



PERFORMANCE AGREEMENT

This Performance Agreement has been executed pursuant to the **PERFORMANCE EVALUATION SYSTEM FOR THE GOCC SECTOR (GCG MC No. 2013-02 [Re-Issued])** between the –

GOVERNANCE COMMISSION FOR GOCCs (GCG)

- and -

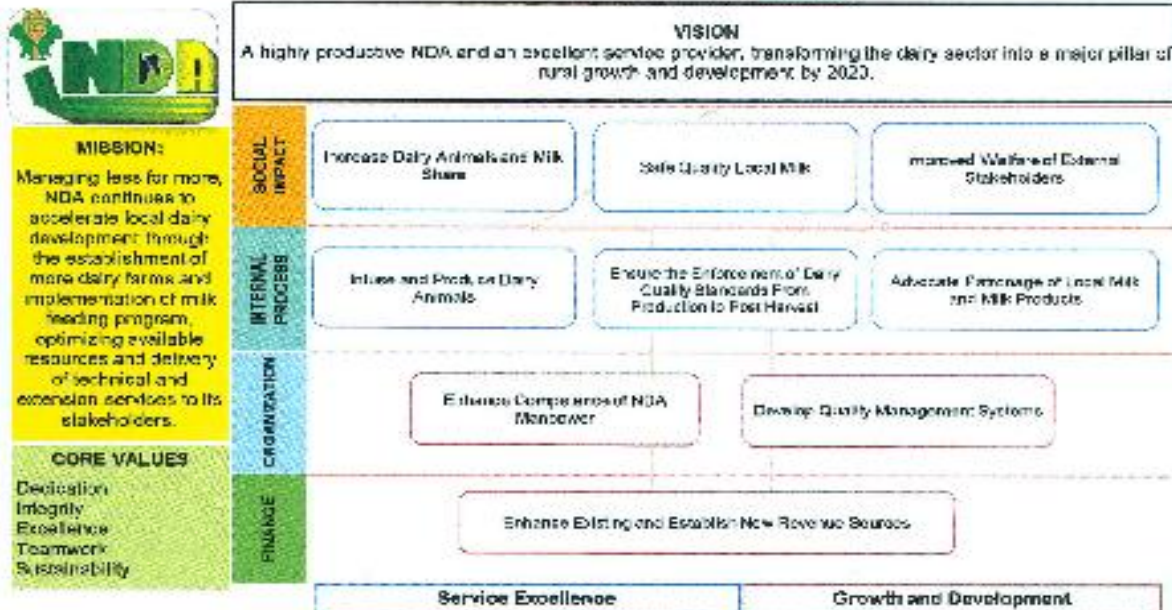
NATIONAL DAIRY AUTHORITY (NDA)

WITNESSETH: THAT –

The Parties agree to the following terms:

1. **Period.** – This Agreement shall be effective beginning from the execution of this Agreement and ending upon the determination by the Governance Commission of the eligibility of NDA for the FY 2015 PBB and PBI.
2. **Charter Statement and Strategy Map.** – NDA's Charter Statement and Strategy Map for the Period specified in Section 1 hereof, shall be as follows:

STRATEGY MAP National Dairy Authority



3. **Measurement of Performance.** – Based on the Performance Scorecard 2015 attached hereto as **Annex A**, the NDA's Performance for 2015 shall be based on the following Measures/Performance Indicators and Annual Targets, to wit:

COMPONENT		WEIGHT	RATING SCALE	2015 TARGET
SOCIO-ECONOMIC IMPACT	SO 1	Increased Dairy Animals and Milk Share		
	SM 1	Local Liquid Milk Production share	12%	Actual/Target x Weight 30.85% (20.38 / 66.06) ^{a'}
	SM 2	Dairy Herd Growth Rate	10%	Actual/Target x Weight 11.59% (36,641 - 32,835 / 32,835)
	SO 2	Safe Quality Local Milk		
	SM 3	Raw Milk Acceptance Rate	10%	Actual/Target x Weight 70% (10,143 / 14,480)
	SO 3	Improved Welfare of External Stakeholders		
	SM 4	Percentage of trained external stakeholders ¹⁴ on Business and Technical Management	4%	Actual/Target x Weight 90.01% (1,756 / 1,951)
	SM 5	Improvement rate in the weight of children milk fed	4%	Actual/Target x Weight 90% ^{a'}
	SM 6	Increment in milk revenues of: ^{a'}		
		a. Dairy Farmers	5%	Actual/Target x Weight 15% ^{a'} CY = 1,561.57 PY = 1,357.29
		b. DMF Operators	5%	Actual/Target x Weight 3% ^{a'} CY = 8,453.65 PY = 8,207.43
	SM 7	No. of imported cattle financed through credit institutions	3%	Actual/Target x Weight 50% ^{a'} (707)
SM 8	Satisfactory Rating from external stakeholders	2%	Satisfactory	
	Sub-total	55%		
INTERNAL PROCESS	SO 4	Infuse and Produce Dairy Animals		
	SM 9	Number of dairy animals		
		a. Imported (cattle)	5%	Actual/Target x Weight 1,415 ^{b'}
		b. Produced locally (all)	5%	Actual/Target x Weight 6,700 ^{b'}
	SM 10	Number of animals bred and inseminated with dairy genetics	5%	Actual/Target x Weight 20,000 with 60% success rate
	SM 11	Number of DMF Farms established	6%	28 ^{b'}
SO 5	Ensure the Enforcement of Dairy Quality Standards from Production to Post Harvest			
SM 12	Dairy Farms Accreditation	5%	2015: All or Nothing 2016-onwards: No. of Accredited Dairy Board-Approved Dairy Farm Accreditation Systems Design	

