

Economist flags possibility of close vote, electoral protest

THE PROSPECT of a closer Presidential vote is looming based on momentum indicated by the March surveys, raising the possibility of a contested outcome that could lead to a repeat of the 2016 electoral protest, a GlobalSource Partners economist said.

Romeo L. Bernardo, the firm's Philippine country analyst, said in a brief that Ferdinand R. Marcos Jr.'s lead in the polls remains significant, though Vice President Ma. Leonor G. Robredo's following has swollen to about 24%.

"While March survey results in past elections tended to have good predictive value of election results, many acknowledge that the campaign momentum is on

VP Robredo's side. Will this time be different?" Mr. Bernardo said.

"With less than a month to go until election day, does she have enough time to catch up? And if she manages to significantly narrow the gap towards the home-stretch, would a close count lead to a repeat of the 2016 electoral protest (between the same two candidates but for the VP position) and increase business uncertainty?" he added.

He added that the Pulse Asia survey from mid-March showed Ms. Robredo's voter share jumping 9 percentage points to 24%, which has "invigorated her supporters to intensify their house-to-house push in hopes

of winning over supporters of the other candidates."

"Although the VP's recent gains have made the presidential campaign more interesting, political pundits continue to eye the wide gap between her and Mr. Marcos. The survey in March showed Mr. Marcos still enjoying a majority of voter support (56%), which is just 4 (percentage points) below his share in February."

He also noted the prospect of an economy returning to normal, as reflected in the World Bank and Asian Development Bank (ADB) economic outlooks for the Philippines that were "mostly steady."

The World Bank sees Philippine gross domestic product

(GDP) in 2022 coming in at 5.7%, down from the 5.8% forecast issued in October. The ADB's forecast was 6%, unchanged from its view in December.

"The steady outlooks (reflected) the positive impact of increased economic activity following the lifting of COVID restrictions, against the negative impacts of slower global growth and tighter financial conditions as well as rising inflation," Mr. Bernardo said.

"Nevertheless, both institutions warned of downside risks from a worsening of global conditions, economic and geopolitical, in the face of more limited macro-economic policy room," he added. — **Tobias Jared Tomas**

Foreign borrowing still seen as 'prudent' despite major expansion in gov't debt

GOVERNMENT borrowing remains "prudent" despite the significant increase in the public debt, a bank economist said, adding that much of the borrowing taken on in the last two years was necessary to help manage the coronavirus disease 2019 (COVID-19) pandemic.

Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort said the government needed to insulate the economy from external risks.

The Department of Finance (DoF) said in an economic bulletin Saturday that the recovery that emerged in 2021 was helped along by the loans and grants taken on since the start of the pandemic.

It said the long-term nature of much of the debt — up to 40 years — will still require a fiscal consolidation program and improved collections.

"Both the government and private sector have been prudent on foreign borrowing, in view of foreign exchange risks entailed, learning from the past crisis periods, especially during the Asian financial crisis," Mr. Ricafort said.

"The country's external debt-to-GDP ratio still relatively low compared

to other ASEAN and similarly rated countries," Mr. Ricafort added. "Most of the country's foreign debt is medium- to long-term in nature to prevent the risk of bunching debt maturities."

The Russian invasion of Ukraine, which began on Feb. 24, has added to the risk faced by all economies by pushing up fuel and commodity prices, while the winding down of the US Federal Reserve's bond-buying program is expected to signal higher interest rates, he said.

The BSP has so far lent P300 billion to the national government, while issues of Retail Treasury Bonds (RTBs), have also reduced the need for the government to borrow overseas.

Mr. Ricafort said one of the areas of focus when taking on added debt is managing foreign exchange risk, particularly with regard to foreign debt.

The peso closed at P52.03 on Wednesday in a shortened trading week due to the Easter holidays, against Tuesday's close of P52.10. The Wednesday close was among the currency's weakest in two years.

Loans raised as of Jan. 14 for the pandemic response totaled P1.31 trillion,

with the Asian Development Bank (ADB) providing P303.37 billion and the World Bank Group's International Bank for Reconstruction and Development (IBRD) accounting for P291.95-billion, according to DoF data.

Donations were also received from the Asian Infrastructure Investment Bank (AIIB) (P66.01 billion), the Japan International Cooperation Agency (JICA) (P47.56 billion), Agence Française de Développement (AFD) (P28.96 billion), and the Eximbank of Korea (KEXIM) (P10.15 billion).

Meanwhile, grants received amounted to P2.74 trillion, with World Bank and European Union accounting for P1.06 trillion.

In total, combined grants and loans totaled P4.05 trillion.

The government plans to collect P3.29 trillion from tax and non-tax revenues in 2022, according to the Department of Budget and Management (DBM). The Bureau of Internal Revenue plans to collect P2.4 trillion in 2022, while the Bureau of Customs plans to collect P671 billion.

