

Republic of the Philippines
Department of Trade and Industry
Philippine International Trading Corporation

Memorandum Circular No. CT- 2012 -001

AMENDING CERTAIN PROVISIONS OF MEMORANDUM CIRCULAR NO. CT-95.1/01 TO INCREASE AND SIMPLIFY THE MULTIPLIERS RELATIVE TO OFFSET ARRANGEMENTS AND AMENDING THE VALUES OF COUNTERTRADE OBLIGATION VIS-À-VIS SCHEDULE OF COUNTERTRADE FEES

A. MULTIPLIERS RELATIVE TO OFFSET ARRANGEMENTS

A.1. INTRODUCTION

This Memorandum Circular is being issued for the purpose of amending certain provision of Memorandum Circular No. CT-95.1/01 dated January 10, 1995 ("Circular CT-95.01/01") entitled Guidelines for the Evaluation and Approval of Offsets Arrangements to be Undertaken pursuant to E.O. 120 and its Implementing Rules and Regulation. In particular, to revise current system of granting multipliers

Under Circular CT-95.01/01, forms of Offset are given multipliers summarized as follows:

| Forms of Offset | Basic Multipliers under Memorandum Circular No. CT-95.01/01 |
|---------------------------------------|---|
| 1. FOREIGN INVESTMENTS | |
| 1.1. Pioneer Enterprises | 4 |
| 1.2. Non-pioneer Enterprises | 2 |
| 2. TECHNOLOGY TRANSFER | 3 |
| 3. RESEARCH AND DEVELOPMENT | 3 |
| 4. TRAINING AND SKILLS UPGRADE | 3 |
| 5. DONATIONS OR GRANTS | 2 |
| 6. ENVIRONMENTAL PROJECTS | 3 |

Further specified in the said Circular, Incremental multipliers are applicable to Foreign Investment, Technology Transfer and Donations or Grants as follows:

| Preferred Areas | Incremental Multiplier |
|--|------------------------|
| 1) In Export Winners identified in the current IPP or in enterprises engaged in non-traditional exports, also specified in the current IPP, provided that, in either case, at least 70% of production is for the export market | Basic Multiplier + 2 |
| 2) In Less Developed Areas (LDA's) identified in the current IPP | Basic Multiplier + 2 |
| 3) In areas outside Metro Manila (other than LDA's) | Basic Multiplier + 1 |
| 4) In rehabilitation, expansion or modernization projects in the current IPP | Basic Multiplier + 1 |
| Where the said offsets are undertaken or pursued in more than one of the preferred areas listed, the total multipliers (basic + incremental) to be applied to such offset shall not exceed 6x | |

A.2. INCREASED AND SIMPLIFIED MULTIPLIERS

The current rate of multipliers need to be revised in order to respond to current developments in the Government's procurement practices. Counterpurchase thru Exports has historically been the more prevalent method of fulfilling countertrade obligations. This is because counter purchase is relatively an easier method to undertake compared to Offsets. Secondly, Offsets are considered to be more expensive to undertake compared to counter purchase.

Another development among government agencies integrating Countertrade in their procurement is the desire that the government agencies' themselves become beneficiary to the Offset project undertaken by the CT Obligor. Thus, there is a new found appreciation for the implementation of more Offset projects that would benefit the government.

The current rate of multipliers for Offset projects which ranges from two (2) to four (4) is not attractive enough to encourage government suppliers to undertake Offsets as a form of fulfilling Countertrade obligation considering the expense involved.

In view of the foregoing, applicable multipliers are hereby amended as follows:

| Form of Offsets | Multiplier |
|--|-------------------|
| 1. FOREIGN INVESTMENTS | 7 |
| 2. TECHNOLOGY TRANSFER | 7 |
| 3. RESEARCH AND DEVELOPMENT | 7 |
| 4. TRAINING AND SKILLS UPGRADE | 7 |
| 5. DONATIONS AND GRANTS | 7 |
| 6. ENVIRONMENTAL PROJECTS | 7 |
| 7. PROJECTS BENEFICIAL TO THE END-USER / PROCURING GOVT AGENCY | 10 |

Offset arrangements may be Direct or Indirect. Offset is considered DIRECT, when the offset to be undertaken is directly related to the capital equipment, machinery, goods or services imported by the Philippine government. Otherwise, they are considered INDIRECT.

Offsets and/or projects beneficial to the End-user/Procuring Government Agency will have a multiplier of ten (10).

To illustrate: A Training for Skills Upgrade conducted by the Countertrade obligor for the employees of the End-user/Procuring Government Agency with a value of US\$2,000.00 or its equivalent will be given a multiplier of x10. As such, the value of the Countertrade/Offset Performance to be deducted from the Total Countertrade/Offset obligation shall be:

$$\text{US\$2,000.00} \times 10 = \text{US\$ 20,000.00}$$

A.3. OTHER AMENDED PROVISIONS

A.3.1. In consideration of the increase in multipliers, the incremental multipliers are hereby deleted

A.3.2. Other activities or transactions similar to those previously enumerated above may be eligible as offsets PROVIDE: that all proposals relative thereto are submitted to PITC for proper evaluation and approval prior to implementation.

The criteria for valuation and multipliers to be applied to other offset transaction/activities which are not expressly provided herein shall be provided/decided by PITC on a case-to-case basis.

B. COUNTERTRADE OBLIGATION VIS-À-VIS COUNTERTRADE MONITORING FEE

Secondly, the Values of Countertrade Obligation vis-à-vis the schedule of Countertrade fees as per Board Resolution 2002-01-06 are hereby amended to the following:

CATEGORY A: CAPITAL EQUIPMENT, MACHINERIES and SPARE PARTS

| Value of Countertrade Obligations (in ₱) | 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 Obligation | Countertrade Fee Rate |
|--|-----------------------|
| Essential / Basic Commodities or Raw materials e. g. coal | 0.25 % |

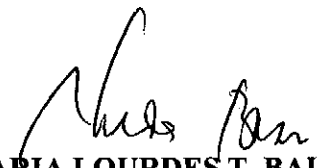
C. SUPPLEMENTARY DOCUMENT

Provisions on previously issued Memorandum Circular inconsistent with the aforementioned are hereby amended. The provisions of E.O 120 and its IRR shall be deemed incorporated and adopted by reference to this Circular and this Circular shall be considered as a binding supplement to the IRR.

D. EFFECTIVITY

This Circular shall take effect immediately.

Makati City, Metro Manila, 10 April 2012


MARIA LOURDES T. BAUA
President and CEO
