THE LEGACY REPORT

OCTOBER 2011 - MARCH 2016

The **GCG Legacy** Report: **October 2011–March 2016**

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INSTITUTIONALIZING THE GOVERNANCE REFORMS IN THE PHILIPPINE GOCC SECTOR

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President Benigno S. Aquino III won the Presidency of the Republic of the Philippines under a *Tuwid na Daan* campaign promise of "*Kung walang* corrupt, *walang mahirap*." As a direct result of the call for reforms in the GOCC Sector in President Aquino's first State of the Nation Address (SONA) in 2010,[1] Senator Franklin M. Drilon and (then) Congressman Joseph Emilio A. Abaya championed the passage of The GOCC Governance Act of 2011, which was signed into law on 06 June 2011 as Republic Act No. 10149.

This 2015 Legacy Report of the Governance Commission for GOCCs (GCG) memorializes how President Aquino has kept that promise through the completion of the institutional reforms in the public corporate sector. It also gives a glimpse of the opportunities and challenges that lie ahead as the reforms pave the way for GOCCs to reach even greater heights as tools for inclusive growth and economic development, both in the domestic as well as the international scene.[2]

1 State of the Nation Address of His Excellency Benigno S. Aquino III to the Congress of the Philippines, at the Session Hall of the House of Representatives, 26 July 2010.

2 OECD (2015), State-Owned Enterprises in the Development Process, OECD Publishing, Paris, 63, available at http//dx.doi.org/10.1787/9789264229617-en, 195-229.

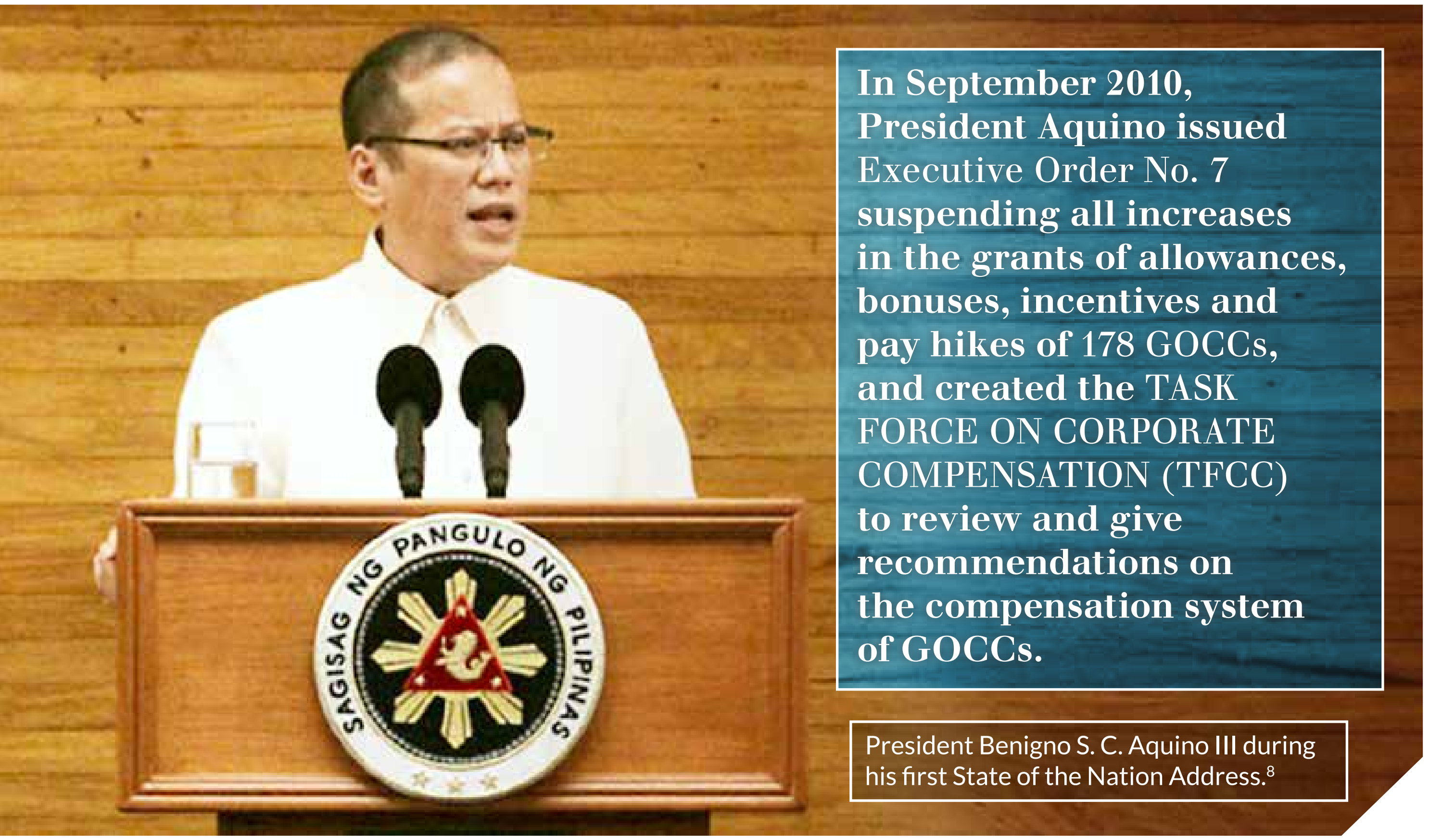
This report is only the second chapter as our country pushes forward in writing its own history equivalent to the widely cited success story of Singapore and how it actively used its State-Owned Enterprises (SOEs)[3] as tools for development.[4] The reform story of GOCCs is not only deeply-rooted in Philippine political and economic history, but has proven to be multi-peaked in its achievements. As found by the Organisation for Economic Co-operation and Development (OECD), the structural design of the GOCC/SOE Sector within the National Government framework, as well as the surrounding legislation, regulation and political environment determines our path dependency.[5] Faulty designs can be almost impossible to correct later on.[6]

The reform movement actually started much earlier during the incumbency of President Corazon C. Aquino, who in February 1988 issued Administrative Order (A.O.) No. 59 (Rationalization of the Government Corporate Sector), which recognized the "need to improve the efficiency of government-owned and controlled corporations and their subsidiaries in order to promote economy, efficiency and effectiveness in the delivery of public services." The A.O. was in response to the "excessive proliferation" of GOCCs under the Marcos regime "without clear delineation of the grounds for government activities in corporate form and without adequate supervision and control."

In 1970 the total number of GOCCs was 65 and then grew to at least 303 in 1985.[7] Amidst an economic recession and the high concentration

> The reform story of GOCCs is not only deeply-rooted in Philippine political and economic history, but has proven to be multi-peaked in its achievements.

3 "State-Owned Enterprises" is the international term for GOCCs.
4 See OECD, 30.
5 OECD, 30.
6 OECD, 30.
7 OECD, 63.



President Benigno S. C. Aquino III during his first State of the Nation Address.[8]

of political power in the hands of people who had their own investment interests,[9] "the methods of administering SOEs and their objectives focused on political access and scarcely on national development objectives."[10] Much like the rest of the country's political and economic landscape in the aftermath of Martial Law, corporate governance in GOCCs was left in shambles, with a culture of impunity and entitlement that would take over two decades to unravel.

A.O. 59 accordingly began at the foundations and defined the State Ownership Policy, particularly the guidelines in determining the role of GOCCs in the development process vis-à-vis the private sector as well as the social and policy objectives of the national government. The A.O. made it clear that GOCCs shall not compete with the private sector, and should instead strategically address market failures where financially viable. It also set down policy measures to improve the organizational and functional capabilities of government corporations, and laid down the principles and standards to be followed in the creation, management, administration, supervision and liquidation of GOCCs.

Twenty-three years later, the basic principles and guidelines laid down in A.O. No. 59 have found themselves sanctified into the provisions of Republic Act No. 10149, otherwise known as the The GOCC Governance Act of 2011. It was a culmination of the reform movement, embodying the lessons learned from the challenges encountered in implementing the policies and guidelines in A.O. 59. In order to reinforce the State Ownership Policy, the thrust of R.A. No. 10149 concentrated on corporate governance and the effective exercise of the State's ownership rights. This landmark legislation immediately found support in Congress from the call of

8 (2010). Retrieved from http://www.gov.ph/images/uploads/sona-2.jpg
9 OECD, 31.
10 OECD, 64.

President Benigno S. Aquino III in his first SONA against the cases of abuse and mismanagement in the GOCC Sector under the Arroyo Administration.

The Baseline by Which to Reckon the Reform Achievements

At the commencement of the Aquino Administration in July 2010, Secretary Cesar V. Purisima of the Department of Finance (DOF) estimated the existence of at least 736 GOCCs (which includes local water districts), 14 of which were closely watched or monitored due to their heavy dependence on state subsidy or advances.[11] At least 52 of those GOCCs had registered losses in 2008, with the National Food Authority (NFA) posting the highest net loss, followed by the Light Rail Transit Authority (LRTA), the National Power Corporation (NAPOCOR), the Bases Conversion and Development Authority (BCDA), and the Metropolitan Waterworks and Sewerage System (MWSS).[12]

In his first SONA, President Aquino III decried the excessive incentives, bonuses, allowances and pay hikes that directors, trustees and officers of GOCCs and GFIs had given to themselves and their employees under the Arroyo Administration, zeroing on the MWSS, when he said [translated from Filipino]:

> ...This is also what happened to the funds of the MWSS. Just recently, people lined up for water while the leadership of the MWSS rewarded itself even though the pensions of retired employees remain unpaid.
>
> The entire payroll of the MWSS amounts to 51.4 million pesos annually. But this isn't the full extent of what they receive: they receive additional allowances and benefits amounting to 81.1 million pesos. In short, they receive 211.5 million pesos annually. Twenty four percent of this is for normal salaries, and sixty-six percent is added on.
>
> The average worker receives up to 13th month pay plus a cash gift. In the MWSS, they receive the equivalent of over thirty months' pay if you include all their additional bonuses and allowances.
>
> What we discovered in the case of the salaries of their board of trustees is even more shocking. Let's take a look at the allowances they receive:
>
> Attend board of trustees and board committee meetings, and you get fourteen thousand pesos. This totals ninety eight thousand pesos a month. They also get an annual grocery incentive of eighty thousand pesos.
>
> And that's not all. They get a mid-year bonus, productivity bonus, anniversary bonus, year-end bonus, and financial assistance. They not only get a Christmas bonus, but an additional Christmas package as well. Each of these amounts to eighty thousand pesos. All in all, each member of the board receives two and a half million pesos a year exclusive of car service, technical assistance, and loans. Let me

11 *Manila Bulletin*, 10 September 2010, in the front page article entitled "Recto Urges Gov't to Allow 'Missionary' GOCCs to Continue."
12 *Ibid.*

Senator Franklin M. Drilon probes DOF and DBM officials during a senate hearing in 2010 regarding excessive salaries of GOCC officials.[13]

The excessive perks of GOCC officials came under further scrutiny when the Senate Committee on Finance, headed by Senator Franklin M. Drilon, uncovered more abuses such as unwarranted bonuses covering several months granted to officials...

repeat. They award themselves all of these while being in arrears for the pensions of their retired employees.

Even the La Mesa watershed wasn't spared. In order to ensure an adequate supply of water, we need to protect our watersheds. In watersheds, trees are needed. Where there should be trees, they built homes for the top officials of the MWSS.

We cannot remove them from their positions quickly because they are among the midnight appointees of former president Arroyo. We are investigating all of these things. But if they have any shame left, they should voluntarily relinquish their positions.

In September 2010, President Aquino issued Executive Order (E.O.) No. 7 suspending all increases in the grants of allowances, bonuses, incentives and pay hikes of 178 GOCCs, and created the TASK FORCE ON CORPORATE COMPENSATION (TFCC) to review and give recommendations on the compensation system of GOCCs. On 23 December 2010, Budget Secretary Florencio B. Abad reported "that the TFCC had agree[d] on a number of considerations, among them the 'peculiar' nature of GOCCs, the need to hire and keep 'high-caliber' individuals; adhering to industry 'best practices' and minimizing areas 'vulnerable' to abuse. Questions that should be asked, he added, include whether compensation should only be for appointed and elected officials, what forms should be allowed, and how to treat reimbursable expenses."[14]

The excessive perks of GOCC officials came under further scrutiny when the Senate Committee on Finance, headed by Senator Franklin M. Drilon, uncovered more abuses such as unwarranted bonuses covering several months granted to officials of the MWSS.[15] The Manila Economic and Cultural Office (MECO), which was created under the Corporation Code to handle trade relations with Taiwan, allowed a director who had served two consecutive years and then retired on the third year to receive a retirement package of ₱600,000 for each year of service.[16] Senator Drilon criticized the National Home Mortgage Finance Corp. (NHMFC) for its "strange" compensation package after its chairman in 2009 allowed its President to have a basic salary of ₱439,500 and a discretionary allowance of ₱2.3 million.[17]

In February 2011, President Aquino issued E.O. No. 24[18] characterizing the "role of the Board of Directors/Trustees" of every GOCC as the "steward of the corporation it serves and caretaker of the best interest of the people who are the true shareholders of the corporation." Based on the recommendation of the TFCC, E.O. No. 24 rationalized the compensation[19] of directors and trustees by classifying GOCCs according to size and prescribing the rules on per diems and performance incentives, and prohibiting all other forms of compensation.[20]

First Peak in the Philippine GOCC Reform Movement: The GOCC Governance Act of 2011

The GOCC Governance Act operates under the principle that the "State recognizes the potential of... GOCCs... as significant tools for economic development. It is thus the policy of the State to promote the growth of the GOCCs by ensuring that their operations are consistent with national development policies and programs"[21] as follows:

(a) The corporate form of organization through which government carries out activities is utilized judiciously;

13 Senate of the Philippines (2010). Retrieved from http://www.senate.gov.ph/photo_release/2010/ 0817_00.asp

14 BusinessWorld, 23 December 2010, in the front page article entitled "Compensation task force to miss deadline."
15 *The Manila Times*, 10 September 2010, p. A6.
16 *Ibid.*
17 *Ibid.*
18 Entitled "Prescribing Rules to Govern the Compensation of Members of the Board of Directors/ Trustees in Government-Owned or -Controlled Corporations Including Government Financial Institutions."
19 Sec. 1, E.O. No. 24, s. 2011.
20 *Business Mirror*, 2 February 2011.
21 Sec. 2, GOCC Governance Act.

The Commission En Banc with President Aquino in 2011.

(b) The operations of GOCCs are rationalized and monitored centrally in order that government assets and resources are used efficiently and the government exposure to all forms of liabilities including subsidies is warranted and incurred through prudent means;

(c) GOCC governance is carried out in a transparent, responsible, and accountable manner and with the utmost degree of professionalism and effectiveness;

(d) A reporting system, which will require the periodic disclosure and examination of the operations and management of the GOCCs, their assets and finances, revenues and expenditures, is enforced;

(e) The Governing Board of every GOCC and its subsidiaries are competent to carry out its functions, fully accountable to the State as its fiduciary, and acts in the best interest of the State;

(f) Reasonable, justifiable and appropriate remuneration schemes are adopted for the officers and employees of GOCCs to prevent or deter the granting of unconscionable and excessive remuneration packages; and

(g) A clear separation between the regulatory and proprietary activities of GOCCs, in order to achieve a level playing field with corporations in the private sector performing similar commercial activities for the public.[22]

22 Sec. 2, GOCC Governance Act.

Constitution of the Governance Commission for GOCCs (GCG)

R.A. No. 10149 created the **"Governance Commission for Government-Owned or Controlled Corporations,"**[23] (GCG) as "a central advisory, monitoring, and oversight body *with authority to formulate, implement and coordinate policies*" within the GOCC Sector. Attached to the Office of the President, the Governance Commission is composed of the Chairman with the rank of a Cabinet Secretary and two (2) Commissioners. The Commission also includes the Secretaries of DOF and DBM as *ex officio* members.

R.A. No. 10149 sought to address the fundamental problems facing the GOCC Sector, namely: (a) weak regulatory framework; (b) lack of a clear entity that exercises ownership functions; (c) poor oversight mechanism; (d) the need for the institutional rationalization and fiscal discipline to prevent the drain on government finances; and (e) the absence of a central monitoring policy coordinating body. Prior to GCG, regulation of the Sector was fragmented across different government agencies without clear mandates and adequate authority to actively exercise the State's ownership rights and champion the public's interests in GOCCs.

Learning from the challenges encountered by past inter-agency committees in implementing A.O. No. 59, GCG was created as the State's central ownership agency tasked with enforcing good governance and establishing a high performing culture in the Sector. Accordingly, the Governance Commission was given the following mandates:

- Rationalize the size and activities of the GOCCs by streamlining, reorganizing, or recommending to the President their abolition or privatization. The Governance Commission is also tasked to review and recommend to the President for approval the plan of any government agency to create a new subsidiary or a new GOCC, or to purchase a private corporation.

Ownership Framework

23 Section 6 of GOCC Governance Act provides that the GCG shall be composed of five members, the Chairman with the rank of Cabinet Secretary and two members with the rank of Undersecretary shall be appointed by the President. The DBM Secretary and the DOF Secretary shall sit as *ex officio* members.

- Ensure the fitness of the Appointive Members of the GOCC Governing Boards, through the annual vetting and preparation of a shortlist of nominees for appointment by the President.

- Institutionalize a performance-oriented culture in the GOCC Sector geared towards striving for *breakthrough results* in their respective mandates through GCG's Performance Evaluation System.

- Attract, retain and motivate a corps of competent civil servants by recommending to the President a uniform compensation and classification system for the GOCC Sector.

Tone from the Top: Setting the Highest Governance Standards for Directors/Trustees and Officers of the GOCC Sector

One of the strategic thrusts of the GOCC Governance Act was to set "the tone at the top." The leading principle of corporate governance in the private sector that "The Board is primarily accountable to the shareholders and Management is primarily accountable to the Board,"[24] has now found statutory expression in R.A. No. 10149. The GOCC Board is primarily accountable to the State, and Management, led by the CEO, is primarily accountable to the Board.

Under the aegis of "Duty of Diligence," the law established the highest bar for public corporate responsibility, a bar that was *higher* than what was required of directors and trustees in the private sector. R.A. No. 10149 provides that members of the Board and Officers of GOCCs shall[25]—

- Act with due care, **extraordinary** diligence, skill and good faith in the conduct of the business of the GOCC;

- Apply sound business principles to ensure the financial soundness of the GOCC;

- Elect and/or employ only officers who are fit and proper to hold such office with due regard to their qualifications, competence, experience, and integrity.[26]

Constituting GOCC Directors/Trustees as assuming a trustee relation to the properties, interests and monies of the GOCC, for which they are bound to account for all the profits earned,[27] the diligence required of directors and trustees was even higher than that required of directors and trustees of publicly-listed companies in the private sector, who are only required to exercise due diligence. In a private corporation, the occurrence of a negative event, such as a business deal gone wrong resulting in significant losses for the company, does not by itself subject the directors of a private corporation to liability. The directors are presumed to have exercised due diligence until proven otherwise.

24 Sec. IV(1), original SEC Code of Corporate Governance, SEC Memorandum Circular No. 2, s. 2002.
25 Sec. 19(2), GOCC Governance Act; emphasis supplied.
26 Sec. 19, GOCC Governance Act.
27 Sec. 20, R.A. No. 10149.

In the case of directors of GOCCs, the situation is the reverse such that burden of proof is immediately on them when the GOCC suffers a significant business loss. They are presumed to have failed to fulfill their fiduciary duties unless they can show proof that they exercised not just due diligence, but extraordinary diligence or that of a "very cautious person with due regard for all the circumstances."[28]

The law also establishes uniform standards on the performance by directors and trustees of their fiduciary duties, particularly the duties of care, diligence and loyalty.[29] These duties and responsibilities were "in addition to the powers and functions provided in the individual charters or articles of incorporation and by-laws of their respective GOCCs,"[30] and would also apply to directors who would represent GOCCs in affiliates or private corporations where GOCCs had a minority stake.[31]

The "Duty of Loyalty" imposed on GOCC Directors/Trustees and officers requires them to "Act with utmost and undivided loyalty to the GOCC," and to "Avoid conflicts of interest and declare any interest they may have in any particular matter before the Board."[32]

Correspondingly, the law establishes the duty of restitution such that directors or officers of GOCCs were explicitly required to return any profit or benefit they received on account of their office, without prejudice to any administrative, civil or criminal action that could be filed against them.

BUSINESS JUDGMENT & **PUBLIC ACCOUNTABILITY**

Directors and Trustees are expected to make many judgment calls that involve inherent risks in conducting the business of the GOCC.

In this light, the Governance Commission authorized **"Directors & Officers' Liability Insurance"** (DOLI) under GCG MC No. 2012-08 to ensure that directors would not shirk from their decision-making responsibilities in view of the inherent risks. The DOLI allows the members of the Board and Management proper recovery of the costs of litigation and the judgment liability imposed whenever they are hailed before tribunals on matters that are within their official functions and capacity.

This policy however, was initially met with concern from COA insofar that DOLI may be abused to promote negligence and "wrongful acts" or those that involve a clear breach of duty, as opposed to those that merely involve reversals that can be reasonably expected in the regular course of business.

Accordingly, the policy was tightened in collaboration with COA in order to make DOLI consistent with the principles of public accountability. The policy provided guidelines on what constituted "Improper Coverage." In such cases, only the GOCC could recover its expenses while individuals found guilty of negligence or wrongful acts would have to bear the costs and consequences of their actions. ■

28 Sec. 21, GOCC Governance Act.
29 Sec. 12, GOCC Governance Act.
30 Sec. 12, GOCC Governance Act.
31 Sec. 12, GOCC Governance Act.
32 Sec. 19, GOCC Governance Act.

The requirement was made applicable even in cases where they would risk their own funds in the venture,[33] such as when a director or officer[34]—

- Acquires or receives a benefit or profit, of whatever kind or nature, including but not limited to the acquisition of shares in corporations where the GOCC has an interest;
- Uses the properties of the GOCC for their own benefit;
- Receives commission or contracts from the GOCC's assets; or
- Takes advantage of corporate opportunities of the GOCC.

Directors and officers found by COA to possess any property or profit belonging to the GOCC in violation of their fiduciary duty could be "punished with an imprisonment of one (1) year "if they fail to make the necessary restitution "within thirty (30) days" from a written demand from COA." The penalty also involves "a fine equivalent to twice the amount to be restituted, and in the discretion of the court of competent jurisdiction, disqualification to hold public office.[35]

Setting the Infrastructure for Public Corporate Governance

Under the GOCC Governance Act, the GCG was mandated to adopt an *Ownership and Operations Manual and the Government Corporate Standards Governing GOCCs* within 180 days from its constitution on 20 October 2011. The law mandated that the government corporate standards governing GOCCs "shall be no less rigorous than those required by the Philippine Stock Exchange or the Securities and Exchange Commission for listed companies, or those required by the Bangko Sentral ng Pilipinas or the Insurance Commission for banking institutions and insurance companies, as the case may be."[36] Stated otherwise, the purpose of the Governance Manual was to instill within the GOCC Boards and Management a high sense of responsibility, transparency and accountability.

Within the first full year of its operations, the GCG put into play within the GOCC Sector the following organic documents vital to institutionalizing the public corporate governance reforms:

THE OWNERSHIP AND OPERATIONS MANUAL FOR THE GOCC SECTOR,[37] which operationalizes the policies on state ownership in GOCCs by establishing the Principle of Board Autonomy within the framework of the National Government. Although the Administrative Code (E.O. No. 292, s. 1987) clearly provides that GOCCs are only attached to Cabinet Departments for "policy and program coordination," their attachment had often been confused with the attachment of a regular government agency wherein the Cabinet Secretary had "supervision and control." Occupying a unique role within the Executive Branch, the Ownership and Operations Manual provides a writ, the Magna Carta, so to speak, for the GOCC Sector, in that it—

- Provides for the Governing Principles and Objectives of the State as an "Active Owner" of the GOCCs;
- Defines the Role and Relationship of the State, its agencies and instrumentalities, vis-à-vis the GOCCs as "significant tools for national development";
- Provides for the roles and responsibilities of GOCCs and the Primacy of the Boards of Directors/Trustees in the governance of the GOCCs;
- Provides Guidelines in the Monitoring and Evaluation of the GOCCs and their Governing Boards;
- Provides for the Policy Framework for Tasking GOCCs to Undertake Non-Commercial Activities.

Governing Boards of GOCCs may rely upon the Ownership and Operations Manual as a "Bill of Rights and Responsibilities" as they pursue the proper role and responsibilities of the GOCCs they serve. The Manual was particularly important as OECD observed that "while constituting an advance," R.A. No. 10149 "still lacks stringent corporate governance structures that would help insulate [GOCCs] from political pressures."[38]

For example, against an overbearing Supervising Agency, the Governing Board of a GOCC may point to the provision of the Manual that explicitly calls for respect of the legal structure and operational autonomy of each GOCC. While Agencies are mandated to ensure that the corporate plans and programs of GOCCs under their supervision are congruent with the sectoral objectives and priorities of their respective departments, Supervising Agencies shall not be involved in the day-to-day management of GOCCs.

For GOCCs like SSS and GSIS which really do not hold government funds, but are actually holding the funds of members and beneficiaries, they can invoke Article 6 of the Manual to parry the demands of an Administration on off-beat "pet projects," which clarifies that the role of the State in such GOCCs "is not that of an active owner or investor, but a guardian to promote the best interests of the members of the public whose contributions are to be prudently invested for their benefit, and also as a guarantor for the contingent liabilities."

THE CODE OF CORPORATE GOVERNANCE FOR GOCCs[39] embodies and operationalizes the principles and best practices in public corporate governance in line with the thrust of R.A. No. 10149. The Code is intended to instill within the GOCC Boards

> Under the reforms of the GOCC Governance Act, the paradigm has changed: the GCG is not only a "central advisory, monitoring and oversight body," but more importantly, it has the power "to formulate, implement and coordinate" policies, rules and regulations governing all covered GOCCs.

33 Sec. 19, GOCC Governance Act.
34 Last paragraph, Sec. 19, GOCC Governance Act. Reformatted for easy reference.
35 Sec. 24, GOCC Governance Act.
36 Sec. 5(c), R.A. No. 10149.
37 GCG Memorandum Circular No. 2012-06.
38 OECD, 65.
39 GCG Memorandum Circular No. 2012-07.

and Management the highest sense of responsibility, transparency and accountability, and covers various areas of corporate governance policies and best practices, thus:

- The Role and Responsibilities of the Governing Boards, and the Individual Directors;
- Disclosure and transparency requirements;
- Code of Ethics of Directors and Officers;
- Creation of Board committees and similar oversight bodies;
- Providing for an Integrated Corporate Reporting System; and
- CSR Statement and the Role of Stakeholders.

THE FIT AND PROPER RULE[40] professionalizes the composition, qualification and manner of appointments of GOCC directors and trustees. It establishes the guidelines and formal mechanisms whereby the Governance Commission identifies "the necessary skills and qualifications required for Appointive Directors, and recommend[s] to the President a shortlist of suitable and qualified candidates for Appointive Directors."[41] Codifying the standards imposed by the Bangko Sentral ng Pilipinas, the Securities and Exchange Commission and the Insurance Commission, the rule also provides for the application of the highest standard in the event of overlapping rules with respect to the Charters of each GOCC. By establishing standards "on integrity, experience, education, training and competence,"[42] the rule calls for Boards with directors who can competently govern their GOCCs "in a transparent, responsible and accountable manner and with the utmost degree of professionalism and effectiveness."[43]

Even for those who qualify, they must continuously earn their place since R.A. No. 10149 provided that Appointive Directors can be reappointed by the President "only if he/she obtains a performance score of above average in the... immediately preceding year of tenure [based on the Commission's evaluation]."[44] Therefore, members of the GOCC Boards who refuse to heed the standards of governance mandated under the GOCC Manual can be removed for cause even before the end of their one year term. On the other hand, those whose performance is less than "above average" cannot be reappointed for the next term.

Sustaining the Good Governance Gains

Many have asked: "So what is so new or earthshaking about the GOCC Governance Manual? Similar monitoring mechanisms have been done in the past—remember the GCMC, the GCMCC, and the monitoring work done by the DOF?" Under the reforms of the GOCC Governance Act, the paradigm has changed: the GCG is not only a "central advisory, monitoring and oversight body," but more importantly, it has the power "***to formulate, implement and coordinate***" policies, rules and regulations governing all covered GOCCs.

GOCC Governing Boards and their Management may choose to ignore the Manual or the Code only at their own peril, for the law grants to the Governance Commission not only the power to "Evaluate the performance and determine the relevance of the GOCC, to ascertain whether such GOCC should be reorganized, merged, streamlined, abolished or privatized in consultation with the department or agency to which a GOCC is attached."[45]

The law provides that "Upon determination by the GCG that it is to the best interest of the State that a GOCC should be reorganized, merged, streamlined, abolished or privatized, it shall:

(i) Implement the reorganization, merger or streamlining of the GOCC, unless otherwise directed by the President; or

(ii) Recommend to the President the abolition or privatization of the GOCCs, and upon the approval of the President, implement such abolition or privatization, unless the President designates another agency to implement such abolition or privatization.[46]

More importantly, GOCC Governing Boards can only ignore the terms of the GOCC Manual, and the directives of the Commission at the expense of their professional health or well-being. The GOCC Governance Act not only empowers the Governance Commission to "identify necessary skills and qualifications required for Appointive Directors and recommend to the President a shortlist of suitable and qualified candidates for Appointive Directors,"[47] it also mandates the GCG to "Establish the performance evaluation systems including performance scorecards which shall apply to all GOCCs."[48]

An Appointive Director can be appointed to a GOCC Board by the President only "from a shortlist prepared by the GCG."[49] That is the reason why the Governance Commission is empowered to "formulate its rules and criteria in the selection and nomination of prospective appointees and shall cause the creation of search committees to achieve the same. All nominees included in the list submitted by the GCG to the President shall meet the Fit and Proper Rule."

Collectively, the Organic Documents establish clear structures for the State to actively perform its role as owner while at the same time preserving the Principle of Board Autonomy that is fundamental to improving corporate governance standards within the GOCC Sector.

GCG Continues to be the Exemplar of Best Practices in Public Corporate Governance

When the Governance Commission first became operational in October 2011, we were cognizant of the truism that the successful pursuit of good governance in GOCCs required no less than changing

40 GCG Memorandum Circular No. 2012-05.
41 Sec. 5(e), R.A. No. 10149.
42 Sec. 3(j), R.A. No. 10149.
43 Sec. 2(c), R.A. No. 10149.
44 Sec. 17, R.A. No. 10149.
45 Sec. 5(a), R.A. No. 10149.
46 Sec. 5(a)(6), R.A. No. 10149.
47 Sec. 5(e), R.A. No. 10149.
48 Sec. 5(f), R.A. No. 10149.
49 Sec. 15, R.A. No. 10149.

the hearts and minds of the men and women comprising the GOCC Sector. Accustomed to bad habits and a deep-seated sense of entitlement, the Governance Commission knew that we not only had to preach the message of enlightened corporate governance, but that we needed to govern by example. We would not ask of our stakeholders anything that we could not fulfill ourselves within the Governance Commission.

This began with the promulgation and strict implementation of our own **No Gift Policy**[50] before mandating each GOCC to formally adopt similar no gift policies peculiar to their corporate environment.

Under the GOCC Governance Act, the Governance Commission was mandated to establish the Performance Evaluation System (PES), "including performance scorecards which shall apply to all GOCCs,"[51] as well as provide "Guidelines on the monitoring of the operations of all GOCCs... including Strategy Maps, Charter Statements, Performance Commitments and such other mechanisms."[52] Before the GCG undertook establishing the PES,[53] it underwent the tutelage of a professional third-party provider for its own Strategy Roadmap and established short as well as long-term goals that were consistent with R.A. No. 10149. The GCG Strategy Roadmap has been reviewed and updated in the last three years since its formal adoption.

The Governance Commission further subjected itself to performance evaluation by applying for accreditation with the ***Performance Governance System*** (PGS) of the well-respected **Institute for Solidarity in Asia (ISA)**, a non-partisan, not-for-profit organization that promotes good governance through organizational reform and civic participation. Through its PGS program, ISA guides national government agencies and local government units in creating sustainable solutions that require the use of transparency and accountability mechanisms. The GCG went through the first three (of the four) stages in the PGS in quick succession: Initiation Stage in March 2013,

50 In the GCG Memorandum Circular No. 2012-12.
51 Sec. 3(f), R.A. No. 10149.
52 Sec. 3(c)(4), R.A. No. 10149.
53 GCG Memorandum Circular No. 2013-02.

TÜV Rheinland Philippines Managing Director Tristan Arwen Loveres awards the ISO Certificate to GCG in 2014

GCG receives its re-certification in 2015

(clockwise from top left) GCG conducts its Strategic Planning in 2013; CY 2013-2014 Performance Agreement Negotiations with GSIS; GCG Corporate Governance Officers assist GOCCs during a PES workshop; GCG conducts ocular visits at Northern Foods Corp. and National Power Corp.

(left) Chairman Villanueva presents GCG's accomplishments and plans during the PGS public revalida at the Philippine International Convention Center. *(bottom)* The GCG Competency Framework Development Technical Working Group with CSC's Civil Service Institute.

the Compliance Stage in April 2014, and the Proficiency Stage in April 2015, receiving the Silver Governance Trailblazer Awards each time. The GCG will pursue the final Institutionalization Stage within 2016.

Before requiring all GOCCs to establish Quality Management Systems (QMS) in line with the ISO 9001:2008 standard as part of their performance commitments, the Governance Commission first obtained an ISO Certification 9001:2008 for its own QMS within 6 months or on 25 July 2014. On 17 June 2015, TÜV Rheinland re-certified GCG's QMS.

When forced ranking of personnel became mandatory for all government agencies and GOCCs in determining the entitlement of individuals to the performance-based bonus (PBB), the GCG established its Strategic Performance Management System (SPMS). Its SPMS was formally approved by the Civil Service Commission (CSC), and its SPMS became a model for CSC in reviewing the SPMS applications of other government agencies. In March 2016, the CSC approved an updated version of our SPMS, which integrated the learnings from the first two years of implementation.

Before the formal adoption of the Competency Framework became one of the major targets in GOCC Performance Scorecards under ***"Internal Processes,"*** the Governance Commission first commissioned the Civil Service Institute of CSC to help develop GCG's own Competency Framework.

In the April 2014 Compliance Stage Report covering the PGS Program, the following provided characterization of GCG's ***"Commitment to Transformation,"*** thus: "GCG is seen as a bastion of governance with focus on the GOCC sector; its being is for transfor-

(From left) GCG Commissioner Butalid,GCG Chairman Villanueva, ISA Chairman Estanislao, GCG Commissioner Ignacio, and Finance Secretary Purisima at the PGS Compliance Conferment of GCG in 2014.

mation. The Commission is engaged in uplifting the standards of excellence in the GOCC Sector. GCG believes that it must be able to excel in governance practices to become model to the GOCC Sector, before they require any of the standards or implement policies in the GOCC Sector. The commitment to transformation is not only carried by the Commission en banc, ***but by the whole organization***."

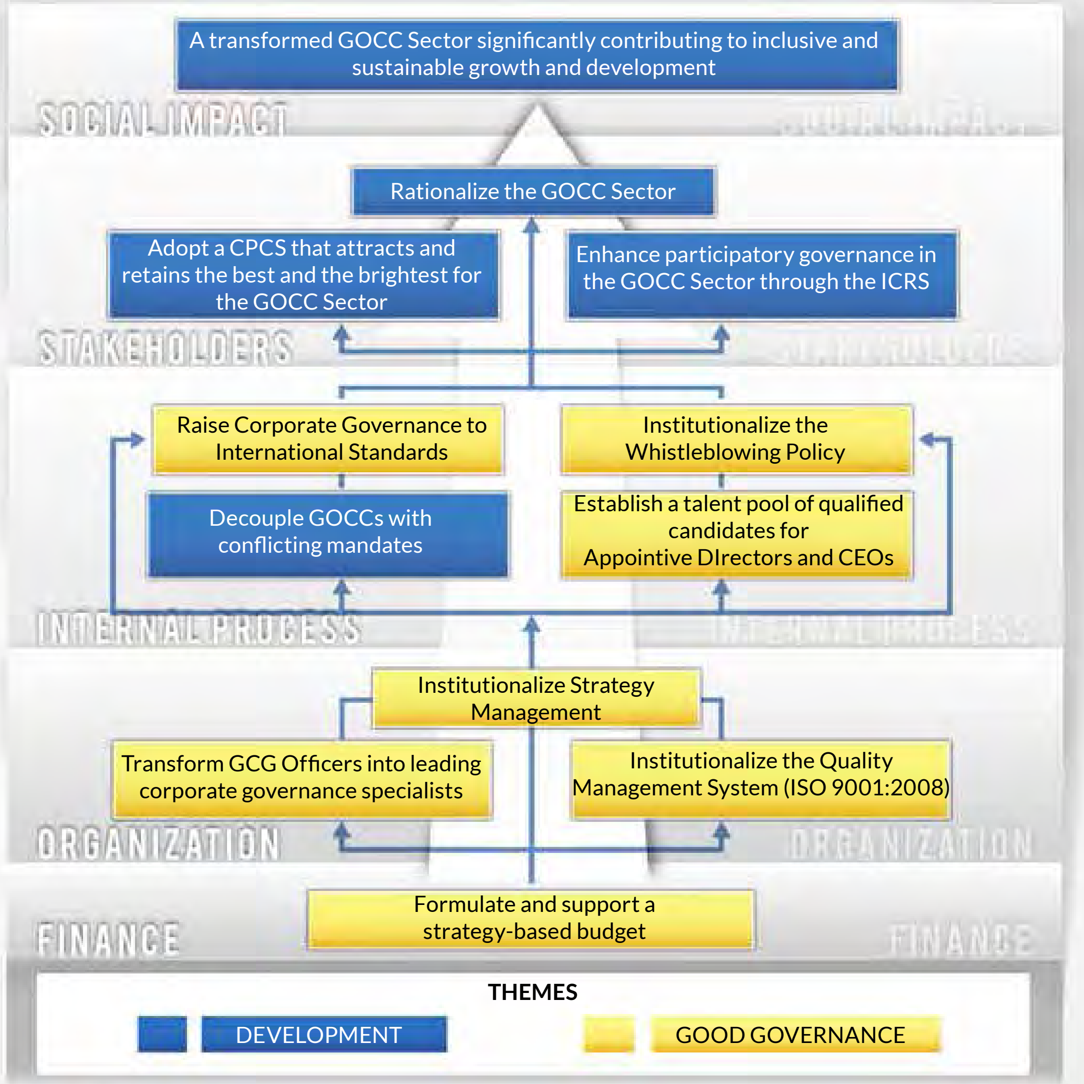
Dr. Jesus P. Estanislao, the Chairman Emeritus of the Institute of Corporate Directors (ICD), paid tribute to the GCG in the Organisation for Economic Co-operation and Development (OECD) Roundtable for South East Asia held in Hanoi in April 2015, thus:

> ... Established in 2012, the GCG is invested with "awesome" powers in the exercise of the government's ownership rights over GOCCs. But those rights are to be exercised to bring higher corporate governance practice standards into the GOCC Sector. In meeting those standards, all GOCCs are required—by law—to formulate a corporate strategy, to put mechanisms for proper strategy execution, and to take steps towards ensuring high performance levels over the long term.
>
> ... As the government agency tasked with imposing these requirements on all GOCCs and overseeing that they are actually met, the GCG took a first critical step: it would not require anything of GOCCs without first imposing the same requirement on itself. Thus, GCG took the proper initial steps of formulating a strategy for itself; setting up mechanism for executing its strategy; and for taking out some insurance that these governance gains that should deliver high-level performance would be sustained over time...
>
> *...The GCG, as externally audited...has been cited for the* "clarity of its strategy," *which has* "clarified how the (GCG) organization intend to advise, monitor, and oversee" *GOCCs. The strategy has given* "focus" *to GCG whose activities have become* "more specific and concentrated and directed towards fulfilling (its) mandate." *Moreover, the commitment of the top leadership of GCG to the strategy is rated "very high," and this is shared by the GCG staff. Consequently, the credibility of the GCG has been secured. It has thus moved forward to impose this same requirement on all GOCCs, which must submit their own formulated corporate strategy to GCG for vetting and assessment.*
>
> But in the 3 years that the GCG has been operating, it has shown that good corporate governance practices can be observed and practiced; and once observed and practiced by the regulator, it can then turn around and require such practices out of GOCCs (or SOEs).
>
> ...The striking feature of this limited case experience from the Philippines is the performance of orientation of the corporate governance regime being installed. Rather than coming out with a set of rules that need to be complied with or conformed to, GCG has opted for performance-oriented domains of good corporate governance: strategy formulation; strategy execution; and sustainability of the good corporate governance program. And before imposing anything on the GOCCs (or SOEs), GCG has opted to practice first what it preaches and imposes.
>
> *...It is critical for the Philippines and its GCG to institutionalize the good results it has been delivering, and then to sculpt them into the DNA of the GOCC Sector in the Philippines in the next 5 to 6 years.*

What are the indications that the change in governance paradigm in the GOCC Sector has yielded positive benefits? The institutionalization of the *"GOCC Dividends Day"* would tend to support the proposition that Governing Boards and Man-

"... the GCG took a first critical step: it would not require anything of GOCCs without first imposing the same requirement on itself."

