



Senate Bill No. 1380, authored by Senator Legarda, *entitled:*

**“AN ACT  
TO FURTHER PROMOTE ENTREPRENEURSHIP AND THE DEVELOPMENT  
OF SMALL AND MEDIUM ENTERPRISES, AMENDING FOR THE  
PURPOSE REPUBLIC ACT NO. 6977, AS AMENDED,  
OTHERWISE KNOWN AS THE MAGNA  
CARTA FOR SMALL ENTERPRISES”**

And Senate Bill No. 1577, introduced by Senator Villar, *entitled:*

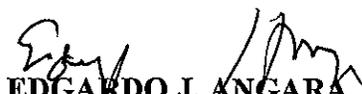
**“AN ACT  
TO FURTHER PROMOTE ENTREPRENEURSHIP AND THE DEVELOPMENT  
OF SMALL AND MEDIUM SCALE ENTERPRISES, AMENDING FOR  
THE PURPOSE REPUBLIC ACT NO. 6977, AS AMENDED,  
OTHERWISE KNOWN AS THE MAGNA  
CARTA FOR SMALL ENTERPRISES”**

have considered the same and have the honor to report them back to the Senate with the recommendation that the attached S.B. No. 1646, prepared by the Committees, entitled:

**“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 approved in substitution of S.B. Nos. 108, 169, 703, 1380, and 1577, with Senators Roxas, Revilla, Jr., Estrada, Legarda, and Villar as authors thereof.

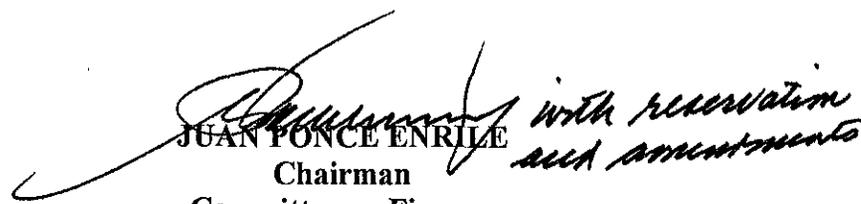
Respectfully submitted:

  
**EDGARDO J. ANGARA**  
Chairman

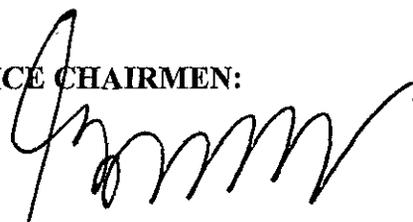
Committee on Banks, Financial  
Institutions and Currencies  
Vice Chairman, Committee on Finance

  
**LOREN B. LEGARDA**  
Chairperson

Committee on Economic Affairs  
Member, Committee on Banks Etc.  
Member, Committee on Finance

  
**JUAN PONCE ENRILE**  
Chairman  
Committee on Finance  
Vice Chairman, Committee on Banks, etc.  
Member, Committee on Economic Affairs

**VICE CHAIRMEN:**



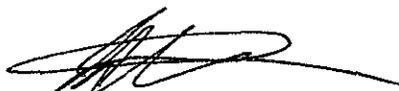
**GREGORIO "GRINGO" B. HONASAN**  
Vice Chairman  
Committee on Economic Affairs  
Member, Committee on Finance



**JOKER P. ARROYO**  
Vice Chairman  
Committee on Finance

**MIRIAM DEFENSOR SANTIAGO**  
Vice Chairperson  
Committee on Finance  
Member, Committee on Banks

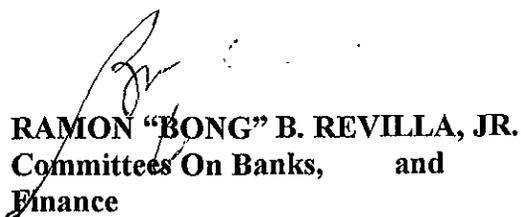
**MEMBERS:**



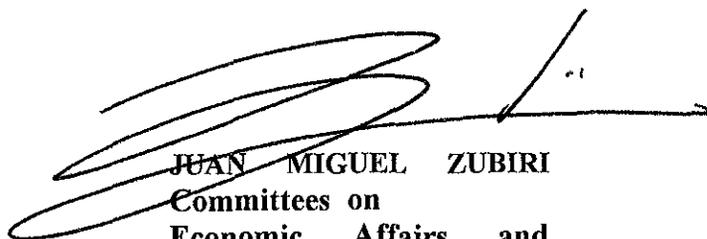
**ALAN PETER "COMPANERO" S. CAYETANO**  
Committees. On Economic Affairs, and  
Banks



**RICHARD J. GORDON**  
Committees on  
Economic Affairs, Banks,  
and Finance



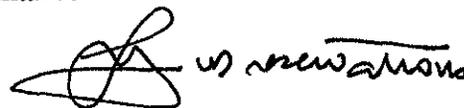
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Committees On Banks, and  
Finance



**JUAN MIGUEL ZUBIRI**  
Committees on  
Economic Affairs and  
Finance



**MANUEL "LITO" M. LAPID**  
Committee on Finance



**FRANCIS G. ESCUDERO**  
Committees on Economic  
Affairs, and Finance

*for p. 10 of my amend*

**COMPAÑERA PIA S. CAYETANO**  
Committee on Finance

**BENIGNO C. AQUINO III**  
Committee on Economic Affairs

*(signed)*

**GREGORIO B. HONASAN II**  
Committee on Finance

**RODOLFO G. BLAZON**  
Committee on Economic Affairs

*may amend w/  
union recreation*

**M.A. MADRIGAL**  
Committee on Finance

**PANFILO M. LACSON**  
Committees on Banks,  
And Finance

**ANTONIO F. TRILLANES, IV**  
Committee on Finance

**MAR A. ROXAS**  
Committees on Banks,  
and Finance

**EX-OFFICIO MEMBERS**

**JINGGOY EJERCITO ESTRADA**  
Senate President Pro-Tempore

**FRANCIS N. PANGILINAN**  
Majority Floor Leader

*may amend.*

**AQUILINO Q. PIMENTEL, JR.**  
Minority Floor Leader

**HON. MANNY VILLAR**  
Senate President

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

7 SEP 26 P2 35

RECEIVED BY: 

**S E N A T E**

**S.NO. 1646**

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Prepared jointly by the Committees on Economic Affairs, Banks, Financial Institutions and Currencies, and Finance, with Senators Roxas, Revilla, Jr., Estrada, Legarda and Villar as authors thereof.

