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Business

World Bank, German government to provide technical aid to BSP on SME lending

By [Lawrence Agcaoili](#) (The Philippine Star) Updated November 08, 2009 12:00 AM

MANILA, Philippines - The World Bank and the German government have agreed to extend technical assistance to the Bangko Sentral ng Pilipinas (BSP) to increase its supervisory and regulatory capacity for small and medium enterprise (SME) lending.

The BSP said it has signed a cooperation agreement with WB's International [Finance](#) Corp. and German Technical Cooperation (GTZ) to strengthen the foundation for SME lending in the Philippines.

The pact was signed by BSP Governor Amando Tetangco Jr., IFC Philippines Representative Jesse Ang, and GTZ program manager Volker Steigerwald last Tuesday.

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The technical assistance would help the BSP evaluate and modify its policies, supervision, and examination procedures with regard to SMEs.

The IFC and GTZ would help [design](#) appropriate training program to further increase the supervisory capacity of the BSP of SME risk-based lending operations for banks.

The assistance also aims to support the development of a manual examination procedure for SME lending to complement the existing manual.

A study on the Financing SMEs in the Philippines conducted by the IFC revealed that the current funding obtained by SMEs in the country from formal institutions only amount to between 11 percent and 21 percent.

IFC said the amount was low compared to the usual benchmark of 30 percent.

It pointed out that one of the constraints faced by SMEs is the lack of access to credit that would enable them to achieve sustained growth.

SMEs play a key role in the country's economic development as micro, small and medium enterprises (MSMEs) make up 99.6 percent of the country's total enterprises, generating 70 percent of the total [jobs](#).

MSMEs also contribute 30 percent to 32 percent of the domestic output as measured by the gross domestic product (GDP).

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