



AGENCY BUDGET NOTES

For FY 2023



DEPARTMENT OF TRADE AND INDUSTRY

P20.00B
TOTAL NEW APPROPRIATIONS FOR 2023

COST STRUCTURE*

- P2,201.8M (11.0%)**
General Admin and Support
- P54.6M (0.3%)**
Support to Operations
- P17,741.6M (88.7%)**
Operations

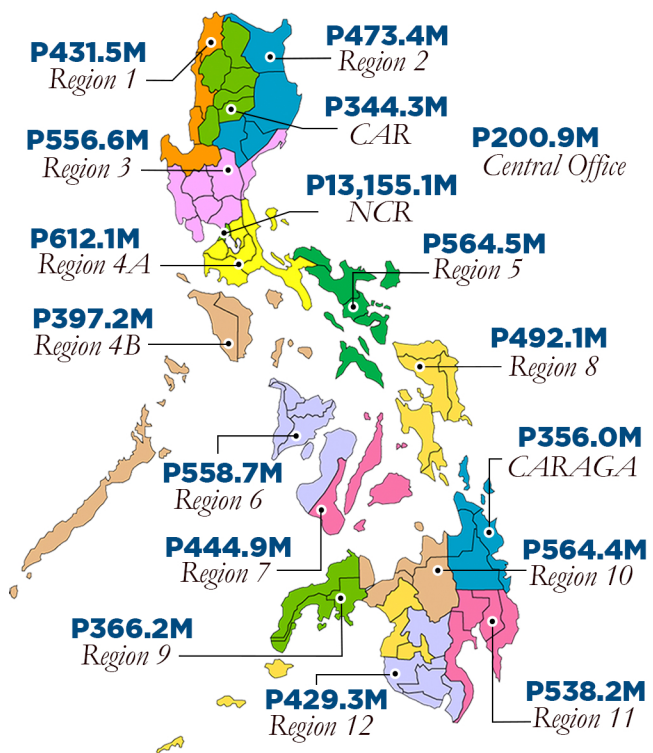
ALLOCATION BY AGENCY

 TESDA P13,470.2M (67.4%)	 OSEC P5,215.8M (26.1%)	 CDA P653.2M (3.3%)
 BOI P344.5M (1.7%)	 CIAP P124.2M (0.6%)	 DCP P123.0M (0.6%)
		 PTTC P67.2M (0.3%)

BREAKDOWN OF OPERATIONS BUDGET*

 P12,798.7M (72.1%) <i>Technical Education and Skills Development Program</i>	 P2,258.3M (12.7%) <i>MSME Development Program</i>
 P773.4M (4.4%) <i>Exports and Investments Development Program</i>	 P523.7M (3.0%) <i>Industry Development Program</i>
 P443.6M (2.5%) <i>Consumer Protection Program</i>	 P271.7M (1.5%) <i>Cooperative Development Program</i>
Other Programs P672.3M (3.8%)	

REGIONAL ALLOCATION OF THE 2023 EXPENDITURE PROGRAM (P20,485.5M)



*Percentages may not add up to 100% due to rounding.

QUICK FACTS

KEY SECTOR INFORMATION

Overall Competitiveness Ranking

Selected ASEAN Member States, 2018-2022

Country	2018	2019	2020	2021	2022
Singapore	3	1	1	5	3
Malaysia	22	22	27	25	32
Thailand	30	25	29	28	33
Indonesia	43	32	40	37	44
Philippines	50	46	45	52	48

Source: World Competitiveness Yearbook (International Management and Development)
Note: Other ASEAN member states are not covered

Status of Establishments

by Enterprise Size, 2021

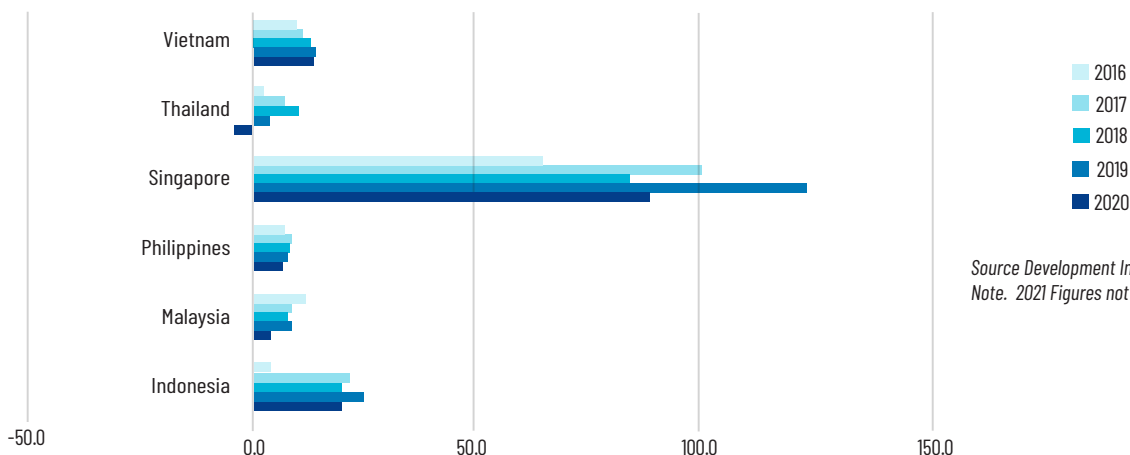
Status of Establishments	Micro	Small	Medium	Large
In Operation	977,670	94,008	4,444	4,516
Permanently Closed	248,783	10,492	224	208
Temporarily Closed	50,807	5,801	223	140

Source: Updating of the List of Establishments (Philippine Statistics Authority)
Note: Preliminary results; Enterprise size is categorized based on employment: micro (1 to 9), small (10 to 99), medium (100-199), and large (200 or more)

• The 2021 Updating of the List of Establishments recorded 259.7 thousand establishments that permanently ceased operations, most of which are micro and small enterprises.

Net Foreign Direct Investment Inflows (BOP, current US\$B)

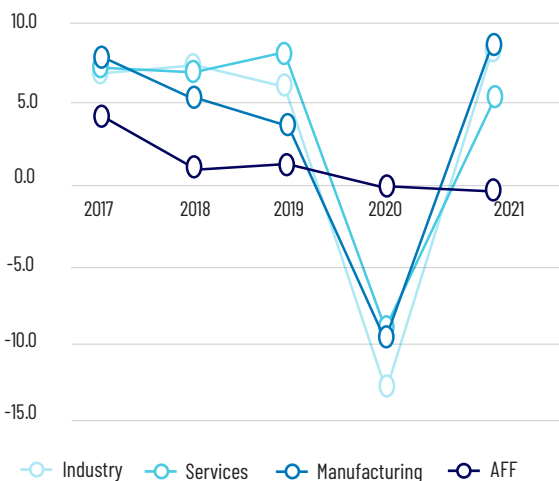
Selected ASEAN Member States, 2016-2020



Source Development Indicators (World Bank)
Note: 2021 Figures not yet available

GVA Growth by Sector

(in % at Constant 2018 Prices), 2017-2021

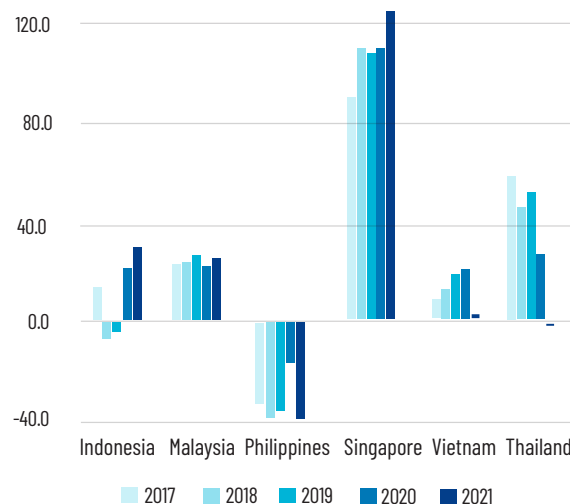


Source: National Accounts (Philippine Statistics Authority)

• The manufacturing industry – a subcomponent of the industry sector – outpaced the growth of all three (3) major sectors of the economy as its GVA grew by 8.8 percent in 2021.

Net Trade in Goods and Services (BOP, current US\$B)

Selected ASEAN Member States, 2017-2021



Source Development Indicators (World Bank)

• The Philippines continues to tally a deficit in the trade of goods and services, reaching US\$39.6 billion in 2021.

