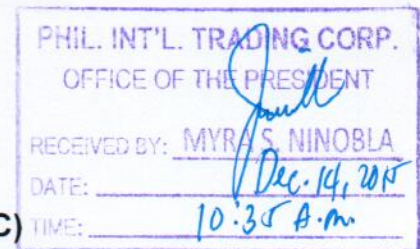


7 December 2015

HON. GREGORY L. DOMINGO
DTI Secretary and PITC Chairman
HON. MARIA LOURDES T. BAUA
President and CEO

PHILIPPINE INTERNATIONAL TRADING CORPORATION (PITC)
 NDC Bldg., 116 Tordesillas Street,
 Makati City



**RE : COMMENTS ON PROPOSED TERMS OF REFERENCE (TOR)
ON CONSULTING SERVICES FOR PITC REORGANIZATION**

Dear Secretary Domingo and President Baua,

We reply to the letter of President Baua dated 25 November 2015¹ seeking “the Commission’s guidance and approval on the proposed TOR to enable [PITC] to proceed with [its Reorganization] Plan as directed by the Commission.”

Preliminarily, we wish to clarify that the responsibility for approval of the TOR for consulting services related to a GOCC’s rationalization lies with the Governing Board in the exercise of its business judgment. The Governance Commission’s authority, as laid down in GCG MC No. 2015-04, is limited to establishing the policies on making changes to the organizational structure and staffing of a GOCC and approving the *final* plan. Our comments herein are therefore merely offered in light of our “advisory” role under R.A. No. 10149 for the consideration of the PITC Governing Board.

We also wish to clarify that the rationalization was not specifically directed by the Governance Commission. However, every GOCC is required to review its organizational structure and staffing and if needed, undergo a reorganization as a prerequisite to adopting the Compensation and Position Classification System (CPCS) once approved by the President of the Philippines.

The proposed timeline and scope of work is as follows:

Criteria	Time Frame
1. Study/review of existing organization structure & staffing pattern	10 days
2. Number of Completed Similar Contracts with government clients in the last (5) years	35%
3. Number of Completed Similar Contracts for the private sector	15%
4. Number of On-going Similar Contracts (government & private sector)	15%

Please be advised that under Section 3.2.2 GCG MC No. 2015-04, the design process must include a “**Current State Assessment**” of PITC’s organizational structure, and

¹ Officially received on 25 November 2015.

“Workforce Analysis and Planning.” We recommend that both items be included in the scope of work.

Attached as a sample for your reference are the TOR for the CPCS, as well as a draft TOR for a merger advisor. We recommend that PITC also request samples from other government agencies or GOCCs such as Land Bank of the Philippines (LBP), who we understand recently procured an HR consultant to prepare a reorganization plan.

On the eligibility criteria, we note that a higher weight was given to completed contracts with *government* clients vis-à-vis similar contracts with the private sector.

Criteria	Weight
1. At least five (5) years in business of consulting services	35%
2. Number of Completed Similar Contracts with government clients in the last (5) years	35%
3. Number of Completed Similar Contracts for the private sector	15%
4. Number of On-going Similar Contracts (government & private sector)	15%

While there are peculiarities to government procedures in obtaining regulatory approval and in implementing structural and staffing changes to a GOCC, this may be adequately supplied by PITC’s own officers. Moreover, the consultant may also refer to GCG MC No. 2015-04 and the Reorganization Guidebook on the GCG website to learn the peculiarities to the public sector. Section 9 of GCG MC No. 2015-04 encourages GOCCs “to procure the services of reputable HR consulting firms, companies or individual consultants as well as market information that may be used for external benchmarks for the operations of the GOCC.

The main objective of obtaining the consultant is not to facilitate the requirements of compliance with regulatory requirements, but **to tap into the deep knowledge and expertise of the private sector in the field of strategic workforce analysis and planning**. As far as the HR practice on reorganizations and rationalizations is concerned, the government is a limited market considering the bureaucracy of 1.7 million do not frequently undergo major organizational changes. The private sector is a larger market from which best practices can be drawn from. Accordingly, **we recommend deleting the premium given to the number of completed contracts with government**. Instead, a premium can be given to having conducted reorganizations or rationalizations with corporations that are similar to PITC or at least some of PITC’s operations.

We note that the review of PITC’s existing structure and staffing includes benchmarking PITC “with other organizational structures of comparable GOCCs.” Following the earlier discussion, we recommend PITC also **expand benchmarking to comparable companies in the private sector or foreign peers** insofar as the same may be applicable to certain aspects of PITC’s operations. This is in line with the Recommendation I.5 of the “*Policy Brief on Corporate Governance of State-Owned Enterprises in Asia*” issued by the Organization for Economic Co-Operation and Development (OECD).

Lastly, we take this opportunity to inform you that the Governance Commission is advising all GOCCs to refrain from the use of the term “Reorganization” in light of

the Civil Service Commission's (CSC) practice of requiring all positions to first be declared vacant (including unaffected positions with incumbents) before they begin processing appointments. Pending resolution of the matter with CSC, we recommend that PITC use the term "streamlining" instead, which may involve an increase or decrease of staffing depending on the objectives of the plan.

FOR YOUR INFORMATION AND GUIDANCE.

Very truly yours,

BY AUTHORITY OF THE COMMISSION:



CESAR L. VILLANUEVA

Chairman



MA ANGELA E. IGNACIO
Commissioner



RAINIER B. BUTALID

Commissioner