Price hike applications to be decided next year, DTI says

By Justine Irish D. Tabile
Reporter

THE Department of Trade and Industry (DTI) said it will start processing next year the applications to raise prices of 63 stock-keeping units of basic necessities and prime commodities (BNPCs).

"We are processing 63 requests. These are 63 items from 18 manufacturers. These are for various products like bread, sardines, and coffee so it is hard to specify one," Assistant Secretary for Consumer Protection Group Amanda F. Nograles told *BusinessWorld* by phone.

"We will start to release the approvals in January next year. The price increases will be effective immediately," she said.

Ms. Nograles said manufacturers are citing increased production costs, materials shortages, labor, and distribution costs as the trigger for their price hike applications.

"That is why we try to understand how we can help in lowering production costs. One of our initiatives is implementing Executive Order 41 or the suspension of the collection of pass-through fees by local government units," she said.

"Another initiative is lowering the cost of raw materials. For example, in trying to lower the price of sugar, we are closely coordinating with the Sugar Regulatory Administration and Department of Agriculture," she added.

"I think another thing that can be a huge help for our consumers is our plan to approve price increases on a staggered basis," she said.

Ms. Nograles said that the DTI will be implementing a 'first in, first out' system for approving requests for price increases.

"Many have filed for price increase as early as the first quarter of 2023, so we will first process and approve the requests of whoever submitted first," she added.

The DTI had been due to meet manufacturers and retailers on Monday to discuss updates on the prices of Christmas-feast items and price adjustments for BNPCs.

However, Ms. Nograles said that the meeting was rescheduled for January due to the unavailability of participants.

The DTI last approved price increases when it published a suggested retail price bulletin on Feb. 17, she said.

"We will publish a bulletin again next year. We do not have an exact date to give right now, but it will definitely be in the first quarter," she said.

NDC in tech assistance tie-up to support startup 'greening'

THE National Development Co. (NDC), a government investment arm, said it has signed an agreement with the Global Green Growth Institute (GGGI) to support the green transition of small businesses.

Under the memorandum of understanding (MoU), GGGI — a treaty-based international, inter-governmental organization — will provide technical vocational education training, technical assistance, and advice to Philippine micro, small- and medium-sized enterprises (MSMEs), particularly startups in the NDC investment pipeline.

"We want to support the Philippine government to identify the priorities," GGGI Country Representative Marcel Silvius said at the signing ceremony on Wednesday.

He added that the GGGI is also aware that Philippine companies need to be given latitude and time to become more environmentally compliant.

The GGGI aims to foster sustainable economic growth in developing nations and emerging economies. It offers non-financial grants and provides technical and expert financial advice in waste management, recycling, and achieving circular-economy norms. — **Justine Irish D. Tabile**

FULL STORY

Read the full story by scanning the QR code <tinyurl.com/ykf4sup7>

PPP Center to promote LGU infra projects

THE Public-Private Partnership (PPP) Center and the Union of Local Authorities in the Philippines (ULAP) have entered into a partnership to support local government units (LGUs) pursuing infrastructure projects.

In a statement, the PPP Center said it signed a memorandum of agreement (MoA) with ULAP on Dec. 5 to "forge a stronger collaboration in promoting well-structured and financially viable infrastructure projects through PPPs."

"The signed MoA aims to provide a framework for cooperation and coordination, with the goal of developing a robust pipeline of PPP projects for the member-LGUs of ULAP," it added.

To boost economic development in the regions, the PPP Center said it will help local governments develop bankable and economically viable projects.

"The Center will continue to assist ULAP's constituent members in building their capacity to develop and implement PPP projects," it added.

The recently signed PPP Code is also expected to help bring in more "high-impact" PPPs to the regions, it added.

Earlier this month, President Ferdinand R. Marcos, Jr. signed the measure, which streamlines the framework for PPPs.

The PPP Code amends the Build-Operate-Transfer Law and creates a unified legal framework for all PPPs at both national and local levels. — **Luisa Maria Jacinta C. Jocson**

Economic managers at risk of being bypassed by Palace advisor

By Kyle Aristophere T. Atienza
Reporter

ECONOMISTS have expressed concern over the creation of a new special-advisor office whose head will hold Cabinet rank, citing the possible sidelining of other economic managers.

The new office is a "redundancy" and "smothers the leading roles" of the Department of Finance (DoF), National Economic and Development Authority (NEDA), and the Trade department, according to Filomeno Sta. Ana, coordinator at Action for Economic Reforms.

"The executive order (EO) is a public humiliation of our economic managers and our institutions," he said via Messenger chat.

Frederick D. Go, the former president and chief executive officer of Robinsons Land Corp. (RLC), has been named to head the Office of the Special Assistant to the President for Investment and Economic Affairs (OSAPIEA), which was created via an Executive Order issued Dec. 15.

RLC on Wednesday formally announced the acceptance of Mr. Go's resignation from his executive and board posts.

