Digital payment systems top BSP agenda in 2023

THE Bangko Sentral ng Pilipinas (BSP) said its work program for 2023 will focus on the launch of new digital payment streams, while undertaking preparatory measures ahead of the rollout of a Central Bank Digital Currency (CBDC), Governor Felipe M. Medalla said in his New Year's message.

"This year, we are targeting to launch other digital payment streams, such as InstaPay Debit Pull and Request to Pay. We also aim to issue a merchant acquiring and aggregation licensing framework and a cooperative oversight framework," Mr. Medalla said.

According to the BSP, the licensing framework is intended to support the digitalization of merchant payments, which account for about 70% of monthly retail payments in the Philippines.

The cooperative oversight framework will help deter regulatory arbitrage due to inefficiencies and inconsistencies in the regulation of various supervisory authorities.

"We have also started the conduct of a pilot wholesale CBDC or central bank digital currency, a major capacity-building activity for both the BSP and the financial industry," Mr. Medalla said, adding that this will help facilitate cross-border transactions.

CBDCs are issued as central bank liabilities. Since 2021, the BSP has been reviewing use cases for wholesale CBDCs through its Project CBDCPh, which studies the potential risks and use of CBDC payment transactions for financial institutions.

Mr. Medalla also added that the bank will take steps to improve the central bank's reserve management.

"In keeping with our Sustainable Central Banking strategy, we plan to be a signatory to the United Nation Principles for Responsible Investment (PRI)," Mr. Medalla said.

PRI aims to incorporate environmental, social, and corporate governance factors into investment decision-making. Financial institutions participate by becoming signatories to the PRI's six key principles.

"We also are looking at developing a Responsible Investment Charter, which will guide the integration of sustainability tests with financial assessments," Mr. Medalla said.

He added that the central bank will seek to prevent sharp falls in dollar reserves.

The Philippines' dollar reserves rose to $96.01 billion at the end of December from $95.12 billion a month earlier, the BSP said.

"On financial inclusion, we have launched the Credit Risk Database Project, which will produce a credit scoring model for small and medium enterprises (with the aim of reducing dependence on collateral)," Mr. Medalla said.

The BSP also proposes to add gold buying stations in Butuan, Camarines Norte, General Santos City, and Cagayan de Oro City.

"We will also further carry out our clean note policy and our coin recirculation program through our coin deposit machine project and we will soon see that these machines will actually be strategically located given our partnership with the private sector in this regard."

The central bank will continue to lobby for the Bank Deposits Secrecy Bill and the Financial Accounts Regulation Act, while also supporting the passage of the Digital Payments Bill.

The proposed Financial Products and Services Consumer Protection Act, also known as the Financial Consumer Protection Act, aims to incorporate financial inclusion, financial education, good governance and effective supervision in one law that protects financial consumers.

Meanwhile, the Bank Deposits Secrecy Bill will equip regulators with the necessary tools to detect fraud, irregularity, or unlawful activity.

"I am confident with all the talent that we have in this institution that this is the year we kick things off and realize our vision — from our targets under the Digital Payments Transformation Roadmap to our sustainability objectives to our plans and process improvements for the organization," he added.

The BSP has set a digital payments target of 50% of all transactions and financial account ownership of 70% of all adults. — **Keisha B. Ta-asan**

PEZA OIC endorsed for permanent post by industry groups amid leadership row

INDUSTRY GROUPS have thrown their support for the permanent appointment of Tereso O. Panga, currently the officer-in-charge (OIC) of the Philippine Economic Zone Authority (PEZA), following a leadership dispute that has roiled the agency.

In letters addressed to President Ferdinand R. Marcos, Jr., the industry groups backed Mr. Panga in order to settle any doubts about PEZA leadership and facilitate the entry of foreign direct investment (FDI).

Expressing their support were the Information Technology & Business Process Association of the Philippines (IBPAP), the Semiconductor and Electronics Industries in the Philippines Foundation, Inc. (SEIPI), the Philippine Ecozone Associations (PHILEA), the Cavite Export Zone Investors Association, and the Mactan Export Processing Zone Chamber of Exporters and Manufacturers.

"We firmly believe that Mr. Panga will be an asset on your economic team and in your aim to industrialize the country and in support of the Department of Trade and Industry's (DTI) science, technology, and innovation-driven industrialization strategy," SEIPI said in its letter.

"By appointing the right people to take the helm of the agencies involved in attracting foreign investment, together with policy coherence, and a constant implementation of the ease of doing business, we can truly improve our FDI ranking in the Association of Southeast Asian Nations (ASEAN) region," it added.

According to IBPAP, Mr. Panga plays an "important role" in attracting more investors to the IT and business process management (IT-BPM) sector.

"We believe that Mr. Panga will enable the PEZA to deliver its mandate of stimulating countryside development through the establishment of more IT parks in new growth areas outside the metropolis as ready locations for IT-BPM companies," the IBPAP said.

PHILEA said that Mr. Panga could help the economic team industrialize the Philippines.

"(Mr. Panga)… has consistently been very supportive of our industry and ultimately the economic growth of our country."

