

05 March 2020

**REPRESENTATIVE VIRGILIO S. LACSON**

Chairperson

Committee on Micro, Small and Medium Enterprise Development

House of Representatives

Batasan Complex, Batasan Hills

Quezon City

Dear **Representative Lacson**:

We are pleased to submit the Department's position on House Bill No. 4792, entitled:

**“An Act Institutionalizing the Pondo Sa Pagbabago at Pag-Asenso (P3) Program of the Government and Appropriating Funds Therefor”**

This is without prejudice to the Department's submission of additional inputs.

With my best regards.

Very truly yours,



**RAMON M. LOPEZ**  
Secretary

**OFFICE OF THE SECRETARY**

DTI Position on

**House Bill No. 4792**

**“An Act Institutionalizing the Pondo Sa Pagbabago at Pag-Asenso (P3) Program of the Government and Appropriating Funds Therefor”**

The Department lauds the objectives of the proposed legislative measure that seeks to institutionalize the *Pondo Para sa Pagbabago at Pag-Asenso* (P3) Program as an alternative to the “5-6” money-lending scheme, in support of the directive of President Duterte. This will encourage micro, small and medium enterprises (MSMEs), particularly micro enterprises, to avoid informal sources of lending which usually impose high interest rates that are not unlawful per se, but are burdensome to entrepreneurs. Moreover, this will enable them to effectively start or sustain their business and move up the economic ladder and become more self-sufficient.

Access to finance has remained one of the most critical factors affecting the competitiveness of our MSMEs. Despite the availability of funds for lending, MSMEs particularly the smaller ones have been unable to access funds due to their limited track record, limited acceptable collateral, and inadequate financial statements and business plans (Aldaba, 2012). In addition to informal lending schemes, MSMEs mainly rely on movable assets to access finance. Finding alternatives to traditional collateral-based lending and using collateral registries to promote adequate legal and institutional protection (also known as secured transactions) enable MSMEs to access the resources they need to launch and operate their businesses.<sup>1</sup> One way to reduce financing obstacles for Philippine MSMEs is to strengthen the infrastructure that supports financial transactions, including laws and regulations.

While the DTI has no regulatory role over financial markets, institutionalizing the P3 Program is in the best interest of the Department as the primary agency concerned with the development and promotion of MSMEs in the country.

One way the Department promotes entrepreneurship is by enhancing access to finance through the Small Business Corporation (SBCorp). As the primary financing arm of the DTI, the SBCorp has supported MSMEs through advocacy of accessible financing such as non-collateralized loans, risk-based lending, and loans that accept movable collaterals.

As of 29 February 2020, the DTI, through the SB Corp., has undertaken the following:

- 1) Approved PhP5.08 billion in credit lines of which PhP5.27 billion have already been released to P3 conduits. The partner conduits likewise released PhP4.35 billion to P3 micro-borrowers (see attached report for details); and

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<sup>1</sup> **Improving Access to Finance for MSMEs: Opportunities through Credit Reporting, Secured Lending and Insolvency Practices**, World Bank Group (May 2018), p. 6

2) Released PhP506.35 million to its P3 retail borrowers. Accordingly, the demand and need for the P3 Program is very evident and apparent.

To further improve the bills, we wish to submit our specific comments and recommendations, as follows:

HB No. 4792	DTI Position
<p><b>Sec. 5 Lead Implementing Agency –</b> The Small Business Corporation (SBCorp), the financing arm of the DTI...xxx...shall be the lead implementing agency for the P3 Fund. It shall handle the fund delivery to microenterprises through the following modes: (a) Wholesale Lending; and (b) Retail/Direct Lending</p>	<p>Proposed amendment: Insertion of subsection (c) as another mode of fund delivery, to wit: <b>“c) With the goal to achieve greater outreach to all provinces and barangays of the country, financial technology-enabled (fintech) systems and processes through credit delivery partners as option to direct lending shall be utilized in the implementation of the P3 Program”</b> (emphasis supplied)</p> <ul style="list-style-type: none"> <li>• The adoption of fintech-enabled systems in the delivery of the P3 Fund is critical in achieving the two-pronged objectives of the program:               <ol style="list-style-type: none"> <li>1) Provision of efficient credit access to legitimate micro enterprises in all parts of the country; and</li> <li>2) Reduction of financing charges to non-usurious rates</li> </ol> </li> <li>• The direct lending credit modality, in partnership with financial institutions acting as credit delivery partners (CDP) of SBCorp., (instead of as conduits), and as supported by a compliant information and communications technology (ICT) platform and a network of cash management service providers has already been set-up by SBCorp on pilot basis. Roll-out to its 330 partner financial institutions will be in early 2020. The goal is to have at least one (1) CDP within one hour commute of the micro enterprise communities. The loan will be directly released to the debit card issued to the borrowers.</li> <li>• This new lending scheme will make P3 funds more accessible to more micro enterprises in poor provinces and in other areas not yet sufficiently reached by formal lenders.</li> <li>• The traditional credit modality of Wholesale Lending, while to be</li> </ul>

	<p>maintained as an option in moving the P3 fund, will play lesser role as the network of CDPs achieves critical mass.</p>
<p><b>Sec. 6 Features of the P3 Fund</b>  (a) The interest rate to be imposed on the loan availed of by the P3 Fund beneficiaries shall not exceed 2.5% per month; Provided, that five (5) years after the effectivity of this Act, the SB Corp. may increase the interest rate subject to the review of the Micro, Small and Medium Enterprise Development (MSMED) Council;</p> <p>xxx</p>	<ul style="list-style-type: none"> <li>• SBCorp sees the value of institutionalizing the P3 Program feature of a 2.5% interest per month to ensure that the program starts with adequate differentiation from the prevailing interest rate in the mainstream micro finance industry in the vicinity of 5.0% per month.</li> <li>• Allowing for possible upward adjustment of the interest rate per month is necessary to ensure the continued interest of private micro finance institutions in making their services available in moving the P3 fund. Should SBCorp be able to accredit adequate number of participating financial institutions (PFIs) that are willing to operate at a final interest of not more than 2.5% per month, then the upward adjustment will no longer be necessary.</li> </ul>

In view of the foregoing, the Department reiterates its support to the passage of the proposed bill taking into consideration our specific comments and recommendations.



**Bureau of Trade and Industrial Policy Research**

**05 March 2020**

Ref: BTIPR-032019-048

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**Small Business Corporation**  
**PONDO SA PAGBABAGO AT PAG-ASENSO (P3)**  
as of February 29, 2020

