

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

TWENTIETH CONGRESS
First Regular Session



HOUSE BILL NO. 3548

Introduced by Rep. FAUSTINO 'BOJIE' G. DY III

EXPLANATORY NOTE

Micro, small, and medium enterprises (MSMEs) play a vital role in the Philippine economy. In 2023, a total of 1,241,733 MSMEs were in operation. This accounted for 99.63 percent of all registered businesses in the country which provided employment to many Filipinos.¹

A major problem faced by MSMEs is access to financing. MSMEs find it difficult to avail of loans from formal lending institutions such as banks, cooperatives or micro-finance institutions due to high interest rates and stringent documentary requirements. In 2017, the government launched the Pondo sa Pagbabago at Pag-asenso (P3) Program to help address this problem. The program assisted micro entrepreneurs by providing them access to affordable and cost-efficient microloans. During the COVID-19 pandemic, the P3 Program has also helped many micro entrepreneurs keep their business afloat.

This bill aims to ensure the sustained implementation of this program so that more micro entrepreneurs would benefit.

Under this measure, the Pondo sa Pagbabago at Pag-asenso (P3) Fund shall be created which shall be lent out 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).

The P3 Fund shall have the following features:

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

¹<https://www.dti.gov.ph/resources/msme-statistics/>

- b. The allowable interest rate, which includes service fee and other charges, shall not exceed twelve percent (12%) per annum.
- c. The interest earnings shall accrue to the P3 Fund;
- d. There shall be no collateral requirement from the P3 Fund loan beneficiaries; and
- e. The lenders shall have a collection mechanism, whereby payments are made on a daily, weekly, or monthly basis, or depending on the livelihood project income cycle.

The amount necessary for the implementation of the P3 Fund shall be included in the annual General Appropriations Act.

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


FAUSTINO 'BOJIE' G. DY III

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

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 3548

Introduced by Rep. FAUSTINO 'BOJIE' G. DY III

AN ACT
PROMOTING ENTREPRENEURSHIP BY ESTABLISHING A SOCIALIZED
MICRO FINANCING 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:

SECTION 1. Title. – This Act shall be known as the “Pondo sa Pagbabago at Pagasenso Act” or the “P3 Act”.

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

SECTION 3. Objectives. – The objectives of this Act are:

- a. To provide an affordable, accessible, and simple micro financing program for the country’s micro enterprises, especially those in the poorest populations;
- b. To provide a better alternative to informal lenders or the so-called “5-6” money lending system availed of by micro enterprises;
- c. To bring down the interest rate at which micro finance is made available to micro enterprises; and
- d. To boost the development of entrepreneurship and the micro, small and medium enterprise (MSME) sector, particularly the micro enterprises.

SECTION 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).

SECTION 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.

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

- f. The loanable amount for individual loans shall be set and regularly reviewed by the Micro, Small and Medium Enterprise Development (MSMED) Council;
- g. The allowable interest rate, which includes service fee and other charges, shall not exceed twelve percent (12%) per annum. Reasonable and actual cost of collection may be allowed upon proper justification;
- h. The interest earnings shall accrue to the P3 Fund;
- i. There shall be no collateral requirement from the P3 Fund loan beneficiaries; and
- j. The lenders shall have a collection mechanism, whereby payments are

made on a daily, weekly, or monthly basis, or depending on the livelihood project income cycle. It shall be the duty of the lender to collect the loan principal and the interest payments from the borrower.

SECTION 7. Policy Oversight Function. – The MSMED Council shall monitor 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-MSMED), a yearly report on the status of the P3 Fund.

SECTION 8. Appropriations. – The initial amount for the implementation of this Act shall be charged against the current year's appropriations of the Small Business Corporation. Thereafter, such amount necessary 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 DTI shall formulate and promulgate the necessary rules and regulations to implement the provisions of this Act.

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

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

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

Approved,