


THIRTHEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
First Regular Session )

5 MAY -5 AIO:21

RECEIVED BY: 

SENATE  
S.B. No. 1997

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INTRODUCED BY SENATORS MAR ROXAS, RICHARD J. GORDON,  
MANUEL M. LAPID AND RAMON REVILLA, JR.

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#### EXPLANATORY NOTE

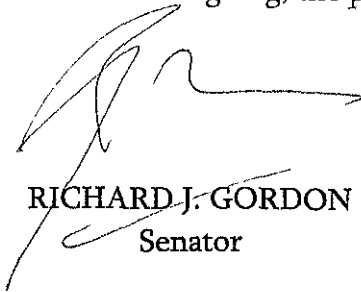
This bill strengthens R.A. No. 6977, the Magna Carta for Small Enterprises. The focus of the amendments of this bill rest on three points: guidelines, institutional support and organizational support. Guidelines refer to the specific asset size definition, appropriating a definite and regular amount for the Small and Medium Enterprise Development (SMED) Council and increase in the mandatory allocation to lending activities. Institutional support comprises of additional government agencies to coordinate SME efforts and formalization of the SME Development Plan. Lastly, organizational support to intensify the powers and increase capitalization of the Small Business and Guarantee Finance Corporation to complement the growing demands for financing. Other features of the bill include formalizing the celebration of the Micro, Small and Medium Enterprise (MSME) Week and recognition of outstanding MSMEs.

R.A. No. 6977 was passed into law in 1991 to promote, develop and assist small and medium scale enterprises through the creation of a Small and Medium Enterprise Development (SMED) Council, and to rationalize government assistance, programs and agencies concerned with the development of small and medium enterprises. The passage of this law signaled awareness and recognition of a much-needed policy base to support the growth of SMEs. By outlining guidelines for institutional support to improve productivity, upgrade of technologies, lower the cost of doing business and expand access to financing, government has laid the foundation for a national agenda to economic progress.

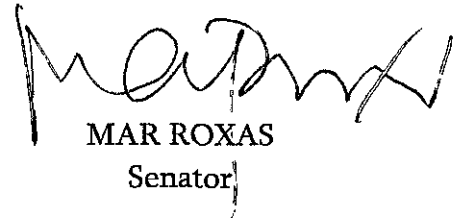
After fifteen (15) years, strengths and weaknesses are now apparent. Despite the growth of the sector due to the passage of R.A. No. 6977 in 1991, the sector still faces limitations in delivering expected benefits to the economy. Areas needing attention are lack of access to financing, inefficient operating practices, insufficient technology and technical knowledge and lack of access to markets. By providing an enabling environment to SMEs, the potential of the sector could be maximized.

The sustainability of SMEs is a priority of government because of its significant contributions to income and employment generation, hence a leading sector in stimulating economic development. SMEs account for 69.1% of employment, comprise 99.6% of all registered companies and contribute 32% value added to the economy, making these enterprises indispensable to overall growth.

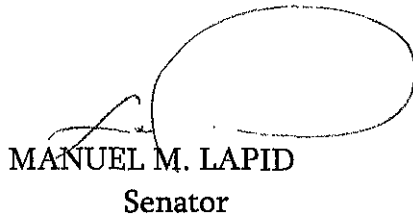
In view of the foregoing, the passage of this bill is earnestly requested.



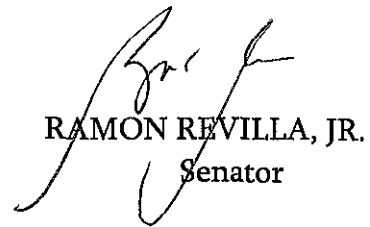
RICHARD J. GORDON  
Senator



MAR ROXAS  
Senator



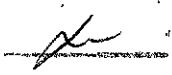
MANUEL M. LAPID  
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RAMON REVILLA, JR.  
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INTRODUCED BY SENATORS MAR ROXAS, RICHARD J. GORDON,  
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AN ACT  
TO PROMOTE ENTREPRENEURSHIP BY STRENGTHENING  
DEVELOPMENT AND ASSISTANCE PROGRAMS TO MICRO, SMALL AND MEDIUM  
SCALE ENTERPRISES, AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 6977, AS  
AMENDED, OTHERWISE KNOWN AS THE "*MAGNA CARTA FOR SMALL  
ENTERPRISES*" AND FOR OTHER PURPOSES.

