



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

23 JAN -9 P2:42

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SENATE

S. B. No. 1640

Introduced by **SENATOR JOEL VILLANUEVA**

**AN ACT
PROVIDING FOR GOVERNMENT FINANCIAL INSTITUTIONS
UNIFIED INITIATIVES TO DISTRESSED ENTERPRISES FOR
ECONOMIC RECOVERY (GUIDE), APPROPRIATING FUNDS
THEREFOR AND FOR OTHER PURPOSES**

EXPLANATORY NOTE

The Asian Development Bank, in a paper published in 2021, described micro, small, and medium enterprises (MSMEs) as the backbone of the national economy, accounting for 99.5% of all enterprises in the country and employing 63.2% of the labor force as of end-2018. Despite this, however, they remain vulnerable to external shocks, as exhibited by the impacts of the COVID-19 pandemic on the sector. The same paper examined the initial one-month impact of the lockdowns on MSMEs and found that 73.1% were forced to close their business a few weeks after the outbreak and lockdown measures were implemented. Only 2.3% of MSMEs on average reported no change in the business environment for the same period. Further, 59.9% of microenterprises has no sales while 61.7% reported no revenues.¹

The latest data from the Philippine Statistics Authority and the Department of Trade and Industry show that as of 2021, of the total 1,080,810 business enterprises operating in the country, 1,076,279 (99.58%) are MSMEs. Of this total number of MSMEs, 90.54% are microenterprises.²

¹ Asian Development Bank. Shinozaki, S. and Rao, L. *COVID-19 Impact on MSMEs Under the Lockdown: Evidence from a Rapid Survey in the Philippines*. Published in February 2021. Available at <https://www.adb.org/sites/default/files/publication/677321/adbi-wp1216.pdf> (Accessed on 4 November 2022).

² DTI. *2021 MSME Statistics*. Available at <https://www.dti.gov.ph/resources/msme-statistics/> (Accessed on 4 November 2022).

MSMEs generated a total of 5,461,731 jobs or 64.67% of the country's total employment. The micro enterprises produced the biggest share (32.46%) closely followed by small enterprises (25.08%), while medium enterprises were far behind at 7.12%.³

The COVID-19 pandemic exposed the vulnerabilities of our existing programs and policies in times of emergencies of this scale. MSMEs, which bore the brunt of the COVID-19 pandemic, required the government's assistance to ensure their continued viability, provide more jobs to Filipinos, and contribute to the country's economic recovery.

Drawing from the lessons of the COVID-19 pandemic, this proposed measure seeks to assist distressed enterprises during man-made and natural disasters and economic recessions, through improved access to credit and financial assistance. It expands the credit programs of the Development Bank of the Philippines and the Land Bank of the Philippines to meet the capital needs of MSMEs as well as other strategically important companies. To ensure that MSMEs are able to fulfill their loan obligations, the Philippine Guarantee Corporation is also mandated to expand its guarantee program and ease its current rules and regulations and give preference to critically impacted businesses and MSMEs.

To put in place an immediate and effective response that would cushion the economic impact and reduce the anxieties and vulnerabilities of our people during extraordinary times of emergency, the passage of this measure is earnestly sought.


JOEL VILLANUEVA 

³ *Ibid.*



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Senate Bill No. 1640

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AN ACT
PROVIDING FOR GOVERNMENT FINANCIAL INSTITUTIONS
UNIFIED INITIATIVES TO DISTRESSED ENTERPRISES FOR
ECONOMIC RECOVERY (GUIDE), APPROPRIATING FUNDS
THEREFOR AND FOR OTHER PURPOSES

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

1 **SECTION 1. Title.** – This Act shall be known as the “Government Financial
2 Institutions Unified Initiatives to Distress Enterprises for Economic Recovery (GUIDE)
3 Act.”
4

5 **SEC. 2. Declaration of Policy.** – The State recognizes the indispensable role of
6 micro, small, and medium enterprises (MSMEs) and strategically important companies
7 (SICs) in providing employment to the Filipino people and in supporting the Philippine
8 economy.
9

