EXPLANATORY NOTE

The coronavirus disease 2019 (COVID-19) first emerged in Wuhan, Hubei, China, in December 2019. On 11 March 2020, the World Health Organization declared the outbreak a pandemic. As a result, countries have ordered lockdowns with the Philippine government ordering quarantines all over the country.

As a result of these quarantines, many economic activities were halted resulting in an economic downturn. To address this, the government must enact measures to provide support to the economy and to different industries, including the micro, small, and medium enterprises (MSMEs).

Data from the Philippine Statistics Authority show that there are around 998,000 MSMEs operating in the Philippines. These MSMEs generate around 5.7 million jobs. These MSMEs were the ones most affected by the lockdown and are also the ones struggling to recover when the restrictions were eased and the economy was slowly re-opened.

This bill aims to strengthen the capacity of the Philippine Guarantee Corporation (PGC), the Land Bank of the Philippines (LBP) and the Development Bank of the Philippines (DBP) in order to provide the needed assistance to the MSMEs and other strategically important companies affected by the lockdown.

The bill also mandates these government financial institutions to expand their credit programs in order to assist affected MSMEs to meet their liquidity needs. In particular, LBP and DBP are mandated to expand their credit and rediscounting facilities to affected MSMEs in the agriculture, infrastructure and manufacturing industries and PGC to expand its credit guarantee facilities.

This bill also authorizes LBP and DBP to create a special holding company which aims to further reinvigorate these strategically important companies heavily affected by the COVID-19 pandemic. Equity participation in this special holding company may be held by qualified private sector investors. However, to ensure that the policies and objectives under the proposed bill are effectively carried out LBP and DBP are mandated to maintain at least a majority ownership over the special holding company until such time that they have recovered their investment.

In view of the foregoing, immediate approval of this measure is earnestly requested.

RUFUS B. RODRIGUEZ
AN ACT
PROVIDING FOR GOVERNMENT FINANCIAL INSTITUTIONS UNIFIED INITIATIVES TO DISTRESSED ENTERPRISES FOR ECONOMIC RECOVERY (GUIDE), AND FOR OTHER PURPOSES

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

Section 1. Title. — This Act shall be known as the "Government Financial Institutions (GFIs) Unified Initiatives to Distressed Enterprises for Economic Recovery (GUIDE) Act"

Section 2. Declaration of Policy. — The substantial disruption of the economy due to the community quarantine measures restricted the operation of numerous businesses.

The State recognizes the role of these businesses composed of micro, small and medium enterprises (MSMEs) and strategically important companies in providing employment to the Filipino people and in supporting the Philippine economy. Thus, it is essential that these enterprises are given necessary access to credit and financial assistance. It is hereby declared the policy of the state to protect employment and assist distressed enterprises in order to reinvigorate the economy.

Section 3. Definition of Terms. — As used in this Act:

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

(b) BIR refers to the Bureau of Internal Revenue;

(c) BSFI refers to BSP-supervised financial institutions;

(d) BSP refers to the Bangko Sentral ng Pilipinas;

(e) COVID-19 refers to the Coronavirus Disease 2019;

(f) DA-ACPC refers to the Department of Agriculture — Agricultural Credit Policy Council;

(g) DBP refers to the Development Bank of the Philippines;

(h) DOF refers to the Department of Finance;

(i) LBP refers to the Land Bank of the Philippines;
(j) Micro, Small and Medium Enterprises (MSMEs) refer to any business activity or enterprise engaged in industry, agribusiness and/or services, whether single proprietorship, cooperative, partnership or corporation whose total assets, inclusive of those arising from loans but exclusive of the land on which the particular business entity's office, plant and equipment are situated, must have value falling under the following categories:

- micro : not more than PhP 3,000,000
- small : PhP 3,000,001 – PhP 15,000,000
- medium : PhP 15,000,001 – PhP 100,000,000

(k) PGC refers to the Philippine Guarantee Corporation;

(l) SBC refers to the Small Business Corporation;

(m) SEC refers to the Securities and Exchange Commission;

(n) Senior executive officers refer to top management officials exercising responsible and critical roles, as may be determined in the implementing rules and regulations.

CHAPTER 1
Philippine Guarantee Corporation

Section 4. Loan Guarantee Expansion by PGC. – The PGC shall expand its guarantee program for MSMEs heavily affected by the COVID-19 pandemic by increasing the maximum loan guarantee coverage per borrower and reducing guarantee fees and other similar schemes.

The guarantee program of PGC should meet the applicable prudential standards and regulations of the BSP.

