

# Energy crisis delays procurement for FMR program

OPINION

## The discipline of disruption: Separating the strategists from the survivalists

Economic disruptions do not create strategic problems. They expose them. The compression bearing down on the Philippine economy in 2026 — an ADB growth downgrade to 4.4%, energy price volatility transmitting through cost structures, and a remittance-dependent consumption base absorbing the consequences of Middle East instability — is both real and material.

For the top conglomerates, the more consequential question is not how to manage a difficult year. It is whether this disruption will be used, deliberately, to reshape organizations for the cycle ahead. That distinction — between enduring a shock and creating advantage from it — is where trajectories diverge.

The nature of the pressure demands clarity. The \$36 billion of remittances in 2025 — 7.3% of GDP — did not flow uniformly. It concentrated in provincial households that drive consumer goods volumes, property demand and retail activity; and when Gulf employment is uncertain, the spending pullback in these segments can be faster and sharper than forecasts suggest. Packaging costs in consumer-facing categories are spiking 40% to 100%, and inventory buffers sit at six to eight weeks. Margin and credit quality pressure is a Q3 event. The window to restructure ahead of it is now.

### 1. DIAGNOSE THE COST BASE BEFORE YOU CUT IT

Most conglomerates have not had a compelling reason to examine with rigor which parts of their cost base are generating competitive returns, and which have simply accumulated in years of expansion. Categories attracting minimal scrutiny in a budget cycle — trade promotion spend in consumer businesses, middle-layer coordination functions across subsidiary groups, procurement relationships maintained by familiarity rather than by value, marketing commitments rolled forward yearly — are often those that have grown most invisibly and resist challenge.

This is not a management failure. It is a rational response to an environment in which rising demand made precision feel unnecessary. But it leaves most conglomerates carrying a significant weight of non-differentiating cost. PwC's advisory work across the region — through our 'Fit For Growth' program — consistently identifies 15% to 20% of operating costs in diversified groups that neither create competitive advantage nor are structurally essential. In a compressed environment, that cost is not merely inefficient. It is the direct opportunity cost of survival, and investments that would build durable competitive distance.

### 2. PROTECT THE CAPABILITIES THAT COMPOUND

The same discipline that releases non-differentiating cost must also protect what genuinely compounds. The credit risk analytics that enable a bank to lend profitably into underserved segments at scale; the cold chain infrastructure a competitor cannot replicate quickly; the product development capability that sustains an innovation pipeline. Fund these unconditionally, even as restructuring moves forward. The failure mode in compressed cycles is rarely undercutting. It is cutting, in the name of austerity, the capabilities that would otherwise power the next decade of growth.

### 3. PRECISION, NOT AUSTERITY

What separates the strategic response from the instinctive one is precision — in diagnosis, in execution, and in where the freed capital goes.

In consumer goods, the usual response to input cost inflation and demand compression is to pass on price increases broadly. In the current environment, that is the response most likely to accelerate volume loss in segments under the greatest pressure, and to erode the brand equity that takes years to rebuild.

The more effective path — albeit harder to execute — is to restructure pack architecture at critical price points, apply genuine zero-based evaluation to trade promotion budgets whose returns have never been rigorously measured, and use consolidated procurement reviews to extract supplier pricing that scattered relationships have never delivered. All of this with the help of technology and AI.

**TAXWISE OR OTHERWISE**  
**MARY JADE ROXAS**  
and **RAKESH MANI**

In financial services, the equivalent challenge is managing credit quality through an income shock without retreating from segments that represent long-term structural opportunity. The banks and consumer finance businesses that invest now in the analytics to distinguish genuinely deteriorating credit quality from temporarily stressed borrowers — and price and provision accordingly — will maintain the lending relationships that less sophisticated competitors will exit and struggle to rebuild.

Across sectors, the principle is consistent. Austerity is a blunt instrument. Precision — knowing which costs to cut without consequence and which would be strategically destructive to touch — marks the difference between organizations that use this period to strengthen their competitive footing and those that merely survive or muddle through.

### 4. DEPLOY INTO THE WINDOW WHILE IT'S OPEN

The redeployment of freed capital is where the most important, and most frequently deferred, decisions live. Distressed conditions concentrate M&A opportunity in a narrow window — typically 12 to 18 months following the onset of material disruption — when valuations compress, motivated sellers emerge, and the competitive field thins at the very moment execution capability is most scarce.

The assets available in this window — whether across distribution infrastructure, branded businesses or digital capability — will not be accessible at comparable valuations once confidence recovers.

PwC's most recent Global CEO survey, in its Philippine edition, found that 75% of business leaders planned to reinvent beyond their core. The ones whose reinvention will land are those who fund it from genuine cost discipline when competitors are retrenching — not from incremental capital in the recovery, when every organization in the market is reaching for the same positions at once.

### 5. UPGRADE BEFORE THE LABOR MARKET CLOSES

Talent is equally time-bound. Mid-market competitors under acute margin pressure will release people that well-capitalized, strategically clear organizations should be recruiting now — before the recovery closes the window. The same logic applies to technology investment: AI and digital capabilities that simultaneously compress operating cost and build analytical advantage can be accelerated precisely because the near-term cost base is stronger than it was 12 months ago.

### THE CHOICE THE CYCLE DEMANDS

The ADB projects a return to 5.5% growth for the Philippines in 2027. That recovery will come. What it will not do is rescue organizations that spent the intervening period in strategic drift — cutting without conviction, preserving cost structures that no longer serve any competitive purpose, and deferring investments that compound powerfully. Winning companies will make consequential choices now, in conditions that most of their competitors are treating as a reason to wait.

