



GCG MEMORANDUM CIRCULAR NO. 2013 – 02 (RE-ISSUED)

**SUBJECT : PERFORMANCE EVALUATION SYSTEM (PES)
FOR THE GOCC SECTOR**

DATE : 24 JUNE 2014

1. **BACKGROUND.** – The “**GOCC Governance Act of 2011**” (R.A. No. 10149) recognizes GOCCs as significant tools for pursuing inclusive and sustainable economic growth and development in activities where:¹

- (a) The private sector is unwilling or unable to adequately provide a vital good or service;
- (b) Market intervention is necessary to protect the disadvantaged, marginalized or underprivileged sectors of society; or
- (c) There will be use of certain resources that the Government is required to maintain for the public’s reasonable use, and which cannot be relinquished to the private sector, pursuant to the *Public Trust Doctrine*;

Towards this end, R.A. No. 10149 mandates GCG to actively exercise the State’s ownership rights through the institutionalization of a Performance Evaluation System (PES).

2. **PURPOSE.** – The PES shall provide the framework for setting the organizational targets of a GOCC. The achievement of such targets shall serve as basis for the following:

- (a) Determining the grant of Performance-Based Incentives;
- (b) Determining whether Appointive Directors are eligible for reappointment as a component of the Performance Evaluation for Directors (PED);² and
- (c) “Ascertain whether such GOCC should be reorganized, merged, streamlined, abolished or privatized...”³

3. **PERFORMANCE AGREEMENTS.** – Performance Agreements shall be entered into between a GOCC, as represented by its Governing Board, and the State, as represented by the GCG.

¹ See SECTION 3, ADMINISTRATIVE ORDER No. 59, s. 1988; ART. 4, GCG MC No. 2012-07, otherwise known as the OWNERSHIP AND OPERATIONS MANUAL GOVERNING THE GOCC SECTOR

² See Section 17, R.A. No. 10149.

³ Section 5(a), R.A. No. 10149.

4. CHECKLIST OF DOCUMENTS TO BE SUBMITTED AND GUIDELINES. –

4.1. **Charter Statement and Strategy Map.** – The Charter Statement and Strategy Map following the guidelines below.

- (a) The Charter Statement shall consist of (i) the GOCC's Mission, (ii) Vision for at least a 5-calendar year period, and (iii) Core Values. The Charter Statement shall underlie the strategic objectives and the corresponding measures to be set out in the Performance Agreement. The Mission shall articulate, among others, the social impact/change that the State intended the GOCC to fulfill based on its mandate/charter, using as reference **ANNEX B – CLASSIFICATION OF GOCCs BY SOCIAL IMPACT** made an integral part of this Circular and available on the GCG website.⁴ Vision statements previously submitted can continue to be used for succeeding years unless the same has been changed or the timeframe of the original submission has lapsed.
- (b) The Strategy Map is “an integrated set of strategic choices or objectives drawn by the governing body, the successful execution of which results in the achievement of the GOCC’s vision in relation to its mission or purpose for having been created.”⁵ It visually illustrates the GOCC’s strategy in the following perspectives:
- Social Impact
 - Financial
 - Customers/Stakeholders
 - Internal Processes
 - Learning and Growth

Guidelines on the Strategy Map.

- i. Strategic objectives shall focus on outcomes or breakthrough results. They should be specific, measurable, achievable, realistic, and time-bound.
- ii. The GOCC shall ensure that its strategic objectives are consistent with the President’s Social Contract, the Medium-Term Philippine Development Plan, applicable sector-specific development plans, and any declarations made with other Government Agencies.
- iii. The GOCC may merge Social Impact and Customers/Stakeholders if the objectives and measures for both perspectives are the same.
- iv. The Strategy Map does not have to cover all of the GOCC's Major Final Outputs (MFOs) under Organizational Performance Indicator Framework (OPIF). For the purpose of the PES and monitoring by GCG, the Strategy Map needs

⁴Annex B is a working Annex and is updated from time to time based on studies and/or requests of GOCCs. The latest version is made available on the GCG website.

⁵ Section 3(y) of R.A. No. 10149

only to reflect those aspects of the GOCC's operations that are priorities in accomplishing the Strategic Objectives.

