

NINETEENTH CONGRESS OF THE
REPUBLIC OF THE PHILIPPINES
First Regular Session

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HOUSE OF REPRESENTATIVES

H. B. No. 2837

Introduced by Representative Ralph G. Recto

AN ACT
INSTITUTING REFORMS TO FURTHER PROTECT AND DEVELOP MICRO,
SMALL AND MEDIUM ENTERPRISES, AMENDING FOR THE PURPOSE
EXECUTIVE ORDER NO. 81, OTHERWISE KNOWN AS "THE 1986 REVISED
CHARTER OF THE DEVELOPMENT BANK OF THE PHILIPPINES," AS
AMENDED

EXPLANATORY NOTE

The Philippine Micro, Small and Medium Enterprise (MSME) sector is a critical driver of the country's economic growth. The 2020 MSME Data from the Department of Trade and Industry reveals that some 99.51% of the 957,620 establishments in the country belong to the MSME Sector. During the same year, the MSMEs generated some 5,380,815 jobs, which is about 63% of the total jobs generated in the country. Some 36% of all value of goods and service produced in the country come from MSMEs.

Despite its pivotal role in the economic well-being of millions of Filipinos, several factors constrain the performance of MSMEs like high cost of doing business, access to financing and markets, and low productivity and efficiency. With limited resources and capabilities, many MSMEs are not adequately equipped to respond to the challenges and opportunities posed by domestic and international markets.

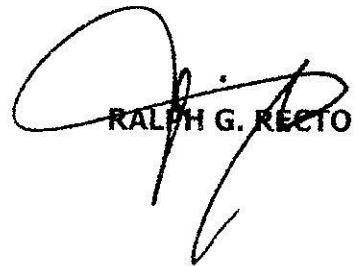
The task of priming stronger and more competitive MSMEs rests on collaborative efforts between the government and the business sector. Apart from creating a favorable business environment and providing linkages to local and foreign

markets, the government must be able to make business financing accessible to MSMEs. The Philippine Institute for Development Studies noted that financing obstacles is one of the four most serious problems that hamper business growth. The MSME Development Plan 2017-2022 also observed that a number of issues restrict the capacity of MSMEs to maximize the utilization of available financing options in the Philippines, which include the lack of credit information among MSMEs, and the tendency of the banking industry to prioritize larger corporate borrowers due to higher gains, lower credit risk, higher repayment rates, and collateral availability. To develop an MSME sector capable of contributing to the country's economic and social development, it is imperative that the government enact measures to enable MSMEs to bolster their productivity and empower them to be more responsive to rising economic exigencies.

As the government premier development bank, the Development Bank of the Philippines (DBP) is in the best position to close this financing gap. In 2020, the bank registered a comprehensive income of P4.81 billion with a loan portfolio worth P466.80 billion. However, the bank only registered 6.15 billion worth of outstanding principal balance under its lending programs geared towards MSMEs such as the Sustainable Enterprises for Economic Development, Sustainable Agribusiness Financing, Expanded Rice Credit Assistance, and DA-ACPC-DBP BuyANIHan Credit Programs.

Thus, this bill seeks to amend the Charter of the DBP, mandating it to devote eighty percent (80%) of its loan portfolio to programs, projects and initiatives of the MSMEs and local government units (LGUs). It reinforces the original purpose of the bank, which recognizes "a clear role for direct government participation in the banking system through a government development bank, particularly in servicing the medium- and long-term requirements of agriculture, and small and medium scale industry, export development, and the government sector." Such intervention is also in line with the idea of financial inclusion, a principle that promotes "universal access at a reasonable cost to a wide range of financial services for everyone needing them, provided by a diversity of sound and sustainable institutions."

This bill serves two noble purposes: to protect the critical economic drivers of today, and to sustain our economic growth in the future. In view of the foregoing, approval of this bill is earnestly sought.



