



HOUSE OF REPRESENTATIVES

House Bill No. 60

Introduced by Representative Victor A. Yap

EXPLANATORY NOTE

Micro, small, and medium enterprises (MSMEs) make up 99.6 percent of all registered businesses in the Philippines. They employ over 60 percent of the working population, but account for just 35 percent of the country's gross domestic product or GDP.

The growth of MSMEs in the country is hampered by persistent challenges which include lack of access to markets, technology, and more importantly, to finance. MSMEs are unable to attain their full potential because of the difficulty to secure funds. Based on a World Bank report, 81 percent of Philippine enterprises relied mostly on internal funds such as their savings or earnings to finance investments.

Moreover, MSMEs find it difficult to avail of loans from formal lending institutions such as banks, cooperatives or micro-finance institutions due to high interest rate, and voluminous and stringent documentary requirements. Instead, they resort to borrowing from informal lenders or the so-called "5-6" who charge a nominal interest rate of 20 percent over an agreed period of time.

To address this, the government has launched the Pondo sa Pagbabago at Pag-asenso (P3) Program in 2017. Since then, the government has allocated at least P1 billion to fund such financing initiative to assist micro entrepreneurs throughout the country by providing affordable and cost-efficient micro loans.

There is a need to institutionalize, through law, this P3 Program as an alternative funding program for micro entrepreneurs that is easy and quick to access. It also aims to prevent micro entrepreneurs from falling victims from usurious "5-6" lenders.

This bill aims to ensure the sustained implementation of this program so that more micro entrepreneurs including, market vendors, sari-sari store owners, stall owners would benefit. We must prioritize the poorest provinces in the country to reach more entrepreneurs in the countryside and help spur economic activity and generate gainful employment in the rural areas.

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


VICTOR A. YAP

Representative, 2nd District of Tarlac

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AN ACT PROVIDING A SOCIALIZED MICROFINANCING PROGRAM FOR MICRO ENTERPRISES THEREBY PROMOTING ENTREPRENEURSHIP

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

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

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

10
11 **SEC. 3. Objectives.** - The objectives of this Act are as follows:
12 (a) To provide an affordable, accessible and simple micro financing program for the
13 country's micro enterprises, especially those in the poorest populations;
14 (b) To provide a better alternative to the informal lenders or the so-called -5-6" money
15 lending system availed of by micro enterprises; and
16 (c) To bring down the interest rate at which micro finance is made available to micro
17 enterprises.

18
19 **SEC. 4. Creation of the Pondo sa Pagbabago at Pag-asenso (P3).** - There is hereby
20 created the "Pondo sa Pagbabago at Pag-asenso", hereinafter referred to as the "P3 Fund" which
21 shall be lent out to qualified MSMEs under such terms and conditions that will meet the purposes
22 of this Act.

1 The beneficiaries of the "P3 Fund" shall be micro enterprises and entrepreneurs, including
2 market vendors, agribusinessmen and members of cooperatives, industry associations and
3 cooperators.

4 The fund shall be primarily lent through conduit financial institutions to be accredited for
5 the purpose.
6

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

11 (a) Direct lending to micro enterprises;

12 (b) Wholesale lending to conduits, such as micro finance institutions (MFIs), rural
13 banks and credit cooperatives, which shall on-lend the fund to micro enterprises; and

14 (c) Provision of guarantees to loans granted by the banks to qualified P3
15 beneficiaries.
16

17 To support administrative and operating expenses of the SB Corp., an amount of not more
18 than ten percent (10%) of the total loans disbursed shall be provided annually to the SB Corp., to
19 be sourced from the earnings of the "P3 Fund".
20

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

22 (a) The components of the "P3 Fund" shall be:

23 (1) Loan fund; and

24 (2) Guarantee fund of not more than twenty-five percent (25%) of the total loan
25 exposure;

26 (b) The loanable amount for individual loans, and the interest rate to the conduits and to the
27 end beneficiaries shall be set and regularly reviewed by the Micro, Small and Medium Enterprise
28 Development (MSMED) Council: *Provided*, That the interest rate shall be lower than the
29 prevailing interest rate charged by the MFIs. The interest earnings shall accrue to the "P3 Fund";
30 and

31 (c) There shall be no collateral requirement from the P3 loan beneficiaries.
32

33 **SEC. 7. Policy Oversight Function** - The MSMED Council shall monitor the utilization
34 and disbursements of the "P3 Fund". It shall submit to the President of the Philippines and to
35 Congress, through the Congressional Oversight Committee on Micro, Small and Medium
36 Enterprise Development (COC-MSMED), a yearly report on the status of the "P3 Fund".
37

1 **SEC. 8. Appropriations.** - The amount necessary to carry out the provisions of this Act
2 shall be charged against the appropriations released for the purpose under the General
3 Appropriations Act for the SB Corp. Thereafter, such sums as may be necessary for the continued
4 implementation of this Act shall be included in the annual General Appropriations Act.

5
6 **SEC. 9. Implementing Rules and Regulations.** - Within sixty (60) days from the
7 approval of this Act, the DTI, in consultation with the concerned agencies, shall formulate and
8 promulgate the necessary rules and regulations to implement the provisions of this Act. The
9 implementing rules and regulations issued pursuant to this section shall take effect thirty (30) days
10 after its publication in at least two (2) national newspapers of general circulation.

11
12 **SEC. 10. Separability Clause.** - If any part or section of this Act is declared
13 unconstitutional, such declaration shall not affect in any manner other parts or sections hereof.

14
15 **SEC. 11. Repealing Clause.** - All laws, decrees, proclamations, issuances or ordinances
16 that are contrary to or inconsistent with the provisions of this Act are hereby amended, repealed or
17 modified accordingly.

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19 **SEC. 12. Effectivity.** - This Act shall take effect fifteen (15) days after its publication in
20 the Official Gazette or in any newspaper of general circulation.

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22 Approved,