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Philippine Institute for Development Studies

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Rosario G. Manasan

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PUBLIC ENTERPRISE REFORM: THE CASE OF THE PHILIPPINES

ABSTRACT

Rosario G. Manasan

One of the more robust conclusions of the numerous studies analyzing the roots of the 1983-1985 Philippine economic crisis is the deleterious role played by profligate fiscal policy (De Dios *et al.* 1984, Lamberte *et al.* 1985 among others). These studies likewise share the view that the unfettered proliferation of government-owned and/or controlled corporations (GOCCs) in the period leading to the crisis was a major contributory factor to the fiscal imbalance that characterized the economy then.

Thus, when the Aquino administration assumed power, it ushered in reforms that re-assigned the pivotal role in economic development to the private sector. One of the key elements of this program of economic reforms was the rationalization of the government corporate sector. In turn, the major components of the public enterprise reform program are: (i) institutionalization of a policy and legal framework for the establishment and operation of GOCCs; (ii) the streamlining of the existing portfolio of government corporations through appropriate disposition of some GOCCs via privatization, abolition, conversion to non-profit status, merger or consolidation, and regularization or transfer to regular government agencies; and (iii) enhancing the efficiency and effectiveness of the retained GOCCs through the establishment of appropriate oversight mechanism and the introduction of a performance evaluation system to improve GOCC performance.

On the whole, the government corporate sector reform program has been successful. The number of GOCCs has been trimmed down from 301 to 79. Cumulative proceeds from the divestment program reached ₱108 billion during the period 1987-1994. The financial performance of GOCCs improved as a result of the institutionalization of a performance evaluation incentive system and standardized corporate planning models. Consequently, the leakage of national government financial resources to GOCCs has been contained even as the investment program of the retained GOCCs have been sustained.

At the same time, the policy and legal framework governing the public enterprise sector appears to be supportive of sustained improvements in the sector. Particularly commendable is the strengthening of the GCMCC as the central monitoring body for GOCCs, the introduction of performance evaluation and incentive system for retained GOCCs and the issuance of AO 59 which provides some safeguards against the indiscriminate creation of GOCCs in the past. First, the system of inter-departmental supervision of GOCCs in the country used to be diffused to several agencies with no one supervising entity being able to obtain a good over-all picture of each GOCC, much less of the totality of the GOCC sector. In this sense, the evolution of the GCMCC into a more dominant player is a big step in itself. Second, as noted earlier, there are indications that the performance evaluation system has been successful in enhancing the efficiency of the public enterprise sector. Third, AO 59 appears to be the most transparent and lucid articulation of government policy on the role and management of public enterprises to date.

Noteworthy is the emphasis on providing GOCCs with wider autonomy and flexibility matched by full accountability for their actions.

What are the key elements to this success story? First, the unstinting commitment of the government from the highest level is essential to the program's success. This is important because reform in this area cannot be achieved overnight. It is worth noting that the government persevered in this venture even as its early efforts were thwarted by hostile legal, political and economic environment. Second, the proper balance between greater autonomy and accountability that a performance evaluation system instills appear to enhance the efficiency of GOCC operations. Third, the establishment of the COP and APT are major contributory factors to the success of the privatization program. It is doubtful whether institutional arrangements with less focus and power would have been worked as well. It should be noted, though, that the system could have been better. Some analysts have pointed out that collegial nature of the COP has tended to slow down the process because of the time needed to reach a consensus on controversial decisions. On the other hand, the transparency that this brings to the process might have prevented forces opposing the privatization program from debunking the system. Fourth, one's expectations of the privatization process should be grounded in the reality of the macroeconomic and political situation. Fifth, allowing the supervising agencies to take charge of the disposition of PEs tend to slow the privatization process as this leads to conflicts of interest. Sixth, privatization will not necessarily lead to greater competition. One has to be sensitive to the existing structure of the market in which GOCCs operate and one should be ready to institute remedial measures so as to forestall the ill effects of a possible diminution in competition.

PUBLIC ENTERPRISE REFORM: THE CASE OF THE PHILIPPINES, 1986-1987*

*Rosario G. Manasan***

1. INTRODUCTION

One of the more robust conclusions of the numerous studies analyzing the roots of the 1983-1985 Philippine economic crisis is the deleterious role played by profligate fiscal policy (De Dios *et al.* 1984, Lamberte *et al.* 1985 among others). These studies likewise share the view that the unfettered proliferation of government-owned and/or controlled corporations (GOCCs) in the period leading to the crisis was a major contributory factor to the fiscal imbalance that characterized the economy then.

It is from this perspective that the present paper aims to present an overview of the macroeconomic role, the impact of and the management framework within which public enterprises (PEs) operate in the Philippines. Section 2 reviews the economic contribution and macroeconomic impact of PEs in terms of value added, public sector investment, budgetary burden, fiscal deficit, and external borrowing in the pre-reform period. It also presents measures of the relative efficiency of PEs such as financial profitability ratios and factor productivity ratios. This serves as the background to the reform program for the government corporate sector which was undertaken by the Aquino administration and its successor at the start of 1987. Section 3 describes the various components of the reform process and highlights its accomplishments. Finally, Section 4 brings out the lessons that may be drawn from the Philippine public enterprise reform program.

2. PRE-REFORM SITUATION

In the Philippines, the primacy of the private sector has been a long held tradition. Although there was a spurt in the growth of the public enterprise sector during the post war years as the government took an active role in the rehabilitation of the economy, this was quickly followed by a divestment program during the mid-fifties and early sixties because of the poor financial performance of state enterprises. Thus, in 1965 there were only 37 government owned/controlled corporations (GOCCs). During the Marcos years, however, the growth of the

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public enterprise sector accelerated. The number of government corporations more than tripled in the first ten years of his administration to reach 120 in 1975; then it grew at a slightly slower pace in the next ten years, totaling 303 in 1984 (Table 1).

The proliferation of public sector enterprises in the period was ostensibly due to the government's desire to play a strategic role in accelerating the country's economic development. However, some policy analysts pointed out that the creation of government corporations was used to promote political, economic and bureaucratic interests. Moreover, as a result of the financial crisis in 1981 and the more generalized economic crisis in 1983-1985, private enterprises defaulted on some 399 loan accounts with two government financial institutions, the Philippine National Bank (PNB) and the Development Bank of the Philippines (DBP). These accounts were subsequently classified as non-performing and the government loan exposure were converted to equity and/or the assets foreclosed.

2.1. Economic Contribution of Public Enterprises

The rapid growth in the number of government corporations is not apparent when one looks at their gross value added (GVA) contribution relative to that of the private sector: The contribution of PEs to GDP was quite steady at 2.8 percent in 1980-1984 (Table 2).¹

However, it is important to point out that GOCCs account for a significant portion of the economy's capital stock. For instance, the total assets of 122 GOCCs that were later approved for privatization amounted to 93.6 billion in 1987 while total government booked exposure in the 399 non-performing assets (NPAs) of the PNB and DBP is P108 billion or a total of P201.6 billion in book value of public enterprise assets. This amount represents more than 30 percent of the book value of total assets in the economy as obtained from the 1988 Census of Establishments.²

Similarly, GOCCs accounted for a substantial chunk of gross domestic capital formation in the pre-reform period. Capital expenditures of public enterprises represent 29.4 percent of gross domestic capital formation (GDCF) in 1978-1984 (Table 2). Investments in power and energy constituted the bulk (over 50 percent) of capital expenditures of the PEs during this period. Investments in agriculture and natural resources ranked second while finance and transport/communication placed third and fourth, respectively, in terms of their share in total capital outlays of GOCCs.

