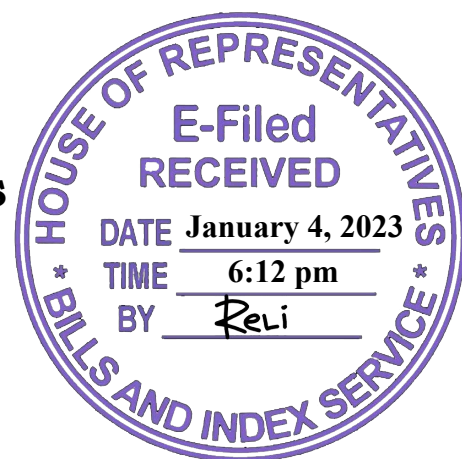


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Constitution Hills, Quezon City

NINETEENTH CONGRESS
First Regular Session

House Bill No. 6732



Introduced by: **REPRESENTATIVE EDWIN L. OLIVAREZ**

**"AN ACT PROVIDING A SOCIALIZED MICROFINANCING PROGRAM FOR
MICROENTERPRISES THEREBY PROMOTING ENTREPRENEURSHIP"**

EXPLANATORY NOTE

Although the informal "5-6" lending practice come at a high interest rate, many still avail because this provides a more expeditious way of borrowing money. Additionally, the high collateral requirements of formal lenders have become a hindrance for micro, small, and medium enterprises (MSMEs) which lead to utilization of the services of informal lenders. However, the usurious interest rates tend to become burdensome to entrepreneurs which affect their growth and development especially microenterprises.

Considering the circumstances, this Bill seeks to institutionalize the "Pondo sa Pagbabago at Pag- asenso (P3) Fund" in order to provide an affordable, accessible, and simple micro-financing program, encourage microenterprises, and avoid, if not totally halt, borrowing from informal lenders. Through the passage of this Bill, microenterprises will be able to effectively sustain their businesses and become more self-sufficient.

In order to address the financing difficulties of micro enterprises, the passage of this Bill is earnestly sought.


EDWIN L. OLIVAREZ

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

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

SECTION 2. Declaration of Policy. — It is hereby the declared policy of the State to strengthen and promote the advancement and self-sufficiency of micro, small, and medium enterprises (MSMEs) in order to contribute greatly to the national development. Towards this end, the State shall initiate programs that will assist MSMEs in financing their respective enterprises in order to sustain the demands and constraints of their respective businesses.

SECTION 3. Objectives. — The following are the objectives of the P3 Act:

- a. To provide an affordable, accessible, and simple microfinancing program for the country’s microenterprises, especially those in the poorest populations;
- b. To provide a better alternative to the informal lenders usually availed of by microenterprises; and
- c. To provide a reasonable interest rate at which microfinance is made available to microenterprises.

SECTION 4. Creation of the Pondo sa Pagbabago at Pag-assenso (P3); Microenterprises as Beneficiaries. — There is hereby created the Pondo sa Pagbabago at Pag-assenso, hereinafter referred to as the “P3 Fund” which shall be a fund specifically for the purpose of lending out to qualified microenterprises under such terms and conditions that shall be formulated under this Act.

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

The fund shall be primarily accessible through the accredited partner financial institutions (PFIs) such as rural banks, thrift banks, development banks, cooperatives with license to lend, micro-financing institutions (MFIs), or lending companies duly licensed by the Bangko Sentral ng Pilipinas, Cooperative Development Authority (CDA), or the Securities and Exchange Commission (SEC).

SECTION 5. *Lead Implementing Agency.* — The Small Business Corporation (SB Corp.) which is the financing arm of the Department of Trade and Industry shall be the lead implementing agency for the P3 Fund. It shall handle the fund delivery to microenterprises through the following modes:

- a. Direct lending;
- b. Lending through accredited PFIs

To fund the administrative and operating expenses of the SB Corp., an amount not exceeding five percent (5%) of the total loans disbursed shall be provided annually to the SB Corp. to be sourced out from an additional annual allocation.

SECTION 6. *Features of the P3 Fund.* — The P3 Fund shall have the following features:

- a. The maximum interest rate to be imposed on the loan availed of by the P3 Fund beneficiaries shall be two and a half percent (2.5%) per month. Provided, that after three (3) years from the effectivity of this Act, a higher ceiling may be allowed up to three percent (3%) per month, subject to the review of the Micro, Small and Medium Enterprise (MSME) Council;
- b. The interest earnings shall accrue to the P3 Fund;
- c. No collateral requirement from the P3 Fund loan beneficiaries shall be required; and
- d. The loanable amount for individual loans shall be set and regularly reviewed by the MSMED Council.

SECTION 7. *Policy Oversight Function.* — The MSME Council shall monitor both the utilization and disbursements of the P3 Fund. It shall submit to the President of the Philippines and to Congress, through the Congressional Oversight Committee on Micro, Small and Medium Enterprise Development (COC-MSME), a yearly report on the status of the P3 Fund.

SECTION 8. *Appropriations.* — The amount necessary to carry out the provisions of this Act shall be charged against the appropriations released for the purpose under the General Appropriations Act for the SB Corp. Thereafter, such sums as may be necessary for the continued implementation of this Act shall be included in the annual General Appropriations Act.

SECTION 9. *Implementing Rules and Regulations.* — Within sixty (60) days from the approval of this Act, the Department of Trade and Industry shall formulate and promulgate the necessary rules and regulations to implement the provisions of this Act. The implementing rules and regulations issued pursuant to this Section

shall take effect thirty (30) days after its publication in at least two (2) newspapers of general circulation.

SECTION 10. *Separability Clause.* — If any provision of this Act is declared invalid or unconstitutional, the other provisions not affected thereby shall remain valid and subsisting.

SECTION 11. *Repealing Clause.* — All acts, executive orders, memorandum circulars/guidelines and other issuances or parts thereof, which are inconsistent with this Act, are hereby repealed or modified accordingly.

SECTION 12. *Effectivity.* — This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in two (2) newspapers of general circulation

APPROVED.