



PERFORMANCE AGREEMENT

This Performance Agreement has been executed pursuant to the PERFORMANCE EVALUATION SYSTEM FOR THE GOCC SECTOR (GCG MC No. 2013-02) between the --

GOVERNANCE COMMISSION FOR GOCCs (GCG)

- and -

SMALL BUSINESS CORPORATION (SBC)

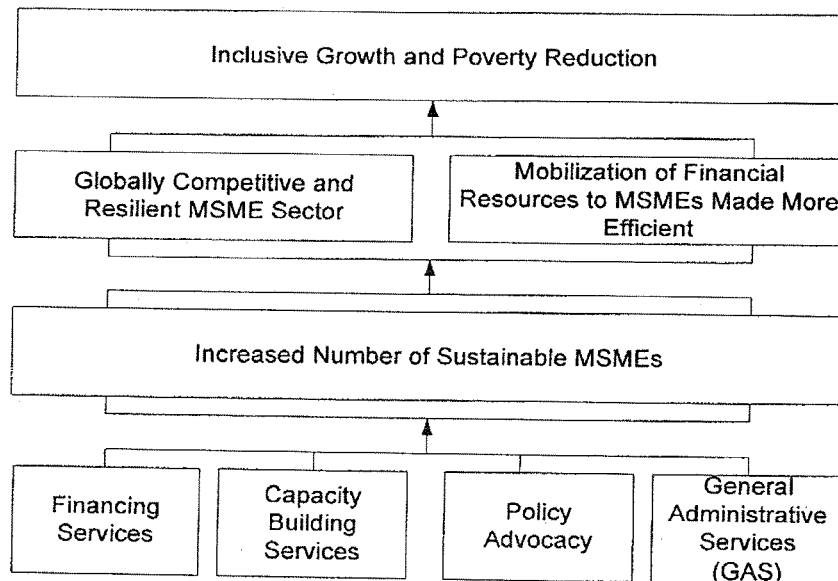
WITNESSETH: THAT --

The Parties agree to the following terms:

1. **Period.** – This Agreement shall be effective for a period of two (2) calendar years beginning from the execution of this Agreement and ending on 31 December 2014.
2. **Charter Statement and OPIF Logframe.** – SBC's Charter Statement and OPIF Logframe for the Period specified in Section 1 hereof, shall be as follows:

Mission: Empower Micro, Small and Medium Enterprises (MSMEs) as viable businesses by developing and providing financial services and capacity building programs in a progressive and sustainable manner.

Vision: By 2018, we envision a country where MSMEs – even in rural areas – hold the power to access finance for themselves.

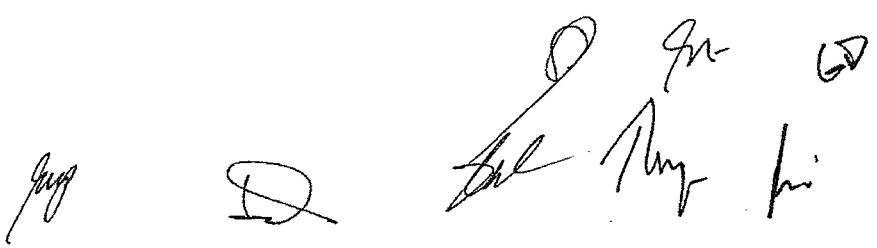


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3. **Measurement of Performance.** – Based on the Interim Performance Scorecard 2013-2014 attached hereto as **Annex A**, the SBC's Performance for 2013-2014 shall be based on the following Measures/Performance Indicators and Annual Targets, to wit:

MFO	Performance Indicator	Weight		Baseline	Annual Targets		
		2013	2014	2012	2013	2014	
MFO 1 – Financing Services	<i>Performance Indicator Set 1 : Financing Exposure</i>						
	Financial 1 : Average earning loan portfolio balance	10%	10%	₱2,652 Million	₱2,950 Million	₱3,400 Million	
	Financial 2 : Average guarantee contingent liability balance	5%	5%	₱92.6 Million	₱120 Million	₱180 Million	
	Financial 3 : Amount of Venture Capital investment	5%	5%	₱13.4 Million	₱20 Million	₱30 Million	
	Quantity 1 : Number of MSMEs financed	0%	0%	37,711	39,669	43,858	
	<i>Performance Indicator Set 2 : Access to Finance (Additionality and Directionality of Financing Services)</i>						
	Quality 1 : Partially secured loan ratio	10%	10%	66%	70%	73%	
	Quality 2 : Rural area focus	10%	10%	70.60%	73%	78%	
	Quality 3 : Priority industry focus	0%	0%	N/A	65%	70% ✓	
	Quality 4 : Sustainability rate of borrowers	10%	10%	N/A	85%	86%	
	Subtotal of Weights:		50%	50%			
	MFO 2 – Capacity Building Services	<i>Performance Indicator Set 1 : Financial Institution (FI) Development</i>					
Quantity 1 : Number of Risk- Based Lending Program (RBL) graduates		10%	10%	20	25	35	
Quality 1 : Number of RBL Program graduates implementing Borrower Risk Rating (BRR) Credit Evaluation		2.5%	2.5%	11	18	20	

MFO	Performance Indicator	Weight		Baseline	Annual Targets	
		2013	2014	2012	2013	2014
	Quantity 2 : Number of FI officers with appreciation on RBL principles	1%	1%	N/A	100	200
	Quality 2 : Number of FI borrowers implementing required improvement in business processes	4%	4%	N/A	34	35
<i>Performance Indicator Set 2 : Micro, Small and Medium Enterprises (MSME) Development</i>						
	Quantity 1 : Number of Enterprise Enhancement Program (EEPro) candidates for graduation (at least 12 months in the program)	10%	10%	N/A	10	30
	Quality 1 : Number of EEPro graduates implementing their business plan and regularly preparing financial statements	2.5%	2.5%	N/A	8	24
	Quantity 2 : Number of entrepreneurs with appreciation of financial statements	1%	1%	N/A	50	300
	Quality 2 : Number of MSME borrowers implementing required improvement in business processes	4%	4%	N/A	66	102
Subtotal of Weights:		35%	35%			



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MFO	Performance Indicator	Weight		Baseline	Annual Targets	
		2013	2014	2012	2013	2014
MFO 3 – Policy Advocacy	Quantity : Number of policy initiatives supporting implementation of critical provisions of RA 9501 relating to MSME Finance	5%	5%	N/A	5 (1 Penalty rate vis-à-vis lending provision, 1 Validation of compliance to mandatory lending, 1 Movable collaterals registry, 1 Developmental nature of BSP supervision on SBC, 1 Increase in capitalization of SBC)	10 (2 Penalty rate vis-à-vis lending provision, 2 Validation of compliance to mandatory lending, 2 Movable collaterals registry, 2 Developmental nature of BSP supervision on SBC, 2 Increase in capitalization of SBC)
Subtotal of Weights:		5%	5%			
General Administrative Services (GAS)	Quality 1 : Transaction cost to Revenue ratio	5%	5%	53.60%	Should not exceed 55.30%	Should not exceed 56.90%
	Quality 2 : Processing velocity	5%	5%	3.70	5.40	7.20
Subtotal of Weights:		10%	10%			

It is understood that the GOCC must achieve a weighted-average of at least 90% to be eligible to grant any Performance-Based Bonus.

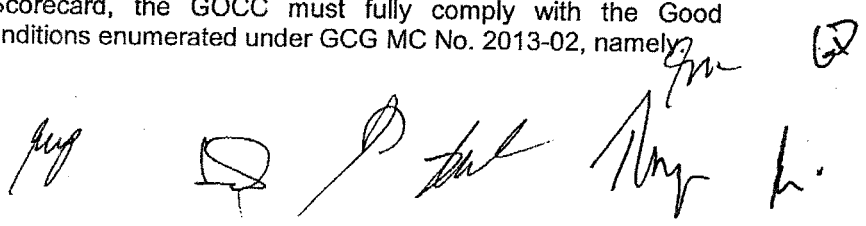
4. **Strategic Initiatives.** – SBC hereby commits to undertaking the following key programs and/or projects identified as having a significant impact on its Performance Scorecard (PES Form 2) attached hereto as **Annex B**, to wit:

- (a) Strategic Initiative 1 – Strategic Expansion of Financing Portfolio ;
- (b) Strategic Initiative 2 – Strategic Expansion of Capacity Building Portfolio
- (c) Strategic Initiative 3 – Operationalization of an Enterprise Risk Management System; and
- (d) Strategic Initiative 4 – Automation of the service delivery process.

