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SENATE

Senate Bill No. 1484

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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.


JINGGOY EJERCITO ESTRADA
Senator



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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 2013**".
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

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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.

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

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

- 1 (g) Submit an annual report to the President of the Philippines and the
2 concerned committees of both Houses of Congress; and,
3
4 (h) Perform such other functions as may be necessary to accomplish the
5 purposes and objectives of this Act.
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8 **SEC. 9. Power of the Regulatory Authorities to Examine MICRODEVs.** – The
9 BSP and the Insurance Commission, in coordination with the accrediting entities,
10 shall have the power to examine the operations of MICRODEVs, solely for the
11 purpose of determining that MICRODEVs are not engaged in unauthorized
12 undertakings or activities which are subject to their respective regulations.
13

14
15 **SEC. 10. Taxation of Accredited MICRODEVs.** – The taxation of MICRODEVs
16 shall be as follows:
17

- 18 (a) The MICRODEVs shall pay two percent (2%) of the gross income in
19 lieu of all national and local taxes which shall be remitted to the
20 National Government. The tax proceeds shall form part of the
21 disburseable portion of the People's Development Trust Fund
22 established under Republic Act No. 8425. The term "gross income"
23 shall mean gross receipts less sales returns, allowances, discounts
24 and other costs and expenses necessarily incurred to provide the
25 services required by the customers and clients including salaries and
26 employee benefits of personnel, consultants and specialists directly
27 rendering the service and cost of facilities directly utilized in providing
28 the service and cost of supplies. Interest expenses on borrowings for
29 lending services of a MICRODEV shall be deductible from gross
30 receipts as part of cost of services in arriving at gross income. The
31 term gross income shall exclude donations;
32
33 (b) Donations to the MICRODEV shall be fully deductible from the gross
34 income of the donor subject to the conditions of Section 34(c) of
35 Republic Act No. 8424, as amended, otherwise known as the
36 "National Internal Revenue Code of 1997": *Provided, however,* That
37 the accreditation of the MICRODEV by the accrediting entity under
38 this Act shall be sufficient;
39
40 (c) Donations to the MICRODEV shall be exempt from donor's tax
41 subject to the qualifications of Section 101 of Republic Act No. 8424,
42 as amended, otherwise known as the "National Internal Revenue
43 Code of 1997": *Provided,* That for purposes of utilization,
44 accreditation granted under this Act shall be sufficient; and,
45
46 (d) Transactions of the MICRODEV and its clients shall be exempt from
47 documentary stamp tax.
48
49

50 **SEC. 11. Implementing Rules and Regulations.** – The NAPC, in coordination
51 with the DOF, the BIR, the BSP, the DTI and the MFCP, shall formulate the
52 implementing rules and regulations (IRR) of this Act within ninety (90) days after
53 its approval. The IRR shall take effect fifteen (15) days after its publication in a
54 newspaper of general circulation in the Philippines.
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1 **SEC. 12. *Penalty Clause.*** – If the BSP or the Insurance Commission finds,
2 pursuant to its power under Section 9 of this Act, MICRODEVs engaging in
3 unauthorized undertakings or activities, the BSP or the Insurance Commission
4 may impose administrative sanctions including, but not limited to, issuance of an
5 order requiring the MICRODEV and/or the directors and/or officers concerned to
6 cease and desist from the indicated practice or violation, and may further order
7 that immediate action be taken to correct the conditions resulting from such
8 violation. The cease and desist order shall be immediately effective upon service
9 of such order to the respondents.

10
11 Further, MICRODEVs and/or its directors and/or officers found to be engaged in
12 unauthorized undertakings and activities shall be subject to criminal and
13 administrative fines as provided for in Sections 36 and 37 of Republic Act No.
14 7653 or the New Central Bank Act, and in case of unauthorized activities
15 regulated by the Insurance Commission, be liable under the applicable insurance
16 laws.

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

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

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

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36 *Approved,*