

# Drug firms say stable regulation key to encouraging investment

THE pharmaceutical industry said further initiatives to streamline permit and approval processes and make regulation predictable will be key to inducing the industry to expand or attract investment.

Diana M. Edralin, Pharmaceutical and Healthcare Association of the Philippines (PHAP) said the industry is looking to the government to further improve the investment climate.

“One of the requests is some predictability in terms of the regulatory approval process. How do you (issue) licenses here? The tax incentives are only one aspect. Can I set up a site like in two weeks? Will I get my permit in two weeks’ time? The regulatory process is also critical,” Ms. Edralin said in a chance encounter with *BusinessWorld*.

Ms. Edralin said upgrades to the workforce are also needed ahead of any expansion or new investment.

“When you talk about ease of doing business, it has to be expansive, going beyond the taxes. We need to prepare what the capabilities are needed so that when they invest in us, it is actually something that we can sustain,” Ms. Edralin said.

While tax incentives are “super helpful... how do we ensure that (when investors manufacture here at scale) that we have the manpower and technical expertise here?” she added.

According to Ms. Edralin, the Philippines has improved the process of drug approvals with the reliance pathway used by the Food and Drug Administration (FDA), which takes into account drug approvals by other countries.

“The average (time) used to be two to three years; that’s long. But now, the FDA has made very significant progress. The FDA learned a lot during the pandemic with the approval of the vaccines. We managed to get a drug approval in 48 days with the reliance pathway,” Ms. Edralin said.

Ms. Edralin said that the group is not expecting logistics issues to disrupt the medicine supply this year.

“I don’t think we are anticipating any for this year. But as a country, we need to be prepared in terms of what did we learn from the pandemic,” Ms. Edralin said.

Ms. Edralin said PHAP members have been monitoring the Russia-Ukraine war for its potential to affect the supply of pharmaceuticals.

“All of our companies have a very strong global supply chain team... With these global organizations, we have the ability to anticipate and we’re doing our best,” Ms. Edralin said.

“Should (supply issues) happen, we will inform ahead of time but right now that has not happened because we heavily invest in ensuring continuity of supply of life-saving medications,” she added. — **Revin Mikhael D. Ochove**

## PHL preparing for surge in FDI with skills upgrade initiatives

THE PALACE said the expected surge in investment will be met with programs to upskill the workforce.

“The Department of Labor and Employment (DoLE) is preparing for the entry of more foreign investors, particularly by ensuring that the Philippines has a pool of well-educated and highly-skilled workers,” the Presidential Communications Office said in a statement.

The DoLE is focusing on narrowing the gap between worker skills and employer needs, the Palace said, citing Labor Secretary Bienvenido E. Laguesma.

Mr. Laguesma said upskilling workers must be industry-led and market-driven “so that workers can find employment that suits their skills.”

Skills mismatch issues can be addressed via targeted job fairs, “with the DoLE focusing on knowing the requirements of every industry to effectively address them,” the Palace said.

The Philippines ranked 80<sup>th</sup> out of 133 countries in the Global Talent Competitiveness Index 2022, which assessed the ability of the various countries to attract and retain a skilled workforce.

The Philippines’ ranking was down 10 places, from 70<sup>th</sup> out of 134 countries in the 2021 index.

“Another focus of the Marcos administration is ensuring that the Philippines has a cheap and stable energy supply that can sustain manufacturing industries that create jobs with the expected influx of foreign investors,” the Palace said.

The Department of Energy hopes to hit a 35% share for renewable energy in the overall energy mix by 2030. The target is 50% by 2040.

The underlying plan is to lower electricity prices by diversifying sources of energy, it added.

The government has firming up \$4.349 billion worth of investments which have now entered the implementation stage, according to a separate Palace statement, citing Trade Secretary Alfredo E. Pascual.

Investment commitments worth \$29.712 billion “are in the form of memoranda of understanding and letters of intent,” it said.

“On the other hand, a total of \$28.863 billion or P1.5 trillion worth of investment projects are now in the planning stages.” — **Kyle Aristophere T. Atienza**

## Ecozones expected to reap FDI unlocked by RCEP

ECONOMIC ZONES are expected to reap the benefits of the recently approved Regional Comprehensive Economic Partnership (RCEP) in the form of more diverse sources of foreign direct investment (FDI), according to the Philippine Economic Zone Authority (PEZA).

“As the chief implementer of the ecozone program, PEZA hopes to attract more FDI from the RCEP member economies and especially from non-traditional trading and investment country sources such as China, Australia, and New Zealand,”

PEZA Officer-in-Charge Tereso O. Panga said in a social media post on Sunday.

“In the process, this will expand the ecozone FDI sources, diversify export products and markets, and contribute to infrastructure development that will address the gaps in the supply chain — all these will ultimately enhance the competitiveness of the ecozones and the Philippines as an investment destination in the region,” he added.

