

PHILIPPINE INTERNATIONAL TRADING CORPORATION

E-Mail Address: pitc@pitc.gov.ph

Website: www.pitc.gov.ph

CITIZEN'S CHARTER

COUNTERTRADE

SERVICE DESCRIPTION

By virtue of Executive Order No. 120 (series of 1993), PITC is mandated to administer and manage this key program to ensure the integration of countertrade in government contracts involving procurement of foreign capital equipment, machinery, products, technology, supplies and services worth at least US\$1 Million.

STAKEHOLDER

- Government Agencies

BENEFITS

Countertrade is a mechanism to:

- Channel back of recoup foreign exchange spent for an importation;
- Gain access to advanced technology and training, new foreign investments, research and
- Development and related support for national development and modernization programs;
- Promote mutually beneficial collaborative business ventures between local industry sectors and their foreign counterparts through joint ventures and industrial cooperation;
- Promote export products and markets.

FORMS OF COUNTERTRADE

1. **COUNTERPURCHASE** - "An agreement whereby the primary supplier accepts parallel obligations to purchase products and/or services from the buyer's country." This form is also known as counter exports.
2. **OFFSETS** - An agreement whereby the primary supplier commits, as a condition of sale, to undertake or to introduce a wide-range of industrial and commercial activities for the benefit of the buyer or the buyer's country such as:
 - Investments
 - Technology transfer
 - Research and development
 - Training and skills upgrade
 - Donations and grants
 - Environmental Projects

- Projects beneficial to the End-user/Procurement Government Agency

Offsets are generally divided into two categories, to wit:

Direct Offsets – offset arrangements that are directly related to the purchased equipment.

Indirect Offsets – offset arrangements that are not related to the purchased equipment.

3. **PRODUCT BUY BACK** - An agreement whereby the seller/supplier of a turnkey production facility, machinery or equipment agrees to be paid, partially or fully, by the resultant products manufactured from the operation of the said facility or equipment.
4. **DEBT FOR GOODS** -- A transaction whereby a debtor country offers its goods or services for export to cover full or partial payment for an outstanding debt.
5. **BUILD-OPERATE-TRANSFER (BOT) and its variations** - Usually applied to major infrastructure contracts, this term refers to an arrangement whereby a project company or consortium (of local and foreign companies) is established to finance, construct and operate the project for a definite period of time. A combination of local and foreign funds ensures project financing at the end of the contract period.
6. **ANY VARIATION OR COMBINATION OF THE ABOVE** - Variations or combinations of any of the aforementioned forms of countertrade are generally acceptable depending on the objectives for their adoption.

ADOPTION OF COUNTERTRADE IN GOVERNMENT PROCUREMENT

In countries that have adopted countertrade as a part of a government procurement policy, foreign

suppliers and contractors are usually advised of the countertrade requirements during the bidding stage or supply negotiations stage to enable them to coordinate and gather information on such **program from the government's designated countertrade office.**

REQUIREMENTS FOR MONITORING AND CREDITING PROCEDURES

a. For Counterpurchase/Exports of Philippine Products:

- Copy of Bill of Lading or transport document evidencing actual contents and destination of shipment
- Copy of Commercial Invoice
- Copy of Letter of Credit and/or certified true copy of other evidence of payment/inward remittance for the Services acceptable to PITC.
- Such other documents as may be required by PITC.

b. For Utilization of Philippine Services:

- Copy of Invoice or Contract pertaining to the Philippine Services utilized
- Copy of Letter of Credit and/or certified true copy of other evidence of payment/inward remittance for the Services acceptable to PITC.
- Copy of Official Receipt issued by the relevant Philippine entity rendering the Philippine Service utilized hereunder evidencing full payment for said service by the supplier.
- Such other documents as may be required by PITC.

c. For Direct or Indirect Offsets:

- Copy or pertinent contract or agreement relative to offset arrangement to be performed
- Certification/Endorsement from the Philippine beneficiary of the offset arrangement that the supplier has performed a particular offset for their benefit and to their satisfaction.
- Such other requirements prescribed under MC CT-2012-001 as amended. Such other documents as may be required by PITC.

SCHEDULE OF SERVICE AVAILABILITY

Monday to Friday, 8:00a.m.to 5:00p.m.

ADDRESS AND CONTACT INFORMATION

Vice President Mario M. Leygo – Email: mmleygo@pitc.gov.ph

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Direct Line: (02) 892-1560

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SCHEDULED FEES:

Category A: Capital Equipment, Machineries and Spare Parts

Value of Countertrade Obligations (in Php)	Countertrade Fee Rate
100 Million or less	1.50%
Over 100 – 150 Million	1.25%
Over 150 – 200 Million	1.00%
Over 200 – 250 Million	0.75%
Over 250 – 300 Million	0.50%
Over 300 Million	0.25%

Category B: Essential/Basic Commodities & Raw Materials

Value of Countertrade Obligations (in Php)	Countertrade Fee Rate
Essential/Basic Commodities or Raw Materials e.g.coal	0.25%