In his EO, Mr. Marcos cited the need to establish "a robust monitoring system to ensure a holistic and cohesive approach to addressing the diverse economic challenges currently confronting the nation."

Mr. Go is tasked with advising the President on economic matters and concerns, including, among others, the increasing prices of key commodities.

OSAPIEA will also be responsible for following up on investment pledges obtained during overseas missions.

Prior to becoming Special Assistant to the President, Mr. Go held the title of Presidential Adviser on Investment and Economic Affairs.

The Secretary of Finance formerly oversaw the Economic Development Group, but following EO No. 49, Finance Secretary Benjamin E. Diokno has been relegated to vice chair, serving alongside NEDA Secretary Arsenio M. Balisacan.

"The creation of this office is unnecessary; it is a clear political accommodation at the behest of the President," Gary Ador Dionisio, dean of the De La Salle – College of Saint Benilde School of Diplomacy and Governance said.

"The appointment also somehow weakens the trust and confidence of the President in his alter egos in the various departments," he said via Messenger chat.

As chairman of the EDG, Mr. Go will have the authority to coordinate the activities of the NEDA, the DoF, the DTI, and the Department of Budget and Management, as well as of economic agencies attached to these departments such as the Board of Investments, Philippine Economic Zone Authority, and Securities and Exchange Commission.

"The said agencies are required to regularly report and coordinate with the SAPIEA on priority initiatives and programs, activities, and projects," the Presidential Communications Office said on Monday.

In his new position, Mr. Go will also sit as a member of the NEDA Board, Investment Coordination Committee, Social Development Committee, Committee on Infrastructure, and Development Budget Coordination Committee.

Randy P. Tuaño, dean of the Ateneo School of Government, said such an appointment is not unprecedented, with several former chief executives appointing coordinating secretaries to supervise specific Cabinet departments.

During the administration of the late Corazon C. Aquino, coordinating secretaries oversaw economic policy, political affairs and social policy, he added.

While noting that the new office might duplicate some of the functions of NEDA, which is itself a coordinating agency, Mr. Tuaño said some countries have made it a practice to appoint coordinating secretaries.

He cited the Indonesian cabinet system, which features ministries like the coordinating ministry for economic affairs.

"But if the role mainly is to represent the President, given that the function is a public/governmental function, then clearly that person should not have overt private interests," he said.

Leonardo A. Lanzona, who teaches economics at the Ateneo de Manila, expressed concern that the new office was created via EO and not legislation.

Legislation would have been the better route "given that (the new office) has broad coverage encompassing several departments and agencies," he said via Messenger chat.

Going through Congress would have ensured that its functions are "defined and authorized by law," he said. "Legislative creation often involves a more comprehensive and deliberative process, with inputs from lawmakers and public scrutiny."

Mr. Lanzona said unlike the NEDA, which deals with both the productivity and equity goals of society, the new investment office is "all about money."

"Hence, it makes it rational to appoint a CEO from the private sector to head it, but the outcomes are not necessarily socially optimal."

Terry L. Ridon, a public investment analyst and convenor of InfraWatch PH, believes the new post will not overlap with the functions of major economic agencies.

"The agencies will still implement their respective programs and activities but will now require the strategic direction and guidance of Secretary Go on the most important economic and investment concerns," he said via Messenger chat.

"Essentially, Mr. Go now heads President Marcos' economic team," he added.

Mr. Ridon cited parallels with the Private Sector Advisory Council, whose members do not work full-time and retain their high-level executive positions in the private sector.

"Given Secretary Go's reputation for integrity, we are confident that he will immediately recuse himself on matters with clear conflicts of interest," Mr. Ridon said.

Last week, Mr. Go said the Philippines is working to secure a "respectable" share of firms moving out of China, particularly in the semiconductor industry, noting that the government's "catch-up plan" seeks to realize the Philippines' "untapped" export potential of $49 billion.

Mr. Go said he will pay special attention to the electronics industry, which accounts for 60% of exports.

"There is a pivot now away from China by a lot of the Western as well as the Asian countries and a lot of the attention is now going to our neighbors such as Thailand, Indonesia, and Vietnam," he was quoted as saying in a statement issued after a general meeting of the Philippine Exporters Confederation, Inc.

Mr. Go said the Philippines is also seeking to benefit from the expansion of nickel processing market amid a shift to electronic vehicles.

The Philippines needs to capture more of the nickel value chain by processing the ore domestically rather than exporting ore.

OPINION

Unified PPP Framework

TAXWISE OR OTHERWISE
JOELLE MAE GARCIA

In 1990, Republic Act (RA) No. 6957 or the Build-Operate-and-Transfer (BOT) Law institutionalized the private sector's participation in financing and developing government infrastructure projects. For the last decade, the BOT Law and its Implementing Rules and Regulations (IRR), the National Economic and Development Authority (NEDA) Joint Venture (JV) Guidelines, PPP Codes of Local Government Units (LGUs), and issuances from the PPP Governing Board made up the overall regulatory framework for PPP. The constantly evolving infrastructure sector called for amendments to the BOT IRR in 2006 and in 2012, and then twice in 2022. On April 25, the 2023 NEDA JV Guidelines were released a decade after its previous version took effect. On the local level, LGUs are championing their own PPP/JV Codes.

