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President, Eli Lilly Int'l

# MBC FORUM 2019



**Vince Dizon**  
President and CEO, Bases Conversion and Development Authority



**Mayor Vico Sotto**  
Pasig City



**Mayor Isko Moreno**  
City of Manila



**Mayor Abby Binay**  
Makati City



**Former SJA Antonio Carpio**  
Supreme Court of the Philippines



**Dr. Michael Purugganan**  
Silver Professor of Biology, New York University



**Astrid Tuminez**  
President, Utah Valley University



The CEO Agenda in an Era of Disruption

# MANNY MACEDA

Worldwide Managing Partner, Bain & Company

17 January 2019 | Fairmont Makati, Makati City



## THE PREMISE

The defining parameters of a management company change every 40 to 50 years. We are currently in the middle of another transition—a major point of disruption—from the era of shareholder primacy to the era of the scale insurgent.

The shareholder primacy era is breaking down due to a number of factors:

1. **Short-termism:** According to a Reuters analysis, 1,900 out of 3,297 publicly traded non-financial US companies repurchased shares between 2010 and 2015, and within this group, buybacks and dividends were 113% of capital spending, compared to 38% in 1990. On the other hand, R&D spend has fallen below 50% of net income from over 60% in the 1990s.
2. **Increasing complexity:** Corporations have gotten more complex. The traditional command and control structures are too complex and just can't keep up with the pace of innovation in the market.
3. **Changing workforce:** The binding

constraint today is talent, not capital. Millennials, already the largest group in the workforce wants a higher purpose than just making money for shareholders. They are less motivated by financial rewards, more by learning and new experiences. Executives need new skills and mindset to manage new workers, veering away from hierarchy, fostering flexibility.

4. **Technology:** Changes driven by artificial intelligence, Internet of Things, and quantum computing, among others.

## THE CHALLENGE

How can CEOs lead his/her company's transformational journey in the era of scale insurgency?

The following are the new CEO roles in this era of disruption:

- Set a meaningful **ambition** for the organization. In today's world, the ambition has to manifest a "nobler mission," a purpose for people to work for the company.
- Develop a strategy or **full potential plan** to achieve that ambition.
- Develop the right **people** and get them into the right jobs, doing the right thing.

- Create a blueprint for the **operating model**. The CEO must lock in the "unit of value creation" and ensure that the blueprint designs the organization around this unit.
- **Execute and deliver.** Translate strategy into language that the organization understands and create advocacy with customers, the board of directors, and other stakeholders.

## ADOPTING AN ECOSYSTEM MINDSET

As business insurgent grows, it needs to avoid slowing down by becoming a scale insurgent. To transform from being an insurgent to a scale insurgent, it is important to create value by working with ecosystems of value. In manufacturing, for instance, a company should disaggregate its operations to specific pieces and determine who should best control each piece. Then identify the areas the company is really good at before finding the best partner/s who can focus on the rest of the pieces. Having an ecosystem mindset requires partnership skills.

## DRIVING GROWTH FROM ENGINE 1 TO ENGINE 2

The challenge for companies is to build a business that disrupts itself.

This requires running on parallel tracks, which is complex. Engine 1 is the business that's most profitable, which the senior management did a good job growing. With Engine 2, you try to incubate something new and different. This takes more time, needs different skills, and might actually threaten Engine 1.

To manage new models while simultaneously continue growing Engine 1, Google uses an allocation for their investments called 70-20-10. They invest 70% for R&D and innovation to keep their core businesses strong. Twenty percent goes to adjacencies or new related areas. Finally, 10% goes into "moonshots," which are unrelated, might-disrupt-the-business ideas.

The concept is to spread investments not just towards growing the core but also towards something totally different that might become the core.

## CEO AS CHIEF TRANSFORMATION ARCHITECT

When a company goes through a transformation, it is a challenge if all the executives' skills have been wired to build the successful core businesses. Many of the instincts to transform will be viewed as wrong or as a different set of values. In order to enable the new strategy, the mentality of the organization might have to be changed. Sometimes the operating model has to be changed, and that can be a difficult process. The CEO has to pick people who can play the transformation role and give them enough power to drive change.

Summary by  
**Ma. Roxanne V. Lu**  
MBC Programs and Projects  
Director

Layout by  
**Clinton A. Balbontin**



Transforming Fear Into Opportunity

# JUSTO ORTIZ

Chairman, Unionbank

11 February 2019 | Makati Shangri-La, Makati City



## DEGREE OF DISRUPTION

Company life spans are getting shorter due to disruption. For example, US listed-company lifespans are down from 55 years to 35 years, according to Boston Consulting Group. This is predicted to decline to 12 years by 2027.

## MAJOR BUSINESS CHALLENGES

- “Peer-to-peer” or “shared economy”
- Marginal cost of production or service is near-zero.
- In a sharing economy, technology helps drive down costs, give people power to self-serve, and satisfy own wants/needs.

## HOW UNIONBANK IS TRANSFORMING ITSELF

**Agile management** – UnionBank uses Agile management to deliver new products, services, and features more quickly, increasing its responsiveness to customers. In Agile management, the top-down approach is replaced by cross-functional teams empowered to make decisions.

**Stories** – To get the customer-service and people-centered culture it wanted, UnionBank sought and disseminated stories of employees making decisions that may bend usual practice but don’t break the law.

*“We’re fearful. If you don’t transform and firmly move into the Fourth Industrial Age, you’re not gonna be around. It’s important to take what J.P. Morgan says, ‘Go as far as you can see, and when you get there, you’ll see further.’ Not farther, further.”*

**Justo Ortiz**

**Moonshot** – Companies need “crazy, unreachable, impossible, ridiculous” goals. Without organizing for a “moonshot,” returns will be the same or just marginally better.

