



## HOUSE OF REPRESENTATIVES

H. No. 5217

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BY REPRESENTATIVES GONZALES, TAMBUNTING, VILLARICA, VILLAR, NAVA (P.), PAEZ, BRAVO (A.), RODRIGUEZ (R.), RODRIGUEZ (M.), UY (R.), UNABIA, UY (J.), ACOSTA-ALBA, MONTEJO, SY-ALVARADO, FORTUNO, TAN (A.), LEE, RIDON, UNGAB, NAVA (J.), ALMARIO, LOBREGAT, PIAMONTE, ACOP, ESPINA, GARCIA (G.), KHO, MASONGSONG, OCAMPO, SUANSING, TINIO, QUIMBO, GARIN (S.), DEL MAR, DEFENSOR, ALIPING, PICHAY, ABELLANOSA, NOEL, REVILLA, BATOCABE, CO, GATCHALIAN (W.), ECHIVERRI, SARMIENTO (M.), OAMINAL, CRUZ-GONZALES AND YAP (S.),  
PER COMMITTEE REPORT NO. 495

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### AN ACT GOVERNING THE ACCREDITATION OF MICRO-ENTERPRISE DEVELOPMENT INSTITUTIONS

*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 “Micro-Enterprise  
2   Development Institution Act”.

3           SEC. 2. *Declaration of Policy.* — It is hereby declared the policy of the  
4   State to pursue a program of poverty eradication wherein poor Filipino  
5   families are encouraged to undertake entrepreneurial activities to meet their  
6   minimum basic needs and to achieve their income security. To promote the  
7   development of small and micro-enterprises, the government shall support and  
8   work in partnership with qualified institutions in the private sector to provide  
9   general and other entrepreneurial capacity-building services to the poor, and  
10   provide incentives to enable such enterprises to commence and develop its  
11   operations within an ethical and business-friendly environment.

1           SEC. 3. *Definition of Terms.* — As used in this Act:

2           (a) *Micro-enterprise development strategy* refers to a social reform  
3       program that empowers the poor to manage risks and vulnerabilities, improve  
4       their asset base and expand their access to microfinance services, such as  
5       micro-credit, micro-insurance, micro-savings, health care, and micro-housing  
6       through a broad package of financial, business, and human development  
7       services and other nonfinancial services, including education to enable them to  
8       live productive lives;

9           (b) *Nongovernment organization (NGO)* refers to a duly registered  
10      nonstock, nonprofit organization that focuses on the upliftment of the basic or  
11      disadvantaged sectors of society by providing advocacy, training, community  
12      organizing, research, access to resources, and other similar activities, as  
13      defined in Republic Act No. 8425, otherwise known as the “Social Reform  
14      and Poverty Alleviation Act”;

15          (c) *Microfinance* refers to the provision of a broad range of financial  
16      services exclusively for the poor to improve the asset base of households and  
17      expand their access to savings to enable them to raise their income levels and  
18      living standards;

19          (d) *Microfinance loans* refer to small loans granted to the poor or basic  
20      sectors, as defined in Republic Act No. 8425 and other loans granted to the  
21      poor and low-income households for their micro-enterprises so as to enable  
22      them to raise their income levels and improve their living standards.  
23      Microfinance loans, which are typically unsecured, are granted on the basis of  
24      the borrower’s cash flow;

25          (e) *Net worth* refers to the difference between total assets and total  
26      liabilities of an entity;

27          (f) *Poor* refers to individuals and families whose income fall below the  
28      poverty threshold as defined by the National Economic and Development

1 Authority (NEDA) or those who cannot afford in a sustained manner to  
 2 provide their minimum basic needs of food, health care, education, housing,  
 3 and other essential amenities of life as defined under Republic Act No. 8425;

4 (g) *Regulatory authorities* refer to the entities as designated under  
 5 Section 9 of this Act;

6 (h) *Social reform* refers to the continuing process of addressing the  
 7 basic inequities in Filipino society through a systematic, unified and  
 8 coordinated delivery of socioeconomic programs or packages; and

9 (i) *Social performance* refers to the effective application of  
 10 Micro-Enterprise Development Institution's (MICRODEV's) social mission or  
 11 primary purpose.

12 SEC. 4. *Qualifications of Micro-Enterprise Development Institutions*  
 13 *(MICRODEVs)*. – This Act has the primary purpose of implementing a  
 14 micro-enterprise development strategy and mandating the creation of  
 15 microfinance programs, products, and services for the poor. It shall cover  
 16 NGOs which shall, henceforth, be referred to as Micro-Enterprise  
 17 Development Institutions or MICRODEVs.