Region/Province	Total Approved Credit Line	Total Releases to Conduits	Total Releases to Microborrowers	No. of Accredited Conduits	No. of Provinces with Conduits	No. of Provinces with Microborrowers
ARMM	500,000		14,162,000	1	1	2
LANAO DEL SUR			2,075,000			1
MAGUINDANAO			12,087,000			1
SULU	500,000			1	1	
CORDILLERA ADMINISTRATIVE REGION (CAR)	246,500,000	261,014,000	237,744,959	27	6	6
ABRA	65,000,000	71,000,000	65,924,480	2	1	1
APAYAO	6,500,000	4,000,000	5,326,000	3	1	1
BENGUET	45,500,000	55,810,000	50,960,087	7	1	1
IFUGAO	40,000,000	47,106,000	42,675,061	4	1	1
KALINGA	54,500,000	43,734,000	41,151,831	8	1	1
MOUNTAIN PROVINCE	35,000,000	39,364,000	31,707,500	3	1	1
NATIONAL CAPITAL REGION (NCR)	392,200,000	492,556,814	186,270,179	22	4	4
METRO MANILA (1ST DISTRICT)	8,000,000	8,000,000	11,718,000	2	1	1
METRO MANILA (2ND DISTRICT)	260,000,000	379,256,814	129,143,937	11	1	1
METRO MANILA (3RD DISTRICT)	16,200,000	17,400,000	20,718,462	3	1	1
METRO MANILA (4TH DISTRICT)	108,000,000	87,900,000	24,689,780	6	1	1
Region I (ILOCOS REGION)	272,500,000	194,855,000	220,713,615	17	4	4
ILOCOS NORTE	63,500,000	50,270,000	90,566,763	4	1	1
ILOCOS SUR	130,000,000	116,885,000	34,896,035	4	1	1
LA UNION	62,500,000	12,500,000	8,071,400	4	1	1
PANGASINAN	16,500,000	15,200,000	87,179,417	5	1	1
Region II (CAGAYAN VALLEY)	462,700,000	504,795,700	326,645,709	32	5	5
BATANES	10,000,000	10,000,000	4,969,000	1	1	1
CAGAYAN	27,000,000	29,400,000	60,691,382	6	1	1
ISABELA	336,500,000	381,528,000	157,725,564	12	1	1
NUEVA VIZCAYA	69,200,000	59,707,700	67,919,075	11	1	1
QUIRINO	20,000,000	24,160,000	35,340,688	2	1	1
Region III (CENTRAL LUZON)	595,000,000	655,100,000	571,733,458	32	7	7
AURORA	51,500,000	70,200,000	64,522,490	7	1	1
BATAAN	33,000,000	31,300,000	34,230,287	5	1	1
BULACAN	85,000,000	106,300,000	136,120,393	5	1	1
NUEVA ECIJA	334,500,000	351,000,000	170,582,983	10	1	1
PAMPANGA	55,000,000	42,100,000	59,827,255	3	1	1
TARLAC	30,000,000	46,000,000	92,176,050	1	1	1
ZAMBALES	6,000,000	8,200,000	14,274,000	1	1	1
Region IV-A (CALABARZON)	316,900,000	196,256,738	231,044,961	35	5	5
BATANGAS	137,000,000	124,814,087	67,052,628	12	1	1
CAVITE	76,000,000	16,106,951	27,962,600	7	1	1
LAGUNA	6,900,000	5,150,000	11,899,366	4	1	1
QUEZON	56,000,000	28,400,000	23,758,971	5	1	1
RIZAL	41,000,000	21,785,700	100,371,396	7	1	1
Region IV-B (MIMAROPA)	149,500,000	148,620,126	211,961,382	33	5	5
MARINDUQUE	5,500,000	3,000,000	3,074,000	2	1	1
OCCIDENTAL MINDORO	93,000,000	106,320,126	137,197,127	18	1	1
ORIENTAL MINDORO	30,000,000	21,900,000	39,194,574	3	1	1
PALAWAN	18,500,000	15,250,000	30,342,181	8	1	1
ROMBLON	2,500,000	2,150,000	2,153,500	2	1	1
Region IX (ZAMBOANGA PENINSULA)	193,450,000	120,407,625	215,538,087	24	3	3
ZAMBOANGA DEL NORTE	111,000,000	67,354,500	44,242,106	7	1	1
ZAMBOANGA DEL SUR	56,500,000	25,003,125	117,349,536	11	1	1
ZAMBOANGA SIBUGAY	25,950,000	28,050,000	53,946,445	6	1	1
Region V (BICOL REGION)	403,400,000	415,170,000	378,101,546	30	6	6
ALBAY	120,500,000	155,500,000	103,922,306	5	1	1
CAMARINES NORTE	37,000,000	26,444,000	28,085,500	5	1	1
CAMARINES SUR	36,900,000	31,328,000	63,832,112	8	1	1
CATANDUANES	80,000,000	65,162,000	62,132,571	2	1	1
MASBATE	24,000,000	17,470,000	23,677,950	5	1	1
SORSOGON	105,000,000	119,266,000	96,451,107	5	1	1
Region VI (WESTERN VISAYAS)	430,500,000	549,288,500	393,510,806	29	6	6
AKLAN	40,000,000	41,590,000	35,677,753	4	1	1
ANTIQUE	40,000,000	33,726,000	118,172,828	5	1	1
CAPIZ	18,000,000	8,600,000	15,986,149	3	1	1
GUIMARAS	15,500,000	15,531,000	61,190,589	2	1	1
ILOILO	260,000,000	394,668,000	124,579,160	9	1	1
NEGROS OCCIDENTAL	57,000,000	55,173,500	37,904,327	6	1	1
Region VII (CENTRAL VISAYAS)	458,500,000	501,555,500	441,253,649	32	4	4
BOHOL	65,500,000	63,565,000	63,032,557	10	1	1
CEBU	345,000,000	381,053,000	307,846,804	11	1	1
NEGROS ORIENTAL	33,000,000	37,237,500	50,737,288	8	1	1
SIQUIJOR	15,000,000	19,700,000	19,637,000	3	1	1

