



GCG MEMORANDUM CIRCULAR NO. 2024-01

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

DATE : 28 June 2024

1. **BACKGROUND.** – Republic Act (R.A.) No. 10149 mandates the Governance Commission for Government Owned or Controlled Corporations (GOCC) [GCG or Governance Commission] to actively exercise the State’s ownership rights through the institutionalization of a Performance Evaluation System (PES).

The PES sets the process of appraising the accomplishments of GOCCs in a given fiscal year based on set performance criteria, targets, and weights. Using the Performance Scorecard as a governance and management tool, it aims to facilitate the achievement of breakthrough results and performance through the effective and efficient monitoring and coordination of the Strategic Objectives of the GOCC.

2. **INTEGRATING DISASTER RISK REDUCTION AND MANAGEMENT (DRRM), AND GENDER EQUITY, DISABILITY, AND SOCIAL INCLUSION (GEDSI) IN THE GOCC PES.** – The United Nations, in 2015, adopted the 2030 Agenda for Sustainable Development, identifying seventeen (17) Sustainable Development Goals (SDGs) with specific targets and indicators. The SDGs were adopted in the Philippine Development Plan (PDP), with PDP 2023-2028 centering on “Economic Transformation for a Prosperous, Inclusive and Resilient Society.” Notably, Chapters 2 and 15 of the 2023-2028 PDP focuses on *Promoting Human and Social Development* and *Accelerating Climate Action and Strengthening Disaster Resilience*.

The foregoing commitments pertaining to GEDSI and DRRM have been adopted and highlighted in Section 35 and Section 41 of the General Provisions of the 2024 General Appropriations Act (GAA).¹ Under Section 35 “all agencies of the government shall formulate a Gender and Development (GAD) plan... [that] shall be integrated in the regular activities of the agencies, which shall be at least five percent (5%) of their budgets.” Section 41, on the other hand, provides that “[a]ll agencies of the government should implement projects incorporating risk reduction, climate change adaptation, and where feasible, climate change mitigation.”

Accordingly, to ensure alignment and consistency with the foregoing directives of the National Government (NG), DRRM and GEDSI are integrated into the GOCC PES. By integrating DRRM and GEDSI into the PES, GOCCs can enhance their governance practices, ensuring they are not only effective and efficient but also adaptive, resilient and inclusive. This integration supports the broader goals of sustainable development and social equity, contributing to the long-term success and credibility of GOCCs.

¹ Republic Act No. 11975.

3. **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 Bonus (PBB) and Performance-Based Incentives (PBI);
- (b) Determining whether Appointive Directors are eligible for reappointment as a component of the Performance Evaluation for Directors (PED);
- (c) Ascertaining whether such GOCC should be reorganized, merged, streamlined, abolished, or privatized; and
- (d) Determining whether a special audit of the GOCC is necessary.

4. **Performance Scorecards.** – The performance of a GOCC shall be evaluated based on a Performance Scorecard approved by the GCG.

5. **Checklist of Documents to be Submitted.** – The following documents approved by the Governing Board of the GOCC (thru a Board Resolution), or in the absence of a quorum in the membership of the Governing Board, by the highest-ranking officer of the GOCC's Management (thru an endorsement letter), shall be submitted to the GCG on or before **the first working day of September but not later than the last working day of October, or on such other date as may be subsequently determined by the GCG:**

(a) **Board Resolution approving the proposed PES Documents for the consideration of the GCG**

The resolution shall include the names and respective designations of the GOCC's official representatives to the technical panel.

(b) **Charter Statement and Strategy Map**

The Charter Statement shall consist of the GOCC's: (i) Mission, (ii) Vision for at least a 5-calendar year period, and (iii) Core Values. The Charter Statement shall underline the Strategic Objectives and the corresponding measures to be set out in the Performance Scorecard. The Mission shall articulate, among others, the social impact/change that the State intended the GOCC to fulfill based on its mandate/charter. 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.

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."² It visually illustrates the GOCC's strategy in the following Perspectives:

² Section 3(y) of R.A. No. 10149.

