



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

 **Senate**
(Office of the Secretary)

11 SEP 21 AIC :13

SENATE

Senate Bill No. 2971

RECEIVED BY: 

INTRODUCED BY SEN. JINGGOY EJERCITO ESTRADA

EXPLANATORY NOTE

The national goal towards poverty alleviation and livelihood promotion entails an enormous responsibility and a long-term effort. With the wide range of social, economic and political aspects that need to be addressed, it takes more than the government to realize this goal.

On one hand, the target beneficiaries themselves – or the poor and needy in our society – should help themselves and actively take part in this endeavor. One way to achieve this is through entrepreneurship, and it is the responsibility of the State to provide the most viable environment and opportunities for them. While financial resources is an indispensable factor, other forms of assistance that will help them engage in sustainable entrepreneurial activities such as leadership and skills training are also essential. However, the government alone cannot provide everything that is necessary to empower them.

On the other hand, therefore, is the private sector, particularly qualified non-government institutions who can be the government's partners in providing entrepreneurial services to the poor.

This measure seeks to recognize the contributions of microenterprise development institutions (MICRODEVs) by mandating them to implement a microenterprise development strategy which will empower the poor and enable them to achieve income security, among others. The MICRODEV Accreditation Center shall be established to monitor and regulate MICRODEVs. Through this system, it is envisioned to maximize the contributions of MICRODEVs and more importantly, to fully realize the potentials of our rather helpless and dependent needy countrymen.

In view of our continuing efforts to uplift the living conditions of our people, the passage of this measure is earnestly sought.¹



JINGGOY EJERCITO ESTRADA
Senator

¹ This measure was already approved on third reading by the House of Representatives

11 SEP 21 10:13

SENATE

Senate Bill No. 2971

RECEIVED BY: 

INTRODUCED BY SEN. JINGGOY EJERCITO ESTRADA

AN ACT
GOVERNING THE CREATION AND ACCREDITATION OF
MICROENTERPRISE DEVELOPMENT INSTITUTIONS AND FOR OTHER
PURPOSES

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

1 **SECTION 1.** *Title.* – This Act shall be known as the “**Microenterprise**
2 **Development Institutions Act of 2011**”.

3
4
5 **SEC. 2.** *Declaration of Policy.* – It is hereby declared the policy of the State to
6 pursue a program of poverty eradication wherein poor Filipino families shall be
7 encouraged to undertake entrepreneurial activities to meet its minimum basic
8 needs including income security. In pursuance of this policy, the government
9 shall support and work in partnership with qualified institutions in the private
10 sector providing general and other entrepreneurial services to the poor.

11
12
13 **SEC. 3.** *Definition of Terms.* – For purposes of implementing this Act, the
14 following definitions shall apply:

15
16 (a) **MICRODEV Accreditation Center** refers to the entity created under
17 Section 7 of this Act.

18
19 (b) **Microenterprise Development Strategy** refers to a social reform
20 program to empower the poor, manage risks and vulnerabilities and
21 thereby improve their asset base and expand access to microfinance
22 services, such as microcredit, microinsurance, microsavings, health care
23 and microhousing through a broad package of financial, business and
24 human development services and other nonfinancial services, including
25 education to enable them to live productive lives.

26
27 (c) **Microfinance** refers to the provision of a broad range of financial services
28 exclusively for the poor to improve the asset base of households and
29 expand their access to savings and enable them to raise their income
30 levels and living standards.
31

1 (d) **Net Worth** refers to the difference between total assets and total liabilities
2 of an entity.

3
4 (e) **Poor** refers to individuals and families whose income fall below the
5 poverty threshold as defined by the National Economic and Development
6 Authority or those who cannot afford in a sustained manner to provide
7 their minimum basic needs of food, health care, education, housing and
8 other essential amenities of life as defined by Republic Act No. 8425,
9 otherwise known as the "Social Reform and Poverty Alleviation Act".

10
11 (f) **Regulatory Authorities** refer to the entities as designated under Section
12 9 of this Act.

13
14 (g) **Social Reform** refers to the continuing process of addressing the basic
15 inequities in Philippine society through a systematic, unified and
16 coordinated delivery of socioeconomic programs or packages.