¹The low GVA in PEs might be explained by the low productivity of GOCCs relative to private firms and by the fact that by the time the NPAs were included in the GOCC account about half of them were non-operational and therefore, non-productive.

²The book value of assets of GOCCs/NPAs may not be directly comparable with the book value of fixed assets for the whole economy obtained from the 1988 Census of Establishments since the assets of NPAs were valued based on government exposure to these accounts. There is some anecdotal evidence that due to the behest nature of the loans that gave rise to these accounts government exposure is greater than the true value of the mortgaged asset in many cases.

2.2 Measures of PE Efficiency

Estimates of factor productivity ratios as well as financial profitability ratios confirm the widespread perception that public enterprises are, in general, less efficient than private enterprises. Total factor productivity of the whole economy was estimated to be 6.6 times that of PEs during 1975-1981 (Table 3).³ Furthermore, there appears to be some deterioration in the relative estimates of total factor productivity during the period. To wit, total factor productivity in the whole economy was 5.5 times that of PEs in 1975-1979 but this figure rose to 9 in 1980-1981.

At the same time, the average rate of return on assets of PEs was estimated to be about 10 percentage points lower than the average interest rate on commercial bank loans (Manasan et al. 1988).

2.3. Fiscal Burden of PEs

Poor financial performance coupled with the unsustainably high levels of capital expenditures led PEs to eat up a disproportionately huge portion of the national government's budgetary resources. National transfers to the government corporate sector accounted for 17.8 percent of aggregate national government expenditures and 21.0 percent of aggregate national government revenues. The impact of government corporations on the fiscal performance of the national government was substantial. If the budgetary burden of GOCCs were netted out of total government expenditures, budget surpluses would have been posted in 1977, 1978, 1979, 1980, 1983 and 1984. Also, for the entire period 1975-1984, the national government would have posted a surplus of 0.4 percent of GNP instead of a budget deficit equal to 2.3 percent of GNP.

2.4. Public Sector Debt and PEs

Directly, PEs accounted for 30.4 percent of outstanding public sector internal debt in 1984 divided evenly between financial and non-financial GOCCs. On the other hand, government corporations accounted for 71.1 percent of outstanding public sector foreign debt with 45 percent of this amount attributed to non-financial PEs and the rest to government financial institutions. Consequently, the failure of the public enterprise sector is generally seen as having been a major contributory factor to country's enormous debt overhang in the mid-1980s.

2.5 Institutional Arrangements

The disappointing performance of PEs in the pre-reform period may be traced to a number of weaknesses in the institutional framework within which GOCCs operate. First, there

³Total factor productivity is defined as the ratio of gross value added to the sum of wages and the book value of fixed assets.

was a lack of a clearly defined and consistently applied policy on the role of PEs in the development process. Second, there was a multiplicity of government entities exercising some form of control, supervision and coordination of the various aspects of the operation of PEs.

Lack of a Well Defined Role for PEs

Prior to the 1978-1982 Development Plan, there were no official pronouncements identifying the areas where the government corporate form may be utilized and determining the manner by which government corporations may be created. In contrast, the 1978-1982 Plan stated that government corporations should be limited to areas which are "capital intensive, pioneering and vital to the national interest." However, given the dominance of political interest in the creation of GOCCs during the Marcos years, this limit was liberally interpreted so that the government corporate sector expanded very rapidly in the 1970s and the 1980s.

Some policy analysts have pointed out that the government corporate form was used by certain government agencies as a venue through which they may escape the supervision and control of such regulatory agencies as the Commission on Audit (COA), the Civil Service Commission (CSC), and the Office of Compensation and Position Classification (OCPC). Also, the government corporate form was seen as an expedient means of consolidating the economic and political interest of certain groups.

As a result of this unrivaled surge in the number of PEs, the public sector began to play an important role in activities previously dominated by the private sector like petroleum refining and trading, sugar trading, land transportation, hotel operation, rubber and coffee plantation, cement production and others. This situation also led to the duplication of functions of certain GOCCs. For instance, the Human Settlements Development Corporation, the National Housing Authority and the National Housing Corporation were all engaged in the production of housing services; the Philippine Virginia Tobacco Administration, the Philippine Virginia Tobacco Board and the Virginia Tobacco Fuelwood Corporation were all engaged in the virginia tobacco industry.

Furthermore, certain anomalous practices involving government corporations arose. One, some GOCCs, like the National Food Authority, had regulatory powers over their competitors while others, like the Philippine Tourism Authority, collected taxes like a regular government bureau. Others, like the Local Water Utilities Administration and the Technology Resource Center, behaved like financial institutions. In addition, interlocking directorates became prevalent as government ministers acquire multiple directorships in various GOCCs. In 1984, for example, the COA noted that one Minister was a member of the Board of Directors of 43 government corporations while another Minister was in the Board of 40 (Manasan, Amatong and Beltran 1988).

System of Supervision and Control

In the pre-reform period, supervision and control of government corporations occurred at two levels: (i) supervision by functional, sectoral or technical departments through the so-called system of "attachment" and (ii) supra-ministerial or inter-departmental supervision.

Under the first mode, the supervising Ministry was primarily responsible for ensuring that the policies and programs of PEs attached to it were in consonance with the sectoral as well as national policies and programs. In addition, the supervising Ministry reviewed and approved the budget of the attached GOCCs. To achieve these, a high ranking official of the supervising Ministry, usually the Minister or Deputy Minister, sat on the Board of Directors of the attached GOCCs either as chairman or member. This practice gave rise to conflicts of interest as the supervisors supervise themselves. This situation was made more pronounced in the case where the Minister of the supervising Ministry was also Chairman of the Board and chief operating officer of an attached GOCC. Another problem was the "apparent absence of a rational system of departmental attachment" despite the provision of the 1972 Reorganization Plan that "government corporations are to be attached to the appropriate executive department to which they have allied functions" (Tabada and Baylon 1989). Thus, some Ministries supervised PEs whose activities lie outside their sectoral responsibilities. This also made it possible for numerous GOCCs to be attached to a single supervising Ministry. Attachment to the Office of the President was a particularly sought after arrangement because of the perceived advantages related to the access to the highest authority in the Executive Branch and the greater laxity in supervision that usually results if one Ministry is charge of many GOCCs.

On the other hand, supra-ministerial supervision and control was carried out by at least 11 agencies. These included the COA, CSC, Central Bank (CB), Metropolitan Manila Commission (MMC), Ministry of Budget and Management (MBM), , Ministry of Finance (MOF), Ministry of Justice (MOJ), National Economic and Development Authority (NEDA), Philippine Commission on Government Reorganization (PCGR), Presidential Management Staff (PMS), and the Securities and Exchange Commission (SEC). Each of these agencies monitored specific aspects of the operations of all GOCCs (at least, in principle) but not one had an over-all view of the operations of all GOCCs.

