



OCCO



Office of the President of the Philippines
GOVERNANCE COMMISSION
 FOR GOVERNMENT OWNED OR CONTROLLED CORPORATIONS
 3/F, BDO Towers Paseo, 8741 Paseo De Roxas, Makati City, Philippines 1226



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28 December 2022

MR. ROBERT C. BASTILLO
President and CEO (PCEO)
SMALL BUSINESS CORPORATION (SBCORP)
 17 and 18th Floors, 139 Corporate Center, 139 Valero Street,
 Salcedo Village, Makati City

| | |
|-----------------------------|--|
| SMALL BUSINESS CORPORATION | |
| RECEIVED | |
| BY: ELIAT | |
| DATE: 1/12/23 | |
| TIME: 11:50 | |
| OFFICE OF THE PRESIDENT/CEO | |

RE : REVALIDATION OF THE **2019**
PERFORMANCE SCORECARD OF SBCORP

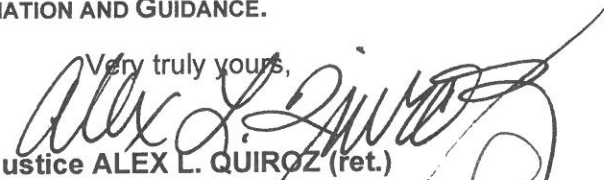
Dear PCEO Bastillo,

This is in reference to the letter of SBCorp dated 23 March 2021 and 12 April 2021¹ requesting for reconsideration of the validation result of its 2019 Performance Scorecard.

Based on the evaluation of the Governance Commission of SBCorp's justifications and additional supporting documents relative to its request for reconsideration, the validated score of SBCorp's 2019 Performance Scorecard is hereby **INCREASED** from 58.14% to **79.54%**. The review and evaluation of the documents submitted are reflected in the "Result of Revalidation of 2019 Performance Scorecard" attached as **Annex A**. The same is to be posted on SBCorp's website, in accordance with Section 43 of GCG Memorandum Circular (M.C.) No. 2012-07.²

Despite the increase in the validated score, SBCorp remains to have failed to achieve the weighted-average score of at least 90% in the 2019 Performance Scorecard and thus, remains to be ineligible to grant the 2019 Performance-Based Bonus (PBB) to its officers and employees.

FOR SBCORP'S INFORMATION AND GUIDANCE.

Very truly yours,

 Justice ALEX L. QUIROZ (ret.)
 Chairperson


 Atty. GIDEON D.V. MORTEL, D.C.L.
 Commissioner


 Atty. GERALDINE MARIE
 BERBERABE-MARTINEZ
 Commissioner

cc: COA Resident Auditor - SBC

¹ Officially received by the Governance Commission on 23 March 2021 and 12 April 2021, respectively.
² Code of Corporate Governance for GOCCs, dated 28 November 2012.

"Upholding a Transparent and Responsive GOCC Sector for the Filipino People"

OCCO - AH 2/17/2023

SMALL BUSINESS CORPORATION (SBCorp)
Revalidation Result of the 2019 Performance Scorecard

| | Component | | | | SBCorp Submission ⁴ | | GCG Validation | | Supporting Documents | GCG Remarks | | |
|---------------|---|---|--|--------------|---|---------------|----------------|--------|----------------------|-------------|--|---|
| | Objective/Measure | Formula | Weight | Rating Scale | Target | Actual | Rating | Actual | | | Rating | |
| SOCIAL IMPACT | SO 1 Improve Access to Finance of Unserved MSMEs | | | | | | | | | | | |
| | SM 1 | Increase Total Financing Portfolio | Year-End Earning Loan Portfolio (Gross Amount) | 10% | P5.50 Billion and Above = 10% P4.40 Billion to P5.49 Billion = 5% P3.30 Billion to P4.39 Billion = 2.5% Less Than P3.30 Billion = 0% | P5.50 Billion | P5.85 Billion | 10% | P5.846 Billion | 10% | COA Audited Financial Statements | Target exceeded. |
| | SM 2 | Increase Number of Micro and Small Enterprise Borrowers | Absolute Number of New Borrowers | 10% | (Actual / Target) x Weight | 40,000 | 58,900 | 10% | <u>58,900</u> | <u>10%</u> | Masterlist of Borrowers for 2019 per Program (SME Wholesale, SME Graduating Micro, Regular Retail, P3 Wholesale, P3 Retail) Copies of Approval Memoranda, Amortization Schedules, | <u>Request for reconsideration GRANTED.</u> |

⁴ Based on submission thru a letter dated 30 January 2020. Officially received by the Governance Commission on 31 January 2020.

