Maharlika fund expected to start operations by year's end — DoF

THE Maharlika Investment Fund (MIF) is expected to be fully operational before the end of the year, Department of Finance (DoF) Secretary Benjamin E. Diokno said.

"We're expected to prepare the implementing rules and regulations (for the Maharlika fund law); we're expected to look for people to man the Maharlika Investment Corp. I expect (the fund) to be fully operational before the end of the year," Mr. Diokno said in a briefing on Friday.

Last week, Congress approved the bill creating the fund. It is due to be transmitted to Malacañang for President Ferdinand R. Marcos, Jr.'s signature.

Mr. Diokno said that the bill will likely be signed by the President before the President's second State of the Nation Address in July.

The bill designates as Maharlika's sources of initial capital the Land Bank of the Philippines (LANDBANK), which will invest P50 billion; the Development Bank of the Philippines (DBP), which will inject P25 billion, and the National Government, which will provide P50 billion.

National Treasurer Rosalia V. de Leon said that Maharlika Investment Corp., which is tasked to manage the fund, will have initial capital of at least P75 billion by the end of the year.

"The corporation has an authorized capital stock of P500 billion. That is the authorized stock, then the National Government together with LANDBANK and DBP will subscribe (for shares). That will raise P125 billion. But the initial paid-up capital will be coming from the two government financial institutions — P50 [billion] and P25 billion (for) the corporation," Ms. De Leon said.

"You have to distinguish between the corporation and the fund. The corporation is the one that will manage the fund," she added.

Ms. De Leon said the government pension funds cannot be used as a source of financing, unless the legislation is revised.

The Senate included in its bill a prohibition on government pension and insurance funds from contributing seed capital for the fund. Singled out were the Government Service Insurance System (GSIS), Social Security System (SSS), and Philippine Health Insurance Corp. (PhilHealth).

Mr. Diokno noted that pension funds may invest in projects, as long as they do not infuse equity.

"If there is a big project and GSIS or SSS wants to subscribe for or invest in because of the high returns, they can do it. This is for projects, but not equity," he said.

"Projects are allowed... on the project level they can (provide funding), but not for the corporation," Ms. De Leon added.

Ms. De Leon also said that the MIF can reduce government borrowing.

"Without Maharlika, how do we fund our projects? Before, it was through debt. This time around (it can be) equity so we can reduce government debt," she added.

The Philippines is also well-placed to establish such a fund, Finance Undersecretary Catherine L. Fong said.

"Because of the worldwide economic conditions, there are a lot of investors looking at investing in infrastructure projects and because we are speeding up private-public partnerships, they might be interested to invest in those through possibly the Maharlika," she said. — **Luisa Maria Jacinta C. Jocson**

Export development plan to be launched on June 15

THE Department of Trade and Industry said the new Philippine Export Development Plan (PEDP) will be launched on June 15.

Trade Secretary Alfredo E. Pascual told reporters on the sidelines of a news conference in Makati City last week that the PEDP 2023-2028 will prioritize the industrial, manufacturing, transport, technology, media, telecommunications, and health and life sciences sectors.

"Essentially what the PEDP has done is to identify the promising sectors or industry clusters that can generate significant increases in exports," Mr. Pascual said.

Mr. Pascual said the government wants to maximize trends like supply chain diversification following the pandemic.

"One example is the move of the US to diversify sources of their imports, especially in electronics and semiconductors; we want to grab that opportunity," Mr. Pascual said.

During the National Export Congress in December, PEDP planning facilitation team leader Cielito F. Habito projected export earnings of up to $240.5 billion by 2028 if the plan is implemented effectively.

The PEDP seeks to boost trade promotion, marketing, design innovation and branding initiatives. It also pushes for active membership in regional and bilateral preferential trade agreements.

The plan also seeks to transform the Philippines into an exporter of high-value products and services from its current status as a source of commodity and intermediate goods.

Philippine exports rose 5.7% to $78.98 billion in 2022. — **Revin Mikhael D. Ochave**

Kanan Dam project awaiting NEDA approval

THE Metropolitan Waterworks and Sewerage System (MWSS) said it is still awaiting the approval of the National Economic and Development Authority (NEDA) to proceed with the development of the estimated P12-billion Kanan-Agos project.

"The proposal is still under review, we are still waiting for the approval to proceed with it," Patrick James Dizon, head of the MWSS Angat/Ipo operations management division, told reporters in a briefing last week.

He said that a private proponent has submitted an unsolicited proposal to develop the project that would provide additional water to Metro Manila and nearby provinces.

