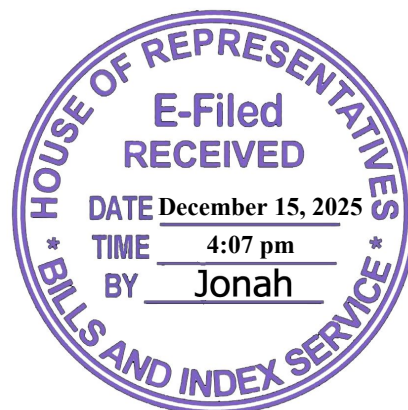


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

TWENTIETH CONGRESS
First Regular Session

House Bill No. **6884**



**INTRODUCED BY REPRESENTATIVES RALPH WENDEL P. TULFO
AND JOCELYN P. TULFO**

**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

Under Article XII, Section 1 of the 1987 Constitution, all sectors of the economy and all regions of the country shall be given optimum opportunity to develop.

Among these sectors, the micro, small, and medium-sized enterprises (MSMEs) serve as the backbone of the Philippine economy. According to a report by the Asian Development Bank (ADB), as of the end of 2024, the Philippines had 1.2 million MSMEs, representing 99.6 percent of all registered establishments and employed about 6.3 million people or 66.6 percent of the national workforce.¹

However, limited access to finance continues to restrict MSMEs from expanding, innovating and planning long-term. Challenges remain in scaling access to finance, expanding regional outreach, and deepening capital market integration. The ADB report noted that MSME lending in the country accounted for only 3.9 percent of total bank loans, highlighting persistent structural financing barriers. Regulatory and bureaucratic inefficiencies also pose significant barriers, as MSMEs often encounter inconsistent and time-consuming processes across local government units (LGUs), delaying registration, and increasing compliance burdens.²

This bill aims to develop policies, plans, and programs, and initiate means to encourage entrepreneurial activities, and to ease the constraints and challenges to

¹ "Philippine MSMEs keep growing despite challenges, says ADB", *MANILA BULLETIN*, 13 Nov 2025, <https://mb.com.ph/2025/11/13/philippine-msmes-keep-growing-despite-challenges-says-adb#:~:text=In%20the%20Philippines%2C%20micro%2C%20small,key%20role%20in%20supporting%20MSMEs.>

² *Ibid.*

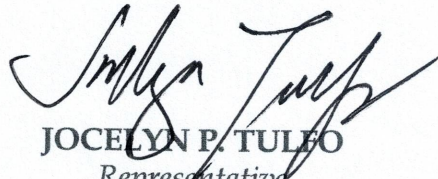
micro and small enterprises (MSEs) which typically have limited resources and capital, particularly on access to financing, by (i) providing an affordable, accessible, and simple financing program for the country's MSEs, especially those in the poorest populations and underserved areas; (ii) providing a better alternative to informal lenders or the so-called "5-6" money lending system availed of by micro enterprises; (iii) bringing down the interest rate at which financial services is made available to MSEs; and (iv) boosting the development of entrepreneurship and the MSME sector, particularly the MSEs.

Further, there shall be created the Pondo sa Pagbabago at Pag-asenso Fund (P3 Fund) which shall be lent out to qualified MSEs under such terms and conditions and as defined under Republic Act No. 6977, as amended, otherwise known as the "Magna Carta for Micro, Small and Medium Enterprises (MSMEs)". Moreover, the Fund shall be accessible through the financing arm of the Department of Trade and Industry (DTI), 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.

In view of the foregoing, the urgent passing of this bill is earnestly sought.



RALPH WENDEL P. TULFO
Representative
2nd District of Quezon City



JOCELYN P. TULFO
Representative
ACT-CIS Partylist

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PROGRAM, AND APPROPRIATING FUNDS THEREFOR

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

1 **SECTION 1. Short Title.** – This Act shall be known as the “Pondo sa Pagbabago
2 at Pag-asenso (P3) Act”.

3
4 **SEC. 2. Declaration of Policy.** – It is the declared policy of the State to foster
5 national development, promote inclusive growth, and reduce poverty by promoting
6 the growth of micro and small enterprises (MSEs) that facilitate local job creation,
7 production, and trade in the country. Towards this end, the State shall develop
8 policies, plans, and programs, and initiate means to encourage entrepreneurial
9 activities, and to ease the constraints and challenges to MSEs, particularly on access to
10 financing.

11
12 **SEC. 3. Objectives.** – The objectives of this Act are:

- 13
14 (a) To provide an affordable, accessible, and simple financing program for the
15 country’s MSEs, especially those in the poorest populations and
16 underserved areas;
17
18 (b) To provide a better alternative to informal lenders or the so-called “5-6”
19 money lending system availed of by micro enterprises;
20
21 (c) To bring down the interest rate at which financial services is made available
22 to MSEs; and
23
24 (d) To boost the development of entrepreneurship and the micro, small, and
25 medium enterprise (MSME) sector, particularly the MSEs.

