CHAPTER II
PRIVATIZATION POLICY IN THE PHILIPPINES

by

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1. INTRODUCTION: RATIONALE OF DEREGULATION AND PRIVATIZATION POLICY

There exists a close link between privatization issues and the role of the government in the economic and social development, especially in developing countries where the privatization policy is directly relevant to their economic posture at their initial development stage.

In response to the changing economic situation, a reorientation towards the private sector as the primary source of economic growth is amplified by the countries in the Asia-Pacific Region, the Philippines included. Measures to facilitate the sector's development are now being adopted.

In the immediate postwar period, most governments cultivated a development process initiating modernization of their countries via economic and social growth, giving justification to government intervention into the economic activities.

Macroeconomic justification for government intervention viewed central planning and ownership in key sectors as a more effective and expeditious way to achieve political and economic independence.

The major components of this policy are: (1) government planning to ensure capital formation through controlled interest rate and capital allocation; (2) protection of infant industries against competition at the early stage of development to support long-term development goals (Naya, 1988); and (3) strengthening the national interest combined with economic nationalism for the countries seeking monumental national projects.

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The microeconomic justification for government involvement is usually market failure. Some of the major arguments are: (1) externalities, (2) increasing return to scale by natural monopoly, and (3) public and merit goods that are available for consumption by all including non-paying users (Naya, 1988).

Developing countries found the last 15 years difficult. Because of these, they sought to change the perceived role of the government in the development process, showing renewed interest in the private sector as a stimulus of growth.

This change, participated in by both external and internal factors, is evident in recent data indicating (1) high levels of growth for economies with a dominant private sector and growing difficulties with government intervention in industry and trade[1] and (2) world trade fluctuations which are widely and generally stagnant as indicated in the diversified international environments.

The 1980s saw the rise in protectionist tendency in developed countries due to large fiscal imbalance. Simultaneously, flows of external capital into developing countries slowed down. Rising interest rates in the early '80s increased the debt service burden and made repayment difficult for many countries. These external factors (i.e., oil shocks, rising protectionist tendencies, and a diminishing supply of concessional aid and loans) have forced Asian governments to look for efficient solutions since they are less able to invest and sustain the growth of their operations at previous pace and levels. More from the private sector, therefore, are being sought to share the responsibility of developing their economies.

The above-mentioned external factors have largely contributed to a more cautious view of internal factors such as public debt and public finance. Rising debt and growing budget deficits of many countries have prompted them to look more carefully into their expenditure pattern. In addition, the external debt of these countries increased significantly in the '80s, particularly for the four ASEAN countries and Pakistan because of continued depressed commodity prices. Hence, these countries became more careful and have placed stricter control on their foreign debt. Several of these countries were forced to implement austerity measures such as cutting-down on import, spending and growth, resulting from increased debt and a slowdown in export.

These budgetary constraints necessitated several governments to be more cost-conscious and meticulous as to consequences of deals before engaging in economic functions. In preparation for withdrawal from activities deemed appropriate for private initiatives, they are reevaluating their traditional role in the economy.

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[1]Landau argued the existence of a negative relationship between share of government expenditure in GDP and growth of per capita GDP by sampling 96 developed and developing countries in 1961 and 1976 (see Landau, Daniel, "Government Expenditure and Economic Growth: A Cross-Country Study," *Southern Economic Journal* 49 (January 1983)). In Marsden's paper on the study of 20 developing and developed countries, the 1970-79 period showed negative relation between tax/GDP ratio and economic growth (see Keith Marsden) "Links Between Taxes and Economic Growth," World Bank Staff Working Paper No. 605, Washington, D.C., 1983).

This kind of policy where the private sector is encouraged entails deregulation or liberalization, with the logical consequence of withdrawing government intervention in the economic activities. Privatization of government or public corporations is one component of the deregulation policy.

Notwithstanding the above mentioned perception, the author describes comprehensively the privatization policy in the Philippines in this chapter, starting with the brief history of privatization policy in the Philippines as well as the increase of the government intervention under the Marcos administration. Then the salient features of the privatization policy under the Aquino administration are substantially tackled, with the special attention to issues and problems regarding the policy. Finally the author explores the linkage between privatization and the agrarian reform program which is the other major reform program under the Aquino government.

2. INCREASE OF GOVERNMENT-OWNED AND CONTROLLED CORPORATIONS (GOCCS) IN THE PHILIPPINES

2-1. Brief History of GOCCs

Prior to World War II, the role of Government-Owned and or Controlled Corporations (GOCCs or Government Corporations)[2] in the country was limited only to the financial and agricultural sectors. The GOCCs created during the American colonial period were engaged in public transportation and financing, e.g. the Manila Railroad Company (MRC), the Philippine National Bank (PNB) and the National Development Company. Except for the MRC which suffered losses, the report of the last American governor-general indicated profitable returns from the GOCCs then existing.

Gradually, the number of GOCCs increased. During the Commonwealth Period when economic activities were primarily focused on agriculture, the GOCCs created specifically for agriculture and trading were the National Rice and Corn Corporation (1936), National Abaca and other Fibers Corporation (1938), the National Coconut Corporation (1940), and the National Trading Corporation (1940).

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[2]A government-owned and/or controlled corporation is defined as "a corporation which is created by special law organized under the Corporation Code in which the government, directly or indirectly, has ownership of the majority of the capital or has a voting control on the corporation. Provided, that an acquired assets corporation as defined in the next paragraph shall not be considered as GOCC or government corporation." (See Sec. 2, (a) Administrative Order No. 59, 1988).

Acquired asset corporation is defined as a corporation (1) which is under private ownership, the voting or outstanding shares of which (i) were conveyed to the government or to a government agency, instrumentality or corporation in satisfaction of debts whether by foreclosure or otherwise, or (ii) were duly acquired by the government through final judgment in a sequestration proceeding; or (2) which is a subsidiary of a government corporation organized exclusively to own and manage, or lease, or operate specific physical assets acquired by a government financial institution in satisfaction of debts incurred therewith, and in which any case by law or by enunciated policy is required to be disposed of to private ownership within a specified period of time. (Sec. 2 (b). Administrative Order 59). However, this kind of definition is quite unclear as regards actual classification of the GOCC because the acquired asset corporation is sometimes included under GOCCs.

National Coconut Corporation (1940), and the National Trading Corporation (1940). The PNB (1916) then was the only financial institution mobilizing capital for agricultural activities and was catering almost exclusively to the sugar industry. The Agricultural and Industrial Bank which was absorbed later by the Rehabilitation Finance Corporation (RFC), now the Development Bank of the Philippine (DBP), was established in 1938. According to a study (Tabbada, 1985), government initiatives extending the state's participation not only into agriculture but also into various areas of the economy soon followed. Since 1915 a number of specialized government agencies like the Coconut Products Board, the National Petroleum Company, and the National Iron Company were established. To coordinate the expanding state activities, the National Economic Council (NEC) was organized in 1936 and the National Development Company (NDC, established in 1919) was reorganized. Both were given vast powers to encourage the growth of Filipino enterprises at a time when most capitalist undertakings of consequence were under foreign ownership and controls.

With the outbreak of World War II, the Emergency Control Administration was established to execute all government welfare policies and programs during the war.

During the reconstruction period immediately after the war years, there was a significant increase of GOCCs. From 1945 to 1959 about 30 GOCCs were created. The GOCCs, notwithstanding their expansion activities, still adhered to the traditional areas. Thus, a number of them were in public utility and infrastructure, like the Manila Railroad Company (MRC), the Metropolitan Water District (MWD), and the National Power Corporation (NPC). A few were engaged in agricultural production and trading, e.g., the National Tobacco Corporation and the National Food Products Corporation. The rest were in finance like the Philippine National Bank (PNB), the Agricultural Credit and Cooperative Administration (ACCA) and the Government Service Insurance System (GSIS). At this time, regulatory GOCCs were created, namely, the National Land Settlement Corporation and the Rural Progress Administration.

In the 1950s and 1960s, there was an alarming overlap and duplication of activities of the GOCCs. A number of government reorganizations were initiated but failed. By 1967, GOCCs numbered to 44 (Briones, 1985), thus becoming a major arena in consolidating economic and political powers of various political leaderships.

2-2. Government Interventions Under the Marcos Regime

The Martial Law period and the early 1980s saw an unparalelled growth of government intervention not only in number, size and resources of GOCCs but also in the public finance sector.

There were three major factors that brought about an increase in government corporations, namely:

cement corporations which invested in the conversion of fuel from oil to coal were unable to pay their debts.

(2) *The high interest policy under the US Reaganomics.* Although the country's economy was stagnant during the early '80s, the corporations which faced insolvency survived because of the Government Financial Institutions (GFIs) through the "dacion en pago arrangement or by foreclosure."[3] Thus distorting the "Dacion en Pago Arrangement", like changing liability into equities or by foreclosure, the number of the acquired asset corporations rapidly increased.

(3) *The need to protect national interest after the first oil crisis.* Since the Philippines is a non-oil producing country, the government established the Philippine National Oil Company (PNOC) through Presidential Decree No. 334 (October 1973) to mandate an assured oil supply by acquiring ESSO Petroleum. As mandated by P.D. No. 927 (April 1976), PNOC engaged in energy development and exploration (e.g. coal, geothermal resources and oil explorations) and set up a number of subsidiaries justifying the privatization policy of the government.

At the end of 1984, 57 GOCCs were categorized as "Government-Acquired Assets." These were insolvent corporations. Thus, the increase of government intervention can be pointed out in the following evidences:

First, the number of GOCCs from a total of 65 in 1970 rapidly rose to an unprecedented 303 corporations consisting of 93 parent corporations, 153 subsidiaries, and 57 acquired assets by the end of 1984 (Table 1).

Second, there was an increase of public investment in the Gross Domestic Product (GDP), through the development of eleven major industrial projects after the first oil crisis.