18 A MICRODEV shall be operated as nonstock and nonprofit corporation  
 19 in accordance with the rules and regulations of the Securities and Exchange  
 20 Commission (SEC) and the provisions of Title XI (Non-Stock Corporations)  
 21 of Batas Pambansa Blg. 68, otherwise known as "The Corporation Code of the  
 22 Philippines".

23 Each MICRODEV shall be governed by a Board of Trustees whose  
 24 members shall not receive compensation: *Provided*, That no part of the net  
 25 income of a MICRODEV shall inure to the benefit of any of its members,  
 26 trustees, directors or officers: *Provided, further*, That its administrative  
 27 expenses shall in no case exceed thirty percent (30%) of the total expenses  
 28 within a taxable year: *Provided, finally*, That such administrative expenses

1 shall conform with the rules and regulations to be prescribed by the  
2 Department of Finance (DOF) upon the recommendation of the Bureau of  
3 Internal Revenue (BIR).

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

8       (a) Provide the poor access to reasonable and affordable credit and  
9 related services including microfinance, micro-insurance, health care and  
10 micro-housing;

11       (b) Provide business development opportunities such as leadership  
12 training and entrepreneurial skills training;

13       (c) Provide human development services to help the poor achieve a  
14 level of sustainability and empowerment and adopt measures to promote a  
15 spirit of generosity and selfless giving among individuals and institutions that  
16 help support all programs directly involved in poverty eradication;

17       (d) Accept monies from a member for compulsory or voluntary  
18 savings, or for capital build-up for the purpose of maintaining a compensating  
19 balance in relation to the same member's loan. Acceptance of monies from a  
20 member for this purpose shall not be construed that a MICRODEV is engaged  
21 in deposit-taking operations;

22       (e) Undertake deposit-taking activities, engage in the insurance  
23 business and carry out fund management activities: *Provided,* That the  
24 necessary licenses and authority are secured from appropriate regulatory  
25 agencies. For purposes of this Act, deposit-taking does not include taking of  
26 funds from current or prospective borrowers for the purpose of equity build-up  
27 of an individual borrower's own loans. A MICRODEV shall be a net lender at  
28 all times, wherein net loans mean total loans minus total equity build-up;

1 (f) Charge reasonable interest and collect such necessary fees and  
2 charges incidental to its microfinance operations;

3 (g) Borrow money or incur such obligations for the purpose of  
4 re-lending to microfinance borrowers, subject to existing laws: *Provided,*  
5 That a MICRODEV shall not be deemed as engaged in quasi-banking  
6 activities if the proceeds of such borrowings are used for re-lending to  
7 microfinance borrowers;

8 (h) Accept donations, grants, or contributions in accordance with  
9 existing laws and regulations;

10 (i) Invest its funds in any sound, nonspeculative enterprises and  
11 instruments, subject to such rules and regulations of the appropriate regulatory  
12 agency;

13 (j) Maintain a transparent and comprehensive management  
14 information system; and

15 (k) Publish and disclose audited accounts at the end of every financial  
16 year: *Provided,* That nothing in this section shall be construed as precluding a  
17 MICRODEV from performing such services or exercising such powers as  
18 may be granted by existing laws or as may be incidental to its activities as a  
19 nonstock, nonprofit institution or corporation.

20 SEC. 6. *Capital Requirements.* – A MICRODEV shall be required to  
21 have a net worth of at least ten million pesos (P10,000,000.00) at the time of its  
22 registration with the MICRODEV Accreditation Center, or in the case of a  
23 newly organized MICRODEV, an initial net worth of at least five million  
24 pesos (P5,000,000.00).

25 SEC. 7. *Creation and Composition of the MICRODEV Accrediting*  
26 *Entity.* – There is hereby created an accrediting entity to be known as the  
27 MICRODEV Accreditation Center under the Department of Trade and

1 Industry (DTI). It shall be composed of the following heads of agencies or  
2 their designated representatives:

- 3 (a) The Secretary of the Department of Trade and Industry;
- 4 (b) The Secretary of the Department of Finance;
- 5 (c) The Lead Convenor of the National Anti-Poverty Commission
- 6 (NAPC);
- 7 (d) The Governor of the Bangko Sentral ng Pilipinas (BSP);
- 8 (e) The Chairperson of the Securities and Exchange Commission;
- 9 (f) The President of the Microfinance Council of the Philippines
- 10 (MFCP); and
- 11 (g) The President of the association of duly registered MICRODEVs.