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

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

"SECTION 1. *Title.* - This Act shall be known as the Magna Carta for MICRO, Small AND MEDIUM Enterprises.

SECTION 2. All references to Small and Medium Enterprises (SMEs) in this Act shall be changed accordingly to Micro, Small and Medium Enterprises (MSMEs).

SECTION 3. Section 3 of Republic Act No. 6977 is hereby amended to read as follows:

"SECTION 3. *MICRO, Small and Medium Enterprise as Beneficiaries.* - 'MICRO, Small and Medium Enterprise' shall be defined as any business activity or enterprise engaged in industry, agribusiness and/or services, whether single proprietorship, cooperative, partnership or corporation whose total assets, inclusive of those arising from loans but exclusive of the land on which the particular business entity's office, plant and equipment are situated, must have value falling under the following categories:

Micro	:	[less than ₱1,500,001] ₱1,500,001 TO ₱3,000,000
Small	:	[₱1,500,001 - ₱15,000,000] ₱3,000,001 TO ₱15,000,000
Medium	:	₱15,000,001 to ₱100,000,000

"The above definitions shall be subject to review and adjustment [by the said Council] *MOTU proprio* BY THE MSMED COUNCIL CREATED UNDER SECTION 6 OF THIS LAW or upon recommendation of sectoral organization(s) taking into

account inflation and other economic indicators. The Council may use as variables the number of employees, equity capital and asset size."

THE COUNCIL SHALL ENSURE THAT NOTWITHSTANDING THE PLANS AND PROGRAMS SET FOR MSMES AS A WHOLE, THERE SHALL BE SET AND IMPLEMENTED OTHER PLANS AND PROGRAMS VARIED AND DISTINCT FROM EACH OTHER, ACCORDING TO THE SPECIFIC NEEDS OF EACH SECTOR.

SECTION 4. Section 5 of Republic Act No. 6977 is hereby amended to read as follows:

"SECTION 5. *Guiding Principles.* - To set the pace for MICRO, small and medium enterprise development, the State shall be guided by the following principles:

X X X

"(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 Communication, 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 and the Bangko Sentral ng Pilipinas, through their national, regional and provincial offices, shall to the best of their effort and in coordination with local government units, provide the necessary support and assistance to MICRO, small and medium enterprises.

X X X

SECTION 5. A new section, numbered Section 6 is hereby inserted after Section 5 of RA 6977, to read as follows:

SECTION 6. *MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT PLAN (MSMEDP).* - THE PRESIDENT OF THE REPUBLIC OF THE PHILIPPINES SHALL APPROVE A ROLLING THREE-YEAR MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT PLAN PREPARED BY THE MICRO, SMALL AND MEDIUM ENTERPRISE COUNCIL THROUGH THE DEPARTMENT OF TRADE AND INDUSTRY WHICH SHALL FORM PART OF THE MEDIUM TERM PHILIPPINE DEVELOPMENT PLAN (MTPDP). IT SHALL BE FORMULATED IN CONSULTATION WITH THE PRIVATE SECTOR, VALIDATED AND UPDATED SEMESTRALLY.

SECTION 6. Section 6 of Republic Act No. 6977 is hereby amended to read as follows:

"SECTION 7. [*Creation of a Small and Medium Enterprise Development Council.*] *MICRO, SMALL AND MEDIUM ENTERPRISE 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 small and medium enterprises throughout the country, and to carry out the policy declared in this Act, [a Small and Medium Enterprise Development (SMED) Council is hereby created] SHALL NOW BE KNOWN AS THE MICRO, SMALL AND MEDIUM ENTERPRISE DEVELOPMENT 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.

