China ODA best option for 3 railway projects, DoTr says

THE Department of Transportation (DoTr) considers China's official development assistance (ODA) to be the "best option" for funding three major railway projects, an official said on Tuesday.

"We are not closing our doors (to) other funders; but right now, the DoTr is thinking that the China ODA is the best option," Transportation Undersecretary Cesar B. Chavez said in an appearance on One News PH's Agenda program on Tuesday.

He said that some of the contracts have already been awarded to Chinese contractors.

"China *ang magsu*-supervise *ng* Calamba to Daraga, usually *hindi sila nagsasama* (China will supervise the Calamba to Daraga segment [of the PNR South Long Haul Project], and they typically do not work with contractors from other funders)," he said.

He noted that Japan and the Asian Development Bank (ADB) are currently committed to their own railway projects in the Philippines.

The ADB supports the North–South Commuter Railway project while Japan oversees the Metro Manila Subway project, he said.

The Philippines and China have agreed to resume negotiations on the PNR South Long Haul (PNR Bicol), Subic-Clark Railway, and Mindanao Railway (Tagum-Davao-Digos) projects.

The government recently canceled its loan applications for the three projects because the Chinese government was "unresponsive," Mr. Chavez said in July.

President Ferdinand R. Marcos, Jr. has directed the DoTr to go back to the negotiating table to secure loan agreements for the three railway projects.

"China is very interested. In our meeting last Thursday (Aug. 11) with the Chinese Ambassador (Huang Xilian), China expressed excitement and interest with regard to pursuing the projects, especially those mentioned by the President," Mr. Chavez said.

He said the Mindanao Railway project remains a priority.

"The feasibility study has been done. The government has already allotted around P6.5 billion for the acquisition of the right of way," Mr. Chavez said.

"What we need now is the funding for the construction... There were some concerns before the end of the last administration, and therefore we leave it to the Department of Finance to guide us because they are the ones in charge of applying for the loan, negotiating for the loan, and signing the loan for this project," he said.

Separately, a senior legislator from the Bicol Region said China remains willing to fund the P142-billion rail link connecting Manila to Bicol.

The government of President Ferdinand R. Marcos, Jr. has also committed to completing the Philippine National Railway South Long Haul Project before 2028, Albay Rep. Jose Ma. Clemente S. Salceda said in a statement.

"Given how much progress has already been made on the Bicol rail, it appears that the best way forward is to just keep the arrangement with China, subject to some changes in interest rates," he said.

Mr. Salceda said P14 billion in project management consultancy fees have been paid out and could go to waste if the project is scrapped, adding that the government still needs funding for civil works, trains and electromechanical equipment.

"If the Department of Finance decides to (reopen loan negotiations), construction can start very soon after," he added.

Mr. Salceda, who chairs the House ways and means committee, said Transportation Secretary Jaime J. Bautista had affirmed the Marcos government's commitment to complete the railway. — **Arjay L. Balinbin** *and* **Matthew Carl L. Montecillo**

Post-Mandanas devolution under review for compliance with Local Government Code

By Diego Gabriel C. Robles

THE National Government is reviewing plans to devolve some of its functions to local government units (LGUs) amid questions about the exact mandate of LGUs under the Local Government Code, Finance Secretary Benjamin E. Diokno said, while warning that local governments can expect a smaller share of national taxes next year because of the pandemic.

"(The review will prevent the assignment) to LGUs responsibilities that were not originally assigned as a result of the Local Government Code of 1991. For example, research and development (R&D); that should not be assigned to LGUs, right? Maybe some cities can afford it, but a great majority of LGUs cannot afford R&D. Also, education. Education is not assigned to LGUs under the Local Government Code. So why assign them some responsibilities on that?" Mr. Diokno told the Senate committee on local government on Tuesday.

The devolution plan was outlined in Executive Order (EO) 138, issued in June 2021 in response to the Supreme Court's Mandanas ruling. The Court had ruled that LGUs are entitled to a 40% share of all "national taxes," overturning the National Government's previous interpretation of the Code, which was that LGUs were entitled to a 40% cut of "internal revenue" — effectively, the Bureau of Internal Revenue's collections only.

The previous administration, facing the prospect of losing access to a significant amount of funds as a result of the ruling, decided to offload P234.4 billion worth of functions to local governments, with EO 138 setting a 2024 terminal date for the devolution exercise.

The 40% share of national taxes, a subsidy to local governments now known as the National Tax Allotment (NTA), is based on the collections of the National Government from three years prior, according to the Local Government Code. That means the 2023 NTA will be 40% of collections in 2020, the first year of the pandemic, when government revenue took a hit from the lockdowns.

"LGUs... got a bonus or a windfall as a result of the (Mandanas) ruling; they will get a lot of money this year. I think if my recollections (are) correct, an additional hundred billion for this year. However, they will face some problems next year because the formula is based on the collection three years prior, which means, because of the pandemic, collections were down," Mr. Diokno said at the hearing.

Also at the hearing, Local Government Undersecretary Marlo L. Iringan estimated the impact of the ruling in 2022 as a 37.89% increase in LGU allocations to P959 billion.

