



Office of the President of the Philippines  
**GOVERNANCE COMMISSION**  
 FOR GOVERNMENT OWNED OR CONTROLLED CORPORATIONS  
 3F, Citibank Center, 8741 Paseo De Roxas, Makati City, Philippines 1226



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12 March 2021

**MS. BLESILA A. LANTAYONA**

*Undersecretary, Department of Trade and Industry  
 and SBC Acting Chairperson*

**MS. MA. LUNA E. CACANANDO**

*President and CEO (PCEO)*

**SMALL BUSINESS CORPORATION (SBC)**

17 and 18<sup>th</sup> Flrs., 139 Corporate Center, 139 Valero Street,  
 Salcedo Village, Makati City

**RE : VALIDATION RESULT OF THE 2019  
PERFORMANCE SCORECARD OF SBC**

Dear Undersecretary Lantayona and PCEO Cacanando,

This is to formally transmit the validation result of SBC's 2019 Performance Scorecard. Based on the Governance Commission's validation of the GOCC's documentary submissions, SBC gained an over-all score of **58.14%** (See **Annex A**). The same is to be posted in SBC's website, in accordance with Section 43 of GCG Memorandum Circular (M.C.) No. 2012-07<sup>1</sup>.

In relation to the grant of 2019 Performance-Based Bonus (PBB) to eligible officers and employees, SBC fails to satisfy the requirements of GCG M.C. No. 2019-02<sup>2</sup> particularly the achievement of a weighted-average score of at least 90% in its 2019 Performance Scorecard. 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. 10149<sup>3</sup>.

Consequently, pursuant to GCG M.C. No. 2018-04<sup>4</sup>, failure to qualify for the PBB means that the Appointive Members of the Governing Board of SBC shall not be qualified to receive the Performance-Based Incentive (PBI).

**FOR SBC'S INFORMATION AND GUIDANCE.**

Very truly yours,

Digitally signed by:  
**CHAIRMAN SAMUEL G. DAGPIN, JR.**

Digitally signed by:  
**COMMISSIONER MICHAEL P. CLORIBEL**

Digitally signed by:  
**COMMISSIONER MARITES C. DORAL**

**cc: COA Resident Auditor - SBC**

<sup>1</sup> Code of Corporate Governance for GOCCs dated 28 November 2012.

<sup>2</sup> INTERIM PERFORMANCE-BASED BONUS.

<sup>3</sup> GOCC GOVERNANCE ACT OF 2011.

<sup>4</sup> INTERIM PERFORMANCE-BASED INCENTIVE (PBI) SYSTEM FOR APPOINTIVE DIRECTORS OF GOCCs COVERED BY GCG FOR 2016 AND FOR THE YEARS THEREAFTER.

**SMALL BUSINESS CORPORATION (SBC)  
2019 Performance Scorecard Evaluation**

Component					SBC Submission <sup>1</sup>		GCG Validation		Supporting Documents	GCG Remarks		
Objective/Measure	Formula	Weight	Rating Scale	Target	Actual	Rating	Actual	Rating				
<b>SOCIAL IMPACT</b>	<b>SO 1 Improve Access to Finance of Unserved MSMEs</b>											
	SM 1	Increase Total Financing Portfolio	Year-End Earning Loan Portfolio (Gross Amount)	10%	₱5.50 Billion and Above = 10% ₱4.40 Billion to ₱5.49 Billion = 5% ₱3.30 Billion to ₱4.39 Billion = 2.5% Less Than ₱3.30 Billion = 0%	₱5.50 Billion	₱5.85 Billion	10%	₱5.846 Billion	10%	COA Audited Financial Statements	Target exceeded.
	SM 2	Increase Number of Micro and Small Enterprise Borrowers	Absolute Number of New Borrowers	10%	(Actual / Target) x Weight	40,000	58,900	10%	Cannot be validated	0%	Masterlist of Borrowers for 2019 per Program (SME Wholesale, SME Graduating Micro, Regular	Considering updates in SBC's database, the reported accomplishment was revised to 61,964.

<sup>1</sup> Based on submission thru a letter dated 30 January 2020. Officially received by the Governance Commission on 31 January 2020.