STRATEGY MAP
V2 4.2015



VISION

By 2020, the GCG shall have transformed the GOCC Sector into a significant tool of the State in the attainment of inclusive growth and economic development

MISSION

The GCG, as the central advisory, oversight, and monitoring body with authority to formulate and implement policies in the active exercise of the State's ownership rights, ensures GOCCs' financial viability and fiscal discipline through adherence to the highest standards of corporate governance.

CORE VALUES

Integrity
Professionalism
Independence
Love of Country

COMPARISON OF THE GOVERNANCE COMMISSION WITH COUNTERPARTS IN COUNTRIES

PHILIPPINES (GCG)	SINGAPORE (TEMASEK HOLDINGS)	MALAYSIA (KHAZANAH NASIONAL)
Operates as a central oversight, monitoring and advisory Government Agency	Operates generally as a quasi-private Holding Company[54]	Operates as a Private Holding Company
5 Members consisting of **3** Executive Members (from the private sector) and the Secretaries of **DOF** and **DBM**	**10** Members, majority non-executive, independent private sector business leaders	**10** Members from public and private sector.
All appointed by the President of the Philippines.	Shareholders election of Board Members subject to the approval of the President of Singapore.	Prime Minister and Finance Minister as chairman of the Board
All Filipino.	Includes 2 foreigners No Cabinet Secretary/Minister representative	
No shares. Created as a regular government agency.	100% owned by the National Treasury with safeguards against expropriation by the government	Incorporated as a public limited company. Share capital owned by Minister of Finance Incorporated.
108 GOCCs	**142** SOEs and affiliates	**60** SOEs
Portfolio is generally **domestic**	Portfolio is both **domestic and international**	Portfolio is both **domestic and international**
110 personnel all from the Philippines	**450** personnel from 23 countries	**470** personnel

54 "In the past, the Board of Temasek and its portfolio companies had a high proportion of civil servants and former military personnel as directors" who were "successful" in running the country's SOEs, "but this is slowly changing." There is "still somewhat to go toward a private enterprise model." OECD, 53.

President Aquino delivers his keynote address at the 2013 GOCC Dividends Day.

agements of the GOCC Sectors have begun to be responsive to the call for "financial viability and fiscal discipline," what we term as *"good governance dividends."* Thus, during the third year of the holding of the GOCC Dividends Day, no less than President Benigno S. Aquino III had observed:

> *Langit at lupa nga pong maituturing ang kaibahan ng tuwid na daan sa baluktot na kalakaran ng dating administrasyon. Mantakin po ninyo: Sa loob lamang ng tatlong taon, nakapaghatid na ang ating mga GOCC ng kabuuang mahigit 77* billion pesos*. Ikumpara po natin iyan sa buong siyam at kalahating taon ng kanilang panunungkulan, kung saan nasa 96* billion pesos *lamang ang nalikom nilang remittance mula sa mga korporasyon. Ididiin ko lang po: Tayo, 77* billion *sa tatlong taon; sila, 96* billion *sa siyam at kalahating taon. Malayung-malayo po, di ho ba? At alam naman po natin: Kung malugi ang korporasyon, maari pa itong makiagaw sa limitado nang pondo ng pamahalaan. Sa dulo, ang mga Boss din nating Pilipino ang talo kung ganun ang mangyayari. Di na po natin hinahayaang mangyari pa ito.*[55]

The President went on to observe:

> *Hindi naman po tayo hihinto: Sa tuwid na daan, patuloy nating patitibayin ang ating mga pampublikong institusyon kung saan nananatiling pundasyon ang mabuti, makatuwiran, at may pananagutang pamamahala. Tapos na ang panahon kung saan itinuturing na alkansya ng mga nasa poder at ng ilang korporasyon ang kaban ng bayan. Ngayong kolektibo na nating natitibag ang mga balakid sa pag-unlad ng Pilipinas, lalong lumalakas ang panawagan sa bawat isang makihakbang at maki-ambag sa landas ng makabuluhang pagbabago.*[56]

55 **Translated**: "It is truly the difference between heaven and earth that we compare the "straight path" we have taken from the crooked road taken by the previous administration. Figure this out: In the last three years, our GOCC Sector has delivered more or less 77 Billion pesos as dividends to the National Treasury. Compare that with the whole nine-and-a-half-years of the previous administration, where they were able to accumulate only 96 Billion pesos as remittance from the various government corporations.

Let us stress this: Our administration, 77 billion pesos in three years; the previous administration, 96 billion pesos in nine-and-a-half years. That is quite a difference, would you not say? And this we know: if a government corporation loses, this could compete with sourcing from the limited funds of the government.

In the end, it is our Filipino Bosses who would actually be at the losing end. We should no longer allow this to happen.

GCG through the years. The Governance Commission poses with President Aquino during the 2013 GOCC Day (top) and also with Vice President Binay, Senate President Drilon, Senator Villar, Finance Secretary Purisima, and Budget Secretary Abad during the 2014 GOCC Day (bottom).

56 **Translated**: "We will certainly not stop at this: Under our call for righteous path, we will continue to strengthen our public institutions which will remain the foundation of our good, righteous, and responsible management. Gone are the times when those who are in power would treat as their personal piggy banks some government corporations. Today we are in collective cooperation in bringing down all hurdles against achieving progress for the Philippines, and strengthening the call to each Filipino to move forward and contribute towards a path of meaningful change.

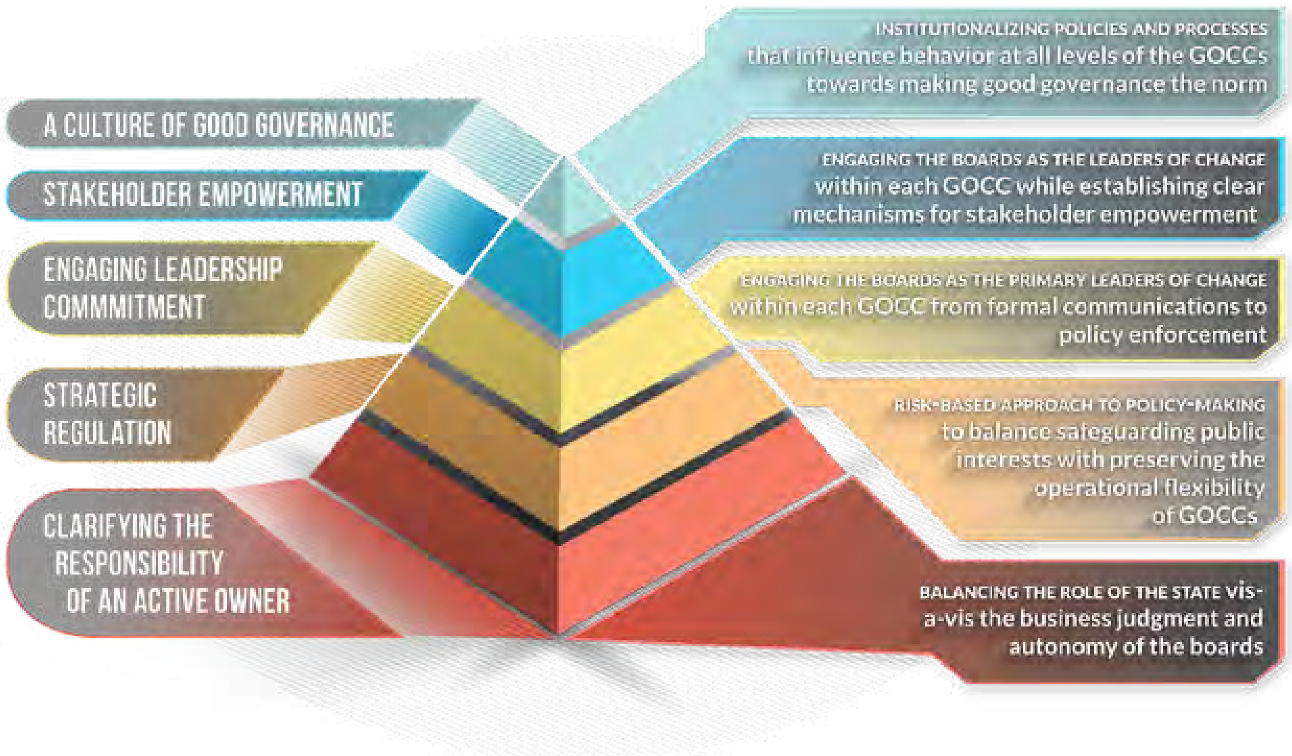
GCG poses with President Aquino, Senate President Drilon, Senator Villar, Finance Secretary Purisima, and Budget Secretary Abad during the 2015 GOCC Day

THE GOCC GOVERNANCE REFORM PROGRAM

The succeeding sections chronicle the challenges and breakthrough results GCG has achieved in pursuing the institutional reforms introduced by R.A. No. 10149.

- **Rationalization of the GOCC Sector:** Providing a Safeguard Against the Proliferation of Unauthorized GOCCs
  by Director Johann Carlos S. Barcena
- "***Good Governance Is Good Economics"*:** The Financial Benefits in the GOCC Sector Brought About by Good Governance Reforms and the Changing Concept of Subsidies
  by Commissioner Ma. Angela E. Ignacio
- **The Performance Evaluation System and Corporate Governance Scorecard:** Engendering a Performance-Oriented Culture in the GOCC Sector
  by Director Rybigail L. Lao
- **The Integrated Corporate Reporting System:** Engaging the Public in a Shared Vision to Transform the GOCC Sector
  by Director Paolo E. Salvosa
- Empowering the State's Ownership over GOCCs
  by Atty. Gerald B. Reyes
- **The Compensation and Position Classification System:** Ushering in a Uniform Compensation System for Civil Servants in the GOCC Sector
  by Director Paolo E. Salvosa
- Instilling Full Transparency and Accountability in the GOCC Sector
  by General Counsel Christian M. Castillo
- Transformation of the GOCC Sector
  by Commissioner Rainier B. Butalid

This report also documents the insights of GCG's first five years and also attempts to articulate the challenges and opportunities that lie ahead now that the structural reforms have been completed and the oversight mechanisms established.



RATIONALIZATION OF THE GOCC SECTOR

PROVIDING A SAFEGUARD AGAINST THE PROLIFERATION OF UNAUTHORIZED GOCCS

JOHANN CARLOS S. BARCENA
Director

From a small number of 37 GOCCs in 1965, the Government Corporate Sector ballooned in 1984 to 303 GOCCs that were not centrally monitored and supervised, and the lack of accountability led to losses that drained the government's coffers. Then President Corazon C. Aquino undertook a reform program in 1988 to address the alarming proliferation of GOCCs. By the end of her term in 1992, the number of government corporations accounted for were reduced to 166.

When the GCG was created in 2011, it inherited an initial list of 158 GOCCs. To properly account for and monitor these GOCCs, the GCG came up with Annex A—Classification of GOCC Sectors, attached to GCG M.C. No. 2012-04. As part of its due diligence, Annex A has been regularly updated based on the Governance Commission's monitoring of each of these corporations—to find out whether they are still operating, and if so, the state of their operations.

To continue the reform in the GOCC Sector, GCG picked up where other government agencies left off by beginning its preliminary evaluation of the Sector and gathering existing studies and recommendations on various government corporations. These included Executive Order No. 37, s.1992—listing several GOCCs for privatization, House Bill No. 2867 (15th Congress)—recommending the abolition of several GOCCs, and the 2011 study of selected GOCCs by the Department of Budget and Management (DBM)—recommending dispositive actions for several GOCCs. Pursuing the findings and recommendations of these studies were made a strategic priority as an initial step towards rationalizing the GOCC Sector.

As the years progressed, the initial number of 158 GOCCs changed from time to time as the GCG ascertained the status of GOCCs to be research institutions and therefore outside its coverage, while others have actually ceased to operate. Several others have been ordered abolished or privatized by the President upon recommendation by the GCG, while a few other GOCCs were "discovered" since they were not included in the initial list of 158. As of mid-2016, five years after the creation and constitution of the GCG, there are now only 108 GOCCs listed under Annex A to be within the coverage of R.A. No. 10149. The long-term goal has been to bring this down to less than 90 GOCCs.

> GCG picked up where other government agencies left off by beginning its preliminary evaluation of the Sector and gathering existing studies on various government corporations.

Classification as Research Institutions

R.A. No. 10149 excludes "research institutions" from its coverage. Since the law did not provide a definition, the GCG defined a "research institution" as a GOCC "having a charter which provides the primary purpose of which is to act as a research institution"—in other words, an entity created primarily for scientific or educational purposes.[57]

The GCG immediately identified the Philippine Institute for Develop-

57 GCG MC No. 2012-04

ABOLISHED GOCCs

From 2012 to 2015, President Aquino approved the abolition of the following GOCCs based on the recommendation of GCG:

Financial Institutions
- People's Credit and Finance Corp.
- National Livelihood and Development Corp.
- Philippine Veterans Assistance Commission
- Philippine Veterans Investment Development Corp.

Area Development
- Alabang-Sto. Tomas Development Corp.
- Bataan Technology Park, Inc.
- Disc Contractors, Builders, and General Services, Inc.
- Human Settlements Development Corp.

Trade
- Cottage Industry Technology Center
- HGC Subic Corp.

Agriculture
- National Agribusiness Corp.
- NIA Consult, Inc.
- Philippine Agriculture Development and Construction Corp.
- Philippine Forest Corp.
- Philippine Fruits and Vegetables Industries, Inc.
- San Carlos Fruits Corp.
- Technology Resource Center
- ZNAC Rubber Estates Corp.

Energy & Utilities
- PNOC Alternative Fuels Corp.
- PNOC Development and Management Corp.
- PNOC Shipping and Transport Corp.
- Tierra Factors Corporation
- Traffic Control Products Corp. ■

ment Studies (PIDS), Philippine Rice Research Institute (PRRI), and the Philippine Center for Economic Development (PCED) as GOCCs that fall under the definition of a research institution. Further studies revealed that the other GOCCs in the initial list of 158 were also primarily created for the purpose of research, and thus excluded from the coverage of R.A. 10149, namely:

- Lung Center of the Philippines (LCP);
- National Kidney and Transplant Institute (NKTI);
- Philippine Children's Medical Center (PCMC);
- Philippine Heart Center (PHC); and
- Philippine Institute of Traditional and Alternative Health Care (PITAHC).

Rationalizing the GOCC Sector

The great power of the Governance Commission to reorganize, merge, streamline, abolish, or privatize a GOCC comes with the great responsibility of ensuring that its exercise is guided by the State Ownership Policy set out under R.A. No. 10149. Under the law, the Governance Commission shall reorganize, merge, streamline, or recommend to the President the abolition or privatization of a GOCC when—

(1) The functions or purposes for which the GOCC was created are no longer relevant to the State or no longer consistent with the national development policy of the State;

(2) The GOCC's functions or purposes duplicate or unnecessarily overlap with functions, programs, activities or projects already provided by a Government Agency;

(3) The GOCC is not producing the desired outcomes, or no longer achieving the objectives and purposes for which it was originally designed and implemented, and/or not cost efficient and does not generate the level of social, physical and economic returns vis-à-vis the resource inputs;

(4) The GOCC is in fact dormant or non-operational;

(5) The GOCC is involved in an activity best carried out by the private sector; and

(6) The functional, purpose or nature of operations of any group of GOCCs require consolidation under a holding company.

R.A. No. 10149 revived the State Ownership Policy under A.O. No. 59 with the creation of a dedicated agency, and the rationalization of the Sector immediately followed with the abolition and privatization of all GOCCs that fell outside the policy.

Classifying Inactive GOCCs

In the course of its review of the list of 158 GOCCs turned over to it for oversight, the Governance Commission discovered that many of those listed were already inactive or non-operational. As the term implies, an inactive or non-operational GOCC refers to the status of a GOCC wherein it has ceased to be a going concern by the fact that it has become dormant and non-operational, or in the case of a non-chartered GOCC, that its charter has been suspended or revoked by the SEC.

As a formal standard that the Governance Commission established through its Memorandum Circular No. 2015-02, a GOCC is classified as being in fact inactive/non-operational based on the following grounds:

(a) Continuous non-operation for at least three years;

(b) For non-chartered GOCCs, the following additional grounds:

i. Failure to file and register its By-laws with the SEC;

ii. Failure to organize and commence business within two (2) years from incorporation;

iii. The corporate franchise or certificates of incorporation has been suspended or revoked by the SEC;

iv. The operations conducted are contrary to or beyond the mandates of its charter.

For each of these GOCCs, the Governance Commission issued Memorandum Orders formally classifying them as "dissolved/liquidated/inactive" that were published on the GCG website in order to inform the public and other stakeholders. Non-operational GOCCs were immediately identified and recommended for abolition or de-activated, enabling GCG to focus on more pressing concerns.

Enforcing the State Ownership Policy

The timing was prescient in the cases of NABCOR, TRC and NLDC, which had already been recommended for abolition in 2013 before being linked to the irregular transfer of millions from the Priority Development Acceleration Fund (PDAF) to questionable entities. Other GOCCs such as PCFC (and NLDC) became victims of their success as their operations helped establish the microfinance industry to a level where there was already adequate presence from the private sector and other GOCCs. This effectively ended the need for NLDC and PCFC in the microfinance industry.

Technical Working Groups (TWG) are formed to resolve all matters involving the implementation of the abolition of a GOCC. The TWG would be composed of the President/CEO and officers of the concerned GOCC, as well as representatives from the Governance Commission, the Supervising Agency of the GOCC, DOF, DBM, COA, and when applicable, the Securities and Exchange Commission (SEC).

GOCCs that still had commercial value were recommended for privatization, such as President Aquino's approval of the privatization of GSIS Family Bank (GSIS-FB) and Intercontinental Broadcasting Corporation (IBC-13).

The GOCC Governance Act also saw the fruition of the merger of Land Bank of the Philippines (Landbank) and Development Bank of the Philippines (DBP), which had been talked about for years under past administrations but made possible only under GCG. Despite some opposition from different sectors and the Senate, the Governance Commission pushed forward with its recommendation, leading to the issuance of Executive Order No. 198, s. 2016, approving a de facto merger of the country's biggest development banks with Landbank as the surviving entity. The Governance Commission's sceptics were awed as the move was hailed by the various sectors and international credit agencies.

E.O. 198 increases the Authorized Capital Stock of Landbank, the surviving bank, to ₱ 200 billion. It also directs the National Government to provide a capital infusion of ₱ 30 billion to allow room for loan growth and meet capital requirements. The now bigger state-owned bank shall provide wider access to financial services by expanding its reach to more unbanked and underserved areas. By leveraging its combined presence in cities and municipalities, it shall also enhance the delivery of products and services for the agriculture-agrarian sector, OFWs, and beneficiaries of the government's Pantawid Pamilya Pilipino Program (4Ps).

Level and Industry Rank in terms of Assets, Loans, Deposits, and Capital

As of 30 September 2015

	Pre-Merger				Post-Merger	
	DBP		Landbank			
	₱ Billion	Rank	₱ Billion	Rank	₱ Billion	Rank
Assets	465.0	7th	1,139.8	4th	1,604.9	2nd
Loans	152.8	9th	429.9	4th	582.8	4th
Deposits	291.4	7th	991.2	3rd	1,282.6	2nd
Capital	36.9	10th	77.2	5th	114.1	4th

By June 2016, the framework for decoupling GOCCs will have also been set for implementation under the next Administration. But this will require building enough of a consensus both within the GOCCs as well as with affected agencies that would absorb transferred functions, putting GCG's coordinating and advisory roles to the test.

Streamlining Organizational Structures and Staffing

Aside from rationalizing the Government Corporate Sector, GCG is also tasked to rationalize individual GOCCs pursuant to Executive Order No. 366 (E.O. No. 366). The two should not be confused as the rationalization of individual GOCCs was directed by E.O. No. 366 to conduct a strategic review of the operations and organization of all the units of the Executive Branch of government, including GOCCs.

In essence, it involves focusing the GOCC's efforts and resources on its core services and improving its performance through the rationalization (i.e. streamlining) of its organizational structure and staffing complement. Rationalization under E.O. No. 366 is a facet of "reorganization", which is subsumed under Section 5(a) of R.A. No. 10149. While rationalization under E.O. No. 366 is more akin to downsizing the organizational structure and staffing pattern (OSSP) of the GOCC, the broader concept of reorganization may also involve the restructuring of the OSSP to allow the GOCC to pursue new programs covered by its mandate, or even the deactivation or abolition of the entity itself. In Canonizado v. Aguirre, the Supreme Court ruled that reorganization takes place "when there is an alteration of the existing structure of government offices or units therein, including lines of control, authority, and responsibility between them. It involves the reduction of personnel, consolidation of offices, or abolition thereof by reason of economy or redundancy of functions."

However, rationalization of the GOCC Sector and the rationalization of the OSSP of individual GOCCs are two intertwined functions of the GCG. As some GOCCs may be privatized or abolished in accordance with the rationalization of the sector, those GOCCs that will remain would necessarily have to be individually rationalized to ensure that the structure of its organization and the number of its personnel are adequate and responsive for the GOCC to efficiently fulfill its mandate.

It bears emphasis, however, that in order to be valid, reorganizations must be pursued in good faith. Reorganization is carried out in "good faith" if it is for the purpose of economy or to make the bureaucracy more efficient. Significantly, Republic Act No. 6656 enumerates the circumstances which

FROM COMPLIANCE TO **STRATEGIC WORKFORCE**

IN THE WAKE of the widespread corruption under the Marcos regime, human capital management within government was one of the many areas that became heavily regulated. Determination of qualifications and manpower effectively became centralized in CSC and DBM following the 1987 Constitution.

Over time, this resulted in a compliance mentality in the bureaucracy with respect to human capital management. GOCCs would request for significant increases in their manpower and then justify the increases with general/motherhood statements. The years of ensuring conformity of position titles to DBM's position titles in the Index of Occupational Services (IOS) did not evolve into guiding principles and standards within the broader context of strategic human capital management. Even in common subject areas there were still no standards, such as ratio of HR personnel to total personnel, or case load figures per lawyer.

Consequently, the absence of standards led to unnecessarily long negotiations between the GCG and the GOCCs on the latter's respective reorganization plans. Impasses in the negotiations were frequently reached on account of the natural subjectivity of the dialogue and the lack of a common framework on the things that mattered.

Meanwhile, the field of human capital management in the private sector had made considerable progress. HR consulting became an industry on its own with HR professionals being "promoted" from the backroom to the board room. Human capital management had been recognized as a key driver of performance and as an essential input to developing sound business strategy.

Recognizing the potential of the emerging best practices in the HR profession, GCG issued MC No. 2015-04 towards pushing GOCCs to shift their mentality beyond compliance and towards strategic human capital management in more concrete and quantitative terms. ■

may be considered as evidence of bad faith in the removal of civil service employees made as a result of reorganization.

To ensure good faith in the reorganization of GOCCs and in response to the concerns raised by the unions of GOCCs, one of the best practices adopted by the GCG in its Memorandum Circular No. 2015-04 is the participatory process. At the beginning of the reorganization process, the Governing Board and Management is required to provide mechanisms for consultation and participation, establish a governance structure and guidelines, and define boundaries of decision-making. This is intended to promote meaningful consultation and participation of employees and key stakeholders towards better planning and smoother change management processes. Notably, the GCG required the constitution of a Change Management Team (CMT), which shall include among its membership a representative from the employees' association.

Creation of New GOCCs

The judicious use of the corporate form of organization is one of the valid institutional forms through which the government may participate in economic and social development. In her reform of the Government Corporate Sector, President Corazon Aquino mandated the "judicious use of the corporate form of organization in the creation of government bodies for the production and distribution of economic goods and services to the public." This policy eventually found its way to R.A. No. 10149 and to Article 4.3 of the Ownership and Operations Manual Governing the GOCC Sector, issued by the Governance Commission for GOCCs (GCG) through its Memorandum Circular No. 2012-06.

In furtherance of the policy on the judicious use of the corporate form of organization, the GOCC Governance Act established the following safeguard against the proliferation of GOCCs:

> SEC. 27. *Requisites for the Creation of a New GOCC or Related Corporation under The Corporation Code.* — A government agency seeking to establish a GOCC or Related Corporation under "The Corporation Code of the Philippines" shall submit its proposal to the GCG for review and recommendation to the President for approval before registering the same with the Securities and Exchange Commission (SEC). The SEC shall not register the articles of incorporation and bylaws of a proposed GOCC or Related Corporation, unless the application for registration is accompanied by an endorsement from the GCG stating that the President has approved the same.

This provision consists of two clauses, which appear to have been each derived from prior practice. Under the first clause, all proposals by a government agency to establish a GOCC under the Corporation Code must first be submitted to the GCG for review and recommendation to the President for approval. This was patterned after the rule established by President Corazon Aquino's Administrative Order No. 59, whereby the Government Corporate Monitoring and Coordinating Committee (GCMCC)—a predecessor of the GCG—must first review and evaluate proposals for the creation of corporations by the Government before they are submitted to the President for decision/approval. The second clause is essentially a directive to the SEC not to register the articles of incorporation and by-laws of a proposed GOCC without prior endorsement from the GCG.

Accordingly in 2014, the Governance Commission and the SEC entered into a Memorandum of Agreement (MOA) to facilitate mutual assistance collaboration in the execution of their respective mandates with respect to GOCCs registered with the SEC (i.e. "non-chartered GOCCs"). Thus, as a rule, the SEC will only act upon any request that will establish a GOCC, Subsidiary or Affiliate as defined under R.A. 10149 only when there is an endorsement from the GCG that the same has received approval from the President of the Republic. Moreover, for those GOCCs that had their respective certificates of registration revoked by the SEC, revival or reinstatement of registration will also not be possible absent such endorsement from the GCG.

Another safeguard established by the GOCC Governance Act pertains to the acquisition by the government of majority of the shares of a private corporation, thus:

> SEC. 28. Requisites for the Acquisition of Controlling Interest in Another Corporation. — Any government agency seeking to purchase a corporation or acquire controlling interest therein shall submit its proposal to the GCG for review and approval of the President.

In contrast to Section 27, which covers a situation where a new corporation is to be created, Section 28 covers situations where there is already an existing corporation and the government seeks to acquire controlling interest therein, thereby converting the same into a GOCC. The policy of requiring prior approval from the President before the government acquires controlling interest in a private corporation was implemented under the administration of President Corazon Aquino, which adopted a policy of exercising restraint in the creation and acquisition of corporations established through the Corporation Code. This policy of exercising restraint in the creation or acquisition of a corporation by any Government Agency also underlies the GOCC Governance Act and was adopted by the Governance Commission in its Ownership and Operations Manual Governing the GOCC Sector.

The Governance Commission also issued GCG Memorandum Circular No. 2015-01 to serve as the Guidelines for the Creation of GOCCs and Other Related Corporations. It recognized that based on practice, non-chartered GOCCs may be created through: (a) corporatization of an existing government agency; (b) creation of a new corporate entity [through the SEC]; (c) spin-off, where an existing GOCC's mandate is segregated, resulting in the creation of a new corporate entity; and (d) acquisition of the controlling interest in a private corporation.

GOCCs in the Country's Development Process

As much as the general public welcomes the abolition or closing down of a GOCC, especially those linked to corruption, the same cannot be said by the GOCCs that will be abolished. Such dispositive actions are also met with protestations that sometimes lead up to the Supreme Court questioning the constitutionality of GCG's actions.

Nevertheless, the Governance Commission remains steadfast in delivering its mandate. From streamlining the number of state-owned corporations to rationalizing individual GOCCs, and to ensuring the judicious creation of new GOCCs, the Governance Commission has built its credibility in safeguarding the Sector from proliferation of unauthorized GOCCs. It has even established its authority in that, when a new GOCC is being proposed to be created, GCG must first be consulted. After five years of existence, GCG was able to decrease the number of GOCCs from 158 to 106, rationalized and reorganized 16 GOCCs, and still stands firm on its vision to transform the GOCC Sector into a government tool significantly contributing to inclusive and sustainable economic growth.

> The Governance Commission has built its credibility in safeguarding the Sector from the proliferation of unauthorized GOCCs.

“GOOD GOVERNANCE IS GOOD ECONOMICS”

THE FINANCIAL BENEFITS IN THE GOCC SECTOR BROUGHT ABOUT BY GOOD GOVERNANCE REFORMS AND THE CHANGING CONCEPT OF SUBSIDIES

MA. ANGELA E. IGNACIO
Commissioner

The financial returns from good governance have been significant in the government corporate sector. The journey has not been easy given the lack or even absence of planning, target setting and monitoring mechanisms in the past. Geared towards ensuring that it performs its mandate of promoting financial viability and fiscal discipline in GOCCs, the Governance Commission spent the last four years improving and institutionalizing systems to address these deficiencies, making GOCCs more responsive to the public.

Barely a year after some reforms were instituted, some GOCCs have manifested improvements in their operations. Four years later, the results are even more remarkable. As will be shown below, our GOCCs have exhibited marked improvements in their operations resulting in higher incomes, improved efficiency, less reliance on subsidies and greater contribution to nation building through the remittance of higher dividends—a clear proof that good governance is indeed good economics.

The Challenge: Looking After the Country’s Largest Holding Company

When the Governance Commission was first constituted and it took stock of the government corporations under its coverage, it realized that the greatest challenge was looking after what seemed like the Philippines’ largest holding company. With 92 GOCCs in the portfolio, the baseline figures were overwhelming: ₱4.6 trillion in Total Assets, ₱574.9 billion in Total Revenues, and ₱19 billion in National Government subsidies.

Baseline Figures

(in PHP)	2010
Total Assets	4,563,036,456,928
Total Liabilities	2,721,946,819,509
Total Net Worth	1,847,745,835,544
Total Revenues	574,948,529,724
Adjusted Total Comprehensive Income	63,522,152,126
Total Subsidies (Cash Released)	19,406,000,000
Total GOCC Return on Assets[58]	1.39%
Total GOCC Return on Equity[59]	3.44%

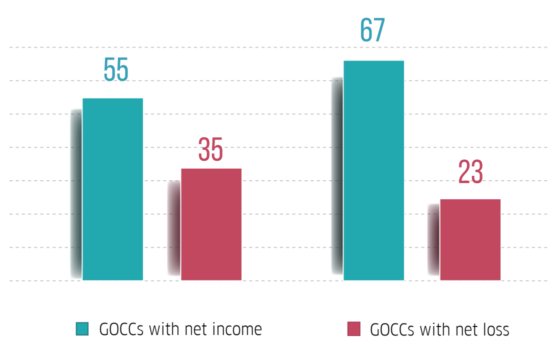
As part of President Benigno S. Aquino III’s *Tuwid na Daan* (Straight Path), the Governance Commission committed to transform the GOCC Sector into a significant tool for economic growth and development. With good corporate governance, better coordination and tighter regulations, ₱4.6 trillion in Assets (48% of GDP) is a significant amount that, if utilized properly, could go a long way in improving the lives of Filipinos.

58 Using Adjusted Total Comprehensive Income
59 Using Adjusted Total Comprehensive Income

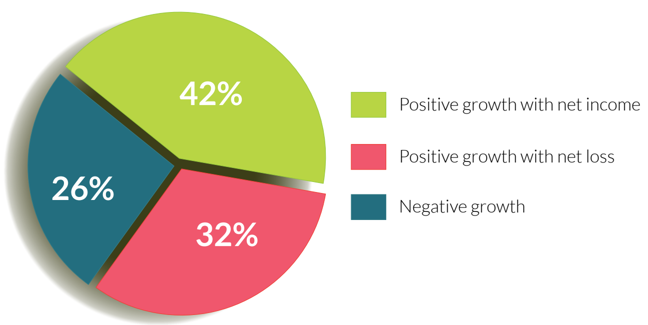
Improved Financial Performance of the GOCC Sector

There were many aspects in the finances of the GOCCs that needed improvement: negative earnings, low profitability and efficiency ratios, reliance on government support, and low budget utilization, among others.

GOCCs with Net Income vs. GOCCs with Net Loss (2010 vs. 2014)



GOCC Growth 2010 to 2014



With the institution of performance scorecards in 2012, GOCCs were able to refocus and channel its resources in pursuit of their original mandates. The Governance Commission emphasized that GOCCs have a double bottom line—*to deliver breakthrough results on their social mandates and to grow its financial resources and its potential to effect greater change, or at the very least, ensure its financial viability*.

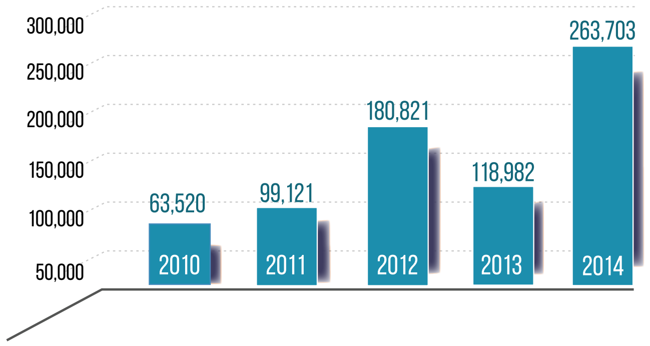
Comprehensive Income Increased

For purposes of this report, we look at adjusted comprehensive income. This is a better measure of the financial performance of GOCCs as it normalizes the earnings by removing the effects of subsidies, unrealized gains and losses and income from subsidiaries.

The adjusted comprehensive income of the GOCC Sector more than quadrupled from ₱63.522 billion in 2010 to ₱263.702 billion in 2014. While there is a large amount attributable to the change in accounting treatment of Government Service Insurance System's (GSIS) investments, we note that all sectors, except for the Educational and Cultural sector, showed significant improvements. Biggest gainers were the Trade, Area Development & Tourism sector which increased by 443% and the Utilities & Communications sector which managed to turn around from losses amounting to ₱2.8 billion to an income of ₱10.6 billion.

Bases Conversion Development Authority (BCDA) for example was able to turn around ₱944.64 million in losses in 2010 to a gain of ₱935.93 million in 2014. Similarly, Philippine Charity Sweepstakes Office's (PCSO) adjusted comprehensive income increased from ₱93.28 million in 2010 to ₱3.279 billion in 2014.

Total Comprehensive Income (in PhP Million)

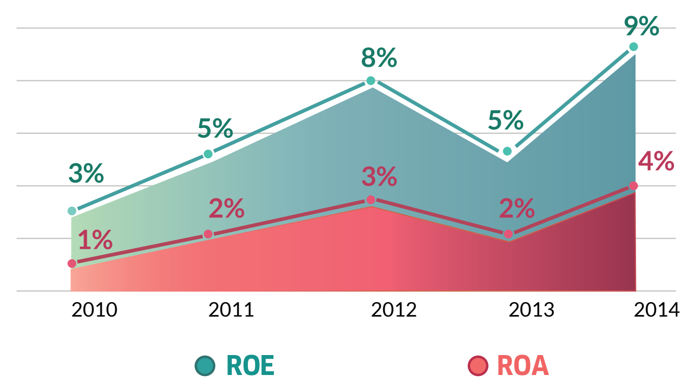


Profitability (ratios)

GOCCs also suffered from low profitability in the past. Return on Assets (ROA) in 2010 was only at 1.39% while Return on Equity (ROE) was at 3.44%. Others argue that this should be the case as they are meant to provide public service and should therefore be losing money. This may be acceptable except that some GOCCs were running losses not because they were devoting resources for public service but rather because profits were being distributed as unauthorized allowances and bonuses as there were no mechanisms for target setting and accountability. The GOCC Governance Act of 2011 rightfully changed that mindset when it declared that financial viability and fiscal discipline are of utmost importance so that GOCCs may be used by the State as significant tools for economic development.

