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S. B. No. 65

INTRODUCED BY SENATOR ALAN PETER "COMPAÑERO" S. CAYETANO

AN ACT
INSTITUTIONALIZING MICROFINANCE PROGRAMS AND ACCESS TO CAPITAL TO
SUPPORT AND GROW MICRO ENTERPRISES, APPROPRIATING FUNDS
THEREFOR, AND FOR OTHER PURPOSES

EXPLANATORY NOTE

"If you are faithful in little things, you will be faithful in large ones..."

Luke 16:10 (NLT)

Many Filipinos have the talent, skill, drive, and perseverance to run a good business. However, the lack of access to capital and affordable financing limits their opportunity to start their own business, and the same impediment hinder those who currently have businesses to expand.

Ka Santi is a new landowner under the Comprehensive Agrarian Reform Program (CARP). After several years of struggle, he and the members of his organization finally received their Certificate of Land Ownership Awards (CLOA). They were at first elated by the victory, but disconcerted to find out that the support services provided by the government were insufficient to make the land productive. They needed cash to buy farm implements and seeds. Local loan sharks, smelling an opportunity, descended into the village offering easy cash loans to the farmers at very high interest rates. They required the farmers to give their titles as collateral, a practice considered illegal under the law but widely done under-the-table in rural areas of the country. Struggling with the onerous repayment scheme of the loan sharks and encountering a major setback when one of his daughters fell ill, Ka Santi defaulted on his payment. Immediately, the loan shark pounced on him and took over control and cultivation of the land.

Aling Connie is a *carinderia* owner in one of the back alleys of downtown Manila, at the heart of the university belt. Her very affordable yet filling meals were the main draw of her nondescript eatery, and students were her main clientele. One day, however, a convenience store chain opened a branch right across her *carinderia*, its neon lights enticing students to try hot meals in an air-conditioned atmosphere. The decrease in client base, coupled with the fact that 1/3 of daily profits of her *carinderia* are surrendered to a motorcycle-riding collector at the end of the day, was

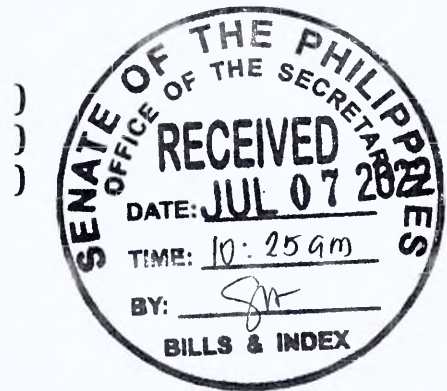
program with a simplified process that can provide members of the working class in need of capital with sufficient funds to start their own businesses.

This is one program inspired and adopted by MSME programs by our neighboring Southeast Asian countries. The proposed measure further creates a comprehensive development and assistance program for MSMEs, which is national in scope but tailored fit for each administrative region. The goal of the program is to give access to capital to small proprietors, ensure the success of their MSMEs, and transform these MSMEs into five-star businesses by providing them with assistance and the necessary resources in order to help their businesses flourish. *Puhunan Tungo sa Kaunlaran (PTK)* Act embodies the Filipino *Bayanihan* spirit and sense of community where every Filipino would lend a hand to help each other out. Thus, collectively progressing economically.

In view of the foregoing, approval of this bill is strongly recommended.



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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 “*Puhunan Tungo sa*
2 *Kaunlaran (PTK) Act.*”
3

4 **SECTION 2. Declaration of Policy.** – It shall be the policy of the State to
5 promote genuine inclusive growth and alleviate poverty. It is likewise the policy of the
6 State to promote a just and dynamic social order that shall ensure prosperity, promote
7 full employment, a rising standard of living and an improved quality of life for all. In
8 pursuit of this, the State shall endeavor to develop a program that will ensure that all
9 of its citizens are equipped with or can readily access the necessary capital to pursue
10 opportunities and uplift their lives.
11

