DBM exceeds 2022 budget amid P200B in unprogrammed items

THE Department of Budget and Management (DBM) said funding releases at the end of October amounted to P5.08 trillion, exceeding the P5.024-trillion budget for 2022, with P200.19 billion in unprogrammed appropriations and P45.29 billion in other automatic appropriations helping drive spending over the limit.

The DBM said on Tuesday that the pace of releases in 2022 was well ahead of the year-earlier rate of 97.4%.

Many agencies reported budget utilization rates in the high 90% range just as the previous administration stepped down in June. Much of the spending had been "front-loaded" to the early part of the year as a means of stimulating the economy, and to avoid the spending freeze accompanying the May elections.

The additional spending that caused the budget to blow out consisted of "Other" automatic appropriations include grants and donations and the Armed Forces of the Philippines Modernization Program, among others.

At the end of October, releases to government agencies and departments amounted to P2.82 trillion or 97.8% of their allotments.

Special Purpose (SP) funds released totaled P389.16 billion, for a release rate of 85.2%.

SP funds include budget support for local government units, the Contingent Fund, the Miscellaneous Personnel Benefits Fund, the National Disaster Risk Reduction and Management Fund, as well as the Pension and Gratuity Fund.

Meanwhile, Automatic Appropriation releases were at P1.58 trillion, representing 93.9% of the total.

These appropriations include P10 billion for the Rice Competitiveness Enhancement Fund and P2.1 billion for retirement and life insurance premiums of various government agencies.

The 2022 budget is expected to account for 21.8% of projected gross domestic product.

The proposed P5.268-trillion budget for 2023 is 4.86% higher than this year's spending plan.

The Senate on Tuesday sponsored next year's proposed budget out to the plenary. — **Luisa Maria Jacinta C. Jocson**

PHL manufacturing output growth slows in September

FACTORY output increased for a fourth consecutive month in September, but at a slower rate than August, the Philippine Statistics Authority (PSA) said on Tuesday.

According to preliminary data from the PSA's Monthly Integrated Survey of Selected Industries, manufacturing output, as gauged by the volume of production index (VoPI), rose 2.4% in September.

Growth in September slowed from the 4.4% posted in August and the 124.3% reported a year earlier.

Average manufacturing growth in the nine months to September was 48.3%.

A forward-looking indicator of manufacturing performance, the S&P Global manufacturing purchasing managers index (PMI), is also signaling slower growth. The PMI came in at 52.6 in October, down from 52.9 in September.

PMI reflects sentiment among purchasing managers, who must order raw materials in advance for their companies' future operations. A score above 50 on the PMI indicates an expansion of raw material orders, signaling confidence that their companies' manufactured goods will find a market.

The VoPI's rise in September was led by machinery and equipment except electrical, which posted a gain of 90%, followed by wood, bamboo, cane, rattan articles and related products at 77.6%, chemical and chemical products at 30.1%, fabricated metal products, except machinery and equipment at 21.7%, and other manufacturing and repair and installation of machinery and equipment at 18.6%.

Posting declines were electrical equipment (-54.7%), basic metals (-34.2%), furniture (-11.5%), beverages (-6.8%), and printing and reproduction of recorded media (-6.5%).

Asked to comment, Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort said in a Viber message that the growth of factory output may be linked to the further opening of the economy.

He said the move to "greater normalcy" is reflected in a Presidential order declaring the wearing of masks voluntary in most situations, the easing of restrictions on foreign travelers after the borders began to open in February, the recovery of domestic tourism, and the resumption of in-person schooling in August.

On Oct. 28, President Ferdinand R. Marcos, Jr. issued Executive Order No. 7 which made masks voluntary except in healthcare facilities, medical transport vehicles, and public transport, where they remain required.

Mr. Ricafort noted that the slower growth could have been caused by higher inflation, among other things.

"Offsetting risk factors that slowed manufacturing growth recently include higher prices from inflation, and weaker peso that increases input costs, the rising trend in interest rates, and narrower profit margins especially if there is competition or sluggish demand," Mr. Ricafort said.

