BoI expects P1-T investment goal to be 80-90% filled by midyear

TRADE Secretary Alfredo E. Pascual expects the Board of Investments (BoI) to hit its P1-trillion investment target for 2023 following "serious interest" from foreign investors.

"With investment prospects being very positive, and as we continue to receive serious interest from global investors, we are definitely on track to meeting our annual investment target of P1 trillion. We are not even through with the second month of the year and we already have secured nearly half of our full-year target for investment approvals," Mr. Pascual said in a statement.

The BoI is an investment promotion agency (IPA) of the Department of Trade and Industry.

Mr. Pascual, who chairs the BoI, was commenting after the BoI reported P414.3 billion worth of approved investments as of Feb. 9, equivalent to a 142.9% increase year on year.

Mr. Pascual said the BoI could hit 80% to 90% of the target before the middle of the year as the IPA is still following up on other investment leads.

"So far, the agency still has potential investment leads of around P344 billion that have yet to be processed," Mr. Pascual said.

"The increase in investments proves that the government's promotional visits abroad led by no less than the President himself, are working as a growing number of investors from around the globe, from Southeast Asia, the US, Belgium, China, and most recently Japan, have shown strong interest in putting in more investments into the country," he added.

Last year, the BoI recorded P729 billion worth of approved investments, up 11%.

The BoI accounted for 76% of the P927 billion worth of total IPA foreign and domestic approved investments in 2022.

Mr. Pascual said BoI foreign investment approvals as of Feb. 9 amounted to P163 billion. Investments from Germany accounted for P157 billion, followed by the Netherlands with P2.7 billion, Japan P524 million, the US P509 million, and the UK P194 million.

"BoI-approved foreign capital for barely the first months of 2023 has already reached 56% of the total figure for all IPAs last year. So, this year looks very promising with heightened prospects and through our collective efforts, we are on course to surpass the 2022 figure way ahead of time," Mr. Pascual said.

The BoI said the Western Visayas led the regions in investment as of Feb. 9 with P293.3 billion, followed by Calabarzon with P111.7 billion, Eastern Visayas P3.5 billion, Central Luzon P3 billion, and the National Capital Region P783 million.

The renewable energy sector had the biggest share of investment approvals at P398.7 billion, up 138%.

One of the top projects approved in January was the P392-billion investment in offshore wind farms by German-owned wpd Philippines, Inc. in Cavite, Negros Occidental, and Guimaras.

"We aim to be a global hub for sustainability and green projects that align with the National Government's policy of promoting cleaner sources of energy, for which full foreign ownership is now allowed under the amended implementing rules and regulations of the Renewable Energy Act," Mr. Pascual said.

Other sectors posting significant investment approvals were manufacturing with P12.3 billion, administrative services P1.3 billion, agriculture P901 million, and transportation P847 million. — **Revin Mikhael D. Ochave**

Regulatory overhaul needed for domestic mineral processing

THE Department of Trade and Industry (DTI) said it is working towards establishing a domestic mineral processing industry to tap the potential of Philippine metals for the burgeoning electric vehicle (EV) industry.

Dita Angara-Mathay, DTI commercial counselor and special trade representative to Tokyo, said in a recent virtual briefing after the Japan visit of President Ferdinand R. Marcos, Jr. that the DTI is pushing for more domestic ore processing to move the Philippines into more high-value activities like battery production for EVs.

"The aspiration of the DTI is that we will find it in our regulations to stop the direct sale of ore because that's a depletable resource, and only encourage new entrants if they invest in processing the ore into high value-added products. That doesn't only apply to nickel but also copper, etc. So, we have to move up the value chain," Ms. Angara-Mathay said.

"They should also bring the processing technology so that our ore can be used in batteries ahead of the surge in demand for EVs. That's what we really want," she added.

Ms. Angara-Mathay said the DTI is convincing mineral processors Coral Bay Nickel Corp. and Taganito HPAL Nickel Corp. to consider higher-value activities. Both companies are Philippine units of Sumitomo Metal Mining Co., Ltd.

Coral Bay and Taganito are hydrometallurgical nickel processing plants that utilize high-pressure acid leaching, which converts low-grade nickel lateritic ores into nickel and cobalt mixed sulfide. The mixed sulfide is an intermediate product that is further refined for use in special steels, electric materials, and battery materials.

"What we really want to do is to convince them to migrate the processing to even higher value-added stages of the production chain to include, hopefully, the manufacturing of lithium-ion batteries," she said.

"We're hoping that since our mining regulations are getting clear. I think we're waiting for more details from those regulators or authorities who actually oversee exploration and processing," she added.

Ms. Angara-Mathay also disclosed that the DTI has already identified companies that should be working with the Philippines in processing its metals into batteries.

However, she said that there has been no interest from these companies as they are waiting for policies from relevant government authorities.

"We're just hoping that some of these people will come in and be brought in after we have a very clear-cut policy that we announce from the relevant authorities. So right now, nobody has expressed any interest," Ms. Angara-Mathay said.