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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 House of Representatives of  
the Philippines in Congress assembled:*

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

3 "Section 1 Title.- This Act shall be known as  
4 the Magna Carta for MICRO, Small AND MEDIUM  
5 Enterprises (MSME). "

6 **SEC. 2.** Section 2 of the same Act is hereby amended to  
7 read as follows:

8 "Section 2. *Declaration of Policy.* - Recognizing  
9 that MICRO, small and medium scale enterprises (MSME)  
10 have the potential for more employment generation and  
11 economic growth and therefore can help provide a self-

1 sufficient industrial foundation for the country, it  
2 is hereby declared the policy of the State to promote,  
3 support, strengthen and encourage the growth and  
4 development of [small and medium enterprises] **MSME** in  
5 all productive sectors of the economy particularly  
6 rural/agri-based enterprises. To this end, the State  
7 shall undertake to [spur the growth and development of  
8 small and medium enterprises throughout the country]  
9 **PROMOTE ENTREPRENEURSHIP, SUPPORT ENTREPRENEURS,**  
10 **ENCOURAGE THE ESTABLISHMENTS OF MICRO, SMALL AND**  
11 **MEDIUM ENTERPRISES AND ENSURE THEIR CONTINUING**  
12 **VIABILITY AND GROWTH** and thereby attain countryside  
13 industrialization **BY:**

14 "[a) By assuring, through the establishment of  
15 adequate support structure, and the creation and  
16 promotion of an environment conducive to the viability  
17 of these enterprises, establishment of mechanisms, the  
18 access and transfer of appropriate technology needed  
19 by small and medium enterprises;]

20 "[b] A) [By] intensifying and expanding programs  
21 for training in entrepreneurship and for skills  
22 development for labor;

23 "[c] B) [By] facilitating their access to  
24 sources of funds;

1           "[d] C) [By] assuring to them access to a fair  
2 share of government contracts and related incentives  
3 and preferences;

4           "[e] D) [By] complementing and supplementing  
5 financing programs for **MICRO**, small and medium  
6 enterprises and doing away with stringent and  
7 burdensome collateral requirements that small  
8 entrepreneurs invariably find extreme difficulty  
9 complying with;

10          "[f] E) [By] instituting safeguards for the  
11 protection and stability of the credit delivery  
12 system;

13          "[g] F) [By] raising government efficiency  
14 and effectiveness in providing assistance to  
15 **MICRO**, small and medium enterprises throughout  
16 the country, at the least cost;

17          "[h] G) [By] promoting linkages between  
18 large and small enterprises, and by encouraging  
19 the establishment of common service facilities;

20          "[i] H) [By] making the private sector a  
21 partner in the task of building up **MICRO**, small  
22 and medium enterprises through the promotion and  
23 participation of private voluntary organizations,  
24 viable industry associations, and cooperatives;  
25 and

1            "[j] I) [By] assuring a balanced and  
2 sustainable development through the establishment  
3 of a feedback and evaluation mechanism that will  
4 monitor the economic contributions as well as  
5 bottlenecks and environmental effects of the  
6 development of **MICRO**, small and medium [scale]  
7 enterprises."

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

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

20            Micro                        :    [less than   P 1,500,000] **NOT MORE**  
21 **THAN P3,000,000**  
22            Small                            :    [P 1,500,001] **P3,000,001 - P**  
23 **15,000,000**  
24            Medium                            :    P 15,000,001 - [P 60,000,000] **P**  
25 **100,000,000**

1           "The above definitions shall be subject to review  
2 and adjustment [by the said Council] *motu proprio* BY  
3 THE MSMED COUNCIL UNDER SECTION 6 OF THIS LAW or upon  
4 recommendation of sectoral organization(s) CONCERNED,  
5 taking into account inflation and other economic  
6 indicators. The Council may use [as] OTHER variables  
7 [the] SUCH AS number of employees, equity capital and  
8 asset size.

9           "THE COUNCIL SHALL ENSURE THAT NOTWITHSTANDING  
10 THE PLANS AND PROGRAMS SET FOR MSMEs AS A WHOLE, THERE  
11 SHALL BE SET AND IMPLEMENTED OTHER PLANS AND PROGRAMS  
12 VARIED AND DISTINCT FROM EACH OTHER, ACCORDING TO THE  
13 SPECIFIC NEEDS OF EACH SECTOR, ENCOURAGING MSME TO  
14 GRADUATE FROM ONE CATEGORY TO THE NEXT OR EVEN HIGHER  
15 CATEGORY."

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

18           "Section 4. *Eligibility for Government*  
19 *Assistance.* - To qualify for assistance, counseling,  
20 incentives and promotion under this Act, businesses  
21 falling under the above definition must be;

22           "a) duly registered with the appropriate  
23 agencies as presently provided by law: *Provided,*  
24 That in the case of micro enterprises as defined  
25 herein, as defined herein, registration with the  
26 office of the municipal or city treasurer shall

1 be deemed sufficient compliance with this  
2 requirement:

3 "b) one hundred percent (100%) owned [and],  
4 capitalized by Filipino citizens, [if] **WHETHER**  
5 single proprietorship or partnership. If the  
6 enterprise is a juridical entity, at least sixty  
7 percent (60%) of its capital or outstanding  
8 stocks must be owned by Filipino citizens.

9 "c) a business activity within the major  
10 sectors of the economy, namely; industry,  
11 services, including the practice of one's  
12 profession, the operation of tourism-related  
13 establishments, and agri-business, which for  
14 purposes of this Act refers to any business  
15 activity involving the manufacturing, processing,  
16 and/or production of agricultural produce[,  
17 excluding farm level agricultural/crop  
18 production]; and

19 "d) it must not be a branch, subsidiary or  
20 division of a large-scale enterprise [nor may its  
21 policies be determined by a large scale  
22 enterprise or by persons who are not owners or  
23 employees of the enterprise].

24 "However, this requirement shall not  
25 preclude a [small and medium enterprise] **MSME**  
26 from accepting subcontracts [from large

1 enterprises or firms] AND ENTERING INTO FRANCHISE  
2 PARTNERSHIP WITH LARGE ENTERPRISES OR FROM  
3 joining in cooperative activities with other  
4 [small and medium enterprises] MSME.

5 "Programs of the [financing corporation]  
6 SMALL BUSINESS CORPORATION (SBC) as provided in  
7 subsequent [Sections] PROVISIONS of this Act  
8 shall be exclusively [targeted] DELIVERED AND  
9 DIRECTED to [medium, small, and micro-sized  
10 enterprises] BONAFIDE MSMEs.

11 "Registered MICRO, small AND MEDIUM  
12 enterprises shall be entitled to a share of at  
13 least ten percent (10%) of total procurement  
14 value of goods and services supplied to the  
15 Government, its bureaus, offices and agencies  
16 annually: *Provided*, That prices and quality of  
17 goods offered by the registered small enterprises  
18 are competitive.

19 "THE DEPARTMENT OF BUDGET AND MANAGEMENT  
20 SHALL MONITOR THE COMPLIANCE OF GOVERNMENT  
21 AGENCIES ON THE REQUIRED PROCUREMENT FOR MSME AND  
22 SUBMIT ITS REPORT TO THE MSMED COUNCIL ON A  
23 SEMESTRAL BASIS AND TO THE CONGRESS OF THE  
24 PHILIPPINES, THROUGH ITS APPROPRIATE COMMITTEES  
25 ON A YEARLY BASIS."

