

# Part 5

## Innovation / Investment Fund (Component 4)



MSME Financing Programs (SBCorp Corporate Funds)

Capacity Building Programs

Microfinance Financing Program

Venture Capital Financing Program

## A. Introduction



The RAPID Growth Innovation Fund Manual outlines the general policies, guidelines, and procedures governing the administration of the Innovation Fund. It provides an overview of the financing facility, including eligibility criteria, application and approval processes, implementation arrangements, and the roles of participating units and institutions.

The Innovation Fund is a key component of the RAPID Growth Project, an initiative designed to support the Philippine Government's commitments aligned with the Sustainable Development Goals (SDGs), particularly in reducing poverty and inequality. The Project aims to create strategic enabling conditions for the sustained growth of agriculture-based micro, small, and medium enterprises (MSMEs) engaged in competitive and high-potential value chains that demonstrate strong market demand, backward linkages to smallholder farmers, and job creation potential.

Implemented across six regions in Mindanao and Visayas, the Project targets 20 provinces and initially focuses on four priority commodities: cocoa, coffee, coconut, and processed fruits and nuts.

Originally structured around three core components, the Project has since been reconfigured into five: (1) Direct Assistance to Enterprises, (2) Institutional Strengthening, (3) Technical Assistance to Financial Service Providers (FSPs), (4) the Innovation Fund, and (5) Project Management.

Under this framework, the Program will support the Department of Trade and Industry (DTI) in establishing and capitalizing an Innovation Facility that incentivizes private equity and venture capital engagement with MSMEs. The facility will be managed by the Small Business Corporation (SBCorp) and will serve as an alternative financing source, providing equity investments to eligible program beneficiaries in partnership with private equity and venture capital firms.

This manual serves as a foundational reference for all stakeholders involved in the design, management, and implementation of the Innovation Fund.



## B. Contribution to Logframe

The Innovation Fund directly supports the overarching goal of the RAPID Growth Project by enabling agriculture-based small and medium enterprises (SMEs) with high growth potential and innovative technologies to expand their businesses, commercialize their products, and scale sustainably. By providing equity financing—rather than traditional loans—the Fund fills a critical financing gap for SMEs that are often excluded from conventional lending due to their risk profile or limited collateral.

This alternative financing approach empowers dynamic enterprises to drive innovation, strengthen agricultural value chains, and generate employment, thereby contributing to inclusive economic development and poverty reduction in rural communities.

### 1. Objective of the Innovation (Investment) Fund

“To enable agricultural-based small and medium enterprises with high growth potential and new technologies to develop the business, commercialize and grow their products and services in a sustainable manner through a financing modality other than the provision of loans.”

### 2. Contribution to RAPID’s LogFrame

The Innovative Financing component directly supports RAPID’s logframe by addressing enterprise access to equity financing. Against the target of 10 enterprises, the program facilitated access for firms through the SBC’s Innovation Fund, enabling them to secure financing services tailored to their growth needs.

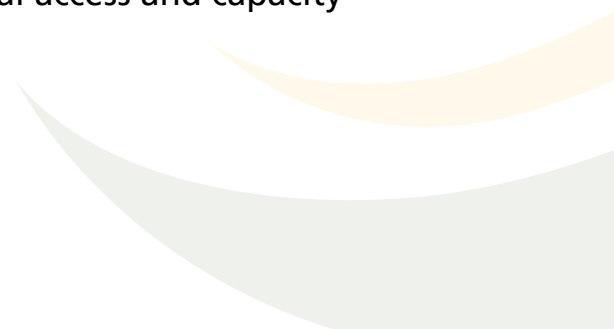


This resulted in participating enterprises being better equipped to expand operations, strengthen competitiveness, and improve their financial sustainability. Progress is monitored through the Access to Finance Tracker and validated with activity reports, documentation, and attendance sheets, ensuring accountability and alignment with RAPID’s objectives of fostering inclusive enterprise development.

#	Indicator			End of Project Target
2.3.d	Number of enterprises benefitting from equity financing			40 enterprises
Key Activity	Code	Activity-Based Targets	Indicator Description	Targets
4.1 Financing Campaigns and Promotions	4.1.1	Number of Firms availed of Financing Services through SBC's innovation fund	Number of Firms availed of the financing services through SBC's innovative fund	
	4.1.2	Number of Info Campaigns/Orientation / Conducted by SBC and other technical assistance-related activities	Refers to activities conducted by SBC to promote or implement innovative financing. These include preparatory activities, capacity building activities, coaching or mentoring sessions, and other related technical assistance that will be implemented by SBC to assist firms to successfully avail the innovating financing.	

