Submitted by the Committee on Micro, Small and Medium Enterprise Development, and the Committee on Appropriations on April 7, 2021

Re: House Bill No. 9178
Recommend its approval in substitution of House Bills Numbered 1068, 1070, 2121, 2771, 2842, 3991, 4174, 4352, 4512, 5055 and 6004

Sponsors: Representatives Virgilio S. Lacson and Eric Go Yap

Mr. Speaker:

The Committee on Micro, Small and Medium Enterprise Development, and the Committee on Appropriations to which were referred:

House Bill No. 1068, introduced by Reps. Jocelyn Sy Limkaichong and Christian S. Unabia, entitled: “An Act Strengthening Republic Act 9501, Otherwise Known as the “Magna Carta for Micro, Small and Medium Enterprises” and for Other Purposes”;

House Bill No. 1070, introduced by Reps. Jocelyn Sy Limkaichong and Christian S. Unabia, entitled: “An Act Further Promoting Entrepreneurship by Strengthening, Empowering and Enhancing the Financing Programs for Micro, Small and Medium Enterprises, Amending for the Purpose Republic Act No. 6977, as Amended, Otherwise Known as the “Magna Carta for Micro, Small And Medium Enterprises (MSMEs)”; 

House Bill No. 2121, introduced by Reps. Michael L. Romero, Ph.D. and Enrico A. Pineda, entitled: “An Act Further Promoting Entrepreneurship by Strengthening, Empowering and Enhancing the Financing Programs for Micro, Small and Medium Enterprises, Amending for the Purpose Republic Act No. 6977, as Amended, Otherwise Known as the “Magna Carta for Micro, Small And Medium Enterprises (MSMEs)”;


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House Bill No. 4174, introduced by Rep. Teodorico “Nonong” T. Haresco, Jr., entitled: “An Act Expanding the Coverage of Micro Enterprises as Beneficiaries of the Magna Carta for Micro, Small and Medium Enterprises, Amending for the Purpose Republic Act Number 6977, as Amended, and for Other Purposes”;

House Bill No. 4352, introduced by Rep. Vilma Santos-Recto, entitled: “An Act Expanding the Coverage of Micro Enterprises as Beneficiaries of the Magna Carta for Micro, Small and Medium Enterprises, Amending for the Purpose Republic Act Number 6977, as Amended”;


House Bill No. 5055, introduced by Rep. Florencio G. Noel, entitled: “An Act Further Promoting Entrepreneurship by Strengthening, Empowering and Enhancing the Financing Programs for Micro, Small and Medium Enterprises, Amending for the Purpose Republic Act No. 6977, as Amended, Otherwise Known as the “Magna Carta for Micro, Small And Medium Enterprises (MSMEs)”;

House Bill No. 6004, introduced by Reps. Eduardo “Bro. Eddie” C. Villanueva and Domingo C. Rivera, entitled: “An Act Strengthening Access to Credit of Micro, Small, and Medium Enterprises, Amending for the Purpose Republic Act No. 6977, as Amended, Otherwise Known as the “Magna Carta for Micro, Small And Medium Enterprises” and For Other Purposes”

have considered the same and recommend that the attached House Bill No. 9178, entitled:

“AN ACT FURTHER PROMOTING ENTREPRENEURSHIP BY STRENGTHENING, EMPOWERING, AND ENHANCING THE FINANCING AND OTHER SUPPORT PROGRAMS FOR MICRO, SMALL AND MEDIUM ENTERPRISES, AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 6977, AS AMENDED, OTHERWISE KNOWN AS THE ‘MAGNA CARTA FOR MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs)”’


Respectfully submitted,

ERIC GO YAP
Chairperson
Committee on Appropriations

VIRGILIO S. LACSON
Chairperson
Committee on Micro, Small and Medium Enterprise Development

THE HONORABLE SPEAKER
HOUSE OF REPRESENTATIVES
Quezon City
Republic of the Philippines  
HOUSE OF REPRESENTATIVES  
Quezon City, Metro Manila  

EIGHTEENTH CONGRESS  
Second Regular Session  

House Bill No. 9178  
(In substitution of House Bills Numbered 1068, 1070, 2121, 2842, 3991, 4174, 4352, 4512, 5005 and 6004)  


AN ACT
FURTHER PROMOTING ENTREPRENEURSHIP BY STRENGTHENING, EMPOWERING, AND ENHANCING THE FINANCING AND OTHER SUPPORT PROGRAMS FOR MICRO, SMALL AND MEDIUM ENTERPRISES, AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 6977, AS AMENDED, OTHERWISE KNOWN AS THE “MAGNA CARTA FOR MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs)”

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

SECTION 1. Section 2 of Republic Act No. 6977, as amended, is hereby further amended to read as follows:

“SEC. 2. Declaration of Policy. – Recognizing that MSMEs have the potential [for] TO GENERATE more employment [generation] and SPUR economic growth and therefore can help provide a self-sufficient industrial foundation for the country, it is hereby declared the policy of the State to promote, support, strengthen and encourage the growth and development of MSMEs in all productive sectors of the economy particularly rural/agri-based, MANUFACTURING, FINANCE AND SERVICES enterprises. To this end, the State shall recognize the specific needs of the MSMEs and shall undertake to promote entrepreneurship, support entrepreneurs, encourage the establishment of MSMEs and ensure their continuing viability and growth and thereby attain countryside industrialization by:

“x xx.”

SEC. 2. Section 4 of the same Act, as amended, is hereby further amended to read as follows:

“SEC. 4. Eligibility for Government Assistance. – To qualify for assistance, counseling, incentives and promotion under this Act, businesses falling under the above definition must be:

“a) duly registered with the appropriate agencies as presently provided by law: Provided, That in the case of micro enterprises as defined herein,
registration with the office of the municipal or city treasurer shall be deemed sufficient compliance with this requirement:

“THE APPLICATION OF AN MSME FOR ANY PERMIT AND LICENSE FROM ANY LOCAL GOVERNMENT UNIT, INCLUDING A BARANGAY, SHALL BE AUTOMATICALLY APPROVED PROVISIONALLY, SUBJECT TO THE FINAL APPROVAL OF THE APPLICATION AND THE ISSUANCE OF THE PERMIT OR LICENSE APPLIED FOR.

“THE TOTAL COST FOR THE ISSUANCE OF ALL PERMITS, LICENSES, CERTIFICATIONS, AND OTHER SIMILAR REQUIRED DOCUMENTATION FOR THE CONDUCT OF BUSINESS FOR REGISTERED MICRO ENTERPRISES SHALL NOT EXCEED FIVE HUNDRED PESOS (₱500.00). FOR REGISTERED SMALL ENTERPRISES, THE TOTAL COST SHALL NOT EXCEED FIVE THOUSAND PESOS (₱5,000.00) FOR A PERIOD OF FIVE (5) YEARS.

“b) one hundred percent (100%) owned, capitalized by Filipino citizens, whether single proprietorship or partnership. If the enterprise is a juridical entity, at least sixty percent (60%) of its capital or outstanding stocks must be owned by Filipino citizens;

“x xx.

