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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.

Miriam Defensor Santiago
MIRIAM DEFENSOR SANTIAGO

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SENATE
S. No. **2986**

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Introduced by Senator Miriam Defensor Santiago

1 AN ACT
2 AMENDING REPUBLIC ACT NO. 6977, OTHERWISE KNOWN AS THE MAGNA
3 CARTA FOR SMALL ENTERPRISES AS AMENDED, TO PROMOTE
4 COMPLIANCE AMONG 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
10 Small Enterprises, as amended, is hereby amended to read as follows:

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

- 13 (a) to help establish the needed environment and opportunities conducive to the
14 growth and development of the small and medium sector;
- 15 (b) to recommend to the President and the Congress all policy matters affecting small
16 and medium sale enterprises;
- 17 (c) to formulate a comprehensive small and medium enterprise development plan to
18 be integrated into the National Economic and Development Authority
19 Development Plans;
- 20 (d) to coordinate and integrate various government and private sector activities
21 relating to small and medium enterprise development;
- 22 (e) to review existing policies of government agencies that would affect the growth
23 and development of small and medium enterprises and recommend changes to the

1 President and/or to the Congress whenever deemed necessary. This shall include
2 efforts to simplify rules and regulations as well as procedural and documentary
3 requirements in the registration, financing, and other activities relevant to small
4 and medium enterprises;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

24 The Council shall, in its sole discretion, taking into account the
25 subject matter of the rule and the language of relevant statutes,
26 ensure that the guide is written using sufficiently plain language
27 likely to be understood by affected small and medium entities.

28 The Council may prepare separate guides covering groups or

1 classes of similarly affected small entities and may cooperate with
2 associations of small entities to develop and distribute such
3 guides. The Council may prepare guides and apply this section
4 with respect to a rule or a group of related rules.

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

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

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

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

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

27 Approved.