Section 5. Additional Subscription by the National Government. – For the implementation of Section 4, the National Government shall increase its subscription to PGC’s authorized capital stock by an additional Twenty Billion Pesos (PhP 20,000,000,000.00): Provided, That Five Billion Pesos (PhP 5,000,000,000.00) of this amount shall be paid for by the National Government upon the effectiveness of this Act and the balance to be paid from succeeding appropriation/s for this purpose.

CHAPTER 2
Development Bank of the Philippines

Section 6. DBP Loan Assistance Program. – The DBP shall expand its loan program for qualified MSMEs affected by the COVID-19 pandemic: Provided, That such loans shall be granted in accordance with the following guidelines and such other conditions as may be imposed under the implementing rules and regulations that will be issued:

(a) Eligible MSMEs should be engaged in infrastructure, services, service industry, and/or manufacturing business; and

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

Section 7. DBP Rediscounting and other Programs. – Subject to applicable prudential standards and regulations of the BSP, DBP may rediscount loans and other credit accommodations to enterprises enumerated in Section 6(a) above, granted by BSFIs, SBC, and those granted pursuant to credit programs of the DA-ACPC to MSMEs affected by the COVID-19 pandemic engaged in infrastructure, service industry, and/or manufacturing business.

DBP may undertake other similar activities for purposes of this Act as may be provided under the implementing rules and regulations to be issued.
Section 8. Increase in DBP's Authorized Capital Stock. – Section 7 of Executive Order No. 81, as amended by Republic Act No. 8523, otherwise known as "The 1986 Revised Charter of the Development Bank of the Philippines", as amended, is hereby further amended to read as follows:

"Section 7. Authorized Capital Stock-Par Value. The capital stock of the Bank shall be [Thirty five billion pesos (P35,000,000,000.00)] ONE HUNDRED BILLION PESOS (PHP 100,000,000,000,00) to be divided into [Three hundred fifty million (350,000,000)] ONE BILLION (1,000,000,000) common shares with par value of [P] PHP 100.00 per share, which shall be fully subscribed by the [n]National [g]Government: [Upon the effectivity of this Charter, the National Government shall initially subscribe to One hundred twenty five million (125,000,000) common shares of stock worth Twelve billion five hundred million pesos (P12,500,000,00), Five billion pesos (P5,000,000,000.00) of which shall be deemed paid for by the government and the balance shall be paid for by the government out of stock dividends to be declared by the Bank from its unappropriated retained earnings; Provided, That the dividends due the national government pursuant to Republic Act No. 7656 shall first be paid.] PROVIDED, THAT IN ADDITION TO THE FIVE BILLION PAID UP CAPITAL, FIFTEEN BILLION PESOS (PHP 15,000,000,000.00) OF THE INCREASE IN CAPITALIZATION SHALL BE FULLY PAID FOR BY THE NATIONAL GOVERNMENT UPON THE EFFECTIVITY OF THIS AMENDATORY ACT AND THE BALANCE TO BE PAID FROM SUCCEEDING APPROPRIATION/S FOR THIS PURPOSE."

CHAPTER 3
Land Bank of the Philippines

Section 9. LBP Loan Assistance Program. – The LBP shall expand its loan program for qualified MSMEs affected by the COVID-19 pandemic: Provided, That such loans shall be granted in accordance with the following guidelines and such other conditions as may be imposed under the implementing rules and regulations that will be issued:

(a) Eligible MSMEs should be engaged in activities in the agribusiness value chain; and

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

Section 10. LBP Rediscounting and other Programs. – Subject to applicable prudential standards and regulations of the BSP. LBP may rediscount loans to eligible MSMEs engaged in activities in the agribusiness value chain granted by BSIs, SBC, and those granted pursuant to credit programs of the DA-ACPC to MSMEs affected by the COVID-19 pandemic. LBP may undertake other similar activities for purposes of this Act as may be provided under the implementing rules and regulations to be issued.

