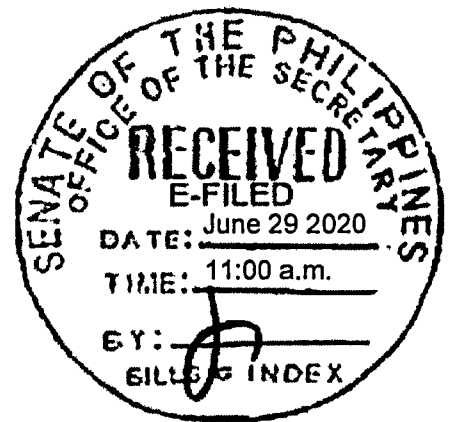


EIGHTEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
Second Regular Session )

SENATE  
S.B. No. 1646



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Introduced by **SEN. IMEE R. MARCOS**

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

**EXPLANATORY NOTE**

Article II, Section 20 of the 1987 Constitution provides that, "*The State recognizes the indispensable role of the private sector, encourages private enterprise, and provides incentives to needed investments.*"

In order to contain the spread of the 2019 Coronavirus Disease (COVID-19) across the country, the National Government enforced a massive shutdown of economic activities, which adversely affected the economy, triggering an economic downturn. With the imposition of enhanced community quarantine in Luzon, and in several provinces, cities, and municipalities in Visayas and Mindanao, only private establishments providing basic necessities and essential services were allowed to remain open.

Based on the latest available data published by the Philippine Statistics Authority, a total of 1,003,111 business enterprises were recorded as operating in the Philippines in 2018. It is worth noting that 998,342, which accounts for 99.52% of these recorded businesses, are MSMEs. Micro enterprises constitute 88.45% with 887,272 of total MSME establishments, followed by small enterprises at 10.58% with 106,175 establishments, and medium enterprises at 0.49% with 4,895 establishments. The top five (5) industry sectors according to the number of MSMEs in 2018 were: (1) wholesale and retail trade; repair of motor vehicles and motorcycles (461,765); (2) accommodation and food service activities (144,535); (3) manufacturing (16,335); (4) other service activities (66,162); and (5) financial and insurance activities (46,033). These industries accounted for about 83.62% of the total number of MSME establishments. Together, these MSMEs generated

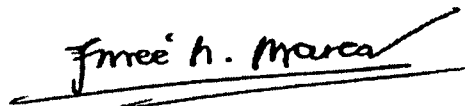
a total of 5.7 million jobs or 63.19% of the country's total employment. All these sectors were hard hit by the lockdown, as most of them fall under non-basic goods and services. In particular, accommodation and food service is strongly linked to the tourism industry, which suffered due to a lack of tourist activity.

However, MSMEs are not the only affected sector in the economy. In 2018, large enterprises generated 3.3 million jobs or 36.81% of the country's overall employment. Enterprises, whether MSMEs or large enterprises, were heavily impacted by the disruption in travel and transport of goods and services because of the COVID-19 outbreak. Some of these enterprises are strategically important to economic recovery and would require financial assistance in order to ensure their continued viability.

As such, government financial institutions must expand their credit programs to assist affected MSMEs and strategically important industries in meeting their liquidity needs. The Land Bank of the Philippines (LBP) and the Development Bank of the Philippines (DBP) need to expand their credit and rediscounting facilities to affected MSMEs and strategically important enterprises in the agriculture, infrastructure, and manufacturing industries. The Philippine Guarantee Corporation (PGC) also needs to expand its credit guarantee facilities to MSMEs as well, to incentivize the private sector in lending money to distressed MSMEs.

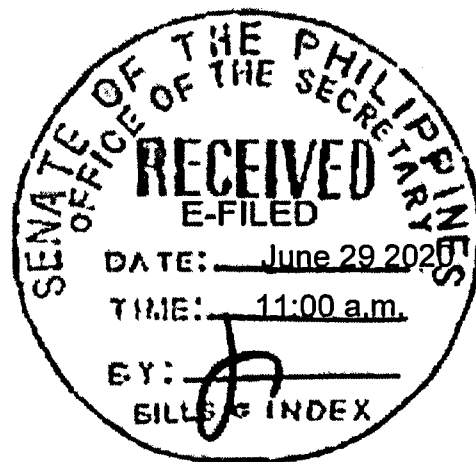
The proposed measure seeks to strengthen the capacity of the following Government Financial Institutions, namely the PGC, the LBP, and the DBP, in order to provide the needed assistance to MSMEs and other strategically important companies.

