Marcos to seek out potential infra, agri investors at Davos

PRESIDENT Ferdinand R. Marcos, Jr. said he will seek out potential partners for his agriculture and infrastructure development plans at the Davos conference in Switzerland.

In his pre-departure speech, Mr. Marcos added that he will pitch potential locators on the Philippines' readiness to receive multinationals seeking to expand their operations in Asia.

"I will draw attention to our efforts at building resilient infrastructure that bolsters our effort to reinforce robust and resilient supply chains, ensures food security, including critical interlinkages with the health and nutrition sectors, while furthering climate-friendly, clean, and green energy to power the Philippine economy," he said.

Mr. Marcos flew to Switzerland Sunday en route to the World Economic Forum (WEF), which takes place on Jan. 16-20 at the Swiss mountain resort.

Mr. Marcos said he plans to position the Philippines as "a gateway to the Asia-Pacific region."

The Philippines is "open for business — ever ready to complement regional and global expansion plans of both foreign and Philippine-based enterprises anchored on the competent and well-educated Filipino workers, managers, and professionals," he said.

"Moreover, I will share our experience as a model for managing — with our global partners — the disruptive and transformative impact of COVID."

Mr. Marcos will be traveling with a delegation of economic managers and business leaders.

His appearance at Davos needs to be viewed as a reputation-building exercise rather than a realistic play for investment, Terry L. Ridon, a public investment analyst, said via chat.

"Let us not kid ourselves: the President's attendance at the WEF will only serve to burnish his international reputation without certainty of actual results in terms of investment commitments."

"It is no UN General Assembly nor APEC Summit, in which bilateral and multilateral meetings result in real investment and political commitments to the country."

"European commitments to the Philippines should have already been made during the Brussels trip," Mr. Ridon said. "And there is no beating around it: the WEF trip is mainly for the President's international prestige, nothing more."

Renato E. Reside, Jr., an associate professor at the University of the Philippines School of Economics, said the success of the Switzerland trip will depend on the President's "ability to sell our country to world leaders and investors."

"The success of his trip to Davos depends on whether he can inspire enough confidence in our economy," he said via chat. "Pledges of investment bear fruit only if real fixed capital investment comes into the economy afterwards, so some follow-up may still need to be done even after the trip."

"Investments perk up aggregate demand and stimulate employment as well, so there are definitely gains that can be made," he added.

Mr. Reside noted that the Philippines needs more investment in infrastructure, agriculture, manufacturing, power and services.

"We also need to upgrade our airports," he said, noting that the government has yet to harness the potential of a 2021 law that opened parts of the economy to full foreign ownership.

"The passing of the Public Service Act is a step in the right direction, but the President still has work to do to translate that into actual investment."

Michael L. Ricafort, chief economist at Rizal Commercial Banking Corp., said Davos is "a good opportunity for the government to make a sales pitch to help attract more foreign investment that creates more jobs."

It will also give the Philippines a chance to diversify its exports, engage more countries that may need overseas Filipino workers, and obtain more multilateral funding for key projects.

"The key areas that investors should look at include the energy, manufacturing, agriculture, and outsourcing sectors," Mr. Ricafort said.

The Philippines has lowered its economic growth target for 2023 to 6.0%-7.0% from 6.5%-7.5%. Inflation in December was 8.1%, the highest since November 2008. Year-earlier inflation was 3.1%.

Mr. Marcos is expected to visit Japan in mid-February. — **Kyle Aristophere T. Atienza**

Monetary Board flags more rate hikes in Dec. meeting minutes

THE MONETARY Board signaled its readiness to continue raising benchmark interest rates if inflation persists, putting it at odds with other central banks which have indicated their intention to slow the pace of monetary tightening, according to the minutes of the board's December meeting.

When the board met last month to weigh another rate increase, officials were already thinking of further tightening as an inflation deterrent, according to the minutes.