1
2 **SEC. 4. Creation of the Pondo sa Pagbabago at Pag-asenso (P3) Fund.** – There
3 is hereby created the Pondo sa Pagbabago at Pag-asenso Fund, hereinafter referred to
4 as the “P3 Fund”, which shall be lent out to qualified MSEs under such terms and
5 conditions that will meet the purposes of this Act.
6

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

10
11 The Fund shall be accessible through the Small Business Corporation (SB Corp.)
12 and through accredited partner financial institutions (PFIs) such as rural banks, thrift
13 banks, development banks, cooperative banks, cooperatives, non-stock savings and
14 loan associations, microfinance non-government organizations, or lending
15 companies.
16

17 For efficient implementation and operation, cooperatives – except cooperative
18 banks and insurance cooperatives – shall be under the sole supervision and
19 examination of the Cooperative Development Authority (CDA); all other financial
20 entities, corporations, and financial intermediaries, such as non-government
21 organizations, financing companies, non-stock savings and loan associations,
22 microfinance non-government organizations, and lending investors shall be under the
23 Securities and Exchange Commission (SEC); banks shall be under the Bangko Sentral
24 ng Pilipinas (BSP); and insurance companies shall be under the Insurance Commission
25 (IC).
26

27 Cooperative banks shall be under the supervision and examination of the CDA
28 and BSP, while insurance cooperatives shall be under the supervision and
29 examination of the CDA and the IC.
30

31 **SEC. 5. Lead Implementing Agency.** – The SB Corp., the financing arm of the
32 Department of Trade and Industry (DTI), shall be the lead implementing agency for
33 the P3 Fund. The SB Corp. shall handle the fund delivery to MSEs through the
34 following modes:
35

36 (a) Direct lending for forty percent (40%) of the P3 Fund; and
37

38 (b) Lending through accredited PFIs for sixty percent (60%) of the P3 Fund.
39

40 The SB Corp. shall prioritize lending to underserved and unserved areas and
41 MSE segments of the country, subject to the review and approval of the Micro, Small
42 and Medium Enterprise Development (MSMED) Council.
43

44 With the goal to achieve greater outreach to all provinces and barangays of the
45 country, financial technology-enabled systems and processes can be utilized in the
46 implementation of the P3 Program.

1
2 An amount sourced from the accumulated P3 Fund of not more than five
3 percent (5%) of the total loans disbursed for the period can be used by the SB Corp. to
4 support its annual administrative and operating expenses for the P3 Fund, inclusive
5 of the cost of regular plantilla personnel, up to the extent of their involvement in
6 developing and managing the P3 loan portfolios.
7

8 **SEC. 6. *Features of the P3 Fund.*** – The P3 Fund shall have the following
9 features:
10

- 11 (a) The loanable amount for individual loans shall be set and regularly
12 reviewed by the MSMED Council;
13
14 (b) The effective interest rate to be imposed on the loan availed of by the P3
15 Fund beneficiaries shall not exceed one percent (1%) per month for direct
16 lending, and shall not exceed two and a half percent (2.5%) per month for
17 lending through accredited PFIs;
18
19 (c) The interest earnings shall accrue to the P3 Fund;
20
21 (d) There shall be no collateral requirement from the P3 Fund loan
22 beneficiaries; and
23
24 (e) The lenders shall have a collection mechanism, whereby payments are
25 made on a daily, weekly, or monthly basis or depending on the livelihood
26 project income cycle. It shall be the duty of the lender to collect the loan
27 principal and the interest payments from the borrower.
28

29 **SEC. 7. *Policy Oversight Function.*** – The MSMED Council shall monitor the
30 utilization and disbursements of the P3 Fund. It shall submit to the President of the
31 Philippines and to Congress, through the Congressional Oversight Committee on
32 Micro, Small and Medium Enterprise Development (COC-MSMED), a quarterly
33 report on the status of the P3 Fund.
34

35 **SEC. 8. *Appropriations.*** – The initial amount for the implementation of this Act
36 shall be charged against the current year's appropriations of the SB Corp. Thereafter,
37 such amount necessary shall be included in the annual General Appropriations Act.
38

39 **SEC. 9. *Implementing Rules and Regulations.*** – Within sixty (60) days from the
40 approval of this Act, the DTI, in consultation with the stakeholders concerned, shall
41 formulate and promulgate the necessary rules and regulations to implement the
42 provisions of this Act.
43

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

1
2 **SEC. 11. *Repealing Clause.*** – Section 22 of Republic Act No. 8367, otherwise
3 known as the “Revised Non-Stock Savings and Loan Association Act of 1997” is
4 hereby repealed. All laws, decrees, proclamations, issuances, or ordinances, that are
5 contrary to or inconsistent with the provisions of this Act are hereby amended,
6 repealed, or modified accordingly.
7

8 **SEC. 12. *Effectivity.*** – This Act shall take effect fifteen (15) days after its
9 publication in the Official Gazette or in a newspaper of general circulation.
10

11 *Approved,*