Enhancing Performance in Philippine Public Enterprises: A Revisit of Recent Reforms and Transformations
Maria Fe Villamejor-Mendoza¹

Abstract:

Over the years, reforms have been in place to rationalize and reengineer, instill financial discipline, and make the Philippine public enterprises or the government owned and/or controlled corporations (GOCCs) in local parlance, more accountable and performing. Gains have been evident and this paper aims to revisit these recent reforms and transformations (pre 2001-present) in the PES and assess the enhanced performance it has been experiencing at present. It will inquire, based on secondary materials and reports, on the changed status of the GOCC sector, in terms of performance and accountability, and the issues and challenges ahead related to public corporate governance and reform. It will also briefly review past reforms in the PES in order to contextualize implications for future directions.

Keyword: public enterprises, GOCCs, reforms and transformation, corporate governance, enhancing trust and performance

A. Overview

The Philippine public enterprise sector (PES) or the government owned and/or controlled corporations (GOCCs) in local parlance, has been created to be potent tools of development. They are supposed to perform governmental/development and proprietary/business functions and be in areas, which are pioneering in nature, where the investment required is large

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and the gestation period is long. In the commanding heights of the State, they have been almost everywhere, e.g., in industries related to financing, public utilities, agricultural development and trading, even in agricultural development, social, civic, educational and scientific endeavors, gaming and gambling. These have led to observations that the sector has been crowding out the private sector, has been financial millstones and venues for corruption and abuses, and has become irrelevant without any performance to speak of.

Over the years, reforms have been in place to rationalize and reengineer, instill financial discipline, and make it more accountable and performing. Gains have been evident and this paper aims to revisit these recent reforms and transformations (pre-2001-present) in the PES and assess the enhanced performance it has been experiencing at present. It will inquire, based on secondary materials and reports, on the changed status of the GOCC sector, in terms of performance and accountability, and the issues and challenges ahead related to public corporate governance and reform. It will also briefly review past reforms in the PES in order to contextualize implications for future directions.

B. Nature, Problems and Challenges of the Philippine Public Enterprise Sector

State-owned enterprises (SOEs), public enterprises (PEs) or government-owned and/or controlled corporations (GOCCs) in Philippine terminology, are defined in PD 2029 (1986) and restated in AO 59 (1988) as:

...stock or non-stock corporations...performing governmental or proprietary functions...owned or controlled by government directly or indirectly through a parent or subsidiary corporation, to the extent of at least a majority of its outstanding capital stock or its outstanding voting capital stock.

They have been organized and operated because of actual or presumed weaknesses or failures of the market. Particularly during the “commanding heights” era, they were created to provide certain activities,
which are pioneering in nature, especially where the investment required is large and the gestation period is long (Tabbada 1989).

Prior to 1972 (Martial Law period), they were formed to respond to long-established strategic needs such as

1) Rehabilitation and restructuring after the war
2) Those requiring large scale indivisible investments
3) A basic industry that provides high forward linkages
4) There is public sentiment to keep the industry free from foreign control because of its impact in the economy, and
5) The private sector is unwilling or unable to put up the capital to establish the industry (Tabbada 1989; Alvendia 1991).

Later, GOCCs became “major arenas for the consolidation of economic and political power” (Dytianquin 1985). They were also abused and used as “laundry services and tools to transfer public resources to the hands of cronies and the private few” (Briones 1985).

GOCCs face unique governance challenges that make the path to reform even more difficult than the private sector. PEs are institutions that presuppose a mix of ‘public’ and ‘enterprise' dimensions which seek to place within the same organization the character of a business organization and that of national policy (Fernandez and Sicherl, 1981). They are bastardized organs of the State which unfortunately can neither optimize self-interest nor fully serve the public interest (Sherwood, n.d.) because they perform business functions but at the same time are entrusted with certain social-relevant goals (Tabbada and Baylon, 1991).

