


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



22 JUL 18 A9:35

SENATE  
S. No. 674

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**Introduced by Senator Jinggoy Ejercito Estrada**

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

**EXPLANATORY NOTE**

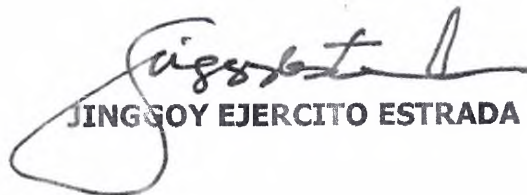
The unprecedented challenges of COVID-19 to the economy of the country, as in the entire globe, are still thriving in the daily lives of the Filipino people and in the social and macroeconomic sphere of the country. Improvements were achieved but several obstacles remain. As noted in "2021 Full-year Economic Report: Regaining Lost Ground" published by the Senate Economic Planning Office (SEPO) on March 2022, "The Philippine Gross Domestic Product (GDP) recorded a growth of 5.6 percent in 2021, signaling the start of an economic recovery. Despite two COVID-19 surges in April and in September, the less stringent mobility restrictions and the accelerated pace of the vaccination program helped boost economic activity, particularly in the manufacturing and trade sectors. Inflows of foreign direct investments have bounced back, even exceeding expectations. Likewise, the labor market situation has improved with more people participating in the labor force and getting employed. However, the quality of jobs remains a pressing challenge with the rising number of unpaid family workers and part-time workers. Moreover, an additional 3.9 million Filipinos fell into poverty in 2021 compared to the pre-pandemic period. The year also ended with soaring fiscal deficit and public debt levels."

On a positive note, the Asian Development Bank forecasted in its Asian Development Outlook (ADO) 2022 that the Philippine economy will grow by 6.0% in 2022 and further improve by 6.3% in 2023. Alongside this optimistic view is their recommendation that, "Policies to build the resilience of micro, small, and medium-sized enterprises (MSMEs), which play a vital role in the country's economic recovery, should be strengthened to support the sector's digital transformation, business innovation, and skills development."

The "*Government Financial Institutions (GFIs) Unified Initiatives to Distressed Enterprises for Economic Recovery (GUIDE) Act*" is one of the programs recommended by the economic managers that will capacitate the country's economy to fully realize its goal for recovery. The measure seeks to strengthen the government financial institutions (GFIs) including the LandBank of the Philippines (LBP) and the Development Bank of the Philippines (DBP). Through this, the GFIs will be able to assist micro, small, and medium enterprises (MSMEs) and other strategically important industries in addressing their liquidity and solvency problems. The measure also provides various supports to MSMEs and other industries through financial assistance, loan programs, rediscounting and other credit facilities from LBP, DBP, Small Business Corporation (SBC) and Agriculture Credit Policy Council (ACPC).

This legislative proposal was filed by Senator Vicente C. Sotto III in the 18<sup>th</sup> Congress.

In view of the foregoing, the immediate passage of this measure is earnestly sought.

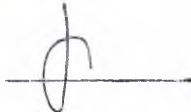
  
**JINGGOY EJERCITO ESTRADA**

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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*  
3 *Recovery (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,  
16 who make up the linked sequence of value-added activities undergone

1 by an agricultural product when converted from raw material to the  
2 final form 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  
5 services, whether single proprietorship, cooperative, partnership or  
6 corporation whose total assets, inclusive of those arising from loans  
7 but exclusive of the land on which the particular business entity's  
8 office, plant and equipment are situated, must have value falling under  
9 the following 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 Sec. 4. *Loan Assistance Program of the Development Bank of the Philippines*  
21 *(DBP)*. – The DBP shall its expand its loan program for qualified MSMEs affected by  
22 the COVID-19 pandemic under this Act and MSMEs covered on the Republic Act No.  
23 11494 or "The Bayanihan to Recover as One Act": *Provided, That* such loans shall be  
24 granted in accordance with the rules and regulations to be issued to implement this  
25 Act and the following guidelines:

