Senator urges DPWH corruption investigators to probe more agencies

By Justine Irish D. Tabile
Reporter

THE investigation into corruption in the Department of Public Works and Highways (DPWH) needs to be expanded to make all agencies accountable, Senator Paolo Benigno "Bam" Aquino IV said.

Speaking at the 6th Management Association of the Philippines (MAP) NextGen Conference, the senator said the probe cannot stop with the DPWH.

"As we speak, many agencies are also being uncovered. I haven't attended a business forum where people weren't complaining about the Bureau of Internal Revenue (BIR) and Bureau of Customs (BoC), to be honest," he said.

"We have to make sure that this push for governance at the DPWH (is widened) — we need to see this all throughout," he added.

He said there are no current efforts within the government to look into other agencies.

"A number of business groups have come to me about these issues. I think what we need to see is after the current investigations are resolved, or while they are getting resolved, we should move to other agencies," he said.

"Right now, *nasa* infrastructure t*ayo eh, pero huwag natin sayangin 'yong* momentum *na habulin talaga natin lahat* (we are looking into infrastructure, but we can't waste the momentum that has built up and let us go after everyone)," he added.

"To be fair, it was the president who started the whole flood control investigation. I am hoping that *hindi natin ito pakakawalan at talagang itutuloy-tuloy natin hanggang makakita tayo ng mas maayos na pamamahala* (I am hoping that we don't let up and see things through until we achieve better governance)," he added.

MAP President Alfredo S. Panlilio said the BIR and BoC issues have been there for many years.

"It is systemic... so it cannot just be one portion of the government. If possible, the entire government (should be) automated. I know it is a big task, but you have to start somewhere," he said, noting that a proof of concept is being tested for the DPWH.

"But we should do it to more (agencies)," he added.

He said the issue of corruption has affected gross domestic product, which grew 4% in the third quarter, the weakest reading in four years.

"At the end of the day, I think it is really because of confidence and credibility. And when you talk about GDP, it is way below the target... so that's very concerning," he said.

He said the growth levers for GDP are government spending, consumption, and investment.

"Now that the government is sort of making sure (spending) slows down, obviously, because it wants to make sure that spending is correct and goes to the right projects," he said.

"Consumption is going to be down... and the third lever is investment, so you see a lot of these things about the stock market being weak that really stem from, again, confidence and the credibility of our country," he added.

He said this demonstrated the need to change how the country does things.

"That takes time. We might have to feel a bit of pain. You don't want to say let's spend again because it's going to affect GDP (if) the same things happen again," he said.

"So, I think there has to be a major change in how we do things. In a way, we have lost our moral compass as a country... and I think we need to redirect ourselves to the right path," he added.

Mr. Aquino said putting transactions and documents online will be a deterrent to corruption.

"If we're able to put out those documents from the beginning, and we have technology that automatically tracks price fluctuations or price variances for everybody to see, I think it will be a blow against corruption," he said.

"So we need to put in these systems. If not, *babalik at babalik lang tayo sa mga ganito* (we will revert to the same predicament)," he added.

He said the fraudulent projects thrive because the documentation isn't transparent.

"With your support and with the support of the public, we'll be able... have (the documents) out in the public, and have everybody watching at the same time how the government uses the people's money," he added.

Noche Buena 2025 price guide shows price hikes for 95 items

THE Department of Trade and Industry (DTI) released its price guide for items typically consumed during the traditional Christmas feast, which reflected increases for 95 food items.

"Of the 256 holiday food items across 14 categories, 129 retained their prices, while 95 posted minimal increases due to higher costs of ingredients, packaging, and labor," the DTI said in a statement accompanying the 2025 Noche Buena price guide.

The price guide lists suggested retail prices for supermarkets and groceries and will be in effect until Dec. 31.

Prices rose for some ham products in the guide, but most prices were maintained, the DTI said.

Prices of two stock-keeping units (SKUs) of fruit cocktail held steady, while prices were adjusted for five others.

Meanwhile, prices held steady for only one of the 12 spaghetti sauce items, while two of the 15 tomato sauce SKUs were also maintained.

This year, the list included new items such as *nata de coco* and *kaong*, which the department said reflects the growing demand for dessert ingredients.

"Meanwhile, DTI also secured price rollbacks on six items after consultations with manufacturers," it added.

These include 500-gram CDO American Style Ham, which saw a four-peso rollback to P170; 800-gram and 1-kilogram King Sue Piña Ham, which had a P7 and P6 price decrease to P520 and P637, respectively; and 800-gram King Sue Sweet, which is one peso cheaper at P449.

The price of 500-gram Danes Queso de Bola, a type of Edam cheese, saw a P10 rollback to P300, while 500-gram Sunshine Sweet Style Spaghetti Sauce had a P3.5 decrease to P48.50.

"With these adjustments, four ham products reverted to their 2024 prices, while select *queso de bola* and spaghetti sauce will now be sold at prices even lower than last year," DTI said.

