

Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**  
Quezon City

**SEVENTEENTH CONGRESS**  
**First Regular Session**

**HOUSE BILL NO. 3641**



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Introduced by **Representative Dennis C. Laogan**  
*Ang Kabuhayan Party-List*

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**EXPLANATORY NOTE**

It is a policy of the State to encourage the establishment of micro and small enterprises in the country in order to foster national development, promote inclusive growth, and reduce poverty levels through the creation of jobs to stabilize the state of living for all citizens.

In 2014, the Philippine Statistics Authority (PSA) reported that of the 946,988 establishments in the Philippines, 99.6% (942,925) are micro and small enterprises (MSMEs), and of such, 90.3% (851,756) are micro enterprises and 9.3% (87,283) are small enterprises. These figures have remained relatively the same since 2008.

A report<sup>1</sup> by the German Development Institute five years earlier (as the latest one available) stated that in all, Philippine (MSEs) contribute only around 25% of the country's total gross value added (GVA), which means that despite their abundance, MSEs "contribute relatively little to the economy".

This measure seeks to bridge the gap between the poor economic performance of MSEs and their large presence and potential contribution to our economy by providing for zero-interest credit access to qualified MSEs.

With this, the immediate approval of this bill is earnestly sought.

  
**DENNIS C. LAOGAN**

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<sup>1</sup> German Development Institute, "Micro and Small Enterprise Upgrading in the Philippines", May 2014

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**AN ACT**

**PROMOTING THE FINANCIAL/CREDIT ACCESS OF MICRO AND SMALL ENTERPRISES (MSEs) BY EMPOWERING THE BARANGAY DEVELOPMENT COUNCILS TO EXTEND ZERO-INTEREST CREDIT ACCESS TO MSEs BY MANDATING ALL BARANGAYS TO ALLOCATE NOT LESS THAN 5% NOR MORE THAN 10% FROM ITS GENERAL FUND TO THE PROVISION OF SUCH CREDIT ACCESS, THEREBY AMENDING R.A. No. 7160, OTHERWISE KNOWN AS THE "LOCAL GOVERNMENT CODE OF 1991" AND FOR OTHER PURPOSES.**

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

**SECTION 1. *Short Title.*** – This act shall be known as the "*Pautang na Walang Tubo Act of 2016.*"

**SECTION 2. *Declaration of State Policy.*** – It is declared the policy of the State to promote a just and dynamic social order that will ensure the prosperity and independence of the nation and free the people from poverty through policies that provide adequate social services, promote full employment, a rising standard of living, and an improved quality of life for all.

The State also recognizes the indispensable role of the private sector, encourages private enterprise, and provides incentives to needed investments.

In addition, the State seeks to hasten economic development at the micro and small enterprise level by providing a more accessible avenue for zero-interest credit access extension programs for qualified micro and small enterprises (MSEs), as defined in R.A. 6977, as amended, otherwise known as the "Magna Carta for Micro, Small and Medium Enterprises (MSMEs)", and barangay micro business enterprises (BMBEs), as defined in RA 9178, otherwise known as the "Barangay Micro Business Enterprises (BMBEs) Act of 2002."

To this end, all barangays within a local government unit across the country are hereby mandated to allocate not less than 5% nor more than 10% from its general fund to be used for zero-interest credit access programs for micro and small enterprises: *Provided*, that the micro and small enterprises are duly registered business entities: *Provided further*, that in the case of unreg-

istered MSEs, the Barangay Development Council shall encourage the interested MSEs to register their business and shall assist them in processing their business applications as well as the loan application: *Provided further*, that in the case of unregistered businesses, financial/credit access programs shall be allowable after completing a year of operations after its day of registration: *Provided finally*, that the zero-interest credit access extension shall be used for self-growth of the MSEs and cannot be extended to another business enterprise. In cases of violation/s to any provisions and/or the implementing rules and regulations of this act, the zero-interest credit access extended to the involved business entity shall automatically become due and demandable.