“[Eligible MSMEs shall be entitled to a share of at least ten percent (10%) of total procurement value of goods and services supplied to the Government, its bureaus, offices and agencies annually.] THE NATIONAL GOVERNMENT, ITS BUREAUS, OFFICES AND AGENCIES SHALL ALLOCATE AT LEAST TEN PERCENT (10%) OF ALL ITS PROCUREMENT OPPORTUNITIES FOR GOODS AND SERVICES TO ELIGIBLE MSMEs IN ACCORDANCE WITH THE PROVISIONS OF REPUBLIC ACT NO. 9184, OTHERWISE KNOWN AS THE ‘GOVERNMENT PROCUREMENT REFORM ACT’, AND ITS IMPLEMENTING RULES AND REGULATIONS.

“[The Department of Budget and Management] GOVERNMENT PROCUREMENT POLICY BOARD (GPPB) shall FORMULATE RULES FOR THE EFFECTIVE IMPLEMENTATION OF THIS PROVISION AND monitor the compliance of government agencies on the required procurement for MSMEs and submit its report to the MSMED Council on a semestral basis and
to the Congress of the Philippines, through its appropriate committees on a yearly basis.

“DULY REGISTERED MICRO AND SMALL ENTERPRISES SHALL BE ENTITLED TO A DISCOUNT OF AT LEAST TWENTY PERCENT (20%) ON SHIPPING AND DELIVERY FEES FOR THEIR PRODUCTS AND RAW MATERIALS, AS WELL AS FOR MAILING, FREIGHT AND OTHER SIMILAR SERVICES PROVIDED BY EITHER PUBLIC OR PRIVATE COURIERS.

“GOVERNMENT BUILDINGS, STRUCTURES AND OPEN AREAS, INCLUDING PUBLIC MARKETS, WHETHER WET OR DRY, AIRPORTS, SEA PORTS, FISH PORTS, PARKS, ZOOS, CONVENTION CENTERS, ENTERTAINMENT CENTERS, TOURISM CENTERS, SCHOOLS, SCHOOL CAMPUSES, AND OTHER SIMILAR STRUCTURES OR AREAS SUITABLE FOR SELLING OR MARKETING, WHETHER PERMANENT OR TEMPORARY, THAT CAN BE USED AS SELLING AREAS, SHALL GIVE AN AUTHORIZED MSME STORE FREE SPACE MEASURING AT LEAST ONE PERCENT (1%) OF THE TOTAL SPACE AVAILABLE THEREIN.

“PRIVATE MALLS, SUPERMARKETS, SHOPPING CENTERS, COMMERCIAL SELLING ESTABLISHMENTS, STRUCTURES, OR AREAS WITH A SELLING AREA, WHETHER PERMANENT OR TEMPORARY, MEASURING AT LEAST FIVE THOUSAND SQUARE METERS (5,000 SQM), INCLUDING COMMON AREAS, BUT EXCLUDING PARKING SPACES AND DRIVeways, SHALL GIVE FREE SPACE OR AREA EQUIVALENT TO ONE HALF OF ONE PERCENT (0.5%) OF THE SAID SELLING AREA FOR EVERY FIVE THOUSAND SQUARE METERS (5,000 SQM) OF SELLING AND COMMON SPACE, TO ANY AUTHORIZED MSME STORE. AS USED IN THIS ACT, “FREE SPACE” SHALL MEAN SPACE THAT MAY BE USED FOR SELLING PURPOSES WITHOUT NEED FOR THE PAYMENT OF RENT, GOODWILL FEES, ROYALTIES, COMMISSION, PERCENTAGES ON SALES, NOR ANY OTHER SIMILAR SCHEME.

INDUSTRY. THE FREE SPACE ALLOCATED FOR THE MSME STORE SHALL BE GIVEN IN THE FOLLOWING ORDER OF PREFERENCE:

1. ONE TOWN ONE PRODUCT (OTOP) STORE OR GO LOKAL! STORE OF THE DEPARTMENT OF TRADE AND INDUSTRY;

2. MSME KUMUNIDARAN PRODUKTO AT RESONABLENG SERBISYO STORE (OR “KUMPARE STORE”); OR

3. A LOCAL MICRO OR SMALL ENTERPRISE STORE.

“ONCE AN MSME STORE IS IN PLACE, REMOVAL OR REPLACEMENT SHALL NOT BE ALLOWED EXCEPT FOR VALID CAUSE AND AFTER DUE PROCESS.

“THE APPROVAL AND THE REMOVAL OF THE MSME STORE THAT WILL BE GIVEN FREE SPACE SHALL BE REPORTED BY THE MSMED COUNCIL OF THE CONCERNED CITY, MUNICIPALITY OR BARANGAY TO THE CONGRESSIONAL OVERSIGHT COMMITTEE ON MICRO, SMALL AND MEDIUM ENTERPRISE DEVELOPMENT.

“PRIVATE MALLS SHALL ALSO ALLOCATE TWENTY PERCENT (20%) OF THEIR TOTAL RENTABLE SPACE TO LOCAL MICRO AND SMALL ENTERPRISES WHICH SHALL BE EXTENDED A TWENTY PERCENT (20%) DISCOUNT ON RENTAL RATES. PRIVATE MALLS SHALL NOT CHARGE ROYALTY CHARGES, GOODWILL CHARGES, COMMISSION CHARGES, PERCENTAGE OF SALES, AND OTHER SIMILAR SCHEMES UPON THE MSMEs.”

SEC. 3. Section 5 of the same Act, as amended, is hereby further amended to read as follows:

“SEC. 5. Guiding Principles. – To set the pace for MSME development, the State shall be guided by the following principles:

“a) Minimal set of rules and simplification of procedures and requirements. All government agencies having to do with MICRO AND small enterprises shall pursue the principles of minimum regulation to ensure stability of rules and to encourage entrepreneurial spirit among the citizenry. The agencies shall see to it that procedural rules and requirements, within their respective offices in coordination with other agencies, are minimized in the act of registration, availment of financing and accessing other government services and assistance.
“b) Role of the private sector. In order to hasten growth and expansion of MICRO, small and medium enterprises, the private sector throughout the country shall be encouraged to assist in the effective implementation of this Act by participating in government programs for MICRO, small and medium enterprises strictly in accordance with the law, and consistent with the attainment of the purposes hereof. To encourage private sector participation, the Council, in consultation with the concerned sector, may recommend simplified procedure and localized incentives to MICRO AND small enterprises. The Government shall encourage the organization and establishment of MICRO, small and medium enterprise industry associations at the local and regional levels preferably unified under a national federation/association.

“c) Coordination of government efforts. Government efforts shall be coordinated to achieve coherence in objectives. All appropriate offices, particularly those under the Departments of Trade and Industry, Finance, Budget and Management, Agriculture, Agrarian Reform, Environment and Natural Resources, Labor and Employment, Transportation [and Communications], INFORMATION AND COMMUNICATIONS TECHNOLOGY, Public Works and Highways, Science and Technology, Interior and Local Government, and Tourism as well as the National Economic and Development Authority, Philippine Information Agency, SECURITIES AND EXCHANGE COMMISSION and the Bangko Sentral ng Pilipinas, through their national, regional and provincial offices shall, to the best of their efforts and in coordination with local government units, provide the necessary support and assistance to MSMEs. THE DEPARTMENT OF TRADE AND INDUSTRY SHALL BE THE LEAD AGENCY THEREFOR.

“x xx.”

