Pandemic setbacks could prompt PHL review of ASEAN integration goals

THE PHILIPPINES could call for revisions in a region-wide economic integration plan after the pandemic affected its growth trajectory, the Philippine Institute for Development Studies (PIDS) said in a report.

In a research paper, How Does the Philippines Fare in Meeting the ASEAN Economic Community Vision 2025?, PIDS said that the Philippines so far is in the middle of the pack in performance against indicators set in the blueprint in 2015.

But the coronavirus disease 2019 (COVID-19) pandemic could call for a reevaluation of these goals, researchers Francis Mark A. Quimba, Maureen Ane D. Rosellon, and Jean Clarisse T. Carlos said.

"Parts of the economy and society that were affected might not deliver the expected outcomes. The ASEAN member-states could have also tweaked their respective development plans because of the pandemic like what the Philippines has done," they said.

The ASEAN Economic Community (AEC) blueprint set in 2015 aimed for integrated economies, a competitive and innovative region, enhanced connectivity, a resilient and people-oriented region, and a global ASEAN.

Under AEC indicators, the Philippines performed well in categories like intra-ASEAN imports, private partnerships in infrastructure investment, and tariff rates on imports. But it ranked among the lowest in intra-ASEAN exports, research and development expenditure, intra-ASEAN tourist arrivals, and number of small businesses.

"While the country is generally moving toward achieving AEC goals, its performance certainly can be further improved," the report found.

"Within ASEAN, its ranking is somewhere in the middle, placing for most of the indicators around fourth to sixth. As the Philippines is bound to become an upper-middle-income country, it cannot settle (for) the current standing and should do more work to step up the progress being made."

The report recommended that the government assess indicators that need improvement to address bottlenecks.

The volume of trade could still improve by improving industry efficiency, while the information and communications technology sector will need more attention.

"Various aspects of the economy have become digital, and the COVID-19 pandemic highlighted the importance of internet connectivity and digitalization. The Philippines has a relatively high cost, low speed and weak internet connection," PIDS said.

The Philippines, the report said, could tap ASEAN as a source of foreign direct investment in technology, which could help it integrate better with the region.

The Philippines could also reevaluate its plans in response to the impact of the pandemic.

The Philippine economy expanded by 5.6% in 2021, reversing the 9.6% contraction in 2020, when drastic lockdowns slowed down business and consumer activity. But last year's growth is still lower than the pre-pandemic 6.1% expansion in 2019.

"While the National Economic and Development Authority is actively assessing the Philippine Development Plan indicators, there is a need for the entire government (including the local government units) to update plans and incorporate the AEC targets," PIDS said. **— Jenina P. Ibañez**

Return of mining investment seen delayed after gov't bans

By Luisa Maria Jacinta C. Jocson

THE Chamber of Mines of the Philippines (CoMP) said the recovery of investment in mining may be delayed because of the various moratoriums and shutdowns ordered on the industry over the past nine years.

"Because of the policy issues that the Philippine mining industry has faced, our country's reputation as an investment destination took a big hit, and it will take time for investors to regain their confidence in the Philippines," CoMP Vice-President for Communications Rocky G. Dimaculangan said in an e-mail interview.

On Dec. 23, the government lifted the four-year ban on open-pit mining, rescinding an order issued by the late Environment Secretary Regina L. Lopez, an anti-mining advocate.

In April, President Rodrigo R. Duterte lifted the nine-year moratorium on granting new mining permits.

"Foreign investment in mining allows the government access to capital and technology that are meant to benefit the nation and its people over the long term. Some exploration and mining projects require huge capital requirements, which the government does not have, and Filipino investors may not be willing or able to provide," Mr. Dimaculangan said.

"It also takes time for a mining project to reach operational status. Apart from having to prove its financial capability to operate a large-scale mine, and we're talking about hundreds of millions to billions of dollars here, a project has to undertake such steps as an environmental impact assessment, and to secure a social license to operate, which in our experience is the more challenging one to get. That's why the government's recent mining policy pronouncements are indeed most welcome developments," he added.

Three copper-gold projects are in the pipeline for Mindanao: Silangan, Tampakan and King King, which are expected to bring in close to $5 billion in total capital investment over several years, according to CoMP.

Mining's gross domestic product contribution is expected to increase from 0.6% to 1.5% a year, while enhancing National Government revenue by P12 billion, LGU revenue by P1.5 billion, exports by $2 billion, and social expenditures by close to P800 million a year.

"You can imagine what yearly expenditures of almost P800 million per year can do to the development of those far-flung yet highly mineralized areas that don't see much development at all. Also, royalties to indigenous tribes of a little over P600 million a year. It is no wonder that the indigenous people in such areas have been clamoring for the start of development of these projects," he said.

"We hope the next administration will continue policies that will help stabilize business and investment policies. Our country has a lot of catching up to do in terms of investment attractiveness compared to other mining jurisdictions all over the world," he added.

