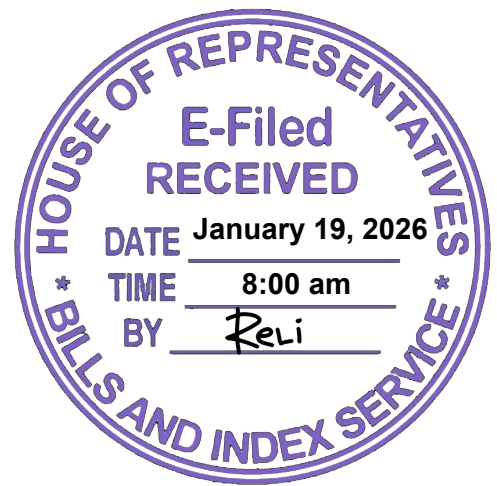




Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
First Regular Session



House Bill No. 7168

Introduced by CIBAC Party-List Representative
EDUARDO “BRO. EDDIE” C. VILLANUEVA

EXPLANATORY NOTE

Micro enterprises form the backbone of the Philippine economy, accounting for the vast majority of registered businesses and providing livelihood to millions of Filipinos. Despite their central role in local job creation, production, and trade, micro enterprises continue to face severe barriers in accessing affordable and formal financing. As a result, many are forced to rely on informal lenders, particularly the so-called “5-6” money lending system, which imposes exorbitant interest rates that trap borrowers in cycles of debt and financial insecurity.

The State has long recognized the importance of supporting micro, small, and medium enterprises as a pathway to poverty reduction and inclusive economic growth. However, existing financial mechanisms have often proven inaccessible, complex, or insufficiently responsive to the realities faced by micro entrepreneurs, particularly those operating in the informal or semi-formal sectors.

This bill seeks to institutionalize and strengthen the Pondo sa Pagbabago at Pag-asenso (P3) Program by establishing a dedicated P3 Fund that provides simple, affordable, and accessible microfinancing to qualified micro enterprises. The measure aims to offer a viable and sustainable alternative to informal lending by capping interest rates, removing collateral requirements, and streamlining access to credit.

The bill designates the Small Business Corporation (SB Corp.), the financing arm of the Department of Trade and Industry (DTI), as the lead implementing agency, leveraging its existing mandate, experience, and institutional capacity. It allows fund delivery through direct lending and accredited partner financial institutions, ensuring wider reach while maintaining regulatory oversight through existing financial authorities.

To ensure sustainability and accountability, the bill vests policy oversight in the Micro, Small and Medium Enterprises Development Council (MSMED Council), which shall regularly review loanable amounts and monitor fund utilization. Interest earnings are retained within the fund to allow it to revolve and expand its reach over time, maximizing the impact of public resources.

The measure also recognizes that access to finance must be complemented by labor and employment interventions. Accordingly, the Department of Labor and Employment (DOLE) is tasked to support the transition of workers in micro enterprises toward more secure and formal work arrangements, reinforcing the program's broader development objectives.

By providing micro enterprises with affordable credit and freeing them from predatory lending practices, this bill promotes entrepreneurship, supports local economic activity, and advances the State's commitment to inclusive growth and poverty reduction.

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


EDUARDO "BRO. EDDIE" C. VILLANUEVA



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HOUSE BILL NO. 7168

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AN ACT
PROMOTING ENTREPRENEURSHIP BY ESTABLISHING A SUSTAINABLE
FINANCING PROGRAM FOR MICRO 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:

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 hereby declared the policy of the State to
5 promote comprehensive national development and free the Filipino people from
6 poverty by supporting micro enterprises that facilitate local job creation, production,
7 and trade in the country. Towards this end, the State shall encourage entrepreneurial
8 activities and develop programs, activities, and projects aimed at helping micro
9 enterprises, particularly on access to financing.
10

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

- 13 (a) To provide an affordable, accessible, and simple microfinancing program for
14 the country's micro enterprises;
15 (b) To provide a better alternative to the informal lenders or the so-called "5-6"
16 money lending system availed of by micro enterprises; and
17 (c) To bring down the interest rate at which micro finance is made available to
18 micro enterprises.
19