1 **SEC. 5.** Section 5 of the same Act is hereby further  
2 amended to read as follows:

3 "Section 5. *Guiding Principles.* - To set the  
4 pace for [small and medium enterprise] **MSME**  
5 development, the State shall be guided by the  
6 following principles:

7 x x x

8 "c) *Coordination of government efforts.*  
9 Government efforts shall be coordinated to  
10 achieve coherence in objectives. All appropriate  
11 offices, particularly those under the Departments  
12 of Trade and Industry, Finance, Budget and  
13 Management, Agriculture, Agrarian Reform,  
14 Environment and Natural Resources, Labor and  
15 Employment, Transportation and Communications,  
16 Public Works and Highways, Science and  
17 Technology, **INTERIOR AND** Local Government and  
18 Tourism as well as the National Economic and  
19 Development Authority, **PHILIPPINE INFORMATION**  
20 **AGENCY** and the *Bangko Sentral ng Pilipinas*,  
21 through their national, regional and provincial  
22 offices, shall to the best of their effort and in  
23 coordination with local government units, provide  
24 the necessary support and assistance to [small  
25 and medium enterprises] **MSMEs**.

26 x x x

1 SEC. 6. A new section, numbered Section 6 is hereby  
2 inserted after Section 5 of the same Act, to read as  
3 follows:

4 "Section 6. *MICRO, SMALL AND MEDIUM ENTERPRISES*  
5 *DEVELOPMENT PLAN* (MSMEDP). - THE PRESIDENT SHALL  
6 APPROVE A THREE-YEAR MICRO, SMALL AND MEDIUM  
7 ENTERPRISES DEVELOPMENT PLAN PREPARED BY THE MICRO,  
8 SMALL AND MEDIUM ENTERPRISE COUNCIL THROUGH THE  
9 DEPARTMENT OF TRADE AND INDUSTRY WHICH SHALL FORM PART  
10 OF THE MEDIUM TERM PHILIPPINE DEVELOPMENT PLAN (MTDP).  
11 IT SHALL BE FORMULATED IN CONSULTATION WITH THE  
12 PRIVATE SECTOR, VALIDATED AND UPDATED SEMESTRALLY."

13 SEC. 7. Section 6 of the same Act is hereby renumbered as  
14 Section 7 and further amended to read as follows:

15 "Section 7 [ 6 ]. [Creation of A Small and  
16 Medium Enterprise Development Council] *MICRO, SMALL*  
17 *AND MEDIUM ENTERPRISE DEVELOPMENT COUNCIL* . - THE  
18 EXISTING SMALL AND MEDIUM ENTERPRISE DEVELOPMENT  
19 COUNCIL, WHICH WAS CREATED BY REPUBLIC ACT NO. 6977,  
20 AS AMENDED BY REPUBLIC ACT NO. 8289, SHALL BE  
21 STRENGTHENED [T]to effectively spur the growth and  
22 development of [small and medium enterprises] MSMEs  
23 throughout the country, and to carry out the policy  
24 declared on this Act, [a Small and Medium Enterprise  
25 Development (SMED) Council is hereby created.] AND  
26 SHALL NOW BE KNOWN AS THE MICRO, SMALL AND MEDIUM

1 ENTERPRISE DEVELOPMENT COUNCIL. The Council shall be  
2 attached to the Department of Trade and Industry and  
3 shall be constituted within sixty (60) days after the  
4 approval of this Act.

5 x x x

6 SEC. 8. Section 7 of the same Act, as amended, is  
7 hereby renumbered as Section  
8 7-A, and further amended to read as follows:

9 "Section 7-A [7]. *Composition.* - The Council  
10 shall be headed by the Secretary of Trade and Industry  
11 as Chairman, and may elect from among themselves a  
12 Vice-chairman to preside over the Council meetings in  
13 the absence of the Chairman. The members shall be the  
14 following:

15 "a) Director General of the National Economic  
16 and Development Authority;

17 "b) Secretary of Agriculture;

18 "c) Secretary of Labor and Employment;

19 "d) Secretary of Environment and Natural  
20 Resources;

21 "E) SECRETARY OF THE INTERIOR AND LOCAL  
22 GOVERNMENT;

23 "F SECRETARY OF THE DEPARTMENT OF FINANCE;

24 "[e] G) Secretary of Science and  
25 Technology;

26 "[f] H) Secretary of Tourism;

1           " [g)]     I) The Chairman of the Monetary  
2 Board;

3           " [h)]     J) Chairman of [Small Business  
4 Guarantee and Finance Corporation] **SMALL BUSINESS**  
5 **CORPORATION ;**

6           "[i)]    K) Chairman of the **MICRO**, small and  
7 medium enterprises promotion body which the  
8 President shall undertake to establish under  
9 this Act; [and]

10          " [j)]    L) Three (3) representatives from the  
11 private sector at large, all Filipino  
12 citizens, to represent Luzon, Visayas and  
13 Mindanao, **ONE REPRESENTATIVE FROM THE LABOR**  
14 **SECTOR, TO BE NOMINATED BY ACCREDITED LABOR**  
15 **GROUPS** and one representative from the  
16 **MICRO**, small and medium enterprise sector,  
17 to be appointed by the President; and

18          "[k] M) **One (1)** representative **EACH** from the  
19 private banking sector : [to serve  
20 alternately among] the Chamber of Thrift  
21 Banks; the Rural Bankers' Association of the  
22 Philippines (RBAP); and the Bankers'  
23 Association of the Philippines (BAP);

24          "ALL MEMBERS OF THE COUNCIL SO APPOINTED, EXCEPT  
25 FOR THE *EX-OFFICIO* MEMBERS, SHALL SERVE FOR A TERM OF  
26 THREE (3) YEARS. THE PERSON SO APPOINTED TO REPLACE A

1 MEMBER WHO HAS RESIGNED, DIED, OR BEEN REMOVED FOR  
2 CAUSE SHALL SERVE ONLY FOR THE UNEXPIRED PORTION OF  
3 THE TERM.

4 "EXCEPT THE SECRETARY OF THE DEPARTMENT OF TRADE  
5 AND INDUSTRY, [C]abinet-rank *ex-officio* members of  
6 the Council shall designate an undersecretary or  
7 assistant secretary, and the chairman of the Monetary  
8 Board or his representative as their permanent  
9 representative in case they fail to attend meetings of  
10 the Council.

11 "The private sector members of the  
12 Council shall [initially] receive *per diem* of  
13 [One] TWO thousand pesos (P[1]2,000) per meeting, for  
14 a maximum of twenty-four (24) meetings per year,  
15 which [*per diem* may be adjusted] AMOUNT SHALL BE  
16 DETERMINED by the Council: *Provided*, That THE AMOUNT  
17 AND any such adjustment shall take effect upon  
18 approval of the [ President.] MSMED COUNCIL.

19 " [The Department of Trade and Industry shall  
20 allocate Five million pesos (P5,000,000.00) out of its  
21 savings for the initial operating expenses of the  
22 Council, after which the Council's budget shall be  
23 included in the annual appropriation of the Department  
24 of Trade and Industry.]

