JICA narrowing down lineup of PHL projects to about 10

THE Japan International Cooperation Agency (JICA) is considering funding over 10 projects in the Philippines, including railway and other infrastructure, next year.

"We are now preparing more than 10 candidate projects for the next year," JICA Chief Representative in the Philippines Takema Sakamoto told reporters on the sidelines of an event on Friday.

These projects include bridges, railway, and road infrastructure, he said.

"But, of course, it depends on both countries' screening processes and budget constraints... but JICA is keen to promote and formalize more projects in the double digits."

Mr. Sakamoto has said he hopes to disburse Philippine loans exceeding the ¥300 billion to ¥400 billion (around P115 billion to P153 billion) approved last year.

JICA typically supports up to 80% of a project's total cost, he said.

"I am in a position to convince Tokyo to get more resources, and from this point of view, one important element is a good track record of the ongoing projects. Otherwise, I cannot get more trust from our national taxpayers."

"The Philippines is a very reliable partner. So, I stress the importance of the good progress of the ongoing projects," Mr. Sakamoto said, citing the North-South Commuter Railway, Metro Manila Subway, and flood control projects.

In March, the Department of Finance and JICA signed the third tranche of a ¥150-billion loan agreement for the first phase of the Metro Manila Subway Project.

The 33-kilometer underground railway system will traverse eight cities in Metro Manila, including key business districts. It is estimated to cost P488.5 billion and is due for completion by 2029.

Last year, JICA also signed a ¥270-billion loan with the Philippines for the NSCR.

JICA and the Asian Development Bank are co-financing the P873-billion NSCR. The 147-kilometer railway will connect Malolos, Bulacan with Clark International Airport and Tutuban, Manila with Calamba, Laguna. It will have 35 stations and three depots.

Mr. Sakamoto also cited the need to speed up JICA-supported flood management projects.

The agency has been collaborating with the government on the Pasig-Marikina River Channel Improvement Project Phase 4, as well as river improvement projects in Cavite, Cagayan De Oro, and Davao.

In January, JICA and the Department of Public Works and Highways (DPWH) signed a new technical cooperation to improve the country's flood control strategy. This includes the updating of masterplans and pre-feasibility studies.

'ROOM TO IMPROVE'

Mr. Sakamoto said the Philippines has "much room to improve" in regard to the time it takes to implement foreign-assisted projects.

Longer decision-making and land acquisition processes, as well as untimely payments are the major reasons for project delays, he added.

Rene S. Santiago, former president of the Transportation Science Society of the Philippines, said loans extended to the Philippines may decrease with further project delays.

"Every lender has its own lending cap, similar to commercial banks' single borrower's limit. Poor utilization rate also signals to lenders that it's time to trim their loan volumes," he said via Viber.

Earlier this year, President Ferdinand R. Marcos, Jr. issued Executive Order No. 59, which seeks to fast-track its priority infrastructure projects. Administrative Order No. 20 was also signed to hasten land acquisition for railway projects.

Japan was the top source of official development assistance (ODA) in 2023 with a total portfolio of $12.07 billion. This accounted for 32.36% of the Philippines' total ODA for the period. **— Beatriz Marie D. Cruz**

OP control of NIA seen boosting funding prospects for irrigation

THE government's transfer of the National Irrigation Administration (NIA) to the Office of the President (OP) is expected to improve its access to funding, analysts said.

"Placing NIA under the OP would help the agency get proper and timely funding," Federation of Free Farmers National Manager Raul Q. Montemayor said via Viber.

He added that the move could have knock-on effects on the funding of other agencies like the National Food Authority in the form of marketing support to farmers and the Department of Public Works and Highways in terms of building irrigation infrastructure and farm-to-market roads.

"There should however be proper coordination with Department of Agriculture (DA) programs and implementers," Mr. Montemayor said.

Last week, President Ferdinand R. Marcos, Jr. issued Executive Order (EO) No. 69 transferring control of the NIA from the DA. EO 69 cited the need to streamline and rationalize the functions of the irrigation agency.

In his State of the Nation Address, Mr. Marcos pushed for more irrigation dams and bulk water projects to ensure sufficient usable water for communities.

"It is highly likely NIA will secure additional funding for irrigation projects," University of Asia and the Pacific Center for Food and Agribusiness Executive Director Marie Annette Galvez-Dacul said via Viber.

She added that the transfer would hasten the decision-making and approval process for major irrigation projects.

On the other hand, Former Agriculture Undersecretary Fermin D. Adriano said that the NIA should have been kept within the purview of the DA. **— Adrian H. Halili**

Incheon Airport seen helping elevate NAIA to international standard

By John Victor D. Ordoñez
Reporter

INCHEON International Airport Corp.'s (IIAC) technical know-how is expected to help partner San Miguel Corp. (SMC) bring Ninoy Aquino International Airport (NAIA) to a global standard of quality, South Korean Ambassador to the Philippines Lee Sang-hwa said.

