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S.B. No. 2596

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Introduced by SEN. MANNY VILLAR


EXPLANATORY NOTE

Microcredit is the extension of very small loans (microloans) to those in poverty designed to spur entrepreneurship. These individuals lack collateral, steady employment and a verifiable credit history and therefore cannot meet even the most minimal qualifications to gain access to traditional credit. Microcredit is a part of microfinance, which is the provision of a wider range of financial services to the very poor.¹

In many developing countries, the self-employed comprise more than 50 percent of the labor force. Access to small amounts of credit at reasonable interest rates - instead of the exorbitant ones often charged by traditional moneylenders - allows poor people to move from initial, perhaps tiny, income-generating activities to small microenterprises. In most cases, microcredit programs offer a combination of services and resources to their clients including savings facilities, training, networking, and peer support.²

In this way, microcredit allows families to work to end their own poverty - with dignity. Microcredit programs around the world, using a variety of models, have shown that poor people achieve strong repayment records - often higher than those of conventional borrowers. Repayment rates are high because, through a system of peer support and pressure used in many microcredit models, borrowers are responsible for each other's success and ensure that every member of their group is able to pay back their loans.³ In the Philippines, 32.9%⁴ of the estimated 99,900,177 Filipinos⁵ live below the poverty line. Of these, nearly three quarters live in rural areas. Despite their limited business scopes, micro-enterprises have a significant and positive effect on the economy. The most appropriate vehicle for countryside-led growth micro-finance remains the Land Bank of the Philippines. As a government universal bank, Landbank's vision is to be a dominant financial institution in the countryside leading the nation to economic prosperity. Financial services for the poor have proved to be a powerful instrument for poverty reduction that enables the poor to build assets, increase incomes, and reduce their vulnerability to economic stress. However, the challenge of providing financial services to them remains.

In view of the foregoing, the approval of this initiative is earnestly sought.


MANNY VILLAR

¹ <http://en.wikipedia.org/wiki/Microcredit>

² http://www.microcreditsummit.org/about/what_is_microcredit/

³ *Ibid.*

⁴ http://www.indexmundi.com/philippines/population_below_poverty_line.html

⁵ <http://www.mahalo.com/population-of-philippines>


FIFTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



Senate
Office of the Secretary

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S.B. No. 2536

RECEIVED BY: 

Introduced by SEN. MANNY VILLAR

**AN ACT
TO INSTITUTIONALIZE MICRO-CREDIT FINANCING AMENDING FOR THIS
PURPOSE REPUBLIC ACT NO. 3844, AS AMENDED, OTHERWISE KNOWN AS
"THE CODE OF AGRARIAN REFORM IN THE PHILIPPINES." APPROPRIATING
FUNDS THEREFOR, AND FOR OTHER PURPOSES**

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

SECTION 1. Paragraph 6 of Section 75 of Republic Act No. 3844, as amended, is hereby further amended to read as follows:

x x x

"6. To grant loans for farmers' cooperatives/ associations to facilitate production, MARKETING AND DELIVERY AND/OR DISTRIBUTION of crops and acquisition of essential EQUIPMENT, MACHINERY, TOOLS AND commodities AS WELL AS TO EXTEND UNCOLLATERALIZED LOANS OF NOT LESS THAN TWO THOUSAND PESOS (P2,000.00) AND NOT MORE THAN TWENTY THOUSAND PESOS (P20,000.00) TO PRIVATE INDIVIDUALS OR GROUPS OR AGGRUPATIONS OF PERSONS TO FINANCE MICRO-VENTURES, LIVELIHOOD PROJECTS, SMALL-SCALE CRAFTS, CAPITAL FOR RETAIL OR OTHER SMALL-SCALE BUSINESSES OR OCCUPATIONS PROVIDED THAT SUCH PRIVATE GROUPS OR AGGRUPATIONS ARE REGISTERED WITH THE DEPARTMENT OF FINANCE."

SEC. 2. Sec. 80 of the same Act, as amended, is hereby further amended to read as follows:

"Sec. 80. *Modes of Payment.* - The Bank shall finance the acquisition of farm lots as WELL AS MICRO-PROJECTS, VENTURES AND UNDERTAKINGS PROVIDED IN PAR. 6 OF SECTION 75 OF THIS ACT under any of the following modes of settlement:

x x x "

SEC. 3. Sec. 81 of the same Act is hereby further amended, by adding two new paragraphs to be known as par. 81-A and SI-B, to read as follows:

"Sec. 81-A-. - TO FINANCE THE MICRO-LENDING UNDERTAKINGS AND TO SUPPORT THE MICRO-FINANCE OPERATIONS OF THE BANK AS ENVISIONED IN THIS ACT, INCLUDING THE EMPLOYMENT, DEPLOYMENT AND TRAINING OF ADDITIONAL PERSONNEL AS WELL AS THE CREATION OF NEW OFFICERS OR BRANCHES, THERE IS HEREBY APPROPRIATED THE SUM OF FIFTY MILLION PESOS (P50,000,000.00) OUT

SEC. 7. *Separability Clause.* - In the event that any provision of this Act, or part thereof, it is hereby declared invalid or unconstitutional, the remaining provisions thereof shall be considered valid and binding.

SEC. 8. *Effectivity.* - This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in at least two (2) newspapers of general circulation whichever comes earlier.

Approved,