Validation Result 2019 Performance Scorecard (Annex A)

Component					SBC Submission <sup>1</sup>		GCG Validation		Supporting Documents	GCG Remarks
Objective/Measure	Formula	Weight	Rating Scale	Target	Actual	Rating	Actual	Rating		
									Retail, P3 Wholesale, P3 Retail)  Copies of Approval Memoranda, Amortization Schedules, Promissory Notes, Loan Approval Letters and/or Memorandum, Borrower Profile or randomly sampled accounts	Of the 49 randomly selected accounts, one (1) account was found to have a loan release date of 03 November 2018.  While SBC was able to provide a revised data, the GCG can no longer rely on the accuracy of the database given the inconsistent reporting from SBC. It should be noted that internally generated report is the only acceptable supporting document for this measure. Given the inconsistencies and series of exchanges of communication with SBC to verify the report, the GCG concluded that the inconsistencies were a result of failure on the part of SBC to implement control measures to ensure reliability of data generated from its database.

## Validation Result 2019 Performance Scorecard (Annex A)

Component					SBC Submission <sup>1</sup>		GCG Validation		Supporting Documents	GCG Remarks	
Objective/Measure	Formula	Weight	Rating Scale	Target	Actual	Rating	Actual	Rating			
SM 3	Spread Distribution of Financing Portfolios Nationwide	Absolute Number	5%	(Actual / Target) x Weight	75 Provinces with Minimum Loan Portfolio of ₱20 Million Per Province	70	4.67%	Cannot be validated	0%	Summary of Loan Releases per Province  Releases to Sub-borrowers of Accredited PFIs per Province (P3 Retail, P3 Wholesale, Regular Wholesale, Regular Retail)  Promissory Notes, Liquidation Reports, Investment Schedule, Disclosure Statements	The supporting documents submitted for the randomly selected provinces, i.e. Compostela Valley (P3 Retail), Quirino ((P3 Retail), Eastern Samar (P3 Wholesale), Western Samar (P3 Wholesale) and Sultan Kudarat (Regular Wholesale), cannot substantiate the reported accomplishment. The data reflected on the summary report cannot be matched with the source documents which are the Promissory Notes and Liquidation Reports.
<b>FINANCE</b>	<b>SO 2</b>	<b>Guarantee Profitability and Sustainability</b>									
SM 4	Improve Net Operating Income	Operating Income – Operating Expenses	10%	(Actual / Target) x Weight Less Than ₱15 Million = 0%	₱20.85 Million	₱20.86 Million	10%	₱22.89 Million	10%	COA Audited Financial Statements  SBC's Computation of	Target exceeded.  The Governance Commission considered the additional P3 Expense

Validation Result 2019 Performance Scorecard (Annex A)

Component					SBC Submission <sup>1</sup>		GCG Validation		Supporting Documents	GCG Remarks																		
Objective/Measure	Formula	Weight	Rating Scale	Target	Actual	Rating	Actual	Rating																				
									Net Operating Income	charged to the corporate fund of SBC.																		
									Timeline of Events Between SBC and DBM with Relevance to P3 Monitoring and Mobilization Fund with corresponding copy of the letters																			
SM 5	Improve Return on Assets	(Net Income / Total Assets) x 100	10%	(Actual / Target) x Weight	0.51%	0.60%	10%	-0.37%	0%	COA Audited Financial Statements  SBC's Computation of Return on Assets  Timeline of Events Between SBC and DBM with Relevance to P3 Monitoring and Mobilization Fund with corresponding copy of the letters	Target not met.  The GCG's computation is presented below:																	
										<table border="1"> <tr> <td>Total Assets</td> <td>6,467,406,535</td> </tr> <tr> <td>Net Loss After Tax</td> <td>-199,160,377</td> </tr> <tr> <td>Add:</td> <td></td> </tr> <tr> <td>P3 Mobilization Expense</td> <td>52,298,713</td> </tr> <tr> <td>P3 Provision for Probable Losses</td> <td>101,269,474</td> </tr> <tr> <td>P3 Expenses charged to the corporate fund</td> <td>21,486,267</td> </tr> <tr> <td></td> <td></td> </tr> <tr> <td>Net Income</td> <td>-24,105,923</td> </tr> <tr> <td>ROA</td> <td>-0.37%</td> </tr> </table>	Total Assets	6,467,406,535	Net Loss After Tax	-199,160,377	Add:		P3 Mobilization Expense	52,298,713	P3 Provision for Probable Losses	101,269,474	P3 Expenses charged to the corporate fund	21,486,267			Net Income	-24,105,923	ROA	-0.37%
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## Validation Result 2019 Performance Scorecard (Annex A)

