

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

12 AUG 16 11:02

SENATE

S.No. 3255

Prepared by the Committees on Economic Affairs, Banks, Financial Institutions and Ways and Means, with Senators Legarda, Villar, Estrada, Drilon, Osmeña and Recto as authors thereof.

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

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 "Microenterprise Development
2 Institutions Act of 2011".

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

10
11 **SEC. 3. Definition of Terms.** - For purposes of implementing this Act, the following
12 definitions shall apply:

13
14 (a) *MICRODEV Accreditation Center* refers to the entity created under Section 7 of
15 this Act.

16
17 (b) *Microenterprise Development Strategy* refers to a social reform program to empower
18 the poor, manage risks and vulnerabilities and thereby improve their asset base and
19 expand access to microfinance services, such as microcredit, microinsurance,
20 microsavings, health care and microhousing through a broad package of financial,
21 business and human development services and other nonfinancial services, including
22 education to enable them to live productive lives.

23
24 (c) *Microfinance* refers to the provision of a broad range of financial services
25 exclusively for the poor to improve the asset base of households and expand their
26 access to savings and enable them to raise their income levels and living standards.

27
28
29 (d) *Net Worth* refers to the difference between total assets and total liabilities of an
30 entity.

31
32 (e) *Poor* refers to individuals and families whose income fall below the poverty threshold
33 as defined by the National Economic and Development Authority or those who cannot
34 afford in a sustained manner to provide their minimum basic needs of food, health care,
35 education, housing and other essential amenities of life as defined by Republic Act No.
36 8425, otherwise known as the "Social Reform and Poverty Alleviation Act".

37
38 (f) *Regulatory Authorities* refer to the entities as designated under Section 9 of this Act.

1
2 (g) *Social Reform* refers to the continuing process of addressing the basic inequities in
3 Philippine society through a systematic, unified and coordinated delivery of socio-
4 economic programs or packages.
5

6 **SEC. 4. Recognition of Micro-enterprise Development Institutions (MICRODEVs).** -
7 MICRODEVs are hereby recognized as institutions mandated to implement a microenterprise
8 development strategy. MICRODEVs shall be operated as nonstock and nonprofit
9 corporations in accordance with the Securities and Exchange Commission (SEC) rules
10 and regulations and provisions of Title XI (Non-Stock Corporations) of Batas Pambansa Blg.
11 68, otherwise known as "The Corporation Code of the Philippines". These shall be
12 governed by a Board of Trustees whose members shall not receive compensation: *Provided,*
13 That no part of the net income of MICRODEVs inure to the benefit of the members, trustees,
14 directors or officers: *Provided, further,* That the administrative expenses shall in no case
15 exceed thirty percent (30%) of the total expenses within a taxable year: *Provided, finally,*
16 That the administrative expenses shall conform with the rules and regulations to be
17 prescribed by the Department of Finance (DOF) upon the recommendation of the Bureau of
18 Internal Revenue (BIR).
19

20 **SEC. 5. Powers and Functions of a MICRODEV.** - A MICRODEV shall exercise such
21 powers and functions and undertake such activities in accordance with the policies,
22 programs and services provided in this Act. It shall:
23

- 24 (a) Provide the poor access to reasonable and affordable credit and related services including
25 microfinance, microinsurance, health care and microhousing;
26
27 (b) Provide business development opportunities such as leadership training and
28 entrepreneurial skills training; and
29
30 (c) Provide human development services to help the poor achieve a level of sustainability
31 and empowerment and adopt measures to promote a spirit of generosity and selfless
32 giving among individuals and institutions that would help support all programs directly
33 involved in poverty eradication.
34

35 Any accredited MICRODEV shall not undertake deposit-taking activities, engage
36 in the insurance business and carry out fund management activities without the necessary
37 licenses and authority from the relevant regulatory agencies.
38

39 For the purpose of implementing this provision, deposit-taking does not include
40 taking of funds from current or prospective borrowers for the purpose of equity build-up of
41 an individual borrower's own loans. A MICRODEV shall be a net lender at all times,
42 wherein net loans mean total loans minus total equity build-up.
43

44 **SEC. 6. Capital Requirements.** - A MICRODEV shall have a net worth of Twenty million
45 pesos (P20,000,000.00), or in the case of newly organized MICRODEVs, an initial net
46 worth of Ten million pesos (P10,000,000.00).
47

48 **SEC. 7. Creation and Composition of the Accrediting Entity.** - An accrediting entity to be
49 known as the MICRODEV Accreditation Center shall be created under the National Anti-
50 Poverty Commission (NAPC) to perform the functions provided herein. It shall be composed
51 of the following:
52

- 53 (a) The President of the NAPC or designated representative;
54 (b) The Secretary of the DOF or designated representative;
55 (c) The Secretary of the Department of Trade and Industry (DTI) or designated
56 representative;
57 (d) The Governor of the Bangko Sentral ng Pilipinas (BSP) or designated representative;
58 (e) The Chairperson of the SEC or designated representative; and
59 (f) The President of the Microfinance Council of the Philippines (MFCP) or designated

1 representative.

2
3 The MICRODEV Accreditation Center shall be assisted by a Secretariat in the
4 performance of its functions. Funding for its operation shall be sourced from the two percent
5 (2%) tax proceeds from MICRODEVs to be remitted to the People's Development Trust
6 Fund established under Republic Act No. 8425, as provided for in subparagraph (a) of
7 Section 10 of this Act.

