

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



'22 AUG 31 A11 :12

**SENATE**  
S. No. 1247

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

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Introduced by Senator MARK A. VILLAR

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

**EXPLANATORY NOTE**

The Pondo sa Pagbabago at Pag-asenso (P3) Act is a landmark micro loan program which provided alternative source of financing to Micro, Small and Medium Enterprises (MSMEs) nationwide.

The P3 program, through the Department of Trade and Industry, aimed to eliminate the 5-6 money-lending scheme, the term used for loan sought from informal lenders. 5-6 money-lenders typically charges way higher rates and monitor payments more frequently than formal financing and credit programs. Yet, small businesses still choose to borrow from informal lenders. This dilemma can be attributed to the high collateral requirement plus the voluminous and rigorous documentary requirements of formal lenders such as banks and micro finance institutions.

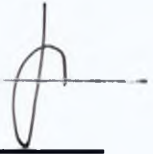
At present, despite the government taking several steps to increase people's reliance on formal credit, the need to institutionalize a program that will provide micro enterprises a cheaper and convenient source of financing is wanting. Thus, this bill proposing to institutionalize the P3 Program of the Small Business (SB) Corp.

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

Section 1. *Short Title.* — This Act shall be known as the "Pondo sa Pagbabago at Pag-asenso Act" or the "P3 Act."

Sec. 2. *Declaration of Policy.* — It is the declared policy of the State to foster national development, promote inclusive growth, and reduce poverty by promoting the growth of micro enterprises that facilitate local job creation, production and trade in the country. Towards this end, the State shall develop policies, plans and programs, and initiate means to encourage entrepreneurial activities, and to ease the constraints and challenges to micro enterprises, particularly on access to financing.

Sec. 3. *Objectives.* — The objectives of this Act are:

- a) To provide an affordable, accessible, and simple micro financing program for the country's micro enterprises, especially those in the poorest populations;
- b) To provide a better alternative to informal lenders of the so called "5-6" money lending system availed of by micro enterprises;
- c) To bring down the interest rate at which micro finance is made available to micro enterprises; and

1 d) To boost the development of entrepreneurship and the micro, small  
2 and medium enterprise (MSME) sector, particularly the micro  
3 enterprises.

4 *Sec. 4. Creation of the Pondo sa Pagbabago at Pag asenso (P3) Fund. –*

5 There is hereby created the Pondo sa Pagbabago at Pag asenso Fund, hereinafter  
6 referred to as the "P3 Fund", which shall be lent out to qualified micro enterprises  
7 under such terms and conditions that will meet the purpose of this Act.

8 The beneficiaries of the P3 Fund shall be the micro enterprises, as defined  
9 under Republic Act No. 6977, as amended, otherwise known as the "Magna Carta for  
10 Micro, Small and Medium Enterprises (MSMEs)".

11 The fund shall be primarily accessible through accredited partner financial  
12 institutions (PFIs) such as rural banks, thrift banks, development banks, cooperative  
13 with license to lend, non-stock savings and loan associations, microfinance non-  
14 government organizations, or lending companies.

15 For efficient implementation and operation, cooperatives except cooperative  
16 banks and insurance cooperatives shall be under the sole supervision and  
17 examination of the Cooperative Development Authority (CDA); all other financial  
18 entities, corporations and financial intermediaries, such as non-government  
19 organizations, financing companies, non-stock savings and loan associations,  
20 microfinance non-government organizations, and lending investors shall be under  
21 the Securities and Exchange Commission (SEC); banks shall be under the *Bangko*  
22 *Sentral ng Pilipinas* (BSP); and insurance companies shall be under the Insurance  
23 Commission (IC).

24 Cooperative banks shall be under the supervision and examination of the CDA  
25 and BSP; while insurance cooperatives shall be under the supervision and  
26 examination of the CDA and Insurance Commissions (IC).

27 *Sec. 5. Lead Implementing Agency. –* The Small Business Corporation (SB  
28 Corp.), the financing arm of the Department of Trade and Industry (DTI), shall be  
29 the lead implementing agency for the P3 Fund. The SB Corp. shall handle all the  
30 fund delivery to micro enterprises through the following modes:

31 a. Direct lending; and

1           b. Lending through accredited PFIs.

2           With the goal to achieve greater outreach to all provinces and barangays of  
3 the country, financial technology enabled systems and processes can be utilized in  
4 the implementation of the P3 program.

5           To support annual administrative and operating expenses of the SB Corp., an  
6 amount of not more than five percent (5%) of the total loans disbursed can be used  
7 by the Corporation.

8           *Sec. 6. Features of the P3 Fund.* – The P3 Fund shall have the following  
9 features:

10           a. The loanable amount for individual loans shall be set and regularly  
11 reviewed by the Micro, Small and Medium Enterprise Development  
12 (MSMED) Council;

13           b. The allowable interest rate, which includes service fee and other  
14 charges, shall not exceed twelve percent (12%) per annum.  
15 Reasonable and actual cost of collection may be allowed upon proper  
16 justification;

17           c. The interest earning shall accrue to the P3 Fund;

18           d. There shall be no collateral requirement from the P3 Fund loan  
19 beneficiaries; and

20           e. The lenders shall have a collection mechanism, whereby payments are  
21 made on a daily, weekly, or monthly basis, or depending on the  
22 livelihood project income cycle. It shall be the duty of the lender to  
23 collect the loan principal and the interest payment from the borrower.

24           *Sec. 7. Policy Oversight Function.* - The MSMED Council shall monitor the  
25 utilization and disbursements of the P3 Fund. It shall submit to the President of the  
26 Philippines and to Congress, through the Congressional Oversight Committee on  
27 Micro, Small and Medium Enterprise Development Council (COC MSMES), a yearly  
28 report on the status of the P3 Fund.

29           *Sec. 8. Appropriations.* — The initial amount from the implementation of this  
30 Act shall be charged against the current year's appropriations of the Small Business  
31 Corporation.

1           Thereafter, such amount necessary shall be included in the annual General  
2 Appropriations Act.

3           Sec. 9. *Implementing Rules and Regulations.* — Within sixty (60) days from  
4 the approval of this Act, the DTI shall formulate and promulgate the necessary rules  
5 and regulations to implement the provisions of this Act.

6           Sec. 10. *Separability Clause.* — If any part or section of this Act is declared  
7 unconstitutional, such declaration shall not affect in any manner other parts or  
8 sections hereof.

9           Sec. 11. *Repealing Clause.* — Section 22 of Republic Act No. 8367 is hereby  
10 repealed. All laws decrees, proclamations, issuances that are contrary to or  
11 inconsistent with the provisions of this Act are hereby amended, repealed or  
12 modified accordingly.

13           Sec. 16. *Effectivity.* — This Act shall take effect fifteen (15) days after its  
14 publication in the *Official Gazette* or in a newspaper of general circulation.

*Approved,*