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| Objective/Measure | Component | | | SBCorp Submission ⁴ | | GCG Validation | | Supporting Documents | GCG Remarks | | |
|-------------------|--|------------------|--------------|--------------------------------|--|----------------|---------------|----------------------|---|--|---|
| | Formula | Weight | Rating Scale | Target | Actual | Rating | Actual | | | Rating | |
| | | | | | | | | | Promissory Notes, Loan Approval Letters and/or Memorandum, Borrower Profile or randomly sampled accounts <u>Report Generated by the Borrower Registration System</u> | | |
| SM 3 | Spread Distribution of Financing Portfolios Nationwide | Absolute Number | 5% | (Actual / Target) x Weight | 75 Provinces with a Minimum Loan Portfolio of ₱20 Million Per Province | 70 | 4.67% | 70 | 4.67% | Summary of Loan Releases per Province Releases to Sub-borrowers of Accredited PFIs per Province (P3 Retail, P3 Wholesale, Regular Wholesale, Regular Retail) <u>Samples of Liquidation Reports submitted by the conduit, Promissory Notes, Summary Report on Loan Releases</u> | <u>Request for reconsideration GRANTED.</u> |
| | | Sub-total | 25% | | | | 24.67% | | 24.67% | | |

| | Objective/Measure | Component | | | SBCorp Submission ⁴ | | GCG Validation | | Supporting Documents | GCG Remarks | | | | | |
|--------------------|-------------------|---|---------------------------------------|--------------|--|----------------|----------------|--------|----------------------|-------------|--|--|--------------|---------------|--------------------|
| | | Formula | Weight | Rating Scale | Target | Actual | Rating | Actual | | | Rating | | | | |
| | SO 2 | Guarantee Profitability and Sustainability | | | | | | | | | | | | | |
| FINANCE | SM 4 | Improve Net Operating Income | Operating Income – Operating Expenses | 10% | (Actual / Target) x Weight Less Than ₱15 Million = 0% | ₱20.85 Million | ₱20.86 Million | 10% | ₱22.89 Million | 10% | COA Audited Financial Statements SBCorp's Computation of Net Operating Income Timeline of Events Between SBCorp and DBM with Relevance to P3 Monitoring and Mobilization Fund with corresponding copy of the letters | Target exceeded. The Governance Commission considered the additional P3 Expense charged to the corporate fund of SBCorp. | | | |
| | SM 5 | Improve Return on Assets | (Net Income / Total Assets) x 100 | 10% | (Actual / Target) x Weight | 0.51% | 0.60% | 10% | -0.37% | 0% | COA Audited Financial Statements SBCorp's Computation of Return on Assets Timeline of Events Between SBCorp and DBM with Relevance to P3 Monitoring and Mobilization Fund with corresponding copy of the letters | <u>Request for reconsideration DENIED.</u> <u>The effects of fluctuations in the value of currency denominations of foreign loans are inherent and an outturn of the operations of the SBCorp. The utilization of said loans were used in the corporation's lending activities.</u> The GCG's computation is presented below: <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td>Total Assets</td> <td>6,467,406,535</td> </tr> <tr> <td>Net Loss After Tax</td> <td>-199,160,377</td> </tr> </table> | Total Assets | 6,467,406,535 | Net Loss After Tax |
| Total Assets | 6,467,406,535 | | | | | | | | | | | | | | |
| Net Loss After Tax | -199,160,377 | | | | | | | | | | | | | | |

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| Objective/Measure | | Component | | | SBCorp Submission ⁴ | | GCG Validation | | Supporting Documents | GCG Remarks | | | | | | | | | | | | |
|--|--|--|--------|--|--------------------------------|--------|----------------|--------|----------------------|---|---|--|--------------------------------|------------|---|-------------|--|------------|------------|-------------|-----|--------|
| | | Formula | Weight | Rating Scale | Target | Actual | Rating | Actual | | | Rating | | | | | | | | | | | |
| | | | | | | | | | | <table border="1"> <tr><td colspan="2"><i>Add:</i></td></tr> <tr><td><i>P3 Mobilization Expense</i></td><td>52,298,713</td></tr> <tr><td><i>P3 Provision for Probable Losses</i></td><td>101,269,474</td></tr> <tr><td><i>P3 Expenses charged to the corporate fund</i></td><td>21,486,267</td></tr> <tr><td>Net Income</td><td>-24,105,923</td></tr> <tr><td>ROA</td><td>-0.37%</td></tr> </table> | <i>Add:</i> | | <i>P3 Mobilization Expense</i> | 52,298,713 | <i>P3 Provision for Probable Losses</i> | 101,269,474 | <i>P3 Expenses charged to the corporate fund</i> | 21,486,267 | Net Income | -24,105,923 | ROA | -0.37% |
| <i>Add:</i> | | | | | | | | | | | | | | | | | | | | | | |
| <i>P3 Mobilization Expense</i> | 52,298,713 | | | | | | | | | | | | | | | | | | | | | |
| <i>P3 Provision for Probable Losses</i> | 101,269,474 | | | | | | | | | | | | | | | | | | | | | |
| <i>P3 Expenses charged to the corporate fund</i> | 21,486,267 | | | | | | | | | | | | | | | | | | | | | |
| Net Income | -24,105,923 | | | | | | | | | | | | | | | | | | | | | |
| ROA | -0.37% | | | | | | | | | | | | | | | | | | | | | |
| SM 6 | Improve Collection Effectiveness Index | $\frac{[(\text{Beginning Receivables} + \text{Monthly Income} - \text{Ending Total Receivables}) / (\text{Beginning Receivables} + \text{Monthly Income} - \text{Ending Current Receivables})] \times 100}{100}$ | 10% | All or Nothing | Breakeven | - | - | - | - | - | Measure excluded per the Governance Commission's letter dated 31 May 2019. ⁵ | | | | | | | | | | | |
| SM 7 | Improve Past Due Rate | Value of Past Due Loan Accounts / Total Financing Portfolio | 10% | $1 - \frac{(\text{Actual} - \text{Target})}{\text{Target}} \times \text{Weight}$ 0% = If 22% and higher | 16.40% | 14.11% | 10% | 15.46% | 10% | COA Audited Financial Statements | Target exceeded. The validated accomplishment was computed based on the total loan portfolio of ₱5,845,613,132 as reflected in | | | | | | | | | | | |

