

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



23 JUL 25 P 6 :28

SENATE

RECEIVED BY: _____

S. No. 2357

Introduced by SENATOR RAMON BONG REVILLA, JR.

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

EXPLANATORY NOTE

Micro, Small and Medium Enterprises (MSMEs) account for more than 99.5 percent of all business establishments in the country, generating more than 5 million jobs. The MSME sector's potential is seen as one of the most viable engines for inclusive economic growth recovery in the new normal. However, access to financing is considered as one of the most critical factors affecting the development of the micro, small and medium enterprises (MSMEs). In order for them to avoid lending from informal sources, which are usually with exorbitant interest rates that may eventually engulf them in debt, there is an urgent need to diversify the available financing for MSMEs, particularly micro enterprises.

The Department of Trade and Industry started the "Pondo Para sa Pagbabago at Pag-asenso (P3) Program" in January 2017 as part of the government's effort to provide an affordable microfinancing program for MSMEs. In its accomplishment report, a total of P 8.65 billion worth of loans were released to more than 220,000 borrowers since its inception. Around 443 conduits were partners for the roll out of the program nationwide. Despite these several steps to improve access to formal

credit by the government, the need to strengthen existing mechanisms in order to make it more responsive to the needs of the post-pandemic economy remains.

This measure aims to institutionalize the P3 Program, currently being implemented by the Department of Trade and Industry through the Small Business Corporation (SBCorp).

In view of sustaining the development of the MSMEs, the passage of this measure is earnestly sought.



RAMON BONG REVILLA, JR.

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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 para sa Pilipino Act*” or the “P4 Act”.

3 Sec 2. *Declaration of Policy.* — It is the declared policy of the State to foster
4 national development, promote inclusive growth, and reduce poverty by promoting
5 the growth of micro and small enterprises (MSEs) that facilitate local job creation,
6 production and trade in the country. Towards this end, the State shall develop policies,
7 plans and programs, and initiate means to encourage entrepreneurship, and to ease
8 the constraints to MSEs, particularly on access to financing.

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

- 10 a. To provide an affordable, accessible, and simple financing program for the
11 country’s MSEs, especially those in the poorest populations and underserved
12 areas;
- 13 b. To provide a better alternative to informal lenders or the so-called “5-6” money
14 lending system availed of by micro enterprises;
- 15 c. To bring down the interest rate at which financial services is made available to
16 MSEs;

- 1 d. To boost the development of entrepreneurship and the micro and small
- 2 enterprises (MSEs) sector; and
- 3 e. To support the recovery of MSEs from the effects of the pandemic lockdown
- 4 and ensure their viability.

5 *Sec. 4. Creation of the Pondo sa Pagbabago at Pag-asenso para sa Pilipino (P4)*
6 *Fund.* — There is hereby created the Pondo sa Pagbabago at Pag-asenso para sa
7 Pilipino Fund, hereinafter referred to as the P4 Fund, which shall be lent out to
8 qualified MSEs under such terms and conditions that will meet the purposes of this
9 Act. The beneficiaries of the P4 Fund shall be the micro and small enterprises, as
10 defined under Republic Act No. 6977, as amended, otherwise known as the "*Magna*
11 *Carta for Micro, Small and Medium Enterprises (MSMEs)*".

12 The fund shall be accessible through the Small Business Corporation (SB Corp.)
13 and through accredited partner financial institutions (PFIs) such as rural banks, thrift
14 banks, development banks, cooperative banks, cooperatives, non-stock savings and
15 loan associations, microfinance non-government organizations, or lending companies.

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

27 *Sec. 5. Lead Implementing Agency.* - The SB Corp., the financing arm of the
28 Department of Trade and Industry (DTI), shall be the lead implementing agency for
29 the P4 Fund. The SB Corp. shall handle the fund delivery to MSEs through the following
30 modes:

- 31 a. Direct lending for forty percent (40%) of the P4 Fund; and
- 32 b. Lending through accredited PFIs for sixty percent (60%) of the P4 Fund.

1 The SB Corp. shall prioritize lending to underserved and unserved areas and MSE
2 segments of the country, subject to the review and approval of the Micro, Small and
3 Medium Enterprise Development (MSMED) Council. With the goal to achieve greater
4 outreach to all provinces and barangays of the country, financial technology-enabled
5 systems and processes can be utilized in the implementation of the P4 program. An
6 amount sourced from the accumulated P4 Fund of not more than five percent (5%)
7 of the total loans disbursed for the period can be used by the SB Corp. to support its
8 annual administrative and operating expenses for the P4 Fund, inclusive of the cost of
9 regular plantilla personnel, up to the extent of their involvement in developing and
10 managing the P4 loan portfolios.

11 Sec. 6. Features of the P4 Fund. — The P4 Fund shall have the following
12 features:

- 13 a. The loanable amount for individual loans shall be set and regularly reviewed by
14 the MSMED Council;
- 15 b. The effective interest rate to be imposed on the loan availed of by the P4 Fund
16 beneficiaries shall not exceed one percent (1%) per month for direct lending,
17 and shall not exceed two and a half percent (2.5%) per month for lending
18 through accredited PFIs;
- 19 c. The interest earnings shall accrue to the P4 Fund;
- 20 d. There shall be no collateral requirement from the P4 Fund loan beneficiaries,
21 and
- 22 e. The lenders shall have a collection mechanism, whereby payments are made
23 on a daily, weekly, or monthly basis, or depending on the livelihood project
24 income cycle. It shall be the duty of the lender to collect the loan principal and
25 the interest payments from the borrower.

26 Sec. 7. *Policy Oversight Function.* - The MSMED Council shall monitor the
27 utilization and disbursements of the P4 Fund. It shall submit to the President of the
28 Philippines and to Congress, through the Congressional Oversight Committee on Micro,
29 Small and Medium Enterprise Development (COC-MSMED), a quarterly report on the
30 status of the P4 Fund.

1 Sec. 8. *Appropriations.* — The initial amount for the implementation of this Act
2 shall be charged against the current year’s appropriations of the SB Corp. Thereafter,
3 such amount necessary shall be included in the annual General Appropriations Act.

4 Sec. 9. *Implementing Rules and Regulations (IRR).* — Within sixty (60) days
5 from the approval of this Act, the DTI, in consultation with the concerned stakeholders,
6 shall formulate and promulgate the necessary IRR to implement the provisions of this
7 Act.

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

11 Sec. 11. *Repealing Clause.* — Section 22 of Republic Act No. 8367, otherwise
12 known as the “*Revised Non-Stock Savings and Loan Association Act of 1997*” is hereby
13 repealed. All laws, decrees, proclamations, issuances, or ordinances that are contrary
14 to or inconsistent with the provisions of this Act are hereby amended, repealed or
15 modified accordingly.

16 Sec. 12. *Effectivity.* — This Act shall take effect fifteen (15) days after its
17 publication in the *Official Gazette* or in two (2) newspapers of general circulation in
18 the Philippines.

Approved,