

MALACAÑANG
MANILA

EXECUTIVE ORDER NO. 62

PRESCRIBING POLICIES AND GUIDELINES TO
IMPLEMENT REPUBLIC ACT NO. 7227

WHEREAS, Republic Act No. 7227, otherwise known as the Bases Conversion and Development Act of 1992 (Act), creates the Bases Conversion and Development Authority (BCDA) and defines its powers and functions;

WHEREAS, the Act also creates the Subic Bay Metropolitan Authority (SBMA) and stipulates that the BCDA may create subsidiaries, joint ventures, authorities, and special economic zones in implementing the conversion program;

WHEREAS, the National Government is committed to the alleviation of poverty and the further empowerment of the people to be carried out under the Medium Term Philippine Development Plan (1993-1998) which emphasizes national unification, sustained economic growth, accelerated infrastructure development, protection of the environment, and streamlining of the bureaucracy;

WHEREAS, responsive policy guidelines are needed to clarify the oversight and management functions of the BCDA in relation with the subsidiaries and attached authorities;

NOW, THEREFORE, I, FIDEL V. RAMOS, President of the Republic of the Philippines, by virtue of the powers vested in me by law, and upon recommendation of the Chairman of the BCDA, do hereby order the adoption and implementation of the following policies and guidelines:

SECTION 1. POLICY FRAMEWORK. The BCDA shall be guided by the following policy framework in its conversion program:

- 1.1. The primary objective of the conversion program is to create immediate employment and livelihood opportunities utilizing existing world class infrastructure and support facilities in the reverted baselands in line with the national government objective of poverty alleviation and sustained economic recovery and growth;
 - 1.2. The preparation and implementation of conversion development plans shall be undertaken with the active and meaningful participation of the private sector, including non-governmental and peoples organizations, and affected local communities;
- 14

1.3. The BCDA shall adopt investor-friendly policies, rules and regulations and create an efficient business environment with no or minimum bureaucratic red tape to attract local and foreign investments;

1.4. The BCDA shall plan and implement fund generating projects which will maximize the use of the military camps in Metro Manila that shall be sold pursuant to Section 8 of the Act with the funds generated therefrom to be strictly utilized as provided for in the Act; and

1.5. Conversion projects must be financially self-sustaining in the long term and should contribute significantly to national economic development.

SECTION 2. PURPOSES OF THE BCDA. As provided in Section 4 of the Act, the BCDA shall have the following purposes:

2.1. Own, hold and administer the reverted baselands and the portions of Metro Manila military camps transferred to it, and adopt, prepare and implement a comprehensive and detailed development program for its subsidiaries and attached authorities in consonance with the following directional plans:

2.1.1. *Subic Naval Base.* To be developed as a special economic and free-port zone ensuring the free flow of goods and capital in accordance with prescribed rules, to generate employment opportunities in and around the zone, and to attract and promote productive local and foreign investments. The Subic Special Economic and Free-port Zone shall be developed, operated, administered, and managed by the SBMA;

2.1.2. *Clark Air Base.* To be developed as a special economic zone with such incentives and privileges granted the Subic Special Economic and Free-port Zone and Export Processing Zones. The Clark Special Economic Zone (CSEZ) shall form part of the growth triad connecting with Subic and Metro Manila as a buffer to *in-migration* to the metropolis. The CSEZ is envisioned as a new industrial townsite and a major civil aviation complex for international passenger and/or cargo; /d

2.1.3. *Camp John Hay.* To be preserved, maintained, enhanced and developed as a forest watershed and tourist destination. The natural attributes and character of the Camp shall be maintained. The facilities shall be developed with the expertise of the private sector to maximize its potential for both local and foreign tourism;

2.1.4. *Other Baselands.* The Wallace Air Station, O'Donnel Transmitter Station, San Miguel Naval Communication Station, and Mt. Sta. Rita Station shall be developed in accordance with its best land use and the national concerns as stated in the Act and as may be determined by the President in line with national priorities;