Considering the state of the economy and the urgent need for assistance of MSMEs and other strategically important companies, the approval of this measure is earnestly sought.

A handwritten signature in black ink, reading "Imee R. Marcos", is written over a horizontal line. The signature is slanted upwards to the right.

**IMEE R. MARCOS**

EIGHTEENTH CONGRESS OF THE )  
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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. 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        **Section 2. Declaration of Policy.** – It is hereby declared the policy of the  
5 state to protect employment and assist distressed enterprises to reinvigorate the  
6 economy. The State recognizes the role of these businesses composed of micro, small  
7 and medium enterprises (MSMEs) and strategically important companies in providing  
8 employment to the Filipino people and in supporting the Philippine economy. Thus, it  
9 is essential that these enterprises are given necessary access to credit and financial  
10 assistance.

11        **Section 3. Definition of Terms.** – As used in this Act:

12        (a) *Agribusiness value chain* refers to a set of actors/players, such as farmers,  
13        fisherfolk, traders, suppliers, processors, and aggregators, who make up the  
14        linked sequence of value-adding activities undergone by an agricultural product  
15        when converted from raw material to the final form it is presented to the  
16        consumers;

1 (b) *Community Quarantine (CQ)* refers to the enhanced community quarantine  
2 imposed in the entire Luzon area under Presidential Proclamation No. 929 dated  
3 16 March 2020, as may be extended or modified pursuant to such other laws,  
4 presidential proclamations or executive orders that may be subsequently issued  
5 or promulgated for the purpose of containing the spread of COVID-19;  
6

7 (c) *Critically impacted businesses* refer to non-essential businesses that have been  
8 directly and adversely impacted by the COVID-19 outbreak such that (i) their  
9 liabilities have become more than their assets, or (ii) they have experienced at  
10 least a [50%] decline in gross receipts for at least one calendar quarter, and in  
11 either instance, are generally unable to pay or perform their obligations as they  
12 fall due in the ordinary course of business, as a result of the COVID-19  
13 outbreak. 3 For purposes of this Act, Critically-Impacted Business shall include  
14 the air transport industry, tourism industry, and export-import industry, but  
15 shall exclude banks and other financial institutions under the supervision of the  
16 Bangko Sentral ng Pilipinas (BSP);  
17

18 (d) *Micro, Small and Medium Enterprises (MSMEs)* refer to any business activity or  
19 enterprise engaged in industry, agribusiness and/or services, whether single  
20 proprietorship, cooperative, partnership or corporation whose total assets,  
21 inclusive of those arising from loans but exclusive of the land on which the  
22 particular business entity's office, plant and equipment are situated, must have  
23 value falling under the following categories:

24	Micro	:	not more than Php3,000,000.00
25	Small	:	Php3,000,000.00 – Php15,000,000.00
26	Medium	:	Php15,000,000.00 – Php100,000,000.00

27  
28

29 (e) Non-essential businesses refer to refer to business entities engaged in  
30 businesses which are not allowed to operate during the CQ under applicable  
31 laws, presidential proclamations or executive orders issued or promulgated for  
32 the purpose of containing the spread of COVID-19. The term excludes business  
33 entities allowed to operate during CQ such as those related to (i) the production  
34 and sale of goods, or provision of services related to food, medicine, health  
35 supplies, such as public markets, supermarkets, groceries, convenience stores,  
36 hospitals, medical clinics, pharmacies, and drug stores, (ii) food preparation  
37 and delivery services, water refilling stations, manufacturing and processing  
38 plants of basic food products and medicines, (iii) banks and financial institutions  
39 under the supervision of the BSP, and (iv) utility services involving power,  
40 energy, water and telecommunications;  
41

1  
2 (f) *Senior executive officers* refer to top management officials exercising  
3 responsible and critical roles, as may be determined in the implementing rules  
4 and regulations.