HIGHLIGHTS

- ❑ *Expenditure Program.* The total available appropriations of the Department of Trade and Industry (DTI) and its attached agencies for 2023 will amount to P20.49 billion, lower by 15.8% compared with P24.33 billion in 2022. Of the total available appropriations, new appropriations of P20.00 billion or those that require congressional approval will comprise 97.6% of the total budget. Another source of funding for the 2023 budget will be automatic appropriations of P487.4 million (*Table 1*).

The Technical Education and Skills Development Authority (TESDA) will account for P13.71 billion or 66.9% of the total expenditure program of P20.49 billion in 2023— a decrease of 2.2% from the P14.02 billion allotment in 2022. The DTI-Office of the Secretary (OSEC) will have the second largest proposed expenditure share of 26.3% or P5.40 billion, which is significantly lower by 21.3% relative to its 2022 budget. Among the agencies of the DTI, only the Design Center of the Philippines (DCP) will see an increase in its budget by 6.6% to reach P127.4 million in 2023 (*Table 2*).

By general expense class, the bulk of the Department's appropriation at 65.9% of total will be directed to *Maintenance and Other Operating Expenses (MOOE)* amounting to P13.51 billion, followed by *Personal Services (PS)* at P6.18 billion (30.2%) and by *Capital Outlay (CO)* at P788.2 million (3.8%). *Financial Expenses (Fin Ex)* will amount to P5.0 million (0.02%) (*Table 3*).

- ❑ *New Appropriations by Cost Structure.* The proposed total new appropriations of the DTI and its attached agencies amount to P20.00 billion (*Table 7*). About P17.74 billion of this budget or 88.7% will finance *Operations*, while the *General Administration and Support (GAS)* and *Support to Operations (STO)* will receive 11.0% and 0.3%, respectively.
- ❑ *Allocation by Major Programs.* The DTI, along with its six attached agencies, has 15 major programs in the performance of their respective mandates (*Table 8*). The total appropriations for these programs in 2023 will amount to P17.74 billion, which is 9.1% lower than the 2022 budget. TESDA's *Technical Education and Skills Development Program* will again have the biggest share amounting to P12.80 billion, equivalent to 72.1% of the total, followed by the DTI-OSEC's *MSME Development Program* amounting to P2.26 billion (12.7%).
- ❑ *Status of COVID-19 Releases.* Total COVID-19 fund releases to the DTI amounted to a little more than P1.3 billion as of December 31, 2021, to implement three programs. About P1 billion or 76.9% of the total has been allocated to the *Training for Work Scholarship Program* of which, P28.9 million was left unutilized as of August 31, 2021. Meanwhile, the other two programs, the *Livelihood Seeding Program and Negosyo sa Barangay Program* and *Shared Service Facilities (SSF) Project* had unobligated allotments of P459.0 thousand as of December 31, 2021 and P9.6 million as of September 30, 2021, respectively (*Table 6*).
- ❑ *Budget Utilization and Unused Appropriations.* The DTI's aggregated fund utilization, computed as obligations-to-appropriations ratio, improved from 86.0% in 2020 to 91.4% in 2021 which translates to P2.20 billion unused appropriations (*Table 9*).

The DTI has also improved in terms of disbursement rates or the ratio of disbursements to appropriations from 71.4% in 2020 to 77.4% in 2021 (*Table 10*). Only the Construction Industry Association of the Philippines (CIAP) was able to record a disbursement rate above 90%, while the Board of Investments (BOI) tallied the lowest at 75.9%.

On a program level, four programs of the DTI and its attached agencies registered disbursement rates above 90% with the Cooperative Development Authority's (CDA) *Cooperative Development Program* recording the highest at 97.5% (*Table 11*). The DTI-OSEC *Consumer Education and Advocacy Program* had the lowest disbursement rate at only 62.7%.

- *Compliance with Audit Recommendations.* The Commission on Audit (COA) rendered a Qualified Opinion on the presented financial statements of the DTI-OSEC, TESDA, and CIAP; while the Philippine Trade Training Center (PTTC), BOI, and DCP were rendered an Unmodified Opinion.

The observations noted by the COA on the presented financial statements of the DTI-OSEC, among others, pertain to the non-liquidation of advances and transfers. On the other hand, the Commission noted for the TESDA deficiencies/lapses in the implementation of scholarship programs, deficiencies in the outsourced procurement of starter toolkits, delayed procurement resulting to unutilized funds, undistributed starter toolkits, and non-compliance with procurement laws, rules, and regulations.

The non-liquidation of advances to the Procurement Service-Department of Budget and Management (PS-DBM) and/or Philippine Trade and Investment Center (PTIC) due to the non-delivery of requested items such as common-use office supplies, equipment, and/or motor vehicles were also common observations by the COA on the other attached agencies of the DTI.

TABLE OF CONTENTS

	Page
I. Mandates and Organizational Outcomes	1
II. Sources of Appropriations	2
Table 1 Sources of Funds DTI, 2021-2023	2
III. Expenditure Program	3
Table 2 Expenditure Program by Agency, 2021-2023	3
Table 3 Expenditure Program by General Expense Class, 2021-2023	4
Table 4 Number of Authorized and Unfilled Positions by Agency, 2020-2023	4
Table 5 Regional Distribution of the DTI Budget, 2021-2023	5
IV. Spending for COVID-19 Initiatives	6
Table 6 Status of COVID-19 Releases to DTI, As of 31 Dec 2021	6
V. New Appropriations	7
Table 7 New Appropriations by Agency and Cost Structure, 2023	7
Table 8 Summary of Programs for 2021-2023	8
VI. Performance Review	9
Table 9 Obligations-Appropriations Ratio and Unused Appropriations, 2019-2021	10
Table 10 Disbursement Rate by Agency, 2020-2021	10
Table 11 Budget Utilization by Major Program, 2021	11
Table 12 Performance Indicators of Major Programs, 2021-2023	12
VII. COA Findings and Recommendations	13
Table 13 Status of Implementation of COA Recommendations	14
ANNEX Expenditure Program by Agency and by General Expense Class, 2021-2023	19

DEPARTMENT OF TRADE AND INDUSTRY*

I. MANDATE AND ORGANIZATIONAL OUTCOMES

- 1.1. The Department of Trade and Industry (DTI), pursuant to Executive Order (EO) No. 133 series of 1987, is the primary coordinative, promotive, facilitative, and regulatory arm of government for the country's trade, industry, and investment activities. It shall act as a catalyst for intensified private sector activity to accelerate and sustain economic growth through: (a) a comprehensive industrial growth strategy; (b) a progressive and socially responsible liberalization and deregulation program; and (c) policies designed for the expansion and diversification of trade, both domestic and foreign.
- 1.2. With recovery and resilience in focus, the Updated Philippine Development Plan 2017-2022 redirects the sector outcomes to: (a) expanding opportunities across regions; and (b) expanding access to economic opportunities to respond to the emergence of new threats to the country's growth prospects and guide the transition towards economic recovery. These include increased economic opportunities in industry and services along with the digital economy, as well as broadened access to these economic opportunities to assist startups; micro, small, and medium enterprises (MSMEs); and cooperatives.
- 1.3. Appropriated programs, projects and activities of the Department (DTI-OSEC) are guided by the following organizational outcomes: (a) exports and investments increased; (b) industries developed; (c) MSMEs assisted and developed; and (d) consumer welfare improved.
- 1.4. Below are the DTI's attached agencies with their corresponding organizational outcomes:
 - (a) Board of Investments (BOI) – competitive industries developed and investments increased
 - (b) Philippine Trade Training Center (PTTC) – more responsive trade training center
 - (c) Design Center of the Philippines (DCP) – strong design culture cultivated and global competitiveness of Philippine products improved through design
 - (d) Construction Industry Authority of the Philippines (CIAP) – competitiveness of the construction industry increased
 - (e) Cooperative Development Authority (CDA) – growth and viability of cooperative enterprises improved (placed under the supervision of DTI in October 2018 by virtue of EO No. 67 series of 2018).
 - (f) Technical Education and Skills Development Authority (TESDA) – employability increased and/or enhanced (placed under the supervision of DTI in October 2018 by virtue of EO No. 67 series of 2018)

* This document was prepared by Mark Carmelo R. Manguera as input to the deliberations of the House Committee on Appropriations on the FY 2023 proposed National Budget. The report benefitted from the inputs of Director Elsie C. Gutierrez and Executive Director Manuel P. Aquino, with the overall guidance of Deputy Secretary General Romulo Emmanuel M. Miral, Jr. Ph.D. The layout/design of the infographics by Tommy C. Lagasca is also acknowledged. The views, perspectives, and interpretations in this ABN do not necessarily reflect the positions of the House of Representatives as an institution or its individual Members. A copy of this publication is available at the CPBRD's website: cpbrd.congress.gov.ph.