For instance, the NEDA coordinated the plans and programs of GOCC while the MBM reviewed the operating budgets of GOCCs, their loan requests, subsidy, equity and net lending contribution of the central government to the GOCCs, their foreign assisted projects and their staffing requirements. The MOF monitored the net domestic and foreign borrowings of GOCCs while the CB approved their foreign loans. The COA was tasked with ensuring adherence to auditing rules and regulations. In additions, Government Corporate Monitoring Committee (GCMC), an inter-agency committee, was created in 1984 and tasked to monitor the cash flow of GOCCs to ensure that the ceilings on the public sector borrowing requirement agreed with the IMF were met. Such diffusion of limited authority to numerous supra-ministerial agencies weakened the controlling agencies' ability to enforce corrective measures, resulted in the

piecemeal assessments of corporate performance, and led to the absence of a macro perspective on GOCCs amongst the supra-ministerial supervising agencies.

2.6. Early Attempts at PE Reform

These problems led the Marcos government to create the Special Presidential Reorganization Committee (SPRC) in 1985 with the end in view of rationalizing the government corporate sector. This committee recommended limiting the use of the government corporate form to certain areas/activities, the institutionalization of effective supervision, coordination and control of government corporations and the abolition, privatization, merger and/or retention of existing GOCCs. However, these efforts were overtaken by the political upheaval that occurred in 1986. Nevertheless, it is noteworthy that when the Aquino government assumed power it built up on these recommendations in formulating its own GOCC reform program.

3. COMPONENTS OF THE GOVERNMENT CORPORATE SECTOR REFORM PROGRAM

The change in administration ushered in reforms that re-assigned the pivotal role in economic development to the private sector. One of the key elements of this program of economic reforms was the rationalization of the government corporate sector. In turn, the major components of the public enterprise reform program are: (i) institutionalization of a policy and legal framework for the establishment and operation of GOCCs; (ii) the streamlining of the existing portfolio of government corporations through appropriate disposition of some GOCCs via privatization, abolition, conversion to non-profit status, merger or consolidation, and regularization or transfer to regular government agencies; and (iii) enhancing the efficiency and effectiveness of the retained GOCCs through the establishment of appropriate oversight mechanism and the introduction of a performance evaluation system.

3.1. Policy, Legal and Institutional Framework

The new role envisaged for public enterprises is succinctly summarized in the 1987-1992 Medium Term Development Plan which called for limiting the use of the government corporate form to those activities that are usually considered to be natural monopolies, those that require large and physically indivisible capital investments, those that are characterized by long and uncertain gestation periods, and that those that are deemed essential from the point of view of national defense, security and welfare. The Plan also proposes that the following criteria should govern the use of the government corporate form; (i) flexibility and autonomy in operations; (ii) financial viability; (iii) limited liability of the national government and (iv) possibility of private sector participation.

Along these lines, Administrative Order (AO) No. 59 was issued in February 1988 for the purpose of (i) providing principles and standards to be followed in the creation, management, administration, supervision and liquidation of GOCCs, (ii) defining the guidelines in determining the areas or activities in which the government corporate form may be utilized, and (iii) setting down policy measures to improve the organizational and functional capabilities of GOCCs.

Specifically, AO 59 states that the government should be engaged in the provision of goods and services only if said goods and services are vital to society and if the private sector is unable or unwilling to provide the same, or if market intervention is justified by the need to create a bias in favor of disadvantaged sectors of society. Moreover, in cases where government participation or intervention is warranted, the use of the government corporate form is recommended only when any one of the following conditions exists: (i) when the nature of goods and services to be provided or the market structure dictate the need for operations to be undertaken under procedures less restrictive than those prescribed for government bureaus and other regular agencies of government; (ii) when it is the intent to limit the liability of government to its direct equity exposure, and (iii) when the activity is reasonably expected to be self-sustaining. Finally, AO 59 mandates that all proposals for the acquisition, creation, and dissolution of GOCCs should be reviewed and evaluated by the GCMCC.

Also, the GCMC was reconstituted in May 1986 as the Government Corporate Monitoring and Coordinating Committee (GCMCC) through the issuance of Memorandum Circular No. 10. It was further strengthened in July 1987 under Executive Order (EO) 236 to be the central monitoring, coordinating and performance evaluation unit for all GOCCs.⁴ It is aimed at establishing an effective inter-departmental oversight mechanism for the purpose of instilling financial discipline and promoting financial self-sufficiency among GOCCs. The coverage of GCMCC's oversight responsibility increased from 14 corporations in 1988, to 18 in 1989, 25 in 1990, to 38 in 1991, and to 78 in 1992.

However, AO 59 reaffirmed the continuation of the dual mode of GOCC supervision that was described earlier. Thus, the system of departmental attachment of GOCCs was maintained hand in hand with their inter-departmental supervision by the GCMCC and other service wide agencies like the COA, CSC, the Department of Budget and Management (DBM), the NEDA and others.

In order to provide GOCCs adequate operational flexibility and autonomy needed for their efficient operations, AO 59 promulgates that GOCCs shall be accorded differential treatment by these service-wide agencies in the sense of distinguishing corporate organizational and procurement practices from those of regular line agencies of government. Furthermore, it delineates the operational relationship between the GOCCs and their supervising Departments to ensure that GOCC policies, programs, budgets and operations are consistent with sectoral policies and programs while maintaining the operational independence of GOCCs. Moreover, the GCMCC issued a resolution in January 1988 which provides a mechanism to assist GOCCs for losses arising from activities and programs mandated by the national government and which were not originally included in the agreed upon corporate plan of the GOCC.

On the other hand, the Department of Finance issued a Department Order in September 1989 which seeks to limit national government guarantee of GOCC borrowings to financially

⁴The GCMCC is composed of the Executive Secretary, the NEDA, Director General, and the Secretaries of the Departments of Agriculture (DA), Environment and Natural Resources (DENR), Finance (DOF), Public Works and Highway (DPWH), Trade and Industry (DTI), and Transportation and Communication (DOTC).

viable projects and within the context of the government's overall debt management program. It also prescribes a guarantee fee of 1 percent per year based on the outstanding loan balance.

In addition to these, the GCMCC filed legislative bills aimed at standardizing the general features of the charters of GOCCs such that the management of GOCCs is vested on its chief executive officer, the members of the Board of Directors are required to have recognized competence and experience relevant to the GOCCs operations. This is aimed at professionalizing the management of the GOCCs.

3.2. Strengthening of Retained GOCCs

Hand in hand with the reduction in the size of the public enterprise sector through the disposition of GOCCs (which is discussed in the next sub-section), the GOCC reform also included the establishment of mechanisms to improve the performance of retained GOCCs. To strengthen retained corporations, a performance evaluation system aimed at improving their financial position and economic efficiency was instituted. At the same time, a standardized computer based corporate planning model was also introduced in the GOCCs on a phased basis in order to upgrade their planning capabilities and practices. The technical assistance for corporate planning involved the design and installation of a computer based system that integrates and processes the financial and operational data of GOCCs.

The moving force behind the implementation of these measures is the Government Corporate Monitoring and Coordinating Committee (GCMCC). In 1988, it piloted these standard planning models and performance standards in 5 GOCCs. In 1990, it has started negotiations with all GOCCs under its jurisdiction on the performance targets for the year.