Third, there was an emergence of crony capitalism as a result of the concentration of political and economic powers in the President with the issue of 688 Presidential Decrees and 283 Letters of Intent, which allowed the President's intervention in economic activities.

Fourth, there was an intensified increase of government intervention in both commodity and financial markets. In the commodity market, the National Sugar Trading Corporation (NASUTRA) and the United Coconut Milling Corporation

[3]"Dacion en pago arrangement" is the traditional way of debt restructuring for corporations faced with insolvency, and thus unable to pay back their debt. The debtor could avoid bankruptcy through the following arrangements: (1) a straight "dacion en pago", (2) a "dacion en pago" accompanied by a conditional sale, (3) a "dacion en pago" accompanied by lease, and (4) liquidation of debt through issuance of capital share. The fourth arrangement was applied to the corporations by GFIs mostly during the crisis in the early '80s (See Katsumi Nozawa, "Dacion en Pago: A Scheme for Loan Restructuring in the Philippines", mimeographed, 1983).

(UNICOM) monopolized sugar and coconut trading, respectively. In the financial market, Government Financial Institutions (GFIs) like the Philippine National Bank (PNB) and the Development Bank of the Philippines (DBP), had increased their role in the distribution of the development fund. For instance, the share of Central Bank

Table 1

Number of Government Corporations
As of 31 December 1984

Year	Parents	Subsidiaries	Acquired Assets	Total
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.

Table 2

GDP Shares of Government Corporations[1]
(Percent)

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
1. Agriculture, fishery	1.11	0.82	0.35	0.49	0.48	0.40	0.37	0.53	0.50	0.72
2. Mining	0	0	0	0	0	0	1.33	1.47	2.42	2.51
3. Manufacturing	0.52	0.84	1.02	0.76	0.79	1.09	1.28	1.13	1.21	0.86
4. Construction	0	0	0	0	0	0.09	0.04	0.03	0.04	0.03
5. Electricity, gas, water	8.98	27.91	23.65	32.48	42.65	53.16	56.44	46.84	58.28	76.03
6. Transportation	1.20	3.32	0.96	3.35	2.55	2.15	2.16	2.21	3.23	2.50
7. Commerce	-0.44	0.35	0.15	0.13	0.48	0.50	0.43	0.29	0.66	0.38
8. Finance (A)	31.76	34.99	37.99	39.34	38.16	33.81	37.72	38.03	39.13	2.94[2]
Real estate (B)	0.09	-0.11	0.15	-0.08	0.02	0.12	0.23	0.05	0.03	0.16
(A) + (B)	16.54	18.76	20.95	21.90	22.08	20.57	21.55	21.12	21.21	1.39[2]
9. Services	3.60	0.43	0.98	1.40	1.05	0.42	1.01	0.06	0.31	0.30
All Industries	1.94	2.38	2.26	2.55	2.67	2.77	2.72	2.80	3.26	1.91

[1]One hundred sixty-two corporations.
[2]Original data.
Source: Manasan, R. G. et. al. "The Public Enterprise Sector in the Philippines: Economic Contributions Performance, 1975-1984," 1987.

loans to four GFIs, namely: PNB, DBP, Land Bank of the Philippines (LBP), and the Philippine Veterans Bank (PVB), increased to 27.0 percent in 1971-75 to 45.1 percent in 1981-82. Together with the increased share of public sector investments, the role of GOCCs also increased.

In a study conducted by Manasan in 1987, the GDP share of the GOCCs in the public utilities sector composed of electricity, gas, and water reached 76.0 percent in 1984. Furthermore, the financial sector has maintained the share of 30 percent since 1975, except in 1984. This was one of the evidences of the role of GOCCs for the development of geothermal power, hydro-power, and development financing (Table 2).

Next, we look into the problems of GOCCs operation caused by government intervention in the economic activities. The intervention affected several economic activities but the problems were more intensified by structural distortion brought about by the emergence of "political nepotism" among the cronies. This is very evident in the following instances:

(1) *The overlapping of activities by the government agencies.* For instance, in the housing industry three agencies were simultaneously created, namely: the Human Settlements Development Corporation (HSDC), the National Housing Authority (NHA), and the National Housing Corporation (NHC). It is a well-known fact that the housing projects of the Marcos administration were handled by Mrs. Marcos. For the tobacco industry, the Philippine Virginia Tobacco Administration (PVTA), and the Virginia Tobacco Fuelwood Corporation (VTFC) were created.

Table 3

Number of Government Corporations and Extent of COA Audit As of 31 December 1984

Audit Status	Parents	Subsidiaries	Acquired Assets	Total
Audited by COA	71	56	0	127
Non audited by COA	18	80	57	155
Non-operational	4	17	0	21
Total	93	153	57	303

Source: Commission on Audit, 1984 Annual Report: Vol. II, Government-Owned and Controlled Corporations, 1985, p. 2.

(2) *GOCCs acted as if they were GFIs.* This led to corruption as in the case of the Local Water Utilities Administration (LWUA), and the Technology and Livelihood Resource Center (TRC). The most notorious case is that of the Philippine Coconut Authority (PCA) which collected levy from the farmers as if it were a revenue-collecting agency.

(3) *An increase of concurrent positions held by high government officials.* This became an additional cause to invite grafters. According to the 1984 Commission on Audit (COA) *Annual Report,* Geronimo Velasco of the Energy Ministry of the former administration occupied 43 directorships, including the subsidiaries of the Philippine National Oil Company (PNOC).

(4) *Surprisingly enough, half of the GOCCs escaped COA's auditing.* According to COA's *Annual Report,* of the 303 GOCCs, 155 had refused to be audited by the COA (Table 3) claiming that the subsidiaries established by the General Corporations Law are not subject to COA audit citing the Department of Justice Opinion No. 62 (1976) and No. 134 (1984).[4]

As a result, the government suffered budgetary deficits owing to the increased number of GOCCs, their investment and inefficiency.

Looking into the figures, the share of investments by the GOCCs in the gross capital formation increased 13.7 percent in 1975, to 34.1 percent in 1984. The profitability of the GOCCs deteriorated as shown in the ratio of return to capital which averaged 2.9 percent from 1975 to 1984; while the ratio of return to total assets was 3.7 percent. The ratio of return to capital is only 51.4 percent of that of the Top 1000 Corporations in terms of gross sales in the Philippines.

Consequently, the ratio of Investments Savings (IS) gap of GOCCs to the Gross National Product (GNP) increased from 3.4 percent in 1975 to 7.7 percent in 1981 (Table 4). Furthermore in 1981, 36.4 percent or P23,453 billion of IS gaps of the GOCCs was burdened to government capital expenditure. Finally, the national government deficit amounted to 4.0 percent of the GNP in 1981.

Under the former administration, the government was faced with structural adjustments stipulated in the conditions of the World Bank on their Structural Adjustment Loans (SAL) I and II, together with IMF's 18th standby credit regarding the macroeconomic target of reducing the deficit of the 13 major GOCCs.

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[4]COA's view is clearly indicated in COA Resolution No. 83-37 stating that "the Commission declared that the constitutional grant of audit jurisdiction to the COA of all accounts pertaining to the revenue and receipts of, and expenditure owned by the government including GOCCs cannot be diminished," (COA, 1985).

Table 4

IS Gaps of Government Corporations and National Government
(Million Pesos)

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
Government Corporations										
Investments	4,903	17,185	11,028	9,452	15,879	12,392	26,767	19,927	19,917	31,357
Savings[2]	973	1,316	1,662	1,315	1,643	2,217	3,314	4,203	4,200	1,721
IS Gaps	-3,930	-15,869	-9,366	-8,137	14,236	-10,175	-23,453	-15,724	-15,717	-29,636
Ratio to GNP (%)	(-3.43)	(-11.95)	(-6.07)	(-4.60)	(-6.44)	(-3.83)	(-7.72)	(-4.69)	(-4.15)	(-5.62)
Financing	3,930	15,869	9,366	8,137	14,236	10175	23,453	15,724	15,717	29,636
Government contribution (net)	1,319	2,172	2,877	3,467	5,130	6,357	8,545	9,650	5,959	14,350
Domestic borrowings (net)	1,622	11,941	2	-103	4,459	436	13,336	3,066	3,522	2,051
Foreign borrowings (net)	989	1,756	6,487	4,953	4,647	4,254	1,592	9,134	6,236	13,235
National Government										
Revenue	-	-	19,959	24,073	29,470	34,731	35,833	36,205	45,632	56,861
Expenditure	-	-	22,811	26,240	29,812	38,118	43,079	52,640	53,063	66,689
Current expenditure			17,719	19,230	20,608	24,516	26,340	31,746	34,522	42,873
Capital expenditure			5,047	6,772	8,351	12,927	20,960	18,646	16,148	9,630
Net lending			45	238	853	675	929	2,218	2,393	4,186
Balance/deficit	-	-	-2,852	2,162	-342	-3,387	-12,146	-14,405	-7,431	-9,828
Ratio to GNP (%)			(-1.85)	(-1.22)	(-0.15)	(-1.28)	(-4.00)	(-4.29)	(-1.96)	(-1.86)

[1]Fifty-eight corporations.
[2]After tax. Net profit plus depreciation.

Source: Manasan, R. G. et al. "The Public Enterprise Sector in the Philippines: Economic Contributions Performance, 1975-1984," 1987.

The government issued Presidential Decree (PD) 2029 on February 1986 which defined the role of the GOCCs, and PD 2030 which promulgated the orderly disposition of certain assets of government institutions only outside the definition of the GOCCs. However, the former administration lacked a strong determination to tackle the government corporate reform. Thus, PD 2030 became the forerunner of Proclamation No. 50 which was issued under the Aquino administration, formally proclaiming the privatization program.

3. PRIVATIZATION POLICY UNDER THE AQUINO ADMINISTRATION

3-1. Salient Features of the Privatization Policy

Three salient features can be identified as characterizing the privatization policy of the Aquino administration.