**Dual Transformation** – Unionbank is pursuing change on two tracks. In Transformation A, the business is digitizing. In Transformation B, UnionBank is remaking itself as a technology company that is also a bank. This is leading to new areas such as a logistics supply chain platform, a blockchain-based platform for rural banks.

**People** – Digitization and automation eliminate but also create jobs. New jobs include digital content marketing managers, digital data analysts, iOS and Android developers. Jobs are lost, but not people.

Summary by  
Geneva Frances C. Guyano  
MBC Programs and Projects Officer

Layout by  
Clinton A. Balbontin





## Roundtable on Social Business

# MUHAMMAD YUNUS

Nobel Awardee, Father of Microfinance, Founder of Grameen Bank

20 March 2019



**The challenge:** Professor Yunus says capitalism as we know it produces economic inequality, unemployment, and environmental destruction.

**His answer:** "Social business" to help create a "World of Three Zeroes" - zero poverty, zero unemployment, and zero net carbon emissions.

#### Other social businesses in Bangladesh:

1. Solar panels payable over three years, monthly payment equal to a family's kerosene budget.
2. Eye hospital to address cataract blindness. Full price operation is \$30; mid-price, covering consumables, is \$11; lowest price is \$1, subsidized by full-price patients. Within 3 years, the hospital was financially self-sustaining, with the capital returned and used to build a second hospital, then a third, then a fourth hospital. To date over 1 million patients have been treated.
3. In 2006, Grameen worked with the French company Danone, to address child malnutrition by creating affordable, vitamin- and mineral-packed yoghurt. Also helped farmers by boosting demand for cow milk and created yoghurt-production jobs.

**Participants asked about his examples and their own attempts to solve social problems. Key points:**

- **Technology can help social businesses serve more people more efficiently, rather than destroy jobs (including in the social business itself).** Yunus said in microfinance, tech can bring down

For more photos, visit: <http://bit.ly/RTDYunusPhotos>

#### What is "social business"?

A business set up to address a social problem, which may return capital but doesn't pay dividends, which makes it sustainable without continuous fund-raising. (The capital may even be invested in another social business.) Grameen is the first example: Basically it is a bank, but Yunus never paid dividends.

collection costs, free more money for lending, and for other social businesses, tech can help produce more goods to sell.

- **Tax breaks have a downside: a surge of fake social businesses whose only purpose is to take advantage of these incentives.**

Yunus prefers government support social business by sharing information on areas where social businesses can implement their projects, attending activities and making statements about how well social businesses are helping alleviate poverty and improve the economy.

- **Social businesses can and need to pay employees better to be more effective.** The mindset is: non-profits are poor and serve the poor so shouldn't pay their employees well. Yunus says because they don't need to make a profit, they can pay employees better. And since many employees come from partner communities, there's a multiplier effect.



Launch of Research Project with Philippine Business Coalition for Women Empowerment (PBCWE)

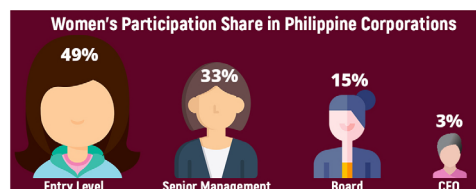
# WOMEN IN THE PH C-SUITE

21 March 2019 | Shangri-La Makati Hotel, Makati City



## THE ISSUE

- The Philippines ranks 8<sup>th</sup> in the WEF Gender Gap 2018 Report, but in terms of the quality of women's economic contribution too few women are in the position of influence, power and leadership in companies.
- In the Philippines, **only 15% of Board members and only 3% of CEO positions are occupied by women.** This despite the fact that men-women ratio at the entry level is balanced at 51% and 49% respectively. The women's share dwindles as positions rise in the corporate ladder.



## THE DIVIDE

- Confidence level is a Factor:** Both men and women have equally expressed confidence in their skills, education and leadership potential, but less women (88.4%) are confident when asked to consider making preparatory moves for a career upgrade or to consider taking on a leadership role immediately (70.4%).
- Family Responsibilities seem to motivate men to become leaders, whereas they seem to be a concern among women.

44.7% of women respondents feel guilty when they are unable to attend to family responsibilities due to work versus 27% of men who feel the same way.

- Gender stereotypes persist within companies,** and some of the biases are embedded even among the women respondents. In the MBC survey conducted, only 55% of men mid-managers believe that gender equality is important to companies that promote inclusive business in order to achieve growth and success. These male mid-managers could possibly become future executive leaders of the company - and their lack of gender diversity appreciation will only continue the problematic cycle.

- As shared by panel reactor, Mr. Lito Tayag, Accenture's "Getting to Equal 2019" study finds that having a culture of equality is a powerful multiplier of growth and innovation in a company more than other factors such as geography or demographics. They found that innovation mindset is six times higher in the most-equal cultures than in the least-equal ones.

For more photos, visit:

<http://bit.ly/WomenPHCSuitePhotos>

## KEY RECOMMENDATIONS

Companies need to look at the state of gender diversity in their leadership ranks and asked themselves the question, "Did we get here by design or by accident?"

In creating a "human environment" in the workplace, companies need to have a deliberate approach to gender diversity, and they must adopt tools, measurements and benchmarks in order to succeed.

Some initiatives that companies should consider:

- Provide mentorship and women's network in companies
- Expand parental leaves
- Set up childcare facilities
- Offer flexible work arrangements

## CHALLENGE TO CEOs

Join Male Champions of Change and other initiatives. To sign up or for more information, please write [makatibusinessclub@mbc.com.ph](mailto:makatibusinessclub@mbc.com.ph).

## PARTNERSHIP

This research project is a partnership with Philippine Business Coalition for Women (PBCWE), and was funded by the Australian Department of Foreign Affairs and Trade.





