P. Novales, vice-president and corporate affairs executive at Nestlé Philippines. "We need to be creative and supportive of each other through complementation efforts."

Ms. Novales said farmers require support through every stage of the value chain. "If you don't hold the hand of the farmer from beginning to end, you won't have a hand to hold," she added.

"If our farmers don't have markets they can sell to or profit from, they will die a natural death," the DA's Mr. Panganiban said, citing the need to provide post-harvest support, credit, and other interventions.

Citing the dairy industry, Mr. Hernandez said one of the DA's partnerships is with ice cream brand Carmen's Best, in which Metro Pacific Investments Corp. holds a 51% stake.

Mr. Hernandez said the P22.5-billion dairy industry is on the rise with an inclusive model supporting farmers. "We have the elements of what needs to be done," he added.

"It's high time that the public and private sector really work together to push agendas," he added, noting that the growth of the business process outsourcing industry was the result of public-private collaboration, which can be replicated for the agriculture sector.

The US Department of Agriculture's Foreign Agricultural Service estimates that 99% of dairy consumption in the Philippines is serviced by imports, as domestic production cannot meet demand.

Nestlé's Ms. Novales said the Philippines must aim for regenerative agriculture, starting with good planting materials and upskilling farmers on the best harvest and post-harvest procedures.

She noted the company has made strides with the Bureau of Plant Industry in discovering and accrediting new plants with triple the yield potential and enhanced resistance to climate change.

She recommended going for easy wins like incentivizing manufacturers, removing tolls for shipments of raw materials and food, and drafting roadmaps for farmers and crops.

Recher Ondap, key accounts manager for government and industrial clients at Bayer Crop Science Philippines, Inc., said food technology solutions promise the production of more crops for less, while non-tech solutions include consolidating farmland to achieve scale.

Another element of the food security conundrum is getting consumers to choose local.

"It's on us to continue the sustainability of the very farmer we're trying to support," Pacita U. Juan, co-vice chair of the Management Association of the Philippines environment committee, said on the subject of diversifying the Filipino diet.

"Eating what is local is key," she said. "We're being flooded with imports because we eat them. The power is with the consumer."

"There are options. We just need to know about them and have access to them," according to Ellen Ruth F. Abella, nutrition officer and officer-in-charge for the nutrition policy and planning division of the National Nutrition Council.

Ms. Abella said the targets of Pinggang Pinoy, a guide to eating the right amounts of nutritious food developed the Food and Nutrition Research Institute of the Department of Science and Technology), can easily be met by someone eating mostly Filipino cuisine.

Caitlin Punzalan, corporate and government affairs lead at Mondelez Philippines, Inc., said the company is continuously looking at reformulating packaged snacks to add functional ingredients.

The company's practice is to brand its products as snacks dense in vitamins and minerals to be eaten with mindfulness, and not as formal meal replacements, Ms. Punzalan said. — **Miguel Hanz L. Antivola**