The Bangko Sentral ng Pilipinas (BSP) raised borrowing costs by 50 basis points (bps) during its Dec. 15 meeting, adding to the 350 bps worth of rate hikes in 2022 and bringing the key rate to a 14-year high of 5.5%.

"Amid broad-based inflation pressures, persistent upside risks to inflation, and elevated inflation expectations, the Monetary Board deemed it necessary to take aggressive monetary action to bring headline inflation back to within target as soon as possible," the board said.

"Continued monetary tightening will also provide a cushion against external spillovers even as major central banks have signaled a possible slowing down of monetary policy tightening," it added.

Policymakers have noted that inflation remains high and broad-based as reflected in the increase in core inflation in November.

The consumer price index (CPI) rose to 8% in November from 7.7% in October. Core inflation, which excludes food and fuel prices, which are deemed volatile, rose 6.5% in November.

Inflation expectations also rose further as the central bank's survey of private-sector economists for December turned up higher consensus inflation forecasts for 2023 of 5.1%, from 4.9% previously.

"The expected upside risks to inflation over the policy horizon stem mainly from elevated international food prices due to high fertilizer prices and supply chain constraints," the BSP said.

"On the domestic front, trade restrictions, increased prices of fruits and vegetables due to weather disturbances, higher sugar prices, pending petitions for transport fare increases, as well as potential wage adjustments in 2023 could push inflation upwards," it added.

According to the central bank, La Niña conditions will also likely persist through February before easing through April.

La Niña brings with it the risk of more tropical cyclones, resulting in sustained flooding, the central bank said.

The BSP expects full-year inflation to come in at 4.5% in 2023 before easing to 2.8% by 2024. Inflation averaged 5.8% in 2022, peaking at 8.1% in December.

Meanwhile, the board noted that "the peso depreciation against the US dollar slowed down to 9.8% year-to-date as of 29 November 2022, from 12% in October. The peso appreciated on positive market sentiment in November amid lower-than-expected US inflation in October, which fueled optimism that the US Federal Reserve could slow its pace of rate increases, and the decline in global oil prices," the BSP said.

The Fed delivered 425 bps worth of rate hikes in 2022, which brought its policy rate to 4.25-4.5%.

"The Philippine Stock Exchange Index (PSEi) averaged 6,388.9 index points in November, higher by 6.6% than its October average. The recovery in the benchmark index could be attributed to improved market sentiment following positive developments in the domestic economy," the board added.

The positive developments include faster-than-expected third quarter growth, positive third-quarter corporate earnings reports, and S&P Global Ratings' affirmation of the Philippines' investment-grade credit rating of BBB+ with a stable outlook.

"Against this backdrop, there was market optimism on the economy's ability to absorb the 75-bp rate increase by the BSP at its November policy meeting. Market expectations of a slower pace of monetary policy tightening by the US Federal Reserve also contributed to renewed investor confidence," the Monetary Board said.

Gross domestic product (GDP) is also expected to meet government growth targets in 2022 and 2023, but could miss the official 6.5-8% target for 2024.

"The slower growth is mainly due to the lower global GDP growth assumption for 2023 and the impact of the policy rate adjustments of the BSP," the board said.

GDP expanded by 7.6% in the third quarter, bringing the nine-month average to 7.7%. The government expects GDP to have grown by 6.5-7.5% in 2022, and targets 6-7% growth in 2023.

The Philippine Statistics Authority is scheduled to release fourth-quarter 2022 GDP data on Jan. 26.

The Monetary Board is scheduled to meet on Feb. 16 for its first policy meeting this year. — **Keisha B. Ta-asan**

NAIA privatization seen driving tourism revival

THE PROPOSED privatization of the Ninoy Aquino International Airport (NAIA) is expecting to support the growth of the tourism industry, according to Go Negosyo Founder Jose Maria A. Concepcion III.

"Our airports create the first impression of our country, and since tourism has (the potential) for growing our economy, any improvement made here will (bring) many benefits," Mr. Concepcion said in a statement Sunday.

The Transportation department said recently that it is fast-tracking the privatization of the NAIA.

