



12 January 2024

HON. ALFREDO E. PASCUAL
NDC Chairperson and DTI Secretary
HON. ANTONILO DC. MAURICIO
Acting General Manager (GM)
NATIONAL DEVELOPMENT COMPANY (NDC)
NDC Building, 116 Tordesillas Street
Salcedo Village, Makati City

**RE : REVALIDATION RESULT OF THE 2021
PERFORMANCE SCORECARD OF NDC**

Dear Secretary Pascual and Acting GM Mauricio,

This refers to the letter of NDC dated 23 June 2023¹ requesting for the reconsideration of Strategic Measures (SMs) 6 and 7 under its 2021 Performance Scorecard.

Upon evaluation, the validated score of NDC's 2021 Performance Scorecard increased from **63.30%** to **72.67%**. See **Annex A** for the summary.

But despite this increase, NDC is still **INELIGIBLE** to the 2021 Performance-Based Bonus (PBB).

FOR NDC'S INFORMATION AND GUIDANCE.

Very truly yours,


ATTY. MARIUS P. CORPUS
Chairperson


ATTY. BRIAN KEITH F. HOSAKA
Commissioner


**ATTY. GERALDINE MARIE
BERBERABE-MARTINEZ**
Commissioner

cc: Resident COA Auditor – NDC

¹ Officially received by the Governance Commission on 27 June 2023.



VALIDATION OF SM 10: INFORMATION TECHNOLOGY SYSTEMS IMPLEMENTED

ICT PROJECT/S	EVALUATION
Integration of Web Applications to Cloud	<p>Under the Information System Strategic Plan (ISSP), the NDC should integrate the Financial Management System, Budget Management System, and Human Resources Information System to the Cloud Integrated Information System in 2021.</p> <p>The NDC reported that the Financial Management System and Human Resources Information System is still under the design phase. Based on the documents provided by the NDC, it was found that the corporation has not integrated the identified systems to the Cloud Integrated Information System.</p>
Existing ICT Infrastructure Upgrade and Maintenance	<p>The 2021 deliverable of the project is the rehabilitation and reconfiguration of wired network infrastructure.</p> <p>Review of the submitted copies of the Contract with the Third-Party Service Provider, World Solutions Technology, Inc., Certificate of Completion, Warranty Certificate, Delivery Receipt, and Photos of the Upgraded Network Infrastructure showed that the NDC was able to accomplish the deliverable for the year.</p>
Database Centralization of Web Applications	<p>For 2021, the deliverable under the ISSP is the centralization of database.</p> <p>Per the NDC, the centralization of database includes the renewal of cloud hosting services and the acquisition of server license.</p> <p>Review of the submitted copies of Notice of Award, Notice to Proceed, Contract with the Third-Party Service Provider, Telcom Live Content, Inc., and Disbursement Voucher showed that the NDC was only able to renew the cloud hosting services in 2021. However, the NDC was not able to bid out the service license within the year.</p>
Digitization of All Relevant NDC Records and Uploading to Knowledge Management and Information System	<p>The NDC submitted screenshots of documents uploaded in the Knowledge Management and Information System.</p> <p>Considering that the target deliverables for 2021 and 2022 are the uploading of vital and relevant records in the system and the backing up of vital records on the cloud, the Governance Commission finds the accomplishment acceptable.</p>
Cloud Integrated Information System	<p>Upon review of the submitted screenshots of the system, the Governance Commission was able to validate that the NDC was able to integrate the Financial Management System and Human Resources Information System to the Cloud Integrated Information System.</p>
Financial Management System	<p>The NDC reported to have upgraded the Financial Management System and provided screenshots of the system.</p> <p>The Governance Commission finds the reported accomplishment and supporting document acceptable.</p>

Validation of SM 10: Information Technology Systems Implemented (Appendix 1)

ICT PROJECT/S	EVALUATION
Budget Monitoring System	The NDC neither reported any accomplishment nor submitted supporting documents relative to the implementation and roll-out of the Budget Monitoring System.
Human Resources Information System	The NDC reported to have completed the design phase of Human Resources Information System and provided screenshots of the system. The Governance Commission finds the reported accomplishment and supporting document acceptable.



