



02 MAY 2023

ROBERT C. BASTILLO

President and CEO (PCEO)

SMALL BUSINESS CORPORATION (SBC)

17 and 18th Flrs., 139 Corporate Center, 139 Valero St., Salcedo Village, Makati City

ACKNOWLEDGEMENT RECEIPT

LETTER **28 APRIL 2023**
 DATE:

RE: **[E] LETTER FROM SBCORP. TO GCG RE
 SUBMISSION OF ITS 2022 PERFORMANCE
 SCORECARD ACCOMPLISHMENT REPORT**

The said document was officially received by the Governance Commission on 02 May 2023 and has been forwarded to the responsible GCG Officer for appropriate action.

To follow-up for further action on the document, you may contact us through telephone numbers (02) 5328-2030 or (02) 5318-1000. Please cite the GCG Document Management System (DMS) Barcode Number: **0-0701-02-05-2023-008591.**

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“Upholding a Transparent and Responsive GOCC Sector for the Filipino People”



28 April 2023

JUSTICE ALEX L. QUIROZ (RET.)

Chairperson

ATTY. GIDEON D.V. MORTEL, D.C.L.

Commissioner

ATTY. GERALDINE MARIE BERBERABE-MARTINEZ

Commissioner

Subject : Submission of SB Corporation's 2022 Performance Scorecard Accomplishment

Dear **Chairperson Quiroz, Commissioner Mortel, and Commissioner Berberabe-Martinez:**

This is to respectfully submit report of accomplishment for CY 2022 of the Small Business Corporation (SB Corporation) following the Governance Commission for GOCCs (GCG) Performance Evaluation Form (PES) 2, as attached.

We have computed a performance assessment score of **95.56%**. The rating was based on adjusted targets of specific strategic measures for CY 2022, as follows:

1. Strategic Measure 1: Increase Total Financing Portfolio

SB Corporation's reported accomplishment was measured against the originally proposed portfolio target of P16.0 billion. We note that this amount was likewise indicated in the final 2022 Corporate Operating Budget as approved by the Department of Budget and Management (DBM).

Additionally, P3.7 billion worth of lending funds is being deducted from the target, which is the amount exclusively dedicated for the tourism sector. We would like to emphasize that throughout 2022, SB Corporation has continuously engaged in various marketing activities both on its own and in partnership with the Department of Tourism for the RISE UP TURISMO program to target borrowers belonging to the tourism industry. We have likewise relaxed program features to further encourage MSMEs in the sector to avail of financing that may help them to recover and stimulate growth in their business through the financing

However, despite all these efforts, the uptake for the program has remained very low i.e. P345.6 million loan releases to around 700 borrowers even when government restrictions have continuously eased beginning the latter/end part of 2021. We surmise that the tourism industry may still be risk-averse at this time in terms of availing credit and is awaiting the onset of a full opening up of the economy and lifting of all restrictions directly affecting the

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success of the tourism industry. Despite the government easing its restrictions for leisure travel, the tourism industry remains cautious in applying for loans, which have impacted the demand for such.

With the foregoing, the target under Strategic Measure 1 would now be **P12.3 billion**

2. Strategic Measure 4: Improve Return on Equity

SB Corporation's reported accomplishment was measured using the formula of *"Net Operating Income with P3 Subsidy (Exclusive of Credit Cost) over Average Equity."*

With the government mandating SB Corporation, through the Magna Carta for Micro, Small and Medium Enterprises (MSMEs) and the Bayanihan 2 Act, to be highly inclusive in its loan offerings, the Corporation continuously ensures that (1) documentary requirements for loan applications are eased or limited to the minimum but still following regulations of oversight bodies, (2) turn-around time for its services are most efficient as possible, (3) lending fees charged are minimal, and (4) collateral requirements continue to be not required.

