



LEGISLATIVE FACT SHEET

GOVERNMENT-OWNED AND CONTROLLED CORPORATIONS

*The compiled information provides
supplementary notes to the proposed legislation,
BTA Bill No. 48 known as “An Act Creating the
Bangsamoro Development Corporation, defining
its Powers and Functions, providing funds therfor,
and for other purposes*



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Government-owned and Controlled Corporations

Definitions

A government-owned and controlled corporation (GOCCs but may also be referred to as state-owned enterprise, state-owned corporations, etc.) is a company, enterprise, corporation that may be wholly or partly owned by a certain state or government. Variations may exist of course as governments may define whatever mandate this corporation may have. Usually these involves variation in matters such as:

- (a) The level of government that owns the enterprise (central/federal, state/regional or local).
- (b) The way in which the enterprise was founded.
- (c) The position in the public administration hierarchy.
- (d) The purpose of the state-owned enterprise (SOE).
- (e) The status of the SOE if it is in the process of being privatizedⁱⁱ.

Other variations include:

- (a) Full, majority or minority ownership by the government.
- (b) Listing (or not) on a stock exchange.
- (c) Government shareholdings through vehicles such as government pension funds, asset management funds, restructuring corporations and development lenders.
- (d) State-enabled (for example enterprises which have been granted exclusive rights by the state) as opposed to state-ownedⁱⁱⁱ.





While the varying forms may provide governments with “certain flexibility, these multiple forms may also serve to complicate ownership policy, make them less transparent and insulate SOEs from the legal framework applicable to other companies, including competition laws, bankruptcy provisions or securities laws”.^{iv}

Reasons for GOCCs

There are several possible reasons as to why a state establishes GOCCs. Some of these may include^v:

- (a) Provide and secure public goods and merit goods
- (b) Improve labor relations particularly in strategic sectors
- (c) Limit private control and foreign control
- (d) Generate public fund
- (e) Increase access to public services
- (f) Failure of markets to accomplish societal needs

Development Corporation

Development corporations, in the context of GOCCs, are usually corporations that are mandated to focus on investing in projects, initiatives, and companies with the hope of inciting and catalyzing inclusive development and growth, be it in the economy, urban planning, agriculture, or mining.

In the Philippines, there is said to be 157 GOCCs.^{vi} These GOCCs are of course under the purview of the Governance Commission for GOCCs (GCG). GCG is responsible for categorizing the several GOCCs in the country. They may fall into any of these^{vii}:

- (a) Development/Social Corporations
- (b) Propriety Commercial Corporations
- (c) Government Financial, Investments, and Trust Institutions
- (d) Corporations with Regulatory Functions
- (e) Others as may be deemed by GCC

Development Corporation in the Philippines: The Case of NDC

National Development Company

The National Development Company is one of such GOCCs (SOC) within the Philippines. It was established as a semi-private corporation on March 10, 1919, through Legislative Act



No. 2849. Back then, it was authorized to engage in “commercial, industrial, and other enterprises essential to the economic development of the country”^{viii}.

Eventually, after several amendments to its mandate, Presidential Decree No. 1648 issued on October 25, 1979, revised NDC’s charter and solidified its role as the “government’s investment arm under the Department of Trade and Industry (DTI)”.

In its current form, NDC has stayed true to its mandate of being the government’s investment arm, despite restructuring and reorganization pursuant to Executive Order No. 184, on March 10, 2003, which ordered NDC refocus its operations.

Mandates of NDC

NDC, being the government’s investment arm, is mandated to pursue commercial, industrial, agricultural or mining ventures in order to give the necessary impetus to national economic development. NDC, may on its own, or in joint venture with the private sector, undertake vital projects when necessary or when the private sector is not willing or able to undertake such projects due to high risks or to lack of funds/resources.^{ix}

Recent Assets and Investments of NDC^x

Currently, NDC is having an ongoing discussion with the Department of Science and Technology (DOST), BOI, and the private sector for exploration of a potential collaboration in establishing a vaccine manufacturing facility, brought upon by the COVID-19 pandemic.

NDC has also entered into an agreement with the City Government of Davao for the use of a 5-hectare portion of NDC’s property in Toril District as the site for Davao Food Terminal Complex. The said venue was constructed as a food terminal facility to ensure timely marketing of wholesale fresh produce.

NDC has also ventured into establishing a commercial Gamma Irradiation Facility for the decontamination and sterilization of agricultural and non-agricultural products.

In Dasmarinas City, Cavite, there is an ongoing development of a 19.2 hectare property that is poised to be registered with the Philippine Economic Zone Authority (PEZA) as a Special Economic Zone.

NDC has some notable investments as well in the energy sector such as the Rizal Hydro Power Project, a mini-hydropower plant expected to generate at least 1-MW of power for the supply of Luzon Grid, and interests in establishment of a hybridized solar photovoltaic and diesel power plant with battery storage for the benefit of far-flung and remote communities.



Other notable investments also include some stake in real estate properties, funding startup ventures, as well as the establishment of Leyte Ecological Industrial Zone (LEIZ), part of a larger project of developing a copper industry in Leyte. LEIZ is said to be divided into three clusters (manufacturing hub commercial and agro-industrial area, and agro-industrial and training facilities) spread around Laguna area^{xi}.

END NOTES

ⁱ This Legislative Fact Sheet is prepared by Mr. Nashrolah Langco, Legislative Staff Officer II of Office of the Service Director, Policy Research and Legal Services.

ⁱⁱ Public Sector Research Center, *State-owned Enterprises: Catalyst for Public Value Creation?*, (PwC, 2015), 08

ⁱⁱⁱ Public Sector Research Center, *State-owned Enterprises*, 08

^{iv} Public Sector Research Center, *State-owned Enterprises*, 08

^v Public Sector Research Center, *State-owned Enterprises*, 14

^{vi} Governance Commission for GOCCs, *Frequently Asked Questions*, accessed on 05 Aug 2022, <https://gcg.gov.ph/faqs/>

^{vii} Governance Commission for GOCCs, *About Us*, GCG, accessed on 05 Aug 2022, <https://gcg.gov.ph/about-us/>

^{viii} Commission on Audit, *Annual Audit report on the National Development Company For the Year Ended December 31 2016*, accessed on 05 Aug 2022, <https://www.ndc.gov.ph/sites/default/files/documents/COA-Annual-Audit-Report-NDC-For-the-Year-Ended-December-31-2016.pdf>

^{ix} National Development Company, *Corporate Profile*, accessed on 05 Aug 2022, <https://www.ndc.gov.ph/corporate-profile#nf-mandates>

^x National Development Company, *Our Recent Investments*, accessed on 05 Aug 2022, <https://www.ndc.gov.ph/our-recent-investments>

^{xi} Ibanez, Jenina, *Masterplan Launched for Leyte Industrial Zone*, (Business World, 2020)

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