The implementation of the Innovative Financing component is supported by clear means of verification to ensure accountability and accurate reporting. For tracking enterprise access to financing services, the Access to Finance Tracker serves as the primary tool. While the existing tracker is excel-based, a more robust MIS Data Capture Form (DCF) is being developed and will be rolled out once finalized.

Similarly, the ongoing development of additional data capture forms will further strengthen monitoring of technical assistance and promotional activities. These indicators apply specifically to SBC-assisted firms and are validated through activity reports, documentation, and attendance sheets, which provide concrete evidence of both financial access and capacity-building interventions.



### 3. Small Business Corporation

The Program will support the Department of Trade and Industry (DTI) in establishing and capitalizing an Innovation Facility designed to incentivize private equity and venture capital firms to engage with small and medium enterprises (SMEs). This facility, referred to as the Innovation Fund, will serve as an alternative financing mechanism that provides equity investments—rather than loans—to eligible program beneficiaries. The Fund will be managed by the Small Business Corporation (SBCorp) in partnership with private equity and venture capital providers.

The Small Business Corporation (SBCorp) is a government financial institution established under Republic Act No. 6977, as amended by RA 8289 and further by RA 9501. It is mandated to implement comprehensive policies and programs that support the development of micro, small, and medium enterprises (MSMEs) across various areas, including financing, information services, training, and marketing.

#### a) SBC Goals

The Small Business Corporation (SBCorp) affirms its commitment to service, integrity, and its mandate under the Magna Carta for MSMEs by adopting the following guiding statements. These reflect the Corporation's core values and principles, which steer its operations and define its approach to supporting the MSME sector (Figure 2).




## b) SBC Programs and Services

Empowered by its legal mandate, SBCorp is authorized to offer a wide range of financial products and capacity-building programs tailored to the needs of MSMEs and partner financial institutions. These services are detailed in the diagram below (Figure 1[1]).



The MSME Financing Programs consist of various lending facilities. SBCorp provides direct retail loans to MSME for their working capital and fixed asset requirements, using its corporate funds. There was a special financing program, particularly, the Enterprise Rehabilitation Financing Program which was implemented to provide financing assistance to enterprises affected by typhoon Yolanda.

In 2017, SBCorp was tasked to implement the government's Pondo sa Pagbabago at Pag Asenso (P3) Program which provides financing assistance to micro-enterprises at a lower interest rates and to out-compete the "5-6" informal lending industry which is estimated to be at P30 billion in 2018. The Corporation was provided with a total fund of almost P3.0 billion from 2017 to 2019 to implement the program. In support of the P3 Program, SBCorp shifted its strategy to accelerate its implementation and expand its outreach thru its "platformification"<sup>[1]</sup> strategy. A credit delivery platform was developed to bring together multiple participants to better serve the financing needs of micro entrepreneurs.



SBCorp also provides various capacity building programs to support the MSME, such as the Risk- Based Lending Program for financial institutions, and; governance and financial management programs for SMEs and the SME Account Officer Certification Program.

Another unique program of the Corporation for SME is the Venture Capital Financing Program. Under the said program, “start-up” enterprises with high growth potential are provided equity financing to develop the business, commercialize and grow their products and services in a sustainable manner. The Corporation’s operations are nationwide as mentioned earlier.

(Note: The term "platformification strategy" refers to a business or organizational approach where a company transforms its product, service, or system into a platform—a foundation that enables others (like partners, developers, or users) to build upon or integrate with it.)

### **c) SBC “Unfinanciable” Segments**

In fulfillment of its mandate, the Small Business Corporation (SBCorp) targets nine (9) "unfinanceable" segments—enterprises that, despite being ongoing and operational, are unable to access financing at fair, non-usurious rates through traditional financial institutions. By focusing on these underserved segments, SBCorp aims to bridge critical financing gaps and promote inclusive access to capital for micro, small, and medium enterprises (MSMEs).



#### 4. Implementation Mechanisms

This section outlines the procedures, institutional arrangements, and regulatory frameworks that will guide the implementation of the component's key strategies. It details how operational responsibilities will be assigned, how coordination among stakeholders will be managed, and the specific mechanisms that will ensure effective, transparent, and accountable delivery of program objectives.

##### a) Innovation/Investment Fund

**Fund Allocation.** Under the RAPID Growth Program, an initial amount of USD 5,838,000 has been allocated to establish and implement the Innovation Fund. Of this amount, 90% will be dedicated to capital investment and related support costs, including equity financing, technical assistance, and management costs.