Almost five years later, with performance scorecards in place and close monitoring by the Governance Commission, ROA and ROE increased significantly to 4.33% and 9.36%, respectively. Sectors that registered the biggest improvement were Utilities & Communications, Trade, Area Development & Tourism, and Government Financial Institutions sectors. GOCCs with remarkable annual growth rate in their profitability ratios are GSIS (+21% ROA and +20% ROE), Clark Development Corporation (CDC) (+35% ROA and +29% ROE), Philippine National Oil Company (PNOC) (+104% ROA and +102% ROE), and Manila International Airport Authority (MIAA) (+47% ROA and +43% ROE).

Return on Assets and Return on Equity



Dividends

Another noteworthy result of good governance has been the marked improvement in the GOCCs' compliance to R.A. No. 7656 (*The Dividends Law*). Prior to the "*GOCC Governance Act of 2011*", there was little impetus for GOCCs to remit dividends. For the period 2002–2009 for instance, an average of only 21 GOCCs remitted to the National Treasury a total of ₱47.9 Billion. Through a stricter monitoring by the Department of Finance and the inclusion of the payment of statutory liabilities by the GCG as a good governance condition for the release of Performance-Based Incentives, the total number of remitting GOCCs doubled to 48 while total dividends remitted for five years amounted to ₱118.329 Billion.

Focused National Government Support

Subsidies

Subsidies are amounts granted to GOCCs from the National Government's (NG) General Fund either to cover operational expenses that are not supported by corporate revenues or fund specific projects or programs. The amount of subsidies received by GOCCs from the NG often shape the public perception on the entire sector. News headlines would trumpet how subsidies have risen for a given period, sending a message that the financial condition of the sector is deteriorating. Criticisms have been made that the GOCC Sector is a burden to the government; there have even been calls for the abolition of many, simply because they are recipients of NG subsidy.

However, looking at the nature of government subsidies reveals that the latter should not be an indicator on the performance of GOCCs. To illustrate this, we need to look at the kinds of subsidies released by the NG:

1. Operating Subsidies – Funds released to the GOCC to cover operational expenses that are in excess of its revenues.

2. Program / Project Subsidies – Funds released to GOCCs to implement specific projects or programs.

Program/Project Subsidies, being funds coursed through GOCCs to implement specific projects or programs, should not be taken against GOCCs. GOCCs, because of the flexibility they have as a corporation, are often used by the NG to undertake projects. Implementation tends to be quicker and more efficient than if it is done by a department or agency. Under President Aquino's administration, major initiatives like the PNP/AFP Housing, Food Staples Sufficiency Program, and Sitio Electrification Program were implemented through the National Housing Authority (NHA), National Food Authority (NFA) and National Electrification Administration (NEA), respectively. Another GOCC that has been effectively used to deliver public service is the Philippine Health Insurance Corporation (PhilHealth) which has been able to expand the coverage of the Universal Health Care Program. What has been important to monitor for Program/Project Subsidies is its proper utilization and the quality of service provided. These are carefully reviewed and measured through the GOCC performance scorecards.

On the other hand, the Governance Commission has carefully monitored operating subsidies. Steps have been taken to minimize this by ensuring that performance scorecards capture measures that would improve financial viability and therefore lessen reliance on the government support. Data from the Department of Budget and Management (DBM) and Bureau of Treasury (BTr) shows that from 2010-2014, ₱272.174 Billion were appropriated as subsidy—₱251.756 Billion were cash released to the GOCCs. Over the five-year period 2010–2014, operating subsidies only accounted for an average of less than 2% of total subsidies. With this said, 98% or an average of ₱53.3 Billion a year has gone to public service programs.

Top 10 GOCCs Cash Subsidy Received from 2010 to 2014 (in ₱ millions)

GOCC	Amount	Purpose
PhilHealth	72,192	For the implementation of the Sponsored program of the National Health Insurance Program
NHA	54,503	Implementation of various housing, reconstruction and rehabilitation programs
NEA	26,305	Implementation of the Sitio Electrification Program
NFA	24,930	For the domestic procurement and implementation of Food Security and Stabilization Program
PCA	9,392	Implementation of various coconut industry development projects
NPC	7,935	For Missionary Electrification
LBP	7,932	For CARP landowners compensation
PDIC	4,675	Payment of NG Share on Paid Insured Deposits in Excess of ₱250,000
NHMFC	3,462	For Community Mortgage Program
LRTA	3,182	Implementation of the Rehabilitation of Lines 1 & 2 Project
TOTAL	**214,508**	

Source: Bureau of Treasury

Equity

Equity pertains to the amount received by the GOCCs as payment of capital subscriptions and generally capital investments of the National Government in the GOCCs, which form part of their capitalization.

Deficit refers to the shortfall or deficiency of revenues over expenditures of the government classified into:

i. Budgetary deficit, which is deficiency of total revenues over expenditures excluding debt repayments and payments of non-budgetary accounts; and

ii. Financial deficit, which is the deficiency of total receipts over the sum of current and capital expenditures.

If the contribution of the **16 MNFGC**s to the CPSFP is a financing surplus, it means that they were able to finance their own operations and capital expenditure projects out of internally generated funds. However, if it is a financing deficit, it means that to be able to fully fund their expenditures, these GOCCs would resort to either a combination or all of the following:

1. Equity infusion from the NG (if not yet fully capitalized)
2. Advances from the NG (from the NG Net Lending Program)
3. Loan borrowings.

Data from the BTr for the five-year period (2010-2014) showed that there are only eight GOCCs that received equity infusion. These were for the capital subscriptions to Tourism Promotions Board (TPB) and Credit Information Corporation (CIC), newly formed and reorganized GOCCs respectively, and to Home Guaranty Corporation (HGC) and the National Home Mortgage Finance Corporation (NHMFC) as additional NG subscriptions. Equity infusion to the remaining GOCCs were for the implementation of capital projects.

Net Lending

Net Lending refers to the advances made by the National Government for the servicing of guaranteed and re-lent domestic and foreign borrowings of GOCCs.

Data from BTr shows that net lending to GOCCs increased by 43% in 2014 compared to that of 2010. The increase is attributed to the increase in NG advances to Power Sector Assets and Liabilities Management (PSALM) (₱2.251 billion), National Development Company (NDC) (₱3.090 billion) and North Luzon Railway Corporation (Northrail) (₱2.819 billion). While the amount of NG advances increased over the five year period, the number of GOCCs with NG advances decreased from 15 in 2010 to 9 in 2014.

Consolidated Public Sector Financial Position (CPSFP)

Another measure of the GOCC Sector's performance is the Consolidated Public Sector Financial Position (CPSFP) which is the combined surplus or deficit of the National Government (NG), Local Government Units (LGUs), Major Non-Financial GOCCs (MNFGCs), Government Financial Institutions (GFIs), Social Security Institutions (SSIs), as well as the cost of restructuring the defunct Central Bank, and the financial position of the Bangko Sentral ng Pilipinas (BSP).

Financing deficit, the technical term used for the GOCCs derived from their Statement of Financial Operations (SFOs), measures how much of the GOCC's expenditures cannot be funded from its own operations. In the GOCC Sector, 16 MNFGCs, as listed below, are closely monitored by the Department of Finance for their fiscal relevance as they account for a substantial portion of the Consolidated Public Sector Deficit (CPSD).

1. National Power Corp. (NPC)
2. National Transmission Corporation (TRANSCO)
3. Power Sector Assets and Liabilities Management (PSALM)
4. Philippine National Oil Co. (PNOC)
5. Metropolitan Waterworks and Sewerage System (MWSS)
6. National Irrigation Authority (NIA)
7. National Dev. Corp. (NDC)
8. Light Rail Transit Authority (LRTA)
9. Local Water Utilities Administration (LWUA)
10. National Electrification Administration (NEA)
11. National Housing Authority (NHA)
12. Philippine National Railways (PNR)
13. Philippine Ports Authority (PPA)
14. National Food Authority (NFA)
15. Philippine Export Zone Authority (PEZA)[60]
16. Home Guaranty Corp. (HGC)

Financial Position of the 16 MNFGCs, 2001-2014 (In ₱ Billion)

Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Financing Surplus / (Deficit)	(24.5)	(46.4)	(65.3)	(85.4)	(25.4)	(1.1)	57.9	(27.2)	(19.3)	(66.9)	(19.8)	(4.9)	60.9	21.2
Change	--	(21.9)	(18.9)	(20.1)	60.0	24.3	59.0	(85.1)	7.8	(47.6)	47.1	14.9	65.8	(39.7)

Source : DOF

Period	Accumulated Financing Deficit	Average Per Year
	(In ₱ Billion)	
2001–2010	303.6	30.4
2011–2014	57.2	14.31

60 PEZA is a well-managed GOCC that is not under the jurisdiction of the GCG.

Contribution of GOCCs to the CPSFP

The following data will show a marked improvement in the CPSFP of the 16 MNFGCs. Average annual accumulated financing deficit fell from ₱303.6 billion for the period 2001–2010 to only ₱57.2 billion in 2011–2014. In fact, a surplus of ₱60.9 billion and ₱21.2 billion were registered in 2013 and 2014, respectively.

Financial Position of the GFIs and SSIs, 2001–2014
(In ₱ Billion)

Year	GFIs (LBP, DBP, TIDCORP)	SSIs (GSIS, SSS, PHIC)
2001	3.9	15.6
2002	5.4	25.6
2003	4.9	17.6
2004	5.2	24.4
2005	6.6	48.9
2006	8.0	59.4
2007	5.9	34.2
2008	7.5	64.0
2009	10.8	44.5
2010	9.4	40.1
2011	9.8	48.0
2012	9.9	72.7
2013	15.3	62.5
2014	12.2	68.8

Contribution of GOCCs to the CPSD and GDP, 2009-2014
(In ₱ Billion, unless otherwise indicated)

Particulars	2009	2010	2011	2012	2013	2014
Gross Domestic Product (GDP)	8,026.1	9,003.5	9,706.3	10,564.9	11,548.2	12,642.7
CPSD	(240.1)	(355.8)	(175.1)	(162.7)	44.8	82.2
As % of GDP	-3.0	-4.0	-1.8	-1.5	0.4	0.7
Financing position of 16 MNFGCs	(19.3)	(66.9)	(19.8)	(4.9)	60.9	21.2
As % of GDP	-0.24	-0.74	-0.20	-0.05	0.53	0.17
Financing position of GFIs	10.8	9.4	9.8	9.9	15.3	12.2
As % of GDP	0.13	0.10	0.10	0.09	0.54	0.54
Financing position of SSIs	44.5	40.1	48.0	72.7	62.5	68.8
As % of GDP	0.55	0.45	0.49	0.69	0.13	0.10

Source: DOF

There is no doubt that the financial benefits in the GOCC Sector brought about by good corporate governance have been significant. With the institutionalization of important reforms like the Performance Evaluation System and Performance Evaluation for Directors, we see the growth momentum continuing in the coming years. The Governance Commission is on track in achieving its vision that by 2020, it shall have transformed the GOCC Sector into a significant tool of the State in the attainment of inclusive growth and economic development. ■

RELIABLE AND ACCESSIBLE FINANCIAL SYSTEM

Development Bank of the Philippines
Loans to Development Projects

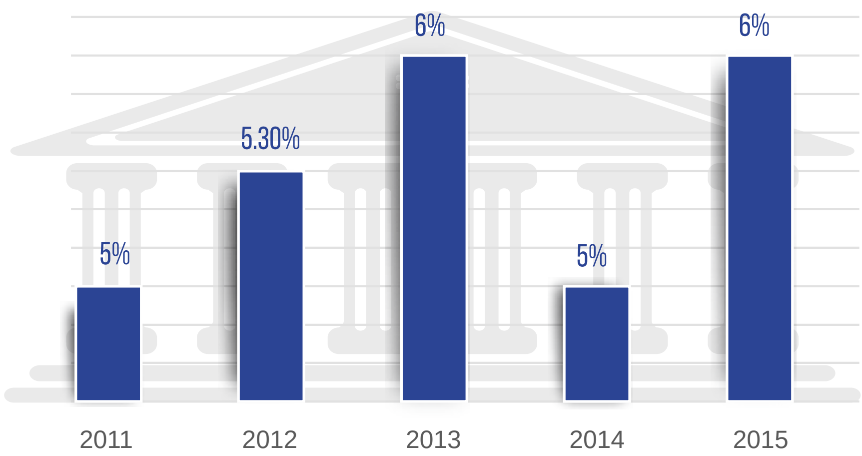
Total Amount of Loans provided by DBP to finance development projects amounted to **₱519.38B** (33% increase from 2011) over the past **5 years**, majority of which were lent to its priority sectors including MSMEs, Infrastructures

Land Bank of the Philippines
Loans to Priority Areas

LANDBANK

Loans to Priority Areas
LBP lent out **a total of ₱556.06B** to the agricultural sector.

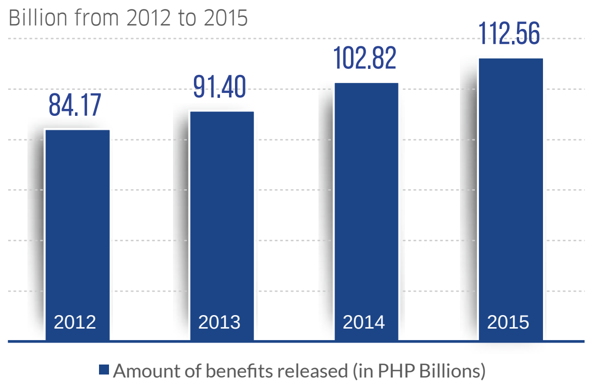
Philippine Deposit Insurance Corporation
Fund Available to Depositors



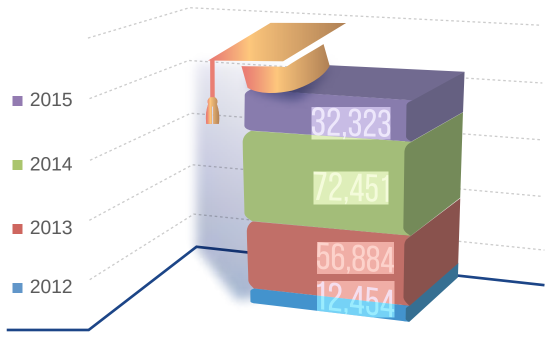
Percentage of fund available as insurance to depositors.

EXPANDING THE COUNTRY'S SOCIAL PROTECTION

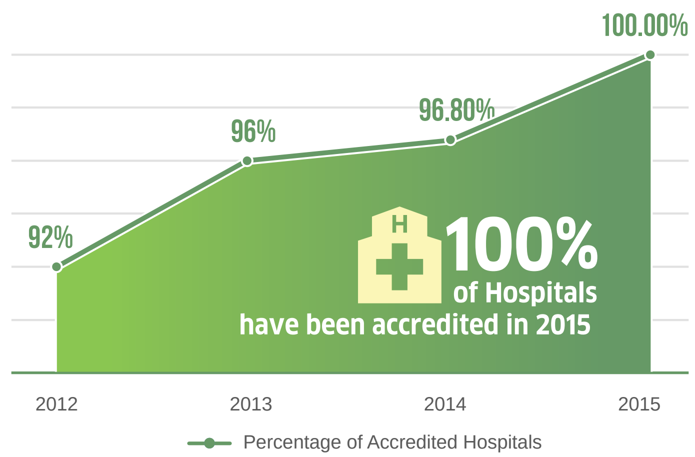
Social Security System
Benefits Released
increased from **₱84.17** Billion to **₱112.56**

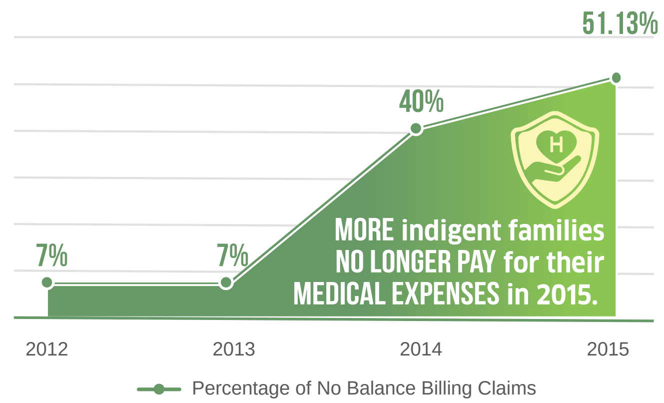


Social Security System
117,412 Short-Term Educational Loans have been disbursed in the past 4 years (2014-2015)



Philippine Health Insurance Corporation
Accreditation and Benefits

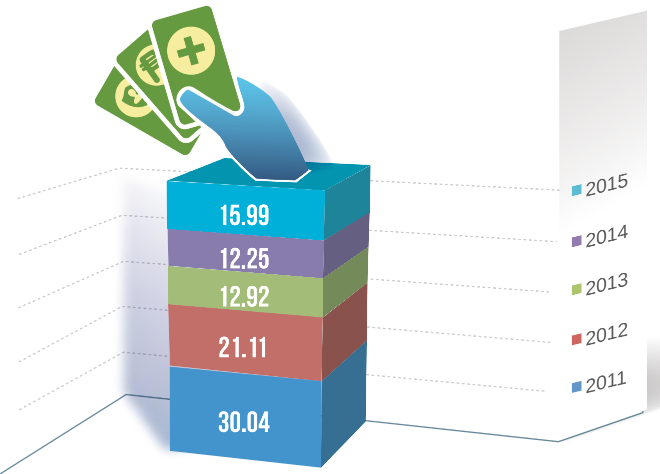




GSIS

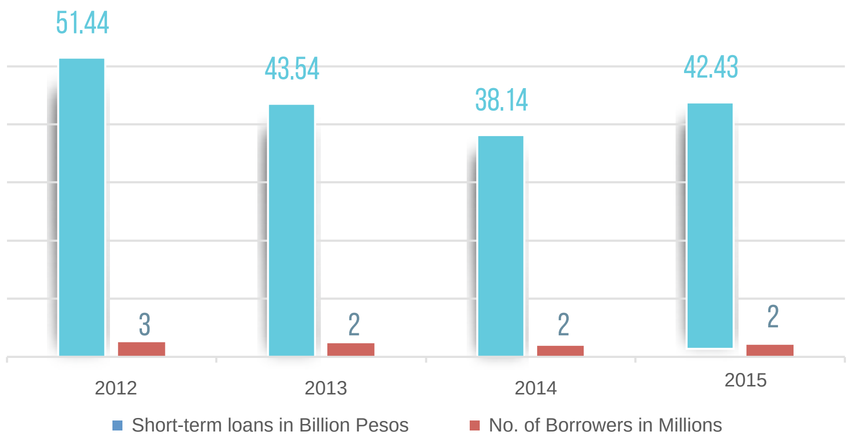
Government Service Insurance System
Loans and Benefits

As of 2015, 92.3 Billion Pesos worth of loans have been given. In addition, all qualified members have been granted additional benefits under the fund.



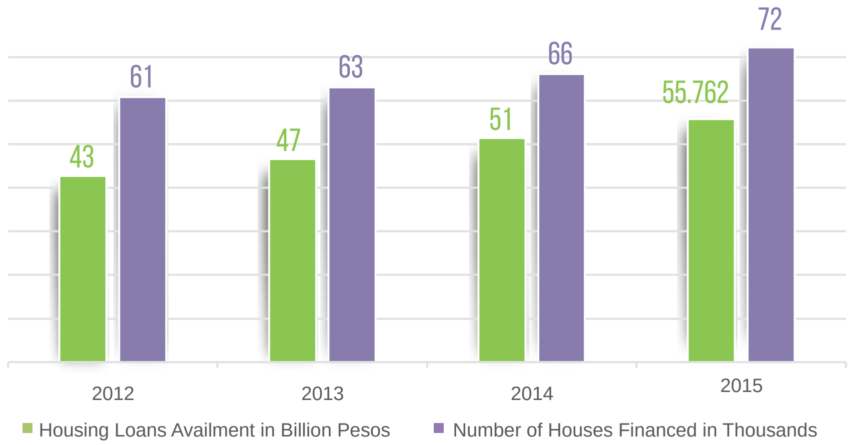
Home Development Mutual Fund (Pag-IBIG)

Provided **₱175.55 billion** Short-term and Calamity Loans **to 8.8 million borrowers** from 2012 to 2015



Housing Loans

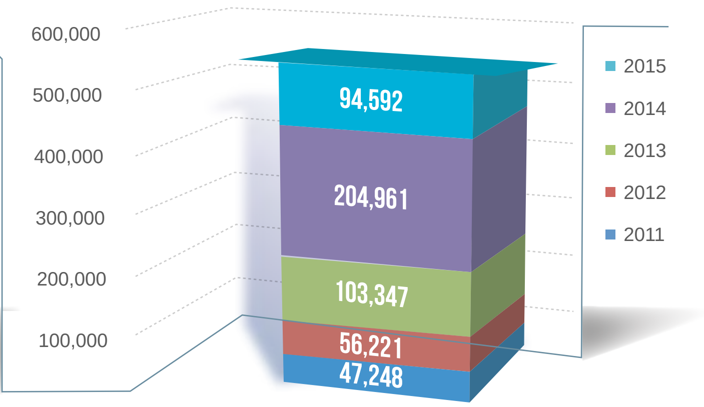
262,499 Housing Loans amounting to ₱197 Billion were availed of from 2012 to 2015



National Housing Authority

Completed Housing Units

506,369 Housing Units have been **completed for Indigent Families** from 2011 to 2015

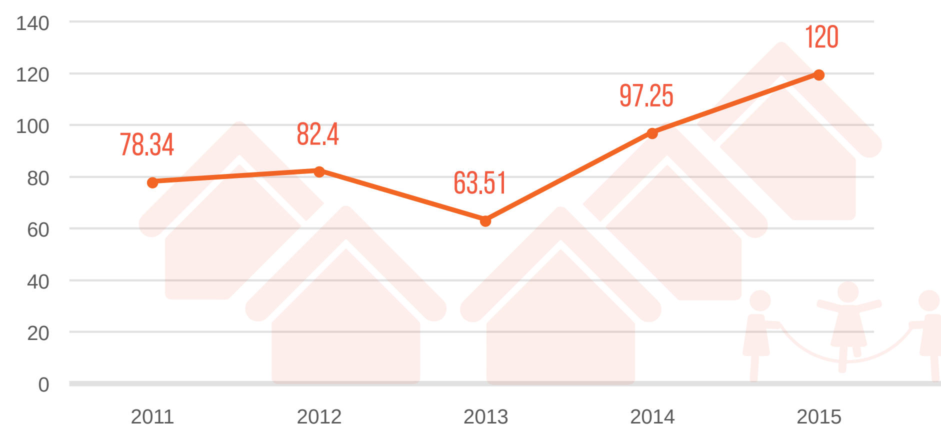


ACCESS TO SECURE SHELTER

Home Guaranty Corporation

Total Loans Guaranteed

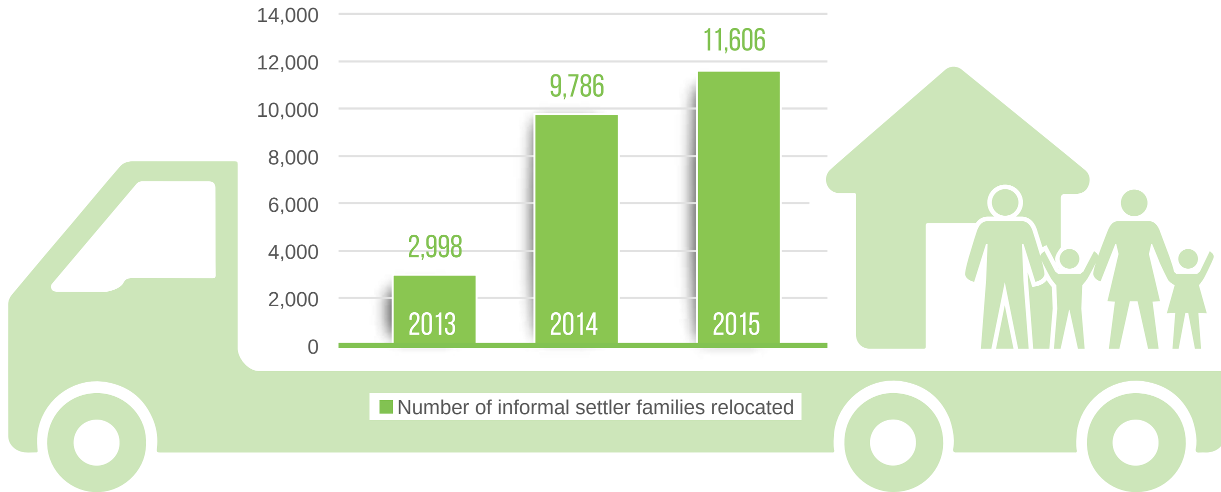
Total value of loans (in Billion Pesos) guaranteed encourages banks and developers to engage in social and low-cost housing. **₱441.50 total loans guaranteed** from 2011 to 2015.



Social Housing Finance Corporation

Relocation

Relocated **11,606 informal settler families** through the High Density Housing Program

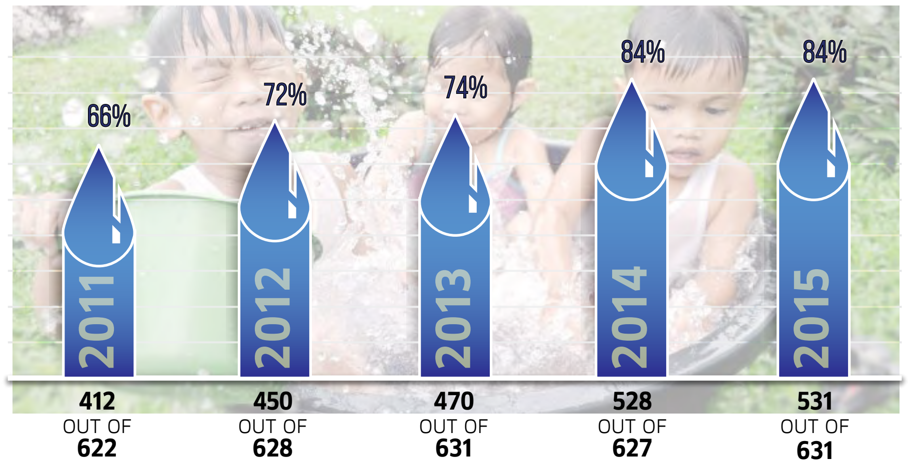


Metropolitan Waterworks and Sewerage System

Implemented various multi-billion water security projects including **Angat Water Utilization and Aqueduct Improvement Project** · **Angat Dam and Dyke Strengthening Project** · **Umiray Angat Transbasin Project** and **Sumag Diversion Project.** At the same time, MWSS determined the **decrease in water rates** through the Rate Rebasing Exercise.

Local Water Utilities Administration

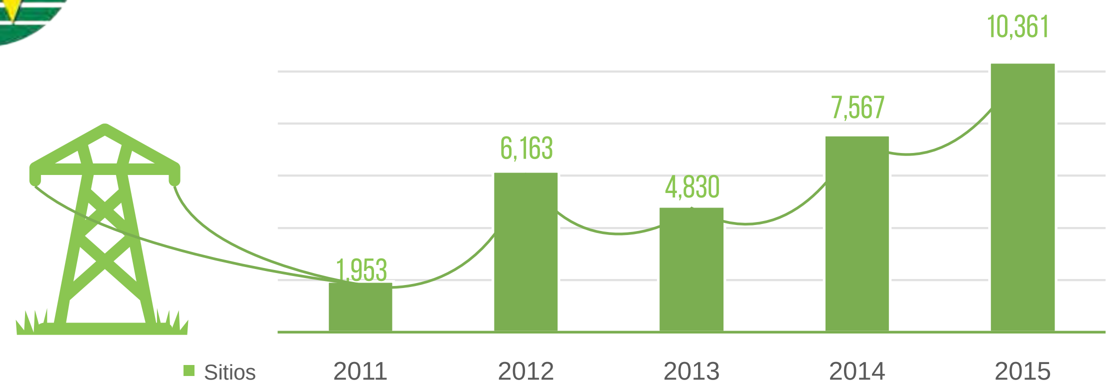
Increased percentage of Operational Water Districts with the **capacity to supply water 24/7** through its financial and technical assistance programs

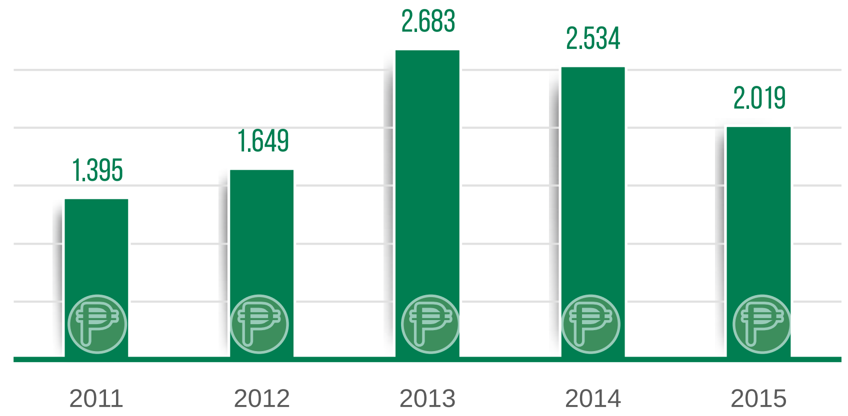


National Electrification Administration

Access to Energy

A total of **30,874 sitios** given access to energy from 2011 to 2015





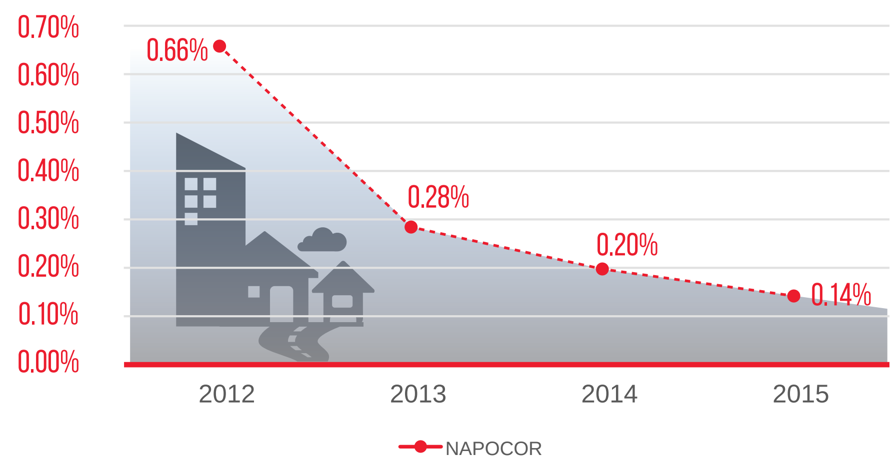
A total of **₱10.28 billion in loans** given **to strengthen Electric Cooperatives** through Financial assistance packages

Amount of loans given in Billions

National Power Corporation

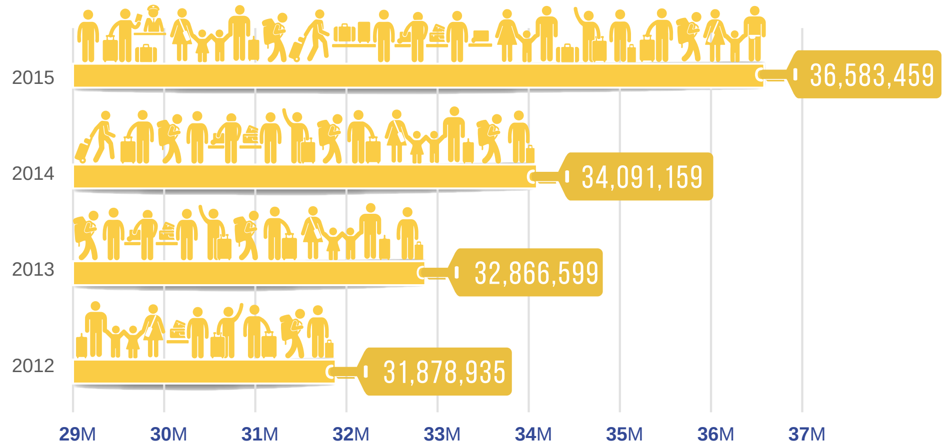
Decrease in Power Outage Rate

Power Outage Rate has consistently decreased from 0.66% in 2011 to 0.14% in 2015



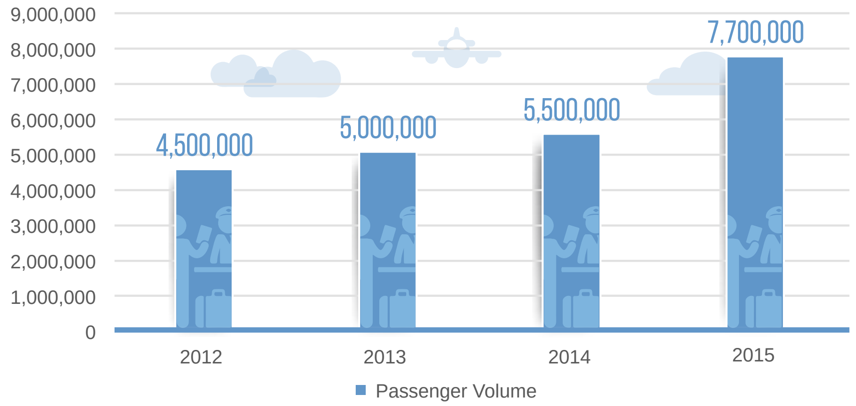
Manila Intenational Airport Authority
Increased Passenger Volume

Passenger Volume increased from **31.88 Million** in 2012 to **36.58 Million** in 2015.



Mactan-Cebu International Airport Authority
Increase in Number of Passengers

Increase in number of passengers from **4.5 Million** in 2012 to **7.7 Million** in 2015

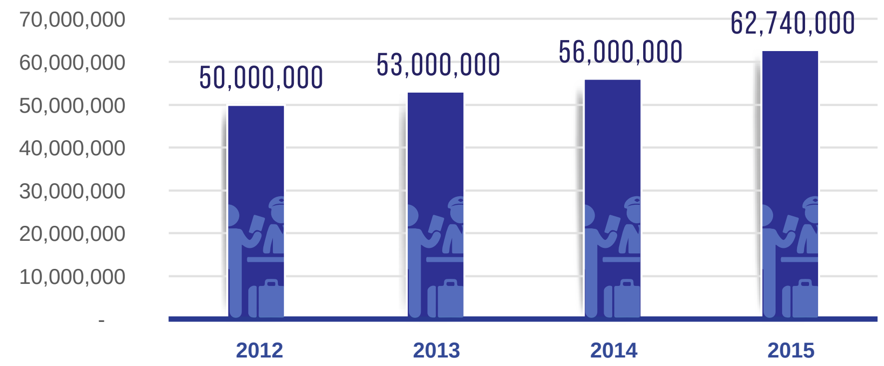


ACCELERATING INFRASTRUCTURE DEVELOPMENT

PHILIPPINE PORTS AUTHORITY

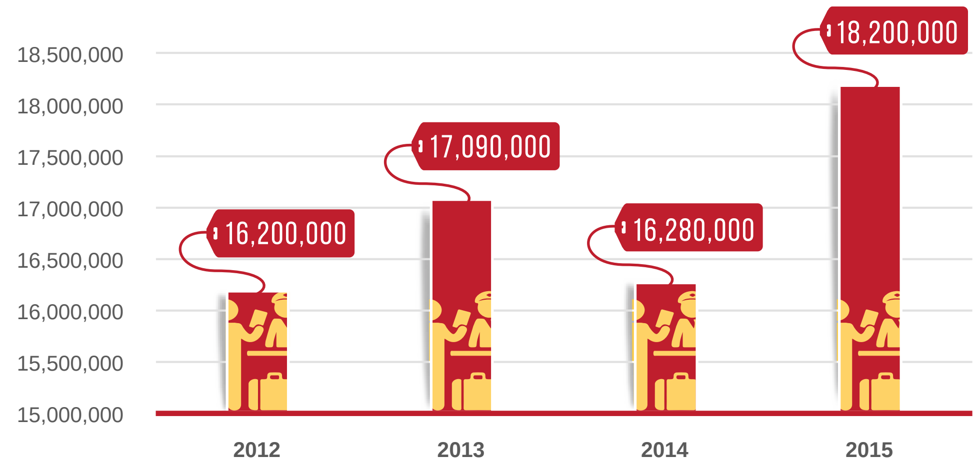
Philippine Ports Authority
Increased Passenger Volume

Increased Passenger Volume from **50 Million** in 2012 to **62.74 Million** in 2015.



Cebu Port Authority
Increased Passenger Volume

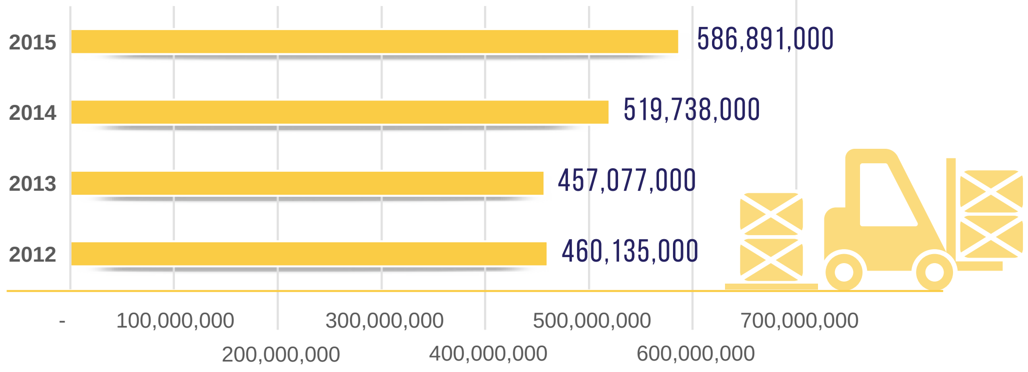
Increased Passenger Volume from **16 Million** in 2012 to **18.2 Million** in 2015.