CHAPTER 4
Special Holding Company

Section 11. Creation of Investment Vehicle. – To ensure that strategically important companies remain solvent, LBP and DBP are hereby authorized to invest in, or enter into a joint venture agreement to incorporate a special holding company, to be known as Accelerating Recovery to Intensify Solidarity and Equity, Inc. or ARISE, that is a stock corporation to be organized under Republic Act No. 11232, otherwise known as "The Revised Corporation Code of the Philippines." The establishment, administration, and operation of the special holding company shall be governed by the following principles:
(a) The purpose of the special holding company is to rehabilitate strategically important companies affected by the COVID-19 pandemic which are experiencing solvency issues, such as those with considerable impact on the economy including those from the agriculture, infrastructure, service industry, manufacturing industries, and other industries to be identified in the implementing rules and regulations;

(b) Equity participation in the special holding company may be offered to, and held by, qualified private sector investors, including multilateral companies and lending institutions, as may be determined by LBP and DBP. Provided, That majority ownership of the total outstanding capital stock in the special holding company shall be held by LBP and DBP, until such time that they have recovered their investment in the special holding company;

(c) LBP and DBP shall dispose of their stockholdings in the special holding company to qualified private sector investors as they may determine. LBP and DBP shall offer equal opportunity for equity participation in the special holding company to all qualified investors, including multilateral companies and lending institutions. When private shareholdings in the special holding company reaches fifty percent (50%) of the total outstanding capital stock, the stockholders shall cause the adoption and registration with the SEC of the amended articles of incorporation within three (3) months from such transfer of ownership;

(d) The special holding company shall establish and adopt accounting and auditing systems and standards which are consistent with the appropriate and applicable guidelines of the Commission on Audit (COA), and which in any case shall be as uniform as possible and shall conform with law and with generally accepted accounting principles and sound auditing practices: Provided, That the audit of the special holding company by the COA shall not preclude said special holding company from engaging the services of private auditing firms: Provided, however, that even if the services of the latter are availed of, the audit report of the COA shall serve as the report for purposes of compliance with audit requirements as required of government-owned or controlled corporations under applicable law;

(e) The special holding company shall devise mechanisms that shall protect the Government's investment, such as but not limited to, issuing a special class or series of shares, and/or entering into shareholders' or voting share agreements for that purpose as provided in the implementing rules and regulations.

Section 12. Powers of the Investment Vehicle. – The special holding company shall have the powers granted to a stock corporation under Republic Act No. 11232. In addition, the special holding company shall have the authority to create subsidiaries. Equity participation in the subsidiaries may also be offered to, and held by qualified private sector investors, including multilateral companies and lending institutions. For as long as the majority of the total outstanding capital stock of the subsidiaries is held by the Government directly or through its instrumentalities, said subsidiaries shall be subject to the provisions of this Act and shall enjoy all the incentives and exemption privileges of the special holding company under this Act.

Furthermore, the power of the special holding company and its subsidiaries to invest shall be subject to the following investment guidelines:

(a) To avoid undue risk concentration from excessive exposures, the investment of the special holding company in any investee company and the total investment in companies belonging to the same industry/sector shall be subject to a ceiling in relation to its net income or capital as prescribed under the implementing rules and regulations;

(b) The special holding company can only invest in corporations engaged in strategically important industries or sectors that are experiencing solvency issues because of the COVID-19 pandemic, such as those with considerable impact on the economy including those from the agriculture, infrastructure, services, and manufacturing industries and other industries to be identified in the implementing rules and regulations;
(c) Such investment shall be in the form of (i) limited equity participation by subscription or acquisition of shares, (ii) execution of convertible loans or purchase of convertible bonds; and/or (iii) such other securities as may be issued by the investee corporations, acceptable to DBP and LBP; and

(d) The investee company is eligible as provided in the requirements for the investee company in this Section and in Section 15 of this Act.

Section 13. Board of Directors of the Special Holding Company. – The powers and authority of the special holding company shall be vested in, and exercised by a Board of Directors, hereinafter referred to as the "Board," composed of nine (9) members, as follows:

a. The Secretary of Finance;
b. The President of LBP;
c. The President of DBP;
d. A director to be appointed by the Monetary Board of the BSP;
e. Two (2) independent Directors;
f. Three (3) directors shall be appointed by LBP, DBP, and the private equity investor(s), if any, in proportion to the voting shares held in the special holding company.

The members of the Board shall elect from among themselves the Chairperson and the Vice-Chairperson. The ex-officio members of the Board may designate their representatives who can exercise all the powers of a director.

Once the private shareholdings in the special holding company reaches fifty percent (50%) of the total outstanding capital stock subject to the proviso of Chapter 4, Section 11(b) of this Act, the company shall cease to be a government-owned and -controlled corporation, the ex-officio directors will cease to be members of the Board, and the membership of the Board shall be based on the election of the directors by the voting shares held by the shareholders, pursuant to the provisions of Republic Act No. 11232.

