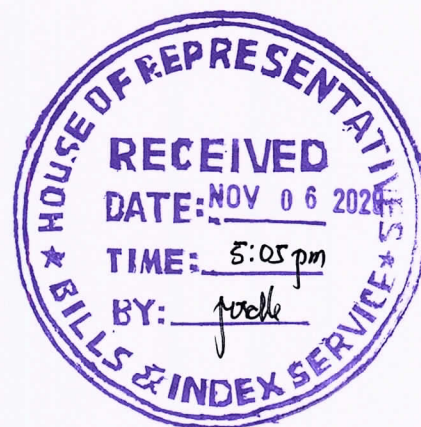




Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

EIGHTEENTH CONGRESS
Second Regular Session

House Bill No. 7968



Introduced by Representative **GERALDINE B. ROMAN**

EXPLANATORY NOTE

This is a companion bill to the 2020 Anti-Usury Bill.

Given that the COVID-19 pandemic has resulted in economic dislocation for many, more and more individuals obtain needed funds from loan sharks who demand excessive interests for loans. Regulating interest rates through anti-usury legislation is just one half of the solution. The other half involves giving borrowers alternative sources of funding that are accessible and do not charge unconscionable interest rates. Sadly, the proliferation of online lending applications has not helped because they too charge usurious rates, in addition to steep processing fees, while encouraging borrowers to maintain a balance by only requiring minimum monthly payments.

In order to protect borrowers from predatory lending practices, the government, Land Bank, and Development Bank of the Philippines should “develop a far more viable and humane lending system that is Barangay based rather than such impersonal On-line loans.”¹ “People know each other in their Barangays, there is some semblance of a social support system and a barangay based lending system would truly be more inclusive and less oppressive.”²

Together with the Anti-Usury Bill, it is hoped that this bill would help individual borrowers survive and not add to the economic hardship imposed by the COVID-19 pandemic.

Immediate passage of this bill is earnestly sought.

1 Beltran, C. (2019, July 15). *The curse of usury*. The Philippine Star.
<https://www.philstar.com/opinion/2019/07/15/1934714/curse-usury>

2 *Id.*



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AN ACT
ESTABLISHING THE BARANGAY MICROFINANCE SYSTEM AND
APPROPRIATING FUNDS THEREOF

Be it enacted by the Senate and the House of Representatives of the Philippines in Congress assembled.

SECTION 1. *Short Title.* – This Act shall be known as the “*The Barangay Microfinance Act of 2020*”.

CHAPTER I – GENERAL PRINCIPLES

Sec. 2. *Declaration of Policies.* – It is hereby declared the policy of the State to pursue a program of poverty eradication where marginalized Filipinos and members of the informal economy shall be encouraged to undertake and scale up entrepreneurial activities to meet their basic needs including income security. Towards this end, the State recognizes the importance of facilitating easy and efficient access to necessary funds and credits for such entrepreneurial activities.

Sec. 3. *Barangay Microfinance Cooperatives (BMCs) as Microfinance NGOs.* – As defined in R.A. No. 10693, BMCs created under this Act shall have all the attributes and privileges of Microfinance NGOs, except as otherwise provided herein. As such, the Core Principles on Microfinance NGOs shall, and to the extent not inconsistent with the provisions of this Act, apply to BMCs.

CHAPTER II - The Barangay Microfinance Office

Sec. 4. *Establishment of Barangay Microfinance Office.* – Each city and municipality shall establish an office to be known as the Barangay Microfinance Office (BMO). The BMO shall be composed of four (4) members as follows:

- a) The Chairman of the Committee of Trade, Commerce, or Industry, or any equivalent Committee, or designated representative of the Sanggunian Bayan or Panlungsod as the Chairman;
- b) The Mayor or his or her designated representative as an *ex officio* member;

- c) The head of the local chamber of business or commerce, or in the absence of such organized body, a prominent member of the local business community, or his or her designated representative as a member; and
- d) The head of any government bank branch or office in the locality, or in the absence of a government bank, a private bank, or his or her designated representative as a member.

Should there be more than one (1) local chamber of commerce or bank in the locality, the membership in the BMO shall be made by rotation in accordance with the implementing rules and regulations of this Act (IRR).

The members shall be entitled to receive reasonable per diems per meeting attended in accordance with the IRR. They shall serve for a term of three (3) years. The BMO shall be assisted by a secretariat to be lodged in the Office of the Mayor, which shall coordinate its functions and responsibilities.

