

THIRTEENTH CONGRESS)
OF THE REPUBLIC OF THE PHILIPPINES)
Third Regular Session)

SENATE

P.S. Res. No. 560

INTRODUCED BY THE HONORABLE MAR ROXAS

A RESOLUTION
DIRECTING THE APPROPRIATE SENATE COMMITTEES
TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION,
ON THE IMPACT OF THE REPEAL OF EXECUTIVE ORDER NO. 138
TO THE DEVELOPMENT OF SMALL AND MEDIUM SCALE ENTERPRISES

WHEREAS, Small and medium enterprises (SMEs) are indispensable to overall economic growth and it is the policy of the state to push for the development of such enterprises by making available financial support through credit guidelines and programs and providing for an enabling environment for the efficient functioning of markets and the participation of the private sector;

WHEREAS, At present, 99.6% of all registered companies are SMEs, which account for 69.1% of employment but only contribute 32% value-added to the economy;

WHEREAS, E.O. No. 138 was issued in 10 August 1999 to address the problem of access to credit and, at the same time, to rationalize directed credit programs;

WHEREAS, the said order adopted a policy of greater public-private sector participation in providing financial services including government non-financial agencies and government-owned and controlled corporations in the implementation of credit programs;

WHEREAS, according to the Foundation for Economic Freedom, E.O. No. 138 helped earn for the Philippines a recognition from the United Nations for having the best microfinance policy in the world;

WHEREAS, according to the same organization, the said order had also been successful in encouraging private financial institutions to participate in microfinance, with nearly 200 banks engaged in microfinance operations today, from just 55 before the said order.

WHEREAS, Executive Order (E.O.) No. 558, which was issued on 8 August 2006, repealed E.O. No. 138, effectively resulting to the return of directed credit programs;

WHEREAS, directed credit programs refer to those programs implemented by the government funded out of budgetary allocation, special funds from the government, loans or grants from donor agencies and are lent-out at subsidized interest rates;

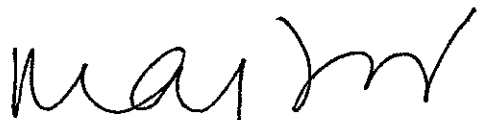
WHEREAS, a study by the National Credit Council shows that directed credit programs in the 1970s and the 1980s—such as the Masagana 99 rice production program and the Kilusang Kabuhayan at Kaunlaran—have led to government losses amounting to P40 billion worth of cheap, state-subsidized loans;

WHEREAS, multilateral funding institutions—such as the International Monetary Fund, World Bank and Asian Development Bank—have frowned upon directed credit programs, as these tend to go to unprofitable projects or to borrowers who tend to default, leading to the failure to reach intended beneficiaries, the misallocation of resources, fiscal hemorrhage and the dampening of economic growth;

WHEREAS, instead of repealing guidelines for government credit programs, there is a need to assess lending and livelihood programs, as well as reconcile all existing laws to effectively *establish an environment responsive to problems of SMEs*;

NOW THEREFORE, BE IT RESOLVED, AS IT IS HEREBY RESOLVED, that the Senate direct the appropriate committees to conduct an inquiry, in aid of legislation, on the impact of Executive Order No. 558 on the development of SME's, review existing laws and possibly draft new legislation for the further development of SMES including their access to credit.

Adopted



MAR Roxas
Senator