The Board shall provide for an organization and staff of officers and employees of the special holding company and fix their remunerations and other emoluments. All positions in the special holding company shall be governed by the compensation, position classification system and qualification standards approved by the Board based on a job analysis of actual duties and responsibilities. The compensation plan shall be comparable with the prevailing compensation plans in the private sector and shall be subject to periodic reviews once every two (2) years, without prejudice to early merit or increases based on the special holding company’s productivity and profitability. The special holding company, while considered as government-owned and -controlled corporation, shall therefore be exempt from existing laws, rules and regulations on compensation, position classification and qualification standard.

Section 14. Responsibility of the Board and the Employees of the Special Holding Company and its Subsidiaries. – The Board shall set appropriate standards and corporate governance for the investee companies that the special holding company or its subsidiaries will invest in. The Board shall likewise institute mechanisms to oversee that such standards are followed by the investee company.

The general rule and the exception therefrom on the liability of public officers as provided in Sections 38 and 39 of Chapter 9, Book 1 of the Revised Administrative Code of 1987 shall apply to the members of the Board and other personnel of the special holding company. Unless the actions or omissions of the special holding company, members of the Board and its other personnel are finally adjudged to be in willful violation of this Act, performed in evident had faith or with gross negligence, they are held free and harmless to the fullest extent permitted by law from any liability, and they shall be indemnified for any and all liabilities, losses, claims, demands, damages, deficiencies, costs and expenses of whatsoever kind and nature that may arise in connection with the exercise of their powers and performance of their duties and functions.
Section 15. Requirements for the Investee Company. — To be eligible, the investee company must not have any pending tax-related cases in court for tax collection or tax evasion, must not be a debtor in any bankruptcy proceeding prior to the enhanced community quarantine period, and must not be insolvent and is capable of being rehabilitated as determined by the special holding company.

The agreement between the special holding, company and the investee company must contain the following minimum conditions:

(a) The investee company must not reduce the number of employees beyond the percentage prescribed by the special holding company;
(b) The investee company shall not, without prior authority from the special holding company, be allowed to issue stock dividends and repurchases during the term of the investment;
(c) The investee company shall not issue cash dividends during the term of the investment;
(d) The investee company must not increase the salaries, benefits and other forms of remuneration of its senior executive officers and members of its board;
(e) The investee company shall not provide or grant senior executive officers and members of its board separation pay or retirement pay: Provided, That any amount received by the senior executive officers and members of the board which is in violation of the foregoing shall be returned;
(f) The investee company shall not incur irregular, unnecessary, excessive, extravagant or unconscionable expenditures such as entertainment, events, office/facility renovations, aviation/transportation services and other activities;
(g) The ownership of either LBP or DBP, or both, in the investee company shall not be diluted and a provision protecting the value of the shares of LBP or DBP or both from market transactions such as stock splits, mergers and other forms of reorganization and recapitalization shall be included in the agreement; and
(h) The investment in the investee company shall be time-bound with a definite exit mechanism.

Provided, further, that additional conditions and provisions may be imposed by the special holding company to ensure that the investment will be properly utilized and ensure the successful rehabilitation of the investee company.

CHAPTER 5
Incentives and Exemption Privileges of DBP, LBP, and Special Holding Company
Section 16. Tax Exemptions and Fee Privileges. — Any existing law to the contrary notwithstanding and in order to ensure the effective implementation of the purposes of this Act, the following transactions of DBP, LBP and the special holding company, and its subsidiaries, shall be exempt from documentary stamp tax, capital gains tax, creditable withholding income tax, value-added tax, gross receipts tax, and such other taxes that may be imposed under Republic Act No. 8424, as amended, or the "National Internal Revenue Code of 1997", whichever is applicable pursuant to the regulations to be issued by the DOF, upon the recommendation of the BIR:

(a) Loan Assistance Program, Rediscounting and other Programs of DBP and LBP under Chapters 2 and 3 of this Act, respectively, including dacion in payment (dacion en pago) by the borrower or by a third party in favor of DBP and LBP;
(b) Transactions of the special holding company and its subsidiaries as to its:
   i. subscription or acquisition of shares;
   ii. execution of convertible loans or purchase of convertible bonds;
   iii. such other securities as may be issued by the investee corporations, acceptable to DBP and LBP; and
   iv. acquisitions of assets of an investee company.
The abovementioned transfers shall also be subject to the following, in lieu of the applicable fees:

(a) Fifty percent (50%) of the applicable mortgage registration and transfer fees on the transfer of real estate mortgage and security interest to and from the special holding company and its subsidiaries, as imposed in accordance with the existing circulars of the Land Registration Authority (LRA);

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

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

All sales or transfers of rediscounnted loans/other credit accommodations, including transfers by way of dation in payment by the borrower or by a third party to DBP, LBP and transfer of assets to the special holding company and its subsidiaries, shall be entitled to the privileges enumerated herein for a period of not more than three (3) years from the date of effectivity of the applicable implementing rules and regulations or of the applicable revenue regulations, whichever comes later: Provided, That the Secretary of Finance may extend such period by a maximum of three (3) years.