"The airport experience must be improved, not just for the tourists but also for the overseas Filipino workers (OFWs) who have only a few days to spend with their families here. An efficient airport will also ensure they will be able to make it back in time to their employers and keep their jobs," Mr. Concepcion said.

Mr. Concepcion said support for the tourism industry is needed after the pandemic inflicted heavy damage on the sector, particularly micro, small, and medium enterprises (MSMEs).

"In my meeting with the Department of Tourism, we discussed how we can help our MSMEs prepare for the tourism boom. We still have, by far, the best beaches and one of the most welcoming people in the world," Mr. Concepcion said.

Mr. Concepcion called for the revival of a 2018 proposal to form a consortium that will modernize the NAIA after an electrical fault brought down the air traffic control system on Jan. 1.

"Having seen how badly key systems in our air transportation system need to be modernized, and how severely any glitch can affect the whole country, I hope that this time, we can revive this proposal and see it through," Mr. Concepcion said.

For 2023, the Tourism department is targeting foreign visitor arrivals of 4.8 million, against the 2.65 million posted in 2022. — **Revin Mikhael D. Ochave**

EC piracy watchlist signals crackdown in Greenhills

THE INTELLECTUAL Property Office of the Philippines (IPOPHL) said the Philippines' inclusion in a European Commission (EC) counterfeiting watchlist could lead to a crackdown on shopping centers in Baclaran, Divisoria, and Greenhills.

Rowel S. Barba, IPOPHL director general, said that it will engage with local government units (LGUs) and shopping mall administrators in Baclaran, Divisoria, the Greenhills Shopping Center, and the Cartimar Shopping Center after these markets were identified by the EC as selers of counterfeit items.

"Clamping down on IP violating activities will be proof of good governance and a strong will to implement the laws of the land," Mr. Barba said in a statement.

In December, the EC watch list cited specific markets in the Philippines where counterfeit goods are sold.

"Baclaran and Divisoria markets in Manila are reported for offering a wide range of counterfeit goods on retail and wholesale basis, in particular shoes, with some stalls allegedly also running online shops offering counterfeit goods," the EC said.

"Shops in the Greenhills and Cartimar shopping malls and in particular the stalls located in their vicinity are reported to sell higher-quality counterfeit goods," it added.

According to the IPOPHL, this marks the first instance that specific Philippine markets have been flagged in the EC watchlist since its launch in 2018.

Greenhills has also been cited in the Notorious Markets for Counterfeiting and Piracy List issued by the US Trade Representative in February 2022.

Mr. Barba urged the LGUs to enforce the IP Code.

The Department of the Interior and Local Government's (DILG) Memorandum Circular No. 2020-124 directs LGUs to issue ordinances authorizing the cancellation of business permits and other LGU-issued licenses for shops that volate IP rights. Memorandum Circular No. 2022-055 instructs local officials to draft counterfeiting and piracy policies that promote respect for IP rights in the workplace. — **Revin Mikhael D. Ochave**

OPINION

How can private boards be future-fit?

SUITS THE C-SUITE

KRISTOPHER S. CATALAN

In today's rapidly-evolving and disrupted business environment, private enterprises need to be resilient and responsive to fast-changing business needs. Boards and management alike should widen their agenda, and continually embrace transformation to keep their organizations aligned with the times.

The most recent geopolitical, societal and environmental events force companies to rethink their priorities and revisit their current business agenda. Suffice to say, strategies which worked pre-2020 may no longer be effective. That is why private boards must reframe how the future looks like for their organizations.

EY has identified six key actions to test the future fitness of boards and their ability to lead the business.

1. Gather new perspectives by asking the right questions from stakeholders

This helps create a robust dialogue around risk, opportunities, and any impacts on long-term purpose, which enables more informed decision-making. Initiating these discussions with management invites the exploration of alternatives that may not have been previously considered. Inputs from external resources such as business advisors or consultants can be beneficial as it provides new perspectives or provides alternatives to the current problems companies face.

