

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



Senate  
Office of the Secretary

20 APR 16 A8:45

**SENATE**

**S. No. 1421**

RECEIVED BY: \_\_\_\_\_

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**Introduced by SENATOR RAMON BONG REVILLA, JR.**

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**AN ACT  
INSTITUTIONALIZING MICROFINANCE PROGRAMS AND ACCESS TO  
CAPITAL TO SUPPORT AND GROW MICRO, SMALL, AND MEDIUM  
ENTERPRISES (MSMEs), ALLOCATING FUNDS THEREFOR, AND FOR OTHER  
PURPOSES**

**EXPLANATORY NOTE**

Article II Section 20 of the Constitution states that, "The State recognizes the indispensable role of the private sector, encourages private enterprise, and provides incentives to needed investments."

According to the Philippine Statistics Authority (PSA), there is a total of 1,003,111 business enterprises operating in the country as reported in the 2018 List of Establishments. Of this number, 998,342 or 99.52% are Medium, Small and Micro Enterprises (MSMEs) – 887,272 or 88.45% are micro enterprises; 106,175 or 10.58% are small enterprises; and 4,895 or 0.49% are medium enterprises. They generated a total of 5,714,263 jobs or 63.19% of the country's total employment.

These MSMEs are concentrated in the National Capital Region (NCR), both in terms of number of establishments and job generation. The said List reveals that there are 203,312 establishments or 20.36% of the total number of MSMEs in NCR, generating 1,621,685 jobs.

The government has long recognized the essential contribution of MSMEs in our economy. Several laws, issuances, programs and projects were implemented to support their sustainability and growth. In 2002, Republic Act No. 9178 or the "Barangay Micro Business Enterprises (BMBEs) Act of 2002" was enacted. In 2008, Republic Act No. 9501 otherwise known as the "Magna Carta for Micro, Small and Medium Enterprises" amended previous laws to make business environment conducive for MSMEs and to develop entrepreneurial spirit among our countrymen. The most recent legislation is Republic Act No. 10644 entitled, "An Act Promoting Job Generation and Inclusive Growth Through the Development of Micro, Small and Medium Enterprises", otherwise known as the "Go Negosyo Act" which was enacted in 2014. Among others, RA 10644 established of Negosyo Centers in all provinces, cities and municipalities nationwide and established a Start-up Fund for MSMEs to be sourced from the MSME Development Fund and BMBE Fund.

However, as acknowledged by the World Bank's Finance, Competitiveness and Innovation Global Practice, in its paper published in 2019 entitled, "Philippines: Assessing the Effectiveness of MSME and Entrepreneurship Support", the potential for significant improvement of the MSMEs remains. They are considered as "bedrock of the private sector and innovation in the Philippines" and important contributor to the country's economic development but there are multiple constraints that hinder their productivity. Among the recommendations of the World Bank are remedial measures that include a "combination of policy reforms and strengthening of programs for private sector to improve the operating environment of the firms and within-firm performance, as well as entry of new firms."

The onset of COVID-19 pandemic in 2020 struck a big blow to the MSMEs in the country. Preventive measures, particularly the Enhanced Community Quarantine (ECQ) forced these MSMEs to temporarily close or to completely shut down operations. Such occurrence negatively affected both business owners and workers. Given the fact that majority of MSMEs are in the NCR which is included in the ECQ, its effect to the national economy is undeniably significant. It is, therefore,

imperative that in the recovery from the pandemic, priority should be given to them to be able to pump prime the economy once more.

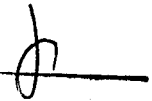
This legislative measure seeks to further strengthen MSMEs by institutionalizing microfinance programs through "Puhunan, Tulungan and Kaunlaran" (PTK). Among others, it proposes the establishment of PTK Five-Star Program to "protect the capital of small proprietors, ensure the success of their MSMEs, and transform these MSMEs into five-star business by providing them with assistance and the necessary resources in order to help their businesses flourish." It also seeks to provide PTK Loan Program which will cater exclusively to micro-enterprises in need of capital. The government will provide a funding of Twenty Five Billion Pesos (P25,000,000,000.00) per year for the next five (5) years upon implementation of this Act.

In view of the foregoing, the immediate passage of this bill is highly recommended.

  
**RAMON BONG REVILLA, JR.**

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

1 Section 1. *Short Title.* - This Act shall be known as the "*Puhunan, Tulungan,*  
2 *Kaunlaran (PTK) Act of 2020*".

3 Sec. 2. *Declaration of Policy.* - It shall be the policy of the State to promote  
4 genuine inclusive growth and alleviate poverty.

