Republic of the Philippines  
HOUSE OF REPRESENTATIVES  
Quezon City  
EIGHTEENTH CONGRESS  
Second Regular Session  
HOUSE BILL NO. 9514

Introduced by: Hon. Angelina “Helen” D.L. Tan, M.D.

AN ACT PROVIDING A SOCIALIZED MICROFINANCING PROGRAM FOR MICRO ENTERPRISES, STRENGTHENING THE “PONDO SA PAGBABAGO AT PAG-ASENSO” LOAN PROGRAM, AND APPROPRIATING FUNDS THEREFOR

EXPLANATORY NOTE

Micro, small and medium enterprises (MSMEs) comprise 99.57% of all business in the country, of which 89.63% are micro, 9.5% small and 0.44% medium. These MSMEs employ 63.3% of the total labor force and contribute 35.7% to total value added. Unfortunately, among the barriers to the growth of MSMEs is the lack of access to financing, which has led many MSMEs to avail of “5-6” money lending scheme, the term used for loans sought from informal lenders

President Rodrigo Roa Duterte has issued a directive to replace the "5-6" money-lending scheme. "5-6" money-lenders typically charge at least 20% monthly interest rate, way higher than the rates from formal financing and credit programs, but micro enterprises choose to borrow from them because of the voluminous and stringent documentary requirements and the need for collaterals when borrowing from the formal sector like micro finance institutions and banks.

The "5-6" system is a PhP30 billion-industry. Thus, to be able to compete with the "5-6" money-lenders, the amount of PhPl Billion was appropriated in 2017 and 2018, and PhPl.5 Billion in the 2019 General Appropriations Act for the Pondo sa Pagbabago at Pag-asenso (P3) Program of the Small Business Corporation (SB Corp.), an attached agency of the Department of Trade and Industry (DTI).

The P3 Program aims to encourage micro enterprises to avoid informal sources of lending by making financing more accessible and providing them loans with lower interest rates and without collateral requirement. The demand and need for the P3 Program can be inferred from the utilization of the credit line from the P3 Fund. As of May 2019, SB Corp. has approved PhP3.249 Billion in credit lines of which PhP 2.448 Billion have been released to P3 partner financial institutions

This bill proposes to institutionalize the P3 Program of the SB Corp. to provide micro enterprises a cheaper source of financing thereby addressing the financing concerns of micro entrepreneurs throughout the country, especially those in the poorest provinces.

Hence, immediate approval of the bill is earnestly sought.

ANGELINA “HELEN” D.L. TAN, M.D.
4th District, Quezon
AN ACT
PROVIDING A SOCIALIZED MICROFINANCING PROGRAM FOR MICRO ENTERPRISES, STRENGTHENING THE “PONDO SA PAGBABAGO AT PAG-ASENSO” LOAN PROGRAM, AND APPROPRIATING FUNDS THEREFOR

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

SECTION 1. Title. - This Act shall be known as the "Pondo sa Pagbabago at Pag-asenso" or the P3 Act.

SEC. 2. Declaration of Policy. - It is a declared 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 as follows:

(a) To provide an affordable, accessible, and simple micro financing program for the country's micro enterprises, especially those in the poorest populations;

(b) To provide a better alternative to the informal lenders or the so-called “5-6” money lending system availed of by micro enterprises; and

(c) To bring down the interest rate at which micro finance is made available to micro enterprises.

SEC. 4. Creation of the Pondo sa Pagbabago at Pag-asenso (P3). - There is hereby created the Pondo sa Pagbabago at Pag-asenso Fund, hereinafter referred to as the “P3 Fund”, which shall be made available to qualified micro enterprises under such terms and conditions that will meet the purposes of this Act.

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

The P3 Fund shall be primarily accessible through accredited partner financial institutions (PFIs) such as rural banks, cooperatives with license to lend, micro financing institutions, or lending companies duly licensed by the Bangko Sentral ng Pilipinas (BSP), Cooperative Development Authority (CDA), or the Securities and Exchange Commission (SEC).

SEC. 5. Lead Implementing Agency. - The Small Business Corporation (SB Corp.), the financing arm of the Department of Trade and Industry (DTI), shall be the lead implementing agency for the P3 Fund. It shall handle the fund delivery to micro enterprises through the following modes:
(a) Direct lending; and

(b) Lending through accredited PPIs.

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

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

(a) The interest rate to be imposed on the loan availed of by the P3 Fund beneficiaries shall not exceed 2.5% per month; Provided, that after three (3) years from the effectivity of this Act, a higher ceiling may be allowed up to 3% per month, subject to the review of the Micro, Small and Medium Enterprise Development (MSMED) Council;

(b) The interest earnings shall accrue to the P3 Fund;

(c) There shall be no collateral requirement from the P3 Fund loan beneficiaries; and

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

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 amount necessary to carry out the provisions of this Act shall be charged against the appropriations released for the purpose under the General Appropriations Act for the SB Corp. Thereafter, such sums as may be necessary for the continued implementation of this Act shall be included in the annual GAA.

SEC. 9. Implementing Rules and Regulations. - Within sixty (60) days from the approval of this Act, the DTI shall formulate and promulgate the necessary rules and regulations to implement the provisions of this Act. The implementing rules and regulations issued pursuant to this section shall take effect thirty (30) days after its publication in at least two (2) newspapers of general circulation.

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

SEC. 11. Repealing Clause. - 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 any newspaper of general circulation.

Approved,