Gross domestic product (GDP) growth was 5.7% in 2021, revised up-

ward from the 5.6% reported on Jan. 27, and above the government's 5-5.5% target. The 2021 GDP represents a rebound from the 9.6% contraction in 2020.

Meanwhile, growth for the fourth quarter was 7.8%, against the 8.2% contraction in the year-earlier period.

The Philippines has received 76.44 million vaccines from the COVID-19 Vaccines Global Access (COVAX) and from bilateral donations, the DoF said, citing data from the UNICEF COVID-19 Market Dashboard.

Nearly 85% of donated vaccines or 65.33 million doses came from COVAX.

At the end of 2021, 63% of the target population was vaccinated, with 48.6 million people receiving full doses. As of April 11, this number had grown to 66.74 million, while 12.53 million individuals have received booster shots.

National government debt hit a record P12.09 trillion at the end of February. In 2021, the debt-to-GDP ratio hit a 16-year high of 60.5%. This is higher than the 60% threshold considered manageable by multilateral lenders for developing economies. — **Tobias Jared Tomas**

Globe says willing to help in revising SIM card bill

GLOBE TELECOM, Inc. said it is ready to help legislators review the proposed SIM Card Registration Act, which President Rodrigo R. Duterte vetoed.

"Given this development, we stand ready to provide advice as they examine the matter deeper," General Legal Counsel Froilan Vicente M. Castelo said in a statement late Saturday in response to a *BusinessWorld* query.

"Globe reiterates its commitment to support the government in its fight against fraud, terrorism and other crimes through the enforcement of existing laws," he added.

The Palace announced Friday that Mr. Duterte had vetoed the proposed measure, which seeks the mandatory registration of subscriber identity module (SIM) cards. The President said such a measure could result in "dangerous state intrusion and surveillance, threatening many constitutionally protected rights," because it also calls for the registration of social media accounts.

"Globe is following with interest progress on the SIM Card Registration Act," Mr. Castelo said.

The proposed measure sets penalties for anyone who registers a SIM card using false information.

Mr. Duterte is "pushing instead for a more thorough study of the proposal," Mr. Castelo noted. "We respect his decision."

"Globe reiterates its commitment to support the government in its fight against fraud, terrorism and other crimes through the enforcement of existing laws," he added.

The leading mobile operators, Globe and PLDT, Inc.'s Smart Communications, Inc., both supported the proposed measure.

Globe has called for the "rational enforcement" of the SIM Card Registration Act once it becomes law.

It would "protect Filipinos from rampant fraudulent activities using mobile phones and the internet," the company said in a statement in February.

PLDT and Smart said that the measure would also help "spur e-commerce adoption and growth."

"The PCTO (Philippine Chamber of Telecom Operators) supports the SIM card registration bill

but this should ensure safeguards that will not unduly displace prepaid subscribers by giving a sufficient SIM registration period and ensuring that the wide adoption or use of the national ID is already in place," said Roy Cecil D. Ibay, Smart Communications vice president for regulatory affairs.

Democracy.Net.PH, an information and communications technology rights group, welcomed Mr. Duterte's veto.

"We were this close to allowing an intrusion into our privacy for what was nothing more than security theater," the group said in a statement.

"The President vetoed it not only because the constitutional defects were glaring, but because the passage of this law posed a real and serious threat to our national security," it added.

The group also said that more than 83,000 individuals signed its petition on the Change website calling for the veto of the bill.

Senator Grace S. Poe-Llamanzares, who chairs the Senate committee on public services, expects Congress to "act in a timely manner in reconsidering the bill for approval in accordance with the legislative process."

"Each day without the safeguards from the measure makes our people vulnerable to ripoffs that take away their money and cause them anxiety; the onslaught of cybercrimes and fake news that tear away the fabric of our democracy," she said in a statement.

Senate Minority Leader Franklin M. Drilon said: "By vetoing this bill, the President lets trolls thrive, spread lies and hate, and fuel discord and division."

"Political trolling as we've seen these days is a thriving business. This veto is a big win for troll farms."

"To say that I am disappointed by the President's veto is an understatement. I authored this particular provision of the measure in order to address the anonymity in the internet and the social media that allowed an environment for troll accounts and fake news," he added.

Hastings Holdings, Inc., a unit of PLDT Beneficial Trust Fund subsidiary MediaQuest Holdings, Inc., has a majority stake in *BusinessWorld* through the Philippine Star Group, which it controls.

— **Arjay L. Balinbin**

New management rules issued for marine protected areas

THREE departments signed on to a joint memorandum circular outlining new rules for managing marine protected area networks (MPANs), restore damaged coastal ecosystems, and preserve marine habitats, including coral reefs.

The Departments of Environment and Natural Resources (DENR), Agriculture (DA), and Interior and Local Government (DILG) is seen as a win for efforts to maintain biodiversity, according to SMARTSeas, a United Nations Development Programme (UNDP)-supported project.

