




**NINETEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Second Regular Session)**

23 AUG 14 A10 :59

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SENATE

S.B. No. 2404

Introduced by **SENATOR JOEL VILLANUEVA**

**AN ACT
PROMOTING ENTREPRENEURSHIP BY ESTABLISHING A
SUSTAINABLE FINANCING PROGRAM FOR MICRO ENTERPRISES
THROUGH THE PONDO SA PAGBABAGO AT PAG-ASENSO
PROGRAM, AND APPROPRIATING FUNDS THEREFOR**

EXPLANATORY NOTE

Of the 1,080,810 business enterprises operating in the country in 2021, 99.58% are micro, small and medium enterprises (MSMEs). Of these, 978,612 or 90.54% of total establishments are micro enterprises. In the same year, MSMEs generated a total of 5.46 million jobs, with micro enterprises contributing 32.46% to the country's total employment.¹

Even with its vast potential to contribute to generating jobs and reducing poverty and inequality, the sector still faces a myriad of issues including low productivity, slow growth, and precarious stability.² According to the World Bank, access to finance is a key constraint to the sector's growth, being the second-most cited obstacle to grow small businesses in emerging markets and developing countries.³

To assist micro enterprises by providing an alternative and accessible source of financing, the Department of Trade and Industry (DTI), through its financing arm the Small Business Corporation (SB Corp.), launched the Pondo sa Pagbabago at Pag-assenso (P3) Program in 2017. The program provides accessible and cheap loans with minimal requirements to micro enterprises to boost the sector and stabilize informal lending, known to many as 5-6 lending. As of 2021, it is available through 467 partner microfinance institutions and has already reached more than 220,000 borrowers, with

¹ DTI. 2021 MSME Statistics. <https://www.dti.gov.ph/resources/msme-statistics/>. Accessed on 09 August 2023.
² Raquiza, M. V. R. (n.d.). Micro, small, and medium enterprise (MSME) sector financing: Issues and Challenges. *UP CIDS Discussion Paper Series 2021-1*. <https://cids.up.edu.ph/wp-content/uploads/2022/02/UP-CIDS-Discussion-Paper-2021-01.pdf>
³ World Bank. Small and Medium Enterprises (SME) Finance. <https://www.worldbank.org/en/topic/sme/finance>. Accessed on 09 August 2023.

at least P8.7 billion of total amount of loans disbursed.⁴ Under the 2023 GAA, the program has a budget of P750 million.

To ensure the availability and accessibility of microfinancing to millions of micro entrepreneurs such as market vendors, sari-sari store owners, and stall owners in order to help them sustain and grow their businesses, this measure seeks to institutionalize the P3 Program. By assisting the largest sector of MSMEs and helping them graduate to bigger enterprises, this bill will contribute to strengthening and facilitating the growth and development of the sector towards the creation of more jobs and incomes and elimination of poverty in the country.

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


JOEL VILLANUEVA *sp*

⁴ DTI Annual Report 2021. <https://dtiwebfiles.s3.ap-southeast-1.amazonaws.com/e-library/Main+Publications/Annual+Report/DTI+Annual+Report+2021.pdf>. Accessed on 18 July 2023.

NINETEENTH CONGRESS OF THE)
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SENATE

S.B. No. 2404

Introduced by SENATOR JOEL VILLANUEVA

AN ACT
PROMOTING ENTREPRENEURSHIP BY ESTABLISHING A
SUSTAINABLE FINANCING PROGRAM FOR MICRO ENTERPRISES
THROUGH THE PONDO SA PAGBABAGO AT PAG-ASENSO
PROGRAM, AND APPROPRIATING FUNDS THEREFOR

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

1 **SECTION 1. Short Title.** – This Act shall be known as the “Pondo sa Pagbabago
2 at Pag-asenso (P3) Act.”
3

4 **SEC. 2. Declaration of Policy.** – It is hereby declared the policy of the State to
5 promote comprehensive national development and free the Filipino people from
6 poverty by supporting micro enterprises that facilitate local job creation, production,
7 and trade in the country. Towards this end, the State shall encourage entrepreneurial
8 activities and develop programs, activities, and projects aimed at helping micro
9 enterprises, particularly on access to financing.
10