Disruption, managed with discipline, is not an interruption to strategy. It is strategy's most demanding and most productive operating environment.

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THE Department of Agriculture (DA) said it moved the start of procurement for farm-to-market road (FMR) projects to May from the original April target after cost estimates had to be reworked due to rising fuel prices.

Agriculture Undersecretary for Agro-Marine Industrial Systems Arrey A. Perez said the DA is adjusting project costing following the increase in fuel prices.

"Our challenge now is that, because oil prices are rising, we cannot finalize the per-kilometer cost of our roads. So, we are closely coordinating with the Department of Public Works and

Highways (DPWH) to standardize pricing," he told reporters.

Mr. Perez said the DA is now targeting the start of procurement and all bidding activities for FMR projects in May.

Agriculture Assistant Secretary Arnel V. de Mesa said the delay is necessary to avoid bidding failures due to outdated cost estimates.

"If we insist on the previous prices, the bidding will fail, so adjustments are needed to ensure that our procurement and implementation are successful, he said.

This year, the DA is taking over the construction of FMR projects from

the DPWH, following the 2025 flood control corruption scandal.

The DA's Bureau of Agricultural and Fisheries Engineering is the lead office for the program.

The FMR program was allocated P33 billion in the 2026 national budget to fund more than 1,600 projects, covering over 2,000 kilometers of roads.

With the takeover, the DA has said it expects to accelerate project implementation and reduce the previously estimated cost of around P15 million per kilometer for a five-meter-wide FMR. — **Vonn Andrei E. Villamiel**

## \$100-million BIR digitalization loan studied by ADB

THE Asian Development Bank (ADB) said it is conducting a feasibility study on the Bureau of Internal Revenue's (BIR) digitalization project, which is expected to go up for approval next year.

"The digitalization project is currently at the feasibility stage and will need to go through both the Philippine government and ADB appraisal processes before progressing for approval, currently targeted in 2027," ADB Country Director Andrew Jeffries told *BusinessWorld* via e-mail on Tuesday.

According to the bank's website, the BIR is seeking a \$100 million to finance its digital transformation initiative.

Last week, the BIR said that it met with bank officials to discuss key developments in the agency's digital reform initiatives.

"Discussions covered policy actions supporting tax modernization, particularly digitalization, inter-agency coordination, and process improvements," it said.

Mr. Jeffries said digitalization is a key pillar of improving taxpayer services, as it improves transparency, fairness, processing times, and the ease of tax filing and payment.

"A key aspect of the proposed project is the integration of new and existing functions into an integrated taxpayer portal, which would centralize all taxpayer services in a single window, reducing administrative burden," he added.

— **Justine Irish D. Tabile**

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## Demand seen shifting to EVs as incentive plan release approaches

THE Department of Trade and Industry (DTI) said it is confident that demand for electric vehicles (EVs) will grow strongly in the wake of the oil price shock, as it prepares to release an incentive program for the segment that could reflect updated demand assumptions.

"Definitely, with the Middle East crisis, many people will shift to EVs," Trade Secretary Ma. Cristina A. Roque told reporters on the sidelines of an event late Tuesday.

The DTI is about to release its Electric Vehicle Incentive Strategy (EVIS), an incentive program designed to attract EV manufacturing. The package on offer consists of incentives worth P15 billion each to four participants that domestically produce four-wheeled EVs.

"We're just finishing some final parts (of the EVIS,)" Ms. Roque said.

Trade Undersecretary Ceferino S. Rodolfo earlier said that the executive order and guidelines

for the EVIS will be issued within the first half of the year.

Mitsubishi Motors Corp. (MMC) was recently announced as the first EVIS participant, while the DTI is in talks with two more carmakers.

EVs accounted for around 11% of vehicle sales in the Philippines at the end of March, though sales jumped 36.2% during the period to 11,800 units, according to a joint report by the Chamber of Automotive Manufacturers of the Philippines, Inc. and the Truck Manufacturers Association.

Meanwhile, the Small Business Corp., the DTI's financing arm, launched on Monday a P2-billion loan program to help finance public transport operators and drivers transitioning to EVs.

Auto loans on offer are up to P1.5 million per vehicle, with a limit of P3 million per borrower.

The loan is payable over five years with a grace period option of six to 12 months. — **Beatriz Marie D. Cruz**

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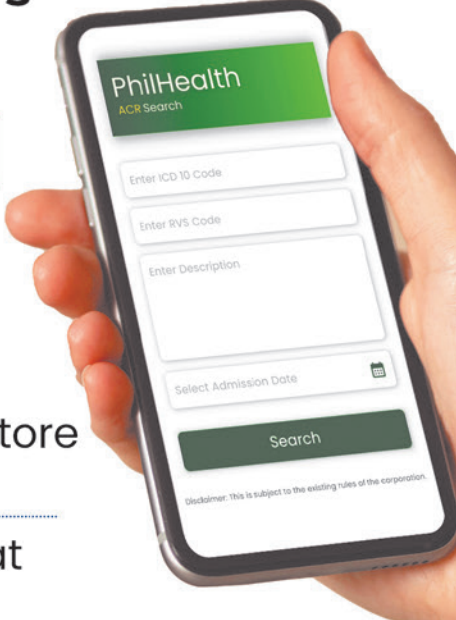
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