

Backup sources readied as calamity funding runs low

THE Department of Budget Development (DBM) said Thursday that the contingent fund and local government support fund have been placed on standby to support the government's dwindling disaster funds.

Concerns have been raised about the depletion of the Quick Response Fund (QRF), which can be disbursed rapidly in response to calamities. It can finance preparatory activities, relief, and rehabilitation.

Budget Secretary Amenah F. Pangandaman said as of Oct. 2024 it had P30 billion.

"Nakita po natin na 'yung mga ahensya tulad ng DSWD *at* DPWH, *naubos na po nila 'yung sa kanila. So humihingi na po sila ng replenishment* (We have seen that the Department of Social Welfare and Development and the Department

of Public Works and Highways have run out of funding, and are asking for replenishment),"she said in a statement.

The Departments of Agriculture, Education, Interior and Local Government, and Health, as well as the Philippine National Police, Bureau of Fire Protection, Office of Civil Defense, and Philippine Coast Guard also have access to the QRF.

According to the 2024 General Appropriations Act, the balance of the National Disaster Risk Reduction and Management Fund (NDRRMF) can be tapped to replenish the individual agencies' QRFs.

Replenishment may be requested from the DBM once QRF utilization hits 50%, the DBM said.

Ms. Pangandaman standby funds are available in the form of

Unprogrammed Appropriations should the Contingent Fund would run out.

She added that agencies can request the DBM directly to tap the Local Government Support Fund – Financial Assistance to Local Government Units (LGSF-FA to LGUs).

Under Local Budget Circular No. 155, LGSF-FA to LGUs may be tapped for financial assistance to LGUs for "implementation of programs, projects, and activities for disaster response, rehabilitation, and recovery, including procurement or acquisition of disaster equipment and vehicles for disaster response and rescue activities."

Finance Secretary Ralph G. Recto has said that the NDRRMF is nearly depleted, adding that the frozen P30-billion transfer

of Philippine Health Insurance Corp. (PhilHealth) reserve funds could have been used to fund it.

"It's almost gone. The Supreme Court TRO (temporary restraining order) of P30 billion could have been used for calamities," Mr. Recto told *BusinessWorld* on the sidelines of the DBM budget deliberations.

The SC recently issued a TRO on the further transfer of excess funds of PhilHealth to the National Treasury.

When asked how to the government can fund future disasters, he said the Philippines will have a "positive cash balance by the end of the year."

"We have agreements with the World Bank; if needed, we can use loan proceeds for calamity victims," Mr. Recto said. — **Aubrey Rose A. Inosante**

Recto expects BSP to continue easing cycle

THE BANGKO SENTRAL ng Pilipinas (BSP) is expected to continue cutting rates in the next few months, Finance Secretary and Monetary Board Member Ralph G. Recto said Thursday.

"We have cut our interest rates by a total of 50 basis points (bps), creating an even more conducive environment for growth and investment. And more rate cuts are expected in the coming months," Mr. Recto said in a speech.

The Monetary Board began its easing cycle in August, bringing the central bank's key rate to 6%.

BSP Governor Eli M. Remolona, Jr. has signaled a possible 25-bp rate cut in December, which would bring the benchmark rate to 5.75% by the end of 2024.

Mr. Recto told reporters on the sidelines of a conference that the BSP will review its easing cycle outlook following the slowdown in third-quarter gross domestic product (GDP) growth, but he noted "there's a possibility" for a rate cut in December.

The economy expanded 5.2% in the third quarter, the weakest reading since the 4.3% posted in the second quarter of 2023.

Third-quarter growth marked a slowdown from the revised 6.4% posted in the second quarter, and the year-earlier 6%.

The median forecast had been 5.7% in a *BusinessWorld* poll of 12 economists and analysts ahead of the data release.

On a quarter-on-quarter basis, GDP expanded by 1.7%.

Mr. Recto said rate cuts could put the economy on a strong growth track until 2030 and possibly bringing the Philippines to upper middle-income status by next year.

"The Philippine economy has already doubled in size since 2013 in terms of nominal GDP. And by 2030, our projec-

tions show that we can grow by another twofold, and this has not gone unnoticed by the rest of the world," he said in his speech.

Economic growth will also be supported by strong job numbers and slowing inflation, which will support consumer spending.

"Today, about 50 million Filipinos are employed, and 63.9% of them hold formal, stable jobs. Unemployment has steadily decreased. This is proof of an expanding middle class ready to drive consumer demand," he said.

The labor force participation rate increased to 65.7% in September from 64.1% a year earlier. The labor force is estimated to number 51.77 million, up 1.84 million.

