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2 **MINUTES OF THE CITEM BOARD OF GOVERNORS' MEETING**
3

4 24 July 2020, 10AM
5 VIRTUAL CONFERENCE
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8 **ATTENDANCE:**
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10 **Alternate Chairman**

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12 Abdulgani M. Macatoman
13 Undersecretary for Special Concerns and Trade Promotions Group (TPG)
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15 **Board Members**

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17 Mr. Thomas Benjamin B. Marcelo Ms. Paulina Suaco-Juan
18 Bangko Sentral ng Pilipinas CITEM
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20 Ms. Elsa Asuncion Lim
21 National Food Authority
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23 **CITEM OFFICERS**

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25 A. Grace I. Marpuri Ma. Lourdes D. Mediran
26 Corporate Secretary Deputy Executive Director
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28 Malerna C. Buyao Wilma Dulay
29 Controllership, Chief Budget, Chief
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31 Romina Magno
32 Corporate Planning Division Chief
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35 **I. DETERMINATION OF EXISTENCE OF QUORUM**
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- 37 1. The Chair and the Board Secretary determined the existence of quorum.
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39 2. Board Members duly acknowledged the Notice of Meeting and Board Papers sent to them via
40 email on 24 June 2020 and 20 July 2020, respectively.
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42 **II. APPROVAL OF THE PREVIOUS MEETING (27 MAY 2020)**
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- 44 1. Discussion of Minutes and Matters arising from Meeting.
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46 2. DEFERMENT OF 3RD QUARTER PROJECTS
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48 a. SIAL Paris was cancelled by the organizer. As an alternative, CITEM will participate
49 in the MoM 2020, a digital platform that will feature 14 PH brands and MSMEs.
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51 b. CAEXPO is currently on preparation, which show dates is moved to 27-30
52 November 2020. Last 8 July 2020, during the Senior's Official Meeting (SOM)
53 attended by Deputy Executive Director Malou Mediran, the CAEXPO Secretariat
54 discussed the preparations. It was also mentioned that they will release an official
55 statement by the end of September whether the show be through physical or virtual
56 showcase.
57
58 3. DELEGATION OF AUTHORITY TO DEFER 4Q PROJECTS
59 a. All 4Q Projects were deferred due to travel and government restrictions, and the
60 decision of the organizers to postpone the show.
61 b. For Manila FAME, CITEM will launch the Manila FAME digital platform (DTCP) this
62 October 2020



63 4. ADDITIONAL CASH DRAWDOWN IN THE AMOUNT OF PHP76.044M FOR 2020 PS
64 BUDGET

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66 a. This was Approved by the Board for 2020 PS and CAPEX Budget
67 b. As advised by the Board, CITEM Management to undertake partial withdrawal of
68 the amount in accordance with the designated level of signing authority and based
69 on the current need
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71 5. Discussion on the Digital Initiative as alternative for 2020 deferred projects

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73 6. Having no further comments—

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75 “RESOLVED, that the Minutes of the Previous 27 May
76 2020 Virtual Board Meeting, being in order, is hereby
77 APPROVED.

78 *Res. No. BM 2020-07-01*

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80 “RESOLVED, that the Matters Arising from the
81 Previous 27 May 2020 Virtual Board Meeting, being
82 in order , is hereby NOTED.

83 *Res. No. BM 2020-07-02*

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86 **III. FINANCIAL REPORT AS OF 30 JUNE 2020**

87 1. CITEM financial report as of 30 June 2020:

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	2020 As at June 30	2019 As at June 30	% INC/(DEC)
REVENUE			
Service and Business Income	15.494	67.474	(77.04%)
Total Revenue	15.494	67.474	(77.04%)
LESS: OPERATING EXPENSES			
Personnel Services (Schedule 1)	34.233	37.532	(8.79%)
Maintenance and Other Operating Expenses (Schedule 2)	22.948	36.626	(37.35%)
Financial Expenses (Schedule 3)	.119	.102	16.67%
Direct Costs (Schedule 4)	23.983	49.674	(51.72%)
Total Current Operating Expenses	81.283	123.934	(34.41%)
SURPLUS / (DEFICIT) FROM CURRENT OPERATIONS (BEFORE SUBSIDY)	(65.789)	(56.460)	16.52%
Net Financial Assistance/Subsidy/Contribution	139.240	116.281	19.74%
Gain/Loss From Forex	(.003)	.003	0%
NET SURPLUS/DEFICIT FOR THE PERIOD	73.448	59.824	22.77%