ACCELERATING INFRASTRUCTURE DEVELOPMENT

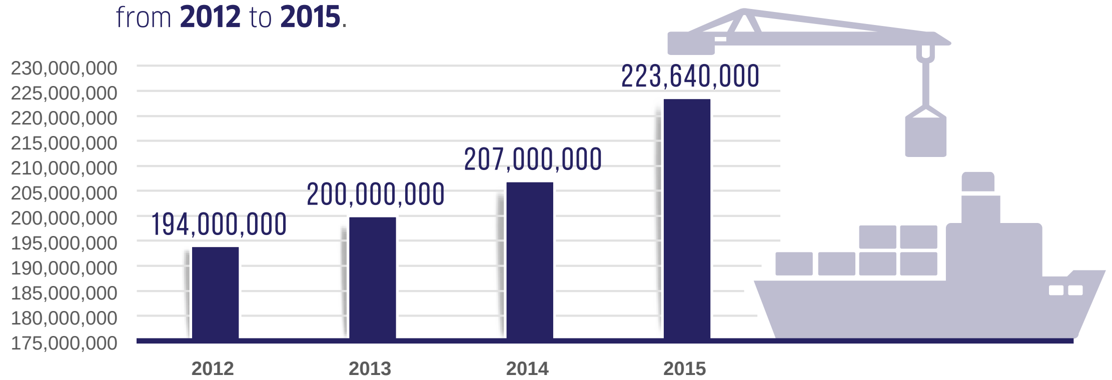
Manila Intenational Airport Authority
Increased Cargo Volume

A total of **2.023 Billion metric tons** of cargo volume from **2012 to 2015**.



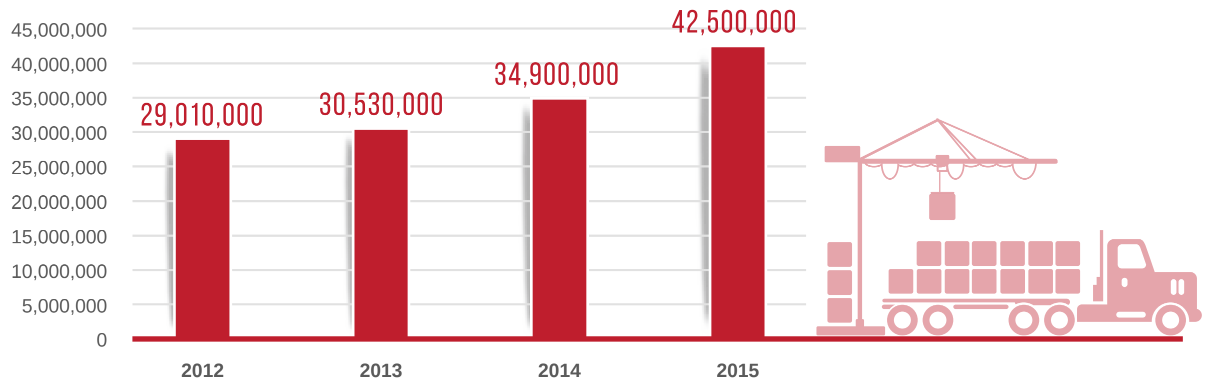
Philippine Ports Authority
Increased Cargo Volume

A total of **824.64 million metric tons** of cargo volume from **2012** to **2015**.



Cebu Port Authority
Increased Cargo Volume

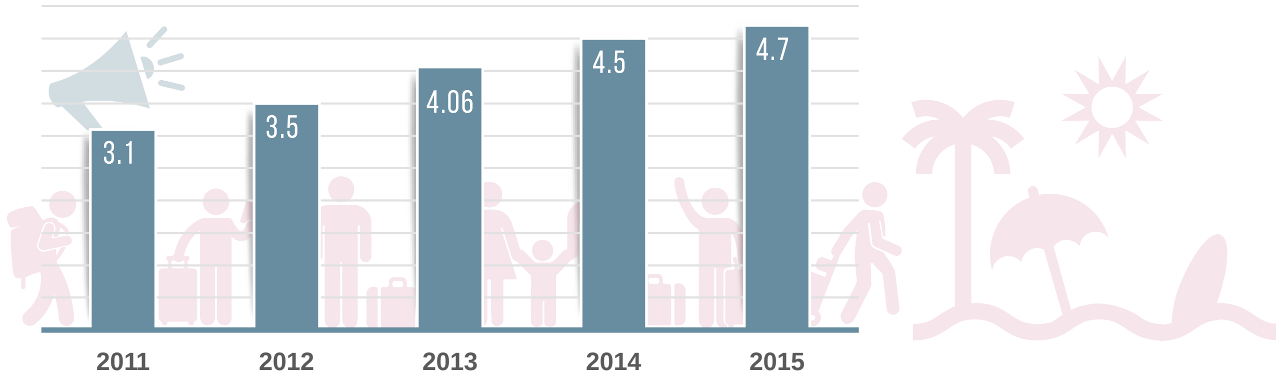
A total of **136.94 Million metric tons** of cargo volume from **2012 to 2015**.



PROMOTING WORLD CLASS TOURISM & PROPELLING THE GAMING AND ENTERTAINMENT INDUSTRY

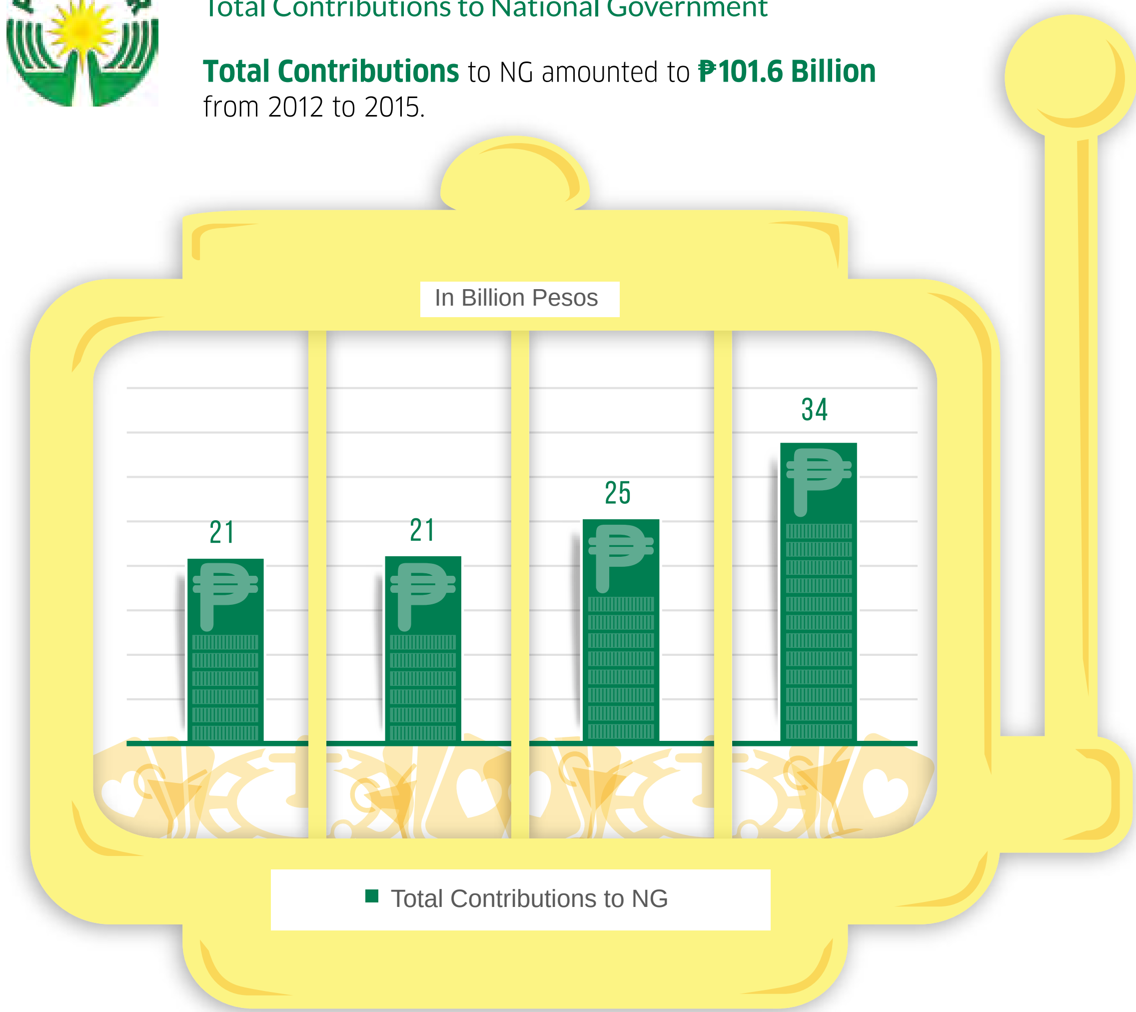
Tourism Promotions Board (formerly PCVC)
Increased International Tourism Arrivals from Marketing Campaigns

Increased international tourism arrivals (from key markets: Germany, South Korea, China) **from 3.1 Million** to **4.7 Million** due to intensive marketing and tourist campaign.



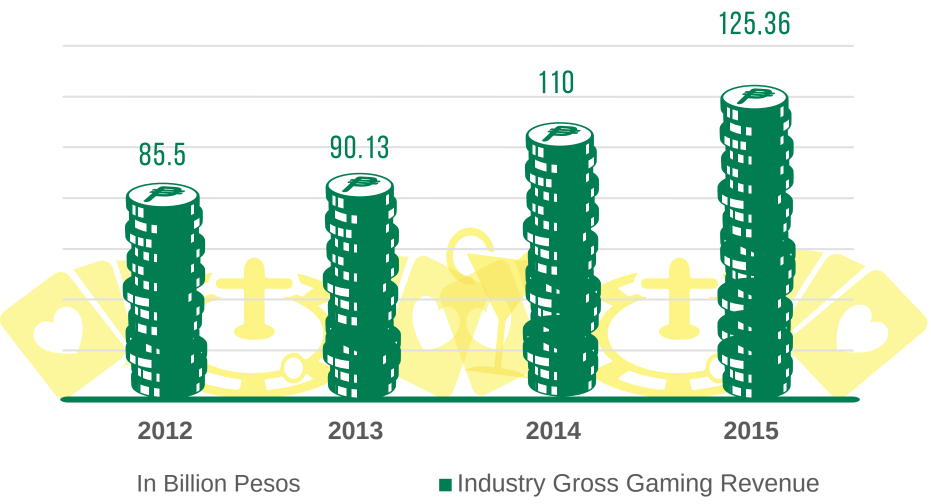
Philippine Amusement and Gaming Corporation
Total Contributions to National Government

Total Contributions to NG amounted to **₱101.6 Billion** from 2012 to 2015.



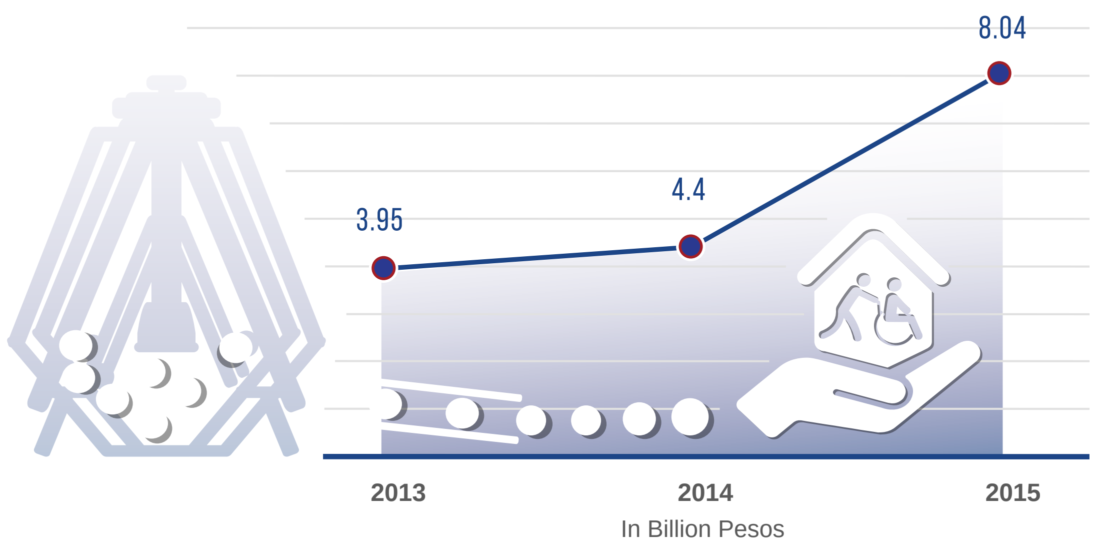
PROMOTING WORLD CLASS TOURISM & PROPELLING THE GAMING AND ENTERTAINMENT INDUSTRY

Philippine Amusement and Gaming Corporation
Industry Gross Gaming Revenue amounted to
₱411 Billion from **2012** to **2015**.



Philippine Charity Sweepstakes Office
Financial Assistance for Health and Welfare

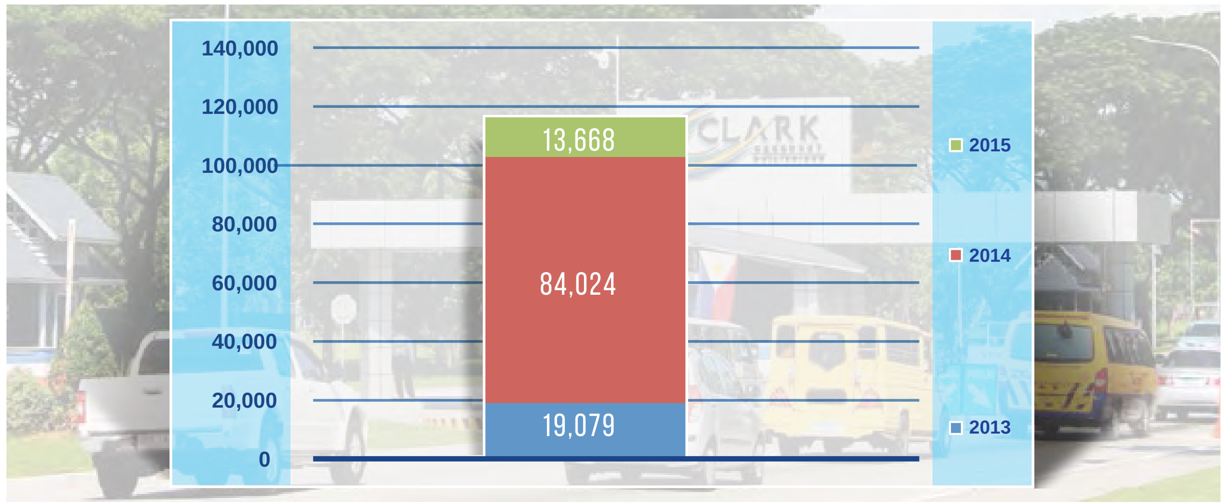
Financial assistance provided for Health and Welfare reached **₱8 Billion** in 2015.



ACCELERATING GROWTH THROUGH REGIONAL DEVELOPMENT

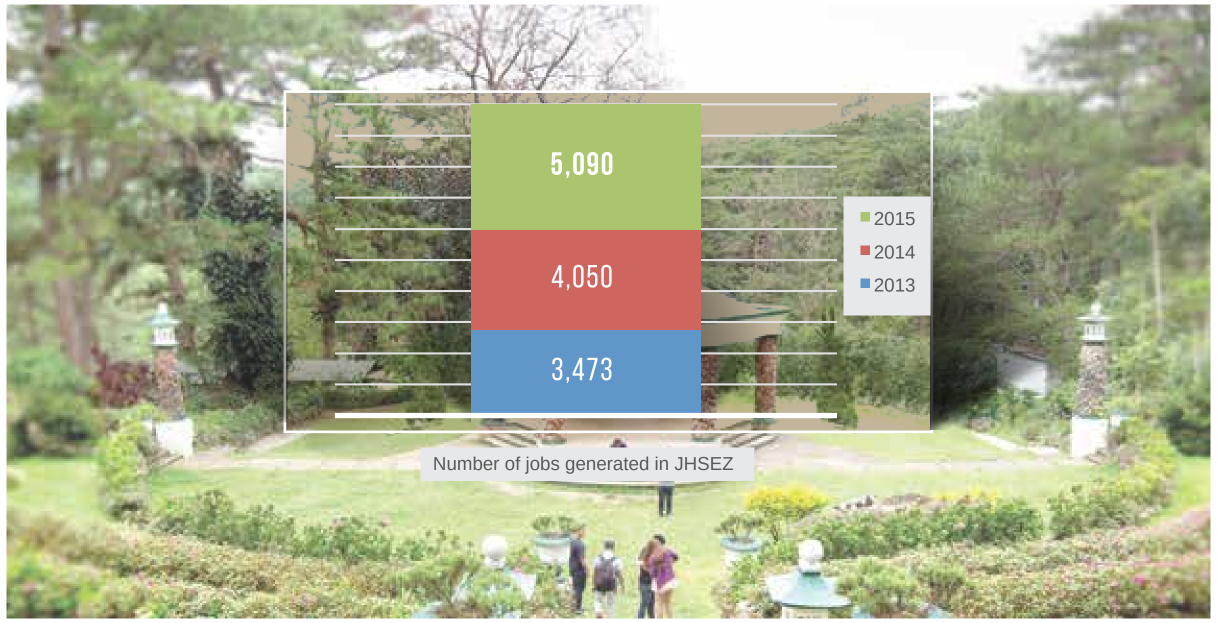
Clark Development Corporation
Jobs Generation

116,771 Jobs have been generated through the Clark Freeport Zone from **2013** to **2015**



John Hay Management Corporation
Jobs Creation

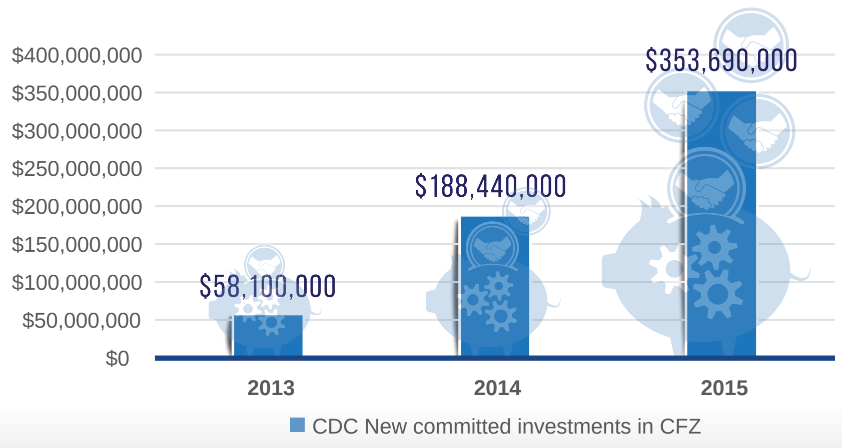
From 2013 to 2015, **JHMC created 12,613 jobs** within the John Hay Special Economic Zone



ACCELERATING GROWTH THROUGH REGIONAL DEVELOPMENT

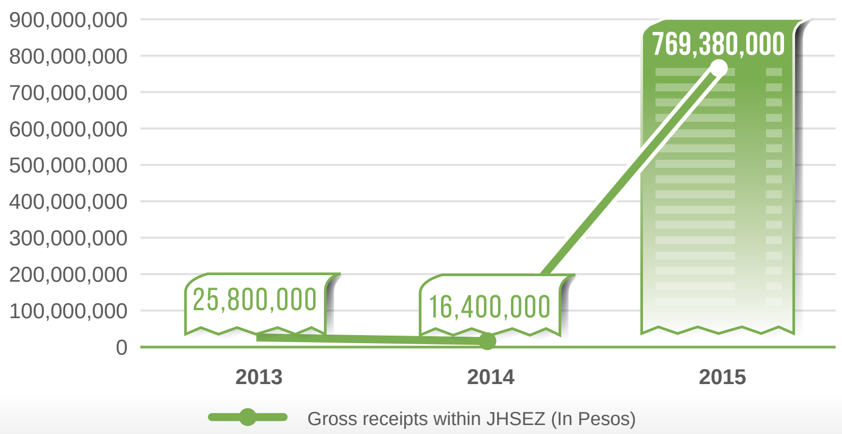
Clark Development Corporation
Investments

Investments in Clark Freeport Zone **grew to USD 353.69 Million** in 2015



John Hay Management Corporation
Gross Receipts

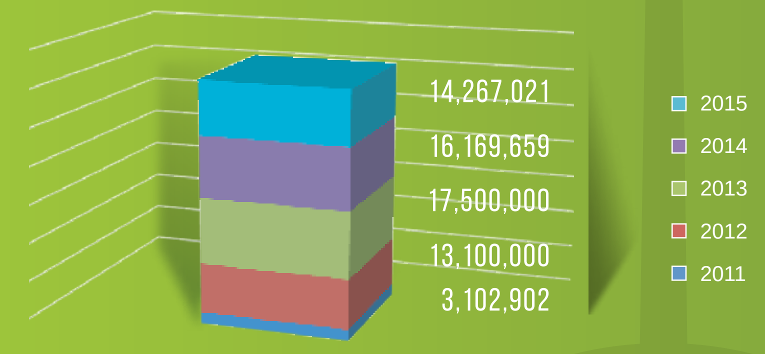
Gross Receipts within John Hay Special Economic Zone **significantly grew to ₱789.38 Million** in 2015 **from ₱25.8 Million** in 2013.



COMPETITIVE AND SUSTAINABLE FOOD PRODUCTION

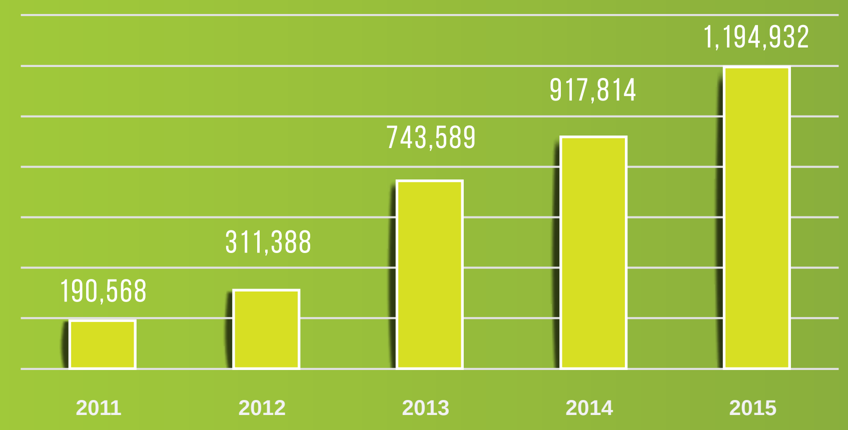
Philippine Coconut Authority
Propagation

64.14 Million Coconut Palms have been planted or replanted since 2011.



Philippine Crop Insurance Corporation
Increase in Enrolment on Crop Protection

527% Increase in number of subsistence farmer enrolled in crop protection (insurance).



THE PERFORMANCE EVALUATION SYSTEM AND CORPORATE GOVERNANCE SCORECARD

ENGENDERING A PERFORMANCE-ORIENTED CULTURE IN THE GOCC SECTOR

RYBIGAIL L. LAO
Director

During his first State of the Nation Address in July 2010, President Benigno S. Aquino III called for strong reforms in the GOCC Sector in the wake of abuses on compensation and cases of mismanagement in certain GOCCs. At the core of the controversy on compensation however was the need to turn the tide on the culture of entitlement and usher in a performance-oriented culture, not only in GOCCs but in all of government.

After directing the development of a common compensation system for GOCCs and imposing a moratorium on increases pending completion of the study in December 2010,[61] President Aquino directed the harmonization of all national government performance monitoring systems in September 2011.[62] Administrative Order No. 25, s. 2011 was then followed up with Executive Order No. 80, 2012, directing the adoption of a performance-based system for civil servants that would be linked to organizational performance. This was a significant breakthrough for government, as it was the first time that performance incentives of civil servants were formally and systematically linked to organizational performance.

61 Executive Order No. 7, s. 2010.
62 Administrative Order No. 25, s. 2011.

Together with R.A. No. 10149 (GOCC Governance Act of 2011), these reforms led to GCG's establishment of the Performance Evaluation System (PES) for the GOCC Sector in 2013. Backed by a corresponding Performance-Based Bonus and Incentive system, the PES ultimately aims to establish a culture of excellence and improve public service in the GOCC Sector. It recognizes the key role that performance measurement systems play in developing strategic goals, and more importantly, in evaluating the achievement of organizational objectives and correspondingly rewarding employees and officials.[63]

Institutionalizing Strategic Performance Management

The PES allows the Governance Commission to assess the operations of GOCCs and utilize such evaluation in determining the eligibility of GOCCs for their bonuses for the year. Concretely, the PES is pursued through annual Performance Agreement Negotiations (PAN) between the GCG and the Governing Boards and Management of GOCCs, which ultimately lead to the establishment of the GOCCs' Performance Scorecards.

Although the PES was built on the platform of the Balanced Scorecard, the Governance Commission crafted Performance Scorecards in its first two years based on the Organizational Performance Indicator Framework (OPIF) used by the Department of Budget and Management (DBM). The framework not only allows budget allocation and monitoring but also performance management built on a results-based budget system. This system is anchored on a development

> The PES ultimately aims to establish a culture of excellence and improve public service in the GOCC Sector.

63 *Innovations in performance measurement: Trends and research implications,* Ittner, Christopher D; Larcker, David F. Journal of Management Accounting Research 10 (1998): 205-238.

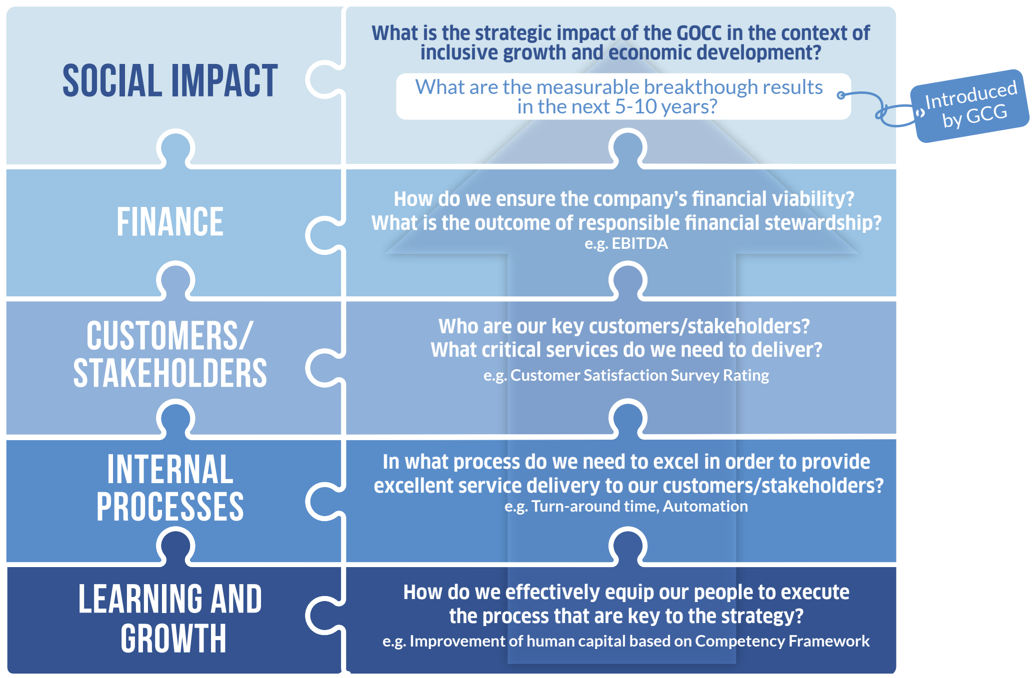
perspective and has emphasis on core services and functions. It was an interim process intended to align GOCCs with the National Government budget system since unbridled Board autonomy under previous Administrations resulted in varying budget systems hindering comparative analysis and effective oversight over the budgets of GOCCs.

For 2015 targets, the Governance Commission migrated GOCCs to the Balanced Scorecard as it recognized the ability of the same to not only assess how an organization has performed in delivering its services but also in measuring the organization's capacities and capabilities to deliver such services. The Balanced Scorecard enabled better analysis of the drivers of performance as opposed to the standard regulatory measures for General and Administrative Support Services under the OPIF.

All GOCCs under the jurisdiction of GCG are directed to develop their own vision and mission pursuant to their respective mandates, core values essential in their business operations, and Performance Scorecards in accordance with the country's national development plans. These Scorecards must be largely based on their strategy maps, which ultimately reveal the story of how value is created for the organization as it show a logical, step-by-step connection among all strategic objectives.

While recognizing the peculiarities of the operations of each GOCC, the Governance Commission also ensured a proper balance by enforcing standards in operational areas that were common across all GOCCs. Beginning 2015, all GOCCs were required to establish Quality Management Systems in line with ISO 9001:2008, adopt Stakeholder Satisfaction Surveys, and develop competency models for their officers and employees in their Performance Scorecards.

Balanced Scorecards for GOCCs



At the end of each calendar year, all GOCCs are required to submit their self-assessment for validation by the Governance Commission. Supporting documents are presented to Corporate Governance Officers while ocular visits are likewise held in order to concretely evaluate the performance of the GOCC. Assessment reports on the performance of the GOCCs are published in the GCG website[64] to ensure full disclosure, transparency, and full accountability.

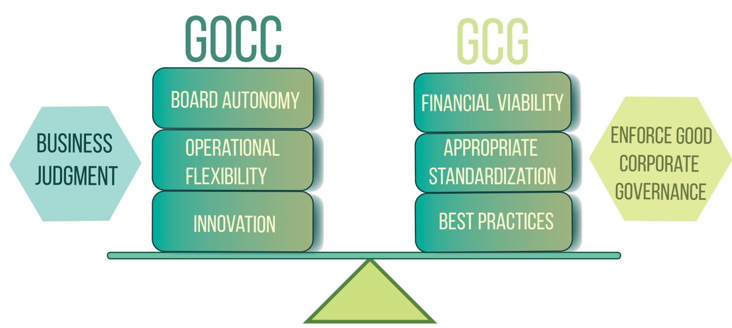
Only GOCCs that achieve a weighted score of 90% based on their annual targets as well as satisfy the Good Governance Conditions prescribed by GCG,[65] will be eligible to grant their bonuses.

Appointive Directors, on the other hand, will only receive their Performance-Based Incentives if their GOCC meets 90% of its targets and they attend 90% of all Board and committee meetings, as validated through their Directors Performance Review (DPR).

Such a paradigm shift in GOCC performance management was not easily received by GOCCs. In fact, only 64% of the GOCCs under the jurisdiction of the Governance Commission participated in the 2013 Performance Agreement Negotiations (PAN). A number of GOCC officials even expressly contested the authority of the Governance Commission to conduct these negotiations, questioning the legality and wisdom of the policy.

Over time however, GOCCs began to see the relevance of the PES. Philippine Ports Authority (PPA) General Manager Juan C. Sta. Ana shares in his summary report of PPA's accomplishment, "When I step out of the hall of PPA, I am confident that I am leaving an organization that is strong and is getting stronger. I would like to gratefully acknowledge the commitment of the PPA Officers and Employees, the support of the PPA Board of Directors and PPA stockholders and the guidance

Balancing Principles



64 www.gcg.gov.ph.
65 See GCG MC No. 2015-05.

of the GCG to PPA's journey under the regime of good governance."[66]

At the end of the day, the PES allows every GOCC to be directly accountable to the Filipino people by fulfilling their committed targets. However, more than ensuring accountability, the PES enables the GOCCs to plan for long-term breakthrough results and strengthens their awareness of their respective areas of influence. More importantly, the PES enhances the ability of GOCCs to act as stewards of the people's resources.

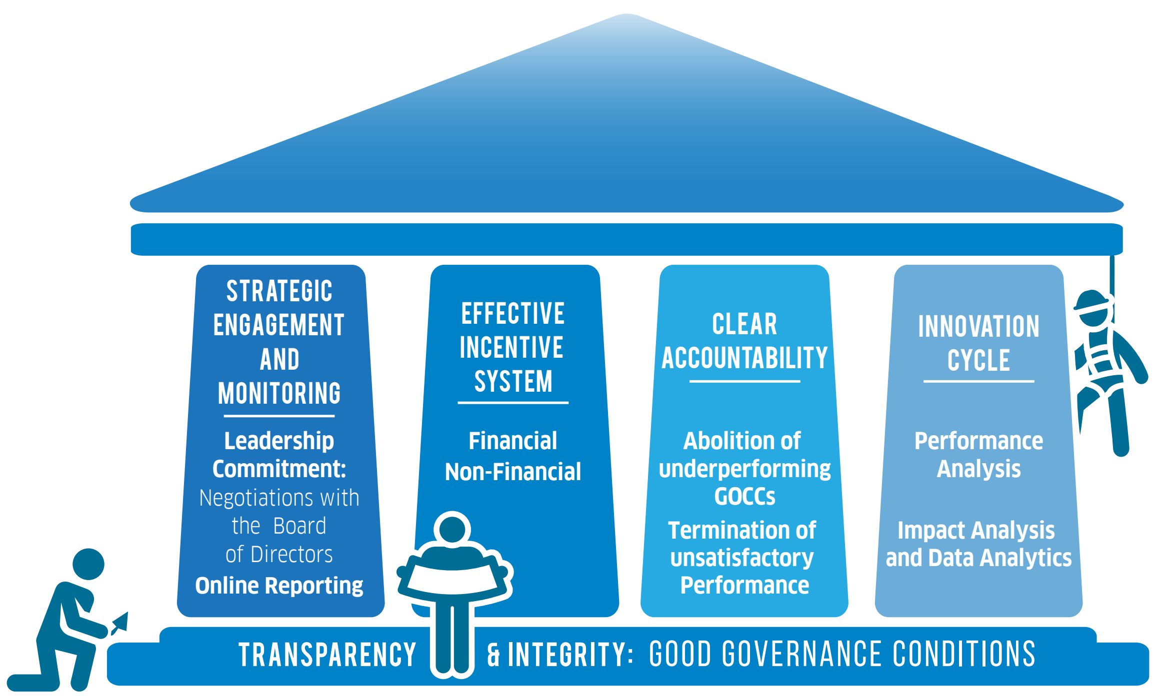
Professionalizing Board Governance

Good governance entails more than organizational and management performance; it must involve evaluation of individual Director performance given that ensuring good corporate governance of GOCCs in a transparent, responsible and accountable manner is ultimately the responsibility of the Governing Board.

Participation in PES

	2011	2012	2013	2014
GOCCs participating in PES	n/a	80	78	90

Pillars of Institutionalizing a Performance-Oriented Culture



66 Sta. Ana, Juan C. Letter to the Governance Commission for GOCCs. 28 December 2015.

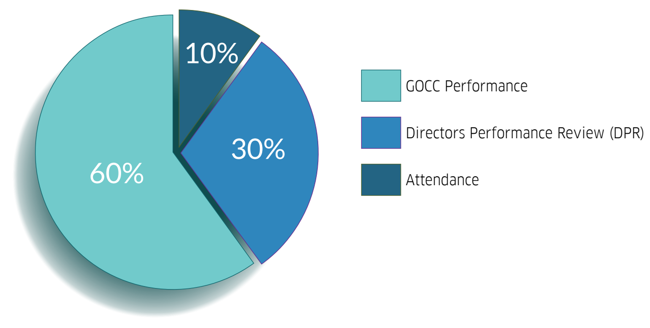
The Code of Corporate Governance for GOCCs (GCG M.C. No. 2012-07) provided for the development of an Annual Performance Evaluation of the Board that would further strengthen the competence and character of the Members of the GOCC Governing Boards. Accordingly, in 2014, the Governance Commission issued GCG M.C. No. 2014-03 to establish the Performance Evaluation for Directors (PED) in the GOCC Sector based on a review of existing Board performance evaluations in the private sector, both in the Philippines and abroad, specifically through their Board Attendance, Chairman, Self and Peer Appraisal Reviews, and GOCC Performance.

Prior to the enactment of the GOCC Governance Act of 2011, many Appointive Directors held their positions for fixed terms regardless of performance. Through the PED, all Appointive Directors may only be recommended for reappointment if he or she meets an average rating of at least 85% or an above average performance pursuant to Sec. 17 of R.A. No. 10149. The said policy enabled the Governance Commission to recommend the replacement of non-performing Board Directors.

For purposes of being able to report to the President the performance of *Ex Officio* Directors, as well as to allow the GCG to develop and evolve a good governance system for *Ex Officio* Directors in the GOCC Sector, the PED also covers the *Ex Officio* Directors and their Alternates.

In 2015, the PED system has been taken online with the Internet-based PED (iPED) to facilitate submission and analysis of thousands of rating forms submitted from over 700 incumbent Directors across

PED Components



DPR Overview

Categories where Directors are Rated	DPR Breakdown
• Knowledge and Personal Development • Preparedness and Participation • Teamwork and Communication • Conduct/Behavior	• Chairman's Appraisal (12.5%) • Peer Appraisal (12.5%) • Self-Appraisal (5%)

Good governance entails more than organizational and management performance; it must involve evaluation of individual Director performance given that ensuring good corporate governance of GOCCs in a transparent, responsible and accountable manner is ultimately the responsibility of the Governing Board.

100 GOCCs. The iPED also ensures confidentiality and encourages the Directors to submit honest evaluation and share comments or recommendations for improvement.

Raising Corporate Governance to International Standards

To further promote the need for good corporate governance, the Governance Commission, in partnership with the Institute of Corporate Directors (ICD), introduced the Corporate Governance Scorecard (CGS) for GOCCs..

The CGS is a quantitatively-driven evaluation tool extracted from existing and globally accepted standards and practices that assesses the corporate governance performance of GOCCs based on the OECD Principles of Corporate Governance and the ASEAN Corporate Governance Scorecard.[67] It aims to recognize well-governed GOCCs, raise corporate governance standards and practices, and encourage GOCCs to adopt the best practices on corporate governance. In line with the thrust of R.A. No. 10149 on enhancing transparency,[68] the CGS and the other transparency initiatives of GCG[69] set the GOCC Sector on the path of becoming as transparent and accountable as publicly-listed companies in line with the recommendation of OECD on corporate governance of State-Owned Enterprises (SOEs).[70]

Each GOCC shall be appraised of its performance and level of adherence to the best practices and international standards of corporate governance. Assessment shall be based on the disclosures in the GOCC's website.

Towards Performance-Driven GOCCs

With the introduction of the Performance Evaluation System, the Performance Evaluation for Directors and the Corporate Governance Scorecard, it is evident that steps have been taken in order to instigate a performance-driven culture within the GOCC Sector. GOCCs are now more accountable to the Filipino people; results became more concrete and evident. There are established basis for the eligibility to allowances and bonuses, thus limiting the possibilities of corruption in public service.

It is undeniable therefore that one of the legacies of the Aquino administration is the institutionalization of linking performance to rewards.

67 R.A. No. 10149; "Code of Corporate Governance for GOCCs" (GCG MC 2012-07); *OECD Principles of Corporate Governance for State Owned Enterprises*; and the ASEAN Corporate Governance Framework.

