Based on data from the Philippine Statistics Authority for calendar year 2016, micro enterprises account for 89.63% of the total number of establishments in the country.

One of the challenges faced by micro enterprises is access to financing. Many micro enterprises are severely resource-constrained and their survival in business relies heavily on access to financing. Start-up and existing enterprises can usually get capital by seeking loans from formal lending institutions, such as banks, cooperatives or micro-finance institutions (MFIs). However, they find it difficult to avail of loans therefrom because of high interest rate, voluminous and stringent documentary requirements, including the need for collaterals. So instead of accessing conventional financing, micro enterprises resort to borrowing from the informal lenders or the so-called “5-6” micro lending scheme.

The usurious moneylenders charge a nominal interest rate of twenty percent (20%) over an agreed period of time. For every five pesos borrowed, six pesos is paid back after just a few days. Effectively, the “5-6” system is said to yield more than 1000% interest rate on an annual basis.

Starting January 2017, the administration earmarked PhP 1 billion in the 2017 General Appropriations Act (GAA) for a program that aims to replace the “5-6” micro lending scheme, that is, the Pondo sa Pagbabago at Pag-asaenso (P3) Program. It is implemented by the Department of Trade and Industry, through the Small Business Corporation. Through the P3 Program, the government will make financing more accessible to micro enterprises, particularly those in the poorest provinces. The P3 is designed to bring down the interest rate at which microfinance is made available to micro enterprises.

The P3 Program has again been allocated a PhP 1 Billion budget in the GAA in 2018, and PhP 1.5 Billion in 2019.

There is a need to institutionalize, through law, the P3 as an alternative to the “5-6” micro lending scheme in order to give micro enterprises the means to effectively start or sustain their business and be able to generate income. This will enable such businesses to move up the economic ladder and become more self-sufficient.

The P3 micro financing facility aims to help micro enterprise owners optimize their potentials and achieve major growth through an alternative source of funding.
with a low interest rate. The program shall provide accessible, fast and hassle-free financing which is tailor-fit to the needs of entrepreneurs.

In the 17th Congress, the P3 bill was approved by the Committee on Small Business and Entrepreneurship Development. It was approved on 3rd reading by the House of Representatives as House Bill No. 7446, and was transmitted to the Senate.

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

JOCelyn S. LIMKaICHONG

CHRISTIAN S. UnABIA
Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

EIGHTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 1069

Introduced by Representatives Jocelyn S. Limkaichong and Christian S. Unabia

AN ACT

PROVIDING A SOCIALIZED MICROFINANCING PROGRAM FOR MICRO ENTERPRISES THEREBY PROMOTING ENTREPRENEURSHIP

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

SECTION 1. 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 as follows:

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 the informal lenders or the so-called “5-6” money lending system availed of by micro enterprises; and

c. To bring down the interest rate at which micro finance is made available to micro enterprises.

SEC. 4. Creation of the Pondo sa Pagbabago at Pag-asenso (P3). – There is hereby created the Pondo sa Pagbabago at Pag-asenso Fund, hereinafter referred to as the “P3 Fund”, which shall be lent out to qualified micro enterprises under such terms and conditions that will meet the purposes of this Act.
The beneficiaries of the P3 Fund shall be micro enterprises, as defined under Republic Act No. 6977, as amended, otherwise known as the “Magna Carta for Micro, Small and Medium Enterprises (MSMEs)”. The fund shall be primarily accessible through accredited partner financial institutions (PFIs) such as rural banks, thrift banks, development banks, cooperatives with license to lend, micro financing institutions (MFIs), or lending companies duly licensed by the Bangko Sentral ng Pilipinas (BSP), Cooperative Development Authority (CDA), or the Securities and Exchange Commission (SEC).

SEC. 5. Lead Implementing Agency. - The Small Business Corporation (SB Corp.), the financing arm of the Department of Trade and Industry (DTI), shall be the lead implementing agency for the P3 Fund. It shall handle the fund delivery to micro enterprises through the following modes:

a. Direct lending; and
b. Lending through accredited PFIs.

To support administrative and operating expenses of the SB Corp., an amount of not more than five percent (5%) of the total loans disbursed shall be provided annually to the SB Corp., to be sourced from additional annual allocation.

SEC. 6. Features of the P3 Fund. – The P3 Fund shall have the following features:

a. The interest rate to be imposed on the loan availed of by the P3 Fund beneficiaries shall not exceed two and a half percent (2.5%) per month: Provided, That after three (3) years from the effectivity of this Act, a higher ceiling may be allowed up to three percent (3%) per month, subject to the review of the Micro, Small And Medium Enterprise Development (MSMED) Council;

b. The interest earnings shall accrue to the P3 Fund;

c. There shall be no collateral requirement from the P3 Fund loan beneficiaries; and

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

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

SEC. 8. Appropriations. – The amount necessary to carry out the provisions of this Act shall be charged against the appropriations released for the purpose under
the General Appropriations Act for the SB Corp. Thereafter, such sums as may be
necessary for the continued implementation of this Act shall be included in the
annual General Appropriations Act.

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

SEC. 10. Separability Clause. – If any part or section of this Act is declared
unconstitutional, such declaration shall not affect in any manner other parts or
sections hereof.

SEC. 11. Repealing Clause. – All laws, decrees, proclamations, issuances, or
ordinances that are contrary to or inconsistent with the provisions of this Act are
hereby amended, repealed or modified accordingly.

SEC. 12. Effectivity. – This Act shall take effect fifteen (15) days after its
publication in the Official Gazette or in any newspaper of general circulation.

Approved,