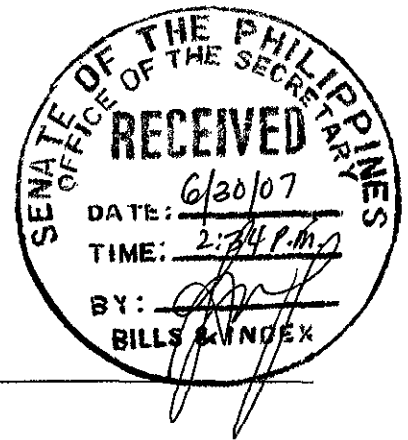


FOURTEENTH CONGRESS OF THE REPUBLIC)  
OF THE PHILIPPINES )  
First Regular Session )

SENATE  
S. No. 148



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Introduced by **Senator Richard J. Gordon**

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### EXPLANATORY NOTE

To achieve macro-economic stability, there is a need to provide a framework for stronger financial oversight of Government-Owned or Controlled Corporations, Government Financial Institutions, state-owned universities, and other agencies in the public sector.

Article XII, Section 16 of the Constitution provides that Government-Owned or Controlled Corporations may be created or established by special charters in the interest of the common good and subject to the test of economic and financial viability.

Despite the explicit mandate under the Constitution for these corporations to be subject to the test of economic and financial viability, Government-Owned or Controlled Corporations account for an inordinately high proportion of the country's external debt, public sector deficits, and total credits.

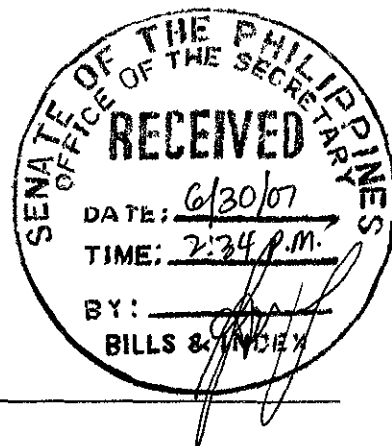
There is thus a need for Congress to review, monitor, and evaluate the overall performance of these Government-Owned or Controlled Corporations to ascertain whether or not these corporations have been fulfilling their mandates under their respective charters and are economically and financially viable. Congress must ensure the accountability of these entities through effective monitoring and oversight for the benefit of the people.

This bill, which seeks to do just that, is the product of the latest deliberations in the Senate Committee on Government Corporations and Public Enterprises. It was reported on second reading for consideration of the Senate in the 13<sup>th</sup> Congress, but failed to pass due to lack of time. It is with great hope that this time this bill will be passed into law to ensure the accountability of Government-Owned or Controlled Corporations.

  
**RICHARD J. GORDON**  
Senator *q*

FOURTEENTH CONGRESS OF THE REPUBLIC)  
OF THE PHILIPPINES )  
*First Regular Session* )

SENATE  
S. No. 148



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Introduced by **Senator Richard J. Gordon**

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**AN ACT TO ENSURE THE ACCOUNTABILITY OF GOVERNMENT-OWNED OR CONTROLLED CORPORATIONS, GOVERNMENT FINANCIAL INSTITUTIONS, STATE-OWNED UNIVERSITIES, AND OTHER SIMILAR AGENCIES IN THE PUBLIC SECTOR BY REQUIRING THESE ENTITIES TO BE EVALUATED AND SUBJECTED TO THE TEST OF ECONOMIC AND FINANCIAL VIABILITY, CREATING A CONGRESSIONAL OVERSIGHT COMMITTEE THEREFOR, AND FOR OTHER PURPOSES**

*Be it enacted by the Senate and the House of Representatives of the Philippines in Congress assembled:*

1           **SECTION 1. Short Title.** – This Act shall be known as the “Government-Owned or  
2           Controlled Corporations (GOCCs) Accountability Act of 2007.”

3           **Sec. 2. Policy.** – It is the policy of the State to create or establish Government-  
4           Owned or Controlled Corporations only in the interest of the common good and subject to  
5           the test of economic and financial viability.

6           Every Government-Owned or Controlled Corporation must be free from fraud, abuse,  
7           and wastage, and must be made accountable through effective monitoring and oversight by  
8           Congress for the benefit of the people.