First, privatization way carried out under the structural reform program by the government, supported by international financial intermediaries like the World Bank.

Second, the privatization policy aimed to rehabilitate the distortions made in the economy by the former administration.

Third, a major portion of the revenues from privatization is expected to fund the agrarian reform program, which is one of the major priorities of the Aquino administration.

These salient features of the privatization policy show that privatization includes not only the sale of the GOCCs but may also be related with other reforms. In this regard, privatization in the Philippines could be classified into three categories, namely: (1) reformation of Government Financial Institutions (GFIs) including PNB and DBP by selling their non-performing assets (NPAs)[5] where the government would be able to reduce budgetary burdens as well as rationalize the role of GFIs in the financial market; (2) privatization of GOCCs where the government can alleviate budgetary burden by reducing subsidiaries and revitalizing the private sector; and (3) selling of the assets which were formerly owned and controlled by the Marcoses and their associates and recovered by the Presidential Commission on Good Government (PCGG).

3-2. Role of the Committee on Privatization (COP) and the Asset Privatization Trust (APT)

Under the framework of the program supported by $310 million of the World Bank's (WB) Economic Recovery Loan (ERL) to the Philippines in March 1987, the policies to be given priorities were: (1) tax reforms, (2) trade liberalization, (3) reform of the public investment program, and (4) reform of the GFIs. Therefore, the ERL, complementing the Structural Adjustment Loan (SAL) I and II program implemented in the early '80s recommended structural reforms to strengthen the deregulation policy emphasizing six GFIs including PNB and DBP, and disposing six private banks acquired by the government. The reform of the PNB and DBP was a primary concern because a major portion of their consolidated portfolio were non-performing assets.

In addition to the ERL, the World Bank approved a loan of $200 million for the Reform Program of Government Corporations in the Philippines in June 1988. In accordance with Proclamation 50 and 50-A issued on December 1986, the Committee on Privatization (COP), a Cabinet-level body, was established to handle the privatization policy program,[6] with the Asset Privatization Trust (APT) as the implementing agency for the sale of NPAs, GOCCs, and later on, the sale of recovered assets by the PCGG. Both COP and APT were assigned to function within a span of five years.

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[5]The Development Bank of the Philippines has 2 definitions of an NPA, namely: (a) the strict definition classifies an NPA as a company in arrears for at least 1 year; and (b) the conservative definition classifies as NPAs those in arrears for at least 2 years. (See "Issues on Rehabilitation/Privatization of Acquired Assets of Government Financial Institutions," Joint US-RP Business Conference Paper, December 1986, p. 73).

[6]The powers and functions of the Committee on Privatization are "to identify and transfer to the National Government and/or to the Asset Privatization Trust (a) such non-performing assets as may be identified by the Committee, and (b) such government corporations as may have been recommended by the Committee for disposition and approved by the President" (Sec. 5 (2)); "to establish mandatory as well as indicative guidelines for the conservation, rehabilitation and disposition of such assets" (Sec. 5 (3)); and other 8 items (Proclamation No. 50. 1986).

Table 5

Asset Disposition by Asset Privatization Trust
(As of December 31, 1990)
(In Million Pesos)

Disposal Mode	No.	Price	Selling TP + CE[1]	Appraised Value
FULLY DISPOSED	176	22,394	63,594	20,532
A. Thru APT Dispositions	245	21,527	56,328	20,530
1. Bidding	107	4,594	21,821	4,472
2. DDBO-AV2	23	1,375	2,499	1,240
DDBO-TP3	34	2,961	4,474	4,207
3. Retrieval	15	4,080	4,106	3,640
4. Other modes (negotiated sale, etc.)	66	8,517	23,429	6,971
B. Thru non-APT Dispositions	34	867	7,265	n.a.
5. GFI sales	28	737	6,293	n.a.
6. Other modes	6	130	973	n.a.
PARTIALLY DISPOSED	54	2,042	n.a.	1,590
A. Thru APT Dispositions	114	1,791	n.a.	1,556
1. Bidding	61	1,220	n.a.	1,165
2. DDBO-AV2	5	149	n.a.	126
DDBO-TP3	2	12	n.a.	9
3. Retrieval	0	0	n.a.	0
4. Other modes (negotiated sale, etc.)	46	410	n.a.	257
B. Thru non-APT Dispositions	10	251	n.a.	n.a.
5. GFI sales	8	14	n.a.	n.a.
6. Other modes	2	237	n.a.	n.a.
GRAND TOTAL	230	24,436	n.a.	

[1]Transferred price plus contingent expenses.
[2]Direct debt buy-out by average price.
[3]Direct debt buy-out by transferred price.

Source: Asset Privatization Trust, 1990 Annual Report.

3-3. Role of the Presidential Commission on Good Government (PCGG)

Executive Order No. 1, issued on February 28, 1986 immediately after the start of the Aquino Administration, established the Presidential Commission on Good Government (PCGG) whose main functions were: (1) to recover the ill-gotten wealth accumulated by the Marcos family and their associates, (2) to investigate the cases of graft and corruption by order of the President, and (3) to adopt safeguards to ensure that the former practices shall not be repeated. For this purpose, the PCGG was given full authority to sequester and freeze ill-gotten wealth. However, as the sequestration was done on the basis of "prima facie evidences," it encountered a number of court cases filed by the former owners.

4. CURRENT PROBLEMS AND ISSUES ON PRIVATIZATION

4-1. Dispositions of Non-Performing Assets (NPAs)

4-1-1. *Measure of Disposition*

Until now, 399 non-performing assets (NPAs) worth P124.5 billion including the contingency fund were transferred to the national government for disposal through the APT from PNB and DBP. Thus, the total amount transferred was 1.2 times that of the national government budget for 1986.

Looking into the progress of dispositions of the NPAs as of the end of 1990 (Table 5), the number of NPAs sold totalled 230 (including partial sales and others) in the amount of P24.4 billion of which P14.4 billion was remitted to the Bureau of Treasury. This showed that although the target has been nearly attained, in terms of remittance, only 57.6 percent of its P25.0 billion target for five years was achieved.

The procedures for the sale are divided into 6 categories, namely: (a) bidding through APT dispositions, (b) direct debt buy-out (DDBO) through APT dispositions, composed of (1) average of two appraisals of mortgage assets plus 10 percent (DDBO - AV) and (2) transfer price plus interest from June 30, 1986 (DDBO - TP); (c) retrieval through APT dispositions, (d) other modes through APT dispositions, (e) sales through GFI disposition, and (f) other modes through non-APT, non-GFI dispositions.

Among the cases of bidding, the biggest of the assets in terms of value was that of the Nonoc Mining and Industrial Corporation whose stock share was sold at P7.111 billion, followed by the Bukidnon Sugar Corporation which was sold out with a selling price of P730 million, then by the Floro Cement which was sold out at a price of 509 million.

As regards the kind of NPAs, there are two basic groups of assets, namely: (1) the Financial Form Assets (FFAs), and (2) the Physical Form Assets (PFAs). The FFAs are assets not yet foreclosed and consist of (a) promissory notes and other financial claims vs a borrower-enterprise backed by mortgage on physical assets (generally whole plants), guarantees (JSS, surety bonds, etc.); (b) shares in debtor (or other, enterprises (common, preferred, participating preferred, etc.); (c) lease agreements with or without purchase option; (d) installment sales contracts, and (e) restructured loans, etc.

Physical Form Assets (PFAs) are assets acquired by GFIs or APT through foreclosure or "dacion en pago arrangement." These assets consist mostly of whole plants (production facilities).[7]

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[7]Asset Privatization Trust, *1987 Year-end Report.*

4-1-2. *Problems of Disposition of the Non-Performing Assets*

The government aimed to dispose 399 NPAs within the time frame of five years. However, as of the end of 1990, the 212 DBP/PNB transferred assets were still undisposed. Of the remaining undisposed portfolio, 55 assets are classified as "For Marketing Action," 80 are "Legal Action," 34 for "Inter-Agency Action," 21 are for "Account Management" and 22 are for "Special Action, etc." It can be easily noted that 37.7 percent of the remaining assets are facing legal problems.

As mentioned herein, the most serious problem the government faced in the disposal of NPAs is the legal aspect. This is because only about 100 out of the 399 NPAs have been transformed into Physical Form Assets (PFAs) through foreclosure by the DBP and the PNB. This means that most of the NPAs in Financial Form Assets (FFAs) are not yet foreclosed. In this case, it is necessary for the seller to set up an agreement with the debtor for the foreclosure with the commitment to waive his redemption nights. Without the agreement, the buyers of the said assets will face difficulty when they offer the bid. Mostly, legal claims disputed the manner of bidding. As much as possible, buyers would want to avoid litigation cases with the mortgagers as far as sale of the assets is concerned.

In an effort to dispose of FFAs without being held up by extended and sometimes, seemingly indefinite litigation, APT has recommended several disposal modes namely:

(a) Persuading the debtor to agree to an uncosted foreclosure and to waive redemption rights in exchange for non-enforcement of deficiency claims vs. personal guarantees and a 5 percent preference bidding for the closed asset;

(b) direct debt buy-out by the debtors under standard DDBO formulas of universal application; and

(c) On January 1988, APT launched the bidding-out of FFAs under an arrangement where up to 50 percent of the winning bid prices placed in an escrow account for the winning bidder to draw on to cover his recovery expenses and cost borne until foreclosure is effected or until loan is paid off to the winning bidder's satisfaction. After deducting the expenses for the suits, unpaid taxes, liability of unpaid wages, etc., the interest, and depreciation of the said asset, the remaining balance will be transferred to the account of the National Treasury in APT.

Although giving encouragement to the sale of FFAs, as of the end of 1990, no case has been applied even to 50 percent of escrow cases. One exceptional case which was applied to 100 percent of escrow with no interest was the sale of P503 million of PFAs of Island Cement Corporation.