"We hope that they can leverage their expertise and worldwide reputation in modernizing NAIA... they are closely consulting with their counterparts including SMC and we hope Incheon's expertise and views will be well reflected in the decision-making process," he told *BusinessWorld*.

"I believe that (IIAC) have almost daily conversations with SMC... I hope things will improve faster than normal."

The SMC-led New NAIA Infrastructure Corp., which includes the operator of South Korean's main international airport, took over NAIA operations on Sept. 14, with plans to improve the airport's roads, expand its terminal and capacity, and upgrade the passenger experience.

The NNIC also includes RMM Asian Logistics, Inc., a logistics company involved in infrastructure projects and RLW Aviation Development, Inc., a Philippine company.

Mr. Lee said IIAC has experts posted to Manila for discussions with their SMC counterparts on plans to improve NAIA.

"Incheon's main role is to raise NAIA to global airport standards in order for Manila to compete with the region's international hubs such as Singapore and Hong Kong," Terry L. Ridon, a public investment analyst and convenor of the think tank InfraWatch PH, said via Messenger chat.

SMC President and Chief Executive Officer Ramon S. Ang told a forum last week that the conglomerate expects to show results and improvements to the airport within six months.

NAIA ranked 199th out of 239 airports in 69 countries in the 2024 global airport ranking report released by flight compensation company AirHelp.

Incheon International Airport was ranked 68th in the same global ranking.

SMC has said it would be spending about P3 billion and P5 billion on a new off-ramp from NAIA Expressway to Terminal 3, while also considering curb pricing schemes for the airport.

The Philippine Institute for Development Studies, in a study last year, said the airport suffered from both passenger and runway congestion.

Rene S. Santiago, former president of the Transportation Science Society of the Philippines, said that while Incheon has a world-class record and is capable of bringing about improvements to NAIA, SMC will ultimately call the shots.

"The situation here is vastly different from Korea's... SMC is the dominant partner who will set the pace," he said via Viber.

Solicited bidding scheme considered for Davao Int'l Airport modernization

THE Department of Transportation (DoTr) said it wants the auction to modernize and operate Davao International Airport to be a solicited process.

The DoTr has said a conglomerate expressed interest in submitting an unsolicited proposal for the airport project.

"They said they are interested in Davao airport, but they have not formally submitted a proposal," Transportation Secretary Jaime J. Bautista said.

Mr. Bautista declined to identify the company.

"They just expressed interest, they must submit within this year. Because I am planning to make it solicited," he said.

The DoTr tapped the Asian Development Bank as its transaction advisor for the project, Mr. Bautista said.

If the government takes the solicited proposal route, the terms of reference will already have been defined and thus will go faster, Mr. Bautista noted, judging from the experience of bidding out the Ninoy Aquino International Airport (NAIA) upgrade. This project is considered the fastest public-private partnership (PPP) to progress from submission to investment coordination committee approval and concessions signing.

"Look at our experience with NAIA, it is fast. If we take the solicited route, it will only take a year," Mr. Bautista said.

On Sept. 14, the San Miguel-led New NAIA Infrastructure Corp. took over the operations and maintenance of the Philippines' main gateway.

In June, the PPP Center said it delisted the unsolicited proposal for the development, operations, and management of the Davao International Airport, which likely signals the DoTr's intent to go the solicited route for the project. **— Ashley Erika O. Jose**

OPINION

Navigating change: 10 key shifts shaping sustainability in the Philippines

(First of two parts)

IN BRIEF:

- As a signatory to the Paris Agreement, the Philippines is advancing towards a low-carbon economy with the proposed Low Carbon Economy Investment Act, incentivizing decarbonization plans and carbon pricing.
- New legislation, including the Carbon Rights Act and BSP Circulars on Environmental and Social Risk Management Systems, is set to redefine sustainable investment and risk management in the financial sector.
- The SEC's upcoming sustainability reporting form aligns with global standards, enhancing transparency and aiding investors in assessing climate-related risks and opportunities.

The Philippines is at a pivotal moment in its sustainability journey, driven by a blend of regulatory reforms, market dynamics, and heightened climate awareness. These developments create both risks and opportunities for businesses operating in the country and global investors interested in sustainable investments.

As the nation confronts the realities of climate change and its potential impacts, there is a growing consensus among policymakers, business leaders, and civil society on the need for a strategic and coordinated approach to sustainability. This collective push towards environmental stewardship is shaping new business models and investment strategies that prioritize long-term resilience and ethical practices. The Philippine commitment to this transition is reflected in a series of progressive policies and initiatives that aim to align economic development with sustainable outcomes.