68 See Sec. 25, R.A. No. 10149 on mandatory disclosures.

69 Other major transparency initiatives include the PES, ICRS, No Gift Policy, as well as future initiatives such as mainstreaming of the Sustainable Development Framework of the Global Reporting Initiative.

70 OECD (2015), *OECD Guidelines on Corporate Governance of State-Owned Enterprises 2015*, OECD Publishing, Paris, 24

ENGAGING THE PUBLIC IN A SHARED VISION TO TRANSFORM THE GOCC SECTOR

PAOLO E. SALVOSA
Director

ALLAN ROY D. MORDENO
BEA NADINE V. BARTE

An informed and engaged citizenry is the hallmark of a strong democracy. But "freedom of speech" is only as good as the information that is "fed" into citizen component of the democratic process. Stated otherwise, "garbage in, garbage out."

The quality of public debate in Philippine society is often criticized indirectly with terms such as "media bias," "personality-based politics," "shallow," or in the context of elections, "immature electorate." Beneath all the layers of frustration with a young democracy however lay two fundamental problems of governance. First, government had a "reactive" stance in its perspective on the strategic value of communications vis-à-vis the media and the public. Second, information management had been neglected by government executives for too long, relegated to the backroom as clerical work until piles of records began "tearing" government agencies at the seams.

To be fair, Sec. 24, Article II of the 1987 Constitution established early on that the "State recognizes the vital role of communication and information in nation-building." This State Policy was reinforced by Sec. 10, Article XVI of the 1987 Constitution, which mandated the State to "provide the policy environment for the ...emergence of communication structures suitable to...the balanced flow of information into, out of, and across the country, in accordance with a policy that respects the freedom of speech and of the press." As with all legal issuances however, these directives had been viewed more in the context of rights and duties rather than areas of strategic concern.

When President Benigno Aquino III expanded the communications operations of the Office of the President at the beginning of his term, many initially criticized the creation of PCDSPO[71] and PCOO[72] as unnecessary. The critics however were unaware of the magnitude to which the problem of undervaluing communications and information management had grown. Few, if any, made the connection between the lack of transparency under past Administrations and the dreaded experience of walking into a government office surrounded by piles and piles of documents. While corruption certainly had something to do with the transparency problems of the past, the bulk of the problem was simply due to a lack of capacity at the operational level to balance the requirements of responsible records management and providing access to the media and the public in the face of overwhelming records.

> While coruption had something to do with the transparency problems of the past, the bulk of the problem was due to a lack of capacity at the operational level...

When it first began operations in October 2012, the Governance Commission adopted a low-profile in getting its operations off the ground partly out of humility but also out of necessity on account of the lack of manpower since GCG consisted of less than 30 people in its first year. More importantly, the number one priority was to first establish the infrastructure and mechanisms for governance and effective oversight.

While proactive on stakeholder engagement such as when GCG

71 Presidential Communications Development and Strategic Planning Office.
72 Presidential Communications Operations Office.

> **As communications and media engagement were made an integral part of the strategy for transforming GOCCs, it gave a new perspective to the Governance Commission's operations, particularly all of the data that was being generated in GCG's work.**

drafted the Organic Documents[73] for the GOCC Sector, the Governance Commission effectively adopted a reactive stance with respect to engaging the media and the general public. This stance appears to be relatively common in government. DBM approved a plantilla for GCG that provided for only one full time Public Relations Officer.

The Governance Commission's communications operation came under increased public pressure during the media frenzy over the Performance-Based Incentives of the SSS Board members in September 2013. There was intense public debate on the merits of the policy of competitive pay for Appointive Directors as well as the performance measures used for the SSS. The experience highlighted the importance of GCG's advisory role in framing the issues towards promoting a balanced and healthy public debate. This objective would only be achieved through a proactive approach, regularly engaging the media and the public independent of any media inquiry.

The United States Agency for International Development (USAID) also observed the "reactive" stance as a government phenomenon in 2015. Correspondingly, USAID funded technical assistance for the development of strategic communication plans not just of GCG, but also for older institutions such as the Securities and Exchange Commission (SEC), the Ombudsman, and the Commission on Audit.

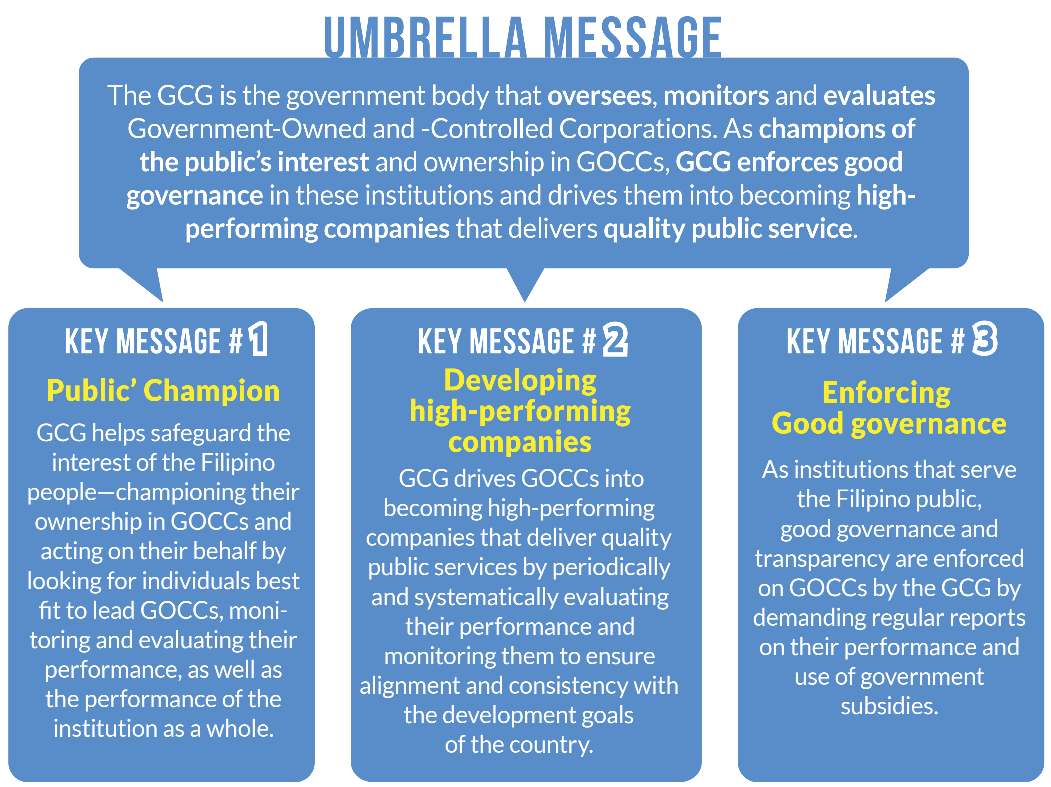
73 The Organic Documents consist of the Ownership and Operations Manual (GCG MC No. 2012-07), the Code of Corporate Governance (GCG MC No. 2012-06), and the Fit and Proper Rule (GCG MC No. 2012-05).

As communications and media engagement were made an integral part of the strategy for transforming GOCCs, it gave a new perspective to the Governance Commission's operations, particularly all of the data that was being generated in GCG's work. This paradigm shift ran parallel to the Administration's Open Data Philippines, which sought to not only make data available to the media and to the public, but to also process the data in various ways towards making knowledge and information in various records accessible to the common citizen.

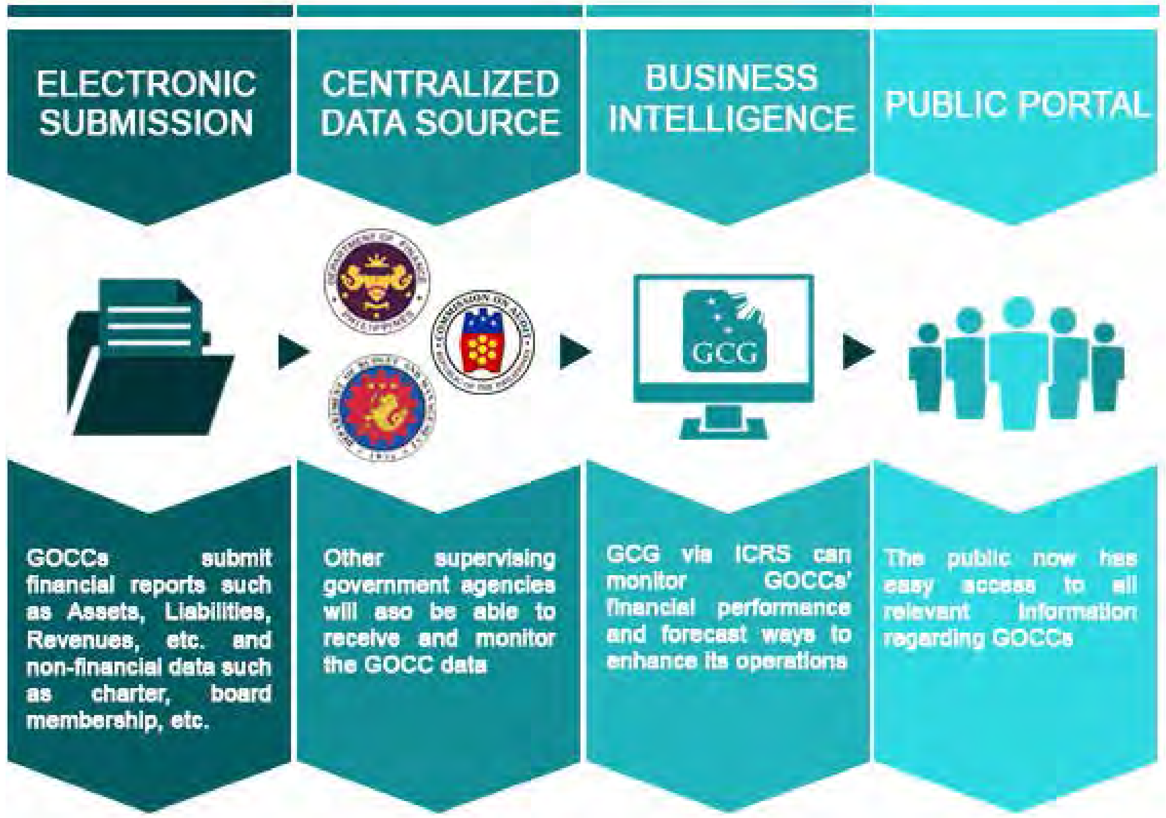
Collectively, the recognition of the strategic value of communications finally pushed government to capitalize on advancements in Information and Communications Technology (ICT). Data capture systems allowing the use of business intelligence were established. The use of social media and other communication platforms led to the streamlining of legal and technical jargon that for so long had hindered effective dialogue between the government, media and the public.

ICT in the GOCC Sector, however, was not fully utilized, until the enactment of the GOCC Governance Act of 2011. Through R.A. No. 10149, the Governance Commission was mandated to develop the **Integrated Corporate Reporting System (ICRS).** In line with President Aquino's thrust

GCG Strategic Communications Framework



ICRS Major Functions



of good governance, efficiency, and transparency, the ICRS was initially developed to strengthen the Governance Commission's oversight capabilities.

The system addresses the various problems on accessing data and information on the GOCC Sector, namely the lack of a central repository, the voluminous amount of paper-based reports, and the accessibility of data and information to all concerned agencies and the public. Through ICRS, the Governance Commission is able to strategically use ICT on initiating and enhancing reforms in the Sector.

The ICRS is instrumental to the GOCC reform strategy as it enables more efficient monitoring and assessment of GOCC performance. The bulk of paper-based reports and requirements have been simplified into a web-based module where GOCCs can encode and submit their financial and performance reports. Equipped with business intelligence/analytics functions, the ICRS enables faster correlation and disaggregation of data as well as the identification of trends in support of the policy-making and oversight functions not only of GCG, but also DOF, DBM, and COA.

But under the GCG's strategic communications plan, the ICRS was no longer simply a tool to strengthen GCG's oversight functions but had become a tool for citizen empowerment and participatory governance, particularly through the public feedback mechanism of the Performance Evaluation System for GOCCs. Through the ICRS, the public is given access to all relevant data on GOCCs. Data on GOCCs' finances and information on their operations and management are easily available and downloadable, and no longer have to be manually collected from different sources in different formats. It also facilitates research on GOCCs for journalists and students. Together with GCG's strategic communications plan, the ICRS allows each Filipino to join GCG in taking a closer look at each GOCC through straightforward facts and decide for themselves as they join the public debate on the role and performance of GOCCs in our country's development. ■

The ICRS is instrumental to the GOCC reform strategy as it enables more efficient monitoring and assessment of GOCC performance.

EMPOWERING THE STATE'S OWNERSHIP OVER GOCCS

ATTY. GERALD JAMES B. REYES
JOSEPH DANIEL N. LUMAIN
PAUL JOSEPH V. MERCADO
REYNALDO C. PARUÑGAO, JR.

As the controlling entity in all GOCCs and as a representative of the Filipino people, the National Government recognized the need to actively exercise its ownership rights in these public corporations. For the past five years, various policies transformed the practices and culture within GOCCs towards one that is more beneficial to the stakeholders, may it be the government or the Filipino people. Utilizing R.A. No. 10149 as its main legal basis, the Governance Commission promulgated the Ownership and Operations Manual Governing the GOCC Sector that highlights State's rights, role and relationship with the 158 GOCCs that were placed under its jurisdiction.

However, it was clear then that the Governance Commission cannot act alone in its role to regulate the GOCC Sector. It recognizes that the National Government, as the owner of these corporations, not only acts through the Governance Commission and the President, but also through the various supervising agencies, service-wide agencies, and the governing board of each GOCC. The Governance Commission therefore aimed to become a partner of these agencies and entities in order to successfully perform the duties and responsibilities it was mandated to implement.

Engaging the National Government Agencies

The Governance Commission made it a policy to engage the participation of the Secretary or the highest ranking official of the Supervising Agency to which the GOCC is attached whenever the former is evaluating the performance of a specific GOCC. These agencies are also consulted for the nomination, shortlisting, and removal of any member of the Governing Board. More importantly, they are part of the process of determining whether or not the GOCC attached to their agencies should be rationalized and disposed.

It is likewise apparent that the Governance Commission is accountable to the President of the Philippines, the Congress, the Commission on Audit (COA), the Securities and Exchange Commission (SEC), and the Privatization and Management Office (PMO). Aside from consultations, the Governance Commission ensured that these service-wide agencies are able to perform their mandates in relation to the GOCC Sector.

The Governance Commission also became a member of the Inter-Agency Task Force created by Administrative Order No. 25, which supervises the process of the application and release of the Performance-Based Bonus (PBB) of National Agencies, State University Colleges, and GOCCs. Among its reforms was the institutionalization of good governance conditions which serve as pre-requisites to the release of PBBs.

The Governance Commission is accountable to the President of the Philippines, the Congress, the Commission on Audit, the Securities and Exchange Commission, and the Privatization and Management Office.

The Governance Commission not only served its purpose by enacting its mandate, but also catalyzed the ability of other agencies to fulfill their respective charters. The State took a more prominent role in the regulation of the Sector through the institution of the Governance Commission, which augmented the abilities of service-wide agencies in fulfilling its role and mission towards the GOCC Sector.

Increasing Compliance to Statutory Liabilities

In order to aid COA, one of the good governance conditions that GOCCs must comply with pertains to the submission of concrete and time bound action plans for addressing Notices of Disallowances and Audit Observation Memoranda.

Further, GOCCs are now required to submit clearances from the Government Service Insurance System (GSIS), Philippine Health Insurance Corporation (PhilHealth), Home Development Mutual Fund (Pag-IBIG) and Bureau of Internal Revenue (BIR) to signify that the GOCCs have complied with their statutory liabilities. In addition to these clearances, GOCCs are also required to remit 50% of their net profit or at least negotiate with the Department of Finance in relation to their compliance with the Dividends Law.

These efforts paved way for better compliance among GOCCs. In 2014, 90 out of 107 GOCCs have participated in the annual PBB, which is an increase from the 80 out of 126 GOCCs in 2013. This implicitly shows that there has been an increase as well in the number of GOCCs that have fully complied with good governance conditions, which includes the submission of concrete and time-bound action plans on COA's Notices of Disallowances and Audit Observation Memoranda, and clearances on their statutory liabilities with GSIS, PhilHealth, Pag-IBIG and BIR.

The same can be said with regard to dividend remittances. In 2015, 49 GOCCs have remitted ₱29 Billion of dividends to the National Government, allowing the Aquino administration to surpass the total dividend collection of the nine-year Arroyo administration by ₱47.1 Billion. More GOCCs have also entered into negotiations with DOF as it became a prerequisite of the release of the performance-based incentives of the GOCC Governing Boards.

Strategic Partnerships

Throughout the course of the Aquino administration, the Governance Commission also entered into formal agreements with SEC, Presidential Commission on Good Government (PCGG), and the Ombudsman. These allowed the Governance Commission and the strategic partners to benefit from the services of one another.

The SEC now requires the clearance from the Governance Commission should the former receive an application for a creation of a new GOCC. In turn, the Governance Commission has agreed to assist SEC in its jurisdiction over nonchartered GOCCs insofar as reportorial requirements are concerned. PCGG has also turned over its sequestered GOCCs to the jurisdiction of the Governance Commission, who will aid the former in the privatization of these corporations. Finally, the Ombudsman has expedited the release of clearances that are required for the nomination of a board director as expressly stated in the Fit and Proper Rule. The Governance Commission has also vowed to aid the Ombudsman in the investigation of any complaint against board directors or trustees, and to inform the latter should a complaint be received under the GCG Whistleblowing Policy.

As of writing, 15 GOCCs have been turned over by PCGG to the GCG while the Ombudsman has received the opinion and comments by the Governance Commission in relation to the various cases filed against GOCC Appointive Directors.

Empowering the National Government

These aforementioned endeavors emphasized that the Governance Commission not only served its purpose by enacting its mandate, but also catalyzed the ability of other agencies in fulfilling their respective charters. The State took a more prominent role in the regulation of the Sector through the institution of the Governance Commission who augmented the abilities of service-wide agencies in fulfilling its role and mission towards the GOCC Sector. As a result, GOCCs are now more stakeholder-oriented and at the same time compliant to legal policies. It is therefore conclusive to say that the Governance Commission has empowered the National Government in regulating the GOCC Sector.

Looking back, it cannot be denied that transforming the GOCC Sector was a task that required the cooperation of various entities within the Philippine bureaucracy. Despite the tedious process it took, the results and the impact it has created made all efforts valuable and worthwhile. ■

THE COMPENSATION AND POSITION CLASSIFICATION SYSTEM

USHERING IN A UNIFORM COMPENSATION SYSTEM FOR CIVIL SERVANTS IN THE GOCC SECTOR

PAOLO E. SALVOSA
Director

The Compensation and Position Classification System (CPCS) for all GOCCs was mandated by the President and Congress in reaction to abuses on compensation among GOCCs like LWUA and MWSS which were highlighted in the President's first State of the Nation Address (SONA). Knowing fully well the limitations of Salary Standardization Law (SSL), the Governance Commission embarked on ushering in a uniform compensation system that, like R.A. No. 10149, built on the successes and learnings of past reforms.

Compensation Reform in Retrospect

Compensation reforms began with the principle of equal pay for equal work in 1900 amidst a backdrop of Americans being given higher salaries and the compensation of new positions being arbitrarily fixed by the legislature. Operationalized through salary standardization, history would reveal that realizing the principle was dependent on developing the science of position classification.

As history would show, the key objective could not be simply limited to regulating and curbing abuses on compensation. Rather, the CPCS had to usher in a transformation of GOCCs embodied by a corps of motivated and competent civil servants, and anchored on the policies of:

(a) Equal Pay for Equal Work;

(b) Adoption of total compensation frameworks that are reasonable and competitive with the private sector doing comparable work; and

History of Compensation Reform

ACT NO. 2 REGULATION OF SALARIES IN THE CIVIL SERVICE IN 1901	COMMONWEALTH ACT NO. 402 PERSONNEL AND SALARY STANDARDIZATION OF 1938	POSITION AND CLASSIFICATION PAY PLANS OF 1957
Reform begins with principle of Equal Pay for Equal Work **Standardization applied to salaries only** **Only excluded officers of Dept. of Mindanao and Sulu**	Excluded elective and other officers fixed by the Constitution or chosen by legislature, foreign service, Academe of University of the Philippines, Armed Forces, and employees declared by the President as primarily confidential or highly technical, career executives, judicial group.	Exemptions lessened. Excluded Legislature and Judiciary, Cabinet Secretaries and Undersecretaries, Armed Forces, Foreign Service, Local Officials
Position classification based on salaries only	**Position classification based on duties of the position (prior to reform, classification based on salaries resulted in qualifications based on duties)**	**Position classification based on duties and qualifications**
2 Position Groups, 21 Salary Grades (SG)	7 Position Groups, 10 SGs	237 Occupational Classes, 75 SGs
	Introduction of step increments with 2 steps per SG followed by Congressional grant of piece-meal pay increases for certain groups eventually resulting in distortions	**5 salary steps per SG, 5% increment per step** **Spread from min. to max. of 22% per SG**
		Introduced step increments based on performance and length of service **Not implemented due to funding constraints*

(c) The promotion of performance-driven and efficient organizations as the *ultimate objective* of compensation reforms.

Equal Pay for Equal Work: Position Classification and Sizing

From the first salary standardization in 1901 until the 1950s, the evolution of position classification was hindered by politics and the separation of powers among the three branches of government. The legislature, judiciary and armed forces were among the notable exclusions from salary standardization until the reform movement was elevated to the level of the 1973 Constitution. The 1973 Constitution mandated standardization across all of government, including GOCCs. This was followed by the issuance of P.D. No. 985 in 1976. However, the reform movement regressed as numerous exemptions were granted through presidential decrees and other issuances during the Martial Law era.[74]

Equal pay for equal work in the civil service picked up again under the euphoria of People Power under the 1987 Constitution, which reiterated the 1973 provision on standardizing compensation in government (but unwittingly including only GOCCs with original charters). Salary Standardization Law or SSL (R.A. No. 6758) was enacted in 1989 and even covered the Armed Forces and other traditional exclusions under previous reforms, namely: Cabinet Secretaries, Congressmen and Senators, Supreme Justices, up to the President of the Philippines. SSL was the culmination of an almost-century old struggle to extend the principle of equal pay to highest officials of government.

Notably, the principle of equal pay was extended to the highest government officials based mainly on protocol (i.e. assigning SG based on political hierarchy relative to the President who has the highest SG). This was in contrast to position classification for the rest of the positions in government, which had already evolved to relatively sophisticated levels in terms of the criteria and methodology for making proper comparison in the private sector.

For example, DBM would assign the Salary Grade (SG) of an Undersecretary to the CEO of a GOCC

History of Compensation Reform Continued

P.D. NO. 985 COMPENSATION AND POSITION CLASSIFICATION OF 1976	R.A. NO. 6758 (SSL) COMPENSATION AND POSITION CLASSIFICATION ACT OF 1989	R.A. NO. 10149 GOCC GOVERNANCE ACT OF 2011
Standardization across government (including GOCCs) mandated by 1973 Constitution **"Equal Pay for substantially Equal Work based on substantive differences in duties and qualifications"** **Provided allowances, bonuses and other benefits. Start of total compensation framework to standardization.** **Covered almost all positions but exemptions were increasingly granted over the years through various presidential issuances**	1987 Constitution mandates standardization across government but only includes GOCCs "with original charters" **Covered all positions up to the President of the Philippines** Integrated most allowances and other compensation into the standardized salary * Followed by JR 1, s. 1994 (SSL II), then JR 4, s. 2009 (SSL III)	Mandated a uniform compensation system to cover almost all GOCCs, whether Chartered or Nonchartered Integrated most allowances and other compensation into the standardized salary
Official recognition of need to give "due regard...to prevailing rates in private industry for comparable work"	Refined policy from "due regard" to "shall generally be comparable with the private sector doing comparable work"	Established "median" as the definition of "comparable with the private sector"
282 Occupational Classes, 28 SGs	5 Position Groups, 2,400 Occupational Classes (reduced from more than 5,000), 33 SGs	Clustered 7 position groups into 3 Career Bands, 21 SGs/ Job Grades (JG) with official descriptors per JG in each position group Introduced official rules for sizing GOCCs to standardize JGs of executives
8 steps per SG, 1% increment between steps	Continued 8 steps per SG, 1% step increments based on merit and/or length of service	Broader salary ranges and a more flexible merit increase system based on performance Introduction of the Performance-Based Bonus (AO 25, s. 2012)

74 Department of Budget and Management (DBM), Manual on Position Classification and Compensation, 1-7, available at http://www.dbm.gov.ph/wp-content/uploads/2012/03/Manual-on-PCC-Chapter-1.pdf (accessed 23 February 2016).

THE CURRENCY OF **AUTHORITY**

Making pay differentiation for executives based on organizational size presents its own unique challenges. While the system of Towers Watson was easily adaptable for GOCCs being mainly commercial in character, the system needs further modifications to suit the operational milieu of most government agencies. This issue was raised by some concerned officials in reviewing the CPCS, noting that although there are GOCCs with regulatory functions (e.g. PDIC, PAGCOR), most of the parameters were commercial in nature. Stated otherwise, since regulatory agencies must be lean in terms of manpower and budget, simply applying the existing parameters would result in regulatory executives having SGs lower than the ones they regulate. At the heart of the argument is the view that regulators should be paid more than the persons regulated; the same conventional wisdom that mandated CEOs of GOCCs to be assigned JGs not higher than that of an Undersecretary.

Care should be taken this view as it distorts the compensation policy of comparability with the private sector doing comparable work. Ever since 1938, position classification has been based on duties and not on protocols. While political sensitivities should be taken into consideration when the National Government follows suit, the bureaucracy will have to conceptually sever the idea of authority from compensation. After all, insofar as regulation of the private sector is concerned, being paid less than the CEOs of the private corporations regulated have not hindered many regulators from doing their jobs. Certainly, regulators should be paid competitive rates, but distorting this into a notion that they should be paid more than the objects of their regulation is an entirely new compensation policy, and an absurd one at that. It is against this notion that the saying "public service is a noble calling" should come into play as the regulator's authority emanates from law and not his/her paycheck. ■

based mainly on the protocol that the CEO of a GOCC should be lower than the head of the GOCC's supervising agency. This contributed to the "market response" of GOCCs seeking SSL-exemption from Congress since the determination of the salaries of the public sector executives (SG 25 and up) did not yet adhere to the policy of comparability with the private sector under R.A. No. 6758. While there seems to be some indication that there was some sizing done by DBM based on practice, these never evolved into any official criteria.

It should be noted however that the science of applying the principle of equal work at the executive level emerged from the private sector much later around the 1990s in the form of using company financials, number of full-time employees, and business complexity parameters to determine the grade of a CEO. This was formed by firms engaged in HR Consulting such as Willis Towers Watson (formerly Towers Watson) and Mercer based on the information gathered from the private companies that would enroll in their compensation surveys and subscribe to the information as well to determine the competitiveness of their own compensation.

The CPCS also provides official descriptors to distinguish the responsibilities of job grades within each career band (i.e. executives, professionals, technical support). While DBM maintained an exhaustive Index of Occupational Services (IOS), it consisted of a long list of positions that was largely unintelligible to the public and most government officials. The institutional knowledge of the distinctions between the positions were either centralized in DBM or fragmentally dispersed across the bureaucracy. Among the first tasks of the Governance Commission's compensation study was to gather the job descriptions from all the GOCCs for the various position titles used in order to conduct a proper job valuation.

Equal Pay for Equal Work at the Executive Level

Size	JG of CEO\a	Financials (₱ Billion)	Full-Time Equivalent Employees	Business Complexity*
Small	16	< 3.0	≤ 89	1 activity OR 2 activities but no full control
Medium	17	3.0 - 6.5	90 - 240	2 activities OR 3 activities but no full control
	18	6.5 - 22.0	241 - 621	
Large	19	22.0 - 43.5	621 - 1,600	All 3 activities with full control
	20	43.5 - 87.5	1,601 - 4,100	
	21	87.5 - 218	4,101 - 10,600	

Example of Official Descriptors for Executives

	Large GOCC (Grade 20)		Medium GOCC (Grade 18)
20	CEO/President/Business Unit Head; highest ranking executive in the GOCC	**18**	CEO/President/Business Unit Head; highest ranking executive in the GOCC
19	• Typically the COO/President and/or in some organizations the CFO • Plays a direct role in shaping the strategy and external image of the entire business • Sits on the Executive Leadership Team or equivalent decision-making body	**17**	• Head of a large/key or multiple functions with a direct impact on business performance • Plays a direct role in shaping the strategy and external image of the entire business • Sits on the Executive Leadership Team or equivalent decision-making body
18	• Head of a large or key function with a direct impact on business performance • Significantly influences strategic policy for the entire business • May sit on the Executive Leadership Team or equivalent decision-making body	**16**	• Top Functional Executive in charge of a function providing infrastructure for the business or impacting business performance indirectly • Primarily involved in setting functional strategy • May report to CEO/Profit Center Head or Divisional or Country Head
17	• Top Functional Executive in charge of a function providing infrastructure for the business or impacting business performance indirectly • Primarily involved in setting functional strategy	**15**	• Top Functional Executive within a geography or division of the business or in charge of a discipline • Significantly influences functional strategy • Typically reports into Functional Head or Divisional or Country Head
16	• Top Functional Executive within a large geography or main division of the business or in charge of a small corporate discipline • Typically manages a significant proportion of total staff in the function and/or significantly influences functional strategy • Typically reports into Functional Head or Subregion/Divisional/Country Head		

BENEFICIAL **OVERLAPS**

NOTABLY, the salary schedule under RA 6758 had overlapping salary ranges. Common in the private sector, overlaps allow broader salary ranges and thus more room for career growth within an SG. Contrary to first impression, there is no salary distortion since this would only be a temporary arrangement. For example, a new hire at SG 11 may have a lower starting salary than his/her subordinate who has been with the organization long and has reached step 8 of SG 10. In the long run, there is no distortion.

Unfortunately, RA 6758 only applied overlaps from SG 1-11 and did not use overlaps for SG 12 and above. Coupled with a rigid and slow process for step increments, overlaps naturally became viewed as salary distortions and anti-labor since it was not applied to the higher ranked officials. The overlaps were thus removed completely in SSL II under JR 1, s. 1994.

Coupled with the decision to cap the President's pay below the market, this left very little room for growth within each job grade. This negated the effect of step increments as an incentive for better performance. ■

In this light, the CPCS represents the final chapter of operationalizing the principle of equal pay for equal work at all levels. The only step left is for the national government to follow suit.

Competitive with the Private Sector

The more important reform of P.D. No. 985 was beginning the discourse on recognizing that rates of compensation are dictated by the market. Whereas previous studies only surveyed salaries within the civil service, P.D. No. 985 mandated the conduct of a "salary and wage surveys in private industry." "In determining rates of pay, due regard should be given to prevailing rates in private industry for comparable work."

This policy crystallized in 1989 as the language was expanded to become more direct in intent such that compensation "shall generally be comparable with those in the private sector doing comparable work." But as earlier discussed, introducing performance-based mechanisms and the policy of comparability were not implemented due to funding constraints.

Whereas position classification had already matured to enable the principle of equal pay to overcome the politics among the three branches of government, the policy of competitive pay was hindered by fiscal realities. But the steady growth of the Philippine economy since EDSA I has created enough fiscal space to tackle the policy of competitive pay not just in the GOCC Sector, but also in the National Government.

This was another reason why numerous exemptions were granted by Congress to entities that were not constrained by the fiscal space of the national budget. Chartered GOCCs who could raise sufficient corporate funds were exempted. Other departments or agencies with fiscal autonomy under the Constitution, though covered by the same salary grades and rates, reportedly grant allowances and other benefits to their personnel beyond SSL. These are reportedly funded through the creation of excess plantilla positions that are never filled up and the corresponding budget is declared as savings.

Even within the Executive Branch itself, institutionalizing equal pay for equal work remained elusive as line agencies with revenue-generating powers like the Securities and Exchange Commission and the Intellectual Property Office were also granted SSL-exemption and fiscal autonomy through Congress. GOCCs such as Landbank, GSIS, BCDA and DBP were also able to obtain SSL-exemptions from Congress.

Knowing fully well the limitations of SSL III and the flexibility of GOCCs with their own corporate funds, the Governance Commission embarked on ushering in a compensation system that faithfully adhered to the policy of "generally… comparable with the private sector doing comparable work." Accordingly, the one year-long compensation study of Willis Towers Watson resulted in a salary schedule with an average salary range spread[75] of 28% for the general staff, 31% for professionals and 54% for the executives. This was in stark contrast to the uniform 7% spread across all salary grades under SSL III.

Overcoming the historical tide, the CPCS served as the final push in moving not just GOCCs but the

75 This pertains to the range in percentage terms from the minimum to maximum monthly salary within a job grade.

MEANINGFUL STEPS

In 1953, the government commissioned the firm of Louis J. Kroeger and Associates from San Francisco, California, to conduct a study, which classified 183,000 positions into 237 occupational groups and provided a salary schedule with 75 salary ranges. The study recommended step increments based on performance and length of service, but this was not adopted due to lack of funds.

The proposal was picked up again and adopted in 1973 under P.D. 985, but the increase per step consisted of only 1%. The spread in each salary range from step 1 to step 8 was 7%. The 1% step increment and 7% range spread scheme was carried over into R.A. No. 6758 until SSL III under J.R. No. 4, s. 2009.

Consequently, step increments were next to useless as civil servants with "outstanding" or "very satisfactory" performance could only expect a 1-2% salary increase each year that did not even address the problem of inflation. ■

entire civil service closer to receiving competitive compensation. Originally submitted to the Office of the President in December 2012, the final push consisted of a long drawn out battle for more than three years against the traditional resistance of many well-meaning government executives. Many compromises had to be made but the deliberative process made the CPCS stronger. A notable compromise was increasing the portion of performance-based compensation such that GOCCs had to achieve their targets if the total annual compensation of their people was to be competitive vis-à-vis the median of the market. Civil servants in GOCCs that failed to reach their targets would only receive total annual compensation that was below intended competitive rate.

Executive Order No. 203 was finally issued and published on 23 March 2016, the last working day before the Election Ban. In the course of the 3-year push however, the CPCS became the standard for reviewing the compensation requests of other agencies such as the Insurance Commission and the Securities and Exchange Commission. When the CPCS was presented to the AO 25 Inter-Agency Task Force, DBM Undersecretary Richard Moya approached GCG and said, "We want what you have."

Within less than a year, the conversation was soon followed with an SSL IV that was markedly different from previous SSL adjustments. Step increments were no longer simply 1% increases but were based on broad salary ranges that were competitive with the private sector even at the level of executives. Step increments were determined accordingly based on the policy of competitive pay rather than traditional politics of inappropriate equity across all levels.

SSL IV has not yet been implemented in full, however, due to calls to first reform the pension system for

GOCC Compensation CY 2009–2015

CY 2009-2012 SSL III BEFORE CPCS SUBMISSION	CY 2012 SUBMISSION OF CPCS	CY 2015 SSL IV AFTER CPCS SUBMISSION
Competitive hiring rates at the rank and file level. Below market rates for senior professionals and executives.	Competitive rates across all levels based on a total compensation framework	Competitive rates across all levels based on a total compensation framework
Narrow salary grades with a 7% spread from Step 1 (min) to Step 8 (max) across all levels	Broad salary grades benchmarked along the median of the market with average spreads (minimum to maximum salary) of 28% for general staff, 31% for professionals and 54% for the executives	Salary grades benchmarked at 50% of the median of the market with average spreads (Step 1 to Step 8) of 6% for general staff (SG 1-9), 10% forprofessionals and middle managers, and 12% for executives.
PBB based on fixed amounts without regard to the monthly basic salary of the official	PBB based on a multiple of the individual's monthly salary	PBB based on a multiple of the individual's monthly salary, albeit lower multiples due to budgetary constraints

76 DOF, DND and GSIS developed a uniform pension reform bill, which was transmitted by GCG to the House of Representatives through the Committee on Government Enterprises and Privatization.

uniformed personnel since the policy of automatic indexation (for retirees) to the rates of incumbents would make the pension system unsustainable based on SSL IV rates.[76] While there is still work to be done, SSL IV nonetheless represents a major stride in the context of a 40-year struggle to implement the policy of competitive pay since it was first articulated in 1976 under P.D. No. 985.

Epilogue: Compensation and Performance

Recent developments in the HR profession have given a new perspective of compensation as a key component for driving better performance in an organization. This new perspective has not done away with the traditional view of human capital as a cost of doing business. Stated otherwise, monthly basic salaries and other forms of guaranteed compensation are the cost of simply being able to hire the right people with the right aptitude and enough of the necessary competencies. Getting them to go beyond the job descriptions given to them and to contribute at the organizational level in the context of results-based management, however, is an entirely separate matter that history has shown to have its own cost.

Performance incentives however are still relatively new and have yet to be widely practiced even in the private sector since its development dovetails the development of robust performance management systems that enable breakthrough results. Without the element of performance management, many fail to appreciate the nature of performance-based bonus and incentive systems as compensation reforms. As one commentator from the media put it, "Ginagawa ko lang ang trabaho ko kung para san ako sineswel-do[han], tapos makakatanggap pa ako ng bonus?"

Notably, GCG's mission began with structural reforms for better accountability, and then moved on to performance governance and enhancing transparency for a better informed public. While Executive Order No. 203, s. 2016, came much later than the Governance Commission hoped, compensation reform was always the last leg of the transformation program.

Now that the final piece of the puzzle is in place, all eyes will be on how GCG and the GOCC Sector move forward in contributing to the country's development based on the governance infrastructures that have been built in GCG's first five years. The ensuing year will be the complete opposite of GCG's first year in 2012 where there was only a solemn duty to fulfill the mission without need or want of publicity.

As the Governance Commission implements the CPCS, it will come under fire from all sides as the public debates once again the merits of the policy of competitive pay for civil servants. Opportunistic politicians will take advantage of the situation for free air time as they prey on the plight of Filipinos the government is still working to uplift, grandstanding in pointing out problems but without contributing anything to finding viable solutions. They will harp on past mistakes and unfinished missions as they use the frustrations of the public for their own selfish ends. The voice of reason in the hands of statesmen, both in the public and the private sector, will struggle to be heard, muffled by the soundbites and fact-twisting. It will be an atmosphere where to err is not just human but also potentially fatal to future reforms. And as always, media will play a crucial role in ensuring a balanced public debate.