## Roundtable on Innovating for the Future

**MARJORIE LAO**

Chief Financial Officer, Lego

15 April 2019 | Discovery Primea, Makati City

**THE CHALLENGE**

Lego's way of addressing megatrends and its innovative strategies to remain competitive

**MEGATRENDS AFFECTING THEIR INDUSTRY**

1. Reshaping of the retail environment, mostly driven by e-commerce
2. Digitalization of play and consumer engagement
3. Global economic and demographic shifts

**SEVERAL STRATEGIES ADOPTED BY LEGO**

1. Innovation in retail and offer unique brand experiences in stores by creating a great experience for kids and parents (i.e., personalizing mini-figures, augmented reality, mosaic maker)
2. Innovate product portfolio by integrating digital play with physical play experience (i.e., making robotics fun for kids, introducing coding to kids, and play using LEGO augmented reality app)
3. Maintain the strictest safety standards for children during play, both physical and digital.



4. Grow, invest, and learn about new markets outside North America and Europe (i.e., introducing the LEGO brand in China)
5. Innovate the way LEGO does business through adopting sustainable operations

**MAINTAINING THE "LEGO DNA"**

In the early 2000s, the LEGO Group experienced a financial slowdown primarily because of two things. First, the company lost sight of what consumers want. Second, they tried to do

everything themselves, failing to understand their own limitations.

Learning from this, LEGO returned its focus on their core business, which is producing the LEGO bricks. Non-core businesses were sold or closed down, but they deliberately pursued partnerships to bring LEGO in other areas, such as in movies.

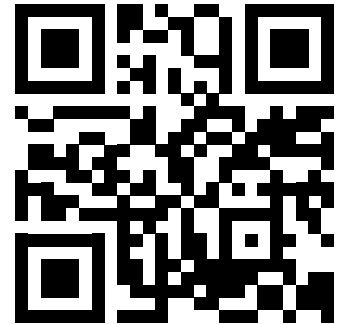
Today, as a guiding principle when expanding into other product lines, LEGO focuses on the consumer and innovates based on what they want, while having the discipline to innovate within the company's constraints/parameters.

**LEGO'S BIG MISSION:**

**"All LEGO bricks will be made from sustainable materials by 2030."**

- Zero-impact operations - Global energy consumption of LEGO is matched by renewable energy or investments in

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You may also visit: [bit.ly/MBCRTDLaoPhotos](http://bit.ly/MBCRTDLaoPhotos)

offshore wind farms

- Sustainable materials by 2030 - Take the first step with bio-based elements and continue to invest to come up with more sustainable materials for their products
- Encourage children to take care of the planet themselves

**TECHNOLOGY AND COPYCATS**

*"Technology makes it easier to copy our products, for example through 3D printing. The difference, of course, is the quality of the product. But technology has allowed us to innovate faster. In terms of dealing with copycats, we take a hard stand against infringement of our products. We are working closely with governments and customs authorities, and we are educating consumers on the benefits of original LEGO products."*

**Marjorie Lao**

Summary by  
**Ma. Roxanne V. Lu**  
MBC Programs and Projects  
Director

Photos and Layout by  
**Clinton A. Balbontin**





## Asia Pacific Security and Risks to Growing Regional Trade

**STEVEN ROBINSON**

Ambassador of Australia to the Philippines

25 April 2019 | Dusit Thani Manila, Makati City

The perspective from the Australian government is that the Indo-Pacific region is going through a period of profound change. If current trends persist, the region is set to become more competitive, more contested, and arguably, less stable.

**CRITICAL CHANGES IN REGIONAL DYNAMICS AND INFLUENCE**

The key strategic dynamic expected to influence the region for the foreseeable future is the presence of two major powers, the United States and China, each with substantial interests and heft:

- China's fast economic growth, which has seen its share of world GDP increase from 2% in 1980 to nearly 19% today, is already translating into significant power and influence across the region. It also has the largest navy and air force of any Asian state, and the largest coast guard in the world.
- The US continues to be wealthier than China in GDP per capita terms, and retains a significant lead in military and soft power. It is also the world leader in technology and innovation, and it is home to the world's deepest financial markets.

While disagreements between the US and China in their global trade relationship have had some minor impact in the region, it has, more importantly, presented opportunities other countries can take advantage of:

- **Japan**, which has substantial economic reach across the region, is beefing up its



For more photos, visit: [bit.ly/MBCAprGMMPhotos](http://bit.ly/MBCAprGMMPhotos)



defense forces so it can be more proactive through its Free and Open Indo-Pacific (FOIP) strategy, launched in 2016.

- **India**, now considered as a major defence partner of the US, has a growing interest in regional security strategy and is finalising critical agreements for greater industry collaboration for defence production and development.
- **Indonesia**, positioning ASEAN as the axis of the Indo-Pacific regional security strategy, has strengthened its position in maritime security, calling for joint patrols in the disputed areas of the South China Sea.

**AUSTRALIA'S FOREIGN POLICY STRATEGY**

A key judgment in Australia's foreign policy is to step up diplomacy to help shape, rather than shrink from these challenges, Australian

diplomacy should be applied more actively to help shape a more secure, open, inclusive, and resilient Indo-Pacific region.

Specifically for the Philippines, Australia has implemented this strategy through:

1. **Security cooperation** in the areas of intelligence, surveillance, and reconnaissance support to the Philippine military, and enhanced training for the Philippine military, police, and intelligence agencies.
2. The launch of an **International Cyber Engagement Strategy**, which sets out Australia's agenda across the full spectrum of cyber affairs, including digital trade, cyber security, cybercrime, international security, and internet governance.
3. **Technical assistance to the Department of Justice** on reform bills on counter-terrorism legislation and the Human Security Act in Congress. ■

*"The international rules that support stability and prosperity have been critical to security and economic development in our region, so it makes sense for us to stand together to promote and protect them, and to join with others in doing so."*

**Amb. Steven Robinson**

Summary by  
**Mary Elizabeth A. Bautista**  
MBC Programs and Projects Officer

Photos and Layout by  
**Clinton A. Balbontin**





Innovation and Execution Culture

# CHITO ZULUETA

President, Lilly International/SVP Eli Lilly and Co.