8
9 **SEC. 8. Powers and Functions of the Accrediting Entity.** - The MICRODEV Accreditation
10 Center established under this Act shall have the following functions and responsibilities:

- 11
12 (a) Institute and operationalize a system of accreditation for MICRODEVs;
13
14 (b) Issue certificate of accreditation as a MICRODEV to a nonstock and nonprofit
15 corporation applicant: *Provided, That*, the certificate of accreditation shall be valid only
16 for such period as may be prescribed under the implementing rules and regulations of
17 this Act: *Provided, further*, That no application shall be processed for accreditation as a
18 MICRODEV unless the applicant enterprise secures a valid registration or license with
19 the government agency that exercises regulatory function over such corporation;
20
21 (c) Monitor the performance of MICRODEVs to ensure compliance with the provisions of
22 this Act and its implementing rules and regulations;
23
24 (d) Suspend or revoke any certificate of accreditation upon determination that a
25 MICRODEV no longer meets the criteria for accreditation;
26
27 (e) Require regular submission of reports by MICRODEVs;
28
29 (f) Collect reasonable accreditation and monitoring fees from a MICRODEV which
30 shall be used for the accrediting entity's operational requirements;
31
32 (g) Submit an annual report to the President of the Philippines and the concerned
33 committees of both Houses of Congress; and
34
35 (h) Perform such other functions as may be necessary to accomplish the purposes
36 and objectives of this Act.

37
38 **SEC. 9. Power of the Regulatory Authorities to Examine MICRODEVs.** - The BSP and the
39 Insurance Commission, in coordination with the accrediting entities, shall have the power to
40 examine the operations of MICRODEVs, solely for the purpose of determining that
41 MICRODEVs are not engaged in unauthorized undertakings or activities which are subject
42 to their respective regulations.

43
44 **SEC. 10. Taxation of Accredited MICRODEVs.** - The taxation of MICRODEVs shall be as
45 follows:

- 46
47 (a) The MICRODEVs shall pay two percent (2%) of the gross income in lieu of all national
48 and local taxes which shall be remitted to the National Government. The tax proceeds
49 shall form part of the disbursable portion of the People's Development Trust Fund
50 established under Republic Act No. 8425. The term "gross income" shall mean gross receipts
51 less sales returns, allowances, discounts and other costs of services. The term "cost of
52 services" shall mean all direct costs and expenses necessarily incurred to provide the services
53 required by the customers and clients including salaries and employee benefits of personnel,
54 consultants and specialists directly rendering the service and cost of facilities directly utilized
55 in providing the service and cost of supplies. Interest expenses on borrowings for lending
56 services of a MICRODEV shall be deductible from gross receipts as part of cost of services
57 in arriving at gross income. The term gross income shall exclude donations;
58

1 (b) Donations to the MICRODEV shall be fully deductible from the gross income of the
2 donor subject to the conditions of Section 34(c) of Republic Act No. 8424, as amended,
3 otherwise known as the "National Internal Revenue Code of 1997". *Provided, however,*
4 That the accreditation of the MICRODEV by the accrediting entity under this Act shall be
5 sufficient;

6
7 (c) Donations to the MICRODEV shall be exempt from donor's tax subject to the
8 qualifications of Section 101 of Republic Act No. 8424, as amended, otherwise known as the
9 "National Internal Revenue Code of 1997": *Provided,* That for purposes of utilization,
10 accreditation granted under this Act shall be sufficient; and

11
12 (d) Transactions of the MICRODEV and its clients shall be exempt from documentary
13 stamp tax.

14
15 **SEC. 11. *Implementing Rules and Regulations.*** - The NAPC, in coordination with the DOF,
16 the BIR, the BSP, the DTI and the MFCP, shall formulate the implementing rules and
17 regulations (IRR) of this Act within ninety (90) days after its approval. The IRR shall take
18 effect fifteen (15) days after its publication in a newspaper of general circulation in the
19 Philippines.

20
21 **SEC. 12. *Penalty Clause.*** - If the BSP or the Insurance Commission finds, pursuant to its
22 power under Section 9 of this Act, MICRODEVs engaging in unauthorized undertakings or
23 activities, the BSP or the Insurance Commission may impose administrative sanctions
24 including, but not limited to, issuance of an order requiring the MICRODEV and/or the
25 directors and/or officers concerned to cease and desist from the indicated practice or
26 violation, and may further order that immediate action be taken to correct the conditions
27 resulting from such violation. The cease and desist order shall be immediately effective
28 upon service of such order to the respondents. Further, MICRODEVs and/or its directors
29 and/or officers found to be engaged in unauthorized undertakings and activities shall be
30 subject to criminal and administrative fines as provided for in Sections 36 and 37 of
31 Republic Act No. 7653 or the New Central Bank Act, and in case of unauthorized activities
32 regulated by the Insurance Commission, be liable under the applicable insurance laws.

33
34 **SEC. 13. *Separability Clause.*** - The provisions of this Act are hereby declared to be
35 separable. If any provision of this Act shall be held unconstitutional, the remainder of the
36 Act not otherwise affected shall remain in full force and effect.

37
38 **SEC. 14. *Repealing Clause.*** - All executive orders, rules and regulations or parts thereof
39 which are contrary to or inconsistent with this Act are hereby repealed, amended or modified
40 accordingly.

41
42 **SEC. 15. *Effectivity Clause.*** - This Act shall take effect after fifteen (15) days from its
43 publication in at least two (2) national newspapers of general circulation.

44
45 Approved,