As such, they have multiple and oftentimes-conflicting objectives (e.g., proprietary and development, profit and service), are subject to excessive political interference, and lack transparency, accountability and productivity (Mendoza 1995). They also often acquire bad habits: burdensome bureaucracy; confused objectives; directors owing responsibility not to the
Moreover, the following problems have been hounding the PE sector in the past (Mendoza 1992 in Tapales and Pilar (eds.) 1995; Mendoza 2007):

a. In the 1950s, the Office of Economic Cooperation, the agency entrusted with supervision of state enterprises found GOCCs exhibiting “rampant corruption, mismanagement and inefficiency.” (as cited in Tabbada, 1985) Nepotism was also observed (as cited in Teodosio et al., in Palafox and Barranco (eds.) 1988).

b. In addition, the sector, according to the Presidential Commission on Government Reorganization (PCGR, 1986) suffers from three fundamental problems. These are:
   1) There is no clear policy when the government will intervene in the economy or when to use the corporate form;
   2) Inadequate overall monitoring and control system, particularly because of the presence of a number of “privileged” corporations owned and/or controlled by Marcos cronies; and
   3) Poor corporate performance because of poor oversight and coordination, and lax financial controls.

In the 1970s to 1980s, the GOCCs were notoriously used to serve as milking cows of the Marcoses and their cronies, thus subverting national interest. They were found to constitute a heavy drain on scarce resources and have contributed to the rapid fiscal and budgetary burden of the national government (Manasan and Buenaventura, 1985; Briones, 1985; Amatong, 1985; Tabbada in Iglesias et al., 1989).

Rather than serving as focal points for collecting financial resources for their own investments or for other purposes, the GOCCs have generally become a financial millstone on the government. They have been financially performing poorly and continue to impose a heavy burden on the national treasury. As of 2005, the sector accounted for some 40% of the consolidated
public sector deficit and owed some P3.89T debt as of June of the same year (DOF 2005 as cited in Mendoza 2007).

As of 2009-2010, the GOCCs accounted for a significant percentage of the assets, liabilities and expenses of the government. Expenditures were some 28 % percent of the national government. GOCC assets were some P5.557 trillion vis-à-vis the national government’s P2.879 trillion. They also account for 91 percent of the total inter-agency receivables of the national government (Drilon 2011).

It is also widely perceived as mismanaged, with salaries of its top executives higher than their private sector counterparts or of the President of the Republic, but with less accountability for performance and results (Senate 2005 as cited in Mendoza 2007). In recent years, there have been various reports about high-ranking officers of GOCCs being charged with graft for misappropriation of government resources, dispensation of bloated salaries, unauthorized purchase of assets, and abuse of power (Senate Hearing 2010).

C. A Revisit to Recent Public Enterprise Reforms (pre-2001-present)

Reforms have been undertaken to reshape, redefine, and redirect the GOCC sector. Among these were policy reforms to ensure financial discipline, guidelines for the creation/definition of GOCCs, disposition, salary reforms, performance evaluation and audit, and privatization (Mendoza 2007). The more recent of these reform initiatives include rationalization and the enactment of the Corporate Governance Act of 2011.

1. Policy Guidelines for the Creation/Definition of GOCCs

The predominant public policy in the country on state intervention using the corporate form has been minimalist. The state is not to go into business per se, except in areas, which are strategic and pioneering in nature, and in which the private sector is either not willing or able to do. Such areas should also be crucial in preserving national security and form part of an ideological commitment of government (Tabbada in Iglesias et al., 1989). This philosophy
has been “religiously” adhered to, except during the Marcos years when the GOCCs grew unbridled not only in number, size and resources but also in political clout (Briones, 1985).

Thus, in response to this policy problem, P.D. 2029 reiterates that “…direct state intervention in the economy is justified only when there exists a demonstrated need for greater flexibility in its operations, and when financial viability (capacity to support own operations) can be reasonably expected.”

In addition, P.D. 2030 and Proclamation 50 and 50-A s. 1987 collectively state that

“The government has no business in business and has to privatize to a) reduce the financial burden of government due to losing and inefficient GOCCs; b) reduce involvement of government in economic activities; c) promote greater efficiency in government operations; and d) raise funds to finance major development projects like the Comprehensive Agrarian Reform Program.”

These policies were meant to curtail the growth in number of the GOCCs and limit the creation of new ones only to those, which are strategic in nature, for national defense, public interest and welfare, and for which financial viability is manifest.

2. Ensuring Financial Discipline

This aims to reduce the financial dependence of GOCCs on the national government, make them self-sufficient, expose them to competition by withdrawing cushions not usually availed of by private sector counterparts, and make them financially shape up.