- 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 SDGs and the PDP, applicable sector-specific development plans, and any declarations made with other Government Agencies.

GOCCs are encouraged to revisit their Charter Statement and Strategy Maps, with particular emphasis on the inclusion of DRRM and GEDSI in its Vision, Core Values, and Strategic Objectives.

- 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 programs, projects, and activities. For purposes of the PES and monitoring by GCG, the Strategy Map needs 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 reflect the nature of its operations, subject to the mutual agreement of the GOCC and GCG.

(c) Proposed Performance Scorecard.

The Performance Scorecard shall be submitted using the PES Form 2 (Annual Performance Scorecard) and PES Form 2a (Measure Profile).

1. Guidelines on Strategic Measures.

- i. The total number of Strategic Measures for all Perspectives shall be at least five (5), but not more than fifteen (15). The GCG may prescribe specific measures to enable uniformity or comparability for certain sectors of GOCCs.
- ii. Generally accepted or industry-wide performance measures, as practiced locally or internationally, including DRRM and GEDSI, may be used.
- iii. Strategic 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 Strategic 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%).
- v. GOCCs should identify Strategic Measures that can be aligned with DRRM and GEDSI.
 - a. For DRRM, Strategic Measures may involve themes including operational continuity, infrastructure resilience, supply chain stability, service resilience, development resilience, and financial support, all aligning with international standards and national requirements for disaster risk reduction and management.
 - b. For GEDSI, GOCCs may concentrate on key areas, including enhancing GEDSI training and awareness, ensuring equitable access to services, promoting inclusive recruitment and retention policies, developing inclusive programs, and fostering an inclusive customer service environment.

2. Guidelines on Annual Targets.

- i. The GOCC shall propose Annual Targets for each Strategic Measure. The targets should be clearly defined, realistic, and growth-oriented.
- ii. All funding requirements necessary for accomplishing Annual Targets should be supported with adequate funding from the Corporate Operating Budget (COB).
- iii. Annual Targets shall be consistent with GAA, PDP, sectoral plans and programs of the GOCC's Supervising Agency, and/or other relevant Government Agencies.

3. Standard Strategic Measures and Targets. – The following Strategic Measures shall be adopted by all GOCCs:

PERSPECTIVE	STRATEGIC MEASURE	TARGET	MINIMUM WEIGHT ALLOCATION
Customer / Stakeholders	Customer Satisfaction Survey (CSS)	90%	5%
Internal	Compliance to Quality Standards (ISO QMS)	ISO 9001:2015 Certification	2.5%
Financial	Budget Utilization Rate (BUR) (with sub-measures)	90% BUR	5%
Learning and Growth	<u>Development and Implementation of Disaster Risk Reduction and Management (DRRM) Plan</u>	2025: <u>Board-approved DRRM Plan</u> 2026: <u>Implementation of DRRM Plan</u>	2.5%
	Percentage of Employees with Required Competencies Met	Increase from prior year's competency level	2.5%

4. Bonus Strategic Measures and Targets. – GOCCs may include the following Strategic Measures in their Performance Scorecards. Accomplishment of the indicated targets will merit additional rating incentives as indicated.

PERSPECTIVE	STRATEGIC MEASURE	TARGET	RATING INCENTIVE (BONUS)
Financial	GAD Budget Utilization ³	5% of total budget	1%
Internal Process	ISO Certification on any of the following standards ⁴	*Certification must cover at least one business unit	1%
	i. Environmental Management System Certification	ISO 14001:2015 Certification	
	ii. Business Continuity Management Systems (BCMS)	ISO 22301:2019 Certification	

*Rating System for all Bonus Strategic Measures and Targets is "All or Nothing."

(d) Strategic Initiative Profile

Strategic Initiatives are time-bound programs, projects and activities that have significant impact on the Performance Scorecard.

GOCCs should craft the corresponding Strategic Initiatives tailored to promote resilience, inclusivity, and equity, within the unique context of their respective sectors, for Strategic Measures that can be aligned with DRRM and GEDSI.

These initiatives, if any, shall be explained using the Strategic Initiative Profile Form (PES Form 3).

