



REPUBLIC OF THE PHILIPPINES  
**Senate**  
Pasay City

# Journal

**SESSION NO. 53**  
Wednesday, February 12, 2014

**SIXTEENTH CONGRESS**  
**FIRST REGULAR SESSION**

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Wednesday, February 12, 2014

**CALL TO ORDER**

At 3:20 p.m., the Senate President Hon. Franklin M. Drilon, called the session to order.

**PRAYER**

Senate President Franklin M. Drilon led the prayer, to wit:

Almighty Father, You have declared in Jeremiah 29:11, "For I know the plans I have for you, plans to prosper you and not to harm you, plans to give you hope and a future."

We thank You, Father, for the words of assurance and for Your presence in our everyday lives.

May we always be guided by Your words.

Father, as we face the daily challenges of life, may we always remember that You have greater plans for us.

Let us be like You in giving our people better lives and not be instruments of harm to them.

May we learn to always seek Your wisdom in our work.

Grant us all these, Lord, and may we be agents of change and progress to our nation.

All these we ask in the Name of Jesus Christ.

Amen.

**ROLL CALL**

Upon direction of the Chair, the Secretary of the Senate, Atty. Oscar G. Yabes, called the roll, to which the following senators responded:

Angara, S.	Honasan, G. B.
Aquino, P. B. IV. B.	Marcos Jr., F. R.
Binay, M. L. N. S.	Osmeña III, S. R.
Cayetano, P. S.	Pimentel III, A. K.
Drilon, F. M.	Recto, R. G.
Ejercito, J. V. G.	Revilla Jr., R. B.
Escudero, F. J. G.	Sotto III, V. C.
Estrada, J.	Trillanes IV, A. F.

With 16 senators present, the Chair declared the presence of a quorum.

Senators Cayetano (A), Legarda and Poe arrived after the roll call.

Senators Guingona, Lapid and Villar were on official mission.

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Senators Defensor Santiago and Enrile were on sick leave.

**DEFERMENT OF THE APPROVAL OF THE JOURNAL**

Upon motion of Senator Sotto, there being no objection, the Body deferred the consideration and approval of the Journal to a later hour.

**REFERENCE OF BUSINESS**

The Secretary of the Senate read the following matters and the Chair made the corresponding referrals:

**MESSAGE FROM THE HOUSE OF REPRESENTATIVES**

Letter from the Secretary General of the House of Representatives, informing the Senate that on 10 February 2014, the House of Representatives passed the following House bills/House joint resolution, in which it requested the concurrence of the Senate:

House Bill No. 353, entitled

AN ACT MANDATING THE TELECOMMUNICATIONS SERVICE PROVIDERS TO SEND FREE MOBILE ALERTS IN THE EVENT OF NATURAL AND MAN-MADE DISASTERS AND CALAMITIES

**To the Committee on Public Services**

House Bill No. 395, entitled

AN ACT TO INSTITUTE REFORMS IN THE SUBDIVISION AND CONDOMINIUM BUYERS' PROTECTIVE DECREE

**To the Committee on Urban Planning, Housing and Resettlement**

House Bill No. 398, entitled

AN ACT PROVIDING FOR THE MANDATORY PREGNANCY TESTING OF ALL WOMEN OF CHILDBEARING AGE WHO WILL UNDERGO

COSMETIC SURGERY, PROVIDING PENALTIES THEREFOR AND FOR OTHER PURPOSES

**To the Committees on Health and Demography; and Women, Family Relations and Gender Equality**

House Bill No. 1617, entitled

AN ACT ESTABLISHING THE MERCURY EXPOSURE INFORMATION PROGRAM AND FOR OTHER PURPOSES

**To the Committees on Health and Demography; and Environment and Natural Resources**

House Bill No. 3515, entitled

AN ACT PRESCRIBING THE MECHANISMS TO FACILITATE THE DISPOSITION OF IDLE GOVERNMENT-OWNED LANDS FOR SOCIALIZED HOUSING

**To the Committees on Urban Planning, Housing and Resettlement; and Local Government**

House Bill No. 3727, entitled

AN ACT REQUIRING HEALTHCARE FACILITIES TO PROVIDE A PRICE LIST OF ITS HEALTHCARE SERVICES INCLUDING INCIDENTAL EXPENSES AND MEDICAL SUPPLIES THAT CAN BE CHARGED IN THE MEDICAL BILL

