

THIRTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Third Regular Session)

SENATE

COMMITTEE REPORT NO. 246

Submitted by the Committees on Economic Affairs; Banks, Financial
Institutions and Currencies; and Finance on **FEB 05 2007**

Re: S. No. 2593, prepared by the Committees

Recommending its approval in substitution of S. B. Nos. 66, 263 and 1997,
taking into consideration H. B. 5811.

Sponsor: Senator M A R Roxas

Mr. President:

The Committee on Economic Affairs jointly with the Committees on Banks,
Financial Institutions and Currencies; and Finance to which were referred S. B. No.
66, introduced by Senator Ejercito-Estrada (L.), entitled:

“AN ACT

TO FURTHER PROMOTE ENTREPRENEURSHIP AND SUPPORT
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”,

S. B. No. 263, introduced by Senator Osmeña III, entitled:

“AN ACT

FURTHER PROMOTING THE DEVELOPMENT OF SMALL AND
MEDIUM ENTERPRISES AMENDING FOR THIS PURPOSE
REPUBLIC ACT 6977, AS AMENDED, OTHERWISE KNOWN AS
THE MAGNA CARTA FOR SMALL ENTERPRISES”,

and S. B. No. 1997, introduced by Senators Roxas, Gordon, Lapid and Revilla, Jr.,
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",

taking into consideration H. B. No. 5811, introduced by Representatives Sy-Alvarado, Cua (J.), Villar, Barbers, *et al*, entitled:

Joseph "AN ACT *Joseph*
PROMOTING ENTREPRENEURSHIP AND SUPPORTING THE
DEVELOPMENT OF MICRO, SMALL AND MEDIUM
ENTERPRISES, AMENDING FOR THE PURPOSE REPUBLIC ACT
NO. 6977, OTHERWISE KNOWN AS THE "MAGNA CARTA FOR
SMALL ENTERPRISES" , AS
AMENDED

have considered the same and have the honor to report them back to the Senate with the recommendation that the attached bill, S. No. 2593, 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. 66, 263 and 1997, taking into consideration H. B. No. 5811, with Senators Ejercito-Estrada (L.), Osmeña III, Roxas, Gordon, Lapid and Revilla, Jr. as authors thereof.

Respectfully submitted:



M A R Roxas

Chairman, Committee on Economic Affairs

Member, Committee on Banks, Financial Institutions and Currencies

Member, Committee on Finance

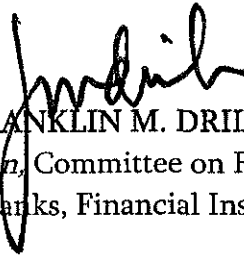


EDGARDO J. ANGARA

Chairman, Committee on Banks, Financial Institutions and Currencies

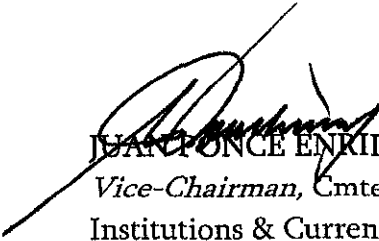
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Chairman, Committee on Finance
Member, Committee on Banks, Financial Institutions and Currencies

VICE-CHAIRMEN



JEAN PONCE ENRIQUE *with questions and possibly amendments.*
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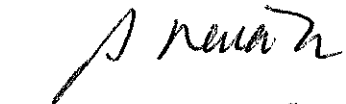
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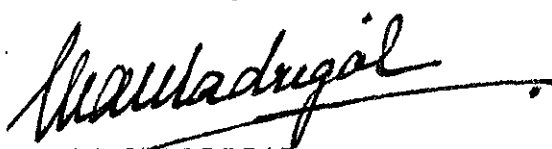
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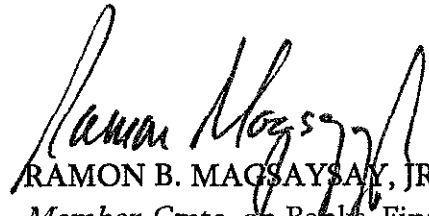


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may amend

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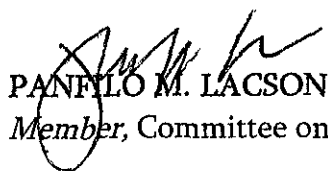
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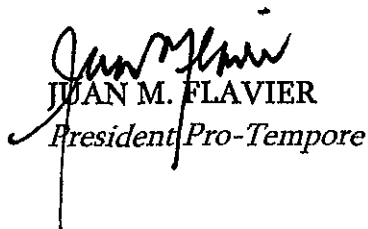


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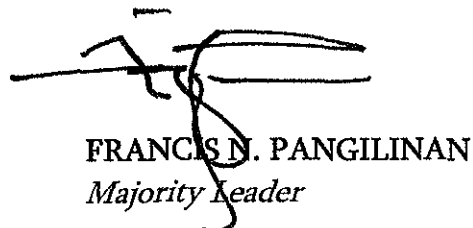


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Member, Committee on Finance

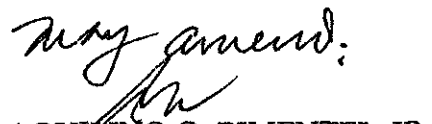
EX-OFFICIO MEMBERS:



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President Pro-Tempore



FRANCIS N. PANGILINAN
Majority Leader



AQUILINO Q. PIMENTEL, JR.
Minority Leader

HON. MANNY VILLAR
Senate President
Senate of the Philippines
Pasay City

THIRTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Third Regular Session)

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SENATE

S. B. No. 2593

(In substitution of S.B. Nos. 66, 263 and 1997,
taking into consideration H. B. No. 5811)

Prepared jointly by the Committees on Economic Affairs; Banks, Financial Institutions and Currencies; and Finance with Senators Ejercito-Estrada (L.), Osmeña III, Roxas, Gordon, Lapid and Revilla, Jr. as authors thereof.