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90 2. The Board asked on the utilization of the operating expenses (MOOE) during this pandemic
91 compared to pre-covid, given that CITEM deferred its 2nd – 4th Q projects.

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93 3. In reply, Executive Director Pauline Suaco Juan reported how the remaining budget program
94 for July -December 2020 is programmed:

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96 a. For 2021, the subsidy level given to CITEM to augment its operating expenses
97 was reduced to PHP141.885 from the original proposal of PHP400.049 (-64.53%)
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99 b. The PHP141.885M MOOE subsidy is identified for CITEM’s signature events and
100 zero subsidy for OTF.
101
102 c. STO budget is only PHP 15.624 for 2021, which is not enough to continue the
103 initiated digital initiatives as alternative platforms for CITEM Signature events.
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105 4. Given all these circumstances, CITEM will utilize these remaining budgets in preparation for
106 CITIEM signature events and digital initiatives covering the period 2020-2021.
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REMAINING BUDGET, JUNE 30		P 220.759 M
LESS: Represents 10% Discontinuance		P 27.848 M
Total		P 192.911 M
LESS: Budget Allocation for:		
<u>OPERATIONS</u>		
Manila FAME October	P 43.742 M	
CIIE	6.500 M	
CAEXPO	5.000 M	
Global Food Branding*	13.000 M	
FoodPH Exhibitor Content*	5.000 M	
FoodPH Video*	4.500 M	
DTCP	58.620 M	
IFEX Pre-Operating Expenses	13.000 M	
SSX Pre-Operating Expenses	<u>5.845 M</u>	
<i>Sub-total</i>	<i>P 155.207 M</i>	
GEN. AND ADMIN SERVICES (GAS)	15.092 M	
SUPPORT TO OPERATIONS (STO)	<u>22.612 M</u>	P 192.911 M
Balance		--

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5. The Board having no further comments---

“RESOLVED, that the Matters Arising from the Previous 27 May 2020 Virtual Board Meeting, being in order , is hereby NOTED.

Res. No. BM 2020-07-03

“RESOLVED, that the CITEM remaining PHP 220.759M budget for 2020 to utilized for both digital projects and signature events for 2020-2021, GAS and STO, being in order , is hereby APPROVED.

Res. No. BM 2020-07-04

IV. REPORT ON THE 2019 AND 2020 CITEM PERFORMANCE COMMITMENT

1. CITEM management decided to incorporate a more inclusive growth framework for SMEs in the 2017-2023 Strategy Map. CITEM envisions that by 2023 CITEM is a globally recognized export promotion agency that is well-reputed for bringing the best the Philippines has to offer in the priority markets indicated by the Philippine government.
2. As a GCG requirement for the 2020 Performance negotiation, CITEM submitted its proposed 2020 Performance Scorecard to GCG, consisting of the proposed FY2020 Charter Statement and Strategy Map, 2020 Performance Scorecard (PES), 2020 Strategic Initiatives Profile, and other required documents. In the said submission, the GCG-approved 2019 Charter Statement and Strategy Map were generally retained with some modifications in the Stakeholders and Internal Process Perspectives due to the new directives and priorities of the CITEM management.
3. Modifications on the CITEM-proposed FY2020 Performance Scorecard were made during the Technical Panel Meeting (TPM) with GCG held on 19 November 2019 to discuss CITEM's proposed FY2020 Scorecard. This was followed by the CITEM submission to GCG of the revised FY2020 Charter Statement and Strategy Map and Performance Scorecard based on board-approved documents in a meeting held on 28 November 2019.
4. Due to the Covid-19 pandemic and the ensuing travel restrictions and community quarantines implemented internationally and locally, majority of the Strategic Measures in CITEM's FY2020 Performance Scorecard have been considered **not achievable**. The cancellation of CITEM projects have negatively affected the agency's performance for FY2020.
5. As of 30 June 2020, CITEM was able to complete only four (4) overseas projects for the 1st half of 2020, namely, Biofach (Germany), Ambiente (Germany), Gulfood (UAE) and Chocoa