The framework for evaluating the GOCCs is the performance agreement between the GCMCC and GOCC managers which specifies the criteria, targets and scale of performance for a given year. The evaluation criteria focused on the financial, managerial and physical aspects of GOCC operations. The financial criteria commonly used include the rate of return on total assets/capitalization and the operating cost ratio. Examples of managerial criteria used are collection efficiency, and approval of corporate plans. Physical criteria include capital expenditure implementation, loan utilization, etc. After a decision on the appropriate criteria that will be used is reached, the GCMCC and the GOCC then agree through a negotiation process on the criterion values or the performance targets for a given year. The level of target achievement is measured on a scale ranging from 1 (for poor performance) to 3 (for outstanding performance). Each criterion is assigned weights so that a single summary rating can be made for each GOCC, thus allowing a system of comparing the performance of GOCCs even if the criteria used to measure their performance are not the same.

An integral part of the performance evaluation system is an incentive system that will effectively enforce a system of rewards for good behavior and punishment for a bad one. In 1991, an incentive scheme to support the performance standards was introduced. This authorizes the grant of monetary and/or non-monetary rewards to well-performing GOCCs. For instance,

in 1992, the incentive took the form of bonuses of up to 10 percent of personnel cost. The bonuses were distributed to the staff of the GOCCs that surpassed their performance targets.

On the whole, this program appears to be successful. The hemorrhaging of funds from the national government to GOCCs was put under control. The ratio of net national government transfers to GOCCs to GNP declined from a peak of 5.6 percent of GNP in 1986 to a low of 0.3 percent of GNP in 1994 (Table 4). Moreover, this ratio is negative in 1992 indicating that GOCCs are making a net contribution to the national treasury.

Related to this, the self-financing ratio (the ratio of internal cash generation to capital expenditures) of monitored GOCCs has risen from 0.16 in 1981-1986 to 0.61 in 1987-1994 (Table 5). This improvement came about even as the capital expenditures of monitored GOCCs rose from 1.1 percent of GNP in 1986-1988 to 2.3 percent in 1992-1994. It is largely traceable to an improvement in the financial performance of GOCCs. For instance, the ratio of their operating expenditures to their operating receipts declined from 0.86 in 1981-1986 to 0.70 in 1987-1994.

3.3. Disposition Program

After intensive evaluation and reevaluation, the government decided to privatized 122 GOCCs. The other GOCCs will be converted to regular agency, consolidated or merged, abolished, converted to private status or retained (Table 6). Of the 100 GOCCs that did not qualify for privatization or retention, executive orders or bills abolishing, regularizing, consolidating or converting 30 out of the 33 statutory GOCCs have been approved by the President while the application for dissolution of 51 SEC-registered GOCCs have been approved by the SEC.

With the issuance of Proclamation No. 50 in December 1986 by President Aquino, the government launched its privatization program. Under the program, the government will divest itself of two types of assets, the 122 GOCCs recommended to be privatized (as discussed above) and the non-performing assets (NPAs) that were earlier transferred by the PNB and the DBP to the national government. These NPAs are corporations that were acquired by the PNB and DBP when the respective corporations defaulted on their loans. These assets are either in physical form or in financial form. Physical form assets are those acquired by the GFIs through foreclosure and mostly consist of production facilities. Financial form assets may take one of the following forms: promissory notes and other financial claims against a borrower-enterprise backed by mortgages on physical assets, guarantees (joint and singular signatures, surety bonds), shares of stocks in debtor enterprises, lease agreements with or without purchase options, installment sales contract or restructured loans. Divestment of NPAs is generally through an outright "clean sale", i.e., sale of assets excluding liabilities.

Proclamation No.50 created the Committee on Privatization (COP) and the Asset Privatization Trust (APT). The COP is a cabinet-level committee that is primarily tasked to oversee the privatization program. It is in charge of formulating the policies and general

guidelines on privatization issues; approving the sale and disposition of GOCCs, NPAs and other assets; and monitoring the progress of privatization actions. The COP designates and supervises the disposition entities which are responsible for the actual marketing of the GOCCs identified for disposition (COP 1993).

The APT is the COP's main implementing arm and is primarily charged to dispose the NPAs. As a disposition entity, it is tasked to propose the extent of privatization of the assets assigned to it, the mode and method of disposition and the timetable of implementation. It deals directly with the buyers and formulates the bidding guidelines. In addition to the APT, there are 13 other agencies like the National Development Corporation (NDC), the Philippine National Bank and the Government Service Insurance System (GSIS), among others, also serves as disposition entities.

The COP guidelines on the disposition of GOCCs and NPAs are as follows: (1) expenditure of funds for rehabilitation of assets/corporations to be privatized is discouraged; (2) other things being equal, buyers who intend to rehabilitate the asset for productive use within the country are preferred, (3) cash offers are favored over payments on installment basis; (4) Filipino investors are preferred over foreign ones; (5) public offering of shares and employee stock ownership plans for the purpose of widening the ownership base of enterprises should be considered; (6) sale to investors which would result in undue concentration of economic power in the hands of a few individuals or groups should be discouraged; (7) negotiated sale may be considered after two failed bids; and (8) an acceptable price is determined on the basis of the earning capacity of the asset and generally accepted valuation approaches shall be used to establish a range of values including appraised value, replacement cost, discounted cash flow. Divestment of government ownership may be carried in one of the following modes: public bidding of shares or assets, negotiated sale of shares of assets, direct debt buy-out, and public offering of shares of stocks. Three forms of bidding are employed: open price bidding, target price bidding and base price bidding. On the other hand, under the direct debt buy-out, the former debtor is required to pay either the average of two appraisal price of the mortgaged asset plus 10 percent or the transfer price plus accumulated interest since June 30, 1986.

Originally, the life of the COP and APT was meant to expire in December 31, 1991. The terms of the COP and the APT were extended three times such that its life is now up to December 31, 1999. The new legislation on COP and APT dictates that a loss recovery provision be included in sales of assets below market price. It provides that no undue dislocation of labor should occur unless employee benefits as provided in collective bargaining agreements or labor laws have been complied with. It also mandates that 10 percent of the total shares for privatization of a corporate form of asset be offered first to small local investors before other modes are considered. In cases where former debtors are interested in re-acquiring the asset, RA 7181 provides that they should present a judgement from a government agency or court of law showing that they have not mismanaged or diverted the asset's resources. Moreover, under this scheme they have to pay a price no lower than the transfer price.

In response to the legal problems met by the COP and the APT in the disposition of financial form assets, legislation was enacted in 1993 which provided that no court or administrative agency should issue any restraining order or writ of preliminary injunction against the COP, the APT and other disposition entities.

Impact on Government Revenues

As of the end of 1994, 36 GOCCs were sold in full for ₦11.2 billion while 11 were sold partially for ₦58.3 billion. On the other hand, the government recovered ₦38.7 billion from 257 NPAs sold in full and 60 NPAs disposed partially. Thus, the total gross revenue yield from the privatization program for 1987-1994 is ₦108.2 billion (Table 7). This amount represents 6.7 percent of total national government revenues, 6.2 percent of national government expenditures or slightly more than 1 percent of GNP during the period. In 1994, the proceeds from privatization that were remitted to the national government were substantial enough to result in an ₦18.1 billion surplus in the fiscal position of the national government, the first time a surplus is posted in the last 20 years.

