

MAKATI BUSINESS CLUB FORUM

A Start-Up Approach to
the Drug Problem



WANTED: 'GAME PLAN' FOR BRI

The Philippines needs a strategy to join China's Belt and Road Initiative, says HKTDC's Vincent Lo



ROUND 2 ON TRAIN 2

A return engagement with Finance Undersecretary Karl Chua on Package 2 of the government's tax reform plan



STAKING OUT A POSITION ON FEDERALISM

A conversation on the governance and economic aspects of the proposed shift to federalism

GENERAL MEMBERSHIP MEETING: A START-UP APPROACH TO THE DRUG PROBLEM

7-Eleven Philippines chief Victor Paterno pitched not one but two ambitious plans when he addressed the Makati Business Club in March. The first is a plan to roll out community-based drug rehabilitation programs, working with police and local leaders to curb drug-related deaths by getting communities certified as drug-free zones.

The second is a proposal to finance the plan in start-up fashion, with investors coming in at several phases in venture-capital style.

Paterno is a leader of the Bishops-Businessmen's Conference, which assigned him to lead its community-based drug rehabilitation program. He says maybe because of his experience with taking a business model and planting it around the country (7-11 has 2,287 outlets in the Philippines).

Over 18 months, he's become part of an alliance of police officers, priests, Ateneo's Center for Family Ministries (CEFAM), and RAPID, a Seaoil-funded drug rehab NGO whose members include a police chief and whose head, maybe not coincidentally, is the wife of the Cebu police provincial commander. They had great expectations for their Lost Sheep Initiative until they had to implement it.

"As any start-up will tell you, things that look full of promise on paper get their harsh dose of reality when they hit the ground. We hoped the Lost Sheep Initiative would scale rapidly and virally. The name and logo was created in hopes of attracting hordes of millennial volunteers on social media, whom we could match with parishes deluged with patients. We would compensate for the lack of trained facilitators with online videos and training provided by our partner CEFAM," Victor Paterno said at the Makati Business Club meeting last March 19 at the Tower Club.

"In the end, there was a lot of political noise, and neither funding nor volunteers was easy to come by. So we pivoted to a more modest short-term goal of supporting existing efforts," he said.



BusinessWorld editor-in-chief Roby Alampay interviews Supt. Byron Allatog and Victor Paterno at the MBC General Membership Meeting at the Tower Club in Makati City

After some trial and error, Paterno says he is pushing to pilot in Metro Manila before a national roll-out. In his model, churches and local governments are providing the seed capital, private investors will fund the angel investor round, corporate foundations will enter in Series A, and foreign organizations in Series B.

The seed round was "very high risk, and we are in debt to the brave individuals and institutions that participated," Paterno said. According to him, drug-related deaths fell 70 percent in areas with community-based rehabilitation programs.

The start-up is somewhere between seed capital and the angel round. Paterno says his group has P10 million of the P20 million they need to put 1,000 to 3,000 drug dependents through three-to six-month programs in at least 10 NCR cities and municipalities, or approximately 100 to 300 dependents per city.

"Malabon and Pateros have already submitted applications," Paterno said.

If the numbers seem small, it's because it is a proving ground for the next stage, where he is aiming for 10 times the money, this time from foundations, to take it national. They will "focus on improving documentation to a level acceptable to corporate foundations," he said.

Not that there aren't community-based rehabilitation programs around the country already. In fact, Paterno spoke alongside Superintendent Byron Allatog, police chief in Bogo City, Cebu. Allatog was a "star," Paterno said, "with a story that gave everyone hope that this war could be won with less bloodshed."

Allatog recalled going to every barangay in Bogo to get people behind what he calls his "whole-of-community" approach. He said he told one group after another that the drug war is not just a matter for the police but for every barangay captain and all the members of the community.

Allatog said he told them that they all had to acknowledge there was a problem, and that everyone should help fix it.

"It is a shared responsibility, sharing and sacrificing time and resources because it is our moral obligation and responsibility to protect our town because my family lives here, I work here, and my children study in this community," Allatog said he told Bogo residents. For winning the war on drugs with zero deaths in

Bogo, Allatog has won local and international media attention—and a 2017 Ten Outstanding Young Men award.

Allatog pointed out that assuming the 624 former drug users that have graduated from the city's drug rehabilitation program were consuming even just P300 worth of drugs a week, their rehabilitation meant stopping the flow of P8,985,600 per year to the illegal drug trade. If Bogo's efforts were to be replicated and 10 surrenderees were to be saved in each of the 1,635 cities and municipalities throughout the country, that could conceivably result in stopping the flow of over P200 million to the illegal drug trade.

If, as Paterno says, many start-ups end up doing something other than what they had planned, he also bows to the fact that most start-ups fail.