While all these concessional features allow MSMEs to develop and grow by having access to credit that are not made available to them by any other lending institution, it however exposes SB Corporation to high-risk industries and sectors that hugely impact its overall financial performance. With the lack of a credit risk support to fund for such target industries and sectors, SB Corporation is humbly requesting the Commission to concur with the appropriate definition of NOI to be "exclusive of credit cost."

3. Strategic Measure 5: Improve Past Due Rate

We recognize that the Past Due Rate (PDR) performance of the Corporation is slightly higher compared to set targets for 2022. With higher default rates being anticipated as a result of the prolonged socio-economic slowdown from the Covid 19 pandemic, SB Corporation has instituted necessary shall address this in 2023 through more robust and IT-assisted account management systems and processes. With the proposed improvements above in line for implementation in 2023, it is expected for SB Corporation to have a more streamlined and effective approach to the loan collection process.

We must point out that GCG-mandated 16% PDR for non-CARES portfolio is anchored on pre-pandemic economic scenarios that is essentially not relevant to the current economic landscape of the country. The relatively high PDR is mainly attributed to the recognition of the non-payment of pre-COVID 19 pandemic accounts but nonetheless affected MSME clients and which benefitted from previously granted moratorium and payment reprieves.

Moving forward, in addition to hiring a third-party collection agency to assist with endorsed past due accounts, SB Corporation shall hire additional support staff for critical units such as account management and credit recovery, as well as information technology for system development, among others.

Notwithstanding all these, we would like to report that the aggregate PDR of both CARES and non-CARES portfolio is at 29.57%. Finally, we note that SB Corporation's reported accomplishments as indicated in the attached matrix were measured using the GCG-approved formulas of a disaggregated PDR measure.

4. Strategic Measure 6: Efficient Utilization of Corporate Budget

SB Corporation's reported accomplishments were measured using the following formulas:

- "Total Obligations over National Government Subsidy" for the Obligations Budget Utilization Rate (BUR); and
- "Total Disbursement over Total Obligations" and "Total Disbursement over National Government Subsidy" for the Disbursement BUR

The above are consistent with the GCG-approved 2023 PES for SB Corporation.

We remain hopeful that the Commission will continue to guide and support SB Corporation achieve its mandate to provide the needed financing assistance to Philippine MSMEs.