Conversations with stakeholders can give boards a better view of current or potential problems to provide organizations with much-needed wisdom. The better the questions are, the better the answers to be found.

2. Revitalize board dynamics

Diversity and ongoing self-reflection, along with openness to varied inputs, reinvention and adaptation, builds a stronger, more effective board. A reasonable exchange of ideas can provide different frames of reference that are essential to problem-solving. An active board also provokes difficult but necessary questions.

As an example, the Securities and Exchange Commission advocated increasing female representation in the boardroom and that boards should be as diverse as possible, gender-wise. In a study by Harvard Business Review, companies with more than two women on the board outperform others with less in their sector. Clearly, increased diversity in the boardroom has direct benefits for organizations.

3. Increase focus on the long term

While current circumstances have many boards centered on short-term survival, flexible and longer-term strategies based on emerging technologies, trends, new intelligence and industry developments, as well as a clear commitment to putting people first, should also be clearly articulated. Companies are no longer just measured on how well they performed for a year – they are assessed on how well they prepare for the future.

Information about sustainable practices, including environmental, social, and governance (ESG) programs, are a staple in investor briefings for large companies. In the not-so-distant future, corporate communications will include sustainability practices and measures alongside financial metrics.

With the growing significance of sustainability reporting, assurance of non-financial measures is equally important. Private companies may initially look up to their publicly listed counterparts, which are required to report about their sustainability programs (currently under a "comply or explain" basis). Private boards can include ESG matters as a staple boardroom discussion as well.

Future-fit boards are focused on identifying megatrends and guiding management to face new challenges and innovate to seize the upside of disruption. Future-fitness is also about creating an environment for management which provides flexibility to develop better, more innovative business models, new collaborations, and new ways of working, drawing on talent, and incubating new ideas.

4. Adapt communication, protect reputation

To maintain stakeholder trust, private boards need to align purpose with action. Communication must be timely and the division of roles for external communication clearly understood. Private boards can set the tone for the whole organization to follow. The policies and guidelines they adapt and approve for the organization should trickle down through formal and informal communication channels to the staff so that frontliners are equipped with the right information to make the right call.

In the EY Global Integrity Report 2020, only 58% of junior employees, compared to 70% of board members, agree that employees in their organization can report wrongdoing at work without fear of negative consequences for themselves. Management must build the trust of their workforce through the clear communication of values and transparent compliance with the rules, as well as provide secure ways in which employees can voice their concerns.

5. Align and monitor culture

In his book Start with Why, Simon Sinek said that "Cultures are groups of people who come together around a common set of values and beliefs. When we share values and beliefs with others, we form trust." It is important that boards have a clear vision of the corporate culture, align it with long-term strategies, and monitor said culture using new metrics to view issues from every angle.

Purpose is like a journey, the board and management are pilots and stewards, and the passengers are the employees and other stakeholders. The pilot, the crew and the passengers need to have a common understanding of where their destination is and more importantly, trust that everyone will play their roles in order to arrive safely.

6. Enhance risk and compliance oversight

Taking a pragmatic approach enables boards to gather external insights, deploy monitoring mechanisms, and think more broadly about emerging risks and how to address them.

One of the shifts required is to develop new competencies for finance, risk, technology and compliance. Private boards can organize committees similar to what public companies do to enhance oversight functions of their boards. Private boards may wish to rethink their usual agenda to tackle enterprise-wide risks.

FUTURE-PROOFING PRIVATE COMPANIES

Private companies can become future-proof by reimagining the way things are done and private boards are instrumental to setting that tone. A clear purpose acts as a compass in the journey of an organization to reshape and reinvent itself, setting a clear and inspiring direction that future-fit boards can navigate.

Furthermore, with the right information and the proper tools, private boards can lead the transformations of their companies to the next level and beyond.

This article is for general information only and is not a substitute for professional advice where the facts and circumstances warrant. The views and opinion expressed above are those of the author and do not necessarily represent the views of SGV & Co.

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