2.1.5. *Other Special Economic Zones.* To create, develop and manage other special economic zones covering the municipalities of Morong, Hermosa, Dinalupihan in Bataan and Castillejos, San Antonio and San Marcelino in Zambales subject to economic viability studies; and

2.1.6. *Metro Manila Military Camps.* To develop and/or dispose of portions of the military camps transferred to the BCDA for other productive uses to generate funds for base conversion, military housing and military modernization. The timetable of disposition and conversion of Metro Manila camps shall be approved by the President of the Philippines in close coordination with the Department of National Defense and the Armed Forces of the Philippines;

2.2. Encourage the active and meaningful participation of the private sector in financing, managing and overseeing conversion projects, particularly in Clark and Subic;

2.3. Establish a mechanism of coordination with the appropriate local government units to effect meaningful consultation with communities affected by the conversion plans and projects;

- 2.4. Serve as the holding company of subsidiary companies, to coordinate attached authorities, invest in special economic zones, and manage and operate development projects through private sector companies; and
- 2.5. Plan and undertake the readjustment, relocation or resettlement of population within the baselands and their extensions, particularly the affected military personnel, in coordination with appropriate local government units and government agencies, particularly the Department of National Defense and the Armed Forces of the Philippines.

SECTION 3. SUBSIDIARIES AND ATTACHED AUTHORITIES. The BCDA shall have the power to form, establish, organize and maintain subsidiary corporation(s) pursuant to Section 16 of the Act.

In accordance with Section 14(a) of the Act, the BCDA shall exercise oversight function over the SBMA.

To perform its oversight function over subsidiaries, attached authorities and special economic zones declared under the Act, including SBMA, the BCDA shall adopt and implement an effective oversight mechanism to encourage efficient utilization of scarce government resources and to ensure that plans and programs of subsidiaries, attached authorities and special economic zones are proceeding according to national goals and objectives.

3.1. Governing Board Of Directors. The subsidiaries and attached authorities shall be governed by their respective policy making Board of Directors which shall perform the following, subject to existing laws and regulations:

3.1.1. Approve corporate plans and programs consistent with the policy directions of the BCDA;

3.1.2. Approve and adopt internal administrative and operating rules and regulations for implementation by the officials and management of the subsidiary or attached authority;

3.1.3. Establish financial and operations performance targets for management as basis for evaluating and monitoring corporate performance;

/N

- 3.1.4. Determine the organizational structure, define the duties and responsibilities of all officials, and adopt a pay plan and position classification;
- 3.1.5. Appoint all officials down to the third level and authorize the President of the subsidiary or attached authority to appoint all others: Provided that, all appointments shall be on the basis of merit, experience, integrity and fitness;
- 3.1.6. Prepare and approve the annual and supplemental budget of the subsidiary or attached authority;
- 3.1.7. Approve capital expenditures and investments program, all forms of indebtedness, substantial sales, transfers and alienation of assets and properties of the subsidiary or attached authority;
- 3.1.8. Require management to periodically submit to the Board such management reports as may be required by it to include, among others, the following: annual budgets, organization, personnel plantilla and programs, report of operations, infrastructure programs and major capital investment programs;
- 3.1.9. Develop and implement a privatization, commercialization and/or divestment program of all its major assets and facilities within two (2) years from start of operation; Provided that, by the fourth year of full operation, a privatization or divestment program shall have been in place; and
- 3.1.10. Submit to the BCDA a copy of its management reports to include, among others, the following: annual budgets, organization, personnel, report of operations, infrastructure program and capital investments program, and any other reports which the BCDA may require.