23 May 2019 | Makati Shangri-La, Makati City

For more photos, visit: [bit.ly/GMMZuluetaPhotos](http://bit.ly/GMMZuluetaPhotos)

## WHAT'S NEEDED FOR INNOVATION

- **Focus, focus, focus:** Lilly has decided to focus on diabetes, cancer, and mental health (such as Prozac for depression and medicines for Alzheimers). It's focused on higher-value (higher-price) segments. It has sold its cosmetics (Elizabeth Arden) and animal health businesses. R&D accounts for 25% of Lilly's revenue and 20% of the company's 35,000 employees.
- **"Kill fast":** It takes 12 years and over \$2 billion to conduct the 10,000 tests needed to produce a new treatment. Make bets early, killing some projects and investing "disproportionately" in predicted winners.
- **Technology:** Don't buy technology that just adds to your systems; get technology that supports a strategy.
- **Capture best practices:** Institutionalize the finding and replication of these along the value chain.
- **Right people:** Leaders should answer two questions about their team: If the position was open today, would you still put the same person in that role? If that person resigned today, would you try to keep him/her?
- **Environment:** (1) Tolerance for failure, (2) Willingness to experiment, (3) Safe to speak, and (4) Highly collaborative.

## STRONG CULTURE OF EXECUTION

- Robust **dialogue** on facts and assumptions. Good execution starts by encouraging people to speak up.
- Drive for **excellence**. Tolerate failure, but don't accept mediocrity and incompetence.
- Rigorous **discipline**, high level of **accountability**, decisive **leadership**.

## TRANSITION TO A NEW CULTURE STARTS AT THE VERY TOP

The leadership team needs "fire in the belly," the desire to win, the desire to create the right culture and team. There is always resistance. Often the resistance comes from the top.

## THE PRICE OF HEALTH

In recognition of big differences in income around the world, pharma companies sell their products at different prices in various regions. But Lilly strives to communicate its business model – especially the R&D spending and many failures needed to produce a treatment – to justify the intellectual property requirements for the company to invest or reinvest in innovative medicines.■

Summary by  
Anthony Patrick DP. Chua  
MBC Senior Programs and Projects Manager

Photos and Layout by  
Clinton A. Balbontin





Clark: Building a Metropolis from Scratch

# VINCE DIZON

President and CEO, Bases Conversion and Development Authority

24 June 2019 | Hotel Fairmont Makati, Makati City

## THE GOAL

The Philippines' first smart, green, and resilient metropolis that will serve as a catalyst for national growth away from the congestion and pollution elsewhere.

## HIGHLIGHTED PROJECTS

**1. New Clark City (NCC):** 9,450-hectare area in Capas, Tarlac. Master plan by Singapore's Surbana Jurong. To be developed via Public-Private Partnership (PPP) projects

- **Targets by 2020:**

**a. National Government Administrative Center (NGAC):** 250-hectare project of Malaysia's Alloy MTD. Initial government targets include satellite offices and business continuity facilities for government agencies. Primary site of 2019 Southeast Asian Games, with swimming, track and field, and residential facilities nearing completion.

**b. Mixed-Use Industrial Development:** 288-hectare project of Filinvest. Groundbreaking was in May 2019.

**c. Mixed-Use Industrial Park:** 500-hectare project of China Gezhouba Group Company Limited. Phase 1 will be industrial and start construction in 2020.

**2. The Clark International Airport:** Expansion to be completed in 2020 will increase runways from 1 to 2 and passenger capacity from 2 million per year to 8 million. Will address shortage of runways in Luzon and drive central and northern Luzon growth.



For more photos, visit: [bit.ly/MBCAGM19Photos](http://bit.ly/MBCAGM19Photos)

Traffic surged from 2016:

- » Domestic passengers: Up 48 times to 2.54 million per year.
- » International passengers: Up by 72% to 1.55 million per year.
- » Domestic flights: Up 88 times to 538 flights per week.
- » International flights: Up 105% to 246 flights per week.

- New terminal will connect to Clark-Manila Railway, jointly funded by the Asian Development Bank and Japan.<sup>1</sup>

## DOING BUSINESS IN CLARK

- Successful **public-private partnership (PPP) projects** are necessary to execute and sustain the NCC master plan. Clark is bringing in both foreign and domestic

knowledge, skills, and resources. If done well, the projects can serve as models for future PPP projects in the country.

- The BCDA welcomes **unsolicited PPP proposals** from the private sector, to flesh out the Clark master plan.
- Clark's **regulatory regime** is governed by BCDA and Clark Development Corp. (CDC) rules. To provide transparency and EODB to locators and potential investors, all processes are online, files are digitized, and red tape is being cut. The business one-stop shop will be moved closer to the airport.
- To provide **talent**, BCDA wants top schools - both public and private - to come to Clark, saying the physical environment is conducive to learning.
- Investors may be hindered by lease-only land. BCDA is working to amend Clark's charter to extend leases from 25 years and/or allow sales.

*"Everyone wants to move to the big city. Good money, good jobs, a place to be productive. But the paradox is that cities don't work for people, even though they're full of them. It's a pressure cooker of congestion, pollution and rent you can't afford... Cities must be built for people... Clark is envisioned to have the vibrancy of a city without the pressures of city life."*

Vince Dizon

Summary by  
Miguel Luis C. Rivera  
MBC Programs and Projects Associate

Photos and Layout by  
Clinton A. Balbontin



<sup>1</sup> In addition, Dennis Uy's Udenna Corp. has a 177-hectare project outside New Clark but within the former base.