The gross recovery on fully disposed NPAs in 1987-1993 was ₦31.9 billion against total government exposure of ₦75.1 billion. This implies an average gross recovery rate of 42.5 percent (Table 8). Contrary to initial fears, the gross recovery rate from the direct debt buy-back mode (85.7 percent for that based on the transfer price and 52.2 percent for that based on average price) is considerably higher than that from bidding (21.8 percent). On the whole, the gross recovery rates from the privatization of NPAs appear to be reasonable considering that PNB and DBP, at the time of the transfer of the NPAs to the national government, estimated the recovery rate to be in the vicinity of 18 percent. Moreover, gross recovery from the fully disposed NPAs is 46.4 percent higher than the appraised value of the assets concerned.

The COP reported that in the aggregate a premium of 11 percent over indicative price was secured from the 23 GOCCs privatized in full from 1987-1991. Fifteen of these GOCCs were sold at a premium over the indicative price. The highest premium derived from a privatized GOCC was for National Marine Corporation at 66 percent. Five were disposed at par with indicative price and three were sold at a discount relative to indicative price.⁵

Before the NPAs were put on the block for sale, the liabilities of these assets were transferred to the national government as part of the program to rehabilitate the PNB and DBP. Since 1986, the national government has shelled out some ₦187.6 billion in interest and principal payments on these assumed liabilities. Thus, some writers have noted that the net national government revenue take on the privatization program is negative because the outflows needed to service the assumed liabilities of the NPAs are greater than the proceeds from privatization (Briones et al. 1988). However, it should be pointed out that those liabilities would have been shouldered by the national government with or without the privatization of NPAs

⁵No data of this nature were available for the entire period 1991-1994.

because of the national government guarantee on said loans. Moreover, it is observed that the net flow of resources from the national government to GOCCs after payments for assumed liabilities and privatization proceeds are taken into account declined from 3.4 percent of GNP in 1980-1986 to 1.4 percent of GNP in 1987-1994 indicating that the government is a net gainer in this reform.

Impact on Efficiency

One of the arguments often used for privatization is the improvements in overall economic efficiency that could be obtained when ownership and control of the enterprise is transferred from the government to the private sector. Although it is too early to arrive at an extensive evaluation of this issue, preliminary data based on two sets of case studies of privatized GOCCs indicate that the change of ownership has had some positive impact on economic efficiency and/or financial profitability.

Gascon (1991) reported a dramatic turnaround in the factor productivity of three GOCCs since privatization. She estimated that total factor productivity in these firms rose three-fold while capital productivity increased four-fold. On the other hand, Valdes and Co. (1992) evaluated the experience of some 20 NPAs that were sold by the government recently. Financial data were available for only 13 of the 20 case studies. The financial performance of three NPAs did not improve after privatization. However, eight firms enjoyed a turnaround. Two were not yet operational at the time of the study. Moreover, interviews with the officials of two of the firms which had no available data suggest that these two firms also improved their financial position (Table 9).

Impact on Employment

Proclamation No. 50 has been criticized for its provisions that tend to cause dislocation of workers (Briones et al. 1988). Specifically, Section 25 of Proclamation No. 50 provides that the APT "may require any one or more of the trustee corporations to adopt and implement cost reduction measures to enhance the viability, and therefore the disposability of such corporation, to potential buyers; and such measures may include personnel retrenchment plans." At the same time, Section 27 calls for the automatic termination of employer-employee relations upon the sale of the corporation. However, the same section also provides that separated personnel shall be entitled to "accrued or due compensation or other benefits incident to their employment or termination under applicable employment contracts, collective bargaining agreements or applicable legislation."

Evidence from four case studies yield mixed results (Malonzo 1988). In one case, some workers are laid off as the new owners cut the number of employees. However, in the other cases, the work force was increased and salaries and wages have risen as well.

Macapagal and Beltran (1991) argues that while some displacement may occur in the short run, more jobs are created in the long run. This is especially true if the corporation is not

operating prior to privatization. Otherwise, improved operating performance of privatized firms is expected to generate additional employment through backward and forward linkages.

Impact on Market Structure

Briones et al. (1988) assert that because of the thinness of the capital market and the highly skewed distribution of wealth the privatization program may result in the emergence of cartels. The acquisition of the Island Cement Corporation (ICC) by the Solid Cement Corporation (SCC) in 1988 is a well documented case of such an occurrence (Zosa and Baulita 1990). Solid Cement Corporation is one of six cement corporations managed by the Philippine Investments Management Consultants, Inc. (PHINMA). Prior to the sale of ICC, PHINMA controls 36 percent of the cement market nationwide. After the privatization of ICC, PHINMA now accounts for 46 percent of the market. Clearly, this situation is inconsistent with the intended effect of privatization which is to enhance competition in the market place.

Another case in point is the takeover of Lakeview Industrial Corporation (LIC) by the Filipinas Synthetic Fiber Corporation (Filsyn) with encouragement from the Board of Investment. This move resulted in the virtual control of the synthetic fiber industry by the Filsyn (SGV Consulting 1992).

The prevalence of this phenomenon cannot be ascertained to date. It should be pointed out that the 1993 law extending the life of the COP and the APT specifically provides that at least 10 percent of the shares be offered to small investors first before they are offered to large investors. A number of the more recent privatization efforts involved public offerings (e.g., PNB in 1989, Petron in 1994). It must be emphasized, however, that the inability of the privatization effort to expand the ownership base is not the result of a conscious policy but rather reflects the relative difficulty of accessing capital through the equities market.

Pace of Privatization

There is a general consensus that the privatization program proceeded at a rather slower pace relative to the target completion date. The sluggishness in the implementation of the privatization program may be attributed to a number of factors. First, about 300 of the 399 NPAs transferred from the PNB and DBP are not physical form assets. These NPAs are financial form assets and as such are not conveyable. Because of this, legal issues continually plagued the government divestment of these assets. Previous owners, creditors and losing bidders stalled the privatization process through court injunctions (Macapagal and Beltran 1991). Cases where APT succeeded in persuading the debtor to agree to an uncontested foreclosure and to waive redemption rights in exchange for non-enforcement of deficiency claims against personal guarantees (waiver of joint and singular signatures) is now the subject of Congressional inquiry as questions regarding the culpability of the said debtors were raised. These legal impediments persist today and presents the major stumbling block in the future of the privatization program. Second, government bidding procedures tended to delay the process. Valuation of assets had to be validated by the COA and required inter-agency decision to be

conclusive. (To date, valuation studies for most of the remaining assets have been completed and this should facilitate the progress of future sales.) In the case of debt equity swaps, the CB approval was another requirement that proved to be a hurdle. Third, some of the assets were in poor physical and financial conditions and such are not easily marketable. Fourth, allowing supervising departments or parent GOCC to take charge of the disposition of some GOCCs has given rise to an incentive incompatibility problem since the privatization program will cause a reduction in their turf. Thus, some GOCCs designated as disposition entities have deliberately delayed the privatization process. This is particularly notable every time there is a change in leadership in the disposition entity. Finally, the overall economic and political environment was not particularly suitable to a massive privatization program. Several coup attempts that marred the Aquino administration. Natural calamities also took their toll. The Gulf war in 1990 was another problem.