10 Natural and man-made disasters, health emergencies, pandemics, and
11 recessions have far-reaching effects on micro, small, and medium enterprises
12 (MSMEs). In the event they occur, it is essential that the State is able to immediately
13 and effectively provide support and assistance and grant MSMEs access to affordable
14 credit as the sector recovers and weathers economic shocks. Thus, it is hereby
15 declared the policy of the State to preserve and continuously spur employment and
16 the development of enterprises towards continuous and lasting growth.
17

18 Towards this end, the State shall seek to:

19 (a) Strengthen the Development Bank of the Philippines (DBP) and the Land
20 Bank of the Philippines (Land Bank) to enable them to fulfill their mandate
21 under this Act and their respective charters; and
22

23 (b) Provide the necessary support and assistance to eligible MSMEs, as
24 defined under Republic Act No. 9501 or the “Magna Carta for Micro, Small,

1 and Medium Enterprises,” to further lower their costs of borrowing, and
2 encourage them to continue their operations.
3

4 **SEC. 3. Coverage.** – This Act shall apply to MSMEs that have been directly and
5 adversely impacted during a natural or man-made disaster, economic recession,
6 public health emergency, or such other emergencies of national scale that may be
7 declared by the President of the Philippines from time to time: *Provided*, That (1) their
8 liabilities have become more than their assets, (2) they have experienced at least a
9 fifty percent (50%) decline in gross receipts for at least one calendar quarter, or (3)
10 they are not allowed to operate during said emergency pursuant to applicable laws,
11 presidential proclamation, or executive orders issued or promulgated, and under any
12 of these instances, are generally unable to pay or perform their obligations as they fall
13 in the ordinary course of business as a result of the declared emergency.
14

15 **CHAPTER 1**
16 **Philippine Guarantee Corporation (PGC)**
17

18 **SEC. 4. Loan Guarantee Expansion by PGC.** – To ensure that qualified
19 MSMEs are able to fulfill their loan obligations, whether existing, outstanding, or new
20 loans, to banks, lending, or financial institutions, and to help strengthen the liquidity
21 and financial position of these qualified MSMEs towards expediting the country’s
22 economic recovery, the PGC shall:
23

- 24 (a) Issue an expanded government guarantee program for qualified MSMEs by
25 increasing the maximum loan guarantee coverage per borrower, widening
26 the coverage of guarantees to loans provided by non-bank financial
27 institutions and lending and financing companies supervised by the
28 Securities and Exchange Commission (SEC), reducing eligibility
29 requirements and guarantee fees, waiving the right of excussion under the
30 guarantee, relaxing the guidelines on claims by allowing lenders to call on
31 the guarantee, relaxing the guidelines on claims by allowing lenders to call
32 on the guarantee when there is an occurrence of payment default, and any
33 other measure necessary to give MSMEs access to better terms of credit;
34
- 35 (b) Ease its current rules and regulations and give preference to MSMEs,
36 including those in the informal sector, in issuing government guarantees to
37 help achieve the policy objectives of this Act; and
38
- 39 (c) Implement a loan portfolio guarantee scheme whereby it can guarantee a
40 specified loan portfolio of partner financial institutions which cover eligible
41 MSME loans, subject to the criteria set under the Implementing Rules and
42 Regulations of this Act. The criteria for accrediting partner financial
43 institutions shall likewise be stipulated therein.
44

45 For the efficient and faster implementation of this Section, the PGC may require
46 assistance, such as facilities and personnel resources, from other government
47 financial institutions. The PGC shall also implement measures aimed at the digital
48 transformation of its guarantee application and enrollment process. The PGC shall
49 coordinate with the Department of Information and Communications Technology
50 (DICT) and the *Bangko Sentral ng Pilipinas* (BSP) and may seek the assistance of the

1 private sector for the proper implementation of this Section. The guarantee program
2 of the PGC shall, at all times, meet the applicable standards and regulations of the
3 BSP.