The fund will be transferred by the Department of Trade and Industry (DTI) to the Small Business Corporation (SBCorp) in accordance with the approved Annual Work Plan and Budget (AWPB). The specific terms, responsibilities, and processes related to fund transfer and utilization are detailed in the Memorandum of Agreement between DTI and SBCorp.

**Fund Components.** The Innovation Fund shall cover the following components presented in the table below:

Component	Description
a) Capital Investment and Support Costs	<ul style="list-style-type: none"><li>• Equity financing for eligible SMEs</li><li>• Technical assistance for beneficiaries</li><li>• Management and administrative costs</li></ul>
a) Technical Assistance and Consultancy	<ul style="list-style-type: none"><li>• Development of operational guidelines and fund implementation procedures</li><li>• Support to SBCorp and other implementing partners</li></ul>
a) Promotional Materials	<ul style="list-style-type: none"><li>• Development and distribution of IEC (Information, Education, Communication) materials</li><li>• Stakeholder engagement tools</li></ul>
a) Capacity Building Activities	<ul style="list-style-type: none"><li>• Seminars, workshops, and training sessions for implementers and beneficiaries</li></ul>

## **b) Venture Capital Financing Program**

This section introduces key concepts related to equity financing—specifically venture capital and private equity—as they relate to the Innovation Fund's strategy of supporting high-growth, agriculture-based SMEs. Understanding these financing mechanisms is essential to appreciating how the program enables sustainable business growth without relying on traditional loans.

### **Key Concepts**

The following table summarizes key equity financing concepts relevant to the Innovation Fund. These financing modalities offer alternative sources of capital for SMEs beyond traditional loans, helping support business growth and sustainability.





Term	Definition
Equity Financing (EF)	Equity financing is the process of the sale of an ownership interest to various investors to raise funds for business objectives. One of the advantages of equity financing is that the money that has been raised from the market does not have to be repaid, unlike debt financing which has a definite repayment schedule.
Venture Capital (VC)	Venture capital is a form of equity financing that provides funds to early stage, emerging companies with high growth potential, in exchange for equity or an ownership stake in a business enterprise. Venture capitalists take the risk of investing in start-up companies, with the hope that they will earn significant returns when the companies become a success. They are wealthy enough to take losses that may be incurred by investing in unproven, high-risk companies. When choosing companies to invest in, they consider the company's growth potential, the strength of its management team, and the uniqueness of its products or services.
Private Equity (PE)	Private equity is a general term used to describe all kinds of funds that pool money from several investors that are then used to acquire stakes in companies. Technically, venture capital is private equity. But "PE" is often associated with the funds trolling for mature, revenue generating companies in need of some revitalization in order to become worth much more.

### **General Program Features.**

Venture Capital Financing shall be implemented to provide equity financing to start-ups to develop the business. SB Corp may do this on its own or with a private sector or government partner. Said financing is in the form of risk capital - equity in the business - which may be used for product development, for the establishment, improvement or expansion of plant and facilities, for market development, and/or for working capital, among others.

Initial implementation shall target four (4) agricultural commodity value chains, namely cocoa, coffee, processed fruits & nuts, and coconut in six regions and selected provinces as listed in Table 4. These commodities present attractive market and social features and have the potential to provide sustained economic benefits to small farmers and enterprises.



### Eligible Enterprise (Pre-Qualification)

An eligible enterprise must be a duly registered MSME organized as a sole proprietorship, partnership, or corporation. Enterprises currently registered as a Single Proprietorship or One Person Corporation must convert to and register as an ordinary stock corporation to enable equity infusion under the Program.

Financing shall be provided only to enterprises operating within the Program's priority areas and commodities. Eligible enterprises must be within the RAPID Value Chain and may be engaged in any of the following:

- Industrial and manufacturing projects
- Agri-business projects
- Social services projects
- Tourism projects
- Environmental projects

In addition to the basic registration requirements, the enterprise is encouraged to meet the following qualifications:

- PCW-trained, certified, or accredited; or
- Holds appropriate training, certification, or accreditation relevant to its operations
- Previously assisted FOs under the DIPs

### Additional Desired Characteristics

An eligible enterprise is also expected to demonstrate the following:

- Strong, focused, and committed management team
- For technology-based enterprises, preference is given to those with registered patent(s)
- A viable business plan showing high growth potential, positive returns, and/or meaningful, sustainable social and economic impact



## Partner Institutions

SBCorp shall accredit a government or private entity as a partner in the implementation of the Program which shall have the following roles:

- Capacity building, specifically coaching, mentoring and consultancy,
- Product research and development,
- Venture Capital partner or operator of business incubation centers, and
- Partners in the identification and selection of prospective investees either as a developer of technology or operator of business incubation facilities

The prospective partner must pass the following eligibility criteria:

- Duly registered juridical entity, at least 3 years in existence with no adverse findings,
- With sound management and governance structures,
- Record of financial stability and reliability, complete and stable staff who are experienced and reliable in the development of projects,
- With a successful track record of ventures within or outside the country, and
- It must be willing to invest in SMEs

## Amount of Funding and Technical Support

The amount of investment under the program shall not exceed 40% of the enterprise's outstanding capital stock. The amount shall range from a minimum of P500,000.00 to a maximum of P20,000,000.00. The partner venture capital/private equity firm shall co-fund at least 50% of the requirements of the SMEs.

The enterprise may also receive technical assistance to address identified capability gaps, particularly in corporate governance and professional management, following the investment. The amount allocated for technical assistance shall not be deducted from the investment proceeds but rather from the total funds earmarked for equity infusion (i.e., 90% of the total Innovation Fund). However, the total amount spent on technical assistance and other support services post-investment shall not exceed 10% of the equity investment fund (i.e., 10% of the 90%).



In addition to coaching and mentoring on corporate governance and professional management, the following general areas may also be considered for technical assistance:

- Competitiveness Interventions which may involve conduct of additional research for product enhancements prior to commercialization, and
- Common Facilities for the Industry Group.

The equity financing fund may be used to support enterprise through different stages. This means that SBCorp and/or private equity investors may invest more than once or support more than one stage, provided the total investment for SBCorp does not exceed PhP20 million per company and that total equity financing does not exceed 40% of the outstanding capital of the company after the investments are made.

To promote transparency, equitable access, and appropriate fund distribution, the Innovation Fund shall adopt funding caps based on enterprise size, as follows:

Enterprise Size	SBCorp Equity Cap
Micro	Up to PHP 1,200,000
Small	Up to PHP 6,000,000
Medium	Up to PHP 20,000,000

*Note: Definitions of micro, small, and medium enterprises shall follow DTI guidelines.*

To ensure inclusive regional participation, funding caps across Regional Coordinating Units (RCUs) shall also be established. These regional ceilings aim to balance fund distribution across project areas, aligned with SME density, development potential, and regional priorities.





## Equity Financing Support for Various Stages of a Company

Equity financing under the innovative fund shall support enterprises in the following stages:

- **Business Incubation/Start-Up Stage.** The enterprise must have completed its research and development and already devised a complete business plan. It is now ready to begin advertising and marketing their products and/or services potential customers. Typically, it has a prototype to show, but has no reflected sales yet. At this stage, the enterprise needs equity infusion to fine tune their products and services, expand its personnel and conduct any remaining research necessary to support the official business launch.
- **First Stage or Commercialization of new products and/or services.** This is sometimes termed as the “emerging stage,” which typically coincides with the enterprise’s market launch. Funds for this phase will go to actual product manufacturing and sales, as well as increased marketing. This is the stage where the enterprise shall start seeing profit.
- **Expansion Stage.** This is also referred to as the “Second” or “Third” stages. The expansion stage is when an enterprise is seeing exponential growth and needs additional funding to keep up with the demands. In this stage, the enterprise already has commercially viable products and/or services and is starting to see some profitability.
- **Bridge Stage.** This is the final stage of funding. At this stage, the enterprise has reached maturity. Funding obtained at this stage will be used to support activities such as mergers, acquisitions or Initial Public Offering (IPO). This is the transition stage of the enterprise to being a full-fledged, viable business and the exit stage of the investment.



## 5. Nature of Investments


The investment shall primarily be in the form of redeemable common or redeemable preferred shares, depending on the deal structure most appropriate for the enterprise.

The Innovation/Investment Fund may also be provided by SBCorp as convertible debt, with a conversion term not exceeding one year. This approach aims to provide immediate financing to early-stage companies that require additional time to meet equity investment requirements, such as incorporation or applying for an increase in authorized capital. The provision of convertible debt allows prospective investee companies to capitalize on early growth opportunities while awaiting the equity investment. The interest rate during the debt phase of financing should not exceed 10% per annum.

SBCorp may also engage in joint ventures with duly registered institutions involved in businesses or productive activities within the relevant agricultural value chains but are not stock corporations. Examples include cooperatives and farmers' organizations. Project financing through joint ventures may be considered as an alternative to purchasing shares in companies that have limited capital and are unable to sell enough shares to raise the required financing. However, joint venture agreements must adhere to applicable government policies and guidelines governing joint ventures that involve a public entity, such as SBCorp, as a partner.