It should be emphasized that the success and pace of the privatization program hinges strongly on the macroeconomic condition of the country. Take note that improvements in the overall economy is highly associated with large revenues from sale of assets in the last two years (Table 7).

4. LESSONS LEARNED

On the whole, the government corporate sector reform program has been successful. The number of GOCCs has been trimmed down from 301 to 79. Cumulative proceeds from the divestment program reached ₱108 billion during the period 1987-1994. The financial performance of GOCCs improved as a result of the institutionalization of a performance evaluation incentive system and standardized corporate planning models. Consequently, the leakage of national government financial resources to GOCCs has been contained even as the investment program of the retained GOCCs have been sustained.

At the same time, the policy and legal framework governing the public enterprise sector appears to be supportive of sustained improvements in the sector. Particularly commendable is the strengthening of the GCMCC as the central monitoring body for GOCCs, the introduction of performance evaluation and incentive system for retained GOCCs and the issuance of AO 59 which provides some safeguards against the indiscriminate creation of GOCCs in the past. First, as discussed earlier the system of inter-departmental supervision of GOCCs in the country was diffused to several agencies with no one supervising entity being able to obtain a good over-all picture of each GOCC, much less of the totality of the GOCC sector. In this sense, the evolution of the GCMCC into a more dominant player is a big step in itself. Second, as noted earlier, there are indications that the performance evaluation system has been successful in enhancing the efficiency of the public enterprise sector. Third, AO 59 appears to be the most transparent and lucid articulation of government policy on the role and management of public enterprises to date. Noteworthy is the emphasis on providing GOCCs with wider autonomy and flexibility matched by full accountability for their actions.

What are the key elements to this success story? First, the unstinting commitment of the government from the highest level is essential to the program's success. This is important because reform in this area cannot be achieved overnight. It is worth noting that the government persevered in this venture even as its early efforts were thwarted by hostile legal, political and economic environment. Second, the proper balance between greater autonomy and accountability that a performance evaluation system instills is found to enhance the efficiency of GOCC operations. Third, the establishment of appropriate institutions like the COP and APT are major contributory factors to the success of the privatization program. It is doubtful whether institutional arrangements with less focus and power would have been worked as well. It should be noted, though, that the system could have been better. Some analysts have pointed out that collegial nature of the COP has tended to slow down the process because of the time needed to reach a consensus on controversial decisions. On the other hand, the transparency that this brings to the process might have prevented forces opposing the privatization program from debunking the system. Fourth, one's expectations of the privatization process should be grounded in the reality of the macroeconomic and political situation. Fifth, allowing the supervising agencies to take charge of the disposition of PEs tend to slow the privatization process as this leads to conflicts of interest. Sixth, privatization will not necessarily lead to greater competition. One has to be sensitive to the existing structure of the market in which GOCCs operate and one should be ready to institute remedial measures so as to forestall the ill effects of a possible diminution in competition.

Table 1
NUMBER OF GOVERNMENT CORPORATIONS, 1965-1984

Years	Parents	Subsidiaries	Acquired Assets	TOTAL
1965	37	n.a.	n.a.	37
1970	47	18	n.a.	65
1975	71	49	n.a.	120
1981	92	120	n.a.	212
1984	93	153	57	303

Source: Presidential Commission on Reorganization (PCR).
Medium-Term Philippine Development Plan, 1987-92,
Republic of the Philippines, 1986, p.393.

FILENAME: hnantb1

Table 2

SELECTED GOCC INDICATORS, 1975-1984

Years	GOCC GVA Level (million pesos)	Ratio of GOCC GVA to GDP (%)	Ratio of GOCC Investment to GDCF (%)	NG Transfers to GOCCs Level (million pesos)	Ratio of NG Transfers to GOCCs to NG Expend- itures (%)	Ratio of NG Transfers to GOCCs to NG Revenues (%)	Ratio of NG Transfers to GOCCs to NG Fiscal Deficit (%)	Ratio of NG Transfers to GOCCs to GNP (%)	Ratio of NG Fiscal Deficit to GNP (%)	NG Deficit (+)/ Surplus (-) Net of NG Transfers to GOCCs (million pesos)	Ratio of Adjusted NG Deficit (+)/ Surplus (-) to GNP (%)
1975				929	5.09	5.51	66.22	0.86	1.30	474	0.44
1976				2226	10.89	12.31	94.78	1.78	1.86	123	0.10
1977				3299	14.46	16.53	134.54	2.28	1.97	-447	-0.31
1978			32.71	3080	11.74	12.79	142.13	1.85	1.30	-913	-0.55
1979			18.16	4730	15.87	16.05	1383.04	2.32	0.17	-4386	-2.16
1980	5886	2.41	15.59	5819	15.27	16.75	171.80	2.39	1.39	-2432	-1.00
1981	7328	2.60	25.08	9533	19.83	26.53	78.49	3.40	4.33	2613	0.93
1982	6682	2.11	18.72	13565	25.78	35.50	94.18	4.33	4.59	839	0.27
1983	10205	2.77	21.98	9237	17.41	20.24	124.29	2.54	2.05	-1805	-0.50
1984	18428	3.51	32.76	14698	21.96	25.85	146.03	2.89	1.98	-4633	-0.91
1980-84	48529	2.80	20.95								
1975-1984				67116	17.83	20.99	118.69	2.73	2.30	-10569	-0.43

Source: Bureau of Treasury, National Statistical Coordination Board

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Table 3

FACTOR PRODUCTIVITY AND FINANCIAL PROFITABILITY OF PSES

Year	Economywide Total Factor Product- ivity	PSE Total Factor Product- ivity	Ratio of (1) to (2)	Rate of Return to Total Assets	Interest on Loans and Discounts
1975	0.677	0.211	3.209	4.76	12.30
1976	0.595	0.119	5.000	3.83	12.70
1977	0.521	0.108	4.824	3.99	12.80
1978	0.372	0.080	4.650	3.09	12.70
1979	0.798	0.080	9.975	3.31	12.70
1980	0.912	0.084	10.857	3.54	13.50
1981	0.703	0.090	7.811	3.89	13.20
1982	n.a	0.099		4.55	15.30
1983	n.a	0.086		3.39	17.00
1984	n.a	0.054		3.54	19.90
1975-84	0.654	0.101	6.618	3.71	14.41

Source: Manasan, Rosario, et al. "The Public Enterprise Sector in the Philippines: Economic Contribution and Performance", Public Enterprise Yugoslavia, Vol. 8, No. 4, December 1988.