Specifically, these initiatives include:

a) Imposing a ceiling on public sector investments and centralizing investment fund allocation to all entities under the National Economic and Development Authority (NEDA)
b) Issuance in 1983 of Letter of Instruction (LOI) No. 1340 to improve the control mechanism over borrowing of GOCCs. It provides that a GOCC, including any of its subsidiaries, “may borrow only when the funds raised are used for activities or projects that will yield the necessary return on investment and generate the necessary cash flows in order to enable the prompt repayment of interest and principal on the borrowings as they fall due.” It also mandates the Board of Directors of GOCCs not to approve any borrowing without a “conclusive showing of return on investment and cash flow adequacy.”

c) LOI 1366, which limited the approval of foreign loans and other foreign obligations to highly meritorious projects. LOI 1366 mandated all GFI and GOCCs “not to extend or issue guarantees, counter-guarantees, standby letters of credit and other forms of guarantees to secure foreign loans and other foreign obligations of the private sector.”

d) A series of cost-cutting measures, which include, among others (Carague in Gouri (ed.), 1991):

1) Reduction of the number of government enterprises to only those, which are necessary for specific economic and social purposes.

2) Granting of equity contribution only for start-up capitalization requirements and only to the extent that GOCC’s internal cash generation and borrowings could not meet the deficit financing required.

3) Restriction of subsidy support to the financing of operating and maintenance requirements of non-profit GOCCs and to projects that are not financially viable but are necessary to promote the welfare of disadvantaged members of society.

4) Elimination of tax exemptions enjoyed by GOCCs. Instead of outright tax exemptions, tax subsidy is given but only for specific activities with high social impact.
5) Imposition of interest charges on all government advances for the servicing of re-lent or national government–guaranteed GOCC loans. Aside from promoting fiscal discipline, this practice aims to enable the national government to recover, to some extent, the cost of money for the delayed repayments of GOCCs.

6) Enforcement of the requirement that public enterprises declare and remit dividends to the national government of at least 10% to 50% of their net income. (Mendoza 2007)

3. Compensation/Salary Reforms
   These were complemented by policy initiatives aimed at setting the internal operations of GOCCs right, mainly through more appropriate compensation and position classification systems. These include the Salary Standardization Act (SSL) of 1989 to 2012 and Memorandum Order (MO) 20, 2001.

   a. Salary Standardization
      The SSL standardized all compensation and position classifications in the bureaucracy, including those of the GOCCs. It aims to 1) provide compensation systems that would enable GOCCs to attract and retain some of the best and competent resources; and 2) limit the packages so that they do not fall too far out of line with the general level of compensation in the government bureaucracy. Before these measures, the salaries of the employees of GOCCs were “50-80% higher than those received in the regular bureaucracy.” (Tabbada in Iglesias et al., 1989).

   b. Perks and Pay
      In 2001, Pres. Arroyo issued MO No.20 entitled, “Directing Heads of Government Owned and Controlled Corporations (GOCCs), Government Financial Institutions (GFIs) and Subsidiaries Exempted from Or Not
Following the Salary Standardization Law (SSL) To Implement Pay Rationalization in All Senior Officer Positions."

This was issued in response to the findings of the preliminary review conducted by a Management Consulting firm on the pay practices of certain GOCCs, GFIIs, and subsidiaries, which found that the compensation package in these sample entities are much higher, such that their officers receive at least twice what comparable positions receive in national government agencies. The study also found that heads of some of these GOCCs even exceed the average salary of their counterpart positions in the private sector in the Philippines and in the ASEAN Region.

MO 20 ordered said GOCCs to immediately suspend the grant of any salary increase and new or increased benefits. It mandated them to prepare a Pay Rationalization Plan for senior officer positions and members of the Board of Directors/Trustees “to reduce the actual pay package to not exceeding two (2) times the standardized rates for comparable national government corporations.”

4. Performance Evaluation and Audit
   a. Performance Evaluation

   Like any other enterprises, PEs must be evaluated. Absence of a good performance evaluation is a source of the general impression that PEs are inefficient. Evaluation in the Philippine context is needed to improve the operations, simplify the linkages, and clearly define the roles of the components of the PE system.

   However, the initial evaluation system (ES) instituted here was merely to check on the financial performance of some heavily indebted GOCCs. The ES was meant primarily to curb government borrowing, especially, external borrowing. More specifically, it was intended to monitor corporate financial condition, investments, capital expenditures, and borrowings. It was mainly a financial tool and not a performance evaluation system, where non-financial
and social indicators of government performance, efficiency, and effectiveness are assessed. (De Guzman and Reforma 1994)

The Government Corporate Monitoring and Coordinating Committee (GCMCC) is the oversight body for the monitoring and evaluation of GOCCs. It was created in 1984, reconstituted in 1986, strengthened in 1987, transferred from the Department of Finance (DOF) to the Office of the President/Presidential Management Staff (PMS) in 1993 and back to the DOF before 2011.