The reform movement will have then come full circle to where it started in President Aquino's first SONA: controversy over compensation layered over the core issue of performance and results.

The performance of GOCCs in the context of the country's economic development however involves the elaboration and interaction of policies and decision-makers beyond GCG and the GOCC Sector.[77] For example, improvements in the service of SSS were eroded by public outcry over the veto of the SSS pension, which was not increased despite a viable counterproposal for a ₱500 increase that was unfortunately lost to the politics of the day.

GOCCs in the Agriculture, Fisheries and Food Sector have been significantly streamlined towards a "clean slate" but without a clear consensus yet among concerned agencies as to the next goal such as in the case of the National Food Authority. Constrained by the failure of government's land reform program, this will be a pioneering area for the Philippines as even Singapore and its SOEs did not have to deal with the development challenges of agriculture.[78]

Risk management and strategic problem-solving have also emerged as another frontier of reform within the context of performance governance as the GOCCs gear up to migrate their Quality Management Systems to the new standard under ISO 9001:2015. This is particularly important for regulatory GOCCs such as PAGCOR in the face of money laundering through casinos, as well as for utility GOCCs such as LRTA in the face of the high risks that are inherent in mass public transportation. Even an "Outstanding" customer satisfaction rating based on a third party survey will mean very little in the face of a train derailing during the year causing injuries.

The increase in compensation for civil servants in GOCCs brings with it a corresponding "exponential" increase in the public's expectations from GOCCs. The foundations of R.A. No. 10149, the Ownership and Operations Manual as well as all the other governance structures GCG has established will be tested repeatedly against both politicking as well as noble but ill-advised intentions to use GOCCs as instruments for social policy rather than commercial vehicles for strategic development. There will also be a continuation of debates on the proper focus of the remaining GOCCs within the broader context of the government's development strategies.[79]

But before everything, the question of performance after the 2016 elections will begin with appointments; a numbers game between the voices of reason versus the voices of "traditional politics." Statesmen in both the public and the private sector will need to work through their different points of view and combine their influence in pushing the names of the right people within the politics of the appointment process, or at the very least safeguarding against questionable nominations, beginning with the appointments to GCG. The core values of integrity, professionalism and independence will be stretched to their limits as GCG in turn manages the selection process for Appointive Directors.

This will require GCG to constantly adapt its strategies and tactics in implementing the policy framework amidst a sea of political pressures and changes in the market and regulatory environments. The selection process for Appointive Directors, CEOs and other GOCC executives will be placed under the spotlight of public scrutiny in order to verify whether the promise of "a corps of competent civil servants" is indeed being fulfilled, or if the CPCS has instead legitimized the spoils of unscrupulous politicians and cronies.

Even with enough of the right people, tensions will still escalate between the professional independence of GOCC Boards and the ownership rights of the State exercised through Supervising Agencies and public debate, and it will be up to GCG to strike the balance.[80] The challenge of progress has always hinged on the ability of good men and women from diametrically opposed perspectives and backgrounds to find viable solutions and compromises without sacrificing principles.

Despite all the challenges, the solemn duty remains the same as enshrined in R.A. No. 10149 and the Governance Commission looks forward to engaging the public in its vision of transforming the GOCC Sector. After all, it is a vision that was crafted not for GCG nor the GOCCs but for the Filipino people. In the final months of the Administration of President Aquino, the question of how GCG will sustain the momentum and good governance gains in the GOCC Sector under the next Administration has been asked by various stakeholders and spectators of the reform movement.

Since September 2013, the Governance Commission has established the necessary mechanisms for strategic communications and stakeholder engagement. What was initially a reactive operational adjustment evolved over the years into becoming integral to policy-making, and promoting public debate now forms an essential component of the value chain in each of the Governance Commission's core functions.

In the final analysis, the answer of sustainability lies not in the hands of elected officials and political appointees, but in the hands of an informed and engaged citizenry together with the civil servants in the GOCCs. After all, the first five years of GCG's mission on transparency, accountability and good governance, from the PES to the Whistleblowing Program and the ICRS, have been about empowering stakeholders and the public just as much as it has been about structural reform. ■

All eyes will be on how GCG and the GOCC Sector move forward in contributing to the country's development based on the governance infrastructures that have been built in GCG's first five years.

77 See OECD, 42.
78 See OECD, 42.
79 See OECD, 42.
80 See OECD, 42.

INSTILLING FULL TRANSPARENCY AND ACCOUNTABILITY IN THE GOCC SECTOR

CHRISTIAN M. CASTILLO
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Through R.A. No 10149, Congress has codified in no uncertain terms the avowed policy of the State that the governance of GOCCs must be carried out in a transparent, responsible, and accountable manner, and with the utmost degree of professionalism and effectiveness.[81] Not only are Governing Boards of every GOCC and its subsidiaries required to be competent to carry out its functions, they must also be fully accountable to the State as its fiduciary, and act in the best interest of the State.[82]

From the foregoing declaration of State policy on transparency and accountability spring the fiduciary duties of the Board of Directors/Trustees and Officers of GOCCs by which they have the legal obligation and duty to always act in the best interest of the GOCC, with utmost good faith in all its dealings with the property and monies of the GOCC.[83] Not only that, members of the Board and the Officers must exercise no less than extraordinary diligence in the conduct of the business and in dealing with the properties of the GOCC.[84] This is not an easy task as extraordinary diligence requires using the utmost diligence of very cautious persons with due regard for all circumstances.[85]

81 Section 2(a), R.A. No. 10149.
82 Section 2(e), R.A. No. 10149.
83 Section 19, R.A. No. 10149.
84 Section 21, R.A. No. 10149.

The foregoing responsibilities are certainly not meaningless obligations on the part of the Directors/Trustees and Officers. Violation of the fiduciary duty resulting in the personal acquisition of a benefit or profit, using the properties of the GOCC for their own benefit, receiving commission on contracts from the GOCC's assets, or taking advantage of corporate opportunities of the GOCC will result in restitution, in addition to any administrative, civil, or criminal action against the erring Director/Trustee or Officer.[86]

> Transparency and accountability in the government sector are by no means novel concepts. No less than the 1987 Constitution... minces no words when it states that public office is a public trust...

Transparency and accountability in the government sector are by no means novel concepts. No less than the 1987 Constitution, as well as the ones preceding it, minces no words when it states that public office is a public trust, and that public officers and employees must at all times be accountable to the people, serve them with utmost responsibility, integrity, loyalty and efficiency, act with patriotism and justice, and lead modest lives.[87]

The Code of Conduct and Ethical Standards for Public Officials and Employees,[88] has declared it to be a policy of the State to promote a high standard of ethics in public service,[89] and echoed the 1987 Constitution by stating that public officials and employees shall at all times be accountable to the people and shall discharge their duties with utmost responsibility, integrity, competence, and loyalty, act with patriotism and justice, lead modest lives, and upheld public interest over personal interest.[90]

85 Ibid.
86 Section 19, R.A. No. 10149.
87 Section 1, Article XI, Accountability of Public Officers, 1987 Constitution.
88 R.A. No. 6713.
89 Section 2, R.A. No. 6713.
90 Ibid.

The landmark statute, the Anti-Graft and Corrupt Practices Act,[91] is premised primarily on the principle that public office is a public trust.[92]

A much earlier statute that predates even the current Constitution, the Revised Penal Code, in Title Seven, Crimes Committed by Public Officers, dedicates at least three chapters[93] outlining the various crimes that public officers may commit should they violate their fiduciary duty to the State. If only to stress the diligence expected of public officers, the crime of Malversation of Public Funds or property may even be committed through negligence.[94]

The Governance Commission was created in 2011 with the unenviable task of implementing the reform agenda of R.A. No. 10149 to promote the financial viability of and fiscal discipline in GOCCs and to foster good governance in their management and operations. Contrary to the notion that R.A. No. 10149 is more concerned about the financial performance of GOCCs, transparency and accountability in their operations are at the forefront of good governance in the GOCC Sector.

To the Governance Commission, transparency and accountability are not just empty declarations of policy or some esoteric concepts. These are tangible goals requiring nothing less than concrete measures.

R.A. No. 10149 itself provided the Governance Commission with the tools to address these goals.

Thus, the law mandates the Governance Commission to craft an ownership and operations manual, and the government corporate standards applicable to GOCCs, which should provide for, among others, guidelines on the monitoring of the operations of GOCCs; the roles, relationships and responsibilities of the State, the Government Agencies to which the GOCC is attached, and the GOCC; disclosure and transparency requirements; code of ethics of Directors and Officers; and the integrated corporate reporting system.[95]

The GOCC Governance Act of 2011 also devotes a chapter on **Disclosure Requirements**, enumerating the minimum items that must be disclosed in the mandatory **websites** of GOCCs, and providing for **Special Audit** of certain GOCCs.[96] The website, as well as the matters required to be posted therein, are now part of the **Good Governance Conditions** of the Governance Commission that are indispensable for the grant of the Performance-Based Bonus for GOCC officers and employees[97] and the Performance-Based Incentives for Appointive Directors/Trustees.[98]

The Governance Commission has implemented the foregoing requirements of the law by promulgating the **Ownership and Operations Manual Governing the GOCC Sector**,[99] and the **Code of Corporate Governance for GOCCs**,[100] which, together with the **Fit and Proper Rule**,[101] have since become organic documents in the GOCC Sector after their approval by the President. A requirement in the Code of Corporate Governance is for GOCCs to have a **No Gift Policy** which the Governance Commission also imposed on itself by promulgating the model policy on non-acceptance of gifts.[102]

The **Integrated Corporate Reporting System (ICRS)**, which seeks to provide an online portal by which GOCCs may submit their reportorial requirements to the Governance Commission, and which can be accessed by the general public in order for them to know the financial and other details about the GOCCs, is already in place and will be launched officially by the Governance Commission hopefully this year.

While the standards provided by R.A. No. 10149 are more than sufficient, the Governance Commission also took into consideration international best practices as benchmark for its programs and policies.

Not known to many, the Philippines is a signatory to the **United Nations Convention Against Corruption (UNCAC)**, a landmark international agreement between 177 countries that establishes common standards, policies, processes, and practices to buttress anti-corruption efforts at the national level.[103] Beginning 2013, the Governance Commission actively participated in and religiously attended all the multi-agency and multi-sector activities organized by the Office of the President to ensure the country's compliance with its commitments under the treaty. It has also aligned its policies with the standards and goals of the UNCAC.

The Governance Commission also keeps abreast of the policy issuances of the **Organisation for Economic Co-operation and Development (OECD)**, an international economic organization of 34 countries whose aim is to promote policies that will improve the economic and social well-being of people around the world.[104]

The OECD developed its **OECD Principles of Corporate Governance (OECD Principles)** in 1999, and has since updated it twice, in 2004 and in 2015. The OECD Principles provide an indispensable and globally recognized benchmark for assessing and improving corporate governance.[105] Consisting of six chapters,[106] **Disclosure and Transparency** is a major component of the OECD Principles.

As a logical follow-up to the OECD Principles, the OECD subsequently issued in 2005 its **OECD Guidelines on Corporate Governance of State-Owned Enterprises (OECD Guidelines)**. Essentially based on the OECD Principles, the OECD Guidelines consists of seven chapters,[107] where **Disclosure and Transparency** also play a key role in the governance of state-owned enterprises.

91 R.A. No. 3019.
92 Section 1, R.A. No. 3019.
93 Chapter 2, Malfeasance and Misfeasance In Office; Chapter 3, Frauds and Illegal Exactions and Transactions; Chapter 4, Malversation of Public Funds or Property.
94 Article 217, the Revised Penal Code.
95 Section 5(c), R.A. No. 10149.
96 Chapter V, Disclosure Requirements, R.A. No. 10149.
97 GCG MC No. 2014-05 (Re-Issued).
98 GCG MC No. 2014-06 (Re-Issued).
99 GCG MC No. 2012-06.
100 GCG MC No. 2012-07.

101 GCG MC No. 2012-05.
102 GCG MC No. 2012-12.
103 Dell and Terracol, Using the UN Convention Against Corruption To Advance Anti-Corruption Efforts: A Guide, 2014, p. 7.
104 http://www.oecd.org/about/.
105 http://www.oecd.org/daf/ca/principles-corporate-governance.htm.
106 1. Ensuring the basis for an effective corporate governance framework; 2. The rights and equitable treatment of sharholders and key ownership functions; 3. Institutional investors, stock markets and other intermediaries; 4. The role of stakeholders in corporate governance; 5. Disclosure and transparency; and 6. The responsibilities of the board.
107 1. Rationales for State Ownership; 2. The State's Role as an Owner; 3. State-owned enterprises in the marketplace; 4. Equitable treatment of shareholders and other investors; 5. Stakeholder relations and responsible business; 6. Disclosure and Transparency; 7. The responsibilities of the boards of state-owned enterprises.

The Asian Development Bank (ADB),[108] of which the Philippines is a member state, also published its **Corporate Governance Principles for Business Enterprises (ADB Principles)** in 2003, with the avowed objective, among others, of helping governments in developing good governance regulations.[109] The ADB Principles list 10 principles, some of which pertain to Disclosure (Principle 3), Code of Conduct (Principle 5), Conflicts of Interest (Principle 6), and Conduct of the Board of Directors (Principle 8).[110]

When it crafted the Ownership and Operations Manual Governing the GOCC Sector, and the Code of Corporate Governance for GOCCs, the Governance Commission carefully studied the foregoing international standards in the OECD Principles, OECD Guidelines, and ADB Principles, and applied those in the Philippine GOCC setting insofar as they are consistent with the provisions of R.A. No. 10149.

No doubt, the policy prescriptions of the Governance Commission in its issuances are very much aligned with and at par with the international benchmarks set forth by the OECD and the ADB.

Not content with mere declarations of policy, however, the Governance Commission had the opportunity to prove how serious it is with the precepts of good governance by recommending to the President the abolition of several GOCCs[111] earlier identified by the Commission on Audit as being involved in the highly irregular use of the Priority Development Assistance Fund (PDAF), which was recently declared illegal by the Supreme Court in Belgica v. Ochoa, G.R. No. 208566, 19 November 2013. The President has since approved the abolition of these GOCCs.

Lastly, and as a further testament to its commitment to upholding transparency and accountability in the GOCC Sector, the Governance Commission promulgated GCG MC No. 2014-04 on 30 May 2014 providing for the Whistleblowing Policy for the GOCC Sector. The Whistleblowing Policy is the Governance Commission's way of enabling the citizenry to report any anomalies in the GOCC Sector, including in the GCG itself, through different reporting channels identified therein.

GCG Aligns Its Policies with the UNCAC

The **United Nations Convention Against Corruption (UNCAC)** is an international anti-corruption treaty acceded to by 177 countries. The Philippines signed it on 09 December 2003, and the Senate ratified it on 06 November 2006. As a State Party, the Philippines is obliged to implement preventive, and punitive anti-corruption measures, including asset recovery, affecting their laws, institutions, and practices.

In June 2013, the Office of the President and the Office of the Ombudsman entered into a Memorandum of Agreement (MOA) to establish implementation and review mechanisms to ensure the country's compliance with the UNCAC. The MOA resulted in the holding of regular nationwide inter-department and inter-agency, as well as multi-sectoral assemblies out of which the National Government eventually crafted a 21-point Action Agenda to serve as a guide for the Philippines on the areas where it needs to pass legislation or undertake corrective measures pursuant to the UNCAC.

In a Memorandum dated 17 September 2013, the Executive Secretary directed the Governance Commission to participate in the UNCAC assemblies and constitute an UNCAC Internal Working Group (IWG) of five members that will spearhead GCG's participation in the country's UNCAC activities.

Chairman Cesar Villanueva constituted the GCG UNCAC IWG with the General Counsel as Chairman, and four other officials as members.

During the 01 October 2013 assembly, the 21-point agenda was divided among several clusters, composed of different government agencies and civil society organizations. GCG was assigned to Cluster A, along with 11 government agencies.

Among others, Cluster A was specifically tasked to tackle Agenda No. 3, which pertains to the "Imposition of stiffer and higher penalties and fines to an offending corporation whose directors, officers, employees or other officials or persons are adjudged criminally liable of an offense committed in relation

108 The ADB is a multilateral development financial institution dedicated to reducing poverty in Asia and the Pacific. Established in 1966, it now consists of 61 member governments.

109 The other objectives are: 1. Assist enterprises design and implement their own corporate governance guidelines by benchmarking their practices against these principles; and 2. assist domestic and institutional investors, fund managers, as well as ADB, in their quest for excellence in corporate governance in investee enterprises. http://www.acga-asia.org/loadfile.cfm?SITE_FILE_ID=203.

110 The other principles are: Principle 1. Performance Orientation; Principle 2. Nomination and Compensation Committees; Principle 4. Audit Committee; Principle 7. Environmental and Social Commitment; Principle 9. Responsibility of Investors; and Principle 10. The Role of Directors in Turn Around Situation.

111 National Agribusiness Corporation (NABCOR), Zamboanga del Norte College Rubber Estates Corp. (ZREC), Technology Resources Center (TRC), National Livelihood Development Corp. (NLDC), and Philippine Forest Corporation (PFC).

UNCAC AND GCG
THE 21-POINT ACTION AGENDA

THE 21-POINT AGENDA was divided among several clusters, composed of different government agencies and civil society organizations.

1. Define "public officer" in accord with UNCAC;
2. Criminalize bribery of foreign public officials and officials of public international organizations;
3. Imposition of stiffer and higher penalties and fines to an offending corporation whose directors, officers, employees or other officials or persons are adjudged criminally liable of an offense committed in relation to their duties, responsibilities and functions, and incorporation of corruption-related offenses as a ground for dissolution of a corporation.
4. Criminalization of active and passive trading in influence;
5. Amendment of R.A. No. 6713;
6. Amendment of the Revised Penal Code;
7. Amendment of the Extradition Law;
8. Amendment of R.A. No. 3019 to prolong prescription to 30 years;
9. Passage of Freedom of Information law;
10. Passage of law requiring public officials to authorize the Ombudsman to look into bank deposits;
11. Amendment of R.A. No. 3019 to criminalize graft and corruption in the public sector;
12. Amendment of money-laundering law;
13. Passage of whistleblower's act;
14. Amendment of Ombudsman Law;
15. Promulgations of rules of procedure governing extradition cases;
16. UNCAC as basis to extradite persons;
17. International fora and dialogue for extradition;
18. Passage of law on international mutual assistance on criminal matters and transfer of prisoners;
19. Definition of terms of the mutual legal assistance treaties;
20. Conduct of regular inert-agency consultations and increased participation of the House of Representatives in the ratification of treaties;
21. Media campaign on the UNCAC and integration of UNCAC framework and objectives in the Bangsamoro organic law drafting. ■

UNCAC AND GCG

CLUSTER A

GCG was assigned to Cluster A together with the following agencies:

- Civil Service Commission
- Commission on Audit
- Cooperative Development Authority
- Department of Foreign Affairs
- Department of Justice
- House Committees on Constitutional Amendments, Justice, and Revision of Laws
- Office of the Ombudsman
- Presidential Legislative Liaison Office
- Philippine National Police
- Securities and Exchange Commission
- Senate Committees on Accountability of Public Officers & Investigation (Blue Ribbon), Constitutional Amendments and Revisions of Codes, and Justice and Human Rights

AGENDA NUMBER 3

The basis of Agenda No. 3 which is assigned to Cluster A is Chapter III (Criminalisation and Law Enforcement), Article 26 (Liability of Legal Persons) of the UNCAC. This provides that:

Article 26. Liability of legal persons

1. Each State Party shall adopt such measures as may be necessary, consistent with its legal principles, to establish the liability of legal persons for participation in the offences established in accordance with this Convention.
2. Subject to the legal principles of the State Party, the liability of legal persons may be criminal, civil or administrative.
3. Such liability shall be without prejudice to the criminal liability of the natural persons who have committed the offences.
4. Each State Party shall, in particular, ensure that legal persons held liable in accordance with this article are subject to effective, proportionate and dissuasive criminal or non-criminal sanctions, including monetary sanctions. ■

to their duties, responsibilities and functions, and incorporation of corruption-related offenses as a ground for dissolution of a corporation."

As an immediate offshoot of the Governance Commission's participation in the UNCAC-related activities of the National Government, and bearing in mind the tedious process of enacting legislation to meet the foregoing tenets of the UNCAC, the Governance Commission acted immediately and added the following corruption-related ground as basis to deny GOCC officers and rank and file employees their PBB,[112] and GOCC directors/trustees their PBI:[113]

> [if] found guilty of administrative and/or criminal cases related to their work

Not only that, the Governance Commission accelerated its evaluation of Philippine Forest Corporation (PFC), National Livelihood and Development Corporation (NLDC), and Technological Resource Center (TRC), and fast tracked the submission of its recommendation to abolish these GOCCs before being linked to the PDAF issue. The Governance Commission has previously submitted to the Office of the President its recommendation to abolish ZREC and NABCOR.

All of the foregoing GOCCs were found by the COA to be in the forefront in the illegal, corruption-tainted, and highly irregular use of PDAF, which was recently declared illegal by the Supreme Court in Belgica v. Ochoa, G.R. No. 208566, 19 November 2013. These GOCCs have since been ordered abolished by the President based on the recommendations of the Governance Commission.

The UNCAC also devotes a chapter on Preventive Measures (Chapter II), where it provides for preventive anti-corruption policies and practices.

To meet the policy proscription of the UNCAC on public participation in anti-corruption activities[114], the Governance Commission promulgated in 04 April 2014 Memorandum Circular No. 2014-04, or the Whistleblowing Policy for the GOCC Sector, which enables the general public to report to GCG any anomalies or irregularities in the GOCC Sector, including in the GCG itself. This will be discussed in greater detail below.

The Governance Commission also prides itself with already having in place several policies that may be deemed compliant with the foregoing proscriptions on preventive anti-corruption measures of the UNCAC.

Concerning the need to "adopt, maintain and strengthen systems for the recruitment, hiring, retention, promotion and retirement of civil servants,"[115] the Governance Commission has promulgated Memorandum Circular No. 2012-05, or the Fit and Proper Rule, which provides for the qualifications of Appointive Directors and Trustees, as well as the mechanism by which nominees are vetted by the Governance Commission for recommendation to the President for his appointment.

Anent the need to adopt "codes or standards of conduct for the correct, honourable and proper performance of public functions,"[116] the Governance Commission has promulgated Memorandum Circular No. 2012-07, the Code of Corporate Governance, which, among others, details the responsibilities of the Appointive Directors and Trustees, and key corporate officials. This will be discussed in greater detail below.

Regarding the need to "promote adequate compensation and equitable pay scales,"[117] the Governance Commission has recommended to the President its proposed Compensation and Position Classification System which seeks to make the compensation scheme in the GOCC Sector comparable with their counterparts in the private sector in the same or related industries.[118]

Relative to the need to "establish measures and systems requiring public officials to make declarations to appropriate authorities regarding, inter alia, their outside activities, employment, investments, assets and substantial gifts or benefits from which a conflict of interest may result with respect to their functions as public officials,"[119] the filing of Statement of Assets and Liabilities by directors, trustees, officers, and employees of GOCCs is a Good Governance Condition by the Governance Commission for the grant of PBB and PBI.

The Governance Commission has likewise issued Memorandum Circular No. 2012-12, or its own No Gift Policy, which has also been required of GOCCs as a Good Governance Condition for PBB and PBI.

112 Section 4.1. (e), GCG Memorandum Circular No. 2013-05 Interim PBB (Re-Issued).
113 Section 4.3, GCG Memorandum Circular No. 2013-06 Interim PBI for Appointive Directors/Trustees (Re-Issued).

114 Chapter II Article 5.1. United Nations Convention against Corruption.
115 Chapter II Article 7.1. United Nations Convention against Corruption.
116 Chapter II Article 8.2. United Nations Convention against Corruption.
117 Chapter II Article 7.1. United Nations Convention against Corruption.
118 The President has approved GCG's proposed CPCS through Executive Order (E.O.) No. 203, s. 2016.
119 Chapter II Article 8.5. United Nations Convention against Corruption.

With regard to disclosures and transparency,[120] the ICRS, which seeks to provide an online portal by which GOCCs may submit their reportorial requirements to the Governance Commission, and which can be accessed by the general public in order for them to know the financial and other details about the GOCCs, is already in place and will be launched officially by the Governance Commission hopefully this year.

The country's commitment to the UNCAC is unwavering and its full compliance therewith is still in progress, but the Governance Commission will continue to actively participate in UNCAC-related activities and promulgate policy issuances within its legal mandate that will meet the policy proscriptions of this landmark international treaty.

GCG Requires GOCCs to Issue a Manual on Corporate Governance and a No Gift Policy

The Governance Commission has imposed on GOCCs certain Good Governance Conditions which not only impinge on their constitutional and statutory obligation of transparency and accountability, but also on their ability to reward themselves with additional remuneration for meeting their performance targets for the applicable year. Non-compliance with these Good Governance Conditions will result in the non-entitlement of GOCC officers and rank and file employees to PBB, and of GOCC appointive directors/trustees to PBI.

Two of these Good Governance Conditions that are relevant to this article are the Manual on Corporate Governance and the No Gift Policy which all GOCCs must promulgate and implement. They must be duly approved by the Governing Boards of GOCCs to ensure that they are official, binding issuances of the GOCCs.

Manual of Corporate Governance

The GCG has formulated a model code of corporate governance which integrated and codified global best practices in corporate governance as enshrined in R.A. No. 10149.

On 26 April 2012, the Governance Commission, pursuant to the State-declared policy of treating GOCCs as significant tools for economic development, together with the statutorily-mandated obligation of the State to ensure that that the governance of GOCCs is carried out in a transparent, responsible and accountable manner, and with utmost degree of professionalism and effectiveness, issued the Code of Corporate Governance for GOCCs (Code) through Memorandum Circular No. 2012-07.

The Code, which has since become an organic document for the GOCC Sector upon its approval by the President of the Philippines, highlights the primary responsibility of the board of directors in the governance of GOCCs, in that while the management of the day-to-day affairs of the institution is the responsibility of the management team, the Board is, however, responsible for monitoring and overseeing management action. The Board is therefore, clearly obliged to provide an independent check on Management.[121]

The Code aims to instill within the GOCC Boards and Management the principles of responsibility, transparency and accountability as public servants. As such it covers various areas of corporate governance policies and best practices, to wit:

- The Role and Responsibilities of the Governing Boards, and the Individual Directors;
- Disclosure and transparency requirements;
- Code of Ethics of Directors and Officers;
- Creation of Board committees and similar oversight bodies;
- Providing for an Integrated Corporate Reporting System; and
- CSR Statement and the Role of Stakeholders.

Not only that, on the matter of Stakeholders, the Governance Commission has required GOCCs to identify its various stakeholders, and develop a hierarchy of importance for their stakeholders that would guide them in resolving future conflicts between several stakeholders. This has proven to be a very tedious but useful exercise, nonetheless, as GOCCs were able to better understand and appreciate their mandates by being able to identify the various parties interested in their operations, and devise a way of harmoniously meeting their needs and expectations.

The Code of Corporate Governance also contains provisions on the Obligations of the GOCC to the Members of the Governing Board, such as the provision of staff support. Also noteworthy among its features is the Directors and Officers Liability Insurance (DOLI) coverage for members of the Board and Officers, to be obtained by GOCCs. The DOLI is intended to insure Board Members and Officers against contingent claims and liabilities that may arise from the performance of their functions, excluding cases when there has been a breach of a fiduciary duty or a commission of fraud on their part. Taking into consideration the context of R.A. No. 10149 which imposes a lot of responsibilities on the Board and required them to act with extraordinary diligence, this provision is of particular significance.

The Code of Corporate Governance gives importance on the status of Appointive Directors as public officials. Section 15 of R.A. No. 10149 mandates that every "Appointive Director shall be appointed by the President of the Philippines from a shortlist prepared by the GCG." The GCG annually prepares the shortlists of nominees, where the President shall appoint the Appointive Directors. Each nominee must be qualified and not subject to disqualifications as provided for in, among other things, the Fit and Proper Rule—a set of rules, which contains the "Highest Standards Principle" which provides that the qualification and disqualification rules for Appointive Directors and CEOs.

Likewise, terms of office of Appointive Directors have been limited to one year, similar to that of members of Boards of Directors of stock corporations under the Corporation Code.

120 Chapter II Article 7.4. United Nations Convention against Corruption.
121 Section 6, GCG MC No. 2012-07.

The GCG has required the submission of manuals on corporate governance from the GOCCs, subject to the review of the Office of the General Counsel. Non-submission of the manuals results in the failure of the GOCCs to qualify for the grant of PBB for their officers and employees, and PBI for their appointive directors/trustees.

Section 17 of R.A. No. 10149 states that "… [a]ny provision in the charters of each GOCC to the contrary notwithstanding, the term of office of each Appointive Director shall be for one (1) year, unless sooner removed for cause." In addition, in order to be reappointed, Section 17 further requires that an Appointive Director ". . . obtains a performance score of above average or its equivalent or higher in the immediately preceding year of tenure as Appointive Director based on the performance criteria for Appointive Directors for the GOCC."

Furthermore, R.A. No. 10149 expressly provides that the CEO as head of Management "shall be elected annually by the members of the Board from among its ranks," who shall be accountable to the Board by the fact that the "CEO shall subject to the disciplinary powers of the Board and may be removed by the Board for cause." It is therefore part of the fiduciary duties of the Governing Board of every GOCC to, pursuant to Section 19 of RA 10149 to "[e]lect and/or employ only Officers who are fit and proper to hold such office with due regard to the qualifications, competence, experience and integrity."

GCG's Memorandum Circular No. 2012-07 serves as a model code for the GOCC sector to which they will pattern their respective manuals on corporate governance.

The GCG has required the submission of manuals on corporate governance from the GOCCs, subject to the review of the Office of the General Counsel (OGC). Non-submission of the manuals results in the failure of the GOCCs to qualify for the grant of PBB for their officers and employees, and PBI for their appointive directors/trustees.

No Gift Policy

On 18 September 2012, the Governance Commission issued Memorandum Circular No. 2012-12, or the No Gift Policy of the GCG. It embodies the principle that public office is a public trust, and implements within the Governance Commission, the policy of non-acceptance of gifts by public officers as mandated by Republic Act No. 6713, the Code of Conduct and Ethical Standards for Public Officials and Employees.

Under the No Gift Policy, the Governance Commission requires all of its officers and employees to practice and demonstrate equal treatment, unbiased professionalism, and non-discriminatory actions in the performance of their duties and functions, without expectation of any undue favor or reward.

The GCG's very own No Gift Policy serves as a model for the GOCC Sector to develop their own No Gift Policies.

Bearing in mind that it will not impose on the GOCCs what it has not implemented itself, the Governance Commission mandated every GOCC to adopt a No Gift Policy within their organization. The GCG also required the GOCCs to ensure the full advertisement of the No Gift Policy to the community and the strict implementation of its rules.

Similar to the manuals on corporate governance, the GCG has required the submission of No Gift Policies from the GOCCs, subject to the review of the OGC. Non-submission of the No Gift Policies results in the failure of the GOCCs to qualify for the grant of PBB for their officers and employees, and PBI for their Appointive Directors.

GCG Institutionalizes Whistleblowing Policy for the GOCC Sector

On 30 May 2014, the Governance Commission issued Memorandum Circular No. 2014-04, or the "Whistleblowing Policy on the GOCC Sector." The circular provides for a mechanism by which any potential whistleblower may report corruption or irregularities in the GOCC Sector, **the GCG included**.

The move to institutionalize a Whistleblowing Policy in the GOCC Sector is consistent with the State's policy that the governance of GOCCs shall be carried out in a transparent, responsible and accountable manner.

On 06 June 2014, the GCG officially launched the Whistleblowing Policy System. Since then, the Governance Commission has been receiving complaints coursed through the different whistleblowing channels which include the GCG website feedback link, confidential meetings with authorized GCG officers, e-mail, postal mail, short messaging system, telephone, and facsimile. Differentiated from regular complaints, incidents reportable under the Whistleblowing Policy pertain to acts or omissions that are of serious and sensitive character. A committee, the GOCC Integrity Monitoring Committee (GIMC), was also created to implement the policy and handle the whistleblowing reports.

The gradual stream of whistleblowing reports, ranging from complaints about delays in official actions of GOCCs with frontline services to reports about irregularities in big-ticket procurements of certain GOCCs, however, has given the GCG the opportunity to assess and continually improve the system in accordance with international best practices.

In October and November 2014, under the auspices of the United States Agency for International Aid (USAID), the GIMC had several meetings with Mr. Steven L. Katz, a well-known whistleblowing advocate and expert in the Unites States, having served as Counsel to the Senate Governmental Affairs Committee, Chief Counsel to the Chairman of the Merit Systems Protection Board which is independent venue for protecting rights against whistleblower retaliation, and Senior Adviser to the Comptroller General of the United States.

Based on global best practices, a Whistleblowing Program must consider certain factors, such as leadership support and coverage, independence, confidentiality, rights and protection of whistleblowers against retaliation, among others. These factors do not only serve as measure for the effectiveness of the program, but the level of employee and public trust, as well, regarding treatment, respect and fairness.

Subsequently, in December 2014, the Office of the General Counsel and the GOCC Integrity Monitoring Committee underwent a three-day Integrity Workshop facilitated by Transparency International-Philippines to further evaluate and improve the design and implementation of GCG's Whistleblowing Policy.

Since then, the GCG Whistleblowing Policy has undergone major transformations in its implementation. Among others, all reports of irregularities in the GOCC Sector, regardless of the gravity of the deeds reported, are now covered by the policy and treated with the same priority and attention as the more serious ones. More personnel from the OGC and other units at GCG were also tapped to handle the reports and the whistleblowers. There is likewise more awareness on the need to protect the anonymity of the whistleblowers, as well as the confidentiality of all records and correspondences received and exchanged in connection with whistleblowing reports.

With the more inclusive and expanded implementation of the Whistleblowing Policy, the Governance Commission has received at least 70 reports, half of which have been closed and terminated, while the remaining are at various stages of investigation, some awaiting official comments from the concerned directors or officers for final resolution.

More importantly, the implementation of the Whistleblowing Policy has so far resulted in the following, among others:

1. removal and replacement of a director and highest ranking executive officer of a GOCC;
2. dismissal from the service of an official of another GOCC;
3. review of the major contracts of certain GOCCs;
4. review of the reorganization and rationalization measures and manner of implementation thereof of several GOCCs, and review by the Governance Commission of its mandate to approve the reorganization and rationalization of GOCCs;
5. conduct of investigation by GOCCs of the complained acts of their officers and employees;
6. implementation of concrete measures by certain GOCCs to improve the delivery of their frontline services;
7. discovery of a GOCC; and
8. immediate action on pending applications for members benefits in certain GOCCs with frontline services.

Recognizing the need to expand the reach of the policy, as well as to address concerns about anonymity, confidentiality, record-keeping, and overall efficiency in the handling of the reports in accord with international best practices, the Governance Commission saw the need to enhance its whistleblowing efforts by automating the same through the creation of a dedicated web-link supported by full-time manpower complement and exclusive IT infrastructure.

The Governance Commission then embarked on the procurement of services for the evaluation, development and re-design of the Whistleblowing Program of GCG, the design and development of the GCG Whistleblowing web portal, and the design of a communications plan to further promote the Whistleblowing Program.

After a protracted competitive selection process in the second semester of 2015, the GCG has awarded in December 2015 the contract for the enhancement of the GCG Whistleblowing Policy to Isla Lipana and Co., a leading professional services firm, with international experience in setting up whistleblowing platforms.

The Governance Commission intends to revise the Whistleblowing Policy and launch the whistleblowing website/portal by April of 2016, to be known as **www.whistleblowing.gcg.gov.ph**. All GOCCs under the regulatory jurisdiction of the Governance Commission will then be required to have a link in their respective websites that connects to the said GCG whistleblowing portal, and enjoined to develop and implement their own whistleblowing systems.

> The move to institutionalize a Whistleblowing Policy in the GOCC Sector is consistent with the State's policy that the governance of GOCCs shall be carried out in a transparent, responsible, and accountable manner.

In the United States, the Sarbanes-Oxley Act of 2002 requires all publicly-listed companies to have a whistleblowing system in place. The law requires that all publicly traded corporations create internal and independent "audit committees." As part of the mandated audit committee function, publicly traded corporations must also establish procedures for employees to file internal whistleblower complaints, and procedures which would protect the confidentiality of employees who file allegations with the audit committee.

Being government corporations, GOCCs are akin to publicly-listed companies in that they are also imbued with public interest. But GOCCs are more public in character than listed companies, being owned by the national government and rendering vital public services no less. Following the U.S. example which has become a best practice international standard, the Governance Commission is on the right track to requiring GOCCs under its regulatory jurisdiction to craft their own whistleblowing systems. ■

TRANSFORMATION OF THE GOCC SECTOR

SELECTED ANECDOTES OF "TURN-AROUND GOCCS"

RAINIER B. BUTALID
Commissioner

In his first State of the Nation Address (SONA), President Benigno Aquino III presented the Metropolitan Waterworks and Sewerage System (MWSS) as the epitome of poor management, if not outright abuse, in the government corporate sector. The MWSS was bleeding financially, to the point that it has not even paid out the pension due its employees that have long retired. That it was not fulfilling the purpose for which it was created was manifest in the long queues of people out to fill their water containers in the midst of a water shortage. But to further add insult to injury, the members of the MWSS Board of Trustees were gratifying themselves, as well as their officers and employees, ludicrous amounts of bonuses, allowances, and benefits. Though there was certainly nothing funny about it, the joke was that MWSS had run out of letters in the alphabet to label their bonuses.

The mismanagement of GOCCs can be traced to how their managers are selected. Recall that former President Gloria Macapagal-Arroyo caused an uproar when she appointed her personal manicurist to the Board of Trustees of the Home Development Mutual Fund (HDMF)—more popularly known as the "Pag-Ibig Fund." This particular GOCC is by nature a financial institution, the business of which is to manage fund contributions of its members in order to provide financing for houses, among others. One might think this is an isolated instance, but it in fact shows that open secret that board positions in GOCCs have been used as rewards for the loyalty of political allies.

After exposing the problem, or rather crisis, in the government corporate sector, President Aquino immediately took action to provide a solution. Together with both houses of Congress, the Aquino administration prioritized in their legislative agenda the reform of the GOCC Sector. In less than a year after his SONA, President Aquino signed into law Republic Act No. 10149 (R.A. No. 10149). The title of the law alone—"An Act to Promote Financial Viability and Fiscal Discipline in Government-Owned or -Controlled Corporations and to Strengthen the Role of the State in its Governance and Management to Make Them More Responsive to the Needs of Public Interest and For Other Purposes"—speaks of the reform that was to come.

