

Maharlika in talks to develop three ecozones

By **Luisa Maria Jacinta C. Jocson**
Reporter

THE Maharlika Investment Corp. (MIC) is in talks to support the development of three economic zones (ecozones) in Luzon and Mindanao.

"I'm in active discussions with (three) government agencies in

relation to their respective properties. The aim is for us to develop them into (economic zones)," Maharlika Chief Executive Officer and President Rafael D. Consing, Jr. told *BusinessWorld*.

These include an industrial ecozone north of Luzon, a medium-sized agri-industrial ecozone south of Metro Manila, and another ecozone in Mindanao.

Mr. Consing said Maharlika is aiming to invite locators and mobilize the resources available in those areas.

"Whether those indigenous resources are labor or talent, the aim is, apart from being able to bring in locators, manufacturing facilities and manufacturing locators... to develop agricultural facilities around them and help

solve our food security issues. That's one of the main things."

The MIC is planning to officially announce the ecozones by the third quarter.

In December, Mr. Consing first floated proposals to create "mega ecozones" on idle government land, alongside townships that will allow people to live where they work.

The MIC's priority investment sectors are power, agroforestry, industry, urbanization, mineral processing, tourism, transportation and aviation.

Mr. Consing has said that Maharlika is working on determining how much investment it will allocate to each priority area, which he estimated at up to 15% per sector.

It is also discussing the possibility of creating sub-funds focusing on each priority sector, similar to banks' model of a unit investment trust fund.

In July, President Ferdinand R. Marcos, Jr. signed into law Republic Act No. 11954, which created Maharlika, the Philippines' first sovereign wealth fund.

Social Welfare department working with PSA, NEDA for inflation indexing method for gov't cash transfers

THE Social Welfare department said it is considering the method for indexing its cash transfer program payments to inflation with the support of government statisticians and economic planners.

Social Welfare Secretary Rexlon T. Gatchalian said the order to index payments made under the cash transfer program, known as the Pantawid Pamilyang Pilipino Program (4Ps), was issued by President Ferdinand R. Marcos, Jr. on Tuesday.

Mr. Gatchalian said at a Palace briefing that the Department of Social Welfare and Development (DSWD) has been tasked with creating a "self-indexing" mechanism to minimize the impact of inflation on the value of cash grants.

"We were tasked to work with Philippine Statistics Authority (PSA) and National Economic and Development Authority (NEDA) to find the best index," Mr. Gatchalian said at the briefing, citing the need to protect the value of cash grants in the face of rising prices.

"We know that inflation hits the bottom 30% of our population more severely."

The 4Ps are payments made to the most vulnerable families, with some requiring participants to keep children in school, subject women to health checks, and observe other practices thought to be crucial to development.

Asked to comment, an economist said robust safety nets will do away with the need to legislate wage hikes, in response to the slow pace of minimum wage increases, which labor organizations said have fallen far behind the cost of living.

Leonardo A. Lanzona, who teaches economics at the Ateneo de Manila, said social protection programs like the 4Ps are vital to an economy that is being challenged both by internal and external dislocation.

"In a situation affected by changing technologies, international market reconfigurations and unstable environmental conditions, social protection is needed to protect social welfare especially for the poor," he said in a Facebook Messenger chat.

The government needs to ensure that the 4Ps program is maintained and adjusted appropriately en route to industrialization, Mr. Lanzona said, adding that the payouts should form part of a broader social security plan.

"A viable manufacturing program requires a robust social security plan. It is the government's responsibility to establish social security," he said. "If we had a strong social security program, we would not need the legislated minimum wage policies."

Inflation hit a 14-year high of 8.7% last year, though it has since receded.

NEDA warns of legislated wage hike impact on MSMEs

MICRO-, SMALL- AND MEDIUM-SIZED enterprises (MSMEs) may not be able to cope with the proposed minimum wage increase now under consideration in Congress, the National Economic and Development Authority (NEDA) said.

"One of the things we're looking at is affordability levels, especially for MSMEs," NEDA Undersecretary Rosemarie G. Edillon told reporters late Monday.

The Senate on Monday approved on third and final reading a bill that seeks to impose a P100 across-the-board minimum wage hike for private sector workers.

The last legislated national wage hike was in 1989. Since then, pay rates have been decided by regional wage boards.

The House of Representatives has yet to deliberate on a counterpart bill. The chamber is currently studying a proposal for a P350 to P400 minimum wage hike, while separate bills have been filed for P750 and P150 wage increases.

