

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



Senate  
Office of the Secretary

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SENATE  
S. No. 1254

RECEIVED BY: *[Signature]*

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.\*

*Miriam Defensor Santiago*  
MIRIAM DEFENSOR SANTIAGO

\* This bill was originally filed in the Fourteenth Congress, Second Regular Session.



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SENATE  
S. No. 1254

RECEIVED BY: *ji*

Introduced by Senator Miriam Defensor Santiago

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

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

5 SECTION 1. Section 8 of Republic Act No. 6977, otherwise known as the Magna Carta  
6 for Small Enterprises, is hereby amended to read as follows:

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

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

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

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

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

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

1 documentary requirements in the registration, financing, and other activities  
2 relevant to small and medium enterprises;

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

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

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

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

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

22 (2) provision of labor-management guidance, assistance and  
23 improvement of the working conditions of employees in small and  
24 medium-sized firms;

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

27 (4) provision of guidance and assistance for the adoption of improved  
28 production techniques and commercialization of appropriate technologies

1 for the product development and for increased utilization of indigenous  
2 raw materials;

3 (5) provision of assistance in marketing and distribution of products of  
4 small and medium scale enterprises through local supply-demand  
5 information, industry and provincial profiles, overseas marketing  
6 promotion, domestic market linkaging and the establishment of common  
7 service facilities such as common and/or cooperative bonded warehouse,  
8 grains storage, agro-processing and drying facilities, ice plants,  
9 refrigerated storage, cooperative trucking facilities, etc.;

10 (6) intensification of assistance and guidance to enable greater access  
11 to credit through a simplified multiagency financing program; to  
12 encourage development of other models of financing such as leasing and  
13 venture capital activities; to provide effective credit guarantee systems,  
14 and encourage for formation of credit guarantee associations, including  
15 setting up of credit records and information systems and to decentralize  
16 loan approval mechanisms;

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

21 (8) provision of bankruptcy preventive measures through the setting  
22 up of a mutual relief system for distressed enterprises, and the  
23 establishment of measures such as insurance against extraordinary  
24 disaster;

25 (9) intensification of information dissemination campaigns and  
26 entrepreneurship education activities;

27 (10) easier access to and availment of tax credits and other tax and duty  
28 incentives as provided by the Omnibus investment Code and other laws;

1 (11) of support for product experimentation and research and  
2 development activities as well as access to information on commercialized  
3 technologies; and

4 (12) provision of more infrastructure facilities and public utilities to  
5 support operations of small and medium enterprises;

6 (j) TO FORMULATE A COMPLIANCE GUIDE AS PROVIDED IN  
7 SECTION 9-A OF THIS ACT;

8 (k) to submit to the President and the Congress a yearly report on the status of  
9 small and medium enterprises in the country, including the progress and impact of  
10 all relevant government policies, programs and legislation as well as private  
11 sectors activities;

12 (l) to assist in the establishment of modern industrial estates outside urban  
13 centers; and

14 (m) generally, to exercise all powers and functions necessary for the objectives  
15 and purposes of this Act.”

16 SECTION 2. The same Act is hereby amended by inserting Section 9-A after Section 9 to  
17 read as follows:

18 “Sec. 9-A. *Compliance Guide.* – For each rule or group of related rules  
19 issued by any government agency for compliance by any small and medium  
20 sector, the Council, through the Secretariat shall publish one or more guides to  
21 assist small and medium entities in complying with the rule and shall entitle such  
22 publications ‘small and medium entity compliance guides.’

23 The Council shall, in its sole discretion, taking into account the subject  
24 matter of the rule and the language of relevant statutes, ensure that the guide is  
25 written using sufficiently plain language likely to be understood by affected small  
26 and medium entities. The Council may prepare separate guides covering groups or  
27 classes of similarly affected small entities and may cooperate with associations of

1 small entities to develop and distribute such guides. The Council may prepare  
2 guides and apply this section with respect to a rule or a group of related rules.

3 Each guide shall explain the actions a small or medium entity is required  
4 to take to comply with a rule. The explanation shall include a description of  
5 actions needed to meet the requirements of a rule, to enable a small or medium  
6 entity to know when such requirements are met; and if determined appropriate by  
7 the agency, may include a description of possible procedures, such as conducting  
8 tests, that may assist a small or medium entity in meeting such requirements.

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

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

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

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

Approved,