Among the functions of the GCMCC were “to balance accountability and adequate operational flexibility among the GOCCs.” (MC 64 1993). It shall also “establish an effective performance monitoring and coordination system for all GOCCs, which does not curtail their operational flexibility but rather encourages GOCCs to perform their functions without undue interference from the National Government.” (Ibid.)

b. Audit

The performance and financial audit of all GOCCs and their subsidiaries lie within the ambit of the Commission on Audit (COA). A constitutional body with a dedicated Corporate Group to oversee accounts of GOCCs and their subsidiaries, it goes where government resources go. COA examines, audits and settles all accounts pertaining to the revenue and receipts of, and the expenditures or uses of government funds and property (Philippine Constitution, Art. IX-D, Sec 2).

For several years, COA’s orientation has been towards traditional auditing, e.g., financial and compliance audit. However, in the 1990s, with the help of the Canadian Institute of Chartered Accountants, COA shifted to the value for money (VFM) mode (COA Report, 1995). It is also known as performance audit or the three-E’s audit, i.e., “the independent assessment of the extent to which an organization operates efficiently and effectively with due regard to the economy. Its components include:
• Economy and efficiency audits- determine whether agency resources (men, money, machines, materials, methods and management systems and control) were acquired at the lowest possible cost to achieve the maximum output in terms of quantity and quality.

• Effectiveness audit – determine the extent to which program or agency achieves its objectives or intended effects or legislative intents.

5. Privatization

Privatization has always been associated with free market and liberalization. It has been implemented in the country as part of our structural adjustment programs with the IMF and WB.

World Bank defines privatization as “any action that moves an enterprise or an economy in the direction of private ownership or that tends to make the behavior of state enterprises more like that of private entities. It is also the divestiture by the state of enterprises, land or other assets.” (WB 1996 as cited in Sta. Ana 1997).

In the Philippines, it has evolved from a purely divestiture mode to get the government out of business to a mechanism for governance, implying a redefinition and reduction of the role and scope of the state and GOCCs in development.

It came to mean as “the divestment, disposition and liquidation of non-relevant and non-performing assets and corporations.” Its four-fold objective include to:

1) Reduce the financial burden of the government due to losing and inefficient public enterprises;
2) Reduce the involvement of government in economic activities;
3) Promote greater efficiency in government operations; and
4) Raise funds to finance major development programs like the CARP (P.D. 2029, 2030, Proclamation No. 50, 50-A, 82 s. 1986, 1987).

Later, it evolved into a strategy for governance, with the participation of other sectors of the society, particularly, business. E.O. 37 s of 1992 expanded the modes of privatization to include, in addition to the sale of physical and other assets, “lease, management and maintenance contracts, and build-operate-transfer (BOT) schemes.”

E.O. 298 s. 1996 provides for alternative and/or intermediate modes of privatization pursuant to Proclamation 50, to include:

1) “Joint Venture- whereby the Asset Privatization Trust (APT) arranges for the APT-held asset to carry on a specific business enterprise with another person/entity for their mutual benefit, using their combined funds, land, resources, facilities and services, either through a joint venture, corporation or as separate personalities.

2) B-O-T Schemes-whereby the APT finds proponents who will undertake infrastructure and/or development projects using the APT-held asset.

3) Management Contract – whereby a corporation undertakes to manage or operate all or substantially all of the business of an APT-held asset. This contract may also be designated as a service contract or operating agreement.

4) Lease-Purchase.-whereby the lessee of an APT-held asset would have the right to purchase the same

5) Securitization- whereby the form of the APT-held asset is changed or modified, such as from physical form to equities or certificate of participation.” (E.O. No. 298)

6. Rationalization

In line with the government’s aim to limit the GOCCs’ focus on their core functions and strengthen their financial strategies, the national
government implemented the rationalization of GOCCs since 2001. This would restructure the organization and financial systems of GOCCs and improve the delivery of their services to the people and attain long-term sustainability (DBM 2005).

The rationalization program also involves performance audit particularly of those GOCCs which are experiencing financial difficulties. This will determine the appropriate action the government has to take to ease their problem, whether to abolish, deactivate, consolidate, regularize or merge functions.