This short piece brings together stories of how certain GOCCs have turned-around their performance under the corporate governance reforms instituted by the GOCC Governance Act.

> The mismanagement of GOCCs can be traced to how their managers are selected.

Metropolitan Waterworks Sewerage System (MWSS)

Notably, the MWSS is one of the biggest turn-arounds in the government corporate sector and continues to improve in its financial performance. Now on its fifth year of pursuing its Water Security Legacy Program (WSLP), MWSS is set to implement its infrastructure proj-

ects, rate rebasing process and other activities organized to deliver continuous supply of safe and reasonably-priced water, as well as develop and maintain adequate sewerage service.

Initiated in 2011, the WSLP intends to draw out the collaborative energies of MWSS, its two concessionaires, and other stakeholders for the implementation of its strategic priorities. This milestone program continues to be aggressively pursued by MWSS, and includes several major projects, all in pursuit of a comprehensive Integrated Water Resource Management System for Metro Manila. The program, designed to ensure that consumers continue to enjoy an uninterrupted supply of potable water, is composed of the following interrelated “legacies”:

1. Water Resources Development, Management, and Protection;
2. Sewerage and Sanitation Compliance;
3. Water Distribution Efficiency;
4. Tariff Rationalization and Business Plan Review;
5. Partnership Building and Development;
6. Communications and Knowledge Management; and
7. Organizational and Operational Excellence.

Some of the WSLP projects with on-going construction are Rehabilitation of Umiray-Angat Transbasin Tunnel Structures/ facilities, Sumag River Diversion Project and 4. Rehabilitation, Operation and Maintenance of Auxiliary Turbines 4 and 5 of the Angat Hydro-Electric Power Plant. Also included are the following:

- *New Centennial Water Source Project* or the construction of Kaliwa 50-m Dam generating additional 600 million liters per day (MLD) to ensure water security for Metro Manila, intake facilities and other appurtenant facilities; water conveyance tunnel with a capacity of 2,400 MLD, in anticipation of future construction of Laiban Dam;
- *Bulacan Bulk Water Supply Project* – Delivery of treated bulk water through construction of water treatment plants, conveyance system and development of additional raw water sources; and
- *Angat Water Transmission Improvement Project* – Partial rehabilitation of the aqueduct/tunnel system from Bigte-Novaliches to improve the reliability and security of the raw water transmission system.

MWSS now envisions itself to be the prime mover and guardian of water security providing adequate, safe, reliable and affordable water and sewerage services to Metro Manila and its existing and future coverage areas, while ensuring the sustainability of its water resources and the intelligent and right use of water.

Local Water Utilities Administration (LWUA)

Literally a stone’s throw away from the MWSS is the Local Water Utilities Administration (LWUA). Like its neighbor, LWUA was also mired by its own set of controversies that centered on the person of its former Chairman who was appointed in 2008, a year after his electoral defeat in 2007. Much like in the MWSS, the erstwhile LWUA Chairman showered officers and employees with large bonuses that did not have basis in law, nor were they tied to the GOCC’s performance. Worse, questionable transactions were entered into using LWUA’s funds. The said Chairman was dismissed in 2011, and as a side story, when the Governance Commission visited LWUA in 2012, we saw for ourselves the lavish office the erstwhile Chairman had built for himself—complete with a hidden door and all.

GCG Corporate Governance Officers inspect a water tank of a water district under LWUA.

But with the new set of Board of Trustees, LWUA vigorously pursued the Aquino Administration’s economic goal of “Inclusive Growth” particularly in institutionalizing good governance to achieve results, increasing infrastructure investments to provide wider access to water supply, achieving ecological integrity and mitigating the effects of climate change.

Housecleaning and institutional reforms were given top priority. Corrective measures were implemented to ensure adherence to financial recording standards and to sound financial and internal control principles. Effort to reduce LWUA’s non-performing loans to an acceptable level continues to be exerted. In 2014, LWUA achieved a breakthrough in recovering unauthorized investments and deposits made in a private banking institution, namely, Express Savings Bank, Inc. or ESBI. On August 26, 2014, the Liquidation Court of RTC Branch 25, Biñan City issued an order for the distribution of the assets of ESBI that enabled LWUA to achieve a recovery rate of 83%. Further, LWUA has been posting a successive net income, a reversal from its net loss of ₱952 million in 2011.

The availability of Level III water systems in all population centers outside Metro Manila is a necessary infrastructure support to expand economic growth beyond the country’s major cities and municipalities. As of date, registered connections to the household piped water systems of operational water districts reached 3.7 million. Correspondingly, at five persons per household per connection, the estimated population served by water districts reached 18.5 million persons or 37% of the estimated total population of municipalities with water districts. Included in this increase are population in tourist destination areas, in waterless areas within the jurisdiction of water districts and in water districts that became newly operational. The number of operational water districts continuously supplying water for 24 hours each day of every week also increased.

With the provision of household level water tap, infrastructure for sanitation and sewerage are needed as well to ensure ecological integrity. Major effort is continually exerted to enjoin the 63 water districts responsible for the clean-up of Manila Bay to undertake appropriate actions.

As LWUA's contribution to the efforts of the national government to mitigate the effects of climate change, water districts have been assisted vigorously in complying with the Administrative Order of the Department of Health (DOH) that requires all water districts to have water safety plans in place by year 2017.

For the coming years, LWUA intends to remain a key agency in the water supply sector pursuing the vision of providing water and sanitation services to all households in the countryside through self-reliant and sustainable water utilities.

The Governance Commission inspecting the printing facilities of APO-PUI.

Apo Production Unit, Inc. (APO-PUI)

On 23 April 2012, all three appointive members of the Governance Commission went to the premises of the APO Production Unit, Inc. (APO-PUI) in Quezon City for one purpose: to personally inform its Board of Directors that APO-PUI has been found to be in the list of GOCCs identified for privatization and that the Governance Commission intends to follow through on the government's prior determination. Just one look at the dilapidated facilities would easily lead one to conclude that this GOCC should indeed close down.

During the meeting with APO-PUI's new set of Board of Directors, however, these new set of managers clearly laid out the direction that the corporation was headed. Just a year after assuming their position, the Board was able to arrest the financial bleeding of the GOCC. They were able to present a clear strategy anchored on the fact that it is one of only three recognized government printers (RGPs) authorized to do printing of accountable forms and high security printing projects of the National government and its Agencies. Among these is the excise stamps of the Bureau of Internal Revenue (BIR) and identity documents such as the Philippine passport which was then printed by the Bangko Sentral ng Pilipinas. APO-PUI's Board knew what it had to do, and set out to do it.

Four years after the take-over of the current Board of APO-PUI, sales went up from ₱329 million to ₱695 million, an average growth of 29% annually. APO posted positive net income over the last four years, as opposed to having net loss for the last few years before 2011, allowing the company to pay dividends to the national government for the first time in 2013.

On 2 April 2013, APO-PUI signed the lease agreement with LGC Logistics Inc., for the lease of a three-hectare property located at Lima Technology Center, Batangas and signed a contract with BIR for Excise Stamps Project. In 2014, APO started the commercial operation of its security printing plant, currently handling the printing of excise stamps.

On 20 July 2015, President Benigno S. Aquino III witnessed the demonstration of the new e-passport system where the entry of biometrics and biographical data, to printing, to final verification took only a few minutes. By 2016, as mandated by the President, the new e-passport will be made available to the public.

Philippine Amusement and Gaming Corporation (PAGCOR)

It must be noted that the MWSS is not the only GOCC to be exposed by President Aquino in his SONA. In his second SONA in 2011, President Aquino revealed that under the previous administration, PAGCOR spent a ridiculous amount of money for purchasing coffee. A year later, the new Board and Management of PAGCOR filed graft cases before the Ombudsman charging its former Chairman and other senior officers for the questionable transactions.

Under the present regulation of PAGCOR, however, the Philippines now has three world-class integrated resort casinos operating in Entertainment City. From 1 July 2010 until 31 December 2015, PAGCOR revenues totaled ₱221.18 billion with a total net income of ₱19.08 billion. Integrated Resorts were required to invest a minimum of $1 Billion upon the grant of conditional license. Upon full completion of the projects, it has been estimated that these Integrated Resorts will employ around 20,000 full-time employees. It has also developed a regulatory framework and performance monitoring system for the licensees based on its performance agreement with the Governance Commission.

PAGCOR's revenues, on the other hand, have been used directly for national building, remitting ₱119.09 billion in contributions since July 2010. These contributions went to the National Treasury, Bureau of Internal Revenue (BIR), sports development, community projects in host-cities, early child-

TRANSFORMATION OF THE GAMING SECTOR

PCSO is undergoing a transformation toward professionalization, and efficiency and sustainability in operations while renewing its heart for helping others. In 2010, PCSO was able to provide charity assistance under the Individual Medical Assistance Program to 55,701 beneficiaries. In 2015, the daily assistance averages ₱18.5 million a day nationwide, with 103,740 beneficiaries having received assistance. In addition, PCSO distributed 691 ambulances, mostly in Visayas and Mindanao. The Quick Response Program was also established, allowing PCSO to automatically subsidize the medical expenses of victims directly affected by natural disasters and calamities. The ₱164.7 billion raised from lotto operations for 2010 to 2015 funded these social welfare programs, and we look forward to increasing these revenue to continue its mission of charity in the decades to come. ■

— Atty. Jose Ferdinand M. Rojas II
PCSO General Manager

hood care and development, programs for victims of wrongful prosecution, preservation of cultural heritage, and other socio-civic projects. The "Matuwid na Daan sa Silid-Aralan" school building project started in 2011 has received ₱12 billion, ₱2 billion of which has been utilized solely for the construction of new and more typhoon-resilient classrooms for public schools destroyed by super typhoon Yolanda in the Visayas in 2013. Other provinces damaged by calamities also became beneficiaries of this project. As of December 2015, PAGCOR and its partners (Department of Education and Department of Public Works and Highways) have completed 2,129 classrooms in 439 sites nationwide. Thousands more classrooms are undergoing construction.

PAGCOR also started remitting cash dividends to the National Government in compliance with the Dividends Law (R.A. No. 7656) in 2012, overturning the position of the previous PAGCOR Board that sought exemption from the law. It also sought to settle the arrears accumulated under the past administration based on a payment plan with the Department of Finance (DOF), remitting ₱1 billion in 2012, ₱1.4 billion in 2013, ₱4.09 billion in 2014, and ₱5 billion in 2015.

The gaming industry continues to be a major contributor to inclusive growth and economic development.

Government Service Insurance System (GSIS)

Another GOCC that had an infamous Executive is GSIS. Its former General Manager was hounded by allegations of graft and corruption for what is alleged to be an anomalous transaction involving the implementation of its E-Card system in 2004. Despite such controversy, the General Manager was not replaced until the administration of President Aquino who, in contrast, immediately appointed a professional banker to manage the government pension fund.

Amidst a historical backdrop marred by questionable management, syndicated loans and service delivery that did not live up to the financial strength of the institution, GSIS set out at the beginning of the Aquino Administration with a reform agenda targeted at improving service delivery for the more than 1.8 million members and pensioners.

It began with stakeholder consultations as a major initiative towards ensuring an alignment between the thrusts of the institution and the needs of its members and pensioners. After the last increase 14 years ago, the funeral benefit was increased from ₱20,000 to ₱30,000. More than 272,000 regular old-age and disability pensioners as of 31 December 2014 were granted a one-time benefit equivalent to one-month pension, or ₱10,000. GSIS also granted a "milestone" benefit scheme for nearly 6,000 pensioners: ₱20,000 for those who are 90 to 94 years old, ₱50,000 for those who are 95 to 99 years old, and ₱100,000 for those who are 100 years old and above.

The System also granted higher credit limit and longer repayment terms under the Enhanced Conso-Loan plus Program. Due to the benefit enhancements, social insurance claims and benefits increased from ₱83.3 Billion in 2014 to ₱86 Billion in 2015, while total net loans grew by 53% from ₱27.4 Billion in 2014 to ₱41.9 Billion in 2015.

GSIS has also set up systems to sustain the improved service delivery reflected with its garnering the highest Anti-Red Tape Act Survey rating among the 1,114 government agencies surveyed nationwide from the Civil Service Commission. It is also well under way to obtaining an ISO 9001:2008 certification for its quality management system (QMS) on loans processing with a recommendation from TÜV Rheinland Philippines.

In the interest of sustainability and continuously improving benefits in the future, GSIS has also made significant breakthroughs in strengthening its financial position. Assets increased from ₱571 Billion in 2010 to ₱908 Billion in 2014,[122] while revenues and income increased from ₱119 Billion and ₱68 Billion respectively in 2010 to ₱908 Billion in assets, ₱231 Billion in revenues, and ₱140 Billion in income by 2014.

While reports of how GOCCs have been mismanaged by unscrupulous executives have always been the subject of news, it is also apt to recognize that there are some GOCCs that have lived up to its mandate and continue to do so.

National Electrification Administration (NEA)

The National Electrification Administration (NEA) is a shining example of how sustained good governance and management under proper leadership can transform a GOCC into a significant tool for economic development.

NEA Administrator Edita Bueno is one of the few GOCC CEOs that continued to hold the position even after the Aquino administration came in—and it is not hard to see the reason why. As of 31 December 2015, NEA has energized a total of 30,874 sitios, equivalent to 90%, of the 32,441 unenergized sitios identified and targeted in June 2010 for the Sitio Electrification Program (SEP). NEA committed the completion of the remaining 1,567 sitios by the first quarter of 2016.

GCG Corporate Governance Officers check a power barge control room of NAPOCOR.

The accelerated total electrification program resulted to the provision of electric service to a total of 11.122 million consumer connections as of 30 November 2015 benefiting about 55 million Filipinos.

NEA has also facilitated a total of ₱10.219 billion in regular and calamity loans to electric cooperatives

122 GCG has yet to receive the full year 2015 financial report of GSIS as of the drafting of this report.

Grounded on the principle of good governance within the bureaucracy, I sought the reengineering of certain policies to support the need for greater private sector participation, more efficient and timely delivery of port services, and a more open, healthy and viable playing field. With the help of every member of PPA, I have done what I came back to government for. PPA has successfully privatized four terminals and is continuing on the privatization of Passenger Terminal Buildings. The ports of Iloilo, General Santos, Cagayan de Oro and Zamboanga are being upgraded to allow these ports to have the capability and productivity of Manila-based ports. A new Terminal Management Policy, which will allow cargo handling operators to improve their performance by becoming terminal operators and remitting concession fees, is set to be enforced. As I step out of PPA, I am confident and extremely proud to say that I left an organization that is stronger than before. ■

– Juan Sta. Ana
PPA General Manager

(ECs) from 2011 to 2015, supporting about 10% of the investment requirements of borrower ECs with the end view of improving their service delivery to the member-consumers. For these loans, an annual average collection efficiency rate of 99% was posted for the last five years.

NEA has sustained good financial performance from 2011 to 2015 remitting a total of ₱1.173 billion in income tax and dividends. NEA has likewise, for nine consecutive years, consistently paid 100% of its loan amortizations due to foreign creditors.

Honors also poured in for the NEA-Initiated Task Force Kapatid, a volunteer service where electric cooperatives group together to mobilize their personnel and logistics to assist other ECs needing immediate rehabilitation of distribution lines, for their commendable assistance in the aftermath of natural disasters such as Typhoons Pablo (2012) and Yolanda (2013). On 17 March 2015, the efforts of Task Force Kapatid was officially recognized by the House of Representatives through House Resolution 157.

Philippine Ports Authority

Being one of the GOCCs that report the biggest amount of total assets, revenues and dividends to the national government, the Philippine Ports Authority has seen improvements in many aspects of its operations and corporate performance. For shipping and trade, government and private ports registered an annual average growth of 6.08% in the volume of cargo. Comparing the volume of domestic and foreign cargo handled in 2010 and 2014, the jump of 26.53% is deemed significant. In passenger volume, a positive average annual growth of 1.18% from 2013-2014 was posted due to the stiff competition posed by airlines offering budget fares. The annual average increase in the number of vessels, on the other hand, is very conservative at nearly 1%. The trend towards integration has led to the advent of very large vessels with reduced number but with high carrying capacity.

In terms of port services, the Ports of Iloilo, Cagayan de Oro, General Santos and Batangas were successfully declared compliant by the duly recognized certifying body, Partnerships in Environmental Management for the Seas of East Asia (PEMSEA). This is PPA's effort for best practices on port safety, health and environmental management. The major gateways and high volume ports are now compliant with the security measures observed worldwide. To further promote safety, the PPA has likewise implemented the Vessel Traffic Management System in Manila Bay and in Batangas. PPA is set to enforce the new Terminal Management Policy which will allow cargo handling operators to level up their performance by becoming terminal operators and remitting to PPA concession fees and not percent of their revenue as government share.

The privatization of the management and operation of existing passenger terminal buildings (PTB) started in 2013 already led to 11 privatized PTBs as of the end of 2014 with six additional PTBs bound to be bid out and awarded to the winning private operator by 2015. Thirty-three Ro-Ro ramps and Ro-Ro berths were completed during the period which have facilitated the transport of good and carriage of people to nationwide destinations reducing the cargo spillage by more than 50% and logistics cost from Luzon to Mindanao and vice versa by at least 30%.

In terms of financial operations, PPA has generated revenue at an increasing rate of 11% per year on the average during the period 2010-2014. The annual average Operating Income also increased by 21%.

PPA's financial performance remained its upward trend as evident in the Gross Revenue which was recorded at ₱12,567.30 million for 2014, well above target and that of 2013's record by 20.03% and 13.54%, respectively. The aggregate revenue is consisted of Port Revenue and the Fund Management Income (FMI). In particular, Port Revenue reached ₱12,464.09 million, a considerable increase of ₱2,469.62 million or 24.71% against last

PPA Port Management Office–Surigao presented to the GCG representatives the location plan of Port of Dapa, illustrating the extension of its berth and back-up area.

RECOGNIZED AS Best Commercial Bank in the Philippines by International Banker and awarded by eight local and internal organizations, LANDBANK has grown from strength to strength as manifested in three aspects. Firstly, institutional viability has been developed as manifested in the growth of its total assets to ₱1.2 trillion and net income to ₱13.3 billion. Within six years, LANDBANK remitted a total of ₱29.9 billion in cash dividends; in 2013 and 2014, LANDBANK remitted the highest cash dividend among the entire GOCC Sector. Secondly, it remained to be at the forefront of promoting economic growth in the rural areas through strengthening its credit support to the local economy. LANDBANK released ₱384 billion in loans to its priority sectors through its Sikat Saka Program and Agrarian Production Credit Program. Finally, being present in all provinces of the Philippines, LANDBANK promoted financial inclusion and banking convenience to all Filipinos. ■

– Liduvino S. Geron,
LANDBANK Senior Vice President,
Strategic Planning Group

year. Such increase was owing primarily to the increase in traffic volume at the ports.

These improvements in PPA's corporate performance were reflected in the dividend remitted by PPA during the four years from 2010 to 2014 which reached more than ₱6.28 billion or about ₱1.5 billion per year. These have also made PPA a large taxpayer contributing ₱10.096 billion to the national coffers from 2010 to 2014. Taxes include income tax, VAT and withholding taxes.

Land Bank of the Philippines (LANDBANK)

Financial inclusion through affordable access to financial services has been a key driver of development, especially in the countryside.

LANDBANK is the only bank that is present in all of the country's 81 provinces, with an expanded network of 361 branches and 1,503 ATMs. It has established several online/mobile facilities to expand the reach of its services, particularly in the countryside, namely: LANDBANK Mobile Loan Saver Facility (LMLS), LANDBANK Easy Access Facility (LEAF), LANDBANK Express Access Machine (LEAM), Cash Deposit Machine (CDM), Mobile Automated Teller-ing Machines (ATMs), and the LANDBANK Mobile Banking App.

While pursuing its social mandate, LANDBANK has maintained its position as one of the top universal banks in the country. Its total assets grew to ₱1.2 trillion as of year-end CY 2015, putting LANDBANK in the one-trillion peso asset group. Its deposits registered at ₱1.05 trillion as of year-end CY 2015, which breached the trillion mark for the first time. Its net income reached ₱13.3 billion in CY 2015, the highest from CY 2010. For the past six years, LANDBANK has remitted a total of ₱29.9 billion in cash dividends to the National Government, making it the highest remitting GOCC for 2 consecutive years with ₱6.0 billion in CY 2013 and ₱6.0 billion in CY 2014.

LANDBANK has also received 11 international and two local awards, such as the "Best Commercial Bank-Philippines" from the International Banker and the "Outstanding Credit Surety Fund Lending Bank" of the Bangko Sentral ng Pilipinas.

Philippine Deposit Insurance Corporation (PDIC)

From the Asian Financial Crisis to the Financial Crisis of 2007-08, the global recessions of the past have highlighted the importance of having risk management apparatus' in place to ensure the resiliency of the country's financial system. Together with the Bangko Sentral ng Pilipinas (BSP), PDIC continues to serve a crucial role in the banking sector as it continues to cover the deposit insurance risks in the banking system consistent with the ratio recommended by the World Bank.

The Deposit Insurance Fund (DIF) grew by 12.6% to ₱112.7 Billion in 2015 from ₱100.1 Billion in 2014. Based on a 12-month average, the ratio of the DIF to the Estimated Insured Deposits (EID) reached 5.6%, exceeding the target of 5.0% for the year and the 2014 figure of 5.4%.

Despite increasing the account balances covered from ₱15,000 in 2014 to ₱50,000 in 2015, PDIC was still able to expeditiously settle a total of 55,800 out of 56,601 valid deposit claims, amounting to ₱1.29 Billion for 14 banks closed during the year. Closed banks with less than 20 branches were paid within the average of 12 days for accounts with less than ₱50,000 and 19 days for accounts with more than ₱50,000. The liquidation proceedings of 40 closed banks were terminated in 2015, exceeding the target of completing the liquidation proceedings of 28 closed banks.

As co-regulator, PDIC examined, either jointly with the BSP or independently, a total of 61 banks in 37 days, improving its efficiency from the previous year's accomplishment of 57 bank examination reports finished in 45 days. These reports help PDIC prevent bank failures or implementation of timelier bank resolutions through the early detection of bank weaknesses.

To further ensure continued enhancements in operations, PDIC was able to map all risks and identify the mitigation and monitoring measures in relation to the established Enterprise Risk Management (ERM). PDIC also signed a Memorandum of Understanding on Cross Border Agreements with deposit insurance agencies in the United Kingdom and Indonesia. The agreements signed are in compliance with the International Association of Deposit Insurance Core Principles.

TRANSFORMATION OF THE AREA DEVELOPMENT SECTOR

WITHIN 2015 alone, BCDA was able to recover Navy Village Property, which has an estimated land value of ₱47 billion, and the Camp John Hay Property, which can lead to a revenue of ₱10.5 billion. In addition, BCDA signed partnerships with Japan Overseas Infrastructure Investment Corporation for Transport and Urban Development to facilitate the entry of Japanese investments in power, transportation and industrial zones. To further develop the Clark Green City, BCDA signed partnerships with several organizations, including MIT who will develop an Innovation Center; these will pave way for collaborative opportunities in sustainable city planning and urbanization for the new city. ■

– Arnel Paciano D. Casanova, Esq., BCDA President and CEO

Clark Development Corporation (CDC)

The spillover effect from targeted regional development continues to be an effective growth strategy and driver of economic development. In the Clark Freeport Zone (CFZ), exports (especially for those in Industrial-Electronics, the sector with the highest exports since 2010) increased from US$1.45 Billion in 2010 to US$4.43 Billion by 2015. These investments have been creating numerous jobs for the communities surrounding CDC as well as professionals from all over the country as the number of employment rose from 60,162 in 2010 to 82,382 by 2015.

In 2011, more than 200 projects with over ₱21 Billion in new investments were signed. CDC increased its efforts on enforcing contracts and recovering land for purposes of economic development. This allowed for the revival of contracts as well as the signing of hundreds of new contracts, and the recovery of 184.25 hectares for purposes of economic development. In 2015, total new committed investments amounted to US$353.69 Million.

CDC's cash position rose from ₱1.40 Billion in 2010 to ₱2.33 Billion in 2015, strengthening its ability to more aggressively pursue its social mission of regional development. Net income grew from ₱177 Million in 2010 to ₱697 Million in 2015, with cash dividends remitted to the government from 2013 to 2015 amounting to ₱720 Million, or 53% of the total remittances to government since 2006.

The CDC's corporate governance reforms have also resulted in initiatives towards the full-automation of all its related permits, which addresses the illegal entry/exit of goods in the Freeport Zone. It has also improved safety within the zone, with a seven- to 10-minute response time from its Public Safety Department and a CCTV system which covers all security areas in the zone.

Philippine Health Insurance Corporation (PHILHEALTH)

The National Health Insurance Program (NHIP) has been one of the key strategies of the Aquino Administration in realizing Universal Healthcare.

From 51% in CY 2010, 92% (93 million / 101 million) of the population are now covered under the National Health Insurance Program (NHIP) administered by PhilHealth together with the Department of Health (DOH). Benefit payments tripled from ₱30.5 billion in CY 2010 to ₱97 billion in CY 2015, with indigents[123] accounting for a third of total claims in 2015 (₱32.6 Billion).

PhilHealth has also been able to meet the significant increase in demand while maintaining the quality of its services. In CY 2015, among all government agencies that went through the Civil Service Commission (CSC) and the Anti-Red Tape Act Report Card Survey (ARTA RCS), PhilHealth had the highest number of frontline offices with an "Excellent" rating. Out of 133 surveyed PhilHealth offices, 88 scored "Excellent," one "Outstanding" and 44 "Good." PhilHealth has also maintained the ISO 9001:2008 for its Quality Management System. Lastly, in addition to the numerous satellite offices and P-CARES assigned in hospitals, PhilHealth has also made available in CY 2015 members' access (online) to their membership and benefits information 24/7.

As PhilHealth continues to expand its benefit packages and step up its efforts on prevention and primary care, nine out of 10 Filipinos now have health insurance. ■

123 Based on the National Household Targeting System for Poverty Reduction of the Department of Social Welfare and Development (DSWD).

GOCC SECTOR
FINANCIALS

GOCC SECTOR FINANCIALS: ASSETS, LIABILITIES, NET WORTH IN ₱ MILLION

	CLASSIFICATION OF GOCCS BY SECTOR		ASSETS			LIABILITIES			NET WORTH		
			2012	2013	2014	2012	2013	2014	2012	2013	2014
I. GOVERNMENT FINANCIAL INSTITUTIONS SECTOR			**2,860,942**	**3,217,938**	**3,699,882**	**1,199,528**	**1,458,130**	**1,697,574**	**1,661,414**	**1,759,808**	**2,002,308**
	Banking Institutions		**1,048,301**	**1,283,008**	**1,534,711**	**922,479**	**1,160,660**	**1,407,258**	**125,821**	**122,348**	**127,452**
1	Al-Amanah Islamic Investment Bank of the Philippines	AIIBP	707.29	678.58	702.66	265.36	280.07	328.89	441.93	398.51	373.77
2	Development Bank of the Philippines	DBP	351,729.37	427,352.37	467,512.50	309,399.87	386,598.96	424,691.97	42,329.50	40,753.41	42,820.53
3	***DBP Data Center, Inc.	DCI	58.40	75.41	87.08	20.25	30.93	45.15	38.15	44.48	41.93
4	Land Bank of the Philippines	LANDBANK	689,128.70	847,083.11	1,056,606.89	607,225.27	767,126.96	973,925.73	81,903.43	79,956.15	82,681.16
5	***Land Bank Countryside Dev't Foundation, Inc.	LCDFI	106.77	105.68	105.55	2.79	2.91	2.64	103.98	102.77	102.91
6	***LBP Resources and Development Corporation	LRDC	485.10	493.01	544.27	63.02	57.66	87.74	422.07	435.35	456.52
7	Philippine Postal Savings Bank, Inc.	POSTBANK	6,085.12	7,219.87	9,151.89	5,502.83	6,562.70	8,176.34	582.28	657.17	975.56
	Non Banking Institutions		**274,812**	**282,330**	**292,951**	**172,987**	**174,282**	**173,203**	**101,826**	**108,048**	**119,748**
8	Credit Information Corporation	CIC	149.39	179.28	156.45	0.59	0.39	1.41	148.80	178.89	155.05
9	DBP Leasing Corporation	DBP-LC	1,480.19	987.58	1,206.05	758.90	365.41	358.08	721.29	622.16	847.97
10	Home Guaranty Corporation	HGC	32,727.08	33,815.23	34,327.27	25,089.79	25,760.32	25,675.68	7,637.29	8,054.91	8,651.59
11	LBP Insurance Brokerage, Inc.	LBP-IBI	904.12	995.49	1,115.69	101.32	159.69	237.71	802.81	835.80	877.98
12	LBP Leasing Corporation	LBP-LC	3,132.33	3,712.32	4,006.97	1,920.25	2,435.64	2,668.71	1,212.08	1,276.68	1,338.26
13	Masaganang Sakahan, Inc.	MSI	170.07	177.29	148.94	66.34	69.77	34.65	103.73	107.52	114.29
14	National Development Company	NDC	12,293.89	13,208.76	12,910.01	8,410.24	8,529.55	9,837.61	3,883.64	4,679.21	3,072.40

	CLASSIFICATION OF GOCCS BY SECTOR		ASSETS			LIABILITIES			NET WORTH		
			2012	2013	2014	2012	2013	2014	2012	2013	2014
15	National Home Mortgage Finance Corporation	NHMFC	35,518.80	36,016.51	38,304.34	38,413.79	37,955.05	38,554.19	(2,894.99)	(1,938.54)	(249.85)
16	National Livelihood Development Corp. (Merged Livecor and NLSF)	NLDC	5,236.01	5,305.98	5,008.79	210.97	237.51	259.13	5,025.04	5,068.48	4,749.66
17	People's Credit and Finance Corporation	PCFC	3,879.06	3,791.42	4,397.80	2,734.77	2,657.54	3,286.19	1,144.30	1,133.89	1,111.62
18	Philippine Crop Insurance Corporation	PCIC	1,271.18	2,271.51	3,189.18	393.70	848.56	1,556.81	877.49	1,422.95	1,632.37
19	Philippine Deposit Insurance Corporation	PDIC	154,425.16	155,969.20	161,785.92	68,688.13	66,929.06	61,682.66	85,737.04	89,040.15	100,103.25
20	Quedan & Rural Credit Guarantee Corporation	QUEDANCOR	2,700.25	3,699.80	3,338.51	8,583.28	9,418.56	10,294.70	(5,883.03)	(5,718.75)	(6,956.18)
21	Small Business Corporation	SBC	5,785.34	5,903.69	5,115.71	3,323.92	3,501.06	2,565.76	2,461.42	2,402.63	2,549.95
22	Social Housing Finance Corporation	SHFC	11,965.26	13,095.02	15,319.00	11,719.74	12,882.62	14,153.32	245.52	212.40	1,165.68
23	Trade and Investment Development Corporation of the Philippines (also known as TIDCORP)	PhilEXIM	3,173.95	3,200.75	2,620.63	2,570.79	2,531.20	2,036.34	603.16	669.55	584.29
	Social Security Institutions		**1,537,830**	**1,652,600**	**1,872,219**	**104,062**	**123,188**	**117,112**	**1,433,767**	**1,529,412**	**1,755,107**
24	Employees Compensation Commission	ECC	358.50	383.40	424.73	34.79	39.49	52.79	323.71	343.91	371.95
	Occupational Safety and Health Center (Special ECC Department)	OSHC	297.51	307.66	331.22	39.92	31.48	33.10	257.58	276.18	298.12
25	Government Service Insurance System	GSIS	733,567.89	789,223.49	908,663.91	21,875.17	31,931.60	22,893.15	711,692.72	757,291.89	885,770.76
26	Home Development Mutual Fund (HDMF)	Pag-IBIG	314,535.89	344,674.07	379,248.43	58,668.65	62,594.78	61,452.89	255,867.24	282,079.29	317,795.54
27	Philippine Health Insurance Corporation	PHILHEALTH	125,999.00	133,032.29	145,919.19	12,044.70	15,652.26	23,801.16	113,954.29	117,380.04	122,118.03
28	Social Security System	SSS	362,805.05	384,633.28	427,164.92	11,383.02	12,912.89	8,848.40	351,422.04	371,720.39	418,316.53
29	Veterans Federation of the Philippines	VFP	265.77	346.28	10,467.06	16.24	25.67	30.87	249.53	320.60	10,436.19

	CLASSIFICATION OF GOCCS BY SECTOR		ASSETS			LIABILITIES			NET WORTH		
			2012	2013	2014	2012	2013	2014	2012	2013	2014
II. TRADE, AREA DEVELOPMENT AND TOURISM SECTOR			**246,228**	**265,235**	**289,986**	**84,902**	**137,374**	**136,980**	**161,326**	**218,407**	**244,023**
	Trade		**5,409**	**8,072**	**7,238**	**4,710**	**7,258**	**6,358**	**699**	**814**	**880**
30	Center for International Trade Expositions and Missions	CITEM	486.15	494.52	526.74	78.40	86.50	103.05	407.75	408.03	423.69
31	Duty Free Philippines Corporation	DFPC	2,838.92	3,018.09	2,860.44	2,416.73	2,503.01	2,276.89	422.20	515.08	583.55
32	Philippine International Trading Corporation	PITC	2,037.37	4,364.67	3,558.48	1,856.40	4,182.09	3,377.67	180.97	182.58	180.81
33	PITC Pharma, Inc.	PITC-PI	46.09	194.37	292.60	358.20	486.28	600.15	(312.11)	(291.91)	(307.56)
	Area Development		**237,684**	**250,852**	**274,016**	**77,926**	**125,609**	**123,975**	**159,759**	**215,789**	**241,057**
34	Bases Conversion Development Authority	BCDA	130,066.12	129,725.98	129,268.28	42,222.48	90,545.88	91,016.52	87,843.64	129,725.98	129,268.28
35	***BCDA Management and Holdings, Inc.	BMHI	482.08	489.63	486.72	151.48	161.32	156.28	330.59	328.31	330.45
36	Clark Development Corporation	CDC	6,075.88	5,722.14	6,265.00	1,945.67	2,228.21	2,396.34	4,130.21	3,493.93	3,868.66
37	John Hay Management Corporation	JHMC	166.97	167.28	190.84	296.15	300.25	316.44	(129.18)	(132.96)	(125.59)
38	Laguna Lake Development Authority	LLDA	521.22	1,580.82	787.81	132.56	1,076.41	256.44	388.65	504.41	531.37
39	National Housing Authority	NHA	55,063.98	66,523.38	91,189.94	11,985.85	11,327.07	13,292.85	43,078.13	55,196.31	77,897.09
40	Palacio Del Gobernador Condominium Corporation	PDGCC	27.31	39.50	32.72	6.51	17.34	9.49	20.80	22.16	23.24
41	Partido Development Administration	PDA	491.68	463.32	459.01	1,151.86	1,082.97	1,152.54	(660.19)	(619.64)	(693.52)
42	Philippine Reclamation Authority (Formerly PEA)	PRA	33,223.67	33,484.35	31,360.03	18,733.99	17,584.02	14,201.45	14,489.68	15,900.33	17,158.58
43	Poro Point Management Corporation	PPMC	155.25	97.19	110.00	94.51	36.42	46.50	60.74	60.77	63.49
44	Southern Philippines Development Authority	SPDA	131.32	144.71	131.47	19.22	17.30	6.82	112.10	127.41	124.65

	CLASSIFICATION OF GOCCS BY SECTOR		ASSETS			LIABILITIES			NET WORTH		
			2012	2013	2014	2012	2013	2014	2012	2013	2014
45	Tourism Infrastructure & Enterprise Zone Authority (formerly PTA)	TIEZA	11,278.75	12,414.07	13,733.91	1,185.37	1,231.63	1,123.58	10,093.38	11,182.43	12,610.33
	Tourism		**3,136**	**6,311**	**8,732**	**2,267**	**4,507**	**6,647**	**869**	**1,804**	**2,085**
46	Philippine Retirement Authority	PRetA	2,860.84	4,606.98	6,854.97	2,199.96	3,706.99	5,781.90	660.88	899.99	1,073.08
47	Tourism Promotions Board (formerly PCVC)	TPB	274.68	1,704.24	1,876.81	66.70	800.15	864.86	207.98	904.09	1,011.95
III. EDUCATIONAL AND CULTURAL SECTOR			**7,980**	**10,861**	**3,716**	**614**	**1,087**	**1,630**	**7,366**	**9,775**	**2,085**
	Educational		**3,652**	**3,725**	**669**	**390**	**452**	**389**	**3,262**	**3,273**	**280**
48	Boy Scouts of the Philippines	BSP	3,073.71	3,089.10	-	89.42	90.68	-	2,984.29	2,998.42	-
49	Development Academy of the Philippines	DAP	578.54	635.67	668.66	300.65	361.46	388.57	277.89	274.21	280.09
	Cultural		**4,328**	**7,137**	**3,047**	**224**	**634**	**1,242**	**4,103**	**6,502**	**1,805**
50	Cultural Center of the Philippines	CCP	1,501.20	1,512.99	1,545.61	194.15	215.79	223.78	1,307.05	1,297.20	1,321.82
51	Nayong Pilipino Foundation, Inc.	NPF	2,826.41	5,623.74	1,501.23	29.99	418.61	1,018.06	2,796.42	5,205.13	483.17
IV. GAMING SECTOR			**47,605**	**52,652**	**52,006**	**31,576**	**32,429**	**29,083**	**16,029**	**20,223**	**22,923**
		-									
52	Philippine Amusement and Gaming Corporation	PAGCOR	34,402.18	36,533.35	32,638.60	19,827.26	20,238.36	17,187.33	14,574.92	16,294.99	15,451.27