SEC. 4. Section 6 of the same Act, as amended, is hereby further amended to read as follows:

“SEC. 6. Micro, Small and Medium Enterprises Development Plan (MSMEDP). – The President OF THE PHILIPPINES shall approve a six-year micro, small and medium enterprises development plan prepared by the Department of Trade and Industry (DTI) which shall form part of the [Medium Term] Philippine Development Plan ([MT]PDP). It shall be formulated in
consultation with the private sector, validated and updated semestraly. Such
plan shall include a component on a micro credit financing scheme.”

SEC. 5. Section 7 of the same Act, as amended, is hereby further amended to read
as follows:

“SEC. 7. Micro, Small and Medium Enterprise Development (MSMED)
Council. – The existing Small and Medium Enterprise Development Council,
which was created by Republic Act No. 6977, as amended [by Republic Act No.
8289], shall be strengthened to effectively spur the growth and development of
MSMEs throughout the country, and to carry out the policy declared in this
Act and shall now be known as the Micro, Small and Medium Enterprise
Development (MSMED) Council. The Council shall be attached to the
Department of Trade and Industry and shall be constituted within sixty (60)
days after the approval of this Act.

“The Council shall be the primary agency responsible for the promotion,
growth and development of MICRO, small and medium enterprises in the
country by way of facilitating and closely coordinating national efforts to
promote the viability and growth of MICRO, small and medium enterprises,
including assisting relevant agencies in the tapping of local and foreign funds
for MICRO, small and medium enterprise development, as well as promoting
the use of existing programs, as well as seeking ways to maximize the use of
our labor resources.”

SEC. 6. Section 7-A of the same Act, as amended, is hereby further amended to
read as follows:

“SEC. 7-A. Composition of the Micro, Small and Medium Enterprises
Development (MSMED) Council. – The members of the Council shall be the
following:

“(a) The Secretary of Trade and Industry as Chair;
“(b) The Secretary of Agriculture;
“(c) The Secretary of the Interior and Local Government;
“(D) THE SECRETARY OF FINANCE;
“[(d)] (E) Three (3) representatives from the MSME sector, [to represent
Luzon, Visayas and Mindanao, with at least one (1) representative from the
microenterprise sector] TO BE DESIGNATED BY A NATIONAL
ORGANIZATION REPRESENTING AND DOMINATED BY MSMEs; AND
“[(e) One (1) representative from the women sector designated by the
Philippine Commission on Women;]
[(f) One (1) representative from the youth sector designated by the
National Youth Commission; and]
“[(g)] (F) The [Chairman]PRESIDENT of THE Small Business Corporation.
“[(h)] A. Advisory Unit. –There shall be an Advisory Unit to the Council, which
shall consist of the following:
“(a) The Secretary of Science and Technology;
“(b) The Governor of the Bangko Sentral ng Pilipinas
“(C) THE COMMISSIONER OF THE SECURITIES AND EXCHANGE
COMMISSION:
“[(c)] (D) The President of the Land Bank of the Philippines;
“[(d)] (E) The President of the Development Bank of the Philippines;
“[(e)] (F) The Director General of the National Economic and Development
Authority;
“(G) THE EXECUTIVE DIRECTOR OF THE COOPERATIVE
DEVELOPMENT AUTHORITY;
(H) A REPRESENTATIVE OF A NATIONAL ORGANIZATION
REPRESENTING AND DOMINATED BY MSMEs;
“(I) One (1) representative from the labor sector, to be nominated by
accredited labor groups;
“(J) A representative from the private banking sector to serve
[alternatively] ALTERNATELY between the [c]Chamber of [t]Thrift [b]Banks,
and the Rural Banker’s Association of the Philippines (RBAP);
“(K) A representative of the microfinance nongovernment
organizations (NGOs), DESIGNATED BY THE MICROFINANCE NGO
REGULATORY COUNCIL;
“(L) A representative of the University of the Philippines-Institute for
Small Scale Industries (UP-ISSI); [and]
“(M) The President of the Credit Information Corporation[.];
“(N) ONE (1) REPRESENTATIVE FROM THE WOMEN SECTOR
DESIGNATED BY THE PHILIPPINE COMMISSION ON WOMEN;
“(O) ONE (1) REPRESENTATIVE FROM THE YOUTH SECTOR
DESIGNATED BY THE NATIONAL YOUTH COMMISSION; AND
“(P) A REPRESENTATIVE FROM NONSTOCK SAVINGS AND LOAN ASSOCIATIONS DESIGNATED BY THE ALLIANCE OF NON-STOCK SAVINGS AND LOAN INSTITUTIONS, INC. (ANSLI).

“xx.”

SEC. 7. Section 7-B of the same Act, as amended, is hereby further amended to read as follows:

“SEC. 7-B. Powers and Functions. – A. The MSMED Council shall have the following powers, duties and functions:

“xx;

d) To review the existing policies of government agencies that would affect the growth and development of MSMEs and recommend changes to the President and Congress through the Committee on Economic Affairs of the Senate and the Committee on [Small Business and Entrepreneurship] MICRO, SMALL AND MEDIUM ENTERPRISE Development of the House of Representatives, whenever deemed necessary. This shall include efforts to simplify rules and regulations, as well as review of the applicability and relevance of procedural and documentary requirements in the registration, financing, and other activities relevant to MSMEs the result shall be included in the annual report to be submitted to Congress;

“xx;

“h) To promote the productivity and viability of MSMEs IN DTI'S TOP PRIORITY INDUSTRIES FOR DEVELOPMENT by way of directing [and/or assisting relevant government agencies and institutions at the national, regional and provincial levels towards the:

“xx;

“12) Through appropriate government agencies:

“xx;

“f) Set-up new MSME NEGOSYO centers and revitalize already established MSME NEGOSYO centers to provide MSMEs in the regions easier access to services such as the following:

“xx.”

“B. ADDITIONAL FUNCTIONS OF THE MSMED COUNCIL. – AS PROVIDED FOR IN SECTION 10 OF REPUBLIC ACT NO. 10644, OTHERWISE KNOWN AS THE “GO NEGOSYO ACT”, THE MSMED COUNCIL SHALL HAVE THE FOLLOWING ADDITIONAL FUNCTIONS:

“(B) PROVISION OF A COMPLIANCE GUIDE. – FOR EACH RULE OR GROUP OF RELATED RULES ISSUED BY ANY GOVERNMENT AGENCY FOR COMPLIANCE BY MSMES, THE COUNCIL SHALL PUBLISH COMPLIANCE GUIDELINES WHICH SHALL BE WRITTEN IN PLAIN LANGUAGE OR IN THE LOCAL DIALECT, IF NECESSARY. THE COUNCIL SHALL PREPARE SEPARATE COMPLIANCE GUIDES COVERING GROUPS OR CLASSES OF SIMILARLY AFFECTED MSMES AND SHALL COOPERATE WITH INDUSTRY ASSOCIATIONS TO DEVELOP AND DISTRIBUTE SUCH COMPLIANCE GUIDES. THE PUBLICATION OF EACH COMPLIANCE GUIDE SHALL INCLUDE THE POSTING OF THE GUIDE IN A CONSPICUOUS LOCATION ON THE WEBSITE OF THE AGENCY, AND DISTRIBUTION OF THE GUIDE TO KNOWN INDUSTRY CONTACTS, SUCH AS SMALL ENTITIES, ASSOCIATIONS OR INDUSTRY LEADERS AFFECTED BY THE RULE. THE ISSUING GOVERNMENT AGENCY SHALL PUBLISH AND DISSEMINATE THE COMPLIANCE RULES WITHIN NINETY (90) DAYS FROM THE DATE OF ISSUANCE:

“(C) CONDUCT OF RESEARCH ON WOMEN ENTREPRENEURSHIP. – THE COUNCIL SHALL CONDUCT RESEARCH TO SUPPORT WOMEN ENTREPRENEURSHIP INCLUDING ENTREPRENEURIAL BEHAVIOR, BARRIERS, PARTICIPATION AND CESSION RATES, DISCRIMINATORY PRACTICES AND CONTRIBUTION TO THE NATIONAL ECONOMY AND GROWTH:

“(D) POLICY FORMULATION ON WOMEN ENTREPRENEURSHIP. – THE COUNCIL SHALL PROVIDE POLICY DIRECTION TOWARDS RECOGNIZING WOMEN’S PROPENSITY AND TALENT IN ENTREPRENEURSHIP AS WELL AS ESTABLISH LINKAGES THAT WILL
ENABLE MORE OPPORTUNITIES FOR WOMEN TO ENGAGE IN
ENTREPRENEURSHIP; AND

“(E) DEVELOPMENT OF ENTREPRENEURIAL EDUCATION AND
TRAINING. – THE MSMED COUNCIL SHALL DEVELOP, IN
COORDINATION WITH THE DEPARTMENT OF EDUCATION,
TECHNICAL EDUCATION AND SKILLS DEVELOPMENT AUTHORITY,
AND COMMISSION ON HIGHER EDUCATION, A COURSE CURRICULUM
OR TRAINING PROGRAM IN ENTREPRENEURSHIP THAT WILL
PROMOTE ENTREPRENEURIAL CULTURE AND COMPETENCE.
ENTREPRENEURSHIP SHALL BE INTEGRATED IN THE CURRICULUM
OF EDUCATIONAL AND TRAINING INSTITUTIONS IN ALL LEVELS.

SEC. 8. A new subsection is hereby inserted after Section 7-B of the same Act, as
amended, and numbered as Section 7-C to read as follows:

“SEC. 7-C. CITY, MUNICIPALITY, AND BARANGAY MSMED
COUNCIL. - THERE SHALL BE CREATED A MSMED COUNCIL IN
EVERY LOCAL GOVERNMENT UNIT WHICH SHALL HAVE THE
AUTHORITY TO PROPOSE POLICIES THAT ARE GEARED TO ASSIST
MSMEs IN THE AREAS OF PRODUCTIVITY ENHANCEMENT,
MARKETING, ACHIEVING SUSTAINABILITY BY EXTENDING CREDIT
TO CUSTOMERS, AND IMPLEMENTING EFFICIENT LOAN
COLLECTION SYSTEMS, AMONG OTHER STRATEGIES.

“THE LOCAL MSMED COUNCIL, IN THE CASE OF A CITY OR
MUNICIPALITY, SHALL BE COMPOSED OF THE CITY OR MUNICIPAL
BUSINESS PERMIT AND LICENSING OFFICER AS CHAIRPERSON, THE
PRESIDENT OF THE ASSOCIATION OF BARANGAY CAPTAINS, THE
PRESIDENT OF THE SANGGUININANG KABATAAN FEDERATION, THE
TOURISM OFFICER, AND THE CITY OR MUNICIPAL AGRICULTURIST
OR THE CITY PLANNING OFFICER.

“THE BARANGAY MSMED COUNCIL SHALL BE COMPOSED OF THE
PUNONG BARANGAY AS CHAIRPERSON, THE SANGUNIANG
KABATAAN CHAIRPERSON, A REPRESENTATIVE OF THE LADIES’
BRIGADE OR LADIES’ SECTOR, A REPRESENTATIVE OF THE
BARANGAY PUBLIC SAFETY OFFICE, AND A REPRESENTATIVE OF
THE SENIOR CITIZENS.
“TO ENSURE THEIR CONTINUED FINANCIAL VIABILITY, THE
CITY, MUNICIPAL, AND BARANGAY MSME COUNCILS SHALL
COORDINATE AND FORMULATE MEASURES TO ENSURE
OPERATIONAL AND FINANCIAL VIABILITY WITHIN THEIR
TERRITORIAL JURISDICTION, TAKING INTO CONSIDERATION THE
RELEVANT FACTORS AFFECTING THE CAPACITIES OF THE MSMEs.”

SEC. 9. Section 8 of the same Act, as amended, is hereby further amended to read
as follows:

“SEC. 8. Designation of the Bureau of Micro, Small and Medium
Enterprise Development as Council Secretariat. – x xx:
“1) to prepare, in coordination with local government units and/or
associations of local government officials, and recommend annual as well
as medium-term MICRO, small and medium enterprise development
plans for approval of the Council;
“x xx;
“3) to assist the Council in coordinating and monitoring MICRO, small and
medium enterprise policies and programs and activities of all government
agencies with respect to MICRO, small and medium enterprises;
“4) to prepare, collate and integrate all inputs to the Council’s yearly
report on the status of MICRO, small and medium enterprises in the
country;
“x xx.”

SEC. 10. Section 11 of the same Act, as amended, is hereby further amended to read
as follows:

Corporation. – There is hereby created a body corporate to be known as the
Small Business [Guarantee and Finance] Corporation, hereinafter referred to
as the [Small Business Corporation (SB Corporation)] SB CORPORATION,
which shall be charged with the primary responsibility of implementing
comprehensive policies and programs to assist MSMEs in all areas, including
but not limited to finance and information services, training and marketing.”

SEC. 11. Section 11-A of the same Act, as amended, is hereby further amended to
read as follows:

“SEC. 11-A. Composition of the Board of Directors and its Powers. – The
SB Corporation [corporate powers shall be vested on] SHALL HAVE a Board
of Directors composed of [eleven (11)] THIRTEEN (13) members which shall
include the following:

“a) The Secretary of Trade and Industry, WHO SHALL ACT AS
CHAIRPERSON OF THE BOARD UNTIL SUCH TIME THAT THE
PRESIDENT OF THE PHILIPPINES SHALL HAVE APPOINTED THE
CHAIRPERSON OF THE BOARD FROM AMONG ITS MEMBERS;

“b) The Secretary of Finance;

“c) THE PRESIDENT OF THE GOVERNMENT SERVICE INSURANCE
SYSTEM (GSIS);

“D) THE PRESIDENT OF THE SOCIAL SECURITY SYSTEM (SSS):

“[e] E) A private sector representative to be appointed by the President OF
THE PHILIPPINES upon the recommendation of the MSMED Council;

“[f] F) Seven (7) representatives of the SB Corporation common stock
shareholders who shall be elected based on proportional distribution, in
accordance with Section [24] 23 of the REVISED Corporation Code; and

“[g]G) The president of the SB Corporation as ex-officio member and to
serve as vice chairman of the Board.

“The President OF THE PHILIPPINES shall appoint the [chairman]
CHAIRPERSON of the Board from among its members.