The second difficulty encountered in the disposal of NPAs is the low ratio of sold price to original price composed of selling price (transferred price), plus the contingency expenses due to the low coverage of mortgage for each asset. As of the end of 1990 in the case of full disposition through the APT, it reached 38.2 percent while in the case of full disposition through Non-APT, the ratio reached only 11.9 percent. Considering the conditions of the saleable assets, the remaining assets will encourage less buyers than at the start of the selling.

Thirdly, the issue on the danger of monopolies to be created surfaced. Even without the privatization program, the danger of the monopolies is always there. In fact, APT prohibits to sell the assets for those parties who prevail with dominant positions from acquiring these assets. However there was no assurance that the buyers will not form informal cartels later on.

One instance is the sale of Island Cement Corporation to Solid Cement Corporation. Solid Cement is a sister company of Rizal Cement Corporation, both of which are under the Philippine Investment Management Consultants (Phinma) which manages four other cement plants. By acquiring Island Cement Corporation, Phinma increased its market share from 36 percent to 46 percent.[8]

Furthermore, delaying NPAs privatization incurred huge losses. One study[9] showed that since the remaining NPA's market value costs P10 billion the hidden cost will be P3.7 billion a year as the opportunity cost accumulates to 37 percent of which 24 percent of the interest rate is opportunity cost, depreciation 10% and custodial cost (insurance, security, taxes, etc.) 3 percent.

4-2. Privatization of the GOCCs

4-2-1. *Measure of Privatization*

The privatization of GOCCs in the Philippines is being carried out under the framework of the Reform Program for Government Corporations. A $200 million World Bank loan supported this program which was approved in June 1988.

As regards the privatization of the GOCCs, the COP issued in August 1987 detailed guidelines stipulating that: (1) the COP monitors the procedures of privatization, and COP designates a Disposition Entity (DE) which shall assume the primary responsibility for the plan of privatization for each corporation, (2) the COP requires DEs to prepare the detailed schedule of their privatization, and (3) the COP sets up the guidelines for the evaluation of the assets, development of the new investors, the manner of disposition of the stock shares, and so on. Furthermore, the COP assigned the parent corporations and the related government agencies which hold the subsidiaries as DEs, as well as the APT. DEs are mandated to submit to the

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[8]Senator Teofisto Guingona, "Privatization Policy Hit," Manila Bulletin, March 3, 1989.
[9]Leopoldo P. De Guzman, "Privatization in the Philippines (1986-1990)," mimeographed, 1990.

COP a periodic progress report on the privatization program. If progress of the privatization program could not be achieved as scheduled, the COP then orders the APT to monitor completion of privatization where the COP has designated a DE other than APT, and gives necessary assistance to the DEs in accessing technical assistance as appropriate to aid in the formulation and implementation of the privatization program.

On the other hand, the Presidential Commission on Government Reorganization (PCGR) which was established by EO No. 5 in March 1986 analyzed the government corporate sector, and submitted "the Report on the Government Corporate Sector" to the Department of Budget and Management (DBM) in February, 1987. PCGR itself was dissolved after finishing 18 months of its task and its functions were transferred to the DBM. However, recommendations regarding privatization made in the report were reviewed by the COP and constituted the initial basis for identification of the government corporations as indicated in the COP guideline mentioned earlier.

Regarding the monitoring of the GOCCs, the Government Corporate Monitoring and Coordinating Council (GCMCC) was established in February 1984 by EO No. 936 under the Marcos administration. The function of the GCMCC was further strengthened by EO No. 236 in July 1987 in reviewing, monitoring, and evaluating the overall performance of the GOCCs.

Administrative Order (AO) No. 59 issued on February 1988 further defined the role of government intervention in the areas or activities primarily reserved for the private sectors and justified it, in the following conditions: (a) when the nature of goods and services dictates a need for operation under less restrictive regulations, (b) when it is the intent to limit the liability of the government to its direct equity exposure, and (c) when the GOCCs so established is reasonably expected to be financially self-sufficient.

4-2-2. *GOCCs to be Privatized*

After the issuance of a series of legal instruments like EO No. 5, Proclamation No. 50, No. 50-A, EO No. 236, AO No. 59, and setting up institutional mechanisms like the PCGR, COP, APT, and the GCMCC, the Government Corporate Reform Program was launched within the government.

As of the end of 1990, the reform covering a total of 301 GOCCs was recommended for approval by the President, of which 124 were for privatization. Only 78 were to be retained. The rest were for consolidation (19), regularization (19), abolition (57), and for conversion or absorption by their related institution (5) (Table 6).

The impact of the reform program is expected to be immense in scope. According to an initial computation by the Department of Budget and Management

Table 6

Government Corporate Reform Program
(As of December 31, 1990)

	Total GOCCs Recommended for Approval by the President	Status: Total GOCCs Approved by the President	Fully Implemented Fully Sold	Process/ Partially Sold	Pending
Privatization	124[5]	123[1]	24[1]	33[2]	66[3]
Abolition	57	57	10	38	9
Regularization	19[6]	16	6	7	3
Conversion	5	5	-	5	-
Consolidation	18	18	12	3	3
Retention	78	40[4]	40[4]	38	-
TOTAL	301	259	92	124	83

[1] Includes 4 GOCCs privatized prior to Proclamation No. 50.
[2] 10 GOCCs are in the process of dissolution.
[3] Includes 10 GOCCs of offered and suffered falled bids as of 1990.
[4] Includes one GOCC (National Research Council of the Philippines) retained through Republic Act 6974.
[5] Includes one GOCC under review.
[6] Includes three GOCCs under review.

Source: Department of Finance, Committee on Privatization.

(DBM), the program covered the privatization of 132 GOCCs with total assets of P126 billion, equity of P15 billion and with 51,538 employees.

For the schedule of the privatization program, the government was mandated through the conditions set forth with the World Bank loan for the Government Corporations Reform Program to complete steps necessary to get in a vendible form and offer for sale: (a) until the end of 1989, 30 GOCCs or at least 20 percent of the gross value of assets, and (b) until the end of 1990, 60 GOCCs or 50 percent of the total assets.

4-2-3. *Progress of Privatization of the GOCCs*

As of the end of 1990, out of 124 GOCCs recommended for privatization, 124 GOCCs with total assets of P96 billion and an equity of P12 billion had been approved and are presently allocated among the Disposition Entities (DEs). Thus, there are 3 other disposition entities besides APT which handle big ticket/highly visible GOCCs. These are the National Development Company (NDC), Philippine National Bank (PNB), and the Government Service Insurance System (GSIS). These three DEs plus the APT, account for 86 percent of the total book value of assets for privatization, handling 81 GOCCs.

As regards the accomplishments of the privatization of the GOCCs, P6.4 billion of revenue from the disposition of GOCCs was generated from the full sale of GOCCs at P3.2 billion and partial sale of 10 GOCCs at P3.2 billion. (Table 7).

As regards the compliance with the target, the COP explained in its annual report that it offered for sale 54% or 67 GOCCs by 1990. The 67 GOCCs account for about 40 percent of total value of the GOCCs for privatization.

The COP indicated that NDC tops the list with 20 subsidiaries disposed of (full sale, partial sale or for dissolution) in terms of number of GOCCs sold, out of a total of 36 GOCCs. The other accounts slated for sale by NDC include the big ticket items of the NDC's subsidiaries like the National Steel Corporation (NSC), and the Philippine Phosphate Fertilizer Corporation (Philphos).

In the case of other Disposal Entities, the results after almost four years could be still improved. Except for the partial privatization of PNB (30 percent of its equity) which went very well, however, many other privatization efforts are hampered by unfavourable market conditions and legal impediments.

4-2-4. *Problems of the Privatization of the GOCCs*

The first major problem which the privatization policy encountered was the low accomplishment of actual revenue through sale of the GOCCs, especially the big ticket items. As mentioned above, these still remain in the privatization roster.

When interviewed by the author, some of the Disposition Entities (DEs) managers in charge of the privatization transaction were one in saying that it is wise to wait for the business environment to improve which was worsened by the Luzon earthquake and the Gulf Crisis in 1990.

On the other hand, there is a widespread feeling among the prospective buyers and interested observers that the delay in the privatization of some GOCCs lies in the fact that the entrusted officials themselves have vested interests and are enjoying privileges in these assets, hence the lack of drive and initiative to act soonest.

Secondly, due to lack of capital resources, the financial market may not have adequate financial capacity to absorb quickly the volume of sales envisioned. The book value (equity) of the GOCCs approved for privatization amounted to P12 billion which represents almost one third of total market capitalization of the companies currently listed in Manila and the Makati Stock Exchanges. Consequently, sales to foreign investors is also being encouraged.