12 All sectors of the economy and all regions of the country shall be given optimum
13 opportunity to develop. The development of Micro, Small, and Medium Enterprises
14 (MSMEs) in all productive sectors of the economy—private enterprises, including
15 corporations, cooperatives, and similar collective organizations—shall be encouraged
16 to create livelihood for Filipinos and create a broader tax base. Disadvantaged sectors
17 of the society and economy, such as public market vendors and owners of micro-
18 enterprises, shall be priority targets of government assistance.
19

20 **SECTION 3. PTK Five-Star Program.** – The Department of Trade and Industry
21 (DTI), in coordination with the Department of Interior and Local Government (DILG),
22 Department of Agriculture (DA), Department of Science and Technology (DOST),
23 Department of Tourism (DOT), National Economic and Development Authority
24 (NEDA), and the Technical Education and Skills Development Authority (TESDA),
25 shall develop a comprehensive program for the development of micro, small and
26 medium enterprises (MSMEs) in all regions of the country. The goal of the program is
27 to give access to capital to small proprietors, ensure the success of their MSMEs, and
28 transform these MSMEs into five-star businesses by providing them with assistance
29 and the necessary resources in order to help their businesses flourish.

1
2 The DTI shall be guided by the following principles in the development of the
3 PTK Five-Star Program:
4

- 5 a. The Program shall be national in scope but shall be tailored fit to the
6 business environment, market demands and available resources of each
7 administrative region;
8
- 9 b. The DTI shall create a registry of all MSMEs per region based on their size
10 category (*i.e.*, micro, small or medium) and business area (*i.e.*, agriculture,
11 livestock, fisheries, food processing, fabric and clothing, eco-tourism
12 activities, pottery and handicrafts, furnitures and hardwood, information
13 and technology, etc.);
14
- 15 c. Each region shall choose a maximum of five (5) priority business areas to
16 develop in order to reap the benefits of efficiency and specialization;
17
- 18 d. As much as possible, each region shall be encouraged to choose a diversified
19 priority business portfolio in order to hedge for risks brought about by
20 natural calamities and changing market demands;
21
- 22 e. To facilitate the implementation of this Act, each region shall establish a
23 proprietor's guild for each of their priority business areas;
24
- 25 f. Free technical and administrative support, including, but not limited to,
26 product development, skills and leadership training, packaging and design,
27 quality control, market promotion, client or supplier matching, and
28 financial literacy and planning, shall be made available to MSMEs falling
29 under the five (5) priority business areas in their respective regions;
30
- 31 g. Every year, the five (5) top-performing enterprises per size and category in
32 each region shall receive a Five-Star award and shall be eligible for grants,
33 not less than ten percent (10%) of their current capital, to be used solely for
34 further business capitalization;
35
- 36 h. Every medium-sized enterprise that evolves into a large enterprise through
37 the help of the PTK Five-Star Program shall likewise be eligible for a one-
38 time grant of Twenty-Five Thousand Pesos (Php 25,000) to be used solely
39 for further business capitalization; and
40
- 41 i. There shall be a mandatory review of the PTK Five-Star program every three
42 (3) years in order to ensure that the program meets the present market
43 demands.
44

45 **SECTION 4. PTK Assistance Program.** - In addition to the PTK Five-Star
46 Program, the DTI, in consultation with the National Anti-Poverty Commission (NAPC)
47 and the *Bangko Sentral ng Pilipinas* (BSP), shall develop a cash assistance program
48 catering exclusively to micro-enterprises in need of capital, whether or not they fall
49 under the priority business areas of their respective regions under the previous
50 section.
51

1 The DTI shall be guided by the following principles in the implementation of
2 the program:

- 3
- 4 a. The assistance shall be extended only to beneficiaries who have satisfied the
5 requirements under this Act;
- 6
- 7 b. Each cash assistance shall be from Five Thousand Pesos (Php 5,000) to Fifty
8 Thousand Pesos (Php 50,000), depending on the number of employees,
9 number of years in business, financial hardship, and such other criteria as
10 determined by the DTI. The DTI is hereby authorized to amend these
11 amounts, after the mandatory review provided in this Act, in order to meet
12 present market demands;
- 13
- 14 c. Priority shall be given to micro-enterprises falling under the priority
15 business areas of their respective regions, particularly the public market
16 vendors to strengthen their financial capabilities and improve public
17 services;
- 18
- 19 d. There shall be a mandatory review of the program every three (3) years in
20 order to ensure that the program meets the present market demands.
- 21

22 In the pursuit of inclusive growth and poverty alleviation, pertinent rules and
23 regulations promulgated in the implementation of this Act shall provide for the
24 details, conditionalities, and other schemes in the operationalization of the program,
25 such as, but not limited to, penalty rates upon default and the dispensation of the
26 proceeds from the program.