Component					SBC Submission <sup>1</sup>		GCG Validation		Supporting Documents	GCG Remarks
Objective/Measure	Formula	Weight	Rating Scale	Target	Actual	Rating	Actual	Rating		
SM 6	Improve Collection Effectiveness Index	$\frac{[(\text{Beginning Receivables} + \text{Monthly Income} - \text{Ending Total Receivables}) / (\text{Beginning Receivables} + \text{Monthly Income} - \text{Ending Current Receivables})] \times 100}{}$	10%	All or Nothing	Breakeven	-	-	-	-	Measure excluded per the Governance Commission's letter dated 31 May 2019 <sup>2</sup> .
SM 7	Improve Past Due Rate	$\frac{\text{Value of Past Due Loan Accounts} / \text{Total Financing Portfolio}}{}$	10%	$1 - [(\text{Actual} - \text{Target}) / \text{Target}] \times \text{Weight}$  0% = If 22% and higher	16.40%	10%	15.46%	10%	COA Audited Financial Statements  Past Due Report as generated by the PDR Module	Target exceeded.  The validated accomplishment was computed based on the total loan portfolio of ₱5,845,613,132 as reflected in the COA Audited FS and the total past due portfolio as generated by the PDR Module amounting to ₱903,918,156.95.
<b>Sub-total</b>		<b>40%</b>				<b>30%</b>		<b>20%</b>		

<sup>2</sup> Officially received by SBC on 11 June 2019.

## Validation Result 2019 Performance Scorecard (Annex A)

		Component				SBC Submission <sup>1</sup>		GCG Validation		Supporting Documents	GCG Remarks	
Objective/Measure	Formula	Weight	Rating Scale	Target	Actual	Rating	Actual	Rating				
CUSTOMERS	<b>SO 3 Ensure Customer Satisfaction</b>											
	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%	97%	5%	Result not acceptable	0%	CSS Final Report  Data Collection Quality Control Report  Sample Accomplished Survey Forms	The survey included responses covering the services extended by SBC in 01 July to 31 December <u>2018</u> . The survey was conducted from 26 to 31 July <u>2020</u> .
	<b>Sub-total</b>		<b>5%</b>				<b>5%</b>			<b>0%</b>		
INTERNAL PROCESS	<b>SO 4 Improve Service Delivery</b>											
	SM 9	Increase Number of Local Conduits Per Province	Absolute Number	5%	(Actual / Target) x Weight	81 Provinces and 4 Districts of Manila with at least 3 Local Conduits each	79	4.65%	Cannot be validated	0%	Summary of Number of Conduits per Province  List of Accredited PFIs in Apayao, Camiguin, Davao Occidental, Dinagat Islands, and Guimaras Copies of Contract/Loan Agreements between SBC and the conduits in Apayao,	The GCG was not able to objectively verify the reported accomplishment due to inconsistent data reflected in the submitted supporting documents.  The SBC's summary report vis-à-vis the listing of its partner financial institutions nationwide were inconsistent. The former showed increase in SBC's presence to 83 provinces, of which, 79 had at least three (3)

## Validation Result 2019 Performance Scorecard (Annex A)

Component					SBC Submission <sup>1</sup>		GCG Validation		Supporting Documents	GCG Remarks
Objective/Measure	Formula	Weight	Rating Scale	Target	Actual	Rating	Actual	Rating		
									Camiguin, and Davao Occidental  List of PFIs / Conduits for ALL provinces as of end of 2019	local conduits each, but the latter showed that only 56 provinces had at least three (3) local conduits each.
SM 10	Improve Percentage of Loans Processed Within Prescribed Time	5%	(Actual / Target) x Weight	100% of Applications Processed within the Prescribed Turnaround Time <sup>3</sup>	60.97%	3.05%	63.30%	3.16%	Monitoring of Loan Approval Turnaround Time (PDF) (Regular Retail Program, Regular Wholesale Program, P3 Wholesale Program)  Transmittal of Citizen's Charter and Certificate of Compliance to ARTA  SBC Citizen's Charter	Target not met.  SBC was able to process 407 out of the 643 applications received within 22 working days.

<sup>3</sup> The applicable time for the processing of loans should be consistent and in compliance with Republic Act No. 11032, otherwise known as the Ease of Doing Business and Efficient Government Service Delivery Act of 2018.