D. Focus on the GOCC Governance Act of 2011: Transformation to New Paradigm in Corporate Governance

Despite these reforms, the GOCCs and their executives have remained embroiled in scandals after scandals involving among others, graft for misappropriation of government resources, dispensation of bloated salaries, unauthorized purchase of assets, and abuse of power. These seeming unconscionable abuses and the mismanagement of the PES led to the enactment of RA 10149, otherwise known as the GOCC Governance Act of 2011.

RA 10149 aims to provide greater transparency, periodic disclosure and evaluation of operations and finances, creation of appropriate remuneration schemes, and clear separation between the regulatory and proprietary activities of GOCCs. It was also intended to promote financial viability and fiscal discipline in GOCCs and strengthen the role of the state in its governance and management to make them more responsive to the needs of public interest.

The Act is touted as the new “Daylight”– where things are not done in the dark, where transactions will be clear, honest and transparent, and where there is full accountability. It underscored the need to enhance the ability of GOCCs to act as stewards of the people’s resources by adhering to the
highest standards of corporate governance and thus put an end to issues such as weak board governance, lack of transparency and accountability, incoherent disclosure practices, poor oversight and multiple and conflicting mandates (GCG 2011).

1. Creation of the GCG

The marked transformative value of the Act is the creation of the Governance Commission for GOCCs (GCG) within the Office of the President, to serve as “the central advisory, monitoring, and oversight body with authority to formulate, implement and coordinate policies” over the GOCC sector. In the past, these reform initiatives were enshrined in different statutes, guidelines and oversight bodies. Since 2011, these were all entrusted in one central body, for better planning, direction and evaluation.

The GCG is entrusted with the following duties:

1) GOCC Evaluation – creating performance evaluation systems, conducting periodic examination, and identifying GOCCs for reorganization, merger, abolition or privatization (in consultation with the department or agency to which the GOCC is attached), and preparing a semi-annual progress report for submission to the President and Congress (Sec. 5 (a));

2) GOCC Streamlining – implementing the reorganization, merger, abolition or privatization of the GOCCs (Sec. 5 (a));

3) GOCC Classification – classifying GOCCs into the following categories: (a) Developmental/Social Corporations; (b) Proprietary Commercial Corporations; (c) Government Financial, Investment and Trust Institutions; (d) Corporations with Regulatory Functions; and (e) Others (Sec. 5 (b))

4) GOCC Manual – creating an ownership and operations manual and government corporate standards governing GOCCs, which shall be no less rigorous than those required by the Philippine Stock Exchange, the Securities and Exchange Commission, Bangko Sentral ng Pilipinas, as the case may be, and consistent with the Medium-Term Philippine Development Plan issued by the National
Economic and Development Authority (NEDA) (Sec. 5(c));
5) GOCC Accountability – recommending to the Board of Directors or Trustees of the GOCCs the suspension of their member/s who participate (by commission or omission) in the approval of an act giving rise to a violation or non-compliance with the GOCC manual (Sec. 5(d));
6) GOCC Nomination – identifying necessary skills and qualifications required for Appointive Directors and recommending to the President a shortlist of suitable and qualified candidates for Appointive Directors (Sec. 5(e));
7) GOCC Compensation – conducting studies, developing and recommending to the President a competitive compensation and remuneration system (i.e. the Compensation and Position Classification System) that would attract and retain talent, and at the same time allow the GOCCs to be financially sound and sustainable (e.g. disallowance of retirement benefits to directors and trustees of GOCCs) (Sec. 5(h) and 8); and
8) GOCC Adviser and Coordinator – providing technical advice and assistance to the government agencies to which the GOCCs are attached in setting performance objectives and targets, monitoring GOCCs performance vis-a-vis established objectives and targets, and ensuring GOCCs’ operation are aligned and consistent with the national development policies and programs (Sec. 5(i)) (also in Butalid 2012).

2. Board of Directors, CEO and Officers of GOCC

The Act also introduced the Fit and Proper Rule in determining who are qualified to become members of the Board, CEO and officers of GOCCs with due regard to one’s integrity, experience, education, training and competence (Sec. 16). GOCC officers are expected to serve as fiduciaries of the State and always act in the best interest of the GOCC (Sec. 19 and 21). Thus, they are expected the highest standard of extraordinary diligence in their fiduciary duties as officers. They should maintain a term of one year, unless sooner removed for cause (Sec. 17, RA 10149). These improvements from past
reforms underpin the need for criteria and higher qualification standards for GOCC officials. They should not only be competent and qualified; they should also be morally fit and prudent in their spending.

