



Republic of the Philippines
Department of Agriculture
OFFICE OF THE SECRETARY
Elliptical Road, Diliman
Quezon City 1100, Philippines

August 01, 2018

MEMORANDUM


TO : **UNDERSECRETARIES AND ASSISTANT SECRETARIES
SERVICE/BUREAU DIRECTORS
HEADS OF ATTACHED AGENCIES AND CORPORATIONS
REGIONAL DIRECTORS
DAF-ARMM SECRETARY**

FROM : **UNDERSECRETARY FOR ADMINISTRATION & FINANCE**

SUBJECT : **EXECUTIVE ORDER NO. 58**

Attached is a certified copy of Executive Order No. 58 from Executive Secretary Salvador C. Medialdea, dated July 23, 2018, transmitted by the Office of Director Atty. Concepcion Zeny E. Ferrolino-Enad of Malacañang Records Office dated July 23, 2018 and was received from the Office of the Secretary last July 30, 2018, entitled "**APPROVING THE MERGER OF THE HOME GUARANTY CORPORATION AND THE PHILIPPINE EXPORT-IMPORT CREDIT AGENCY (PHILEXIM), TRANSFERRING THE GUARANTEE FUNCTIONS, PROGRAMS AND FUNDS OF ALL SMALL BUSINESS CORPORATION, AND THE ADMINISTRATION OF THE AGRICULTURAL GUARANTEE FUND POOL AND THE INDUSTRIAL GUARANTEE AND LOAN FUND TO THE PHILEXIM, AND RENAMING THE PHILEXIM AS THE PHILIPPINE GUARANTEE CORPORATION**".

For your information and guidance.


Atty. FRANCISCO M. VILLANO, JR.
Undersecretary



MALACAÑAN PALACE
MANILA

BY THE PRESIDENT OF THE PHILIPPINES

EXECUTIVE ORDER NO. 58

APPROVING THE MERGER OF THE HOME GUARANTY CORPORATION AND THE PHILIPPINE EXPORT-IMPORT CREDIT AGENCY (PHILEXIM), TRANSFERRING THE GUARANTEE FUNCTIONS, PROGRAMS AND FUNDS OF THE SMALL BUSINESS CORPORATION, AND THE ADMINISTRATION OF THE AGRICULTURAL GUARANTEE FUND POOL AND THE INDUSTRIAL GUARANTEE AND LOAN FUND TO THE PHILEXIM, AND RENAMING THE PHILEXIM AS THE PHILIPPINE GUARANTEE CORPORATION

WHEREAS, Section 2 of Republic Act (RA) No. 10149 or the "GOCC Governance Act of 2011," provides that the State recognizes the potential of government-owned or -controlled corporations (GOCCs) as significant tools for economic development, and that it is the policy of the State to actively exercise its ownership rights in GOCCs to promote growth by ensuring that their operations are consistent with national development policies and programs, and that said operations are rationalized and monitored centrally in order that government assets and resources are used efficiently;

WHEREAS, Section 5(a) of RA No. 10149 empowers the Governance Commission for GOCCs (GCG) to ascertain whether it is to the best interest of the State that certain GOCCs should be merged, reorganized or streamlined;

WHEREAS, the PhilEXIM, created under Presidential Decree (PD) No. 1080 (s. 1977), as amended, and attached to the Department of Finance (DOF) pursuant to Executive Order (EO) No. 127 (s. 1987), provides guarantees to promote and facilitate the entry of foreign loans into the country for development purposes, having special regard to the needs of export-oriented industries, industries registered with the Board of Investments, and public utilities and industries;

WHEREAS, the Small Business Corporation (SBC), created under RA No. 6977, as amended, or the "Magna Carta for Micro, Small and Medium Enterprises (MSMEs)" and administratively attached to the Department of Trade and Industry (DTI) pursuant to RA No. 6977, as amended, is charged with the primary responsibility of implementing comprehensive policies and programs to assist MSMEs in all areas including, but not limited to, finance and information services, training and marketing;

