



03 October 2019

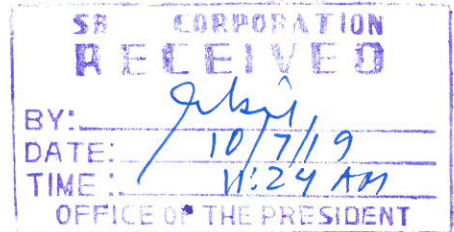
MS. MA. LUNA E. CACANANDO

President and CEO (PCEO)

SMALL BUSINESS CORPORATION (SBC)

17th and 18th Floors, 139 Corporate Center,
 139 Valero Street, Salcedo Village, Makati City

**RE : REVALIDATION OF 2018
PERFORMANCE SCORECARD**



Dear PCEO Cacanando,

This is in reference to your letter dated 30 August 2019¹, submitting to the Governance Commission the results of the reconducted 2018 Customer Satisfaction Survey on SBC's services.

In its request for reconsideration, the SBC acknowledged that the corporation misunderstood the standard methodology and requested that the corporation be given an opportunity to rectify the error by reconducting the survey. Based on the Commission's evaluation of the re-administered survey, the SBC's re-validated 2018 Performance Scorecard rating of 86.33% is hereby **INCREASED** to **91.89%**. The review and evaluation of documents submitted are reflected in the "*Result of Revalidation of 2018 Performance Scorecard*" attached as **Annex A**.

In line with Item 2 of GCG Memorandum Circular (MC) No. 2017-01² particularly the achievement of a weighted-average score of at least 90% in its 2018 Performance Scorecard, SBC may be eligible to grant the Performance Based Bonus to its officers and employees, subject to the approval and authorization to be issued by the Governance Commission.

In this regard, the Board is reminded that any unilateral action to release the PBB will be considered as a violation of the Board's fiduciary duty to protect the assets of the GOCC as provided under Section 19 of Republic Act No. 10149³.

FOR YOUR INFORMATION AND GUIDANCE.

Very truly yours,

SAMUEL G. DAGPIN, JR.
Chairman

MICHAEL P. CLORIBEL
Commissioner

MARITES C. DORAL
Commissioner

cc: COA Resident Auditor – SBC

¹ Officially received by the Governance Commission on 30 August 2019.

² Interim Performance-Based Bonus, dated 09 June 2017.

³ GOCC Governance Act of 2011.

SMALL BUSINESS CORPORATION (SBC)
Revalidation of 2018 Performance Scorecard

Objective/Measure		Component			SBC Submission ¹		GCG Revalidation		Supporting Documents	GCG Remarks
		Formula	Weight	Rating Scale	Target	Actual	Rating	Actual		
SOCIAL IMPACT	SO 1 Improve the Access to Finance of Unserved MSMEs									
	SM 1	Increase Total Financing Portfolio	Year-End Earning Loan Portfolio (Gross Amount)	10%	₱4.60 Billion and Above = 10%; ₱3.90 Billion to ₱4.50 Billion = 5%; ₱3.30 Billion to ₱3.80 Billion = 2.5%; Less than ₱3.30 Billion = 0%	₱4.6 Billion	₱4.66 Billion	10%	₱4.659 Billion	10%
SM 2	Increase Number of Micro and Small Enterprise Borrowers	Absolute Number of New Borrowers	10%	(Actual / Target) x Weight	40,000	44,489	10%	41,254	10%	Report on the Number of New Borrowers List of Borrowers per Program for 2017 and 2018 SBC exceeded the target. However, the GCG-validated actual accomplishment was based on SBC's revised submission of 41,254 new borrowers. GCG's validation also excludes duplicate entries for P3 Wholesale and generic business names for P3 Retail.

¹ Reported actual based on SBC letter dated 30 January 2019.

Revalidation of 2018 Performance Scorecard (Annex A)

Objective/Measure			Component			SBC Submission ¹		GCG Revalidation		Supporting Documents	GCG Remarks	
			Formula	Weight	Rating Scale	Target	Actual	Rating	Actual			Rating
SM 3	Spread Distribution of Financing Portfolios Nationwide	Absolute Number (Number of Provinces with Loan Portfolio of ₱20 Million)	5%	(Actual / Target) x Weight	75 Provinces with Minimum Loan Portfolio of ₱20 Million Per Province	50	0%	50 Provinces with Minimum Loan Portfolio of ₱20 Million Per Province	3.33%	Summary of Loan Releases Per Province	Reported accomplishment is acceptable. Request to revise the rating scale by removing the minimum accomplishment of 69 provinces is APPROVED .	
		Sub-total	25%				20%		23.33%			
SO 2 Guarantee Profitability and Sustainability												
FINANCE	SM 4	Improve Net Operating Income	Operating Income – Operating Expenses	10%	(Actual / Target) x Weight Lower Than ₱13 Million = 0%	₱19.20 Million	₱20.45 Million	10%	₱13.67 Million	7.12%	COA Audited Financial Statements	Revalidated accomplishment based on the COA Annual Audit Report.
	SM 5	Improve Return on Assets	(Net Income / Total Assets) x 100	10%	(Actual / Target) x Weight	0.43%	0.54%	10%	0.72%	10%	COA Audited Financial Statements	Revalidated accomplishment based on the COA Annual Audit Report.
	SM 6	Improve Collection Effectiveness Index	[(Beginning Receivables + Monthly Income – Ending Total Receivables) / (Beginning Receivables + Monthly Income – Ending Current Receivables)] x 100	10%	(Actual / Target) x Weight	Break-even	72.28%	7.23%	-	-	Computation of CEI	Upon further study of CEI based on the justifications presented, the measure is REMOVED under the 2018 Performance Scorecard.