"Additionally, our whole-of-government efforts to mitigate food and nonfood inflation are expected to keep the inflation rate within our target band for the next two years. Low and stable prices will speed up the growth of our already robust domestic demand, with household consumption accounting for more than 70% of our economy," Mr. Recto added.

Headline inflation picked up to 2.3% in October from 1.9% in September, but remained below the 4.9% from a year earlier. It was also within the central bank's 2-4% target.

"With these favorable forces at play, we are on course to reach upper middle income status next year. And by 2030, the Philippines will become the 30th largest consumer market globally," Mr. Recto said.

The Philippines was classified as a lower middle-income country with a gross national income per capita of \$4,230 in 2023, according to World Bank's income classification standards. It has been a lower middle-income economy since 1987. — **Aaron Michael C. Sy**

Improved quality norms seen boosting PHL pharma

PHILIPPINE pharmaceutical exports are expected to grow further, boosted by supportive regulation that will enhance quality, Fitch Solutions unit BMI said.

"Improved regulatory standards will boost prospects for Philippine' medicine exports, enabling expansion beyond neighboring Southeast Asian markets," it said in a report.

BMI expects pharmaceutical exports to grow to P3.7 billion in 2028 from P2.7 billion in 2023.

The Food and Drug Administration (FDA) reformed the regulatory process for pharmaceutical and active pharmaceutical ingredient exports, in a bid to improve compliance and "rigor-

ously assess the quality, safety and efficacy of products intended for both local and international markets."

"The FDA decision to tighten drug exporting standards is indicative of a wider movement towards reinforcing drug safety and quality control. This elevation in standards will stimulate export growth in the medium- to long-term," BMI said.

The report noted that the Philippines exports primarily to other Southeast Asian countries such as Indonesia, Thailand, Malaysia and Singapore.

"The outlook for export growth over the coming years is robust given its low base. Posing upside

to the country's pharmaceutical export potential is the adoption of improved regulatory standards in the coming years which will boost the potential for its pharmaceuticals in global markets," it added.

Meanwhile, BMI expects pharmaceutical imports to grow at a slightly slower pace. Imports are expected to grow to P161 billion in 2028 from P124 billion in 2023.

"The relatively lower growth rate of imports indicates a gradual reduction in the market's dependency on foreign pharmaceutical products as domestic production ramps up," it added.

The government is in the process of reviving domestic manufacturing overall, BMI said.

It noted initiatives such as the FDA working with Philip-pines Economic Zone Authority (PEZA) to expand pharmaceutical development zones and the government's target for the domestic pharmaceutical industry to produce 60% of registered medicines.

"We expect these initiatives to attract pharmaceutical companies into the Philippines, contributing to the growth of medicine manufacturing and R&D activity," it said.

The Philippine pharmaceutical market is expected to grow to P414 billion by 2028 from P335 billion in 2023. — **Luisa Maria Jacinta C. Jocsosn**



NOEL B. PABALATE / PPA POOL

Marcos signs priority measure on apprenticeship incentives

PRESIDENT Ferdinand R. Marcos, Jr. signed into law Thursday a priority bill seeking to boost apprenticeship programs and better align them with industry needs.

The proposed Enterprise-Based Education and Training (EBET) Framework Act provides incentives for employers offering apprenticeship programs to prospective members of the workforce.

It also covers workers who want to engage in upskilling to support career progression.

"By establishing a framework on career advancement and industry-relevant skills, this law directly addresses the issues (like) the lack of formal training and skills mismatches," Mr. Marcos said in a speech at the signing ceremony.

He said many livelihood programs at the national and local levels have been inadequate in terms of landing jobs for participants.

"That is why it is very important to synchronize our skills training with the actual requirements of industry and the labor market."

Workers eligible for the EBET program are those who are either newly employed or established workers who want to acquire new skills.

Under the law, enterprises should give their trainees allowances not lower than 75% of the applicable minimum wage.

In programs exceeding one year, the apprentice is entitled to a yearly increase in line

with labor market wage rates in the sector, and subject to evaluation of performance.

Training hours are not to exceed eight hours per day.

A trainee required to work overtime not exceeding two hours a day is to be paid an additional 25% of the hourly allowance for every hour of extra work.

Workers undergoing upskilling training are entitled overtime pay and a night shift differential, if applicable.

"We are hopeful that the law can effectively address these issues so we can prepare our workers for the demands of the local and foreign market, and assist them in finding new or additional employment so they can help their families," Speaker Martin G. Romualdez, who witnessed the signing, said in a statement.

EBET program graduates will enjoy hiring preference in the company implementing the program and will not need to undergo probation.

EBET trainees are eligible to tap the Tulong Trabaho Fund, a component of Republic Act No. 11230 or the Tulong Trabaho Law.