The Commitment herein includes obtaining all necessary approvals, if applicable, such as those for Major Development Projects under GCG MC No. 2013-03. SBC shall include updates on the foregoing Strategic Initiatives in its submission of quarterly monitoring reports to the GCG.

5. **Quarterly Submission of Performance Monitoring.** – SBC shall submit a quarterly monitoring report to the GCG within thirty (30) calendar days from the close of each quarter using the monitoring report attached hereto as **Annex C**.

6. **Good Governance Conditions.** – In addition to the covered portions of the Performance Scorecard, the GOCC must fully comply with the Good Governance Conditions enumerated under GCG MC No. 2013-02, namely



6.1. *Conditions Common to National Government Agencies and GOCCs:*

- (a) Transparency Seal;
- (b) PhilGEPS Posting;
- (c) Cash Advance Liquidation;
- (d) Citizen's Charter or its equivalent; and
- (e) Compliance with the submission and review requirements covering Statement of Assets, Liabilities and Net worth (SALN);

6.2. *Conditions Specific to GOCCs Covered by R.A. No. 10149:*

- (a) Satisfaction of all statutory liabilities, including the payment of all taxes due to the Government, and declaration and payment of all dividends to the State as of the end of the applicable calendar year, whenever applicable. Liabilities that are still under dispute and there has been no final and executory judgment/decision as of the date of the release of the PBB by the GOCC shall be excluded for the purpose of this provision.
- (b) Submission and execution of concrete and time bound action plans for addressing Notices of Disallowances and Audit Observation Memoranda from the Commission on Audit (COA), if any.
- (c) Adoption of a "Manual of Corporate Governance" pursuant to Section 42 of the **CODE OF CORPORATE GOVERNANCE FOR GOCCs (GCG MC No. 2012-07)** that is approved by GCG and uploaded on the GOCC's website.
- (d) Compliance with posting on the GOCC's website the information enumerated under Section 43 of GCG MC No. 2012-07.
- (e) Adoption of a **No GIFT POLICY** approved by the GCG and uploaded on the GOCC's website pursuant to Section 29 of GCG MC No. 2012-07.

7. SBC hereby undertakes to have its Performance Scorecard rated by its customers and solicit feedback on how the same may be improved. SBC shall determine the most effective method for accomplishing the said purpose. Such information shall be reported to GCG together with the quarterly monitoring report. The rating shall not affect the performance indicators/measures in SBC's Performance Scorecard, and shall be used solely as a reference by GCG and SBC during Performance Agreement Negotiations/Renegotiations.

8. Nothing herein shall be construed as limiting the authority of GCG to initiate renegotiations and/or revoke Performance Agreements in accordance with existing laws, rules and regulations.

DONE, this 29 October 2013, in the City of Makati, Philippines.

**GOVERNANCE COMMISSION FOR
GOVERNMENT-OWNED OR –
CONTROLLED CORPORATIONS**

SMALL BUSINESS CORPORATION

BY AUTHORITY OF THE COMMISSION:






CESAR L. VILLANUEVA
Chairman



RAMON M. QUESADA
Chairman and CEO



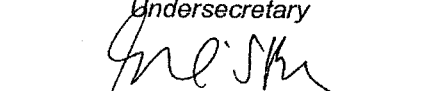
MA. ANGELA E. IGNACIO
Commissioner



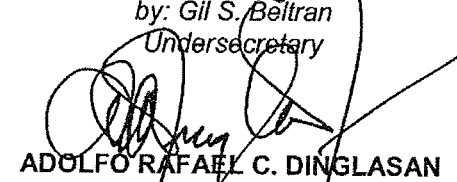
GREGORY L. DOMINGO
DTI Secretary and Board Member
by: Ponciano C. Manalo, Jr.
Undersecretary




RAINIER B. BUTALID
Commissioner



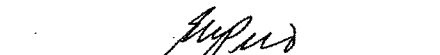
CESAR V. PURISIMA
DOF Secretary and Board Member
by: Gil S. Beltran
Undersecretary




ADOLFO RAFAEL C. DINGLASAN
Board Member, National Government
Representative



AJIJUL ADAM TARADJI
Board Member, National Government
Representative



GILDA E. PICO
Board Member, LBP Representative



ANDRES C. SARMIENTO
Board Member, LBP Representative



BENEL R. LAGUA
Board Member, DBP Representative