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DEPARTMENT ADMINISTRATIVE NO. 12
SERIES OF 1995

SUBJECT : RULES AND REGULATIONS IMPLEMENTING R.A. NO. 7882 ENTITLED "AN ACT PROVIDING ASSISTANCE TO WOMEN ENGAGING IN MICRO AND COTTAGE BUSINESSENTERPRISES, ANDFOR OTHER PURPOSES."

Pursuant to Section 8 of R.A. 7882, the following rules and regulations are hereby prescribed and promulgated for the compliance, guidance and information of all concerned:

I. Purpose

R. A. 7882 seeks to provide all possible assistance to Filipino women in their pursuit of owning, operating and managing small business enterprises.

II. Declared State Policy

The State recognizes the role of women in nation building, and shall ensure the fundamental equality before the law of men and women. (per Philippine Constitution - Article II, Section 14)

III. Definition of Terms

- o **Micro and Cottage Enterprise** (shall follow the definition approved by the SMED Council. At present, they are defined as follows:) - any business activity or enterprise engaged in industry, agri-business and/or services, whether single proprietorship, cooperative, partnership or corporation whose total assets, inclusive of those arising from loans but exclusive of the land on which the particular business entity's office, plant and equipment are situated, must have value falling under the following categories:

Micro P150,000.00 and below
 Cottage above P150,000.00 - P1,500,000.00

- o **Loan Fund** - this refers to 5% of the loan portfolio of all government financing institutions. If, for the purpose of complying with R.A. 6977, otherwise known as Magna Carta for Small Enterprises, the GFIs have extended loans to women entrepreneurs falling under the micro and cottage category, this shall be considered compliance with R.A. 7882, and vice versa.
- o **Prime Rate** - is the interest rate to be imposed by government financial institutions on their preferred clients and is decided upon among themselves on a weekly basis.
- o **Government Financial Institutions (GFIs)** - this refers to the government banking institutions which are into direct lending which are Philippine National Bank, Land Bank of the Philippines and Development Bank of the Philippines.
- o **Non-Governmental Organizations (NGOs)** - these are non-stock, non-profit corporations, credit unions, cooperatives, foundations, associations and civic groups organized purposely to enhance the development of a community through socio-economic development projects like community organization and lending to income-generating projects.
- o **Primary Organizations** - these are groups composed of at least four (4) individuals who would be or already operating a microenterprise. The purpose of grouping may vary as follows:
 - to own/operate a common business
 - to tap/supply a common market
 - to operate a common service facility
 - to tap common raw materials source
 - other activities beneficial to the group

IV. Responsible Agencies and their Respective Mandates

A. Department of Trade and Industry

A.1 Bureau of Small and Medium Business Development

The Bureau of Small and Medium Business Development is mandated to promote and develop micro, cottage, small and medium enterprises (MCSMEs) in the country. In line with this mandate, the Bureau initiates and implements programs and projects addressing the specific needs of MCSMEs in areas concerning technology development and transfer, financing, marketing and training.

A.2 Regional Office/Provincial Office

They are operated and maintained on a Department-wide basis, acting as implementing arms in the regions/provinces under their jurisdiction the

policies, programs, rules and regulations as well as those laws which the Department is mandated to enforce.

B. Government Financial Institutions

B.1 Land Bank of the Philippines

As a universal bank, Land Bank commits to promote countryside development, farmers' prosperity and landowners' involvement in productive enterprises through agrarian reform and a viable organization dedicated to the highest standard of public service.

B.2 Development Bank of the Philippines

The Development Bank of the Philippines is the government financial institution charged with providing principally medium and long term credit facilities for agriculture, industry, export development and the government sector.

B.3 Philippine National Bank

The Philippine National Bank performs commercial banking, as well as expanded commercial banking functions; and, within the context of a financially viable and stable banking institution, provides banking services for the development of agriculture and small and medium scale commercial and industrial enterprises. PNB likewise provides banking services to the national government, other government entities and local government; and engages in international banking activities particularly in the promotion of exports.

B.4 Bangko Sentral ng Pilipinas

The Bangko Sentral ng Pilipinas shall provide policy direction in the areas of money, banking and credit.

C. Technical Education and Skills Development Authority

The Technical Education and Skills Development Authority shall encourage active participation of various concerned sectors, particularly private enterprises, being direct participants in and immediate beneficiaries of a trained and skilled workforce, in providing technical education and skills development opportunities.

V. Coverage

All women who are citizens of the Philippines, at least eighteen (18) years of age, regardless of civil status, particularly those who are either unemployed, distressed or whose family income is below the poverty line shall enjoy the benefits of this Act.