"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, is further amended to read
2 as follows:

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

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

6 "Section 2. *Declaration of Policy.* - Recognizing that MICRO, small and
7 medium scale enterprises (MSME) have the potential for more employment
8 generation and economic growth and therefore can help provide a self-
9 sufficient industrial foundation for the country, it is hereby declared the policy

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

10 “[a) By assuring, through the establishment of adequate support
11 structure, and the creation and promotion of an environment conducive to the
12 viability of these enterprises, establishment of mechanisms, the access and
13 transfer of appropriate technology needed by small and medium enterprises;]

14 “[b] A) [By] intensifying and expanding programs for training in
15 entrepreneurship and for skills development for labor;

16 “[c] B) [By] facilitating their access to sources of funds;

17 “[d] C) [By] assuring to them access to a fair share of government
18 contracts and related incentives and preferences;

19 “[e] D) [By] complementing and supplementing financing programs for
20 MICRO, small and medium enterprises and doing away with stringent and
21 burdensome collateral requirements that small entrepreneurs invariably find
22 extreme difficulty complying with;

1 “[f] E) [By] instituting safeguards for the protection and
2 stability of the credit delivery system;

3 “[g] F) [By] raising government efficiency and effectiveness in
4 providing assistance to MICRO, small and medium enterprises
5 throughout the country, at the least cost;

6 “[h] G) [By] promoting linkages between large and small
7 enterprises, and by encouraging the establishment of common service
8 facilities;

9 “[i] H) [By] making the private sector a partner in the task of
10 building up MICRO, small and medium enterprises through the
11 promotion and participation of private voluntary organizations, viable
12 industry associations, and cooperatives; and

13 “[j] I) [By] assuring a balanced and sustainable development
14 through the establishment of a feedback and evaluation mechanism
15 that will monitor the economic contributions as well as bottlenecks and
16 environmental effects of the development of MICRO, small and
17 medium [scale] enterprises.”

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

20 “Section.3. *MICRO, Small and Medium Enterprise as Beneficiaries.* –
21 [‘Small and medium enterprise’] MSME shall be defined as any business
22 activity or enterprise engaged in industry, agribusiness, and/or services,
23 whether single proprietorship, cooperative, partnership or corporation whose

1 total assets, inclusive of those arising from loans but exclusive of the land on
2 which the particular business entity's office, plant and equipment are situated,
3 must have value falling under the following categories:

4 Micro : [less than P 1,500,000] NOT MORE THAN P3,000,000

5 Small : [P 1,500,001] P3,000,001 - P 15,000,000

6 Medium : P 15,000,001 - [P 60,000,000] P 100,000,000

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

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

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

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

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

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

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

16 “d) it must not be a branch, subsidiary or division of a large-
17 scale enterprise [nor may its policies be determined by a large scale
18 enterprise or by persons who are not owners or employees of the
19 enterprise].

20 “However, this requirement shall not preclude a [small and
21 medium enterprise] MSME from accepting subcontracts [from large
22 enterprises or firms] **AND ENTERING INTO FRANCHISE**
23 **PARTNERSHIP WITH LARGE ENTERPRISES OR FROM** joining in

1 cooperative activities with other [small and medium enterprises]
2 MSME.

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

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

13 "THE DEPARTMENT OF BUDGET AND MANAGEMENT
14 SHALL MONITOR THE COMPLIANCE OF GOVERNMENT
15 AGENCIES ON THE REQUIRED PROCUREMENT FOR MSME AND
16 SUBMIT ITS REPORT TO THE MSMED COUNCIL ON A
17 SEMESTRAL BASIS. "

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

19 "Section 5. *Guiding Principles.* – To set the pace for [small and
20 medium enterprise] MSME development, the State shall be guided by the
21 following principles:

22 x x x

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

14 x x x

15 **SEC. 6.** A new section, numbered Section 6 is hereby inserted after Section 5 of the
16 same Act, to read as follows:

17 “Section 6. ***MICRO, SMALL AND MEDIUM ENTERPRISES***
18 ***DEVELOPMENT PLAN (MSMEDP).*** – THE PRESIDENT SHALL APPROVE
19 A ROLLING THREE-YEAR MICRO, SMALL AND MEDIUM ENTERPRISES
20 DEVELOPMENT PLAN PREPARED BY THE MICRO, SMALL AND
21 MEDIUM ENTERPRISE COUNCIL THROUGH THE DEPARTMENT OF
22 TRADE AND INDUSTRY WHICH SHALL FORM PART OF THE MEDIUM
23 TERM PHILIPPINE DEVELOPMENT PLAN (MTDP). IT SHALL BE