NATIONAL DEVELOPMENT COMPANY (NDC)
Revalidation Result of the 2021 Performance Scorecard

		Component			Rating Scale	Target	NDC Submission ¹		GCG Validation		Supporting Documents	Remarks
Objective/Measure		Formula	Weight	Actual			Rating	Score	Rating			
IMPACT	SO 1	Strengthen Business Sustainability (Financial Impact)										
	SM 1	Return on Equity (ROE)	Income Before Tax (Net of Extraordinary Income) / Stockholder's Equity Adjusted (Net of Extraordinary Income)	25%	(Actual / Target) x Weight	<u>2.07%</u>	7.49%	8.55%	3.11%	25%	<ul style="list-style-type: none">• 2021 Commission on Audit (COA) Annual Audit Report• Justification for the Revision of Target• Computation of the Initial Target	<p>The initial ROE target for 2021 adopts the proposal of the NDC of 21.89%. The target was adopted by the Governance Commission following the representation that such target was based on a projection that the NDC will collect 50% of the proceeds from the right-of-way (ROW) compensation for its property in Pandacan from the Department of Public Works and Highways (DPWH). However, through a letter dated 28 February 2022, the NDC requested to reduce the target to 7.12% to exclude the estimated proceed from the sale of Pandacan, Kamagong, and Campo Islam properties.</p> <p>Considering that the sale from the Pandacan, Kamagong, and Campo Islam properties did not materialize due to factors beyond the control of the NDC, the Governance Commission <u>GRANTS WITH MODIFICATION</u> the request to revise the target.</p> <p>The revised target of 2.07% removed the effect of the exclusion of the estimated proceeds from the sale of the Pandacan, Kamagong, and Campo Islam properties and</p>

¹ Based on the 4th Quarter Monitoring Report submitted by the NDC through a letter dated 28 February 2022. Officially received by the Governance Commission on 01 March 2022.

	Component				Rating Scale	Target	NDC Submission ¹		GCG Validation		Supporting Documents	Remarks
	Objective/Measure	Formula	Weight				Actual	Rating	Score	Rating		
												the dividend income from the Asean Bintulu Fertilizer Sdn. Bhd. (ABF). As previously communicated, dividend collections from investments such as that from the ABF is not considered as extraordinary income of the NDC given the nature of its operations as an investment company.
	SO 2	Support Local Development (Social Impact)										
	SM 2	Cumulative Number of Local Jobs Generated by the Projects/ Investments	Number of Local Jobs Generated per Operational Report	5%	(Actual / Target) x Weight 0% = If Less Than 2020 Actual	2020 Actual + 50 New Jobs	64 New Jobs	5%	871	5%	<ul style="list-style-type: none">• Certification from San Carlos Bioenergy, Inc., and Philippine National Oil Company Renewables Corporation• 2021 COA Annual Audit Report	Review of supporting documents showed that the associates/ affiliates of the NDC generated 64 new jobs in 2021.
	Sub-total		30%					13.55%		30%		
STRATEGIC FOCUS	SO 3	Increase Investments in High Impact Priority Areas by Leveraging in NDC's Competitive Advantage										
	SM 3	Cumulative Value of Investments	Amount of Investments in High Impact Priority Areas as Approved by NDC Board	15%	(Actual / Target) x Weight 0% = If Less Than 2020 Actual	2020 Actual + ₱500 Million	₱250 Million	7.5%	No Investments for the Year	0%	<ul style="list-style-type: none">• Secretary's Certificate Approving the Allocation of ₱250 Million for the Implementation of Startup Venture Fund (SVF)	The Governance Commission notes that the SVF was created under Republic Act (R.A.) No. 11337. ² <i>Albeit R.A. No. 11337 provides that "[t]he initial and succeeding appropriations for the SVF shall be [...] included in the budget of the NDC", the law did not explicitly state that such</i>

² AN ACT PROVIDING BENEFITS AND PROGRAMS TO STRENGTHEN, PROMOTE AND DEVELOP THE PHILIPPINE STARTUP ECOSYSTEM, dated 26 April 2019.

Component					Rating Scale	Target	NDC Submission ¹		GCG Validation		Supporting Documents	Remarks
Objective/Measure		Formula	Weight				Actual	Rating	Score	Rating		
											<div>• Justification for the Consideration of the SVF Allocation as Accomplishment</div>	<p>appropriations shall be used as investments. Moreover, despite the request of the Governance Commission, the NDC was unable to submit documents that would establish that the ₱250 Million funding was allocated for investment (i.e., it may be the case that not the total amount of the funding may be for investment in startups; a portion of the funding may be earmarked for operating expenses).</p> <p>Through a letter dated 25 January 2023, the NDC requested that the Governance Commission consider the of ₱250 Million allocation of the corporation for the implementation of the SVF as an accomplishment for the measure. The request was made following the representation of the NDC that the fund was not invested in startup companies, pending the approval of the guidelines for the implementation of the program.</p> <p>The Governance Commission acknowledges that there are factors that led to the delay in the approval of the guidelines for the implementation of the SVF, which likewise resulted in the belated release of funds to startup companies, that are beyond the control of the NDC. However, it should be noted that the measure neither defines the mode of investment of the NDC nor limits the NDC to only invest through the</p>