II. SOURCES OF APPROPRIATIONS

- 2.1. The total available appropriations of the DTI and its attached agencies will once again exhibit a decrease as it amounts to P20.49 billion in 2023, 15.8% lower compared to the P24.33 billion in 2022 (*Table 1*). Of the total available appropriations, new appropriations of P20.00 billion or those that require congressional approval will comprise 97.6% of the total budget. The source of funds for the remaining P487.4 million of the 2023 budget will be from automatic appropriations.
- 2.2. In addition to the aforementioned sources of funds, the 2023 appropriations may still be supplemented by budgetary adjustments in the course of the budget implementation. In 2021, P1.34 billion in budgetary adjustments were recorded with 53.4% or P700.0 million transfers from the Department of Agriculture's Rice Competitiveness Enhancement Fund to TESDA. These transfers were made in alignment with the provisions of Republic Act (RA) No. 11203¹ directing TESDA to extend services for teaching skills on rice crop production, modern rice farming techniques, seed production, farm mechanization, and knowledge/technology transfer through farm schools.

TABLE I
SOURCES OF FUNDS, 2021-2023
DEPARTMENT OF TRADE AND INDUSTRY

Particulars	Amounts (In Million Pesos)			Share to Total Appropriations		
	2021	2022	2023	2021	2022	2023
New Appropriations	21,427.9	21,943.9	19,998.1	83.5	90.2	97.6
Supplemental Appropriations	-	-	-	-	-	-
Automatic Appropriations	471.1	453.8	487.4	1.8	1.9	2.4
Continuing Appropriations	2,413.3	1,927.9	-	9.4	7.9	-
Budgetary Adjustments	1,336.5	-	-	5.2	-	-
Total Available Appropriations	25,648.7	24,325.6	20,485.5	100.0	100.0	100.0
LESS: Unused Appropriations	(2,203.9)	(1,927.9)	-	-	-	-
Total Obligations	23,444.8	22,397.7	20,485.5	-	-	-

Source of basic data: NEP 2023

- 2.3. The Special Provisions of the National Expenditure Program 2023 also makes available additional funds for the DTI-OSEC, including: (a) P21.3 million for the *MSME Development Council Fund* which shall be used for the development of the MSME sector sourced from 90.0% of the total penalties collected by the *Bangko Sentral ng Pilipinas* from lending institutions; and (b) P2.1 million for the *Remedies Fund* for the implementation of remedies or safeguard measures to protect domestic industries from increased imports that threaten or cause serious injury to the local industry sourced from 50.0% of the revenues collected from fees, charges, and safeguard duties.

¹ "An Act Liberalizing the Importation, Exportation and Trading of Rice, Lifting for the Purpose the Quantitative Import Restriction on Rice, and For Other Purposes"

III. EXPENDITURE PROGRAM

- 3.1 The proposed aggregate expenditure program of the DTI and its attached agencies for 2023 amounts to P20.49 billion, an 8.5% decline from the programmed amount in 2022 (*Table 2*). This decline also translates across almost all agencies, most notably with the DTI-OSEC and the BOI, which registered lower proposed expenditure programs by 21.3% and 13.2%, respectively. Only the DCP will see an increase in its budget in 2023 by 6.6% to reach P127.4 million.
- 3.2 The shares of most of the agencies to the expenditure program for 2023 remain roughly intact as the TESDA accounts for 66.9% of the total, which is included by the President as one of the main agencies to contribute to the education sector, a priority sector of the *Agenda for Prosperity*. This is followed by the DTI-OSEC and CDA with a 26.3% and 3.4% share, respectively. Common among these three agencies with the highest expenditure program shares is the presence of regional/provincial offices.

TABLE 2
EXPENDITURE PROGRAM BY AGENCY, 2021-2023

Particulars	Amounts (In Million Pesos)			Share to Total (%)		
	2021	2022	2023	2021	2022	2023
OSEC	5,911.6	6,862.0	5,397.6	25.2	30.6	26.3
BOI	378.1	415.7	361.0	1.6	1.9	1.8
CIAP	133.7	132.2	130.0	0.6	0.6	0.6
CDA	692.1	772.1	691.9	3.0	3.4	3.4
DCP	132.6	119.4	127.4	0.6	0.5	0.6
PTTC	79.2	74.5	70.4	0.3	0.3	0.3
TESDA	16,117.5	14,021.7	13,707.2	68.7	62.6	66.9
Total (DTI)	23,444.8	22,397.7	20,485.5	100.0	100.0	100.0

Source of basic data: BESF 2023

- 3.3 The government-owned and controlled corporations (GOCCs) under the DTI will also receive in 2023 budgetary support amounting to P1.71 billion, a 22.1% decrease from 2022's appropriation of P2.20 billion. The Small Business Corporation (SBCorp) will receive P1.50 billion or 87.7% of the total budgetary support. The remaining GOCCs, namely the Center for International Trade Expositions and Missions and Aurora Pacific Economic Zone and Freeport Authority will have budgetary support amounting to P164.7 million (9.6% share) and P46.3 million (2.7% share), respectively.
- 3.4 The SBCorp is the microfinancing arm of the DTI, which operates under the policy program and administrative supervision of the MSME Development Council. The aforementioned P1.50 billion budgetary support for the SBCorp will be allocated for the implementation of the *Pondo sa Pagbabago at Pag-asenso (P3) Program* aimed to “provide an alternative source of financing for micro entrepreneurs that is easy and quick to access” by extending micro loans ranging from P10.0 thousand to P100.0 thousand subject to a monthly interest rate of up to 2.5%. The *P3 Program*, which assisted a total of 60,802 distinct MSMEs across 84 provinces in 2021,² has been identified as one of the spending priorities of the President under *Developing a Filipino Brand*.

² Data from SBCorp confirmed on 25 August 2022

- 3.5 By general expense class, 65.9% of the Department’s proposed expenditure program for 2023 will be directed to *Maintenance and Other Operating Expenses (MOOE)* amounting to P13.51 billion, a significant 14.7% decline from the P15.83 billion budget in 2022 (*Table 3*). The decline in the *MOOE* was registered across all agencies of the DTI, with the DTI-OSEC and the TESDA having the largest drop of P1.47 billion and 744.3 million, respectively.
- 3.6 On the contrary, *Personal Services (PS)* amounting to P6.18 billion (30.2% share) increased by 10.2%. The increase of P460.6 million is attributed to TESDA, mostly for the basic salary of permanent positions. A contributing factor to the increase in the *PS* may be the compliance with the implementation of the fourth and final tranche of RA No. 11466 or the Salary Standardization Law of 2019, which standardizes and rationalizes the compensation of civilian government personnel. *Capital Outlay (CO)* at P788.2 million and *Financial Expenses (Fin Ex)* at P5.0 million will take up minimal shares of 3.8% and 0.02%, respectively.

TABLE 3
EXPENDITURE PROGRAM BY GENERAL EXPENSE CLASS, 2021-2023
(AMOUNTS IN MILLION PESOS)

Particulars	Amounts (In Million Pesos)			Share to Total (%)		
	2021	2022	2023	2021	2022	2023
PS	5,934.8	5,612.8	6,182.7	25.3	25.1	30.2
MOOE	16,638.6	15,833.2	13,509.7	71.0	70.7	65.9
CO	869.1	946.8	788.2	3.7	4.2	3.8
Fin Ex	2.4	4.9	5.0	0.0	0.0	0.0
Total (DTI)	23,444.8	22,397.7	20,485.5	100.0	100.0	100.0

Source of basic data: BESF 2023

- 3.7 While the ratio of unfilled to total authorized positions in the entire Department has been decreasing, it is still projected to be at 24.5% in 2023. In proportional terms, the DCP will continue to have the highest percentage of unfilled posts at 56.8%, while the PTTC records the lowest at 15.5%. However, in actual number of unfilled permanent positions, TESDA ranks first with 938 vacant positions followed by DTI-OSEC and CDA with 425 and 220 vacant positions, respectively (*Table 4*). These three agencies have the highest number of authorized positions given the presence of regional/provincial offices.