1 FORMULATED IN CONSULTATION WITH THE PRIVATE SECTOR,
2 VALIDATED AND UPDATED SEMESTRALLY.”

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

5 "Section 7 [6]. *[Creation of A Small and Medium*
6 *Enterprise Development Council] MICRO, SMALL AND MEDIUM*
7 *ENTERPRISE DEVELOPMENT COUNCIL . - THE EXISTING SMALL AND*
8 MEDIUM ENTERPRISE DEVELOPMENT COUNCIL, WHICH WAS
9 CREATED BY REPUBLIC ACT NO. 6977, AS AMENDED BY REPUBLIC
10 ACT NO. 8289, SHALL BE STRENGTHENED [T]to effectively spur the
11 growth and development of [small and medium enterprises] MSMEs
12 throughout the country, and to carry out the policy declared on this Act, [a
13 Small and Medium Enterprise Development (SMED) Council is hereby
14 created.] AND SHALL NOW BE KNOWN AS THE MICRO, SMALL AND
15 MEDIUM ENTERPRISE DEVELOPMENT COUNCIL. The Council shall be
16 attached to the Department of Trade and Industry and shall be constituted
17 within sixty (60) days after the approval of this Act.

18 x x x

19 SEC. 8. Section 7 of the same Act, as amended, is hereby renumbered as Section
20 7-A, and further amended to read as follows:

21 "Section 7-A [7]. *Composition.* - The Council shall be headed by the
22 Secretary of Trade and Industry as Chairman, and may elect from among

1 themselves a Vice-chairman to preside over the Council meetings in the
2 absence of the Chairman. The members shall be the following:

3 “a) Director General of the National Economic and Development
4 Authority;

5 “b) Secretary of Agriculture;

6 “c) Secretary of Labor and Employment;

7 “d) Secretary of Environment and Natural Resources;

8 “E) **SECRETARY OF THE INTERIOR AND LOCAL GOVERNMENT;**

9 “[e] F) Secretary of Science and Technology;

10 “[f] G) Secretary of Tourism;

11 “[g] H) The Chairman of the Monetary Board;

12 “[h] I) Chairman of [Small Business Guarantee and
13 Finance Corporation] **SMALL BUSINESS CORPORATION ;**

14 “[i] J) Chairman of the MICRO, small and medium
15 enterprises promotion body which the President shall undertake
16 to establish under this Act; [and]

17 “[j] K) Three (3) representatives from the private sector
18 at large, all Filipino citizens, to represent Luzon, Visayas and
19 Mindanao, and one representative from the MICRO, small and
20 medium enterprise sector, to be appointed by the President; and

21 “[k] L) [a] **One (1) representative EACH** from the private
22 banking sector : [to serve alternately among] the Chamber of

1 Thrift Banks; the Rural Bankers' Association of the Philippines
2 (RBAP); and the Bankers' Association of the Philippines (BAP);

3 "ALL MEMBERS OF THE COUNCIL SO APPOINTED, EXCEPT FOR
4 THE *EX-OFFICIO* MEMBERS, SHALL SERVE FOR A TERM OF THREE (3)
5 YEARS. THE PERSON SO APPOINTED TO REPLACE A MEMBER WHO
6 HAS RESIGNED, DIED, OR BEEN REMOVED FOR CAUSE SHALL SERVE
7 ONLY FOR THE UNEXPIRED PORTION OF THE TERM.

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

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

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

22 "THE COUNCIL SHALL HAVE A SEPARATE ANNUAL
23 APPROPRIATION WHICH SHALL BE PROVIDED IN THE GENERAL

1 APROPRIATIONS ACT STARTING IN THE FISCAL YEAR IMMEDIATELY
2 FOLLOWING THE APPROVAL OF THIS ACT.

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

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

15 SEC. 9. Section 8 of the same Act, as amended, is hereby renumbered as Section
16 7-B and further amended to read as follows:

17 "SECTION 7-B [8]. *Powers and Functions.* - The [Small and
18 Medium Enterprise Development (SMED)] MSMED Council shall have the
19 following powers, duties and functions:

20 "a) To help establish the needed environment and opportunities
21 conducive to the growth and development of the [small and medium
22 enterprises] MSME sector;

1 “b) To recommend to the President and the Congress all policy
2 matters affecting [small and medium scale enterprises] MSMEs;

3 “c) To formulate a comprehensive [small and medium enterprises]
4 MSME development plan to be integrated into the National Economic and
5 Development Authority (NEDA) Development Plans;

6 “d) To coordinate and integrate various government and private
7 sector activities relating to [small and medium enterprises] MSME
8 development;

9 “e) To review existing policies of government agencies that would
10 affect the growth and development of [small and medium enterprises]
11 MSMEs and recommend changes to the President and [/or to the] Congress
12 THROUGH THE COMMITTEE ON ECONOMIC AFFAIRS OF THE SENATE
13 AND THE SPECIAL COMMITTEE ON ENTREPRENEURSHIP
14 DEVELOPMENT, OR ANY APPROPRIATE COMMITTEE OF THE HOUSE
15 OF REPRESENTATIVES, whenever deemed necessary. This shall include
16 efforts to simplify rules and regulations, as well as procedural and
17 documentary requirements in the registration, financing, and other activities
18 relevant to [small and medium enterprises] MSMEs;