5 **CHAPTER 1**  
6 **Philippine Guarantee Corporation**

7 **Section 4. Loan Guarantee Expansion by PGC.** – To ensure that non-  
8 essential businesses are able to fulfill their loan obligations, whether existing,  
9 outstanding or new loans, to banks, lending or financing institutions, and to help  
10 strengthen the liquidity and financial position of these non-essential businesses  
11 towards expediting the country's economic recovery, the Philippine Guarantee  
12 Corporation (PGC) shall:

- 13 a. Issue an expanded government guarantee program for non-essential businesses  
14 by increasing the maximum loan guarantee coverage per borrower, widening the  
15 coverage of guarantees to loans provided by non-bank financial institutions and  
16 lending and financing companies supervised by the Securities and Exchange  
17 Commission (SEC), reducing eligibility requirements and guarantee fees, waiving  
18 the right of excussion under the guarantee, relaxing the guidelines on claims by  
19 allowing lenders to call on the guarantee when there is an occurrence of payment  
20 default, and any other measures necessary to give non-essential businesses and  
21 MSME+ access to better terms of credit.
- 22 b. Ease its current rules and regulations and give preference to critically impacted  
23 businesses and MSME, including those in the informal sector, in issuing  
24 government guarantees to help achieve the policy objectives of this Act.
- 25 c. PGC is mandated to implement a loan portfolio guarantee scheme whereby it can  
26 guarantee a specified loan portfolio of partner financial institutions which cover  
27 eligible MSME loans subject to the criteria set under the Implementing Rules and  
28 Regulations. The criteria for accrediting partner financial institutions shall  
29 likewise be stipulated therein.

30 For the efficient and faster implementation of the Section, the PGC may require  
31 assistance, such as facilities and personnel resources, from other government financial  
32 institutions. The PGC shall also implement measures aimed at the digital  
33 transformation of its guarantee application and enrollment process. The PGC shall  
34 coordinate with the DICT, Bangko Sentral ng Pilipinas (BSP), and solicit assistance  
35 from the private sector for the proper implementation of this Section. The guarantee  
36 program of PGC should meet the applicable standards and regulations of the BSP.



1 Agricultural Credit Policy Council (DA-ACPC) to MSMEs affected by the Coronavirus  
2 Disease 2019 (COVID-19) pandemic engaged in infrastructure, service industry,  
3 and/or manufacturing business.

4 DBP may undertake other similar activities for purposes of this Act as may be  
5 provided under the implementing rules and regulations to be issued.

6 **Section 8. Trust Fund of DBP.** – For the implementation of Chapters 2 and  
7 4 hereof, a trust fund in the amount of Fifteen Billion Pesos (PhP15,000,000,000.00)  
8 is hereby established. The DBP may retain the amount equivalent to one *per centum*  
9 (1%) of collections from loans as administrative fee.

10  
11 The DBP may process and grant loans and rediscounting to qualified businesses  
12 within a period of three (3) years from the effectivity of this Act unless the President  
13 of the Philippines extends it for a period of not more than three (3) years. Upon the  
14 maturity of all the loans, the DBP shall start to wind up its activities, which shall be  
15 completed within a period of two (2) years. The remaining amount of the fund shall  
16 be returned to the National Treasury.

17  
18 **CHAPTER 3**  
19 **Land Bank of the Philippines**

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

26  
27 (a) The loan shall be payable within three (3) to five (5) years: *Provided, further,*  
28 That priority shall be given to agri-fishery businesses, and non-essential  
29 businesses that are small and medium enterprises.

30  
31 (b) The loans to eligible MSMEs should meet the applicable standards and  
32 regulations of the BSP.

33 Notwithstanding the foregoing, the President of the Philippines shall have the  
34 power to (i) declare moratorium on the payment of loans of MSME; (ii) make available  
35 emergency loans to MSME in critically-impacted businesses for additional capital outlay

1 under this Section; and (iii) ease regulations to ensure that MSME have facilitated  
2 access to the loan facility provided herein.

3  
4 **Section 10. LBP Rediscounting and other Programs.** – Subject to  
5 applicable standards and regulations of the BSP, LBP may rediscount loans to eligible  
6 MSMEs engaged in activities in the agribusiness value chain granted by BSFIs, SBC,  
7 and those granted pursuant to credit programs of the DA-ACPC to MSMEs affected by  
8 the COVID-19 pandemic.

9 LBP may undertake other similar activities for purposes of this Act as may be  
10 provided under the implementing rules and regulations to be issued.

11  
12 **Section 11. Trust Fund of LBP.** – For the implementation of Chapters 3 and  
13 4 hereof, a trust fund in the amount of Thirty-Five Billion Pesos  
14 (PhP35,000,000,000.00) is hereby established. The LBP may retain the amount  
15 equivalent to one *per centum* (1%) of collections from loans as administrative fee.