3. Full Disclosure

In the spirit of public accountability and right of the public to receive public information, the Act likewise promotes complete disclosure of public information through posting in the GOCC websites of the following:

1. Latest annual audited financial and performance report within 30 days from receipt of such report;
2. Audited financial statements in the immediate past five years;
3. Quarterly, annual reports and trial balance;
4. Current corporate operating budget;
5. Complete compensation package of all the board members and officers, including travel, representation, transportation and any other form of expenses or allowances;
6. Local and foreign borrowings;
7. Performance scorecards and strategy maps;
8. Government subsidies and net lending;
9. All borrowings guaranteed by the government; and
10. Such other information or report the GCG may require (Sec. 25, RA 10149).

4. Creation and Acquisition of a GOCC

Learning from the past misdeeds of former GOCC officers, the Act now also makes stringent requirements for government agencies seeking to establish a GOCC, a subsidiary or affiliate corporation, or purchase or acquire controlling interests in another corporation. Accordingly, they are now required to submit their proposal to the GCG for its review and recommendation to the President (for his/her approval). The SEC shall not register the articles of incorporation and by-laws of a proposed GOCC or subsidiary of affiliate, unless the application for registration is accompanied by an endorsement from the GCG stating that the President has approved the same (Sec. 27 and 28, RA 10149).
E. Transformations and Enhanced Performance of GOCCs

These reforms—from privatization to policy guidelines in creating GOCCs or using the corporate form, from performance audit and evaluation, to rationalization, salary reforms and financial discipline, to rationalization and the Governance Act of 2011— which were started in the 1980’s and aggressively pursued in the last decade until the present, have contributed to the new paradigm in public corporate governance.

Today, GOCCs assume the corporate form only when compelling reasons are present and only if proposals have undergone a review process by a central GCG to abolish, regularize or privatize existing GOCCs. A Performance Scorecard is also being refined. Monitoring of the financial and other status of GOCCs is now rigorously attended to. Members of the Board of GOCCs are now screened through the Fit and Proper Rule. Compensation and perks are now standardized. Values of professionalism, love of country and financial stringency are now emphasized. GOCCs now shape up and behave. These augur well to better corporate governance anchored on the core values of transparency, accountability, professionalism, ethical administration and performance.

Table 1. Salient Points of the Effects of Public Enterprise Reforms

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<tr>
<th>Problem or Concern</th>
<th>Before Reform (pre 1986)</th>
<th>After Reform (1986-present)</th>
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<tbody>
<tr>
<td>Creation of GOCCs</td>
<td>Legislated by Congress or Created by Presidential Decree; no seeming philosophy or guidelines used during Martial Law (ML) but the tradition has been minimalist before and after ML</td>
<td>Streamlined; back to the philosophy of creating GOCCs which are strategic in nature, for national defense, public interest and welfare, and for which financial viability is manifest; others are regularized, privatized, reclassified</td>
</tr>
<tr>
<td>Number of GOCCs</td>
<td>3 to 65 to 303</td>
<td>124 to 157 to 128 (of 181); tho we cannot tell whether this is now the</td>
</tr>
<tr>
<td>Category</td>
<td>Description</td>
<td>Optimum Number</td>
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<tr>
<td>Financial Discipline</td>
<td>Financially dependent on national government for subsidies, grants, guaranteed loans; not conscious that they may be performing developmental functions, such is not an excuse to be in the red.</td>
<td>Still financially dependent on the national government (see Table 2); however, there is consciousness now that they should spend their resources more prudently and wisely; also, they remit dividends to the National Treasury more regularly.</td>
</tr>
<tr>
<td>Compensation and Qualification of Officials</td>
<td>The salaries of the employees and officials of GOCCs were “50-80% higher than those received in the regular bureaucracy.</td>
<td>Salaries were standardized for all employees of the government; however, some GOCCs were able to get exemption because of their Charters. Senior officials’ perks and pay were rationalized. Recently, the Fit and Proper rule was implemented in appointing Board members of GOCCs for a fixed term. Also, a Compensation and Position Classification System (CPCS) is being proposed. There are, however, issues of unconscionable and exorbitant allowances given to Board members as bonuses compared to those received by the rank and file and the GOCC’s publics, e.g., pensioners, dependents.</td>
</tr>
<tr>
<td>Accountability</td>
<td>Performance evaluation was only done for financial compliance; heavily indebted GOCCs were monitored.</td>
<td>Performance evaluation is financial plus performance of mandate sealed through a Performance Agreement.</td>
</tr>
<tr>
<td>Overall Concern</td>
<td>Addressed by different agencies of the government</td>
<td>In 2011, all GOCC concerns are to be addressed by one central advisory, monitoring, and oversight body with authority to formulate, implement and coordinate policies related to the sector</td>
</tr>
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</table>