19 “f) To monitor and determine the progress of various agencies
20 geared towards the development of the sector. This shall include overseeing,
21 in coordination with local government units and the Department of THE
22 INTERIOR AND Local Government as well as private sector

1 groups/associations, the developments among [small and medium enterprises]
2 MSMEs [particularly the cottage and micro-sized firms];

3 “g) To promulgate implementing guidelines, programs, and
4 operating principles as may be deemed proper and necessary in the light of
5 government policies and objectives of this Act;

6 “h) To provide the appropriate policy and coordinative framework
7 in assisting relevant government agencies, in coordination with [the National
8 Economic and Development Authority] NEDA and the Coordinating Council
9 for the Philippine Assistance Program, as may be necessary, in the tapping of
10 local and foreign funds for [small and medium enterprises] MSME
11 development;

12 “i) To promote the productivity and viability of [small and
13 medium enterprises] MSMEs by way of directing and/or assisting relevant
14 government agencies and institutions at the national, regional and provincial
15 levels towards the:

16 “1) Provision of business training courses, technical training for
17 technicians and skilled laborers and continuing skills upgrading
18 programs;

19 “2) Provision of labor-management guidance, assistance and
20 improvement of the working conditions of employees in [small and
21 medium-sized firms] MSMEs;

22 “3) Provision of guidance and assistance regarding product
23 quality/product development and product diversification;

1 “4) Provision of guidance and assistance for the adoption of
2 improved production techniques and commercialization of
3 appropriate technologies for the product development and for
4 increased utilization of indigenous raw materials;

5 “5) Provision of assistance in marketing and distribution of products
6 of [small and medium enterprises] MSMEs through local
7 supply-demand information, industry and provincial profiles,
8 overseas marketing promotion, domestic market linkaging and the
9 establishment of common service facilities such as common and/or
10 cooperative bonded warehouse, grains storage, agro-processing and
11 drying facilities, ice plants, refrigerated storage, cooperative
12 trucking facilities, etc;

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

20 “7) Provision of concessional interest rates, lower financing fees,
21 which may include incentives for prompt credit payments,
22 arrangements tying amortizations to business cash flows, effective

1 substitution of government guarantee cover on loans for the
2 borrower's lack of collateral;

3 "8) Provision of bankruptcy preventive measures through the
4 setting up of a mutual relief system for distressed enterprises, and
5 the establishment of measures such as insurance against
6 extraordinary disasters;

7 "9) Intensification of information dissemination campaigns and
8 entrepreneurship education activities;

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

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

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

17 "j) To submit to the President and the Congress THROUGH THE
18 SENATE COMMITTEE ON ECONOMIC AFFAIRS AND THE SPECIAL
19 COMMITTEE ON ENTREPRENEURSHIP DEVELOPMENT, OR ANY
20 APPROPRIATE COMMITTEE OF THE HOUSE OF REPRESENTATIVES, a
21 yearly report on the status of [small and medium enterprises] MSMEs in the
22 country, including the progress and impact of all relevant government
23 policies, programs and legislation as well as private sector activities;

1 “k) To assist in the establishment of modern industrial estates
2 outside urban centers; [and]

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

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

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

12 “SEC. 8 [9]. *Designation of the Bureau of MICRO, Small and Medium*
13 *Business Development as a Council Secretariat.* – The Bureau of MICRO,
14 Small and Medium Business Development is hereby designated to act as the
15 Council Secretariat and shall have the following duties and functions:

16 XXX

17 SEC. 11. A new section is hereby inserted after Section 9 of the same Act, as
18 amended, and numbered as Section 9 to read as follows:

19 “SECTION 9. *APPROPRIATIONS.* – FUNDING OF ACTIVITIES AND
20 OPERATIONAL EXPENSES OF THE COUNCIL SHALL BE SUPPORTED BY
21 CONTRIBUTIONS FROM THE GOVERNMENT AND THE PRIVATE
22 SECTOR. THE AMOUNT OF CONTRIBUTION BY THE GOVERNMENT
23 WILL BE RECOMMENDED BY THE DEPARTMENT OF TRADE AND

1 INDUSTRY, UPON CONSULTATION WITH THE DEPARTMENT OF
2 BUDGET AND MANAGEMENT, AND APPROVED BY THE PRESIDENT.
3 THE ANNUAL CONTRIBUTIONS OF THE GOVERNMENT SHALL BE
4 INCLUDED IN THE ANNUAL APPROPRIATIONS ACTS AFTER
5 CONSULTATIONS WITH THE DEPARTMENT OF BUDGET AND
6 MANAGEMENT.”

7 SEC. 12. Section 10 of the same Act, as amended, is hereby further amended to read
8 as follows:

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

14 [The President is hereby also empowered to establish a small and
15 medium enterprise promotion body which shall be the principal government
16 agency that will formulate, implement, coordinate and monitor all non-
17 financing government programs, including fee-based services, to support and
18 promote micro, small and medium enterprises. It shall be attached to the
19 Department of Trade and Industry and shall be under the policy, program and
20 administrative supervision of the SMED Council. The said office shall receive
21 no less than fifty percent (50%) of the assets, and budgetary allocations of the
22 agencies for promotion, development and financing of small and medium

1 enterprises that may be henceforth dissolved and/or abolished and absorbed,
2 incorporated and integrated into the SMED Council.]