"However, given the decrease in revenue collections of the National Government in fiscal year 2020, in view of the impact of the COVID-19 pandemic, the projected total share of LGUs from the national taxes for 2023 will significantly decrease (by) an estimated P138 billion, or equivalent to (a) 14.47% (decline)," Mr. Iringan said in projecting a P820-billion NTA for LGUs next year.

In 2020, the government collected P2.86 trillion in revenue, down 8.97%, as the economy contracted by a record 9.6% due to the lockdowns associated with the pandemic.

Mr. Diokno added that the Madanas ruling "poses a lot of challenges both to the National Government and the local governments. On the part of the National Government, we must recognize that, as a result of the pandemic, public debt has actually increased," Mr. Diokno said.

The ratio of debt-to-gross domestic product was 62.1% as of the second quarter, above the 60% threshold considered manageable by developing economies. The ratio eased from 63.5% at the end of the first quarter.

"Realistically, because you are giving LGUs more money, the problem pointed out by the World Bank, and I agree, is that many LGUs won't be able to spend the money. It's because of the lack of capacity. In fact, even before the crisis, local governments already had a surplus position. They usually have large surplus because they are not able to spend their money," Mr. Diokno said.

Aside from advocating for LGU digitalization and capacity building, Mr. Diokno said some of the administration's priority legislation items will "help local government units attain fiscal sustainability."

These include measures calling for real property valuation and assessment reform, LGU property insurance, and amendments to the Local Government Code of 1991 on local finance.

DBM procurement service focusing on common-use items after laptop episode

THE Procurement Service of the Department of Budget and Management (DBM) said it has suspended the procurement of non-common use supplies and equipment (NCSE) until further notice, and is currently focusing on common-use supplies and equipment (CSE).

The service had come under scrutiny after P2.4 billion worth of laptops acquired for the Department of Education (DepEd) were allegedly overpriced. The laptops were procured to enable teachers to conduct distance learning at the height of the pandemic.

The DepEd laptops, classified as NCSEs, were procured in 2021 and were intended for distribution to 68,500 teachers. The Procurement Service has sought the assistance of the National Bureau of Investigation to investigate the purchase.

"I issued a directive suspending the procurement of non-common use supplies and equipment, effective immediately," Procurement Service Executive Director Dennis S. Santiago said in a statement issued on Tuesday by the DBM.

"During the suspension, the Procurement Service shall not accept new requests for NCSE procurement until further notice. This will allow us to focus on the fulfillment of our primary mandate, which is to procure CSEs."

According to the Commission on Audit, NCSEs are goods, materials, and equipment that are required by a procuring entity for a specific project. These are neither common-use supplies nor inventory items.

On the other hand, "CSEs include the procurement of items essential to the day-to-day operations of government agencies such as, but not limited to, ballpens, papers, stapler, paper clips, folders, and the like," the DBM said.

Mr. Santiago said the Procurement Service will fulfill its outstanding obligations in obtaining NCSEs processed before the suspension.

"*Tatapusin na lamang po 'yung* procurement *ng mga* non-CSE *na* ongoing *o nasa* pipeline *na hanggang sa sila'y makumpleto. Pero hanggang doon na lang po iyon. Pagkatapos noon, wala na. Lahat ng* procurement, CSE *na lang* (We will complete the non-CSE transactions in the pipeline, but that will be all. After that, all transactions will be CSE only)," Mr. Santiago said.

The Procurement Service is the central procurement office for CSE items on behalf of the entire government. — **Diego Gabriel C. Robles**

Airline fuel surcharge to decline in Sept.

PHILIPPINE AIRLINES (PAL), Cebu Pacific, and AirAsia Philippines said on Tuesday that they will lower their fuel surcharges next month.

The three airlines issued statements following a Civil Aeronautics Board's (CAB) announcement that it is altering the applicable passenger and cargo fuel surcharge for domestic and international flights to Level 9 from Level 12 in September.

The CAB cited the lower average price of jet fuel (P46.73 per liter) between July 10 and Aug. 9, against the P54.73 average between June 10 and July 9.

"Airlines wishing to impose or collect fuel surcharge (next month) must file their application with this office on or before the effectivity period, with fuel surcharge rates not exceeding (Level 9)," CAB Executive Director Camelo C. Arcilla said in an advisory issued on Aug. 15.

Level 9 on the CAB matrix permits a fuel surcharge per passenger of between P287 and P839 for domestic flights and between P947.39 and P7,044.27 for international flights.

Currently, the fuel surcharge per passenger runs between P389 and P1,137 for domestic flights and P1,284.40 and P9,550.13 for international flights.

"We welcome this positive development, and we will carry out the corresponding adjustments in our fuel surcharges," PAL Spokesperson Cielo C. Villaluna said in a phone message.

"The new fuel surcharge rate will be applicable to tickets that will be purchased in September," she added.

Cebu Pacific Chief Commercial Officer Xander Lao said separately that the budget carrier also welcomes the adjustment in the fuel surcharge policy.

"We look forward to the lower fuel surcharge which should help make fares more affordable and stimulate air travel," he said in a statement.