Furthermore, subsequent transfers of the foregoing from DBP, LBP, and the special holding company and its subsidiaries to a third party shall enjoy the privileges enumerated herein for a period of not more than three (3) years from the date of acquisition by DBP, LBP, and the special holding company and its subsidiaries: Provided, That the Secretary of Finance may extend such three-year period by a maximum of three (3) years.

Section 17. Exemption from the Government Procurement Reform Act. – In order to ensure the expeditious implementation of their mandates under this Act, any procurement undertaken by PGC, LBP, DBP, and the special holding company and their subsidiaries shall be exempt from the provisions of Republic Act No. 9184 or the "Government Procurement Reform Act" for a period of three (3) years from the effectivity of the implementing rules and regulations to be issued under Chapter 6, Section 22 of this Act: Provided, That the exemption shall only apply to procurement activities undertaken in light of the COVID-19 pandemic and pursuant to their mandate and functions as defined in this Act.

Section 18. Other Exemptions of the Special Holding Company. – The special holding company and its subsidiaries shall be exempt from the provisions of Republic Act No. 10149 or the "GOCC Governance Act of 2011".

Further, transactions by the special holding company and its subsidiaries shall be exempt from the provisions of Republic Act No. 10667 or the "Philippine Competition Act" for a period of three (3) years from its incorporation: Provided, That this exemption shall only apply to acquisitions of assets of an investee company by the special holding company and its subsidiaries pursuant to its powers under this Act.

CHAPTER 6
Miscellaneous Provisions

Section 19. Ratios, Ceilings, and Limitations. – For purposes of this Act, the Monetary Board may exempt PGC, DBP and LBP from such ratios, ceilings and limitations, provided under Republic Act No. 8791 or the "The General Banking Law of 2000", for a period of five (5) years from the effectivity of this Act, subject to extension of not more than five (5) years as may be determined by the Monetary Board, subject to such conditions as may be prescribed by the Monetary Board.
Section 20. Appropriations.—
(a) The amount of Five Billion Pesos (Php 5,000,000,000.00) is hereby appropriated as additional paid-up capital of PGC: Provided, That this amount shall be used for the purposes of providing loan guarantee under Chapter 1 of this Act;

(b) The amount of Fifteen Billion Pesos (Php 15,000,000,000.00) is hereby appropriated for the implementation of Chapters 2 and 4: Provided, That this amount shall be applied as additional paid-up capital of DBP, for the purposes of lending under the loan assistance program to qualified MSMEs, rediscounting and other programs of DBP, and/or the creation of the special holding company;

(c) The amount of Thirty-Five Billion Pesos (Php 35,000,000,000.00) is hereby appropriated for the implementation of Chapters 3 and 4: Provided, That this amount shall be applied as additional paid-up capital of LBP, for the purposes of lending under the loan assistance program to qualified MSMEs, rediscounting and other programs of LBP, and/or the creation of the special holding company.

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

Section 22. Oversight Committee.—There is hereby created a Joint Congressional Oversight Committee (JCOC) to oversee, monitor, and evaluate the implementation of this Act. The JCOC shall be composed of five (5) members each from the House of Representatives and from the Senate. The JCOC shall be co-chaired by the Chairpersons of the House Committee on Banks and Financial Intermediaries and the Senate Committee on Banks, Financial Institutions and Currencies.

The Speaker and the Senate President shall designate the other four members of the JCOC of the House and the Senate from among the members of the House Committee on Banks and Financial Intermediaries and the Senate Committee on Banks, Financial Institutions, and Currencies, at least one member of which shall be from the minority.

Section 23. Separability Clause.—If any provision of this Act is held unconstitutional or invalid, all other provisions not affected thereby shall remain valid.

Section 24. Repealing Clause.—All laws, decrees, executive orders, rules and regulations or parts thereof, which are inconsistent with this Act, are hereby repealed, amended or modified accordingly.

Section 25. Effectivity.—This Act shall take effect immediately upon its publication in the Official Gazette or in a newspaper of general circulation in the Philippines.

Approved,