4
5 **SEC. 5. Trust Fund of the PGC.** – For the implementation of Section 4 of this
6 Act, a trust fund in the amount of Twenty Billion Pesos (PhP20,000,000,000.00) is
7 hereby established. The PGC may retain the amount equivalent to one percent (1%)
8 of total guarantee fees collected as administrative fee.

9
10 The PGC may process and grant loan guarantees to qualified businesses within
11 a period of two (2) years from the declaration of a national emergency by the President
12 of the Philippines in view of a natural or man-made disaster or an economic recession
13 unless the President extends it for a period of not more than two (2) years.

14
15 The remaining amount of the fund and the amounts already paid for, can be
16 further used in the event of any natural or man-made disasters covered under this Act.

17
18
19 **CHAPTER 2**
20 **Development Bank of the Philippines (DBP)**

21
22 **SEC. 6. DBP Loan Assistance Program.** – The DBP shall introduce an interest-
23 free loan program available to MSMEs to assist and encourage them to continue
24 investing in their businesses: *Provided*, That the interest-free loans shall be granted in
25 accordance with the following guidelines and such other conditions as may be
26 imposed under the implementing rules to be issued by the Department of Finance
27 (DOF) and the BSP, in consultation with relevant stakeholders:

- 28
29 (a) The loan shall be payable within three (3) to five (5) years: *Provided, further*,
30 That priority shall be given to infrastructure, services, and manufacturing
31 businesses; and
32
33 (b) The loans to eligible MSMEs should meet the applicable standards and
34 regulations of the BSP.

35
36 Notwithstanding the foregoing, the President of the Philippines shall have the
37 power to (i) declare moratorium on the payment of loans of MSMEs; (ii) make available
38 emergency loans to MSMEs for additional capital outlay under this Section; and (iii)
39 ease regulations to ensure that MSMEs have facilitated access to the loan facility
40 provided herein.

41
42 **SEC. 7. DBP Rediscounting and Other Programs.** – Subject to applicable
43 standards and regulations of the BSP, DBP may rediscount loans and other credit
44 accommodations granted by BSP-supervised Financial Institutions (BSFIs), Small
45 Business Corporation (SBCorp), and those granted pursuant to credit programs of the
46 Department of Agriculture's (DA) Agricultural Credit Policy Council (ACPC) to affected
47 MSMEs engaged in infrastructure, service industry, and/or manufacturing businesses.

48
49 The DBP may undertake other similar activities for purposes of this Act as may
50 be provided under its Implementing Rules and Regulations.

1 **SEC. 8. Trust Fund of the DBP.** – For the implementation of Chapters 6 and 7
2 of this Act, a trust fund in the amount of Fifteen Billion Pesos (PhP15,000,000,000.00)
3 is hereby established. The DBP may retain the amount equivalent to one percent (1%)
4 of collections from loans as administrative fee.
5

6 The DBP may process and grant loans and rediscounting to qualified businesses
7 within a period of two (2) years from the declaration of a national emergency by the
8 President of the Philippines in view of a natural or man-made disaster or an economic
9 recession unless the President extends it for a period of not more than two (2) years.
10

11 The remaining amount of the fund and the loan amounts already paid for, can be
12 further used in the event of any natural or man-made disasters covered under this Act.
13
14

15 **CHAPTER 3**
16 **Land Bank of the Philippines (LBP)**
17

18 **SEC. 9. LBP Loan Assistance Program.** – The LBP shall introduce an interest-
19 free loan program available to MSMEs engaged in activities in the agribusiness value
20 chain to encourage them to continue investing in their businesses: *Provided*, That the
21 interest-free loans shall be granted in accordance with the following guidelines and
22 such other conditions as may be imposed under the implementing rules that will be
23 issued by the DOF and the BSP:

- 24 (a) The loan shall be payable within three (3) to five (5) years: *Provided, further*,
25 That priority shall be given to agri-fishery businesses and qualified small
26 and medium enterprises; and
27 (b) The loans to eligible MSMEs should meet the applicable standards and
28 regulations of the BSP.
29

