

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

EIGHTEENTH CONGRESS

First Regular Session

2215

HOUSE BILL NO. _____



Introduced by Representative Michael L. Romero

EXPLANATORY NOTE

Last November 16, 2001; the Small Business Guarantee and Finance Corporation (SBGFC) and the Guarantee Fund for Small and Medium Enterprises (GFSME) were merged through Executive Order 28, and became known as the Small Business Corporation (**SB Corporation**).

Aside from the creation of SBGFC, the law likewise has the following significant provisions:

- 1) the creation of the Small and Medium Enterprise Development (SMED);
- 2) the mandatory allocation of credit resources to small enterprises; and
- 3) the rationalization of government assistance programs and agencies concerned with the development of SMEs. SBGFC commenced its operations on July 16, 1992. It is attached to the Department of Trade and Industry and is under the policy, program and administrative supervision of the Small and Medium Enterprise Development (SMED) Council.

At the time of the merger, GFSME was a guarantee fund operated independently by a Management Committee and professional staff under the Livelihood Corporation, a corporation attached to the Office of the President of the Philippines. GFSME's services were restricted to offering of guarantee services to participating financial institutions lending to SMEs from the time it started commercial operations in 1984.

This House Bill seeks to create a more effective and comprehensive financial institution better geared to meet the needs of the Micro Enterprise market.

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Earnest approval of this bill is hereby requested.

MICHAEL L. ROMERO Ph.D.

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AN ACT
PROVIDING A SOCIALIZED MICROFINANCING PROGRAM FOR
MICRO ENTERPRISES THEREBY PROMOTING
ENTREPRENEURSHIP, AND FOR OTHER PURPOSES

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**
2 **at Pag-asenso Act**” or the “**P3 Act**”.

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4 **SECTION 2. DECLARATION OF POLICY.** – It is the declared policy of the
5 State to foster national development, promote inclusive growth, and reduce poverty
6 by promoting the growth of micro enterprises that facilitate local job creation,
7 production and trade in the country.

8 Towards this end, the State shall develop policies, plans and programs, and
9 initiate means to encourage entrepreneurial activities, and to ease the constraints
10 and challenges to micro enterprises, particularly on access to financing.

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12 **SECTION 3. OBJECTIVES.** – The objectives of this Act are as follows:

13 a. To provide an affordable, accessible and simple micro financing
14 program for the country’s micro enterprises, especially those in the poorest

1 populations;

2 b. To provide a better alternative to the informal lenders or the so-called
3 "5-6" money lending system availed of by micro enterprises; and

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

6
7 **SECTION 4. CREATION OF THE PONDO SA PAGBABAGO AT PAG-**
8 **ASENSO (P3).** – There is hereby created the Pondo sa Pagbabago at Pag-asenso
9 Fund, hereinafter referred to as the "P3 Fund", which shall be lent out to qualified
10 micro enterprises under such terms and conditions that will meet the purposes of
11 this Act.

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

15 The fund shall be primarily accessible through accredited partner financial
16 institutions (PFIs) such as rural banks, thrift banks, development banks,
17 cooperatives with license to lend, micro financing institutions (MFIs), or lending
18 companies duly licensed by the *Bangko Sentral ng Pilipinas* (BSP), Cooperative
19 Development Authority (CDA), or the Securities and Exchange Commission (SEC).
20

21 **SECTION 5. LEAD IMPLEMENTING AGENCY.** - The Small Business
22 Corporation (SB Corp.), the financing arm of the Department of Trade and Industry
23 (DTI), shall be the lead implementing agency for the P3 Fund. It shall handle the
24 fund delivery to micro enterprises through the following modes:

25 a. Direct lending; and

26 b. Lending through accredited PFIs.

27 To support administrative and operating expenses of the SB Corp., an
28 amount of not more than five percent (5%) of the total loans disbursed shall be
29 provided annually to the SB Corp., to be sourced from additional annual allocation.
30

SECTION 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 two and a half percent (2.5%) per month: *Provided*, That after three (3) years from the effectivity of this Act, a higher ceiling may be allowed up to three percent (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 Micro, Small and Medium Enterprise Development (MSMED) Council.

SECTION 7. POLICY OVERSIGHT FUNCTION. – The Micro, Small and Medium Enterprise Development (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.

SECTION 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 General Appropriations Act.

SECTION 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

1 thirty (30) days after its publication in at least two (2) newspapers of general
2 circulation.

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4 **SECTION 10. SEPARABILITY CLAUSE.** – If any part or section of this Act
5 is declared unconstitutional, such declaration shall not affect in any manner other
6 parts or sections hereof.

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8 **SECTION 11. REPEALING CLAUSE.** – All laws, decrees, proclamations,
9 issuances, or ordinances that are contrary to or inconsistent with the provisions of
10 this Act are hereby amended, repealed or modified accordingly.

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12 **SECTION 12. EFFECTIVITY.** – This Act shall take effect fifteen (15) days
13 after its publication in the *Official Gazette* or in any newspaper of general
14 circulation.

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16 Approved,