

Republic of the Philippines  
HOUSE OF REPRESENTATIVES  
Quezon City, Metro Manila

SEVENTEENTH CONGRESS  
First Regular Session

HOUSE BILL NO. 5158



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Introduced by Representatives Peter "Sr. Pedro" M. Unabia,  
Jocelyn S. Limkaichong, Rodrigo A. Abellanosa, Gil "Kabarangay" P. Acosta,  
Alexandria P. Gonzales, Marisol C. Panotes, Carlito S. Marquez,  
Salvador B. Belaro, Jr. and Bernadette Herrera-Dy

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### EXPLANATORY NOTE

Access to financing is a persistent challenge which most micro, small and medium enterprises (MSMEs) experience. 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).

There are several financing and credit programs for MSMEs. However, MSMEs find it difficult to avail of the same because of high interest rate, voluminous and stringent documentary requirements, including the need for collaterals. More so for the micro enterprises which comprise 89.94% of the total establishments in the country. Many of these micro enterprises are severely resource-constrained and their survival in business relies heavily on access to financing. But instead of accessing conventional financing, micro enterprises resort to borrowing from the informal lenders or the so-called "5-6".

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.

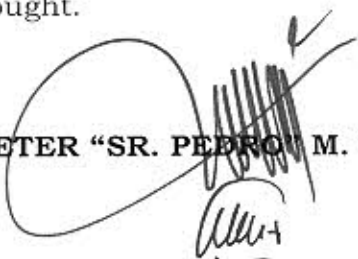
Starting January 2017, the administration earmarked P1 billion in the 2017 General Appropriations Act for a program that aims to replace the "5-6" micro lending scheme. Through the Pondo sa Pagbabago at Pag-asenso (P3), the government will make financing more accessible to micro enterprises, particularly those in the poorest provinces. The P3 is designed to bring down the interest rate at which microfinance is made available to micro enterprises.

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.

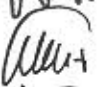
In view of the foregoing, the immediate passage of this bill is earnestly sought.



**PETER "SR. PEDRO" M. UNABIA**




**JOCELYN S. LIMKAICHONG**




**RODRIGO A. ABELLANOSA**



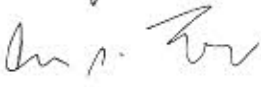
**GIL "KABARANGAY" P. ACOSTA**




**ALEXANDRIA P. GONZALES**



**MARISOL C. PANOTES**



**CARLITO S. MARQUEZ**



**SALVADOR B. BELARO, JR.**



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**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 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, small and medium enterprises (MSMEs)  
that facilitate local job creation, production and trade in the country.  
Towards this end, the State shall develop plans and initiate means to  
encourage entrepreneurial activities, and to ease the constraints and  
challenges to MSMEs, particularly on access to financing.

SEC. 3. *Objectives.* – The objectives of this Act are as follows:

a. To provide an affordable, accessible and hassle-free micro  
financing program for the country’s micro enterprises, especially those in  
the poorest provinces;

b. To replace 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

1 available to micro enterprises.

2 SEC. 4. *Creation of the Pondo sa Pagbabago at Pag-asenso (P3).* – There  
3 is hereby created the Pondo sa Pagbabago at Pag-asenso, hereinafter  
4 referred to as the P3 Fund, which shall be lent out to qualified MSMEs inder  
5 such terms and conditions that will meet the purposes of this Act.

6 The beneficiaries of the P3 Fund shall be micro enterprises and  
7 entrepreneurs, including market vendors, agri-businessmen and members  
8 of cooperatives, industry associations and cooperators.

9 The fund shall be primarily lent through conduit financial institutions  
10 to be accredited for the purpose.

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

- 15 a. Direct lending to micro enterprises; or
- 16 b. Wholesale lending to conduits, such as, micro finance institutions  
17 (MFIs), rural banks and credit cooperatives, which shall on-lend  
18 the fund to micro enterprises.

19 To support administration and operating expenses of the SB Corp.,  
20 an amount of not more than Twenty Per Cent (20%) of total loans  
21 disbursed shall be provided annually to the corporation.

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

- 24 a. The components of the P3 Fund shall be:
  - 25 • Loan Fund; and
  - 26 • Guarantee Fund of not more than 25% of the total loan  
27 exposure;
- 28 b. The loanable amount for individual loans shall be P5,000.00 for  
29 start-ups to a maximum of P300,000.00.
- 30 c. The minimal interest rate to the conduits of the SB Corp. shall be  
31 1% per annum.

1 d. The interest rate to the end beneficiaries shall be lower than the  
2 interest rate charged by MFIs, to be set and regularly reviewed by  
3 the Micro, Small and Medium Enterprise Development (MSMED)  
4 Council.

5 e. There shall be no collateral requirement nor guarantee fee.

6 SEC. 7. *Oversight Provision.* – The Micro, Small and Medium Enterprise  
7 Development (MSMED) Council shall perform oversight functions on the P3  
8 Fund.

9 SEC. 8. *Appropriations.* – The amount necessary for the initial  
10 implementation of this Act shall be taken from the budget of the Department  
11 of Trade and Industry. Thereafter, the amount of P2 billion plus an amount  
12 equivalent to provisioning expenses for the past year shall be allocated  
13 annually in the General Appropriations Act: *Provided,* That at least fifty per  
14 cent (50%) of the past year allocation shall have been lent out.

15 SEC. 9. *Implementing Rules and Regulations.* – Within sixty (60) days  
16 from the approval of this Act, the DTI, in consultation with the concerned  
17 agencies, shall formulate and promulgate the necessary rules and  
18 regulations to implement the provisions of this Act. The implementing rules  
19 and regulations issued pursuant to this section shall take effect thirty (30)  
20 days after its publication in at least two (2) national newspapers of general  
21 circulation.

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

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

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

30 Approved,