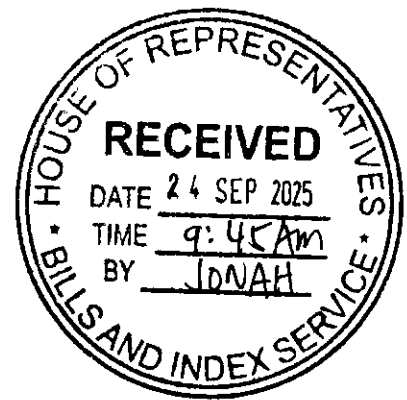


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 4829



Introduced by: Kababaihan Kabalikatan para sa Kapakanan at Kaunlaran ng Bayan (4K) Party-list
Representative Iris Marie D. Montes

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

EXPLANATORY NOTE

"A vibrant and strong micro, small, and medium enterprise (MSME) sector can reduce poverty and inequality in the country. In spite of the plethora of Philippine policies and programs for MSMEs, however, the sector continues to suffer from low productivity, slow growth, and little stability. A key element missing is the adequate public financing for MSME development programs."¹

Article II, Section 9 of the 1987 Philippine Constitution provides that '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.'

The Philippine Statistics Authority (PSA), in its 2019 List of Establishments, recorded 1,000,506 business enterprises operating in the country. Of these, 99.5% (995,745) are MSMEs. For the same year, the Department of Trade and Industry (DTI) recorded a total of 630,688 business name registration (new and renewal); 55.8% (352,181) were women-owned/run.

MSMEs generate more than five (5) million jobs. Their potential is seen as one of the most viable engines for inclusive economic growth. However, access to financing is considered as one of the most critical factors affecting their development. Some MSMEs borrow money from the informal lenders or the so called "5-6" micro lending scheme that impose usurious interest rates, which the Supreme Court already ruled as illegal.

This sad situation of our MSMEs led to the Department of Trade and Industry's "Pondo Para sa Pagbabago at Pag-asenso (P3) Program" in January 2017 as part of the government's effort to provide an affordable microfinancing program for MSMEs.

¹ Micro, small, and medium enterprise (MSME) sector financing, Issues and challenges, Ma. Victoria R. Raquiza, University of the Philippine Center for Integrative and Development Studies, Discussion Paper, 2021-01

In its accomplishment report, a total of P 8.65 billion worth of loans were released to more than 220,000 borrowers since its inception. Around 443 conduits were partners for the roll out of the program nationwide. Despite these several steps to improve access to formal credit by the government, there is a need to strengthen existing mechanisms in order to make it more responsive to the needs of the MSMEs.

This measure aims to institutionalize the P3 Program, currently being implemented by the DTI through the Small Business Corporation (SBCorp). The program has provided cheaper source of financing to micro enterprises and as such, there is a need to institutionalize, through law, the P3 Program as an alternative to the "5-6" micro lending scheme in order to give micro enterprises the means to effectively start or sustain their businesses and be able to generate more income for their families.

In view thereof, approval of this bill is earnestly sought.


IRIS MARIE D. MONTES

Kababaihan Kabalikatan para sa Kapakanan
at Kaunlaran ng Bayan (4K) Party-list

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AN ACT

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

SECTION 1. *Title.* — This Act shall be known as the "Pondo sa Pagbabago at Pag-asento 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-asento (P3) Fund.* — There is hereby created the Pondo sa Pagbabago at Pag-asento 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.

The beneficiaries of the P3 Fund shall be the micro and small 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 accessible through the Small Business Corporation (SB Corp.) and through accredited partner financial institutions (PFIs) such as rural banks, thrift banks, development banks, cooperative banks, cooperatives, 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 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 MSEs through the following modes:

(a) Direct lending for forty percent (40%) of the P3 Fund; and

(b) Lending through accredited PFIs for sixty percent (60%) of the P3 Fund. The SB Corp. shall prioritize lending to underserved and unserved areas and MSE segments of the country, subject to the review and approval of the Micro, Small and Medium Enterprise Development (MSMED) Council.

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.

An amount sourced from the accumulated P3 Fund of not more than five percent (5%) of the total loans disbursed for the period can be used by the SB Corp. to support its annual administrative and operating expenses for the P3 Fund, inclusive of the cost of regular plantilla personnel, up to the extent of their involvement in developing and managing the P3 loan portfolios.

SEC. 6. *Features of the P3 Fund.* — The P3 Fund shall have the following features:

(a) The loanable amount for individual loans shall be set and regularly reviewed by the MSMED Council;

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

(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. It shall be the duty of the lender to collect the loan principal and the interest payments from the borrower.

SEC. 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 quarterly report on the status of the P3 Fund.

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

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

SEC. 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.

SEC. 11. *Repealing Clause.* — Section 22 of Republic Act No. 8367, otherwise known as the "Revised Non-Stock Savings and Loan Association Act of 1997" 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.

SEC. 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,