After the ban on open-pit mining was lifted, various environmental groups criticized declared their opposition, citing the impact on the environment, changes to the landform, and the risk of acid leaks and deteriorating water quality.

With regard to sustainability, the chamber said sufficient laws in place to assure that mining does not unduly damage the environment.

"We believe that the regulatory environment governing mining is adequate. The Philippines already has among the strictest mining laws, rules and regulations in the world that impose on exploration and mining companies many social, economic, and environmental limitations and conditions. Where we can explore and mine is already well-defined. We need to secure a social license before we can explore and mine. We have to contend with voluminous environmental requirements and reports from inception to termination — and beyond — of our mining projects," Mr. Dimaculangan said.

"In the last nine years, our government has done a thorough review of the regulatory framework of the mining industry and has put in place additional rules and regulations to enhance the industry's productivity while increasing the protection for the environment and the benefits to host communities," he added.

Mr. Dimaculangan said the chamber adopted the Climate Change Protocol in 2017, one of the eight protocols of the Towards Sustainable Mining (TSM) initiative.

"TSM is a set of tools and indicators to drive environmental and social performance and ensure that key mining risks are managed responsibly at members' facilities. The program was established in 2004 by the Mining Association of Canada and its main objective is to enable mining companies to meet society's needs for minerals and metal products in the most socially, economically, and environmentally responsible way," he said.

The CoMP said it undertook a thorough "Filipinization" process for TSM from 2018 to 2020 to ensure the program is responsive to Philippine conditions.

Apart from Canada and the Philippines, TSM is currently being implemented in Argentina, Australia, Botswana, Brazil, Colombia, Finland, Norway, and Spain.

The Department of Environment and Natural Resources also issued a memorandum authorizing large-scale mining companies to realign their mandated social development funds, equivalent to 1.5% of operating costs, to support affected communities quarantined due to the pandemic.

"Consequently, large-scale mining companies spent over P380 million on PPEs, disinfectant, and medical supplies, as well as food assistance and supplies for social amelioration measures. This benefitted 297,491 frontliners and 1,099,090 households and families living in host communities and beyond," Mr. Dimaculangan said.

Subway excavation expected to start in Q2

By Arjay L. Balinbin
Senior Reporter

THE Transportation department said tunnel works for the Philippines' first underground railway system will start by the second quarter, with the positioning of the tunnel boring machines from Japan set to start in April.

"TBM (tunnel boring machine) lowering and assembly for excavation will begin in April," Transportation Undersecretary Timothy John R. Batan told *BusinessWorld* last week when asked for an update.

The new timetable represents one quarter's slippage in subway progress. The department said in December that excavation would begin in the first quarter of 2022, with lowering and assembly taking "two to three months starting in December."

On Jan. 8, Transportation Arthur P. Tugade announced that the Metro Manila Subway Project's (MMSP) overall progress rate as of November 2021 was 25.09%.

"Now, the MMSP is already NEDA (National Economic and Development Authority) Board-approved, already funded by the Japanese, and its partial operability civil works, trains, and electromechanical systems already contracted," he said in a statement.

"Actual construction works by the design-build contractor for the partial operability section began in 2019 with site clearing works at MMSP's Valenzuela Depot," he added.

Two out of 25 tunnel boring machines from Japan that will be used for the project arrived in Manila in February 2021.

The project was first proposed and planned in 1973 as part of the Urban Transportation Study in the Manila Metropolitan Area, the department said.

"For more than 40 years and six administrations, all we had were talk, proposals, plans, studies, drawings, and Powerpoint presentations," the department noted.

The government broke ground on the first three stations in February 2019 after the Transportation department signed a P51-billion deal with the Shimizu joint venture, which consists of Shimizu Corp., Fujita Corp., Takenaka Civil Engineering Co. Ltd., and EEI Corp.

The Philippines and Japan signed in March 2018 the first tranche of the P355.6-billion loan for the project.

The subway will have 17 stations: East Valenzuela, Quirino Highway, Tandang Sora, North Avenue, Quezon Avenue, East Avenue, Anonas, Katipunan, Ortigas, Shaw, Kalayaan Avenue, Bonifacio Global City, Lawton, Senate, FTI, NAIA Terminal 3, and Bicutan.

It will run across North and South zones of the Capital Region, according to the Transportation department.

"Once operational, the MMSP will reduce travel time between Quezon City and NAIA (Ninoy Aquino International Airport) from one hour and 10 minutes to just 35 minutes," it added.

While the public will have to wait until 2025 for full operations of the 17-station subway, the government is planning to launch partial operations, covering the first three stations this year.

