

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 5233



Introduced by **Representative AGATHA PAULA "AGAY" A. CRUZ**

EXPLANATORY NOTE

From sari-sari store owners to tricycle operators, from backyard farmers to small neighborhood manufacturers, micro- and small enterprises (MSEs) form the backbone of our grassroots economies. They “help reduce levels of poverty through job creation and economic growth, they are key drivers of employment, decent jobs and entrepreneurship for women, youth and groups in vulnerable situations.”¹ These small enterprises are the big majority, but they remain the most financially excluded. Their biggest challenge has not been their ideas nor their hard work, but the absence of fair and accessible financing.

Where formal credit ends, the so-called “5-6” begins, exacting interest so steep that dreams often collapse under its weight. In the absence of a viable alternative, countless enterprising Filipinos fall into cycles of debt rather than progress. Often, they work not for their families’ future, but for lenders’ profits.

This bill seeks to break that cycle and rewrite that narrative. The proposed *Pondo sa Pagbabago at Pag-aseño* Act (P3 Act) institutionalizes a financing program that is fair, simple, and sustainable and is designed with the three-pronged goals of affordability, accessibility, and accountability.

Building on the P3 initiative, but with greater reach, more safeguards, and future-proof provisions to ensure sustainability, this bill makes credit available without collateral, at interest rates that entrepreneurs can realistically repay. More importantly, it prioritizes those most underserved by the current system to ensure that the smallest economic actors are not left behind.

At the same time, by introducing credit guarantees, technical assistance, and strong oversight mechanisms, it balances compassion with prudence to encourage wider participation of financial institutions while protecting public funds.

¹ *Micro-, Small and Medium-sized Enterprises (MSMEs)*, UNITED NATIONS DEPARTMENT OF ECONOMIC AND SOCIAL AFFAIRS, available at <https://sdgs.un.org/topics/capacity-development/msmes>

By expanding coverage to businesses affected by pandemics, natural disasters, conflicts, and other economic shocks, the P3 Fund will serve not only as a springboard of growth capital but also as a cushion against adversity.

This measure is designed to replace the cycle of dependency with a cycle of progress and empowerment. Where once a micro entrepreneur might struggle under the weight of "5-6," now she may stand on the strength of fair credit. Where once small enterprises were left vulnerable to crisis, now they may grow with resilience.

In view of the foregoing, the immediate passage of this measure is earnestly sought, because when we give our smallest enterprises a fair chance, we also give our nation its biggest opportunity to flourish.


AGATHA PAULA "AGAY" AGUILAR CRUZ
Representative, Fifth Legislative District of Bulacan



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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 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 *Pagasenso Act*” or the “P3 Act”.

3
4 **Section 2. Declaration of Policy.** – It is hereby declared the policy of the State to
5 promote inclusive and sustainable development by strengthening the capacity, resilience,
6 and competitiveness of micro- and small enterprises (MSEs). Recognizing that MSEs are
7 critical engines of socio-economic progress, they must be empowered to contribute
8 meaningfully to poverty reduction, employment generation, and shared prosperity.
9 Towards this end, the State shall:

- 10
11 (a) Facilitate access to affordable and appropriate financial resources tailored to
12 the needs and cycles of MSEs, reducing their dependence on informal credit
13 and high-cost lending;
14 (b) Provide technical assistance, capacity building, and business development
15 services to enhance the entrepreneurial, managerial, and digital capabilities of
16 MSEs;
17 (c) Foster inclusive participation by giving priority to enterprises led by women,
18 youth, persons with disabilities, indigenous peoples, and those located in
19 underserved or geographically isolated and disadvantaged areas;
20 (d) Enhance resilience by supporting MSEs in withstanding and recovering from
21 economic shocks, natural disasters, public health crises, and other disruptions;
22 (e) Encourage sustainable, innovation- and technology-driven practices among
23 MSEs to increase productivity, competitiveness, and environmental

- 1 sustainability; and
2 (f) Ensure accountability, transparency, and prudent governance in all programs
3 and institutions under this Act to safeguard public resources and promote
4 public trust.
5

6 **Section 3. Objectives.** – The objectives of this Act are:
7

- 8 (a) To provide an affordable, accessible, and simple financing program for MSEs,
9 especially those in the poorest populations and underserved areas;
10 (b) To provide a better alternative to informal lenders or the so-called “5-6” money
11 lending system availed of by micro enterprises;
12 (c) To bring down the interest rate at which financial services are made available
13 to MSEs;
14 (d) To boost the development of entrepreneurship and the micro, small and
15 medium enterprise (MSME) sector, particularly the MSEs;
16 (e) To support the recovery of MSEs from the effects public health emergencies,
17 natural disasters, armed conflicts, and other economic shocks; and
18 (f) To ensure the long-term viability and resilience of MSEs through sustainable
19 financing and capacity development.
20

21 **Section 4. Creation of the Pondo sa Pagbabago at Pag-asenso (P3) Fund.** – There
22 is hereby created the *Pondo sa Pagbabago at Pag-asenso* Fund (P3 Fund), which shall be lent
23 to qualified MSEs under such terms and conditions consistent with the purposes of this
24 Act.
25

26 The beneficiaries of the P3 Fund shall be the micro and small enterprises, as
27 defined under Republic Act No. 6977, as amended, otherwise known as the “Magna Carta
28 for Micro, Small and Medium Enterprises (MSMEs)”.
29