Region VIII (EASTERN VISAYAS)	153,500,000	146,121,500	180,170,089	29	6	6
BILIRAN	27,000,000	32,019,000	39,147,350	5	1	1
EASTERN SAMAR	10,000,000	5,000,000	15,351,896	5	1	1
LEYTE	41,000,000	67,013,000	78,980,725	5	1	1
NORTHERN SAMAR	33,000,000	1,500,000	8,550,278	3	1	1
SAMAR (WESTERN SAMAR)	21,500,000	16,257,000	14,098,362	4	1	1
SOUTHERN LEYTE	21,000,000	24,332,500	24,041,478	7	1	1
Region X (NORTHERN MINDANAO)	272,700,000	449,738,109	197,752,169	18	5	5
BUKIDNON	51,000,000	61,315,485	76,713,699	5	1	1
CAMIGUIN	2,000,000	3,000,000	3,468,000	1	1	1
LANAO DEL NORTE	9,000,000	7,000,000	34,031,639	3	1	1
MISAMIS OCCIDENTAL	15,000,000	24,165,625	55,856,551	4	1	1
MISAMIS ORIENTAL	195,700,000	354,256,999	27,682,280	5	1	1
Region XI (DAVAO REGION)	282,500,000	206,877,879	191,832,932	26	4	5
DAVAO DE ORO	57,000,000	39,125,000	37,354,033	8	1	1
DAVAO DEL NORTE	69,000,000	59,069,500	52,295,139	5	1	1
DAVAO DEL SUR	140,500,000	92,027,995	73,985,700	11	1	1
DAVAO OCCIDENTAL			2,969,011			1
DAVAO ORIENTAL	16,000,000	16,655,384	25,229,049	2	1	1
Region XII (SOCCSKSARGEN)	156,000,000	175,490,725	154,959,120	17	4	3
NORTH COTABATO	85,500,000	116,383,100		6	1	
SARANGANI	20,500,000	19,545,500	31,896,295	4	1	1
SOUTH COTABATO	15,000,000	6,500,000	72,372,625	4	1	1
SULTAN KUDARAT	35,000,000	33,062,125	50,690,200	3	1	1
Region XIII (CARAGA)	297,000,000	249,871,295	196,661,477	19	4	5
AGUSAN DEL NORTE	63,000,000	76,973,144	54,825,932	3	1	1
AGUSAN DEL SUR	53,000,000	63,349,051	72,707,190	8	1	1
DINAGAT ISLANDS			50,000			1
SURIGAO DEL NORTE	50,000,000	16,000,000	29,723,530	5	1	1
SURIGAO DEL SUR	131,000,000	93,549,100	39,354,825	3	1	1
Grand Total	5,083,350,000	5,267,719,511	4,350,056,138	423	79	81