

BY THE PRESIDENT OF THE PHILIPPINES

EXECUTIVE ORDER NO. 28

**DIRECTING THE CONSOLIDATION OF THE GUARANTEE FUND FOR  
SMALL AND MEDIUM ENTERPRISES WITH THE SMALL BUSINESS  
GUARANTEE AND FINANCE CORPORATION**

**WHEREAS**, the government recognizes the need for equity-led growth and development strategies in order to ensure that the benefits of economic growth and progress are more effectively channeled to the neediest members of society;

**WHEREAS**, the government is fully committed to assist and support the development of the Small and Medium Enterprises (SME) sector as a means of promoting economic growth and as an effective venue for equitably distributing the benefits of economic progress;

**WHEREAS**, in order to more effectively assist the sector, it is the policy of government to rationalize the credit guarantee and related financial supplementation support systems for the SME sector;

**WHEREAS**, it is the policy of government to continuously improve and upgrade efficiencies in the delivery of public services, particularly those services that are directed to vital sectors of the economy and society such as the SME sector, and in so doing desires to put in place highly qualified professionals competitively chosen in their fields of experience and expertise;

**WHEREAS**, the government is cognizant of the need to reorganize in order to eliminate redundancies, improve efficiencies and achieve cost savings, within the confines of the law as provided for by R.A. 6656, an Act which provides personnel-related guidelines in the implementation of government reorganization;

**WHEREAS**, Executive Order No. 233 Series 2000, and Executive Order No. 19 Series 2001, transferred the Guarantee Fund for Small and Medium Enterprises (GFSME) to the Department of Trade and Industry (DTI) and mandated its consolidation with the Small Business Guarantee and Finance Corporation (SBGFC) under the continuing authority of the President to transfer any agency under the Office of the President to any other Department or agency as provided for in Section 31 Chapter 10 Book III of the Administrative Code of 1987;



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**WHEREAS**, Section 11, Article D of R.A. 6977, also known as the Magna Carta for Small Enterprises, as amended by R.A. 8289, created a nine (9)-member Board of Directors for the SBGFC upon which the powers of the Corporation shall be vested, and which should include a representative each from the five (5) government financial institutions (GFI) mandated by law to provide the initial capital of the Corporation;

**WHEREAS**, Section 12 of R.A. 6977 as amended by R.A. 8289 calls for additional funding for the capitalization of the SBGFC from unused or excess funds of existing government agencies;

**NOW, THEREFORE**, I, GLORIA MACAPAGAL ARROYO, President of the Republic of the Philippines, by virtue of the powers vested in me, do hereby order:

**SECTION 1.** The GFSME shall be consolidated with SBGFC. The GFSME organization shall be abolished upon the complete transfer of its programs and resources to the reorganized SBGFC. The assets of GFSME as reflected in its latest audited financial statements including subsequent additions/accruals thereto, after deducting all the cost of separation of GFSME personnel, gratuities and benefits granted under existing laws and all direct and incidental costs appurtenant to the abolition thereof as provided in Section 5 hereof, shall be transferred to the SBGFC to form part of its capital structure as additional equity of the national government pursuant to Section 12 of R.A. 6977. All liabilities, which have accrued prior to the consolidation with SBGFC shall be honored under the new organization.

**SECTION 2.** In view of the additional equity of the national government in SBGFC and pending an amendment of the SBGFC law authorizing a proportional representation of said additional equity of the national government in the SBGFC Board of Directors, the representatives of Land Bank of the Philippines, Development Bank of the Philippines, Government Service Insurance System and Social Security System shall be nominated by the national government in consultation with the Secretary of DTI and the respective Board Chairmen of these agencies, and need not be officers of these said institutions.

**SECTION 3.** The SBGFC shall be reorganized in order to cover the programs and resources transferred from GFSME. The new organization shall be made more responsive to the present credit supplementation requirements of the SME sector and shall widen the coverage of alternative financing instruments needed to make small Philippine businesses competitive in a rapidly globalizing environment. A proposal for a new structure shall be submitted to and approved by the Department of Budget and Management (DBM) within thirty (30) days from signing of this Executive Order. The DTI Secretary shall oversee the drafting of the proposed structure in consultation with the SBGFC Board of Directors and the GFSME Management Committee.

**SECTION 4.** An independent Personnel Selection Committee shall be created by the DTI Secretary to recommend: a) what positions in the newly DBM-approved structure will be opened for filling-up consistent with the objectives of cost efficiency and effective service; b) the qualification standards for positions in the new structure which should at least meet the requirements of the Civil Service Commission (CSC); and c) selection of personnel to fill-up opened positions who should be competitively chosen with the end of setting up a highly professional and development-oriented organization. The Committee shall serve its purpose until such time that the new organization can set-up appropriate internal rules and regulations on personnel recruitment, selection and hiring.

**SECTION 5.** The SBGFC and GFSME personnel shall be entitled to separation pay which shall be two (2) months of latest compensation for every year of service in the government, which shall be in addition to all gratuities and benefits to which they may be entitled under existing laws; *provided*, however that those who avail of such privileges shall start their government service anew if absorbed by the reorganized SBGFC or any other government entity.

**SECTION 6.** Separated employees of SBGFC and GFSME shall be on equal footing regardless of the agency they came from and they shall have priority in the selection of personnel to fill-up opened positions in the new SBGFC structure.

**SECTION 7.** As provided under Article e Section 11 Chapter III of R.A. 8289, the allowance and fringe benefits structure of the reorganized SBGFC may be parallel to those enjoyed by employees of other GFIs, including among others its provident fund.

**SECTION 8.** All personnel-related movements resulting from the consolidation and reorganization shall be implemented within CSC rules and regulations.

**SECTION 9.** During the transition period prior to the setting up of the reorganized SBGFC, the SBGFC shall be managed by its Board of Directors and the GFSME by its Management Committee.

**SECTION 10.** The DTI Secretary is hereby authorized to promulgate additional implementing rules and regulations, as necessary to ensure the orderly consolidation of GFSME with SBGFC and its reorganization.

**SECTION 11.** All executive orders, issuance, orders, rules and regulations which are inconsistent with this Executive Order are hereby revoked, amended or modified accordingly.



**SECTION 12.** If any provision of this Executive Order shall be held unconstitutional, the remainder of the Order not otherwise affected shall remain in effect.

**SECTION 13.** This Executive Order takes effect immediately.

**DONE** in the City of Manila this 30<sup>th</sup> day of July in the year of our Lord, Two Thousand and One.




By the President:

  
**ALBERTO ROMULO**  
Executive Secretary

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