WHEREAS, the Home Guaranty Corporation (HGC), created under RA No. 8763 or the "Home Guaranty Corporation Act of 2000" and attached to the Housing and Urban Development Coordinating Council (HUDCC) pursuant to EO No. 90 (s. 1986), guarantees the payment of any and all forms of mortgages, loans and other forms of credit facilities and receivables arising from financial contracts exclusively for residential purposes and the necessary support facilities;

THE PRESIDENT OF THE PHILIPPINES

WHEREAS, the Agricultural Guarantee Fund Pool (AGFP), created under Administrative Order (AO) No. 225 (s. 2008), as amended, and placed under the administrative supervision of the Department of Agriculture (DA) and in trust with the Land Bank of the Philippines (LBP), is intended to mitigate the risks involved in agriculture lending, thereby facilitating the provision of credit in the agriculture sector;

WHEREAS, the Industrial Guarantee and Loan Fund (IGLF), under the administrative supervision of the Development Bank of the Philippines (DBP), is a relending and guarantee program established in 1952 by the Governments of the Republic of the Philippines and the United States of America for the purpose of encouraging the establishment and expansion of financially, technically and economically viable cottage, small and medium enterprises that would contribute to the country's economic development;

WHEREAS, the merger of the HGC and PhilEXIM, with the PhilEXIM as the surviving entity, and the transfer of the guarantee functions, funds and programs of the SBC, and the administration of the AGFP and IGLF to the PhilEXIM, are in accordance with the goal of ensuring sound macroeconomic policy through fiscal, monetary and trade policies that will work towards stability, inclusivity, competitiveness and resiliency of the economy under the Philippine Development Plan 2017-2022;

WHEREAS, the merger and transfer of guarantee functions to the PhilEXIM is in the best interest of the State, as (i) the merger and transfer of guarantee functions and programs will benefit from economies of scale, prevent operational redundancies, standardize policies, processes and procedures for similar guarantee facilities and programs, facilitate timely approvals and lower administrative costs; (ii) a more efficient allocation of government contributions will be achieved with the pooling of all resources provided under the different guarantee mechanisms; and (iii) under a centralized approach, the National Government will have a more comprehensive oversight of its guarantees to effectively identify, monitor and control risks, implement necessary measures to manage risks and provide appropriate capital against those risks;

WHEREAS, Section 27 of RA No. 10149 provides that a government agency seeking to establish a GOCC or a Related Corporation under the Corporation Code shall submit its proposal to the GCG for review and recommendation to the President for approval, before registering the same with the Securities and Exchange Commission (SEC);

WHEREAS, Section 7 of PD No. 1080 provides that the PhilEXIM Board may increase the authorized capital stock of the said GOCC, subject to the approval of the President of the Philippines;

WHEREAS, Section 17, Article VII of the 1987 Constitution provides that the President shall have control of all executive departments, bureaus and offices;

NOW, THEREFORE, I, RODRIGO ROA DUTERTE, President of the Philippines, by virtue of the powers vested in me by the Constitution and existing laws, do hereby order:

SECTION 1. *Transfer of Guarantee Functions, Programs and Funds; Merger.* – The HGC shall be merged with the PhilEXIM, including all its guarantee functions, programs, personnel, assets and liabilities. The PhilEXIM shall be the surviving entity in the merger. Moreover, all the guarantee-related functions, programs, funds, assets and liabilities of the SBC shall be transferred to the PhilEXIM.

The administration of the AGFP shall also be transferred to the PhilEXIM, including the penalties pertaining to the AGFP pursuant to Section 10 of RA No. 10000, otherwise known as the "Agri-Agra Reform Credit Act of 2009," and its implementing rules and regulations, which will be held in a separate account, and allocated for the needs of the agricultural and agrarian reform sector, subject to applicable laws and regulations.