				Farms OVER No. of NDA Registered Dairy Farms	
INTERNAL PROCESS	SO 6	Advocate Patronage of Local Milk and Milk Products			
	SM 13	Number of MFP Sponsors (Institutions only)	2%	Actual/Target x Weight	30 ^{a)}
		Sub-total	28%		
LEARNING AND GROWTH	SO 7	Enhance Competence of NDA Manpower			
	SM 14	Competency Framework	5%	All or Nothing	Board-Approved Competency Framework
	SO 8	Develop Quality Management Systems			
	SM 15	ISO Certification	5%	All or Nothing	Completion of Quality Manual
		Sub-total	10%		
FINANCE	SO 9	Enhance Existing and Establish New Revenue Sources			
	SM 16	EBITDA (Earnings before income tax, depreciation & amortization)	5%	Actual/Target x Weight	(124,618)
	SM 17	Collection rate	2%	Actual/Target x Weight	54.26% ^{f)} (29,060 / 53,599)
		Sub-total	7%		
		TOTAL	100%		

a/ National Liquid Milk Supply = Local + Imported

b/ Based on children with submitted reports: Improvement is equivalent to increase of at least 1.1 lb per child

c/ Revenue data from accredited plants (excluded are income from informal markets); Validation report: payroll from plants

d/ Dairy farmers pertain to small time individuals who partnered with NDA

e/ DMF Operators pertain to private farmers and cooperatives

f/ 50% of the animals imported

g/ Mortality Rate: less than 5% (quarantine period); Validation document: acknowledgement receipt

h/ Includes calves of imported cattle; Validation document: Field Officer report

i/ 80% success rate (both male and female)

j/ Validation document: MOA

k/ 100 sponsored children per institution for 120 days; If sponsors are more than one, they are counted as one provided the 100 sponsored children are reached

l/ Past due collections shall be counted if included in the target for the year.

It is understood that the NDA must achieve a weighted-average of at least 90% to be eligible to grant any Performance-Based Bonus.

4. **Strategic Initiatives.** – NDA hereby commits to undertake its sole strategic initiative: Implementation of the NDA Rationalization Plan identified as having a significant impact on its Performance Scorecard (PES Form 2) attached hereto as **Annex B**.

The Commitment herein includes obtaining all necessary approvals, if applicable, such as those for Major Development Projects under GCG MC No. 2013-03. NDA shall include updates on the foregoing Strategic Initiatives in its submission of quarterly monitoring reports to the GCG.

5. **Quarterly Submission of Performance Monitoring.** – NDA shall submit a quarterly monitoring report to the GCG within thirty (30) calendar days from the close of each quarter using the monitoring report attached hereto as **Annex C**.

6. **Good Governance Conditions.** – In addition to the covered portions of the Performance Scorecard, the GOCC must fully comply with the Good Governance Conditions enumerated under GCG MC No. 2013-02 (Re-Issued), GCG MC No. 2014-02, and GCG MC No. 2014-03 namely:
 - 6.1. **Conditions Common to National Government Agencies and GOCCs:**
 - (a) Transparency Seal;
 - (b) PhilGEPS Posting;
 - (c) Cash Advance Liquidation;
 - (d) Citizen's Charter or its equivalent; and
 - (e) Compliance with the submission and review requirements covering Statement of Assets, Liabilities and Networth (SALN);