To further hasten the privatization schedule, the government considered several alternative privatization strategies to facilitate the completion of the program, to wit:

(a) Partial privatization, particularly for large companies, which includes the option of stock ownership plans for management and employees;

Table 7

Government-Owned and/or Controlled Corporations
Sold, Sales, Proceeds and Buyers
(As of December 31, 1990)
(In Millon Pesos)

		DE	Sales Proceeds	Buyers
	Full Sale[1]		(3,200.4)	
1.	Asia Industries, Inc.	NDC	131.8	D.M. Consunji, Inc.
2.	Beta Electric Corp.	NDC		Gadelius Kabushiki Kaisha
3.	Coco-Chemical Phil., Inc.	PNB	32.0	Macoil, Inc.
4.	Commercial Bank of Manila	GSIS	510.0	First National Bank of Boston Three Eight Corp., Ace Solid Holdings, Inc., Cabien Corp.
5.	Davao Equipment Mfg. Corp.	PMS	6.6	Davao United Engr & Equipment Corp.
6.	Gasifier & Equipment Mfg. Corp.	DA	6.0	Various
7.	Hotel Enterprises of the Phil.	GSIS	325.0	Binalbagan-Isabela Sugar Co., Inc.
8.	Luzon Integrated Services, Inc.	NDC	6.6	Peak Services Corp.
9.	Marina Properties	NDC	1,777.8	Tan Yu Group of Cos.
10.	Maunlad Savings and Loan Assoc.	HIGC	14.1	Mr. Antonio Turalba
11.	Monte Maria Poultry Farms, Inc.	PMS	3.1	Mrs. Dalisay Soriano
12.	Mindanao Textile Corp.	NDC	23.6	Arthur Tan
13.	National Marine Corp.	NDC	168.0	Magsaysay Lines, Inc.
14.	National Precision Cutting Tools	NDC	21.3	Nachi-Fujikoshi/Mr. Toru Takaba
15.	National Slipways Corp.	NDC	38.0	Commodity Transport Corp.
16.	National Stevedoring and Literage Co.	NDC	50.2	Various (employees)
17.	Pilipinas Bank	PNB	38.6	Prudential Bank & Trust Co.
18.	Primary Food, Inc.	PMS	2.2	Mr. Teddy P. Lunio
19.	Tacoma Bay Shipping Co.	NDC	10.0	William Lines
20.	Usiphil, Inc.	NDC	35.5	Various
	Partial Sale		(3.168.4)	
1.	Carmona Woodworking Industries, Inc.	APT	14.9	Various
2.	Furniture Mfg. Corp. of the Phil.	APT	0.4	Various
3.	Internatonal Corporate Bank	NDC	297.6	American Express Bank
4.	National Shipping Corporation	NDC	273.6	A.P. Madrigal & Steamship, Co. Inc.
5.	Negros Occ. Copperfield Mines, Inc.	NDC	164.5	Various
6.	Phil. Cotton Corp.	APT	28.7	Mr. Alfredo Dyjuangco
7.	Phil. Dairy Corp.	DA	13.0	Various
8.	Philippine National Bank[2]	PNB	1,836.0	Various
9.	Philippine National Lines	NDC	1.8	Various
10.	The Energy Corp.	NDC	2.3	Various
11.	Union Bank of the Phil.[3]	SSS	518.6	Aboitiz Group of Cos.
12.	Woodwaste Utilization & Devt. Corp.	APT	17.0	Various
	Total		(6,368.4)	

Notes: [1]Excludes 4 GOCCs sold prior to COP.

[2]Nine (9) PNB subsidiaries also partially sold: Century Bank, Century Holding Corp., National Realty Development Corporation, National Service Corp., National Warehousing Corp., NIDC Oil Mills, Phil. Exchange Co., Inc., PNB International Finance, Ltd., PNB Venture Capital Corp.

[3]Two (2) UBP subsidiaries also partially sold: Bancom Insurance Brokers, Inc. and Barcelon Roxas Securities, Inc.

Source: Committee on Privatization, 1990 Annual Report.

(b) Debt-equity swaps;

(c) Joint venture with domestic/foreign partners providing capital and/or technology;

(d) Privatization of the management and operation of the GOCCs; and

(e) Investment fund to serve as financial intermediaries and raise funds from individuals, corporation or pension funds.

To improve the situation, the World Bank (WB) Mission to the Philippines proposed in October 1990 a Philippine Privatization Fund (PPF) for which WB Financing could be requested to allow debt buy-out to ensure primarily the privatization of the selected large GOCCs and solve other constraints hampering the government investment.

However, this program did not materialize due to constraints in the mechanics of implementation of such a scheme.

The third problem is the question as to whom the GOCCs, especially the big ticket items, are expected to be sold.

Take the case of the National Steel Corporation (NSC) and the Philippine Airlines (PAL). Both corporations were formerly owned and controlled by the Jacinto family and the Toda family respectively, but were acquired by the Marcos government. In the case of NSC in 1974 the assets of the Iligan Integrated Steel Mills Inc. (IISMI), with which the Jacintos had the largest share, were foreclosed by DBP and leased to NSC which was established by DBP in the same year. Then, the National Development Company (NDC) assumed full ownership of the NSC in 1981. Regarding PAL, the company was controlled by the Toda family's holding company, Rubicon Inc., maintaining 74.2 percent share until 1977. It was in 1979 when Toda agreed to sell his PAL shares to the Government Service Insurance System (GSIS) allegedly under pressure from Marcos and the NDC to purchase their shares.

Although both the Jacinto and the Toda families have reiterated their interest in getting back their corporations, there is very little chance for them to be able to do so.

In December 1989, the Jacintos filed a complaint with the Regional Trial Court in Iligan to annul the 1974 DBP foreclosure of IISMI assets. They claimed that the government violated a " forward exchange arrangement that should have insulated the company from the effect of floating rate imposed on the peso in the early '70s. The Regional Trial Court denied the motion to dismiss filed by NSC, DBP, and NDC. This denial was elevated by NSC, DBP and NDC to the Supreme Court for review.

Toda filed the case with the Security and Exchange Commission seeking nullification of 1979 sales without getting paid in full the fair value of his shares. In 1991, the GSIS reached a settlement with Toda as the GSIS will pay 170 million pesos.

The government implicitly indicated its stand on the privatization of big corporations (1) to privatize in principle all the shares and (2) to distribute the remaining portion to the employees' share holdings and or public bidding as well as (3) to invite foreign investors to have a proportional share as regulated under the New Omnibus Investment Code on any other international agreements.

As to the privatization of the NSC which is 100 percent owned by the NDC, the private consulting company is reportedly still doing an assessment of the NDC privatization plan. It is announced that 25 percent of NDC equity will be offered for sale by March 1992, and that the second and third batches of 45 and 30 percent respectively, are to be privatized.

For the privatization of PAL, which is 74 percent owned by the GSIS and 25 percent by the NDC, President Aquino is naturally hesitant to sell it to the pro-Marcos groups, although pro-Marcos businessmen have signified their interests to acquire the corporation. On the other hand, there is a common perception that since the GSIS invested only as a portfolio plan, therefore they have less incentive to dispose their assets. After a series of studies on the privatization plan, a private business firm, Banahaw International Management Corp. (Bimacor), which is primarily made up of senior PAL pilots offered a P10 billion package deal to privatize PAL.

After the retirement of PAL's $630 million foreign debt, Bimacor will then restructure the airlines' ownership through the sale of 24 percent of the stocks to PAL employees, while government will still retain a 15 percent holding. Another 16 percent will be sold to the public through local bourses, while a group of foreign airlines/investors will hold 35 percent. Bimacor, will retain a 10 percent share.

In both cases of privatization plan, two basic issues remain unsolved. One is the question of whether the government, which is supposed to protect national interests, could constitute national consensus particularly through the Congress and media regarding the issue that the foreign investors can join in the privatization of big corporations. The other is whether Employees Stock Ownership Plan (ESOP) can succeed in the current economic situation when the labor unions usually require the cash payment for fringe benefits rather than the stock. The price and minimum holding period should be also taken into consideration.

4-3. Recovery of the Ill-Gotten Wealth

4-3-1. *Legal Procedure for the Recovery*

In this paper, the sale of assets recovered by the Presidential Commission on Good Government (PCGG) is included as a part of the privatization policy in the Philippines because the sale of the assets means not only privatizing the corporations in the hands of the government but also promoting the economic structural reforms needed to attain a "De-Marcosified Society." In fact the sale of the recovered assets is assigned to the APT by Administrative Order No. 43 issued in November 1989 and the proceeds from the sales are mandated to be used in the Agrarian Reform Program.

As mentioned earlier, the PCGG was created in February 1986 by President Aquino's first official act, to be a special body with quasi-judicial functions. Its primary task was the recovery of the ill-gotten wealth accumulated by the Marcos families and associates during the 20 years of the Marcos regime.

To carry out its task, the President granted the PCGG the power to sequester corporate holdings and entities wherein any ill-gotten wealth or properties may be found.

However, the sequestration or freeze order of the assets before the ratification of the 1987 Constitution is deemed automatically lifted if no judicial action or proceedings are commenced within six months after the ratification of the constitution (which is up to August 2, 1987).[10] Therefore, by the the end of July 1987, just before the day of its expiration, 35 cases against 300 persons, gigantically amounting to P2.6 trillion pesos, were filed with the Sandiganbayan, a special court for graft and corruption committed by public officials. However, the court procedure against such huge amount of assets would take a hundred years before the final verdict would be handed.

To make it more realistic, the PCGG is concentrating its efforts on the "banner cases,"[11] so-called because the magnitude of the government's claim against these defendants which total P68.35 billion.

For former President Marcos, the government has a basic claim of P25.7 billion against his estate for assets allegedly owned by him. This does not include the $350 million deposited in Swiss Bank accounts, documents of which were provided by the Swiss authority.

The PCGG has 124 civil cases pending with the Sandiganbayan and 35 civil cases pending with the Supreme Court. Three cases against Ferdinand Marcos, now substituted by his estate, are already in the trial stage. The other cases are still in their pre-trial stages.

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[10]The 1987 Constitution summarized the time frame of the sequestration as follows:

(1) A sequestration or freeze order shall be issued only upon showing prima facie cases.
(2) For orders issued before the ratification of this Constitution, the corresponding judicial action on proceedings shall be filed within six months from the ratification. For those issued after such ratification, judicial action on proceedings shall commence within six months from its issuance. The sequestration or freeze order is deemed automatically lifted if no judicial action or proceeding is commenced as herein provided.
(3) The authority to issue sequestration or freeze order in relation to the ill-gotten wealth shall remain operative for not more than 18 months after the ratification of this constitution (Art. 18, Sec. 26).

[11]The Litigation Division of the PCGG organized 10 groups to handle each case against: (1) Ferdinand E. Marcos, (2) Geronimo Z. Velasco, (3) Lucio Tan, (4) Bienvenido Tantoco, (5) Alfredo T. Romualdez, (6) Enriquez/ Panlilio, (7) Rodolfo Cuenca, (8) Fabian C. Ver, (9) Eduardo Cojuangco, Jr., and (10) Benjamin T. Romualdez.

