

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

SENATE
OFFICE OF THE SECRETARY

10 JUL 19 10:47

SENATE
S. No. 1525

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Introduced by Senator Miriam Defensor Santiago

EXPLANATORY NOTE

The Constitution, Article 2, Section 20 provides that:

SEC. 20. The State recognizes the indispensable role of the private sector, encourages private enterprise, and provides incentives to needed investments.

Small and medium sized enterprises comprise the vast majority of the industries in our country. Time and again we have often expressed our support for these industries. They are essential to us because they are the source of livelihood for many of our countrymen and in many instances, the breeding ground for our rising entrepreneurs.

As the government tries to reach out to them, more and more regulations are being issued. In many instances, due to their limited resources and expertise, our small and medium entities find themselves having a hard time complying with the government requirements. We need to exert certain efforts to make the rules and regulations accessible and easily understood. This way we will be to focus our efforts in assisting the businesses instead of policing them for failure to comply. By doing so, we can promote a culture of compliance with the regulation instead of avoiding the penalty.

This bill seeks to mandate the Small and Medium Enterprise Development Council to prepare compliance guides for all regulations to assist our small and medium entities.¹


MIRIAM DEFENSOR SANTIAGO

¹ This bill was originally filed in the Fourteenth Congress, Second Regular Session

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1 AN ACT
2 AMENDING REPUBLIC ACT NO. 6977, OTHERWISE KNOWN AS THE MAGNA CARTA
3 FOR SMALL ENTERPRISES AS AMENDED, TO PROMOTE COMPLIANCE AMONG
4 SMALL AND MEDIUM ENTERPRISES
5

6 *Be it enacted by the Senate and the House of Representatives of the Philippines in*
7 *Congress assembled:*
8

9 SECTION 1. Section 8 of RA 6977, otherwise known as the Magna Carta for Small
10 Enterprises, as amended, is hereby amended to read as follows:

11 "Sec. 8. Powers and Functions. — The Small and Medium Enterprise Development
12 (SMED) Council shall have the following powers, duties and functions:

13 (a) to help establish the needed environment and opportunities conducive to the growth and
14 development of the small and medium sector;

15 (b) to recommend to the President and the Congress all policy matters affecting small and
16 medium sale enterprises;

17 (c) to formulate a comprehensive small and medium enterprise development plan to be
18 integrated into the National Economic and Development Authority Development Plans;

19 (d) to coordinate and integrate various government and private sector activities relating to
20 small and medium enterprise development;

21 (e) to review existing policies of government agencies that would affect the growth and
22 development of small and medium enterprises and recommend changes to the President
23 and/or to the Congress whenever deemed necessary. This shall include efforts to simplify

1 rules and regulations as well as procedural and documentary requirements in the
2 registration, financing, and other activities relevant to small and medium enterprises;

3 (f) to monitor and determine the progress of various agencies geared towards the
4 development of the sector. This shall include overseeing, in coordination with local
5 government units and the Department of Local Government as well as private sector
6 groups/associations, the developments among small and medium enterprises, particularly
7 the cottage and micro-sized firms;

8 (g) to promulgate implementing guidelines, programs, and operating principles as may be
9 deemed proper and necessary in the light of government policies and objectives of this
10 Act;

11 (h) to provide the appropriate policy and coordinative framework in assisting relevant
12 government agencies, in coordination with the National Economic and Development
13 Authority and the Coordinating Council for the Philippine Assistance Program, as may be
14 necessary, in the tapping of local and foreign funds for small and medium enterprise
15 development;

16 (i) to promote the productivity and viability of small and medium enterprises by way of
17 directing and/or assisting relevant government agencies and institutions at the national,
18 regional and provincial levels towards the;

19 (1) provision of business training courses, *technical training for technicians and*
20 *skilled laborers and continuing skills upgrading programs;*

21 (2) provision of labor-management guidance, assistance and improvement of the
22 working conditions of employees in small and medium-sized firms; *chan robes*
23 *virtual law library*

24 (3) provision of guidance and assistance regarding product quality/product
25 development and product diversification;

26 (4) provision of guidance and assistance for the adoption of improved production
27 techniques and commercialization of appropriate technologies for the product
28 development and for increased utilization of indigenous raw materials;