**SECTION. 3 *Definition of terms.*** – As used in the Act, the following:

- (a) **“Barangay Development Council”**, or “BDC”, refer to the barangay-level unit of the local development council, defined in Sec. 106, Title VI, Book I, which is designated to assist their corresponding *Sanggunian* in setting the direction of economic and social development, and coordinating development efforts within its territorial jurisdiction.
- (b) **“Barangay Micro Business Enterprises”**, or “BMBEs”, refer to any business entity or enterprise engaged in the production, processing or manufacturing of products or commodities, including agro-processing, trading and services, whose total assets including those arising from loans but exclusive of the land on which the particular business entity's office, plant and equipment are situated, shall not be more than Three Million Pesos (P3,000,000.00). The above definition shall be subject to review and upward adjustment by the SMED Council, as mandated under Republic Act No. 6977, as amended by Republic Act No. 8289
- (c) **“General fund”** refers to the fund to which all the income of the barangay from whatever source shall accrue, in accordance with Sec. 329, Art. II, Chapter III, Title V, Book II of RA 7160, otherwise known as the “Local Government Code of 1991.”
- (d) **“Micro and Small Enterprises”** refer to any business activity or enterprise engaged in industry, agribusiness and/or services, whether single proprietorship, cooperative, partnership or corporation whose total assets, inclusive of those arising from loans but exclusive of the land on which the particular business entity's office, plant and equipment are situated, must have value falling under the following categories:
  - i. **micro** : not more than P3,000,000
  - ii. **small** : P3,000,001 - P 15,000,000

- (e) **“Zero-Interest Credit Access”** refer to the financial/credit access extended to duly registered Micro and Small Enterprises with zero percent (0%) interest.

**SECTION 4. *Establishing the Barangay Zero-Interest Credit Access Fund.*** – From the general fund of each barangay shall be allocated and established the Zero-Interest Credit Access. This shall comprise not less than 5% nor more than 10% of the general fund, to be reserved for the exclusive purposes defined within this act.

**SECTION 5. *Purposes.*** – The Barangay Zero-Interest Credit Access Fund shall be utilized for the following purposes only:

- (a) **Amount.** - The Central Bank’s Monetary Board is hereby authorized to issue regulations as it may deem necessary as specified under Section 41 of R.A. No. 879, otherwise known as “The General Banking Law of 1991” for the implementation of the following:
- a. ***Zero-Interest Credit Access*** - The maximum credit access extension allowable to a qualified borrower with zero interest shall not exceed the fair-share identified by the barangay development council of each MSE in a certain locality. The aggregate sum of the amount borrowed must not exceed the 10% allocation from the barangay general fund.
  - b. ***Credit Access*** - Depending on the available funds of a barangay, a loan extension shall be allowed to a qualified borrower, herein enumerated under Section 8 of this act: *Provided*, that the Barangay can re-allocate funds in the Credit Access fund on top of the 10% mentioned in Section 4 of this act; *Provided further*, that the inter-agency team headed by BDC Chairman shall set another requirements for the qualified borrowers to comply in order to avail of this credit access.
  - c. ***Emergency Zero-Interest Credit Access*** – Ten percent (10%) of the Barangay Zero-Interest Credit Access Fund shall be set aside and reserved for emergency purposes, to be determined and approved by the BDCs, pursuant to the implementing rules and regulations.
- (b) **Interest.** - The Monetary Board shall prescribe the necessary interest rate on the credit access and the emergency credit access extensions under this act; *Provided*, that the interest rates shall be based on the lowest rate of interest for similar credit accommodations prevailing at the time.
- (c) **Payment.** - The Monetary Board is hereby authorized to issue regulations as it may deem necessary as specified under Section 41 of R.A. No. 879, otherwise

known as "The General Banking Law of 1991" for the implementation of the following:

- a. Zero-Interest Credit Access availed by a qualified borrower shall be payable within a period of one (1) year: *Provided*, that the extension of such zero-interest credit access shall be in consistent with safe and sound banking practices as provided under Republic Act No. 8791, otherwise known as, "The General Banking Law of 2000."
- b. Credit Access availed by a qualified borrower shall be payable within the period of three (3) years: *Provided*, that the extension of such credit access shall be in consistent with safe and sound banking practices as provided under Republic Act No. 8791, otherwise known as, "The General Banking Law of 2000."
- c. Emergency Credit Access availed by a qualified borrower shall be payable within the period of five (5) years: *Provided*, that the extension of such credit access shall be in consistent with safe and sound banking practices as provided under Republic Act No. 8791, otherwise known as, "The General Banking Law of 2000."