- 153 (Netherlands). The cancellation of March to June projects resulted in a dismal performance vs
154 targets for the 1H2020 period. Please see enclosed CITEM's performance as of 30 June 2020
155 for reference
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- 157 6. For CITEM's FY2020 Annual performance, CITEM is expecting to achieve only a **47.59%**
158 rating vs targets due to cancelled 2nd and 3rd quarter local events and overseas trade fair (OTF)
159 participations and due to expected low turnout for the remaining local and international shows
160 for 4Q2020. Below is the matrix of the agency's projected performance for the FY2020:
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- 162 7. CITEM Management recommends that the agency make an appeal for reconsideration to the
163 GCG on the agency's FY2020 Performance Scorecard with the following options:
164 i. OPTION 1: GCG Deferment of CITEM's FY2002 Performance Evaluation
165 ii. OPTION 2: Modified FY2020 Performance Evaluation
166 a. Evaluate only Applicable Strategic Measures (SMs) not affected by Event
167 Cancellations (I.E. SM2, SM8, SM9, SM10)
168 b. Non-evaluation for SMs affected by Event Cancellations (i.e., SM3, SM7)
169 c. For all other targets, reduce targets drastically affected by Event
170 Cancellations (i.e., SM1, SM3a, SM3b, SM4, SM5, SM6).
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- 172 8. CITEM Management further recommends for the Board to endorse the enclosed 1H2020
173 accomplishments vs the FY2020 Performance Scorecard together with projections of
174 accomplishments for FY2020 for submission to GCG and for use in the renegotiation of its
175 FY2020 Performance Scorecard with GCG in light of the negative impact of the COVID-19
176 pandemic.
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- 178 9. The Board approved Management's Option 2 recommendation to renegotiate and modify its
179 commitment scorecard for 2020.
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- 181 10. The Board make further recommendations to CITEM in crafting its Strategic measures to be
182 committed henceforth:
183 a. Performance metrics shall be carefully assessed and should be responsive to the new
184 landscape of the current trade exhibition industry, being hardly hit by COVID pandemic
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186 b. Take consideration of the existing facilities that CITEM is utilizing for its signature event
187 viz an increase in the number of exhibitors or buyers commitment
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189 c. Given also the pandemic, an increase the number of products to be developed shall
190 not be responsive at this time.
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192 d. Since CITEM is transforming from a physical to a virtual platform, performance
193 indicators shall likewise be in accordance with this digital shift;
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- 195 11. Having no further comments--
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197 "RESOLVED, that 2019 and 2020 PERFORMANCE
198 SCORECARD, is hereby NOTED"

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200 (Res. No. BM 2020-07-05)
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202 "RESOLVED, that CITEM is hereby authorized to renegotiate and
203 present modified performance scorecard with the GCG , being in order,
204 is hereby APPROVED"

205 (Res. No. BM 2020-07-06)
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208 **V. 2021 WORKPROGRAM AND CORPORATE OPERATING BUDGET BASED**
209 **ON THE DBM SUBSIDY LEVEL**
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- 211 1. On 01 June 2020, CITEM submitted to DBM its Budget Proposal for FY2021 amounting to Php
212 514.724M which will be funded from NG Subsidy, Php 400.049M (TIER1 - Php 234.319M;
213 TIER2 - Php165.730M); and Corporate Revenues, Php 114.675M.
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Particulars	2021 Proposed C.O.B. <i>(In Million Php)</i>
I. Funding Sources	
NG Subsidy	400.049
Corporate Revenues	114.675
Prior Year Savings	-
Total Sources	514.724
II. Budgetary Requirements	
Personal Services (PS)	97.795
Maintenance & Other Operating Expenses (MOOE)	410.049
Capital Outlay (CO)	6.880
Total Budget	

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- On 17 July 2020, CITEM received a Confirmation Letter from DBM regarding the recommended subsidy level for FY 2021. The DBM recommended a total FY2021 Budget of Php141.885 Million, of which P46.873M is intended for operating requirements; and P95.012M for the implementation of various trade promotion programs of CITEM under Tier 1 level; and zero-budget level for Tier2.