11 **SEC. 3. Objectives.** – The objectives of this Act are as follows:
12

- 13 (a) To provide an affordable, accessible, and simple microfinancing program for the
14 country’s micro enterprises;
15
16 (b) To provide a better alternative to the informal lenders or the so-called “5-6” money
17 lending system availed of by micro enterprises; and
18
19 (c) To bring down the interest rate at which micro finance is made available to micro
20 enterprises.
21

22 **SEC. 4. Creation of the Pondo sa Pagbabago at Pag-asenso (P3) Fund.** –
23 There is hereby created the Pondo sa Pagbabago at Pag-asenso Fund, hereinafter

1 referred to as the "P3 Fund," which shall be made available to qualified micro
2 enterprises under such terms and conditions that will meet the purpose of this Act.

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

7
8 **SEC. 5. Lead Implementing Agency.** – The Small Business Corporation (SB
9 Corp.), the financing arm of the Department of Trade and Industry (DTI), shall be the
10 lead implementing agency of this Act. The SB Corp. shall handle the fund delivery to
11 micro enterprises through the following modes:

- 12
13 (a) Direct lending; and
14
15 (b) Lending through accredited partner financial institutions (PFIs).

16
17 Accredited PFIs shall be limited to rural banks, cooperatives, micro financing
18 institutions, or lending companies duly licensed to lend by the Bangko Sentral ng
19 Pilipinas (BSP), Cooperative Development Authority (CDA), or the Securities and
20 Exchange Commission (SEC), as may be required by law.

21
22 To support the administrative and operating expenses of the SB Corp., an amount
23 not more than five percent (5%) of the total loans disbursed shall be provided annually
24 to the SB Corp., to be sourced from the General Appropriations Act (GAA).

25
26 **SEC. 6. Features of the P3 Fund.** – The P3 Fund shall have the following
27 features:

- 28
29 (a) The interest rate to be imposed on the loan availed of by the P3 Fund
30 beneficiaries shall not exceed two percent (2%) per month;
31
32 (b) The interest earnings shall accrue to the P3 Fund;
33
34 (c) There shall be no collateral requirement from the P3 Fund beneficiaries; and
35
36 (d) The total loanable amount from the P3 Fund shall be set and regularly reviewed
37 by the Micro, Small and Medium Enterprise Development (MSMED) Council.

38
39 **SEC. 7. Policy Oversight Function.** – The MSMED Council shall monitor the
40 utilization and disbursement of the P3 Fund. It shall submit to the President of the
41 Philippines and to Congress, through the Committee on Trade, Commerce and
42 Entrepreneurship of the Senate and the Committee on Trade and Industry of the
43 House of Representatives, an annual report on the status of the P3 Fund.

44
45 **SEC. 8. Role of the Department of Labor and Employment (DOLE).** – The
46 DOLE shall engage in labor market interventions that shall provide adequate
47 protection and enable the transition of workers in micro enterprises to formal work
48 arrangements. It shall also ensure timely and immediate action on job generation and
49 other labor concerns in the MSME sector.

1 **SEC. 9. Appropriations.** – The amount necessary to carry out the provisions of
2 this Act shall be charged against the appropriations released for the purpose under
3 the GAA for the SB Corp. Thereafter, such sums as may be necessary for the
4 continued implementation of this Act shall be included in the annual GAA.
5

6 **SEC. 10. Implementing Rules and Regulations.** – Within sixty (60) days from
7 the approval of this Act, the SB Corp. and the DTI, in consultation with relevant
8 government agencies and other stakeholders, shall formulate and promulgate the
9 necessary rules and regulations to implement the provisions of this Act.
10

11 **SEC. 11. Separability Clause.** – If any provision of this Act is declared invalid
12 or unconstitutional, the other provisions not affected thereby shall remain in full force
13 and effect.
14

15 **SEC. 12. Repealing Clause.** – All laws, decrees, executive issuances, and rules
16 and regulations inconsistent with the provisions of this Act are hereby repealed or
17 modified accordingly.
18

19 **SEC. 13. Effectivity.** – This Act shall take effect fifteen (15) days after its
20 publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,