X X X

SECTION 7. Section 7 of Republic Act No. 6977 is hereby amended to read as follows:

***SECTION 8. COMPOSITION.*** – The Council shall be headed by the Secretary of Trade and Industry as Chairman, and may elect from among themselves a Vice Chairman to preside over the Council meetings in the absence of the Chairman. The members shall be the following:

- “(a) Director General of the National Economic and Development Authority;
- “(b) Secretary of Agriculture;
- “(c) Secretary of Labor and Employment;
- “(d) Secretary of [Environment and Natural Resource] INTERIOR AND LOCAL GOVERNMENT;
- “(e) Secretary of [Science and Technology] ENVIRONMENT AND NATURAL RESOURCES;
- “(f) Secretary of [Tourism] SCIENCE AND TECHNOLOGY;
- “(g) [Chairman of the Monetary Board] SECRETARY OF TOURISM;
- “(h) Chairman of [Small Business Guarantee and Finance Corporation] THE MONETARY BOARD;
- “(i) Chairman of [the small and medium enterprises promotion body which the President shall undertake to establish under this Act] SMALL BUSINESS GUARANTEE AND FINANCE CORPORATION; [and]
- “(j) Three (3) representatives from the private sector at large, all Filipino citizens, to represent Luzon, Visayas and Mindanao, and one representative from the small and medium enterprises sector to be appointed by the President; AND
- “(k) A representative from the private banking sector to serve alternately among the Chamber of Thrift Bank; the Rural Bankers' Association of the Philippines (RBAP); and the Bankers' Association of the Philippines (BAP).

ALL MEMBERS OF THE COUNCIL SO APPOINTED, EXCEPT FOR THE EX-OFFICIO MEMBERS, SHALL SERVE FOR A TERM OF THREE (3) YEARS. THE PERSON SO APPOINTED TO REPLACE A MEMBER WHO HAS RESIGNED, DIED, OR REMOVED FOR CAUSE SHALL SERVE ONLY FOR THE UN-EXPIRED PORTION OF THE TERM.

"Cabinet-rank *ex officio* members of the Council shall designate an undersecretary or assistant secretary, and the Chairman of the Monetary Board or his representative, as their permanent representative in case they fail to attend meetings of the Council.

"The private sector members of the Council shall [initially] receive per diem of [One] TWO Thousand pesos [(P1,000)] P2,000 per meeting, for a maximum of twenty-four

(24) meetings per year, which [per diem may be adjusted] AMOUNT SHALL BE DETERMINED by the Council: Provided, that THE AMOUNT AND ANY [may such] adjustments shall take effect upon approval of the President.

X X X

SECTION 8. Section 8 of Republic Act No. 6977 is hereby amended to read as follows:

*"SECTION 9. POWERS AND FUNCTIONS.* The MICRO, Small and Medium Enterprise Development Council shall have the following powers, duties and functions:

X X X

k) to assist in the establishment of modern industrial estates outside urban centers; [and]

l) generally, to exercise all powers and functions necessary for the objectives and purposes of this Act [.]; AND

M) TO APPROVE THE MSMEDP, COORDINATE, MONITOR AND ASSESS THE IMPLEMENTATION THEREOF, AND WHEN NECESSARY, INSTITUTE APPROPRIATE ADJUSTMENTS THEREON IN THE LIGHT OF CHANGING CONDITIONS IN BOTH THE DOMESTIC AND INTERNATIONAL ENVIRONMENT.

SECTION 9. A new section, numbered Section 10 is hereby inserted after Section 9 of RA 6977, which is now Section 9, to read as follows:

*"SECTION 10. APPROPRIATIONS.* – FUNDING OF ACTIVITIES AND OPERATIONAL EXPENSES OF THE COUNCIL SHALL BE SUPPORTED BY CONTRIBUTIONS FROM THE GOVERNMENT AND THE PRIVATE SECTOR. THE AMOUNT OF CONTRIBUTION BY THE GOVERNMENT WILL BE RECOMMENDED BY THE DEPARTMENT OF TRADE AND INDUSTRY, UPON CONSULTATION WITH THE DEPARTMENT OF BUDGET AND MANAGEMENT, AND APPROVED BY THE PRESIDENT. THE ANNUAL CONTRIBUTIONS OF THE GOVERNMENT SHALL BE INCLUDED IN THE ANNUAL GENERAL APPROPRIATIONS ACTS AFTER CONSULTATIONS WITH THE DEPARTMENT OF BUDGET AND MANAGEMENT.

SECTION 10. Section 10 of Republic Act No. 6977 is hereby amended to read as follows:

*"SECTION 12. Rationalization of Existing MICRO, Small and Medium Enterprise Programs and Agencies.* - The Council shall conduct continuing review of government programs for micro, small and medium enterprises and submit to Congress and the President a report thereon together with its policy recommendations.