# BUSINESS GROUPS MEET DOF ON AGENDA FOR NEW CONGRESS

1 July 2019 | DOF Building, Pasay City

Makati Business Club's new chairman for tax policy, Cirilo "Vic" Noel, led an MBC and Management Association of the Philippines courtesy call with Finance Usec. Karl Chua and Usec. Antonette Tionko on July 1, 2019. They discussed the Department of Finance's five (5) legislative priorities, which are all part of its Comprehensive Tax Reform Program.

**1. Package 1B the motor vehicle user charge, lifting of bank secrecy and automatic exchange of information:** DOF will push this combination again. While general amnesty passed previous Congress, President Duterte vetoed it (except estate tax amnesty) because Congress didn't pass relaxation of bank secrecy.

**2. Package 2 aims to lower the CIT and modernize the fiscal incentives system:** The DOF plans to refile substantially the same TRAIN-2/TRABAHO bill passed by the House but not the Senate in the 17th Congress. This includes:

- Gradual CIT rate reduction to 20%.
- For companies with incentives, a sunset provision of 2-5 years. After sunset, companies may apply for the new set of incentives under the proposed Strategic Investment Priorities Plan (SIPP). The participants stressed that some sectors such as manufacturing may need longer sunset periods.
- New Incentives (for new companies, or companies re-applying):
  - Reduced CIT (10 percentage points less than regular CIT, instead of the current 5 percent of Gross Income Earned). This is for 5 years, with possible 2 years extension. DOF said they are "reviewing" whether they can retain GIE but at higher rate.
  - One-Stop-Shop system in which



Joining Atty. Noel were MBC Board Members Rizalina Mantaring (Sunlife Chairwoman, MAP President) and Lito Tayag (Accenture Country Managing Director and IBPAP Chairman). Also representing MAP were Atty. Dick Du-Baladad (Tax Committee Chair) and Atty. Perry Pe (Romulo Law). They met DOF Usec. Karl Chua and Usec. Antonette Tionko.

the reduced CIT (instead of GIE) covers all other national and local taxes and fees. (This is except real property tax, which the officials explained is reserved for local governments in the Local Government Code.)

**3. Package 2 Plus increase in alcohol excise tax:** DOF plans to increase the excise tax for alcoholic beverages to fund the Universal Healthcare Act.

**4. Package 3 seeks reforms in the property valuation system:** DOF proposes to adopt international standards and rationalize the process of valuation.

- Starting this year, DOF has mandated the Bureau of Internal Revenue and LGUs to follow the international valuation standards which covers all types of properties. Usec. Tionko said that if not followed, taxpayers can appeal with the Central Board of Assessment Appeals (CBAA). [For a copy, see attached file: "DOF Department Order No. 037-2018: Prescribing the Philippine Valuation Standards \(PVS\) 2nd Edition, 2018"](#)
- The group suggested making land

valuation time-bound and with clear appeal process.

**5. Package 4 rationalizes capital income taxation:** Harmonize these taxes, ideally one rate per type of financial instrument, to reduce "arbitrage." Participants said some products, such as insurance, are usually subject to less or no tax because they come with guaranteed pay-outs.

## OTHER MATTERS: ON THE EASE OF DOING BUSINESS RELATED TO LGU FEES

DOF and DILG recently signed a Memorandum of Agreement to ensure uniform procedure in setting reasonable fees and charges by the LGUs. This may curtail how some LGUs create new fees (i.e., "environmental fee") to skirt the One-Stop-Shop system that covers LGU taxes. [For a copy, see attached file: "DILF-DOF Joint Memorandum Circular: Guidelines for the Review, Adjustment, Setting and/or Adoption of Reasonable Regulatory Fees and Charges of LGUs."](#)

Summary by  
Ma. Roxanne V. Lu  
MBC Programs and Projects Director

Layout by  
Clinton A. Balbontin





Cities-Business Roundtable Discussion with

# VICO SOTTO

Mayor of Pasig City

26 June 2019 | Accenture Office, Robinsons Cybergate Tower 1, Mandaluyong City

For more photos, visit: [bit.ly/MBCVicoSotto](http://bit.ly/MBCVicoSotto)

On June 26, MBC held a roundtable with Pasig City Mayor-Elect Vico Sotto, initiating its cities-business partnership project. The project will be focused on key Central Business Districts (CBDs), recognizing their central role in investment, innovation, job creation, and education. The objective is to facilitate projects that will improve competitiveness, ease of doing business, and infrastructure while raising the bar of responsible business.

## CRITICAL ISSUES

### 1. Red Tape:

- » Numerous permits and lengthy processes created many opportunities to “extract value” from businessmen and hinder investment;
- » According to Bantay.ph's Anti-Red Tape Compliance Monitoring Data released in 2015, Pasig ranked last (out of all 16 cities in Metro Manila) in client feedback and transparency.

### 2. Transportation:

- » Traffic congestion particularly on Julia Vargas and Emerald Avenues;
- » Limited public transport options within the business district. No LRT /MRT lines passing through Pasig;
- » Pasig's own odd-even scheme;
- » “Trial and error” traffic management schemes by traffic enforcers.

### 3. Environment:

- » With Pasig City flanked by the Marikina and Pasig rivers, there is a need for flood prevention plans (in coordination with business and other LGUs);

- » While a Pasig River ferry system has already been implemented, it is not a preferred option for the public because of water pollution and the unreliability of the ferries.

### 4. Health:

- » While there is available infrastructure for public hospitals and health centers, there are not enough doctors, nurses, and medicine in these facilities.

### 5. Education:

- » Php300 million in financial assistance can be granted to constituents for education; but Pasig falls behind in terms of infrastructure and quality of education (including services, teachers).

