

MALACAÑANG

Manila

BY THE PRESIDENT OF THE PHILIPPINES

EXECUTIVE ORDER NO. 596

DEFINING AND INCLUDING "GOVERNMENT INSTRUMENTALITY VESTED WITH CORPORATE POWERS" OR "GOVERNMENT CORPORATE ENTITIES" UNDER THE JURISDICTION OF THE OFFICE OF THE GOVERNMENT CORPORATE COUNSEL (OGCC) AS PRINCIPAL LAW OFFICE OF GOVERNMENT-OWNED OR CONTROLLED CORPORATIONS (GOCCs) AND FOR OTHER PURPOSES

WHEREAS, the Office of the Government Corporate Counsel (OGCC), as the principal law office of all Government-Owned or Controlled Corporations (GOCCs), including their subsidiaries, other corporate offsprings and government acquired assets corporations, plays a very significant role in safeguarding the legal interests and providing the legal requirements of all GOCCs;

WHEREAS, there is an imperative need to integrate, strengthen and rationalize the powers and jurisdiction of the OGCC in the light of the Decision of the Supreme Court dated July 20, 2006, in the case of "**Manila International Airport Authority vs. Court of Appeals, City of Parañaque, et al.**" (G.R. No. 155650), where the High Court differentiated "*government corporate entities*" and "*government instrumentalities with corporate powers*" from GOCCs for purposes of the provisions of the Local Government Code on real estate taxes, and other fees and charges imposed by local government units;

WHEREAS, in the interest of an effective administration of justice, the application and definition of the term "GOCCs" need to be further clarified and rationalized, to have consistency in referring to the term and to avoid unintended conflicts and/or confusion;

NOW, THEREFORE, I, GLORIA MACAPAGAL-ARROYO, President of the Republic of the Philippines, by virtue of the powers vested in me by law, do hereby order:

SECTION 1. The Office of the Government Corporate Counsel (OGCC) shall be the principal law office of all GOCCs, except as may otherwise be provided by their respective charter or authorized by the President, their subsidiaries, corporate offsprings, and government acquired asset corporations. The OGCC shall likewise be the principal law office of "*government instrumentality vested with corporate powers*" or "*government corporate entity*", as defined by the Supreme Court in the case of "**MIAA vs.**



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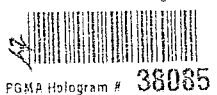
Court of Appeals, City of Parañaque, et al.", *supra*, notable examples of which are: Manila International Airport Authority (MIAA), Mactan International Airport Authority, the Philippine Ports Authority (PPA), Philippine Deposit Insurance Corporation (PDIC), Metropolitan Water and Sewerage Services (MWSS), Philippine Rice Research Institute (PRRI), Laguna Lake Development Authority (LLDA), Fisheries Development Authority (FDA), Bases Conversion Development Authority (BCDA), Cebu Port Authority (CPA), Cagayan de Oro Port Authority, and San Fernando Port Authority.

SECTION 2. As provided under PD 2029, series of 1986, the term GOCCs is defined as a stock or non-stock corporation, whether performing governmental or proprietary functions, which is directly chartered by a special law or if organized under the general corporation law, is owned or controlled by the government directly, or indirectly, through a parent corporation or subsidiary corporation, to the extent of at least a majority of its outstanding capital stock or of its outstanding voting capital stock.

Under Section 2(10) of the Introductory Provisions of the Administrative Code of 1987, a government "instrumentality" refers to any agency of the National Government, not integrated within the department framework, vested with special functions or jurisdiction by law, endowed with some, if not all corporate powers, administering special funds, and enjoying operational autonomy, usually through a charter.

SECTION 3. The following corporations are considered GOCCs under the conditions and/or circumstances indicated:

- a) A corporation organized under the general corporation law under private ownership at least a majority of the shares of stock of which were conveyed to a government financial institution, whether by foreclosure or otherwise, or a subsidiary corporation of a government corporation organized exclusively to own and manage, or lease, or operate specific assets acquired by a government financial institution in satisfaction of debts incurred therewith, and which in any case by enunciated policy of the government is required to be disposed of to private ownership within a specified period of time, shall not be considered a GOCC before such disposition and even if the ownership or control thereof is subsequently transferred to another GOCC;
- b) A corporation created by special law which is explicitly intended under that law for ultimate transfer to private ownership under certain specified conditions shall be considered a GOCC, until it is transferred to private ownership.



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- c) A corporation that is authorized to be established by special law, but which is still required under that law to register with the Securities and Exchange Commission in order to acquire a juridical personality, shall not, on the basis of the special law alone, be considered a GOCC.

SECTION 4. The terms "parent corporation", "subsidiary" and/or "affiliate" shall have the following meanings and legal signification:

- a) A parent corporation is one which is created by special law;
- b) A subsidiary corporation is one organized under the general corporation law (1) under private ownership at least a majority of the shares of stock of which were conveyed to a government corporation in satisfaction of debts incurred with a government financial institution, whether by foreclosure or otherwise, or (2) as a subsidiary corporation of a government corporation organized exclusively to own and manage, or lease, or operate specific physical assets acquired by the government financial institution in satisfaction of debts incurred therewith, and which in any case by enunciated policy of the government is required to be disposed of to private ownership within a specified period of time;
- c) An affiliate corporation is one where total government ownership comprises less than the majority of its outstanding capital stock and its outstanding voting capital stock.

SECTION 5. All executive issuances, rules and regulations or parts thereof, which are inconsistent with this Executive Order, are hereby repealed or modified accordingly.

SECTION 6. This Executive Order shall take effect after fifteen (15) days from date of publication in a national newspaper of general circulation.

DONE in the City of Manila, on this 29th day of December in the year of Our Lord, Two Thousand and Six.

By the President:


EDUARDO R. ERMITA
 Executive Secretary

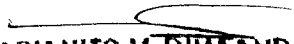
Florin M. Baray



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MARIANITO M. DIMAANDAL
 DIRECTOR III
 MALACANAN RECORDS OFFICE

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