["The President is hereby also empowered to establish a small a and medium enterprise promotion body which shall be the principal government agency that will formulate, implement, coordinate and monitor all non-financing government

programs, including fee-based services, to support and promote micro, small and medium enterprises. It shall be attached to the Department of Trade and Industry and shall be under the policy, program and administrative supervision of the SMED Council. The said office shall receive no less than fifty percent (50%) of the assets, and budgetary allocations of the agencies for promotion, development and financing of small and medium enterprises that may be henceforth dissolved and/or abolished and absorbed, incorporated and integrated into the SMED Council." ]

SECTION 11. Section 11 of RA 6977 is hereby amended to read as follows:

"SECTION 13. *Creation of Small Business Guarantee and Finance Corporation.*

- There is hereby created a body corporate to be known as Small Business Guarantee and Finance Corporation hereinafter referred to as the **SMALL BUSINESS CORPORATION**, which shall [source and adopt development initiatives for globally competitive small and medium enterprises in terms of finance, technology, production, management and business linkages, and provide, promote, develop and widen in both scope and service reach various alternative modes of financing for small and medium enterprises, including but not limited to, direct and indirect project lending venture capital, financial leasing, secondary mortgage and/or rediscounting of loan papers to small businesses, secondary/regional stock markets: *Provided*, That crop production financing shall not be serviced by the Corporation.]  
SERVE THE FOLLOWING FUNCTIONS AND DUTIES:

- A) SOURCE AND ADOPT DEVELOPMENT INITIATIVES FOR GLOBALLY COMPETITIVE MSMEs IN FINANCE AND BUSINESS TECHNOLOGIES;
- B) TO EXTEND ALL FORMS OF FINANCIAL ASSISTANCE WHICH MAY BE IN THE FORM OF DIRECT LENDING, AND TECHNICAL ASSISTANCE TO QUALIFIED AND REGISTERED MSMEs. SB CORPORATION MAY ALSO ENGAGE IN WHOLESALE LENDING PROVIDED THAT IT SHALL NOT IN ANY GIVEN TIME BE MORE THAN FIFTY PERCENT (50%) OF ITS TOTAL AVAILABLE LOAN PORTFOLIO.
- C) GUARANTEE LOANS OBTAINED BY QUALIFIED MSMEs UNDER SUCH TERMS AND CONDITIONS ADOPTED BY THE [SB] SMALL BUSINESS CORPORATION BOARD OF DIRECTORS.

["The Corporation shall guarantee loans obtained by qualified small and medium enterprises, local and/or regional associations' small enterprises and industries, private voluntary organizations and/or cooperatives, under such terms and conditions adopted by its Board. It may guarantee loans up to one hundred percent (100%). It may also provide second level guarantee (*i.e.*, reinsurance) on the credit and/or investment guarantees made by credit guarantee associations and other institutions in support of small entrepreneurs.]

["The Corporation shall become liable under its guarantees upon proof that the loan has become past due under such terms and guidelines adopted by its Board and printed on the contract of guarantee.]

["The Small Business Guarantee and Finance Corporation shall:]

["(a) be attached to the Department of Trade and Industry and shall be under the policy, program and administrative supervision of the SMED Council;]

["(b) have its principal place of business in Metro Manila and endeavor to have one or more branch offices in every province of the country;]

["(c) exercise all the general powers conferred by law upon corporation under the Corporation Code as are incidental or conducive to the attainment of the objectives of this Act;]

["(d) have a board of directors upon to which the powers of the Corporation shall be vested, to be composed of nine (9) members including:]

["(1) three (3) members of the private sector appointed by the President upon recommendation of the SMED Council and from among whom the Chairman of the Board shall be appointed by the President to serve on a full-time basis;]

["(2) the Secretary of Trade and Industry or his Undersecretary; and]

["(3) a representative from each of the five (5) government financial institutions mandated in this Act to provide the initial capital of the Corporation, who shall be designated, under guidelines agreed upon by the Board Chairmen of said institutions;]

["(e) 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 of Directors of SBGFC shall have the authority to extend to the employees and personnel thereof the allowance and fringe similar to those extended to and currently enjoyed by the employees and personnel of other government financial institutions."]