Mr. Dizon, however, declined to identify the private proponent, said only that it is a Philippine company.

"We had a meeting with the private proponent to comply with all the requirements set by NEDA; that is why the project was delayed this year," he said.

Mr. Dizon described the Kanan-Agos project as part of the Kaliwa-Kanan-Agos river basin, which is located in Rizal and Quezon provinces. The project's supply potential is over 3,000 million liters per day (MLD).

"The Kanan is an unsolicited proposal; the Kaliwa Dam will (involve) a 600-MLD weir which will be diverted through a tunnel with 2,400 MLD capacity," he said.

The Kaliwa Dam project is expected to be completed by the end of 2026, with commercial operations expected in 2027. As of March, the Kaliwa Dam is 24% complete, the MWSS said.

The Kaliwa Dam is a bulk water supply project which is part of the New Centennial Water Source program of the MWSS.

The Kaliwa-Kanan Dam complex will ultimately supply both MWSS water concessionaires, Maynilad Water Services, Inc. and Manila Water Co., Inc.

"Both Maynilad and Manila Water will share from this because we wanted to (de-load) the Angat Dam, so we needed this additional water source," Mr. Dizon said. — **Ashley Erika O. Jose**

Lump-sum pension options considered for MUP retirees

By Luisa Maria Jacinta C. Jocson *Reporter*

THE Department of Finance (DoF) said it is studying options like lump-sum payments to reduce its potential liability to military and uniformed personnel (MUP) pensioners.

"Under the enhanced proposal, MUPs who avail of optional retirement are given the prerogative to choose among three options in claiming pension benefits," the DoF said in a statement.

These options include receiving the net present value of pension benefits in a lump sum upon retirement.

Other options include the payment of the benefits after five years. It is also considering an option of MUPs receiving their benefits upon reaching age 57.

In March, Mr. Diokno announced the government's intention to reform the current MUP pension program as it is not "fiscally sustainable."

The DoF has estimated that the accumulating pension liability will likely increase public debt by as much as 25% by 2030.

The government will also need to spend an estimated P848.39 billion to finance the current pension system over the next 20 years.

Under the current pension system, MUPs are automatically promoted one rank upon retirement and can receive their pension after 20 years' service, with no minimum pensionable age.

The pension is also automatically indexed to the salary of active personnel.

"The new options were proposed in consideration of varying financial situations among MUPs and will be applied on a case-to-case basis," the department said.

Finance Undersecretary Maria Cielo D. Magno said that the economic team is studying the pension systems of other government agencies.

"The economic team will continue to gather sentiments of the MUPs and introduce necessary improvements to the proposal in order to craft a well-balanced solution," the DoF added.

Following consultations with various military units, the team is set to meet with the Philippine National Police on June 7 to further refine the proposal.

Bienvenido S. Oplas, Jr., president of a research consultancy and of the Minimal Government Thinkers think tank, proposed taxing the pensions.

"All these three proposals are good. But I think a fourth one is needed: all MUP pensions should be taxed," he said in a Viber message.

Under the current system, MUPs do not contribute towards their own pension fund. Instead, the pension benefits are drawn annually from the national budget.

"Current MUP pensioners contribute zero for their pension. Their pensions are currently untaxed," Mr. Oplas said.

Hansley A. Juliano said through Facebook Messenger chat that it is a step in the right direction to consider separate options depending on the MUPs' needs.

"That said, this means it will also entail the necessity for guidance or assistance for pension recipients to ensure they manage their benefits properly," Mr. Juliano, a political economy researcher studying at Japan's Nagoya University's Graduate School of International Development, said.

"I do wonder if the government has reviewed pension options from private providers in comparison, as maintaining those standards will be needed in ensuring the options chosen by the retirees will actually benefit them in the long run and it is also sustainable to the fund as was the point of this restructuring," he added.

Mr. Juliano noted that there is still a need to "reconcile defense spending and social spending."

"I get the impression our military retirees do prefer theirs because the general state of social security in the Philippines is not equitable. The long-term objective of course is to make it equitable," he added.

OPINION

Rethinking value: The evolution of consumer consumption

SUITS THE C-SUITE

MARIA KATHRINA S. MACAISA-PEÑA

(Third of three parts)

After learning to live with less during the height of the pandemic, many consumers have shifted to pursuing simpler, less consumerist values, according to the **EY Future Consumer Index**. The study surveyed over 21,000 consumers in 27 countries to determine how consumers see changes in their values and how they look at life. With consumers less willing to spend, businesses have the opportunity to rethink the concept of growth and how to evaluate it.

