RE transition seen accelerated by Maharlika fund investments

By Sheldeen Joy Talavera
Reporter

ENERGY investments by the Maharlika sovereign wealth fund are expected to help ramp up the renewable energy (RE) buildout, a think tank said.

Energy projects are consistent with the goal of the Maharlika Investment Fund (MIF) of backing "high-impact projects," according to the Institute for Climate and Sustainable Cities (ICSC).

"The fund can catalyze the advancement of RE and expedite the shift towards a sustainable energy landscape," the ICSC said in an e-mail to *BusinessWorld*.

Maharlika Chief Executive Officer and President Rafael D. Consing, Jr. said in a forum last week that the energy sector will take in the bulk of the MIF's initial investments.

"In terms of the amount we will commit for the year, I think a big portion of it really will be coming from energy," Mr. Consing said.

MIF has an initial capital of P125 billion and initial authorized capital stock of P500 billion. It is set to make its first investment by the end of the year.

The Department of Energy (DoE) expects the energy sector to require a total investment of about $153 billion, with a $97-billion goal for RE, including the pre-development and construction of power plants.

As of January, the DoE awarded RE service contracts to 1,267 projects with total potential capacity of around 129,000 megawatts across various technologies.

The ICSC said that the board governing the MIF should align energy investment policy with national energy plans, particularly on climate action.

"It is also important to ensure transparency and accountability in the MIF's allocation and utilization," the ICSC said.

Obtaining loans and financing for RE projects can be challenging, it said, making it necessary for the industry to have access to financing options to make their projects viable.

It warned that the energy transition agenda could be "jeopardized" by any indication of an industry plagued by "slow and stagnant returns."

Energy Secretary Raphael P.M. Lotilla said the DoE has yet to discuss potential investments with the MIF.

"Although we have heard the emphasis that was given to energy being an area of investment for Maharlika, it is too early, I think, at this point. We will have to really discuss the details," he said in a forum last week.

Energy dep't seeking to gauge major data centers' RE needs

THE Department of Energy (DoE) said it has asked hyperscale data center developers to submit their plans to draw power from renewable sources in order to properly gauge the industry's demand.

"If we're going to become the hub for hyperscale data centers, the requirement is very high for renewable energy and it's a good opportunity for us," Energy Undersecretary Rowena Cristina L. Guevara told reporters on Feb. 22.

Each hyperscale data center facility requires an electricity supply of between eight megawatts (MW) and 125 MW, she said.

"When I talked to them yesterday, I said, 'You better come up with a roadmap so that we can match demand with the supply from renewables,' and they promised to come up with a map," Ms. Guevara said.

She said the response may take time as the hyperscale developers have yet to organize themselves as an industry.

Hyperscale data centers are massive business-critical facilities for companies with major data processing and storage needs. The Philippines is positioning itself as "the next hyperscale destination in Southeast Asia."

In 2023, the Department of Information and Communications Technology said it is expecting a fivefold increase in the capacity of data centers in the Philippines with a power requirement of approximately 300 MW by 2025.

Separately, the DoE said it will conduct energy audits and spot checks in government offices and facilities in conjunction with the accelerated implementation of the Government Energy Management Program (GEMP).

GEMP aims to reduce the government's electricity and fuel consumption by at least 10% through energy efficiency and conservation initiatives.

"All (government entities) are subject to energy audit within the current year and every three (3) years thereafter," according to the DoE's Administrative Order No. 15. — **Sheldeen Joy Talavera**

Privatization office raises P1.94 billion in 2023

THE Department of Finance (DoF) said its Privatization and Management Office (PMO) generated P1.94 billion last year, far exceeding its target.

The DoF reported that collections exceeded the target by 168%, while remittances to the Treasury of P1.88 billion surpassed the target by 187.9%.

Finance Undersecretary Catherine L. Fong has said that the PMO is working on revising the guidelines on the disposition of state assets to help meet aggressive targets this year.

The revised privatization guidelines are expected to be finalized within the month.

The department also said that Finance Secretary Ralph G. Recto has tasked the PMO to "ensure a proactive and effective approach towards optimizing resource utilization and maximizing returns."

The PMO is currently working with the Philippine Amusement and Gaming Corp. (PAGCOR) in privatizing its gaming operations.

In a statement last week, PAGCOR Chairman and CEO Alejandro H. Tengco said he hopes to complete privatizing its operations over the next five years.

Last year, the gaming regulator announced its plan to become purely a regulator and dispose of its casinos. — **Luisa Maria Jacinta C. Jocson**

Philippine, Spanish business chambers aim for more manufacturing investment

THE partnership between Philippine and Spanish business chambers will be a platform for bringing in more investment in manufacturing and technology, the Spanish ambassador said.

