

## **Amando M Tetangco, Jr: Launching of the Paranaque City Credit Surety Fund**

Speech by Mr Amando M Tetangco, Jr, Governor of Bangko Sentral ng Pilipinas (BSP, the central bank of the Philippines), at the Launching of the Paranaque City Credit Surety Fund, Manila, 3 November 2015.

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This is truly a happy event. Today, we launch the Paranaque City Credit Surety Fund with Mayor Olivarez. Paranaque is the 3rd city in Metro Manila to have its own CSF – after Quezon City and Marikina (both in 2014); it is also the 22nd in Luzon and the 44th CSF in the country. This CSF is bound to benefit the Paranaque-based Micro Small and Medium Enterprises or what we call MSMEs.

Indeed, our CSF program has come a long way from 2008 when we launched the 1st CSF in the Province of Cavite. It has been a challenging but fruitful seven years. We have seen how MSMEs that lack collateral, gain access to bank loans and grow their business with the support of the credit surety fund program.

As of August 2015, the 43 operating CSFs in the country have benefitted 14,600 MSME borrowers who received a total of P1.7 billion in bank loans.

But more than these aggregates, we are particularly proud that past due ratio has been at a minimal 0.93%. Clearly, CSF leaders across our country implement the program with care and due diligence, to ensure that MSMEs given bank guarantees are viable and have a good track record of paying their obligations. In this manner, many more MSMEs and cooperatives stand to benefit from the CSF program.

In this connection, the total trust fund of CSFs has also continued to grow – it now stands at P515 million, 8% higher than last year. In other words, the CSFs as a whole, can guarantee more bank loans.

And so, we welcome the City of Paranaque to the growing CSF community.

Actually, simple lamang po ang gusto nating marating sa CSF – ang mapa-buti ang kabuhayan ng ating mga kababayan sa MSMEs sa pama-magitan ng pa-utang mula sa bangko.

Traditionally, MSMEs who lack collateral turn for funding to informal lenders with onerous conditions and interest rates that can reach over 1,000 percent a year. With the CSF providing guarantees to banks for loans extended to their coop members, MSMEs gain access to bank loans at much lower interest rates. As monitored by the Bangko Sentral ng Pilipinas, loans granted under the CSF program range from 8–12% a year, a fraction of the cost of borrowing from informal lenders!

This is the reason why the BSP has been working on promoting financial inclusion across the country for over ten years now.

In July this year, the BSP and 12 other government agencies launched the National Strategy for Financial Inclusion (or NSFI). Our objective is to avoid duplication and to ensure optimum results from our collective efforts and deployment of resources in extending the reach of our financial system to the unserved and the underserved.

This milestone event was also highlighted by the visit of Queen Maxima of the Netherlands who attended the launching with a commitment of assistance and partnership not only from the Netherlands, but also from the United Nations, in her capacity as the designated UN Secretary General's Special Advocate for Inclusive Finance for Development. As described by Queen Maxima, "the Philippines should be the voice on financial inclusion." Indeed, our

financial inclusion program is considered an international best practice model.

Through the NSFI, we envision a regionally-responsive, development-oriented and inclusive financial system that provides for the evolving needs of a diverse Filipino public. One of the priority areas of concern in the NSFI is access to credit, which is being addressed through this CSF program.

Our survey early this year indicated that about 47 percent of Filipino adults borrow money and most of them access loans from informal sources such as family members and informal lenders. Only a few obtained credit from formal institutions such as lending/financing companies (12%), cooperatives (10.5%), microfinance non-government organizations (NGOs) (9.9%), and banks (4.4%). Nevertheless, more than 85% of respondents indicate that they want to access financial services from formal financial institutions.

One restrictive consideration in borrowing money is the lack of collaterals. This can now be addressed through the Credit Surety Fund, which serves as an alternative security in place of conventional collaterals.

You will be pleased to know that our CSF program is on the agenda of the APEC summit. During the APEC SME Financing Forum in Iloilo City last September, one of the key priorities of the summit is "Fostering SMEs Participation in Regional and Global Markets." One of the proposals is the promotion of inclusive growth through sustainable and resilient SMEs with support from the CSF program.

Similarly, the CSF has advocates in Congress who seek to institutionalize the CSF program. At the Senate, Senator Bam Aquino is its principal author and Congressman Cresente Paez at the House of Representatives. Their bills were unified during the Bicameral Conference Committee meeting last month and will be submitted for approval by President Benigno C. Aquino III.

And so, ladies and gentlemen, the story of our CSF program continues to evolve and produce positive results for our MSMEs, their owners and their employees.

With Paranaque joining our CSF community, we look forward to generating more benefits from financial inclusion, this time within Metro Manila.

Congratulations to Paranaque under the leadership of Mayor Olivarez, for taking this major step forward to empower MSMEs in their city, to help improve lives through entrepreneurship and in generating jobs in their community.

Maraming salamat sa inyo at Mabuhay po tayong lahat!