SUITS THE C-SUITE
BONAR A. LAURETO

Philippine regulatory reforms are catalyzing a sustainable transformation, positioning businesses for resilience and investors for informed decision-making.

This first part of the article explores the first five key shifts that are shaping the sustainability landscape in the Philippines, focusing on the implications for businesses and the opportunities for investors in this emerging low-carbon economy. It explores the upcoming Low Carbon Economy Investment Act, the proposed carbon rights legislation, BSP Circulars 1128 and 2022-042, BSP Circular 1187, and the upcoming Philippine SEC sustainability reporting form.

UPCOMING CARBON PRICING POLICY – LOW CARBON ECONOMY INVESTMENT ACT (HB 7705)

The proposed Low Carbon Economy Investment Act, or House Bill 7705, is poised to be a transformative force in the Philippines' shift towards a low-carbon economy. This bill requires covered enterprises with substantial contributions to greenhouse gas (GHG) emissions develop decarbonization plans aligned with a pathway to limit global temperature rise to below 2°C. Additionally, it introduces a carbon pricing mechanism for emissions that exceeds established milestones, creating a decarbonization fund. This fund will be reinvested into viable low-carbon projects, presenting significant opportunities for enterprises and investors committed to sustainable development.

PROPOSED CARBON RIGHTS LEGISLATION

Congress has introduced the Carbon Rights Act (HB 10635), which aims to address the barriers to investing in carbon forestry and other carbon projects. This legislation seeks to define ownership of carbon rights and establishes mechanisms for their transfer. By clarifying these ownership rights and enabling corresponding adjustments, the bill facilitates Philippine participation in global carbon markets under Article 6 of the Paris Agreement. For investors, particularly those focused on nature-based solutions, this bill presents new opportunities to invest in carbon projects that are critical to achieving global emission reduction targets.

BSP CIRCULARS 1128 AND 2022-042 ON ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT

Bangko Sentral ng Pilipinas (BSP) Circulars 1128 and 2022-042 require financial institutions to integrate Environmental and Social Risk Management Systems (ESRMS) into their credit risk assessments. These regulations compel banks to conduct climate risk assessments, including stress testing, as part of their underwriting processes. Companies with strong sustainability and climate risk management practices are likely to benefit from easier access to finance, while those slower to adapt may face higher borrowing costs. These circulars also ensure that climate risks are systematically integrated into the financial sector, promoting long-term resilience and stability.

BSP CIRCULAR 1187 – SUSTAINABLE FINANCE TAXONOMY

BSP Circular 1187 introduces the Sustainable Finance Taxonomy Guidelines (SFTG), a framework that classifies economic activities based on their environmental and social sustainability. The taxonomy uses a "traffic light" system — green for aligned activities, amber for transitional activities, and red for non-aligned activities. This classification is crucial for guiding banks and investors in directing capital toward projects that support climate change mitigation and adaptation. By preventing greenwashing, the SFTG ensures that sustainable finance practices in the Philippines are both transparent and credible.

UPCOMING SEC SUSTAINABILITY REPORTING FORM

The Securities and Exchange Commission (SEC) is set to introduce a mandatory sustainability reporting form for publicly listed companies, requiring disclosures aligned with International Financial Reporting Standards (IFRS) S1 and S2. These standards emphasize the identification and management of climate-related risks and opportunities, encouraging companies to integrate sustainability into their core business strategies. For investors, these reporting requirements will provide critical insights into the sustainability practices of Philippine companies, facilitating more informed and responsible investment decisions.

CHARTING A SUSTAINABLE PATH

The Philippines stands at a crossroads in its sustainability journey, with recent regulatory reforms and evolving market dynamics steering the nation towards a greener future. As climate change becomes an increasingly pressing global issue, the country is responding with innovative and comprehensive legislative measures and initiatives that aim to reduce carbon emissions and promote sustainable practices, while fostering economic growth, enhancing community resilience, and ensuring environmental justice.

The impending introduction of the SEC's mandatory sustainability reporting form marks a significant step towards greater transparency and accountability in corporate environmental practices. By aligning with international standards, this move propels companies toward more sustainable operations and equips investors with the requisite information to make responsible decisions. As the nation forges ahead with these regulatory changes, businesses can play a pivotal role in the transition to a sustainable economy, with the potential to set a precedent for other emerging markets in the region.

The second part of this article will discuss the roadmap for IFRS S1 and S2 adoption, the severity of rising climate-related loss and damage, rising growth in electric vehicle (EV) adoption, emergence of green steel in construction, decarbonization of the aviation industry, and the innovative approaches and opportunities that are emerging for businesses ready to adapt and thrive in this new landscape.

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

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