The complexity of the legal issues involved and the right to due process accorded by the constitution to every defendant hindered the PCGG lawyers, because the sequestration or freeze order issued is based on on "prima facie" evidence which does not constitute a strong evidence at the court.[12] Therefore, sale of the sequestered assets was not realized. Only surrendered assets, to be discussed later, were disposed.

4-3-2. *Progress of the Recovery of the Ill-Gotten Wealth*

Due to the difficulty of recovering ill-gotten wealth through sequestration, reconciliation with the cronies has been resorted to. Executive order (EO) No. 4 issued on May 1987 and EO No. 14-A on August 1987 defined the clause for exemption from criminal offense of the informants of the ill-gotten wealth. These assets are referred to as surrendered assets.

The PCGG to date has entered into compromise settlements with 16 former Marcos associates and at least 3 corporate entities. These include Roberto S. Benedicto, Jose Y. Campos, Antonio Floirendo, Anos Fonacier, Simeon Alejandro, Enrique Razon, Placido L. Mapa, Jr., Lorenzo Vergara, Jaime Laya, Jose Armando Eduque, Col. Gerardo Flores, Ricardo Quintos, Oscar Carino, Rolando Gapud, Evelyn Singson, and Baltazar Aquino. The PCGG granted these cronies civil and criminal immunity from prosecution in exchange for the information gathered from their testimonies.

The major financial recoveries in cash and assets made by the PCGG came from compromises it entered with the Marcos associates in the amount of P9.4 billion for five years of its activity (Table 8).

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[12] Definition of "ill-gotten wealth" is unclear as indicated in the Rules and Regulations issued by the PCGG in April 1986. It categorizes as "ill-gotten" any asset/property, business enterprise material possessed by any of the following means:

(1) Through misappropriation, conversion, misuse or malversation of public funds or raids on the public treasury;
(2) Through the receipt, directly or indirectly, of any commission, gift, share, percentage, kickbacks or any other form of pecuniary benefit from any person and/or entity in connection with any government contract or project or by the reason of the office or position of the official concerned.
(3) By the illegal or fraudulent conveyance or disposition of assets belonging to the government or any of its subdivisions, agencies or instrumentalities or government-owned or controlled corporations.
(4) By obtaining, receiving or accepting directly or indirectly any shares of stock, equity or any other form of interest or participation in any business enterprise or undertaking;
(5) Through the establishment of agricultural, industrial or commercial monopolies or other combination and/or by the issuance, promulgation and/or implementation of decrees and orders intended to benefit particular persons or special interests; and
(6) By taking undue advantage of official position, authority, relationship or influence for personal gain or benefit. (Section 1 (A).

Prima facie evidence is defined as any accumulation of assets and property whose value is out of proportion to their known lawful income and is deemed as ill-gotten wealth (Sec. 9).

This definition of prima facie evidence is preceded by that of prima facie case in the Constitution (See Footnote 10), which requires a higher degree evidence than probable case (See Bernas, Joaquin, G., S. J., "The Constitution of The Republic of the Philippines: An annotated Text," Rex Book Store, 1987).

Table 8

Recovered Assets from Compromises
(As of March 31, 1991)
(In Million Pesos)

Sources	Basis Cash and Value of Unliquidated Assets	Gross Estimated Values
Jose Y. Campos	Cash remitted	250.00
	197 land titles	912.56
	Interest in 27 surrendered corp.	2,589.44
		3,752.00
Roberto Benedicto	California Overseas Bank	504.00
	Swiss Deposits	408.33
	Agricultural land	38.40
	Book value of 51% Corporate Equities	137.11
	Accumulated dividends remitted	165.69
	13.58 shares of Oriental Petroleum and Mineral Corp.	418.50
	IBC-13 (TV Station)	352.45
	Frozen funds at Traders Royal Bank	177.84
	Net worth of 36 corp. (no value assigned)	
		2,202.32
Antonio Floirendo	Cash remitted	70.00
	Lindenmore Estate	70.00
	Olympic Towers Apt.	103.00
	#2443 Hawaii Mansion	30.00
		273
Benjamin Romualdez	Proceeds from 8.22M shares sold	389.82
	8.222M Benguet stock dividends	141.84
[the Lopa held shares]	Mantrasco settlement	155.80
	22.22M Meralco shares	1,999.14
		2,686.60

Table 8 -- continued

Sources	Basis Cash and Value of Unliquidated Assets	Gross Estimated Values
Raymundo Feliciano	Proceeds from Balabao Oil Drilling shares	43.40
Anos Fonacier	Cebu Plaza Hotel sale	11.23
	Estimated gains in recovery of Argao Beach	44.95
	Estimated value of Kang Iraq Golf Course	158.43
	11 corporations	9.67
		224.28
Razo/Alejandro	Cash remitted from E. Razon	P9.98
	Cash remitted from Alejandro	2.50
		11.48
Adnan Khashoggi	Paintings/Beverly Hills Mansion	221.2
Total		9.4 B

Source: Presidential Commission on Good Government. "Report to the Nation 1991."

On actual cash recovered, in its five years of running after the ill-gotten wealth, the Aquino administration through the PCGG has received P3.87 billion in cash from the ill-gotten wealth of the Marcoses, their families, and their cronies. Of this amount, P2.8 billion came from the local assets and P957.6 million came from foreign assets. However, the 8,222,500 class A share of Benguet Corporation is not included because it has not been sold yet due to an unfavorable market value.

The amount recovered also does not include the value of the surrendered assets, consisting of real estate and other properties, primarily the 18.5 hectares in Ortigas Avenue which J.Y. Campos, who monopolized the pharmaceutical materials supplied to the government, surrendered to the government but which has not yet been liquidated. If these personal and real estate properties were to be included in the properties not yet liquidated, PCGG's recoveries would reach an estimated P12.7 billion.

4-3-3. *Problems of the Recovery of the Ill-Gotten Wealth*

So far, the performance of the PCGG and the APT regarding the recovery and disposal of the ill-gotten wealth can only be described as lackluster compared to the total number of sequestered assets to be disposed. As mentioned earlier, there has been no case disposing the sequestered assets. The amount recovered has only come from the disposal of the surrendered assets arising from compromises made with the informants.

Besides, there are some basic questions that need to be taken into consideration if we look into the details.

First, the complexity of the legal issues is expected to be an obstacle. In fact, the PCGG admits that within the term of President Aquino or even in the next administration, the government cannot hope to make any recovery by final judgement. The PCGG emphasizes that any substantial recovery to be made within the remaining one year of the Aquino administration can be made only through a fair compromise settlement with the defendants.

Secondly, as regards the administration and monitoring of the sequestered assets, the PCGG's voting rights to the sequestered stocks, which was authorized by the Memorandum issued by the President in June 1986, was limited by the Supreme Court's verdict on May 1987 in the Bataan Shipyard Engineering Corporation (Baseco) case. The Supreme Court decided the voting rights legal, with the following conditions to be fulfilled: (1) the sequestration of assets requires prima facie evidence; (2) sequestration is a provisional remedy like preliminary attachment or receivership of the assets while actual ownership of the asset is being investigated and determined.

This verdict automatically lifted the sequestration before the ratification of the 1987 Constitution without the prima facie evidence. The Baseco Case's verdict encouraged the resistance by said cronies against the court proceedings by the government. In fact, in March 1989, the Sandiganbayan and SEC issued a temporary restraining order on PCGG from holding a stockholders' meeting for the purpose of voting sequestered shares of Eastern Telecommunications Phils. Inc. (ETPI) which was owned by Molasses Corp. (Benedicto firm), citing the Supreme Court doctrine in the Baseco vs. PCGG case.

The lack of evidence had presumably led the government to a decision of negotiation with the cronies. However, the reconciliation made it doubtful that the government could succeed in recovering the total amount of assets.

Thirdly, the question of the existence of the PCGG has been raised. As it was mentioned earlier, the authority of the PCGG for sequestration of the assets had already expired. Thus it is quite understandable to question the "raison de etre" of the PCGG. Along this line, Senator Ernesto Maceda filed a Senate Bill to establish the Assets Recovering Committee (ARC) to take the place of the PCGG. On the other hand, Chairman Ramon Diaz had already resigned from the PCGG on July 1988, as he opposed the intervention in his tasks by the relatives of President Aquino. Behind these, there was reportedly another story of Solicitor General Chavez' demand for the resignation of Chairman Diaz, et al. for graft and corruption committed by the PCGG Directors. This situation caused a political strife and eventually led to the loss of credibility of the PCGG.

The above-mentioned are some issues surrounding the recovery of the ill-gotten wealth. Consequently, the legal power of the PCGG will further be limited with the succeeding verdicts. The government's main effort for recovery might be concentrated to the Marcoses' deposits in Swiss banks.

5. PERSPECTIVES OF PRIVATIZATION POLICY

5-1. Privatization's Link to Agrarian Reform

At this final section, the progress of privatization will be viewed from a different perspective. The important point here is the use of the revenue from privatization.

The government policy as to the use of the revenue is clear. Revenue from proceeds of the sales of NPAs and the recovered assets is to be earmarked for agrarian reform. However, as privatization progressed, there was a discussion regarding these revenues earned from selling government corporations.

Exercising the presidential legislative power, the Aquino government issued Proclamation No. 82 in March, 1987 which stated that all proceed from the sale of non-performing assets by APT will be devoted entirely and exclusively for agrarian reform.

After the issuance of Proclamation No. 131 and Executive Order No. 229 both in July 1987 which defined the mechanism of the Comprehensive Agrarian Reform Program (CARP), the CARP Law (RA No. 6657) became law in June 10, 1988 after the Congress convened. The CARP Law pinpointed the sources of the funding or appropriations for the CARP, namely: (1) proceeds of the sales of APT; (2) all the receipts from the assets recovered and from the sale of ill-gotten wealth recovered through the PCGG; (3) proceeds of disposition of properties of the government in foreign countries; (4) official foreign aid grants and concessional financing; and (5) other government fund (Sec. 63).

