

## SMALL BUSINESS CORPORATION

### STRATEGIC INITIATIVES 2016 – 2018

#### 1. Expand Range of Products and Services

SBCorp shall be able to directly finance at least 5,000 viable mSMEs by 2018 by way of enterprise level financing via direct lending, credit guarantees and venture capital. In order to achieve this goal, SBCorp shall increase its new direct clients by 1,000 annually through the following measures:

- Shift of portfolio profile from wholesale to retail lending <sup>1</sup>; and rationalization of retail lending by focusing on two groupings of duly registered mSMEs:
  - a. Graduation-Incubation Facility (50% of total loan portfolio by 2018) – mSMEs with on-going business who are first time borrowers with no prior borrowings from banks and other unserved/underserved mSMEs.
  - b. Enterprise Rehabilitation Facility (14% of total loan portfolio by 2018) – mSMEs heavily damaged by calamity with on-going business - with shared cost support from the National Government.
- Continue to advocate for National Government's support on credit guarantee program as the main vehicle for bridging the financing gap for mSMEs in the country. In the meantime that there is no additional support secured by SBCorp outside of its corporate resources, the agency commits to grow its contingent liability from P220 Million in 2015 to P2.8 Billion by 2018. By 2018, SBCorp targets the participation of at least 100 banks and covering at least 5,000 mSMEs, with efforts toward the inclusion of smaller banks under the credit guarantee program.
- By 2018, generate equity financing clients of at least 500 mSMEs from its active mSME client base (at least 10%) to consider equity investments as a way to grow or in lieu of debt financing. SBCorp shall set up a special fund to grow its equity financing portfolio to P750.0 million by 2018.
- Provide other special services to mSMEs that include titling services and on-site technical assistance

#### 2. Strengthen Corporate Image, Governance System and Internal Capability

SBCorp shall strengthen its corporate image, internal capability and credibility as a provider of development services for mSMEs and mSME-oriented financial institutions.

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<sup>1</sup> Level of wholesale lending portfolio will be at P900.0 million by 2018, from P1.7 billion in 2015 or a decrease in portfolio share from 57% to 19%.

- A Board-approved communication plan supporting SBCorp Medium-Term Strategy shall be implemented within 2016
- Organizational review based on strategic direction. Due to shift from conduited lending (wholesale) to direct lending (retail), a re-organization shall be pursued with the aim of increasing outreach capability and its efficiency rate. From the current count of 22 financing AOs and 19 desk officers, manning complement is targeted to increase to 56 and 37, respectively, by 2018.
- Improved efficiency rate of SBCorp's financing operations shall be achieved through the following:
  - Training/certification of its financing managers, AOs and other field officers
  - Automation and information support at the field level to allow real-time financial analysis on the mSME and corresponding BRR-scoring
  - Increased decentralization of loan approving authority for small loans as supported by full automation of portfolio quality monitoring systems
- Full alignment with Code of Corporate Governance and set up of a dynamic enterprise risk management (ERM) organization able to implement timely adjustments in plans and policies

### 3. Increase Financial Resources

Through policy advocacy, SBCorp must get additional funding to support growth plans and targets. The lending portfolio target needs additional funding support of about P700 million and the guarantee portfolio target will need about P300 million. These are targets for sustainability, the business expansion required to meet expected rise in the cost of maintaining the organization. The additional funding support will reverse the trend where expenditures will exceed revenues within three years. Further, SBCorp must also be able to replace the P1.5 billion mSME Notes (*alternative compliance instrument*) which it needs to fully pay to PFIs should the mandatory lending provision of R.A. 9501 no longer be extended in 2018.

Through a Funding Plan, SBCorp shall pursue the following options for the funding targets:

- a. Legislative Action – thru issuance of a resolution by the Congressional Oversight Committee for mSMEs to strengthen the SBCorp charter and addressing its capitalization requirements.
- b. Executive Intervention – additional capital infusion from SBCorp shareholders and alternatively, consolidation with existing mSME development funds.
- c. Market-based – SBCorp to pursue additional borrowings from the IFAD (about US\$20 million is reportedly available for RUMEPP 2).

### 4. Building Alliance for the mSME Finance Development Road Map

SBCorp shall take the lead and pursue strategic partnerships with stakeholders to implement the mSME Finance Industry Roadmap and establish mSME Finance and Development Institute:

- a. Develop SME-oriented AOs and RBL-oriented participating financial institutions (PFIs) by way of training, consultancies and certification;

- b. Provide training to SBCorp's own mSME borrowers in preparing for business expansion by way of financial planning and recording;
- c. Set up of SBCorp's certification program for SME-oriented AOs and target offering of the full four-module program by 2018 with the end of producing experts in risk-based SME lending; and
- d. Supply SBCorp's own requirements of trained/certified financing AOs on top of those tapped by the participating financial institutions.