



Republika Ng Pilipinas
Lalawigan Ng Compostela Valley
PAMAHALAANG BAYAN NG COMPOSTELA

TANGGAPAN NG SANGGUNANG BAYAN

19th COUNCIL
114th Regular Session
June 3, 2019

ATTENDANCE:

Present:

Hon. Reynaldo Q. Castillo	Vice Mayor
Hon. Alan M. Calalas	SB Member
Hon. Levi S. Ebdao, <i>Temporary Presiding Officer</i>	SB Member
Hon. Wilfredo C. Ang	SB Member
Hon. Danielo B. Pelegrino	SB Member
Hon. Rogelio P. Econar	SB Member
Hon. Miguel G. Vargas, Jr.	SB Member
Hon. Ernesto C. Bondan, <i>IPM Representative</i>	SB Member
Hon. Brigil Rey G. Lorono, <i>PPSK President</i>	SB Member

On Official Business:

Hon. Elmo A. Estandarte	SB Member
Hon. Alejo O. Luzano, <i>Liga ng mga Barangay President</i>	SB Member

Absent:

Hon. Myrel V. Bangcasan, <i>on leave</i>	SB Member
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Municipal Ordinance No. 2019 - 532

Sponsored by: Hon. Wilfredo C. Ang

AN ORDINANCE ESTABLISHING THE LOAN PRODUCTS FOR BUSINESS (LPB) PROGRAM OF THE MUNICIPALITY OF COMPOSTELA, COMPOSTELA VALLEY PROVINCE

WHEREAS, the Micro, Small and Medium Enterprises (MSMEs) play an indispensable role in the growing economy of the Municipality of Compostela, Compostela Valley, it creates job for the local labor force and a breeding ground for budding entrepreneurs. Policies were crafted that aims to provide a better environment for MSMEs development in order to facilitate increase in terms of trading activities, investment and job creation which are designed to effectively attract legitimate domestic investors;

WHEREAS, despite of its significant contribution, the sector still faces binding constraints that prevents its growth and expand its opportunities. Lack of access to financing, sustainable markets and capacity training to acquire the needed skills and mind-set hinders MSMEs from realizing its full potential as well as facilitate its heightened competitiveness. However, MSMEs choose to avail and borrow financing products from informal lenders due to the rigid documentary requirements and the collateral when loaning from the formal financial institutions and banks;

WHEREAS, to properly address these concerns, this legislative measure provides a simple micro financing program in the Municipality of Compostela, Compostela Valley and to provide a better alternative from the informal lenders through providing cheaper loan products with lower interest rates that shall increase its competitiveness as well as increasing agricultural and rural enterprise productivity;

NOW THEREFORE;

Be it ordained by the Sangguniang Bayan of Compostela, Compostela Valley in session assembled that:

Section 1. TITLE. There is hereby established a Loan Products for Business (LBP) Program, a Micro Finance and Livelihood Assistance Program that shall be made available to qualified Micro, Small and Medium Enterprises (MSMEs) and other vulnerable sectors such as Indigenous People, Women, Youth and Person with Disabilities (PWDs) who are engaging into business activity under such terms and conditions that shall meet the purposes of the program. This ordinance shall be known as the **“Loan Products for Business (LPB) Program of the Municipality of Compostela, Compostela Valley”**.

Section 2. COVERAGE. This program shall be enjoyed by individual entrepreneur under the MSMEs category, individual farmers and vulnerable sectors who are engaging into business activity or enterprise involved in industry, agribusiness and/or services.

Section 3. PURPOSE. It is a mandate of the Local Government Unit of Compostela, Compostela Valley under RA 7160 to uplift the lives of its people by providing services, assistance and livelihood. The ultimate purpose of this program is to assist MSMEs in giving options for additional capital and liberate them of the high interest loans from other informal and unregistered lending or "pautang".