27

28 **SECTION 5. Eligibility for Financial Assistance Program.** – To qualify for the
29 program under this Act, the beneficiary must be:

30

- 31 a. At least eighteen (18) years of age;
- 32
- 33 b. Each natural person shall receive financial assistance under this Act only
34 once, notwithstanding the number of businesses owned;
- 35
- 36 c. A member in good standing of the duly-registered cooperative or
37 association, or a resident of the local government unit (LGU), from which
38 he/she intends to avail of the financial assistance;
- 39
- 40 d. Delivery of the program shall be through partner institutions which are
41 cooperatives and/or associations that are registered with the Cooperative
42 Development Authority (CDA), or the Securities and Exchange Commission
43 (SEC), and the DTI. In the absence of such participating partner institutions
44 in the area, government institutions, centers or facilities, now existing or
45 may be created by law, which are dedicated to the promotion of inclusive
46 growth and anti-poverty objectives, are mandated to implement the
47 program;
- 48
- 49 e. The partner institution shall have a mechanism, whereby cash assistance
50 are made on a weekly or monthly basis;
- 51

- 1 f. Willing to state under oath the facts establishing the foregoing;
2
3 g. Comprehensive feasibility study of the business proposal; and
4
5 e. Has attended a DTI-accredited livelihood seminar, as evidenced by a
6 certificate of participation, and possesses credit-worthiness, as likewise
7 proven by a certificate issued by the DTI for that purpose.
8

9 **SECTION 6. Registration of Cooperatives and Associations.** – The DTI shall
10 keep a registry of all participating cooperatives and associations for monitoring and
11 record keeping purposes. Cooperatives and associations which are eligible to
12 participate in programs provided for in this Act must register to be included in the
13 database.
14

15 **SECTION 7. Local Government Unit Participation.** – Local Government Units
16 may partner with the DTI for the efficient implementation of this Act.
17

18 Any law, executive order, department order, ordinance and the like, to the
19 contrary notwithstanding, local government units, through the local *sanggunian*, as
20 defined in the 1991 Local Government Code, are hereby authorized to provide a
21 financial assistance program in cooperation with the cooperatives/ associations, non-
22 governmental organizations, and peoples' organizations that are providing
23 assistance to MSMEs within their jurisdiction.
24

25 *Provided*, that in cities or municipalities where there are no such cooperatives/
26 associations, the local government unit shall, within one year from the effectivity of
27 this Act, require the municipal/city social welfare and development office or the local
28 trade and industry office or livelihood development office in the city or municipal
29 government concerned, to develop and implement a cash assistance program
30 consistent with the provisions of this Act, under the supervision of the DTI.
31

32 *Provided, further*, that each participating LGU must prepare a comprehensive
33 feasibility study for the development of a financial assistance program. Each LGU must
34 fund, from its internal revenue allotment, at least Five Million Pesos (Php 5,000,000),
35 where possible and practicable, or Thirty Percent (30%) of the total funding cost
36 related to small business improvement, agricultural improvement, institutional
37 advancement and consumer protection, whichever is higher. Likewise, for this
38 purpose, the LGU shall maintain a separate and dedicated office which shall be
39 responsible for the over-all implementation of the program in the locality.
40

41 **SECTION 8. Tax Exemption for Private Support.** – Any person or corporate
42 entity may donate funds, equipment, materials or services for the improvement of the
43 PTK Five-Star and/or PTK Assistance program. Such donations shall be done through
44 a memorandum of agreement between the cooperative or association, LGU, and the
45 donor. The agreement shall expressly state the value of the donated funds, materials,
46 or services.
47