TIER 1 Subsidy	PS	MOOE	CO
Gen. and Admin Services (GAS)		31.249	
Support to Operations (STO)		15.624	
Operations		95.012	
Total, NG Subsidy	-0-	141.885	-0-

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- According to the Confirmation Letter of DBM, the recommended amount shall be the final budget level to be submitted by DBM for Congressional review, and request for reconsideration in increasing the recommended budget level will not be considered by DBM due to limited resources for the budget year.
- On same day, 17 July 2020, CITEM sent a letter to DBM confirming the recommended level of P141.885M. However, CITEM recommends to realign of P5.0Million from Operations budget to Support to Operations (STO).
- The P5.0M will be used as additional fund for the requirements of Digital Trade Program.
- Compared to the original budget proposal of P400.049M NG Subsidy (Tier1 P234.319M; and Tier2, P165.730M); 64.53% reduction or P258.164M as against the DBM recommended level of Subsidy of P141.885M.
- Based on FY 2021 DBM recommended subsidy level, the revised Corporate Operating Budget is P250.560M:
- CITEM budgeted P97.795M for PS to cover 100 plantilla positions based on Salary Standardization Law (SSL-5) rates. PS is not subsidized by the government; hence, to be sourced from the Corporate Revenues.
- MOOE of P145.885M consists of direct costs of export promotion activities, as well as support services and administrative overhead expenses.

I. General & Administrative Services	31.249
II. Support to Operations	20.624
III. Operations	
Signature Events	94.012
Overseas Trade Fairs	-
TOTAL, Operations	145.885

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10. CITEM proposed to undertake four (4) Signature events in Manila, with total budget of P94.012M:

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- Manila Fame-October
- IFEX Philippines
- Sustainability Solutions Expo (SSX)
- Create Philippines
- Digital Initiative

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11. In addition, the Digital Trade Community Platform (DTCP) with P5.0M under Support to Operations will be budgeted as preparatory for CITEM's digital initiatives.

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12. Capital Outlay (CO) budget amounting to Php6.880M is allotted for the acquisition of the following: IT equipment, Php3.880M; Genset replacement Php1.500M; and Motor Vehicle Php1.500M

13. Details of Corporate Operating Budget based on original submission, and the revised Corporate Operating Budget based on the DBM recommended budget level:

Particulars	2021 Original Proposed C.O.B. (In Million Php)	2021 Revised C.O.B. based on DBM Recom. (In Million Php)	Increase/ (Decrease)	% Increase/ (Decrease)
I. Funding Sources		N		
NG Subsidy	400.049	141.885	(258.164)	-64.53%
Corporate Revenues	114.675	18.802	(95.873)	-83.60%
Prior Year Savings/Cash Drawdown	-	89.873	89.873	
Total Sources	514.724	250.560	(264.164)	-51.32%
II. Budgetary Requirements				

Personal Services (PS)	97.795	97.795	-	
Maintenance & Other Operating Expenses (MOOE)	410.049	145.885	(264.164)	-64.42%
Capital Outlay (CO)	6.880	6.880	-	
Total Budget	514.724	250.560	(264.164)	-51.32%

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14. The decrease in subsidy level from the original requested amount has huge impact on the work program and the target revenues for 2021.

15. Thus, a cash drawdown amounting to Php 89.873M is needed to fully fund Personal Services, Capital Outlay, and travelling expenses of P4.0M for the year.

16. The Board asked the status of the retained earnings; and where will CITEM source its PS and CAPEX budget if the pandemic and all government restrictions will limit CITEM from earning its income for 2021 and henceforth.