The Philippine Statistics Authority reported that the unemployment rate fell to 3.7% in September from 4% in August and 4.5% a year earlier. — **Kyle Aristophere T. Atienza**

IEMOP eyes full commercial operations for renewable power market by December

THE Independent Electricity Operator of the Philippines (IEMOP) said it hopes to launch full commercial operations by December for the renewable energy (RE) market serving on-grid participants.

"We are preparing for the renewable energy market full commercial operations, targeted for December," Arjon B. Valencia, manager for corporate planning and communication at IEMOP, told reporters at a briefing recently.

The RE market is the venue for trading RE certificates (RECs) equivalent to an amount of power generated from RE resources, and is intended as a facility for mandated participants to comply with their Renewable Portfolio Standards (RPS) obligations.

RPS requires distribution utilities (DUs), electric cooperatives (ECs) and retail electricity suppliers to source a certain portion of their energy supply from eligible RE resources.

RECs, which are issued to mandated participants, is equivalent to a one-megawatt-hour of RE generation at a price capped at P241 each. Renewables should account for at least 11% of the participants' energy sales.

The RE market launched interim commercial operations in 2022 with the Philippine Electricity Market Corp. (PEMC) as the RE registrar.

"We're expecting to have the functions transferred to IEMOP together with the declaration of commercial operations," Mr. Valencia said.

The Department of Energy (DoE) will issue a department circular declaring the full commercial operations of the RE market, he said.

"When it comes to the scale of this market, I think the sales will focus more on the off-takers, the ECs, DUs to source or to buy from the market as they are the mandated participants," Mr. Valencia said.

"As to our target of 35% by 2030, this market will facilitate that," he added, referring to the goal of increasing RE share in the power generation mix, which is currently at 22%. — **Sheldeen Joy Talavera**



POWERHILLIPINES.COM

Green energy auction expected by year's end

THE green energy auction (GEA) will likely proceed within the year even though the pricing mechanisms have yet to be issued.

"Towards the end of this year, we should finalize the GEA for hydro pump storage and geothermal, as well run-of-river and impounding hydro," Energy Secretary Raphael P.M. Lotilla said during the Pilipinas Conference Thursday.

Mr. Lotilla said the GEA for integrated renewable energy storage systems (IRESS) "will also be coming soon as well."

GEA is designed to increase renewable energy capacity to help the government meet its goal of 35% renewable energy in the power mix by 2035 and 50% by 2040.

In the last two years, the Department of Energy (DoE) has conducted two GEA rounds, which generated 5,306 megawatts (MW) of renewable en-

ergy commitments for delivery in 2024 to 2026.

For 2024, the DoE plans to auction renewable energy projects with a combined capacity of 4,399 MW.

The GEA third round will cover non-feed-in-tariff (FIT) eligible renewable energy technologies such as geothermal, impounding hydro, and pumped storage hydro.

The auction will also cover run-of-river hydro, a FIT-eligible renewable energy technology.

For GEA-4, the DoE is looking to offer IRESS and liquefied natural gas.

Earlier this month, the Energy Regulatory Commission (ERC) posted the draft price determination methodology (PDM) guidelines for renewable energy technologies for public comment.

The ERC is responsible for establishing the PDM for GEA bidders. — **Sheldeen Joy Talavera**

Philippine debt-to-GDP ratio rises in third quarter

THE National Government's (NG) debt as a share of gross domestic product (GDP) was 61.3% at the end of the third quarter, the Bureau of the Treasury (BTr) said Thursday.

This was higher than the year-earlier 60.2% and the 60.1% posted at the end of 2023, the BTr said in a statement.

In 2024, the debt-to-GDP ratio target was set at 60.6%. The government seeks

to bring this to below 60% by 2028.

The threshold considered by multilateral lenders to be manageable for developing economies is 60%.

"The debt ratio reflects the accomplishment of 89.5% of the full-year borrowing program to fund 2024 expenditures," the BTr said.

At the end of September, the NG's outstanding debt rose to a record

P15.89 trillion, up 2.2% from a month earlier.

Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort said that the rise in the debt-to-GDP was due to the increased borrowing by the NG as well as slower-than-expected growth.

The economy grew 5.2% in the third quarter, the weakest reading since the 4.3% posted in the second quarter of 2023.

Meanwhile, the Treasury said the deficit-to-GDP ratio fell to 5.1% at end-September from 5.7% a year earlier and 6.2% at the end of last year.

The indicator fell below the 5.6% deficit ceiling set by the government this year.

The Treasury reported that the budget deficit narrowed 1.35% to P970.2 billion in the first nine months. — **Aubrey Rose A. Inosante**