Trade Assistant Secretary Glenn G. Peñaranda said that the DTI has formed a technical working group (TWG) to look into the possible policy changes to boost mineral processing investments.

"The TWG started last year. We looked at what Indonesia was doing. I think very soon, there should be a recommendation from the TWG. Today, some of the bigger users, particularly China, are really scrambling to secure their supply of the green metals. I think there is market pressure in a way to secure the minerals. The sooner we can make a decision, the better so it is clear," he added. — **Revin Mikhael D. Ochave**

Marcos sees manufacturing as key to export growth

PRESIDENT Ferdinand R. Marcos, Jr. said he views building up manufacturing to be a key prerequisite to growing the export sector.

"If the manufacturing operations (gain momentum), we can also export," he said in a latest video blog. "That's a big help because we can expand our business to other countries."

Mr. Marcos said the money saved from foregoing imports can help be invested in the economy.

Philippine manufacturing, as measured by the volume of production index, expanded 4.8% year on year in December, the weakest gain since the 4.6% reading in September, according to the Philippine Statistics Authority.

The December reading slowed from the revised 5.9% posted in November and 19.2% a year earlier.

Mr. Marcos said cheap and reliable energy was also key to boosting factory output.

He said public-private partnerships will play an important role in the manufacturing sector.

The Presidential Communications Office (PCO) said two major consumer goods companies — one of them Procter & Gamble Co. (P&G) — are currently establishing state-of-the art manufacturing facilities in the Philippines, "with one securing a registration with the Board of Investments."

P&G is establishing a new facility for production of diapers "for export," while the other, which is European is setting up a facility for personal care products, the Palace said, citing Lanie Dormiendo, head of the International Investments Promotion Service of the Board of Investments (BoI).

The Philippines also plans to host a French ship builder, "which is just finalizing its agreement with the government for the establishment of a shipbuilding facility," the Palace said. The French company currently operates a ship repair facility in the Philippines.

A Chinese company is also setting up a \$3.5-billion integrated steel mill in the Philippines.— **Kyle Aristophere T. Atienza**

FULL STORY

Read the full story by scanning the QR code with your smartphone or by typing the link <bit.ly/Export022023>

'Blended financing' could unlock private investment as fiscal resources dwindle

By Luisa Maria Jacinta C. Jocson *Reporter*

LEGISLATION proposing a "blended financing" model will help the Philippines tap more private funding, giving it more financing flexibility after its own ability to invest in projects was weakened by the pandemic, analysts said.

"Flexible funding modalities allow other interested parties to engage in development projects in the Philippines. This allows bilateral and multilateral partners to limit their exposure in specific development projects and provide space for private sector participation," Terry L. Ridon, a public investment analyst and convenor of think tank InfraWatch PH, said in an e-mail.

"As long as there is transparency in the so-called blended financing approach, it could be a welcome development, as manifested if one of the objectives is to have flexibility in financing — which is advantageous to loan borrowers," De La Salle University law and business professor Antonio A. Ligon added in a Viber message.

Albay Rep. Jose Ma. Clemente S. Salceda last week filed House Bill No. 7135, which proposes a blended financing model that allows for more diversified loan sources.

The model is defined as a "financing arrangement where the bilateral or multilateral partners mobilize funds from commercial or private financing institutions."

It can be applied as long as the projects are covered by national or international official instruments in the nature of exchanges of notes, memoranda of understanding, or similar instruments.

The bill also seeks to reduce the official development assistance (ODA) grant component to 15% and remove the 40% requirement for the weighted average of the grant component of all ODA-funded initiatives.

According to the bill, current ODA guidelines under Republic Act No. 8182 "do not explicitly provide a mechanism for ODAs in the blended financing approach."

"As such, similar financing arrangements could be subject to litigation, raising the risks of materially-adverse government action for such projects," it added.

The bill also noted that these risks could also restrict bilateral partners, particularly those from Europe, and their ability to provide their expertise in many areas where cooperation could contribute to development.

Analysts said that the bill will attract more investors and speed up the completion of projects.

"ODA provides cheaper financing at much longer tenors and better terms such as grace periods, but greater flexibility though blended funding from commercial or private sources would improve flexibility in terms of more infrastructure projects being financed and rolled out, as well as completed at a shorter time period," Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort said in a Viber message.

"Given the limited budget and financial resources of the government, more financing options and flexibility would be welcome," he added.

However, Mr. Ridon noted that the blended financing model may not be immediately adopted.

FULL STORY

Read the full story by scanning the QR code with your smartphone or by typing the link <bit.ly/Financing022023>

OPINION

Deepening the strategic value of the CHRO

SUITS THE C-SUITE
LISA MARIE T. ESCALER

(First of two parts)

Organizations have been undergoing wave after wave of transformation since disruption is now a modern-day constant, and managing talent plays a key role to overcoming every obstacle that organizations encounter. The war for talent continues to heat up in today's uncertain business landscape.