"I probably don't have to tell you there's no IPO, because there's no payback, at least in this life," he said. "We would like to invite you to share in the credit if we succeed, and hopefully there will be enough of us to share the blame if things do not go as hoped." ■

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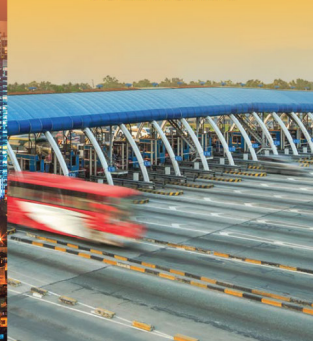
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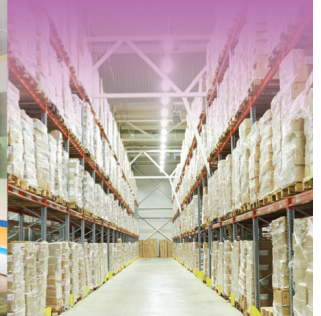
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GENERAL MEMBERSHIP MEETING: PHILIPPINES NEEDS 'GAME PLAN' TO JOIN CHINA'S BELT AND ROAD INITIATIVE

China can fund at least 50 possible Philippine projects but the country needs a strategy to be part of the multi-trillion-dollar "Belt and Road Initiative" (BRI), a Hong Kong business leader said amid concerns that the Philippines will be left out of the ambitious plan.

While the Philippines was "early" to see the potential in the BRI, "Unfortunately, nothing much has been done about it," Vincent Lo, chairman of the Hong Kong Trade and Development Council (HKTDC) told Makati Business Club members at Makati Shangri-La on April 23.

The Philippines needs to work out "what role you should play in this whole new game," Lo said. "Your location is very strategic, so you need to form a game plan as to how exactly you want to interact with the whole world. It's a very competitive world and you just need to do something that you're very good at. Either it's through your location, your human resources, or your natural resources."

Lo said HKTDC will help, including with the 50 projects. At one point he asked his assistant for the list and had MBC trustee Doris Magsaysay Ho read off it. But they declined to share the list, saying it wasn't official or final yet.

"I've shared that with all my delegation members and asked them, 'Who would be interested?' so they can go and talk," he said. "If your club is interested, then we can establish that connection," Lo said. "If any of your members are interested to work with us, the HKTDC can help you to find the right partners, the right investors."

Lo reminded the group that he was in the Philippines heading a 50-member trade and investment mission, whom he left to address MBC "on the instruction of Doris, of course."

The two CEOs became good friends when Lo was in Hong Kong's APEC Business Advisory Council (ABAC) and Magsaysay Ho was in ABAC Philippines. In her introduction, Magsaysay Ho traced Lo's career in



Hong Kong Trade and Development Council chairman Vincent Lo addresses MBC on April 23 at the Shangri-La Hotel in Makati City

Hong Kong and China and said he was her "hero." Among their many awards, they are both Ernst & Young Entrepreneur of the Year awardees.

Lo won the award for building the Shui On group, a large China property developer based in Hong Kong. He's still chairman even as he heads HKTDC, a semi-government agency that serves as the international marketing arm for Hong Kong-based companies.

'LARGEST ECONOMIC PLATFORM IN THE WORLD'
China President Xi Jinping launched the Belt and Road Initiative in 2013. The name is a reminder of the Silk Road that linked East and West from about 200 BC to the 1700s. Xi plans to fund infrastructure and other projects in order to link economies from Asia to Europe and Africa. Some analysts estimate it covers more than 60 countries.

"I personally believe this will be the largest economic cooperation platform in the world in this 21st century," Lo said. "And if the Belt and Road manages to repeat China's success in even just 10 percent of the Belt and Road economies, it could boost world growth by



MBC trustee Doris Magsaysay Ho reads HKTDC chairman Vincent Lo's list of proposed Philippine projects

another 15 percent in the next four decades. This is way above the global average growth of 3.4 percent."

'NO CONSPIRACY, JUST MAKE MONEY'

Some analysts see other motivations for the Belt and Road Initiative, including using China's excess factory and worker capacity, political leverage in countries hungry for funding and projects, and a counter-weight to the US, which at that time was pushing the Trans-Pacific Partnership. Critics have also warned that the projects could go the way of other China-funded infrastructure that collapsed or ran into financial difficulties, with China taking control over some assets.

"I think a lot of countries see that not as investment. They see it as political financial support," Lo said. "Then how could you make it work? If a country

is not going to pay back the money, are you going to declare war? There's no conspiracy. We're only interested in making money."

He said he does not believe that China wants to hog power, despite the "vacuum" left by the United States under the Trump administration.

Lo took pains to say the initiative isn't just China's, saying that's one reason the name was revised from the original "One Belt, One Road Initiative."