**To the Committee on Health and Demography**

House Bill No. 3728, entitled

AN ACT MANDATING OCULAR PROPHYLAXIS ON NEWBORNS

**To the Committee on Health and Demography**

House Bill No. 703, entitled

AN ACT DIVIDING BARANGAY

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NORTH BAY BOULEVARD SOUTH IN THE CITY OF NAVOTAS INTO THREE (3) DISTINCT AND INDEPENDENT BARANGAYS TO BE KNOWN AS BARANGAYS NORTH BAY BOULEVARD SOUTH 1, NORTH BAY BOULEVARD SOUTH 2 AND NORTH BAY BOULEVARD SOUTH 3

**To the Committees on Local Government; and Electoral Reforms and People’s Participation**

House Bill No.1248, entitled

AN ACT CHANGING THE NAME OF GUBAT DISTRICT HOSPITAL TO SALVADOR R. ENCINAS DISTRICT HOSPITAL IN GUBAT, SORSOGON

**To the Committee on Health and Demography**

House Bill No. 2214, entitled

AN ACT CREATING A BARANGAY TO BE KNOWN AS BARANGAY RIZAL IN THE CITY OF MAKATI

**To the Committees on Local Government; and Electoral Reforms and People’s Participation**

House Bill No. 3187, entitled

AN ACT GRANTING COTABATO LIGHT AND POWER COMPANY, A FRANCHISE TO CONSTRUCT, INSTALL, ESTABLISH, OPERATE AND MAINTAIN A DISTRIBUTION SYSTEM FOR THE CONVEYANCE OF ELECTRIC POWER TO THE END-USERS IN THE CITY OF COTABATO AND PORTIONS OF THE MUNICIPALITIES OF DATU ODIN SINSUAT AND SULTAN KUDARAT, BOTH IN THE PROVINCE OF MAGUINDANAO

**To the Committee on Public Services**

House Bill No. 3667, entitled

AN ACT DECLARING THE PROVINCE

OF NUEVA VIZCAYA A MINING-FREE ZONE AND PROVIDING PENALTIES FOR VIOLATIONS THEREOF

**To the Committee on Environment and Natural Resources**

House Bill No. 3750, entitled

AN ACT SEPARATING THE CITY OF BATANGAS FROM THE SECOND LEGISLATIVE DISTRICT OF THE PROVINCE OF BATANGAS TO CONSTITUTE THE LONE LEGISLATIVE DISTRICT OF THE CITY OF BATANGAS

**To the Committees on Local Government; and Electoral Reforms and People’s Participation**

and House Joint Resolution No. 10, entitled

JOINT RESOLUTION APPROVING THE TRANSFER, SALE OR ASSIGNMENT OF THE CONTROLLING INTEREST OF ZEST AIRWAYS, INC., FORMERLY KNOWN AS ASIAN SPIRIT, INC. TO AIR ASIA, INC.

**To the Committee on Public Services**

**RESOLUTIONS**

Proposed Senate Resolution No. 493, entitled

RESOLUTION DIRECTING THE PROPER SENATE COMMITTEE TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE KILLINGS OF RADIO COMMENTATORS JOASH A. DIGNOS, MICHAEL D. MILO, TATA BUTALID, AND OTHER MEDIA-RELATED KILLINGS IN ORDER TO COME UP WITH SOLUTIONS TO MEDIA-RELATED KILLINGS AND MEASURES TO STRENGTHEN FREEDOM OF THE PRESS

Introduced by Senator Pimentel III

**To the Committees on Justice and Human Rights; and Public Information and Mass Media**

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Proposed Senate Resolution No. 494, entitled

RESOLUTION DIRECTING THE SENATE COMMITTEE ON FINANCE TO LOOK INTO THE FINANCIAL ABSORPTIVE CAPACITY OF THE DEPARTMENT OF TRANSPORTATION AND COMMUNICATIONS IN RELATION TO ITS BUDGETARY ALLOCATION FOR VARIOUS PROJECTS UNDER THE ANNUAL GENERAL APPROPRIATIONS ACT WITH THE END IN VIEW OF ENACTING LEGISLATIVE MEASURES TO ADDRESS THE SAME

Introduced by Senator Escudero

**To the Committee on Finance**

Proposed Senate Resolution No. 495, entitled

RESOLUTION DIRECTING THE SENATE COMMITTEE ON AGRICULTURE AND FOOD TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE AGRICULTURAL COMPETITIVENESS ENHANCEMENT FUND (ACEF), EVALUATING THE STATUS OF THE FUND, REVIEWING THE PROGRAM IMPLEMENTATION AND PROVIDING REMEDIAL MEASURES, WITH THE END IN VIEW OF ENSURING THAT FARMERS RECEIVE THE INTENDED BENEFITS

Introduced by Senator Recto

**To the Committees on Agriculture and Food; and Finance**

#### APPROVAL OF THE JOURNAL

Upon motion of Senator Angara, there being no objection, the Body dispensed with the reading of the Journal of Session No. 52 (February 11, 2014) and considered it approved.