(e) Briefer

The briefer shall provide the rationale on the proposed targets which shall discuss matters such as, but not limited to:

- Analysis of previous years' Performance Scorecard and the impact on customers or stakeholders based on relevant socio-economic indicators; and
- Linkage of the targets to the annual COB.
- Specific DRRM and GEDSI measures and targets, including programs, projects and activities.

(f) COB as submitted to the Department of Budget and Management (DBM)

³ Section 35, General Provisions, R.A. No. 11975

⁴ Section 41, General Provisions, R.A. No. 11975

(g) All other documents as may be required by the GCG

The above-mentioned documents shall be completed by the GOCC in accordance with the guidelines issued by the GCG. Should a GOCC fail to submit the foregoing documents within the prescribed deadline, the GCG shall accordingly complete the GOCC's Performance Scorecard based on its own assessment and available documents.

6. **Technical Panel Meeting (TPM).** – A technical panel from the GCG shall evaluate the proposed Performance Scorecard of the GOCC. The GOCC shall form a technical panel duly authorized to provide the GCG all necessary information relevant and material to the measures and targets in the GOCC's Performance Scorecard. Technical personnel from the GOCC's Supervising Agency or parent company, other service-wide agencies, civil society organizations, and private sector industry experts may be invited or consulted in the finalization of the Performance Scorecard of the GOCC.

The GOCCs shall submit all documents required by the GCG within fifteen (15) calendar days after the conduct of the technical panel meetings (TPMs).

7. **Performance Target Conference (PTC).** – A PTC may thereafter be convened between the GOCC, represented by its Chief Executive Officer (CEO), and a member of the GCG Commission Proper for the setting of final performance targets of the GOCC.

8. **Submission of Quarterly Targets.** – Within fifteen (15) calendar days from receipt of the GCG-approved Performance Scorecard, the GOCC shall submit its Quarterly Targets using PES Form 2b.

9. **Submission of Quarterly Monitoring Reports.** – The GOCCs shall accomplish the requisite Quarterly Monitoring Reports (PES Form 4) for the calendar year detailing its progress in accomplishing its performance targets. The updated monitoring reports for the first to third quarter and its supporting documents should be submitted to the GCG and uploaded on the GOCC's website within thirty (30) calendar days from the close of each quarter.

The Quarterly Monitoring Reports should also disclose substantial changes in circumstances that were unforeseen during the TPM that may affect the timely achievement of targets.

10. **Submission of Annual Performance Reports.** – Each GOCC shall submit to the GCG the fully accomplished Monitoring Report and its supporting documents beginning every first working day of March but not later than the last working day of April of the immediately succeeding calendar year.

The accomplishments reported should be aligned with the Financial Reports submitted to the Commission on Audit (COA). In the event that adjustments in the submitted Monitoring Reports are warranted based on reports from the COA, the GOCC concerned shall submit to the GCG the final Monitoring Report reflecting such adjustments.

11. Validation of Annual Performance Reports. – The GCG may direct the submission of additional supporting documents for the validation of reported accomplishments. Extensions on the period of submission of GOCCs may be granted only when the necessity for such extension is grounded on factors not within the control of the GOCC.

Measures for which the GOCC fails to submit the requested validating documents within the prescribed deadline, and those wherein the accomplishments for the same cannot be objectively verified by the GCG on account of inadequate or incomplete documentation may be given an automatic zero score.

Upon receipt of its GCG-validated performance score, GOCCs may request for reconsideration within thirty (30) days. The request shall include all grounds then available and all grounds not so included shall be deemed waived. Absent a request for reconsideration after the lapse of such period, the performance score shall be deemed final. Measures given zero score due to non-submission of supporting documents will no longer be subject to revalidation by the GCG.

12. Residual Authority of the GCG. – Nothing herein shall be construed as limiting the authority of the GCG to amend and/or revoke the GOCC’s Performance Scorecard as the circumstances may warrant.