In short, numbers (1) and (2) above point to revenues from privatization as the resource fund for the agrarian reform program. Needless to say, the sales of the non-performing assets by the APT is included in (1). The question is whether the revenues from selling the GOCCs will belong to (1).

According to Diosdado Macapagal, Jr., Chairman of Technical Committee of the COP, all revenues from the sale of government corporations belong to the Disposition Entities, no matter if the DE were the parent agency, related government agency or the APT. However, Congressman Rolando Andaya, Chairman of the House Committee on Appropriations opposed this as he cited provisions in the CARP Law. Andaya insisted that sales of APT include the sales of GOCCs and proposed that security measures be set up to prevent the escape of the Disposition Entities bypassing the APT. However, this did not constitute dispute. It seems inevitable for the government to take this stand, because it offered DEs the incentive to encourage the privatization of the subsidiaries.

For this reason, in principle, revenue should belong to the owners, since the privatization policy was introduced before the Agrarian Reform program.

5-2. Monetary Targets of Agrarian Reform

As mentioned above, the revenue from the sales of the non-performing assets by the APT and the recovered assets by the PCGG will be appropriated as the resource fund for the Agrarian Reform Program.

As to the scope of the agrarian reform, CARP is composed of three stages from phase 1 to phase 3 and is hoped to be accomplished in ten years (from 1988 to 1997).

According to the Philippine Agrarian Reform Council (PARC), the program will require P221.09 billion of outflow broken down as follows: (1) P0.92 billion (0.4%) for the preliminary activities; (2) P80.62 billion (36.5%) for land acquisition and distribution activities, and (3) P139.56 billion (63.1%) for support activities.

As the cost of the land acquisition and distribution activities is the net collection from the land amortization (P2.77 billion), the net landowners' compensation amounting to P77.35 billion accounts for almost 35.0% of the program's net cash requirements after deducted.

More importantly, foreign aid for the program never financed these land compensations which required domestic funding sources. Some P80.62 billion of land acquisition and distribution activities cost shall be financed mainly from two sources — the Agrarian Reform fund and the Government appropriations.

Inflows from the proceeds of the sale of assets recovered by the PCGG and from the assets of the APT totalled P50.1 billion of which the sale of assets recovered by the APT formed P28.25 billion. Thus, the cashflow for land acquisition and distribution reflects a net deficit of P30.52 billion over the ten-year period for the CARP implementation (Table 9).

The actual fund collected by the Bureau of Treasury (BTR) amounted to P19.64 billion of which proceeds from the sale of assets is P15.41 billion by APT, and P2.47

Table 9

Comprehensive Agrarian Reform Program
Cashflow for Land Acquisition and
Distribution Activities
1987-1997
(In Million Pesos)

Activities	Total (1987-1997)	1987 (Actual)	1988-92	1993-97
Outflows				
Land Survey	1891	20	643	1228
EP[1]/CLOA[2] Generation/Distribution	422	12	171	239
Claimfolders Processing	390		79	311
Patent/CSC Processing and Issuance	406		157	249
EP Registration and Titling	158		71	87
Landowners' Compensation[3]	77,354	83	14,932	62,339
Total Outflows	80,621	115	16,053	64,453
Inflows				
Proceeds from sale of assets	50,100	2,100	38,000	10,000
PCGG	28,250	250	18,000	10,000
APT	21,850	1,850	20,000	
Total Inflows	50,100	2,100	38,000	10,000
Net Cashflow	(30,521)	1,985	21,947	(54,453)
Cumulative Net Cashflow		1,985	23,932	(30,521)

Notes: [1]Emancipation Patents.
[2]Certificates of Land Ownership Award.
[3]Net of collections from land amortization.

Source: Presidential Agrarian Reform Council (PARC), "The Comprehensive Agrarian Reform Program of the Philippines, Implementing Program and Budget (187-97) Vol. I," 1989.

Table 10

Agrarian Reform Fund (Fund 158)
Fund Balance
As of December 31, 1990
(In Million Pesos)

Particulars	1987	1988	1989	1990	Total
A. Remittance to the Bureau of Treasury (BTR)					
1. Proceeds from Sales					
a. Asset Privatization Trust (APT)	1,193	5,073	3,626	3,357	13,249
b. National Development Company (NDC)	-	-	223	-	223
c. Presidential Commission on Good Government (PCGG)	-	1,327	343	782	2,452
Sub-total	l,193	6,400	4,192	4,139	15,924
2. Interest Income					
a. APT -	-	162	461	1,546	2,169
b. PCGG	-	10	2	9	2
Sub-Total	-	172	464	1,555	2,191
3. Other Income					
a. LBP remittances	-	-	-	477	477
TOTAL REMITTANCES	1,193	6,572	4,.656	6,171	18,592
4. Proceeds of USAID Grant					
a. First tranche	-	-	470	-	470
b. Second tranche	-	-	204	-	204
c. Third tranche	-	-	-	373	373
Sub-total	-	-	673	373	1,046
TOTAL ARF (Fund 158)	1,193	6,572	5,329	6,545	19,639
B. Add: Beginning Fund Balance		489	6,218	7,898	-
C. Total Funds Available Before DBM Releases to Agencies	1,193	7,061	11,547	14,442	19,639

Table 10 — Continued

Particulars	1987	1988	1989	1990	Total
D. Releases by DBM to Agencies (Per Advice of Allotment)					
1. Land Bank of the Philippine (LBP)	596	-	886	1,845	3,327
2. Department of Agrarian Reform (DAR)	107	704[2]	1,074	1,352	3,037
3. Department of Agriculture (DA)	8[1]	201	463	381	1,053
a. Rice Production Enhancement Program (RPEP)	-	-	291	217	507
b. National Food Authority (NFA)	-	-	315	-	315
4. Department of Environment and Natural Resources (DENR)	62	88	420	289	860
5. Department of Public Works and Highways (DPWH)	0	195	685	-	880
6. Department of Trade and Industry	99[1]	-	129	99	228
7. National Irrigation Administration (NIA)	408	-	75	408	482
8. Land Regulation Authority (LRA)	22[1]	18	21	22	61
9. Department of Labor and Employment (DOLE)	2[1]	-	1	2	3
Sub-Total	772	1,205	4,361	4,615	10,791
Less: Unutilized Allotment/Releases by Agencies					
1. LBP	-	0	0	-	0
2. DAR	26	286[4]	250	-	562
3. DA	1	33[5]	50	-	83
a. RPEP	-	-	18	-	18
b. NFA	-	-	259	-	259
4. DENR	42	29[6]	74		146
5. DPWH	-	-	-	-	0
6. DTI	-	-	46	-	46
7. NIA	-	-	-	-	0
8. LRA	-	15[7]	13	-	28
9. DOLe	-	-	1	-	1
Sub-Total	66	363	711	-	1,142
E. Obligations Incurred	704	843	3,650	4,615	9,811
F. Funds Available for CARP	489	6,218	7,898	9,827	9,827

Notes:

1Includes total PS requirement for CY 1990.
2CARP operations charged to unutilized portion of 1987 allotment.
3With additioanl program over the PARC Approved Budget.
4Unexpended balance based on DAR's Statement of Allotment Released, Obligations Incurred, and Unexpended Balance.
5Based on DA's Statement of Unobligated Balances/Reversions for CY 1988.
6Based on DENR's Report of Disbursement of Fund of 158 for CY 1988.
7Based on LRA's Accomplishment Report as of December 31, 1988.

Source: Presidential Agrarian Reform Council (PARC) 1990 Accomplishment Report.

billion by PCGG, both including its accrued interest income as of end of 1990. (See Table 10.)

Meanwhile, it is understood that 39.3 percent of targeted revenue of P50.1 billion has been raised with regard to the budgetary allocation program for land acquisition and distribution activities of CARP, given the P30.52 billion deficit. However, this actual picture of accomplishments does not jibe with PARC's plan. As shown in Table 10, the low accomplishment in the CARP program due to the land valuation issue caused 9.8 billion of the outstanding balance which is almost half of the availed Agrarian Reform Fund. This kind of inconsistency is caused by the lack of coordination among the government agencies rather than the conflicting objectives of the government policies themselves. That is, on one hand the government initiates privatization efforts, which on the other hand, faces the sabotages the agrarian reform program.

5-3. Conclusion

Privatization is highly expected to help realize achievements in the government corporation reform program sector and provide improved efficiency in government operations with the assured financing of the CARP from the sales of APT and PCGG assets.

One cannot refrain from making outright conclusions that the Aquino Government's privatization program is behind schedule and is fraught with difficulties, evidently causing delays in the sales of the NPAs, especially the FFAs, as well as the sales of the PCGG-sequestered assets.

As deemed necessary, timing and sequence in policy implementation should be factored in assessing the Philippine privatization policy. Regarding policy implementation, proper timing plays a crucial role. In addition to the apparent delay in the disposal of the GOCCs owing to lack of purposeful determination among the DEs, a worsening climate for business, inflicted by the 1990 Luzon earthquake and the Gulf crisis, might result.

The privatization program should go ahead to the full extent. It is a known fact that the merger of DBP and PNB as originally explored has not materialized. Now DBP and PNOC (formerly ESSO Petroleum) have been both deleted from the privatization roster. In this regard, greater effort should be exerted to privatize not only the scheduled GOCCs, but also all inefficient GOCCs. The role of monitoring the remaining GOCCs legitimately belongs to the Government Corporate Monitoring and Coordinating Committee (GCMCC). The subtle operation of the GCMCC is a pressing issue.

