

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

18th Congress
First Regular Session

House Bill No. 0562



Introduced by **HON. RODRIGO A. ABELLANOSA**

EXPLANATORY NOTE

Micro, small, and medium enterprises (MSMEs) serve as the backbone of the Philippine economy. In 2015, the Philippine Statistics Authority accounted for 99.5% of existing establishments as MSMEs with micro-enterprises nearly 30% of the total jobs from the sector.

The biggest challenge for these players to date, is access to financing. Credit may be available to them but interest rates are just too high for micro-enterprises to be competitive and still turn a profit.

This bill seeks to institutionalize the "Pondo sa Pagbabago at Pag-asenso", or "P3 Fund" recently introduced by the Small Business Corporation upon the directive of the President. The program offers access to collateral-free credit for qualified micro-enterprises at interest rates lower than those offered by private micro-financing institutions.

With the availability of cheap credit through the P3 Fund, entrepreneurs are given the opportunity to grow their business, compete not just locally but internationally, and continue generating jobs for a greater number of Filipinos.

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

RODRIGO A. ABELLANOSA

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0562

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Introduced by **HON. RODRIGO A. ABELLANOSA**

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:

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 the declared policy of the State to foster national development, promote inclusive growth, and reduce poverty by promoting the growth of micro, small, and medium enterprises (MSMEs) 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 MSMEs, 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", hereinafter referred to as the "P3 Fund", which shall be lent out to qualified MSMEs under such terms and conditions that will meet the purposes of this Act.

The beneficiaries of the "P3 Fund" shall be micro enterprises and entrepreneurs including market vendors, agri-businessmen and members of cooperatives, industry associations and cooperators.

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

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 to micro enterprises;
- (b) Wholesale lending to conduits, such as micro finance institutions (MFIs), rural banks and credit cooperatives, which shall on-lend the fund to micro enterprises; and
- (c) Provision of guarantees to loans granted by the banks to qualified P3 beneficiaries.

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

- (a) The components of the "P3 Fund" shall be:
 - (1) Loan fund; and
 - (2) Guarantee fund of not more than twenty-five percent (25%) of the total loan exposure;
- (b) The loanable amount for individual loans, and the interest rate to the conduits and to the end beneficiaries shall be set and regularly reviewed by the Micro, Small and Medium Enterprise Development (MSMED) Council: *Provided*, That the interest rate shall be lower than the prevailing interest rate charged by the MFIs. The interest earnings shall accrue to the "P3 Fund"; and
- (c) There shall be no collateral requirement from the P3 loan beneficiaries.

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 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 concerned agencies, 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) national 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 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 a newspaper of general circulation in the Philippines.

Approved,