12 The MICRODEV Accreditation Center shall be assisted by a  
13 Secretariat coming from the existing personnel of the DTI.

14 SEC. 8. *Powers and Functions of the MICRODEV Accreditation*  
15 *Center.* – The MICRODEV Accreditation Center established under this Act  
16 shall have the following powers and functions:

- 17 (a) Institute and operationalize a system of accreditation for
- 18 MICRODEVs;
- 19 (b) Issue a certificate of accreditation as a MICRODEV to a
- 20 nonstock and nonprofit corporation applicant: *Provided,* That the certificate
- 21 of accreditation shall be valid only for such period as may be prescribed under
- 22 the implementing rules and regulations (IRR) of this Act: *Provided, further,*
- 23 That no applicant for accreditation shall be processed unless the applicant
- 24 enterprise secures a valid registration or license from the government agency
- 25 that exercises regulatory function over such corporation;
- 26 (c) Monitor the performance of MICRODEVs to ensure compliance
- 27 with the provisions of this Act and its IRR;

(d) Place under probation any MICRODEV, or suspend or revoke any certificate of accreditation upon due determination that a MICRODEV no longer meets the criteria for accreditation, and/or violates any provision of this Act or its IRR;

(e) Require regular submission of reports by MICRODEVs;

(f) Collect reasonable accreditation and monitoring fees from a MICRODEV which shall be used for the accrediting entity's operational requirements;

(g) Submit an annual report on its accomplishments to the President of the Philippines and the concerned committees of both Houses of Congress;

(h) Maintain a national registry of duly registered, accredited MICRODEVs in good standing; and

(i) Perform such other functions as may be necessary to accomplish the purposes and objectives of this Act.

SEC. 9. *Power of the Regulatory Authorities to Examine MICRODEVs.*

– The BSP and the Insurance Commission (IC), in coordination with the MICRODEV Accreditation Center, shall have the power to examine the operations of a MICRODEV, but only over those activities which are subject to their respective regulatory jurisdiction.

SEC. 10. *Taxation of Accredited MICRODEVs.* – A MICRODEV

shall pay two percent (2%) of its gross income in lieu of all national taxes which shall be remitted to the National Government. The tax proceeds shall form part of the disburseable portion of the People's Development Trust Fund established under Republic Act No. 8425. The term "gross income" shall mean the remaining value of gross receipts after deducting sales returns, allowances, discounts, and the cost of services. The term "cost of services" shall mean all direct costs and expenses necessarily incurred to provide the services required by the customers and clients including salaries and employee

benefits of personnel, consultants, and specialists directly rendering the service, and cost of facilities directly utilized in providing the service and cost of supplies. Interest expenses on borrowings for lending services of a MICRODEV shall be deductible from gross receipts as part of cost of services in arriving at gross income. The term "gross income" shall exclude donations.

SEC. 11. *Penalty Clause.* — If the BSP or the IC finds that a MICRODEV is engaged in unauthorized undertakings or activities, the BSP or the IC may impose administrative sanctions, including the issuance of an order requiring the MICRODEV, its directors and officers concerned to cease and desist from the indicated practice or violation and for them to take an immediate action to correct the conditions resulting from such violation. The cease and desist order shall be immediately effective upon its service to the respondents.

Further, the directors and officers of a MICRODEV found to be engaged in unauthorized undertakings and activities shall be subject to criminal and administrative fines as provided in Sections 36 and 37 of Republic Act No. 7653, otherwise known as The New Central Bank Act, and in case of unauthorized activities regulated by the IC, shall be liable under the applicable insurance laws.

SEC. 12. *Implementing Rules and Regulations (IRR).* — The MICRODEV Accreditation Center shall issue the IRR of this Act within sixty (60) days of its effectivity. The IRR shall take effect fifteen (15) days upon its publication in a newspaper of general circulation in the Philippines.

SEC. 13. *Separability Clause.* — If any provision of this Act shall be held unconstitutional, the remainder of the Act, not otherwise affected, shall remain in full force and effect.



1           SEC. 14. *Repealing Clause.* – All laws, executive orders, rules and  
2 regulations or parts thereof which are contrary to or inconsistent with this Act  
3 are hereby repealed.

4           SEC. 15. *Effectivity.* – This Act shall take effect fifteen (15) days after  
5 its publication in the *Official Gazette* or in a newspaper of national circulation.

Approved,

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