3.2. Organization. Organization of subsidiaries or attached authorities shall have the following common features, subject to existing laws and regulations:

- 3.2.1. The powers and functions of the subsidiaries or attached authorities of the BCDA shall be exercised by their respective Board of Directors to be appointed by the President of the Philippines upon recommendation of the Chairman of the BCDA. The Board shall be composed of a minimum of seven (7) members who being trustees of the Government, may be removed at any time by the President;
- 3.2.2. The governing Board of each subsidiary and attached authority shall approve the annual budget, plans and program, organization, and personnel plantilla of the subsidiary or authority during an annual planning workshop with the management committee;
- 3.2.3. The Chairman of the Board shall be the Chief Executive Officer of the subsidiary or attached authority who shall be responsible for ensuring that the plans and programs shall be directed towards the attainment of the corporate goals and objectives;
- 3.2.4. The Board shall appoint a Chief Operating Officer who shall be responsible for the day-to-day operations of the subsidiary or authority;
- 3.2.5. A Chief Financial Officer shall be appointed to be responsible for ensuring the efficient allocation and use of financial resources and promoting financial discipline in the subsidiary or authority;
- 3.2.6. The Board shall create a management committee reporting directly to the Chief Executive Officer which shall assist in planning and monitoring overall corporate performance;

3.2.7. A Pay Plan and Position Classification shall be adopted which shall include the job descriptions and position qualification standards. Appointment to positions shall be based on merit, experience, and fitness, and must meet the minimum qualification standards prescribed for the position being appointed to; and

3.2.8. The number of personnel shall be kept to a minimum to effect a lean, efficient and professional organization.

3.3. Operations And Financial Policies. To promote efficient allocation and use of government resources and to instill financial discipline in subsidiaries and attached authorities, the BCDA hereby adopts the following operations and financial policy guidelines:

3.3.1. The BCDA shall provide standard corporate planning models which will give subsidiaries and attached authorities sufficient operational flexibility. In the formulation of the corporate plans and programs, the subsidiary or attached authority shall be guided by the performance indicators and targets agreed upon with the BCDA;

3.3.2. The BCDA shall establish with the concurrence of the attached subsidiaries and authorities, performance criteria, standards and targets and conduct periodic review and appraisal of performance in accordance with such agreed criteria, performance indicators and targets;

3.3.3. The governing Boards of subsidiaries and attached authorities are authorized to enter into contracts involving not more than fifty million pesos (P50M);

Unless otherwise provided, the governing Board shall determine the levels of approving authority to be delegated to its corporate officers. / 1

The levels of authority on approval of government contracts provided for in Executive Order No. 380 (November 27, 1989) or other laws and regulations that may hereafter be promulgated shall apply to contracts exceeding fifty million pesos (P50M);

3.3.4. The governing Boards of the subsidiaries or attached authorities shall require its management to submit the following minimum required financial reports:

Particulars	Submission Frequency	Submission Deadline
- Statement of Monthly Actual Financial Operations	Monthly	45th day after end of reported month.
- 3 Year Projection of Annual Financial Operations	Annually	June 30 of year preceding the projected period.
- Schedule of Monthly Actual Net External and Domestic Financing	Monthly	45th day after end of reported month.
- 3 Year Projection of Annual Capital Expenditure Projects	Annually	June 30 of year preceding the projected period.
- Quarterly Financial Statements	Quarterly	45th day after end of reported quarter.
- Corporate Annual Report	Annually	June 30 of year succeeding the monitored year.

A copy of these financial reports shall also be submitted to the BCDA to assist it in performing its oversight function;

3.3.5. Conversion projects must achieve specific objectives, must have realistic and quantifiable targets, and time-bound;

3.3.6. A Performance Agreement shall be entered into by and between the Chief Executive Officer of the subsidiary or attached authority with the BCDA embodying the performance criteria and target for the year and the desired goals of the succeeding years as worked out and agreed upon by the subsidiary or authority and the BCDA; and

3.3.7. The BCDA shall conduct at least a semi-annual review of operations of the subsidiary or attached authority in relation to established criteria and agreed performance targets.