Ms. Edillon said NEDA studied the impact of the proposed wage hike may offset company savings generated by the Corporate Recovery and Tax Incentives for Enterprises (CREATE) law.

"That's one of the things that can provide a windfall. But we saw that for MSMEs, they will not be able to manage. The savings from CREATE will not be enough to cover the additional wage increase."

Ms. Edillon said that large enterprises will manage to pay more. "The problem is if you increase minimum wage, (you have to increase everything) and there will be distortions."

CREATE was signed into law in 2021 to support enterprises recovering from the coronavirus pandemic. It reduced corporate income tax rates,

provided tax relief measures, and rationalized fiscal incentives.

The House is set to deliberate amendments to the CREATE law to simplify and streamline tax and incentive systems.

The proposed changes seek to impose a 20% corporate income tax under the enhanced deduction income tax regime and provide value-added tax (VAT) exemptions for enterprises devoted entirely to the export market.

Calixto V. Chikiamco, Foundation for Economic Freedom (FEF) president, said in a Viber message that the legislated wage increase will "reduce employment, punish SMEs and scare off investors."

In an earlier statement, the FEF said the wage increase does not account for the cost factors and employment situations in the various regions.

The group warned that it would force small and medium-sized enterprises to lay off workers or even close operations.

"It will only cause more suffering for informal workers, such as seasonal workers, fishermen, gig economy workers, and market vendors, because they won't benefit from the mandated daily wage increase but will suffer from the higher inflation that the bill, if passed into law, will bring."

Mr. Chikiamco recommended to instead raise the disposable income of all consumers by liberalizing imports.

Last year, Metro Manila workers received a P40 increase in their daily minimum wage.

Other regions that approved wage increases were Cagayan Valley (P30), Ilocos region (P35), Central Luzon (P40), Central Mindanao (P35), Western Visayas (P30) and Southern Tagalog (P35 to P50). — **Luisa Maria Jacinta C. Jocson**

Mr. Marcos had described the need for indexing as an "immediate" priority, Mr. Gatchalian said.

The 4Ps program provides conditional cash transfer to poor households for a maximum of seven years. A qualified child enrolled in daycare and elementary programs earn families a grant not lower than P300 per month for a maximum of 10 months per year.

Qualified beneficiaries with a child enrolled in junior high school are eligible for not less than P500 per month, while those in senior high school are to receive at least P700 monthly, according to the 4Ps law.

It also provides qualified households with a health and nutrition grant not lower than P750 per month yearly.

The program, which was patterned after conditional cash transfer programs in Latin America and Africa, was first implemented by former President Gloria Macapagal-Arroyo in 2006 and was made permanent by her successor, the late Benigno S.C. Aquino III, who assumed office in 2010. It became law in 2019 as Republic Act (RA) 11310, or the 4Ps Act.

Once the index approved by economic managers, it will be introduced to the Legislative Executive Development Advisory Council, Mr. Gatchalian said.

He said, noting that some of the items being considered for tracking in an index include the essential goods basket.

"There are many ways to do it but the most important thrust there is to make it responsive and protect its value against being diminished by shocks like inflation."

He said the DSWD will also consider indexing schemes for other social grants such as the Assistance to Individuals in Crisis Situation, which is being implemented under a memorandum circular.

"Let's protect the flagship (4Ps) first because that it's most needed, but it doesn't necessarily mean we'll stop there."

Every six years, the Philippine Institute Development Studies is tasked with recommending to the National Advisory Council whether the cash grants need to be adjusted based on movements of the consumer price index.

The council needs to ensure that the grant amounts are sufficient to "make a positive impact on the health, nutrition, and education," according to the 2019 law.

Inflation hit a 14-year high of 8.7% year on year in January 2023. It declined to 3.9% in December, but the full-year average

for 2023 was 6.0%, remaining above the central bank's 2%-4% target.

The Senate on Monday approved on third and final reading a bill pushing for a P100 (\$1.78) across-the-board minimum wage increase for workers in the private sector.

Sonny A. Africa, executive director of think tank Ibon Foundation, said the government should prioritize the creation of quality jobs and funding social services instead of focusing on cash assistance programs, which called "band-aid" solutions.

"The government should be institutionalizing quality job creation and publicly provided social services instead of focusing on the band-aid measure of cash assistance," he said.

"The government should be looking more into why its economic strategy chronically leaves so many behind and fails to create enough decent formal work for so many Filipinos," he added.