Sec. 5. Powers and Functions of BMO. – The BMO shall:

- a) Issue certificate of accreditation as a BMC upon determination that the criteria set for this purpose have been fully satisfied: *Provided*, that the certificate of accreditation shall be valid only for such period and conditions as may be prescribed under the IRR;
- b) Monitor the performance of the BMCs to ensure continuing compliance with the provisions of this Act and its IRR;
- c) Place under probation, suspend or revoke any certificate of accreditation upon due determination that a BMC no longer meets the criteria for accreditation;
- d) Require regular submission of reports by BMCs;
- e) Exercise administrative supervision over the activities of the BMCs;
- f) Provide, in collaboration with public and private sector partners as needed, business development opportunities such as leadership training, entrepreneurial skills enhancement, financial literacy programs to the BMCs and its members;
- g) Provide, in collaboration with public and private sector partners as needed, human development services to help the poor achieve a level of sustainability and empowerment;
- h) Hear and decide appeals for denied loan applications;
- i) Accept, hold, and manage the funds of the BMCs;
- j) Manage the engagement of a private sector fund manager which shall handle and manage the investment of BMC funds; and
- k) Perform such other functions as may be necessary to accomplish the purposes and objectives of this Act.

The BMO shall exercise its powers and functions impartially, without regard to the political interests or affiliations of its BMCs and/or their members.

CHAPTER III - The Barangay Microfinance Cooperatives

Sec. 6. Accreditation of Barangay Microfinance Cooperatives. – There shall be accredited one Barangay Microfinance Cooperative in each barangay. The barangay shall provide the necessary office space for the BMC in its jurisdiction.

Sec. 7. Powers and Functions of BMC. – A BMC shall upon accreditation:

- a) Act as a lending or credit cooperative as defined under the Cooperative Development Act (CDA) with jurisdiction limited to its barangay. As such, a BMC shall be recognized as a cooperative by the CDA, any other government agency or entity, and the private sector, for purposes of qualifying for government grants and benefits. However, the administrative and supervisory power over the BMCs shall remain with the BMO;
- b) Collect compulsory savings from its members for purposes of maintaining the compensating balance in relation to the same member's loan, in accordance with R.A. No. 10693, and as defined in the IRR; and
- c) Enjoy the benefits and attributes of a Barangay Microbusiness Enterprise (BMBE) as defined under R.A. No. 9178 insofar as they are not inconsistent with the provisions of this Act.

The BMC shall exercise its powers and functions impartially, without regard to the political interests or affiliations of its members.

Sec. 8. Mandatory Programs and Services of BMC. – To maintain its accreditation, each BMC shall:

- a) Provide, in collaboration with public and private sector partners as needed, microcredit and financial literacy programs to its members on a continuing basis;
- b) Provide, in collaboration with public and private sector partners as needed, programs and services designed to improve the living conditions of the poor, socially marginalized, and underprivileged member-individuals.

Sec. 9. Registration and Fees. – The BMO of each city or municipality shall register the BMCs and issue a Certificate of Registration to enable the BMCs to avail of the benefits under this Act.

Any such applications shall be processed within thirty (30) calendar days upon submission of complete documents. Otherwise, the BMCs shall be deemed registered. Within the period provided for in the IRR, the One-Stop-Business Registration Center established for BMBEs shall be transformed to handle the registration and processing of BMCs as well.

No fees shall be assessed on the registration, or the renewal thereof, of BMCs. Unless extended under the IRR, the Certificate of Registration shall be effective for a period of five (5) years, renewable for a period of five (5) years for every renewal thereafter.

As much as possible, BMC shall be subject to minimal bureaucratic requirements.

Sec. 10. Membership and Organization. – All registered voters in the barangay are automatic members of the BMC in the barangay. Opt-out provisions and other organizational matters, including inability to pay the compulsory savings, shall be provided in the IRR.

Sec. 11. Exemption from Taxes and Fees. – All BMCs shall be exempt from tax for income arising from the operations of the cooperative.

The LGUs are encouraged either to reduce the amount of local taxes, fees and charges imposed or to exempt BMCs from local taxes, fees and charges.

All other benefits and privileges being enjoyed by cooperatives registered under the CDA shall also be granted to BMCs as applicable.

Sec. 12. *Exemption from Minimum Wage Law.* – The BMCs shall be exempt from the coverage of the Minimum Wage Law: *Provided*, that all employees covered under this Act shall be entitled to the same benefits given to any regular employee such as social security and healthcare benefits.

Sec. 13. *Credit Delivery.* – Upon the approval of this Act, the Land Bank of the Philippines (LBP), the Development Bank of the Philippines (DBP), the Small Business Corporation (SB Corp.), and the People's Credit and Finance Corporation (PCFC) shall set up a special credit window that will service the financing needs of BMCs registered under this Act consistent with the Banko Sentral ng Pilipinas (BSP) policies, rules and regulations.