SECTION 4. PRIVATIZATION. The BCDA hereby adopts the following policy guidelines in pursuing privatization, commercialization or divestment projects:

- 4.1. Privatization shall be the basic thrust of the conversion and development of the baselands. Privatization modes shall include, among others, leasing, joint ventures, management contract, build-operate-transfer (BOT) and its variants;
- 4.2. Subsidiaries and attached authorities shall, unless specifically created for the purpose, inhibit themselves from directly operating any business activity and shall basically function as the overseer/administrator/regulatory body over the baselands/facility they administered;
- 4.3. As a general rule, the privatization process should be conducted through public bidding. However, in the exigency of public service and national interest, and consonant with existing laws, rules and regulations on negotiated contracts, simplified bidding through sealed canvass of at least three (3) pre-qualified investors, or direct negotiation, may be resorted to. The process of selecting the prospective lessees and private investors shall be transparent, where procedures and selection process adapted are made public through newspaper advertisements and similar other means;
- 4.4. Where necessary and justifiable, subsidiaries and attached authorities with the approval of the BCDA, may establish subsidiaries and/or joint venture firms to undertake specific business activities such as utilities and ports which the private sector is reluctant to undertake or participate or when public interest so dictates;

- 4.5. All negotiated privatization transactions, including leasing, joint venture or sales, shall be in conformity with policies approved by the President of the Philippines;
- 4.6. Prospective lessees, partners, and third party principals shall be chosen based on a selection criteria which shall consider experience, performance track record, financial capability, good credit standing, technical expertise, reputation and industry accreditation, among others. Minimum acceptable selection standards shall be established by the governing Board of the subsidiary or attached authority;
- 4.7. Subject to the provisions of applicable laws, rules and regulations, investment bankers, financial advisors and technical consultants may be hired through a short listing-bidding process to prepare and execute plans and programs for fund generations, privatization or divestment of assets and facilities and other investment and merchant banking requirements of the subsidiaries and attached operating authorities;
- 4.8. All privatization agreements and contracts shall be signed by the Chief Executive Officer upon being authorized by the Board;
- 4.9. Leasing of facilities by subsidiaries and attached authorities shall be governed by the following guidelines:
- 4.9.1. As a general rule, lease agreements affecting baselands properties and facilities shall be executed after a public bidding process. However, in special cases, and consonant with existing laws, rules and regulations on negotiated contracts, leasing may be done through sealed canvass of at least three (3) prequalified potential lessees, or through direct negotiation, in conformity with policies approved by the President of the Philippines;
- 4.9.2. Lease agreements may be on short-term or long-term basis but not to exceed 25 years subject to renewal for another 25 years;
- 11

4.9.3. The leasing procedures, standard rates, lease terms and conditions shall be approved by the governing Board of the subsidiary or attached authority; and

4.9.4. Unless otherwise authorized, lease contracts shall be signed by the Chief Executive Officer representing the Board of Directors of the subsidiary or attached authority.

SECTION 5. SECURITY ARRANGEMENTS. As a general rule, subsidiaries and attached authorities should engage the services of private security agencies to secure the facilities and assets that are to be privatized and preserved. Organic security personnel shall be retained only for the purpose of supervising and monitoring the activities of contracted private security guards and to liaise with law enforcement authorities.

Heads of subsidiaries should secure the full assistance and participation of local government units, government agencies, and non-government and peoples organizations to preserve and protect the properties and natural resources within the military reservations and extensions from damage and deterioration.

SECTION 6. ENVIRONMENT. A permanent total log ban shall be applied in all military reservations and extensions which shall allow supervised cuttings to prevent forest fires compatible with judicious management of the forest. These cuttings shall require prior approval of the operating authority or subsidiary tasked to manage the facility and/or area.

Environmental impact assessment studies shall be required of all major projects which could affect the environment.

Environmental standards shall be strictly enforced by subsidiaries and attached authorities in their respective areas of responsibility.

SECTION 7. DEPARTMENTS, BUREAUS, AGENCIES AND INSTRUMENTALITIES. All heads of government departments, bureaus, offices, agencies and instrumentalities are directed to facilitate the necessary approvals and assist the BCDA to expedite the implementation of the various projects and activities of the conversion program.

SECTION 8. EFFECTIVITY. These implementing policies and guidelines shall take effect immediately upon approval. /n

DONE in the City of Manila, this 27th day of February in the
year of Our Lord, Nineteen Hundred and Ninety-Three.

[Handwritten signature]

By the President:

[Handwritten signature of Antonio T. Carpio]

ANTONIO T. CARPIO
Chief Presidential Legal Counsel

RECEIVED
FEB 27 1933