"The binding constraint to development is really how the economic team still refuses to accept that the country needs a long-term strategy of national industrialization to spur domestic job creation that progressively reduces the need for cash assistance for so many." — **Kyle Aristophere T. Atienza**

PHL demographics may be suitable for AI software development — Microsoft

By **Justine Irish D. Tabile**
Reporter

THE head of Microsoft Corp.'s Asia operation said the Philippines has favorable demographics for becoming a potential hub for artificial intelligence (AI) software, which it could grow as an offshoot of the outsourcing industry.

"The Philippines has such a great population base of young talented people (that it) can actually be a hub for creating AI software ... and that could be a great supplement to the current outsourcing industry," Microsoft Asia President Ahmed Mazhari said at a Makati Business Club forum on Tuesday.

"I truly believe that the outsourcing industry here should not be limited to the back office. You can actually go to the middle and front offices," Mr. Mazhari added.

Josh P. Aquino, head of PR and communications at Microsoft Philippines, said the young workforce speaks the right languages when it comes to technology.

"It's very young and global, and speaks the world's language. We are represented in every country in the world through service workers so there is huge potential to establish ourselves as a nation that has a leading AI capability," he said.

Microsoft views AI as a tool that can augment and amplify human ingenuity and capacity, potentially supplementing one of the pillars of the Philippine economy, which is the business process outsourcing (BPO) industry.

More coconut farmer involvement urged at levy fund operations level

A FARMER organization said the government needs to consult more extensively with coconut producers on the use of funds sourced from coconut levy assets.

In a statement, Federation of Free Farmers Chairman Leonardo Q. Montemayor urged Finance Secretary Ralph G. Recto to appoint coconut farmer representatives to advise the Trust Fund Management Committee on the proper deployment of the fund's assets.

"The Trust Fund Management Committee decides on the disposition of coconut levy funds and assets. It also determines the

yearly funding allocation — out of the P100-billion Trust Fund levy collections — for the various projects and support services to be extended to coconut farmers and their organizations," he added.

The Secretary of Finance serves as chairman and fund manager on the trust fund committee, while the Secretaries of Justice and Budget serve as members.

Republic Act No. 11521, or the Coconut Farmers and Industry Trust Fund Act, puts coconut levy assets into a trust fund that will finance the rehabilitation and modernization of the coconut industry. — **Adrian H. Halili**

Foreign ownership of universities expected to expand PHL schools' networks

By **John Victor D. Ordoñez**
Reporter

FOREIGN OWNERSHIP of higher education institutions could improve employment prospects for students, who would have access to the foreign investors' job placement networks, according to testimony heard by a Senate committee on Tuesday.

At a hearing considering a resolution that would ease Constitutional restrictions on foreign

investment, Gael McDonald, a senior consultant with Arizona State University and former president of RMIT University Vietnam, said more foreign universities will also expand Philippine universities' partnership networks, resulting in the exchange of knowledge and research practices.

"When you establish a new university, you establish jobs, you attract students, you contribute to the local economy, you pay taxes and should get tax incentives which should always be quite favorable," she said.

"And you can also encourage innovation and entrepreneurship. There is an economic multiplier that is clearly in existence when you bring in a foreign university."

The Senate is debating Resolution of Both House No. 6, which proposes to lift restrictions on foreign ownership in public utilities, education and advertising.

On Monday, legislators filed Resolution of Both Houses No. 7, which also proposes the easing of limits on foreign entities in the 1987 Constitution.

Ms. McDonald noted the possibility of "brain drain" as a result of exchange programs, though at least some expatriates have a good chance of returning eventually.

"You never know, the appeal of home is always quite great and people often do return after their studies," she said. "If it is set up correctly it is a situation of sharing of knowledge, systems, processes, and policies."

Karol Mark R. Yee, executive director of the Second Congress-

sional Commission on Education (EDCOM II), said the Philippines is among the strictest in the Southeast Asia region with regard to foreign ownership of schools.

"Allowing foreign ownership is just the first step," he said. "Singapore and Malaysia rolled out government incentives to encourage the establishment of international institutions."

He said that EDCOM II is prioritizing the internationalization of higher education and improv-

ing research productivity this year.

At the hearing, Senator Juan Edgardo M. Angara said basic education should remain in Filipino hands because they "play a very important part in the instilling of values and the molding of the youth."

"Before we amend or seek to amend the Constitutional provision on ownership or management and control of higher education institutions, perhaps we should aim at greater precision in the language of the amendment."