25 "THE COUNCIL SHALL HAVE A SEPARATE ANNUAL  
26 APPROPRIATION WHICH SHALL BE PROVIDED IN THE GENERAL

1           APROPRIATIONS    ACT   STARTING    IN    THE    FISCAL    YEAR  
2           IMMEDIATELY FOLLOWING THE APPROVAL OF THIS ACT FOR ITS  
3           ACTIVITIES AND OPERATIONAL EXPENSES.

4           "The Council may [, from time to time,] call upon  
5           the participation of any NATIONAL OR LOCAL government  
6           agency [or], association of local government officials  
7           OR PRIVATE SECTOR ORGANIZATION in its deliberations  
8           especially when such agency OR PRIVATE SECTOR  
9           ORGANIZATION is directly or indirectly concerned with  
10          and/or affecting the growth and development of [small  
11          and medium enterprises] MSMEs in any particular area  
12          or manner.

13          "The Council may create an Executive Committee  
14          of five (5) members elected by the Council from among  
15          themselves or their designated permanent  
16          representatives, with at least two (2) members  
17          representing the private sector, and with authority to  
18          act for and on behalf of the Council during intervals  
19          of council meetings, and within the specific authority  
20          granted by the Council."

21   SEC.   9.           Section 8 of the same Act, as amended, is  
22   hereby renumbered as Section  
23   7-B and further amended to read as follows:

24           "SECTION 7-B [8].           *Powers and Functions.* -  
25           The    [Small and Medium Enterprise Development (SMED)]

1 MSMED Council shall have the following powers, duties  
2 and functions:

3 "a) To help establish the needed environment and  
4 opportunities conducive to the growth and  
5 development of the [small and medium enterprises]  
6 MSME sector;

7 "b) To recommend to the President and the  
8 Congress all policy matters affecting [small and  
9 medium scale enterprises] MSMEs;

10 "c) To formulate a comprehensive [small and  
11 medium enterprises] MSME development plan to be  
12 integrated into the National Economic and Development  
13 Authority (NEDA) Development Plans;

14 "d) To coordinate and integrate various  
15 government and private sector activities relating to  
16 [small and medium enterprises] MSME development;

17 "e) To review existing policies of government  
18 agencies that would affect the growth and development  
19 of [small and medium enterprises] MSMEs and  
20 recommend changes to the President and [/or to the]  
21 Congress THROUGH THE COMMITTEE ON ECONOMIC AFFAIRS OF  
22 THE SENATE AND THE SPECIAL COMMITTEE ON  
23 ENTREPRENEURSHIP DEVELOPMENT, OR ANY APPROPRIATE  
24 COMMITTEE OF THE HOUSE OF REPRESENTATIVES, whenever  
25 deemed necessary. This shall include efforts to  
26 simplify rules and regulations, as well as procedural

1 and documentary requirements in the registration,  
2 financing, and other activities relevant to [small and  
3 medium enterprises] **MSMEs**;

4 "f) To monitor and determine the progress of  
5 various agencies geared towards the development of the  
6 sector. This shall include overseeing, in  
7 coordination with local government units and the  
8 Department of **THE INTERIOR AND** Local Government as  
9 well as private sector groups/associations, the  
10 developments among [small and medium enterprises]  
11 **MSMEs** [particularly the cottage and micro-sized  
12 firms];

13 "g) To promulgate implementing guidelines,  
14 programs, and operating principles as may be deemed  
15 proper and necessary in the light of government  
16 policies and objectives of this Act;

17 "h) To provide the appropriate policy and  
18 coordinative framework in assisting relevant  
19 government agencies, in coordination with [ the  
20 National Economic and Development Authority] **NEDA** and  
21 the Coordinating Council for the Philippine Assistance  
22 Program, as may be necessary, in the tapping of local  
23 and foreign funds for [small and medium enterprises]  
24 **MSME** development;

25 "i) To promote the productivity and  
26 viability of [small and medium enterprises] **MSMEs** by

1 way of directing and/or assisting relevant government  
2 agencies and institutions at the national, regional  
3 and provincial levels towards the:

4 "1) Provision of business training courses,  
5 technical training for technicians and skilled  
6 laborers and continuing skills upgrading  
7 programs;

8 "2) Provision of labor-management guidance,  
9 assistance and improvement of the working  
10 conditions of employees in [small and medium-  
11 sized firms] **MSMEs**;

12 "3) Provision of guidance and assistance  
13 regarding product quality/product development  
14 and product diversification;

15 "4) Provision of guidance and assistance for  
16 the adoption of improved production techniques  
17 and commercialization of appropriate  
18 technologies for the product development and  
19 for increased utilization of indigenous raw  
20 materials;

21 "5) Provision of assistance in marketing and  
22 distribution of products of [small and  
23 medium enterprises] **MSMEs** through local  
24 supply-demand information, industry and  
25 provincial profiles, overseas marketing  
26 promotion, domestic market linkaging and the

1 establishment of common service facilities such  
2 as common and/or cooperative bonded warehouse,  
3 grains storage, agro-processing and drying  
4 facilities, ice plants, refrigerated storage,  
5 cooperative trucking facilities, etc;

6 "6) Intensification of assistance and guidance  
7 to enable greater access to credit through a  
8 simplified multi-agency financing program; to  
9 encourage development of other modes of  
10 financing such as leasing and venture capital  
11 activities; to provide effective credit  
12 guarantee systems, and encourage the  
13 formation of credit guarantee associations,  
14 including setting up of credit records and  
15 information systems and to decentralize loan  
16 approval mechanisms;

17 "7) Provision of concessional interest rates,  
18 lower financing fees, which may include  
19 incentives for prompt credit payments,  
20 arrangements tying amortizations to business  
21 cash flows, effective substitution of  
22 government guarantee cover on loans for the  
23 borrower's lack of collateral;

24 "8) Provision of bankruptcy preventive measures  
25 through the setting up of a mutual relief  
26 system for distressed enterprises, and the

1 establishment of measures such as insurance  
2 against extraordinary disasters;

3 "9) Intensification of information  
4 dissemination campaigns and entrepreneurship  
5 education activities;

6 "10) Easier access to and availment of tax  
7 credits and other tax and duty incentives as  
8 provided by the Omnibus Investment Code and  
9 other laws;

10 "11) Provision of support for product  
11 experimentation and research and development  
12 activities as well as access to information on  
13 commercialized technologies; and

14 "12) Provision of more infrastructure facilities  
15 and public utilities to support operations of  
16 [small and medium enterprises] MSMEs;

17 13) ESTABLISH AN MSME ACADEMY WHICH SHALL PROVIDE  
18 COURSES AND DEVELOPMENT PROGRAMS, TRAINING,  
19 ADVICE, CONSULTATION ON BUSINESS  
20 CONCEPTUALIZATION AND FEASIBILITY, FINANCING,  
21 MANAGEMENT, CAPACITY BUILDING, HUMAN RESOURCES,  
22 MARKETING, AND SUCH OTHER SERVICES TO SUPPORT  
23 THE NEEDS OF MSMEs .

