



Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**  
Quezon City  
**EIGHTEENTH CONGRESS**  
First Regular Session

**5610**  
**HOUSE BILL NO.**

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Introduced by: **HON. "KUYA" JOSE ANTONIO R. SY-ALVARADO**

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**AN ACT INSTITUTIONALIZING MICROFINANCE PROGRAMS AND ACCESS TO  
CAPITAL TO SUPPORT AND GROW MICRO, SMALL, AND MEDIUM  
ENTERPRISES (MSMEs), ALLOCATING FUNDS THEREFOR, AND FOR OTHER  
PURPOSES**

**EXPLANATORY NOTE**

Based on the 2018 MSME Statistics posted by the Department of Trade and Industry (DTI), Philippine Statistics Authority (PSA) recorded a total of 1,003,111 business enterprises operating in the Philippines. Of the total numbers business enterprises in the country, 998,342 or almost 99.52% are Micro, Small and Medium Enterprises (MSMEs) and 4,769 or just 0.48% are large enterprises. Micro enterprises constitute 88.45% or 887,272 of total MSME establishments, followed by small enterprises at 10.58% or 106,175 and medium enterprises at 0.49% or 4,895.

MSMEs contributed a lot to our employment. According to the same data mentioned above, almost 5,714,262 jobs or 63.19% of the country's total employment was generated by MSMEs. The micro enterprises produced the biggest share of 2,610,221 or 28.86% closely followed by small enterprises at 27.04% or 2,445,111 while medium enterprises were far behind at 7.29% or 658,930.

However, despite their significant contributions to the country's economy, MSMEs and micro-entrepreneurs are not provided sufficient assistance by the government. Their growth is hindered by different constraints. One major constraint is the difficulty to secure funds and capital.

If the government provided programs and services, such as affordable loans and alternative funding for MSMEs, we can help them reach their full potential that will greatly contribute to the country's economic growth.

Thus, the immediate passage of this bill is earnestly sought.

**"KUYA" JOSE ANTONIO R. SY-ALVARADO**

*Representative  
First District of Bulacan*

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*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 “*Puhunan, Tulungan, Kaunlaran (PTK) Act.*”

**SECTION 2. Declaration of Policy.** It shall be the policy of the State to promote genuine inclusive growth and alleviate poverty.

It is likewise the policy of the State to promote a just and dynamic social order that shall ensure prosperity, promote full employment, a rising standard of living and an improved quality of life for all. In pursuit of this, the State shall endeavor to develop a program that will ensure that all of its citizens are equipped with or can readily access the necessary capital to pursue opportunities and uplift their lives.

The 1987 Constitution provides that all sectors of the economy and all regions of the country shall be given optimum opportunity to develop. Private enterprises, including corporations, cooperatives, and similar collective organizations, shall be encouraged to broaden the base of their ownership.

Access to finance and technical support shall be the core policy of this Act. To operationalize this policy, it shall be ensured that: (a) the process for obtaining micro-financing grants and technical support in the Philippines shall be simple and practical; (b) the loan proceeds shall be exclusively used for capital; and (c) interests shall not be unconscionable and not higher than prevailing bank rates.

**SECTION 3. PTK Five-Star Program.** The Department of Trade and Industry (DTI), in coordination with the Department of Interior and Local Government (DILG), Department of Agriculture (DA), Department of Science and Technology (DOST), Department of Tourism (DOT), National Economic and Development Authority (NEDA), and the Technical Education and Skills Development Authority (TESDA) shall develop a comprehensive program for the development of micro, small, and medium enterprises (MSMEs) in all regions of the country. The goal of the program is to protect the capital of small proprietors, ensure the success of their MSMEs, and transform these MSMEs into five-star businesses by providing them with assistance and the necessary resources in order to help their businesses flourish.

The DTI shall be guided by the following principles in the development of the PTK Five-Star Program:

- a. The Program shall be national in scope but shall be tailored to fit the business environment, market demands and available resources of each administrative region;
- b. The DTI shall create a registry for all MSMEs per region based on their size category (*i.e.*, micro, small or medium) and business are (*i.e.*, agriculture, livestock, fisheries, food processing, fabric, and clothing, eco-tourism, activities, pottery and handicrafts, furniture and hardwood, information and technology, etc.);
- c. Each region shall choose a maximum of five (5) priority business areas to develop in order to reap the benefits of efficiency and specialization;
- d. As much as possible, each region shall be encouraged to choose a diversified priority business portfolio in order to hedge for risks brought about by natural calamities and changing market demands;
- e. To facilitate the implementation of this Act, each region shall establish a proprietor's guild for each of their priority business areas;
- f. Free technical and administrative support, including, but not limited to, product development, skills and leadership training, packaging and design, quality control, market promotion, client or supplier matching and financial literacy and planning, shall be made available to MSMEs falling under the five (5) priority business areas in their respective regions;
- g. Every year, the five (5) top-performing enterprises per size and category in each region shall receive a Five-Star award and shall be eligible for grants, not less than ten percent (10%) of their current capital, to be used solely for further business capitalization;
- h. Every medium-sized enterprise that evolves into a large enterprise through the help of the PTK Five-Star Program shall likewise be eligible for a one-time grant of Twenty-Five Thousand Pesos (Php 25,000) to be used solely for further business capitalization;
- i. There shall be a mandatory review of the PTK Five-Star program every three (3) years in order to ensure that the program meets the present market demands.

