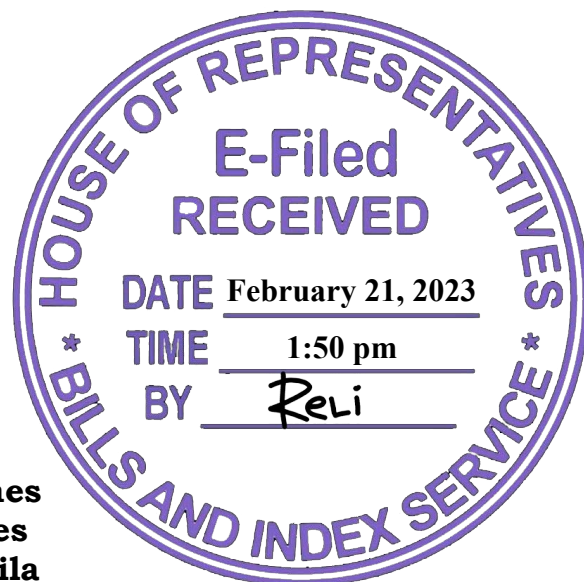




**Republic of the Philippines
House of Representatives
Quezon City, Metro Manila**

**Nineteenth Congress
First Regular Session**

HOUSE BILL NO. 7261



Introduced by Representative Rudys Caesar G. Fariñas I

EXPLANATORY NOTE

The bill seeks to provide an affordable, accessible, and simple microfinancing program for micro-enterprises, especially those in the poorest populations, to provide a better alternative to informal lenders, to bring down the interest rate, and to boost the development of entrepreneurship and the micro, small, and medium enterprise (MSME) sector.

This bill creates "The Pondo sa Pagbabago at Pag-asenso" Fund (P3 Fund) as a loan to qualified micro enterprises, as defined under Republic Act No. 6977, as amended, otherwise known as the "Magna Carta for Micro, Small, and Medium Enterprises (MSMEs)". It is primarily accessible through accredited partner financial institutions (PFIs) such as rural banks, thrift banks, development banks, cooperatives with a license to lend, non-stock savings, and loan associations, microfinance non-government organizations, or lending companies. For efficient implementation and operation, cooperatives, except for cooperative banks and insurance cooperatives, shall be under the sole supervision and examination of the Cooperative Development Authority (CDA) and all other financial entities, corporations, and financial intermediaries.

Hence, this representation seeks the passage of this measure.


RUDYS CAESAR G. FARIÑAS I



**Republic of the Philippines
House of Representatives
Quezon City, Metro Manila**

**Nineteenth Congress
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HOUSE BILL NO. 7261

Introduced by Representative Rudys Caesar G. Fariñas I

**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
2 at Pag-asenso Act” or the “P3 Act”.

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

11
12 SEC. 3. *Objectives.* – The objectives of this Act are:

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

16 b. To provide a better alternative to informal lenders or the so-called
17 “5-6” money lending system availed of by micro enterprises;

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

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

SEC. 4. *Creation of the Pondo sa Pagbabago at Pag-asenso (P3) Fund.* – There is hereby created the Pondo sa Pagbabago at Pag-asenso Fund, hereinafter referred to as the “P3 Fund”, which shall be lent out to qualified micro enterprises under such terms and conditions that will meet the purposes of this Act.

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

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

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

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

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

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

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

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

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

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

4 b. The allowable interest rate, which includes service fee and other
5 charges, shall not exceed twelve percent (12%) per annum. Reasonable and
6 actual cost of collection may be allowed upon proper justification;

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

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

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

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

20
21 SEC. 8. *Appropriations.* – The initial amount for the implementation of this
22 Act shall be charged against the current year's appropriations of the Small
23 Business Corporation.

24 Thereafter, such amount necessary shall be included in the annual General
25 Appropriations Act.

26
27 SEC. 9. *Implementing Rules and Regulations.* – Within sixty (60) days from
28 the approval of this Act, the DTI shall formulate and promulgate the necessary
29 rules and regulations to implement the provisions of this Act.

30
31 SEC. 10. *Separability Clause.* – If any part or section of this Act is declared
32 unconstitutional, such declaration shall not affect in any manner other parts or
33 sections hereof.

34
35 SEC. 11. *Repealing Clause.* – Section 22 of Republic Act No. 8367 is
36 hereby repealed. All laws, decrees, proclamations, issuances, or ordinances that
37 are contrary to or inconsistent with the provisions of this Act are hereby
38 amended, repealed or modified accordingly.

39
40 SEC. 12. *Effectivity.* – This Act shall take effect fifteen (15) days after its
41 publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,