- v. A GOCC may also propose to change the name of a perspective in order to more accurately capture reflect the nature of its operations, subject to the mutual agreement of the GOCC Governing Board and GCG.

4.2. Performance Scorecard. – The Performance Scorecard shall be submitted using **PES Form 1**.

(a) Guidelines on Measures

- i. The total number of measures for all Perspectives shall be at least be eight (8), but not more than twenty-five (25) so as not to make the evaluation overly simplistic or tedious. The GCG may prescribe specific categories of criteria, *i.e.*, financial, operational, etc., to enable uniformity or comparability for certain sectors of GOCCs.
- ii. Generally accepted or industry-wide performance measures, as practiced locally or internationally, may be used.
- iii. Measures must relate to outcomes that are within the control or influence of the GOCC to make them fair. These should also be clearly defined, not redundant with each other, and measurable from data readily available and verifiable within the GOCC.
- iv. Each Measure shall be assigned a weight to reflect its importance and the maximum credit that may be given in evaluating the GOCC's performance. The sum of all weights must add up to one-hundred percent (100%).

(b) Guidelines on Annual Targets

- i. The GOCC shall propose Annual Targets for each measure. The targets should be clearly defined, realistic and growth-oriented from the previous year.
- ii. If applicable, all funding requirements necessary for accomplishing Annual Targets should be supported with adequate funding from the Corporate Operating Budget submitted to DBM in compliance with the annual Corporate Budget call, or such other sources determined by the GOCC.
- iii. Where applicable, Annual Targets shall be consistent with the sectoral plans and programs of the GOCC's Supervising Agency, and/or other relevant government agencies/development plans.
- iv. A GOCC that receives subsidy, guarantees or other support that form part of the National Government's contingent liabilities shall include targets and/or strategic initiatives on reducing or mitigating the risks and costs of the same.

4.3. Strategic Initiatives. – These are time-bound programs and/or projects that have significant impact on the Scorecard and do not form part of the day-to-day operations of the GOCC. These initiatives, if any, shall be explained using the *Strategic Initiative Profile Form (PES Form 2)*.⁶

4.4. Briefer. – The briefer shall discuss/contain the following:

- (a) Corporate Operating Budget submitted to DBM;
- (b) Actions requested by the GOCC to be undertaken by the State in order for the Performance Targets to be realizable, if any, such as approval of capital projects, tariff adjustments, loans and budgetary support.
- (c) Name/s and contact details of the GOCC's official representative/s for its PES submission with whom the GCG can coordinate with for evaluation, clarification and/or negotiation. The official representative/s shall be responsible for communicating all developments to the GOCC Governing Board.
- (d) Other information as the GOCC may deem necessary.

4.5. Board Resolution approving the submission of the foregoing requirements for the consideration of GCG.

5. MEASUREMENT OF PERFORMANCE. – The GOCC must achieve a weighted-average score of at least 90% to be eligible to grant any Performance-Based Bonus.

6. GOOD GOVERNANCE CONDITIONS. – In addition to the covered portions of the Performance Scorecard, the GOCC must comply with the following Good Governance Conditions:

6.1. Conditions Common to National Government Agencies and GOCCs:

- (a) Transparency Seal;
- (b) PhilGEPS Posting;
- (c) Cash Advance Liquidation;
- (d) Citizen's Charter or its equivalent;
- (e) Government Quality Management System Standards (GQMSS) pursuant to E.O. No. 605, s. 2007; and
- (f) Compliance with the submission and review requirements covering Statement of Assets, Liabilities and Networth (SALN);⁷

6.2. Conditions Specific to GOCCs Covered by R.A. No. 10149:

- (a) The GOCC has satisfied all statutory liabilities, including the payment of all taxes due to the Government, and declaration and payment of all dividends to the State as of the end of the applicable calendar year, whenever applicable. Liabilities that are still under dispute and there has been no final and executory judgment/decision as of the date of

⁶ A soft copy of the form may be downloaded from the GCG website: www.gcg.gov.ph.

⁷ See CIVIL SERVICE COMMISSION MEMORANDUM CIRCULAR No. 3, s. 2013.

the release of the PBB by the GOCC shall be excluded for the purpose of this provision.