"The eventual approval of the joint policy guidelines on the establishment and management of MPANs will be valuable in biodiversity conservation efforts," SMARTSeas National Project Manager Vincent V. Hilomen said in a statement.

The memorandum circular places biodiversity conservation on equal footing with economic development.

"There will be a value for a government policy that places conservation as equally important to development and

progress. Many of the degraded coastal and marine habitats resulted from the relentless push for development and progress with little afterthought of the higher costs to the environment," Mr. Hilomen said.

MPAN is a collection of individual MPAs or reserves operating cooperatively under the Strengthening Marine Protected Areas to Conserve Marine Key Biodiversity Areas (SMARTSeas) project.

The protection regime for coastal ecosystems classified as

MPAs includes patrolling, surveillance of habitats, and repair of signage, other facilities, and equipment.

"One of the greatest challenges that we are experiencing in establishing MPANs is still the acceptance of the community. There are several instances where the communities resist to set aside a portion of their waters for protection purposes because they think that access to their fishing areas will be limited," Mr. Hilomen added. — **Luisa Maria Jacinta C. Jojson**

OPINION

Why analytics are essential to quality non-financial corporate reporting

EY's recent Global Corporate Reporting Survey tells us that change in corporate reporting is accelerating. In particular, the need to better communicate an organization's ESG performance is putting significant pressure on the finance leaders responsible for its preparation — requiring finance teams to beef up their analytics capabilities.

Late last year, more than 1,000 CFOs, financial controllers and senior finance leaders of large organizations across 26 countries — including 250 in Asia-Pacific — were surveyed to understand the challenges they face in corporate reporting.

The biggest theme emerging from this research is that, alongside the traditional financial reporting that finance leaders oversee, investors and other stakeholders want consistent and credible ESG disclosures on material issues to help them understand how a company creates long-term value and sustainable growth.

EY survey participants are not alone in noticing this trend. At EY, we're seeing growing increased pressure on corporates to improve their ESG reporting — from equity investors, insurers, lenders, bondholders and asset managers,

as well as customers who all want more details on ESG factors to assess the full impact of their economic decisions.

ADVANCED ANALYTICS KEY TO EXTRACTING ESG METRICS AND INSIGHTS

Extracting ESG insights from data is complex and time-consuming — an almost impossible manual task. It requires the use of advanced analytics, which are now available to help companies structure, synthesize, interpret and derive insights from voluminous data, and create credible and useful ESG reporting. Advanced analytics is particularly important in ESG reporting because of the need to address and relate significant amounts of unstructured data.

Not surprisingly, the EY Global Corporate Reporting Survey found the top technology investment priority for finance leaders over the next three years is in advanced and predictive analytics. This priority is particularly felt in Asia-Pacific where 47% of regional respondents (68% in China) vs. 38% of global respondents have analytics as their top tech investment priority.

DATA VOLUME AND QUALITY ARE STILL STUMBLING BLOCKS

Yet even as finance teams seek to invest in analytics and build a more agile financial planning and analysis approach, several data challenges stand in the way. According to EY Asia-Pacific survey participants, the biggest hurdles include the sheer volume of external data, followed closely by data quality and comparability issues. Lack of timely data and inefficient data integration are also problematic.

Analytics starts with data, but techniques such as predictive modeling, statistics and visualization are also important in turning that data into timely and actionable insights.

For example, organizations can enhance the quality of reporting by introducing forward-looking insights, using external data to corroborate and provide analysis on future trends. Thereafter, this downstream reporting outcome can be used to streamline upstream activities, such as capturing data in the right format to allow for efficient collection and analysis.

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However, this requires proper planning from data collection to reporting, with technology as a key enabler. In other words, this process should be considered as part of an organization's digital transformation journey.

COLLABORATION ESSENTIAL TO BUILD NEW ANALYTICS CAPABILITIES

Deploying these sorts of advanced solutions requires more than finance teams buying new technology. It will take a cross-disciplinary effort that combines advanced data science skills, business domain expertise, and finance and ESG experience.

Developing an approach that mimics human efforts is a guided process. It's not simply about developing algorithms — it can require learning and incorporating the human decision-making process. The finance team will need to work together with key stakeholders, such as the analytics centers of excellence, to define the use cases for advanced ESG analytics and then collaborate during the development process.

RESOURCES AND SUPPORT REQUIRED TO DRIVE REPORTING EXCELLENCE

Better quality non-financial corporate

reporting, underpinned by advanced data analytics, will be essential to meet the changing needs of investors and stakeholders. Finance leaders need to drive innovation by setting out a bold technology road map for transforming financial analytics and providing enhanced and trusted reporting, including advanced tools such as AI (artificial intelligence).

To support them, boards should assess whether finance leaders have adequate resources and budgets to address these challenges and increase their use of advanced data analytics to deliver more robust non-financial corporate reporting.

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