No.	Classification of GOCCs by Sector		Assets 2012	Assets 2013	Assets 2014	Liabilities 2012	Liabilities 2013	Liabilities 2014	Net Worth 2012	Net Worth 2013	Net Worth 2014
53	Philippine Charity Sweepstakes Office	PCSO	13,203.14	16,118.59	19,367.59	11,749.18	12,190.45	11,896.15	1,453.96	3,928.13	7,471.44
V. ENERGY AND MATERIALS SECTOR			**1,496,760**	**1,522,537**	**1,429,682**	**1,051,351**	**1,114,527**	**1,023,079**	**445,409**	**408,010**	**406,603**
	Energy		**1,495,670**	**1,521,395**	**1,428,575**	**1,050,763**	**1,113,933**	**1,022,590**	**444,907**	**407,462**	**405,985**
54	National Electrification Administration	NEA	19,770.13	23,709.10	36,028.05	18,692.15	22,560.66	31,090.05	1,077.99	1,148.45	4,937.99
55	National Power Corporation	NPC	39,279.01	39,633.53	43,198.66	18,036.27	17,018.43	17,882.98	21,242.74	22,615.10	25,315.68
56	National Transmission Corporation	TRANSCO	383,447.41	358,671.12	349,102.11	165,459.58	145,055.23	140,745.06	217,987.83	213,615.90	208,357.05
57	Philippine National Oil Company	PNOC	40,706.74	40,767.82	42,405.45	5,428.07	5,462.64	4,597.05	35,278.67	35,305.18	37,808.41
58	Power Sector Assets and Liabilities Management Corporation	PSALM	997,387.56	1,040,762.45	940,601.57	839,511.65	920,400.30	824,838.30	157,875.90	120,362.15	115,763.27
59	PNOC Exploration Corporation	PNOC-EC	13,958.21	16,745.09	16,160.86	3,523.67	3,387.90	3,380.34	10,434.54	13,357.18	12,780.52
60	PNOC Renewables Corporation	PNOC-RC	1,121.16	1,105.40	1,077.84	111.34	47.49	56.05	1,009.82	1,057.91	1,021.80
	Materials		**1,090**	**1,142**	**1,108**	**588**	**594**	**489**	**502**	**548**	**618**
61	Bukidnon Forest, Inc.	BFI	247.87	217.88	207.86	90.70	48.49	37.90	157.17	169.39	169.96
62	Natural Resources Development Corporation	NRDC	499.62	511.73	433.17	314.19	346.12	260.82	185.44	165.60	172.35
63	Philippine Mining Development Corporation (formerly NRMDC)	PMDC	342.38	412.43	466.59	183.48	199.44	190.60	158.91	212.99	275.98

No.	Classification of GOCCs by Sector		Assets 2012	Assets 2013	Assets 2014	Liabilities 2012	Liabilities 2013	Liabilities 2014	Net Worth 2012	Net Worth 2013	Net Worth 2014
VI. AGRICULTURE, FISHERIES AND FOOD SECTOR			**55,522**	**49,221**	**49,135**	**173,326**	**176,207**	**174,711**	**(117,804)**	**(126,987)**	**(125,576)**
	-	-									
	Agriculture and Fisheries		**42,509**	**38,926**	**38,624**	**171,684**	**174,876**	**171,081**	**(129,175)**	**(135,950)**	**(132,457)**
64	National Dairy Authority	NDA	1,233.66	1,351.45	1,702.59	749.44	633.26	615.49	484.22	718.19	1,087.11
65	National Food Authority	NFA	29,396.47	20,973.69	24,002.73	162,990.04	165,810.08	166,936.37	(133,593.57)	(144,836.38)	(142,933.65)
66	National Tobacco Administration	NTA	1,087.30	1,208.87	1,588.36	118.08	121.10	127.19	969.22	1,087.76	1,461.16
67	Philippine Coconut Authority	PCA	2,596.05	6,704.91	7,579.36	450.95	613.22	702.84	2,145.09	6,091.68	6,876.52
68	Philippine Fisheries Development Authority	PFDA	1,452.19	1,688.64	1,763.09	1,967.82	2,178.69	2,209.07	(515.63)	(490.05)	(445.97)
69	Philippine Sugar Corporation	PHILSUCOR	6,288.68	6,504.65	1,533.64	5,296.69	5,401.62	415.36	992.00	1,103.03	1,118.28
70	Sugar Regulatory Administration	SRA	455.12	493.91	454.61	111.10	118.04	74.74	344.02	375.87	379.87
	Food		**13,012**	**10,294**	**10,511**	**1,642**	**1,331**	**3,630**	**11,371**	**8,963**	**6,881**
71	Food Terminal, Inc. (PMO)	FTI	12,744.93	10,045.11	10,256.18	595.67	258.89	2,526.95	12,149.25	9,786.22	7,729.23
72	Northern Foods Corporation	NFC	267.50	249.37	254.60	1,045.99	1,072.58	1,103.02	(778.49)	(823.21)	(848.41)
VII. UTILITIES AND COMMUNICATIONS SECTOR			**469,088**	**538,075**	**566,766**	**244,269**	**301,406**	**301,769**	**224,819**	**236,669**	**264,997**
	Utilities		**457,967**	**519,414**	**554,020**	**235,297**	**283,293**	**293,330**	**222,670**	**236,121**	**260,690**
73.	Cebu Port Authority	CPA	5,368.28	5,623.74	5,965.26	345.50	418.61	532.47	5,022.77	5,205.13	5,432.79
74.	Clark International Airport Corporation	CIAC	1,594.97	1,952.85	2,138.06	1,712.87	2,034.81	2,188.03	(117.90)	(81.97)	(49.97)

	CLASSIFICATION OF GOCCS BY SECTOR		ASSETS			LIABILITIES			NET WORTH		
			2012	2013	2014	2012	2013	2014	2012	2013	2014
75	Light Rail Transit Authority	LRTA	70,788.39	71,097.52	68,998.71	69,514.83	65,912.02	63,229.08	1,273.56	5,185.50	5,769.63
76	Local Water Utilities Administration	LWUA	15,554.57	15,780.39	15,337.29	9,095.60	9,152.27	7,419.65	6,458.97	6,628.12	7,917.64
77	Mactan-Cebu International Airport Authority	MCIAA	6,528.92	7,359.05	21,576.81	290.55	280.13	14,626.94	6,238.37	7,078.92	6,949.87
78	Manila International Airport Authority	MIAA	32,243.48	32,363.96	33,461.21	13,414.91	11,792.64	11,158.46	18,828.56	20,571.31	22,302.75
79	Metropolitan Waterworks and Sewerage System	MWSS	54,076.78	53,028.62	58,463.01	17,362.70	15,824.37	13,131.34	36,714.07	37,204.25	45,331.66
80	National Irrigation Administration	NIA	58,901.92	117,736.64	123,334.04	45,423.44	103,294.00	108,027.21	13,478.48	14,442.64	15,306.83
81	North Luzon Railway Corporation	NLRC	21,947.88	21,241.78	21,260.72	20,908.67	21,269.76	21,603.93	1,039.21	(27.98)	(343.21)
82	PEA Tollway Corporation	PEA-TC	246.64	277.12	197.28	242.90	273.22	193.21	3.74	3.90	4.07
83	Philippine Aerospace Development Corporation	PADC	132.10	120.82	125.74	28.00	32.36	31.45	104.10	88.47	94.29
84	Philippine National Railways	PNR	53,102.55	52,824.15	51,896.06	25,956.03	26,114.60	26,476.04	27,146.52	26,709.55	25,420.01
85	Philippine Ports Authority	PPA	104,503.39	105,984.63	114,532.48	13,329.34	11,733.04	8,996.30	91,174.05	94,251.58	105,536.18
86	Southern Utility Management, Inc.	SUMSI	26.34	33.42	38.38	2.79	5.23	6.91	23.55	28.19	31.47
87	Civil Aviation Authority of the Philippines	CAAP	23,193.41	21,548.25	24,230.53	6,386.24	2,829.42	3,133.60	16,807.17	18,718.83	21,096.93
88	Philippine National Construction Corporation (PMO)	PNCC	9,757.65	12,441.33	12,464.33	11,282.73	12,326.46	12,574.88	(1,525.08)	114.86	(110.55)
	Communications		**11,121**	**18,660**	**12,746**	**8,972**	**18,113**	**8,439**	**2,149**	**548**	**4,307**
89	APO Production Unit, Inc.	APO-PUI	367.26	310.84	395.71	385.32	326.11	401.81	(18.07)	(15.27)	(6.11)
90	Intercontinental Broadcasting Corporation	IBC	563.43	516.51	451.35	1,233.81	1,237.83	1,344.84	(670.38)	(721.32)	(893.49)
91	People's Television Network, Inc.	PTNI	968.51	961.74	1,265.60	568.87	588.36	575.83	399.63	373.38	689.77
92	Philippine Postal Corporation	PHLPOST	9,221.87	16,871.25	10,633.26	6,784.01	15,960.45	6,116.58	2,437.86	910.80	4,516.68
		TOTAL	**5,184,126**	**5,656,519**	**6,091,172**	**2,785,567**	**3,221,159**	**3,364,826**	**2,398,559**	**2,525,905**	**2,817,363**

GOCC SECTOR FINANCIALS: REVENUES, TCI, ROA, ROE IN ₱ MILLION

	CLASSIFICATION OF GOCCs BY SECTOR		REVENUES			TCI (Net of Subsidy and OCI)			ROA			ROE		
			2012	2013	2014	2012	2013	2014	2012	2013	2014	2012	2013	2014
I. GOVERNMENT FINANCIAL INSTITUTIONS SECTOR			**431,950**	**458,018**	**598,871**	**129,265**	**119,086**	**226,554**						
	Banking Institutions		**55,663**	**62,238**	**59,762**	**14,797**	**15,007**	**16,632**						
1	Al-Amanah Islamic Investment Bank of the Philippines	AIIBP	45.13	26.80	48.13	(31.65)	(49.57)	(24.74)	-4%	-7%	-4%	-7%	-12%	-7%
2	Development Bank of the Philippines	DBP	17,094.69	19,251.04	19,625.61	4,174.44	4,764.51	4,108.83	1%	1%	1%	10%	12%	10%
3	***DBP Data Center, Inc.	DCI	63.40	73.62	89.45	3.95	6.33	2.45	7%	8%	3%	10%	14%	6%
4	Land Bank of the Philippines	LANDBANK	37,683.10	42,030.79	38,810.83	10,596.21	10,198.76	12,389.39	2%	1%	1%	13%	13%	15%
5	***Land Bank Countryside Dev't Foundation, Inc.	LCDFI	29.58	25.90	25.36	5.27	(1.21)	0.61	5%	-1%	1%	5%	-1%	1%
6	***LBP Resources and Development Corporation	LRDC	220.40	200.37	366.61	18.92	22.74	32.54	4%	5%	6%	4%	5%	7%
7	Philippine Postal Savings Bank, Inc.	POSTBANK	527.15	629.10	796.20	30.32	65.52	123.14	0%	1%	1%	5%	10%	13%
	Non Banking Institutions		30,882	29,819	33,730	574	3,406	4,186						
8	Credit Information Corporation	CIC	29.88	2.37	0.86	(10.12)	(20.51)	(23.86)	-7%	-11%	-15%	-7%	-11%	-15%
9	DBP Leasing Corporation	DBP-LC	72.70	75.26	56.22	(14.33)	(99.12)	(54.19)	-1%	-10%	-4%	-2%	-16%	-6%
10	Home Guaranty Corporation	HGC	826.34	841.90	907.60	(563.10)	(228.32)	171.50	-2%	-1%	0%	-7%	-3%	2%
11	LBP Insurance Brokerage, Inc.	LBP-IBI	115.31	115.94	133.20	67.58	67.54	75.76	7%	7%	7%	8%	8%	9%
12	LBP Leasing Corporation	LBP-LC	519.96	506.63	514.76	145.59	159.24	133.79	5%	4%	3%	12%	12%	10%
13	Masaganang Sakahan, Inc.	MSI	182.86	225.59	265.80	6.01	10.78	12.52	4%	6%	8%	6%	10%	11%
14	National Development Company	NDC	826.43	867.60	788.22	327.61	484.57	407.37	3%	4%	3%	8%	10%	13%

No.	CLASSIFICATION OF GOCCs BY SECTOR		REVENUES 2012	REVENUES 2013	REVENUES 2014	TCI (Net of Subsidy and OCI) 2012	TCI 2013	TCI 2014	ROA 2012	ROA 2013	ROA 2014	ROE 2012	ROE 2013	ROE 2014
15	National Home Mortgage Finance Corporation	NHMFC	4,913.66	2,037.80	2,511.72	193.11	46.90	142.74	1%	0%	0%	-7%	-2%	-57%
16	National Livelihood Development Corp. (Merged Livecor and NLSF)	NLDC	341.72	301.67	282.53	78.44	48.23	62.40	1%	1%	1%	2%	1%	1%
17	People's Credit and Finance Corporation	PCFC	344.07	290.80	254.05	63.30	34.72	22.73	2%	1%	1%	6%	3%	2%
18	Philippine Crop Insurance Corporation	PCIC	585.55	1,331.82	1,368.62	142.94	555.73	200.17	11%	24%	6%	16%	39%	12%
19	Philippine Deposit Insurance Corporation	PDIC	20,632.20	21,709.15	24,307.19	3,336.93	4,385.86	4,261.92	2%	3%	3%	4%	5%	4%
20	Quedan & Rural Credit Guarantee Corporation	QUEDANCOR	125.05	205.16	79.76	(3,526.79)	(2,241.97)	(1,406.58)	-131%	-61%	-42%	60%	39%	20%
21	Small Business Corporation	SBC	393.68	348.28	460.77	68.68	21.20	32.23	1%	0%	1%	3%	1%	1%
22	Social Housing Finance Corporation	SHFC	419.89	378.88	1,312.60	48.53	23.50	116.42	0%	0%	1%	20%	11%	10%
23	Trade and Investment Development Corporation of the Philippines (also known as TIDCORP)	PhilEXIM	552.60	579.98	485.64	209.79	157.40	30.71	7%	5%	1%	35%	24%	5%
	Social Security Institutions		**345,405**	**365,962**	**505,379**	**113,894**	**100,673**	**205,736**						
24	Employees Compensation Commission	ECC	93.22	100.50	109.94	18.60	19.62	18.56	5%	5%	4%	6%	6%	5%
	Occupational Safety and Health Center (Special ECC Department)	OSHC	133.98	117.86	138.13	34.88	16.16	(95.54)	12%	5%	-29%	14%	6%	-32%
25	Government Service Insurance System	GSIS	137,500.74	135,030.27	231,051.79	62,619.15	44,309.79	140,264.04	9%	6%	15%	9%	6%	16%
26	Home Development Mutual Fund (HDMF)	Pag-IBIG	25,252.88	29,443.73	30,697.62	13,250.85	14,445.60	16,227.29	4%	4%	4%	5%	5%	5%
27	Philippine Health Insurance Corporation	PHILHEALTH	54,224.68	63,752.48	88,018.89	1,767.50	3,453.04	4,738.00	1%	3%	3%	2%	3%	4%
28	Social Security System	SSS	128,100.11	137,396.29	155,180.80	36,155.28	38,357.21	44,468.45	10%	10%	10%	10%	10%	11%
29	Veterans Federation of the Philippines	VFP	99.52	120.73	181.79	47.40	71.30	115.62	18%	21%	1%	19%	22%	1%

No.	CLASSIFICATION OF GOCCs BY SECTOR		REVENUES 2012	REVENUES 2013	REVENUES 2014	TCI (Net of Subsidy and OCI) 2012	TCI 2013	TCI 2014	ROA 2012	ROA 2013	ROA 2014	ROE 2012	ROE 2013	ROE 2014
	II. TRADE, AREA DEVELOPMENT AND TOURISM SECTOR		**28,362**	**39,191**	**54,656**	**4,523**	**5,875**	**5,957**						
	Trade		**10,542**	**11,020**	**11,352**	**437**	**338**	**220**						
30	Center for International Trade Expositions and Missions	CITEM	209.71	244.23	226.16	(26.41)	(0.17)	(13.10)	-5%	0%	-2%	-6%	0%	-3%
31	Duty Free Philippines Corporation	DFPC	10,120.79	10,321.10	10,469.19	500.29	330.38	248.53	18%	11%	9%	118%	64%	43%
32	Philippine International Trading Corporation	PITC	147.32	97.08	94.94	4.01	(0.22)	0.24	0%	0%	0%	2%	0%	0%
33	PITC Pharma, Inc.	PITC-PI	63.78	357.73	561.82	(40.48)	8.51	(15.65)	-88%	4%	-5%	13%	-3%	5%
	Area Development		17,178	26,375	41,328	4,020	5,402	5,570						
34	Bases Conversion Development Authority	BCDA	3,736.03	4,902.37	6,529.23	411.22	1,089.34	935.93	0%	1%	1%	0%	1%	1%
35	***BCDA Management and Holdings, Inc.	BMHI	23.55	19.84	22.86	8.97	2.61	3.44	2%	1%	1%	3%	1%	1%
36	Clark Development Corporation	CDC	1,181.93	1,304.00	1,480.42	187.28	331.74	554.46	3%	6%	9%	5%	9%	14%
37	John Hay Management Corporation	JHMC	71.27	79.07	71.42	7.16	3.04	7.29	4%	2%	4%	-6%	-2%	-6%
38	Laguna Lake Development Authority	LLDA	159.67	240.09	222.76	(3.91)	64.56	37.23	-1%	4%	5%	-1%	13%	7%
39	National Housing Authority	NHA	6,295.98	13,580.76	26,770.12	74.00	382.87	249.67	0%	1%	0%	0%	1%	0%
40	Palacio Del Gobernador Condominium Corporation	PDGCC	11.55	13.58	14.34	0.14	1.35	1.01	0%	3%	3%	1%	6%	4%
41	Partido Development Administration	PDA	90.64	86.42	91.97	(18.45)	(8.65)	1.23	-4%	-2%	0%	3%	1%	0%
42	Philippine Reclamation Authority (Formerly PEA)	PRA	3,236.44	3,713.35	3,627.90	2,163.46	2,493.72	2,465.84	7%	7%	8%	15%	16%	14%
43	Poro Point Management Corporation	PPMC	69.63	66.26	60.71	(4.03)	(4.28)	7.88	-3%	-4%	7%	-7%	-7%	12%
44	Southern Philippines Development Authority	SPDA	33.28	64.69	58.41	(42.41)	(43.68)	(50.81)	-32%	-30%	-39%	-38%	-34%	-41%

	CLASSIFICATION OF GOCCs BY SECTOR		REVENUES			TCI (Net of Subsidy and OCI)			ROA			ROE		
			2012	2013	2014	2012	2013	2014	2012	2013	2014	2012	2013	2014
45	Tourism Infrastructure & Enterprise Zone Authority (formerly PTA)	TIEZA	2,268.10	2,304.09	2,377.87	1,236.18	1,088.93	1,357.07	11%	9%	10%	12%	10%	11%
	Tourism		**643**	**1,796**	**1,975**	**66**	**135**	**166**						
46	Philippine Retirement Authority	PRetA	361.47	450.01	552.04	127.00	241.00	289.97	4%	5%	4%	19%	27%	27%
47	Tourism Promotions Board (formerly PCVC)	TPB	281.15	1,346.01	1,423.44	(61.17)	(105.55)	(123.72)	-22%	-6%	-7%	-29%	-12%	-12%
III.	**EDUCATIONAL AND CULTURAL SECTOR**		**892**	**879**	**736**	**(133)**	**(202)**	**(200)**						
	Educational		**516**	**524**	**303**	**(25)**	**(74)**	**(132)**						
48	Boy Scouts of the Philippines	BSP	198.09	185.44	-	26.59	17.91	-	1%	1%		1%	1%	
49	Development Academy of the Philippines	DAP	317.81	338.36	302.89	(51.62)	(92.02)	(131.98)	-9%	-14%	-20%	-19%	-34%	-47%
	Cultural		376	356	434	(108)	(128)	(68)						
50	Cultural Center of the Philippines	CCP	345.85	334.98	411.23	(91.70)	(111.57)	(49.14)	-6%	-7%	-3%	-7%	-9%	-4%
51	Nayong Pilipino Foundation, Inc.	NPF	29.80	20.60	22.35	(16.61)	(16.69)	(18.93)	-1%	0%	-1%	-1%	0%	-4%
IV.	**GAMING SECTOR**		**75,237**	**74,687**	**73,452**	**4,889**	**5,988**	**6,530**						
	-	-												
52.	Philippine Amusement and Gaming Corporation	PAGCOR	40,883.93	40,530.10	39,988.57	3,015.21	3,120.35	3,250.22	9%	9%	10%	21%	19%	21%
53	Philippine Charity Sweepstakes Office	PCSO	34,353.20	34,156.73	33,463.09	1,873.99	2,867.37	3,279.37	14%	18%	17%	129%	73%	44%

	CLASSIFICATION OF GOCCs BY SECTOR		REVENUES			TCI (Net of Subsidy and OCI)			ROA			ROE		
			2012	2013	2014	2012	2013	2014	2012	2013	2014	2012	2013	2014
V.	**ENERGY AND MATERIALS SECTOR**		**103,265**	**68,037**	**81,558**	**28,173**	**(10,403)**	**14,803**						
	Energy		**103,135**	**67,857**	**81,386**	**28,184**	**(10,447)**	**14,756**						
54	National Electrification Administration	NEA	864.83	825.10	952.07	340.58	374.10	415.55	2%	2%	1%	32%	33%	8%
55	National Power Corporation	NPC	10,065.19	10,534.77	11,794.81	397.58	505.08	1,536.27	1%	1%	4%	2%	2%	6%
56	National Transmission Corporation	TRANSCO	18,155.17	13,819.01	11,065.61	10,546.83	8,027.28	5,215.39	3%	2%	1%	5%	4%	3%
57	Philippine National Oil Company	PNOC	2,036.41	1,225.18	5,252.25	153.95	357.39	1,983.60	0%	1%	5%	0%	1%	5%
58	Power Sector Assets and Liabilities Management Corporation	PSALM	63,011.15	34,686.28	45,336.66	13,813.94	(22,627.55)	3,210.59	1%	-2%	0%	9%	-19%	3%
59	PNOC Exploration Corporation	PNOC-EC	8,963.36	6,702.36	6,967.93	2,925.29	2,933.18	2,430.35	21%	18%	15%	28%	22%	19%
60	PNOC Renewables Corporation	PNOC-RC	39.34	64.30	17.06	5.78	(16.60)	(36.11)	1%	-2%	-3%	1%	-2%	-4%
	Materials		130	180	172	(11)	44	47						
61	Bukidnon Forest, Inc.	BFI	19.20	36.95	23.06	(8.90)	10.57	0.55	-4%	5%	0%	-6%	6%	0%
62	Natural Resources Development Corporation	NRDC	27.26	10.30	8.27	(17.24)	(19.84)	(16.25)	-3%	-4%	-4%	-9%	-12%	-9%
63	Philippine Mining Development Corporation (formerly NRMDC)	PMDC	83.56	133.04	140.73	15.35	53.77	62.99	4%	13%	14%	10%	25%	23%
VI.	**AGRICULTURE, FISHERIES AND FOOD SECTOR**		**55,822**	**23,871**	**43,381**	**5,045**	**(12,373)**	**(496)**						
	-	-												

	CLASSIFICATION OF GOCCs BY SECTOR		REVENUES			TCI (Net of Subsidy and OCI)			ROA			ROE		
			2012	2013	2014	2012	2013	2014	2012	2013	2014	2012	2013	2014
	Agriculture and Fisheries	-	**31,536**	**23,510**	**42,915**	**(10,337)**	**(12,413)**	**(599)**						
64	National Dairy Authority	NDA	53.13	19.91	37.36	(88.52)	(226.05)	(169.22)	-7%	-17%	-10%	-18%	-31%	-16%
65	National Food Authority	NFA	29,657.57	21,624.32	41,180.01	(9,502.88)	(11,079.10)	1,875.20	-32%	-53%	8%	7%	8%	-1%
66	National Tobacco Administration	NTA	108.00	120.97	154.79	(240.51)	(152.66)	(283.74)	-22%	-13%	-18%	-25%	-14%	-19%
67	Philippine Coconut Authority	PCA	434.12	421.92	429.34	(728.07)	(1,162.17)	(2,102.22)	-28%	-17%	-28%	-34%	-19%	-31%
68	Philippine Fisheries Development Authority	PFDA	552.62	638.22	654.13	(26.05)	12.64	39.25	-2%	1%	2%	5%	-3%	-9%
69	Philippine Sugar Corporation	PHILSUCOR	311.10	261.37	44.80	190.00	140.14	15.25	3%	2%	1%	19%	13%	1%
70	Sugar Regulatory Administration	SRA	419.70	423.37	414.32	58.81	53.97	26.12	13%	11%	6%	17%	14%	7%
	Food		**24,285**	**361**	**466**	**15,382**	**40**	**103**						
71	Food Terminal, Inc. (PMO)	FTI	24,177.56	221.46	287.83	15,424.27	84.40	134.44	121%	1%	1%	127%	1%	2%
72	Northern Foods Corporation	NFC	107.86	139.37	178.64	(42.27)	(44.25)	(31.22)	-16%	-18%	-12%	5%	5%	4%
	VII. UTILITIES AND COMMUNICATIONS SECTOR		**52,296**	**53,655**	**53,202**	**9,059**	**11,012**	**10,556**						
	Utilities		**47,572**	**48,888**	**48,120**	**9,101**	**10,975**	**10,610**						
73	Cebu Port Authority	CPA	835.61	906.84	1,220.87	271.12	323.60	463.97	5%	6%	8%	5%	6%	9%
74	Clark International Airport Corporation	CIAC	516.14	569.15	554.79	(7.96)	37.88	45.52	0%	2%	2%	7%	-46%	-91%
75	Light Rail Transit Authority	LRTA	9,679.52	7,289.26	7,019.59	(2,044.55)	(1,462.92)	(1,670.97)	-3%	-2%	-2%	-161%	-28%	-29%
76	Local Water Utilities Administration	LWUA	1,751.93	1,054.59	1,316.93	867.74	127.36	505.17	6%	1%	3%	13%	2%	6%
77	Mactan-Cebu International Airport Authority	MCIAA	1,482.34	1,514.69	1,438.36	91.29	520.59	386.86	1%	7%	2%	1%	7%	6%
78	Manila International Airport Authority	MIAA	8,937.77	9,714.40	9,890.32	2,640.56	2,913.92	3,059.42	8%	9%	9%	14%	14%	14%
79	Metropolitan Waterworks and Sewerage System	MWSS	4,077.27	2,809.83	2,543.34	1,945.71	773.72	709.12	4%	1%	1%	5%	2%	2%
80	National Irrigation Administration	NIA	4,116.20	4,721.92	4,012.55	419.12	616.57	964.45	1%	1%	1%	3%	4%	6%
81	North Luzon Railway Corporation	NLRC				-	-	-	0%	0%	0%	0%	0%	0%
82	PEA Tollway Corporation	PEA-TC	6.95	4.52	2.66	6.31	4.15	2.33	3%	1%	1%	169%	106%	57%
83	Philippine Aerospace Development Corporation	PADC	46.47	52.06	70.42	6.48	3.97	7.96	5%	3%	6%	6%	4%	8%
84	Philippine National Railways	PNR	804.85	657.67	847.46	(373.33)	(370.81)	(348.94)	-1%	-1%	-1%	-1%	-1%	-1%
85	Philippine Ports Authority	PPA	10,482.39	11,779.93	13,206.57	3,572.48	3,747.96	4,244.42	3%	4%	4%	4%	4%	4%
86	Southern Utility Management, Inc.	SUMSI	8.51	19.86	27.79	1.14	0.53	3.70	4%	2%	10%	5%	2%	12%
87	Civil Aviation Authority of the Philippines	CAAP	4,686.18	5,029.37	5,761.03	1,925.71	2,085.31	2,466.34	8%	10%	10%	11%	11%	12%
88	Philippine National Construction Corporation (PMO)	PNCC	139.61	2,763.57	207.48	(221.29)	1,652.85	(228.88)	-2%	13%	-2%	15%	1439%	207%
	Communications		**4,725**	**4,767**	**5,081**	**(42)**	**37**	**(54)**						
89	APO Production Unit, Inc.	APO-PUI	412.35	535.96	682.30	18.39	21.79	20.13	5%	7%	5%	-102%	-143%	-330%
90	Intercontinental Broadcasting Corporation	IBC	277.00	183.71	89.81	33.15	(70.46)	(172.17)	6%	-14%	-38%	-5%	10%	19%
91	People's Television Network, Inc.	PTNI	127.27	149.03	139.39	(145.14)	(194.86)	(150.25)	-15%	-20%	-12%	-36%	-52%	-22%
92	Philippine Postal Corporation	PHLPOST	3,907.90	3,898.79	4,169.85	52.05	280.57	247.79	1%	2%	2%	2%	31%	5%
		TOTAL	**747,825**	**718,339**	**905,856**	**180,821**	**118,982**	**263,703**						

GOCCs WITH LACKING INFORMATION		
93	United Coconut Planters Bank (PCGG)	UCPB
94	Batong Buhay Gold Mines, Inc.	BBGMI
95	Corregidor Foundation, Inc.	CFI
96	Girl Scouts of the Philippines	GSP
97	La Union Medical Center	LUMC
98	Marawi Resort Hotel, Inc.	MRHI
99	National Sugar Development Company (PMO)	NASUDECO
100	North Davao Mining Corporation	NDMC
101	Philippine Electricity Market Corporation	PEMC
102	Phividec Panay Agro-Industrial Corp. (PMO)	PPAC
103	Quezon City Development Authority	QCDA

GOCCs SUPERVISED BY PCGG		
104.	UCPB Savings Bank (PCGG)	UCPB-SB
105.	Performance Investment Corporation (PCGG)	PIC
106.	UCPB CIIF Finance and Development Corp (PCGG)	COCOFINANCE
107.	UCPB Leasing (PCGG)	UCPB Leasing
108.	Independent Realty Corporation (PCGG)	IRC
109.	Mid-Pasig Land Development Corporation (PCGG)	MLDC
110.	Piedras Petroleum Company, Inc. (PCGG)	PIEDRAS
111.	Chemfields, Inc. (PCGG)	CI
112.	Bataan Shipyard and Engineering Company (PCGG)	BASECO
113.	Banahaw Broadcasting Corporation (PCGG)	BBC
114.	United Coconut Planters Life Assurance Corporation (PCGG)	COCOLIFE
115.	United Coconut Planters Bank General Insurance, Inc. (PCGG)	COCOGEN
116.	United Coconut Chemicals, Inc. (PCGG)	COCOCHEM
117.	Coconut Industry Investment Fund Oil Mills Group (PCGG)	CIIF-OMG
118.	UCPB CIIF Foundation, Inc. (PCGG)	UCPB CIIF Foundation, Inc.

REALTY HOLDING COMPANIES		
119.	Batangas Land Company, Inc.	BLCI
120.	First Cavite Industrial Estate, Inc.	FCIEI
121.	G.Y. Real Estate, Inc.	GYREI
122.	Kamayan Realty Corporation	KRC
123.	Pinagkaisa Realty Corporation	PiRC

GOCCS FOR PRIVATIZATION		
124.	GSIS Family Bank	GSIS-FB
	Intercontinental Broadcasting Corporation	IBC

NON-OPERATIONAL / INACTIVE GOCCs		
125.	AFP-Retirement and Separation Benefits System	AFP-RSBS
126.	Anchor Estate, Inc.	AEI
127.	Aviation Services and Training Institute	ASTI
128.	Calauag Quezon Province Integrated Coconut Processing Plant, Inc.	CQPICPPI
129.	Clark Polytechnic Development Foundation	CPDF
130.	***DBP Management Corporation	DBPMC
131.	First Centennial Clark Corporation	FCCC
132.	GSIS Mutual Fund, Inc.	GSIS-MFI
133.	GSIS Properties, Inc.	GSIS-PI
134.	Integrated Feedmills Manufacturing Corporation	IFMC
135.	Inter-Island Gas Service, Inc.	IIGSI
136.	LBP Financial Services SpA (Rome, Italy)	LBP-FSS
137.	LBP Remittance Company (USA)	LBP-RC
138.	LBP Singapore Representative Office	LBP-SRO
139.	LBP Taiwan Representative Office	LBP-TRO
140.	Manila Gas Corporation	MGC
141.	Meat Packing Corporation of the Philippines	MPCP
142.	NDC-Philippine Infrastructure Corporation	NPIC
143.	Paskuhan Development, Inc.	PDI
144.	Phil. Centennial Expo '98 Corp.	EXPO FILIPINO
145.	Philpost Leasing and Financing Corporation	PLFC
146.	Metro Transit Organization, Inc.	MTOI
147.	***LWUA Consult, Inc.	LWUA-CI

GOCCs FOR ABOLITION		
148.	Alabang-Sto. Tomas Development, Inc.	ASDI
149.	Bataan Technology Park, Inc.	BTPI
150.	CDCP Farms Corporation	CDCP-FC
151.	Cottage Industry Technology Center	CITC
152.	Disc Contractors, Builders and General Services, Inc.	DISC
153.	HGC Subic Corporation	HGC-SC
154.	Human Settlements Development Corporation	HSDC

155.	National Agri-Business Corporation	NABCOR
156.	NIA Consult, Inc.	NIACI
157.	Philippine Fruits and Vegetables Industries, Inc.	PFVII
158.	Philippine Agricultural Development and Commercial Corporation	PADCC
159.	Philippine Forest Corporation	PFC
160.	PNOC Alternative Fuel Corp.	PNOC-AFC
161.	PNOC Development and Management Corporation	PNOC-DMC
162.	PNOC Shipping and Transport Corporation	PNOC-STC
163.	San Carlos Fruits Corporation	SCFC
164.	Technology Resources Center	TRC
165.	Tierra Factors Corporation	TFC
166.	Traffic Control Products Corporation	TCPC
167.	Zamboanga National Agricultural College - Rubber Estate Corp.	ZREC
168.	People's Credit and Finance Corporation	PCFC
169.	Philippine Veterans Investment Development Corporation	PHIVIDEC
170.	Panay Railways Inc. (PMO)	PRI

GOCCs DISPOSED BY PMO		
171.	Menzi Development Corporation (PMO)	MDC

GOCCs EXCLUDED FROM THE COVERAGE OF RA NO. 10149		
172.	Bangko Sentral ng Pilipinas	BSP
173.	Central Bank - Board of Liquidators	CB-COL
174.	Philippine International Convention Center, Inc.	PICC
	Research Institutions*	
175.	Lung Center of the Philippines	LCP
176.	National Kidney and Transplant Institute	NKTI
177.	Philippine Center for Economic Development	PCED
178.	Philippine Children's Medical Center	PCMC
179.	Philippine Heart Center	PHC
180.	Philippine Institute for Development Studies	PIDS
181.	Philippine Institute of Traditional and Alternative Health Care	PITAHC
182.	Philippine Rice Research Institute	PRRI
	Economic Zone Authorities*	
183.	Aurora Pacific Economic Zone and Freeport Authority	APECO
184.	Authority of Freeport Area of Bataan	AFAB
185.	Cagayan Economic Zone Authority	CEZA
186.	Freeport Services Corporation	FSC
187.	Northeastern Luzon Pacific Coastal Services, Inc.	NLPCS
188.	Philippine Economic Zone Authority	PEZA
189.	Phividec Industrial Authority	PIA
190.	Subic Bay Metropolitan Authority	SBMA
191.	Zamboanga City Special Economic Zone Authority	ZCSEZA
	By Supreme Court Decision	
192.	Radio Philippines Network	RPN
	Sui Generis	
193.	Millenium Challenge Account Philippines	MCAP

GCG 2015 FINANCIAL STATEMENTS

Budget Allotment and Utilization

Allotment Classification	2015 Allotment/Budget 01 Jan to 31 Dec (₱ Million)	2015 Actual 01 Jan to 31 Dec (₱ Million)	% of Utilization
Current Year Budget			
Personal Services	35.664	35.664	100.00
Maintenance and Other Operating Expenses	62.997	55.118	87.49
Capital Outlay	0.396	0.392	98.98
Total Current Year Budget	**99.057**	**91.174**	**92.04**
Miscellaneous Personnel Purpose Fund	**8.885**	**8.870**	**99.83**
Automatic Appropriations	**3.706**	**3.705**	**100.00**
Prior Year's Budget			
Maintenance and Other Operating Expenses	15.228	14.796	97.16
Capital Outlay	0.010	-0.004	-1,568.00
Total Prior Year's Budget	**15.238**	**14.792**	**97.07**
Grand Total	**126.886**	**118.541**	**93.42**

Movement of Allotment to/from Each Account Classification

Allotment Classification	RA 10651, Special Purpose Fund, Automatic Appropriations and Continuing Fund	Actual
Current Year Budget		
Release of Allotment for PS	35.664	35.664
Realignment from MOOE to PS		1.550
Total PS	**35.664**	**37.214**
Release of Allotment for MOOE	61.447	61.447
Realignment from MOOE to PS	1.550	-
Total MOOE	**62.997**	**61.447**
Release of Allotment for CO	0.396	0.396
Total CO	**0.396**	**0.396**
Total Current Year Budget	**99.057**	**99.057**
Miscellaneous Personnel Purpose Fund	**8.885**	**8.885**
Automatic Appropriations	**3.706**	**3.706**
Prior Year's Budget		
MOOE	15.228	15.228
CO	0.010	0.010
Total Prior Year's Budget	**15.238**	**15.238**
GRAND TOTAL	**126.886**	**126.886**

STATEMENT OF FINANCIAL POSITION
GENERAL FUND
AS OF DECEMBER 31, 2015

	NOTE	2015	2014
ASSETS			
Current Assets			
Cash and Cash Equivalents	5	3,207,587.39	9,433,773.70
Receivables	6	2,358,178.84	1,532,520.63
Inventories	7	1,307,315.75	2,081,124.74
Other Current Assets	8	2,576,498.99	1,695,716.68
Total Current Assets		9,449,580.97	14,743,135.75
Non-Current Assets			
Property, Plant and Equipment	9	118,575,872.78	125,006,996.93
Intangible Assets	10	2,884,590.43	3,747,525.91
Total Non-Current Assets		121,460,463.21	128,754,522.84
Total Assets		**130,910,044.18**	**143,497,658.59**
LIABILITIES			
Current Liabilities			
Financial Liabilities	11	2,271,942.65	8,204,896.52
Inter-Agency Payables	12	4,030,435.99	4,058,493.31
Trust Liabilities	13	1,337,423.65	495,033.44
Other Payables		75,272.64	55,364.74
Total Current Liabilities		7,715,074.93	12,813,788.01
Non- Current Liabilities			
Total Liabilities		**7,715,074.93**	**12,813,788.01**
NET ASSETS/EQUITY			
Accumulated Surplus/(Deficit)		123,194,969.25	130,683,870.58
Total Net Assets/Equity		123,194,969.25	130,683,870.58
Total Liabilities and Net Assets/Equity		**130,910,044.18**	**143,497,658.59**
		-	-

See Accompanying Notes to Financial Statements available at http://gcg.gov.ph/site/

GOVERNANCE COMMISSION FOR GOCCs

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