#### COMMITTEE REPORT NO. 10 ON SENATE BILL NO. 2046

(Continuation)

Upon motion of Senator Angara, there being no

objection, the Body resumed consideration, on Second Reading, of Senate Bill No. 2046 (Committee Report No. 10), entitled

AN ACT PROMOTING THE REDUCTION OF POVERTY THROUGH THE DEVELOPMENT OF MICRO, SMALL AND MEDIUM ENTERPRISES.

Senator Angara stated that the parliamentary status was still the period of interpellations.

Thereupon, the Chair recognized Senator Aquino, sponsor of the measure, and Senator Recto for his interpellation.

#### INTERPELLATION OF SENATOR RECTO

Preliminarily, Senator Recto congratulated Senator Aquino for the committee report on the *Go Negosyo* Act and for submitting it in plenary at a time when the issue of unemployment was on the day's headline of the *Philippine Daily Inquirer* - "Pnoy: What went wrong?"

Senator Recto stated that in 2011, employment generated was 1,157,000; in 2012, 408,000 jobs were created; and the average for 2013 from January to October, not including November and December when *Typhoon Yolanda* hit the country, employment generated was only 317,000. He observed that in spite of the economic growth of seven percent on the average for the last three years, the employment trajectory is going down, and he believed that this must be the reason why President Aquino asked his Cabinet what went wrong.

He also thanked Senator Aquino for taking into consideration Senate Bill No. 253, The Jobs Act of 2013, which he authored, the explanatory note of which he read into the record, to wit:

One of the more serious problems besetting a developing nation such as the Philippines is a high unemployment rate. Official statistics as of July 2012 pegged the unemployment rate at 7% corresponding to around 2.8 million unemployed Filipinos.

It becomes imperative, therefore, for the State to facilitate the generation of jobs for its citizens through any means within its power. After all, one of the government's mandates under the present Constitution is to promote full employment for Filipinos by encouraging the

growth of the national economy through enterprise.

It is this same mandate that prompted Congress to enact three vital pieces of legislation that advance the welfare of the Filipino enterprise: Republic Act No. 6977 or the Magna Carta for Small Enterprises; RA 9178, or the Barangay Micro Business Enterprises Act of 2002; and RA 9501 or the Magna Carta for Micro, Small and Medium Enterprises.

These laws provide aid and incentives to more than 816,759 micro, small and medium enterprises (MSMEs), which according to latest data comprise 99.6% of all business enterprises in the Philippines.

Records show that in 2011, MSMEs employed a total of 3.9 million individuals, dwarfing that of large-scale industries which only generated 2.5 million jobs as of the same year. This fact is a testament to the ability of MSMEs to generate employment given the right conditions.

However, stringent regulatory requirements of both the local and national government inhibit the growth of MSME sector. And unfortunately, most of those who are unable to comply with such painstaking requisites end up either closing shops or joining the informal sector or the underground economy.

This bill aims to prevent this situation from hindering the growth of MSMEs and instead encourage their development by providing more incentives to those who may generate employment by exploring their entrepreneurial spirit.

Aptly entitled the "The Jobs Act of 2013," this bill aims to stimulate the growth of MSMEs by exempting them from certain strict government regulation that would otherwise discourage their proliferation.

It also increases the threshold amount of the assets used in the classification of MSMEs to the following: from not more than P3 million to not more than P5 million for micro enterprises; from P3,000,001 to P15 million, the threshold amount for small enterprises is now from P5,000,001 to P15 million; while it remains the same for medium enterprises from P15,000,001 to P100,000,000.

If enacted into law, micro enterprises — which comprise the bulk of MSMEs — will be exempted from income tax and the Minimum Wage Law, provided that they give their employees the same benefits given to any regular employee like social security and healthcare benefits. The bill also exempts micro, small and medium enterprises from Value-Added

Tax (VAT), registration and Percentage Tax for those whose annual gross selling price or gross value in money received from the sale, barter or exchange of goods, as well as the annual gross receipts derived from the sale of exchange of services, do not exceed Three Million Pesos (P3,000,000.00).

Moreover, registered small and medium enterprises which shall hire additional employees shall be allowed a deduction from its gross income in the amount of Forty Thousand Pesos (P40,000.00) for each new employee hired. The maximum allowable deduction is pegged at Eighty Thousand Pesos (P80,000.00) for two or more new jobs created.