On the sidelines of the 10th Philippine-Spain Forum on Friday, Ambassador Miguel U. Delgado noted the great interest from Spanish companies to invest in the Philippines.

"We have seen that there is a big interest from Spanish companies (for collaboration with) Filipino companies," Mr. Delgado told *BusinessWorld*, adding that the interest is particularly strong in tourism, power generation and transmission, and agriculture with an emphasis on food logistics.

"Trade between Spain and the Philippines is doing well; it has recovered from the pandemic. But we really think they can be doing better and so we will put in some instruments like these MoUs (memoranda of understanding) and these forums," he said.

"At the moment, the bulk of the imports and exports are in the primary sector, and we want to amplify this to other sectors like manufacturing, electronics, etc.," he added.

At the two-day forum, the Philippine Chamber of Commerce and Industry (PCCI) and the Spanish Chamber of Commerce signed an MoU aimed at developing economic ties in manufacturing, information and communications technology and tourism.

"Through this MoU with our counterpart in Spain, we're hoping that we both can work together, harder than we have been doing, to really pursue collaboration between the Spanish and Philippine technology and business sectors," PCCI President Enunina V. Mangio said.

"Last night I was talking to some of the delegates. They're seeking out possible business partners for manufacturing, energy and technology transfer," she added.

She added that the Spanish companies were involved in the manufacturing of food and information technology (IT) equipment.

"I presume that they're interested in IT because our IT is not as advanced as that of our neighbors. So I think they want to bring in other technology that can be used by our existing facilities," she added. — **Justine Irish D. Tabile**

OPINION

How public-private partnerships drive sustainable growth

SUITS THE C-SUITE
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Public-private partnerships (PPPs) are powerful tools for driving economic progress, particularly in rapidly growing economies like the Philippines. To sustain this high-growth trajectory and achieve the economic goals embedded in AmBisyon Natin 2040, the government recognizes the significance of infrastructure development and the vital role of the private sector.

According to the Public-Private Partnership Center, a PPP is a contractual agreement between the government and a private company targeted toward financing, constructing, operating, and maintaining infrastructure projects that traditionally fell under the public sector. The PPP model ensures that risks are optimally shared between parties, underscoring its cost-effectiveness and alignment with developmental objectives.

PPP arrangements leverage the expertise and efficiency of the private sector in delivering public goods and services. This strategy, enshrined in the 1987 constitution and initially codified through the Build-Operate-Transfer (BOT) Law, has contributed to the robust infrastructure pipeline and positioned the country as one of the regional leaders in PPPs. This intersection between the private and public sector as engines for national development and economic growth was the focus of the SGV Knowledge Institute event last week, "Philippine Economic Outlook: Public and Private Partnerships as a Catalyst for Sustainable Growth."

PPPs are more than financial solutions for public ventures; they are catalysts that boost productivity and streamline processes for faster implementation and improved service delivery.

THE ROLE OF THE MAHARLIKA INVESTMENT FUND (MIF)

The Maharlika Investment Fund, established through Republic Act (RA) 11954, has as its main objective the stimulation of economic growth and social development while generating optimal returns.

With its focus on balancing profits with societal benefits, the MIF has the potential to foster socio-economic integration. Acting as both a catalyst and magnet for Foreign Direct Investment, the MIF aims to achieve significant financial returns and facilitate national development. This fund provides additional flexibility for the government — with an option to finance infrastructure projects in sectors like green and blue projects, sustainable development, healthcare, road networks, water, energy, and telecommunications, thereby enhancing economic growth and creating more jobs.

PPP PROGRESS IN ASEAN

The Philippine PPP program has consistently drawn participation from local conglomerates, as they flock towards the large-scale infrastructure offerings of the government. However, there is much work to be done to establish the country's infrastructure sector as a reliable investment destination for foreign capital. Despite this, there is an estimated $53.3 billion worth of PPPs under implementation, and another $48.4 billion in the pipeline. This underlines the scale and scope of private sector involvement in nation-building projects.

Considering the limited fiscal space caused by the government's much-needed response to COVID-19 pandemic, the country is currently focusing on key PPP projects to bridge the infrastructure gap and revitalize economic growth. Notable examples include the recently awarded and long-awaited rehabilitation and optimization of the Ninoy Aquino International Airport (NAIA) PPP, the Metro Manila Subway (MMS) Operations and Maintenance (O&M), and the North-South Commuter Rail (NSCR) O&M. The MMS O&M and NSCR O&M projects are expected to be submitted for approval within the year.