3 **SEC. 13.** Section 11 of the same Act, as amended, is hereby further amended to
4 read as follows:

5 "Section 11. *Creation of [Small Business Guarantee and Finance*
6 *Corporation]* **SMALL BUSINESS CORPORATION.** - There is hereby created
7 a body corporate to be known as the Small Business Guarantee and Finance
8 Corporation, hereinafter referred to as the [SBGFC,] **SMALL BUSINESS**
9 **CORPORATION (SBC),** which shall [source and adopt development
10 initiatives for globally competitive small and medium enterprises in terms of
11 finance, technology, production, management and business linkages, and
12 provide, promote, develop and widen in both scope and service reach various
13 alternative modes of financing for small and medium enterprises, including
14 but not limited to, direct and indirect project lending, venture capital,
15 financial leasing, secondary mortgage and/or rediscounting of loan papers to
16 small businesses, secondary/regional stock markets: *Provided,* That crop
17 production financing shall not be serviced by the Corporation.] **BE CHARGED**
18 **WITH THE PRIMARY RESPONSIBILITY OF IMPLEMENTING**
19 **COMPREHENSIVE POLICIES AND PROGRAMS TO ASSIST MICRO,**
20 **SMALL AND MEDIUM ENTERPRISES IN ALL AREAS, INCLUDING BUT**
21 **NOT LIMITED TO FINANCE, INFORMATION SERVICES, TRAINING AND**
22 **MARKETING.**

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

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

12 “[The Small Business Guarantee Finance Corporation shall:]

13 “[a] be attached to the Department of Trade and Industry and
14 shall be under the policy, program and administrative supervision of
15 the SMED Council;]

16 “[b] have its principal place of business in Metro Manila and
17 endeavor to have one or more branch offices in every province of the
18 country;]

19 “[c] exercise all the general powers conferred by law upon
20 corporations under the Corporation Code as are incidental or
21 conducive to the attainment of the objectives of this Act;]

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

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

8 “[2) the Secretary of Trade and Industry or his Undersecretary;
9 and]

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

14 “[e) notwithstanding the provisions of Republic Act No. 6758,
15 and Compensation Circular No. 10, series of 1989 issued by the
16 Department of Budget and Management, the Board of Directors of
17 SBGFC shall have the authority to extend to the employees and
18 personnel thereof the allowance and fringe benefits similar to those
19 extended to and currently enjoyed by the employees and personnel of
20 other government financial institutions.]”

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

1 "SECTION 11-A. *COMPOSITION OF THE BOARD OF DIRECTORS*
2 *AND ITS POWERS* – THE SBC CORPORATE POWERS SHALL BE VESTED
3 ON A BOARD OF DIRECTORS COMPOSED OF ELEVEN (11) MEMBERS
4 WHICH SHALL INCLUDE THE FOLLOWING:

5 "A) THE SECRETARY OF TRADE AND INDUSTRY

6 "B) THE SECRETARY OF FINANCE

7 "C) A PRIVATE SECTOR REPRESENTATIVE TO BE APPOINTED
8 BY THE PRESIDENT UPON THE RECOMMENDATION OF THE MSMED
9 COUNCIL;

10 "D) SEVEN (7) REPRESENTATIVES OF THE SBC COMMON
11 STOCK SHAREHOLDERS WHO SHALL BE ELECTED BASED ON
12 PROPORTIONAL DISTRIBUTION, IN ACCORDANCE WITH SECTION 24
13 OF THE CORPORATION CODE; AND

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

16 "THE PRESIDENT SHALL APPOINT THE CHAIRMAN OF THE
17 BOARD FROM AMONG ITS MEMBERS.

18 "ALL MEMBERS OF THE BOARD SO APPOINTED, EXCEPT FOR
19 THE *EX-OFFICIO* MEMBERS, SHALL SERVE FOR A TERM OF THREE (3)
20 YEARS WITHOUT REAPPOINTMENT. THE PERSON SO APPOINTED TO
21 REPLACE A MEMBER WHO HAS RESIGNED, DIED, OR BEEN REMOVED
22 FOR CAUSE SHALL SERVE ONLY FOR THE UNEXPIRED PORTION OF
23 THE TERM.

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

3 "A) FORMULATE POLICIES NECESSARY TO CARRY OUT
4 EFFECTIVELY THE PROVISIONS OF THIS CHARTER AND TO
5 PRESCRIBE, AMEND AND REPEAL BY-LAWS, RULES AND
6 REGULATIONS FOR THE EFFECTIVE OPERATIONS OF THE SMALL
7 BUSINESS CORPORATION;

8 "B) ESTABLISH SUCH BRANCHES, AGENCIES AND
9 SUBSIDIARIES AS MAY BE DEEMED NECESSARY AND CONVENIENT;

10 "C) COMPROMISE OR RELEASE, IN WHOLE OR IN
11 PART, ANY CLAIM OR LIABILITY WHATSOEVER FOR OR AGAINST
12 THE SBC, INCLUDING INTEREST, PENALTIES, FEES AND/OR OTHER
13 CHARGES IN ACCORDANCE TO ITS OWN BY-LAWS AND *BANGKO*
14 *SENTRAL NG PILIPINAS* RULES;