TABLE 4
NUMBER OF AUTHORIZED AND UNFILLED POSITIONS BY AGENCY, 2020-2023

Agency	Authorized Positions				Unfilled Positions			
	2020	2021	2022	2023	2020	2021	2022	2023
OSEC	2,640	2,656	2,656	2,656	391	386	425	425
BOI	305	305	305	305	82	85	88	88
CIAP	125	125	125	125	40	35	33	33
CDA	857	882	882	882	154	205	220	220
DCP	146	146	146	146	118	80	83	83
PTTC	58	58	58	58	13	14	9	9
TESDA	4,905	4,957	4,964	4,964	1,198	1,015	938	938
Total (DTI)	7,040	7,309	7,340	7,340	1,996	1,820	1,796	1,796

Source: Staffing Summary 2022-2023

- 3.8 The pace of filling up the permanent positions of the Department has been sluggish in recent years even resulting in recorded increased vacancies in the DTI-OSEC, BOI, CDA and DCP. Given the importance of the staff complement in carrying out the activities of the Department, the prevalence of a significant number of unfilled positions warrants the review of potential inefficiencies in the hiring, recruitment, and promotion processes of the Department and/or the rationalization of redundant positions.
- 3.9 A significant shift occurs in terms of the regional allocation of the Department's 2023 proposed budget as the National Capital Region (NCR) will receive P13.16 billion or 64.2% of the total compared to 2022 wherein the Central Office cornered 56.2% of the total (*Table 5*). This allocation is similar to 2021, wherein the NCR had the highest budget share at 24.8%.
- 3.10 The remaining P7.33 billion or 35.8% of the budget will be allocated to the other regions. The full budget of the BOI, CIAP, DCP, and PTTC are allocated to the NCR, while the DTI-OSEC, CDA, and TESDA have allocations for other regions to support their regional/provincial offices across the country. Aside from the NCR, all other regions have lower proposed budget amounts for 2023.
- 3.11 The BARMM will continue to have no funding from the DTI in line with RA No. 11045 or the Organic Law for the Bangsamoro Autonomous Region in Muslim Mindanao, which directs the National Government to provide the BARMM with an annual block grant in support of its right to self-governance.

TABLE 5
REGIONAL DISTRIBUTION OF THE (DEPT) BUDGET, 2021-2023
(AMOUNTS IN MILLION PESOS)

Region	2021 Actual		2022 Program		2023 Proposed	
	Amount	Share (%)	Amount	Share (%)	Amount	Share (%)
Nationwide	-	-	-	-	-	-
Central Office	202.5	0.9	12,592.4	56.2	200.9	1.0
NCR	5,822.1	24.8	1,158.6	5.2	13,155.1	64.2
CAR	805.3	3.4	426.7	1.9	344.3	1.7
Region 1	897.6	3.8	534.9	2.4	431.5	2.1
Region 2	947.2	4.0	524.8	2.3	473.4	2.3
Region 3	1,802.5	7.7	743.6	3.3	556.6	2.7
Region 4A	1,358.6	5.8	755.7	3.4	612.1	3.0
Region 4B	884.8	3.8	436.9	2.0	397.2	1.9
Region 5	1,046.9	4.5	719.2	3.2	564.5	2.8
Region 6	1,279.4	5.5	679.7	3.0	558.7	2.7
Region 7	1,117.9	4.8	619.2	2.8	444.9	2.2
Region 8	1,277.7	5.4	609.5	2.7	492.1	2.4
Region 9	804.2	3.4	475.6	2.1	366.2	1.8
Region 10	1,266.1	5.4	589.3	2.6	564.4	2.8
Region 11	1,768.7	7.5	596.9	2.7	538.2	2.6
Region 12	894.7	3.8	513.4	2.3	429.3	2.1
CARAGA	1,268.6	5.4	421.4	1.9	356.0	1.7
BARMM	-	-	-	-	-	-
Total (DTI)	23,444.8	100.0	22,397.7	100.0	20,485.5	100.0

Source of basic data: BESF 2023

IV. SPENDING FOR COVID-19 INITIATIVES

- 4.1 Total COVID-19 fund releases to the DTI amounted to a little more than P1.30 billion as of December 31, 2021, most of which has already been obligated (P1.26 billion) and disbursed (P1.15 billion). There are three programs under the DTI that were funded by the government to alleviate the plight of entrepreneurs amidst the COVID-19 pandemic (Table 6).
- 4.2 First is the *Livelihood Seeding Program and Negosyo sa Barangay Program* which was allotted with P203.0 million under the *Bayanihan I*. This program includes the provision of livelihood kits that contain goods or tools worth P5.0 thousand to P8.0 thousand to assist eligible business owners. As of December 31, 2021, there remains P459.0 thousand (0.2%) unobligated funds of the program.

TABLE 6
STATUS OF COVID-19 RELEASES TO DTI, AS OF 31 DEC 2021
(AMOUNTS IN MILLION PESOS)

Program/Purpose	Allotment Released	Obligations	Disbursements	Unobligated Allotment
I. Bayanihan 1				
Livelihood Seeding Program and Negosyo sa Barangay Program	203.0	202.5	199.2	0.5
II. Bayanihan 2				
Balik Probinsya, Bagong Pag-asa Program (Shared Service Facilities Project) ^{a/}	100.0	90.4	15.4	9.6
Training for Work Scholarship Program ^{b/}	1,000.0	971.1	933.0	28.9
Total (DTI)	1,303.0	1,264.0	1,147.6	39.0

a/ Based on DTI FAR as of September 30, 2021, b/ As of August 31, 2021
Source: Status of COVID 19 Releases, As of 31 Dec 2021 (DBM website)

- 4.3 In support of the national government's *Balik Probinsya, Bagong Pag-asa*, PhP100.0 million has been allotted to DTI's *SSF Project* under *Bayanihan II*. The *SSF Project* is aimed at increasing the production capacity and improving the product quality of MSMEs through the provision of machinery, equipment, tools, systems, accessories, and other auxiliary items under a shared system. Aside from providing entrepreneurial opportunities, the *SSF Project* has also aided in the production of personal protective equipment, such as face masks, face shields, medical gowns, aerosol boxes, and ethyl alcohol (DTI, n.d.-b). As of September 30, 2021, the *SSF Project* still has an unobligated amount of P9.6 million.
- 4.4 The third item, whose fund has been released to the TESDA, is the *Training for Work Scholarship Program (TWSP)* that aims to address job skills mismatch by providing courses in key industries. The National Technical Education and Skills Development Plan 2018-2022 identifies the priority sectors, which include manufacturing; information technology-business process management; health wellness, and other social services; construction; transport, communication, and storage; tourism, hotels, and restaurants; and agriculture. Out of the P1.00 billion allotted for this purpose, a total of P28.9 million (2.9%) was left unutilized as of August 31, 2021.

V. NEW APPROPRIATIONS

5.1 The proposed total new appropriations of the DTI amount to P20.00 billion, of which P17.74 billion or 88.7% will finance *Operations* consisting of programs that are to be implemented by the agency, as mandated. The *General Administration and Support (GAS)* will receive 11.0% of the total to fund the activities related to the overall administrative management and operational support to entire agency operations. Finally, *Support to Operations (STO)* will have 0.3% of the new appropriations and is comprised of activities that provide substantial support to operations but do not deliver goods or services directed at agency's clients, including those expenditures that are indivisible across programs (*Table 7*).

TABLE 7
NEW APPROPRIATIONS BY AGENCY AND COST STRUCTURE, FY 2023

Agency	Amounts (In Million Pesos)				Share to Total Agency (%)			
	GAS	STO	Operations	Total Agency	GAS	STO	Operations	Total Agency
OSEC	1,193.6	-	4,022.1	5,215.8	22.9	0.0	77.1	100.0
BOI	169.7	-	174.8	344.5	49.3	0.0	50.7	100.0
CIAP	55.5	-	68.7	124.2	44.7	0.0	55.3	100.0
CDA	211.3	27.1	414.8	653.2	32.4	4.1	63.5	100.0
DCP	34.9	-	88.1	123.0	28.4	0.0	71.6	100.0
PTTC	19.2	-	48.0	67.2	28.5	0.0	71.5	100.0
TESDA	517.6	27.6	12,925.1	13,470.2	3.8	0.2	96.0	100.0
Total (DTI)	2,201.8	54.6	17,741.6	19,998.1	11.0	0.3	88.7	100.0

Source of basic data: NEP 2023

5.2 On an agency level, it is worth noting that the TESDA allocates almost all of its new appropriations or 96.0% to *Operations* and a minimal share to *GAS* and *STO*, which implies that the large fund of the agency is expected to be utilized for the implementation of its various programs. On the contrary, the BOI and CIAP allocates almost half of their new appropriations to *GAS* at 49.3% and 44.7%, respectively. This suggests that the BOI and CIAP have high administrative management and operational support costs relative to the other DTI agencies.