17
18
19 **SEC. 4. Recognition of Microenterprise Development Institutions (MICRODEVs).**

20 – MICRODEVs are hereby recognized as institutions mandated to implement a
21 microenterprise development strategy. MICRODEVs shall be operated as non-
22 stock and non-profit corporations in accordance with the Securities and
23 Exchange Commission (SEC) rules and regulations and provisions of Title XI
24 (Non-Stock Corporations) of Batas Pambansa Blg. 68, otherwise known as "The
25 Corporation Code of the Philippines". These shall be governed by a Board of
26 Trustees whose members shall not receive compensation: *Provided*, That no
27 part of the net income of MICRODEVs inure to the benefit of the members,
28 trustees, directors or officers: *Provided, further*, That the administrative
29 expenses shall in no case exceed thirty percent (30%) of the total expenses
30 within a taxable year; *Provided, finally*, That the administrative expenses shall
31 conform with the rules and regulations to be prescribed by the Department of
32 Finance (DOF) upon the recommendation of the Bureau of Internal Revenue
33 (BIR).

34
35
36 **SEC. 5. Powers and Functions of a MICRODEV.** – A MICRODEV shall exercise
37 such powers and functions and undertake such activities in accordance with the
38 policies, programs and services provided in this Act. It shall:

- 39
40 (a) Provide the poor access to reasonable and affordable credit and
41 related services including microfinance, microinsurance, health care
42 and microhousing;
- 43 (b) Provide business development opportunities such as leadership
44 training and entrepreneurial skills training; and
- 45 (c) Provide human development services to help the poor achieve a
46 level of sustainability and empowerment and adopt measures to
47 promote a spirit of generosity and selfless giving among individuals
48 and institutions that would help support all programs directly involved
49 in poverty eradication.

50
51 Any accredited MICRODEV shall not undertake deposit-taking activities, engage
52 in the insurance business and carry out fund management activities without the
53 necessary licenses and authority from the relevant regulatory agencies.

54
55 For the purpose of implementing this provision, deposit-taking does not include
56 taking of funds from current or prospective borrowers for the purpose of equity
57 build-up of an individual borrower's own loans. A MICRODEV shall be a net

1 lender at all times, wherein net loans mean total loans minus total equity build-
2 up.
3
4

5 **SEC. 6. Capital Requirements.** – A MICRODEV shall have a net worth of Twenty
6 million pesos (P20,000,000.00), or in the case of newly organized MICRODEVs,
7 an initial net worth of Ten million pesos (P10,000,000.00).
8
9

10 **SEC. 7. Creation and Composition of the Accrediting Entity.** – An accrediting
11 entity to be known as the MICRODEV Accreditation Center shall be created
12 under the National Anti-Poverty Commission (NAPC) to perform the functions
13 provided herein. It shall be composed of the following:
14

- 15 (a) The President of the NAPC or designated representative;
- 16 (b) The Secretary of the DOF or designated representative;
- 17 (c) The Secretary of the Department of Trade and Industry (DTI) or
18 designated representative;
- 19 (d) The Governor of the Bangko Sentral ng Pilipinas (BSP) or designated
20 representative;
- 21 (e) The Chairperson of the SEC or designated representative; and,
- 22 (f) The President of the Microfinance Council of the Philippines (MFCP)
23 or designated representative.
24

25 The MICRODEV Accreditation Center shall be assisted by a Secretariat in the
26 performance of its functions. Funding for its operation shall be sourced from the
27 two percent (2%) tax proceeds from MICRODEVs to be remitted to the People's
28 Development Trust Fund established under Republic Act No. 8425, as provided
29 for in subparagraph (a) of Section 10 of this Act.
30

31 **SEC. 8. Powers and Functions of the Accrediting Facility.** – The MICRODEV
32 Accreditation Center established under this Act shall have the following functions
33 and responsibilities:
34

- 35
- 36 (a) Institute and operationalize a system of accreditation for MICRODEVs;
- 37 (b) Issue certificate of accreditation as a MICRODEV to a non-stock and
38 non-profit corporation applicant: *Provided*, That the certificate of
39 accreditation shall be valid only for such period as may be prescribed
40 under the implementing rules and regulations of this Act: *Provided*,
41 *further*, That no application shall be processed for accreditation as a
42 MICRODEV unless the applicant enterprise secures a valid
43 registration or license with the government agency that exercises
44 regulatory function over such corporation;
- 45 (c) Monitor the performance of MICRODEVs to ensure compliance with
46 the provisions of this Act and its implementing rules and regulations;
- 47 (d) Suspend or revoke any certificate of accreditation upon determination
48 that a MICRODEV no longer meets the criteria for accreditation;
- 49 (e) Require regular submission of reports by MICRODEVs;
- 50 (f) Collect reasonable accreditation and monitoring fees from a
51 MICRODEV which shall be used for the accrediting entity's operational
52 requirements;
- 53 (g) Submit an annual report to the President of the Philippines and the
54 concerned committees of both Houses of Congress; and,
- 55 (h) Perform such other functions as may be necessary to accomplish the
56 purposes and objectives of this Act.
57