The PSA recently announced a headline inflation rate of 7.7% in October, up from 6.9% in September.

The peso closed at P58.275 against the dollar on Tuesday, strengthening from its P58.58 close on Monday, according to the Bankers Association of the Philippines.

The PSA said that the average capacity utilization rate for the manufacturing sector improved to 71.5% in September compared to 71.4% in August.

"There were 20 out of 22 industry divisions with more than 60% average capacity utilization rate, led by manufacture of wearing apparel (80.9%), manufacture of furniture (80.3%), and manufacture of computer, electronic, and optical products (80.0%)," the PSA said.

Mr. Ricafort said manufacturing output could further improve due to the holiday season.

He cited the usual "seasonal increase in sales/revenue/business transactions, as well as manufacturing before and during the holiday season towards the end of 2022." — **Revin Mikhael D. Ochave**

Taiwan investment pledges worth $65M reported by ecozone regulator

THE Philippine Economic Zone Authority (PEZA) said potential Taiwan locators have made $65 million worth of investment pledges in the wake of a recent roadshow promoting the Philippines.

PEZA said the Oct. 24 trade mission obtained seven investment pledges from Taiwan companies.

These include an expansion projects by CHIMEI, which is planning new operations involving artificial intelligence (AI)-based solutions and LCD monitors; Budget Energy Corp., which is seeking to expand its solar energy operation in Hermosa, Bataan and Subic; YFC-BonEagle International, Inc., whose expansion over the next two years will entail investment of $40 million.

PEZA added that Neotek and Accton Technology Corp. are also exploring investment opportunities in the Philippines, with Neotek hoping to invest $6-$8 million.

PEZA said that other companies also expressed interest in becoming locators, such as Asia Optical Co., Inc., which is seeking a five-hectare site in which it will initially invest about P1 billion.

It added that personal protective equipment manufacturer Medtecs International Corp. Ltd. is scouting a 100-hectare site. Other prospects include battery firm Cyberpower, green energy firm Haoyung International Co., Ltd., and vertical farming and hydroponics company Huang Lin Machinery Co., Ltd.

"We aim to attract more investment in high-technology industries as Taiwan's economy is driven by a competitive manufacturing sector in the fields of electronics, machinery, petrochemicals, energy, and information and communications technology (ICT) products," PEZA Officer-in-Charge Tereso O. Panga said.

"Not only do we aim to learn from Taiwan, being the seventh-biggest economy in Asia and the 20th largest by purchasing power parity in the world. We also seek to bring to the country strategic and big-ticket investments that will be vital in our goal of economic growth and development post-pandemic," he added.

The investment mission was deployed in collaboration with the Department of Trade and Industry's (DTI) Philippine Trade and Investment Center, the Board of Investments, the Manila Economic and Cultural Office, the Taipei Economic and Cultural Office, and Taiwan Business Chambers.

"As of July 2022, there are a total of 108 Taiwan enterprises registered in PEZA which accounted for P32.87 billion in investment, $535.527 million worth of exports, and 46,564 direct jobs," Mr. Panga said.

Some of the major PEZA-registered Taiwan firms include Sunon Properties, Tong Shing Electronics, Kinpo Electronics and its affiliate company Acbel Polytech. — **Revin Mikhael D. Ochave**

Japan to lend ¥377B for North-South rail

By Arjay L. Balinbin
Senior Reporter

JAPAN will lend the Philippines ¥377 billion to build the North-South Commuter Railway (NSCR), a 147-kilometer line between Clark in Central Luzon and Calamba, Laguna.

"It's a very positive indication or expression of continuing support," Timothy John R. Batan, Transportation undersecretary for planning and project development, told *BusinessWorld* on Tuesday.

In a statement, Japan's Ministry of Foreign Affairs said the Japan–Philippines High-Level Joint Committee on Infrastructure Development and Economic Cooperation met in Manila on Nov. 4, during which the Japanese side "expressed its intention to provide loans to the scale of ¥377 billion for the development of the North-South Commuter Railway project."