24 14) ESTABLISH, OPERATE, AND ADMINISTER A SMALL  
25 BUSINESS INCUBATION PROGRAM IN COORDINATION WITH  
26 ACADEMIC INSTITUTIONS, DEPARTMENT OF SCIENCE AND

1 TECHNOLOGY AND OTHER APPROPRIATE GOVERNMENT  
2 ENTITIES THAT WILL PROVIDE SPACE FOR START-UP  
3 AND EXPANDING FIRMS, SHARED USE OF EQUIPMENT AND  
4 WORK AREAS, DAILY MANAGEMENT SUPPORT SERVICES  
5 ESSENTIAL TO HIGH-QUALITY COMMERCIAL OPERATIONS,  
6 TECHNICAL ASSISTANCE AND OTHER SERVICES TO  
7 DEVELOP INNOVATIVE AND DESERVING MSMEs.

8 15) CONDUCT A NATIONWIDE INFORMATION CAMPAIGN  
9 WITH THE PHILIPPINE INFORMATION AGENCY THAT  
10 SHALL INFORM THE PUBLIC OF ALL PROGRAMS AND  
11 SERVICES, GOVERNMENT AND NON-GOVERNMENT,  
12 AVAILABLE TO MSMEs.

13 16) PROVIDE LOCAL AND INTERNATIONAL NETWORK AND  
14 LINKAGES FOR MSME DEVELOPMENT;

15 17) COMPILE AND INTEGRATE STATISTICAL DATABANK ON  
16 PHILIPPINE MSMEs;

17 18) SET-UP NEW MSME CENTERS AND REVITALIZE  
18 ALREADY ESTABLISHED MSME CENTERS TO PROVIDE  
19 MSMEs IN THE REGIONS EASIER ACCESS TO SERVICES  
20 SUCH AS, BUT NOT LIMITED TO, THE FOLLOWING:

21 i. ACCEPT AND ACT ON ALL REGISTRATION  
22 APPLICATIONS OF MSME;

23 ii. STREAMLINE REGISTRATION PROCESS AND  
24 FACILITATE SPEEDY REGISTRATION FOR THE  
25 ESTABLISHMENT OF BUSINESS ENTERPRISES  
26 IN THE COUNTRY;

1           iii. PROVIDE ALL INFORMATION AND REFERRAL  
2                   SERVICES IT SHALL DEEM NECESSARY OR  
3                   ESSENTIAL TO THE DEVELOPMENT AND  
4                   PROMOTION OF MSME;

5           iv. CONDUCT OTHER PROGRAMS OR PROJECTS FOR  
6                   ENTREPRENEURIAL DEVELOPMENT IN THEIR  
7                   RESPECTIVE AREAS."

8           "j) To submit to the President and the Congress  
9           THROUGH THE SENATE COMMITTEE ON ECONOMIC AFFAIRS AND  
10           THE SPECIAL COMMITTEE ON ENTREPRENEURSHIP DEVELOPMENT,  
11           OR ANY APPROPRIATE COMMITTEE OF THE HOUSE OF  
12           REPRESENTATIVES, a yearly report on the status of  
13           [small and medium enterprises] MSMEs in the country,  
14           including the progress and impact of all relevant  
15           government policies, programs and legislation as well  
16           as private sector activities;

17           "k) To assist in the establishment of modern  
18           industrial estates outside urban centers; [and]

19           "l) Generally, to exercise all powers and  
20           functions necessary for the objectives and purposes of  
21           this Act[.]; AND

22           "m) TO APPROVE THE MSMEDP, COORDINATE, MONITOR  
23           AND ASSESS THE IMPLEMENTATION THEREOF, AND WHEN  
24           NECESSARY, INSTITUTE APPROPRIATE ADJUSTMENTS THEREON  
25           IN THE LIGHT OF CHANGING CONDITIONS IN BOTH DOMESTIC  
26           AND INTERNATIONAL ENVIRONMENT. "

1 **SEC. 10.** Section 9 of the same Act, as amended is hereby  
2 renumbered as Section 8 and amended to read as follows:

3 "SEC. 8 [9]. *Designation of the Bureau of MICRO,*  
4 *Small and Medium Business Development as a Council*  
5 *Secretariat.* - The Bureau of **MICRO**, Small and Medium  
6 Business Development is hereby designated to act as  
7 the Council Secretariat and shall have the following  
8 duties and functions:

9 XXX

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

12 "Section. 10. *Rationalization of Existing MICRO,*  
13 *Small and Medium Enterprise Programs and*  
14 *Agencies.* - The **MSMED** Council shall conduct  
15 continuing review of government programs for [small  
16 and medium enterprises] **MSMEs** and submit to  
17 Congress and the President a report thereon together  
18 with its policy recommendations."

19 [The President is hereby also empowered to  
20 establish a small and medium enterprise promotion body  
21 which shall be the principal government agency that  
22 will formulate, implement, coordinate and monitor all  
23 non-financing government programs, including fee-based  
24 services, to support and promote micro, small and  
25 medium enterprises. It shall be attached to the  
26 Department of Trade and Industry and shall be under

1 the policy, program and administrative supervision of  
2 the SMED Council. The said office shall receive no  
3 less than fifty percent (50%) of the assets, and  
4 budgetary allocations of the agencies for promotion,  
5 development and financing of small and medium  
6 enterprises that may be henceforth dissolved and/or  
7 abolished and absorbed, incorporated and integrated  
8 into the SMED Council.]

9 **SEC. 12.** Section 11 of the same Act, as amended, is hereby  
10 further amended to read as follows:

11 "Section 11. *Creation of [Small Business*  
12 *Guarantee and Finance Corporation]* **SMALL BUSINESS**  
13 **CORPORATION.** - There is hereby created a body  
14 corporate to be known as the Small Business Guarantee  
15 and Finance Corporation, hereinafter referred to as  
16 the [SBGFC,] **SMALL BUSINESS CORPORATION (SEC)**, which  
17 shall [source and adopt development initiatives for  
18 globally competitive small and medium enterprises in  
19 terms of finance, technology, production, management  
20 and business linkages, and provide, promote, develop  
21 and widen in both scope and service reach various  
22 alternative modes of financing for small and medium  
23 enterprises, including but not limited to, direct and  
24 indirect project lending, venture capital, financial  
25 leasing, secondary mortgage and/or rediscounting of

1 loan papers to small businesses, secondary/regional  
2 stock markets: *Provided, That crop production*  
3 *financing shall not be serviced by the Corporation.]*  
4 **BE CHARGED WITH THE PRIMARY RESPONSIBILITY OF**  
5 **IMPLEMENTING COMPREHENSIVE POLICIES AND PROGRAMS TO**  
6 **ASSIST MICRO, SMALL AND MEDIUM ENTERPRISES IN ALL**  
7 **AREAS, INCLUDING BUT NOT LIMITED TO FINANCE AND**  
8 **INFORMATION SERVICES.**

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

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

24 "[The Small Business Guarantee Finance  
25 Corporation shall:]

1           “(a) be attached to the Department of Trade  
2           and Industry and shall be under the policy,  
3           program and administrative supervision of the  
4           SMED Council;]

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

8           “(c) exercise all the general powers  
9           conferred by law upon corporations under the  
10          Corporation Code as are incidental or conducive  
11          to the attainment of the objectives of this Act;]

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

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

20          “[2) the Secretary of Trade and Industry or  
21          his Undersecretary; and]

22          “[3) a representative from each of the five  
23          (5) government financial institutions mandated in  
24          this Act to provide the initial capital of the  
25          Corporation, who shall be designated, under

1 guidelines agreed upon by the Board Chairmen of  
2 said institutions;]

3 "[e) notwithstanding the provisions of  
4 Republic Act No. 6758, and Compensation Circular  
5 No. 10, series of 1989 issued by the Department  
6 of Budget and Management, the Board of Directors  
7 of SBGFC shall have the authority to extend to  
8 the employees and personnel thereof the allowance  
9 and fringe benefits similar to those extended to  
10 and currently enjoyed by the employees and  
11 personnel of other government financial  
12 institutions.]"