15 "D) FIX THE FEATURES OF NON-VOTING PREFERRED
16 SHARES WHICH SHALL BE PRINTED ON THE STOCK CERTIFICATES
17 EVIDENCING THE SAME;

18 "E) EXERCISE ALL SUCH OTHER POWERS AS MAY BE
19 NECESSARY OR INCIDENTAL TO CARRY OUT THE SMALL BUSINESS
20 CORPORATION PURPOSES;

21 "F) NOTWITHSTANDING THE PROVISIONS OF REPUBLIC ACT
22 NO. 6758 AND COMPENSATION CIRCULAR NO. 10, SERIES OF 1989
23 ISSUED BY THE DEPARTMENT OF BUDGET AND MANAGEMENT, THE

1 BOARD SHALL HAVE THE AUTHORITY TO PROVIDE FOR THE
2 ORGANIZATIONAL STRUCTURE AND STAFFING PATTERN OF SBC AND
3 TO EXTEND TO THE EMPLOYEES AND PERSONNEL THEREOF
4 SALARIES, ALLOWANCE AND FRINGE BENEFITS SIMILAR TO THOSE
5 EXTENDED TO AND CURRENTLY ENJOYED BY EMPLOYEES AND
6 PERSONNEL OF OTHER GOVERNMENT FINANCIAL INSTITUTIONS.”

7 SEC. 15. A new sub-section is hereby inserted after Section 11 of the same Act, as
8 amended, to read as follows:

9 “SECTION 11-B. CORPORATE STRUCTURE AND POWERS. - THE
10 SBC SHALL :

11 (A) BE ADMINISTRATIVELY ATTACHED TO THE
12 DEPARTMENT OF TRADE AND INDUSTRY AND
13 SHALL BE UNDER THE POLICY AND PROGRAM
14 SUPERVISION OF THE MSMED COUNCIL.

15 (B) HAVE ITS PRINCIPAL OFFICES IN METRO MANILA
16 AND WHENEVER NECESSARY, ESTABLISH BRANCH
17 OFFICE IN THE PROVINCES.

18 (C) EXERCISE ALL THE GENERAL POWERS EXPRESSLY
19 CONFERRED BY LAW UPON CORPORATIONS UNDER
20 THE CORPORATION CODE, INCLUDING THOSE
21 POWERS THAT ARE INCIDENTAL OR NECESSARY TO
22 THE ATTAINMENT OF THE OBJECTIVE OF THIS ACT.

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

3 (A) SOURCE AND ADOPT DEVELOPMENT INITIATIVES
4 FOR GLOBALLY COMPETITIVE MSME IN FINANCE
5 AND BUSINESS TECHNOLOGIES;

6 (B) TO EXTEND ALL FORMS OF FINANCIAL ASSISTANCE
7 WHICH MAY BE IN THE FORM OF DIRECT LENDING,
8 AND TECHNICAL ASSISTANCE TO QUALIFIED AND
9 REGISTERED MSME. SBC MAY ALSO ENGAGE IN
10 WHOLESALE LENDING PROVIDED THAT IT SHALL
11 NOT IN ANY GIVEN TIME BE MORE THAN FIFTY
12 PERCENT (50%) OF ITS TOTAL AVAILABLE LOAN
13 PORTFOLIO. THE SBC SHALL BE GIVEN TWO (2)
14 YEARS FROM THE EFFECTIVITY OF THIS ACT TO
15 COMPLY WITH THIS REQUIREMENT.

16 (C) GUARANTEE LOANS OBTAINED BY QUALIFIED
17 MSME UNDER SUCH TERMS AND CONDITIONS
18 ADOPTED BY THE SBC BOARD OF DIRECTORS;

19 (D) HOLD, PURCHASE, LEASE OR OTHERWISE ACQUIRE
20 AND OWN REAL AND PERSONAL PROPERTY,
21 INTRODUCE NECESSARY IMPROVEMENTS THEREON
22 AND TO SELL, MORTGAGE, ENCUMBER OR

- 1 OTHERWISE DISPOSE OF THE SAME AS MAY BE
2 NECESSARY IN THE NORMAL COURSE OF 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
8 THE COUNTRY;
- 9 (G) HOLD, OWN, PURCHASE, ACQUIRE, SELL,
10 MORTGAGE, DISPOSE OR OTHERWISE INVEST OR
11 RE-INVEST IN STOCKS, BONDS, TREASURY BILLS,
12 DEBENTURES, SECURITIES AND SIMILAR FORMS OF
13 INDEBTEDNESS OF THE GOVERNMENT, ITS
14 AGENCIES AND INSTRUMENTALITIES OR ANY
15 GOVERNMENT FINANCIAL INSTITUTION;
- 16 (H) ESTABLISH AN MSME ACADEMY WHICH SHALL
17 PROVIDE COURSES AND DEVELOPMENT PROGRAMS,
18 TRAINING, ADVICE, CONSULTATION ON BUSINESS
19 CONCEPTUALIZATION AND FEASIBILITY,
20 FINANCING, MANAGEMENT, CAPACITY BUILDING,
21 HUMAN RESOURCES, MARKETING, AND SUCH
22 OTHER SERVICES TO SUPPORT THE NEEDS OF
23 MSMEs .