Revalidation of 2018 Performance Scorecard (Annex A)

Component					SBC Submission ¹		GCG Revalidation		Supporting Documents	GCG Remarks		
Objective/Measure		Formula	Weight	Rating Scale	Target	Actual	Rating	Actual			Rating	
	SM 7	Improve Past Due Rate	Value of Past Due Loan Accounts / Total Financing Portfolio	10%	[1 – (Actual-Target) / Target] x Weight	20%	16.45%	10%	18.21%	10%	Computation of Past Due Rate COA Audited Financial Statements Reports generated by the PDR Module	Based on the revalidation conducted using the past due rate module of the SBC and the COA Audited FS, the revised validated past due rate of SBC is 18.21%.
	Sub-total			40%				37.23%		27.12%		
STAKEHOLDERS	SO 3 Ensure Customer Satisfaction											
	SM 8	Percentage of Satisfied Customers	Number of Stakeholders who gave a Rating of at least Satisfactory / Total Number of Respondents	5%	(Actual / Target) x Weight If Less Than 80% = 0%	90%	94%	5%	<u>95%</u>	<u>5%</u>	Final Report by the Market Relevance Corporation Copies of Accomplished Survey Forms E-mail from Market Relevance Corporation on Data Quality Collection Control <u>Final Report of the Re-administered Survey by the Market Relevance Corporation</u>	<u>Request for reconsideration is APPROVED.</u> <u>Moving forward, SBC is reminded to strictly follow the Standard Guideline on the Conduct of CSS issued by the Governance Commission, particularly on the sample size requirement, and to conduct the CSS before the end of the applicable PES year.</u>
	Sub-total			5%				5%		5%		

Revalidation of 2018 Performance Scorecard (Annex A)

Objective/Measure		Component				SBC Submission ¹		GCG Revalidation		Supporting Documents	GCG Remarks
		Formula	Weight	Rating Scale	Target	Actual	Rating	Actual	Rating		
CUSTOMERS	SO 4	Improve Service Delivery									
	SM 9	Increase Number of Local Conduits Per Province	Absolute Number (Number of Provinces with At Least 3 Local Conduits)	5%	(Actual / Target) x Weight If Less Than 65 Provinces with At Least 3 Local Conduits = 0%	75 Provinces with At Least 3 Local conduits	74	4.93%	74	4.93%	List of Accredited PFIs from 01 January 2017 to 31 December 2018 Copies of the SBC Credit Line Approval to the Conduit
SM 10	Improve Percentage of Loans Processed Within Prescribed Time ²	Number of Loans Applications Processed within Turnaround Time / Total Number of Applications	5%	(Actual / Target) x Weight	100% of Applications Processed within Prescribed Turnaround Time	47.61%	2.38%	49.22%	2.32%	Summary of Number of Loan Applications Processed within the Prescribed Turnaround Time Credit Approvals for the Year for Retail Lending Program, Regular Wholesale Program, and P3 Wholesale Program	The GCG-validated actual was computed based on the one-day processing time for loans under the P3 Program while the total number of transactions included those completed in 2018, which is consistent with the validation conducted in 2017.

² The processing time for loans processing is 30 days except for the processing time for loans under the P3 Program which is only one day.

Revalidation of 2018 Performance Scorecard (Annex A)

Objective/Measure		Component				SBC Submission ¹		GCG Revalidation		Supporting Documents	GCG Remarks
		Formula	Weight	Rating Scale	Target	Actual	Rating	Actual	Rating		
SM 11	Increase Number of Capacity Building Participants	Absolute Number (Cumulative Count)	5%	(Actual / Target) x Weight Less Than 350 = 0%	400	487	5%	419	5%	Consultants' Affidavit Rural Banks' Affidavit and Joint Affidavit Copies of Certificates received by the Participant Copies of Consultant's Report	Revalidated actual accomplishment was based on the review of the Consultants' Affidavits during the onsite validation last 11 June 2019.
SM 12	Attain ISO 9001:2015 Certification	Actual Accomplishment	5%	All or Nothing	ISO 9001:2015 Certification	Accomplished	5%	ISO 9001:2015 Certified	5%	Copy of the Certificate issued by TUV Rheinland Audit Report from Third Party	Acceptable. Target met.
Sub-total			20%				15%		17.25%		
INTERNAL PROCESS	SO 5 Enhance the Competencies of the SBC Workforce										
	SM 13	Percentage of Employees Meeting Required Competencies	Actual Accomplishment	5%	All or Nothing	Competency Assessment of 100% of Employees conducted by a Third-Party Re-Establish Competency Baseline of the Organization	Accomplished	5%	Competency Assessment of 100% of Employees was conducted by a Third-Party Competency Baseline of the Organization Re-established	5%	SBC Memorandum on Competency Baseline Rating Report by Zesi Consulting Inc. Copy of the Third Party Report

Revalidation of 2018 Performance Scorecard (Annex A)

Component					SBC Submission ¹		GCG Revalidation		Supporting Documents	GCG Remarks	
Objective/Measure	Formula	Weight	Rating Scale	Target	Actual	Rating	Actual	Rating			
SO 6 Provide Automated Systems and Procedures											
SM 14	Automate Existing Systems and Processes	Actual Accomplishment	5%	All or Nothing	Submission of ISSP to DICT for Approval	Accomplished	5%	ISSP submitted to the DICT for approval	5%	Copy of the Transmittal of the ISSP to the DICT	Acceptable. Target met.
		Sub-total	10%				10%		10%		
		TOTAL	100%				89.54%		<u>82.70%</u> <u>out of</u> <u>90%</u> <u>91.89%</u> <u>out of</u> <u>100%</u>		