This momentum pushed our legislators to consolidate all the rules into one law. And so on Dec. 5, the Public-Private Partnership Code of the Philippines (RA 11966) was signed into law and took effect yesterday, Dec. 20.

PPP DEFINED

PPP, while inferred from the modalities in the BOT Law, was never specifically defined. Finally, Section 3 (cc) of the PPP Code defined PPP as any public infrastructure or development project and service implemented under the law. This must be read in conjunction with Section 4 which expounds on the covered projects of the law, namely: "contractual arrangements between an Implementing Agency and a Private Partner to finance, design, construct, operate, and maintain, or any combination or variation thereof, infrastructure or development projects and services which are typically provided by the public sector, where each party shares in the associated risks."

Aside from the straightforward definition, the law enumerates arrangements which qualify as PPP: (a) JVs; (b) toll operation agreements; (c) lease agreements involving participation of a private partner in an existing land or facility owned by the government; (d) lease agreements as components of a PPP project; and (e) all other arrangements akin to PPP.

Clearly, it is a one-stop shop for all your PPP needs.

THRESHOLDS AND APPROVERS

The law updated the approval thresholds for national and local PPP projects.

For projects costing at least P15 billion, the NEDA Board is now the designated approver, on the recommendation of the NEDA Board-Investment Coordination Committee (NEDA ICC). For projects below P15 billion, the head of the Implementing Agency or the NEDA Board-ICC may approve depending on the circumstances.

Meanwhile, LGUs are given authority to approve local PPP projects within their jurisdiction, as such projects only require approval of the legislative bodies of LGUs to proceed to tender, unless such projects require financial undertakings by the National Government or they physically overlap with another approved government project. Thus, this eliminates the need for LGUs to structure projects as JVs just to avoid the tedious approval process of the NEDA ICC.

BEST MANDATES, ONE LAW

Years of experience paved the way for best practices to ripen into law. The PPP Code takes the best provisions from the BOT Law, NEDA JV Guidelines, and further assimilates them, namely, (a) risk management fund (RMF); (b) alternative dispute resolution; (c) contract management and risk mitigation; (d) procurement of independent consultants; and (d) public disclosure of tender documents and PPP contracts.

Zeroing in on RMF, the law distinguishes between the National PPP RMF and the Local PPP RMF. While both serve as payment for contingent liabilities arising from PPPs in accordance with its terms, the National PPP RMF is to be managed by the PPPC while the Local PPP RMF is subject to the guidelines of the PPP Governing Board of the LGU.

The PPP Center (PPPC), which is the government agency tasked with facilitating the growth of PPPs, can now draft policy opinions and issue non-policy opinions on PPP matters. This is especially beneficial as key players often seek clarification on PPPs from the agency.

The law also adopted new concepts such as the claw-back provision on excessive returns, streamlined processes for unsolicited proposals, green financing, and land value capture strategies, among others.

EFFECT ON THE STATUS QUO

What happens now to the existing contracts or upcoming PPP projects?

- Existing contracts will be governed by their respective agreements. The PPP law applies in a suppletorily manner only if no rights are infringed upon.
- PPP projects with notices of award but with no executed contracts on or before Dec. 20 will be governed by the new law only if no rights are infringed upon.
- Solicited PPP Projects which have commenced bidding or Unsolicited Proposals which have commenced with the Swiss Challenge stage (also known as the comparative bidding process) will be governed by the Act only if no rights are infringed upon; otherwise, the rules in effect at the commencement apply.
- Proposed PPP projects which are either pending approval or approved but have not undergone bidding or Swiss challenge will be governed by the Act except for the project approval provisions.

Several provisions of the law are not self-executing and will require an IRR before they become implementable. Under the law, the IRR will be promulgated within 90 calendar days from the effectivity of the Code. The IRR will further expedite procedures for PPP project approval, processing of unsolicited proposals, bid evaluations, protests, supervision and monitoring of PPP projects, and setting the reasonable rate of return. The IRR will also provide a list of government undertakings that may be granted to a PPP project.

With the administration's focus on building more (and better) infrastructure, the PPP Code must embody practices that fulfill the demands of this fast-moving sector. Indeed, the new law will balance all interests with the welfare of the people (the ultimate end-users) as a compass.

The views or opinions expressed in this article are solely those of the author and do not necessarily represent those of Isla Lipana & Co. The content is for general information purposes only, and should not be used as a substitute for specific advice.

JOELLE MAE GARCIA is a senior associate at the Tax Services group of Isla Lipana & Co., the Philippine member firm of the PwC network.
joelle.mae.garcia@pwc.com