“All members of the Board so appointed, except for the ex-officio members,
shall serve for a term of three (3) years [without reappointment.] AND MAY
BE REAPPOINTED TO ANOTHER TERM UNLESS EARLIER REVOKED.
IF THE TERM OF THE INCUMBENT MEMBER HAS EXPIRED, THE
MEMBER SHALL CONTINUE TO FUNCTION IN A HOLDOVER
CAPACITY UNTIL A REPLACEMENT HAS BEEN APPOINTED AND
QUALIFIED. ANY person so appointed to replace a member who has
resigned, died, or been removed for cause shall serve only for the unexpired
portion of the term.

“The Board of Directors shall have, among others, the following specific
powers and authorities:

“x xx; and

“f) [Notwithstanding the provisions of Republic Act No. 6758 and
Compensation Circular No. 10, Series of 1989 issued by the Department of
Budget and Management, the Board shall have the authority to provide for
the organizational structure, [and] staffing pattern [of SB Corporation and to}
extend to the employees and personnel thereof salaries, allowances and fringe
benefits similar to those extended to and currently enjoyed by employees and
personnel of other government financial institutions.] AND COMPENSATION
OF EMPLOYEES AND PERSONNEL OF THE SB CORPORATION, FOR
SUBMISSION TO THE GOVERNANCE COMMISSION FOR GOCCs.”

SEC. 12. Section 11-B of the same Act, as amended, is hereby further amended, to
read as follows:

“SEC. 11-B. Corporate Structure and Powers. – “A. The SB Corporation
shall:

“x xx.

“B. For this purpose, the SB Corporation [subject to compliance with the
rules and regulations to be issued by the Bangko Sentral ng Pilipinas (BSP)
and the Securities and Exchange Commission.] shall have the following
functions and duties:

“a) Source and adopt development initiatives for globally competitive
MSMEs in finance and business technologies;

“b) [To] [e]Extend all forms of financial assistance, EXCEPT GRANTS
AND SUBSIDIES, to eligible MSMEs[.], AND NOT TO PRECLUDE RETAIL
LENDING IN AREAS WHERE PRIVATE BANKS ARE NOT ABLE TO
SERVE, SUBJECT TO CONSULTATION WITH PRIVATE BANKS. SB
Corporation may also engage in wholesale lending. The SB Corporation shall
be given two (2) years from the effectivity of this Act to comply with this
requirement;

“c) [Guarantee loans obtained by qualified MSMEs under such terms and
conditions adopted by the SB Corporation Board of Directors;] ESTABLISH AN
ENTERPRISE REHABILITATION FUND FOR CALAMITY-STRICKEN MSMEs
NOT TO EXCEED FIVE HUNDRED MILLION PESOS (P500,000,000.00) AS
PART OF SB CORPORATION’S CAPITALIZATION BY THE NATIONAL
GOVERNMENT;

“x xx;

“f) Apply for, receive and accept grants and donations from sources within
and outside the country; [and]

“g) Hold, own, purchase, acquire, sell, mortgage, dispose or otherwise
invest or re-invest in stocks, bonds, treasury bills, debentures, securities and
similar forms of indebtedness of the government, its agencies and
instrumentalities or any government financial institution[]: AND

“H) SUBMIT AN ANNUAL REPORT TO THE MSMED COUNCIL, THE
CONGRESS OF THE PHILIPPINES AND THE GOVERNANCE
COMMISSION FOR GOCCs ON THE PERFORMANCE AND FINANCIAL
CONDITION OF THE CORPORATION.

“THE SB CORPORATION SHALL BE EXEMPT FROM SECURING
PRIOR BSP AUTHORIZATION FOR ENGAGING IN QUASI-BANKING
ACTIVITIES AND SHALL NOT BE SUBJECT TO BSP SUPERVISION AND
REGULATION FOR SUCH ACTIVITIES.”

SEC. 13. A new subsection is hereby inserted after Section 11-B of the same Act, as
amended, and numbered as Section 11-C to read as follows:

“SEC. 11-C. STRATEGIC MANAGEMENT OF THE SB CORPORATION.
– THE BOARD OF THE SB CORPORATION, THROUGH ITS
CHAIRPERSON, SHALL BE FULLY RESPONSIBLE AND ACCOUNTABLE
FOR THE PERFORMANCE OF THE CORPORATION’S MANDATE. TO
ENSURE THIS, THE BOARD SHALL BE CONSTITUTED AS A MANAGING
BOARD, LED BY ITS CHAIRPERSON, TO CONCEPTUALIZE THE
STRATEGIC PLANS AND POLICIES OF THE CORPORATION.

“THE SB CORPORATION SHALL ADOPT A BALANCED SCORECARD
MANAGEMENT APPROACH, SUBJECT TO THE REVIEW AND
APPROVAL OF THE GOVERNANCE COMMISSION FOR GOCCs, TO
ENABLE IT TO MANAGE ITS FINANCIAL PERFORMANCE WHILE
PURSUING ITS PUBLIC POLICY OBJECTIVES OF SUPPORTING MICRO,
SMALL AND MEDIUM ENTERPRISES DEVELOPMENT.”
SEC. 14. Section 12 of the same Act, as amended, is hereby further amended to read
as follows:

“SEC. 12. Capitalization and Funding of the SB Corporation. – The SB
Corporation shall have an authorized capital stock of Ten billion pesos
(P10,000,000,000.00). The initial capital of One billion pesos
(P1,000,000,000.00) shall be established from a pool of funds to be contributed
in the form of equity investments in common stock by the Land Bank of the
Philippines (LBP), the Development Bank of the Philippines (DBP), in the
amount of Two hundred million pesos (P200,000,000.00) each. The Social
Security System (SSS) and the Government Service Insurance System (GSIS)
shall also set aside Two hundred million pesos (P200,000,000.00) each for the
SB Corporation. Authorized capital stock of the [s]Small [b]Business
[c]Corporation shall be divided into 80,000,000 common shares and 20,000,000
preferred shares with a par value of One hundred pesos (P100.00) per share:
Provided, That the common shares which have been issued, including those
issued against the assets of the KKK Guaranty Fund consolidated under the
[s]Small [b]Business [c]Corporation by virtue of Executive Order No. 233,
Series of 2000 and Executive Order No. 19, Series of 2001 and including those
already subscribed, shall form part of the capitalization of the corporation:
Provided, further, That holders of preferred shares issued under Republic Act
No. 6977, as amended, shall have the option to convert the same into common
shares. Additional equity funding shall come from trust placements of excess
and unused funds of existing government agencies, bilateral and multilateral
official development assistance funds, subscriptions from government owned
or controlled corporations AND THE NATIONAL GOVERNMENT
THROUGH THE DEPARTMENT OF BUDGET AND MANAGEMENT
(DBM), and investments of private financial institutions and corporations:
Provided, finally, That any investment from the private sector shall only be in
the form of preferred shares.

“[To allow for capital build-up, SB Corporation shall be given a five (5) year
grace period on dividend commitments beginning on the date of effectivity of
this amendment. Thereafter, it] THE SB CORPORATION may [only] declare
as dividend not more than thirty percent (30%) of its net income and the rest
withheld as retained earnings.”

SEC. 15. Section 13 of the same Act, as amended, is hereby deleted.

“[SEC. 13. The SB Corporation shall be subject to the supervision and
examination of the Bangko Sentral ng Pilipinas taking into consideration its
developmental objectives.”]