⁵ Officially received by SBC on 11 June 2019.

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| | | Component | | | | SBCorp Submission ⁴ | | GCG Validation | | Supporting Documents | GCG Remarks | |
|-------------------------|-------------|--|---|--------------|---|--|------------|----------------|-----------------------|--|---|---|
| Objective/Measure | | Formula | Weight | Rating Scale | Target | Actual | Rating | Actual | Rating | | | |
| | | | | | | | | | | Past Due Report as generated by the PDR Module | the COA Audited FS and the total past due portfolio as generated by the PDR Module amounting to ₱903,918,156.95. | |
| | | Sub-total | 40% | | | | 30% | | 20% | | | |
| CUSTOMERS | SO 3 | Ensure Customer Satisfaction | | | | | | | | | | |
| | SM 8 | 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% | 90% | 97% | 5% | Result not acceptable | 0% | CSS Final Report Data Collection Quality Control Report Sample Accomplished Survey Forms | <u>Request for reconsideration DENIED.</u> The survey was conducted from 26 to 31 July 2019. The survey included responses covering the services extended by the SBCorp on 01 July to 31 December 2018, which is beyond the scope of the performance year being rated. |
| | | | Sub-total | 5% | | | | 5% | | 0% | | |
| | SO 4 | Improve Service Delivery | | | | | | | | | | |
| INTERNAL PROCESS | SM 9 | Increase Number of Local Conduits Per Province | Absolute Number | 5% | (Actual / Target) x Weight | 81 Provinces and 4 Districts of Manila with at least 3 Local Conduits each | 79 | 4.65% | 78 | 4.59% | Summary of Number of Conduits per Province Signed certification of all PFIs on the number and location of branches as of the end of 2019 | <u>Request for reconsideration GRANTED.</u> <u>The remaining provinces with less than three (3) conduits each are Batanes, Dinagat Islands, Lanao Del Sur, Maguindanao, Sulu, Basilan, and Tawi-Tawi.</u> |
| | SM 10 | Improve Percentage of | Number of Loans | 5% | (Actual / Target) x Weight | 100% of Applications | 60.97% | 3.05% | 63.30% | 3.16% | Monitoring of Loan Approval | Target not met. |

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| Objective/Measure | | Component | | | | SBCorp Submission ⁴ | | GCG Validation | | Supporting Documents | GCG Remarks |
|-------------------|---|--|--------|---|--|---|--------|----------------|--------|---|---|
| | | Formula | Weight | Rating Scale | Target | Actual | Rating | Actual | Rating | | |
| | Loans Processed Within Prescribed Time | Applications Processed within Turnaround Time / Total Number of Applications | | | Processed within the Prescribed Turnaround Time ⁶ | | | | | Turnaround Time (PDF) (Regular Retail Program, Regular Wholesale Program, P3 Wholesale Program) Transmittal of Citizen's Charter and Certificate of Compliance to ARTA SBCorp Citizen's Charter | SBCorp was able to process 407 out of the 643 applications received within 22 working days. |
| SM 11 | Increase Number of Capacity Building Participants | Absolute Number | 5% | (Actual / Target) x Weight Less Than 83 = 0% | 114 New Capacity Building Participants | 116 (additional 92 participants under Customized Training Programs) | 5% | 209 | 5% | Summary of Capacity Building Graduates per Program Type Detailed Summary of Graduates Copies of Consultant Affidavits with List of Participants | Target exceeded. The validated accomplishment refers to the number of participants for the following programs: <ul style="list-style-type: none"> • Risk-based lending for RBs – 17 • Good Governance and Credit Risk Management for MFIs – 64 • Account Officer Certification Program – 36 • Customized Trainings – 92 |

⁶ The applicable time for the processing of loans should be consistent and in compliance with Republic Act No. 11032, otherwise known as the Ease of Doing Business and Efficient Government Service Delivery Act of 2018.