### 6. Freedom of Information:

- » The FOI ordinance which Mayor Sotto championed as a first-term councilor has still not been implemented;
- » Pasig City was the first to legislate a local version of FOI in October 2018, mandating the right to access, examine, and copy public records, extended to all citizens of Pasig.

## PROPOSALS/PLANS

### 1. Automation to minimize human contact and the opportunity for corruption.

- » The Mayor said his model would be Valenzuela, which has automated kiosks where business registration requirements can be dropped off.
- » The Mayor said there has been a plan for a one-stop-shop for permits, but implementation has been held up.

### 2. Single payment for all permits and licenses, similar to that of Malaysia's, and multi-year permits for business.

### 3. The Mayor said he would suspend the odd-even scheme, which was implemented without a study.

- » To improve transport options within the business district, he also sought the assistance of business, asking if companies present at the meeting had free space which the city could use as multi-modal transport terminals.

### 4. The Mayor said he will have data-driven policy-making, but a lot of data is not organized or non-existent.

### 5. The Mayor will set up and get reports from an anti-corruption hotline.

### 6. The Mayor will examine the suspension of idle land tax and why it is under the mayor's office instead of the city assessor.

### 7. Mayor Sotto plans to steer the health policy of Pasig City towards preventive care. In the meantime, the priority is to fill in the gaps for health professionals, personnel, and medicine.

- » San Miguel Foundation has offered to put up food banks near public markets, to improve access to healthy food, especially for the poor and marginalized. ■

Summary by  
Mary Elizabeth A. Bautista  
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Photos and Layout by  
Clinton A. Balbontin



Cities-Business Roundtable Discussion with

# ISKO MORENO

Mayor of the City of Manila

24 July 2019 | Magsaysay Training Center, Times Plaza, Manila

For more photos, visit: [bit.ly/MBCRTDiskoMoreno](http://bit.ly/MBCRTDiskoMoreno)

On July 24, MBC held a special roundtable with Manila City Mayor Isko Moreno, the second meeting of the MBC-led cities-business partnership project. By enabling dialogue between the city government and key players in business, the initiative's objective is to organize public-private projects in competitiveness, ease-of-doing business, and infrastructure, while raising the bar for responsible business.

## CRITICAL ISSUES

1. Ease of Doing Business:
  - » To secure a permit, it takes an average of 11 steps, 8 windows, and 5-10 days. According to the EODB Act, these transactions should only take 3 days;
  - » There are 300,000 Real Property Units and almost 54,000 registered businesses that the city hall has to cater to (registrations and renewals) every year;
  - » To limit corruption in these transactions, there is also a need to limit human interaction.
2. Healthcare:
  - » Ospital ng Maynila, the main healthcare facility for the city, needs improvement in its services and facilities.
3. Manila City Rehabilitation:
  - » Parallel with ongoing clean-up efforts, there is also the issue of waste management; the city's current policy only directs garbage to be collected and taken out of city premises, under the management of MMDA;
  - » The Mayor cited the local government as the number one violator of environmental laws, citing the operations of the Ospital ng Maynila, Manila Zoo, and the Vitas Slaughterhouse as examples.
4. Health:
  - » There is available infrastructure for public

hospitals and health centers, but not enough doctors, nurses, and medicine.

### 5. Public Safety:

- » The Metro Manila Disaster Risk Reduction and Management Council informed the Mayor's Office that the city is not trained or equipped for disasters/natural calamities.

## PROPOSALS/PLANS

1. Even before President Duterte's order to Mayors (to cut down business permit registration to 3 days) in the July 22 State of the Nation Address, Mayor Moreno had reduced business permit registration from 11 steps to 3 steps, 8 windows to 1 window, and 5-10 days to 1 day.
  - » Landbank, the city government's depositor bank, offered to make an online platform for tax and license payments, a feature they already have for LTO-related transactions.
  - » The Mayor will look into the adoption of technology to help improve efficiency and cut opportunities for corruption.
2. To expand the current capacity of the 6 hospitals and 16 healthcare centers in Manila, Ospital ng Maynila will be developed into what the Mayor says will be the next Makati Medical Center.
  - » The city government is considering purchasing additional health services in private hospitals to accommodate over 30,000 constituents in need of medical attention.
  - » To address current gaps, Manila Doctors Hospital offered to extend professional services and extra rotations of doctors and administrative managers who can help maximize Ospital ng Maynila's resources.
3. Manila will continue its rehabilitation and clean-up operations:
  - » The target is to develop 1,600 hectares of green, open spaces;

- » The Manila Zoo rehabilitation program will be based on a UST College of Architecture graduate's thesis donated to the Mayor's office;
  - » The Mayor is proposing a buy-back program for waste collection in partnership with the private sector, for which business establishments can offer vouchers in exchange for recycled materials;
  - » Metro Pacific has offered to pick up Manila garbage and process in their waste-to-energy facility in Quezon City. Mayor inquired about discounted terms.
4. The Mayor sought the support of the private sector for the redevelopment of Manila as a thriving business district:
    - » Businesses located in Manila were encouraged to hire 70% of their workers from Manila, and to provide employment opportunities to PWDs and senior citizens.
    - » The Mayor also encouraged developers and businessmen to purchase and develop properties along Escolta and Dasmariñas, and create the next Manila skyline.
      - ◊ The City Council can look into approving a tax incentive program for those who are interested to develop areas adjacent to heritage sites; the development of these areas can raise the price of properties and encourage more businesses to thrive. ■

Summary by  
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Photos and Layout by  
**Clinton A. Balbontin**





Cities-Business Roundtable Discussion with

# ABBY BINAY

Mayor of the City of Makati

15 August 2019 | Ayala Boardroom, Ayala Tower One, Makati City

For more photos, visit: <http://bit.ly/MBCAbbyBinayPhotos>

On August 15, MBC held a special roundtable with Makati City Mayor Abby Binay, the third meeting of the MBC-led cities-business partnership project. This is an MBC initiative that aims to open a high-level dialogue between city government leaders and key players in the business community. The objective of this meeting is to explore public-private projects (PPP) to improve LGU competitiveness, ease-of-doing-business, and infrastructure.