9           All government corporations shall clearly define the parameters and/or limits of their  
10          financial and operational capabilities consistent with their established mandates and  
11          charters.

12          **Sec. 3. Government-Owned or Controlled Corporation Defined.** – For purposes  
13          of this Act, “Government-Owned or Controlled Corporation” or “GOCC” refers to a stock or  
14          non-stock corporation, performing governmental or proprietary functions directly chartered  
15          by special law or, if otherwise formed, is owned or controlled by the Government directly or  
16          indirectly through a parent or subsidiary corporation. It includes Government Financial  
17          Institutions, State-Owned Universities, and other similar agencies in the public sector.

18          **Sec. 4. Asset and Liability Management Guidelines.** – The definition of the limits of  
19          the financial and operational capabilities of each GOCC shall be embodied in their

1 respective asset and liability management guidelines which are universally accepted  
2 management tools whereby financial and operational activities are automatically confined  
3 within clearly defined limits.

4       Foremost among the financial guidelines are the limits on borrowing, lending and  
5 guaranteeing any form of financial transaction, risk and/or commitment.

6       Foremost among the operational guidelines are the recognition and acceptance of the  
7 limits of in-house talents and capabilities thereby inhibiting said corporation from engaging  
8 in activities outside its defined capabilities or in cases where it is necessary to engage in  
9 such transactions or activities, the mandatory requirement to tap outside talents preferably  
10 from other government agencies or institutions.

11       **Sec. 5. Use of Asset and Liability Management Guidelines.** – The Asset and  
12 Liability Management Guidelines shall be used primarily as a tool to anticipate, obviate  
13 prevent and/or minimize certain eventualities that may adversely affect the financial  
14 condition of individual corporations. As a standard requirement, however, it is seen as a  
15 vital instrument to stabilize and solidify the country's overall financial condition.

16       In cases where a GOCC is under the control or supervision of a department of the  
17 National Government, adherence to these asset and liability guidelines shall be the  
18 responsibility of the department under which these corporations belong. The department  
19 covered shall prescribe their respective policies and procedures including penalties for their  
20 violations, in order to ensure that such guidelines are strictly complied with.

21       **Sec. 6. Central Monitoring and Control by the Department of Finance.** – The  
22 central monitoring and control of the overall financial condition of GOCCs shall be made by  
23 the Department of Finance (DOF) which shall consolidate all related figures into an annual  
24 report. Within thirty (30) days from the end of each calendar year, the DOF shall submit this  
25 annual report to the Office of the President, copy furnished the Senate and the House of  
26 Representatives.

27       **Sec. 7. Submission of Reports.** – Every GOCC is required to submit quarterly and  
28 consolidated annual reports to Congress.

29       Each quarterly report, to be submitted within thirty (30) days from the end of each  
30 calendar quarter, shall be in the form of an executive summary concerning the finances and  
31 operations of the GOCC and shall indicate any achievement and major projects. It shall  
32 include all financial reports and minutes of directors' and shareholders' meetings for the  
33 subject quarter.

1 Each annual report, to be submitted within sixty (60) days from the end of each  
2 calendar or fiscal year as may be applicable, shall include the following:

- 3 (1) A consolidated executive summary;
- 4 (2) A list of directors and officers;
- 5 (3) A summary of the remuneration paid to directors and officers over the last year;
- 6 (4) The Commission on Audit report for the last year; and
- 7 (5) The audited financial statement for the last year.

8 **Sec. 8. Mandatory Publication.** – Every GOCC is required to disclose and publish  
9 in at least one (1) newspaper of general circulation within thirty (30) days from the end of  
10 each calendar or fiscal year as may be applicable the following information:

- 11 (1) Travel and hospitality expenses for directors and officers; and
- 12 (2) Contracts for goods and services over one million pesos (PhP1,000,000).

13 **Sec. 9. Creation of a Congressional Oversight Committee for GOCCs.** – There is  
14 hereby created a Congressional Oversight Committee for GOCCs to be composed of six (6)  
15 members, with three (3) representatives each from the Senate and the House of  
16 Representatives, and co-chaired by the Chairpersons of the Senate Committee on  
17 Government Corporations and Public Enterprises and the House Committee on  
18 Government Enterprises and Privatization.