- 1 (5) provision of assistance in marketing and distribution of products of small and
2 medium scale enterprises through local supply-demand information, industry and
3 provincial profiles, overseas marketing promotion, domestic market linkaging and
4 the establishment of common service facilities such as common and/or
5 cooperative bonded warehouse, grains storage, agro-processing and drying
6 facilities, ice plants, refrigerated storage, cooperative trucking facilities, etc.;
- 7 (6) intensification of assistance and guidance to enable greater access to credit
8 through a simplified multiagency financing program; to encourage development
9 of other models of financing such as leasing and venture capital activities; to
10 provide effective credit guarantee systems, and encourage for formation of credit
11 guarantee associations, including setting up of credit records and information
12 systems and to decentralize loan approval mechanisms;
- 13 (7) provision of concessional interest rates, lower financing fees, which may include
14 incentives for prompt credit payments, arrangements tying amortizations to
15 business cash flows, effective substitution of government guarantee cover on
16 loans for the borrower's lack of collateral;
- 17 (8) provision of bankruptcy preventive measures through the setting up of a mutual
18 relief system for distressed enterprises, and the establishment of measures such as
19 insurance against extraordinary disaster;
- 20 (9) intensification of information dissemination campaigns and entrepreneurship
21 education activities;
- 22 (10) easier access to and availment of tax credits and other tax and duty incentives as
23 provided by the Omnibus investment Code and other laws;
- 24 (11) of support for product experimentation and research and development activities
25 as well as access to information on commercialized technologies; and
- 26 (12) provision of more infrastructure facilities and public utilities to support
27 operations of small and medium enterprises;
- 28 (j) TO FORMULATE A COMPLIANCE GUIDE AS PROVIDED IN SECTION 9-A OF
29 THIS ACT;

- 1 (k) to submit to the President and the Congress a yearly report on the status of small and
2 medium enterprises in the country, including the progress and impact of all relevant
3 government policies, programs and legislation as well as private sectors activities;
- 4 (l) to assist in the establishment of modern industrial estates outside urban centers; and
- 5 (m) generally, to exercise all powers and functions necessary for the objectives and purposes
6 of this Act.

7 SECTION 2. Section 9-A of RA 6977 is hereby inserted after Section 9 to read as
8 follows:

9 “Sec. 9-A. *Compliance Guide*. For each rule or group of related rules
10 issued by any government agency for compliance by any small and
11 medium sector, the Council, through the Secretariat shall publish one or
12 more guides to assist small and medium entities in complying with the
13 rule and shall entitle such publications “small and medium entity
14 compliance guides”.⁴

15 The Council shall, in its sole discretion, taking into account the subject
16 matter of the rule and the language of relevant statutes, ensure that the
17 guide is written using sufficiently plain language likely to be understood
18 by affected small and medium entities. The Council may prepare separate
19 guides covering groups or classes of similarly affected small entities and
20 may cooperate with associations of small entities to develop and
21 distribute such guides. The Council may prepare guides and apply this
22 section with respect to a rule or a group of related rules.

23 Each guide shall explain the actions a small or medium entity is required
24 to take to comply with a rule. The explanation shall include a description
25 of actions needed to meet the requirements of a rule, to enable a small or
26 medium entity to know when such requirements are met; and if
27 determined appropriate by the agency, may include a description of

1 possible procedures, such as conducting tests, that may assist a small or
2 medium entity in meeting such requirements.

3 The publication of each guide shall include the posting of the guide in an
4 easily identified location on the website of the agency; and distribution of
5 the guide to known industry contacts, such as small entities, associations,
6 or industry leaders affected by the rule.”

7 SECTION 3. *Separability Clause.* – If any provision, or part hereof is held invalid or
8 unconstitutional, the remainder of the law or the provision not otherwise affected shall remain
9 valid and subsisting.

10 SECTION 4. *Repealing Clause.* – Any law, presidential decree or issuance, executive
11 order, letter of instruction, administrative order, rule or regulation contrary to or inconsistent
12 with, the provisions of this Act is hereby repealed, modified, or amended accordingly.

13 SECTION 5. *Effectivity Clause.* – This Act shall take effect fifteen (15) days after its
14 publication in at least two (2) newspapers of general circulation.

15 Approved.

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