30 The fund shall be accessible through the Small Business Corporation (SBCorp) and
31 through accredited partner financial institutions (PFIs) such as rural banks, thrift banks,
32 development banks, cooperative banks, cooperatives, non-stock savings and loan
33 associations, microfinance non-government organizations, or lending companies.
34

35 For efficient implementation and operation, supervision of participating entities
36 shall remain with their respective regulators:

- 37 (a) Cooperatives, except cooperative banks and insurance cooperatives, under the
38 Cooperative Development Authority (CDA);
39 (b) Banks, under the Bangko Sentral ng Pilipinas (BSP);
40 (c) Insurance companies, under the Insurance Commission (IC); and
41 (d) All other financial entities, corporations and financial intermediaries, such as
42 non-government organizations, financing companies, nonstock savings and
43 loan associations, microfinance non-government organizations, and lending
44 investors, under the Securities and Exchange Commission (SEC).

1
2 Cooperative banks shall be under the supervision and examination of the CDA
3 and BSP, while insurance cooperatives shall be under the supervision and examination of
4 the CDA and Insurance Commission (IC).
5

6 **Section 5. *Lead Implementing Agency.*** – The SBCorp, the financing arm of the
7 Department of Trade and Industry (DTI), shall be the lead implementing agency for the
8 P3 Fund. The SBCorp shall deliver the Fund to MSEs through the following modes:
9

- 10 (a) Direct lending for forty percent (40%) of the P3 Fund; and
11 (b) Lending through accredited PFIs for sixty percent (60%) of the P3 Fund.
12

13 The SBCorp shall prioritize lending to underserved and unserved areas and MSE
14 sectors, subject to the review and approval of the Micro, Small and Medium Enterprise
15 Development (MSMED) Council. Financial technology-enabled systems and processes
16 may be utilized to achieve greater outreach nationwide.
17

18 An amount sourced from the accumulated P3 Fund of not more than five percent
19 (5%) of the total loans disbursed for the period can be used by the SBCorp to support its
20 annual administrative and operating expenses for the P3 Fund, inclusive of the cost of
21 regular *plantilla* personnel, up to the extent of their involvement in developing and
22 managing the P3 loan portfolios.
23

24 **Section 6. *Features of the P3 Fund.*** – The P3 Fund shall have the following features:
25

- 26 (a) The loanable amount for individual loans shall be set and regularly reviewed
27 by the MSMED Council;
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,
30 and shall not exceed two and a half percent (2.5%) per month for lending
31 through accredited PFIs;
32 (c) Interest earnings shall accrue to the P3 Fund;
33 (d) No collateral requirement from the P3 Fund loan beneficiaries;
34 (e) Collection mechanisms shall be designed based on the income cycle of the
35 livelihood project, with payments made on a daily, weekly, or monthly basis,
36 as appropriate; and
37 (f) To encourage participation of PFIs, the SBCorp may allocate a portion of the
38 Fund for credit guarantee facilities to cover a percentage of the principal of
39 loans extended to eligible MSEs.
40

41 **Section 7. *Prioritization of Beneficiaries.*** – Priority in financing shall be given to:
42

- 43 (a) MSEs located in geographically isolated and disadvantaged areas;
44 (b) Enterprises owned or managed by women, youth, persons with disabilities,

1 and members of marginalized sectors; and
2 (c) Enterprises engaged in agriculture, fisheries, and other essential industries.
3

4 **Section 8. *Capacity-Building and Technical Assistance.*** – The DTI, particularly
5 SBCorp, in coordination with accredited PFIs, shall provide business development
6 services, mentoring, and capacity-building programs to P3 Fund beneficiaries to enhance
7 their ability to effectively utilize loans for enterprise growth.
8

9 **Section 9. *Policy Oversight Function.*** – The MSMED Council shall monitor the
10 utilization and disbursements of the P3 Fund. It shall submit to the President of the
11 Philippines and to Congress, through the Congressional Oversight Committee on Micro,
12 Small and Medium Enterprise Development (COC-MSMED), a quarterly report on the
13 status of the P3 Fund.
14

15 **Section 10. *Appropriations.*** – The initial amount for the implementation of this Act
16 shall be charged against the current year’s appropriations of the SBCorp. Thereafter, such
17 amount necessary shall be included in the annual General Appropriations Act.
18

19 **Section 11. *Implementing Rules and Regulations.*** – Within sixty (60) days from the
20 approval of this Act, the DTI, in consultation with the stakeholders concerned, shall
21 formulate and promulgate the necessary rules and regulations to implement the
22 provisions of this Act.
23

24 **Section 12. *Safeguards and Accountability.*** – The SBCorp and accredited PFIs shall
25 establish safeguards against misuse of the P3 Fund. Administrative sanctions, suspension
26 of accreditation, and disqualification from participation may be imposed in case of willful
27 violation of this Act or its implementing rules.
28

29 **Section 13. *Separability Clause.*** – If any part or provision of this Act is held
30 unconstitutional or invalid, the remainder thereof not otherwise affected shall remain in
31 full force and effect.
32

33 **Section 14. *Repealing Clause.*** – All laws, decrees, proclamations, issuances, or
34 ordinances that are contrary to or inconsistent with the provisions of this Act are hereby
35 amended, repealed or modified accordingly.
36

37 **Section 15. *Effectivity.*** – This Act shall take effect fifteen (15) days following the
38 completion of its publication in the *Official Gazette* or in a newspaper of general circulation.
39

40 *Approved,*