

SB Corporation Board Strategic Planning

11 December 2023

Excerpts of Meeting

Revisiting the 2023-2028 Strategy Map and Six (6) Target MSME Segments

1. On reflecting and incorporating *INCLUSIVITY* in the SBCorp Strategy Map:

- Usec. Lantayona mentioned that the Corporation may need to incorporate and/or banner INCLUSIVITY in SBCorp charter statements, core values, strategy, etc.
- SBCorp Management was asked to provide suggestions and enhancements to the 2023-2028 SBCorp Strategy Map to reflect and incorporate INCLUSIVITY.

2. On the definition of *DEVELOPMENT FINANCING*:

- Dir. Joe Jay T. Doctora mentioned the need to define and/or identify the difference between development financing vis-à-vis traditional financing. He also queried if there will be a change in the current business model given that SBCorp appears to be leaning towards a development financing model.
- P/CEO Bastillo opined that one of the indicators of development financing is to finance based on projections (e.g., research studies, business plans, appraisal/evaluation of feasibility studies, etc.).
- On the other hand, SVP Acupan viewed that development financial institutions (DFIs) engage in the financing of projects, enterprises, or businesses that are being underserved by commercial financial institutions. It shall be the role of DFIs to address financing gaps and certain levels of market failure. P/CEO Bastillo added that focusing on development financing would expectedly lead towards an increase in the SBCorp risk appetite. It would thus require a delicate balancing act between SBCorp's profitability objectives and development objectives.
- Usec. Lantayona mentioned that SBCorp being bound by Bangko Sentral ng Pilipinas (BSP) regulations as a BSP-Supervised Financial Institution (BSFI) would be a major factor in seriously pursuing the deliberate strategy towards development financing.
- Dir. Doctora suggested SBCorp to develop its own definition of development financing that is different from that of its traditional definition. Usec. Lantayona seconded this and stressed the need for SBCorp to make a bold and direct statement on its role in development financing while acknowledging certain limitations. P/CEO Bastillo directed OSM to craft the appropriate definition of development financing as it relates to SBCorp's mandate which would then distinguish it from other DFIs including those which are state-owned such as the Landbank of the Philippines (LBP) and the Development Bank of the Philippines (DBP).

3. *On the creation of a research arm/policy think tank within SBCorp:*

- Usec. Lantayona emphasized the necessity of having a strong research arm/policy think tank within SBCorp that would be in charge of conducting market research, identifying the financing needs of MSMEs and/or industries on the ground, and analyzing internal and/or external MSME data.
- P/CEO Bastillo mentioned that the macro-level research for policies is under the OSM. He also informed the Board that the OSM is still without a Head (*with a rank of Vice President*) for its Planning and Policy Management Group (PPMG) and a Head (*with a rank of Department Manager*) for its Planning Department. Both key functions are concurrently being performed by SVP Acupan.
- Usec. Lantayona strongly directed the strengthening of SBCorp's policy research and market research functions, the output of which will support/be of use to other groups/units within the Corporation and would be an important part of strategic communications and advocacy for the Philippine MSME Sector.
- Dir. Voltaire B. Magpayo added that having a strong research arm would allow SBCorp to understand and identify the specific needs of certain segments/industries and enable SBCorp to develop and offer other specialized and targeted financing programs, aside from the more generic multi-purpose loans. This would enable the Corporation to ideally develop one (1) specialized loan program per identified key MSME segments and industries.
- Dir. Doctora viewed that loan products to be developed based on the research of SBCorp's policy think tank shall only be for select priority MSME segments and industries.

4. *On the possibility sharing risks with guarantors:*

- Dir. Annie F. Candelaria mentioned that SBCorp is becoming bolder and riskier with its lending operations and suggested sharing risks with guarantors like PHILGUARANTEE and Philippine Crop Insurance Corporation (PCIC) so that borrowers may avail of insurance premium.
- Usec. Lantayona agreed with the suggestion and mentioned that while SBCorp is already urging PHILGUARANTEE to share the burden and guarantee loans. However, the issue raised by PHILGUARANTEE's previous Management was the possibility of "double dipping" given that SBCorp is already being financially supported by the National Government.
- Nevertheless, the current PHILGUARANTEE Management seems to be more open and receptive to the idea of guaranteeing loans. Usec. Lantayona recommended P/CEO Bastillo and Management to initiate talks with PHILGUARANTEE to pursue risk-sharing with SBCorp.

5. *On the review of SBCorp's Six (6) Target MSME Segments*

- Dir. Doctora suggested the review of SBCorp's six (6) target MSME segments and explore expanding the list to include sub-segments.
- SVP Acupan mentioned that SBCorp used to have seven (7) target MSME segments which previously included Islamic financing. However, it was dropped from the list as SBCorp do not have a license to engage in Islamic financing. Nevertheless, SVP Acupan floated the idea of considering its re-inclusion in the list.
- P/CEO Bastillo recommended the inclusion of Halal financing as equity financing instead of Islamic financing as this loan facility is constantly being inquired about from SBCorp. Halal financing may be considered as a special project.
- Dir. Doctora viewed that SBCorp may not be ready yet to offer a lending program for Indigenous People-Owned Enterprises. However, P/CEO Bastillo noted that the sector is promising as there are already businesses within the segment that are identified. SBCorp, through the Innovation and Advocacy Group (InAG), would just need to conduct a follow-thru with these businesses.
- Usec. Lantayona and P/CEO Bastillo identified (1) women, (2) LGBTQ, (3) Persons with Disabilities (PWDs), (4) green financing, and (5) creatives industry, among others for consideration in the sub-segments.
- Usec. Lantayona suggested the need for the proposed segments and sub-segments to be formally defined.