 - 6.2. **Conditions Specific to GOCCs Covered by R.A. No. 10149:**
 - (a) Satisfaction of all statutory liabilities, including the payment of all taxes due to the Government, and declaration and payment of all dividends to the State as of the end of the applicable calendar year, whenever applicable. Liabilities that are still under dispute and there has been no final and executory judgment/decision as of the date of the release of the PBB by the GOCC shall be excluded for the purpose of this provision.
 - (b) Submission and execution of concrete and time bound action plans for addressing Notices of Disallowances and Audit Observation Memoranda from the Commission on Audit (COA), if any.
 - (c) Adoption of a *"Manual of Corporate Governance"* pursuant to Section 42 of the **CODE OF CORPORATE GOVERNANCE FOR GOCCs (GCG MC No. 2012-07)** that is approved by GCG and uploaded on the GOCC's website.
 - (d) Compliance with posting on the GOCC's website the information enumerated under Section 43 of GCG MC No. 2012-07.
 - (e) Adoption of a **NO GIFT POLICY** approved by the GCG and uploaded on the GOCC's website pursuant to Section 29 of GCG MC No. 2012-07.
 - (f) Compliance with the deadlines and submission of reports through the Integrated Corporate Reporting System (ICRS) pursuant to GCG MC No. 2014-02.
 - (g) Compliance by all members of the Governing Board with the submission of all required forms for the Director Performance Review (DPR) pursuant to GCG MC. No. 2014-03 and implementing issuances pursuant thereto.
 - (h) Submission of Corporate Operating Budgets (COBs):
 - i. For GOCCs receiving national government budgetary support, COBs shall be submitted to the Department of Budget and Management (DBM) for review and approval

- on or before the deadline indicated in DBM National Budget Memorandum No. 120 on "Budget Call for FY 2015;"
- ii. For GOCCs without national government budgetary support, COBs shall be submitted to the Governance Commission using the same deadline as provided in DBM National Budget Memorandum No. 120.
7. NDA hereby undertakes to have its Performance Scorecard rated by its customers and solicit feedback on how the same may be improved. NDA shall determine the most effective method for accomplishing the said purpose. Such information shall be reported to GCG together with the quarterly monitoring report. The rating shall not affect the performance indicators/measures in NDA's Performance Scorecard, and shall be used solely as a reference by GCG and NDA during Performance Agreement Negotiations/Renegotiations.
8. NDA shall timely inform GCG of all audit observations and notices of disallowances within seven (7) working days from the time it receives the same from the Commission on Audit (COA) prior to the regular publication of the final annual audit report. Accordingly, NDA shall copy furnish the Governance Commission copies of all written communications between NDA and COA on such matters, inform GCG of the schedule of its exit interview with COA seven (7) working days before the schedule or as soon as practicable, and other efficient means of inter-agency coordination.
- Failure to timely disclose such matters to the Governance Commission prior to the same becoming public information or the submission of the application for the Performance-Based Bonus (PBB) or Performance-Based Incentive (PBI) may be considered as non-compliance with the Good Governance Condition of submitting Concrete and Time Bound Action Plans on findings of COA, rendering the Governing Board **INELIGIBLE** to apply for the PBI, without prejudice to a further determination on the impact of the same on the NDA's PBB application.
9. Nothing herein shall be construed as limiting the authority of GCG to initiate renegotiations and/or revoke Performance Agreements in accordance with existing laws, rules and regulations.

DONE, this 25th day of February 2015, in the City of Makati, Philippines.


**GOVERNANCE COMMISSION FOR
GOCCs**

BY AUTHORITY OF THE COMMISSION:


CESAR L. VILLANUEVA
Chairman


MA. ANGELA E. IGNACIO
Commissioner

NATIONAL DAIRY AUTHORITY

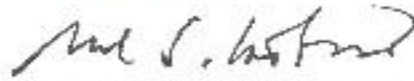

PROCESO J. ALCALA
Chairman
Secretary, Department of Agriculture


GRACE J. CENAS
Administrator



RAINIER B. BUTALID
Commissioner

CESAR C. SEVILLA
Board Member



for: **VIRGILIO R. DE LOS REYES**
Board Member

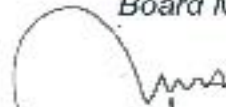
ARMIN A. LUISTRO
Board Member



For: **ENRIQUE T. ONA**
Board Member

MARIO G. MONTEJO
Board Member

GREGORY L. DOMINGO
Board Member



JULIUS M. MIGRASO
Board Member



MINERVA S. YUVIENCO
Board Member



ROBERT M. ENERIO
Board Member



TEODORO V. PANALIGAN
Board Member