


NINETEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



'22 JUL 13 P2 :04

SENATE
S. No. 506

RECEIVED BY: 

Introduced by SENATOR RAMON BONG REVILLA, JR.

**AN ACT
PROVIDING FOR GOVERNMENT FINANCIAL INSTITUTIONS UNIFIED
INITIATIVES TO DISTRESSED ENTERPRISES FOR ECONOMIC RECOVERY
(GUIDE)**

EXPLANATORY NOTE

Prior to the onslaught of the COVID-19 pandemic, the Philippines is traversing a promising track towards an improved economy. The records of the Philippine Statistics Authority (PSA) indicate that the 2022 promise of lifting 6 million Filipinos out of poverty was achieved in 2018. Also, the progress in achieving the 10-point socioeconomic agenda was advancing strongly.

This momentum, however, was stalled by the pandemic. According to the National Economic and Development Authority (NEDA), "from consistently strong economic growth, GDP contracted by negative 9% in the first semester of 2020 due to the stringent quarantine measures." The United Nations Industrial Development Organization, in partnership with the Department of Trade and Industry (DTI), Rizalino S. Navarro Policy Center for Competitiveness, University of the Philippines Institute for Small-Scale Industries, and Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) published a study on July 2020 entitled, "Assessment of the Socio-Economic Effects of COVID-19 and Containment Measures on Philippine Enterprises" which summarized the results of the survey they conducted among business firms in the country as follows:

- (1) Majority of respondent firms were not in operation during the survey period.
- (2) For firms that were at least able to fully or partially operate, major concerns revolved around broken value chains.
- (3) Roughly, 40% reduction in operating hours for fully- and partially-operating firms resulted in loss of 50% of employment, and 60% reduction in revenue and production volume.
- (4) Whether firms were able to operate during the enhanced community quarantine (ECQ), and to what extent and efficiency, depended on the availability of human resources, and how well the activities within the supply chain had been coordinated.
- (5) Some of the biggest challenges a higher proportion of firms were expecting to face when economic activities resumed after the ECQ included (1) cash flow; (2) health and safety of workers; and (3) decline in domestic demand / customers.
- (6) About a third of respondent firms had business continuity plans (BCPs).
- (7) About 75% of firms figured that they would need at most P2 million to help in their business recovery.
- (8) Firms indicated that they will be needing the support in the areas of (1) market and business environment; (2) human resources and compensation; and (3) financial aspects to assist them in their business recovery.
- (9) A higher proportion of firms believed that as far as the "new normal" was concerned, there will be changes in marketing activities (e-commerce); there will be changes in operations and processes (inventory, distribution, etc.); there will be new business regulations; and changes in product lines and services.
- (10) Looking forward and preparing for the "new normal", a higher proportion of firms indicated their interest to look into the following standards and technology solutions to help them adapt better to future crises: (1) advanced digital and disruptive technologies; (2) e-commerce; and (3) quality and safety standards for products and services.

The "*Government Financial Institutions (GFIs) Unified Initiatives to Distressed Enterprises for Economic Recovery (GUIDE) Act*" aims to strengthen the capacity of government financial institutions (GFIs) including the LandBank of the Philippines (LBP) and the Development Bank of the Philippines (DBP) to address liquidity and solvency problems of micro, small, and medium enterprises (MSMEs) and other strategically important industries. It offers financial assistance to these industries and loan programs, rediscounting and other credit facilities from LBP, DBP, Small Business Corporation (SBC) and Agriculture Credit Policy Council (ACPC). These key reform measures are instrumental in supporting a sustainable and robust recovery of the country from the ravage of the pandemic.

GUIDE is one of the recommended measures of the government's economic experts, including NEDA, as a part of the recovery measures for the country's economy.

This measure was introduced by Senator Vicente C. Sotto III in the 18th Congress.

In view of the foregoing, the immediate passage of this bill is highly recommended.



RAMON BONG REVILLA, JR.

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AN ACT
PROVIDING FOR GOVERNMENT FINANCIAL INSTITUTIONS UNIFIED INITIATIVES TO DISTRESSED ENTERPRISES FOR ECONOMIC RECOVERY (GUIDE)

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

1 Section 1. *Short Title.* - This Act shall be known as the "Government Financial
2 Institutions (GFIs) Unified Initiatives to Distressed Enterprises for Economic Recovery
3 (GUIDE) Act".