**SECTION 4. PTK Loan Program.** In addition to the PTK Five-Star Program, the DTI, in consultation with the National Anti-Poverty Commission (NAPC) and the *Bangko Sentral ng Pilipinas (BSP)* shall develop a loan program catering exclusively to micro-enterprises in need of capital, whether or not they fall under the priority business areas of their respective regions.

The DTI shall be guided by the following principles in the development of the loan program:

- a. The loans shall be extended only to borrowers who have satisfied the requirements under this Act;
- b. Each loan shall not exceed Ten Thousand Pesos (Php 10,000) first time borrowers; Thirty Thousand Pesos (Php 30,000) for second time borrowers; and Two Hundred and Fifty Thousand Pesos (Php 250,000) for those borrowing for a third time or oftener. *Provided*, that the latter shall be borrowers in good standing. The DTI is hereby authorized to amend these amounts, after the mandatory review provided in this Act, in order to meet present market demands;
- c. Collateral shall not be required from borrowers;
- d. Loan proceeds shall be exclusively used for capital
- e. The period for repayment shall be mutually agreed upon by the borrower and the lender. *Provided*, that such repayment period shall be at least three (3) months for a first time borrower; at least six (6) months for a second time borrower, and at least one (1) year for those borrowing for a third time or oftener;
- f. Delivery of the program shall be through partner lenders which are cooperatives and/or associations that are registered with the Cooperative Development Authority (CDA), or the Securities and Exchange Commission (SEC), and the DTI. In the absence of such participating partners lenders in the area, government institutions, centers or facilities, now existing or may be created by law, which are dedicated to the promotion of inclusive growth and anti-poverty objectives, are mandated to implement the program;

- g. The lenders shall have a collection mechanism, whereby payments are made on a weekly or monthly basis. It shall be the duty of the lender to collect the loan principal, together with the interest, from the borrower;
- h. Government lenders shall not profit from the microfinance program. Neither shall they be entitled to interest proceeds, the amounts of which shall be devoted to a fund for the development of MSMEs. Participating partner lenders shall be entitled to a reasonable amount of the proceeds of the interest collected by them, as may be determined in rules and regulations promulgated in implementation of this Act;
- i. Priority shall be given to MSMEs falling under the priority business areas of their respective regions and to MSMEs with innovative businesses; and
- j. There shall be a mandatory review of the loan program every three (3) years in order to ensure that the loan program meets the present market demands.

In the pursuit of inclusive growth and poverty alleviation, pertinent rules and regulations promulgated in the implementation of this Act shall provide for the details, conditionalities, and other schemes in the operationalization of the program, such as, but not limited to, penalty rates upon default and the dispensation of the proceeds from the loan program.

**SEC 5. Eligibility for Loan Program.** To qualify for the loan program under this Act, the borrower must be:

- a. At least eighteen (18) years of age;
- b. A member in good standing of the duly-registered cooperative or association, or a resident of the local government unit (LGU), from which he/she intends to avail of the loan;
- c. Willing to state under oath the facts establishing the foregoing;
- d. Comprehensive feasibility study of the business proposal; and
- e. Has attended a DTI-accredited livelihood seminar, as evidenced by a certificate of participation, and possesses credit-worthiness, as likewise proven by a certificate issued by the DTI for that purpose.

**SECTION 6. Registration of Cooperatives and Associations.** The DTI shall keep a registry of all participating cooperatives and associations for monitoring and record keeping purposes. Cooperatives and associations which are eligible to participate in Programs provided for in this Act must register to be included in the database.

**SECTION 7. Local Government Unit Participation.** Any law, executive order, department order, ordinance and the like, to the contrary notwithstanding, local government units, through the local *sanggunian*, as defined in the 1991 Local Government Code, are hereby authorized to provide a loan program in cooperation with the cooperatives/associations, non-governmental organizations, and people's organizations that are lending assistance to MSMEs within their jurisdiction.

*Provided*, that in cities or municipalities where there are no such cooperatives/associations, the local government unit shall, within one year from the effectivity of this Act, require the municipal/city social welfare and development office or the local trade and industry office or livelihood development office in the city or municipal government concerned, to develop and implement a loan program consistent with the provisions of this Act, under the supervision of the DTI.