Aside from being OIC, Mr. Panga concurrently serves as PEZA's deputy director general for Policy and Planning. He replaced former PEZA Director General Charito B. Plaza. — **Revin Mikhael D. Ochave**

Groundwork to improve business conditions not in place as Senate RCEP trade deal approval looms

By Alyssa Nicole O. Tan *Reporter*

PHILIPPINE approval of a key regional trade deal could come before the government puts in place the needed groundwork to prepare domestic industries for heightened competition, with agriculture still holding out for safeguards and protections, analysts said.

"The Philippines needs to first get its house in order before plunging itself into the trade partnership," Victor Andres C. Manhit, president of the Stratbase ADR Institute, said in a text message to *BusinessWorld,* referring to the Regional Comprehensive Economic Partnership (RCEP) trade deal currently held up in the Senate.

"While there is no argument that being part of the trade deal is theoretically good, much will depend on how the Philippines will position itself," he added. "If the country has no competitive advantage in trade, it will end up being more of an importer, thus worsening its situation right now."

Senator Maria Imelda Josefa Remedios R. Marcos, who chairs the Senate's foreign relations committee, expects RCEP to lead to a surge in imports.

"Let us stop denying that there will be difficulties and sacrifices," she said during a hearing on RCEP in December. "Of course, this will happen because this will lead to bulk imports."

She called for "transitional safeguards," telling the Departments of Agriculture, Environment and Natural Resources, and Trade and Industry, as well as the Bureau of Customs to ensure that preparations are in place by the time the deal is signed.

"At the point of signing, not at some mythical future date," she said. "We cannot get into an arrangement where we are completely bereft of any skills or powers."

Mr. Manhit said that the effect of the deal will depend on the current administration's ability to create an environment conducive to improved productivity.

"The Philippines should be able to stabilize the availability of export commodities and continue to increase its production to cater to the growing demand both from RCEP member and non-member states," he said.

"Likewise, the Philippines needs to emphasize sustainability, anchored on transparency… social, and governance principles across trade value chains, particularly for export products, as most countries assess them before entering long-term trade partnerships," he added.

Anthony A. Abad, Trade Advisory Services chief executive officer and Abad Alcantara and Associates senior partner, told *BusinessWorld* by phone that improving the domestic environment should not be the determining factor in ratifying RCEP.

"The domestic safeguards are things that should have been done even with no RCEP, so if there is a deficit in the number of farm-to-market roads, road systems, or railways that will facilitate the movement of goods, that should have been in place decades ago," he said.

"If the farmers are having a hard time because of the taxes that they have to pay, then you have to simplify their tax system," he added. "Don't burden them. You keep saying that you want us to export, but you burden us with all kinds of rules and bureaucratic requirements. They have to be removed."

All the elements that go into the cost of doing business, Mr. Abad said, will have to be factored in, citing financing, energy, and the cost of labor, among others.

Meanwhile, Roy S. Kempis, retired Pampanga State Agricultural University professor, said that agriculture "needs to transform from being production-oriented and in many cases subsistence, into agribusiness that adheres to the tenets of entrepreneurship employing outputs of science and technology research."

More entrepreneurs, he added in a Viber message to *BusinessWorld*, are needed in the agriculture industry.

He said that currently, agriculture "is not ready to compete in the world market."

Federation of Free Farmers National Manager Raul Q. Montemayor said that the Philippines has lagged in making its agricultural sector productive and competitive, even as competitors have surpassed it in terms of reliability, quality, and pricing.

"This is precisely the problem with RCEP," he told *BusinessWorld* in a Viber message. "It will take a comprehensive assessment of our strengths and weaknesses and a reformulation of our production, processing, and marketing strategies to make our agriculture sector productive and competitive, not only for the export market but more importantly for our economy."

"The government will have to commit to the necessary investments and sustain its support for extended periods," he added.

The current situation, Mr. Abad said, highlights the long-running neglect of the agricultural sector, but "RCEP is the one that will provide us the impetus, force us to reform, and plug us into the digital world and the legal world."

He said, however, that farmers should be considered assets in the export effort rather than "welfare cases."

"We tend to look at agriculture as hopelessly stuck in 18th or 19th century technology. That's unacceptable. Even if there were no RCEP, somebody must be doing something to make our agriculture 21st century," he said.

"If it's not being done, then there's something wrong with our governance, in our prioritization," he added. "Whatever it is, the RCEP creates the market for us to supply the goods and services, and the things that are being touted or being claimed to be the domestic safeguards are actually the things that should have been done decades ago, so that our agricultural sector will not be so backward and so poor."

Samahang Industriya ng Agrikultura Executive Director Jayson H. Cainglet told *BusinessWorld* via Viber that the Philippines can only compete if it learns from the experience of larger economies.

"We (need to) follow what the big economies did before opening up their local markets," he said.

Asian Institute of Management Economist John Paolo R. Rivera, in a Viber message, said that the Philippines should strive towards "good governance, accountability, and total quality management," calling them keys to becoming a preferred market for RCEP.