This bill also encourages micro enterprises from the underground economy to join or rejoin as the case may be, the formal sector.

In hindsight, MSME is probably the best way of generating much-needed employment in the country. It is therefore the responsibility of government to ensure their viability and continued growth.

Asked by Senator Recto on the number of micro, small and medium businesses in the country at present, Senator Aquino replied that micro, small and medium businesses comprise 99% of all businesses in the country.

Senator Recto informed the Body that officially, in the formal economy, there are 820,000 micro, small, medium and large enterprises, broken down as follows: micro – 743,000; small – 70,000; medium – 3,287 and large; 3,496. He said that excluding the informal sector, he also had a breakdown of what type of industry each of the categories are in and how many jobs were generated by each.

Senator Aquino clarified that the reason why the number fluctuates is that looking at other sources of data such as Nielsen which tracks the number of *sari-sari* stores in the Philippines, its latest number already has one million, which is just one specific micro enterprise industry, and the number is probably even less than half of the actual number of micro, small and medium enterprises.

Agreeing with Senator Aquino's observation, Senator Recto said that in theory, if there are 800,000 micro, small and medium scale enterprises, and if each were to create one job, it would translate to 800,000 jobs and if each were to create two jobs, there would be 1.6 million jobs created. He stated

that although there are only 500,000 students graduating from college, there is the need to do a catch-up for those who were not provided with jobs in the first place.

Asked how the *Go Negosyo* bill encourages the establishment of MSEs, Senator Aquino explained that the measure supports two laws relating to MSME development – the Magna Carta for Small and Medium Enterprises and the BMBE Act, both of which, however good they were, have complicated requirements, and the incentives that they offered were not met. He said that during the committee hearing on the *Go Negosyo* bill, he found out that only less than 2% of all possible micro and small enterprises have registered for the BMBE, a clear manifestation that the intent of the law was not met. He said that one aspect of the *Go Negosyo* bill, therefore, which is similar to the proposed Jobs Act, is to unlock the incentives set in the BMBE by easing the process of doing business, particularly of registration. He added that the measure also included the proposal of Senator Estrada to create business centers all over the country to provide support to possible or current entrepreneurs, for instance, access to finances, training, mentorship and marketing linkages to help them grow and make them sustainable. By amending the Magna Carta, he believed that the business centers would be able to give the necessary support to the MSMEs so that they could grow and eventually join the formal sector.

Senator Aquino surmised that among the reasons why the micro-enterprises failed to get into the formal sector is that the process is too cumbersome and not suited to the market; and they are not incentivized to join the formal markets because to avail of a bigger loan, for example, they need to be a formal enterprise or if one wants to engage with a supermarket, they also have to be a formal enterprise. He believed that by creating linkages and giving the needed support to the MSMEs, they could eventually become small enterprises. He expressed hope that the two major pillars of the *Go Negosyo* bill, which would not only support more jobs but see them become small enterprise, could bring them up the value chain in Philippine business.

Senator Recto expressed the view that the reason why the BMBE Act did not prosper was that the government has no plans of implementing the law: the BIR itself, for instance, was not keen on implementing the law and the DILG failed to inform

the LGUs about what the law was all about, how the informal sector could get into the formal economy, and the incentives the law offered. It was for those reasons, he said, that he filed the proposed Jobs Act, and that he plans to improve the substitute bill, taking into account the knowledge he has acquired from the previous law.

Senator Recto asked how the bill can facilitate local job creation as he noted that there was nothing in the bill that would incentivize job creation. Considering how the local government operates, he suggested the harmonization of all the laws to make them less complicated for the MSMEs and to ensure that support services are given. Senator Aquino confirmed that the intention of the bill is to spur the development of the MSMEs hoping that as they grow, they would create more jobs. He acknowledged that there was nothing in the *Go Negosyo* bill that would grant specific incentive for hiring or getting more than one employee but that in Senator Recto's version, there was such a provision. He assured that during the period of amendments, such provision would be deliberated and can be accommodated.

Asked on the benefits and incentives that the measure provides for MSMEs aside from the ease of registration, Senator Aquino replied that the benefits are the same. He agreed with Senator Recto to include a provision that would harmonize all laws relative to MSMEs to avoid confusion.