In the previous parts of this article, we discussed the drivers that could reshape consumption patterns, the significant changes in those patterns that are predicted to occur over the next few years, the factors affecting drivers of growth, and their implications for consumer companies.

In this last part, we discuss how redefining success will reshape business as we know it and how companies can further understand changing consumer expectations.

HOW REDEFINING SUCCESS WILL RESHAPE BUSINESS

Consumer companies will need to examine their strategies, business models, and operational structures for them to adapt to this shifting consumer climate and make sure they are relevant to the evolving definitions of value. While not all potential changes will occur suddenly, the current trends already show significant changes in how consumer companies will define and assess success.

The Future Consumer Index identified the following drivers that can reshape the existing measures of success:

Peer-to-peer models. Peer-to-peer activities are expanding quickly thanks to community platforms, online marketplaces, social selling, and agile payment systems. This makes it possible for customers to independently sell, buy, trade, exchange, and gift goods and services. While this is not a new concept, the sudden growth of backyard businesses during the pandemic, as we have seen in our Philippine market, has given rise to a new generation of microentrepreneurs.

Pricing at 'true cost'. The desire for "true prices" that take into account social, environmental, and health concerns is growing despite the fact that algorithms can already optimize prices in real time for commercial impact. Product pricing may become more individualized to user profiles as data quality and analytics capabilities continue to advance.

Well-being as status. As consumers promote lifestyles that emphasize well-being instead of wealth, exercise, sports apparel, healthier meals, and wellness getaways serve as status symbols.

Co-creation with consumers. Through social influencers and crowdsourcing, interactive media has given rise to a wave of user-generated content. According to the Digital 2023 Global Overview Report, a social media study produced in partnership with social media agencies Meltwater and We Are Social, Philippine social media users account for as much as 72.5% of the population. Less restrictive intellectual property laws, 3D printing, and open-source tools may also potentially make it easier for consumers to collaborate with brands to co-design, manufacture, market, and share the value of goods and services.

Enhanced leadership through AI. The delivery of optimized insights that support operational and strategic direction will come more frequently via AI and automation. When business leaders outsource certain judgments and make more decisions based on facts and data, this could ultimately redefine functional positions within boardrooms.

UNDERSTANDING CHANGING CONSUMER EXPECTATIONS

Companies will need to adapt to a world where growth and wealth are no longer the exclusive measures for development and success. Businesses will have the ability to control what lies ahead for them by recognizing what factors can potentially influence consumer expectations and behavior through the following points of action:

Developing fresh value pools. While some existing value pools will provide revenue, others will make additional contributions that will help to create a more comprehensive understanding of how "good" is defined. Having strong financial balance sheets alone will not help a business succeed in the market, especially if they come at the expense of other factors, such as environmental, social, and governance (ESG) considerations. A company's success cannot be determined solely by how many or how much of a product it can sell, but also by the services it can provide, the impact it can make, and the values or communities it can support.

Innovating ways to meet consumer needs. Through scaling AI, releasing new manufacturing techniques, and unlocking efficient operating constructs, technology will allow consumer companies to deliver personalization at a lower cost and with less resource use. By enabling customers to participate in value creation through peer-to-peer selling and brand collaboration, service-based models that span several categories and industries will become more prevalent in order to meet consumer expectations. A new corporate mission that satisfies expectations for wellbeing by evaluating the true costs and benefits beyond those measured in financial currency will be foundational for this development.

Reviewing impact and contribution. Retailers can offer more value in terms of the insights and data they share back to brands, their contributions to employee wellbeing, and their position in the community on top of the revenue generated by their stores. The success of consumer goods companies may also depend just as much on their capacity to address systemic environmental problems or enhance consumer health as it does on their capacity to persuade customers to buy their goods.

REDEFINING SUCCESS TO BUILD LONG-TERM VALUE

Of all the factors discussed, long-term value remains the most important. As social and environmental key performance indicators join financial metrics as drivers of long-term value, intangible assets are likewise becoming more significant in driving value. New definitions of success will challenge the prioritization of growth as stakeholder knowledge and influence expands through increased connectivity and transparency.

Growth and profitability are currently viewed as indicators of how well consumer companies are able to meet the demands of the market. However, given rapidly and dramatically changing consumer behavior and priorities, companies will need to reimagine new strategies to build long-term value and sustainably deliver the products and experiences that consumers, both today and in the near future, truly want.

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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