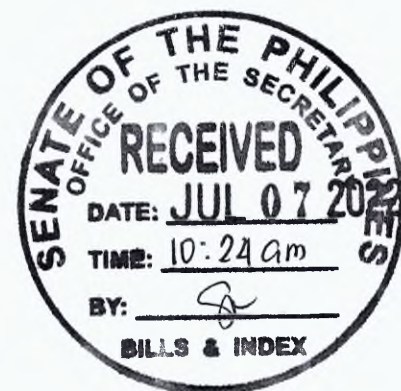


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S. B. No. 64

INTRODUCED BY SENATOR ALAN PETER “COMPAÑERO” S. CAYETANO

AN ACT
ESTABLISHING THE “MICRO-ENTERPRISE RECOVERY AS A CATALYST FOR
HEALING AND NATIONAL TRANSFORMATION” LOAN PROGRAM,
APPROPRIATING FUNDS THEREFOR, AND FOR OTHER PURPOSES

EXPLANATORY NOTE

Marinel Carta, a barbecue vendor and ukay-ukay seller, used to earn up to Php 500 a day prior to the Coronavirus Disease 2019 (COVID-19) pandemic and the lockdown measures imposed to prevent its spread. Her income had dipped to PhP 200 when the pandemic hit. However, using the cash assistance of Php 10,000 she received, she now earns the same daily income she used to make.

Similar to Marinel’s experience, many establishments including restaurants, personal care shops like parlors and salons, were thriving prior to the pandemic and the strict lockdowns. However, when the pandemic hit, these establishments experienced financial hardships, thus requiring help from the government.

Micro, Small, and Medium Enterprises (MSMEs), like Marinel’s small ukay-ukay, play a critical role in the Philippine economy because they comprise a majority of the businesses and generate most of the jobs in the country. The Philippine Statistics Authority (PSA) in 2020 recorded a total of 957,620 registered business enterprises operating in the Philippines. Of these, 952,969 (99.51%) are MSMEs and 4,651. Micro enterprises constitute 88.77% (850,127) of total MSME establishments, followed by small enterprises at 10.25% (98,126) and medium enterprises at 0.49% (4,716). Together, MSMEs generated a total of 5,380,815 jobs or 62.66% of the country’s total employment.¹

Yet, even prior to the COVID-19 pandemic, access of MSMEs to financing has been limited. The share of MSME loans in the total outstanding bank loans was only 6.1% in 2019. Bank loans to MSMEs accounted for only 3.2% of the Gross Domestic Product during the same period.² In 2017, the Department of Trade and Industry (DTI) estimated the informal lending market to be worth around Php 30 billion

¹ <https://www.dti.gov.ph/resources/msme-statistics/>

² <https://www.adb.org/sites/default/files/publication/677321/adbi-wp1216.pdf>

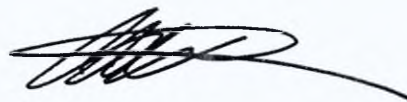
throughout the country.⁴ This is the market that we aim to assist in this proposed measure.

World Bank economists suggest that the impact of the restrictions necessitated to contain the spread of the COVID-19 pandemic have been more hardly felt among MSMEs owing to the type of economic activity they conduct, which often involve face-to-face interaction (*i.e.*, retail, accommodation and food services, tourism, manufacturing, and others). MSMEs, therefore, have been in dire need of working capital financing as businesses need to continue meeting their obligations, while revenues do not materialize.⁵ Data from the DTI showed that about 10% of MSMEs have closed as of June 2021.⁶

Accordingly, the government must pull out all the stops to support MSMEs, apart from what already are made available to them today. Apart from creating a favorable business environment and providing linkages to local and foreign markets, the government must ensure the financial inclusion of MSMEs.

The MERCHANT Loan Program provides low interest loans for businesses in operation for at least two (2) years prior to the declaration of a state of public health emergency that is payable in ten (10) years with one (1) year grace period from the date of the loan for the payment of first amortization which shall cater exclusively to MSMEs to reinvigorate the business environment, protect critical economic drivers, and regain the Philippine economic momentum in the near future.

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



ALAN PETER "COMPAÑERO" S. CAYETANO

⁴ <https://www.bworldonline.com/dti-sets-2022-target-for-eliminating-5-6-lending/>

⁵ <https://www.worldbank.org/en/news/opinion/2020/07/10/brazil-how-support-micro-small-medium-enterprises-overcome-covid-19-coronavirus-shock>

⁶ <https://www.philstar.com/headlines/2021/07/08/2110974/10-msmes-closed-june-dti>

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S.B. No. 64

INTRODUCED BY SENATOR ALAN PETER “COMPAÑERO” S. CAYETANO

AN ACT
ESTABLISHING THE “MICRO-ENTERPRISE RECOVERY AS A CATALYST FOR
HEALING AND NATIONAL TRANSFORMATION” LOAN PROGRAM,
APPROPRIATING FUNDS THEREFOR, AND FOR OTHER PURPOSES

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

1 **SECTION 1. Short Title.** – This Act shall be known as the “*MERCHANT Loan*
2 *Program Act.*”
3