"In response, the Philippine side expressed deep gratitude for Japan's 'fast and sure' implementation of assistance, most notably in the railway sector," it added.

The Japanese government expressed its intention to render support, through the joint committee, for the Philippines' bid to become an upper-middle-income country, and for its infrastructure program, via official development assistance and public-private partnership projects.

The NSCR project is expected to generate more than 35,500 jobs during construction while providing another 3,200 permanent jobs when operational.

The railway, which will connect Clark International Airport to Calamba, is expected to be completed by March 2029, according to the Department of Transportation. The project is co-financed by the Japan International Cooperation Agency and the Asian Development Bank (ADB).

The government recently signed the first four civil works contracts worth $1.87 billion for the 54.6-kilometer South Commuter Railway (Manila-Calamba), which is part of the NSCR project.

The ADB described the project as the "largest infrastructure project in the history of ADB financing" in the Asia-Pacific.

"The NSCR is implemented under a multi-tranche financing facility," Mr. Batan said.

"We will sign the next tranche during the visit of (President Ferdinand R. Marcos, Jr.) to Japan. That would be the next tranche, but not the last," he added.

NGCP fined P5.1 million over failure to maintain adequate reserve power

THE Energy Regulatory Commission (ERC) said it levied a P5.1-million fine on the National Grid Corp. of the Philippines (NGCP), citing its failure to procure adequate levels of reserve power to ensure grid security and stability.

In a statement, the regulator said that the NGCP did not comply with an order by the Department of Energy (DoE) to maintain adequate levels of reserves, which are committed via so-called ancillary services contracts.

The DoE had directed the NGCP to submit for approval the terms of reference and bid invitations to ancillary services providers, in compliance with Section 7.4 and 7.5 of the ancillary service competitive selection process.

In a 20-page ruling dated Oct. 27, the ERC had warned of additional penalties if the NGCP fails to comply, including possible cancellation of the NGCP's certification of public convenience and necessity (CPCN).

The NGCP is authorized to act as the transmission service provider by virtue of its CPCN.

The commission also warned that NGCP that it will also recommend the revocation of NGCP's franchise to Congress if it fails to comply with the ERC's decision.

The ERC said it is authorized by Section 46 of the Electric Power Industry Reform Act of 2001 to charge a maximum penalty of P50 million.

In September, the ERC had directed the NGCP to explain its failure to maintain adequate reserves.

An NGCP spokesperson said in a Viber message that the ERC's actions constitute "fault-finding where there was no fault" that could ultimately have a negative impact on consumers.

The NGCP also rejected claims that it intentionally disregarded DoE orders. — **Ashley Erika O. Jose**

Senate committee reports out P5.268-trillion budget bill to plenary

By Alyssa Nicole O. Tan
Reporter

THE Senate's P5.268-trillion budget bill has been sponsored out of committee for plenary debate, keeping the spending plan on track for approval sometime before the end of the year.

Senator Juan Edgardo M. Angara, who chairs the Senate Finance Committee, sponsored for floor debate House Bill 4488 with the issue of Committee Report 10.

He noted that the spending plan closely conforms to the eight-point near-term socioeconomic agenda as set out by the medium-term fiscal framework, supporting the major priorities of the Marcos Administration.

According to the budget bill, the two departments dealing with agriculture — the Department of Agriculture (DA) and the Department of Agrarian Reform — will receive a combined P179.762 billion, up 39.5% from 2022 funding levels.

Mr. Angara said the committee affirmed the government's funding for Farm-to-Market Road projects, with money to be directly released to the Department of Public Works and Highways (DPWH) to fast-track the process.

Changes to the DA's proposed budget support the establishment of cold examination facilities to facilitate the inspection of containerized agri-fishery products, which are expected to improve food safety and deter smuggling.

Funds will also be provided to establish the DA-wide Field Inspectorate Office, several hatcheries, and the research and development extension or applied research activities of the National Fisheries Research and Development Institute.

Also funded in the bill were efforts to contain the African Swine Fever outbreak, as well as the Dairy Industry Development Program of the National Dairy Authority.

