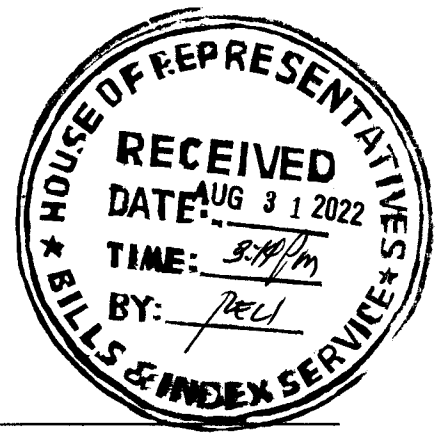


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

NINETEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 4298



Introduced by Representative Christian S. Unabia

EXPLANATORY NOTE

Based on data from the Philippine Statistics Authority for calendar year 2020, micro enterprises account for 88.77% of the total number of establishments in the country.

One of the challenges faced by micro enterprises is access to financing. Many micro enterprises are severely resource-constrained and their survival in business relies heavily on access to financing. Start-up and existing enterprises can usually get capital by seeking loans from formal lending institutions, such as banks, cooperatives or micro-finance institutions (MFIs). However, they find it difficult to avail of loans therefrom because of high interest rate, voluminous and stringent documentary requirements, including the need for collaterals. So instead of accessing conventional financing, micro enterprises resort to borrowing from the informal lenders or the so-called “5-6” micro lending scheme.

The usurious moneylenders charge a nominal interest rate of twenty percent (20%) over an agreed period of time. For every five pesos borrowed, six pesos is paid back after just a few days. Effectively, the “5-6” system is said to yield more than 1000% interest rate on an annual basis.

Starting January 2017, the Duterte administration earmarked P1 billion in the 2017 General Appropriations Act (GAA) for a program that aims to replace the “5-6” micro lending scheme, that is, the Pondo sa Pagbabago at Pag-asenso (P3) Program. It is implemented by the Department of Trade and Industry, through the Small Business Corporation. Through the P3 Program, the government will make financing more accessible to micro enterprises, particularly those in the poorest provinces. The P3 is designed to bring down the interest rate at which microfinance is made available to micro enterprises.

There is a need to institutionalize, through law, the P3 as an alternative to the “5-6” micro lending scheme in order to give micro enterprises the means to effectively start or sustain their business and be able to generate income. This will enable such businesses to move up the economic ladder and become more self-sufficient.

The P3 micro financing facility aims to help micro enterprise owners optimize their potentials and achieve major growth through an alternative source of funding with a low interest rate. The program shall provide accessible, fast, and hassle-free financing which is tailor-fit to the needs of entrepreneurs.

In the 18th Congress, the P3 bill was approved by the Committee on Micro, Small and Medium Enterprise Development. It was approved on 3rd reading by the House of Representatives as House Bill No. 9533 and was transmitted to the Senate.

In view of the foregoing, the immediate passage of this bill is earnestly sought.



CHRISTIAN S. UNABIA

Republic of the Philippines
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AN ACT

PROMOTING ENTREPRENEURSHIP BY ESTABLISHING A SOCIALIZED MICROFINANCING PROGRAM FOR MICRO ENTERPRISES THROUGH THE PONDO SA PAGBABAGO AT PAG-ASENSO PROGRAM, AND APPROPRIATING FUNDS THEREFOR

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

1 SECTION 1. *Title.* – This Act shall be known as the “Pondo sa Pagbabago at
2 Pag-assenso Act” or the “P3 Act”.

3 SEC. 2. *Declaration of Policy.* – It is the declared policy of the State to foster
4 national development, promote inclusive growth, and reduce poverty by promoting the
5 growth of micro enterprises that facilitate local job creation, production and trade in the
6 country. Towards this end, the State shall develop policies, plans and programs, and
7 initiate means to encourage entrepreneurial activities, and to ease the constraints and
8 challenges to micro enterprises, particularly on access to financing.

9 SEC. 3. *Objectives.* – The objectives of this Act are:

10 a. To provide an affordable, accessible, and simple micro financing program for
11 the country’s micro enterprises, especially those in the poorest populations;

12 b. To provide a better alternative to informal lenders or the so-called “5-6”
13 money lending system availed of by micro enterprises;

14 c. To bring down the interest rate at which micro finance is made available to
15 micro enterprises; and

16 d. To boost the development of entrepreneurship and the micro, small and
17 medium enterprise (MSME) sector, particularly the micro enterprises.