- (b) Submission and execution of concrete and time bound action plans for addressing Notices of Disallowances and Audit Observation Memoranda from the Commission on Audit (COA), if any.
- (c) Adoption of a “*Manual of Corporate Governance*” pursuant to Section 42 of the **CODE OF CORPORATE GOVERNANCE FOR GOCCs (GCG MC No. 2012-07)** that is approved by GCG and uploaded on the GOCC’s website., to wit:

SEC.42. *GOCC Manual of Corporate Governance.* - Every GOCC, acting through its Governing Board, shall promulgate and adopt its corporate governance rules and principles in accordance with this Code, and which in addition shall contain the following items:

- (a) Detailed responsibilities of members of the Board, which shall be available to all Stakeholders and to the public;
- (b) Formal Charter of expectations that each Director shall sign and be committed to;
- (c) List of Disclosures to be made by Directors;
- (d) Statement by the Directors confirming the truth and fairness of the GOCC's financial statements similar to a Statement of Management Responsibility; and
- (e) List of Fines and other consequences when Directors violate, or omit to carry out their duties, under applicable law.
- (d) The Manual shall be submitted to the GCG, which shall evaluate the same and their compliance with this Code taking into account the classification and industry of the GOCC. The Manual shall be available for inspection by any of the identified Stakeholders of the GOCC at reasonable hours on business days.

- (d) Compliance with posting on the GOCC’s website the information enumerated under Section 43 of GCG MC No. 2012-07, to wit:

SEC.43. *Mandatory Website.* - In accordance with Section 25 of the Act, all GOCCs shall maintain a website and post therein for unrestricted public access:

43.1. *On Institutional Matters:*

- (a) For Chartered GOCCs, the latest version of its Charter;
- (b) For Nonchartered GOCCs, latest General Information Sheet (GIS) and brief company background including date of incorporation, history, functions and mandate;
- (c) List of Subsidiaries and Affiliates; and
- (d) Government Corporate Information Sheet (GCIS) as mandated by the GCG in its Memorandum Circular No.2012-01.

43.2. *On the Board and Officers:*

- (a) Complete listing of the Directors and Officers with attached resume, and their membership in Board Committees;

- (b) Complete compensation package of all the board members and officers, including travel, representation, transportation and any other form of expenses or allowances;
- (c) Information on Board Committees and their activities;and
- (d) Attendance record of Directors in Board and Committee meetings.

43.4. *On Financial and Operational Matters.*

- (a) Their latest annual Audited Financial and Performance Report within thirty (30) days from receipt of such Report;
- (b) Audited Financial Statements in the immediate past three (3) years;
- (c) Quarterly, and Annual Reports and Trial Balance;
- (d) Current Corporate Operating Budget (COB);
- (e) Local and foreign borrowings;
- (f) Government subsidies and net lending;
- (g) All borrowings guaranteed by the Government;
- (h) Any material risk factors and measures taken to manage such risks: and
- (k) Performance Evaluation System (PES).*

43.4. *On Governance Matters.*

- (a) Charter Statement/Mission-Vision Statements;*
- (b) Performance Scorecards and Strategy Map;*
- (c) Organizational Chart;
- (d) Manual of Corporate Governance;
- (e) CSR Statement; and
- (f) Balance Scorecard.

43.5. Such other information or report that the GCG may require.

- (e) Adoption of a No Gift Policy approved by the GCG and uploaded on the GOCC's website pursuant to Section 29 of GCG MC No. 2012-07, to wit:

SEC.29. No Gift Policy. - A Director or Officer shall not solicit, nor accept, directly or indirectly, any gift, gratuity, favor, entertainment, loan or anything of monetary value ("Gift") from any person where such Gift:

- (a) Would be illegal or in violation of law;
- (b) Is part of an attempt or agreement to do anything in return;
- (c) Has a value beyond what is normal and customary in the GOCCs business;
- (d) Is being made to influence the member of Board's, or Official's, actions as such; or
- (e) Could create the appearance of a conflict of interest.

Every Governing Board shall formally adopt a "No Gift Policy" within the GOCC and ensure its full advertisement to the community and its strict implementation by particular set of rules.

