Business chambers endorse Trade dep't position on joining RCEP, MSME support

TRADE Secretary Alfredo E. Pascual's intention to join more free trade agreements received backing from major business chambers, who declared support for participating in the Regional Comprehensive Economic Partnership (RCEP).

Makati Business Club (MBC) Executive Director Francisco Alcuaz, Jr. said in a mobile phone message that the MBC supports Mr. Pascual's plan to push for immediate RCEP ratification.

"We believe RCEP's ratification is an important part of the open-for-business story we recently advanced with (the amended) Public Service Act (PSA), Retail Trade Liberalization Act, and Foreign Investments Act (FIA)," Mr. Alcuaz said.

British Chamber of Commerce Philippines Executive Director Chris Nelson said by mobile phone that while the priorities of the new Trade chief are generally on the right track, the Department of Trade and Industry (DTI) needs to push for further economic liberalization.

"We've seen (liberalization in) three key legislation that were passed, (amendments to the) Retail Trade Liberalization Act, the FIA, and PSA. We'd like to see that momentum continue," Mr. Nelson said.

"I had a one-on-one discussion (with Mr. Pascual) and we agree on these priorities," Philippine Chamber of Commerce and Industry President George T. Barcelon said.

Mr. Pascual announced his priorities during the DTI's turnover ceremony on July 1.

"We will continue to push for the immediate ratification of the RCEP agreement and other trade agreements... These agreements will diversify the country's exports... and enhance the country's attractiveness to foreign investment," Mr. Pascual said.

RCEP failed to obtain Senate approval in the 18th Congress after some senators objected to the lack of protections for parts of the farm industry. It is now up to the 19th Congress to decide on RCEP ratification. The session is set to open on July 25.

RCEP, which started taking effect on Jan. 1 in jurisdictions that approved it early, involves Australia, China, Japan, South Korea, New Zealand and the 10 members of the Association of Southeast Asian Nations.

Mr. Pascual also expressed his intent to sustain the development of micro, small, and medium enterprises (MSMEs) and improve the food value chain.

Calling MSMEs "the backbone of our economy," he said he wants to "enable small businesses to grow and graduate from micro to small, from small to medium, and from medium to large."

"To help address food security challenges, we will collaborate with the Department of Agriculture to improve the food value chains through upgraded transport and logistics facilities, including cold storage and cold chain facilities (and) increased community value adding," he added.

"Increasing production and untangling bottlenecks are the effective way to fight inflation. Price controls and delayed suggested retail price adjustments will only squeeze production and result in actual, serious shortages," the MBC's Mr. Alcuaz said. — **Revin Mikhael D. Ochave**

Agri policy needs more bottom-up planning to meet farmers' needs, study concludes

AGRICULTURE and fisheries planning needs to be more "bottom-up" to better meet the needs of farmers and fisherfolk, steering away from "top-down" programs imposed from above, especially those concerning rice, according to a study by the Philippine Institute for Development Studies (PIDS).

According to the report, in order to pursue modernization, the government must abandon elements of traditional industrial policy.

Another recommendation is to terminate expenditure programs based on distortionary subsidies to give way to funding a modern industrial policy for the agri-food system.

"There is also a need to apply area-based, bottom-up planning in determining strategic interventions to meet the needs of farmers and rural enterprises along the value chain," the report's author and PIDS Senior Research Fellow Roehlano M. Briones said.

"We must shift from a top-down and banner program-centric type of planning especially focused on rice as customary in many (Department of Agriculture) strategies and move to bottom-up planning and area-based approach as originally envisioned in the Agriculture and Fisheries Modernization Act (AFMA)," he said.

"In terms of the share of the agri-fisheries sector in the country's gross domestic product, it declined to 9% in 2019 from 19% in 1990 then rose slightly to 10% in 2020 when the COVID-19 pandemic happened. The agriculture employment share shed 22 percentage points from 1991 to 2019," the study found. — **Luisa Maria Jacinta C. Jocson**

FULL STORY

Read the full story by scanning the QR code with your smartphone or by typing the link
<bit.ly/Agri070422>

GOCC subsidies decline 82.31% as NIA gets P6.2B

SUBSIDIES provided to government-owned and -controlled corporations (GOCCs) declined by 82.31% year on year to P7.905 billion in May, the Bureau of the Treasury (BTr) reported.

