

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
First Regular Session

House Bill No. **529**



Introduced by Representative Reynante U. Arrogancia

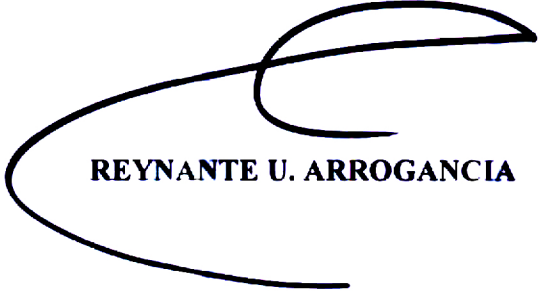
EXPLANATORY NOTE

This bill seeks to institutionalize the *Pondo sa Paghabago at Pag-asenso* (P3) program of the Department of Trade and Industry that would provide a loan program to micro and small enterprises in the country.

This bill seeks to provide an affordable, and simple financing program for the country's MSEs, especially those in the poorest populations. It also seeks to provide an alternative to informal lenders or the so-called "5-6" moneylenders who charge high rates. The bill provides that there shall be no collateral requirement and a proposed interest rate shall not exceed one percent (1%) per month for direct lending, and not exceed two and a half percent (2.5%) per month from the Partner Financial Institutions.

It is hoped that the passage of this bill will result in the fostering comprehensive national development and inclusive growth and reduce poverty by promoting the growth of Micro and Small Enterprises (MSEs) that facilitate local job creation, production, and trade in the country.

A similar bill has been filed in the previous Congress, and it is hoped that in the 20th Congress this bill becomes a law. In view of the foregoing, this representation seeks approval of this bill.


REYNANTE U. ARROGANCIA

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AN ACT
PROMOTING ENTREPRENEURSHIP BY INSTITUTIONALIZING A
FINANCING PROGRAM FOR MICRO AND SMALL ENTERPRISES
THEREBY PROMOTING ENTREPRENEURSIP

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

1 **SECTION 1. Short Title.** – This Act shall be known as the “Pondo sa Pagbabago at
2 Pag-Asenso (P3) Act.”
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4 **SEC. 2. Declaration of Policy.** – It is the declared policy of the State to foster
5 comprehensive national development and inclusive growth and reduce poverty by
6 promoting the growth of Micro and Small Enterprises (MSEs) that facilitate local job
7 creation, production, and trade in the country. Towards this end, the State shall develop
8 policies, plans, and programs, and initiate means to encourage entrepreneurial activities,
9 and ease the constraints and challenges to micro enterprises, particularly on access to
10 financing.
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12 **SEC. 3. Objectives.** – The objectives of this Act are:

- 13 a. Provide an affordable, accessible, sustainable, and simple financing program for
14 the country’s MSEs, especially those in the poorest populations and underserved
15 areas and industries;
16 b. Provide a better alternative to informal lenders or the so-called “5-6” money
17 lending system availed of by MSEs;
18 c. Reduce the interest rate at which financial services are made available to MSEs;
19 d. Encourage the development of entrepreneurship and the Micro, Small and
20 Medium Enterprise (MSME) sector, particularly MSEs;
21 e. Support successful business recovery of MSEs following natural or man-made
22 disasters; and,
23 f. Provide cash, technical, and administrative assistance to qualified MSEs.

24 **SEC. 4. *Pondo sa Pagbabago at Pag-asenso (P3) Program*** – The Pondo sa Pagbabago
25 at Pag-asenso Program, hereinafter referred to as the “P3 Program”, shall assist MSEs in
26 the form of a) microfinance or credit; b) cash assistance; and c) capacity building.
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28 Qualified end-borrowers of the P3 Program shall be MSEs defined in Republic
29 Act No. 6977, as amended or the “Magna Carta for Micro, Small, and Medium
30 Enterprises.”
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32 The P3 Program shall be accessible through the Small Business Corporation
33 (SBCorp) and through accredited Partner Financial Institutions (PFIs) such as rural
34 banks, thrift banks, cooperatives with a license to lend, microfinance non-government
35 organizations, or lending companies.
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37 **SEC. 5. *Microfinance or Credit Component of the P3 Program***. – The SBCorp and
38 PFIs shall be guided by the following principles in the implementation of the
39 Microfinance or Credit Component of the P3 Program:
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- 41 a. The loanable amount ceiling for individual loans shall be set initially at Two
42 million pesos (Php2,000,000.00) for direct lending and Three hundred thousand
43 pesos (Php300,000.00) for lending through accredited PFIs which are regularly
44 viewed by the Micro, Small and Medium Enterprise Development (MSMED)
45 Council;
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- 47 b. The interest rate shall not exceed one percent (1%) per month for direct lending,
48 and shall not exceed two and a half percent (2.5%) per month for lending through
49 accredited PFIs;
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- 51 c. There shall be no collateral requirement from the P3 Fund borrowers;
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- 53 d. The lenders shall have a collection mechanism, whereby payments are made on a
54 daily, weekly, or monthly basis, depending on the business income cycle. It shall
55 be the duty of the lender to collect the loan principal and the interest payment
56 from the borrower; and
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- 58 e. Financial technology-enabled systems and processes shall be utilized in the
59 implementation of the P3 Program. Disbursements shall use digital forms of
60 payment for both the disbursement of loan proceeds by the lenders, and the
61 recurring loan payments by the borrowers.
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63 **SEC. 6. *Lead Implementing Agency***. – The SBCorp, as the financing arm of the
64 Department of Trade and Industry (DTI), shall be the lead implementing agency of the
65 P3 Program.

