Think tank warns of public utilities being run to serve interests of foreign investors

THE GOVERNMENT needs to ensure that public utilities opened up to foreign investment be run to serve national development goals while regulating the for-profit aspect of such projects, a think tank said.

"Strong regulation or even state-owned enterprises (SOEs) are crucial for public utilities to serve national development goals and not be run mainly for the profit of foreign investors," Jose Enrique A. Africa, executive director of IBON Foundation, said in a Viber message.

Mr. Africa said that the government's "obsolete free market framework" prevents it from "actively" developing greater Filipino or state-owned capacity in the public utilities sector.

In March, the House of Representatives approved on final reading the proposed amendments to certain economic provisions of the 1987 Constitution.

Resolution of Both Houses (RBH) No. 7 seeks to ease economic restrictions on the foreign ownership of public utilities, education and advertising companies. The RBH called for the restrictions to be bypassed by specific laws enacted by legislators. The amendments to the Constitution are to be implemented by inserting the phrase "unless otherwise provided by law" in Articles 12, 14, and 16 of the charter.

The Constitution limits investment in those industries to be at least 60% Filipino-owned.

Leonardo A. Lanzona, Jr., economics professor at the Ateneo de Manila, said that the proposal will require "substantial regulation" due to the possibility that "low-quality institutions" or "unscrupulous investors" may enter the country.

"In this case, the government needs to have a plan as to what direction the public utility, education and advertising company has to take, and use these regulations to bring the country to what our systems should have," he said via e-mail.

Opening up the economy's public utilities, particularly energy, would increase competition in the market, thereby "improving the efficiency of delivering electricity services," according to Noel M. Baga, convenor of think tank Center for Energy Research and Policy.

"It is a basic principle in economics that allowing more players into the energy market increases competition, leading to positive outcomes for the Filipino people," he said in an e-mail to *BusinessWorld*.

Allowing 100% foreign ownership in projects to explore, develop, and utilize natural resources would contribute to energy production, Mr. Baga said.

In 2022, the DoE amended the implementing rules and regulations of the Renewable Energy Act of 2008 to allow 100% foreign investment in renewable energy projects.

"Local energy companies often lack the capital needed to develop our indigenous natural resources for energy use, making foreign investment crucial for utilizing our resources effectively," Mr. Baga said. — **Sheldeen Joy Talavera**

Puerto Galera reports tourism revival after oil spill

PUERTO GALERA, a Mindoro harbor serving as a jumping-off point for diving excursions, saw a marked increase in visitor arrivals during Easter, showing signs of tourism recovery after the area's resorts lost business following an oil spill in February 2023, according to an official working for the Puerto Galera visitor's office.

Tourist arrivals — both domestic and foreign — were tallied at 17,000 from March 24 and could rise to 20,000 once all figures are consolidated, Noe Lineses said in a Facebook Messenger chat on the morning of Easter Sunday.

A year earlier, the tally was 8,000, he said.

"We had several positive news articles related (to the campaign) to recognize Puerto Galera as the diving capital of the Philippines."

"We also now have one of the cleanest water quality readings in Oriental Mindoro," he added.

Mr. Lineses said the local government has been promoting new attractions, such as a heritage park and a boardwalk along the village of Sabang, the home base for many diving operations.

Puerto Galera is situated within the Verde Island Passage, a hotspot for marine shore fish biodiversity. It hosts over 60 dive shops bringing visitors to 32 dive sites.

Oriental Mindoro was hit hard by an oil spill from a tanker that sank off the town of Naujan on Feb. 28, 2023, triggering months-long fishing bans in various municipalities. — **Kyle Aristophere T. Atienza**

PPP rules must consider LGU officials' short tenures — PCCI

By Beatriz Marie D. Cruz
Reporter

THE short tenures of local officials could pose a challenge in implementing Public-Private Partnership (PPP) infrastructure projects at the local level, the Philippine Chamber of Commerce and Industry (PCCI) said.

PCCI President Enunina V. Mangio said in a Viber message that local projects must be weighed with an eye towards the short terms in office for local officials.

"The budgetary commitment may be compromised with frequent changes of administration. In the past PPP projects tended to overrun cost projections, and government was saddled with debt servicing," Ms. Mangio said.

She said the PPP Code is considered favorable because it "recognizes the need of the private sector for profit to sustain operations while also continually improving the delivery of public services."

The PPP Code was intended to address bottlenecks in the Build-Operate-Transfer (BOT) Law, involving the recognition of past contracts and delays in obtaining approval.

The law's implementing rules and regulations (IRR) include a provision allowing the private partner to recover investments through commercial development rights, or the grant of a portion of reclaimed land for both solicited projects and unsolicited proposals.

Private partners may also profit by collecting fees from users or through pre-determined payments from the implementing agency.

"Expanding the avenues by which the private sector can earn profit and lessen the market risk associated in providing government infrastructure and facilities helps make projects under the PPP arrangement more attractive to investors," Ms. Mangio said.

Streamlined approvals are also expected by setting a threshold of P15 billion for a project to go before the National Economic and Development Authority (NEDA) Board. Those below the threshold but do not require government assistance will be sent to the implementing agency.

Projects that require government subsidy must be sent to the NEDA Investment Coordination Committee (ICC), while local projects go before the respective councils.

"That, in a sense, can also diminish the number of PPP projects going to the NEDA board, and that's part of the streamlining that we are pushing," NEDA Secretary Arsenio M. Balisacan said during the IRR signing.

Terry L. Ridon, a public investment analyst and convenor of think tank InfraWatch PH, said implementing agencies must remain transparent and accountable to ensure that maximum value from PPPs is extracted.

"The new PPP Code also provides a particular emphasis on limiting government undertakings, particularly on unsolicited proposals, to ensure that government maximizes its upside in each and every PPP proposal," Mr. Ridon said in an e-mail.

The BOT law previously set a P300-million threshold per project to be evaluated by the NEDA-ICC, which "forced a lot of local government units (LGUs) to structure their projects as joint ventures (JVs) to avoid the tedious approval process."

"The new Code takes out the need for LGUs to force the structure of big projects into JVs if it is not the optimal structure," Ronilo Balbieran, an economics professor at the University of Asia and the Pacific (UA&P) said via Viber.

PPP Center Executive Director Ma. Cynthia C. Hernandez has said that around 20 PPPs in the government's flagship infrastructure list are set for approval by the NEDA-ICC Board this year.

Around 119 PPP projects worth P2.4 trillion are in the pipeline, according to the NEDA. Of these, 95 are national projects, while 24 are local projects.