### **a) Dividend Rate and Return on Investment.**

**Dividend** is, in essence, a distribution of the company's profits to its shareholders, which is generally paid in cash or stock. Cash dividends are obviously rare in early-stage companies because there are usually no profits (or cash) to distribute and if there were, they would generally be re-invested in the growth of the company.



There are two types of dividends: non-cumulative and cumulative. With a non-cumulative dividend, if the Board of Directors does not declare a dividend during a particular fiscal year, the right to receive the dividend extinguishes for that year. With a cumulative dividend, the dividend is calculated for each fiscal year and the right to receive the dividend is carried forward until it is paid or until the right is terminated.

**Return on Investment (ROI)** is a performance measure used to evaluate the efficiency of an investment or compare the efficiency of a number of different investments. Venture capital ROI expectations can depend on the business in which one is investing. While venture capital investing can be a risky proposition, most investors expect to at least double the money that they have invested.

The Dividend Rate and Return on Investment shall be based on the nature of the business and the negotiations that will transpire between the investee and the investor. It will form part of the Term Sheet to be issued by the prospective investor/s on the enterprise-beneficiaries.

#### **b) Term of the Investment**

The investment shall have a duration of 3 to 10 years. In exceptional cases, the term of the equity investment may be extended for an additional two (2) years, subject to the approval of the appropriate authorities. However, partner-investors shall retain the flexibility to establish terms that are mutually agreed upon by all parties.



## 6. Exit Mechanism

An important aspect of a venture capital investment is the exit strategy. Venture capital funds primarily invest with an exit in mind after a few years. After successfully funding at seed, pre-production, production and expansion stages, a venture capitalist will start assessing exit strategies. The exit in the form of disinvestment or liquidation is the last and final stage of the venture capital funding.

The Venture Capital investment shall exit through any of the following options:

### a) Redemption

The enterprise will be required to buy back venture capital cost plus a certain premium, as stated in the investment terms under the redemption clause, sometimes referred to as a “buy-back clause.” An example of a redemption provision would be, the investors may, by a majority vote at any time starting five years after their investment, elect to be redeemed (repurchased at their original purchase price), with payments made over a three-year period in equal installment.

The redemption price shall be based on the agreed liquidation preference as stipulated in the Term Sheet of the investment.

### b) Sale to Third Party

The investment shall be sold to a strategic buyer who already owns a business or has plans to enter target industry. The acquirer may or may not retain a management team and may or may not make substantial changes in the company's operations, staffs and business lines.



### **c) Initial Public Offering (IPO)**

The company achieves a stock market listing so that the VC investment can also be sold in public. In an IPO, the probability of losing control over ownership and management by the entrepreneur is minimized. Also, the shares of stock of the enterprise will benefit from a market determined price.

It should be noted however that while an IPO is probably the soundest and most profitable way to exit from a partner enterprise, the same may not always be the case for Philippine SMEs.

## **7. Selection and Approval Process**

Investments under the Innovation Fund shall be funded on a competitive basis. Every investment shall undergo a full financial and economic analysis including an assessment of its impact comparing the periods with and without investment on the enterprise and the other households. It shall follow a process which will describe the general mode of operations of the Program. A very stringent selection process for prospective partner-enterprise under the Program shall be implemented.

### **a) Documentary Requirements**

A set of standard documents shall be required to be submitted together with a simple Letter of Intent (LOI) stating their interest in availing of the Program. There are several stages of documentation required in the venture capital process. The basic documents for initial evaluation are outlined below.



**Business Plan.** The Business Plan is a key document that outlines the enterprise’s strategy, market viability, and financial potential. It serves as the main reference for investors, implementing partners, and evaluators to assess the enterprise’s readiness and growth prospects.

Developed primarily by the entrepreneur, the plan is based on initial market research to identify a viable niche and assess factors such as market size, competition, and overall business feasibility—critical before committing significant investment.

It should clearly define business goals, strategies, and the investment structure, detailing how funds will be used and returns generated.

The plan must also cover market and industry analysis, sales and marketing strategies, operational timelines, organizational structure, risk assessment with competitor benchmarks, and 3–5 years of historical and projected financials, including income, cash flow, balance sheet, and key ratios. Financial projections should reflect low, medium, and optimal scenarios to account for varying market conditions.

At a minimum, the Business Plan document must include the following key parts.