hxi

Component					Rating Scale	Target	NDC Submission ¹		GCG Validation		Supporting Documents	Remarks
Objective/Measure		Formula	Weight				Actual	Rating	Score	Rating		
												SVF for the performance year. In the pursuit of its mandate, the NDC may invest in enterprises deemed contributory to the economic development of the country and important to the public interest through various modes. Hence, the request for consideration of the accomplishment is hereby <u>DENIED</u> .
SO 4	Enhance the Value of Investment Portfolio											
SM 4	Return on Investments (ROI)	Amount of Dividends Received ³ / Total Investments Excluding Companies for Dissolution and Pre-Operating Companies	10%		(Actual / Target) x Weight	3.79%	4.86%	10%	4.71%	10%	<ul style="list-style-type: none"> List of Investments and Status of Investment in Associates/ Affiliates as of 31 December 2021 Official Receipts from the NDC and Bureau of Treasury (BTr) 2021 COA Annual Audit Reports of NDC and Philippine International Trading Corporation (PITC) 	The validated accomplishment was computed based on a total dividends of ₱37.87 Million and a net investment of ₱803.31 Million.
SO 5	Improve Customer Satisfaction											
SM 5	Percentage of Satisfied Customers	Number of Respondents Who Rated At Least Satisfactory /	5%		(Actual / Target) x Weight	100%	91%	4.55%	90.70%	4.54%	<ul style="list-style-type: none"> Final Report from the Third-Party Service Provider 	The 2021 customer satisfaction survey of the NDC was found to be compliant and in accordance with

³ Including dividend remittance of NDC's subsidiaries to the National Government.

Component					Rating Scale	Target	NDC Submission ¹		GCG Validation		Supporting Documents	Remarks
Objective/Measure		Formula	Weight				Actual	Rating	Score	Rating		
		Total Number of Survey Respondents			0% = If Lower Than 80%						<ul style="list-style-type: none"> Samples of Accomplished Survey Questionnaires 	the guidelines issued by the Governance Commission.
Sub-total			30%					22.05%		14.54%		
CORE PROCESS	SO 6	Optimize the Economic Value of NDC Land Assets										
	SM 6	Income from Asset Management	Amount of Lease Income and Sales Proceeds Collected	15%	(Actual / Target) x Weight	<u>₱179.19 Million</u>	₱219.57 Million	1.08%	<u>₱203.29 Million</u>	<u>15%</u>	<ul style="list-style-type: none"> 2021 COA Annual Audit Report Justifications for the Revision of Target Secretary Certificate 	<i>The Governance Commission GRANTS the request of the NDC for revalidation. The revised target was computed by deducting the value of properties provided by the NDC during the target setting for the 2021 Performance Scorecard.</i>
	SO 7	Improve Budget Utilization to Support Operational Efficiency										
	SM 7	Budget Utilization Rate (BUR)	Total Amount of Cash Disbursements / Total Budget for the Year	10%	92%-100% = 10% 80%-91% = 5% Less Than 80% = 0% More Than 100% = 0%	> 91%	93%	10%	<u>47.68%</u>	<u>0%</u>	<ul style="list-style-type: none"> BUR Computations Department of Budget and Management (DBM)-Approved Corporate Operating Budget (COB) Budget Ledger Monitoring Procurements Documents (e.g., Notice to Proceed (NTP) and Notice of Award (NOA)) 2021 COA Annual Audit Report 	<i>During the initial validation, the NDC requested the Governance Commission to exclude ₱858.75 Million from the DBM-Approved COB and use an adjusted COB of ₱330.02 Million. However, considering that the NDC failed to submit substantial basis for the exclusion of items from the DBM-Approved COB, the Governance Commission denied the request of NDC for exclusion of items in the 2021 budget.</i> <i>In its request for reconsideration, the NDC maintained its initial proposal to adjust the COB to ₱330.02 Million, in consideration of factors beyond the control of the corporation. The NDC also</i>