17. CITEM reported to the Board the estimated Balance of Retained Earnings:

Unappropriated Surplus,	P 251.233M
Restricted Fund (Building)	<u>314.419</u>
Accumulated Surplus, 12.31.2019	<u>P 565.652M</u>
Unappropriated Surplus, 01.01.2020	P 251.233M
Less: Cash drawdown for CY 2020	<u>95.194</u>
Unappropriated Surplus, 12.31.2020	P 156.039M
Less: Proposed Cash drawdown for CY 2021	<u>89.873</u>
Estimated Balance Unappropriated Surplus	<u>P 66.166M</u>

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18. From the above, given the PHP251.233M unappropriated surplus, CITEM sourced its programmed PS and CAPEX budget for 2020 and 2021 in the amounts of PHP 95.194M and PHP89.873M, respectively. CITEM is still left with PHP66.166M after programmed drawdown.

19. Moreover, it was reported that in a series of meetings and consultations, the DBM made a verbal confirmation that for FY2022, subsidized GOCCs will be provided subsidy for PS budget in addition to the regular subsidies for MOOE operating expenses. This is to further augment and help the affected GOCCs that were restricted to earn income due to COVID pandemic. This is also the query of CITEM based on the instruction of the Board last 27 May 2020 meeting to discuss this concern with the DBM.

20. Having no further comments,

“RESOLVED, that 2021 CITEM Wok Program is hereby APPROVED”

(Res. No. BM 2020-07-07)

“RESOLVED, that CITEM 2021 Corporate Operating Budget in the amount of PHP250.560M based on the NG Subsidy level of PHP141.885M , augmented by Corporate Operating Budget of PHP 18.802m, being in order, is hereby APPROVED”

(Res. No. BM 2020-07-08)

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316 “RESOLVED, that the 2021 programmed cash drawdown in the
317 amount of PHP 89.873M to fund the PS and CAPEX budget, and
318 travelling expenses of PHP4.0M, being in order is hereby
319 APPROVED

(Res. No. BM 2020-07-09)

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323 **VI. RATIFICATION OF CONTRACTS**

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325 1. As a Policy, contracts executed by Management with considerations PHP1M and above shall
326 be presented to the Board for Ratification.
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328 2. 9 Contracts , duly executed by Management with amounts PHP1M and above, for the period
329 January-July 2020, were presented for Ratification.
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331 3. The Board, resolved:

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333 “RESOLVED, that Contracts executed by CITEM
334 Management for the period January-July 2020, being in
335 order, is hereby RATIFIED”

(Res. No. BM 2020-07-10)

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339 **VII. OTHER MATTERS**

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341 1. CITEM Management discussed to the Board 3 Audit Observation Memorandum issued by
342 COA against CITEM :

ACCOUNT	AUDIT OBSERVATION	AUDIT RECOMMENDATION
DIVIDEND	CITEM did not declare and remit dividends to the National Treasury for CY 2015, 2017, 2018	Declare and remit the unpaid dividends; henceforth comply with the Dividend Law particularly on the exemption from declaration and remittance of dividends
ACCOUNTS PAYABLE	Long outstanding A/P of P16.357M were not reverted to Retained Earnings	Review and analyze all A/P; Revert to Retained Earnings; maintain SLs for monitoring
CASH IN BANK	A variance of P21.785M between balance per book and confirmed bank balances due to unrecorded bank debits/credits	Coordinate closely with banks; brief exhibitors to submit proof of payments and regular confirmation of A/R; revert stale checks to Cash in Bank account

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345 2. The Board granted CITEM authority to seek exemption to remit dividends from the Department
346 of Finance, as required under RA 7656 ---

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348 “RESOLVED, that CITEM is hereby given authority to
349 seek exemption from the Department of Finance to remit
350 dividends in accordance with RA 5676, being in order, is
351 hereby APPROVED”

(Res. No. BM 2020-07-11)

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354 **VIII. ADJOURNMENT**

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356 Prepared by:

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359 **ATTY. ANNA GRACE I. MARPURI**
360 Corporate Secretary