## CRITICAL ISSUES

### 1. Ease of Doing Business:

- » Makati City has established a one-stop-shop that streamlines applications and renewals for all businesses, surpassing their own 15-minute target. The adoption of new technology has assisted the city in promoting ease of doing business, but the requirement to submit original documents and other regulations limit the city's ability to completely innovate the system.

### 2. Traffic Congestion and the Lack of Parking Spaces:

- » Residents in the city have complained about road congestion due to the lack of parking facilities, particularly in Poblacion area.

### 3. Bridging Technology and Governance:

- » The local government is concerned with the lack of proper training on new technology among its employees.

## PROPOSALS/PLANS

1. Makati City aims to be a smart city by 2025, and improve public services through innovation.

- » The local government has initiated the Makatizen App and the Makatizen Card, and has established a PPP contract for the setup of fiber optics in the entire city to interconnect with public health centers, hospitals, and even its public CCTV cameras.

- » Mayor Binay shared plans to upgrade the infrastructure and technology of Makati City's command center, to build a solar-powered fire station, and to use its Geographic Information System (GIS) in tax mapping to improve tax collections.

- » The city is adopting health innovations in partnership with private hospitals. It procured a digital mammogram, a portable x-ray, and improved its eye centers. It introduced a free anti-rabies vaccination and microchipping program, the first in Asia, to ensure the city is rabies-free.

2. The local government plans to finish the Makati Intra-City Subway, the first PPP locally initiated subway, by 2025 to ease traffic congestion.

- » The subway will create 10,000 jobs, address traffic issues within the city and its peripheries, and interconnect the city's government facilities for the public's convenience.

- » Mayor Binay will construct the subway underground to avoid disruption, and establish commercial areas above it for businesses.

3. Mayor Binay intends to boost the city's safety and disaster preparedness.

- » The local government has purchased

a 56-meter ladder fire truck to reach higher floors of buildings during emergencies. The high-tech fire truck is also able to detect a building's layout to better determine fire exits.

- » Instead of training barangay officials, Mayor Binay will conduct disaster preparedness training for residents.
- » An additional 1,000 people were hired into the Makati police force to be deployed throughout the city, ensuring 24/7 safety.

4. The city plans to upskill its students and digitalize its educational system.

- » Mayor Binay will partner with private companies to enhance students' knowledge on artificial intelligence, shifting the educational curriculum towards digital technology.

- ◊ Angkas offered to board students as part-time workers, and train them for free to become digital entrepreneurs.

5. The local government aims to strengthen the city's human capital.

- » Mayor Binay expressed interest in investing and participating in business incubators to provide training and development for start-ups. ■

Summary by  
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Photos and Layout by  
Clinton A. Balbontin



Law and Sovereignty

# ANTONIO CARPIO

18 October 2019 | New World Hotel, Makati City



For more photos, visit: <http://bit.ly/33Yy1q3>

Former Senior Associate Justice Antonio T. Carpio was key to winning the South China Sea Arbitration case in 2016. After serving the Supreme Court for 18 years, newly-retired Justice Carpio pledges to devote most of his time defending the country's sovereign rights in the West Philippine Sea.

He was honoree at a testimonial lunch given by MBC, ECOP, FINEX, JRI, and MAP.

On 25 October 2019, Carpio retired with no pending cases. He said there is no magic formula to having zero backlogs, just "hard work and a mindset for excellence."

## INTEGRITY AND EFFICIENCY IN THE COURTS

- » **Choose** judges well through the Judicial and Bar Council.
- » **Pay** judges well. PH government salaries and retirement benefits of judges and justices are one of the best among judiciaries in the world.
- » **Train and motivate** judges well through the Philippine Judicial Academy.
- » **Supervise** judges well through the Office of Court Administrator.
- » **Monitor the integrity and honesty** of judges through the Judicial

*"It is not the title that confers prominence on a person: it is his consistent excellence. No matter the lack of formal title, in our minds Justice Carpio is chief among the justices in terms of his consistent adherence to the law and his commitment to always uphold the rule of law. We also honor Justice Carpio for consistently reminding us that our national dignity should not be traded for a few bridges and roads. And as proud Filipinos, we should vigilantly protect our territory and our seas."*

**Ramon del Rosario, Jr.**  
MBC Trustee and Former Chairman

Integrity Board and the Corruption Prevention and Investigation Office.

## JUDICIAL BRANCH SHORTAGES

- » The present judge-to-population ratio in PH is 26 judges per million. This is low compared to the average for developed (50) and developing (35 to 40) countries.
- » According to Justice Carpio, PH should have 5,500 judges given that there are 110 M Filipinos to reach the ratio of 50 judges per million. Currently, the country only has 2,859 judge and justice positions in all court levels.
- » The severe lack of prosecutors and Public Attorney's Office (PAO) lawyers need to be addressed by the Executive Department because criminal cases are major contributors to the backlog in the first and second level courts.

## BUSINESS AND THE SOUTH CHINA SEA

- » When asked about the business community's role in his South China Sea advocacy, Justice Carpio said that businesses should urge the PH government to convene the working group on exploring Reed Bank.
- » The Malampaya natural gas field supplies 40% of the energy requirement in Luzon, and it will not be commercially viable anymore in four years (estimates vary and change). Without a replacement, this will lead to rotating blackouts for 12-14 hours a day, affecting business operations, among others.
- » Natural gas from Reed Bank, located in the South China Sea, could replace Malampaya. The government now has an MOU with China for the Reed Bank exploration. According to Carpio, the Chinese will come in through a service contractor that acknowledges PH sovereign rights over Reed Bank. Hence, China would implicitly admit that the gas in the areas covered by the MOU is within PH territory. (Some experts say there is vagueness in the contract that China or others may interpret differently.)