VI. Guidelines for Implementation

A. Purpose of the Loan

The loan will be used for the purchase of basic equipment, tools or materials for manufacturing, processing, trading and service activities.

B. Eligible Borrowers

To make the loan processing more manageable at the bank's level, loan application may be done by the NGOs or Primary Organizations by women or that cater to women beneficiaries. Such shall then either on-lend to women borrowers at a maximum loan amount of P50,000/borrower or set up its own project for the benefits of its women members at a maximum assistance of P50,000/member.

C. Eligibility Criteria

C.1 NGO/Primary Organizations

- have carried continuous successful onlending operations for at least one (1) year
- registered with the Securities and Exchange Commission, Cooperative Development Authority or any appropriate agency which registers organizations for purposes of legal personality
- have a management board consisting of members of high standing in the local community
- proponent counte part of 10% of the total project cost
- have a permanent office space
- have at least one permanent staff handling the program, preferably woman
- have annual externally audited financial statements
- have a collection rate of over 80 per cent in their previous programs
- NGOs run by and for women would be given priority
- NGOs should indicate in their application the number of women entrepreneurs as beneficiaries and loan amount requested for, in case of additional funding, the NGO should submit a new listing of beneficiaries to the GFI.

C.2 Women Entrepreneurs

1. With Existing Enterprises

shall have priority to obtain a loan not exceeding the value of her business equipment

The borrower shall:

- a. have been engaged for at least one (1) year in any micro or cottage business.

- b. either be individual/sole proprietorship, partnership,
- c. have a daily inventory of goods worth not more than Twenty Five Thousand Pesos (P25,000.00) or,
- d. own business equipment with a book value of not more than Fifty Thousand Pesos (P50,000.00),
- e. have good track record in sales

2. Potential Women Entrepreneur

- a. those who are engaged for less than one (1) year and those who are totally new
- b. those whose projects have a maximum capitalization of only P25,000
- c. those who have undergone training and who have been certified after training in any government or government-accredited institution.

D. Types of Projects

- manufacturing
- processing
- service
- trading

E. Loan Amount

E.1 NGOs/Primary Organizations

Maximum loan amount of P2,000,000 for relending to women entrepreneurs

E.2 Women Entrepreneurs

Existing:

Maximum loan amount of P50,000/woman member or borrower; but not to exceed the value of her business equipment.

Beginner:

Maximum of P25,000/woman member/borrower

F. Interest Rate

Prime interest rate or at the rate of 12% per annum, whichever is lower shall be imposed by the Government Financial Institutions.

G. Collateral Requirement

- Chattel Mortgage on machineries and equipment of the project for the women borrowers
- Joint and Several Signatures (JSS) of principal stockholders in case of NGOs/Primary Organizations

H. Technical Training Requirements

Technical Assistance & Skills Development Authority (TESDA), with training centers nationwide conducts basic skills training and upgrading training programs which may involve training fees.

The following agencies with training mandate can also conduct training :

1. Department of Trade and Industry
2. Department of Labor and Employment
3. Department of Social Welfare and Development
4. UP-Institute for Small Scale Industries
5. Department of Agriculture
6. Department of Science and Technology
7. Technology and Livelihood Resource Center

The certificate of training as a requirement for accreditation of women entrepreneurs can come from TESDA and from other training institutions accredited by BSMBD.

I. Loan Processing Procedure

I.1 GFI to NGO/PO

Subject to the standard loan systems and procedures/documents of the GFIs.

I.2 GFI to Women Entrepreneur

Subject to standard loan systems and procedures of the GFIs together with the following documents:

- If existing, registration with an appropriate government agency
- If beginner, Certificate of Training from TESDA or any government-accredited training institution
- Business Plan

I.3 NGO/PO to Women Entrepreneur

1. The applicant/borrower approaches NGO/PO in their locality.
2. The applicant/borrower fills-up and submits the accomplished Application Form to NGO/PO together with the following documents:
 - If existing, registration with any appropriate government agency
 - If beginner, Certificate of Training from TESDA or any government-accredited training institution
 - Business Plan
3. NGO/PO staff visits the applicant to validate the data presented in the Application Form and evaluates the borrower's worthiness.
4. NGO/PO confirms and informs applicant/borrower of the approval/disapproval of loan application.

J. Loan Maturity

- Loan maturities shall not exceed three (3) years inclusive of six months grace period on principal.

K. Payment of Loan

- Loan repayments are to be made directly to the GFI branch nearest the borrower.
- The loan shall be paid in either monthly, quarterly or semi-annual amortization

L. Loan Renewals

- For all intents and purposes, applications for renewal shall be considered as a new application, and borrower shall start from step one (1) of procedure for loan processing (Art. VI,1).
- Only borrowers with up to date payments shall be entitled to renew their loans.