Low-cost carrier AirAsia Philippines said: "This will benefit many of our guests who are now planning their travels in time for the 'Ber' months."

"(We) will reflect the adjustments in our ticket prices accordingly," it added. — **Arjay L. Balinbin**

House officials see budget bill approval before Sept. 30 recess

HOUSE officials said on Tuesday that the 2023 budget bill is on track to be approved before the Sept. 30 Congressional recess.

Majority Leader Manuel Jose M. Dalipe told the Ugnayan sa Batasan Majority News Forum that legislators will approve the budget bill on time as it did last year.

"We were able to beat the September deadline last Congress, giving all members of the House of Representatives time to deliberate... with all the departments," according to Mr. Dalipe, who represents Zamboanga City's second district.

Marikina Rep. Stella Luz A. Quimbo said the House expects the National Expenditure Program (NEP) to be submitted on Aug. 22. The NEP is the National Government's spending plan, which will form the basis for budget legislation. Once passed into law, the bill will be known as the General Appropriations Act.

"After that, we will now have the budget briefings," Ms. Quimbo, also senior vice-chairman of the House Committee on Appropriations, said.

"So the sequential budget briefings with every agency will start on Aug. 26, with a briefing by the Development and Budget Coordination Committee."

She said that the committee plans to complete hearings for each agency by Sept. 16. — **Matthew Carl L. Montecillo**

New SRP list reflects price increases of 3.29%-10%, DTI says

THE latest suggested retail price (SRP) bulletin for basic necessities and prime commodities (BNPCs) reflects price increases of between 3.29% and 10%, the Department of Trade and Industry (DTI) said.

It said in a statement on Tuesday that price increases were approved for 67 stock keeping units (SKUs) in the wake of higher raw material and packaging costs. The SRPs for the remainder of the 218 SKUs the DTI tracks remain unchanged.

The new SRP bulletin was issued on Aug. 12.

"Those that increased by 10% were SKUs that have not raised their prices since last year," the DTI said.

According to the DTI, the price of canned sardines in tomato sauce increased by 6% while the price of processed milk rose between 3% and 10%.

The price of coffee refills rose between 5.81% and 9% while the price of coffee 3-in-1 mixes rose between 8% and 10%.

The DTI said the price of noodles was adjusted upwards by 3.70% while the price of detergent soap rose by 6%.

Bottled water prices rose between 3.53% and 10% while candle prices rose by 6%. Condiment prices increased between 5% and 6%.

"Amid these adjustments, the DTI remains steadfast in its commitment in ensuring that consumers have access to reasonably priced goods in the market, hence increases were kept to a minimum," Trade Undersecretary Ruth B. Castelo said.

"The DTI is regularly monitoring the price movements of raw materials of these BNPCs, and continuously monitors retailers to make sure that prices of BNPCs are reasonable," she added.

The Philippine Baking Industry Group has said that it will propose a P4 price increase for bread product categories known as "Pinoy Tasty" (white sandwich bread) and pan de sal products amid rising production costs.

Currently, pan de sal carries an SRP of P23.50 while Pinoy Tasty sells for P38.50.

No price increases were approved for these breads in the latest SRP bulletin. — **Revin Mikhael D. Ochave**

Malaysian delegation from food, healthcare, IT industries to visit Philippines

A MALAYSIAN trade delegation consisting of companies from the food, healthcare, and information and communications technology industries will visit the Philippines later this month.

In a statement, the Malaysia External Trade Development Corp. (MATRADE) said its Export Acceleration Mission will be in Manila between Aug. 22 and 26.

The event is organized by MATRADE, the Malaysian Ministry of Entrepreneur Development and Cooperatives, and SME Bank Malaysia.

"MATRADE through its Manila office will be coordinating over 100 one-to-one business meetings with leading importers and buyers. Complementing this, programs that have been arranged for the Malaysian companies include a Seminar on Doing Business with Malaysia, market visits and networking sessions with relevant authorities, associations and industry players," it said.

"This is part of MATRADE's efforts to familiarize Malaysian companies with rules and regulations on doing business in the Philippines," it added.

MATRADE Trade Commissioner in Manila Intan Zalani said that the mission will help Malaysian firms establish a presence in the Philippine market and "expand key business relationships."

"With a young and fast-growing population, the Philippines offers valuable prospects for Malaysian-made products and services that are synonymous with quality and compliance with international standards," Ms. Zalani said.

According to MATRADE, the Philippines is the fifth-largest export destination of Malaysia within ASEAN, trailing Singapore, Thailand, Vietnam, and Indonesia.

"Between January and June 2022, Malaysia's trade with the Philippines recorded double digit growth of 30.1% (to) $4.5 billion," MATRADE said.

"Exports from Malaysia to the Philippines were also encouraging, increasing by 24% to $3.23 billion, while imports from the Philippines to Malaysia grew by 44.3% to $1.62 billion," it added. — **Revin Mikhael D. Ochave**

CORRECTION

A STORY published on the *BusinessWorld* website on Aug. 15 titled "Budget utilization at 94% in 7 months to July" incorrectly stated the amount of unused funds. The right amount is P140.24 billion and the online story has been corrected. *BusinessWorld* regrets the error.