

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

TWENTIETH CONGRESS
First Regular Session

House Bill No. **8406**



Introduced by Representative ERIC G. YAP

EXPLANATORY NOTE

This bill seeks to establish and institutionalize the Pondo sa Pagbabago at Pag-asenso (P3) Program as a sustainable, accessible, and affordable financing mechanism for micro and small enterprises (MSEs). It promotes inclusive economic growth, stimulates local job creation, and strengthens the entrepreneurial ecosystem, particularly in underserved and unserved communities.

In its 2025 Asia Small and Medium-Sized Enterprise Monitor, the Asian Development Bank reported that MSME growth has stalled due to continued difficulty accessing credit, largely driven by the lack of acceptable collateral, high interest rates, and persistent bureaucratic inefficiencies. Despite comprising 1.2 million establishments, MSMEs received only 4.59% of total bank lending in 2024, far below the ten percent (10%) mandated allocation under existing law. These structural constraints limit MSMEs' capacity to innovate, expand, and contribute fully to national development, underscoring the need for an institutionalized financing program tailored to their realities¹.

The core provisions of the bill include the creation of the P3 Fund, to be administered by the Small Business Corporation (SB Corp.) under the Department of Trade and Industry (DTI). The P3 Fund will be delivered through both direct lending and accredited partner financial institutions, ensuring wider outreach. The bill sets clear loan features and collection schemes aligned with borrowers' income cycles. The Micro, Small and Medium Enterprise Development (MSMED) Council will exercise oversight and ensure accountability through regular reporting to the President and Congress.

¹ *Lack of credit access stalls MSME growth* – ADB. (2025, November 13). BusinessWorld Online. Retrieved November 17, 2025, from <https://www.bworldonline.com/economy/2025/11/13/712151/lack-of-credit-access-stalls-msme-growth-adb/>

This proposed measure empowers entrepreneurs, supports post-crisis recovery, and positions MSMEs to participate more meaningfully in economic expansion by providing an affordable and reliable alternative to potentially-predatory informal lending systems. Institutionalizing this program ensures sustained government support that will foster a more inclusive and resilient MSME sector.

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



HON. ERIC G. YAP

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AN ACT
PROMOTING ENTREPRENEURSHIP BY ESTABLISHING A SUSTAINABLE
SOCIALIZED MICROFINANCING 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:

Section 1. *Short 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 hereby declared the policy of the State to foster national development, promote inclusive growth, and reduce poverty by promoting the growth of micro enterprises 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 micro enterprises, particularly on access to financing.

SEC. 3. *Objectives.* — The objectives of this Act are:

- a. To provide an affordable, accessible, and simple micro financing program for the country’s micro enterprises (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.

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

The fund shall be primarily accessible through the Small Business Corporation (SB Corp.) and through accredited partner financial institutions (PFIs) such as rural banks, thrift banks, development banks, cooperatives 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 yearly 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 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,