**SECTION 6. *Empowering the Barangay Development Council.*** - The Barangay Development Council (BDC) shall be empowered to extend credit access to qualified borrowers consistent with safe and sound banking practices.

**SECTION 7. *Additional Functions of the Barangay Development Council.*** - In addition to the current functions of the Barangay Development Council as provided in Sec. 109, RA 7160, otherwise known as the "Local Government Code of 1991", the same is amended to read as follows:

*"Section 109. Functions of Local Development Councils. -*

*x x x*

(b) The barangay development council shall exercise the following functions:

- (1) Mobilize people's participation in local development efforts;
- (2) Prepare barangay development plans based on local requirements;
- (3) Monitor and evaluate the implementation of national or local programs and projects;
- (4) Receive applications for zero-interest credit access extension from MSEs within the jurisdiction of the respective barangays;**



- (5) **Pre-select and shortlist applicant MSEs for review by the MSMED Council which has jurisdiction over the applicant MSEs;**
- (6) **Grant credit or financing access to qualified MSEs within their local jurisdiction;**
- (7) Perform such other functions as may be provided by law or competent authority.

**SECTION 8. *Qualified Borrowers.*** – Business enterprises shall become qualified borrowers if they are within the definition set by RA No. 9501, otherwise known as the “Magna Carta for Micro, Small and Medium Enterprises” as follows:

- (1) Micro Enterprises - duly registered business engaged in industry, agribusiness and/or services that has an asset the size up to P3,000,000.00; *Provided*, that the said enterprise shall have an employment size of up to 9 employees, whether a single proprietorship, co-operative, partnership or corporation.
- (2) Small Enterprise - duly registered business engaged in industry, agribusiness and/or services that has an asset size of P3,000,001.00 up to P15,000,000.00; *Provided*, that the said enterprise shall have an employment size from 10 to 99 employees, whether a single proprietorship, co-operative, partnership or corporation.
- (3) Unregistered Micro and Small Enterprises - unregistered micro or small business entities shall be allowed to become qualified borrowers the day after the completion of the first year of its operations from the date of its registration.

**SECTION 9. *Incentive.*** - Local government units which shall extend credit access specified in this Act shall be granted development assistance incentives from the national government through the Department of Budget and Management (DBM).

**SECTION 10. *Program Administration.*** - An inter-agency team composed of Barangay Development Council (BDC) of every Local Government Unit (LGU), Department of Interior Local Government (DILG), Commission on Audit (COA), Bankers Association of the Philippines (BAP), the Chamber of Thrift Banks (CTB), the Credit Information Corporation (CIC) shall become jointly responsible for policy guidance, supervision, direction, close monitoring and evaluation of the barangay zero-interest credit access program under this act. Of which, the BDC Chairman and the LGU Representative shall serve as the chairperson and co-chairperson, respectively, of the team

**SECTION 10. *Implementing Rules and Regulations.*** – The Secretary of the DTI, in consultation with the MSMED Council and the SME Development Council, shall formulate the necessary rules and regulations to implement the provisions of this Act within ninety (90) days after its approval. The rules and regulations issued pursuant to this Section shall take effect fifteen (15) days after its publication in a newspaper of general circulation.

**SECTION 11. *Separability Clause.*** – If any provision of this Act shall be held unconstitutional, the remainder of this Act not otherwise affected shall remain in full force and effect.

**SECTION 12. *Repealing Clause.*** – Any law, presidential decree or issuance, executive order, letter of instruction, administrative order, rule or regulation contrary to, or inconsistent with the provisions of this Act is hereby repealed, modified or amended accordingly.

**SECTION 13. *Effectivity Clause.*** – This Act shall take effect after fifteen (15) days following its publication in the *Official Gazette* or in two (2) newspapers of general circulation.

Approved,