The RCEP, billed as the world’s biggest free trade agreement, will take

effect for the Philippines around May after the Senate ratified it on Feb. 21. The RCEP will lead to minimal to zero tariffs, bringing about an expected expansion in trade.

The RCEP members are the 10 countries of the Association of Southeast Asian Nations (ASEAN), Australia, China, Japan, South Korea, and New Zealand.

“Given the right ecosystem and enabling laws, the Philippine economy could be boosted if economic activities flourish in the ecozones as well as their

linkage in the domestic market,” Mr. Panga said.

Mr. Panga said PEZA is hoping to develop the pharmaceutical ecosystem with a dedicated technology park to help multinational companies searching for ways to produce medicines more rapidly and at low cost.

He added that PEZA is also targeting investment in the design and production of electric vehicles and semiconductor manufacturing, to harness the Philippines’ mineral resources. — **Revin Mikhael D. Ochove**

## EU GSP+ renewal pitched as also beneficial to foreign investors

THE Department of Trade and Industry (DTI) said foreign investors also stand to benefit from the renewal of Philippine privileges under the European Union’s (EU) Generalized Scheme of Preferences Plus (GSP+).

“This preferential scheme benefited not just local industries but even foreign investors doing business in the country. This scheme helped us in transforming lives and communities in the Philippines consistent with our efforts to promote socio-economic development,” Trade Secretary Alfredo E. Pascual said in a statement.

Mr. Pascual met with members of the European Parliament Sub-Committee on Human Rights on Feb. 22 to discuss GSP+ and a potential free trade agreement.

The EU makes GSP+ preferences and trade relations subject to Philippine adherence to a number of international conventions on human rights, labor rights, environmental protection, and illegal fishing, among others.

Philippine participation in the GSP+ scheme is set to expire at the end of the year.

According to Mr. Pascual, 26% of Philippine exports to Europe were admitted under the terms of the GSP+, calling the preferences vital to the economic relations of the Philippines and EU. The Philippines is the sole country in the Association of Southeast Asian Nations region that benefits from GSP+.

GSP+ offers zero tariffs on 6,274 products, equivalent to 66% of all EU tariff lines.

“For 2021, total exports to the EU amounted to 7.77 billion euros. In terms of eligible exports, 2.68 billion euros worth of Philippine exports are covered by GSP+, of which 2.03 billion euros availed of GSP+ preferences (or 26% of PH’s total exports),” the DTI said.

“GSP+ utilization grew by 7 percentage points from 68.3% in 2015 to an all-time high of 76% in 2021,” it added.

Top GSP+ exports are crude coconut oil, vacuum cleaners, hairdressing equipment, prepared/preserved tuna, eyeglass lenses, lead-acid accumulators, electric hair dryers, and new pneumatic tires. — **Revin Mikhael D. Ochove**



## Airport bus services seen benefiting from special lanes

THE use of airport bus services could expand with the provision of special lanes, which would encourage broader use and reduce vehicle congestion along the main gateways, a transportation industry analyst said.

Rene S. Santiago, former president of the Transportation Science Society of the Philippines, noted that there are already privately-funded buses that transport passengers to the Ninoy Aquino International Airport (NAIA), but these lack dedicated lanes and are not adequately promoted to the public.

“More passengers taking buses to/from airports can reduce car usage, and lead to traffic improvement,” he said in a chat message. “My observation (is that) there is little demand, maybe due to lack of promotion.”

Passengers often rely on taxis and vehicles-for-hire, which charge high fares.

House Deputy Speaker and Batangas Rep. Ralph G. Recto said that the airport will need more bus services from pick-up points in malls, and a carousel system linking its terminals, as more and more people engage in “revenge travel,” unlocking pent-up demand that had been suppressed by the pandemic.

“If we can incur a P356-billion debt and dig up the roads to construct a subway, deploying lots of buses would be easy,” Mr. Recto said in a statement on Saturday, referring to the Metro Manila Subway Project.

In 2016, the Department of Transportation and the Land Transportation

Franchising and Regulatory Board launched a premium airport bus service that transports passengers to and from NAIA, with pick up points mostly in Manila and Makati.

According to Mr. Santiago, airport buses would need support from the government “to enhance patronage (by adding) priority lanes, or a motorcycle-escorted service initially to ensure adherence to timetable.”

Mr. Santiago added that countries like Singapore, Hongkong, and Kuala Lumpur have effective airport bus services that the Philippines could study.

The travel experience should go beyond airport services, Mr. Recto said. — **Beatriz Marie D. Cruz**

### OPINION

## Deepening the strategic value of the CHRO

(Second of two parts)

Chief Human Resources Officers (CHROs) have always been crucial to the success of an organization. However, as a result of current events, they may now be just as valuable to CEOs as the Chief Financial Officer (CFO). As such, it is imperative to deepen their strategic value.