5.3 The DTI, along with its six attached agencies, has 15 major programs in the performance of their respective mandates (*Table 8*). Five major programs fall under the DTI-OSEC, three under the TESDA, two each under the CIAP, CDA, and BOI, and one each under DCP and PTTC.³ The total appropriations for these programs in 2023 will amount to P17.74 billion, which is 9.1% lower than the 2022 budget.

³ The Industry Development Program falls under both the DTI-OSEC and BOI.

5.4 TESDA's *Technical Education and Skills Program (TESP)* will be allotted the bulk of the appropriations amounting to P12.80 billion, equivalent to 72.1% of the total. Two-thirds of these appropriations goes to quality technical education and skills development to be implemented by the various operating units (OUs) nationwide. Note, however, that the allotment for this program (TESP) will decline by 3.4% from the 2022 level of P13.24 billion.

5.5 In terms of sub-programs, TESDA's *Special Training for Employment Program (STEP)* and *Training for Work Scholarship Program (TWSP)* have been allocated P1.90 billion and P2.60 billion, respectively. The *STEP* provides community-based specialty training that seeks to address the specific needs of the community, while the *TWSP* delivers courses in key industries. The President has identified these sub-programs as components of *Empowering the Filipino*, specifically to continue to upskill and reskill the labor force and expects to help retrain, reskill, and retool a total of 225,076 enrollees.

TABLE 8
SUMMARY OF PROGRAMS FOR 2021-2023
DEPARTMENT OF TRADE AND INDUSTRY

Program (Implementing Agency)	Amount (In Million Pesos)			% Share to Total Program			Growth Rates '22-'23 (%)
	2021	2022	2023	2021	2022	2023	
Technical Education and Skills Development Program	13,872.6	13,243.4	12,798.7	72.2	67.8	72.1	-3.4
MSME Development Program	2,359.8	3,485.3	2,258.3	12.3	17.8	12.7	-35.2
Exports and Investments Development Program	860.2	790.5	773.4	4.5	4.0	4.4	-2.2
Industry Development Program	662.6	571.9	523.7	3.4	2.9	3.0	-8.4
Consumer Protection Program	636.0	465.9	443.6	3.3	2.4	2.5	-4.8
Cooperative Development Program	193.8	288.5	271.7	1.0	1.5	1.5	-5.8
Cooperative Regulation Program	106.1	131.9	143.1	0.6	0.7	0.8	8.5
Investment Promotion Program	122.2	126.8	115.1	0.6	0.6	0.6	-9.2
Design Innovation, Promotion and Development Program	63.7	76.6	88.1	0.3	0.4	0.5	15.0
Consumer Education and Advocacy Program	84.2	83.5	82.8	0.4	0.4	0.5	-0.9
Technical Education and Skills Development Regulatory Program	82.0	84.3	79.7	0.4	0.4	0.4	-5.5
Trade Business Management Training Program	50.7	55.0	48.0	0.3	0.3	0.3	-12.6
Technical Education and Skills Development Policy Program	52.3	54.2	46.7	0.3	0.3	0.3	-13.9
Construction Industry Development Program	41.3	39.5	38.3	0.2	0.2	0.2	-3.0
Construction Industry Regulatory Program	29.0	30.6	30.4	0.2	0.2	0.2	-0.7
Total (DTI)	19,216.6	19,527.7	17,741.6	100.0	100.0	100.0	-9.1

Source: GAA 2021-2022 and NEP 2023

5.6 The second largest share amounting to P2.26 billion or 12.7% of the total appropriations for programs will be used by the DTI-OSEC for the *MSME Development Program* to strengthen MSMEs' linkages to local and international markets. However, this program has been allotted a budget that is 35.2% lower than in 2022, which might seem incongruous with the aim of supporting MSMEs towards recovery amid the pandemic.

- 5.7 The projects included in this program that have been recognized by the President to be an integral part of *Developing a Filipino Brand* are the *One Town, One Product (OTOP): Next Generation Project* amounting to P87.0 million and *SSF Project* amounting to P70.0 million. *OTOP: Next Generation* is a package of assistance provided to MSMEs to determine, develop, support, and promote products or services that are rooted in its local culture. In 2021, the *OTOP: Next Generation* assisted 19,039 MSMEs, while the *SSF Project* assisted 32,025 MSMEs and 26,240 other users (DTI, n.d.-a).
- 5.8 Other important projects under the *MSME Development Program* include the foreign-assisted *Rural Agro-Enterprise Partnership for Inclusive Development (RAPID) Growth Project* amounting to P887.5 million and the locally funded *Establishment of Negosyo Centers* amounting to P486.8 million. The *RAPID Growth Project* aims to provide focused, firm-level, value chain-based, and climate-smart assistance and financing program to micro and small businesses, while the *Negosyo Centers* are established in strategic areas to promote the ease of doing business and facilitate MSMEs' access to services. In 2021, the DTI launched the *Negosyo Center Online Portal* and established 156 new physical *Negosyo Centers*, which brings its total to 1,317 (DTI, n.d.-a).
- 5.9 Only two programs of the DTI and its attached agencies are allocated a higher budget for 2023. These are the CDA's *Cooperative Regulation Program* amounting to P143.1 million and DCP's *Design Innovation, Promotion and Development Program* amounting to P88.1 million that will increase by 8.5% and 15.0%, respectively.
- 5.10 Another consideration for program allocations is the *Mandanas-Garcia ruling* and the accompanying devolution of certain programs, activities, and projects (PAPs). The initial list from the Department of Budget Management enumerates PAPs that will be devolved to local government units no later than 2024 including the *Establishment of Negosyo Centers*, *SSF Project*, the *OTOP: Next Generation*, and the conduct of national and regional trade fairs (Diaz-Manalo et al., 2021).

VI. PERFORMANCE REVIEW

- 6.1 The overall fund utilization of the DTI denoted by the ratio of obligations to appropriations improved from 86.0% in 2020 to 91.4% in 2021. This translates to lower unused appropriations of P2.20 billion, of which 98.8% were unobligated. The unobligated allotments of P2.18 billion refer to funds that have not been committed by the agency and remain to be available, while the remaining P0.02 billion of unused appropriations were unreleased appropriations (*Table 9*).
- 6.2 CIAP continues to have the highest obligation-appropriations ratio at 98.2% in 2021. The other agencies that were able to tally ratios above 90% are the DCP (97.9%), PTTC (96.4%), CDA (95.0%), and TESDA (92.2%). However, the DTI-OSEC and BOI only recorded ratios of 89.1% and 83.7%, respectively. These are also the only agencies that did not record improvements in the obligations-appropriations ratio compared to 2020.

**TABLE 9
OBLIGATIONS-APPROPRIATIONS RATIO
AND UNUSED APPROPRIATIONS, 2019-2021**

Particulars	Obligation-Appropriations Ratio (%)			Unused Appropriations (In Million Pesos)		
	2019	2020	2021	2019	2020	2021
OSEC	84.9	91.0	89.1	1,042.7	532.8	723.9
BOI	95.6	91.1	83.7	21.2	32.7	73.6
CIAP	95.8	95.4	98.2	5.6	6.2	2.4
CDA	90.4	93.8	95.0	66.2	41.4	36.5
DCP	93.6	94.9	97.9	6.4	5.2	2.9
PTTC	77.8	69.6	96.4	23.2	29.0	3.0
TESDA	100.0	83.1	92.2	-	2,176.8	1,361.6
Total (DTI)	94.9	86.0	91.4	1,165.3	2,824.2	2,203.9

Sources of basic data: NEP 2021-2023

6.3 In terms of amount, it must be noted that the TESDA has a total of P1.36 billion unused appropriations despite its high obligation-appropriations ratio. The consistently high amounts of unused appropriations, most of which are unobligated allotments, for the TESDA, DTI-OSEC, BOI, and CDA must be carefully examined to ascertain if there are persistent bottlenecks, such as the low absorptive capacity of these agencies that must be addressed. In doing so, the opportunity costs of unused appropriations may be avoided and the funds may be channeled to other productive uses.