16  
17 The LBP may process and grant loans and rediscounting to qualified businesses  
18 within a period of three (3) years from the effectivity of this Act unless the President  
19 of the Philippines extends it for a period of not more than three (3) years. Upon the  
20 maturity of all the loans, the DBP shall start to wind up its activities, which shall be  
21 completed within a period of two (2) years. The remaining amount of the fund shall  
22 be returned to the National Treasury.

23  
24 **CHAPTER 4**  
25 **Strategically Important Companies**

26 **Section 12. Loans to Strategically Important Companies.** – To ensure  
27 that strategically important companies remain solvent, LBP and DBP are hereby  
28 authorized to offer interest-free loans to facilitate the rehabilitation of strategically  
29 important companies affected by the COVID-19 pandemic which are experiencing  
30 solvency issues, such as those with considerable impact on the economy including  
31 those from the agriculture, infrastructure, service industry, and manufacturing  
32 industries and other industries to be identified in the implementing rules and  
33 regulations, subject to the following conditions:

- 34  
35 (a) The debtor company must not reduce the number of employees beyond  
36 the percentage prescribed by the loaning institution, as may be determined  
37 in the implementing rules and regulations;



1 (b) The debtor company shall not, without prior authority from the loaning  
2 institution, be allowed to issue stock dividends and repurchases during the  
3 term of the loan;

4 (c) The debtor company shall not issue cash dividends during the term of the  
5 loan;

6 (d) The debtor company must not increase the salaries, benefits and other  
7 forms of remuneration of its senior executive officers and members of its  
8 board;

9 (e) The debtor company shall not provide or grant senior executive officers and  
10 members of its board separation pay or retirement pay: *Provided*, That any  
11 amount received by the senior executive officers and members of the board  
12 which is in violation of the foregoing shall be returned;

13 (f) The debtor company shall not incur irregular, unnecessary, excessive,  
14 extravagant or unconscionable expenditures such as entertainment,  
15 events, office/facility renovations, aviation/transportation services and  
16 other activities.

## 17 CHAPTER 5

### 18 Incentives and Exemption Privileges of DBP and LBP,

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

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

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

1 (a) Fifty percent (50%) of the filing fees for any foreclosure initiated by DBP  
2 and LBP in relation to Loan Assistance and Rediscounting Programs as  
3 prescribed by the Rules of Court; and

4 (b) Fifty percent (50%) of the land registration fees prescribed under the  
5 existing circulars of the LRA.

6 All sales or transfers of rediscounted loans/other credit accommodations,  
7 including transfers by way of *dation in payment* by the borrower or by a third party to  
8 DBP and LBP shall be entitled to the privileges enumerated herein for a period of not  
9 more than three (3) years from the date of effectivity of the applicable implementing  
10 rules and regulations or of the applicable revenue regulations, whichever comes later:  
11 *Provided*, That the Secretary of Finance may extend such period by a maximum of  
12 three (3) years.

## 13 CHAPTER 6 14 Miscellaneous Provisions

15  
16 **Section 14. Appropriations.** – The amount of Seventy Billion Pesos (PhP  
17 70,000,000,000.00) is hereby appropriated from the funds in the National Treasury  
18 not otherwise appropriated to implement the provisions of this Act.

19 **Section 15. Implementing Rules and Regulations.** – Within thirty (30)  
20 days from the effectivity of this Act, the DOF, acting as chairperson, the BIR, the BSP,  
21 the PGC, the DBP, and the LBP shall jointly promulgate the necessary rules and  
22 regulations for the effective implementation of this Act: *Provided*, That the DOF may  
23 call upon any agency to provide information or assistance in the drafting of the rules  
24 and regulations: *Provided*, Further, That within thirty (30) days from the effectivity of  
25 this Act, the DOF, upon recommendation of the BIR, shall promulgate the revenue  
26 regulations implementing the fiscal incentives under this Act.

27  
28 **Section 16. Oversight Committee.** – There is hereby created a Joint  
29 Congressional Oversight Committee (JCOC) to oversee, monitor, and evaluate the  
30 implementation of this Act. The JCOC shall be composed of five (5) members each  
31 from the House of Representatives and from the Senate. The JCOC shall be co-chaired  
32 by the Chairpersons of the House Committee on Banks and Financial Intermediaries  
33 and the Senate Committee on Banks, Financial Institutions and Currencies, with the  
34 Senate and House of Representatives Chairpersons of the Committees on Economic  
35 Affairs, Trade, Commerce and Entrepreneurship, Cooperatives, and one member each  
36 from the minority as members.  
37

