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SENATE

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S. B. No. 2985

(In Substitution of Senate Bill Nos. 75,1247, 2357 and 2404, taking into consideration House Bill No. 7363)

Prepared and submitted jointly by the Committees on Trade, Commerce and Entrepreneurship; Economic Affairs; and Finance, with Senators Pimentel, Villar (M.), Revilla, Jr., Villanueva, Villar (C.), and Cayetano (A.) as authors thereof

AN ACT

PROMOTING ENTREPRENEURSHIP BY INSTITUTIONALIZING A FINANCING PROGRAM FOR MICRO AND SMALL ENTERPRISES THROUGH THE PONDO SA PAGBABAGO AT PAG-ASENSO PROGRAM AND APPROPRIATING FUNDS THEREFOR

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 "*Pondo sa Pagbabago*
2 *at Pag-asenso Act (P3) Act.*"

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4 Sec. 2. *Declaration of Policy.* – It is the declared policy of the State to foster
5 comprehensive national development and inclusive growth and reduce poverty by
6 promoting the growth of Micro and Small Enterprises (MSEs) which facilitate local job

1 creation, production, and trade in the country. Towards this end, the State shall develop
2 policies, plans, and programs, and initiate means to encourage entrepreneurial activities
3 and ease the constraints and challenges of MSEs, particularly on access to financing.
4

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

- 6 a) Provide an affordable, accessible, sustainable, and simple financing
7 program for the country's MSEs, especially those in the poorest populations
8 and underserved areas and industries;
- 9 b) Provide a better alternative to informal lenders or the so-called "5-6" money
10 lending system availed of by MSEs;
- 11 c) Reduce the interest rate at which financial services are made available to
12 MSEs;
- 13 d) Encourage the development of entrepreneurship and the Micro, Small and
14 Medium Enterprise (MSME) sector, particularly MSEs;
- 15 e) Support successful business recovery of MSEs following natural or man-
16 made disasters; and,
- 17 f) Provide cash, technical, and administrative assistance to qualified MSEs.
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19 *Sec. 4. Pondo sa Pagbabago at Pag-asenso (P3) Program.* – The *Pondo sa*
20 *Pagbabago at Pag-asenso Program*, hereinafter referred to as the "P3 Program", shall
21 assist MSEs in the form of: a) microfinance or credit; b) cash assistance; and c)
22 capacity building.

23 Qualified end-borrowers of the P3 Program shall be MSEs defined in Republic
24 Act No. 6977, as amended or the "Magna Carta for Micro, Small, and Medium
25 Enterprises."

26 The P3 Program shall be accessible through the Small Business Corporation
27 (SBCorp) and through accredited Partner Financial Institutions (PFIs) such as rural
28 banks, thrift banks, cooperatives with a license to lend, microfinance non-government
29 organizations, or lending companies.

30 *Sec. 5. Microfinance or Credit Component of the P3 Program.* – The SBCorp
31 and PFIs shall be guided by the following principles in the implementation of the
32 Microfinance or Credit Component of the P3 program:

- 1 a) The loanable amount ceiling for individual loans shall be set initially at Two
2 million pesos (Php2,000,000.00) for direct lending and Three hundred
3 thousand pesos (Php300,000.00) for lending through accredited PFIs
4 which are regularly reviewed by the Micro, Small and Medium Enterprise
5 Development (MSMED) Council;
- 6 b) The interest rate shall not exceed one percent (1%) per month for direct
7 lending, and shall not exceed two and a half percent (2.5%) per month for
8 lending through accredited PFIs;
- 9 c) There shall be no collateral requirement from the P3 Fund borrowers;
- 10 d) The lenders shall have a collection mechanism, whereby payments are
11 made on a daily, weekly, or monthly basis, depending on the business
12 income cycle. It shall be the duty of the lender to collect the loan principal
13 and the interest payment from the borrower; and
- 14 e) Financial technology-enabled systems and processes shall be utilized in the
15 implementation of the P3 Program. Disbursements shall use digital forms
16 of payment for both the disbursement of loan proceeds by the lenders, and
17 the recurring loan payments by the borrowers.
- 18

19 *Sec. 6. Lead Implementing Agency.* – The SBCorp, as the financing arm of the
20 Department of Trade and Industry (DTI), shall be the lead implementing agency of
21 the P3 Program.

22 The SBCorp shall handle all fund deliveries to MSEs through the following
23 modes:

- 24 a) Direct lending. The SBCorp shall prioritize underserved or unserved areas
25 and industries, or those not adequately and effectively served by PFIs,
26 including provinces where poverty incidence remains high based on official
27 poverty statistics from the Philippine Statistics Authority (PSA); and
- 28 b) Lending through accredited PFIs.