In order to support and counsel the CEO on their transformation and growth strategy, Chief Human Resources Officers (CHROs) and their equivalents have had to go well beyond traditional human resources territory. However, in order to recruit, keep, and utilize the best talent now and in the future, organizations must acknowledge that talented workers have a significant amount of negotiating power.

The CHRO is responsible for all things related to people in an organization, including the development and implementation of a people management strategy. This includes how to attract, onboard, engage, develop, reward, and retain the talent necessary for the organization to succeed. It also includes succession for C-Suites, change management, executive compensation, and diversity, equity and inclusion (DE&I) initiatives.

In the current talent landscape, the role expands further to include purpose, culture, and well-being, which are all increasingly important factors for employees. More recently, these factors include access to more flexibility in ways of working as well as development opportunities.

Boards must manage the talent agenda in a way that takes the current dynamic into account. This means ensuring that the CHRO role is elevated from business function to strategic collaborator, and that talent management continues to be a primary business focus. Additionally, it entails helping the CHRO listen to employees and influence the company to develop a human-centered culture and a more tailored employee experience.

In order to better understand why the connection between the board and the CHRO is becoming more crucial, insights from EY thought leaders and clients were gathered to further uncover the strategic value of the CHRO role. These insights fueled strategies to improve the board and CHRO dynamic along with the ways of working.

Instead of merely reducing potential risk, organizations can find opportunities in current, unheard-of labor trends to gain a competitive advantage.

CHALLENGES IN TALENT

The responsibility of the board is to ensure that management provides the organization with the key talent it needs to execute its strategy. However, in recent years, a depleting talent pool and rising employee demands have made this difficult. The pandemic and its economic repercussions compounded the issue by creating a shift in what employees value in both their professional and personal lives — and the situation is still evolving.

Talent challenges are being exacerbated by a constantly evolving environment. Just three years ago, flexible working was a differentiator or a means of achieving a competitive edge. Now, according to the EY 2022 Work Reimagined Survey, as much as 90% of the respondents said they would think about quitting their current position if flexible working was not an option. Flexibility also has different meanings, as younger individuals might prefer to work from the office more as a result of rising heating and cooling expenditures. However, those who drive or commute to work are more inclined to prefer the reverse to save money on fuel and time.

A recent EY survey of graduates and interns looked into what will keep younger generations engaged and motivated due to their tendency to shift employment more frequently. Since flexibility is becoming more and more synonymous with mobility for these groups, governments all around the world need to develop policies that can compete with the attractiveness of traveling abroad for work. This reality is particularly true for the Philippines with our sizable overseas worker population.

Meanwhile, since the COVID-19 pandemic started, a sizable number of the population over the age of 50 have quit working in some advanced economies. Organizations have to assess the effects of this shift while monitoring market conditions and, where necessary, think about strategies to entice this group back.

Organizations are being forced to react quickly in the short term as a result of this ongoing disruption. One way is by assessing how the cost-of-living crisis is affecting employees and developing assistance strategies. However, focusing on the short term may also keep CHROs and their boards from thinking strategically. The organization must be able to assess the talent it currently has, the talent it will require in the future, and the best way to bridge the talent gap.

PERCEPTION GAPS WITH EMPLOYEES

Boards and their CHROs must make decisions about how to carry out commitments related to the talent agenda while navigating a rapidly shifting, occasionally contradictory reality. While they are better positioned to do so now than before the pandemic, the EY 2022 Work Reimagined Survey found that employers and employees are not always on the same page when it comes to employee engagement.

For instance, when asked why they would change professions, employees most frequently cited career advancement and an increase in overall salary. On the other hand, employers say that learning, skills development, and well-being are some of the key elements to ensuring their employees can thrive. Additionally, there is a "loyalty disconnect" where employers think younger generations are less dependable. However, younger workers claim that they merely have different loyalties and values. Younger workers, for instance, place a higher priority on mental health, the mission of an organization, and its ethical standards than they do on management structures or the actual work.

Organizations must act fast to close these perception gaps while maximizing the abilities of each and every worker. Putting humans at the center needs to be a strategic focus for the board and the CHRO to better understand what employees across all demographics want.

CONSIDERATIONS FOR BOARDS

Boards will need to ask themselves how they enhance both formal and informal talent governance to support and reflect the strategic relevance of the CHRO role. By collaborating with the CHRO, they can make sure the company stays on top of talent issues and can deal with the constantly shifting attitudes of its employees.

The management group and the larger employee organization will have to determine how they uphold the culture and values of the company, as well as the systems in place to quantify this. Boards will also have to determine if the company has the necessary expertise and abilities, particularly those for future leadership, to execute its business plan.

Lastly, board members must ask themselves what role they see themselves playing in developing a sustainable workforce and advancing the talent agenda. This can range from retraining the workforce and gauging the employee experience to boosting staff retention and integrating hybrid working styles into organizational culture.

The second part of this article will discuss three strategies for boards and CHROs to help each other succeed: strengthening and enabling the CHRO role, re-examining the risk framework to support the talent agenda, and supporting CHROs in developing a human-centric strategy and employee value proposition.

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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