M. Defaults

If there are six or more installment in arrears or arrearages reach 20% of the total outstanding balance of the loan, the GFI after conducting monitoring and investigation may recommend any of the following courses of action :

- restructure of loan
- declare loan due and demandable

When declaring a loan due and demandable, the following should be taken into consideration:

- o when there is diversion of funds
- o falsification of documents pertaining to borrower's identity and financial conditions
- o Procedures:
 - o GFI to give 3 written demand letters to concerned borrower
 - o After which, GFI takes legal action

N. Penalty Fees

Penalty charges equivalent to 12% per annum of outstanding balance shall be imposed on default payments accumulated at least two quarterly amortization computed on cumulative basis.

All remedies shall be made to keep the funded project viable. For failed projects, foreclosure orders shall be initiated upon instructions/recommendations of GFI.

O. Provision on the Death or Demise of the Woman Borrower

In case of death or demise of the woman borrower, the two co-makers shall be held liable to pay the outstanding balance of the loan at time of death, or the equipment/machineries/tools purchased shall be foreclosed as agreed upon in the chattel mortgage.

In certain cases that the co-makers could not be forced to pay the loan, foreclosure of the purchased equipment/machineries will be strictly enforced, as agreed upon in the chattel mortgage.

P. Prohibitions

The following acts are prohibited:

- to sell, mortgage, pledge or in any way encumber any of the equipment, tools or materials procured through a loan and obtained by virtue of this Act while the loan has not yet been fully paid,
- for any GFIs to refuse, deny or delay without justifiable cause granting loans as provided for in the Act.

VII. Roles and Responsibilities

A. Department of Trade and Industry

A.1 Bureau of Small and Medium Business Development

The Bureau of Small and Medium Business Development (BSMBD) shall:

- formulate the Implementing Rules and Regulations (IRR) and amendments thereto
- accredit training institutions in coordination with TESDA
- coordinate the overall implementation of the Program
- take part in the information dissemination and promotion of the Program

A.2 Regional Office

Regional Office shall:

- take part in the information dissemination and promotion of the Program
- Consolidate quarterly reports submitted by POs and submit quarterly report to BSMBD

A.3 Provincial Office

Provincial Office shall:

- take part in the information dissemination and promotion of the Program
- coordinate with the local branch of the GFIs in their locality to monitor the status of availment of the NGO/PO borrowers
- monitor the performance of the NGOs/POs and women entrepreneurs who were able to avail of the financial assistance and determine if the loan benefitted the intended women borrowers
- submit quarterly reports to the Regional Office

B. Government Financial Institutions

Subject to their operational policies and lending guidelines, the GFIs involved herein shall provide the following:

B.1 Head Office

- to monitor the performance of their local branch
- to earmark 5% of their respective total portfolio and make the funds available to the women borrowers directly or through qualified NGOs.
- to facilitate the easy establishment of credit lines to women entrepreneurs which shall be conducted with lesser requirements and shorter processing periods.

B.2 Local Branch

- to evaluate the loan application of NGO/PO borrowers
- to process and decide on loan applications within fifteen (15) banking days from the date of actual submission of the complete requirements of such loans to the concerned GFI

C. Bangko Sentral ng Pilipinas

- to check, verify or audit records of the government financial institutions

D. TESDA

- organize and conduct appropriate training programs for the women entrepreneurs, basically skills training. Gender sensitivity trainings and empowering skills for the women entrepreneurs (e.g. management techniques, accounting and budgeting, etc.) can also be included.
- issue certificate to women borrowers upon completion of the training

VII. Monitoring/Evaluation Report

- o GFIs shall provide BSMBD with the compliance reports such as the loan releases made to the borrowers, loan repayment made by borrowers, in the format which shall be prescribed by the BSMBD.
- o Bangko Sentral ng Pilipinas shall check, verify or audit records of the participating GFIs;
- o Evaluation will be geared toward the determination of the Program's impact, efficiency and effectiveness

Impact can be measured through :

- number of jobs created
- gross value added
- number of successful microentrepreneurs assisted
- investment per job

Effectiveness can be measured through:

- funds utilization
- continuity of microenterprise projects after loan payment
- meeting objectives

Efficiency can be measured through:
collection/repayment rate
cost/benefit ratio

IX. Provision on the Review and Amendment of the IRR

The IRR may be reviewed and amended by DTI in consultation with the GFIs and other relevant agencies as may be necessary to effectively implement the provisions of R.A. 7882.

X. Effectivity of the IRR

This IRR shall take effect after fifteen (15) days following publication in a newspaper of general circulation.

Makati City, November 13, 1995.



R. S. NAVARRO
Secretary of Trade and Industry