- 1 (I) ESTABLISH, OPERATE, AND ADMINISTER A SMALL
2 BUSINESS INCUBATION PROGRAM IN
3 COORDINATION WITH ACADEMIC INSTITUTIONS,
4 DEPARTMENT OF SCIENCE AND TECHNOLOGY AND
5 OTHER APPROPRIATE GOVERNMENT ENTITIES
6 THAT WILL PROVIDE SPACE FOR START-UP AND
7 EXPANDING FIRMS, SHARED USE OF EQUIPMENT
8 AND WORK AREAS, DAILY MANAGEMENT SUPPORT
9 SERVICES ESSENTIAL TO HIGH-QUALITY
10 COMMERCIAL OPERATIONS, TECHNICAL
11 ASSISTANCE AND OTHER SERVICES TO DEVELOP
12 INNOVATIVE AND DESERVING MSMEs.
- 13 (J) CONDUCT A NATIONWIDE INFORMATION
14 CAMPAIGN WITH THE PHILIPPINE INFORMATION
15 AGENCY THAT SHALL INFORM THE PUBLIC OF ALL
16 PROGRAMS AND SERVICES, GOVERNMENT AND
17 NON-GOVERNMENT, AVAILABLE TO MSMEs.
- 18 (K) PROVIDE LOCAL AND INTERNATIONAL NETWORK
19 AND LINKAGES FOR MSME DEVELOPMENT;
- 20 (L) COMPILE AND INTEGRATE STATISTICAL DATABANK
21 ON PHILIPPINE MSMEs;
- 22 (M) SET-UP NEW MSME CENTERS AND REVITALIZE
23 ALREADY ESTABLISHED MSME CENTERS TO

1 PROVIDE MSMEs IN THE REGIONS EASIER ACCESS
2 TO SERVICES SUCH AS, BUT NOT LIMITED TO, THE
3 FOLLOWING:

- 4 i. ACCEPT AND ACT ON ALL REGISTRATION
5 APPLICATIONS OF MSME;
- 6 ii. STREAMLINE REGISTRATION PROCESS AND
7 FACILITATE SPEEDY REGISTRATION FOR
8 THE ESTABLISHMENT OF BUSINESS
9 ENTERPRISES IN THE COUNTRY;
- 10 iii. PROVIDE ALL INFORMATION AND
11 REFERRAL SERVICES IT SHALL DEEM
12 NECESSARY OR ESSENTIAL TO THE
13 DEVELOPMENT AND PROMOTION OF
14 MSME;
- 15 iv. CONDUCT OTHER PROGRAMS OR PROJECTS
16 FOR ENTREPRENEURIAL DEVELOPMENT IN
17 THEIR RESPECTIVE AREAS.”

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

20 “Section 12. *Capitalization and Funding OF THE SBC.* - The [Small
21 Business Guarantee and Finance Corporation] SBC shall have an authorized
22 capital stock of [Five] TEN billion pesos [(P 5,000,000,000.00)]
23 (P10,000,000,000.00). The initial capital of One billion pesos

1 (P1,000,000,000.00) shall be established from a pool of funds to be contributed
2 in the form of equity investments in common stock by the Land Bank of the
3 Philippines (LBP), the Philippine National Bank (PNB), the Development
4 Bank of the Philippines (DBP), in the amount of Two hundred million pesos
5 (P200,000,000.00) each. The Social Security System (SSS) and the Government
6 Service Insurance System (GSIS) shall also set aside Two hundred million
7 pesos (P200,000,000.00) each [to be placed in preferred stocks of the SBGFC]
8 **FOR THE SBC. AUTHORIZED CAPITAL STOCK OF THE SMALL BUSINESS**
9 **CORPORATION SHALL BE DIVIDED INTO 80,000,000 COMMON SHARES**
10 **AND 20,000,000 PREFERRED SHARES WITH A PAR VALUE OF ONE**
11 **HUNDRED PESOS (P100.00) PER SHARE: *PROVIDED*, THAT THE**
12 **COMMON SHARES WHICH HAVE BEEN ISSUED, INCLUDING THOSE**
13 **ISSUED AGAINST THE ASSETS OF THE KKK GUARANTY FUND**
14 **CONSOLIDATED UNDER THE SMALL BUSINESS CORPORATION BY**
15 **VIRTUE OF EXECUTIVE ORDER NO. 233, SERIES OF 2000 AND**
16 **EXECUTIVE ORDER NO. 19, SERIES OF 2001 AND INCLUDING THOSE**
17 **ALREADY SUBSCRIBED, SHALL FORM PART OF THE CAPITALIZATION**
18 **OF THE CORPORATION: *PROVIDED, FURTHER*, THAT HOLDERS OF**
19 **PREFERRED SHARES ISSUED UNDER REPUBLIC ACT 6977, AS**
20 **AMENDED, SHALL HAVE THE OPTION TO CONVERT THE SAME INTO**
21 **COMMON SHARES. Additional EQUITY funding shall come from trust**
22 **placements of excess and unused funds of existing government agencies,**
23 **bilateral and multilateral official development assistance funds, subscriptions**

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

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

11 SEC. 17. New sections are hereby inserted after Section 12 of the same Act, as
12 amended, to read as follows:

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

21 "THE REPUBLIC OF THE PHILIPPINES SHALL SUCCEED TO ALL
22 THE RIGHTS TO THE COLLATERALS, NOTES OR OTHER INSTRUMENTS
23 TO THE EXTENT OF THE PAYMENTS MADE, UNLESS THE SUMS SO