6.4 Another indicator of the Department's performance is the disbursement rate or the ratio of disbursements to appropriations, wherein disbursement refers to the settlement or payment of incurred dues. Thus, a lower disbursement rate implies that an agency has not implemented its projects in a timely manner during the year. Overall, the DTT's disbursement rate improved from 71.4% in 2020 to 77.4% in 2021 (Table 10). Among the agencies of the Department, CIAP has the highest disbursement rate at 90.2%, while the BOI had the lowest at 75.9%.

**TABLE 10
DISBURSEMENT RATE BY AGENCY, 2020-2021
(AMOUNTS IN MILLION PESOS)**

Particulars	2020			2021		
	Appropriations	Disbursements	Disbursement Rate (%)	Appropriations	Disbursements	Disbursement Rate (%) ^{a/}
OSEC	5,910.0	4,630.4	78.3	6,635.6	5,042.2	76.0
BOI	366.5	282.7	77.1	451.7	342.8	75.9
CIAP	134.9	122.7	90.9	136.1	122.8	90.2
CDA	665.4	608.0	91.4	728.6	641.3	88.0
DCP	101.3	76.2	75.3	135.5	109.2	80.6
PTTC	95.6	59.3	62.1	82.2	64.7	78.7
TESDA	12,884.6	8,608.5	66.8	17,479.1	13,516.4	77.3
Total (DTI)	20,158.3	14,387.7	71.4	25,648.7	19,839.3	77.4

a/ Disbursement rate – ratio of disbursements to appropriations
Source: SAAODB 2020-2021, DBM

- 6.5 On a program level, the CDA's *Cooperative Development Program* has the highest obligation and disbursement rates of 98.6% and 97.5%, respectively (*Table 11*). On the contrary, the BOI's *Investment Promotion Program* recorded the lowest obligation rate of 83.0%, specifically for the promotion of local investments. Further, the DTI-OSEC's *Consumer Education and Advocacy Program* listed the lowest disbursement rate of 62.7%, particularly for the implementation of plans, projects, and activities on consumer awareness, education, and advocacy.
- 6.6 Among the three programs of TESDA, its *Technical Education and Skills Development Regulatory Program* posted the highest obligation and disbursement rates of 92.2% and 91.0%, respectively, notably in the development, implementation, monitoring, and evaluation of assessment and certification systems. On the other hand, its *Technical Education and Skills Development Program* had the lowest rates of 89.2% and 75.7%, respectively, specifically for the promotion, development and implementation of quality technical education and skills development programs.

TABLE II
BUDGET UTILIZATION BY MAJOR PROGRAM, 2021
(AMOUNTS IN MILLION PESOS)

Program	Appropriations	Obligations	Disbursements	Obligation Rate (%) ^{a/}	Disbursement Rate (%) ^{b/}
Exports and Investments Development Program	872.2	795.6	726.8	91.2	83.3
Industry Development Program	684.9	578.1	461.0	84.4	67.3
MSME Development Program	665.5	648.2	621.2	97.4	93.3
Consumer Protection Program	667.7	595.1	498.9	89.1	74.7
Consumer Education and Advocacy Program	86.2	76.2	54.0	88.4	62.7
Investment Promotion Program	138.0	114.5	108.8	83.0	78.9
Technical Education and Skills Development Policy Program	71.5	63.8	63.3	89.3	88.5
Technical Education and Skills Development Regulatory Program	87.4	80.5	79.6	92.2	91.0
Technical Education and Skills Development Program	15,310.6	13,658.2	11,585.7	89.2	75.7
Cooperative Development Program	196.0	193.3	191.1	98.6	97.5
Cooperative Regulation Program	113.4	106.9	105.1	94.3	92.7
Trade Business Management Training Program	56.0	54.2	42.2	96.8	75.3

a/ Obligation rate – ratio of obligations to appropriations

b/ Disbursement rate – ratio of disbursements to appropriations

Source: SAAODB 2021 (FAR No. 1 in Transparency Seal)

- 6.7 The DTI-OSEC was unable to realize its 2021 targets under the *Exports and Investments Development Program*, only attaining 79.5% of the lower end of its exports target and 80.1% of its approved investments target (*Table 12*). Despite this, it is observed that the targets for 2022 and 2023 were further increased. Accomplishing the targets under these two programs is crucial to the economy as higher and more diversified exports are critical in sustaining rapid growth and reducing the vulnerability to adverse external shocks (Cherif & Hasanov, 2019; Hesse, 2008; Hong, 2021); while investments trigger technology spill

overs, assist human capital formation, promote efficiency through competition, expand consumer choices, and increase the government's tax base (Agbola, 2014; Echandi et al., 2015).

TABLE 12
PERFORMANCE INDICATORS OF MAJOR PROGRAMS, 2021-2023

Program	2021		2022 Target	2023 Target
	Target	Actual		
Exports and Investments Development Program				
1. Amount of exports	USD 93.9 to 95.8 billion	USD 74.64 billion	USD 105.3 billion	USD 110.0 billion
2. Amount of approved investments	PHP 905.08 billion	PHP 724.72 billion	PHP 1,094.0 billion	PHP 995.5 billion
Industry Development Program				
1. Employment generated from the industry sector increased annually ^{a/}	333,000	517,000	200,000	No official target pending publication of PDP 2023-2028
2. Employment generated from the services sector increased annually ^{a/}	528,000	2,465,000	600,000 to 700,000	No official target pending publication of PDP 2023-2028
3. Manufacturing Gross Value Added (GVA) as percentage of Gross Domestic Product (GDP) ^{b/}	16.4%-19.8%	19.2%	16.8%-17.0%	16.8%-17.0%
4. Manufacturing employment as percentage of total employment ^{b/}	8.0%	7.9%	8.3% to 8.6%	8.3% to 8.6%
5. Amount of new foreign and domestic investments and percentage increase over last year generated from BOI firms ^{b/}	PHP 905.08 billion	PHP 655.41 billion	PHP995.59 billion	PHP995.59 billion
MSMEs Development Program				
1. Percentage of MSMEs assisted to the total no. of MSMEs in manufacturing, retail trade, construction and services sectors	31.0%	45.0%	32.0%	47.0%
Consumer Protection Program				
1. Consumer resolution rate	98.0%	98.0%	98.0%	98.0%
Consumer Education and Advocacy Program				
1. Level of consumer awareness increased	72.0%	81.0%	76.0%	75.0%
Technical Education and Skills Development Policy Program				
1. Percentage of stakeholders who rate policies/ plans as good or better	94.0%	99.87%	94.0%	94.0%
Technical Education and Skills Development Regulatory Program				
1. Percentage compliance of Technical-Vocational Education and Training (TVET) programs to TESDA, industry, and industry standards and requirements	90.0%	91.0%	85.0%	85.0%
2. Percentage of TVET graduates that undergo assessment for certification	86.0%	54.0%	70.0%	70.0%
3. Percentage of TVET programs with tie-ups to industry	42.0%	67.97%	60.0%	60.0%
Technical Education and Skills Development Program				
1. Percentage of graduates from technical education and skills development scholarship programs that are employed	69.0%	75.61%	69.39%	70.0%

a/ DTI-OSEC Outcome Indicators

b/ BOI Outcome Indicators

Source: NEP 2023

- 6.8 The DTI-OSEC was able to achieve and exceed its targets under the *Industry Development Program*, such as the annual increase for employment generated from the industry sector and the services sector by 155.3% and 466.9%, respectively. This contribution is reflected in the improvement in the country's unemployment rate from 10.3% in 2020 down to 7.8% in 2021, translating to 789,029 less unemployed persons.⁴
- 6.9 The agency has also reached its targets for the *MSME Development Program*, *Consumer Protection Program*, and *Consumer Education and Advocacy Program*. The *MSME Development Program* is particularly important as the Philippine Statistics Authority recorded that 99.9% of the total 259,707 establishments that permanently closed in 2021 are MSMEs.⁵
- 6.10 Not all of the targets for the *Industry Development Program* components that are under the BOI were met. While the manufacturing gross value added as a percentage of gross domestic product at 19.2% in 2021 landed at the high-end of the target, the BOI was unable to achieve the manufacturing employment as a percentage of total employment and the amount of new foreign and domestic investments generated from BOI firms. Similar to the DTI-OSEC, the BOI also provided higher targets for these programs despite not attaining them.
- 6.11 Reaching the targets for investments and employment may be facilitated by the passage of key investment legislations, namely RA No. 11534 or the Corporate Recovery and Tax Incentives for Enterprises Act as well as RA Nos. 11595, 11647, and 11659 that amended the Retail Trade Liberalization Act of 2000, Foreign Investments Act of 1991, and the Public Service Act.
- 6.12 As for TESDA, it was able to comply with its targets for the *Technical Education and Skills Development Policy Program* and the *Technical Education and Skills Development Program*. However, for its *Technical Education and Skills Development Regulatory Program*, the percentage of TVET graduates that undergo assessment for certification was only at 54.0% compared to the target of 86.0%. The TESDA has reflected the downward adjustments to the targets for 2022 and 2023 to 70%.