*Provided, further*, that each participating LGU must prepare a comprehensive feasibility study for the development of a loan program. Each LGU must fund, from its internal revenue allotment, at least Five Million Pesos (Php 5,000,000), where possible and practicable, or Thirty Percent (30%) of the total funding cost related to small business improvement, agricultural improvement, institutional advancement and consumer protection, whichever is higher. Likewise, for this purpose, the LGU shall maintain a separate and dedicated office which shall be responsible for the over-all implementation of the program in the locality.

**SECTION 8. Matching Fund.** Participating cooperatives or associations, and LGUs with loan programs are hereby authorized to accept donations from the private sector in order to augment the available funds for the loan program.

In order to promote private sector participation in promoting inclusive growth and government poverty alleviation efforts, donations for purposes of this Act from the private sector to an LGU shall be matched with a corresponding amount by the recipient LGU; *Provided* that, donations of more than Five Million Pesos (Php 5,000,000) shall be matched by the national government for the LGU. In any case, should the LGU concerned be financially incapable of matching a donation, the national government shall augment the internal revenue allotment of such LGU for this purpose.

**SECTION 9. Incentives for Private Support.** Any person or corporate entity may donate funds, equipment, materials or services for the improvement of the PTK Five-Star and/or PTK loan program. Such donations shall be done through a memorandum of agreement between the cooperative or association, LGU, and the donor. The agreement shall expressly state the value of the donated funds, materials, or services.

All income, legacies, gifts, and donations for the benefit of the program shall be exempt from the payment of all forms of taxes, fees, assessments, and other charges of the government, its branches, and subdivisions. Subject to the issuance of the appropriate revenue regulations by the Bureau of Internal Revenue, the value of the donation shall also be deductible as an expense in the determination of the taxable income of any donor.

**SECTION 10. Funding.** The total amount of One Hundred Twenty-Five Billion Pesos (Php 125,000,000,000) for the next five years upon implementation of this Act or Twenty-Five Billion Pesos (Php 25,000,000,000) per year for the next five years upon implementation of this Act, shall be appropriated for the initial implementation of the PTK Five-Star Program and the PTK Program. Said amount shall at all times be divided equitably among each administrative region of the country. Thereafter, such sums as may be necessary shall be included in the General Appropriation Act.

In addition, the amount of Five Hundred Million Pesos (Php 500,000,000) is hereby appropriated as a Special Development Fund to generally support the initial implementation of this Act.

The funds shall be held in trust by the DTI in collaboration with the Development Bank of the Philippines (DBP), Land Bank of the Philippines (LBP) and other government financial institutions. The DTI may likewise allocate a portion of the funds to the People's Development Trust Fund (PDTF) under Republic Act No. 8425, *provided* that the funds to be allocated to the PDTF shall be used solely for microfinance-related organizing activities.

**SECTION 11. Primary Implementing Government Agency.** The DTI shall be lead agency, which shall ensure the implementing of this Act.

**SECTION 12. Role of Government Financial Institutions.** All government financial institutions (GIFs) shall set aside funding for microfinance operations to complement the purposes of this Act. Participating government financial institutions shall include the DBP, LBP, and other GFIs.

**SECTION 13. PTK Task Force.** There shall be a PTK Task Force in charge of coordinating with banks and financial institutions on their existing programs on microfinancing. This shall be consolidated and submitted to DTI to be taken into consideration for the PTK Loan Program.

**SECTION 14. Reports.** The DTI Secretary shall submit to the President of the Philippines, the President of the Senate and the Speaker of the House of Representatives, an annual accomplishment report on projects covered in this Act, detailing the amount of appropriations released by end of the calendar year, the extend of the work accomplished, further work to be done, and any recommendations for additional appropriations or charges thereof.

**SECTION 14. Implementing Rules and Regulations.** The LGU concerned in agreement with a gender shall prepare such rules and regulations for the proper implementation of this Act, within sixty (60) days from the date of publication of this Act, through their websites, timely, true, accurate, and updated key information relating to the program. Likewise, they shall endeavor to translate key information and present them in popular form and means.

**SECTION 15. Separability Clause.** If any provision of this Act is declared unconstitutional, the same shall not affect the validity and effectivity of the other provisions hereof.

**SECTION 16. Repealing Clause.** All laws, decrees, orders, issuances or portion thereof, which are inconsistent with the provisions of this Act are repealed or modified accordingly.

**SECTION 17. Effectivity.** This Act shall take effect fifteen (15) days after its publication in two (2) newspapers of general circulation.

**SECTION 18. Separability Clause.** If any provision of this Act is declared unconstitutional, the same shall not affect the validity and effectivity of the other provisions hereof.

**SECTION 19. Repealing Clause.** All laws, decrees, orders, issuances or portion thereof, which are inconsistent with the provisions of this Act are repealed or modified accordingly.

**SECTION 20. Effectivity.** This Act shall take effect fifteen (15) days after its publication in two (2) newspapers of general circulation.

*Approved,*