Section 4. DEFINITION OF TERMS. The following terms are defined from the context of this program:

- a. **Business** - refers to an activity engaged by individual or group that delivers either product or services;
- b. **Interest Rate** - refers to the rate of 1% per month from the principal capital loan by the individual or group;
- c. **Loan Products** - refers to different types of loans given to a specific type of beneficiary and in accordance with its unique purposes;
- d. **Micro, Small and Medium Enterprises (MSMEs)** - refers to enterprises with less than P30,000.00 capital with P100,000.00 of its annual revenue such as ambulant vendors and the like;
- e. **Tenants** - refers to individuals who are tilling or cultivating land owned by another individual and only given a share of the harvested crop; and
- f. **Vulnerable Sector** - refers to individual or association of the vulnerable and marginalized sector such as Indigenous People, Women, Youth and PWDs.

Section 5. LOAN PRODUCTS. The Loan Products for Business (LPB) Program are as follows:

- a. **Small Enterprise Loan.** Small Enterprise Loan shall be granted base from borrower's cash flow and needs for their micro enterprises or small businesses. Loan amount shall start from P 3,000.00 on the first cycle and gradually increase up to P15, 000.00. The first term payment shall be payable within six (6) to one (1) year period.
- b. **Loan for Pagsasaka ng Bayan.** Loan for Pagsasaka ng Bayan shall be granted to an individual farmer-entrepreneur who is engaging in a business activity. An individual farmer shall be a member of a registered organization within the Municipality of Compostela, Compostela Valley and shall have an area of one (1) hectare or less. Moreover, tenants are priority beneficiaries of this type of loan. The amount of P 5,000.00 shall be released in the first cycle and increases gradually up to P15, 000.00 payable within six (6) month to one (1) year period.
- c. **Special Loan for Service Provider.** Special Loan for Service Provider shall be granted to individual service provider such as motor cab driver, barber, manicurista, beautician, massage therapist, guard, utility worker and the like. The purpose of this assistance is to give subsidy during time of sickness and calamity and/or for education to their children. The first cycle shall be P5, 000.00 and increases gradually up to P10, 000.00 depending upon the purpose of application.
- d. **Cluster Loan for Barangay.** Cluster Loan for Barangay shall be granted to individuals who are resident of Barangays within the Municipality of Compostela, Compostela Valley other than Barangay Poblacion. There must be at least five (5) members in each cluster for every barangay. Each member shall engage in an enterprise. The loan shall be granted to every individual members but the payment of loans shall be consolidated weekly and shall be the responsibility of the cluster. Failure of payment of one (1) member shall be automatically assumed by all members of the cluster.
- e. **Special Loan for Business during Calamity.** Special Loan for Business during Calamity shall be granted during any calamities on which the Local Government Unit

of Compostela, Compostela Valley declared under State of Calamity. The funding source shall be from the Disaster Risk Reduction Livelihood Fund of the locality. The amount and interest rate shall be observed under the same guidelines, terms and conditions of the program stipulated in this Ordinance.

Section 6. ELIGIBILITY CRITERIA. Beneficiaries shall possess the following characteristics:

- a. Shall be engaged in business of any goods or services;
- b. Shall have an operating and earning business for existing MSMEs and active in engaging business for at least six (6) months;
- c. Has the capability to pay based on background investigation and cash flow analysis;
- d. Shall have other source of income or other members of the family has other source of income; and
- e. Shall undergo training on business development conducted by Negosyo Center Compostela and other agencies.

Section 7. LOAN AMOUNTS AND RELEASE. The loan amounts and release schedule are as follows:

CYCLE	AMOUNT	PAYABLE TIME
First Cycle	P 5,000.00 – P 10,000.00	6 months
Second Cycle	P 10,000.00 – P 20,000.00	6 months
Third Cycle	P 20,000.00 – P 30,000.00	8 months

If fully paid before the due date, the Borrower shall be entitled to apply for additional loan for the next cycle.

Section 8. INTEREST AND CHARGES. The Interest Rate and Charges to be imposed on the Loan Products for Business (LPB) Program are as follows:

- a. Interest rate of all types of loan products shall be one percent (1%) per month and additional one percent (1%) surcharge for delinquent account or past due accounts; and
- b. A service fee of P100.00 shall be collected upon the application of loan.

Section 9. COLLECTION AND DELINQUENCY.