The SBCorp shall handle all fund deliveries to MSEs through the following modes:

- a. Direct lending. The SBCorp shall prioritize underserved or unserved areas and industries, or those not adequately and effectively served by the PFIs, including provinces where poverty incidence remains high based on official poverty statistics from the Philippine Statistics Authority (PSA); and
- b. Lending through accredited PFIs.

The SBCorp may allocate up to five percent (5%) of the total loans disbursed for the period, sourced from the accumulated funding for the P3 Program to cover its annual administrative and operating expenses which shall include the salaries of regular plantilla personnel involved in the implementation of the P3 Program.

SEC. 7. Cash Assistance and Capacity Building Components of the P3 Program. – The SBCorp, in consultant with the DTI's Bureau of Micro, Small, and Medium Enterprise Development (BMSMED), National Anti-Poverty Commission (NAPC), and the *Bangko Sentral ng Pilipinas* (BSP), shall develop a cash assistance program exclusively for MSEs in need of capital.

The SBCorp shall provide MSEs under the Capacity Building Component with free technical and administrative support, including but not limited to, product development, skills and leadership training, packaging and design, quality control, market promotion, client or supplier matching, and cash literacy and planning.

The SBCorp shall be guided by the following principles in the implementation of the Cash Assistance and Capacity Building Components of the P3 Program:

- a. The assistance shall be extended only to beneficiaries who have satisfied the requirements under this Act;
- b. Each cash assistance shall range from Five thousand pesos (Php5,000.00) to Fifty thousand pesos (Php50,000.00), depending on the number of employees, number of years in business, financial hardship, and such other criteria as may be determined by SBCorp. The SBCorp is hereby authorized to adjust these amounts to meet present market demands after the mandatory review provided in this Act;
- c. Priority shall be given to MSEs classified under the priority business areas of their respective regions, particularly the public market vendors to strengthen their financial capabilities and improve public services; and
- d. There shall be a mandatory review of the Cash Assistance and Capacity Building Components of the P3 Program every three (3) years to ensure that they meet the present market demands.

SEC. 8. *Eligibility for Cash Assistance.* – The applicants of the Cash Assistance must comply with the following eligibility requirements:

- a. Must be an owner of a registered MSE who is at least eighteen (18) years old;
- b. Must not have availed of the cash assistance regardless of the number of businesses owned;
- c. Must be a member in good standing of a duly registered cooperative or association, or a resident of the local government unit (LGU), from which the member intends to avail of the cash assistance;
- d. The institution shall have a mechanism whereby cash assistance is made on a weekly or monthly basis;
- e. Must submit a comprehensive feasibility study of the business proposal;
- f. Must attend a DTI-accredited livelihood seminar, as evidenced by a certificate of participation; and
- g. Must be willing to state under oath the facts establishing the foregoing.

SEC. 9. *Registry of MSEs.* – The DTI shall create a registry of all MSMEs per region based on their size category (i.e., micro, small and medium) and business area (i.e., agriculture, livestock, fisheries, food processing, fabric and clothing, eco-tourism activities, pottery and handicrafts, furniture and hardwood, information and technology, etc.).

SEC. 10. *Policy Oversight Function.* – The MSMED Council shall monitor the implementation of the P3 Program and shall submit an annual report to the President of the Philippines and to Congress, through the Congressional Oversight Committee on Micro, Small and Medium Enterprise Development (COC MSMED) Council.

SEC. 11. *Appropriations.* – The total amount of One hundred billion pesos (Php100,000,000,000.00), for the next two (2) years, upon effectivity of this Act, or Fifty billion pesos (Php50,000,000,000.00) per year for the next two (2) years upon effectivity of this Act, shall be appropriated for the initial implementation of the P3 Program for microfinance, cash assistance, and capacity building program. Thereafter, such sums as may be necessary shall be included in the annual General Appropriations Act.

In addition, the amount of Five hundred million (Php500,000,000.00) is hereby appropriated as a special development fund to support the initial implementation of this Act. The funds shall be held in trust by the DTI in collaboration with the Development Bank of the Philippines (DBP), the Land Bank of the Philippines (LBP), and other government financial institutions.

SEC. 12. *Implementing Rules and Regulations.* – Within sixty (60) days from the approval of this Act, the DTI shall formulate and promulgate rules and regulations necessary for its implementation.

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SEC. 13. *Separability Clause.* – If any provision of this Act is declared unconstitutional, the remainder thereof not otherwise affected shall remain in full force and effect.

SEC. 14. *Repealing Clause.* – All laws, presidential decrees, executive orders, letters of instruction, proclamations or administrative regulations that are inconsistent with the provisions of this Act are hereby repealed, amended, or modified accordingly.

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

Approved,