SEC. 16. Section 14 of the same Act, as amended, is hereby renumbered as Section
13, and further amended to read as follows:

Corporation may set aside an amount of money to encourage the setting up of
a venture capital and micro finance trust fund for the purpose of promoting
AVAILABLE business opportunities [available] to THE MSME sector. The
Venture Capital Fund shall be used mainly for venture capital finance
especially in technology-oriented industries. The micro finance trust fund shall
be used to provide collateral-free fixed and working capital loans to micro and
small enterprises run by those emerging out of poverty. THE INITIAL
AMOUNT OF AT LEAST TEN PERCENT (10%) OF THE EQUITY
CONTRIBUTION OF THE NATIONAL GOVERNMENT TO THE
CAPITALIZATION OF THE SMALL BUSINESS CORPORATION, NOT TO
EXCEED FIVE HUNDRED MILLION PESOS (P500,000,000.00), SHALL BE
APPROPRIATED TO FUND THE VENTURE CAPITAL AND MICRO
FINANCE TRUST FUND.”

SEC. 17. Section 15 of the same Act, as amended, is hereby renumbered as Section
14, and further amended to read as follows:

and Medium Enterprises. –For the period of ANOTHER ten (10) years from
the date of the effectivity of this amendatory Act, all lending institutions [as
defined under Bangko Sentral ng Pilipinas rules], whether public or private,
shall set aside at least [eight percent (8%) for micro and small enterprises and
at least two percent (2%) for medium enterprises] TEN PERCENT (10%) of
their total loan portfolio based on their balance sheet as of the end of the
previous quarter FOR MICRO, SMALL AND MEDIUM ENTERPRISES, and
make it available for MSME credit as herein contemplated: PROVIDED,
THAT A MAXIMUM OF ONE PERCENT (1%) THEREOF SHALL BE THE
ALLOCATION FOR MEDIUM ENTERPRISES.

“Compliance of this provision shall be:
“a) actual extension of loans to eligible MSMEs; or
“x xx; or
“f) [subscribe] SUBSCRIPTION/purchase of liability instruments as may
be offered by the SB Corporation. THE SAME SHALL NOT BE DEEMED AS
QUASI-BANKING OPERATIONS, AND SHALL NOT REQUIRE A QUASI-
BANKING LICENSE FROM THE BSP; OR

“(G) EXTENSION OF LOANS TO MSME VALUE CHAIN ACTORS WHO
ALLOW MSMEs TO PARTICIPATE IN ORGANIZED OR FORMAL VALUE
CHAINS. VALUE CHAIN ACTORS INCLUDE, AMONG OTHERS,
TRADERS, SUPPLIERS, PROCESSORS, AGGREGATORS WHO CONDUCT
LINKED SEQUENCE OF VALUE ADDING ACTIVITIES INVOLVED IN
BRINGING A PRODUCT TO FINAL CONSUMERS.
“The Bangko Sentral ng Pilipinas AND THE SECURITIES AND EXCHANGE COMMISSION, IN CONSULTATION WITH THE MSMED COUNCIL AND THE DEPARTMENT OF TRADE AND INDUSTRY, shall formulate rules for the effective implementation of this provision: Provided, That the purchase of government notes, securities and other negotiable instruments shall not be deemed compliance with the foregoing provisions: Provided, further, That the Bangko Sentral ng Pilipinas AND THE SECURITIES AND EXCHANGE COMMISSION, IN CONSULTATION WITH ALL STAKEHOLDERS, shall establish [an] A MEANINGFUL incentive [program] SYSTEM to encourage [lending to micro, small and medium industries beyond the mandatory credit allocation to said enterprises,] COMPLIANCE WITH THIS PROVISION, such as possible reduction in bank’s reserve requirement[.]: PROVIDED, FINALLY, THAT THE BANGKO SENTRAL NG PILIPINAS AND THE SECURITIES AND EXCHANGE COMMISSION SHALL ALIGN THEIR REGULATIONS ON THE PENALTIES FOR BANKS AND OTHER ENTITIES, FOR NONCOMPLIANCE WITH THE PROVISION FOR MANDATORY LENDING.

“The MSMED Council shall set up the appropriate systems to monitor all loan applications of MSMEs in order to account for the absorptive capacity of the MSME sector. EACH LENDING INSTITUTION SHALL DESIGNATE A CHIEF COMPLIANCE OFFICER WHO WILL PREPARE AND SIGN THE REPORT ON COMPLIANCE AND NONCOMPLIANCE WITH THE MANDATORY CREDIT ALLOCATION, FOR SUBMISSION TO THE BANGKO SENTRAL NG PILIPINAS IN THE CASE OF BANKS, AND THE SECURITIES AND EXCHANGE COMMISSION IN THE CASE OF NON-BANK FINANCIAL INTERMEDIARIES. The Bangko Sentral ng Pilipinas IN THE CASE OF BANKS, AND THE SECURITIES AND EXCHANGE COMMISSION IN THE CASE OF NON-BANK FINANCIAL INTERMEDIARIES, shall furnish to the MSMED Council on a quarterly basis comprehensive reports on the [bank’s] LENDING ENTITY’S compliance[,] AND noncompliance [and penalties of] WITH the above provisions on the mandatory credit allocation for MSMEs[,] AND SHALL SUBMIT AN ANNUAL REPORT, SIGNED BY AN OFFICER WITH THE RANK OF AT LEAST A MANAGING DIRECTOR, ON THE AMOUNTS OF THE
PENALTIES FOR NONCOMPLIANCE WITH THE MANDATORY LENDING PROVISION OF THIS ACT.

"ALL BANKS SHALL PROVIDE ACCESS TO DEPOSIT ACCOUNTS, SUCH AS SAVINGS, CHECKING AND DEBIT ACCOUNTS, TO REGISTERED MSMEs. FINANCIAL TECHNOLOGY SHALL BE PROVIDED TO MSMEs TO ENSURE THEIR FINANCIAL INCLUSION.

"ALL LENDERS SHALL REPORT CREDIT INFORMATION AND TRANSACTIONS OF MSMEs TO A NATIONAL CREDIT REGISTRY TO MONITOR PROPER COMPLIANCE AND EFFICIENT IMPLEMENTATION.

"FOR EFFICIENT IMPLEMENTATION AND OPERATION, COOPERATIVES EXCEPT COOPERATIVE BANKS AND INSURANCE COOPERATIVES SHALL BE UNDER THE SOLE SUPERVISION AND EXAMINATION OF THE COOPERATIVE DEVELOPMENT AUTHORITY (CDA); ALL OTHER FINANCIAL ENTITIES, CORPORATIONS AND FINANCIAL INTERMEDIARIES, SUCH AS NON-GOVERNMENT ORGANIZATIONS, FINANCING COMPANIES, NON-STOCK SAVINGS AND LOAN ASSOCIATIONS, MICROFINANCE NON-GOVERNMENT ORGANIZATIONS, AND LENDING INVESTORS SHALL BE UNDER THE SECURITIES AND EXCHANGE COMMISSION (SEC); BANKS SHALL BE UNDER THE Bangko Sentral Ng Pilipinas(BSP); AND INSURANCE COMPANIES SHALL BE UNDER THE INSURANCE COMMISSION (IC).