OPINION

How boards can seize the opportunity in enhanced corporate reporting

SUITS THE C-SUITE
ARIS C. MALANTIC *and* **RONALD WONG**

Companies are increasingly expected to broaden the quality and scope of their corporate reporting to include enhanced environmental, social and governance (ESG) disclosures. Adopting an enhanced corporate reporting approach enables an organization to articulate a unique narrative on how the business is creating long-term value for its stakeholders. Boards have both a responsibility and an opportunity to challenge their organizations to transform into sustainable businesses and redefine reporting to address the wide-ranging insights that stakeholders are looking for.

To deliver enhanced reporting, companies need to think about transforming their finance operating model so that they can inject the same rigor and relevance of traditional financial reporting into ESG reporting. Boards should challenge their finance leaders to take a fresh look at how reporting is delivered by considering three key areas: data analytics, talent strategy and C-suite collaboration.

LEVERAGING ADVANCED DATA ANALYTICS

The use of advanced analytics is instrumental in extracting relevant ESG insights from data. Advanced analytics can help companies structure, synthesize, interpret and derive insights from voluminous data, and create credible and useful ESG reporting. Bearing this out, the *EY 2021 Eighth Global Corporate Reporting Survey*, which examines the perspectives of more than 1,000 CFOs, financial controllers and other senior finance leaders globally, found that the top technology investment priority for finance leaders over the next three years is advanced and predictive analytics.

Yet even as finance teams seek to build a more agile financial planning and analysis approach, several data challenges stand in the way. These include the sheer volume of external data, followed closely by data quality and comparability issues, according to the abovementioned survey. Boards should assess if finance leaders have adequate resources and budgets to address these challenges and increase their use of advanced data analytics to deliver more robust reporting.

A key way to leverage data analytics to enhance the quality of reporting is to introduce forward-looking insights, for example, by bringing in external data to corroborate and provide analysis on future trends. Thereafter, this downstream reporting outcome can be used to streamline upstream activities, such as capturing data in the right format to allow for efficient collection and analysis. This requires proper planning from data collection to reporting, with technology as a key enabler. Hence, this process should be considered part of an organization's digital transformation journey.

FUTUREPROOFING FINANCE TALENT

With accelerated technology adoption, technology and data skills will become crucial for finance teams. Indeed, survey respondents identified understanding of advanced technologies and data analytics as the top two skills respectively that will be important for finance professionals to succeed in their roles over the next three years.

To make enhanced reporting a reality, the board should mandate the management to define a talent strategy that equips the finance team with the right skills for the future. This includes hiring of talent with essential specialist skills like artificial intelligence knowledge and experience as well as upskilling the current finance workforce.

To future-proof the existing finance workforce, boards can challenge finance leaders to rethink their talent strategy and build an investment case for a major upskilling exercise. They should also assess whether the finance leaders have taken key actions, such as performing a gap assessment of current staff skill sets and creating incentives to encourage existing finance staff to pick up new skills.

Closing the technology adoption gap between the younger and mature workforce is important for driving the right culture. The senior leadership can empower the younger workforce to champion new ideas on leveraging technology through work improvement initiatives and reward successful initiatives by following through on implementation, with its support.

COLLABORATING ACROSS THE BUSINESS

A significant amount of ESG data is owned by different parts of the business, making it an imperative to collaborate across the different functions. In this regard, CFOs play a pivotal role in advancing the ESG agenda and sustainability performance among their C-suite peers to drive a cohesive ESG approach. For instance, finance leaders should work with sustainability leaders and supply chain executives on environmental performance to understand more about how the company utilizes natural resources and the effect of its activities on the environment. Boards should direct finance leaders to proactively collaborate across the organization to drive effective ESG reporting and demonstrate the economic impact of different ESG strategies and related targets to stakeholders.

Boards should also expect finance leaders to work closely with them on sustainability performance management and oversight. With their deep understanding of the regulatory and reporting standards environment, finance leaders are well-placed to lead in building trust and transparency into ESG performance.

The integration of sustainability — and broader ESG factors — into the business strategy and enterprise risk management must be a board priority. In a world where stakeholder demand for reporting on nonfinancial information is growing, the board should challenge the management to redefine reporting and be prepared to disrupt the status quo. By accelerating the digitization of finance, defining a talent strategy that focuses on reskilling employees for a very different future and strengthening C-suite collaboration, companies will be well-positioned to deliver the insights expected by their stakeholders.

Boards should consider the following questions:

- How is the company using nonfinancial reporting to communicate how it is generating long-term value for stakeholders and does its ESG reporting meet stakeholders' expectations?
- How is the board supporting and monitoring ESG strategy development and related goals and metrics, including the identification and integration of nonfinancial key performance indicators?
- How is the organization injecting rigor into nonfinancial reporting in terms of disclosure processes, controls and obtaining external assurance?
- What governance, controls and ethical frameworks are in place to oversee the use of artificial intelligence and other technologies in the finance function?
- What are the top skill sets needed to enable an enhanced corporate reporting approach and what are the skills gaps in the current finance team?

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 authors and do not necessarily represent the views of SGV & Co. and Ernst & Young LLP Singapore.

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