Budgetary support to GOCCs also fell 54.49% compared to the April total. They amounted to P32.296 billion in the year to date, according to preliminary data from the BTr.

Subsidies are granted to GOCCs to cover operational expenses not supported by their revenue.

The National Irrigation Administration (NIA) was the top beneficiary, receiving P6.262 billion or 79.22% of total subsidies in May. The NIA received P1.303 billion in April providing a low base for the 380% month-on-month rise.

The National Housing Authority (NHA), the National Food Authority (NFA), and the National Privacy Commission were among the major non-financial GOCCs that did not receive subsidies.

The NFA was the top beneficiary in April, when it was given P2.055 billion. The NHA was the top beneficiary in March, when it received P2.979 billion.

The Light Rail Transit Authority received P6 million, down 97.6% month on month.

Other top recipients in May were the Civil Aviation Authority of the Philippines (P400 million), the Small Business Corp. (P200 million), the Philippine National Railways (P161 million), and the Philippine Heart Center (P147 million).

Other GOCCs that were given more than P50 million were the Philippine Children's Medical Center (P115 million), the National Kidney and Transplant Institute (P107 million), the Philippine Coconut Authority (P74 million), the Local Water Utilities Administration (P61 million), and the Lung Center of the Philippines (P58 million).

Other GOCCs that received no subsidies during the month were the Bases Conversion and Development Authority, the Philippine Crop Insurance Corp., the Philippine Fisheries Development Authority, the Subic Bay Metropolitan Authority, the Social Housing Finance Corp., and the Sugar Regulatory Administration.

The year-to-date subsidy total was down 59.6% from a year earlier. The top recipient year to date was the NIA, which was given P15.263 billion, the most of any GOCC, accounting for 47.26% of all subsidies.

This was followed by the NFA and the NHA, which got P3.243 billion and P3.194 billion respectively.

Government subsidies to GOCCs totaled P184.77 billion in 2021, a 19.3% decline from the previous year. In 2021, the Philippine Health Insurance Corp. received P80.98 billion, nearly 44% of the total. — **Diego Gabriel C. Robles**

OPINION

Tradition and transformation in single family offices

SUITS THE C-SUITE
KRISTOPHER S. CATALAN *and* **JULES E. RIEGO**

(First of two parts)

Family-run businesses require structures that are necessary to ensure a smooth transition. In the Philippines, the wealth of ultra-high net worth families is often managed by holding companies or a trust, and not by a family office.

So, what is a family office and why is it important for ultra-high net worth families? A family office provides services specifically to meet the needs of high net-worth families. It is basically private wealth management for family assets and so much more. Apart from being a financial advisor, single family offices (SFOs) are usually involved in activities in furtherance of the family's philanthropical objectives, succession planning, family governance, tax reporting and other compliance matters. It is often used as a structure to manage family wealth in developed countries such as Singapore.

In today's high-pressure and fast-changing environment, the strategic role of the SFO continues to evolve, amplify and expand. EY teams recently engaged with more than 250 SFOs around the world with the goal of gathering and sharing deeper insights into their priorities in times of accelerating economic, social, and geopolitical disruption.

The EY SFO study was commissioned to determine how SFOs perceive their capabilities, how they can learn from best practices, and where they can see growth opportunities or market challenges.

The EY study aims to help SFOs innovate around purpose, priorities and legacy, creating and protecting long-term value while also optimizing family office strategy and operations. The key findings from the SFO study are based on focus areas shared by the respondents regardless of their location and function. They reflect the insights shared by the respondents to the survey as well as the actions that leading SFOs are taking to respond to the rapidly changing business environment to deliver long-term value and support to family office stakeholders.

The key findings of the survey are set out across four focus areas: (a) wealth and regulation; (b) digital transformation; (c) risk and reputation; and (d) strategy and governance. In the first part of this article, we cover wealth and regulation, and digital transformation.

WEALTH AND REGULATION

Policy changes have always had far-reaching implications to the strategy, structure and operations of SFOs. Changes in the wealth and regulatory landscape are impacting every aspect of family office planning, strategy, and execution with the pace of developments requiring the need for agility. Recently, external forces brought about by the pandemic, geopolitical uncertainties, economic trends and social considerations have further intensified a keen focus on family wealth profiles.