**SECTION 12.** There shall be incorporated after Section 11 of Republic Act No. 6977, and renumbered as Section 13 in this bill, as amended, new sections to read as follows:

**"SECTION 14. CORPORATE POWERS.** The SMALL BUSINESS CORPORATION SHALL BE ADMINISTRATIVELY ATTACHED TO THE DEPARTMENT OF TRADE AND INDUSTRY AND SHALL BE UNDER THE POLICY AND PROGRAM SUPERVISION OF THE MSMED COUNCIL. IT SHALL HAVE ITS PRINCIPAL OFFICES IN METRO MANILA AND WHENEVER NECESSARY, ESTABLISH BRANCH OFFICES IN THE PROVINCES.

THE SMALL BUSINESS CORPORATION SHALL EXERCISE ALL THE GENERAL POWERS EXPRESSLY CONFERRED BY LAW UPON CORPORATIONS UNDER THE CORPORATION CODE, INCLUDING THOSE POWERS THAT ARE INCIDENTAL OR NECESSARY TO THE ATTAINMENT OF THE OBJECTIVES OF THIS ACT.

FOR THIS PURPOSE, THE SMALL BUSINESS CORPORATION MAY ALSO:



- A) HOLD, PURCHASE, LEASE OR OTHERWISE ACQUIRE AND OWN REAL AND PERSONAL PROPERTY, INTRODUCE NECESSARY IMPROVEMENTS THEREON AND TO SELL, MORTGAGE, ENCUMBER OR OTHERWISE DISPOSE OF THE SAME AS MAY BE NECESSARY IN THE NORMAL COURSE OF BUSINESS;
- B) APPLY FOR, RECEIVE AND ACCEPT GRANTS AND DONATIONS FROM SOURCES WITHIN AND OUTSIDE THE COUNTRY;
- C) 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 INSTITUTIONS.

SECTION 13. There shall be incorporated after the inserted Section 14 a new section to read as follows:

**"SECTION 15. COMPOSITION, POWERS AND AUTHORITY.** - THE [SB] SMALL BUSINESS CORPORATION CORPORATE POWERS SHALL BE VESTED ON A BOARD DIRECTORS COMPOSED OF ELEVEN (11) MEMBERS WHICH SHALL INCLUDE THE FOLLOWING:

- A) SECRETARY OF TRADE AND INDUSTRY
- B) SECRETARY OF FINANCE
- C) A PRIVATE SECTOR REPRESENTATIVE TO BE APPOINTED BY THE PRESIDENT OF THE PHILIPPINES UPON THE RECOMMENDATION OF THE MSMED COUNCIL;
- D) SEVEN (7) REPRESENTATIVES OF [SB] SMALL BUSINESS CORPORATION COMMON STOCKS; AND
- E) PRESIDENT OF [SB] SMALL BUSINESS CORPORATION AS EX-OFFICIO MEMBER AND TO SERVE AS VICE CHAIRMAN OF THE BOARD.

THE PRESIDENT OF THE PHILIPPINES SHALL APPOINT THE CHAIRMAN 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 RE-APPOINTMENT. THE PERSON SO APPOINTED TO REPLACE A MEMBER WHO HAS RESIGNED, DIED, OR REMOVED FOR CAUSE SHALL SERVE ONLY FOR THE UN-EXPIRED PORTION OF THE TERM.

THE BOARD OF DIRECTORS SHALL HAVE, AMONG OTHERS THE FOLLOWING SPECIFIC POWERS AND AUTHORITIES:

- A) TO FORMULATE POLICIES NECESSARY TO CARRY OUT EFFECTIVELY THE PROVISIONS OF THIS CHARTER AND TO PRESCRIBE, AMEND AND REPEAL BY-LAWS, RULES AND REGULATIONS FOR THE EFFECTIVE OPERATIONS OF SB CORPORATION;

- B) ESTABLISH SUCH BRANCES, AGENCIES AND SUBSIDIARIES AS MAY BE DEEMED NECESSARY AND CONVENIENT;
- C) COMPROMISE OR RELEASE, IN WHOLE OR IN PART, ANY CLAIM OR LIABILITY WHATSOEVER FOR OR AGAINST THE [SB] SMALL BUSINESS CORPORATION, INCLUDING INTEREST, PENALTIES, FEES AND/OR OTHER CHARGES IN ACCORDANCE TO ITS OWN BY-LAWS AND *BANGKO SENTRAL NG PILIPINAS* RULES;
- D) FIX THE FEATURES OF NON-VOTING PREFERRED SHARES WHICH SHALL BE PRINTED ON THE STOCK CERTIFICATES EVIDENCING THE SAME;
- E) EXERCISE ALL OTHER SUCH POWERS AS MAY BE NECESSARY OR INCIDENTAL TO CARRY OUT [SB] SMALL BUSINESS CORPORATION PURPOSES.

