

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

EIGHTEENTH CONGRESS  
First Regular Session

HOUSE BILL NO. 1069



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Introduced by Representatives Jocelyn S. Limkaichong and Christian S. Unabia

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### EXPLANATORY NOTE

Based on data from the Philippine Statistics Authority for calendar year 2016, micro enterprises account for 89.63% of the total number of establishments in the country.

One of the challenges faced by micro enterprises is access to financing. Many micro enterprises are severely resource-constrained and their survival in business relies heavily on access to financing. Start-up and existing enterprises can usually get capital by seeking loans from formal lending institutions, such as banks, cooperatives or micro-finance institutions (MFIs). However, they find it difficult to avail of loans therefrom because of high interest rate, voluminous and stringent documentary requirements, including the need for collaterals. So instead of accessing conventional financing, micro enterprises resort to borrowing from the informal lenders or the so-called "5-6" micro lending scheme.

The usurious moneylenders charge a nominal interest rate of twenty percent (20%) over an agreed period of time. For every five pesos borrowed, six pesos is paid back after just a few days. Effectively, the "5-6" system is said to yield more than 1000% interest rate on an annual basis.

Starting January 2017, the administration earmarked P1 billion in the 2017 General Appropriations Act (GAA) for a program that aims to replace the "5-6" micro lending scheme, that is, the Pondo sa Pagbabago at Pag-asenso (P3) Program. It is implemented by the Department of Trade and Industry, through the Small Business Corporation. Through the P3 Program, the government will make financing more accessible to micro enterprises, particularly those in the poorest provinces. The P3 is designed to bring down the interest rate at which microfinance is made available to micro enterprises.

The P3 Program has again been allocated a P1 Billion budget in the GAA in 2018, and P1.5 Billion in 2019.

There is a need to institutionalize, through law, the P3 as an alternative to the "5-6" micro lending scheme in order to give micro enterprises the means to effectively start or sustain their business and be able to generate income. This will enable such businesses to move up the economic ladder and become more self-sufficient.

The P3 micro financing facility aims to help micro enterprise owners optimize their potentials and achieve major growth through an alternative source of funding

with a low interest rate. The program shall provide accessible, fast and hassle-free financing which is tailor-fit to the needs of entrepreneurs.

In the 17<sup>th</sup> Congress, the P3 bill was approved by the Committee on Small Business and Entrepreneurship Development. It was approved on 3<sup>rd</sup> reading by the House of Representatives as House Bill No. 7446, and was transmitted to the Senate.

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



**JOCELYN S. LIMKAICHONG**



**CHRISTIAN S. UNABIA**

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

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

9       SEC. 3. *Objectives.* – The objectives of this Act are as follows:

10       a. To provide an affordable, accessible and simple micro financing program  
11       for the country’s micro enterprises, especially those in the poorest populations;

12       b. To provide a better alternative to the informal lenders or the so-called “5-  
13       6” money lending system availed of by micro enterprises; and

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

16       SEC. 4. *Creation of the Pondo sa Pagbabago at Pag-asenso (P3).* – There is  
17       hereby created the Pondo sa Pagbabago at Pag-asenso Fund, hereinafter referred to as  
18       the “P3 Fund”, which shall be lent out to qualified micro enterprises under such terms  
19       and conditions that will meet the purposes of this Act.



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

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

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

- 13 a. Direct lending; and
- 14 b. Lending through accredited PFIs.

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

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

20 a. The interest rate to be imposed on the loan availed of by the P3 Fund  
21 beneficiaries shall not exceed two and a half percent (2.5%) per month: *Provided, That*  
22 after three (3) years from the effectivity of this Act, a higher ceiling may be allowed up  
23 to three percent (3%) per month, subject to the review of the Micro, Small And  
24 Medium Enterprise Development (MSMED) Council;

25 b. The interest earnings shall accrue to the P3 Fund;

26 c. There shall be no collateral requirement from the P3 Fund loan  
27 beneficiaries; and

28 d. The loanable amount for individual loans shall be set and regularly  
29 reviewed by the Micro, Small and Medium Enterprise Development (MSMED) Council.

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

35 SEC. 8. *Appropriations.* - The amount necessary to carry out the provisions of  
36 this Act shall be charged against the appropriations released for the purpose under

1 the General Appropriations Act for the SB Corp. Thereafter, such sums as may be  
2 necessary for the continued implementation of this Act shall be included in the  
3 annual General Appropriations Act.

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

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

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

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

17 Approved,