4 Sec. 2. *Declaration of Policy.* - The Substantial disruption of the economy due
5 to the community quarantine measures restricted the operation of numerous
6 businesses.

7 The State recognizes the role of these businesses composed of micro, small
8 and medium enterprises (MSMEs) and strategically important companies in providing
9 employment to the Filipino people and in supporting the Philippine economy. Thus, it
10 is essential that these enterprises are given necessary access to credit and financial
11 assistance. It is hereby declared the policy of the State to protect employment and
12 assist distressed enterprises in order to reinvigorate the economy.

13 Sec. 3. *Definition of Terms.* - As used in this Act:

14 (a) *Agribusiness value chain* refers to a set of actors/players, such as
15 farmers, fisherfolk, traders, suppliers, processors, and aggregators, who
16 make up the linked sequence of value-added activities undergone by an

1 agricultural product when converted from raw material to the final form
2 it is presented to the consumers;

3 (b) *Micro, Small and Medium Enterprises (MSME)* refers to any business
4 activity or enterprise engaged in industry, agribusiness, and/or services,
5 whether single proprietorship, cooperative, partnership or corporation
6 whose total assets, inclusive of those arising from loans but exclusive of
7 the land on which the particular business entity's office, plant and
8 equipment are situated, must have value falling under the following
9 categories:

10 micro: not more than Php3,000,000

11 small: Php3,000,002 – P15,000,000

12 medium: Php15,000,001 – Php100,000,000

13 (c) *Senior executive officers* refer to top management officials exercising
14 responsible and critical roles, as may be described further in the rules
15 and regulations to be issued to implement this Act.

16 (d) *Strategically Important Companies or SICs* shall have the meaning
17 ascribed in Section 9(b) of this Act.

18 CHAPTER I

19 Development Bank of the Philippines

20
21 Sec. 4. *Loan Assistance Program of the Development Bank of the Philippines*
22 *(DBP)*. – The DBP shall I expand its loan program for qualified MSMEs affected by the
23 COVID-19 pandemic under this Act and MSMEs covered on the Republic Act No. 11494
24 or "The Bayanihan to Recover as One Act": *Provided, That* such loans shall be granted
25 in accordance with the rules and regulations to be issued to implement this Act and
26 the following guidelines:

27 (a) Eligible MSMEs under this Act should be engaged in infrastructure,
28 service industry, and/or manufacturing business; and,

29 (b) The loans granted hereunder should comply with the applicable
30 prudential standards and regulations of the BSP.

31 The DBP should likewise extend loans to local government units (LGUs) subject
32 to existing rules and regulations.

1 Sec. 5. *DBP Rediscounting and other Programs.* – Subject to applicable
2 prudential standards and regulations of the Bangko Sentral ng Pilipinas (BSP), the DBP
3 may rediscount loans and other credit accommodations to enterprises enumerated in
4 Section 4(a) of this Act, granted by BSP-supervised financial institutions (BSFIs), the
5 Small Business Corporation (SBC), and those granted pursuant to credit programs of
6 the Department of Agriculture-Agricultural Credit Policy Council (DA-ACPC) to MSMEs
7 affected by the COVID-19 pandemic engaged in infrastructure, service industry,
8 and/or manufacturing business.

9 The DBP may undertake other similar activities as may be provided under the
10 rules and regulations to be issued to implement this Act.

11 Sec. 6. *Increase in DBP's Authorized Capital Stock.* – Section 7 of Executive
12 Order No. 81, as amended by Republic Act No. 8523, otherwise known as "The 1986
13 Revised Charter of the Development Bank of the Philippines", as amended, is hereby
14 further amended to read as follows:

15 "Section 7. *Authorized Capital Stock-Par Value.* – The
16 capital stock of the Bank shall be ~~[Thirty five billion pesos~~
17 ~~(P35,000,000,000.00)]~~ **ONE HUNDRED BILLION PESOS**
18 **(PHP100,000,000,000.00)** to be divided into ~~[Three hundred~~
19 ~~fifty million (350,000,000)]~~ **ONE BILLION (1,000,000,000)**
20 common shares with par value of One hundred pesos (P100.00)
21 per share, which shall be fully subscribed by the ~~[n]~~**National**
22 ~~[g]Government[. Upon the effectivity of this Charter, the~~
23 ~~National Government shall initially subscribe to One hundred~~
24 ~~twenty five million (125,000,000) common shares of stock worth~~
25 ~~Twelve billion five hundred million pesos (P12,500,000,000.00);~~
26 ~~Five billion pesos (P5,000,000,000.00) of which shall be deemed~~
27 ~~paid for by the government and the balance shall be paid for by~~
28 ~~the government out of the stock dividends to be declared by the~~
29 ~~Bank from its unappropriated retained earnings: *Provided, That*~~
30 ~~the dividends due the national government pursuant to Republic~~
31 ~~Act No. 7656 shall first be paid.]:~~ **PROVIDED, THAT THE**
32 **PRESIDENT OF THE PHILIPPINES MAY APPROVE THE**