4 **SECTION 2. Declaration of Policy.** – Section 20, Article II of the 1987
5 Constitution provides that the “State recognizes the indispensable role of the private
6 sector, encourages private enterprise, and provides incentives to needed
7 investments.” It is furthermore the state policy to promote, support, strengthen and
8 encourage the growth and development of Micro, Small and Medium Enterprises
9 (MSMEs) in all productive sectors of the economy, as well as to reinvigorate the
10 business environment, protect critical economic drivers, and regain the Philippine
11 economic momentum by giving MSMEs grants, cash aids, and loans.
12

13 Towards these ends, the government shall start a lending initiative to help
14 MSMEs recover from the economic impacts of the Coronavirus Disease 2019 (COVID-
15 19) pandemic, with the following fundamental policies in mind:
16

- 17 a) The interest rates shall be reasonable and minimal;
18 b) MSMEs shall be given sufficient time to repay the loans;
19 c) The process for obtaining the loan shall be simple and straightforward;
20 and,
21 d) This program shall complement other programs, activities, and projects
22 intended to assist MSMEs in the country.
23

24 **SECTION 3. MERCHANT Loan Program.** – There shall be established the
25 “Micro-Enterprise Recovery as a Catalyst for Healing and National Transformation”
26 (“MERCHANT”) Loan Program that shall cater exclusively to MSMEs. The program
27 shall be implemented by the Small Business Corp., the Government Service Insurance
28 System (GSIS), Social Security System (SSS), and the Land Bank of the Philippines
29 (LBP). The implementation of the MERCHANT Loan Program shall be guided by the
30 following principles:

- 1 a) MSMEs in operation for at least two (2) years prior to the declaration of
2 a state of public health emergency on 08 March 2020 may obtain a loan
3 in the amount of up to Ten Million Pesos (Php 10,000,000.00) per MSME;
4 b) MSMEs in operation for at least one (1) year but less than two (2) years
5 prior to the declaration of a state of public health emergency on 08
6 March 2020 may obtain a loan in the amount of less than Five Hundred
7 Thousand Pesos (Php 500,000.00);
8 c) No collateral shall be required from borrowers;
9 d) The loan shall be payable in ten (10) years. There shall be a grace period
10 of one (1) year from the date of the loan for the payment of first
11 amortization. The loan shall not require repayment during the grace
12 period, or charge interest on the principal amount before or during the
13 grace period;
14 e) The interest shall in no case be higher than one percent (1%) per month;
15 f) The program shall be implemented by the Small Business Corp., the
16 Government Service Insurance System (GSIS), Social Security System
17 (SSS), and the Land Bank of the Philippines (LBP) with the funds
18 appropriated by the National Government for the program.
19 g) The government shall not profit from the MERCHANT LOAN program
20 nor shall it be entitled to interest proceeds, the amounts of which shall
21 be devoted to a fund for the development of MSMEs, as may be
22 determined in rules and regulations promulgated in implementation of
23 this Act;
24 h) Local Government Units may partner with the SBCorp., GSIS, SSS, and
25 LBP for the efficient implementation of this Act.
26

27 **SECTION 4. Eligibility.** - To qualify for the loan program under this Act, the
28 borrower MSME must be:

- 29 1) registered with the Department of Trade and Industry or Securities and
30 Exchange Commission, whichever is applicable;
31 2) able to prove its credit-worthiness in accordance with the rules and
32 regulations promulgated in accordance with this Act.
33

34 **SECTION 5. Mandatory review.** - There shall be a mandatory review of the
35 MERCHANT Loan program every three (3) years in order to ensure that the program
36 meets the prevailing needs and demands of the MSME sector.
37

38 **SECTION 6. Funding.** - The total amount of One Hundred Twenty Five Billion
39 (Php 125,000,000,000.00) for the next five (5) years, or Twenty Five Billion Pesos
40 (Php 25,000,000,000.00) per year for the next five (5) years, upon the
41 implementation of this Act, shall be appropriated for the initial implementation of the
42 MERCHANT Loan Program. Thereafter, such sums as may be necessary shall be
43 included in the General Appropriations Act.
44

45 The implementing agencies shall utilize their collections of principal amounts
46 and interest from loans during the first five (5) years of the implementation of this
47 Act for the next five (5) years from such period.
48

49 **SECTION 7. Implementing Rules and Regulations.** - The Land Bank of the
50 Philippines, in consultation with business associations and stakeholders shall, within

1 sixty (60) days from the effectivity of this Act, prepare the Implementing Rules and
2 Regulations to carry out the provisions of this Act.
3

4 **SECTION 8. Annual Reports.** – The Land Bank of the Philippines shall submit
5 to the President of the Philippines, the President of the Senate, and the Speaker of the
6 House of Representatives, an annual accomplishment report on the MERCHANT Loan
7 program, detailing the amount of appropriations released, the number of MSME
8 borrowers, and other relevant data by end of the calendar year.
9

10 **SECTION 9. Separability Clause.** – If any part or provision of this Act is
11 declared invalid or unconstitutional, the other parts hereof not affected thereby shall
12 remain valid.
13

14 **SECTION 10. Repealing Clause.** – All laws, acts, presidential decrees,
15 executive orders, administrative orders, and rules and regulations inconsistent with
16 or contrary to the provisions of this Act are deemed amended, modified or repealed
17 accordingly.
18

19 **SECTION 11. Effectivity.** – This Act shall take effect fifteen (15) days after its
20 publication in the Official Gazette or in a newspaper of general circulation.

Approved,