

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City



SEVENTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. **5540**

Introduced by Honorable Michael L. Romero and Enrico A. Pineda

EXPLANATORY NOTE

The Small Business Guarantee and Finance Corporation (SBGFC) was created on 24 January 1991 *under Republic Act 6977, (as amended by Republic Act 8289)*. The Corporation was given a mantle of authority to offer a wide range of financial services, specifically for small and medium enterprises engaged in manufacturing, processing, agribusiness (*except crop level production*) and services (*except trading*). These financial services include among others guarantee, direct and indirect lending, financial leasing, secondary mortgage, venture capital operations and the issuance of debt instruments for compliance with the mandatory allocation provision.

On November 16, 2001, the Small Business Guarantee and Finance Corporation (SBGFC) and the Guarantee Fund for Small and Medium Enterprises (GFSME) were merged through Executive Order 28, and became known as the Small Business Corporation (**SB Corporation**).

Aside from the creation of SBGFC, the law likewise has the following significant provisions:

- 1) the creation of the Small and Medium Enterprise Development (SMED);
- 2) the mandatory allocation of credit resources to small enterprises; and
- 3) the rationalization of government assistance programs and agencies concerned with the development of SMEs. SBGFC commenced its operations on July 16, 1992. It is attached to the Department of Trade and

Industry and is under the policy, program and administrative supervision of the Small and Medium Enterprise Development (SMED) Council.

At the time of the merger, GFSME was a guarantee fund operated independently by a Management Committee and professional staff under the Livelihood Corporation, a corporation attached to the Office of the President of the Philippines. GFSME's services were restricted to offering of guarantee services to participating financial institutions lending to SMEs from the time it started commercial operations in 1984.

This House Bill seeks to create a more effective financial institution better geared to meet the needs of the Small Medium Enterprises (SME) market. With the merger, the National Government became the single biggest stockholder of Small Business Corporation.

Earnest approval of this bill is hereby requested.



MICHAEL L. ROMERO Ph.D



ENRICO A. PINEDA

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AN ACT

**TO PROVIDE ADDITIONAL CAPITALIZATION AND FUNDING TO THE
SMALL BUSINESS CORPORATION (SB Corporation), TO
EFFECTIVELY SPUR ITS GROWTH AND DEVELOPMENT
THROUGHOUT THE COUNTRY, TO RATIONALIZE ITS GUIDELINES,
AND FOR OTHER PURPOSES**

Be it enacted by the Senate and House of Representatives in Congress
Assembled:

SECTION 1. Declaration of Policy - The state shall hereby be responsible for the promotion, growth and development of small and medium enterprises in the country by way of facilitating and closely coordinating national efforts to promote the viability and growth of small and medium enterprises, including assisting relevant agencies in the tapping of local and foreign funds for small and medium enterprise development, as well as promoting the use of existing guarantee programs.

SECTION 2. Implementing Rules and Regulations — To foster the pace for small and medium enterprise development, the State shall be guided by the following principles:

(a) Minimal set of rules and simplification of procedures and requirements. All government agencies having to do with small enterprises shall pursue the principles of minimum regulation to ensure stability of rules and to encourage entrepreneurial spirit among the citizenry.

The agencies shall see to it that procedural rules and requirements, within their respective offices and in coordination with other agencies, are minimized in the act of registration, availment of financing and accessing other government services and assistance.

(b) Role of the private sector. In order to hasten growth and expansion of small and medium enterprises, the private sector throughout the country shall be encouraged to assist in the effective implementation of this Act by constantly policing their ranks; and by participating in government programs for small and medium enterprises strictly in accordance with law, and consistent with the attainment of the purposes hereof.

The government shall encourage the organization and establishment of small and medium enterprise industry associations at the local and regional levels preferably unified under a national federation/association.

(c) Coordination of government efforts. Government efforts shall be coordinated to achieve coherence in objectives. All appropriate offices, particularly those under the Department of Trade and Industry (DTI), Department of Finance (DOF), Budget and Management (DBM), Agriculture (DA), Agrarian Reform (DAR), Environment and Natural Resources (DENR), Labor and Employment (DOLE), Transportation (DOT), Communication (ICT), Public Works and Highways (DPWH), Science and Technology (DOST), and Local Government as well as the National Economic and Development Authority (NEDA) and the Central Bank of the Philippines (BSP), through their national, regional and provincial offices, shall to the best of their effort and in coordination with local government units, provide the necessary support and assistance to small and medium enterprises.

(d) Decentralization. The State shall accelerate the decentralization process by establishing regional and provincial offices in order to enhance and attain greater efficiency in the provision of services to the countryside and the implementation of this Act, in coordination with local government units.

To this end, the Government Agencies shall effect a substantial delegation of authority their regional and provincial offices to make decisions, particularly in the registration of beneficiaries of this law, qualification for availment of benefits, accreditation of private voluntary organizations, industry associations and cooperatives, and to resolve complaints for violation of applicable laws.

SECTION 3. Capitalization and Funding. — The Small Business Corporation (SB Corp) shall have an additional authorized capital stock of Two billion pesos (**₱2,000,000,000.00**). The One billion pesos (**₱1,000,000,000.00**) shall be established from a pool of funds to be contributed in the form of equity investments in common stock by the Land Bank of the Philippines (**LBP**), the Philippines National Bank (**PNB**), the Development Bank of the Philippines (**DBP**) in the amount of Two hundred million pesos (**₱200,000,000.00**) each. The Social Security System (**SSS**) and the Government Service Insurance System (**GSIS**) shall also set aside Two hundred million pesos (**₱200,000,000.00**) each to be placed in preferred stocks of the SBGFC.

Additional funding shall come from trust placements of excess and unused funds of existing government agencies, bilateral and multilateral official development assistance funds, subscription from government-owned or controlled corporations (**GOCC**), and investments of private financial institutions and corporations.

SECTION 4. Allocation of Credit Resources to Small Enterprises. — All lending institutions as defined under the BSP code, whether public or private, shall, set aside a portion of their total loan portfolio based on their balance sheet as of the end of the previous quarter, and make it available for small enterprise credit as herein contemplated.

The portion mandated to be so set aside shall at least, eight per cent **(8%)** by the end of the year of the effectivity of this Act, thirteen percent **(13%)** by the end of the second year through the end of the fourth year, and eight percent **(8%)** by the end of fifth year.

The BSP in consultation with the SBCorp, shall formulate rules for the effective implementation of this provision:

Provided, That the purchase of government notes, securities, and other negotiable instruments, with the exception of such instruments as may be offered by the SBCorp, shall not be deemed compliance with the foregoing provision.

SECTION 5. Periodic Reports - The SBCorp shall submit periodic reports on its findings and make recommendations on actions to be taken by Congress and Senate and the appropriate department, and in order to carry out the objectives and mandates of this Act.

SECTION 6. Automatic Review - Every year after the effectivity of this Act, an independent review panel composed of experts to be appointed by the President shall review the policies and programs in the SBCorp and shall make recommendations, based on its findings, to the President and to both Houses of Congress.

SECTION 7. Repealing Clause. All laws, executive orders, issuances, rules and regulations inconsistent with this Act are hereby amended, repealed or modified accordingly.

SECTION 8. Separability Clause. If, for any reason or reasons, any portion or provision of this Act shall be held unconstitutional or invalid, the remaining provisions not affected thereby shall continue to be in full force and effect.

SECTION 9. Effectivity Clause. This Act shall take effect fifteen (15) days after its publication in any newspaper of general circulation.

Approved,