5 It is likewise the policy of the State to promote a just and dynamic social  
6 order that shall ensure prosperity, promote full employment, a rising standard of  
7 living and an improved quality of life for all. In pursuit of this, the State shall  
8 endeavour to develop a program that will ensure that all of its citizens are equipped  
9 with or can readily access the necessary capital to pursue opportunities and uplift  
10 their lives.

11 The 1987 Constitution provides that all sectors of the economy and all regions  
12 of the country shall be given optimum opportunity to develop. Private enterprises,  
13 including corporations, cooperatives, and similar collective organizations, shall be  
14 encouraged to broaden the base of their ownership.

15 Access to finance and technical support shall be the core policy of this Act.  
16 To operationalize this policy, it shall be ensured that: (a) the process for obtaining

1 micro-financing, grants and technical support in the Philippines shall be simple and  
2 practical; (b) the loan proceeds shall be exclusively used for capital; and (c) interests  
3 shall not be unconscionable and not higher than prevailing bank rates.

4       **Sec. 3. *PTK Five-Star Program.*** – The Department of Trade and Industry  
5 (DTI), in coordination with the Department of Interior and Local Government (DILG),  
6 Department of Agriculture (DA), Department of Science and Technology (DOST),  
7 Department of Tourism (DOT), National Economic and Development Authority  
8 (NEDA), and the Technical Education and Skills Development Authority (TESDA) shall  
9 develop a comprehensive program for the development of micro, small and medium  
10 enterprises (MSMEs) in all regions of the country. The goal of the program is to  
11 protect the capital of small proprietors, ensure the success of their MSMEs, and  
12 transform these MSMEs into five-star business by providing them with assistance  
13 and the necessary resources in order to help their businesses flourish.

14       The DTI shall be guided by the following principles in the development of the  
15 PTK Five-Star Program:

- 16       (a) The Program shall be national in scope but shall be tailored to fit the  
17       business environment, market demands and available resources of  
18       each administrative region;
- 19       (b) The DTI shall create a registry for all MSMEs per region based on their  
20       size category (i.e. micro, small or medium) and business area (i.e.  
21       agriculture, livestock, fisheries, food processing, fabric and clothing,  
22       eco-tourism activities, pottery and handicrafts, furniture and hardwood,  
23       information and technology, etc.)
- 24       (c) Each region shall choose a maximum of five (5) priority business areas  
25       to develop in order to reap the benefits of efficiency and specialization;
- 26       (d) As much as possible, each region shall be encouraged to choose a  
27       diversified priority business portfolio in order to hedge for risks brought  
28       about by natural calamities and changing market demands;
- 29       (e) To facilitate the implementation of this Act, each region shall establish  
30       a proprietor’s guild for each of their priority business areas;
- 31       (f) Free technical and administrative support, including, but not limited to,  
32       product development, skills and leadership training, packaging and

1 design, quality control, market promotion, client or supplier matching,  
2 and financial literacy and planning, shall be made available to MSMEs  
3 falling under the five (5) priority business areas in their respective  
4 regions;

5 (g) Every year, the five (5) top-performing enterprises per size and  
6 category in each region shall receive a Five-Star award and shall be  
7 eligible for grants, not less than ten percent (10%) of their current  
8 capital, to be used solely for further business capitalization;

9 (h) Every medium-sized enterprise that evolves into a large enterprise  
10 through the help of the PTK Five-Star Program shall likewise be eligible  
11 for a one-time grant of Twenty Five Thousand Pesos (P25,000.00) to  
12 be used solely for further business capitalization;

13 (i) There shall be a mandatory review of the PTK Five-Star program every  
14 three (3) years in order to ensure that the program meets the present  
15 market demands.

16 Sec. 4. *PTK Loan Program.* – In addition to the PTK Five-Star Program, the  
17 DTI, in consultation with the National Anti-Poverty Commission (NAPC) and the  
18 *Bangko Sentral ng Pilipinas* (BSP) shall develop a loan program catering exclusively  
19 to micro-enterprises in need of capital, whether or not they fall under the priority  
20 business areas of their respective regions.

21 The DTI shall be guided by the following principles in the development of the  
22 loan program:

23 (a) The loans shall be extended only to borrowers who have satisfied the  
24 requirements under this Act;

25 (b) Each loan shall not exceed Ten Thousand Pesos (P10,000.00) for first  
26 time borrowers; Thirty Thousand Pesos (P30,000.00) for second time  
27 borrowers; and Two Hundred and Fifty Thousand (P250,000.00) for  
28 those borrowing for a third time or oftener: *Provided,* That the latter  
29 shall be borrowers in good standing. The DTI is hereby authorized to  
30 amend these amounts, after the mandatory review provided in this Act,  
31 in order to meet present market demands;

32 (c) Collateral shall not be required from borrowers;