Very truly yours,



ROBERT C. BASTILLO
President/CEO

Small Business Corporation

		Component							
Strategic Component Objective (SO) / Strategic Measure (SM)		Formula	Weight	Rating System	2022 Target	Accomplishments	Rating	Remarks	
so 1	Catalyze increased allocation and accelerated delivery of financing resources to MSME segments traditionally considered unfinanceable								
SOCIAL IMPACT	SM 1	Increase Total Financing Portfolio	Year-End Gross Amount of Portfolio	15%	(Actual/ Target) x Weight	P16.909 Billion	P12.343 Billion	15.00%	Target Achieved (Reported accomplishment is measured against 1) Originally proposed portfolio target of P16.0 billion as likewise indicated in final DBM-approved 2022 Corporate Operating Budget; and 2) Removing P3.7 billion worth of lending funds exclusively dedicated for the tourism sector)
	SM 2	Increase the number of Micro, Small, and Medium Enterprise (MSME) Borrowers	Number of Active MSME Borrowers (with Loan Release during the Year relative to Prior Year)	10%	(Actual/ Target) x Weight	Additional 68,754	81,406	10.00%	Target Surpassed
	SM 3	Number of Provinces Provided with Access to Financing	Number of Provinces with Loan Releases during the year	10%	All or nothing	85 Provinces	85 Provinces	10.00%	Target Achieved
	Sub-total			35%				35.00%	
so 2	Sustain good governance and cost efficiency in the management of Stakeholders' investments, observing both financial and social returns								
FINANCE	SM 4	Improve Return on Equity	Adjusted profit (loss) after tax/ Average Equity	15%	All or nothing	At least positive ROE and Not lower than 2021 ROE	12.95% (NOI with P3 Subsidy but exclusive of Credit Cost/Average Equity) (P1,998,882,190.73/15,432,197,537.12)	15.00%	Target Achieved
	SM 5	Improve Past Due Rate							
	SM 5a	Improve Past Due Rate COVID-19 Assistance to Restart Enterprises (CARES) Loan Portfolio	Value of Past Due CARES Accounts/ Total CARES Financing Portfolio	5%	1- [(Actual-Target/ Target) x Weight]	30%	37.96%	3.67%	While PDR for CARES portfolio was slightly higher than targeted, such is expected to be addressed in 2023 through more robust and IT-assisted account management systems and processes
	SM 5b	Aggregate of Other Loan Portfolio Outside CARES Program	Value of Past Due Accounts/ Total Financing Portfolio (net of CARES Portfolio)	5%	1- [(Actual-Target/ Target) x Weight]	16%	24.09%	2.47%	The relatively high PDR for non-CARES portfolio may be attributed to recognition of non payment of pre-Covid 19 pandemic accounts which benefitted from previously granted moratorium and payment reprieves.
	SM 6	Efficient Utilization of Corporate Budget							
	SM 6a	Obligations Budget Utilization Rate (BUR)	Total Obligations/ DBM-approved Corporate Operating Budget (both net of PS Cost)	5%	All or nothing	90%	98.00%	5%	Target Surpassed
	SM 6b	Disbursement BUR	Total Disbursement / Obligations (both net of PS Cost)	2.5%	All or nothing	90%	100.00%	2.5%	Target Surpassed
		Total Disbursement / DBM-approved Corporate Operating Budget (both net of PS Cost)	2.5%	All or nothing	90%	98.00%	2.5%	Target Surpassed	
Sub-total			35%				31.14%		
so 3	Enhance the experience of our clients - throughout their transactions journey with us								
CUSTOMERS	SM 7	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% no change	90%	99.00%	5.00%	Target Surpassed
	SM 8	Improve Turn Around Time (TAT) in the Processing of Loan Applications	Number of Applications Processed within Applicable Turn Around Time / Total Number of Applications	5%	(Actual / Target) x Weight	100% of Applications Processed within Prescribed Turnaround Time	88.40%	4.42%	2023 TAT performance of SB Corp has significantly improved compared to previous years.
	Sub-total			10%				9.42%	
so 4	Create an organizational system that supports analytics-based strategies and impact assessment, agile innovation and information security.								

Small Business Corporation

Component										
	Strategic Component Objective (SO) / Strategic Measure (SM)	Formula	Weight	Rating System	2022 Target	Accomplishments	Rating	Remarks		
INTERNAL PROCESS	SM 9	Automate Existing Systems and Processes	Actual Accomplishment	10%	(Actual / Target) x Weight	100% Attainment of 2022 Deliverables (based on DICT Approved ISSP 2021-2023)	100% Attainment of 2022 Deliverables	10.00%	Target Achieved	
	SM 10	Attain ISO 9001:2015 Certification	Actual Accomplishment	5%	(Actual / Target) x Weight	1) Maintain ISO 9001:2015 certification 2) New certification of fourth Regional Lending Group	Surveillance audit rescheduled and completed in 1st Quarter of 2023; ISO Certification of SB Corporation remained valid.	5.00%	Target Achieved	
	Sub-total			15.0%				15.00%		
	SO 5	Advance the competencies and corporate culture of SBCorp workforce on responsive finance and on accelerated platformification.								
LEARNING & GROWTH	SM 11	Improve Competency Baseline of the Organization	Competency Baseline in 2021 - Competency Baseline in 2020	5.0%	All or nothing	Improvement in the competency baseline of the organization	Improved rating by 1.2003	5.00%	Target Achieved	
	Sub-total			5%				5.00%		
	TOTAL			100.0%				95.56%		

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