13. GOCC Performance Scorecard Rating Equivalent. – Following is the adjectival equivalent of GOCC Performance Ratings:

<u>GOCC VALIDATED RATING</u>	<u>EQUIVALENT</u>
<u>95% and above</u>	<u>OUTSTANDING</u>
<u>85% - 94.99%</u>	<u>ABOVE AVERAGE</u>
<u>75% - 84.99%</u>	<u>AVERAGE⁵</u>
<u>65% - 74.99%</u>	<u>BELOW AVERAGE</u>
<u>Below 65%</u>	<u>POOR</u>

14. Good Governance Conditions. – In addition to the Performance Scorecard, the GOCC must satisfy the following requirements:

- (a) The GOCC has satisfied all statutory liabilities, including:
 - i. payment of all taxes due to the Government as certified/validated by the Bureau of Internal Revenue (BIR);
 - ii. declaration and payment of all dividends to the State as of the end of the applicable calendar year, whenever applicable, as certified/validated by the Department of Finance (DOF);
 - iii. payment of NG Advances as certified/validated by the DOF; and

⁵ Based on actual average rating as of 2022 (validated).

- iv. remittance of mandatory contributions as certified/validated by the following agencies: GSIS or SSS, Pag-IBIG, and PhilHealth.
- (b) Compliance with all the requirements mentioned in the “Revised Whistleblowing Policy for the GOCC Sector” and amendments thereto;
- (c) Compliance with posting on the GOCC’s website the information enumerated under Section 43 of the “Code of Corporate Governance for GOCCs” and amendments thereto;⁶ and
- (d) Compliance with the applicable financial reporting framework (e.g. PFRS, PPSAS) as certified/ validated by the COA.

15. Other Conditions and Requirements (OCRs). – All GOCCs are required to comply with the following conditions and requirements:

- (a) Timely submission of COBs to the DBM;
- (b) Submission to the GCG of audit observations and notices of disallowances within seven (7) working days from the time it was received from the COA, all written communications between the GOCC and COA on such matters, which shall include, but not limited to, the concrete and time bound action plans for addressing the audit observations and notices of disallowances;
- (c) Compliance and submission of reports through the Integrated Corporate Reporting System (ICRS) pursuant to the policies and guidelines under “Policies and Guidelines on the Integrated Corporate Reporting System (ICRS) for the GOCC Sector” and amendments thereto;
- (d) Compliance by all Appointive Directors of the Governing Board with the submission of all required forms for the Director Performance Review (DPR) pursuant to the “Performance Evaluation for Directors (PED)” and amendments thereto;
- (e) Timely submission of the year-end financial statements and other related financial reports to the COA;
- (f) Compliance to the Energy Efficiency and Conservation (EEC) Act as certified/validated by the Department of Energy (DOE);
- (g) Compliance and submission of requirements to the Anti-Red Tape Authority (ARTA);
- (h) Compliance with the National Competition Policy and other competition initiatives as validated by the Philippine Competition Commission (PCC);
- (i) Updated Information Systems Strategic Plan (ISSP) as approved by the Department of Information and Communications Technology (DICT); and
- (j) Other conditions common to National Government Agencies and GOCCs as stated in the applicable government issuances.

⁶ All information and documents required to be posted on the GOCC’s website by December 31.

16. 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;
- (b) Recommend to the President the non-reappointment or replacement of the Appointive Directors of the GOCC concerned; and
- (c) Render the GOCC ineligible for the PBB/PBI.

The foregoing sanctions are without prejudice to any administrative, civil, or criminal action which may be filed against members of the Board of Directors/Trustees, Officers, or Employees responsible for the non-compliance with the provisions of this Circular.

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



ATTY. MARIUS P. CORPUS
Chairperson



Digitally signed
by Hosaka Brian
Keith Fernandez

ATTY. BRIAN KEITH F. HOSAKA
Commissioner



**ATTY. GERALDINE MARIE B.
BERBERABE-MARTINEZ**
Commissioner

FORMS:

PES Form	Description
	Board Resolution (Template)
PES Form 1	Strategy Map and Charter Statement
PES Form 2	Annual Performance Scorecard
PES Form 2a	Measure Profile
PES Form 2b	Quarterly Target
PES Form 3	Strategic Initiatives Profile
PES Form 4	Quarterly Monitoring Report