1 authorized to invest in, or enter into a joint venture agreement to incorporate a special
2 holding company (the "SHC") that is a stock corporation to be organized under
3 Republic Act N0. 11232, otherwise known as "The Revised Corporation Code of the
4 Philippines," within six (6) months beginning from the date of effectivity of the rules
5 and regulations of this Act, or effectivity of applicable revenue regulations, whichever
6 comes later. The establishment, administration, and operation of the SHC shall be
7 governed by the following principles:

8 (a) The purpose of the SHC is to rehabilitate SIC affected by the COVID-19
9 pandemic which are experiencing temporary solvency issues;

10 (b) SICs are investee companies that are nationally significant, or those with
11 high economic returns or high employment potential, and which are
12 engaged in any of the following "strategically important industries or
13 sectors," such as, but not limited to, agriculture, construction, education,
14 food industry, health care, infrastructure, low-cost and socialized
15 housing, manufacturing, power and energy, product distributor/retailer,
16 services, tourism and hospitality, transportation and logistics, water and
17 sanitation, and other industries to be identified in the rules and
18 regulations issued to implement this Act: *Provided*, That an SIC must be
19 able to demonstrate upstream and downstream linkages to other firms
20 and/or industries, substantial employment to the community, and exhibit
21 high degree of process efficiency, cost efficiency, product quality, and
22 environmental soundness: *Provided, further*, That an SIC can show proof
23 of temporary solvency problems due to the pandemic, financial
24 soundness prior to the pandemic, and credible and sound financial
25 rehabilitation plan.

26 (c) Equity participation in the SHC may be offered to, and held by qualified
27 private investors, including multilateral companies and lending
28 institutions, as may be determined by the LandBank and DBP: *Provided*,
29 That majority ownership of the total outstanding capital stock in the SHC
30 shall be held by the LandBank and DBP until such time that they have
31 recovered or will be able to recover their investment in the SHC;

1 (d) The LandBank and the DBO shall dispose of their stockholdings in the
2 SHC to qualified private investors as they may determine. The LandBank
3 and DBP Shall provide equal opportunity for equity participation in the
4 SHC to all qualified investors, including multilateral companies and
5 lending institutions. When private shareholdings in the SHC reaches fifty
6 percent (50%) of the total outstanding capital stock, the stockholders
7 thereof shall cause the adoption and registration with the Securities and
8 Exchange Commission (SEC) of the companies amended articles of
9 incorporation within three (3) months from such transfer of ownership;

10 (e) The SHC, as a government-owned and controlled corporation (GOCC).
11 and the investments of DBP and LandBank therein, should be subject to
12 the power of the Commission on Audit (COA) to audit and examine
13 GOCCs and the investments of government in corporations: *Provided,*
14 That the audit of the SHC by the COA shall not preclude the SHC from
15 engaging the services of a private auditing firm when equity participation
16 in the SHC is offered to qualified private investors: *Provided, further,*
17 That even if the services of the latter are availed of, the audit report of
18 the COA shall serve as the report for purposes of compliance with audit
19 requirements as required of a GOCC under applicable law;

20 Sec. 8. *Separability Clause.* – If any provision or part hereof is held invalid or
21 unconstitutional, the remainder of the law or the provision or part not otherwise
22 affected shall remain valid and subsisting.

23 Sec. 9. *Repealing Clause.* – Any law, presidential decree or issuance, executive
24 order, letter of instruction, administrative order, rule, or regulation contrary to or
25 inconsistent with the provisions of this Act are hereby repealed, modified, or amended
26 accordingly.

27 Sec. 10. *Effectivity.* – This Act shall take effect fifteen (15) days after its
28 publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,