19 The Congressional Oversight Committee for GOCCs shall receive and evaluate the  
20 reports submitted by the GOCCs to Congress. It shall be the principal legislative monitoring  
21 arm and policy recommending body for all GOCCs.

22 **Sec. 10. Powers and Functions of the Congressional Oversight Committee for**  
23 **GOCCs.** – The Congressional Oversight Committee for GOCCs shall have the following  
24 powers and functions:

- 25 (1) Prescribe and adopt guidelines that will govern its work;
- 26 (2) Hold hearings, receive testimonies and reports pertinent to its specified concerns;
- 27 (3) Secure from any department, bureau, office, agency, or instrumentality of the  
28 Government such assistance as may be needed, including technical information  
29 preparation and production of reports and submission of recommendations or  
30 plans as it may require;
- 31 (4) Summon by subpoena *ad testificandum* any public or private citizen to testify  
32 before it, or require by subpoena *duces tecum* to produce before it such records,

1 reports or other documents as may be necessary in the performance of its  
2 functions;

3 (5) Use resource persons from the public and private sectors as may be needed;

4 (6) Approve the budget for the Congressional Oversight Committee for GOCCs and  
5 all disbursements therefrom, including compensation of all personnel;

6 (7) Organize its staff and hire and appoint such employees and personnel, whether  
7 temporary or contractual, subject to applicable laws; and

8 (8) Exercise all other powers necessary to attain its purposes.

9 **Sec. 11. Conduct of Review.** – The Congressional Oversight Committee for  
10 GOCCs shall review the quarterly and annual reports submitted by the GOCCs to  
11 Congress.

12 The Congressional Oversight Committee for GOCCs may require the submission of  
13 additional pertinent corporate and commercial documents and/or the revelation of all  
14 relevant data as may be deemed necessary for the conduct of such review. Failure to  
15 submit any of the required documents or to reveal any required data shall subject the  
16 directors and officers of the concerned GOCC to appropriate administrative, civil, and  
17 criminal liability.

18 The Congressional Oversight Committee for GOCCs shall review the reports,  
19 documents, and data submitted by each GOCC and shall be authorized to conduct  
20 investigations in furtherance of such review. The scope of review shall include the  
21 following:

22 (1) Accomplishment of the set goals as may be set forth in their respective charters  
23 or otherwise;

24 (2) Allocation of resources of each GOCC;

25 (3) Instances of duplication of functions;

26 (4) Financial and social investment rate of returns and productivity; and

27 (5) Interest of the common good.

28 **Sec. 12. Submission of Recommendations.** – The Congressional Oversight  
29 Committee on GOCCs shall submit its recommendations to the Senate and the House of  
30 Representatives, copy furnished to the Office of the President, for appropriate action. The  
31 recommendations may include the following:

32 (1) Continued existence of and corresponding budgetary allocation for each GOCC;

- 1 (2) Termination of the existence of or budget allocation for the GOCC by either
- 2 privatization or dissolution;
- 3 (3) Merger or consolidation of GOCCs performing similar or overlapping functions;
- 4 (4) Restructure of the GOCCs in the Executive branch;
- 5 (5) Adjustment of compensation packages for directors, officers, and employees;
- 6 (6) Filing of appropriate civil, criminal, or administrative charges;
- 7 (7) Contract review or renegotiation as may be appropriate; and
- 8 (8) Other recommendations as may be deemed appropriate.

9 **Sec. 13. Repealing Clause.** – All laws, decrees, orders, rules and regulations or  
10 other issuances or parts thereof inconsistent with the provisions of this Act are hereby  
11 repealed or modified accordingly.

12 **Sec. 14. Separability Clause.** – If any portion or provision of this Act is declared  
13 unconstitutional, the remainder of this Act or any provisions not affected thereby shall  
14 remain in force and effect.

15 **Sec. 15. Effectivity.** – This Act shall take effect after fifteen (15) days following the  
16 completion of its publication either in the Official Gazette or in a newspaper of general  
17 circulation in the Philippines.

18 Approved,