



NATIONAL COMPETITIVENESS COUNCIL

EFFECTIVE ACCESS TO FINANCING

“ACTIONS FOR COMPETITIVENESS”

MR. SERGIO R. ORTIZ-LUIS, JR.
Private Sector Champion, NCC-FIN
18 July 2007





The importance of Effective Access to Financing

**MSMEs = 97% of Philippine firms, incl. exporters;
> 80% of employment;**

Yet they do not have easy access to financing!

Only a quantum increase of funds made available for MSMEs will broaden the base for sustainable competitiveness and economic development





Situationer

- The 1997 Asian Crisis affected RP least,
- Other countries have recovered by, among others, addressing their banking sector problems, and the credit needs of business
- RP's MSMEs still have difficulty in accessing credit





Diagnosis Of The Challenge

1. MSMEs' difficulty in complying with stringent bank requirements (*e.g., track records, financial statements and collateral*)
2. The banks' need to conform with new international standards and prudential measures (*e.g., IAS, Basel II*)





Diagnosis Of The Challenge

- 3. The banking sector is out of synch with the spirit of SME and agri-agra lending laws, specifically on the implementation of the alternative compliance options.**
- Most of the 800,000 MSMEs in the country are non-clients of the banking sector.**





Priority Projects

Program	Activities	Performance Indicators	Date of Implementation
1. Awareness campaign of financing programs	1.1 Update the publication “How to Approach Banks” <ul style="list-style-type: none">➤ Enter into agreements between partner agencies (USAID-PACT)➤ Contract UPISSI to update the “How to approach banks”	Updated version of the publication “How to Approach Banks”.	August 2007



Priority Projects

Program	Activities	Performance Indicators	Date of Implementation
1. Awareness campaign of financing programs	1.2 Use Mass Media, <i>i.e. TV, Radio, Print, Internet</i> <ul style="list-style-type: none">➤ Link with government TV and radio stations➤ Link financing programs in relevant websites 1.3 Regional Seminars <ul style="list-style-type: none">➤ Inclusion in info programs of BETP Regional Interactive Program for Philippine Exporters (RIPPLES), DBP Financing, SSS Funding, etc.	Financing program of each GFIs aired/ published No. of MSMEs trained/ assisted Increase in loan application of MSMEs	September 2007



Priority Projects

Program	Activities	Performance Indicators	Date of Implementation
2. Enhancement of credit worthiness of MSMEs thru assistance of business groups	2.1 Expand DBP Business Centers to include credit counselors 2.2 Assist MSMEs to qualify as borrowers <ul style="list-style-type: none">▪ Request DBP & LBP to train MSMEs▪ Business Nucleus/SME centers▪ MBA candidates to help SMEs in making business plans and in setting up an efficient accounting system	No. of firms assisted	September 2007 October 2007
			2008



Priority Projects

Program	Activities	Performance Indicators	Date of Implementation
3. Enhancing the role of micro-financing	3.1 Conduct a study of the India/South America banking models 3.2 Conduct the Thought Leadership exercise focusing on the “new” way of extending credit to MSMEs- policies/practice	Philippine Banking Model for Microfinancing Microfinancing acceptable to Commercial Banks	September 2007 2008



Priority Projects

Program	Activities	Performance Indicators	Date of Implementation
4. Increase in lending to MSMEs	4.1 Advocacy for the amendment of the Magna Carta for SMEs and Agri-Agra Law ➤ Fastrack the re-filing of the bills in the 14th Congress 4.2 Review the SBCorp Charter	Approval of the Magna Carta and Agri-Agra Law Capital Expanded	2007 2007-2008



Priority Projects

Program	Activities	Performance Indicators	Date of Implementation
5. Expansion of the SULONG program	5.1 Implement/ expand further the SULONG program to reach more SMEs in the regions	Nationwide expansion of the Sulong Program of SBCorp, Philexim, DBP, BSP and other GFIs	September 2007



Summary Of Recommendations

- 1. Intensify information campaign on existing financing assistance of GFIs and KBs**
- 2. Enhance credit worthiness of MSMEs**
- 3. Enhance microfinancing**
- 4. Expand the capacity of GFIs through amendment of the Magna Carta for SMEs and Agri-Agra Law**





Additional Recommendations

1. Encourage banks to lend to SMEs and exporters by:
 - assigning lower risk weights for lending to SME exporters
 - revitalizing GFI wholesale lending programs for SMEs at rates and terms attractive to PFIs
3. Lower rediscount rates for SME exporters and persuade banks to lower pass-on lending rates correspondingly.





To initiate a quantum leap in SME lending...

We must implement the Magna Carta and agri-agra lending regulations adhering to the spirit of the law, and to provide guidelines and safeguards so that alternative compliance is not made the rule rather than the exemptions.





NATIONAL COMPETITIVENESS COUNCIL
EFFECTIVE ACCESS TO FINANCING

EFFECTIVE ACCESS TO FINANCING

“ACTIONS FOR COMPETITIVENESS”

MR. SERGIO R. ORTIZ-LUIS, JR.
Private Sector Champion, NCC-FIN
18 July 2007

