

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



'22 JUL -7 P 2 :05

SENATE
Senate Bill No. 75

RECEIVED BY: [Signature]

Introduced by Senator Aquilino "Koko" Pimentel III

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

EXPLANATORY NOTE

Our Constitution provides in Article II:

Section 9 that "The State shall promote a just and dynamic social order that will ensure the prosperity and independence of the nation and free the people from poverty through policies that provide adequate social services, promote full employment, a rising standard of living, and an improved quality of life for all.";

Section 10 that "The State shall promote social justice in all phases of national development.";

Section 19 that "The State shall develop a self-reliant and independent national economy effectively controlled by Filipinos.";

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


We already have laws recognizing micro enterprises. Access to financing is the lifeblood of micro enterprises. The lack thereof is a chronic barrier for them to survive and grow.

Truth be told, the economic effects of the COVID-19 pandemic have severely constrained the resources of many micro enterprises; their survival and growth now rely heavily on loans. However, high interest rates, voluminous and stringent documentary requirements, including the need for collaterals, are doing their businesses more harm than good. This '*kapit sa patalim*' condition leaves them with no other choice but to borrow money from the informal lenders or the so called "5-6" micro lending scheme.

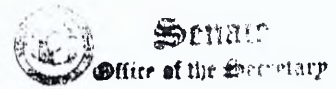
The Supreme Court already ruled that imposition of usurious interest rates such as "5-6" money lending is illegal. With a nominal interest rate of twenty percent (20%) over an agreed period of time, the "5-6" system is said to yield more than 1000% interest rate on an annual basis. Such usurious rate of interest is not only excessive and unconscionable, but in all respects, immoral.

To be able to compete with the "5-6" money-lenders, our government, through the Small Business Corporation, implemented the *Pondo sa Pagbabago at Pag-asenso* (P3) Program in 2017. The program has provided cheaper source of financing to 197,075 micro enterprises as of February 2021. As such, there is a need to institutionalize, through law, the P3 Program as an alternative to the "5-6" micro lending scheme in order to give micro enterprises the means to effectively start or sustain their businesses and be able to generate more income, and hopefully, graduate from micro to small and then from small to medium, and, who knows, from medium to big, and on to being the next "unicorn company".

Since this is our hope for all our entrepreneurs, the immediate passage of this bill is earnestly sought. The long journey to entrepreneurial success begins with such a simple step as this.


AQUILINO "KOKO" PIMENTEL III

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



22 JUL -7 P2 05

SENATE
Senate Bill No. 75

RECEIVED BY:

Introduced by Senator Aquilino “Koko” Pimentel III

**AN ACT PROVIDING A 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-aseño*” or the “*P3 Act*”.

3
4 **SECTION 2. Declaration of Policy.** – It is a declared policy of
5 the State to promote comprehensive national development and free the
6 Filipino People from poverty by supporting micro enterprises that
7 facilitate local job creation, production, and trade in the country.
8 Towards this end, the State shall encourage entrepreneurial activities
9 and develop programs, activities, and projects aimed at helping micro
10 enterprises, particularly on access to financing.

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

- 14
15 (a) To provide an affordable, accessible, and simple micro
16 financing program for the country’s micro enterprises;
17

- 1 (b) To provide a better alternative to the informal lenders or the
2 so-called “5-6” money lending system availed of by micro
3 enterprises; and
4
5 (c) To bring down the interest rate at which micro finance is
6 made available to micro enterprises.
7

8 **SECTION 4.** *Creation of the Pondo sa Pagbabago at Pag-*
9 *asenso (P3).* – There is hereby created the Pondo sa Pagbabago at Pag-
10 asenso Fund, hereinafter referred to as the “P3 Fund”, which shall be
11 made available to qualified micro enterprises under such terms and
12 conditions that will meet the purposes of this Act.
13

14 The beneficiaries of the P3 Fund shall be micro enterprises as
15 defined under Republic Act No. 6977, otherwise known as the “Magna
16 Carta for Micro, Small and Medium Enterprises (MSMEs)”, as
17 amended.
18

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

- 25 (a) Direct lending; and
26
27 (b) Lending through accredited partner financial institutions
28 (PFIs).
29

30 Accredited PFIs shall be limited to rural banks, cooperatives,
31 micro financing institutions, or lending companies duly licensed to lend
32 by the Bangko Sentral ng Pilipinas (BSP), Cooperative Development
33 Authority (CDA), or the Securities and Exchange Commission (SEC),
34 as may be required by law.
35

36 To support the administrative and operating expenses of the SB
37 Corp., an amount not more than five percent (5%) of the total loans

1 disbursed shall be provided annually to the SB Corp., to be sourced
2 from the General Appropriations Act (GAA).

3
4 **SECTION 6.** *Features of the P3 Fund.* – The P3 Fund shall have
5 the following features:

6
7 (a) The interest rate to be imposed on the loan availed of by the
8 P3 Fund beneficiaries shall not exceed 2% per month;

9
10 (b) The interest earnings shall accrue to the P3 Fund;

11
12 (c) There shall be no collateral requirement from the P3 Fund
13 beneficiaries; and

14
15 (d) The total loanable amount from the P3 Fund shall be set and
16 regularly reviewed by the Micro, Small and Medium
17 Enterprise Development (MSMED) Council.

18
19 **SECTION 7.** *Policy Oversight Function.* – The MSMED
20 Council shall monitor the utilization and disbursements of the P3 Fund.
21 It shall submit to the President of the Philippines and to Congress,
22 through the Committee on Trade of both Houses, a yearly report on the
23 status of the P3 Fund.

24
25 **SECTION 8.** *Appropriations.* – The amount necessary to carry
26 out the provisions of this Act shall be charged against the
27 appropriations released for the purpose under the GAA for the SB Corp.
28 Thereafter, such sums as may be necessary for the continued
29 implementation of this Act shall be included in the annual GAA.

30
31 **SECTION 9.** *Implementing Rules and Regulations.* – Within
32 sixty (60) days from the approval of this Act, the DTI shall formulate
33 and promulgate the necessary rules and regulations to implement the
34 provisions of this Act. The implementing rules and regulations issued
35 pursuant to this section shall take effect thirty (30) days after its
36 publication in at least two (2) newspapers of general circulation.

1 **SECTION 10. *Separability Clause.*** – Should any provision or
2 part of this Act be declared unconstitutional or invalid, the other
3 provisions and parts hereof, insofar as they are separable from the
4 invalid ones, shall remain in full force and effect.

5
6 **SECTION 11. *Repealing Clause.*** – All laws, decrees, orders,
7 issuances, rules and regulations or parts thereof which are inconsistent
8 with this Act are hereby repealed or modified accordingly.

9
10 **SECTION 12. *Effectivity.*** – This Act shall take effect fifteen (15)
11 days after its publication in the *Official Gazette* or in at least two (2)
12 newspapers of general circulation.

13
Approved,