18 SEC. 4. *Creation of the Pondo sa Pagbabago at Pag-assenso (P3) Fund.* – There is
19 hereby created the Pondo sa Pagbabago at Pag-assenso Fund, hereinafter referred to as the

1 “P3 Fund”, which shall be lent out to qualified micro enterprises under such terms and
2 conditions that will meet the purposes of this Act.

3 The beneficiaries of the P3 Fund shall be the micro enterprises, as defined under
4 Republic Act No. 6977, as amended, otherwise known as the “Magna Carta for Micro, Small
5 and Medium Enterprises (MSMEs)”.

6 The fund shall be primarily accessible through accredited partner financial
7 institutions (PFIs) such as rural banks, thrift banks, development banks, cooperatives with
8 license to lend, non-stock savings and loan associations, microfinance non-government
9 organizations, or lending companies.

10 For efficient implementation and operation, cooperatives except cooperative banks
11 and insurance cooperatives shall be under the sole supervision and examination of the
12 Cooperative Development Authority (CDA); all other financial entities, corporations and
13 financial intermediaries, such as non-government organizations, financing companies, non-
14 stock savings and loan associations, microfinance non-government organizations, and
15 lending investors shall be under the Securities and Exchange Commission (SEC); banks
16 shall be under the *Bangko Sentral ng Pilipinas* (BSP); and insurance companies shall be
17 under the Insurance Commission (IC).

18 Cooperative banks shall be under the supervision and examination of the CDA and
19 BSP; while insurance cooperatives shall be under the supervision and examination of the
20 CDA and Insurance Commission (IC).

21 SEC. 5. *Lead Implementing Agency.* – The Small Business Corporation (SB Corp.),
22 the financing arm of the Department of Trade and Industry (DTI), shall be the lead
23 implementing agency for the P3 Fund. The SB Corp. shall handle the fund delivery to
24 micro enterprises through the following modes:

- 25 a. Direct lending; and
- 26 b. Lending through accredited PFIs.

27 With the goal to achieve greater outreach to all provinces and barangays of the
28 country, financial technology-enabled systems and processes can be utilized in the
29 implementation of the P3 program.

30 To support annual administrative and operating expenses of the SB Corp., an
31 amount of not more than five percent (5%) of the total loans disbursed can be used by the
32 Corporation.

33 SEC. 6. *Features of the P3 Fund.* – The P3 Fund shall have the following features;

- 34 a. The loanable amount for individual loans shall be set and regularly
35 reviewed by the Micro, Small and Medium Enterprise Development (MSMED) Council;

1 b. The interest rate to be imposed on the loan availed of by the P3 Fund
2 beneficiaries shall not exceed two and a half percent (2.5%) per month: *Provided*, That
3 after three (3) years from the effectivity of this Act, a higher ceiling may be allowed up
4 to three percent (3%) per month, subject to the review of the Micro, Small And
5 Medium Enterprise Development (MSMED) Council;

6 c. The interest earnings shall accrue to the P3 Fund;

7 d. There shall be no collateral requirement from the P3 Fund loan
8 beneficiaries; and

9 e. The lenders shall have a collection mechanism, whereby payments are made
10 on a daily, weekly, or monthly basis, or depending on the livelihood project income cycle. It
11 shall be the duty of the lender to collect the loan principal and the interest payments from
12 the borrower.

13 SEC. 7. *Policy Oversight Function.* – The MSMED Council shall monitor the
14 utilization and disbursements of the P3 Fund. It shall submit to the President of the
15 Philippines and to Congress, through the Congressional Oversight Committee on Micro,
16 Small and Medium Enterprise Development (COC-MSMED), a yearly report on the status
17 of the P3 Fund.

18 SEC. 8. *Appropriations.* – The initial amount for the implementation of this Act
19 shall be charged against the current year's appropriations of the Small Business
20 Corporation. Thereafter, such amount necessary shall be included in the annual General
21 Appropriations Act.

22 SEC. 9. *Implementing Rules and Regulations.* – Within sixty (60) days from the
23 approval of this Act, the DTI shall formulate and promulgate the necessary rules and
24 regulations to implement the provisions of this Act.

25 SEC. 10. *Separability Clause.* – If any part or section of this Act is declared
26 unconstitutional, such declaration shall not affect in any manner other parts or sections
27 hereof.

28 SEC. 11. *Repealing Clause.* – Section 22 of Republic Act No. 8367 is hereby
29 repealed. All laws, decrees, proclamations, issuances, or ordinances that are contrary to or
30 inconsistent with the provisions of this Act are hereby amended, repealed or modified
31 accordingly.

32 SEC. 12. *Effectivity.* – This Act shall take effect fifteen (15) days after its
33 publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,