



HOUSE OF REPRESENTATIVES

House Bill No. 4419

Introduced by Representative **FRANZ FERNANDEZ LEGAZPI**

EXPLANATORY NOTE

Micro, small, and medium enterprises (MSMEs) account for 99.63% of all Philippine business establishments and 66.97% of total employment in 2023, as recorded by the Philippine Statistics Authority (PSA) and the Department of Trade and Industry (DTI).¹ Most of these listed establishments are micro (90.4%) and small (8.8%) firms concentrated in trade, food services, and manufacturing. A vibrant MSME sector is an indication of a thriving society as it stimulates substantial economic activity to the majority of the population, serving as valuable partners to medium and large enterprises and providing for the daily basic needs of our people.

However, despite existing enabling policies for MSME development, the sector still faces various constraints that prevent it from realizing its full growth and potential. Micro and small business establishments remain the most credit-constrained businesses and are frequent targets of informal “5–6” lending, leading to unsustainable operations that curtail the economic growth of our local economies.

To many struggling yet persevering Filipino entrepreneur, immediate access to loans is not merely a subsidy but a lifeline for their business operation.

This bill seeks to institutionalize the *Pondo sa Pagbabago at Pag-asenso* (P3) Fund of the Small Business Corporation or SBCORP, attached to the Department of Trade and Industry (DTI). This proposed measure is a policy augmentation in response to the accomplishments of the P3 Fund in successfully providing credit and microfinancing programs for micro and small enterprises. We intend to support and empower small businesses by improving the government’s credit facilities and remove their reliance on predatory informal lenders, expand entrepreneurship, and bolster local employment.

The *Pondo sa Pagbabago at Pag-asenso* (P3) Act has passed the 17th, 18th and 19th Congresses of the House of Representatives. We implore the 20th Congress to consider this piece of legislation and pass it into law to support, empower and uplift the lives of our Filipino entrepreneurs and small business owners.

In view of the foregoing, the approval of this bill is earnestly sought

FRANZ FERNANDEZ LEGAZPI
Representative, PINOY WORKERS PARTYLIST

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

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AN ACT
PROMOTING ENTREPRENEURSHIP BY ESTABLISHING A SUSTAINABLE
FINANCING PROGRAM FOR MICRO AND SMALL 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 Pag-
asenso Act" or the "P3 Act".*

SEC. 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 and small enterprises (MSEs) 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 MSEs, particularly on access to financing.

SEC. 3. Objectives. - The objectives of this Act are:

- a. To provide an affordable, accessible, and simple financing program for the country's MSEs, especially those in the poorest populations and underserved areas;
- 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 financial services is made available to MSEs;
- d. To boost the development of entrepreneurship and the micro, small and medium enterprise (MSME) sector, particularly the MSEs; and
- e. To support the recovery of MSEs from the effects of the covid-19 pandemic lockdown and ensure their viability.

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 MSEs under such terms and conditions that will meet the purposes of this Act.

1 The beneficiaries of the P3 Fund shall be the micro and small enterprises, as defined
2 under Republic Act No. 6977, as amended, otherwise known as the "Magna Carta for Micro,
3 Small and Medium Enterprises (MSMEs)".
4

5 The fund shall be accessible through the Small Business Corporation (SB Corp.) and
6 through accredited partner financial institutions (PFIs) such as rural banks, thrift banks,
7 development banks, cooperative banks, cooperatives, non-stock savings and loan associations,
8 microfinance non-government organizations, or lending companies.
9

10 For efficient implementation and operation, cooperatives except cooperative banks and
11 insurance cooperatives shall be under the sole supervision and examination of the Cooperative
12 Development Authority (CDA); all other financial entities, corporations and financial
13 intermediaries, such as non-government organizations, financing companies, non-stock savings
14 and loan associations, microfinance non-government organizations, and lending investors shall
15 be under the Securities and Exchange Commission (SEC); banks shall be under the Bangko
16 Sentral ng Pilipinas (BSP); and insurance companies shall be under the Insurance Commission
17 (IC).
18

19 Cooperative banks shall be under the supervision and examination of the CDA and BSP;
20 while insurance cooperatives shall be under the supervision and examination of the CDA and
21 Insurance Commission (IC).
22

23 **SEC. 6. Features of the P3 Fund.** - The P3 Fund shall have the following features:
24

25 a. The loanable amount for individual loans shall be set and regularly reviewed by the
26 MSMED Council;
27

28 b. The effective interest rate to be imposed on the loan availed of by the P3 Fund
29 beneficiaries shall not exceed one percent (1%) per month for direct lending, and shall
30 not exceed two and a half percent (2.5%) per month for lending through accredited PFIs;
31

32 c. The interest earnings shall accrue to the P3 Fund;
33

34 d. There shall be no collateral requirement from the P3 Fund loan beneficiaries; and
35

36 e. The lenders shall have a collection mechanism, whereby payments are made on a daily,
37 weekly, or monthly basis, or depending on the livelihood project income cycle. It shall be
38 the duty of the lender to collect the loan principal and the interest payments from the
39 borrower.
40

41 **SEC. 7. Policy Oversight Function.** - The MSMED Council shall monitor the utilization
42 and disbursements of the P3 Fund. It shall submit to the President of the Philippines and to
43 Congress, through the Congressional Oversight Committee on Micro, Small and Medium
44 Enterprise Development (COC-MSMED), a quarterly report on the status of the P3 Fund.
45

46 **SEC. 8. Appropriations.** - The initial amount for the implementation of this Act shall be
47 charged against the current year's appropriations of the SB Corp. Thereafter, such amount
48 necessary shall be included in the annual General Appropriations Act.
49

50 **SEC. 9. Implementing Rules and Regulations.** - Within sixty (60) days from the
51 approval of this Act, the DTI, in consultation with the stakeholders concerned, shall formulate
52 and promulgate the necessary rules and regulations to implement the provisions of this Act.
53

54 **SEC. 10. Separability Clause.** - If any part or section of this Act is declared
55 unconstitutional, such declaration shall not affect in any manner other parts or sections hereof.
56

1 **SEC. 11. *Repealing Clause.*** - Section 22 of Republic Act No. 8367, otherwise known as
2 the "Revised Non-Stock Savings and Loan Association Act of 1997" is hereby repealed. All
3 laws, decrees, proclamations, issuances, or ordinances that are contrary to or inconsistent with
4 the provisions of this Act are hereby amended, repealed or modified accordingly.
5

6 **SEC. 12. *Effectivity.*** – This Act shall take effect fifteen (15) days after its publication in
7 the Official Gazette or in a newspaper of general circulation.
8

Approved,