

BY THE PRESIDENT OF THE PHILIPPINES

MEMORANDUM CIRCULAR NO. 5

PMS LIBRARY

**DIRECTING THE HEADS OF THE DEPARTMENT OF TRADE AND INDUSTRY, THE GUARANTEE FUND FOR SMALL AND MEDIUM ENTERPRISES, AND THE SMALL BUSINESS GUARANTEE AND FINANCE CORPORATION TO ISSUE CREDIT GUARANTEES, SUBJECT TO CERTAIN GUIDELINES**

Relative to Presidential instructions dated 15 August 2000 prohibiting the grant of government guarantees on loans of private firms, the following additional instructions are hereby issued for compliance of above agencies:

Guarantees authorized by your respective charters may be issued to financial institutions and/or similar conduits providing credit access to farmers, fisherfolk, rural workers, small and medium enterprises, and cooperatives, associations or organizations, provided that:

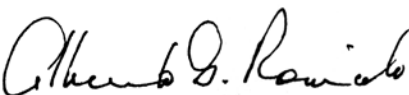
1. The stakeholders/clientele/beneficiaries pass the qualification requirement as defined by existing laws and policies;
2. Participating financial institutions and/or other similar lending conduits subject such clientele to normal credit evaluation/project appraisal standards and due negligence; and
3. Participating financial institutions and/or other similar lending conduits share in the credit risk at levels and rates that would enhance and encourage credit flow to the targeted sector while not unduly placing the government at a disadvantage.

Guarantee on loans of large private firms shall continue to be given only under the most restrictive conditions, such as those provided under the Build-Operate-Transfer (BOT) Law.

For compliance.

**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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Received

SEP 20 2001

Date