"I don't believe China wants to dominate the world or lead the world like the way the US has done for the past few decades, and I believe the Belt and Road Initiative is a very good example of that." Lo said. ■

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ROUNDTABLE DISCUSSION: ROUND 2 ON TRAIN-2

On April 3, MBC leaders met Finance Undersecretary Karl Chua for the second time in a month to discuss TRAIN-2, the second part of the government's tax reform plan.

"TRAIN" stands for Tax Reform for Acceleration and Inclusion, and Package 2 focuses on taking away some fiscal incentives—corporate tax breaks—in exchange for lowering the corporate income tax rate.

While the first meeting in March was attended by representatives of 54 member companies, the second meeting was attended by members of the MBC Board of Trustees and the National Issues Committee. Among the issues they raised were possible legal challenges to the government changing, reducing, or removing tax breaks that investors believed were permanent. They also pushed for the proposed 5



percentage point cut in the corporate income tax to be done at one percentage point per year rather than based on how much new revenue was coming in due to the removal of tax cuts.

MBC submitted its TRAIN-2 position paper to the Departments of Finance and Trade and the House and Senate Ways and Means Committees on June 1, after delivering a summary in a House hearing on May 30. ■

ROUNDTABLE DISCUSSION: WITH VP ROBREDO ON LABOR

On May 8, MBC ran a roundtable discussion on labor issues for Vice President Leni Robredo. MBC chairman Ed Chua led the meeting, which included a handful of business leaders.

The meeting happened a week after Labor Day, when President Duterte signed EO 51, which focused on contracting and subcontracting but disappointed many labor groups. A major part of the roundtable discussion revolved around contractual

employment. Participants noted that some kinds of contractual employment are allowed—and that there are even more cases where allowing contractual employment would boost jobs. They agreed that "contractualization" has a bad connotation in part because many members of the public and even the media are not clear about the differences.

They noted that "contractualization" is not an issue in many economies and probably not an issue to the country's young workforce, because they switch jobs much more than previous generations did. The participants said "portable" insurance, family- and gender-sensitive policies, and education and apprenticeship may actually be more relevant concerns. ■



STAKING OUT A POSITION ON A FEDERAL PHILIPPINES

On May 9, MBC National Issues Committee co-chairmen Jose Cuisia and Roberto de Ocampo presided over a discussion on the planned shift to a federal system, for the purpose of producing a position paper on the issue. They led a small group of business leaders that sat down with Rosario Manasan, senior fellow at the Philippine Institute of Development Studies, and Romulo Miral, head of the Congressional Planning and Budget Office.

The conversation revolved around (1) the management capability of local governments and the advisability of improving this before transferring more power,



(2) the economic powers of the proposed states and constitutional provisions that would help them avoid financial disaster, and (3) the need for the government's key economic agencies to weigh in on various aspects of the proposed shift. ■

PARTNERSHIPS: MBC AND PBCWE SIGNING

On May 16, MBC and the Philippine Business Coalition for Women's Empowerment signed an agreement for MBC to study the "leaking pipeline," or why the ranks of women executives thin out as they move closer to the C-suite and what measures can be taken to counter this.

The agreement was signed by MBC chairman Ed Chua and PBCWE co-chairwoman Boots Geotina-Garcia. The project, which will tap MBC's executive network, is planned to take nine months. ■



PBCWE executive director Julia Abad, PBCWE co-chair Boots Garcia, MBC chairman Edgar Chua, and MBC executive director Coco Alcuaz formalize the partnership

ABAC PHILIPPINES IN JAPAN

ABAC Philippines chairman Tomas Alcantara and members Joanne de Asis, Bill Luz, and Francis Chua were in Tokyo from April 16 to 19 for the APEC Business Advisory Council's second meeting of 2018.

They joined their ABAC counterparts in issuing their annual letter to the trade ministers of the APEC economies. The Philippine team also sent an accompanying memo to Trade Secretary Ramon Lopez, pressing the government to embrace regional economic integration via three steps. First, by supporting ASEAN's efforts to create an RCEP (Regional Comprehensive Economic Partnership) with its six free trade agreement partners. Second,



by joining the next round of discussions of the Trans-Pacific Partnership. Third, by opening talks with the Pacific Alliance, a Latin American trade bloc. These initiatives are seen as pathways to an eventual Free Trade Area of the Asia-Pacific, or FTAAP. ■

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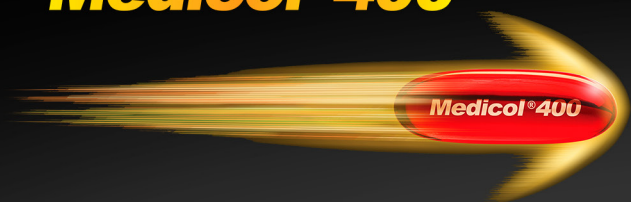
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