The bill ensures the continued implementation of the Pantawid Pamilyang Pilipino Program of cash transfers for the poor, as well as other subsidies for food, transportation, and medical care, Mr. Angara said. He added that the bill supports the emergency employment programs of various government agencies.

Coming in for increased funding was the Department of Social Welfare and Development, for operations associated with the Centenarians Act, the Juvenile Justice and Welfare Council, and the National Anti-Poverty Commission.

"We are also cognizant of the immense damage caused by recent typhoons and earthquakes, and the difficulties hard-hit communities have to endure just to recover," Mr. Angara said.

"While no government has the power to change geography or the weather, ours aims to do its utmost to prepare our communities and have funds on standby to help the affected communities to get back up again if ever they are hit by natural calamities," he added.

The committee affirmed increased appropriations for the Quick Response Funds of various government offices, ensuring resources for the National Disaster Risk Reduction Management Fund and the Marawi Siege Victims Compensation Fund.

The committee also cleared funding to facilitate the return to face-to-face schooling.

"We need to make sure our students are safe when they return to the classroom," Mr. Angara said. "Even after almost two and a half years of being in lockdown, their education should be of high quality, and their re-entering school will be beneficial."

The education-related funding supports the Special Training for Employment Program, the Training for Work Scholarship Program, and the Tulong Trabaho Scholarship Program.

These will be overseen by the regional offices of Technical Education and Skills Development Authority (TESDA).

Additional funds were also provided to enhance the performance of students, which, Mr. Angara said, worsened during the pandemic. According to the World Bank, learning poverty in the Philippines has become severe, with 90% of 10-year-old students unable to read or understand a simple story or text.

Funds were set aside to upgrade teacher training, to fill vacant teaching and non-teaching positions, and to ensure availability of textbooks and instructional materials.

"The return to face-to-face classes is among the clearest signs that the return to normalcy is near," the senator said. "But this should not mean a reversion to complacency."

Some funding for the Department of Transportation (DoTr) was realigned to support the social support component of the Public Utility Vehicle (PUV) modernization program.

"This includes such initiatives as the DoTr-TESDA Tsuper Iskolar Program and the DoTR-DoLE EnTSUPERneur Program —where affected PUV drivers can learn new skills," Mr. Angara said.

The bill supports the development and rehabilitation of various airports, the enhancement of safety within the maritime sector, and the continued improvement of the railway system.

Funding was increased for the Network Development Program of the Department of Public Works and Highways (DPWH). The bridge-building and improvement program will also receive significant funding, as well priority road projects under the convergence and special support program.

Funding was provided for the operations of various Department of Health regional hospitals, specialty hospitals, several health centers and other programs.

The committee also greenlit funding to increase the carrying capacity of state university medical colleges, support state universities seeking to introduce medical programs, and finance medical scholarships.

All state universities and colleges will also receive additional funding for research and innovation programs.

"We also support the digital transformation proposal of our government so that it can provide services to the people faster and more effectively," Mr. Angara said.

He noted funding for the Department of Information and Communications Technology's (DICT) programs to digitize government transactions via the eGovernment Program, the Integrated Business Permits and Licensing System, and the National Government Data Center Infrastructure Project.

Funds were also allocated to the National Broadband Plan and the Free Internet Access Program.

A special provision also allows the DICT to offer incentives to local government unit community service providers to develop and finance the last-mile connection of schools, resettlement sites, transport hubs, and other public spaces.

Mr. Angara said the National Economic and Development Authority will also be receiving "significantly more funding this coming year" to implement the Philippine Innovation Act.

Mr. Angara said more funding can be expected for the Department of Science and Technology and its agencies, as well as the Philippine Space Agency.

"It is so important to strengthen the economy, and the budget is an instrument to achieve it, so that its vitality generates employment and taxes," Mr. Angara said. "All of the above call for smart budgeting, where nothing is wasted or delayed, in budget execution, when the hope and promise these appropriations bring are waylaid by procurement anomalies."