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| Objective/Measure | | Component | | | SBCorp Submission ⁴ | | GCG Validation | | Supporting Documents | GCG Remarks | | |
|---|------------------------------------|---|-----------------------|----------------|---------------------------------------|---|---|--|---|---------------------------|--|---|
| | | Formula | Weight | Rating Scale | Target | Actual | Rating | Actual | | | Rating | |
| SM 12 | Attain ISO 9001:2015 Certification | Actual Accomplishment | 5% | All or Nothing | Maintain ISO 9001:20215 Certification | Maintenance of ISO 9001:2015 Certification Secured | 5% | ISO 9001:2015 Certification Maintained | 5% | Surveillance Audit Report | Target met. | |
| Sub-total | | | 20% | | | | 17.7% | | 17.75% | | | |
| SO 5 Enhance the Competencies of the SBC Workforce | | | | | | | | | | | | |
| LEARNING & GROWTH | SM 13 | Percentage of Employees Meeting Required Competencies | Actual Accomplishment | 5% | All or Nothing | Improvement in the Competency baseline of the organization ⁷ | Improvement in the Corporate Competency Score from .8355 to .9979 | 5% | 18% Improvement in the Corporate Competency Score from 0.8786 in 2018 to 1.0365 | 5% | Competency Assessment Report for 2018 and 2019 Competency Assessment Result per Sampled Employee Documentation of the Trainings conducted (Project Report, | The variance between the computation of the SBCorp and the GCG is due to the difference in formula used. ⁸ |

⁷ The competency baseline of the organization shall pertain to the average percentage of required competencies met which can be computed using the following formula:

$$\frac{\sum_{b=1}^B \left[\frac{\sum_{a=1}^A (\text{Actual Competency Level})}{\text{Required Competency Level}} \right]}{B}$$

where: a = Competency required, A = Total number of competencies required of position, b = Personnel profiled, B = Total number of personnel profiled

⁸ SBC used the formula:

$$\frac{\sum_{b=1}^B \left[\frac{\sum_{a=1}^A (\text{Actual Competency Level})}{\text{Average of Required Competency Level}} \right]}{B}$$

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| Objective/Measure | | Component | | | | SBCorp Submission ⁴ | | GCG Validation | | Supporting Documents | GCG Remarks |
|--|---|-----------------------|--------|--------------------------------------|---|--------------------------------|--------|--|--------|---|---|
| | | Formula | Weight | Rating Scale | Target | Actual | Rating | Actual | Rating | | |
| | | | | | | | | | | Attendance Sheets) | |
| | | | | | | | | | | Year-end Workforce Complement for 2018 and 2019 | |
| SO 6 Provide Automated Systems and Procedures | | | | | | | | | | | |
| SM 14 | Automate Existing Systems and Processes | Actual Accomplishment | 5% | $\frac{(Actual / Target)}{x Weight}$ | Implementation of the following Information Systems: Loan Origination System Loan Disbursement System Loan Collection System Business Performance Indicator Profile Procurement Management System Account Management System | Completed and Implemented | 5% | Implementation of the following Information Systems: Loan Origination System Loan Disbursement System Loan Collection System Business Performance Indicator Profile Procurement Management System | 4.17% | DICT Endorsement of the SBCorp-submitted ISSP 2018-2020 ManCom Approval of the AMS Version 1.0, Business Requirement Document, and Software Development Plan LDS, LCS, PMS Acceptance: System Acceptance Certificate Service Agreements with Third Parties | Account Management System not implemented in 2019. Request to modify the rating system is APPROVED . The computed accomplishment is based on attainment of 5 out of 6 (83.33%) of the deliverables under the DICT-approved ISSP. |

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| Objective/Measure | | | Component | | | SBCorp Submission ⁴ | | GCG Validation | | Supporting Documents | GCG Remarks | |
|-------------------|--|--|------------------|-------------|--------------|--------------------------------|--------|---|--------|---|--------------------------|--|
| | | | Formula | Weight | Rating Scale | Target | Actual | Rating | Actual | Rating | | |
| | | | | | | | | | | | System-Generated Reports | |
| | | | Sub-total | 10% | | | | 10% | | 9.17% | | |
| | | | TOTAL | 100% | | | | 87.37% out of 90% 97.07% of 100% | | <u>71.59%</u> <u>out of</u> <u>90% or</u> <u>79.54%</u> <u>of 100%</u> | | |

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