13 **SEC. 13.** A new sub-section is inserted after section 11  
14 of the same Act, as amended, to read as follows:

15 "SECTION 11-A. *COMPOSITION OF THE BOARD OF*  
16 *DIRECTORS AND ITS POWERS - THE SBC CORPORATE POWERS*  
17 *SHALL BE VESTED ON A BOARD OF DIRECTORS COMPOSED OF*  
18 *ELEVEN (11) MEMBERS WHICH SHALL INCLUDE THE FOLLOWING:*

19 "A) THE SECRETARY OF TRADE AND INDUSTRY

20 "B) THE SECRETARY OF FINANCE

21 "C) A PRIVATE SECTOR REPRESENTATIVE TO BE  
22 APPOINTED BY THE PRESIDENT UPON THE RECOMMENDATION OF  
23 THE MSMED COUNCIL;

24 "D) SEVEN (7) REPRESENTATIVES OF THE SBC COMMON  
25 STOCK SHAREHOLDERS WHO SHALL BE ELECTED BASED ON

1 PROPORTIONAL DISTRIBUTION, IN ACCORDANCE WITH SECTION  
2 24 OF THE CORPORATION CODE; AND

3 "E) THE PRESIDENT OF THE SBC AS *EX-OFFICIO*  
4 MEMBER AND TO SERVE AS VICE CHAIRMAN OF THE BOARD.

5 "THE PRESIDENT SHALL APPOINT THE CHAIRMAN OF THE  
6 BOARD FROM AMONG ITS MEMBERS.

7 "ALL MEMBERS OF THE BOARD SO APPOINTED, EXCEPT  
8 FOR THE *EX-OFFICIO* MEMBERS, SHALL SERVE FOR A TERM OF  
9 THREE (3) YEARS WITHOUT REAPPOINTMENT. THE PERSON SO  
10 APPOINTED TO REPLACE A MEMBER WHO HAS RESIGNED, DIED,  
11 OR BEEN REMOVED FOR CAUSE SHALL SERVE ONLY FOR THE  
12 UNEXPIRED PORTION OF THE TERM.

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

15 "A) FORMULATE POLICIES NECESSARY TO CARRY OUT  
16 EFFECTIVELY THE PROVISIONS OF THIS CHARTER AND TO  
17 PRESCRIBE, AMEND AND REPEAL BY-LAWS, RULES AND  
18 REGULATIONS FOR THE EFFECTIVE OPERATIONS OF THE SMALL  
19 BUSINESS CORPORATION;

20 "B) ESTABLISH SUCH BRANCHES, AGENCIES AND  
21 SUBSIDIARIES AS MAY BE DEEMED NECESSARY AND  
22 CONVENIENT;

23 "C) COMPROMISE OR RELEASE, IN WHOLE OR IN PART,  
24 ANY CLAIM OR LIABILITY WHATSOEVER FOR OR AGAINST THE  
25 SBC, INCLUDING INTEREST, PENALTIES, FEES AND/OR OTHER

1 CHARGES IN ACCORDANCE TO ITS OWN BY-LAWS AND BANGKO  
2 SENTRAL NG PILIPINAS RULES;

3 "D) FIX THE FEATURES OF NON-VOTING PREFERRED  
4 SHARES WHICH SHALL BE PRINTED ON THE STOCK  
5 CERTIFICATES EVIDENCING THE SAME;

6 "E) EXERCISE ALL SUCH OTHER POWERS AS MAY BE  
7 NECESSARY OR INCIDENTAL TO CARRY OUT THE SMALL  
8 BUSINESS CORPORATION PURPOSES;

9 "F) NOTWITHSTANDING THE PROVISIONS OF REPUBLIC  
10 ACT NO. 6758 AND COMPENSATION CIRCULAR NO. 10, SERIES  
11 OF 1989 ISSUED BY THE DEPARTMENT OF BUDGET AND  
12 MANAGEMENT, THE BOARD SHALL HAVE THE AUTHORITY TO  
13 PROVIDE FOR THE ORGANIZATIONAL STRUCTURE AND STAFFING  
14 PATTERN OF SBC AND TO EXTEND TO THE EMPLOYEES AND  
15 PERSONNEL THEREOF SALARIES, ALLOWANCE AND FRINGE  
16 BENEFITS SIMILAR TO THOSE EXTENDED TO AND CURRENTLY  
17 ENJOYED BY EMPLOYEES AND PERSONNEL OF OTHER GOVERNMENT  
18 FINANCIAL INSTITUTIONS."

19 SEC. 14. A new sub-section is hereby inserted after  
20 Section 11 of the same Act, as amended, to read as follows:

21 "SECTION 11-B. CORPORATE STRUCTURE AND POWERS. -  
22 THE SBC SHALL :

23 (A) BE ADMINISTRATIVELY ATTACHED TO THE  
24 DEPARTMENT OF TRADE AND INDUSTRY AND SHALL BE  
25 UNDER THE POLICY AND PROGRAM SUPERVISION OF THE  
26 MSMED COUNCIL.

1 (B) HAVE ITS PRINCIPAL OFFICES IN METRO MANILA  
2 AND WHENEVER NECESSARY, ESTABLISH BRANCH OFFICE  
3 IN THE PROVINCES.

4 © EXERCISE ALL THE GENERAL POWERS EXPRESSLY  
5 CONFERRED BY LAW UPON CORPORATIONS UNDER THE  
6 CORPORATION CODE, INCLUDING THOSE POWERS THAT ARE  
7 INCIDENTAL OR NECESSARY TO THE ATTAINMENT OF THE  
8 OBJECTIVE OF THIS ACT.

9 "FOR THIS PURPOSE, THE SBC MAY AMONG OTHERS, SERVE THE  
10 FOLLOWING FUNCTIONS AND DUTIES:

11 (A) SOURCE AND ADOPT DEVELOPMENT INITIATIVES FOR  
12 GLOBALLY COMPETITIVE MSME IN FINANCE AND BUSINESS  
13 TECHNOLOGIES;

14 (B) TO EXTEND ALL FORMS OF FINANCIAL ASSISTANCE  
15 TO QUALIFIED AND REGISTERED MSME. SBC MAY ALSO  
16 ENGAGE IN WHOLESALE LENDING. THE SBC SHALL BE  
17 GIVEN TWO (2) YEARS FROM THE EFFECTIVITY OF THIS  
18 ACT TO COMPLY WITH THIS REQUIREMENT.