VII. COA FINDINGS AND RECOMMENDATIONS

- 7.1 This section relates to the findings and observations made by the Commission on Audit (COA) on the DTI and its agencies, as contained in their respective 2021 Annual Audit Report. Particular attention is given to the observations noted by the COA on the DTI-OSEC and the TESDA, which is the attached agency with the highest allocation in the Department.
- 7.2 The COA rendered a Qualified Opinion on the presented financial statements of the DTI-OSEC, TESDA, and CIAP. This indicates that their financial statements as a whole are not free from material misstatement, or they are unable to obtain sufficient appropriate audit evidence to conclude otherwise. The BOI, DCP, and PTTC were rendered an

⁴ *Philippine Statistics Authority 2020 and 2021 Annual Labor Market Statistics*

⁵ *2021 Updating of the List of Establishments*

Unmodified Opinion denoting that their financial statements were prepared, in all material respects, in accordance with the applicable financial reporting framework.

- 7.3 The TESDA continues to have the highest number of COA recommendations at 551, with 205 (37.2%) still to be implemented. This is followed by the DTI-OSEC and CIAP with 46 and 30 recommendations, respectively (*Table 13*).

TABLE 13
STATUS OF IMPLEMENTATION OF COA RECOMMENDATIONS
(AS OF 31 DECEMBER 2021)

Particulars	Total	Implemented		Not Implemented	
		Number	(%)	Number	(%)
OSEC	46	27	58.7	19	41.3
BOI	12	3	25.0	9	75.0
CIAP	30	15	50.0	15	50.0
DCP	4	3	75.0	1	25.0
PTTC	4	3	75.0	1	25.0
TESDA	551	346	62.8	205	37.2

Source: Annual Audit Reports 2021 (Part 3)

- 7.4 The most notable observations noted by the COA on the presented financial statements of the DTI-OSEC for 2021, among others, pertain to the non-liquidation of advances and transfers. Specifically:

- **Non-liquidation of advances to the Procurement Service-Department of Budget and Management (PS-DBM).** The advances made by the central office (CO) and three regional offices (ROs) to the PS-DBM during the year and prior years amounted to a total of P60.4 million remained unliquidated at year end due to the delayed or non-delivery of requested items and the improper recording of refunds and deliveries.
- **Non-liquidation of cash advances.** The cash advances for operating expenses, special purpose/time-bound undertakings, and official local and foreign travels by the CO and 11 ROs that were not liquidated amounted to P65.8 million due to lapses in monitoring cash advances. The cash advances made by the CO were granted to Foreign Trade Service Officers posted abroad for the operational requirements of the Philippine Trade and Investment Centers (PTIC).
- **Non-liquidation of fund transfers to implementing agencies and Non-Government Organizations (NGOs)/Civil Society Organizations (CSOs).** A total amount of P51.0 million of funds transferred to NGOs/CSOs from the CO and three ROs were not liquidated due to failure in monitoring the fund transfer.

- 7.5 The observations that have been noted by the COA in TESDA's 2021 Annual Audit Report include deficiencies in the implementation and procurement for the different programs of the agency, misuse of government funds, and failure to adhere to procurement rules and regulations. The following are details of some of these observations:

- **Deficiencies/lapses in the implementation of scholarship programs.** Aside from the delays and non-implementation of scholarship programs in four ROs, there were also observed lapses for the scholarship programs that were implemented such as the:
 - Inclusion of non-qualified/non-priority beneficiaries with benefits amounting to P5.7 million;
 - Delayed/non-release of allowances amounting to P33.1 million and undocumented payments of P11.8 million;
 - Erroneous computation and questionable provision of allowances;
 - Multiple availment of programs by scholars; and
 - Improper utilization and *Universal Access to Quality Tertiary Education (UAQTEA)* and *STEP* administration cost and low utilization/disbursement of training funds.

- **Deficiencies in the outsourced procurement of starter toolkits.** The TESDA had an excessive Approved Budget for the Contract (ABC)⁶ for the procurement of toolkits resulting to an excessive fund transfer of P1.2 billion to the PTIC. This was also found to be indicative of the possible overpricing of the prior years' procurement of toolkits. The COA has recommended that the TESDA CO revisit the basis in determining the ABC and conduct internal inquiry on the possible negligence or irregularities committed. The TESDA CO has complied through its Bids and Awards Committee to re-study the formula in determining the ABC for the implementation of the STEP and UAQTEA. The audit team's rejoinder states that the computation of the ABC should be based on bulk procurement and that TESDA should come up with a standard specification for each toolkit before conducting any price market survey.

- **Delayed procurement resulting to unutilized funds of P2.1 billion.** The outsourced procurement of toolkits with the PTIC was not able to address the issue on delayed procurement and resulted in unutilized funds of P2.1 billion, which was attributed to the excessive ABC against the cost of awarded contracts, failure of bidding, and the cancellation of procurement. The COA has recommended that TESDA CO require the immediate reversion of unutilized funds to the National Treasury, defer future procurement of toolkits until the problem of accumulation of huge quantities of toolkits is addressed, and consider other forms of training support in lieu of the provision of toolkits.

- **Undistributed starter toolkits in ROs/OU.** The COA observed that there were at least 17,614 toolkits worth P95.0 million and 16,638 with undisclosed value that have remained undistributed at the TESDA ROs/OU. These toolkits were accumulated deliveries intended for 2014-2020 trainings. Further, some of these toolkits may no longer be in good condition due to the long period of storage.

⁶ This refers to the proposed budget for the project approved by the Head of the Procuring Entity based on the Annual Procurement Plan (COA, n.d.).

- **Deficiencies in the procurement of 2020-2021 starter toolkits.** Despite the identified defects on the previous ABC of toolkits procurement, TESDA utilized the same for procuring 2020 and 2021 toolkits requirements, resulting in an excess of P371.2 million in the ABC against the bid price.
- **Deficiencies in the procurement of Biometric-enabled Scholarship Registration System.** The release of payment with a contract cost of P39.9 million to the awarded supplier for the procurement and installation of Biometric-enabled Scholarship Registration System was found not to be in accordance with the schedule of payment provided in the contract. Further, initial evaluation reports disclosed various issues encountered by the end-users showing that the expected risk capabilities of the system were not fully attained. The audit team's rejoinder, which responds to the comments made by the TESDA CO stated that "the Management is in the best position to safeguard the government funds yet full payment was made even when the system was not fully deployed, and its actual operational performance has not been tested."
- **Utilization and implementation of RA No. 11469 or the Bayanihan to Heal as One Act.** The allocated budget of P1.00 billion for the retooling and upskilling of targeted displaced workers including returning Overseas Filipino Workers (OFWs) had unutilized funds amounting to P180.5 million and included 11,794 scholars who were not among the intended beneficiaries of the program. As emphasized by COA, note that "Bayanihan 2 was enacted to urgently respond to the adverse impact of the COVID 19 pandemic to the economy and TESDA Circular was issued to properly implement such programs and specifically stating that the priority targets are OFWs and the locally displaced workers. Others who were affected by the pandemic like the farmers and fisher folks can be accommodated to the RCEF program of TESDA, same with the students and out-of-school youth can be accommodated in the PESFA program."
- **Fund transfers and utilization in support of EO No. 70, creating the National Task Force to End Local Communist Armed Conflict (NTF-ELCAC).** The COA noted the lack of specific guidelines and regulations on the utilization of fund transfers and the implementation of programs in support of the creation of the NTF-ELCAC. In 2021, the TESDA CO released fund transfers to selected ROs amounting to P6.9 million for operating expenses in the implementation of the NTF-ELCAC and P4.3 million for the programs of the Cabinet Officer for Regional Development and Security, which are not aligned with TESDA's mandate. Questionable charges, utilization, and disbursement were also found in RO-IX in relation to fund transfers in support of EO No. 70 amounting to P1.0 million.
- **Irregular, unnecessary, excessive, extravagant and unconscionable expenditure uses of government funds.** Some of the notable observations of COA with regard to the misuse of government funds include:
 - Excessive and irregular grant and payment of monetization of leave credits. Discrepancies, inconsistencies, and deletions in the documents and records

provided by the Budget Division at the TESDA CO caused doubts on the validity of the funding source of monetized leave credits amounting to P2.5 million;

