Low-spending gov't agencies ordered to file catch-up plans

THE Department of Budget and Management (DBM) has asked underspending government agencies to file plans to bring their fund usage up to target over the remainder of the year, alongside a broader call for mid-year budget utilization reports and updates on major programs.

"All implementing agencies are directed to submit the fiscal year 2024 budget utilization report as of June 30, specifically the Financial Accountability Report (FAR) No. 1 or the Statement of Appropriations, Allotments, Obligations, Disbursements, and Balances (SAAODB), through

the Unified Reporting System (URS)," the department said in a circular dated June 28.

In a specific note directed to agencies with low budget utilization, the DBM said: "(Implementing agencies must) submit detailed catch-up plans for agencies... below 50% of their respective physical and financial targets for the first semester of fiscal year 2024 and identify specific implementation issues/challenges encountered (e.g., procurement delays, regulatory bottlenecks, staffing shortages, among others) causing low utilization/performance rates."

The SAAODB must be submitted to the DBM and the Commission on Audit through the URS within 30 days after the end of each quarter.

Implementing agencies should also submit a list containing the status of flagship programs and projects covered in the 2023 and 2024 General Appropriations Acts, especially those with significant allocations. These must be accomplished through the attached template in the circular.

The National Government has a spending target of P5.754 trillion this year. As of the end of May, government spending

was P2.257 trillion, or 39.22% of the target.

Government offices' cash utilization rate hit 94% as of the end of May, the DBM has reported, equivalent to P1.78 trillion out of the P1.89 trillion worth of notices of cash allocation (NCAs), leaving P115.55 billion left unused.

The DBM issues NCAs to government offices quarterly, allowing them to withdraw funds from the Bureau of the Treasury for their spending needs.

Cash utilization by the end of May was ahead of the year-earlier pace of 91%. — **Beatriz Marie D. Cruz**

Exporters say wage hike in July would be badly timed

By Chloe Mari A. Hufana

EXPORTERS said July is "not a good time" to raise wages, citing the industry's fragile state due to shipping and supply chain disruptions as well as the unfavorable geopolitical conditions for trade.

"As we've been mentioning, this is not a good time. If they can check the statistics, exports are just recovering. Globally, there are issues. The shipping issue — there are wars that are affecting the supply chains," according to Ma. Flordeliza C. Leong, Philippine Exporters Confederation, Inc. vice-president for Advocacy, Communications and Special Concerns, speaking to *BusinessWorld* on the sidelines of a conference.

She called for "relief to employers" such as "a moratorium on a (wage) increase."

The Confederation of Wearable Exporters of the Philippines has proposed a one-year moratorium on wage increases, saying they have not yet recovered from the pandemic.

They said a wage hike this year would further drive up production costs, which may cause employers to shed jobs.

Ms. Leong said her organization has no timeline to increase wages, but added that an increase this month would be difficult.

Economist and National Scientist Raul V. Fabella said it is best to keep wage hikes restrained because such mea-

sures will reduce the Philippines' competitiveness.

"Our own wage rate adjustments depend on our inflation rate. If the latter is high, (it is) hard to keep wage rise (within) limits. Which is why the Bangko Sentral ng Pilipinas (BSP) wants to keep the benchmark interest rate high for longer to keep inflation at bay," he told *BusinessWorld* via Viber.

"Rice inflation will also result in high wage response. Best to control rice inflation by reduced tariffs on rice," he added.

The government last month lowered the tariff on imported rice to 15% from 35% to make the staple gain more affordable.

The BSP kept interest rates steady for a sixth straight meeting last week, with the Monetary Board leaving its target reverse repurchase rate at 6.5%.

Ms. Leong nevertheless considers a decision on wages by the Regional Tripartite Wages and Productivity Boards (RTWPB) preferable to a legislated wage hike.

While employers are aware of the effects of inflation on workers, Ms. Leong said a balance needs to be struck.

The Senate in February approved on third and final reading a bill increasing the daily minimum wage in the private sector by P100.

At the House of Representatives, separate bills that seek to increase wages of private-sector workers by P150 to P750 have been filed.

'No need' to import sugar due to ample stocks

By Adrian H. Halili
Reporter

SUGAR inventories are considered sufficient until the beginning of the milling season later this year, producers said, rejecting the need to import.

Confederation of Sugar Producers Associations, Inc. (CONFED) President Aurelio J. Valderrama, Jr. said that the current rates of withdrawal from reserves indicate that inventory levels are ample, and can hold out until milling starts.