RALPH G. RECTO

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INSTITUTING REFORMS TO FURTHER PROTECT AND DEVELOP MICRO, SMALL AND MEDIUM ENTERPRISES, AMENDING FOR THE PURPOSE EXECUTIVE ORDER NO. 81, OTHERWISE KNOWN AS "THE 1986 REVISED CHARTER OF THE DEVELOPMENT BANK OF THE PHILIPPINES," AS AMENDED

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

1 Section 1. Section 2 of Executive Order No. 81, otherwise known as "The 1986
2 Revised Charter of the Development Bank of the Philippines," as amended, is hereby
3 further amended to read as follows:

4 "Sec. 2. *Name, Purpose and Domicile.* The Development Bank of
5 the Philippines, hereinafter called the Bank, operating under the
6 provisions of Republic Act No. 85, as amended, shall henceforth operate
7 under the provisions of this 1986 Revised Charter. The Bank shall be a
8 body corporate and shall exist for a period of fifty years.

9 "The primary purpose of the Bank shall be to provide banking
10 services principally to service the medium and long term needs of
11 agricultural and industrial enterprises, particularly in the countryside and
12 preferably for **MICRO**, small and medium scale enterprises; *Provided*,
13 however, that the pursuit of these objectives shall be undertaken within
14 the context of financially viable and stable banking institutions;
15 *Provided, further*, that the Bank shall continue to be classified as a
16 development bank; *Provided, finally*, that unless otherwise provided

herein, the Bank may perform all other functions of a **UNIVERSAL**
[thrift] bank.

"The Bank's principal office and place of business shall be in the
National Capital Region, also known as Metro Manila. It may open and
maintain branches, agencies or other offices at such places in the
Philippines as its Board of Directors may deem advisable, with the prior
approval of the Monetary Board of the [Central Bank of the Philippines]
BANGKO SENTRAL NG PILIPINAS."

Sec. 2. Section 3 of Executive Order No. 81, as amended, is hereby further
amended to read as follows:

"Sec. 3. *Corporate Powers.* The Development Bank of the
Philippines shall have the power:

"x x x;

(b) To grant loans for the establishment, development and
expansion of any agricultural or industrial enterprise **AND TO LOCAL
GOVERNMENT UNITS (LGUs): PROVIDED, THAT THE TOTAL
AMOUNT OF LOANS GRANTED FOR PROGRAMS AND
PROJECTS OTHER THAN THOSE UNDERTAKEN BY MICRO,
SMALL, AND MEDIUM ENTERPRISES AND LGUS SHALL NOT
EXCEED TWENTY PERCENT (20%) OF THE BANK'S TOTAL
LOAN PORTFOLIO;**

"x x x."

Sec. 3. *Validity of Existing Contracts, Agreements and Obligations.* – Nothing in
this Act, shall affect the validity or legality of any right, duty, or obligation created by
or in respect of the Bank by virtue of its loan operations prior to this Act. Any
receivables pertaining to loans granted prior to this Act, which might be affected by
this Act, shall be valid and enforceable upon the terms and conditions under which
the loans were made, including the pledge of collateral against which they were
issued, and all loans made and security or collateral therefore held by the bank shall
remain enforceable according to the terms unless they may be lawfully terminated in
accordance with this Act, nor shall this Act supersede the operation of any law
protecting or preserving vested contractual rights or be construed to change the terms

1 of any legal contract between the bank and any third party or to impose any new
2 conditions thereon, or to dispense with any condition expressed or authorized in any
3 such contract entered into and taking effect prior to this Act.

4 Sec. 4. *Transition Period.* – The Development Bank of the Philippines (DBP)
5 shall have a period of ten (10) years from the effectivity of this Act to restructure its
6 loan portfolio. The transition milestones shall be identified in the Implementing Rules
7 and Regulations to be promulgated pursuant to Section 5 of this Act.

8 Sec. 5. *Implementing Rules and Regulations.* – Within ninety (90) days from
9 effectivity of this Act, the Department of Finance (DOF) shall, in coordination with the
10 DBP, promulgate the rules and regulations to effectively implement the provisions of
11 this Act.

12 Sec. 6. *Separability Clause.* – If, for any reason, any provision of this Act or any
13 part thereof shall be held unconstitutional and invalid, the other parts or provisions of
14 this Act, which are not affected thereby, shall remain in full force and effect.

15 Sec. 7. *Repealing Clause.* – All laws, decrees, orders, rules and regulations or
16 parts thereof inconsistent with any of the provisions of this Act are hereby repealed,
17 amended or modified accordingly.

18 Sec. 8. *Effectivity.* – This Act shall take effect fifteen (15) days after its complete
19 publication in at least two (2) newspapers of general circulation or in the *Official*
20 *Gazette*.

Approved,