All loans from whatever sources granted to BMCs under this Act shall be considered as part of alternative compliance to P.D. No. 717, otherwise known as the Agri-Agra Law, or to R.A. No. 6977, known as the Magna Carta for Small and Medium Enterprises, as amended. For purposes of compliance with P.D. No. 717 and R.A. No. 6977, as amended, loans granted to BMBEs under this Act shall be computed at twice the amount of the face value of the loans.

To minimize the risks in lending to the BMCs, the SB Corp. and the Quedan and Rural Credit Guarantee Corporation (QUEDANCOR) under the Department of Agriculture, in case of agribusiness activities, shall set up a special guarantee window to provide the necessary credit guarantee to BMCs under their respective guarantee programs.

The BSP shall formulate the rules for the implementation of this provision and shall likewise establish incentive programs to encourage and improve credit delivery to the BMCs.

Sec. 14. *Access to Government Programs and Projects.* – Duly accredited BMCs shall be given ready access to related programs and projects of the government. Government agencies and government financial institutions shall develop and make available support programs for BMCs in barangays with poverty, or affected by or vulnerable to natural disaster or armed conflict. Support programs may include the provision of operational and capacity building grants, low interest loans, and guarantee funds.

Sec. 15. *Technical Assistance.* – Duly accredited BMCs are entitled to access any form of technical assistance from the government, donors and other support organizations in facilitating the linkage between the poor households/microenterprises and microfinance institutions, community organizations, and capacity building of the target clientele; and social preparation activities, and those that will lead to the broadening and deepening of microfinance services such as development of microfinance products, training in microfinance technologies, and upgrading of performance standards, operating systems and procedures.

CHAPTER IV - The BMO Funds

Sec. 16. *Source of Funds and Appropriations.* – A BMO Development Fund (BMO Fund) shall be set up with an endowment of Ten Billion Pesos (P10,000,000,000.00) sourced from revenues of the Philippine Amusement and Gaming Corporation (PAGCOR) and revenues from taxes collected under R.A. No. 10351. Each BMO shall be granted a seed fund from the BMO Fund in such amounts as will be computed using the parameters provided for in the IRR.

BMOs shall also receive additional funding from their respective LGUs, other government grants, and private grants and donations.

Further amounts necessary to carry out the initial implementation of this Act shall be included in the General Appropriations Act.

Sec. 17. *Transparency Clause.* -- Pursuant to E.O. No. 2, s. 2016, the public shall have access to information, official records, documents and papers pertaining to official acts, transactions or decisions of the BMOs, especially in its management of the BMO Funds. In that regard, the

BMOs shall preserve and make readily accessible all such information, official records, documents and papers. As provided by E.O. No. 2, failure to do so shall be a ground for the imposition of administrative and disciplinary sanctions on the erring officers or employees, without prejudice to prosecution for violation of other laws.

Sec. 17. *Initiative of Concerned Regulatory Authorities to Examine BMCs and BMOs.* – The Bangko Sentral ng Pilipinas may request a BMO to examine the operations of BMCs in its jurisdiction for the purpose of determining that the BMCs are not engaged in unauthorized undertaking or activities which are subject to its jurisdiction. Likewise, the Commission on Audit may perform audits or investigations on any BMO in accordance with existing government auditing rules.

Sec. 18. *Implementing Rules and Regulations.* – Within ninety (90) days after the effectivity of this Act, the Department of Finance, in coordination with the Department of Interior and Local Government, BSP, the CDA, and relevant organizations, shall promulgate, rules and regulations for the implementation of this Act.

Sec. 19. *Penal clause.* - Any person who shall willfully violates any provision of this Act or who shall in any manner commit any act to defeat any provisions of this Act shall, upon conviction, be punished by a fine of not less than Five Hundred Thousand Pesos (P500,000.00) but not more than Five Million Pesos (P5,000,000.00) and suffer imprisonment of not less than four (4) years but not more than twelve (12) years.

Sec. 20. *Repealing Clause.* -- All laws, presidential decrees or issuances, executive orders, letters of instruction, administrative orders, rules or regulation inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

Sec. 21. *Separability Clause.* -- Should any part of this Act be declared unconstitutional, the validity of remaining provision hereof shall remain in full and effect.

Sec. 22. *Effectivity Clause.* -- This Act shall take effect fifteen (15) days from its publication in a newspaper of general circulation.

Approved.