<b>Executive Summary</b>
A concise, 4–8 page overview of the business plan highlighting the core aspects of the enterprise. This includes the business concept, target market, competitive advantage, management team, financial highlights, and the proposed investment structure. The Executive Summary should be prepared after the full plan is completed and serve as a compelling summary for potential investors.
<b>Market Feasibility Study</b>
A targeted analysis conducted by the entrepreneur to validate the market opportunity. It should assess the size and characteristics of the target market, customer segments, competitive landscape, industry trends, and other critical factors that influence the viability of the product or service. This study ensures that the enterprise is entering a market with real demand and a clear strategic fit.
<b>Investment Plan</b>
A financing strategy that includes detailed capital requirements, allocation of funds, and an equity structure proposal. It must also include 3–5 years of financial projections (income statement, balance sheet, and cash flow), presented under low, medium, and high-growth scenarios. Additionally, the plan should outline potential investor returns, exit options, and repayment or liquidation strategies under various scenarios. This section is where the investment “deal” is structured to attract equity partners and financial institutions.



### **Business Valuation Study** (as applicable)

A Business Valuation Study estimates the value of an enterprise before and after the proposed investment. It helps determine the appropriate equity share to offer in exchange for capital and is essential in negotiating investment terms.

This is extremely important when an enterprise is trying to raise money for a business that will be a candidate for a merger/acquisition, or an Initial Public Offering (IPO) at a later date. It is also required for funding by professional investors so that adequate returns on investment are shown.

### **Due Diligence and Supporting Documents**

This includes all additional documents required to validate and supplement the Business Plan and Investment Proposal. These documents establish the legal identity, operational legitimacy, and technical capacity of the enterprise.

Examples of supporting documents may include:

- Business registration and permits
- Product certifications or licenses
- Articles of incorporation and by-laws
- Organizational structure
- Audited financial statements (if available)
- Other relevant legal, financial, or technical records

Prospective enterprise-beneficiaries must prepare and submit these documents as part of their application for equity financing. Partner investors will evaluate the proposal based on these submissions, along with any additional documentation they may deem necessary during the due diligence process.



## 8. Investee Corporation Scorecard

The Scorecard is an attempt to organize various elements that are relevant to the performance of the business and to quantify the evaluation among various enterprises into comparable scores. It shall provide the Board Committee an empirical basis for deciding investment worthiness of an enterprise. The enterprise's over-all viability shall be gauged in terms of management strength, market, product/technology and scalability, as indicated in the figure below.

*Figure : Evaluation Criteria*



## 9. Approval Process

The short-listed enterprises based on the Strategic Investment Plan of participating regions shall be pre-qualified by SB Corp, based on the eligibility criteria under the Program. Qualified enterprises may be required to make a pitch to the Venture Capital Review Committee and other equity fund providers to resolve other issues. The Committee shall endorse for approval of funding under the Innovation Fund to SB Corp BOD. All approvals under this Fund shall be submitted to the Project Steering Committee for confirmation.[1]





The authority to approve investments under the Venture Capital Financing Program shall belong to SBCorp BOD, as favorably endorsed by the Venture Capital Review Committee. The Committee shall conduct the initial screening of the investment package and deliberate all proposals under the RAPID Growth Innovation Fund. Recommended proposals shall then be forwarded to the SBCorp Board of Directors for final approval, which shall be formalized through a Board Resolution issued by the Corporate Secretary.

The details of the entire process flow of the Program implementation involving the enterprise and SBCorp is described below:

Step/Activity	Key Actions
<b>Pre-Investment</b>	
<b>1. Marketing and Scouting</b>	<ul style="list-style-type: none"> <li>○ Conduct briefings with intended industry associations</li> <li>○ Accept referrals from DTI and relevant government agencies</li> <li>○ Partner with State Universities and Colleges for conduct of pitching</li> </ul>
<b>2. Pre-Qualification Assessment</b>	<ul style="list-style-type: none"> <li>○ Receive accomplished Investment Application Form and Letter of Intent</li> <li>○ Accomplish pre-qualification checklist</li> <li>○ Ensure the applicant meets the basic requirements (e.g., sector focus, business size, stage of growth).</li> <li>○ Determine alignment with SBCorp’s investment objectives or confirm compliance with RAPID Growth Project guidelines.</li> <li>○ Refer to concerned Regional Office for the conduct of due diligence</li> </ul>
<b>3. KYC, Credit Investigation, and Site Visit</b>	<ul style="list-style-type: none"> <li>○ Conduct site visit &amp; verification of business documents</li> <li>○ Conduct credit investigation (RO/CSA)</li> <li>○ Transmit all documents to the VCG</li> <li>○ Create a client’s folio; pdf/scanned copy of each document must be stored in the official common shared drive via cloud (VCG)</li> <li>○ Prepare a project visit report and submit to the VCG (RO)</li> </ul>
<b>4. Business Plan Development</b>	<ul style="list-style-type: none"> <li>○ Guide client in drafting plan using prescribed format</li> <li>○ Submit complete documents to VCG</li> </ul>
<b>5. Business Plan Evaluation &amp; Investment Proposal Drafting</b>	<ul style="list-style-type: none"> <li>○ Evaluate plan using scorecard</li> <li>○ Conduct financial and business analysis</li> <li>○ Draft Investment Package Proposal</li> </ul>
<b>6. VCMC Deliberation</b>	<ul style="list-style-type: none"> <li>○ Review and decide:               <ul style="list-style-type: none"> <li>● Approve – move to final approval (Step 7)</li> <li>● Request revisions – move to Step 8 for notification</li> <li>● Reject – move to Step 8 for notification</li> </ul> </li> </ul>
<b>7. Final Decision &amp; Approval</b>	<ul style="list-style-type: none"> <li>○ Submit recommendations to the Loans and Venture Capital Review Committee (LVCR)</li> <li>○ Approve or reject investment proposal</li> <li>○ Issue term sheet &amp; negotiate investment terms (Final Term Sheet should be signed by both the investee and LSG Head + CG Head)</li> </ul>
<b>8. Client Notification</b>	<ul style="list-style-type: none"> <li>○ Communicate the decision to the client via email</li> <li>○ Set a meeting for further guidance, if needed</li> <li>● If <u>Approved</u> – Proceed to Step 9</li> <li>● If <u>Not Approved</u> but needs other requirements - return the proposal for revisions, additional documentation, or clarification before reconsideration. The proposal must be updated and resubmitted to VCMC for another round of deliberation.</li> <li>● If <u>Rejected</u> - Notify the applicant and end of process.</li> </ul>



Step/Activity	Key Actions
<b>Pre-Investment</b>	
<b>9. Investment Agreement Preparation</b>	<ul style="list-style-type: none"><li>○ Request Legal Services Group to draft investment agreement (IO)</li><li>○ Draft and finalize investment agreements (LSG)</li><li>○ Ensure legal and regulatory compliance (IO)</li></ul>
<b>10. Signing of Investment Agreement</b>	<ul style="list-style-type: none"><li>○ Coordinate signing (face-to-face or notarized remote signing)</li></ul>
<b>During Investment</b>	
<b>11. Releasing of Investment</b>	<ul style="list-style-type: none"><li>○ Prepare disbursement voucher</li><li>○ Disburse funds based on agreed terms</li></ul>
<b>Post-Investment</b>	
<b>12. Post-Investment Agreement Compliance Monitoring</b>	<ul style="list-style-type: none"><li>○ Track financial and operational performance</li><li>○ Engage in periodic reporting and evaluations (diligently request copy of the monthly minutes of the meeting (MoM and financial statements)</li><li>○ Monitor performance- Collect MoM and financials</li></ul>
<b>13. Investment Compliance Monitoring</b>	<ul style="list-style-type: none"><li>○ Plan an exit strategy</li><li>○ Ensure stock certificate issuance</li><li>○ Confirm submission of terminal progress and financial reports</li></ul>


## 10. Implementation and Booking

The Venture Capital Financing Unit shall be in charge of properly implementing the decision of the BOD as contained in the Board Resolution. Proper documentation shall ensure that SBCorp's investments under the program are exposed to minimal risks.

The process of implementation shall cover the following activities:

- A Notice of Approval/Disapproval shall be sent to the investee-corporation.
- Coordinate with the Legal Services Group (LSG) on the preparation of necessary legal documentation.
- Execution of all legal documents pertaining to the investment by concerned parties.
- Initiate the fund disbursement process upon completion of the documentation and all executed documents are found to be binding and legally sufficient to effect the release of funds. As such, a clearance for "legal sufficiency and enforceability" must be issued by the LSG.





The Controllership Group shall maintain a separate book for the innovation fund and shall be responsible for booking the transactions under the proper accounting entries.


One of the key features in the implementation of the investment package is the designation of a representative to the Board of investee-corporation. The Venture Capital and Finance Institute Development Committee of SBCorp shall endorse for approval by SBCorp Board of Directors the designated representative who shall sit as its representative in the Board of the investee- corporation. The private partner/co-investor may also include its nominated representative for notation and confirmation of the SBCorp Board of Directors.