Summary by  
**Ma. Roxanne V. Lu**  
MBC Programs and Projects Director

Photos and Layout by  
**Clinton A. Balbontin**





Increasing Corporate R&D to Boost Philippine Innovation, Growth, and Competitiveness

# DR. MICHAEL PURUGGANAN

Silver Professor of Biology and former Dean of Science, New York University

12 November 2019 | Discovery Primea, Makati City



For more photos, visit: <http://bit.ly/MBCPuruggananRTD>

## CREATING RESEARCH INSTITUTIONS

Philippine companies need to increase research and development to boost theirs and the country's innovation, growth, and competitiveness. MBC held a roundtable discussion with Dr. Michael Purugganan, just-retired NYU dean of science to discuss how business and other stakeholders can accelerate this. Here is a summary of his discussion with CEOs, RTD heads, and science deans.<sup>1</sup> The RTD was co-sponsored by USAID-STRIDE.<sup>2</sup>

## CHALLENGES

- » Lack of basic research in universities or companies in large part because basic research is too expensive for Philippine schools and businesses.

## COST TO DEVELOP A DRUG

- 12 years
- \$2-B
- 10,000 tests

**Alfonso Zulueta**

Eli Lilly Int'l President

MBC keynote speaker, May 2019

- » Lack of scientists due to low pay, lack of research work and labs. Scientists go abroad, some recruited even before they graduate.
- » As a result, few scientists and companies apply for DOST and other research grants in part due to the lack of research scientists.
- » Few companies partner with state universities because resulting research and patents have to be bidded out, subject to COA rules.
- » Philippine universities are focused on teaching rather than a balance of teaching and generating knowledge. Philippine scientists aren't motivated to patent and commercialize their work.
- » Lack of a research culture or ecosystem

*"The value of a Basic Research is that it develops the expertise level in a particular area, and when the time comes you have a deep bench to help the country explore the topic further. Basic research need not be divorced from practical application."*

**Dr. Michael Purugganan**

## PROPOSED SOLUTIONS

1. **R&D champions in companies and business community.** "Lack of a culture is a non-starter. What's needed is leadership," according to one participant. Unilab Foundation has been reaching out to and meeting other companies in part for them to launch a STEM Leadership Alliance.
2. **Link Philippine universities with global research institutions.** This may help local universities develop expertise and strengthen research culture. The British Embassy's Newton Agham program supports collaborations between Philippine and British universities, as well as brings Philippine scientists to the UK for a two-week program.
3. **Work with provincial universities.** They have scientists but less opportunity and are therefore enthusiastic to collaborate with business. Also, private universities, to avoid the COA rules.
4. **Revise grant-giving rules and procedures.** One change that can be made is to award more grants based on "brilliance" of scientist rather than just areas preferred by the grant-giving agency.
5. **Build a community of young and returning scientists.** This gives them an opportunity to present their research, and gives industry an avenue to share their problems for possible research projects. ■

<sup>1</sup> We invited leaders from DOST, DTI, and NEDA but they were unavailable.

<sup>2</sup> USAID's Science, Technology, Research, and Innovation for Development (STRIDE) project

Summary by  
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MBC Programs and Projects Director

Photos and Layout by  
**Clinton A. Balbontin**



Education Reimagined

# ASTRID TUMINEZ

President, Utah Valley University

3 December 2019 | Makati Shangri-La, Makati City

For more photos, visit: <http://bit.ly/MBCTuminezPhotos>

Dr. Astrid S. Tuminez is the first female President of the Utah Valley University (UVU). She leads UVU in providing inclusive education through its open admissions policy and the dual mission of higher education, which combines community college and university education under one roof, giving community college students an easier path to a university education if desired, and offering all students richer learning experience.

## USE HIGHER EDUCATION TO INCLUDE, NOT TO EXCLUDE

UVU has programs for first-generation college students that can be adapted for Filipinos with a similar background and/or need for further preparation. These include foundational coursework, tutoring services from successful students, and a whole-person approach in advising beyond academics.

UVU also has adaptable programs for working students. This includes counting skill-specific certifications from employers in students' credentials. They can also enroll in one course at a time, allowing them to stay enrolled even if their work prevents them from taking more loads in school.

UVU also helps mothers return to college via lactation pods and childcare centers.

## BREAK DOWN KNOWLEDGE SILOS

The richer learning environment of UVU's dual education model may be replicated in Philippine college and tech-voc institutions. For example, UVU offers 44 certificate programs including cabinetry and architectural woodwork, 65 associate degrees including dance, along with 91 bachelors, 11 masters, and 30 online degrees. Dr. Tuminez says these encourage students to explore the "microcosm of the world of knowledge."

*Let us not silo knowledge anymore. Let us use our resources so students are exposed at an early age to this mingling of knowledge because the 21st Century no longer respects silos. It's all the more varied you are, the more multidisciplinary your brain is, the better you're going to be in life and in careers.*

**Dr. Astrid S. Tuminez**

## PARTNER FOR STUDENT SUCCESS

UVU has a partnership with school districts called the K-16 Alliance that may have insights for Philippine efforts to dovetail its relatively new K-12 system with higher education. These include helping set goals in primary and secondary education, such as identifying the reading level per year, to ensure that students are prepared for college.

UVU partnered with Silicon Slopes -- Utah's Silicon Valley -- to launch a new MBA degree that focuses on technology management. Lectures are held in company offices so employees can easily take their MBA. Half of the lecturers are industry practitioners who promote mentoring and link students directly to potential employers.■

Summary by  
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