“Lending institutions which are not qualified to acquire or hold lands of the public domain in the Philippines shall be permitted to bid and take part in sales of mortgaged real property in case of judicial or extra-judicial foreclosure, as well as avail of receivership, enforcement and other proceedings, solely upon default of a borrower, and for a period not exceeding five (5) years from actual possession: Provided, That in no event shall title to the property be transferred to such lending institution. If the lending institution is the winning bidder, it may, during said five (5) year period, transfer its rights to a qualified Philippine national, without prejudice to a borrower’s rights under applicable laws.”
SEC. 18. Sections 16 and 17 of the same Act, as amended, are hereby renumbered as Sections 15 and 16, respectively, to read as follows:


SEC. 19. Section 18 of the same Act, as amended, is hereby renumbered as Section 17, and further amended to read as follows:

“SEC. [18]17. Congressional Oversight Committee. – To monitor and oversee the implementation of this Act, there shall be a Congressional Oversight Committee on Micro, Small and Medium Enterprise Development (COC-MSMED) composed of the chairpersons of the Senate Committee on Economic Affairs and the House Committee on [Small Business and Entrepreneurship Development] MICRO, SMALL AND MEDIUM ENTERPRISE DEVELOPMENT as chairperson and co-chairperson, respectively: x x x .”

SEC. 20. Section 19 of the same Act, as amended, is hereby renumbered as Section 18, and further amended, to read as follows:

“SEC. [19]18. Penal Clause. – The Bangko Sentral Ng Pilipinas IN THE CASE OF BANKS, AND THE SECURITIES AND EXCHANGE COMMISSION IN THE CASE OF NON-BANK FINANCIAL INTERMEDIARIES, shall impose administrative sanctions and other penalties on the lending institutions for non-[ ]compliance with THE provisions of this Act [including a fine of not less than Five hundred thousand pesos (P500,000.00)]. THE MINIMUM AMOUNT FOR THE PENALTY FOR NONCOMPLIANCE IS FIVE HUNDRED THOUSAND PESOS (P500,000.00) AND THE MAXIMUM PENALTY IS FIVE MILLION PESOS (P5,000,000.00), IN PROPORTION TO THE BANKS OR OTHER ENTITY’S LEVEL OF COMPLIANCE: PROVIDED, THAT IN CASE OF FAILURE OF THE MANDATED ENTITIES TO COMPLY WITH THE MANDATORY CREDIT ALLOCATION SET OUT IN SECTION 14 OF THIS ACT, AN ADDITIONAL PENALTY EQUIVALENT TO TWENTY PERCENT (20%) PER ANNUM OF THE TOTAL AMOUNT OF NON-COMPLIANCE SHALL BE IMPOSED.

“Penalties on noncompliance shall be directed to the development of the MSME sector. Ninety percent (90%) of the penalties collected [should] SHALL go to the [MSMED Council Fund] “START-UP FUND” AS PROVIDED UNDER REPUBLIC ACT NO. 10644, OTHERWISE KNOWN AS THE “GO
NEGOSYO ACT”, while the remaining ten percent (10%) [should] SHALL be [given] REMITTED to the BSP, THE SECURITIES AND EXCHANGE COMMISSION, OR THE APPROPRIATE AGENCY THAT EXERCISES REGULATORY JURISDICTION OVER SUCH LENDING ENTITY, to cover for administrative expenses.

“THE MSMED COUNCIL SHALL SUBMIT TO THE CONGRESS OF THE PHILIPPINES AN ANNUAL REPORT ON THE STATUS OF THE PENALTIES REMITTED AND HOW THE SAME WERE USED OR ARE BEING USED IN RELATION TO THE IMPLEMENTATION OF SERVICES TO MSMEs IN THE AREAS OF CAPACITY BUILDING, TECHNOLOGY INFORMATION, INFORMATION COLLECTION AND DISSEMINATION, AND OTHER INTERVENTIONS FOR MSME DEVELOPMENT, GROWTH AND SUSTAINABILITY.”

SEC. 21. A new section, numbered Section 19, is hereby inserted after re-numbered Section 18 of the same Act, as amended, to read as follows:

“SEC. 19. OTHER VIOLATIONS. – EXCEPT FOR SECURITIES COVERED UNDER THE SECURITIES REGULATIONS CODE OR REPUBLIC ACT NO. 8799, ENTITIES SHALL SECURE THE NECESSARY APPROVAL OF THE SECURITIES AND EXCHANGE COMMISSION PRIOR TO RECEIVING INVESTMENTS AS WELL AS GIFTS, ITEMS OR OTHER COMMODITIES, EITHER IN THE FORM OF CASH OR ITS EQUIVALENT CASH VALUE IN CONSIDERATION OF RETURN OF PROFIT, BENEFIT, OR BLESSINGS COMING FROM MORE THAN TWENTY (20) INDIVIDUALS, OR SUFFER THE PENALTY OF THIRTY (30) TO ONE HUNDRED EIGHTY (180) DAYS IMPRISONMENT, OR A FINE OF NOT LESS THAN TEN THOUSAND PESOS (₱10,000.00) BUT NOT EXCEEDING ONE HUNDRED THOUSAND PESOS (₱100,000.00) OR BOTH, AT THE DISCRETION OF THE COURT.

“ANY PERSON, WHETHER NATURAL OR JURIDICAL, WHO FAILS TO ACQUIRE THE APPROVAL OF THE FOOD AND DRUGS AUTHORITY (FDA) AND THE DEPARTMENT OF TRADE AND INDUSTRY (DTI) FOR SELLING, MARKETING, AND DISTRIBUTING PRODUCTS AND SERVICES THAT ARE REGULATED BY THE FDA SHALL SUFFER THE PENALTY OF THIRTY (30) DAYS TO ONE HUNDRED EIGHTY (180) DAYS IMPRISONMENT, OR A FINE OF NOT LESS THAN TEN THOUSAND
PESOS (₱10,000.00) BUT NOT EXCEEDING ONE HUNDRED THOUSAND PESOS (₱100,000.00) OR BOTH, AT THE DISCRETION OF THE COURT. “

SEC. 22. Implementing Rules and Regulations (IRR). – The Department of Trade and Industry, through the Bureau of Micro, Small and Medium Enterprise Development and in consultation with the Bangko Sentral ng Pilipinas in the case of banks, and the Securities and Exchange Commission in the case of non-bank financial intermediaries, and other concerned government agencies, nongovernment organizations and private sector agencies involved in the promotion of MSMEs, shall formulate the rules and regulations (IRR) necessary to implement the provisions of this Act within ninety (90) days from the approval of this Act: Provided, That the IRR shall be reviewed yearly: Provided, further, That the IRR shall be approved by the MSMED Council.

SEC. 23. Separability Clause. – The provisions of this Act are hereby declared to be separable. If any provision of this Act shall be held unconstitutional, the remainder of this Act not otherwise affected shall remain in full force and effect.

SEC. 24. Repealing Clause. – Section 22 of Republic Act No. 8367 is hereby repealed. All laws, decrees, proclamations, issuances, or ordinances that are contrary to or inconsistent with the provisions of this act are hereby amended, repealed or modified accordingly.