## **11. Monitoring and Reporting**

During the entire implementation period of the investment, the Venture Capital Financing Unit shall perform the necessary monitoring activities to ensure attainment of investee-corporation business plan and realization of various development milestones.

The monitoring activities shall be as follows:

- Conduct of a regular project visit to monitor the business, semi-annually until divestment. The project visits must be documented thru preparation of a Project Visit Report which shall be reported to the Venture Capital Management Committee for information;
- Semi-annual submission of financial statements by the investee-corporation, to be analyzed by one of the CPAs from Internal Audit or Controllership Group, pending hiring of dedicated CPA for Venture Capital accounts.

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- Ensure compliance to requirements of all regulatory bodies, such as but not limited to the following:
    - SEC, for regular updating of General Information Sheet (GIS);
    - BIR, for filing of Annual Income Tax Returns, Audited Financial Statements and payment of taxes; and
    - LGU for regular renewal of business permits;
    - Preparation of performance reports for the VCMC, the BOD and the DTI, as per the SBCorp – DTI MOA

All issues arising from the reports shall be discussed during the meeting of the VCMC, to further enhance the Program and eventually benefit more SMEs.

In addition, to strengthen the oversight and enhance inter-unit coordination, the participation of the following shall be integrated into the monitoring and reporting process:

- RCU – Tech DC/RPC with RITA, to provide technical validation and regional insights; and
- PCU – PPC with VCF/MEA, to assist in policy alignment, program coordination, and data consolidation.

## 12. Management Structure

This section outlines the key implementing structures responsible for executing the strategies and initiatives outlined in this manual. It defines their specific roles, mandates, and inter-agency coordination mechanisms to ensure effective implementation, monitoring, and alignment with national innovation goals and policies.

### *Project Steering Committee of RAPID Growth*

The Project Steering Committee (PSC) shall provide overall guidance and oversight to ensure that program implementation is aligned with the priority sectors. It shall confirm all investment proposals for Rapid Growth funding as approved and recommended by the SBCorp Board of Directors.

### *SBCorp Board of Directors*

The SBCorp Board of Directors (BOD) shall be the approving authority of all proposals for financing under the Innovation Fund.

### *Venture Capital Review Committee*

The Venture Capital Review Committee, a Board-level Committee under the Innovation Fund shall be composed of five (5) members coming from the BOD including SBCorp President and CEO and one member-representative from DTI. The Committee shall have the following functions:

- Advise and assist the SBCorp Board of Directors on matters relating to the equity financing under the Innovation Fund.
- It shall be responsible for the detailed review and analysis of proposals for investments under the program to ensure compliance to standards and policy guidelines.
- Endorse to the BOD for approval accounts to be financed under the program.



### *Venture Capital Management Committee (VCMC)*

The VC and FI Development Committee, a Management-level committee, shall be responsible for all investment recommendations to the Venture Capital Review Committee. It will perform the first level review of the investment package to be funded under the Program.


### *Venture Capital Financing Unit*

The Venture Capital Financing Unit shall be the implementing unit of the innovation fund. The unit shall be manned by Program Officers who shall perform the following functions:

- Initial screening of prospective investee-corporations in collaboration with partner- institutions and the endorsing DTI-Regional Offices and Regional Technical Working Groups,
- Preparation of a Term Sheet based on the initial evaluation of the investment proposal,
- Preparation of the approval medium (Investment Memorandum) to be presented to the approving authorities, and
- Responsible for monitoring of Program performance, particularly the Innovation Fund and the preparation of all the required reports as stipulated in the Memorandum of Agreement between DTI and SBCorp.

### *Academe (SUCs) and Private Equity Firms:*

The SUCs and Private Equity Firms shall assist SBCorp in the implementation of the program, as follows:

- Provide capacity building programs for beneficiaries;
  - Assist the beneficiaries in product research and development; and
  - Venture Capital partner or operator of business incubation facilities.
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**DTI's Competitiveness and Innovation Group (CIG) / Regional Inclusive Innovation Center (RITA)**

The CIG plays a central role in shaping the country's innovation ecosystem. It shall do the following:

- Provide policy direction and oversight for innovation initiatives to ensure alignment with national development priorities and inclusive innovation strategies.
- Provide guidance to the RITAs, which serve as local hubs for collaboration among government, academia, and industry.
- Within the context of the Innovation Fund, CIG's involvement helps ensure that investments are strategically guided and responsive to both national and regional innovation goals.