Implementing PPPs used to involve navigating a complex legal framework, spanning various guidelines set by the BOT law, National Economic and Development Authority, the government-owned and -controlled corporation regulator, and ordinances set forth by local government units (LGUs). The recent enactment of RA 11966, or the PPP Code, aims to cure that by unifying and streamlining PPP development and implementation both at the national and local level.

AREAS OF OPPORTUNITY FOR PPPs

Healthcare. Healthcare is a prime sector where PPPs can facilitate growth. Given that out-of-pocket expenditure comprises nearly 45% of healthcare spending, there is a crucial need for more innovation. PPPs could play a pivotal role in attracting investments, enhancing the quality and accessibility of essential healthcare services. Healthcare PPPs in the pipeline include the University of the Philippines Philippine General Hospital Diliman and the Cagayan Valley Medical Center Hemodialysis Center.

Education. PPPs could drive considerable advancements and elevate the country's global standing in this crucial sector. For a country striving to improve its position in international educational rankings, private capital can become an indispensable tool in uplifting national education. According to the 2022 Program for International Student Assessment (PISA), the Philippines placed 77th out of 81 countries, necessitating the need for more investment. The Philippines has utilized PPPs through the PPP for School Infrastructure Projects (PSIP), where the Department of Education (DepEd) was able to construct additional classrooms to help reduce the classroom backlog. In 2012, SGV & Co./Ernst & Young Australia Infrastructure Advisory provided transaction advisory support for the development of PSIP 1.

Energy. The PPP Code enables implementing agencies to enter into contracts on power generation and transmission, as well as projects relating to energy efficiency and conservation. This cooperation could lead to greater diversification of energy sources, boosts in renewable energy production, and advancements in energy-efficient technologies.

Transportation. Transport infrastructure projects continue to be a key driver of overall economic growth. With government initiatives to improve connectivity, transport systems, and reduce traffic congestion in urban areas, the private sector can either participate in various projects in the pipeline of the Department of Transportation or submit their own unsolicited proposals. Two PPP projects being provided with project preparation support services are the Manila Bay-Pasig River-Laguna Lake Ferry System and the North Integrated Transport System.

Water. Access to clean water and sanitation remains a challenge for a lot of our countrymen, especially in rural areas. Water and sanitation PPPs can be a viable solution to address basic needs while promoting the sustainable use of water. One water PPP currently in the pipeline is the Bislig City Bulk Water Supply and Septage Project.

IMPLEMENTATION CHALLENGES

The Philippines is no stranger to the implementation challenges hounding PPPs. As with any other innovation in policy, growing pains are always expected. The key therefore is ensuring that we absorb the learnings and insights from these real-world encounters.

Financial constraints. Given the scale and gestation period of most infrastructure projects, securing adequate and sustained funding remains a major issue. Economic uncertainties can adversely impact budget allocations for ongoing projects and subsequently affect private sector confidence.

Transparency and accountability. Maintaining transparency is critical to fostering trust. Ensuring accountability on both sides is crucial for the long-term success of PPP projects, and issues in this area can significantly impact the efficiency and effectiveness of PPPs.

The successful execution of PPP initiatives depends on a robust regulatory environment and technical support from entities like the PPP Center, the lead agency for PPPs. Newer players, like the Maharlika Investment Corp., can stimulate project development and attract private-sector financing for sustainable development projects and further accelerate national growth.

FISCAL POLICY DEVELOPMENTS

As mentioned earlier, one crucial fiscal policy development is the recent enactment of the Philippine PPP Code. The PPP Code unifies disparate legal frameworks, streamlines the approval process for projects, and safeguards public interest. It aims to address current challenges and encourages more PPPs by clarifying uncertainties and streamlining requirements.

THE ECONOMIC TRANSFORMATION AGENDA

The journey to sustainable growth is underscored by strategic pivots against a changing world. The Philippine Development Report 2023 represents a transformational blueprint emphasizing digital transformation, improved connectivity, PPP maximization, and an enhanced role for LGUs in accelerating development.

Building investor confidence is crucial for PPPs, not only for attracting investment but also for socioeconomic development. The Philippines must demonstrate its credibility by meeting obligations while promoting transparency, good governance, and trust. This provides an attractive investment climate and ensures the sustainable growth and effectiveness of PPPs.

Driving sustainable growth in the Philippines involves the concerted efforts of public and private stakeholders. PPPs serve as powerful enablers in guiding the country toward economic security and long-term development. For executives, harnessing the potential of PPPs presents a unique opportunity to engage in nation-building while generating significant business growth.

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.

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