Trade Secretary Ma. Cristina A. Roque said the DTI "continues to carry out the President's call to keep basic necessities and price commodities and holiday goods within reach of families." — **Justine Irish D. Tabile**

Meralco readying bid for nuclear power license

MANILA ELECTRIC CO. (Meralco) said it is preparing to apply for a license to operate nuclear power facilities in time for the opening up of the application process next year.

"We've been very aggressive on this, (but) we have to comply with the timeline set by the Department of Energy," Meralco Executive Vice-President and Chief Operating Officer Ronnie L. Aperocho told reporters late last month.

Energy Secretary Sharon S. Garin has said that applications will be opened up for nuclear energy projects by 2026, overseen by the Philippine Atomic Energy Regulatory Authority (PhilATOM).

Under Republic Act No. 12305, or the Philippine National Nuclear Energy Safety Act, PhilATOM will have sole jurisdiction over the regulation of nuclear energy and radiation sources.

The Philippines is hoping to integrate nuclear energy into the power mix with at least 1,200 megawatts (MW) of capacity by 2032, increasing to 2,400 MW by 2045 and 4,800 MW by 2050.

Ms. Garin has said that several companies have expressed interest in submitting nuclear energy project proposals.

Meralco is looking at small modular reactors (SMRs) when it enters the market.

SMRs, each capable of generating up to 300 MW, can be constructed more quickly than traditional nuclear power plants.

Mr. Aperocho said that Meralco is awaiting details of the incentives and the liability profile for proponents, which will influence funding available for nuclear. — **Sheldeen Joy Talavera**

OPINION

Collateral damage: How climate impacts financing

IN BRIEF:

• Central Philippines has again experienced extreme flooding, marking a significant escalation from historical patterns.

• Major floods can significantly increase the losses banks face from unpaid loans—especially when the property securing that loan, like a car, is damaged.

• As climate impacts worsen, Loss Given Default (LGD) estimates must be reviewed and/or adjusted to also reflect the increasing severity and frequency of future scenarios, such as extreme and recurring flooding events, on top of existing information.

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MELISA TURINGAN

It is therefore critical that banks adopt a more systematic approach, recognizing these climate-related physical risks not as isolated operational events, but as fundamental credit-risk drivers that materially affect ECL assumptions under IFRS 9.

Another super typhoon, Uwan, is upon us even as communities try to recover the extreme flooding in the central Philippines from Typhoon Kalmaegi (Tino). These events are a significant escalation from historical patterns. Streets and communities that were previously considered safe were inundated, highlighting a new and expanded risk profile for these areas.

Internationally, extreme flood events have produced striking images of vehicles piled on streets or even lodged in trees, as well as significant river debris after flood surges. Such scenes have been reported following extreme floods in parts of Italy and Spain.

When a disaster strikes, damage to people and property is obvious. This article explains how major floods can significantly increase the losses banks face from unpaid loans — especially when the property securing that loan, like a car, is damaged. We'll also discuss how banks must adapt their financial planning to prepare for this new reality.

This article intends to provide applications to Expected Credit Loss (ECL) modelling under IFRS 9 focusing on the Loss-Given-Default (LGD) dimension, and outlines practical adjustment approaches for banking risk management and modelling teams.

HOW FLOODED CARS INCREASE FINANCIAL RISK FOR BANKS

Motor-vehicle loans form a material slice of the Philippine consumer-loan market; according to the Bangko Sentral ng Pilipinas (BSP), motor-vehicle loans accounted for 29% of consumer loans in May 2025. When flooding inundates parking lots, highways or neighborhoods, vehicles become immediate loss magnets: damage to engines, electronic systems, interiors and structural components ensues. In major floods, vehicles may float away, collide or pile up, turning them into urban flood drifters.

Consequently, collateral that underpins vehicle-loan exposures can suffer abrupt impairment, potentially prolonging time to recover or causing a potential reduction in recoverability amount of loan collateral in the event of default. For banks subject to IFRS 9, this means LGD assumptions may need urgent review.

HOW FLOODING MAY ELEVATE LGD

Under IFRS 9, LGD represents the proportion of a loan's exposure at the time of default that a lender expects to lose, and this is usually expressed as a percentage of the total exposure at the date default occurs. While LGD is influenced by the recoverable value of pledged collateral, it also reflects potential losses on any unsecured portion of the loan.

In consideration of climate risk events such as frequent super typhoons in a particular geography, here's how a bank's potential loss worsens:

• **The collateral becomes worthless**: A flood-damaged car, especially up to the engine or dashboard, is often declared a "total loss" worth almost nothing on the resale market.

• **Repo costs go up**: It costs more to tow, clean, and legally process a damaged vehicle, especially when recovery services are overwhelmed after a disaster.

• **It takes longer to get any money back:** The whole process of getting the car, processing insurance, and selling it at auction gets bottlenecked. The longer it takes, the less that "future money" is worth to the bank today.