1
2 **SEC. 9. *Power of the Regulatory Authorities to Examine MICRODEVs.*** – The
3 BSP and the Insurance Commission, in coordination with the accrediting entities,
4 shall have the power to examine the operations of MICRODEVs, solely for the
5 purpose of determining that MICRODEVs are not engaged in unauthorized
6 undertakings or activities which are subject to their respective regulations.
7

8
9 **SEC. 10. *Taxation of Accredited MICRODEVs.*** – The taxation of MICRODEVs
10 shall be as follows:
11

- 12 (a) The MICRODEVs shall pay two percent (2%) of the gross income in
13 lieu of all national and local taxes which shall be remitted to the
14 National Government. The tax proceeds shall form part of the
15 disburseable portion of the People's Development Trust Fund
16 established under Republic Act No. 8425. The term "gross income"
17 shall mean gross receipts less sales returns, allowances, discounts
18 and other costs and expenses necessarily incurred to provide the
19 services required by the customers and clients including salaries and
20 employee benefits of personnel, consultants and specialists directly
21 rendering the service and cost of facilities directly utilized in providing
22 the service and cost of supplies. Interest expenses on borrowings for
23 lending services of a MICRODEV shall be deductible from gross
24 receipts as part of cost of services in arriving at gross income. The
25 term gross income shall exclude donations;
26 (b) Donations to the MICRODEV shall be fully deductible from the gross
27 income of the donor subject to the conditions of Section 34(c) of
28 Republic Act No. 8424, as amended, otherwise known as the
29 "National Internal Revenue Code of 1997": *Provided, however,* That
30 the accreditation of the MICRODEV by the accrediting entity under
31 this Act shall be sufficient;
32 (c) Donations to the MICRODEV shall be exempt from donor's tax
33 subject to the qualifications of Section 101 of Republic Act No. 8424,
34 as amended, otherwise known as the "National Internal Revenue
35 Code of 1997": *Provided,* That for purposes of utilization,
36 accreditation granted under this Act shall be sufficient; and.
37 (d) Transactions of the MICRODEV and its clients shall be exempt from
38 documentary stamp tax.
39

40
41 **SEC. 11. *Implementing Rules and Regulations.*** – The NAPC, in coordination
42 with the DOF, the BIR, the BSP, the DTI and the MFCP, shall formulate the
43 implementing rules and regulations (IRR) of this Act within ninety (90) days after
44 its approval. The IRR shall take effect fifteen (15) days after its publication in a
45 newspaper of general circulation in the Philippines.
46

47
48 **SEC. 12. *Penalty Clause.*** – If the BSP or the Insurance Commission finds,
49 pursuant to its power under Section 9 of this Act, MICRODEVs engaging in
50 unauthorized undertakings or activities, the BSP or the Insurance Commission
51 may impose administrative sanctions including, but not limited to, issuance of an
52 order requiring the MICRODEV and/or the directors and/or officers concerned to
53 cease and desist from the indicated practice or violation, and may further order
54 that immediate action be taken to correct the conditions resulting from such
55 violation. The cease and desist order shall be immediately effective upon service
56 of such order to the respondents.
57

1 Further, MICRODEVs and/or its directors and/or officers found to be engaged in
2 unauthorized undertakings and activities shall be subject to criminal and
3 administrative fines as provided for in Sections 36 and 37 of Republic Act No.
4 7653 or the New Central Bank Act, and in case of unauthorized activities
5 regulated by the Insurance Commission, be liable under the applicable insurance
6 laws.

7
8
9 **SEC. 13. Separability Clause.** – The provisions of this Act are hereby declared
10 to be separable. If any provision of this Act shall be held unconstitutional, the
11 remainder of the Act not otherwise affected shall remain in full force and effect.

12
13
14 **SEC. 14. Repealing Clause.** – All executive orders, rules and regulations or
15 parts thereof which are contrary to or inconsistent with this Act are hereby
16 repealed, amended or modified accordingly.

17
18
19 **SEC. 15. Effectivity Clause.** – This Act shall take effect after fifteen (15) days
20 from its publication in at least two (2) national newspapers of general circulation.

21
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25
26 *Approved,*