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

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

30 The DBP should likewise extend loans to local government units (LGUs)  
31 subject 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  
3 DBP may rediscount loans and other credit accommodations to enterprises  
4 enumerated in Section 4(a) of this Act, granted by BSP-supervised financial  
5 institutions (BSFIs), the Small Business Corporation (SBC), and those granted  
6 pursuant to credit programs of the Department of Agriculture-Agricultural Credit  
7 Policy Council (DA-ACPC) to MSMEs affected by the COVID-19 pandemic engaged in  
8 infrastructure, service industry, 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~~  
19 ~~hundred fifty million (350,000,000)] **ONE BILLION**~~  
20 (**1,000,000,000**) common shares with par value of One  
21 hundred pesos (P100.00) per share, which shall be fully  
22 subscribed by the [~~n~~]National [~~g~~]Government[~~. Upon the~~  
23 ~~effectivity of this Charter, the National Government shall initially~~  
24 ~~subscribe to One hundred twenty five million (125,000,000)~~  
25 ~~common shares of stock worth Twelve billion five hundred~~  
26 ~~million pesos (P12,500,000,000.00), Five billion pesos~~  
27 (~~P5,000,000,000.00~~) of which shall be deemed paid for by the  
28 ~~government and the balance shall be paid for by the~~  
29 ~~government out of the stock dividends to be declared by the~~  
30 ~~Bank from its unappropriated retained earnings: *Provided,*~~  
31 ~~That the dividends due the national government pursuant to~~  
32 ~~Republic Act No. 7656 shall first be paid.]: **PROVIDED, THAT**~~

1 THE PRESIDENT OF THE PHILIPPINES MAY APPROVE  
2 THE INCREASE IN THE CAPITALIZATION OF THE BANK,  
3 UPON THE RECOMMENDATION OF THE BOARD AND THE  
4 CONCURRENCE OF THE SECRETARY OF FINANCE, UP TO  
5 SUCH AN AMOUNT AS MAY BE NECESSARY TO ATTAIN  
6 THE OBJECTIVES OF THIS CHARTER.”

7 CHAPTER II

8 LANDBANK OF THE PHILIPPINES

9 Sec. 7. *Loan Assistance Program of the Land Bank of the Philippines*  
10 *(LandBank)*. – The LandBank shall expand its loan program for qualified MSMEs  
11 affected by the COVID-19 pandemic under this Act and those covered under  
12 Republic Act No. 11494 or “The Bayanihan to Recover as One Act”: *Provided*, That  
13 such loans shall be granted in accordance with the rules and regulations that shall  
14 be issued to implement this Act and the following guidelines:

15 (a) Eligible MSMEs under this Act should be engaged in activities in the  
16 agribusiness value chain; and,

17 (b) The notes granted hereunder should comply with the applicable  
18 prudential standards and regulations of the BSP.

19 The LandBank shall likewise extend loans to LGUs subject to existing rules  
20 and regulations.

21 Sec. 8. *LandBank Rediscounting and other Programs*. – Subject to applicable  
22 prudential standards and regulations of the BSP, the LandBank may rediscount loans  
23 to eligible MSMEs engaged in activities in the agribusiness value chain granted by  
24 BSFIs, the SBC, and those granted pursuant to credit programs of the DA-ACPC to  
25 MSMEs affected by the COVID-19 pandemic.

26 The LandBank may undertake other similar activities for purposes of this Act  
27 as may be provided under the implementing rules and regulations to be issued.

28 CHAPTER III

29 SPECIAL HOLDING COMPANY

30 Sec. 9. *Creation of Investment Vehicle*. – To ensure that Strategically  
31 Important Companies (SICs) remain solvent, the LandBank and DBP are hereby  
32 authorized to invest in, or enter into a joint venture agreement to incorporate a

1 special holding company (the "SHC") that is a stock corporation to be organized  
2 under Republic Act NO. 11232, otherwise known as "The Revised Corporation Code  
3 of the Philippines," within six (6) months beginning from the date of effectivity of the  
4 rules and regulations of this Act, or effectivity of applicable revenue regulations,  
5 whichever comes later. The establishment, administration, and operation of the SHC  
6 shall be governed by the following principles:

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

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

25 (c) Equity participation in the SHC may be offered to, and held by qualified  
26 private investors, including multilateral companies and lending  
27 institutions, as may be determined by the LandBank and DBP:  
28 *Provided*, That majority ownership of the total outstanding capital  
29 stock in the SHC shall be held by the LandBank and DBP until such  
30 time that they have recovered or will be able to recover their  
31 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  
3 LandBank and DBP Shall provide equal opportunity for equity  
4 participation in the SHC to all qualified investors, including multilateral  
5 companies and lending institutions. When private shareholdings in the  
6 SHC reaches fifty percent (50%) of the total outstanding capital stock,  
7 the stockholders thereof shall cause the adoption and registration with  
8 the Securities and Exchange Commission (SEC) of the companies  
9 amended articles of incorporation within three (3) months from such  
10 transfer of ownership;

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

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

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

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

*Approved,*