- 1 (d) Loan proceeds shall be exclusively used for capital;
- 2 (e) The period for repayment shall be mutually agreed upon by the  
3 borrower and the lender: *Provided*, That such repayment period shall  
4 be at least three (3) months for a first time borrower; at least six (6)  
5 months for a second time borrower; and at least one (1) year for those  
6 borrowing for a third time or more oftener
- 7 (f) Delivery of the program shall be through partner lenders which are  
8 cooperatives and/or associations that are registered with the  
9 Cooperative Development Authority (CDA), or the Securities and  
10 Exchange Commission (SEC), and the DTI. In the absence of such  
11 participating partner lenders in the area, government institutions,  
12 centers or facilities, now existing or may be created by law, which are  
13 dedicated to the promotion of inclusive growth and anti-poverty  
14 objectives, are mandated to implement the program;
- 15 (g) The lenders shall have a collection mechanism, whereby payments are  
16 made on a weekly or a monthly basis. It shall be the duty of the  
17 lender to collect the loan principal, together with the interest, from the  
18 borrower;
- 19 (h) Government lenders shall not profit from the microfinance program.  
20 Neither shall they be entitled to interest proceeds, the amounts of  
21 which shall be devoted to a fund for the development of MSMEs.  
22 Participating partner lenders shall be entitled to a reasonable amount  
23 of the proceeds of the interest collected by them, as may be  
24 determined in rules and regulations promulgated in implementation of  
25 this Act;
- 26 (i) Priority shall be given to MSMEs falling under the priority business  
27 areas of their respective regions and to MSMEs with innovative  
28 businesses; and,
- 29 (j) There shall be a mandatory review of the loan program every three (3)  
30 years in order to ensure that the loan program meets the present  
31 market demands.

1 In the pursuit of inclusive growth and poverty alleviation, pertinent rules and  
2 regulations promulgated in the implementation of this Act shall provide for the  
3 details, conditionalities, and other schemes in the operationalization of the program,  
4 such as, but not limited to, penalty rates upon default and the dispensation of the  
5 proceeds from the loan program.

6 *Sec. 5. Eligibility for Loan Program.* – To qualify for the loan program under  
7 this Act, the borrower must be:

8 (a) At least eighteen (18) years of age;

9 (b) A member in good standing of the duly-registered cooperative or  
10 association, or a resident of the local government unit (LGU), from  
11 which he/she intends to avail of the loan;

12 (c) Willing to state under oath the facts establishing the foregoing;

13 (d) Comprehensive feasibility study of the business proposal; and,

14 (e) Has attended a DTI-accredited livelihood seminar, as evidenced by a  
15 certificate of participation, and possess credit-worthiness, as likewise  
16 proven by a certificate issued by the DTI for that purpose.

17 *Sec. 6. Registration of Cooperatives and Associations.* – The DTI shall keep a  
18 registry of all participating cooperatives and associations for monitoring and record-  
19 keeping purposes. Cooperatives and associations which are eligible to participate in  
20 Programs provided for in this Act must register to be included in the database.

21 *Sec. 7. Local Government Unit Participation.* – Any law, executive order,  
22 department order, ordinance and the like, to the contrary notwithstanding, local  
23 government units, through the local sanggunian, as defined in the 1991 Local  
24 Government Code, are hereby authorized to provide a loan program in cooperation  
25 with the cooperatives/associations, non-governmental organizations, and people's  
26 organizations that are lending assistance to MSMEs within their jurisdiction.

27 *Provided,* That in cities or municipalities where there are no such  
28 cooperatives/associations, the local government (LGU) unit shall, within one year  
29 from the effectivity of this Act, require the municipal/city social welfare and  
30 development office or the local trade and industry office or livelihood development  
31 office in the city or municipal government concerned, to develop and implement a



1 loan program consistent with the provision of this Act, under the supervision of the  
2 DTI.

3 *Provided, further,* That each participating LGU must prepare a comprehensive  
4 feasibility study for the development of a loan program. Each LGU must fund, from  
5 its internal revenue allotment, at least Five Million Pesos (P5,000,000.00), where  
6 possible and practicable, or thirty percent (30%) of the total funding cost related to  
7 small business improvement, agricultural improvement, institutional advancement  
8 and consumer protection, whichever is higher. Likewise, for this purpose, the LGU  
9 shall maintain a separate and dedicated office which shall be responsible for the  
10 over-all implementation of the program in the locality.

11 **Sec. 8. *Matching Fund.*** – Participating cooperatives or association, and LGUs  
12 with loan programs are hereby authorizes to accept donations from the private  
13 sector in order to augment the available funds for the loan program.

14 In order to promote private sector participation in promoting inclusive growth  
15 and government poverty alleviation efforts, donations for purposes of this Act from  
16 the private sector to an LGU shall be matched with a corresponding amount by the  
17 recipient LGU: *Provided,* That donations of more than Five Million Pesos  
18 (P5,000,000.00) shall be matched by the national government for the LGU. In any  
19 case, should the LGU concerned be financially incapable of matching a donation, the  
20 national government shall augment the internal revenue allotment of such LGU for  
21 this purpose.