19 © GUARANTEE LOANS OBTAINED BY QUALIFIED MSME  
20 UNDER SUCH TERMS AND CONDITIONS ADOPTED BY THE  
21 SBC BOARD OF DIRECTORS;

22 (D) HOLD, PURCHASE, LEASE OR OTHERWISE ACQUIRE  
23 AND OWN REAL AND PERSONAL PROPERTY, INTRODUCE  
24 NECESSARY IMPROVEMENTS THEREON AND TO SELL,  
25 MORTGAGE, ENCUMBER OR OTHERWISE DISPOSE OF THE

1 SAME AS MAY BE NECESSARY IN THE NORMAL COURSE OF  
2 BUSINESS;

3 (E) FORMULATE MEANS AND METHODS OF ACCEPTING  
4 ALTERNATIVE COLLATERALS AND IMPLEMENTING  
5 ALTERNATIVE LOAN EVALUATION MODELS;

6 (F) APPLY FOR, RECEIVE AND ACCEPT GRANTS AND  
7 DONATIONS FROM SOURCES WITHIN AND OUTSIDE THE  
8 COUNTRY;

9 (G) HOLD, OWN, PURCHASE, ACQUIRE, SELL, MORTGAGE,  
10 DISPOSE OR OTHERWISE INVEST OR RE-INVEST IN  
11 STOCKS, BONDS, TREASURY BILLS, DEBENTURES,  
12 SECURITIES AND SIMILAR FORMS OF INDEBTEDNESS OF  
13 THE GOVERNMENT, ITS AGENCIES AND  
14 INSTRUMENTALITIES OR ANY GOVERNMENT FINANCIAL  
15 INSTITUTION;

16 SEC. 15. Section 12 of the same Act, as amended, is hereby  
17 further amended to read as follows:

18 "Section 12. *Capitalization and Funding OF THE*  
19 *SBC.* - The [Small Business Guarantee and Finance  
20 Corporation] SBC shall have an authorized capital  
21 stock of [Five] TEN billion pesos [(P  
22 5,000,000,000.00)] (P10,000,000,000.00). The initial  
23 capital of One billion pesos (P1,000,000,000.00) shall  
24 be established from a pool of funds to be contributed  
25 in the form of equity investments in common stock by  
26 the Land Bank of the Philippines (LBP), [the

1 Philippine National Bank (PNB),] the Development Bank  
2 of the Philippines (DBP), in the amount of Two hundred  
3 million pesos (P200,000,000.00) each. The Social  
4 Security System (SSS) and the Government Service  
5 Insurance System (GSIS) shall also set aside Two  
6 hundred million pesos (P200,000,000.00) each [to be  
7 placed in preferred stocks of the SBGFC] FOR THE SBC.  
8 AUTHORIZED CAPITAL STOCK OF THE SMALL BUSINESS  
9 CORPORATION SHALL BE DIVIDED INTO 80,000,000 COMMON  
10 SHARES AND 20,000,000 PREFERRED SHARES WITH A PAR  
11 VALUE OF ONE HUNDRED PESOS (P100.00) PER SHARE:  
12 PROVIDED, THAT THE COMMON SHARES WHICH HAVE BEEN  
13 ISSUED, INCLUDING THOSE ISSUED AGAINST THE ASSETS OF  
14 THE KKK GUARANTY FUND CONSOLIDATED UNDER THE SMALL  
15 BUSINESS CORPORATION BY VIRTUE OF EXECUTIVE ORDER NO.  
16 233, SERIES OF 2000 AND EXECUTIVE ORDER NO. 19, SERIES  
17 OF 2001 AND INCLUDING THOSE ALREADY SUBSCRIBED, SHALL  
18 FORM PART OF THE CAPITALIZATION OF THE CORPORATION:  
19 PROVIDED, FURTHER, THAT HOLDERS OF PREFERRED SHARES  
20 ISSUED UNDER REPUBLIC ACT 6977, AS AMENDED, SHALL HAVE  
21 THE OPTION TO CONVERT THE SAME INTO COMMON SHARES.  
22 Additional EQUITY funding shall come from trust  
23 placements of excess and unused funds of existing  
24 government agencies, bilateral and multilateral  
25 official development assistance funds, subscriptions  
26 from government owned or controlled corporations, and

1 investments of private financial institutions and  
2 corporations[.]: *PROVIDED*, THAT ANY INVESTMENT FROM  
3 THE PRIVATE SECTOR SHALL ONLY BE IN THE FORM OF  
4 PREFERRED SHARES.

5 "TO ALLOW FOR CAPITAL BUILD-UP, SBC SHALL BE  
6 GIVEN A FIVE (5) YEAR GRACE PERIOD ON DIVIDEND  
7 COMMITMENTS BEGINNING ON THE DATE OF EFFECTIVITY OF  
8 THIS AMENDMENT. THEREAFTER, IT MAY ONLY DECLARE AS  
9 DIVIDEND NOT MORE THAN 30% OF ITS NET INCOME AND THE  
10 REST WITHHELD AS RETAINED EARNINGS."

11 SEC. 16. New sections are hereby inserted after Section 12  
12 of the same Act, as amended, to read as follows:

13 "SECTION 13. *LIMITED SOVEREIGN GUARANTEE FOR*  
14 *SMALL BUSINESS CORPORATION.* - MSME CREDIT GUARANTEE  
15 OBLIGATIONS CONTRACTED AND INCURRED BY SBC BY VIRTUE  
16 OF THE PROVISIONS OF THIS ACT, SHALL BE GUARANTEED BY  
17 THE REPUBLIC OF THE PHILIPPINES, BOTH AS TO PRINCIPAL  
18 SUMS AND INTEREST PAYMENT: *PROVIDED*, THAT SUCH  
19 GUARANTEE SHALL NOT EXCEED THREE HUNDRED PERCENT  
20 (300%) OF THE NET WORTH OF THE CORPORATION.

21 "THE REPUBLIC OF THE PHILIPPINES SHALL SUCCEED TO  
22 ALL THE RIGHTS TO THE COLLATERALS, NOTES OR OTHER  
23 INSTRUMENTS TO THE EXTENT OF THE PAYMENTS MADE, UNLESS  
24 THE SUMS SO PAID BY THE REPUBLIC OF THE PHILIPPINES  
25 SHALL BE REFUNDED BY THE CORPORATION WITHIN A  
26 REASONABLE TIME."

1           "SECTION 14. *GUARANTEE RESERVE FUND.* - THE SMALL  
2 BUSINESS CORPORATION SHALL SET ASIDE FIVE PERCENT (5%)  
3 OF ITS ANNUAL NET OPERATING REVENUES BEFORE INTEREST  
4 AS RESERVE OR SINKING FUND TO ANSWER FOR GUARANTEE  
5 CALLS. THIS FUND SHALL BE CALLED THE GUARANTEE RESERVE  
6 FUND (GRF).