- a. First payment shall be collected one (1) week after the date of release;
- b. Two (2) Collectors under the Local Economic Enterprise Development and Management Office (LEEDMO) Collection Section shall be assigned only for this purpose;
- c. Loan payment shall be flexible upon request of the borrowers depending upon on the availability of their cash (daily or weekly basis);
- d. For delinquent accounts, the following action shall be taken:

First Notice	-	Non-payment for 7 months
Second Notice	-	Non-payment for 8 months
Final Notice	-	Non-payment for 9 months
Endorsement to Municipal Trial Court (Small Value Debt)	-	Non-payment for 10 months & beyond

Section 10. DOCUMENTARY REQUIREMENTS. The following documentary requirements shall be submitted to the lead implementing office, to wit:

- a. Application Form;
- b. CEDULA and Office Receipt of Service Fee;
- c. Collection Agreement/ Promissory Note;
- d. Cash flow (for existing business);
- e. Certification of Membership (for Association Members);
- f. Certificate of Training or Business Orientation;
- g. Loan Release Card (2 copies: 1 for Collector and 1 for Borrower); and
- h. Picture 1 x 1.

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Section 11. CO-MAKER. A co-maker shall be an established business operator or any individual whose integrity, honesty and personality is beyond question. An Elected Public Official shall not be allowed to act as a co-maker.

Section 12. LEAD IMPLEMENTING OFFICE. The Local Economic Enterprise Development and Management Office (LEEDMO), the promotion, development, and management arm for public enterprises of the Local Government Unit of Compostela, Compostela Valley shall be the lead implementing office of the Loan Products for Business (LPB) Program with its location beside Public Terminal Purok 1, Poblacion, Compostela, Compostela Valley Province. The office shall have the primary responsibility in overseeing the implementation of the program and shall be tasked with the following functions:

- a) Head the Technical Working Group (TWG) in the crafting of the Ordinance of the program and recommend for any amendment thereof;
- b) Head the Screening Committee among the finance offices to validate and review documentary requirements and do feasibility analysis;
- c) Receives all application and inquiries relative to the program;
- d) Provides loan to qualified beneficiaries determined by the screening committee;
- e) Designate two (2) personnel directly under its supervision for the collection of this loan program, conduct investigation to prospect borrowers and make updated inventory and directory of these people;
- f) Present Monthly Report on its operation during Executive Committee (EXECOM) meeting;
- g) Submit a quarterly report of operation to the Office of the Municipal Mayor and other finance departments;
- h) Recommend to the Local Chief Executive for any changes and for its enhancement and other related concerns; and
- i) Coordinate with the Local Chief Executive in the formulation of implementing guidelines and rules of the program.

Section 13. SCREENING COMMITTEE. A Screening Committee is hereby created to take charge in accepting and screening applicants and oversee the implementation of the program. The Committee shall be composed of the following:

- a. Local Economic Enterprise Development and Management Office (LEEDMO);
- b. Office of the Municipal Accountant; and
- c. Office of the Municipal Treasurer.

Section 14. APPROPRIATION. There shall be a Trust Fund created for the program which serves as depository fund of all collections. Funds for the purpose shall be incorporated in the Annual Budget under the Local Economic Enterprise Development and Management Office (LEEDMO) to wit:


First year of implementation	-	PhP 400,000.00
Additional amount in the succeeding years	-	PhP 200,000.00 every year

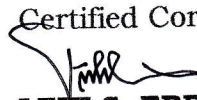
Section 15. REPEALING CLAUSE. Any Ordinance inconsistent herewith is/are hereby repealed and/or amended accordingly.

Section 16. EFFECTIVITY CLAUSE. This ordinance shall take effect upon approval.

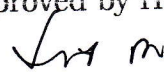
Enacted by the Sangguniang Bayan of Compostela, Compostela Valley this 3rd day of June, 2019.

Attested by:


ELIZABETH LEGITIMAS
Acting Secretary to the Sanggunian

Certified Correct:

LEVI S. EBDAO
SB Member/Temporary Presiding Officer

Approved by Her Honor:


LEMA P. BOLO, CPA
Municipal Mayor

JUL 16 2019