- Grant of monetization in excess of available leave credits and non-compliance with documentary requirements cast doubts on the validity of disbursement made amounting to P10.3 million; and
- The laxity in the control and monitoring of leave cards in the TESDA CO resulting in P1.8 million worth of monetized leave credits and P195.4 thousand worth of forced leaves that were not reflected in the leave cards of concerned employees.

- **Compliance with procurement laws, rules, and regulations.** Ten TESDA ROs failed to adhere strictly to the provision of RA No. 9184 or the Government Procurement Reform Act and its revised implementing rules and regulations casting doubts on the integrity, validity, and reasonableness of the procurement of goods amounting to P84.6 million. These include the failure to conduct bidding/inappropriate mode of procurement, piecemeal procurement/splitting of contracts, procurement of common-use supplies outside the PS-DBM, purchases from suppliers with questionable legal capacity to sell goods, and irregular procedures, among others.

7.6 The non-liquidation of advances to the PS-DBM and/or PTIC due to the non-delivery of requested items such as common-use office supplies, equipment, and/or motor vehicles were also common observations by the COA on the other attached agencies of the DTI. Specifically, unliquidated advances of P11.8 million to the PS-DBM and P2.7 million to the PTIC by the PTTC, P3.1 million to the PS-DBM and P3.3 million to the PTIC by the CIAP, P1.7 million to the PS-DBM by the BOI, and P175.2 thousand to the PS-DBM by the DCP.

References:

Commission on Audit. (2022). *Annual Audit Reports 2021*. Retrieved from <https://www.coa.gov.ph/reports/annual-audit-reports/>

Department of Budget and Management. (2021-2023). *Budget of Expenditures and Sources of Financing 2021-2023*. Retrieved from <https://dbm.gov.ph/index.php/budget-documents/2023/budget-of-expenditures-and-sources-of-financing-fy-2023>

_____. *General Appropriations Act 2021-2022*. Retrieved from <https://dbm.gov.ph/index.php/budget-documents/2022/general-appropriations-act-fy-2022>

_____. *National Expenditure Program 2021-2023*. Retrieved from <https://dbm.gov.ph/index.php/budget-documents/2023/national-expenditure-program-fy-2023/373-budget-documents/2023/2346-national-expenditure-program-volume-iii-fy-2023>

_____. *Statement of Allotment, Obligation, Disbursement and Balances 2021*. Retrieved from <https://www.dbm.gov.ph/index.php/programs-projects/statement-of-allotment-obligation-and-balances>

Other references:

Agbola, F. (2014). Modelling the impact of foreign direct investment and human capital on economic growth: empirical evidence from the Philippines. *Journal of the Asia Pacific Economy*, 19:2, 272-289

Cherif, R., & Hasanov, F. (2019). *The Return of the Policy that Shall Not be Named: Principles of Industrial Policy*. IMF Working Paper No. 19/74.

Commission on Audit. (n.d.) *Updated Guidelines in the Audit of Procurement*. Retrieved from https://www.coa.gov.ph/wp-content/uploads/ABC-Help/Updated_Guidelines_in_the_Audit_of_Procurement/Annex%206-GPM%20-%20Vol.2/annex6-13.htm

Department of Trade and Industry. (n.d.-a) *DTI 2021 Accomplishments*. Retrieved from <https://www.dti.gov.ph/resources/e-library/accomplishments/>

Department of Trade and Industry. (n.d.-b). *SSF COVID-19 Response*. Retrieved from <https://www.dti.gov.ph/negosyo/shared-service-facilities/ssf-covid-19-response/>

Diaz-Manalo, P., Estrada, M., & Baluyot, D. (2021). *Implications of the SC Ruling on the Mandanas-Garcia IRA Case*. CPBRD Discussion Paper No. 2021-02.

Echandi, R., Krajcovicova, J., & Qiang, C. (2015). *The impact of investment policy in a changing global economy: a review of the literature*. Policy Research Working Paper Series 7437, The World Bank.

Hesse, H. (2008). *Export Diversification and Economic Growth*. Commission on Growth and Development Working Paper No. 21. World Bank, Washington, DC.

Hong, P. (2021). *The Importance of Export Diversification for Developing ASEAN Economies*. ISEAS Yusof Ishak Institute.

**EXPENDITURE PROGRAM BY GENERAL EXPENSE CLASS, 2021-2023
(AMOUNTS IN MILLION PESOS)**

Particulars	2021					2022					2023				
	PS	MOOE	CO	FinEx	TOTAL	PS	MOOE	CO	FinEx	TOTAL	PS	MOOE	CO	FinEx	TOTAL
OSEC	2,280.2	3,059.5	569.5	2.4	5,911.6	2,160.7	4,555.9	140.6	4.9	6,862.0	2,242.1	3,083.2	67.3	5.0	5,397.6
BOI	200.3	163.5	14.3	-	378.1	197.5	191.0	27.2	-	415.7	196.9	162.3	1.8	-	361.0
CIAP	70.2	63.5	0.1	-	133.7	68.8	63.5	-	-	132.2	68.6	61.4	-	-	130.0
CDA	505.6	150.9	35.6	-	692.1	462.2	286.3	23.6	-	772.1	473.4	218.5	-	-	691.9
DCP	45.1	83.3	4.2	-	132.6	38.5	76.8	4.1	-	119.4	51.4	76.0	-	-	127.4
PTTC	35.2	41.4	2.6	-	79.2	33.4	39.6	1.4	-	74.5	37.9	32.5	-	-	70.4
TESDA	2,798.3	13,076.4	242.8	-	16,117.5	2,651.8	10,620.1	749.9	-	14,021.7	3,112.4	9,875.8	719.1	-	13,707.2
Total DTI	5,934.8	16,638.6	869.1	2.4	23,444.8	5,612.8	15,833.2	946.8	4.9	22,397.7	6,182.7	13,509.7	788.2	5.0	20,485.5

Source: FY 2023 BESF

**EXPENDITURE PROGRAM BY GENERAL EXPENSE CLASS, 2021-2023
(AS PERCENT TO TOTAL AGENCY)**

Particulars	2021					2022					2023				
	PS	MOOE	CO	FinEx	TOTAL	PS	MOOE	CO	FinEx	TOTAL	PS	MOOE	CO	FinEx	TOTAL
OSEC	39.1	28.0	43.3	-	31.9	39.6	25.2	86.0	-	31.0	37.9	20.5	46.7	-	26.6
BOI	3.8	1.3	1.0	-	1.8	3.7	1.2	1.2	-	1.9	3.6	1.5	0.7	-	1.9
CIAP	1.2	0.7	0.2	-	0.8	1.3	0.5	0.7	-	0.7	1.3	0.4	-	-	0.6
CDA	9.0	1.0	1.5	-	2.9	8.6	1.4	4.8	-	3.6	8.8	1.2	0.6	-	3.0
DCP	0.5	0.9	0.1	-	0.7	0.4	0.6	0.5	-	0.6	0.4	0.6	0.3	-	0.5
PTTC	0.7	0.3	0.2	-	0.3	0.7	0.2	0.6	-	0.4	0.7	0.2	-	-	0.3
TESDA	45.7	67.9	53.7	-	61.6	45.7	71.0	6.2	-	61.8	47.4	75.5	51.7	-	67.1
Total DTI	100.0	100.0	100.0	-	100.0	100.0	100.0	100.0	-	100.0	100.0	100.0	100.0	-	100.0

Source: FY 2023 BESF