SEC. 25. Effectivity. – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,
FACT SHEET

House Bill No. **9178**
(In substitution of House Bills Numbered 1068, 1070, 2121, 2771, 2842, 3991, 4174, 4352, 4512, 5005 and 6004)

(As Approved by the Committee on Micro, Small and Medium Enterprise Development on February 24, 2020, November 17, 2020 & March 17, 2021)

“AN ACT FURTHER PROMOTING ENTREPRENEURSHIP BY STRENGTHENING, EMPOWERING, AND ENHANCING THE FINANCING AND OTHER SUPPORT PROGRAMS FOR MICRO, SMALL AND MEDIUM ENTERPRISES, AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 6977, AS AMENDED, OTHERWISE KNOWN AS THE ‘MAGNA CARTA FOR MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs)’"

OBJECTIVES:

- To further promote, support, strengthen and encourage the growth and development of micro, small and medium enterprises (MSMEs).

- To further promote entrepreneurship by strengthening and enhancing the financing programs for MSMEs and give additional benefits to registered MSMEs in order to encourage them to register.

KEY PROVISIONS:

- Provides that the application of an MSME for any permit and license from any local government unit, including a barangay, shall be automatically approved provisionally, subject to the final approval of the application and the issuance of the permit or license applied for;

- Provides that the total cost for the issuance of all permits, licenses, certifications, and other similar required documentation for the conduct of business for registered micro enterprises shall not exceed Five Hundred Pesos (P500.00), while for registered small enterprises, the total cost shall not exceed Five Thousand Pesos (P5,000.00) for a period of five (5) years;

- Mandates the National Government, its bureaus, offices and agencies to allocate at least 10% of all its procurement opportunities for goods and services to eligible MSMEs, in accordance with the provisions of Republic Act No. 9184, otherwise known as the “Government Procurement Reform Act”, and its implementing rules and regulations;

- Provides duly registered micro and small enterprises a discount of at least twenty percent (20%) on shipping and delivery fees for their products and raw materials, as well as for mailing, freight and other similar services provided by either public or private couriers;

- Mandates government buildings, structures and open areas, including public markets, whether wet or dry, airports, sea ports, fish ports, parks, zoos, convention centers, entertainment centers, tourism centers, schools, school campuses, and other similar structures or areas suitable for selling or marketing, whether permanent or temporary, that can be used as selling
areas, to give an MSME store free space measuring at least one percent (1%) of the total space available therein;

- Mandates private malls, supermarkets, shopping centers, commercial selling establishments, structures, or areas with a selling area, whether permanent or temporary, measuring at least five thousand square meters (5,000 SQM), including common areas, but excluding parking spaces and driveways, to give free space or area equivalent to one half of one percent (0.5%) of the said selling area for every five thousand square meters (5,000 SQM) of selling and common space, to an authorized MSME store;

- Mandates private malls to allocate twenty percent (20%) of their total rentable space to local MSMEs which shall be extended a twenty percent (20%) discount on rental rates; and provides that private malls shall not charge royalty charges, goodwill charges, commission charges, percentage of sales, and other similar schemes upon the MSMEs;

- Expands the membership of the Micro, Small and Medium Enterprise Development (MSMED) Council, the Advisory Unit and the Small Business Corp. (SB Corp.);

- Replaces the representative of the SB Corporation in the MSMED Council from its Chairman to its President;

- Reflects the new name of the Committee from the Committee on Small Business and Entrepreneurship Development to the Committee on Micro, Small and Medium Enterprise Development;

- Replaces the term “MSME centers” with the term “MSME Negosyo Centers”;

- Provides for the creation and composition of the city, municipality and barangay MSMED Councils;

- Amends the name of the Small Business Guarantee and Finance Corporation to Small Business Corporation;

- Stipulates that the SB Corp. can extend all forms of financial assistance to eligible MSMEs, except grants and subsidies, and not to preclude retail lending in areas where private banks are not able to serve, subject to consultation with private banks;

- Deletes the guarantee function of the SB Corporation, and replaces it with the Enterprise Rehabilitation Fund for calamity-stricken MSMEs not to exceed P500,000,000.00 as part of SB Corporation’s capitalization by the national government;

- Mandates the SB Corp. to submit an annual report to the MSMED Council, the Congress of the Philippines and the Governance Commission for GOCCs (GCG) on the performance and financial condition of the corporation;
• Deletes the provision subjecting the SB Corp. to the supervision and examination of the Bangko Sentral ng Pilipinas, and exempts the SB Corp. from securing prior BSP authorization for engaging in quasi-banking activities;

• Mandates the SB Corp. to adopt a balanced scorecard management approach, subject to the review and approval of the GCG, to enable it to manage its financial performance while pursuing its public policy objectives of supporting MSME development;

• Stipulates that the initial amount of at least ten percent (10%) of the additional equity contribution of the National Government to the capitalization of the Small Business Corporation, not to exceed Five hundred million pesos (P500,000,000.00), shall be appropriated to fund the venture capital and micro finance trust fund;

• Extends the mandatory allocation of credit resources to micro, small and medium enterprises to another ten (10) years;

• Mandates all lending institutions to allocate ten percent (10%) of their total loan portfolio for MSMEs, but only a maximum of one percent (1%) thereof shall be the allocation for medium enterprises;

• Mandates all banks to provide access to deposit accounts, such as savings, checking and debit accounts, to registered MSMEs as well as financial technology to ensure their financial inclusion;

• Provides that all lenders shall report credit information and transactions of MSMEs to a National Credit Registry;

• Mandates that cooperatives except cooperative banks and insurance cooperatives shall be under the sole supervision and examination of the Cooperative Development Authority (CDA); all other financial entities, corporations and financial intermediaries, such as non-government organizations, financing companies, non-stock savings and loan associations, microfinance non-government organizations, and lending investors shall be under the Securities and Exchange Commission (SEC); banks shall be under the Bangko Sentral ng Pilipinas (BSP); and insurance companies shall be under the Insurance Commission (IC). Further clarifies that cooperative banks shall be under the supervision and examination of the CDA and BSP, while insurance cooperatives shall be under the supervision and examination of the CDA and IC.

• Increases the penalties for non-compliance of the banks with the mandatory lending;

• Stipulates that 90% of the penalties collected shall go to the Start-up Fund as provided under the Go Negosyo Act, instead of to the MSMED Council Fund, and the remaining 10% shall go to the proper regulatory office;

• Imposes sanctions for failure by any entity to secure the approval of the Securities and Exchange Commission (SEC) for receiving investments, except those securities covered by the Securities Regulations Code, as well
as gifts, items or other commodities, either in the form of cash or its equivalent cash value in consideration of return of profit, benefits or blessings coming from more than twenty (20) individuals;

- Imposes sanctions for failure by any person to acquire the approval of the Food and Drugs Authority (FDA) and the DTI for selling, marketing, and distributing products and services that are regulated by the FDA; and

- Requires the MSMED Council to submit to Congress an annual report on the status and utilization of the penalties remitted.

RELATED LAWS:

- Republic Act No. 6977, as amended by RA 8289, and further amended by RA 9501, otherwise known as the “Magna Carta for Micro, Small and Medium Enterprises (MSMEs)”;

- Republic Act No. 10644, otherwise known as the “Go Negosyo Act”;

- Republic Act No. No. 9184, otherwise known as the “Government Procurement Reform Act”;

- Republic Act No. 8367, otherwise known as the “Non-Stock Savings and Loan Associations Regulation Act”

- Republic Act No. 8799, otherwise known as the “Securities Regulations Code”; and

- Republic Act No. 11211, otherwise known as the “Amended Central Bank Act”