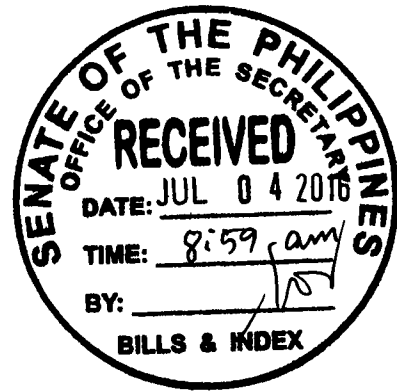


SEVENTEENTH CONGRESS OF THE )  
 REPUBLIC OF THE PHILIPPINES )  
 First Regular Session )



SENATE

S. No. 264

Introduced by Senator 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 for the country's economic growth<sup>1</sup>. The 2014 MSME Data from the Department of Trade and Industry reveals that some 99.6% of the 946,988 establishments in the country belong to the MSME Sector. During the same year, the MSMEs generated some 4,891,836 jobs, which is about 62.8% of the total jobs generated in the country. Some 35.7% of all value of goods and service produced in the country came from MSMEs<sup>2</sup>.

Despite its pivotal role in the economic well-being of millions of Filipinos, several factors like high cost of doing business, access to financing and markets, and low productivity and efficiency constrain the performance of MSMEs. 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 effort between the government and the business sector. Apart from creating a favourable 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<sup>3</sup>. The MSME Development Plan 2011-2016 also observed a number of issues that restrict the capacity of MSMEs to maximize the utilization of available financing options in the Philippines<sup>4</sup>. To develop a 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.

<sup>1</sup> National Economic and Development Authority. (2011). Philippine Development Plan 2011-2016. Pasig City: National Economic and Development Authority

<sup>2</sup> Department of Trade and Industry. (2014). MSME Statistics.

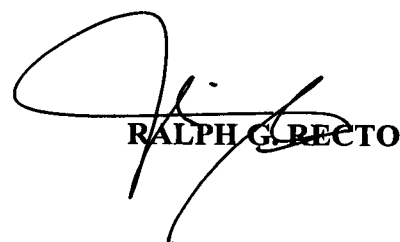
<sup>3</sup> Aldaba, R. M. (2012 February). Small and Medium Enterprises' (SMEs) Access to Finance: Philippines. Discussion Paper Series No. 2012-05. Makati City: Philippine Institute for Development Studies

<sup>4</sup> MSMED Council. (2010). Micro, Small and Medium Enterprise Development Plan 2011-2016. Makati City: DTI-Bureau of Micro, Small and Medium Enterprise Development

As the government premier development bank, the Development Bank of the Philippines (DBP) is in the best position to close this financing gap. In 2014, the bank registered a comprehensive income of more than five billion pesos<sup>5</sup> with a development loan portfolio P146.58 billion pesos<sup>6</sup>.

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<sup>7</sup>.” 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<sup>8</sup>.”

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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<sup>5</sup> Commission on Audit. (2015). 2014 Annual Audit Report of the Development Bank of the Philippines

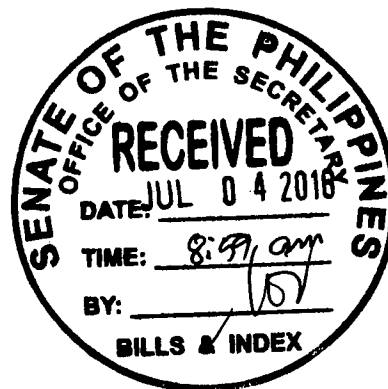
<sup>6</sup> Development Bank of the Philippines. (2014). 2014 Annual Report: Empowering an Emerging Philippines.

<sup>7</sup> Republic of the Philippines. (1986, December 3). Executive Order Number 81, *Providing for the 1986 Revised Charter of the Development Bank of the Philippines*.

<sup>8</sup> Her Royal Highness Princess Máxima of the Netherlands. (2011). Financial Inclusion: A Role for Each of Us. In *The 2011 Mobile Financial Services Development Report* (pp. 33-35). Geneva: World Economic Forum

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*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 Revised  
2 Charter of the Development Bank of the Philippines," as amended, is hereby further amended to  
3 read as follows:

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

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

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

23           **SEC. 2.** Section 3 of Executive Order No. 81, as amended by Republic Act 8523, is  
24 hereby further amended to read as follows:

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

3           “x x x;

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

10          “x x x”

11          **SEC. 3. *Savings.*** – Nothing in this Act, shall affect the validity or legality of any right,  
12 duty, or obligation created by or in respect of the Bank by virtue of its loan operations as a  
13 universal bank prior to this Act. Any receivables pertaining to loans granted prior to this Act,  
14 which might be affected by this Act, shall be valid and enforceable upon the terms and  
15 conditions under which the loans were made, including the pledge of collateral against which  
16 they were issued, and all loans made and security or collateral therefore held by the bank shall  
17 remain enforceable according to the terms unless they may be lawfully terminated in accordance  
18 with this Act, nor shall this Act supersede the operation of any law protecting or preserving  
19 vested contractual rights or be construed to change the terms of any legal contract between the  
20 bank and any third party or to impose any new conditions thereon, or to dispense with any  
21 condition expressed or authorized in any such contract entered into and taking effect prior to this  
22 Act.

23          **SEC. 4. *Separability Clause.*** - If, for any reason, any provision of this Act or any part  
24 thereof shall be held unconstitutional and invalid, the other parts or provisions of this Act, which  
25 are not affected thereby, shall remain in full force and effect.

26          **SEC. 5. *Repealing Clause.*** - All laws, decrees, orders, rules and regulations or parts  
27 thereof inconsistent with any of the provisions of this Act are hereby repealed, amended or  
28 modified accordingly.

29          **SEC. 6. *Effectivity.*** - This Act shall take effect fifteen (15) days after its complete  
30 publication in at least two (2) newspapers of general circulation or in the *Official Gazette*.

31          Approved,