"We reiterate that any sugar import plan should be data-based, calibrated, totally transparent and fair, done in consultation with the industry and therefore immune from

speculation and manipulation," he added.

Last week, Agriculture Secretary Francisco P. Tiu Laurel, Jr. said that the Department of Agriculture will clear imports of 200,000 metric tons (MT) of refined sugar to plug possible supply gaps during the milling offseason.

The national raw sugar inventory as of June 9 was up 29.3% during the 2023-2024 crop year to 436,229 MT, according to the Sugar Regulatory Administration (SRA).

Stocks of refined sugar, meanwhile, rose 14.1% to 492,985 MT during the current crop year.

Roehlano M. Briones, a senior research fellow with the Philippine Institute for Development Studies, said the planned imports are limited and would not bring

down sugar prices during the milling offseason.

"Even with a bigger harvest, there may be strong demand. The problem is, the amount (for import) is limited to what will keep prices from rising, rather than (volumes sufficient to) bring sugar prices down," Mr. Briones said via Viber.

Calixto V. Chikiamco, Foundation for Economic Freedom president, said that the government should let the private sector determine the demand and supply situation and "let them import to stabilize supply."

The SRA's Sugar Order No. 2 allowed buyers of domestically produced sugar to participate in the government's import operation.

CONFED's Mr. Valderrama said that the SRA has yet to announce the start of the milling

season of the 2024-2025 crop year.

He added that no crop estimates have been released for the new crop year, which has been affected by El Niño.

Last year, the regulator had estimated a 10-15% decline in sugarcane production due to the effects of El Niño.

SRA Administrator Pablo Luis S. Azcona said at the time that El Niño has inflicted damage on sugarcane due to be harvested in October.

It added that parts of Batangas, Southern Negros, and Mindanao have reported extensive sugarcane damage due to dry conditions.

"CONFED is asking SRA to begin consulting with the industry to discuss sugar policy for Crop Year 2024-2025," he said.

Realizing potential with GenAI

IN BRIEF:

• *Although most companies that adopt GenAI follow a similar implementation approach and methodology, expending large amounts of time, money and effort, many implementations fail.*

• *GenAI empowers corporate leaders to envision a new horizon for their organizations, leveraging this rapidly advancing technology well past the bounds of simple gains in productivity.*

The significance of managing generative artificial intelligence (GenAI) initiatives is underscored by a white paper from Pactera Technologies, a leading global technology company, which indicated that a substantial 85% of these projects fall short. Forbes corroborates that the majority of GenAI projects do not meet expectations, underscoring a problematic trend in the field.

GenAI projects possess characteristics that differentiate them from standard software development undertakings. Consequently, the strategies employed in overseeing and realizing the potential of GenAI projects demand a tailored approach distinct from conventional software project management. To address this issue and enhance AI project management methodologies, this article will discuss the following fundamental principles designed to refine the management of GenAI-related projects.

ESTABLISHING CLEAR BUSINESS OBJECTIVES AND THE IMPORTANCE OF PLANNING

To fully harness the potential of GenAI, it's essential to establish specific, measurable, achievable, relevant, and time-bound (SMART) goals for the GenAI solution to achieve. This crucial step involves a deep understanding of the underlying business problem or challenge that the GenAI solution intends to address. It is also vital to consider whether GenAI is the most suitable solution, ensuring that the technology is not simply being used for its own sake.

Identify and rationalize potential use cases for GenAI that are in sync with core business objectives. This involves a process of prioritization — pinpointing which GenAI applications can deliver the highest value in alignment with the strategic direction of

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The strategies employed in overseeing and realizing the potential of GenAI projects demand a tailored approach distinct from conventional software project management.

the organization. By focusing on areas where GenAI can make a significant impact, businesses can channel their resources more efficiently and create a tailored approach that maximizes its benefits. For instance, a common application of GenAI is in knowledge management, which could provide value across the enterprise.

Understanding the project life cycle is another fundamental aspect of managing and executing a GenAI project successfully. Establish the stages the project will go through, including a comprehensive methodology that covers various phases such as planning, developing, testing, deploying, and monitoring the GenAI solution. While each stage of the project is important, an emphasis on key differences in developing and monitoring traditional and GenAI solutions is important. For example, in developing GenAI solutions, model "training" directly impacts the performance of the solution in production. Likewise, monitoring performance for its accuracy and precision would be continuous throughout the use of the solution.

Selecting the appropriate tools and methodology is equally critical. Whether in terms of data processing software, programming languages, and platforms for deployment, these must be chosen with the aim of enhancing the productivity and effectiveness of the GenAI solution.