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 fuel strategies to improve the board and CHRO dynamic along with the ways of working. Instead of merely reducing potential risks, organizations can find opportunities in current, unheard-of labor trends to gain a competitive advantage.

The first part of this article discussed challenges in talent, perception gaps identified with employees, and considerations for boards to make. This second part will discuss three strategies that boards and CHROs can implement 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.

### STRENGTHEN, SUPPORT, AND ENABLE THE CHRO ROLE

Organizational culture, which includes purpose, well-being, and social inclusion, has emerged as a critical factor in motivating present employees and attracting potential hires. Therefore, choos-

ing who oversees this crucial sector is the first step for the board and the executive team.

Once roles are defined, the board should challenge the CHRO (or an equivalent role) on matters that are now within their purview. These include corporate activism and reputational talent risks. Boards must also communicate the significant financial value of having a strong employer brand to investors and other external stakeholders to support the CHRO role.

In addition, boards should inquire about whether the HR team has the right qualifications, experience, and support of top management. The CHRO should be subject to the same accountability standards as the other C-Suite members. The CHRO is responsible for engaging the board in important discussions about important issues that include the external market environment and an internal perspective that covers determining what talent the organization has, how to retain key personnel, understanding critical current and future skills, and how to address gaps in talent.

They should also draw attention to and thoroughly evaluate the significant developments that have an impact on the firm, and they should exhort the board to adopt fresh and unusual perspectives. In order to accomplish this, the CHRO needs early access to the board so they can establish and show their credibility, trust, and transparency. They will then be able to present innovative, game-changing ideas with assurance when the time is right.

And last, the board and the CHRO should keep putting first-class oversight of executive remuneration and C-suite succession planning at the top of their list of priorities. When properly implemented, the former ensures that rewards correspond to the cultural practices the organization wants to promote. Additionally, debates in boardrooms are showcasing the latter more prominently than ever due to evolving talent dynamics.

### RE-EXAMINE THE RISK FRAMEWORK TO SUPPORT THE TALENT AGENDA

Talent is frequently at the top of risk agendas for organizations worldwide. However, because risk profiles vary by industry, organization size, and various other criteria, each organization handles its talent differently. In order to determine what is best for them, boards should consult with their respective CEOs and CHROs. These conversations do not have to wait until board meetings; they can take place during routine check-ins with other board members.

To avoid the temptation to micromanage, the board should discuss and decide what role it should play in supervising talent concerns as well as determine the best governance structure to support the CHRO. The board will also have to think about how to include the voice of the employees in the governance structure. They must pay attention to what employees want, even if not all requests can be granted.

Executive learning is also a key area. Historically, board members tended to have extensive backgrounds in more traditional fields such as law and finance. However, the board will need to supplement these skills with new

perspectives in light of new risks and difficulties. By ensuring that the board has access to and is learning from industry best practices, the CHRO can support these initiatives, helping the organization become more performance-driven and purpose-led as a result.

### SUPPORT CHROs IN DEVELOPING A HUMAN-CENTRIC STRATEGY AND EMPLOYEE VALUE PROPOSITION

In order to balance the demands of the people strategy and the business strategy, as well as to create and sustain the culture of the organization, boards must narrow their focus on their people, and look more closely into what the employees need from their organization as well as what the organization needs from them.

These discussions must be incorporated into the broader strategic talent plan to attract, nurture, and retain the talent required to carry out the organization strategy. The board can help the CHRO carry out this strategy by ensuring that each individual feels heard, appreciated, and supported.

Board members do not need to know the specifics of employee insights, but they should be made aware of any potential risks, opportunities, and impact. They can then ensure that the organizational employee value proposition, culture, and overarching strategy all take into account the needs of various employee groups while allowing for customization where appropriate. Culture is a particularly significant factor as well; research shares that businesses which thoroughly understand and reflect their cultures outperform their competitors by a factor of three, while those with serious cultural problems falter or even fail.

Boards should ensure that the cultures of their particular organization are in sync with their talent and retention strategies as they assume increased responsibility in managing this vital area. In exchange, the CHRO must thoroughly assess the organization’s employee value proposition with the board and assist in filling in any knowledge gaps.

All of these discussions should be supplemented by an effective use of data. It will be easier to engage the board and win their support if they are presented with clear, succinct, and well-researched recommendations.

### COLLABORATING TO NAVIGATE THE TALENT LANDSCAPE

The constant disruption in recent years has only exacerbated the war for talent, requiring the CHRO role to be even more strategic as people-related risks rise to the top board agendas across the globe. In order to overcome challenges in talent, CHROs and boards must collaborate to enhance the CHRO role, supporting as well as challenging each other to navigate the talent landscape and remain competitive.

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