SECTION 14. Section 12 of Republic Act No. 6977, as amended, is hereby amended to read as follows:

“SECTION 16. *Capitalization and Funding of the [SB] SMALL BUSINESS CORPORATION.* - The [Small Business Guarantee and Finance] [SB] Small Business Corporation shall have an authorized capital stock of [Five] TEN billion pesos (P [5] 10,000,000,000.00). 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 Philippine National Bank (PNB), the Development Bank of the Philippines (DBP) [in the amount of Two hundred million pesos (P200,000,000.00) each]. LBP AND DBP SHALL EACH CONTRIBUTE FOUR HUNDRED MILLION PESOS (P4,000,000,000.00), WHILE PNB WILL CONTRIBUTE TWO HUNDRED MILLION PESOS (P200,000,000). THE TEN BILLION PESOS AUTHORIZED CAPITAL STOCK OF THE SMALL BUSINESS 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 SMALL BUSINESS 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 PREFERRED SHARES ALREADY ISSUED UNDER REPUBLIC ACT NO. 6977, AS AMENDED, SHALL BE CONVERTED 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 investments of private financial institutions and corporations, PROVIDED, THAT ANY INVESTMENT FROM THE PRIVATE SECTOR SHALL ONLY BE IN THE FORM OF PREFERRED SHARES.

TO ALLOW FOR CAPITAL BUILD-UP, [SB] SMALL BUSINESS CORPORATION SHALL BE GIVEN A FIVE (5) YEAR GRACE PERIOD ON DIVIDEND COMMITMENTS BEGINNING ON THE DATE OF EFFECTIVITY OF THIS AMENDMENT. THEREAFTER, IT MAY ONLY DECLARE AS DIVIDEND NOT MORE THAN 30% OF ITS NET INCOME AND THE REST WITHHELD AS RETAINED EARNINGS.

SECTION 15. There shall be incorporated after the Section 12 of R.A. No. 6977, and renumbered as Section 16, a new section to read as follows:

“SECTION 17. *ORGANIZATIONAL STRUCTURE.* - THE BOARD OF DIRECTORS SHALL HAVE THE AUTHORITY TO PROVIDE FOR AN ORGANIZATIONAL STRUCTURE AND STAFFING PATTERN FOR OFFICERS AND EMPLOYEES OF THE [SB] SMALL BUSINESS CORPORATION.

ALL POSITIONS IN THE [SB] SMALL BUSINESS CORPORATION SHALL BE GOVERNED BY THE SALARY STANDARDIZATION LAW.

SECTION 16. There shall be incorporated after the inserted Section 17 a new section to read as follows:

“SECTION 18. *MICRO, SMALL AND MEDIUM ENTERPRISE WEEK.* IN ORDER TO INSTITUTE CONTINUING AWARENESS OF THE PRIMACY OF SMALL BUSINESS IN NATION-BUILDING AND IN PEOPLE EMPOWERMENT, AND TO CELEBRATE AND ESPOUSE THE FIRM COMMITMENT OF THE STATE IN THE PROMOTION, GROWTH AND DEVELOPMENT OF SMALL BUSINESS, THE SECOND WEEK OF JULY OF EVERY YEAR SHALL BE DECLARED AS THE “MICRO, SMALL AND MEDIUM ENTERPRISE DEVELOPMENT WEEK” THE MICRO, SMALL AND MEDIUM ENTERPRISE DEVELOPMENT COUNCIL, THE DEPARTMENT OF TRADE AND INDUSTRY, AND THE SMALL BUSINESS [GUARANTEE AND FINANCE] CORPORATION SHALL BE JOINTLY RESPONSIBLE IN ORGANIZING ACTIVITIES FOR THE EVENT.

SECTION 17. There shall be incorporated after the inserted Section 18 a new section to read as follows:

“SECTION 19. *PRESIDENTIAL AWARDS FOR OUTSTANDING MSMEs.* - PRESIDENTIAL AWARDS FOR OUTSTANDING MSMEs, CONSISTING OF REWARDS IN CASH OR IN KIND SHALL BE GRANTED TO 100% FILIPINO-OWNED COMPANIES DURING THE MSME DEVELOPMENT WEEK.