Finally, there is a strong need to properly organize another sequence of reform policies to enhance the consistency and horizontal linkages of both the privatization and agrarian reform programs. However, the lack of coordination and strong will in implementing reform programs became apparent as mentioned earlier, in the inadequate revenues earned through privatization efforts, on the one hand, and the slow implementation of the CARP due to land value issues, on the other. If this kind of inconsistencies further prevails, it will constitute a sabotage of the agrarian reform program, which is the centerpiece of the government's response to the people's demand for genuine reforms. In the face of varying demands among different sectors, the Aquino administration should pay attention to organizing the people's consensus.

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Appendix

GOCCs Approved for Privatization and Disposition Entities (DEs) (As of December 31, 1990)

Corporation	Area of Activity
ASSET PRIVATIZATION TRUST	
1. Agro-Livestock Commercial Development Corp.	Swine and goat breeding/dairy products
2. APO Production Unit Inc.	Printing Services
3. Asia Goodwill Fishing Corp.	Deep sea fishing
4. Associated Bank	Commercial banking
5. Basin Dredging and Development Corp.	Dredging and reclamation
6. Bicolandia Sugar Development Corp.	Sugar milling
7. Builder's Brick, Inc.	Brick production, construction
8. Carmona Woodworking Industries, Inc.[1]	Sawmilling
9. Davao Agri-Business Development Co., Inc.	Tree farming
10. East Visayas Agricultural Projects, Inc.	Swine, poultry, farming
11. Furniture Manufacturing Corp. of the Phil.[1]	Wood furnishing, interior decoration
12. Inca Coffee Estates Corp.	Coffee plantation
13. Kaunlaran Food Corp.	Dehydrated food processing and marketing
14. People's Technology Terminal Corp.	Establishment of industrial complexes
15. Philippine Amanah Bank	Commercial banking
16. Philippine Cotton Corp.[1]	Cotton farming
17. Philippine Fruit & Vegetable Industries, Inc.	Tomato paste production
18. Philippine Genetics, Inc.	Cattle breed upgrading and dispersal
19. Philippine Shipyard Engineering Corp.	Ship repair and fabrication of steel products
20. Philippine Sugar Corp.	Finance acquisition, rehab/expansion of sugar mills
21. Phividec Panay Agro-Industrial Corp.	Plantation farming/fertilizer production and trading
22. Public Estate Authority	Land Development and reclamation
23. Republic Planters Bank	Commercial banking
24. Ridge Resort & Convention Center, Inc.	Resort and convention facility management
25. San Carlos Fruit Corp.	Fruit puree production
26. Wood Waste Utilization & Development Corp.[1]	Construction material production from logging waste
27. ZNAC Rubber Estate Corp.	Rubber tree plantation

Corporation	Area of Activity
DEVELOPMENT BANK OF THE PHILIPPINES	
1. DBP Date Center Inc.	Development and management of DBP computer systems and personnel
DEPARTMENT OF AGRICULTURE	
1. Food Terminal, Inc.	Food trading, processing, storage, real estate management
2. Gasifier and Equipment Manufacturing Corp.[2]	Gasifier equipment and machinery fabrication
3. Grains Insurance Agency Corp.	Provision of insurance policies
4. National Sugar Refineries Corp.	Sugar refinery management
5. Philippine Dairy Corp.[1]	Development of dairy industry/ production of milk and dairy products
6. Republic Transport and Shipyard Corp.	Sugar terminal and shipyard operation
DEPARTMENT OF TOURISM	
1. Leyte Park Hotels, Inc.	Hotel Operations
DEPARTMENT OF TRANSPORTATION AND COMMUNICATION	
1. Metro Manila Transit Corp.	Passenger bus operation and leasing
2. Philippine Aerospace Development Corp.	Aircraft management, maintenance engineering, selling
3. Philippine Helicopter Services, Inc.	Maintenance and overhaul of helicopters
GOVERNMENT SERVICE INSURANCE SYSTEM	
1. Commercial Bank of Manila[2]	Commercial banking
2. Hotel Enterprises of the Philippines[2]	Hotel ownership/management
3. Manila Hotel Corporation	Hotel operation and management
4. Meat Packing Corp. of the Philippines	Meat processing.canning
5. Philippine Airlines, Inc.	Commercial air transport
6. Philippine Plaza Holdings, Inc.	Hotel ownership/management
HOME INSURANCE AND GUARANTEE CORPORATION	
1. Maunlad Savings and Loan Association, Inc.[2]	Savings and loan association

Corporation	Area of Activity
NATIONAL DEVELOPMENT COMPANY	
1. Asia Industries, Inc.[2]	Machinery/equipment distribution
2. Batangas Land Company, Inc.	Land ownership
3. Beta Electric Corp[2]	Electrical products and equipment manufacturing
4. Construction Manpower Dev. Foundation, Inc.[3]	Manpower training and development
5. First Chicago Leasing & Equip. Credit Corp.[3]	Lease financing
6. GY Real Estate, Inc.	Land ownership
7. International Corporate Bank[1]	Commercial banking
8. Kamayan Realty Corp.	Land Ownership
9. Luzon Integrated Services, Inc.[2]	Security services
10. Marina Properties Corp.[2]	Land development
11. Mindanao Textile Corp.[2]	Garment manufacturing
12. Nadeco Realty Corp.	Land ownership
13. National Chemical Carriers, Inc.	Shipping agent, manning and crewing services
14. National Marine Corp.[2]	Overseas cargo shipping
15. National Precision Cutting Tools, Inc.[2]	Production of high quality industrial tool
16. National Shipping Corp. of the Phil.[1]	Cargo shipping
17. National Slipways Corp.[2]	Ship repairs and maintenance
18. National Steel Corp.	Steel production
19. National Stevedoring and Lighterage Co[2]	Stevedoring, lighterage and port management
20. National Trucking and Forwarding Corp.	Trucking, freight forwarding
21. NDC-Guthrie Estates, Inc.	Palm oil production
22. NDC-Guthrie Plantations, Inc.	Palm oil plantation
23. NDC-Nacida Raw Materials Corp.[3]	Procurement of raw materials
24. NDC-Plantations, Inc.	Agro-forestry plantation
25. Negros Occidental Copperfield Mines, Inc.[1]	Copper mining
26. Philippine Associated Smelthing & Refining Corp.	Copper smelting and refining
27. Philippine Natonal Line[1]	Shipping
28. Philippine Phosphate Fertilizer Corp.	Fertilizer production
29. Philippine Plate Mills Company, Inc.	Manufacturing of steel plates
30. Philippine Pyrite Corp.	Production of pyrite concentrates
31. Pinagkaisa Realty Corp.	Land ownership
32. Refractories Corp. of the Philippines	Production of basic refractories
33. Semirara Coal Corp.	Coal mining
34. Tacoma Bay Shipping Co.[2]	Ship-owning and leasing
35. The Energy Corp.[1]	Management of stock investments

Corporation	Area of Activity
36. Usiphil Inc.[2]	Machinery/equipment distribution and servicing
PRESIDENTIAL MANAGEMENT STAFF	
1. Davao Equipment Manufacturing Corp.[2]	Metal casting, foundry and fabrication
2. Integrated Feed Mills Corp.	Feed production
3. Marawi Resort Hotel Inc.	Hotel operation
4. Mindeva Coco-Coir Industries, Inc.	Production of coco-coir fiber product
5. Mindeva Refrigeration Industries, Inc.	Ice production/cold storage
6. Monte Maria Poultry Farms, Inc.[2]	Poultry farm operation
7. Mountain Springs Development Corp.	Swine raising
8. Northern Foods Corp.	Tomato paste production
9. Panaon Prawn Development Corp.	Prawn fry and larvae raising
10. Primary Foods Inc.[2]	Manufacture and sale of food products
11. Prime Center Trade International Systems, Inc.	Trading activities
12. Shoe Technology Corp.	Footwear manufacturing
13. Wood Koal, Inc.[3]	Fuel briquette production
PHILIPPINE NATIONAL BANK	
1. Century Bank	Commercial banking
2. Century Holding Corp.	Bank holding company
3. Coco-Chemical Philippines, Inc.[2]	Coconut oil milling
4. National Realty Development Corp.	Real estate management
5. National Service Corp.	Manpower services
6. National Warehousing Corp.	Warehousing
7. NIDC Oil Mills, Inc.	Coconut oil milling
8. Philippine Exchange Company, Inc.	Insurance agency
9. Philippine National Bank[1]	Commercial banking
10. Pilipinas Bank[2]	Commercial banking
11. PNB International Finance Ltd.	Deposit taking company
12. PNB Venture Capital Corp.	Venture capital company
PHILIPPINE NATIONAL OIL COMPANY	
1. Bislig Coal Corp.	Coal mining
2. Filoil Industrial Estates Inc.	Land ownership
3. Filoil Refinery Corp.	Oil refining
4. Malangas Coal Corp.	Coal mining
5. PNOC Coal Corp.	Coal mining
6. PNOC Energy Supply Base Inc.	Supply base operation
7. PNOC Marine Supply Base Inc.	Shipbuilding and repair

Corporation	Area of Activity
8. PNOC Oil Carriers, Inc.	International oil tanker operation
SOCIAL SECURITY SYSTEM	
1. Bancom Insurance Brokers, Inc.	Insurance brokerage
2. Barcelon, Roxas Securities, Inc.	Stock brokerage
3. Union Bank of the Philippines[1]	Commercial banking
NATIONAL IRRIGATION AUTHORITY	
1. NIA-Consult, Inc.	Consultancy, management and special services of projects
TECHNOLOGY AND LIVELIHOOD RESOURCE CENTER	
1. People's Livelihood Enterprises, Inc.	Livelihood-oriented activities
GOCCs DISPOSED OF PRIOR TO COP	
1. Argao Resort Development Corp.	Resort and convention facility management
2. DBP Service Corp.	Manpower service
3. PNOC Petroleum Carriers Corp.	Shipping, tankering, shipment of goods
4. Veterans Manpower and Protective Services, Inc.	Manpower and security services
Total: 123 GOCCs	

Notes:

[1]Partially sold.
[2]Fully sold.
[3]For dissolution.

Source: Committee on Privatization.