Component					Rating Scale	Target	NDC Submission ¹		GCG Validation		Supporting Documents	Remarks
Objective/Measure			Formula	Weight			Actual	Rating	Score	Rating		
											<div><ul style="list-style-type: none">• Statement of Appropriation, Allocation, Obligation, Disbursements and Balances (SAAODB) as Encoded in the GCG Monitoring and Management System (GMMS)• Department of Finance (DOF) Report on Dividends Remittance• Letter from the Bangko Sentral ng Pilpinas (BSP) on the Monetary Board Opinion on Proposed Domestic Loan of Government Entities for the G.Y. Real Estate, Inc. (GYREI)• <u>Sampled Disbursement Vouchers</u></div>	<div><p><u>requested the adjustment of the total utilization of the corporation from the validated ₱299.72 Million to ₱307.36 Million.</u></p><p><u>Based on the reevaluation of the Governance Commission, only ₱620.78 Million of the requested ₱858.75 Million of the budget items were excluded in the computation. It should be noted that the Governance Commission only excluded a budget item if the justification is grounded on factors beyond the control and influence of NDC and if the NDC was able to provide substantial documentation proving the same.</u></p><p><u>Following the discussions during the onsite validation, the Governance Commission also adjusted the total disbursement based on the COA Annual Audit Report. The adjusted total utilization of the NDC for 2021 is ₱270.80 Million.</u></p><p><u>With a total validated utilization of ₱270.80 Million and a total budget net of excluded items of ₱568 Million, the 2021 BUR of NDC is adjusted from 25.21% to 47.68%.</u></p></div>
Sub-total				25%				11.08%		15%		

for

Component			Rating Scale	Target	NDC Submission ¹		GCG Validation		Supporting Documents	Remarks		
Objective/Measure	Formula	Weight			Actual	Rating	Score	Rating				
LEARNING AND GROWTH	SO 8	Prioritize Competency Build-up of Project Teams										
	SM 8	Improvement in the Competency Baseline of the Organization	Competency Baseline ⁴ 2021 – Competency Baseline 2020	5%	All or Nothing	Improvement in the Competency Baseline of the Organization	Improvement in the Competency Baseline of the Organization	5%	0.95% Improvement in the Competency Baseline	5%	<ul style="list-style-type: none">• Excel File of the Summary of the Competency Assessment Results and the Computation of Competency Level per Employee• 2020 and 2021 Competency Assessment Forms	Review of the supporting documents showed that the 2021 competency baseline of the NDC is 99.60%, which corresponds to a 0.95% improvement from the 2020 competency baseline of 98.65%.
	SO 9	Build a Culture of Continual Improvement and Excellence										
	SM 9	ISO Certification	Actual Accomplishment	5%	All or Nothing	ISO 9001:2015 Certification Maintained	ISO 9001:2015 Certification Maintained	5%	Maintained ISO 9001:2015 Certification	5%	<ul style="list-style-type: none">• Surveillance Audit Report• ISO Certification	Target met.
	SM 10	Automate Key Process										
	SM 10	Information Technology Systems Implemented	Number of Projects Completed Based on the Deliverables per ISSP / Total Number of 2021 Deliverables per 2020-2022 ISSP	5%	(Actual / Target) x Weight	100% Completion of the 2021 ISSP Deliverables as Submitted to DICT	100% Completion of the 2021 ISSP Deliverables as Submitted to DICT	5%	Implemented 5 out of 8 Projects (Existing ICT Infrastructure Upgrade and Maintenance, Digitization of All Relevant NDC	3.13%	<ul style="list-style-type: none">• Copy of the Letter from the Department of Information and Communications Technology (DICT) Acknowledging Receipt of the Revised 2020 and 2021-2022	A summary of the validation of the Governance Commission of each project is provided in Appendix 1 .

⁴ The competency baseline of the organization shall pertain to the average percentage of required competencies met which can be computed using the following formula:

$$\frac{\sum_{b=1}^B \left[\frac{\sum_{a=1}^A \left(\frac{\text{Actual Competency Level}}{\text{Required Competency Level}} \right)_a}{A} \right]_b}{B}$$

where: a = Competency required, A = Total number of competencies required of position, b = Personnel profiled, B = Total number of personnel profiled

48

Component					Rating Scale	Target	NDC Submission ¹		GCG Validation		Supporting Documents	Remarks
Objective/Measure			Formula	Weight			Actual	Rating	Score	Rating		
			Submitted to DICT						Records and Uploading to Knowledge Management and Information System, Cloud Integrated Information System, Financial Management System, Human Resources Information System)		Information System Strategic Plan (ISSP) of the NDC <ul style="list-style-type: none">• Copy of the DICT-Endorsed 2021-2022 ISSP of NDC, Accomplishment Report• Receiving Reports• Purchase Orders• Bids and Awards Committee (BAC) Resolutions• Notice of Award• Notice to Proceed• Contract• Certificate of Completion• Warranty Certificate• Delivery Receipt• Screenshots of Systems	
			Sub-total	15%				15%		13.13%		
			TOTAL	100%				61.68%		72.67%		

ys