

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

20th CONGRESS
First Regular Session

HOUSE BILL NO. 3735



Introduced by JUAN CARLOS "ARJO" C. ATAYDE

AN ACT PROMOTING ENTREPRENEURSHIP BY INSTITUTIONALIZING A
FINANCING PROGRAM FOR MICRO AND SMALL ENTERPRISES
THROUGH THE PONDO SA PAGBABAGO AT PAG-ASENSO PROGRAM
AND APPROPRIATING FUNDS THEREFOR

EXPLANATORY NOTE

Article II, Section 9 of the 1987 Constitution states, *"The State shall promote a just and dynamic social order that will ensure the prosperity and independence of the nation and free the people from poverty through policies that provide adequate social services, promote full employment, a rising standard of living, and an improved quality of life for all."*

Micro and small enterprises (MSEs) form the backbone of the Philippine economy. Comprising over 99.5% of all registered businesses and employing the majority of the country's workforce, these enterprises play a crucial role in driving local production, creating jobs, and sustaining community livelihoods. Despite their importance, they continue to face a common and persistent challenge: lack of access to affordable and reliable financing.

Many small entrepreneurs are forced to rely on informal lenders who impose usurious interest rates – often under the "5-6" system – trapping them in cycles of debt and stifling their growth. Studies from both local and international institutions have confirmed that Philippine MSEs are among the most underserved in Southeast Asia in terms of bank credit. While neighboring countries have steadily expanded financing

support for small businesses, lending to this sector in the Philippines remains disproportionately low.

Research conducted in various regions of the country also reveals that many MSEs face structural barriers to formal financing. These include irregular income flows, lack of collateral, limited documentation, and inadequate financial literacy. Compounding these issues is a deep-seated mistrust of formal financial institutions, particularly among those in remote or low-income areas.

Recognizing these realities, the Department of Trade and Industry, through its financing arm—the Small Business Corporation (SBCorp)—launched the Pondo sa Pagbabago at Pag-Asenso (P3) Program in 2017 as a government-led effort to bridge the credit gap for micro-entrepreneurs. In its initial rollout, the program successfully delivered small loans and technical support to thousands of beneficiaries, demonstrating the feasibility and impact of state-supported microfinance. The program's affordability, simplified application process, and use of digital tools helped reach clients often overlooked by commercial banks.

Building on this success, the proposed P3 Act seeks to institutionalize the program and expand its reach. The bill provides a sustainable framework for delivering microcredit, cash assistance, and business development support to qualified MSEs nationwide. Priority will be given to underserved communities, industries affected by disasters, and informal sector participants transitioning to formal entrepreneurship.

The proposed measure also ensures responsible implementation by setting clear eligibility requirements, defining maximum loan amounts and interest ceilings, and mandating the use of digital disbursement and repayment systems. In addition to financial aid, the bill supports capacity building through training, market access assistance, and financial literacy programs.

Moreover, the measure aligns with national and global efforts to promote inclusive growth. The Bangko Sentral ng Pilipinas and development institutions such as the Asian Development Bank have emphasized the importance of empowering

MSEs through inclusive finance. By providing alternative funding options, the P3 Program reduces dependence on predatory lending and promotes a more equitable and resilient economic landscape.

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



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

3 **SECTION 1. *Short Title.*** – This Act shall be known as the "*Pondo sa Pagbabago*
4 *at Pag-asento Act.*"

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

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

- 13 1. Provide an affordable, accessible, sustainable, and simple financing program
14 for the country's MSEs, especially those in the poorest populations and
15 underserved areas and industries;

2. Provide a better alternative to informal lenders or the so-called "5-6" money lending system availed of by MSEs;
3. Reduce the interest rate at which financial services are made available to MSEs;
4. Encourage the development of entrepreneurship and the Micro, Small and Medium Enterprise (MSME) sector, particularly MSEs;
5. Support successful business recovery of MSEs following natural or man-made disasters; and
6. Provide cash, technical, and administrative assistance to qualified MSEs.

SEC. 4. *Pondo sa Pagbabago at Pag-asenso (P3) Program.* – The Pondo sa Pagbabago at Pag-asenso Program, hereinafter referred to as the "P3 Program," shall assist MSEs in the form of:

1. Microfinance or credit;
2. Cash assistance; and
3. Capacity building.

Qualified end-borrowers of the P3 Program shall be MSEs defined in Republic Act No. 6977, as amended or the "*Magna Carta for Micro, Small, and Medium Enterprises.*"

The P3 Program shall be accessible through the Small Business Corporation (SBCorp) and through accredited Partner Financial Institutions (PFIs) such as rural banks, thrift banks, cooperatives with a license to lend, microfinance non-government organizations, or lending companies.

SEC. 5. *Microfinance or Credit Component of the P3 Program.* – The SBCorp and PFIs shall be guided by the following principles in the implementation of the Microfinance or Credit Component of the P3 Program:

- 1 1. The loanable amount ceiling for individual loans shall be set initially at Two
2 million pesos (Php2,000,000.00) for direct lending and Three hundred thousand
3 pesos (Php300,000.00) for lending through accredited PFIs which are regularly
4 reviewed by the Micro, Small and Medium Enterprise Development (MSMED)
5 Council;
- 6 2. The interest rate shall not exceed one percent (1%) per month for direct lending,
7 and shall not exceed two and a half percent (2.5%) per month for lending
8 through accredited PFIs;
- 9 3. There shall be no collateral requirement from the P3 Fund borrowers;
- 10 4. The lenders shall have a collection mechanism, whereby payments are made
11 on a daily, weekly, or monthly basis, depending on the business income cycle.
12 It shall be the duty of the lender to collect the loan principal and the interest
13 payment from the borrower; and
- 14 5. Financial technology-enabled systems and processes shall be utilized in the
15 implementation of the P3 Program. Disbursements shall use digital forms of
16 payment for both the disbursement of loan proceeds by the lenders, and the
17 recurring loan payments by the borrowers.

18 **SEC. 6. *Lead Implementing Agency.***

19 The SBCorp, as the financing arm of the Department of Trade and Industry (DTI), shall
20 be the lead implementing agency of the P3 Program.

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

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

27 The SBCorp may allocate up to five percent (5%) of the total loans disbursed for the
28 period, sourced from the accumulated funding for the P3 Program to cover its annual

1 administrative and operating expenses which shall include the salaries of regular
2 plantilla personnel involved in the implementation of the P3 Program.

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

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

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

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

1 **SEC. 8. *Eligibility for Cash Assistance.*** – Applicants for Cash Assistance must
2 comply with the following eligibility requirements:

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

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

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

24 **SEC. 11. *Appropriations.*** – The total amount of One hundred billion pesos
25 (Php100,000,000,000.00) for the next two (2) years, upon effectivity of this Act, or Fifty
26 billion pesos (Php50,000,000,000.00) per year for the next two (2) years upon effectivity
27 of this Act, shall be appropriated for the initial implementation of the P3 Program for

1 microfinance, cash assistance, and capacity building program. Thereafter, such sums
2 as may be necessary shall be included in the annual General Appropriations Act.

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

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

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

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

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

20 Approved,