48 All income, legacies, gifts, and donations for the benefit of the program shall be
49 exempt from the payment of all forms of taxes, fees, assessments, and other charges
50 of the government, its branches, and subdivisions. Subject to the issuance of the
51 appropriate revenue regulations by the Bureau of Internal Revenue, the value of the

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

3
4 **SECTION 9. Funding.** – The total amount of One Hundred Billion Pesos (Php
5 100,000,000,000) for the next two (2) years upon implementation of this Act, or Fifty
6 Billion Pesos (Php 50,000,000,000) per year for the next two years upon
7 implementation of this Act, shall be appropriated for the initial implementation of the
8 PTK Five-Star Program and the PTK Assistance Program. Said amount shall at all times
9 be divided equitably among each administrative region of the country. Thereafter,
10 such sums as may be necessary shall be included in the General Appropriations Act.

11
12 In addition, the amount of Five Hundred Million Pesos (Php 500,000,000) is
13 hereby appropriated as a Special Development Fund to generally support the initial
14 implementation of this Act.

15
16 The funds shall be held in trust by the DTI in collaboration with the
17 Development Bank of the Philippines (DBP), Land Bank of the Philippines (LBP) and
18 other government financial institutions. The DTI may likewise allocate a portion of
19 the funds to the People’s Development Trust Fund (PDTF) under Republic Act No.
20 8425, *provided* that the funds to be allocated to the PDTF shall be used solely for
21 microfinance-related organizing activities.

22
23 **SECTION 10. Primary Implementing Government Agency.** – The DTI shall
24 be the lead agency, which shall ensure the implementation of this Act.

25
26 **SECTION 11. Role of Government Financial Institutions.** – All government
27 financial institutions (GFIs) shall set aside funding for microfinance operations to
28 complement the purposes of this Act. Participating government financial institutions
29 shall include the DBP, LBP, and other GFIs.

30
31 **SECTION 12. PTK Task Force.** – There shall be a PTK Task Force in charge of
32 coordinating with banks and financial institutions on their existing programs on
33 microfinancing. This shall be consolidated and submitted to DTI to be taken into
34 consideration for the PTK Assistance Program.

35
36 **SECTION 13. Reports.** – The DTI Secretary shall submit to the President of the
37 Philippines, the President of the Senate and the Speaker of the House of
38 Representatives, an annual accomplishment report on projects covered in this Act,
39 detailing the amount of appropriations released by end of the calendar year, the extent
40 of the work accomplished, further work to be done, and any recommendations for
41 additional appropriations or charges thereof.

42
43 **SECTION 14. Full Financial Disclosure, Accountability and Transparency.**
44 – The DTI, as lead agency of the program, and the LGU concerned shall quarterly
45 publish, print, and disseminate at no cost to the public and in an accessible form, in
46 conjunction with Republic Act No. 9485, otherwise known as the “Anti-Red Tape Act
47 of 2007”, and through their websites, timely, true, accurate, and updated key
48 information relating to the program. Likewise, they shall endeavor to translate key
49 information and present them in popular form and means.

1 **SECTION 15. Implementing Rules and Regulations.** - The DTI, in
2 consultation with relevant government agencies, shall prepare such rules and
3 regulations for the proper and effective implementation of this Act, within sixty (60)
4 days from the date of publication. The DTI shall publish such rules and regulations
5 once a week for two (2) consecutive weeks in two newspapers of general circulation.
6

7 **SECTION 16. Separability Clause.** - If any provision of this Act is declared
8 unconstitutional, the same shall not affect the validity and effectivity of the other
9 provisions hereof.
10

11 **SECTION 17. Repealing Clause.** - All laws, decrees, orders, issuances or
12 portion thereof, which are inconsistent with the provisions of this Act are hereby
13 repealed or modified accordingly.
14

15 **SECTION 18. Effectivity** - This Act shall take effect fifteen (15) days after its
16 publication in two (2) newspapers of general circulation.

Approved,