

02 March 2020

**SENATOR AQUILINO “KOKO” PIMENTEL III**  
Chairperson  
Committee on Trade, Commerce and Entrepreneurship  
Senate of the Philippines  
Pasay City

Dear **Senator Pimentel**:

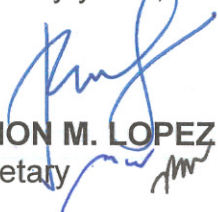
We are pleased to submit the Department’s position on Senate Bill No. 95, entitled:

**“An Act Providing Socialized Microfinancing Program for Micro Enterprises Thereby Promoting Entrepreneurship”**

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  
**Senate Bill No. 95**

**“An Act Providing Socialized Microfinancing Program for Micro Enterprises  
Thereby Promoting Entrepreneurship”**

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 in 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 advancing 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.

To further improve the bills, we wish to submit the following comments and recommendations:

| <b>SB No. 95</b>  | <b>DTI Position</b>   |
|---|---|
| <b>Sec. 5 Lead Implementing Agency</b> – The Small Business Corporation (SBCorp), the financing arm of the DTI...xxx...It shall handle the fund delivery to micro enterprises through the following modes:<br>(a) Direct lending to micro enterprises; and<br>(b) Wholesale lending to conduits, such | Proposed amendment:<br>Insertion of subsection (c) as another mode of fund delivery, to wit:<br><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</b> |

<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

|   |  |
|---|--|
| <p>(b) Wholesale lending to conduits, such as micro finance institutions (MFIs), rural banks and credit cooperatives, which shall on-lend the fund to micro enterprises.</p> <p>xxx</p>   | <p><b>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: <ul 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> </ul> </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 maintained as an option in moving the P3 fund, will play lesser role as the network of CDPs achieves critical mass.</li> </ul> |
| <p><b>Sec. 5 Lead Implementing Agency –</b><br/>xxx</p> <p>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 the annual allocation under the General Appropriations Act (GAA).</p> | <ul style="list-style-type: none"> <li>• DTI supports this provision</li> <li>• The mobilization and monitoring fund should be budgeted as component of the annual allocation instead of from the earnings of the P3 fund in order to avoid pressure on the revenue generation side of the SBCorp, taking into consideration the policy cap on finance charges of 2.5% per month being observed under the P3 Program, most of which covers the transaction cost of the CDPs.</li> </ul>  |

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|--|--|
|  | <p>Services of CDPs are critical in the efficient and effective downloading of the P3 fund to target micro enterprise communities across the country, including deeply rural territories and special sectors confronted with heightened cultural and economic obstacles.</p>   |
| <p><b>Sec. 6 Features of the P3 Fund</b><br/> (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 after three (3) years from the effectivity of this Act, a higher ceiling may be allowed up to 3% per month, 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 to 3% 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 to 3% 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.

*Rajapin Chay*

**Bureau of Trade and Industrial Policy Research**

**02 March 2020**

Ref: BTIPR-122019-164

/jto

Small Business Corporation

PONDO SA PAGBABAGO AT PAG-ASENSO (P3)

as of February 29, 2020

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| 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 |