



HOUSE OF REPRESENTATIVES

H. No. 4688

BY REPRESENTATIVES GONZALES (N.), ROMUALDEZ, CASIÑO, HARESCO,
AGLIPAY, PICHAY, HERRERA-DY, APACIBLE, SYJUCO, CO, BATOCABE,
GARBIN, BERNOS, RODRIGUEZ (R.) AND BRAWNER BAGUILAT, PER
COMMITTEE REPORT NO. 932

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
2 Development Institutions Act of 2011”.

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 families
5 shall be encouraged to undertake entrepreneurial activities to meet its
6 minimum basic needs including income security. In pursuance of this policy,
7 the government shall support and work in partnership with qualified
8 institutions in the private sector providing general and other entrepreneurial
9 services to the poor.

1 SEC. 3. *Definition of Terms.* – For purposes of implementing this Act,
2 the following definitions shall apply:

3 (a) *MICRODEV Accreditation Center* refers to the entity created under
4 Section 7 of this Act.

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

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

16 (d) *Net Worth* refers to the difference between total assets and total
17 liabilities of an entity.

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

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

26 (g) *Social Reform* refers to the continuing process of addressing the
27 basic inequities in Philippine society through a systematic, unified and
28 coordinated delivery of socioeconomic programs or packages.

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

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

20 (a) Provide the poor access to reasonable and affordable credit and
21 related services including microfinance, microinsurance, health care and
22 microhousing;

23 (b) Provide business development opportunities such as leadership
24 training and entrepreneurial skills training; and

25 (c) Provide human development services to help the poor achieve a
26 level of sustainability and empowerment and adopt measures to promote a
27 spirit of generosity and selfless giving among individuals and institutions that
28 would help support all programs directly involved in poverty eradication.

1 Any accredited MICRODEV shall not undertake deposit-taking
2 activities, engage in the insurance business and carry out fund management
3 activities without the necessary licenses and authority from the relevant
4 regulatory agencies.

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

10 SEC. 6. *Capital Requirements.* – A MICRODEV shall have a net
11 worth of Twenty million pesos (P20,000,000.00), or in the case of newly
12 organized MICRODEVs, an initial net worth of Ten million pesos
13 (P10,000,000.00).

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

- 18 (a) The President of the NAPC or designated representative;
- 19 (b) The Secretary of the DOF or designated representative;
- 20 (c) The Secretary of the Department of Trade and Industry (DTI) or
21 designated representative;
- 22 (d) The Governor of the Bangko Sentral ng Pilipinas (BSP) or
23 designated representative;
- 24 (e) The Chairperson of the SEC or designated representative; and
- 25 (f) The President of the Microfinance Council of the Philippines
26 (MFCP) or designated representative.

27 The MICRODEV Accreditation Center shall be assisted by a Secretariat
28 in the performance of its functions. Funding for its operation shall be sourced

1 from the two percent (2%) tax proceeds from MICRODEVs to be remitted to
2 the People's Development Trust Fund established under Republic Act
3 No. 8425, as provided for in subparagraph (a) of Section 10 of this Act.

4 *SEC. 8. Powers and Functions of the Accrediting Entity.* – The
5 MICRODEV Accreditation Center established under this Act shall have the
6 following functions and responsibilities:

7 (a) Institute and operationalize a system of accreditation for
8 MICRODEVs;

9 (b) Issue certificate of accreditation as a MICRODEV to a nonstock
10 and nonprofit corporation applicant: *Provided, That, the certificate of*
11 *accreditation shall be valid only for such period as may be prescribed under*
12 *the implementing rules and regulations of this Act: Provided, further, That no*
13 *application shall be processed for accreditation as a MICRODEV unless the*
14 *applicant enterprise secures a valid registration or license with the government*
15 *agency that exercises regulatory function over such corporation;*

16 (c) Monitor the performance of MICRODEVs to ensure compliance
17 with the provisions of this Act and its implementing rules and regulations;

18 (d) Suspend or revoke any certificate of accreditation upon
19 determination that a MICRODEV no longer meets the criteria for
20 accreditation;

21 (e) Require regular submission of reports by MICRODEVs;

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

25 (g) Submit an annual report to the President of the Philippines and the
26 concerned committees of both Houses of Congress; and

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

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

2 – The BSP and the Insurance Commission, in coordination with the
3 accrediting entities, shall have the power to examine the operations of
4 MICRODEVs, solely for the purpose of determining that MICRODEVs are not
5 engaged in unauthorized undertakings or activities which are subject to their
6 respective regulations.

7 SEC. 10. *Taxation of Accredited MICRODEVs.* – The taxation of
8 MICRODEVs shall be as follows:

9 (a) The MICRODEVs shall pay two percent (2%) of the gross income
10 in lieu of all national and local taxes which shall be remitted to the National
11 Government. The tax proceeds shall form part of the disbursable portion of
12 the People's Development Trust Fund established under Republic Act
13 No. 8425. The term "gross income" shall mean gross receipts less sales
14 returns, allowances, discounts and other costs of services. The term "cost of
15 services" shall mean all direct costs and expenses necessarily incurred to
16 provide the services required by the customers and clients including salaries
17 and employee benefits of personnel, consultants and specialists directly
18 rendering the service and cost of facilities directly utilized in providing the
19 service and cost of supplies. Interest expenses on borrowings for lending
20 services of a MICRODEV shall be deductible from gross receipts as part of
21 cost of services in arriving at gross income. The term gross income shall
22 exclude donations;

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

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

6 (d) Transactions of the MICRODEV and its clients shall be exempt
7 from documentary stamp tax.

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

13 SEC. 12. *Penalty Clause.* – If the BSP or the Insurance Commission
14 finds, pursuant to its power under Section 9 of this Act, MICRODEVs
15 engaging in unauthorized undertakings or activities, the BSP or the Insurance
16 Commission may impose administrative sanctions including, but not limited to,
17 issuance of an order requiring the MICRODEV and/or the directors and/or
18 officers concerned to cease and desist from the indicated practice or violation,
19 and may further order that immediate action be taken to correct the conditions
20 resulting from such violation. The cease and desist order shall be immediately
21 effective upon service of such order to the respondents.

22 Further, MICRODEVs and/or its directors and/or officers found to be
23 engaged in unauthorized undertakings and activities shall be subject to criminal
24 and administrative fines as provided for in Sections 36 and 37 of Republic Act
25 No. 7653 or the New Central Bank Act, and in case of unauthorized activities
26 regulated by the Insurance Commission, be liable under the applicable
27 insurance laws.

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

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

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

Approved,

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