30 Notwithstanding the foregoing, the President of the Philippines shall have the
31 power to (i) declare moratorium on the payment of loans of MSMEs; (ii) make available
32 emergency loans to MSMEs for additional capital outlay under this Section; and (iii)
33 ease regulations to ensure that MSMEs have facilitated access to the loan facility
34 provided herein.
35

36 **SEC. 10. LBP Rediscounting and Other Programs.** – Subject to applicable
37 standards and regulations of the BSP, LBP may rediscount loans to eligible MSMEs
38 engaged in activities in the agribusiness value chain granted by BSPFIs, SBCorp, and
39 those granted pursuant to credit programs of the DA-ACPC to affected MSMEs.
40

41 The LBP may undertake other similar activities for purposes of this Act as may
42 be provided under its Implementing Rules and Regulations.
43

44 **SEC. 11. Trust Fund of the LBP.** – For the implementation of Chapters 9 and
45 10 of this Act, a trust fund in the amount of Thirty-Five Billion Pesos
46 (PhP35,000,000,000.00) is hereby established. The LBP may retain the amount
47 equivalent to one percent (1%) of collections from loans as administrative fee.
48

1 The LBP may process and grant loans and rediscounting to qualified businesses
2 within a period of two (2) years from the declaration of a national emergency by the
3 President of the Philippines in view of a natural or man-made disaster or an economic
4 recession unless the President extends it for a period of not more than two (2) years.
5

6 The remaining amount of the fund and the loan amounts already paid for, can be
7 further used in the event of any natural or man-made disasters covered under this Act.
8

9 CHAPTER 4 10 Strategically Important Companies (SICs)

11
12 **SEC. 12. Loans to Strategically Important Companies (SICs).** – SICs are
13 investee companies that are nationally significant, have high economic and
14 employment contributions, and are engaged in any of the following sectors identified
15 under the Philippine Standard Industrial Classification:
16

- 17 (a) Agriculture;
- 18 (b) Manufacturing;
- 19 (c) Electricity;
- 20 (d) Wholesale and retail trade; repair of motor vehicles and motorcycles;
- 21 (e) Transportation and storage;
- 22 (f) Accommodation and food service activities;
- 23 (g) Real estate and ownership of dwellings;
- 24 (h) Education;
- 25 (i) Human health; and
- 26 (j) Other services such as arts, entertainment and recreation, and other
27 service activities to be identified in the implementing rules and regulations
28 of this Act.
29

30 To ensure that SICs remain solvent, LBP and DBP are hereby authorized to offer
31 interest-free loans to facilitate the rehabilitation of affected SICs which are
32 experiencing solvency issues: *Provided*, That a SIC must be able to demonstrate
33 upstream and downstream linkages to other firms or industries, show substantial
34 employment to the community, and exhibit high degree of process efficiency, cost
35 efficiency, product quality, and environmental soundness: *Provided, further*, That a
36 SIC can show proof of temporary solvency issues due to the natural or man-made
37 disaster or economic recession, financial soundness prior to said event, and credible
38 and sound financial rehabilitation plan: *Provided, finally*, That the interest-free loans
39 are subject to the following conditions:
40

- 41 (a) The debtor company must not reduce the number of employees beyond the
42 percentage described by the loaning institution, as may be determined in
43 the implementing rules and regulations;
44
- 45 (b) The debtor company shall not, without prior authority from the loaning
46 institution, be allowed to issue stock dividends and repurchases during the
47 term of the loan;
48
- 49 (c) The debtor company shall not issue cash dividends during the term of the
50 loan;

- 1 (d) The debtor company must not increase the salaries, benefits, and other
2 forms of remuneration of its senior executive officers and members of its
3 board;
4
- 5 (e) The debtor company shall not provide or grant senior executive officers and
6 members of its board separation pay or retirement pay: *Provided*, That any
7 amount received by the senior executive officers and members of the board
8 which is in violation of the foregoing shall be returned; and
9
- 10 (f) The debtor company shall not incur irregular, unnecessary, excessive,
11 extravagant, or unconscionable expenditures such as entertainment,
12 events, office/facility renovations, aviation/transportation services, and
13 such other activities.
14