29 The SBCorp may allocate up to five percent (5%) of the total loans disbursed
30 for the period, sourced from the accumulated funding for the P3 Program to cover its
31 annual administrative and operating expenses which shall include the salaries of
32 regular plantilla personnel involved in the implementation of the P3 Program.

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Sec. 7. Cash Assistance and Capacity Building Components of the P3 Program.
– The SBCorp, in consultation with the DTI’s Bureau of Micro, Small, and Medium Enterprise Development (BMSMED), National Anti-Poverty Commission (NAPC), and the Bangko Sentral ng Pilipinas (BSP), shall develop a cash assistance program exclusively for MSEs in need of capital.

The SBCorp shall provide MSEs under the Capacity Building Component with free technical and administrative support, including but not limited to, product development, skills and leadership training, packaging and design, quality control, market promotion, client or supplier matching, and cash literacy and planning.

The SBCorp shall be guided by the following principles in the implementation of the cash Assistance and Capacity Building Components of the P3 program:

- a) The assistance shall be extended only to beneficiaries who have satisfied the requirements under this Act;
- b) Each cash assistance shall range from Five thousand pesos (Php5,000.00) to Fifty thousand pesos (Php50,000.00), depending on the number of employees, number of years in business, financial hardship, and such other criteria as may be determined by SBCorp. The SBCorp is hereby authorized to adjust these amounts to meet present market demands after the mandatory review provided in this Act;
- c) Priority shall be given to MSEs classified under the priority business areas of their respective regions, particularly the public market vendors to strengthen their financial capabilities and improve public services; and
- d) There shall be a mandatory review of the Cash Assistance and Capacity Building Components of the P3 program every three (3) years to ensure that they meet-the present market demands.

Sec. 8. Eligibility for Cash Assistance. – The applicants of the Cash Assistance must comply with the following eligibility requirements:

- a) Must be an owner of a registered MSE who is at least eighteen (18) years old;
- b) Must not have availed of the cash assistance regardless of the number of

- 1 businesses owned;
- 2 c) Must be a member in good standing of a duly registered cooperative or
3 association, or a resident of the local government unit (LGU), from which
4 the member intends to avail of the cash assistance;
- 5 d) The institution shall have a mechanism whereby cash assistance is made
6 on a weekly or monthly basis;
- 7 e) Must submit a comprehensive feasibility study of the business proposal;
- 8 f) Must attend a DTI-accredited livelihood seminar, as evidenced by a
9 certificate of participation; and
- 10 g) Must be willing to state under oath the facts establishing the foregoing.
- 11

12 *Sec. 9. Registry of MSEs.* – The DTI shall create a registry of all MSMEs per
13 region based on their size category (i.e., micro, small and medium) and business area
14 (i.e., agriculture, livestock, fisheries, food processing, fabric and clothing, eco-tourism
15 activities, pottery and handicrafts, furniture and hardwood, information and
16 technology, etc.).

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18 *Sec. 10. Policy Oversight Function.* – The MSMED Council shall monitor the
19 implementation of the P3 Program and shall submit an annual report to the President
20 of the Philippines and to Congress, through the Congressional Oversight Committee
21 on Micro, Small and Medium Enterprise Development (COC MSMED) Council.

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23 *Sec. 11. Appropriations.* – The total amount of One hundred billion pesos
24 (Php100,000,000,000.00), for the next two (2) years, upon effectivity of this Act, or
25 Fifty billion pesos (Php50,000,000,000.00) per year for the next two (2) years upon
26 effectivity of this Act, shall be appropriated for the initial implementation of the P3
27 Program for microfinance, cash assistance, and capacity building program.
28 Thereafter, such sums as may be necessary shall be included in the annual General
29 Appropriations Act.

30 In addition, the amount of Five hundred million pesos (Php500,000,000.00) is
31 hereby appropriated as a special development fund to support the initial
32 implementation of this Act. The funds shall be held in trust by the DTI in collaboration

1 with the Development Bank of the Philippines (DBP), the Land Bank of the Philippines
2 (LBP), and other government financial institutions.

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4 Sec. 12. *Implementing Rules and Regulations.* – Within sixty (60) days from
5 the approval of this Act, the DTI shall formulate and promulgate rules and regulations
6 necessary for its implementation.

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8 Sec. 13. *Separability Clause.* – If any provision of this Act is declared
9 unconstitutional, the remainder thereof not otherwise affected shall remain in full force
10 and effect.

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12 Sec. 14. *Repealing Clause.* – All laws, presidential decrees, executive orders,
13 letters of instruction, proclamations or administrative regulations that are inconsistent
14 with the provisions of this Act are hereby repealed, amended, or modified accordingly.

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

Approved,