• **Everyone is selling at once:** When thousands of cars are flooded in the same area, insurance gaps are exposed and the market for used cars and salvaged parts is saturated. This drives prices down, making it even harder for the bank to recover financially.

This results in conventional LGD considerations, built on historical default data, no longer being reflective of current and prospective market conditions. As climate impacts worsen, these parameters must be reviewed and adjusted to reflect the increasing severity and frequency of future climate scenarios, not just past events.

ILLUSTRATIVE CALCULATION

To illustrate the magnitude of potential LGD shifts following a severe flood event, consider a typical financed vehicle loan of about P700,000. The vehicle might have an initial market value of P1 million, and the lender could expect to incur around P50,000 in costs related to repossession and sale if the borrower were to default.

LET US ASSUME:

• We are two years into a five-year loan when the borrower defaults

• For purposes of simplicity, that the fair market value (FMV) follows a straight-line depreciation rendering the vehicle pledged as collateral to have a FMV of P600,000 as of that time

• The collateral net recoverable value would be P550,000 after deducting costs to sell from FMV

• The outstanding loan balance at the end of year two is P450,000

Under normal circumstances, this would imply an LGD of 0%, as the recoverable amount, P550,000 is greater than the outstanding loan amount at default or Exposure at Default (EAD) of P450,000.

POST-SEVERE CHRONIC FLOODING CONSIDERATIONS

When a severe flood event submerges the vehicle and causes substantial engine or interior damage, the collateral value can plummet. Assume the resale value falls by about 60% — a stylized but conservative assumption drawn from studies indicating that flood-damaged or "salvage-title" cars typically lose 60-70% of their value.

This can potentially alter our assumptions to:

• Vehicle pledged as collateral to have a FMV of P240,000 (P600,000 reduced by 60% flood induced damage)

• The collateral net recoverable value would be P190,000 after deducting costs to sell from FMV (which currently conservatively assumes costs to sell remain the same)

Under severe chronic flooding circumstances, this would now imply a much higher LGD of 42%; as the recoverable amount, P190,000, is now much less than the outstanding loan amount at default or EAD of P450,000.

This simplified example underscores how quickly loss severity can escalate when collateral is physically destroyed or when markets for recovery and resale are impaired. While the exact figures will vary depending on insurance coverage, vehicle type, and the availability of salvage buyers, the directional effect is clear: catastrophic flooding can transform a once moderately secured exposure into one with very limited recoverable value.

RECOMMENDED ACTIONS FOR RISK TEAMS

Organizations can update risk models and governance in response to these events by taking practical action:

• **Triage impacted accounts:** Isolate vehicle-loan exposures within the affected zones. This can be achieved by overlaying geospatial flood data and insurance claim registries with the bank's own portfolio data (e.g., branch geography). This assessment must account for both the borrower's registered home address and their place of work, as vehicles may be at either location during a flood event.

• **Segmentation by risk factors:** Impacted accounts should be stratified based on key risk parameters. This includes differentiating exposures by vehicle age, loan-to-value (LTV) ratio, insurance coverage status, and the location's specific flood-zone designation (e.g., high-risk vs. moderate-risk zone). High-risk sub-segments should be flagged for enhanced LGD adjustments.

• **Collateral haircut calibration:** The core of the adjustment involves recalibrating collateral values. Using empirical damage-curve studies and industry data on salvage or "total-loss" values, teams should apply conservative, evidence-based "haircuts" to the collateral value for the impacted segments.

• **Scenario analysis and stress testing:** Beyond immediate adjustments, banks must use this event as a basis for forward-looking scenario analysis. Teams should run simulations for moderate and severe future flood scenarios to quantify the incremental impact on IFRS 9 lifetime ECL provisions and overall capital adequacy.

• **Enhanced disclosures: In line with IFRS 7 Financial Instruments:** Disclosures and IFRS 9 Financial Instruments, banks must disclose the key judgments, model changes, and sensitivities related to natural disaster risk. This transparency is critical for explaining how these risks are integrated into LGD and ECL calculations and, ultimately, into capital and provisioning plans.

KEY CONSIDERATIONS FOR BANKS

With global greenhouse gas emissions remaining unabated, the increase in average temperatures means that climate change-induced extremes in the Philippines will continue to rise in frequency and severity. It is therefore critical that banks adopt a more systematic approach, recognizing these climate-related physical risks not as isolated operational events, but as fundamental credit-risk drivers that materially affect ECL assumptions under IFRS 9.

This evidence-based assessment cannot be limited to collateral-driven impacts on LGD, such as in the auto-sector. It must also address how these events affect the Probability of Default (PD) of their clients. Crucially, banks can no longer rely only on historical climate events; they must look forward, integrating future climate projections that model events with a magnitude and frequency far exceeding previous experiences.

By doing so, banks can better align their models with the emerging reality of climate-driven losses, resulting in more robust provisioning, deeper risk insight, and greater stakeholder confidence in their resilience.

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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