20 **SEC. 4. Creation of the Pondo sa Pagbabago at Pag-asenso (P3) Fund.** –
21 There is hereby created the Pondo sa Pagbabago at Pag-asenso Fund, hereinafter
22 referred to as the "P3 Fund," which shall be made available to qualified micro
23 enterprises under such terms and conditions that will meet the purpose of this Act.
24

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

5 **SEC. 5. Lead Implementing Agency.** – The Small Business Corporation (SB
6 Corp.), the financing arm of the Department of Trade and Industry (DTI), shall be the
7 lead implementing agency of this Act. The SB Corp. shall handle the fund delivery to
8 micro enterprises through the following modes:
9

- 10 (a) Direct lending; and
11 (b) Lending through accredited partner financial institutions (PFIs).
12

13 Accredited PFIs shall be limited to rural banks, cooperatives, micro financing
14 institutions, or lending companies duly licensed to lend by the Bangko Sentral ng
15 Pilipinas (BSP), Cooperative Development Authority (CDA), or the Securities and
16 Exchange Commission (SEC), as may be required by law.
17

18 To support the administrative and operating expenses of the SB Corp., an
19 amount not more than five percent (5%) of the total loans disbursed shall be provided
20 annually to the SB Corp., to be sourced from the General Appropriations Act (GAA).
21

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

- 25 (a) The interest rate to be imposed on the loan availed of by the P3 Fund
26 beneficiaries shall not exceed two percent (2%) per month;
27 (b) The interest earnings shall accrue to the P3 Fund;
28 (c) There shall be no collateral requirement from the P3 Fund beneficiaries; and
29 (d) The total loanable amount from the P3 Fund shall be set and regularly
30 reviewed by the Micro, Small and Medium Enterprises Development
31 (MSMED) Council.
32

33 **SEC. 7. Policy Oversight Function.** – The MSMED Council shall monitor the
34 utilization and disbursement of the P3 Fund. It shall submit to the President of the
35 Philippines and to Congress, through the Committee on Trade, Commerce and
36 Entrepreneurship of the Senate and the Committee on Trade and Industry of the
37 House of Representatives, an annual report on the status of the P3 Fund.
38

39 **SEC. 8. Role of the Department of Labor and Employment (DOLE).** – The
40 DOLE shall engage in labor market interventions that shall provide adequate
41 protection and enable the transition of workers in micro enterprises to formal work
42 arrangements. It shall also ensure timely and immediate action on job generation and
43 other labor concerns in the MSME sector.
44

45 **SEC. 9. Appropriations.** – The amount necessary to carry out the provisions of
46 this Act shall be charged against the appropriations released for the purpose under
47 the GAA for the SB Corp. Thereafter, such sums as may be necessary for the
48 continued implementation of this Act shall be included in the annual GAA.
49

1 **SEC. 10. Implementing Rules and Regulations.** – Within sixty (60) days from
2 the approval of this Act, the SB Corp. and the DTI, in consultation with relevant
3 government agencies and other stakeholders, shall promulgate the implementing
4 rules and regulations (IRR) to implement the provisions of this Act.
5

6 Failure of the relevant government agencies to promulgate the IRR within the
7 specified period shall subject the heads of these government agencies to
8 administrative penalties under applicable civil service laws.
9

10 Should the IRR contain provisions that are contrary to this Act, the heads of the
11 government agencies responsible for such provision, when done in bad faith or with
12 gross negligence, shall be held administratively liable.
13

14 **SEC. 11. Separability Clause.** – If any portion or provision of this Act is declared
15 unconstitutional, the remainder hereof or any provisions not affected thereby shall
16 remain in force and effect.
17

18 **SEC. 12. Repealing Clause.** – Any law, presidential decree or issuance,
19 executive order, letter of instruction, rule, or regulation inconsistent with the provisions
20 of this Act is hereby repealed or modified accordingly.

21 **SEC. 13. Effectivity.** – This Act shall take effect fifteen (15) days after its
22 complete publication in the Official Gazette or in a newspaper of general circulation.
23

24 *Approved,*