Asked how the bill could rationalize bureaucratic registration, Senator Aquino explained that the current practice mandates MSMEs to register with the LGU, and that there is a provision in the bill that allows the LGU, in partnership with the DTI, to set up different points of registration all in one area and the different national agencies that have anything to do with registration could be found at the *Negosyo* centers. He stated that the registration point is actually a one-stop-shop idea found in the bill of Senator Estrada. He reiterated that one of the main purposes of the *Negosyo* centers is to gather all concerned agencies in one registration desk which is in line with the DTI's thrust to promote ease of doing business. On the national level, he stated that the creation of the Philippine Business Registry (PBR) is already being pushed, an aspect that could be an added fixture in the *Negosyo* center desk. He also stressed the need to strengthen coordination between the LGUs and the national government so that the ease of doing business could actually be achieved.

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Senator Recto pointed out that under existing law, the MSMEs are required to register with the local treasurer to get a certificate of eligibility before going to the LGU to apply for a mayor's permit, but under the bill, he noted that instead of a one-stop-shop, the *Negosyo* center would, in effect, be another layer to the process. He assumed that if the intention of the Act is to establish a one-stop-shop in the *Go Negosyo* center, which should be created in all cities and municipalities nationwide, then there would be no other registration done at the local level, and since there are about 820,000 enterprises in the formal sector, it might cause a big problem because there would no longer be registration at the local government. He said that at the proper time, he would suggest that the *Go Negosyo* centers should not be under the supervision of the MSMED which is a policy-making body.

Senator Aquino assured that the provisions of the bill would just have to be clarified as he explained that the center was placed under the MSMED because it is under the supervision of the chairman of the MSMED who is the DTI Secretary. As regards adding a layer to the registration process, he said that it was not the intention of the bill as he clarified that the centers would be housed within the LGU because it is the most logical place.

To Senator Recto's observation that two options may be considered, either placing the centers under the DTI or mandating the LGUs to put up centers, Senator Aquino said that the centers might fall under the auspices of the LGUs, adding that there are also proposals for the LGUs to have satellite services, or the local Philippine Chamber of Commerce and Industry or a school may want to donate a place or a space for the center.

Adverting to Section 3 (*Establishment of Negosyo Centers*), Senator Recto asked on the number of MSMEs that have already been established and that remain operational. Senator Aquino admitted that he could not tell how many specifically because even the DTI could not provide the data because at times it is the LGUs that put up their own *Negosyo* centers.

As regards the budgetary requirement of the centers, Senator Aquino disclosed that he actually rejected the initial proposal because, to him, it was a bit too high. He explained that the original intent was to put the budget for the centers under the DTI

because it receives relatively lesser budget compared to other departments, making it difficult for the department to implement its programs. He said that the DTI would decide how much the budget would be, but definitely, he said, the roll-out would not happen all in one year.

For this year, Senator Aquino said that the DTI already agreed to put up *Negosyo* centers in pilot areas like Batangas City and Iloilo where enterprise development is already part of the thrust of the local government.

Upon query by the Chair, Senator Aquino confirmed that the *Negosyo* centers will be part of the structure of the DTI regional offices to give them more reach.

Still on Section 3, Senator Recto noted that the MSMED Council would be tasked to supervise a *Negosyo* center, but since the MSMED Council is an inter-agency policy-making body at the national level and has no presence locally, he said that it would be difficult to put the *Negosyo* Center under its supervision. Organizationally, he believed that it would be more reasonable for the *Negosyo* center to be under the DTI, but would still follow instructions from the MSMED Council. Senator Aquino replied that an amendment would be welcomed, even as he clarified that part of the amendment of the bill would be to increase the functions of the MSMED Council to include supervision, hence, the *Negosyo* centers would be local counterparts of the MSMED Council.

On Section 4 (*Functions of Negosyo Centers*), Senator Recto asked if it would be more feasible for the *Negosyo* Center to only provide assistance in availing of credit, financing start-up fund and other extension services to MSMEs, and leave the registration process to the LGUs as presently being practiced to preserve the principles of decentralization, empowerment and devolution of powers as enshrined in the Local Government Code. Senator Aquino assured that the *Negosyo* Center would not replace the LGU because the idea was just to house the desks that the LGU already have in terms of registration. He affirmed that the *Negosyo* Center could assist the entrepreneurs to register with the LGU and to provide credit assistance and other extension services, and work with financial institutions and the private sector.

On Section 5 (b), Senator Recto asked why the registration would be changed from every two years



to annually, pointing out that there is also a cost to compliance. He mentioned that the hassle of registering every year as compared to the present practice should also be considered.

Senator Aquino clarified that the proposal came about because of reports that P1,000, as an absolute amount, is considered a little high. He said that an option can be added, either to pay P1,000 for two years or P500 per year. He said that he would be willing to accept amendments to this provision.