FILENAME: hnantab3

Table 4

NET FLOW OF FUNDS BETWEEN NG AND GCs, 1976-1994
(in million pesos)

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994P	Ave 1981-86	Ave 1987-94
NG Flows to GCs	9,533	13,565	9,237	14,698	17,041	33,613	13,326	9,270	11,764	16,017	13,930	(2,914)	16,051	14,181	16,281	11,453
Subsidy	523	1,979	1,104	430	1,009	1,720	1,835	2,032	5,575	13,249	7,966	4,035	6,149	7,010	1,128	5,981
Equity	8,081	9,368	5,739	9,845	14,353	12,336	4,414	1,823	2,107	4,414	4,396	(9,150)	6,753	8,285	9,954	2,880
Net Lending	929	2,218	2,394	4,423	1,679	15,148	7,077	5,415	4,082	(1,646)	1,568	2,201	3,149	(1,114)	4,465	2,592
Capital Transfers to PNB/DBP	0	0	0	0	0	4,409	0	0	0	0	0	0	0	0	0	0
NG Flows from GCs	309	215	251	413	818	470	2,552	1,987	5,291	4,792	5,634	5,977	5,094	8,196	413	4,940
Dividends	103	0	0	22	112	90	38	508	185	1,747	1,723	1,606	1,312	2,846	55	1,245
Share in PAGCOR Income	206	215	251	391	706	380	1,006	1,203	1,813	1,963	2,436	2,823	3,206	3,238	358	2,186
Interest on Advances to GOC	0	0	0	0	0	0	1,510	276	2,685	1,082	1,475	1,548	576	2,112	0	1,408
Gain on Sale of PNB Stocks	0	0	0	0	0	0	0	0	808	0	0	0	0	0	0	101
NET FLOWS TO GCs	9,224	13,350	8,986	14,285	16,223	33,143	10,774	7,283	6,473	11,225	8,296	(6,891)	10,957	5,965	15,669	6,513
% to GNP	3.29	4.26	2.47	2.81	2.92	5.56	1.61	0.92	0.71	1.04	0.66	-0.64	0.72	0.34	3.64	0.56
% to Total Revenue	25.67	34.94	19.69	25.12	23.52	41.82	10.44	6.45	4.25	6.21	3.76	-3.66	4.21	1.79	29.31	3.24
% to Total Expenditures	19.19	25.38	16.93	21.34	20.25	29.99	8.99	5.35	3.76	5.15	3.38	-3.44	3.88	1.89	23.15	2.98
Memo Item:																
GNP	280,543	313,544	363,266	508,485	556,074	596,276	670,826	792,012	912,027	1,082,557	1,266,070	1,385,562	1,519,814	1,751,485	436,365	1,172,544
Total Revenue	35,933	38,208	45,632	56,861	68,961	79,245	103,214	112,861	152,410	180,902	220,787	242,714	260,405	335,227	54,140	201,065
Total Expenditures	48,079	52,610	53,064	88,926	80,102	110,497	119,907	136,067	171,978	218,098	247,136	258,680	262,296	317,113	68,546	218,909

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Table 5

INDICATORS OF FINANCIAL PERFORMANCE OF GOCCs MONITORED BY GCMCC, 1981 - 1994
(In billion pesos)

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1981 to 1986	1987 to 1994
Operating Receipts	28.1	32.1	38.0	22.8	50.6	34.6	44.9	48.2	53.5	71.1	90.9	98.2	102.4	69.1	206.0	576.3
Operating Expenditures	27.1	28.4	34.6	19.8	39.5	27.1	31.1	35.2	32.7	54.3	68.9	70.7	73.0	37.1	176.6	403.1
Current Expenditures	29.5	32.3	39.3	24.5	51.9	38.4	43.1	47.8	45.5	69.0	86.1	88.8	96.4	74.8	215.9	551.5
Capital Expenditures	14.0	13.3	18.1	12.9	12.3	5.9	7.8	9.0	15.0	26.8	20.5	26.1	41.6	42.2	78.5	189.0
Nat. Govt. Cont. to Govt. Corps.	9.5	13.6	9.2	14.7	17.0	33.6	13.3	9.3	11.8	16.0	13.9	-2.9	16.1	14.2	97.7	91.8
Internal Cash Generation (ICG)	1.7	2.2	2.1	1.7	4.4	0.3	6.7	12.0	12.0	7.7	13.1	15.4	16.0	33.2	12.4	116.0
Overall Deficit	-12.3	-11.1	-16.0	-11.2	7.9	6.8	-0.2	-2.9	3.0	19.1	7.4	10.7	25.6	9.1	-35.9	71.7
GNP	280.5	313.5	363.3	508.5	556.1	596.3	670.8	792.0	912.0	1082.6	1266.1	1385.6	1519.6	1751.5	2618.2	9380.4
Oper. Expenditures/Oper. Receipts	0.98	0.89	0.91	0.86	0.78	0.78	0.69	0.73	0.61	0.76	0.76	0.73	0.71	0.54	0.86	0.70
Current Exp./Oper. Receipts	1.05	1.01	1.03	1.08	1.03	1.11	0.98	0.99	0.85	0.97	0.85	0.92	0.94	1.08	1.05	0.96
ICG/Capital Expenditures	0.12	0.16	0.11	0.13	0.36	0.05	0.86	1.33	0.80	0.29	0.64	0.59	0.38	0.79	0.16	0.61
Nat. Govt. Cont. to Govt. Corps./GNP (%)	3.40	4.33	2.54	2.89	3.06	5.64	1.99	1.17	1.29	1.48	1.10	-0.21	1.06	0.81	3.73	0.98
Deficit/GNP (%)	-4.37	-3.55	-4.42	-2.20	1.42	1.14	-0.03	-0.37	0.33	1.76	0.58	0.77	1.68	0.52	-1.37	0.76
Capital Exp./GNP (%)	4.98	4.25	4.98	2.54	2.21	0.99	1.16	1.14	1.64	2.48	1.62	1.88	2.74	2.41	2.92	2.01

Source of Basic Data: Government Corporate Monitoring and Coordinating Committee (GCMCC).

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04-May-95

Table 6

DECISIONS ON DISPOSITIVE ACTIONS
As of 31 December 1991

Decision Category	No. of GCs
Privatization	122
Conversion to private status	6
Regularization	18
Consolidation	17
Abolition	59
Retention	79
TOTAL	301

Source: Committee on Privatization

FILENAME: hnantb6a

Table 7

GROSS REVENUES FROM GOCC AND NPA DISPOSITIONS, 1987–1991
(million pesos)

Year	1987	1988	1989	1990	1991	1992	1993	1994	Total
GOCC	1196.9	3155.3	1886.7	129.9	2543.6	14662.7	16160.7	29741.4	69477.2
NPA	3939.9	3994.9	1993.6	14507.4	4229.6	3771.3	2296.4	3997.4	38730.5
TOTAL	5136.8	7150.2	3880.3	14637.3	6773.2	18434	18457.1	33738.8	108207.7
RATIO OF TOTAL TO NG EXPENDITURES (%)	4.28	5.25	2.26	6.71	2.74	7.13	6.54	10.64	6.18
RATIO OF TOTAL TO NG REVENUES (%)	4.98	6.34	2.55	8.09	3.07	7.59	7.09	10.06	6.73