22 **Sec. 9. *Incentives for Private Support.*** – Any person or corporate entity may  
23 donate funds, equipment, materials or services for the improvement of the PTK Five-  
24 Star and/or PTK loan program. Such donations shall be done through a  
25 memorandum of agreement between the cooperative or association, LGU, and the  
26 donor. The agreement shall expressly state the value of the donated funds,  
27 materials, or services.

28 All income, legacies, gifts, and donations for the benefit of the program shall  
29 be exempt from the payment of all forms of taxes, fees, assessments, and other  
30 charges of the government, its branches, and subdivisions. Subject to the issuances  
31 of the appropriate revenue regulations by the Bureau of Internal Revenue, the value

1 of the donation shall also be deductible as an expense in the determination of the  
2 taxable income of any donor.

3       Sec. 10. *Funding.* – The total amount of One Hundred Twenty Five Billion  
4 Pesos (P125,000,000,000.00) for the next five (5) years upon the implementation of  
5 this Act or Twenty Five Billion Pesos (P25,000,000,000.00) per year for the next five  
6 (5) years upon implementation of this Act, shall be appropriated for the initial  
7 implementation of the PTK Five-Star Program and the PTK Loan Program. Said  
8 amount shall at all times be divided equitably among each administrative region of  
9 the country. Thereafter, such sums as may be necessary shall be included in the  
10 General Appropriations Act.

11       In addition, the amount of Five Hundred Million Pesos (P500,000,000.00) is  
12 hereby appropriated as a Special Development Fund to generally support the initial  
13 implementation of this Act.

14       The funds shall be held in trust by the DTI in collaboration with the  
15 Development Bank of the Philippines (DBP), Land Bank of the Philippines (LBP) and  
16 other government financial institutions. The DTI may likewise allocate a portion of  
17 the funds to be allocated to the PDTF shall be used solely for microfinance-related  
18 organizing activities.

19       Sec. 11. *Primary Implementing Government Agency.* – The DTI shall be the  
20 lead agency, which shall ensure the implementation of this Act.

21       Sec. 12. *Role of Government Financial Institutions.* – All government financial  
22 institutions (GFIs) shall set aside funding for microfinance operations to complement  
23 the purposes of this Act. Participating government financial institutions shall include  
24 the DBP, LBP, and other GFIs.

25       Sec. 13. *PTK Task Force.* – There shall be a PTK Task Force in charge of  
26 coordinating with banks and financial institutions on their existing programs on  
27 microfinancing. This shall be consolidated and submitted to DTI to be taken into  
28 consideration for the PTK Loan Program.

29       Sec. 14. *Reports.* – The DTI Secretary shall submit to the President of the  
30 Philippines, the President of the Senate and the Speaker of the House of  
31 Representatives, an annual accomplishment report on projects covered in this Act,  
32 detailing the amount of appropriations released by end of the calendar year, the

1 extent of the work accomplished, further work to be done, and any  
2 recommendations for additional appropriations or charges thereof.

3       Sec. 15. *Full Financial Disclosure, Accountability, and Transparency.* – The  
4 DTI, as lead agency of the program, and the LGU concerned shall quarterly publish,  
5 print, and disseminate at no cost to the public and in an accessible form, in  
6 conjunction with Republic Act No. 9485, otherwise known as the “Anti-Red Tape Act  
7 of 2007”, and through their website, timely, true, accurate and updated key  
8 information relating to the program. Likewise, they shall endeavour to translate key  
9 information and present them in popular form and means.

10       Sec. 16. *Implementing Rules and Regulations.* – The DTI, in consultation  
11 with relevant government agencies, shall prepare such rules and regulations for the  
12 proper and effective implementation of this Act, within sixty (60) days from the date  
13 of its publication. The DTI shall publish such rules and regulations once a week for  
14 two (2) consecutive weeks in two (2) newspapers of general circulation.

15       Sec. 17. *Separability Clause.* – If any provision or part hereof is held invalid  
16 or unconstitutional, the remainder of the law or the provision or part not otherwise  
17 affected shall remain valid and subsisting.

18       Sec. 18. *Repealing Clause.* – Any law, presidential decree or issuance,  
19 executive order, letter of instruction, administrative order, rule, or regulation  
20 contrary to or inconsistent with the provisions of this Act are hereby repealed,  
21 modified, or amended accordingly.

22       Sec. 19. *Effectivity.* – This Act shall take effect fifteen (15) days after its  
23 publication in the *Official Gazette* or in a newspaper of general circulation.

24

25       *Approved,*