UNDERSTANDING DEPENDENCIES AND PREREQUISITES

GenAI solutions depend on a process often referred to as "learning," which involves feeding them a substantial volume of historical business data. This data acts as the foundation upon which the GenAI model is adjusted and refined, making it crucial that this infor-

mation is of high quality. The principle of "garbage in, garbage out" is applicable here, as any shortcomings in the data can lead to flawed results. As the system continues to process new data, its effectiveness is influenced by the accuracy, completeness, and overall integrity of the information it receives.

Another key aspect is the existing technological infrastructure and the broader system of the company. The current architecture and its capacities must be evaluated to determine how they might integrate with or support the effective deployment of the GenAI system. This includes considering the capability of current systems to communicate with the GenAI solutions and manage the additional workload. Scalability also cannot be overlooked. While GenAI can be a powerful business enabler, it requires the proper infrastructure to unlock its full potential. For example, GenAI solutions require significant computational power to function properly, thus, a powerful hardware component will accelerate "learning" of complex algorithms.

The implications of GenAI on existing business processes are profound. The adoption of GenAI systems can lead to a complete overhaul of current processes, possibly making some obsolete. This makes it essential to perform a meticulous gap analysis to understand the differences between current state and future state business processes. This helps businesses ensure they can capitalize on the advantages GenAI offers while mitigating any operational disruptions.

CROSS-FUNCTIONAL COLLABORATION

GenAI initiatives will require cross-functional collaboration. A diverse team composition is necessary due to GenAI projects intersecting multiple domains, requiring a holistic understanding of each area to create solutions that are not only technically advanced but also practical and relevant to the business. For example, a GenAI solution includes business process, application, infrastructure, and data components. To be able to design the solution, it will require the business unit to define the business problem, legal unit to provide compliance requirements, IT unit to provide data, infrastructure and other system requirements, HR unit to man-

age change, and senior leaders to drive its adoption.

Adequate training will be crucial in ensuring that each team member can contribute effectively and understand the complexities of the tasks at hand. A data scientist, for example, must understand not just the intricacies of algorithms and model-building but also the business problems the technology is meant to solve. It is also imperative to involve cross-functional teams from the earliest stages. Collaboration should be established from the beginning, mixing technical expertise with business insights and ethical considerations. This allows every aspect of the project to be scrutinized from multiple perspectives, fostering an environment where technical feasibility, business viability, and ethical implications are all weighed and balanced.

This blended approach ensures that the solutions developed are realistic, beneficial for the business, and designed with a consideration of their impact on stakeholders and society at large.

CHANGE MANAGEMENT

One common issue in implementing a GenAI solution is resistance. While people may be hesitant to adopt new technologies in favor of established routines, it's essential for companies to anticipate this resistance and prepare with strategies to address concerns and ease the transition for everyone involved.

To facilitate adaptation, the company should provide substantial training and dedicated support. Instructional programs designed to enhance understanding of the new GenAI system can empower employees. Additionally, a hypercare support system, which offers intensive post-implementation assistance, ensures that immediate help is available for any issues or questions that may arise during the initial stages of using the new technology.

Stakeholder management is also a critical component in ensuring a smooth transition. Clear and transparent communication regarding sunk costs associated with GenAI systems is necessary, as well as assurances that the investments are calibrated for long-term benefits. Stakeholders must also understand the timeframes involved, from the initial implementation phase to when positive returns can be expected. By managing

expectations with clarity, the company can secure sustained commitment and support for GenAI initiatives.

PERFORMANCE MONITORING AND OPTIMIZATION

Determine baseline metrics that act as a standard against which the added value of the GenAI system can be measured. Once the system is operational, the company must assess its performance, leveraging both qualitative and quantitative methods in its evaluation while utilizing appropriate metrics and benchmarks. For instance, the company might compare the output generated by the GenAI system against previously established baseline metrics, such as output produced by humans prior to when the GenAI system was implemented.

In addition to monitoring technical GenAI metrics such as accuracy and precision, the company must measure the impact of the system through a business-focused lens. This means putting a spotlight on how the system influences business metrics, outcomes, and the overall impact on company operations.

REALIZING THE POTENTIAL OF GENAI

The potential of GenAI transcends simple enhancements in organizational efficiency. Its profound ability to generate, model, and interpret intricate data place it at the forefront of driving business innovation.

GenAI empowers corporate leaders to envision a new horizon for their organizations, leveraging this rapidly advancing technology well past the bounds of simple gains in productivity. Through GenAI, businesses are not just improving processes, but revolutionizing their approach to problem-solving and strategic planning, planting the seeds for long-term value.

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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