Source of Basic Data: Committee on Privatization

FILENAME: hnantb7a

Table 8

DISPOSITION OF NON-PERFORMING ASSETS, 1987 TO 1994

	Number of Disposed Assets		Gross Recovery (million pesos)		Percent Distribution of Gross Recovery (%)		Total Government Exposure (million pesos)	Recovery Rate (%)
	1987 to 1993	1987 to 1994	1987 to 1993	1987 to 1994	1987 to 1993	1987 to 1994	1987 to 1993	1987 to 1993
FULLY DISPOSED	252	257	31,892,054	33,863,180	91.96	87.43	75,077,986	42.48
A. Thru APT	221	224	26,070,554	27,019,598	75.17	69.76	65,369,779	39.88
1. Bidding	60	61	4,872,478	5,419,187	14.05	13.99	22,389,818	21.76
2. DBBO-AV	21	21	1,502,507	1,502,507	4.33	3.88	2,877,490	52.22
3. DBBO-TP	38	38	3,678,077	3,679,077	10.61	9.50	4,293,213	85.67
4. Retrieved	11	11	939,158	989,158	2.71	2.55	1,385,130	67.80
5. Negotiated sale	91	93	15,078,334	15,429,669	43.48	39.84	34,424,128	43.80
B. Thru Non-APT	31	33	5,821,500	6,843,582	16.79	17.67	9,708,207	59.96
6. GFI Sales	19	21	2,142,498	2,383,066	6.18	6.15	5,071,790	42.24
7. Other Modes	12	12	3,679,002	4,460,516	10.61	11.52	4,636,417	79.35
PARTIALLY DISPOSED	61	60	2,790,045	4,867,367	8.04	12.57		
A. Thru APT	58	57	2,246,271	4,566,712	6.48	11.79		
1. Bidding	30	30	1,348,492	3,764,988	3.89	9.72		
2. DBBO-AV	1	1	1,582	1,582	0.00	0.00		
3. DBBO-TP	2	2	82,051	82,051	0.24	0.21		
4. Retrieved	0	0	0	0	0.00	0.00		
5. Negotiated sale	25	24	814,146	718,091	2.35	1.85		
B. Thru Non-APT	3	3	543,774	300,655	1.57	0.78		
6. GFI Sales	2	2	245,595	2,476	0.71	0.01		
7. Other Modes	1	1	298,179	298,179	0.86	0.77		
GRAND TOTAL	313	317	34,682,099	38,730,547	100.00	100.00		

Source of Basic Data: Asset Privatization Trust (APT).

Table 9

FINANCIAL PERFORMANCE OF SELECTED GOCCs BEFORE AND AFTER PRIVATIZATION

Page 1/2

CORPORATIONS	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
1. Bukidnon Sugar Milling Co. Return on Total Assets (%) Net Income (in thousand pesos)							-16.39 -225101	-19.07 -268899	-35.47 -500854	-35.89 -493979	Plant Shutdown	1.37* 10300*	1.74* 13415*	
2. Davao Sugar Central Company Return on Total Assets (%) Net Income (in thousand pesos)								-46.4 -59646	-43.52 -51158	Data not Available* Interviews indicate positive profit margin for 1990 and 1991				
3. Tolong Sugar Milling Co., Inc. Return on Total Assets (%) Net Income (in thousand pesos)								-22.49 -95228	-2703 -110539	Plant Shutdown		16.72* 1778*	1.74* 2240*	
4. United Planters Sugar Milling Co. Return on Total Assets (%) Net Income (in thousand pesos)						-37.29 -125337	-39.97 -208614	46.3 -246444	-72.61 -384993	-407.42 -260117	1988 onwards Data Not Available* Interviews indicate profitable operations			
5. Island Cement Corporation Return on Total Assets (%) Net Income (in thousand pesos)							no operations	-7.6 -89139	-35.47 -83712	-7.85 -67686	5.21* 25415*	14.77* 98059*	14.19* 109032*	
6. Midland Cement Corporation Return on Total Assets (%) Net Income (in thousand pesos)				-4.27 -14735	-4.57 -17868	Data Not Available		Plant Shutdown			Data not Available			
7. Cebu Plaza Hotel Corporation Return on Total Assets (%) Net Income (in thousand pesos)						-16.77 -38372	-8.04 35236	-4.21 12635	-10.63 31213	-12.04 22142	Data Not Available -23613* -1510* -22602*			
											on lease to RHC			
8. Rafols Hotel Corporation Return on Total Assets (%) Net Income (in thousand pesos)						-24.22 -20741	-54.42 -58681	Data not Available		2.84 3121	Data not Available		started opns, Sept 1991	1991
9. Zamboanga Plaza Hotel Corp. Return on Total Assets (%) Net Income (in thousand pesos)						Data not -35367	Available -42328		Data Not Available not operational to date of study					
10. Phil Polyamide Industrial Corporation Return on Total Assets (%) Net Income (in thousand pesos)	-3.65 -9461	0.62 1729	-3.22 -11000	-5.37 -22258	-13.93 -52876						2.68* 613*	0.35* 124*	0.31* 132*	
11. Textfiber Corporation Return on Total Assets (%) Net Income (in thousand pesos)				-17.4 -57876	-33.44 -58029	-43.53 -24222	-4.47 -2945	-10.23 16722	-0.58 712	0.41* 2723*	0.37* 2699*	0.72* 5748*		

Table 9

FINANCIAL PERFORMANCE OF SELECTED GOCCs BEFORE AND AFTER PRIVATIZATION

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CORPORATIONS	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
12. Crown Fruits & Cannery Corp. Return on Total Assets (%) Net Income (in thousand pesos)									Data Not Available 800 M 814 M		-1.11 -9349	Data not Available -9266	-5.07* -11921*	-1.47* -4271*
13. Delta Motors Corp. Return on Total Assets (%) Net Income (in thousand pesos)							Data Not Available				Data not Available*	13.98* 111679*		
14. Filipinas Micro Circuits Inc. Return on Total Assets (%) Net Income (in thousand pesos)								-3.76 -14403	-6.58 -28862	-11.84 -58447	-13.24 -374609	-13.24 -7532	-2.55* -1576*	
15. Mabuhay Vinyl Corp. Return on Total Assets (%) Net Income (in thousand pesos)								-30.79 -141072	-57.77 -230042	-29.58 -128895	-18.06 -102067	-0.53 -2994	8.77* 54921*	8.34* 55949*
16. Machine Tools Mfg. Co. of the Phil. Inc. Return on Total Assets (%) Net Income (in thousand pesos)					-91.73 -6726	-131.45 -9099	Data Not Available				Data Not Available*			
17. National Food Authority Return on Total Assets (%) Net Income (in thousand pesos)														
18. Phil Asia Food Ind. Corp. Return on Total Assets (%) Net Income (in thousand pesos)											-4.15 -20902	-1265.4 -66982	Data not Available*	
19. Sergs Products, Inc. Return on Total Assets (%) Net Income (in thousand pesos)						-18.7 -10342	-39.7 -18776	Data not Available 18776	-20491	-2397	-4508	0.46* 400*	0.92* 1574*	
20. Trebel Industries, Inc. Return on Total Assets (%) Net Income (in thousand pesos)					-3.03 -541	-4.24 -976	-18.77 -3814	DNA	-7.57 -1418	-10.85* -2504*	-5.7* -899*	-1.51* -213*	-0.52* 100*	

Source: Culled from case studies in "Development Impact of the Divestment to the Private Sector of the Asset Privatization Trust--Held Assets", (Valdez, 1992).

*After Privatization

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