As of 2010, the number of GOCCs has been rationalized to 157 from 3 before the war, 13 after the war, 65 before Marcos, 303 by 1984 when state capitalism under Martial Rule was still in effect, 225 before the end of the Aquino administration (1989) and 125 in 2004 (Mendoza 2007; GCG 2011). As of 2013, the number of GOCCs stood at 128, broken down into the following sectors or categories: 66 financial institutions; 6 educational and cultural; 2 gaming; 16 under the energy and materials sector; 12 under the agriculture, fisheries and food sector; and 26 under the utilities and communications sector (GCG 2013). Some fifty-three (53) GOCCs under the list of the GCG are either inactive or non-operational (20), dissolved or abolished (11), disposed (1), and excluded from the coverage of GCG (21) (GCG 2013).

As of December 2010, the total assets of GOCCs have reached almost P5 Trillion or over US$ 116 Billion. This increased to P5.7T in 2013. Their total liabilities have increased from P3.2T in 2009 to P3.46T in 2010. It however decreased to 2009 level in 2013. Net worth is around P1.476 Trillion in 2010, up to P2.5T in 2013. Subsidies have significantly increased by 493% from P9.064B in 2000 to P53.7 Billion in 2011; so did the equity (infusion) and net...
lending. Dividends from GOCCs have however increased on the average of 33% in the last five years with a net remittance of P28.7 Billion per year (GCG 2011). This increased to P39B in 2013 (GCG 2013). See Table 2.

Table 2. Financial Profile of GOCCs

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<tbody>
<tr>
<td>Total Assets</td>
<td>P5T (US$116B)</td>
<td>P5.7T (US$125.7 B)</td>
<td></td>
<td>Increase</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>P3.2T</td>
<td>P3.46T</td>
<td>P3.2T</td>
<td>Same</td>
</tr>
<tr>
<td>Net Worth</td>
<td>P1.476T</td>
<td>P2.5T</td>
<td></td>
<td>Increase</td>
</tr>
<tr>
<td>Subsidies</td>
<td>P9.064B</td>
<td>P53.7B</td>
<td>P63.1B</td>
<td>Increase</td>
</tr>
<tr>
<td>Equity</td>
<td>P900M</td>
<td>P750M</td>
<td></td>
<td>Decrease</td>
</tr>
<tr>
<td>Dividends/Remittances</td>
<td>P28.7B</td>
<td>P42.2B</td>
<td>P39B</td>
<td>Increase</td>
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Sources: GCG 2011, 2013

These reforms and figures may provide only a slight turnaround and improved (financial) performance among the GOCCs. However, the PES and their officials and staff have been incrementally influenced to shun their bad habits and behave as real pillars of economic growth in the country. The transformation has started in the sense that being in the GOCC is not construed as perks and benefits from the spoils system but as public service for the common good. Financially, they are now being made to be more disciplined and judicious in spending public resources and if they earn profit, remit to the Bureau of Treasury more regularly. Fitness and Proper rule is now in place and hopefully, meritorious and qualified people with values of love for country and public interest will be appointed officials of the GOCCs. Transparency and full disclosure policy is now being adopted by agencies of the government, including GOCCs, such that transactions and the like are now accessible to the public via their websites. The central coordinator and regulator, the GCG however is a lean and new creation; thus, it may not have enough man and womanpower, experience and expertise to do the tasks it was assigned to do.
Nevertheless, with the right corporate governance principles, systems and processes in place; with the right managers imbued with the values of professionalism, love of country and ethical administration; with vigilant monitoring not only from the government hierarchy but also from the public served by GOCCs; with the renewed facilitative environment for new corporate paradigms, the future for GOCCs in the Philippines is bright. Their transformation into real agents of social and economic development may happen in our lifetime.

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