The RCEP started taking effect in the various jurisdictions on Jan. 1. Participants include the 10 members of the Association of Southeast Asian Nations, Australia, China, Japan, South Korea, and New Zealand.

The Philippines and Myanmar are the only remaining countries that have yet to formalize their participation in RCEP.

Ms. Marcos has established a technical working group to complete a committee report on RCEP ratification. The committee expects to report it out to plenary once sessions resume on Jan. 23.

OPINION

Revving for growth

SUITS THE C-SUITE
WILSON P. TAN

As the transition into the new normal continues and the economy looks to rev up, it's important for leaders to leave the pandemic mindset behind — that of caution and risk aversion — and adopt a bold mindset of optimism and growth. While 2022 was a good year of recovery, companies must place a greater focus on sustaining growth while continuing to prioritize the health and wellness of their people. In the current business landscape, those who will find success will likely be those who act first and do so the fastest.

INCLUSIVE GROWTH WITH HUMANS AT THE CENTER

In the face of ongoing change, business leaders need to transform their processes as well as their organizations in order to grow. In a setting where there is tremendous competition for talent and high levels of burnout, successful transitions of any kind must start with people. In line with this, business leaders must take purposeful action to manage people through the transformation journey.

Workers across industries are now increasingly evaluating possibilities based on higher income, greater flexibility in when and where they work, and better company culture. According to the 2022 EY Work Reimagined Survey, as much as 43% of employees say that they are likely to leave their workplace in the upcoming year, citing these reasons. Organizations need to reconsider their workforce planning now more than ever if they want to recruit and keep a diversified pool of top talent.

For companies to succeed as the talent war heats up, it is crucial that they place more emphasis on purpose, rewards, wellbeing, and belonging. To remain competitive, companies have to thoughtfully respond to evolving employee expectations and incorporate them into future talent programs and strategies. This includes programs relating to mobility and immigration, the challenges of which were intensified by the pandemic. Companies must also reassess their immigration policies and build a strategy that can align with their business goals while managing workforce expectations.

With human capital at a premium, the current experience-driven economy necessitates that businesses focus on their people as the key to delivering long-term value for any business. Organizations and their chief human resource officers (CHROs) will also need to rethink their workforce development programs to retain, train and nurture people with the right technical and behavioral skills required to meet the needs of the future. By identifying skills gaps, developing learning programs for reskilling, curating learning experiences and nurturing a culture of curiosity, organizations will be better positioned to make the training investments necessary for continuous learning.

However, it should be noted that placing humans at center does not just refer to employees — both employees and customers or clients should be at the core of any business tactics and long-term goals. In strategizing for growth, every choice, use of technology, and creation of a good or service must be seen through the eyes of the customer. Companies have significant opportunities to change the emphasis from an employee value proposition to human value proposition by developing new programs and solutions that prioritize the needs of the people first while still meeting stakeholder expectations. This ultimately paves the way for wholesome profits and a better working world.

OPPORTUNITIES IN ESG

Sustainability and environmental, social and governance (ESG) cannot be excluded from the discussion of transformation and growth. Sustainability is focused on future generations, while ESG concerns are a matter of transparency for all stakeholders. Investors, employers and even the community increasingly hold companies responsible for a balanced ESG strategy capable of supporting strategic vision and corporate purpose. Though it was previously mentioned that 43% of employees surveyed in the above cited Work Reimagined Survey are open to leaving their companies for new roles, that figure drops to 12% if employees believe their company is positively impacting the world.

As an example, the EY organization set a target to significantly reduce its carbon emissions and become net zero by 2025. It was one of the first professional service organizations to achieve carbon negativity as of October 2021, which means it is now reducing total emissions and either removing or offsetting more carbon than it is emitting. By achieving the status of carbon negative, EY demonstrates its commitment towards accelerated climate action and sustainability.

As businesses start reopening and expanding, they also have to be prepared for additional regulatory compliance in the form of the Philippine Securities and Exchange Commission (SEC) requiring publicly listed companies (PLCs) to submit their annual sustainability report. Focusing on these ESG practices and factors is beneficial to both individual companies and investors, as it promotes the harmonization of management practices and calculates returns and risks to ensure the sustainable financial performance of organizations.

For leaders to embed sustainability at the heart of decision-making, they have to prioritize strategic goals while also taking business and sociopolitical contexts into account. They have to set clear targets aligned with a purpose-led strategy, and build a more robust approach in analyzing opportunities and risks from environmental and social changes. Last, they will need to instill discipline in reporting and non-financial performance management as a basis for continued adaptation.

FROM RECOVERY TO SUSTAINED GROWTH

The new era of work requires enterprises to embrace greater flexibility and develop their workforces as well as prioritize ESG as the new norm. While economic conditions may seem somewhat despondent currently, we still believe that the global economy is ready to rev for growth, with companies taking the hard-earned lessons of the past few years and transforming them into performance drivers and new business opportunities.

While the journey ahead will still be challenging, it is imperative that we keep our eyes on the vision of building and restoring long-term value to our businesses as we continue to move towards a world of sustainable growth beyond the pandemic. Let us look to the rest of 2023 with renewed strength, optimism, and clarity of insight.

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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