Asked by the Chair where the fees go, Senator Recto replied that they would go to the local government. Senator Aquino added that the payment made with the *Negosyo* Center would also be for the local government.

Asked on the purpose of the *Philippine Business Registry*, Senator Aquino replied that it is a long-time program of the DTI to house, on a virtual platform, all the necessary national government registration that a business needs to comply with, *i.e.* DTI, BIR, PhilHealth and SSS. He said that once the program is fully operational online, the *Negosyo* centers would house the kiosks for the benefit of the entrepreneurs.

Asked if there is an existing database on MSMEs, Senator Aquino answered in the affirmative although he lamented that it is lacking, hence, one of the goals of the PBR, which is managed by the DTI, is to develop the database.

Asked on the kind of information being captured and stored in the registry, Senator Aquino replied that it includes the registration, the data entered for registering a business name, which includes the BIR, PhilHealth and SSS. He explained that after entering all the information in the PBR, the applicant would be considered registered on the national level. He added that the entrepreneurs could also make payments in the PBR.

Senator Recto agreed that the PBR is advantageous, adding that the data could be submitted to Congress as well as NEDA for planning purposes. He said that he would propose amendments to fully utilize the data for the benefit of the MSMEs.

Senator Recto also suggested that a provision be included for registered small and medium enterprises which hire additional employees subsequent to its

registration under the Act to be allowed a P40,000 deduction from its gross income for each new employee hired in a given taxable year. Furthermore, he said that the maximum allowable deduction from the gross income shall not exceed P80,000 and that the employment must be continuous for a period of at least one year. He added that the incentive shall no longer be applicable upon termination of the employee and that the incentive can only be availed of for a period of five years from the effectivity of the Act.

Asked by the Chair if the proposed additional deduction of P40,000 would be on top of the actual salary paid and deducted as an expense, Senator Recto answered in the affirmative. He noted that the average minimum wage is roughly P120,000 a year, therefore, the contribution of the government, in effect, is only one-third. If it would work, he said that it would benefit everyone, but if it does not, nothing would be lost. Senator Aquino said that it could further be tackled during the period of amendments.

Senator Recto reiterated that the problem of micro and small enterprises is too much regulation and compliance, and that there is a cost to it as well. To illustrate, he said that it is unimaginable for a small *sari-sari* store or a pop-up operation to file with the BIR a VAT return monthly or an income tax return quarterly. Senator Aquino agreed, adding that a developmental approach towards taxation is not being done. For the sector to be developed, he said that a customized type of regulation should be made. Senator Recto concurred, saying that one of the bigger issues at present is the widening gap between the rich and the poor. He recalled that in the World Economic Forum, it was reported that the wealth of the 85 richest persons in the world is as much as 3.5 billion people, or half the global population. He lamented that the same is true in the Philippines, noting that there are more tax incentives being given to those who can afford to pay or comply with the regulations. He stated that it would be more beneficial to expand the middle class so that the economy could grow at a faster rate with more consumers as well.

Asked on the appropriate financing institutions provided for in Section 6, Senator Aquino replied that according to the current review being undertaken, a number of institutions can lend to MSMEs, but he said that not everyone is doing it.

Senator Recto said that under existing laws, all financial institutions, including the GSIS and SSS, could provide credit amounting to 8% for micro and small enterprises, and 2% to medium enterprises. Senator Aquino added that even banks are mandated to include lending to MSMEs as part of their portfolio to avoid penalty and that the penalty currently funds the MSMED Council. He also cited the Small Business Corporation (SBC) which is mandated to lend to MSMEs.

To further harmonize the bill with existing laws and programs, Senator Recto suggested the inclusion of the institutions in the bill. Senator Aquino agreed, although he said that the initial idea was to include such provisions in the IRR.

Additionally, Senator Recto stated that the reason why there are government-owned banks and financial institutions for specific purposes *i.e.* Landbank for farmers, DBP for MSMEs and LGUs, SBC for small businesses, and the People's Credit and Finance Corporation for micro finance purposes, is for them not to compete with the private banks, but lamentably, he said that they have become universal banks, defeating, in the process, the purpose for which they were created. He stated that this is unfair because they are funded by taxpayers' money. He said that at the proper time, he would recommend that government banks set aside 30% of their loanable funds for the MSMEs. Senator Aquino agreed that government financial institutions should fill in the gaps left by the private sector.

Senator Recto also suggested utilizing as conduits thrift banks and rural banks which are already in the countryside and within which core competence could be created. Senator Aquino welcomed Senator Recto's suggestion.