## Validation Result 2019 Performance Scorecard (Annex A)

Objective/Measure		Component				SBC Submission <sup>1</sup>		GCG Validation		Supporting Documents	GCG Remarks
		Formula	Weight	Rating Scale	Target	Actual	Rating	Actual	Rating		
SM 11	Increase Number of Capacity Building Participants	Absolute Number	5%	(Actual / Target) x Weight Less Than 83 = 0%	114 New Capacity Building Participants	116 (additional 92 participants under Customized Training Programs)	5%	209	5%	Summary of Capacity Building Graduates per Program Type  Detailed Summary of Graduates  Copies of Consultant Affidavits with List of Participants	Target exceeded.  The validated accomplishment refers to the number of participants for the following programs: <ul style="list-style-type: none"> <li>• Risk-based lending for RBs – 17</li> <li>• Good Governance and Credit Risk Management for MFIs – 64</li> <li>• Account Officer Certification Program – 36</li> <li>• Customized Trainings – 92</li> </ul>
SM 12	Attain ISO 9001:2015 Certification	Actual Accomplishment	5%	All or Nothing	Maintain ISO 9001:2015 Certification	Maintenance of ISO 9001:2015 Certification Secured	5%	ISO 9001:2015 Certification Maintained	5%	Surveillance Audit Report	Target met.
<b>Sub-total</b>			<b>20%</b>				<b>17.7%</b>		<b>13.16%</b>		

	Component					SBC Submission <sup>1</sup>		GCG Validation		Supporting Documents	GCG Remarks
	Objective/Measure	Formula	Weight	Rating Scale	Target	Actual	Rating	Actual	Rating		
LEARNING & GROWTH	SO 5 Enhance the Competencies of the SBC Workforce										
	SM 13	Percentage of Employees Meeting Required Competencies	Actual Accomplishment	5%	All or Nothing	Improvement in the Competency baseline of the organization <sup>4</sup>	Improvement in the Corporate Competency Score from .8355 to .9979	5%	18% Improvement in the Corporate Competency Score from 0.8786 in 2018 to 1.0365	5%	Competency Assessment Report for 2018 and 2019  Competency Assessment Result per Sampled Employee  Documentation of the Trainings conducted (Project Report, Attendance Sheets)  Year-end Workforce Complement for 2018 and 2019

<sup>4</sup> The competency baseline of the organization shall pertain to the average percentage of required competencies met which can be computed using the following formula:

$$\sum_{b=1}^B \left[ \frac{\sum_{a=1}^A \left( \frac{\text{Actual Competency Level}}{\text{Required Competency Level}} \right)_a}{A} \right]_b$$

where: a = Competency required, A = Total number of competencies required of position, b = Personnel profiled, B = Total number of

personnel profiled

<sup>5</sup> SBC used the formula:

$$\sum_{b=1}^B \left[ \frac{\sum_{a=1}^A (\text{Actual Competency Level})}{\text{Average of Required Competency Level}} \right]_b$$

Validation Result 2019 Performance Scorecard (Annex A)

Component					SBC Submission <sup>1</sup>		GCG Validation		Supporting Documents	GCG Remarks
Objective/Measure	Formula	Weight	Rating Scale	Target	Actual	Rating	Actual	Rating		
<b>SO 6 Provide Automated Systems and Procedures</b>										
SM 14	Automate Existing Systems and Processes	Actual Accomplishment	5%	$\frac{\text{Actual}}{\text{Target}} \times \text{Weight}$	Implementation of the following Information Systems: Loan Origination System Loan Disbursement System Loan Collection System Business Performance Indicator Profile Procurement Management System Account Management System	Completed and Implemented	5%	Implementation of the following Information Systems: Loan Origination System Loan Disbursement System Loan Collection System Business Performance Indicator Profile Procurement Management System	4.17%  DICT Endorsement of the SBC-submitted ISSP 2018-2020  ManCom Approval of the AMS Version 1.0, Business Requirement Document, and Software Development Plan  LDS, LCS, PMS Acceptance: System Acceptance Certificate  Service Agreements with Third Parties  System-Generated Reports	Account Management System not implemented in 2019. Request to modify the rating system is <b>APPROVED</b> . The computed accomplishment is based on attainment of 5 out of 6 (83.33%) of the deliverables under the DICT-approved ISSP.
<b>Sub-total</b>		<b>10%</b>				<b>10%</b>		<b>9.17%</b>		

Validation Result 2019 Performance Scorecard (*Annex A*)

Objective/Measure	Component				SBC Submission <sup>1</sup>		GCG Validation		Supporting Documents	GCG Remarks
	Formula	Weight	Rating Scale	Target	Actual	Rating	Actual	Rating		
	<b>TOTAL</b>	<b>100%</b>				<b>87.37% out of 90% or 97.07% of 100%</b>		<b>52.33% out of 90% or 58.14% of 100%</b>		