1 PAID BY THE REPUBLIC OF THE PHILIPPINES SHALL BE REFUNDED BY
2 THE CORPORATION WITHIN A REASONABLE TIME.”

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

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

15 SEC. 18. Section 13 of the same Act, as amended, is hereby renumbered as Section
16 15, and further amended to read as follows:

17 “Section 15 [13]. *Mandatory Allocation of Credit Resources to MICRO,*
18 *Small and Medium Enterprises.* - For the period of ten (10) years from the
19 date of the effectivity of this AMENDATORY Act, all lending institutions as
20 defined under *Bangko Sentral ng Pilipinas* rules, whether public or private,
21 shall set aside at least [six] EIGHT percent [6] (8%) FOR MICRO AND SMALL
22 ENTERPRISES and at least two percent (2%) for [small and] medium
23 enterprises [, respectively,] of their total loan portfolio based on their balance

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

3 "COMPLIANCE OF THIS PROVISION SHALL BE:

4 A) ACTUAL EXTENSION OF LOANS TO QUALIFIED AND
5 REGISTERED MICRO, SMALL AND MEDIUM ENTERPRISES;

6 OR

7 B) ACTUAL SUBSCRIPTION OF PREFERRED SHARES OF
8 STOCK OF SBC; OR

9 C) WHOLESALE LENDING TO PARTICIPATING FINANCIAL
10 INSTITUTIONS (PFIs) FOR ON-LENDING TO SMEs; OR

11 D) PURCHASE/DISCOUNT OF MSME RECEIVABLES; OR

12 E) LOANS GRANTED TO EXPORT,IMPORT, AND DOMESTIC
13 TRADERS SUBJECT TO COMPLIANCE WITH SECTION 3 OF
14 THIS ACT; OR

15 F) SUBSCRIBE/PURCHASE LIABILITY INSTRUMENTS AS MAY
16 BE OFFERED BY SBC.

17 "The *Bangko Sentral ng Pilipinas*[, in consultation with the Council,]
18 MAY PRESCRIBE ALTERNATIVE FORMS OF COMPLIANCE SUBJECT TO
19 THE APPROVAL OF THE MSMED COUNCIL. FURTHER, THE *BANGKO*
20 *SENTRAL NG PILIPINAS* shall formulate rules for the effective
21 implementation of this provision: *Provided, That the purchase of government*
22 *notes, securities and other negotiable instruments*[, with the exception of such
23 instruments as may be offered by the SBGFC which do not pay market rates,]

1 shall not be deemed compliance with the foregoing provisions: *Provided,*
2 *further,* That the *Bangko Sentral ng Pilipinas* shall establish an incentive
3 program to encourage lending to [small and medium] MSME industries
4 beyond the mandatory credit allocation to said enterprises, such as possible
5 reduction in bank's reserve requirement.

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

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

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

20 "SECTION 16. *MICRO, SMALL, AND MEDIUM ENTERPRISE WEEK.*

21 ~ IN ORDER TO INSTITUTE CONTINUING AWARENESS OF THE
22 PRIMACY OF SMALL BUSINESS IN NATION-BUILDING AND IN PEOPLE
23 EMPOWERMENT, AND TO CELEBRATE AND ESPOUSE THE FIRM

1 COMMITMENT OF THE STATE IN THE PROMOTION, GROWTH AND
2 DEVELOPMENT OF SMALL BUSINESS, THE SECOND WEEK OF JULY OF
3 EVERY YEAR SHALL BE DECLARED AS THE "MICRO, SMALL, AND
4 MEDIUM ENTERPRISE DEVELOPMENT WEEK". THE MSMED COUNCIL,
5 THE DEPARTMENT OF TRADE AND INDUSTRY, AND THE SBC SHALL BE
6 JOINTLY RESPONSIBLE IN 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 GRANTED
10 TO ONE HUNDRED PERCENT (100%) FILIPINO-OWNED COMPANIES
11 DURING THE MSME DEVELOPMENT WEEK."

12 SEC. 20. Section 14 of the same Act, as amended, on Penal Clause is hereby
13 renumbered as Section 18.

14 SEC. 21. A new section is hereby inserted after Section 14 of the same Act, to read as
15 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

1 PROVISIONS OF THIS ACT WITHIN NINETY (90) DAYS FROM THE
2 APPROVAL OF THIS ACT. THE IRR ISSUED PURSUANT TO THIS
3 SECTION SHALL TAKE EFFECT THIRTY (30) DAYS AFTER PUBLICATION
4 IN A NATIONAL NEWSPAPER OF GENERAL CIRCULATION.”

5 SEC. 22. *Separability Clause.* - The provisions of the Act are hereby declared to be
6 separable. If any provision of this Act shall be held unconstitutional, the remainder
7 of the Act not otherwise affected shall remain in full force and effect.

8 SEC. 23. *Repealing Clause.* - All laws, executive orders, rules and regulations, or
9 parts thereof, inconsistent herewith are hereby repealed or modified accordingly.

10 SEC. 24. *Effectivity Clause.* - This Act shall take effect within fifteen (15) days
11 from its publication in at least two (2) national newspapers of general circulation.

Approved,