As an example, an increasing number of global jurisdictions are using tax policy and transparency initiatives as a platform to address broader economic and social policy issues. Moreover, many jurisdictions are reviewing how their tax policies and enforcement will evolve to secure higher revenue while remaining fair and competitive.

SFOs also shared concerns about how new virtual ways of working will raise new tax considerations for family members, family office employees and their broader business ecosystem. Family office principals and beneficiaries often lead an international lifestyle, so when that is combined with the new normal of virtual work, it comes as no surprise that as much as 72% of the respondents in the SFO survey cited the tax consequences of remote working as a concern.

One survey respondent shared how companies now need to be more transparent about their taxes to both tax authorities and shareholders, and how family offices and family businesses worry about long-term sustainability. If SFOs want to be sustainable for the next 50 to 100 years, they should consider avoiding any entanglement with cross-border tax issues.

In addition, SFOs have to manage a delicate interplay between increasing demands for transparency and obligations for additional reporting and the ongoing desire to maintain family and personal privacy. This is reflected in the study, where 67% of the survey respondents shared significant concern about three or more regulatory issues.

Their worries are not very different from corporate entities, especially in the Philippines. As much as 64% also shared that they were not very confident that their tax operations are high performing, which indicates that more work must be done to remain compliant.

With the many external forces at play as well as the likely inevitable regulatory policy changes for prominent families, most SFOs will benefit from a careful review of how best to adapt to the shifting landscape. Fresh perspectives are needed now more than ever to satisfy critical obligations while sustaining strategic focus in support of family, business and regulatory stakeholders.

SFOs that can engage and proactively adapt are better positioned to meet these obligations.

However, getting hold of the required technology and skills in-house can prove difficult given the rapid pace and sophistication of changes in technology. This is why many SFOs are instead considering co-sourcing family office operations that involve the fastest changing technology and operating model or the most unique skillsets.

Emerging areas of focus also include tax, accounting, risk management and technology. SFOs need to adapt easily with the changing times, and they need tools in order to do so.

Disruptive technology is here to stay, and the technological landscape provides significant opportunities as well as challenges for SFOs as they prioritize technology and digital transformation trends more and more. Responses to the survey share a clear urgency for digital transformation across a broad spectrum, with 81% of respondents indicating plans to make significant investments in three or more digital tools and technologies in the next two years.

Whether it is regarding cybersecurity or using intelligent automation to improve efficiency and manage risk, SFOs are showing a clear drive towards employing a "digital first" mindset in the entire ecosystem — including connected businesses and the families involved.

As much as 74% of the respondents indicated experience in some form of data or cybersecurity breach. This is not surprising, as SFOs share concerns about a wide range of associated risks such as theft, loss of privacy, stolen identities, reputational threats, and even physical risks to family security.

However, the survey also shows that a diligent approach to cybersecurity does not seem to be the norm despite acute concerns. Most SFOs do not have robust practices in place to respond to cyber issues, with as many as 72% of respondents lacking a cyber incident response plan and less than a third with actual cyber training for their employees or family members.

With the increased use of remote working and collaboration amidst evolving technology requirements, there is a greater risk from a data security perspective. Leading families cannot simply acknowledge these inevitable changes — they must seize the opportunities arising from harnessing new technologies while becoming more sophisticated in managing related risks. Data-driven decision-making makes sense now more than ever given the insights that we can draw from it.

SFOs need reliable and 'fresh' data in order for such information to be useful in coming up with critical decisions. Before creating or choosing technology solutions, however, SFOs must first define evolving family stakeholder needs, strategic priorities, multi and generational expectations, and the core business functions of the SFO. These will determine the nature of the technology required, whether it would be a product off the shelf or an ecosystem of integrated solutions.

SFOs are also considering how to leverage external service providers in new ways by having them operate or support specific functions given the need for specialized resources. Some SFOs take a proactive route and formally engage the next generation of family leaders in designing and defining the necessary technology solutions for the future. By taking the lead, next generations can use their level of comfort with digital trends to spur innovation and align with objectives and expectations for tomorrow.

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.

KRISTOPHER S. CATALAN is the Philippines EY private leader and JULES E. RIEGO is the Philippines and ASEAN Business Tax Services (BTS) leader of SGV & Co.