The IGLF shall be transferred to the PhilEXIM, subject to the provisions of the existing Loan Agreement with the Asian Development Bank, and applicable laws and regulations.

SECTION 2. Implementation of the Merger and Transfer of the Guarantee Functions, Programs and Funds. – The DOF shall implement the merger and transfer of the guarantee functions, programs and funds, and, in consultation with the LBP, DBP, DA, HUDCC and DTI, determine the extent and modes by which the guarantee functions, programs, funds, assets and liabilities will be transferred to the PhilEXIM.

All other government offices and agencies are hereby directed to promptly take such actions as may be necessary, subject to applicable laws and regulations, to fully implement the provisions of this Order within one (1) year from its effectivity.

SECTION 3. Increase in the Authorized Capital Stock of PhilEXIM. – The authorized capital stock of the PhilEXIM is hereby increased from Ten Billion Pesos (₱ 10,000,000,000.00) to Fifty Billion Pesos (₱ 50,000,000,000.00). The equity contributions of the National Government to the HGC, IGLF and AGFP shall be transferred to the PhilEXIM to form part of its paid-up capital. Subject to prior coordination with the Department of Budget and Management (DBM), any balance in the required paid-up capital shall be charged as capital infusion from the National Government to be sourced from the annual General Appropriations Act.

SECTION 4. Reorganization of PhilEXIM and SBC. – The PhilEXIM and SBC are hereby directed to submit its proposed Restructuring Plan within one (1) year from the effectivity of this Order, for review, evaluation and approval of the GCG. The proposed PhilEXIM and SBC Restructuring Plans shall be prepared in accordance with the existing rules and regulations of the GCG.

SECTION 5. Separation Incentive Pay. – All qualified officers and employees affected by the merger may avail of the separation pay below, in addition to retirement or separation benefits allowed under existing laws and regulations:

LENGTH OF SERVICE	RATE
First 20 years	1.00 x Basic Monthly Pay (BMP) x No. of years
Next 10 years	1.25 x BMP x No. of years
Remaining years	1.50 x BMP x No. of years

Funding for the separation pay and other benefits of the affected officers and employees shall be sourced from the corporate funds of the concerned GOCCs. The DBM shall ensure that there are sufficient funds to cover the compensation of affected officers and employees.

SECTION 6. Establishment of PhilEXIM Board of Liquidators as a Subsidiary of PhilEXIM. – To clean up its balance sheet through the spin-off of its non-performing assets and outstanding loans, the PhilEXIM is hereby authorized, through registration with the SEC, to establish its own subsidiary corporation, functioning as board of liquidators to manage its non-performing assets, collect its receivables, recover and dispose of its acquired assets, manage and settle its outstanding loans and administer its default contingent accounts.

SECTION 7. Renaming of Surviving Entity. – To reflect the centralized nature of the merged guarantee functions that will be discharged by the PhilEXIM, it shall be renamed as the “Philippine Guarantee Corporation” (PHILGUARANTEE).

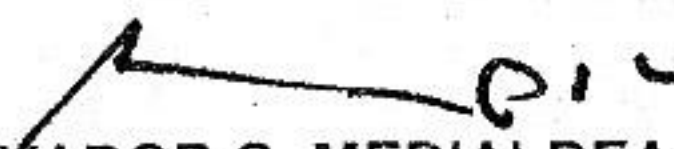
SECTION 8. Repeal. – All executive orders, rules and regulations, and other issuances or parts thereof which are inconsistent with this Order are hereby repealed, amended or modified accordingly.

SECTION 9. Separability. – If any provision of this Order is declared invalid or unconstitutional, the other provisions not affected thereby shall remain valid and subsisting.

SECTION 10. Effectivity. – This Order shall take effect immediately upon publication in the Official Gazette or in a newspaper of general circulation.

DONE, in the City of Manila, this 23rd day of **July** in the year of Our Lord, Two Thousand and Eighteen.

By the President:


SALVADOR C. MEDIALDEA
Executive Secretary



