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MCPI triumphs on its Microfinance Code Advocacy

On 03 November 2015, President Benigno S. Aquino III has signed into law the “Microfinance NGOs Act,” which was primarily sponsored by Senator Paolo Benigno “Bam” Aquino IV. Republic Act No. 10693, also known as “An Act Strengthening Nongovernment Organizations Engaged in Microfinance Operations for the Poor.” The Act aims to strengthen non-government microfinance institutions in their pursuit of community development and improvement in the socio-economic welfare of the poor and other basic and marginalized sectors. The law formally recognizes the “indispensable role of nongovernment organizations (NGOs) in fostering local enterprise development and social entrepreneurship.” In view of this, the law explicitly pointed out as a matter of policy that “the State shall support and work in partnership with qualified NGOs in promoting financially inclusive and pro-poor financial and credit policies and mechanisms,” primarily through the promotion of microfinance and its allied services.

To oversee the implementation of RA 10693, it called for the establishment of a Microfinance NGO Regulatory Council (MNRC), which shall be composed of four permanent members from the government (the chairperson of the Securities and Exchange Commission; the Secretary of the Department of Trade and Industry; the Secretary of the Department of Finance; and the Secretary of the Department of Social Welfare and Development) and three term-based representatives from the Microfinance NGO sector, to be chosen among the nominees submitted by organizations, associations, and/or alliances of Microfinance NGOs duly registered with the SEC.

In turn, Microfinance NGOs shall be required to obtain accreditation from the MNRC in order to fully enjoy the benefits accorded to them under the law.

Apart from enshrining the core principles and purposes of microfinance NGOs—including the provision of both financial and social protection programs as well as upholding the core Client Protection Principles, as it is widely and commonly regarded—RA 10693, directs the formulation of financial and social performance, and governance standards for microfinance NGOs, which will form part of the accreditation criteria.

Accredited microfinance NGOs shall be given ready access to all available support programs for the microfinance sector, such as, but not limited to the following: operational and capacity building grants; low interest loans; guarantee funds; and technical assistance for the improvement of microfinance operations. Most importantly, an accredited MF NGO shall only be subjected, in lieu of all national taxes, to a two percent tax based on its gross receipts from microfinance operations (defined under the law as interest income, penalties, surcharges, commission and discounts, service and general fees, and other related and incidental charges). Attached to this privilege is the responsibility of the MF NGO to ensure that each of their clients must have a Taxpayer Identification Number (TIN).

The Microfinance NGOs Act is a consolidation of Senate Bill No. 2752 (An Act Strengthening Non-Government Organizations Engaged in Microfinance Activities for the Poor, as per Committee Report No. 130, dated 06 May 2015) and House Bill No. 5217 (An Act Governing the Accreditation of Micro-enterprise Development Institutions, as per House Committee Report No. 495, dated 25 November 2014). It should be noted that while the House of Representatives had submitted an entirely different version of the bill as it was essentially based on the original text of the then-known “Microdev” bills

that had been already approved in the previous Congress, the final text of RA 10693 was heavily based on the MCPI-endorsed Senate Bill No. 1832, "An Act Creating the Microfinance Code of the Philippines," which was filed by Sen. Bam Aquino on 13 October 2013. Similar bills were introduced in the House of Representatives by Reps. Cresente C. Paez and Anthony M. Bravo (House Bill No. 277, "An Act Creating the Microfinance Code of the Philippines"); and by Reps. Rufus Rodriguez, Maximo B. Rodriguez, Jr., Rolando A. Uy, Peter M. Unabia, Juliette T. Uy, and Ma. Lourdes Acosta-Alba (H.B. No. 4154, "An Act Creating the Microfinance Code of the Philippines"). For his part, Rep. Pablo R. Nava III introduced H. B. No. 3364, "An Act Governing the Creation and Accreditation of Non-Stock Non-Profit Microfinance Development Organizations and/or Corporations, and for Other Purposes"—a hybrid version of the original "MEDI or Microdev bills" and the MCPI-drafted Microfinance Code of the Philippines. ♦

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Statement of Thanks and Support

On November 3, 2015, Republic Act No. 10693, An Act Strengthening Non Government Organizations (NGOs) Engaged In Microfinance Operations For The Poor (Microfinance NGOs Act) was signed by His Excellency, President Benigno Simeon Aquino III. This clearly signals the seriousness of this administration in pursuing its avowed goal of financial inclusion for all Filipinos.

We in the microfinance sector would like to express our deepest appreciation to those who made possible the enactment of this law. Thank you, Mr. President! Our gratitude is extended, too, to Senate President Franklin M. Drilon and Speaker of the House of Representatives, Feliciano R. Belmonte, Jr. Our deepest gratitude to Sen. Paolo Benigno "Bam" Aquino IV, and Rep. Neil Benedict A. Montejo, Chairpersons of the Committees on Trade, Commerce, and Entrepreneurship; Rep. Neptali M. Gonzales II, House Majority Leader; APPEND Party-List Rep. Pablo R. Nava III; and members of the Bicameral Conference Committee who have wholeheartedly worked on the harmonization of the bills, and for championing the cause of the microfinance sector and microentrepreneurs in our country.

We deeply value your contribution to the enhancement of the policy milieu in support of promoting self-sustaining NGOs primarily engaged in the provision of development-oriented financial and social services to millions of our microentrepreneurs. Your bold leadership and honest concern for the sector's plight have fostered a deep sense of hope and relief for those who are in the frontline of local enterprise development and people empowerment. Thank you for listening to the challenges we face and for making us feel valued and appreciated.

RA 10693 is a salute to the millions of nanays and tatays who contribute greatly to economic development at the grassroots and we, with all of them, salute you in return!

The central part of the image features the MCPI logo (Microfinance Council of the Philippines, Inc.) with a signature of Maria Anna dR. Ignacio, Chairperson. Below it is the APPEND logo (Alliance of Philippine Partners in Enterprise Development) with a signature of Angel de Leon, Jr., Chairperson. The bottom section is a grid of logos for various partner organizations and NGOs, including ASKI, ARDCI, PHILIPPINES ASA, bayan EDGE, ECLOF, KASAGANA-KA, KAZAMA GRAMEEN INC., MENTORS Philippines, MILAMDEC, onwlf, RAFI, MICRO FINANCE, SKI, and TSPI.

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