SECTION 18. Section 13 of Republic Act No. 6977 is hereby amended to read as follows:

“SECTION 20. *Mandatory Allocation of Credit Resource to Small and Medium Enterprises.* - For a period of ten (10) years from the date of the effectivity of this Act, all lending institutions as defined under *Bangko Sentral ng Pilipinas* rules, whether public or private, shall set aside at least [six] EIGHT percent ([6] 8%) for MICRO AND small enterprises and at least two percent (2%) for [small and] medium enterprises, [respectively] of their total loan portfolio based on their balance sheet as

of the end of the previous quarter, and make it available for [small and medium enterprises] MSMEs credit as herein contemplated.

COMPLIANCE OF THIS PROVISION SHALL BE:

- A) ACTUAL EXTENSION OF LOANS TO QUALIFIED AND REGISTERED MICRO, SMALL AND MEDIUM ENTERPRISES; OR
- B) ACTUAL SUBSCRIPTION OF PREFERRED SHARES OF STOCK OF [SB] SMALL BUSINESS CORPORATION.

The *Bangko Sentral ng Pilipinas* [, in consultation with the Council,] MAY PRESCRIBE ALTERNATIVE FORMS OF COMPLIANCE SUBJECT TO THE APPROVAL OF THE MSMED COUNCIL. FURTHER THE BANGKO SENTRAL NG PILIPINAS shall formulate rules for the effective implementation of this provision: *Provided* , That the purchase of government notes, securities and other negotiable instruments [,with the exception of such instruments as may be offered by the SBGFC which do not pay market rates,] shall not be deemed compliance with the foregoing provisions: *Provided, further*, That the *Bangko Sentral ng Pilipinas* shall establish an incentive program to encourage lending to [small and medium] MSMEs industries beyond the mandatory credit allocation to said enterprises, such as possible reduction in bank's reserve requirement.

The [SMED] MSMED Council shall set up the appropriate systems to monitor all loan applications of [small and medium enterprises] MSMEs in order to account for the absorptive capacity of the small and medium enterprise sector.

The *Bangko Sentral Ng Pilipinas* shall [require lending institutions covered by this Act to] furnish to the [Small and Medium Development Council] MSMED Council on a quarterly basis [regular] COMPREHENSIVE reports [on their compliance with the above provisions on the mandatory credit allocation for small and medium enterprises and expeditiously act on the Council's reports of non-compliance therewith.] ON THE BANKS' COMPLIANCE, NON-COMPLIANCE AND PENALTIES OF THE ABOVE PROVISIONS ON THE MANDATORY CREDIT ALLOCATION FOR MSMEs.

**SECTION 19.** A new section, numbered Section 13 in R.A. No. 6977 and renumbered as Section 20 is hereby inserted after Section 19:

**SECTION 21. IMPLEMENTING RULES AND REGULATIONS.** – THE DEPARTMENT OF TRADE AND INDUSTRY, THROUGH BSMED AND IN CONSULTATION WITH OTHER CONCERNED GOVERNMENT AGENCIES, NON-GOVERNMENT ORGANIZATIONS AND PRIVATE SECTOR INVOLVED IN THE PROMOTION OF MICRO, SMALL AND MEDIUM ENTERPRISES, SHALL FORMULATE THE IMPLEMENTING RULES AND REGULATIONS (IRR) NECESSARY TO IMPLEMENT THE PROVISIONS OF THIS ACT WITHIN NINETY (90) DAYS FROM THE APPROVAL OF THIS ACT. THE IRR ISSUED PURSUANT TO THIS SECTION SHALL TAKE EFFECT THIRTY (30) DAYS AFTER PUBLICATION IN A NATIONAL NEWSPAPER OF GENERAL CIRCULATION.

SECTION 20. *Separability Clause.* – Any portion or provision of this Act that may be declared unconstitutional or invalid shall not have the effect of nullifying other portions and provisions hereof as long as such remaining portion or provision can still subsist and be given effect in their entirety.

SECTION 21. *Repealing Clause.* – All other laws, decrees, executive orders, proclamations and administrative regulations, or parts thereof inconsistent herewith are hereby repealed or modified accordingly.

SECTION 22. *Effectivity.* – This Act shall take effect fifteen (15) days after its proclamation in at least two (2) national papers of general circulation.

Approved,