7. **PES SCHEDULES.** –

7.1. *Submission and Negotiation of Performance Agreements.* – Each GOCC shall submit its Charter Statement, Strategy Map, and PES Form Nos. 1 and 2 beginning the first working day of July but not later than the last working day of August. Negotiations shall only cover the targets for the immediately succeeding year while targets for later years shall be for information purposes only. The negotiation of all Performance Agreements shall conclude by the last working day of October.

7.2. *Submission of Monitoring Reports.* – Each GOCC shall accomplish quarterly monitoring reports during the fiscal year detailing its progress in accomplishing the targets contained in the Performance Agreement (**PES Form No. 3**). The updated monitoring report should be submitted to GCG and uploaded on the GOCC's website within thirty (30) calendar days from the close of each quarter. It should also disclose problems or issues requiring resolution as needed.

GOCCs can renegotiate the targets set in their Performance Agreements for the current year if the same are no longer feasible due to substantial changes in circumstances that could not have been foreseen at the time the targets were agreed upon. GOCCs shall submit an official request for renegotiation as soon as practicable but in no case later than the first working day of July. Such agreements shall be executed through an addendum or supplemental agreement.

7.3. *Annual Scorecard.*– Each GOCC shall submit to GCG the fully accomplished Monitoring Report (**PES Form 3**) beginning every first working day of February but not later than the last working day of April of the immediately succeeding calendar year.⁸ In the event that adjustments in the submitted Monitoring Report are warranted based on reports from the Commission on Audit (COA), the GOCC concerned shall submit to GCG the final Monitoring Report reflecting such adjustments. The GCG shall consolidate all approved annual scorecards for the performance evaluation report on all GOCCs to the President.

7.4. Nothing herein shall be construed as limiting the authority of GCG to initiate renegotiations and/or revoke Performance Agreements in accordance with existing laws, rules and regulations.

8. **INSTITUTIONAL ARRANGEMENTS.** – The GOCC and the GCG shall form their respective technical panels duly authorized to negotiate the Performance Agreements. Such panels may include technical staff from management and the Supervising Agency on the part of GOCCs. On the side of GCG, the panel may include technical staff from other service-wide agencies, civil society organizations, and private sector industry experts.

9. **RETAINING EXPERTISE.** – Each GOCC is encouraged to procure the consulting services of reputable companies or individuals with expertise in developing the components of the Performance Agreement and cascading/ implementing the same in their respective organizations. The engagement shall ensure

⁸For example, the period of submission of the Annual Scorecard for CY2013 begins 02 January 2014 and ends 28 February 2014.

knowledge and technology transfer in line with the *Government Procurement Reform Act* (R.A. No. 9184). The incurring of the expenses connected with procuring the services of such expert individuals or institutions shall be considered as necessary expenses of the GOCC and in line with the GOCC's obligation under the **CODE OF CORPORATE GOVERNANCE FOR GOCCs** to provide support to their Directors and Officers to allow them to perform their duties and responsibilities to the GOCC.

10. **SANCTIONS.** – Failure to comply with the terms and conditions of this Circular shall be considered a serious offense of the GOCC in general, and the Governing Board and Management of the GOCC in particular, that shall authorize the GCG, upon prior notice and an opportunity to be heard, to do any of the following:
- (a) Withdraw any of the incentives that the members of the Governing Boards, Officers and the rank-and-file employees would otherwise enjoy under R.A. No. 10149; and
 - (b) Recommend to the President the non-reappointment or replacement of the Appointive Directors of the GOCC concerned.

This Circular shall take effect immediately upon its publication in the Commission's website at www.gcg.gov.ph.

BY AUTHORITY OF THE COMMISSION:



CESAR L. VILLANUEVA
Chairman



MA. ANGELA E. IGNACIO
Commissioner



RAINIER B. BUTALID
Commissioner

(GOCC NAME)
PERFORMANCE SCORECARD

Perspective	Objective	Measure				Baseline	Target				
		Description	Formula	Weight	Data Provider, if Applicable	2012	2013	2014	2015	2016	2017
Perspective 1	Objective 1	Measure 1									
		Measure 2									
	Objective 2	Measure 3									
		Measure 4									
Perspective 2	Objective 3	Measure 5									
		Measure 6									
		Measure 7									
Perspective 3	Objective 4	Measure 8									
		Measure 9									
Perspective 4	Objective 5	Measure 10									
		Measure 11									
	Objective 6	Measure 12									
Objective 7		Measure 13									
Perspective 5	Objective 8	Measure 14									
		Measure 15									
	Objective 9	Measure 16									