Senator Recto said that if government banks would lend to the small entrepreneurs they should be given something in return, like not subjecting them to gross receipts tax. He said that he would make proposals relative thereto, as he also suggested improving the Quedan and Rural Credit Guarantee Corporation (Quedancor), for the benefit of the MSMEs in the agricultural sector. But he stressed the need of a sunset provision in the law so that the Body could review if it is working or not.

As regards the *Go Negosyo* Center, Senator Recto said he has other amendments regarding the extension services.

On Section 7 (*Composition of the Micro, Small and Medium Enterprise Development Council (MSMED)*), Senator Recto asked how the council will break a tie since the proposed composition is 18 which is an even number. He also mentioned the problem of mustering a quorum. Senator Aquino explained that the increase is in the number of private sector representatives to bring in more entrepreneurs into the mix.

On another matter, Senator Recto informed the Body that not all LGUs have a public information office because its establishment is only optional. He stated that he has some suggestions for the dissemination of information by some agencies to the public and to the entrepreneurs so that they would know what incentives are available, taking into account the past experiences. Senator Aquino welcomed Senator Recto's suggestions.

#### **SUSPENSION OF SESSION**

With the permission of the Body, the Chair suspended the session.

*It was 4:20 p.m.*

#### **RESUMPTION OF SESSION**

At 4:21 p.m., the session was resumed.

#### **TERMINATION OF THE PERIOD OF INTERPELLATIONS**

Upon motion of Senator Cayetano (A), there being no objection, the Body closed the period of interpellations.

#### **SUSPENSION OF SESSION**

Upon motion of Senator Cayetano (A), the session was suspended

*It was 4:22 p.m.*

#### **RESUMPTION OF SESSION**

At 4:22 p.m., the session was resumed.

#### **PERIOD OF COMMITTEE AMENDMENTS**

Senator Cayetano (A) manifested that Senate Bill No. 2046 is a substitute bill and under the Rules,

the Body should proceed directly to the period of individual amendments; however, the Committee could introduce amendments with the consent of the Body.

With the permission of the Body, upon motion of Senator Cayetano (A), there being no objection, the Body allowed the Sponsor to introduce committee amendments.

## COMMITTEE AMENDMENTS

As proposed by Senator Aquino, there being no objection, the following committee amendments were approved by the Body, one after the other:

### Page 1

1. On line 16, delete the word "encourage" and replace it with the phrase ENSURE INTER-AGENCY COORDINATION, LOCAL GOVERNMENT UNIT (LGU) PARTICIPATION AND;

*The session was suspended and was resumed shortly thereafter.*

### Page 2

2. On line 14, replace the words "act on" with the word FACILITATE;
3. On line 19, insert a new subsection (f) to read as follows:
  - (f) MONITOR AND RECOMMEND BUSINESS-PROCESS IMPROVEMENTS FOR MSMEs;
4. Reletter the succeeding subsections accordingly.;

### Page 3

5. On line 19, after the word "unified," insert the words AND SIMPLIFIED;
6. On lines 24 and 25 up to page 4, lines 1 to 5, delete the entire paragraph 2 and replace it with a new paragraph, to read as follows:
  2. THE NEGOSYO CENTER OF EACH CITY AND MUNICIPALITY SHALL FACILITATE AND EXPEDITE THE BUSINESS APPLICATION PROCESS OF MSMEs IN COORDINATION WITH THE LGUs AND OTHER CONCERNED AGENCIES;

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7. On lines 6 to 10, delete the entire paragraph 3 and replace it with a new paragraph, to read as follows:

3. SHOULD THE CONCERNED BUSINESS PERMITS AND LICENSING OFFICES FAIL TO PROCESS THE APPLICATION WITHIN FIFTEEN (15) DAYS, THE MSME SHALL BE DEEMED REGISTERED FOR A PERIOD OF ONE (1) YEAR. IN THIS CASE, THESE OFFICES SHALL HAVE THE AUTHORITY TO REVOKE THE REGISTRATION WITHIN A PERIOD OF THIRTY (30) DAYS UPON DETERMINATION THAT THE MSME HAS NOT MET THE NECESSARY REQUIREMENTS AND QUALIFICATIONS.;

8. On line 12, replace the phrase "Ease of Registration for Micro Enterprises" with CERTIFICATION OF AUTHORITY FOR BARANGAY MICRO BUSINESS ENTERPRISES (BMBEs);
9. On line 14, after the figure "9178" and the period (.), insert a new sentence, to read as follows:

UPON THE APPROVAL OF REGISTRATION OF THE BMBE, THE NEGOSYO CENTER SHALL ISSUE THE CERTIFICATE OF AUTHORITY, WHICH SHALL AUTOMATICALLY EXEMPT THE MICRO ENTERPRISE FROM THE MINIMUM WAGE LAW AND INCOME TAX.;

10. On line 17, replace the phrase "The Philippine Business Registry (PBR) Kiosk" with A PHILIPPINE BUSINESS REGISTRY SYSTEM;
11. On line 22, after the acronym DTI, insert a comma (,) and the phrase THE DEPARTMENT OF FINANCE (DOF);

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12. On line 10, after the word "sector," delete the semicolon (;) and insert the phrase AND AT LEAST ONE REPRESENTATIVE FROM THE YOUTH SECTOR TO FOCUS ON THE PROMOTION OF YOUTH ENTREPRENEURSHIP;
13. On lines 11 and 12, delete subsection (k);
14. Reletter the succeeding subsections accordingly.;

*At this juncture, the session was suspended and was resumed shortly thereafter.*

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15. On line 5, after the words "Negosyo Center," insert a new sentence, to read as follows:

*r*

FURTHER, THE MSMED COUNCIL SHALL MONITOR AND ASSESS THE PROGRESS OF THE NEGOSYO CENTER, WHICH SHALL BE INCLUDED IN ITS ANNUAL REPORT SUBMITTED TO THE CONGRESS; and

16. On line 26, replace the words "to the" with the phrase AGAINST THE BUDGET OF.

### SUSPENSION OF SESSION

With the permission of the Body, the Chair suspended the session.

*It was 4:34 p.m.*

### RESUMPTION OF SESSION

At 4:35 p.m., the session was resumed.

### MANIFESTATION OF SENATOR CAYETANO (A)

Upon resumption, Senator Cayetano (A) stated that the senators may submit their proposals over the weekend and if these would be accepted by Senator Aquino, they would be introduced as committee amendments.

### SUSPENSION OF CONSIDERATION OF SENATE BILL NO. 2046

Upon motion of Senator Cayetano (A), there being no objection, the Body suspended consideration of the bill.

### MANIFESTATION OF SENATOR CAYETANO (A)

Senator Cayetano (A) congratulated the UNTV for putting up the UNTV Cup 2 and the *Senate Defenders*, with Senator Angara as the team captain, for beating the House of Representatives Solons the previous night with a score of 83 to 74. He said that the Senate Defenders are playing for the following beneficiaries:

- Kythe Foundation Inc., a non-stock, non-profit organization that provides psychological care and assistance to pediatric patients in hospitals; and
- Adopt-A-Banca Project of Senate President Franklin M. Drilon for fisherfolk in Iloilo whose bancas were destroyed by *Typhoon Yolanda*.

### ACKNOWLEDGMENT OF THE PRESENCE OF GUESTS

At this juncture, the Senator Cayetano (A), acknowledged the presence in the gallery of the following guests:

- The *Mamamayan Ayaw sa Aerial Spray* (MAAS), a group of farmers from the Davao Region, headed by its program coordinator Ms. Chinkie Peliño;
- Officials of the Batangas State University led by its president, Nora Magnaye, their Board of Directors and Student Regent; and
- Students of Don Bosco Academy – Mabalacat, Pampanga, with their teachers in-charge, Mr. Raymond Canlapan, Ms. Arceli Liwanag and Prefect for Discipline Joshua Wayne Capili.

Senate President Drilon welcomed the guests to the Senate.

### ANNOUNCEMENT OF SENATOR CAYETANO (A)

Senator Cayetano (A) informed the Body that the committee amendments to the FOI bill and the committee and individual amendments to the *Go Negosyo* bill will be taken up the following week.

In addition, Senator Cayetano (A) stated that after consulting with the Majority Leader of the House of Representatives it was agreed that the Committee on Rules will come out on Monday with a list of priority bills, mostly priorities of the LEDAC, both Houses of Congress, and the Office of the President, which will then be discussed by the Senate President and the House Speaker.

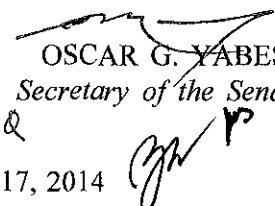
### ADJOURNMENT OF SESSION

Upon motion of Senator Cayetano (A), there being no objection, the Chair declared the session adjourned until three o'clock in the afternoon of Monday, February 17, 2014.

*It was 4:39 p.m.*

I hereby certify to the correctness of the foregoing.

OSCAR G. YABES  
Secretary of the Senate



Approved on February 17, 2014