7           "THE PRIMARY PURPOSE OF THE GRF IS TO ASSURE THE  
8 LONG-TERM FINANCIAL VIABILITY OF THE GUARANTEE CALLS.  
9 THE AMOUNT SET ASIDE FOR THE RESERVE FUND SHALL BE  
10 SUBJECT TO THE CONDUCT OF AN ACTUARIAL STUDY TO  
11 DETERMINE THE APPROPRIATE REQUIREMENT, BUT IN NO CASE  
12 SHALL IT BE LOWER THAN 5% OF THE ANNUAL NET OPERATING  
13 REVENUE OF THE CORPORATION AS PRESCRIBED IN THE ACT."

14 SEC. 17. Section 13 of the same Act, as amended, is hereby  
15 renumbered as Section 15, and further amended to read as  
16 follows:

17           "Section 15 [13]. *Mandatory Allocation of Credit*  
18 *Resources to MICRO, Small and Medium Enterprises.* -  
19 For the period of ten (10) years from the date of the  
20 effectivity of this **AMENDATORY** Act, all lending  
21 institutions as defined under *Bangko Sentral ng*  
22 *Pilipinas* rules, whether public or private, shall set  
23 aside at least [six] **TEN** percent [6] **(10%)** **FOR MICRO,**  
24 [and at least two percent (2%) for] small and medium  
25 enterprises [, respectively,] of their total loan  
26 portfolio based on their balance sheet as of the end

1 of the previous quarter, and make it available for  
2 [small and medium enterprise] MSME credit as herein  
3 contemplated.

4 "COMPLIANCE OF THIS PROVISION SHALL BE:

- 5 A) ACTUAL EXTENSION OF LOANS TO QUALIFIED AND  
6 REGISTERED MICRO, SMALL AND MEDIUM  
7 ENTERPRISES; OR  
8 B) ACTUAL SUBSCRIPTION OF PREFERRED SHARES OF  
9 STOCK OF SBC; OR  
10 C) SUBSCRIBE/PURCHASE LIABILITY INSTRUMENTS AS  
11 MAY BE OFFERED BY SBC.

12 "The *Bangko Sentral ng Pilipinas*[, in  
13 consultation with the Council,] MAY PRESCRIBE  
14 ALTERNATIVE FORMS OF COMPLIANCE SUBJECT TO THE  
15 APPROVAL OF THE MSMED COUNCIL. FURTHER, THE *BANGKO*  
16 *SENTRAL NG PILIPINAS* shall formulate rules for the  
17 effective implementation of this provision: *Provided,*  
18 That the purchase of government notes, securities and  
19 other negotiable instruments[, with the exception of  
20 such instruments as may be offered by the SBGFC which  
21 do not pay market rates,] shall not be deemed  
22 compliance with the foregoing provisions: *Provided,*  
23 *further,* That the *Bangko Sentral ng Pilipinas* shall  
24 establish an incentive program to encourage lending to  
25 [small and medium] MSME industries beyond the  
26 mandatory credit allocation to said enterprises, such

1 as possible reduction in bank's reserve  
2 requirement.

3 "The MSMED Council shall set up the appropriate  
4 systems to monitor all loan applications of [small and  
5 medium enterprises] **MSMEs** in order to account for the  
6 absorptive capacity of the MICRO, small and medium  
7 enterprise sector.

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

19 **SEC. 18.** New sections to be numbered as sections 16 and 17  
20 are hereby inserted after Section 13 of the same Act, as  
21 amended, to read as follows:

22 "SECTION 16. *MICRO, SMALL, AND MEDIUM ENTERPRISE*  
23 *WEEK.* - IN ORDER TO INSTITUTE CONTINUING AWARENESS OF  
24 THE PRIMACY OF SMALL BUSINESS IN NATION-BUILDING AND  
25 IN PEOPLE EMPOWERMENT, AND TO CELEBRATE AND ESPOUSE  
26 THE FIRM COMMITMENT OF THE STATE IN THE PROMOTION,

1 GROWTH AND DEVELOPMENT OF SMALL BUSINESS, THE SECOND  
2 WEEK OF JULY OF EVERY YEAR SHALL BE DECLARED AS THE  
3 "MICRO, SMALL, AND MEDIUM ENTERPRISE DEVELOPMENT  
4 WEEK". THE MSMED COUNCIL, THE DEPARTMENT OF TRADE AND  
5 INDUSTRY, AND THE SBC SHALL BE JOINTLY RESPONSIBLE IN  
6 ORGANIZING ACTIVITIES FOR THE EVENT."

7 "SECTION 17. *PRESIDENTIAL AWARDS FOR OUTSTANDING*  
8 *MSME.* - PRESIDENTIAL AWARDS FOR OUTSTANDING MSME,  
9 CONSISTING OF REWARDS IN CASH OR IN KIND SHALL BE  
10 GRANTED TO ONE HUNDRED PERCENT (100%) FILIPINO-OWNED  
11 COMPANIES DURING THE MSME DEVELOPMENT WEEK."

12 SEC. 19. Section 14 of the same Act, as amended, on Penal  
13 Clause is hereby renumbered as Section 18.

14 SEC. 20. A new section is hereby inserted after Section 14  
15 of the same Act, to read as follows:

16 "SECTION 19. *IMPLEMENTING RULES AND REGULATIONS.*  
17 - THE DEPARTMENT OF TRADE AND INDUSTRY, THROUGH THE  
18 BUREAU OF MICRO, SMALL AND MEDIUM BUSINESS DEVELOPMENT  
19 AND IN CONSULTATION WITH OTHER CONCERNED GOVERNMENT  
20 AGENCIES, NON-GOVERNMENT ORGANIZATIONS AND PRIVATE  
21 SECTOR INVOLVED IN THE PROMOTION OF MICRO, SMALL AND  
22 MEDIUM ENTERPRISES, SHALL FORMULATE THE IMPLEMENTING  
23 RULES AND REGULATIONS (IRR) NECESSARY TO IMPLEMENT THE  
24 PROVISIONS OF THIS ACT WITHIN NINETY (90) DAYS FROM  
25 THE APPROVAL OF THIS ACT. THE IRR ISSUED PURSUANT TO  
26 THIS SECTION SHALL TAKE EFFECT THIRTY (30) DAYS AFTER

1 PUBLICATION IN A NATIONAL NEWSPAPER OF GENERAL  
2 CIRCULATION."

3 **SEC. 21.** *Separability Clause.* - The provisions of the  
4 Act are hereby declared to be separable. If any provision  
5 of this Act shall be held unconstitutional, the remainder  
6 of the Act not otherwise affected shall remain in full  
7 force and effect.

8 **SEC. 22.** *Repealing Clause.* - All laws, executive orders,  
9 rules and regulations, or parts thereof, inconsistent  
10 herewith are hereby repealed or modified accordingly.

11 **SEC. 23.** *Effectivity Clause.* - This Act shall take  
12 effect within fifteen (15) days from its publication in at  
13 least two (2) national newspapers of general circulation.

Approved,