Note: The above number of Objective/s for each Perspective and the number of Measure/s for each Objective is indicative only for purposes of presentation. The actual number of Objectives and Measures will come from the GOCC. Only those Measures that are included in the Performance Agreement should have corresponding weights. Outcome Measures or those that are not internal to the GOCC are automatically included in the Performance Agreement, namely those in the Social Impact, Customers/Stakeholders, and Finance Perspectives. Measures under the Internal Process and Learning and Growth Perspectives may only be included if agreed upon by GCG and the GOCC

Guidelines in Accomplishing the Performance Scorecard (Form 1)

1. **Under "Description" column:** state here the Measure for the corresponding Objective. Specify if the Target is intended to be increasing, decreasing or one-time only.
2. **Under "Formula" column:** state how the values for the Measure are derived/calculated. Unless otherwise specified, denominators are fixed for the entire year. Denominator figures shall likewise accurately represent the population. Any proposed change to denominator figures shall be subject to formal renegotiation.
3. **Under "Data Provider" column:** state the third party institution which collects data for the Measure, if applicable.
4. **Under "Baseline" column:** values must be actual/historical figures for Full Calendar Year 2012.
5. **Under "Target" columns:** values must be Full Calendar Year targets.

(GOCC NAME)

STRATEGIC INITIATIVES PROFILE

I. STRATEGIC INITIATIVE PROFILE I

1. Name of Project:
2. Contact Person/Project Team Head:
3. Project Description:
4. Project Milestones:

Activities	Timeline		Budget	Funding Source	Status
	Start	End			
Total					

5. Measures Affected:

II. STRATEGIC INITIATIVE PROFILE II

[Repeat Discussion following format above]

Guidelines on preparing the Initiative Profile

1. Strategic initiatives are time-bound projects designed to help the organization achieve its Objectives.
2. Provide as many Strategic Initiative Profiles as there are projects affecting the Measures in the Performance Scorecard under PES Form 2.
3. Attach all necessary supporting documents.

(GOCC NAME)

MONITORING REPORT OF PERFORMANCE TARGETS

Perspective	Objective	Description	Formula	Baseline ^{1a}	2015								
					1st Quarter		2nd Quarter		Revised Full Year Target ^{1a}	3rd Quarter		4th Quarter	
				2014	Target	Actual	Target	Actual		Target	Actual	Target	Actual
Perspective 1	Objective 1	Measure 1											
		Measure 2											
	Objective 2	Measure 3											
		Measure 4											
Perspective 2	Objective 3	Measure 5											
		Measure 6											
		Measure 7											
Perspective 3	Objective 4	Measure 8											
		Measure 9											
	Objective 5	Measure 10											
Perspective 4	Objective 6	Measure 11											
		Measure 12											
	Objective 7	Measure 13											
Perspective 5	Objective 8	Measure 14											
		Measure 15											
	Objective 9	Measure 16											

^{1a} If applicable

Note 1: The above number of Objective/s for each Perspective and the number of Measure/s for each Objective is indicative only for purposes of presentation. The actual number of Objectives and Measures will come from the GOCC.

Note 2: Supporting documents must be submitted for reported accomplishments in each measure.

Updates on Strategic Initiatives

[Insert Updates per Strategic Initiative / Status of Identified Milestones]

Guidelines in Accomplishing the Monitoring Report (Form 2):

1. **Under “Perspective”, “Objective” and “Measure” columns:** the number of Perspectives, Objectives and Measures is not limited to the sample shown on this template. Information must be consistent with the Strategy Map.
2. **Under “Baseline” column:** values must be actual/historical figures for Full Calendar Year 2012.
3. **Under “2013” columns:** values must be cumulative, such that the 4th Quarter Target reflects the Full Year Target.
4. **On “Revised Full Year Target” column:** this will only be filled up on midyear during the period of renegotiation. If there are amendments, write the new Full Year Target as agreed upon with the GCG during the renegotiation. If there are no amendments, write down the original Full Year Target the same as the 4th Quarter Target.
5. **Negative variance indicator:** all Actual values that are less than the Targets must be in red font, except if the Targets are intended to be decreasing.