15 **CHAPTER 5**
16 **Incentives and Exemption Privileges of DBP and LBP**
17

18 **SEC. 13. Tax Exemptions and Fee Privileges.** – Any existing law to the
19 contrary notwithstanding and in order to ensure the effective implementation of the
20 provisions of this Act, the following transactions of the DBP and LBP shall be exempt
21 from documentary stamp tax, capital gains tax, creditable withholding income tax,
22 value-added tax, gross receipts tax, and such other taxes that may be imposed under
23 Republic Act No. 8424, as amended, or the “National Internal Revenue Code of 1997,”
24 whichever is applicable pursuant to the regulations to be issued by the DOF, upon the
25 recommendation of the Bureau of Internal Revenue (BIR):
26

27 Loan Assistance Program, Rediscounting, and other Programs of the DBP
28 and LBP under Chapters 2 and 3 of this Act, respectively, including dation
29 in payment (*dacion en pago*) by the borrower or by a third party in favor of
30 DBP and LBP.
31

32 The abovementioned transfers shall also be subject to the following, in lieu of the
33 applicable fees:
34

- 35 (a) Fifty percent (50%) of the filing fees for any foreclosure initiated by the DBP
36 and LBP in relation to the Loan Assistance and Rediscounting Programs
37 as prescribed by the Rules of Court; and
38
- 39 (b) Fifty percent (50%) of the land registration fees prescribed under the
40 existing circulars of the Land Registration Authority (LRA).
41

42 All sales or transfers of rediscounted loans/other credit accommodations
43 including transfers by way of dation in payment by the borrower or by a third party to
44 DBP and LBP shall be entitled to the privileges enumerated herein within a period of
45 two (2) years from the declaration of a national emergency by the President of the
46 Philippines in view of a natural or man-made disaster or an economic recession unless
47 the President extends it for a period of not more than two (2) years.
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CHAPTER 6
Miscellaneous Provisions

SEC. 14. Appropriations. – The amount of Seventy Billion Pesos (PhP70,000,000,000.00) is hereby appropriated for the implementation of this Act.

SEC. 15. Implementing Rules and Regulations. – Within thirty (30) days from the effectivity of this Act, the DOF, acting as Chairperson, BIR, the Department of Trade and Industry (DTI), BSP, PGC, DBP, and LBP shall jointly promulgate the necessary rules and regulations for the effective implementation of this Act: *Provided*, That the DOF may call upon any agency to provide information or assistance in the drafting of the rules and regulations: *Provided, further*, that within thirty (30) days from the effectivity of this Act, the DOF, upon recommendation of the BIR, shall promulgate the revenue regulations implementing the fiscal incentives under this Act.

SEC. 16. Oversight Committee. – There is hereby created a Joint Congressional Oversight Committee (JCOC) to oversee, monitor, and evaluate the implementation of this Act. The JCOC shall be composed of five (5) members each from the House of Representative and the Senate. The JCOC shall be co-chaired by the Chairpersons of the House Committee on Banks and Financial Intermediaries and the Senate Committee on Banks, Financial Institutions, and Currencies, with the Senate and House of Representatives Chairpersons of the Committees on Economic Affairs, Trade, Commerce and Entrepreneurship, Cooperatives, and one member each from the Minority as members.

SEC. 17. Reportorial Requirements. – The PGC, LBP, and DBP shall submit reports to the DOF, the DTI, and the JCOC regarding the implementation of this Act.

CHAPTER 7
Final Provisions

SEC. 18. Separability Clause. – If, for any reason, any part, section, or provision of this Act is held invalid or unconstitutional, the remaining provisions not affected shall continue to be in full force and effect.

SEC. 19. Repealing Clause. – All laws, decrees, executive orders, proclamations, rules and regulations, and other issuances, or parts thereof which are inconsistent with the provisions of this Act are hereby repealed, amended, or modified accordingly.

SEC. 20. Effectivity. – This Act shall take effect immediately after its publication in the Official Gazette or in a national newspaper of general circulation.

Approved,