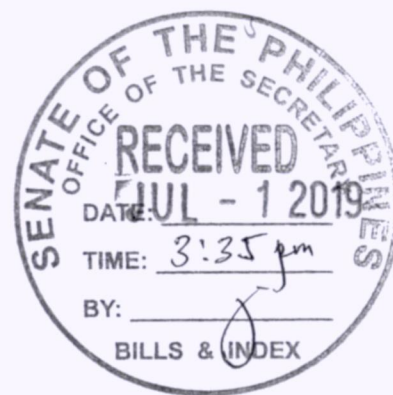


EIGHTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



SENATE
S. No. 95

Introduced by Senator Aquilino “Koko” Pimentel III

AN ACT
PROVIDING A SOCIALIZED MICROFINANCING PROGRAM
FOR MICRO ENTERPRISES THEREBY PROMOTING
ENTREPRENEURSHIP

EXPLANATORY NOTE

President Duterte issued a directive to replace the "5-6" money-lending scheme, the term used for loans sought from informal lenders. "5-6" money-lenders typically charge at least 20% monthly interest rate, way higher than the rates from formal financing and credit programs, but micro enterprises choose to borrow from them because of the voluminous and stringent documentary requirements and the need for collaterals when borrowing from the formal sector like micro finance institutions and banks.

The "5-6" system is a PhP30 billion-industry. Thus, to be able to compete with the "5-6" money-lenders, the amount of PhP1 Billion was appropriated in 2017 and 2018, and PhP1.5 Billion in the 2019 General Appropriations Act for the Pondo sa Pagbabago at Pag-asenso (P3) Program of the Small Business Corporation (SB Corp.), an attached agency of the Department of Trade and Industry (DTI).

The P3 Program aims to encourage micro enterprises to avoid informal sources of lending by making financing more accessible and providing them loans with lower interest rates and without collateral

requirement. The demand and need for the P3 Program can be inferred from the utilization of the credit line from the P3 Fund. As of May 2019, SB Corp. has approved PhP3.249 Billion in credit lines of which PhP 2.448 Billion have been released to P3 partner financial institutions

This bill proposes to institutionalize the P3 Program of the SB Corp. to provide micro enterprises a cheaper source of financing thereby addressing the financing concerns of micro entrepreneurs throughout the country, especially those in the poorest provinces.

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


AQUILINO "KOKO" PIMENTEL III



Introduced by Senator Aquilino “Koko” Pimentel III

AN ACT PROVIDING A SOCIALIZED MICROFINANCING
PROGRAM FOR MICRO ENTERPRISES THEREBY
PROMOTING ENTREPRENEURSHIP

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 “*Pondo sa*
2 *Pagbabago at Pag-asenso*” or the “*P3 Act*”.

3
4 **SEC. 2. Declaration of Policy.** – It is a declared policy of the State
5 to foster national development, promote inclusive growth, and reduce
6 poverty by promoting the growth of micro enterprises that facilitate local
7 job creation, production, and trade in the country. Towards this end, the
8 State shall develop policies, plans and programs, and initiate means to
9 encourage entrepreneurial activities, and to ease the constraints and
10 challenges to micro enterprises, particularly on access to financing.

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

- 13
14 (a) To provide an affordable, accessible, and simple micro
15 financing program for the country’s micro enterprises,
16 especially those in the poorest populations;
17
18 (b) To provide a better alternative to the informal lenders or the
19 so-called “5-6” money lending system availed of by micro
20 enterprises; and
21

- 1 (c) To bring down the interest rate at which micro finance is made
2 available to micro enterprises.
3

4 **SEC. 4.** *Creation of the Pondo sa Pagbabago at Pag-asenso (P3).*—

5 There is hereby created the Pondo sa Pagbabago at Pag-asenso Fund,
6 hereinafter referred to as the “P3 Fund”, which shall be made available to
7 qualified micro enterprises under such terms and conditions that will meet
8 the purposes of this Act.
9

10 The beneficiaries of the P3 Fund shall be micro enterprises, as
11 defined under Republic Act No. 6977, as amended, or the “Magna Carta
12 for Micro, Small and Medium Enterprises (MSMEs).”
13

14 The P3 Fund shall be primarily accessible through accredited
15 partner financial institutions (PFIs) such as rural banks, cooperatives with
16 license to lend, micro financing institutions, or lending companies duly
17 licensed by the Bangko Sentral ng Pilipinas (BSP), Cooperative
18 Development Authority (CDA), or the Securities and Exchange
19 Commission (SEC).
20

21 **SEC. 5.** *Lead Implementing Agency.* – The Small Business
22 Corporation (SB Corp.), the financing arm of the Department of Trade
23 and Industry (DTI), shall be the lead implementing agency for the P3
24 Fund. It shall handle the fund delivery to micro enterprises through the
25 following modes:
26

27 (a) Direct lending; and
28

29 (b) Lending through accredited PFIs.
30

31 To support administrative and operating expenses of the SB Corp.,
32 an amount not more than five percent (5%) of the total loans disbursed
33 shall be provided annually to the SB Corp., to be sourced from the
34 additional annual allocation under the General Appropriations Act
35 (GAA).
36

37 **SEC. 6.** *Features of the P3 Fund.* – The P3 Fund shall have the
38 following features:
39

- 40 (a) The interest rate to be imposed on the loan availed of by the
41 P3 Fund beneficiaries shall not exceed 2.5% per month;
42 *Provided*, that after three (3) years from the effectivity of this
43 Act, a higher ceiling may be allowed up to 3% per month,

1 subject to the review of the Micro, Small and Medium
2 Enterprise Development (MSMED) Council;

3
4 (b) The interest earnings shall accrue to the P3 Fund;

5
6 (c) There shall be no collateral requirement from the P3 Fund loan
7 beneficiaries; and

8
9 (d) The loanable amount for individual loans shall be set and
10 regularly reviewed by the MSMED Council.

11
12 **SEC.7. *Policy Oversight Function.*** – The MSMED Council shall
13 monitor the utilization and disbursements of the P3 Fund. It shall submit
14 to the President of the Philippines and to Congress, through the
15 Congressional Oversight Committee on Micro, Small and Medium
16 Enterprise Development (COC-MSMED), a yearly report on the status of
17 the P3 Fund.

18
19 **SEC. 8. *Appropriations.*** – The amount necessary to carry out the
20 provisions of this Act shall be charged against the appropriations released
21 for the purpose under the GAA for the SB Corp. Thereafter, such sums as
22 may be necessary for the continued implementation of this Act shall be
23 included in the annual GAA.

24
25 **SEC. 9. *Implementing Rules and Regulations.*** – Within sixty (60)
26 days from the approval of this Act, the DTI shall formulate and
27 promulgate the necessary rules and regulations to implement the
28 provisions of this Act. The implementing rules and regulations issued
29 pursuant to this section shall take effect thirty (30) days after its
30 publication in at least two (2) newspapers of general circulation.

31
32 **SEC. 10. *Separability Clause.*** – If any part or section of this Act is
33 declared unconstitutional, such declaration shall not affect in any manner
34 the other parts or sections hereof.

35
36 **SEC. 11. *Repealing Clause.*** – All laws, decrees, proclamations,
37 issuances, or ordinances that are contrary to or inconsistent with the
38 provisions of this Act are hereby amended, repealed, or modified
39 accordingly.
40

1 **SEC. 12. Effectivity.** – This Act shall take effect fifteen (15) days
2 after its publication in the Official Gazette or in any newspaper of general
3 circulation.

4 *Approved,*