

Republic of the Philippines  
HOUSE OF REPRESENTATIVES  
Quezon City

SEVENTEENTH CONGRESS  
Third Regular Session

House Bill No. 7918



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Introduce by REPRESENTATIVE ARTHUR C. YAP

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**EXPLANATORY NOTE**

The Philippines is a nation of micro, small, and medium enterprises (MSMEs). In 2016, Philippine Statistics Authority (PSA) recorded a total of 915,726 business enterprises operating in the Philippines. This was 1.64% more than the 900,914 business establishments reported in 2015. Micro, small and medium enterprises (MSMEs) account for 99.57% (911,768) of the total establishments, of which 89.63% (820,795) were microenterprises, 9.50% (86,955) were small enterprises, and 0.44% (4,018) were medium enterprises. Large enterprises made up the remaining 0.43% (3,958).

Despite its size, the sector has yet to provide a significant boost to the domestic economy. Various challenges have slowed the growth of MSMEs such as weak backward linkages between large firms and small suppliers.

MSMEs can be a potent force for economic development if the right policies are in place to increase their competitiveness.

The "Magna Carta for Micro, Small and Medium Enterprises (MSMEs)" was enacted by the Philippine Congress in 1991 as Republic Act 6977, and amended by Republic Act 8289 in 1997, and further amended by Republic Act 9501 in 2008 to promote entrepreneurship by strengthening development and assistance programs to MSMEs.

To provide a more conducive environment for qualified MSMEs, this bill seeks to further amend the R.A. 9501 by inserting a new provision before the last paragraph of Section 4 by requiring Private Malls and Supermarkets to provide at least five percent (5%) of their total selling area, free of charge to deserving MSMEs, to be identified by the Department of Trade and Industry.

In this regard the proposed amendment will increase the access of MSMEs to the domestic market—a move that would eventually prepare these enterprises to embark on a bigger scale when they start exporting their products.

In view of the foregoing, immediate passage of this bill is earnestly sought.



HON. ARTHUR C. YAP  
Representative

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AN ACT  
FURTHER AMENDING REPUBLIC ACT 9501, OTHERWISE KNOWN AS THE  
"MAGNA CARTA FOR MICRO, SMALL AND MEDIUM ENTERPRISES" AND  
FOR OTHER PURPOSES

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

**SECTION 1.** Section 4 of Republic Act No. 6977, as amended, is hereby further amended inserting a new provision to the last paragraph of this section, to read as follows:

"SEC. 4. *Eligibility for Government Assistance.* - To qualify for assistance, counseling, incentives and promotion under this Act, businesses falling under the above definition must be:

- "a) duly registered with the appropriate agencies as presently provided by law: Provided, That in the case of micro enterprises as defined herein, registration with the office of the municipal or city treasurer shall be deemed sufficient compliance with this requirement;
- "b) one hundred percent (100%) owned, capitalized by Filipino citizens, whether single proprietorship or partnership. If the enterprise is a juridical entity, at least sixty percent (60%) of its capital or outstanding stock must be owned by Filipino citizens;
- "c) a business activity within the major sectors of the economy, namely; industry, trade, services, including the practice of one's profession, the operation of tourism-related establishments, and agri-business, which for purposes of this Act refers to any business activity involving the manufacturing, processing, and/or production of agricultural produce; and

"d) it must not be a branch, subsidiary or division of a large scale enterprise.

"However, this requirement shall not preclude MSMEs from accepting subcontracts and entering into franchise partnership with large enterprises or from joining in cooperative activities with other MSMEs. "Program of the Small Business Corporation (SB Corporation) as provided in subsequent provisions of this Act shall be exclusively delivered and directed to bonafide MSMEs.

"Any MSME, its directors, officers or agents, found to have committed fraud or misrepresentation for the purpose of availing the benefits under this Act shall be immediately disqualified as a beneficiary, without prejudice to any administrative, criminal or civil liability under existing laws.

"Eligible MSMEs shall be entitled to a share of at least ten percent (10%) of total procurement value of goods and services supplied to the Government, its bureaus, offices and agencies annually.

"The Department of Budget and Management shall monitor the compliance of government agencies on the required procurement for MSMEs and submit its report to the MSMED Council on a semestral basis and to the Congress of the Philippines, through its appropriate committees on a yearly basis."

**"PRIVATE MALLS AND SUPERMARKETS SHALL PROVIDE AT LEAST 5% OF THEIR TOTAL SELLING AREA, FREE OF CHARGE, TO QUALIFIED MSMES WHICH WILL BE IDENTIFIED BY THE DEPARTMENT OF TRADE AND INDUSTRY".**

**SECTION 2.** Implementation. - The Department of Trade and Industry shall issue implementing rules and regulations as may be necessary to carry out the purpose of this Act within ninety (90) days from effectivity hereof.

**SECTION 3.** Separability Clause. - The provisions of this Act are hereby declared separable. If any portion thereof shall be held invalid unconstitutional, such invalidity or unconstitutionality shall not affect the other provisions which shall remain in full force and effect.

**SECTION 4.** Repealing Clause. - All laws, executive orders, letters of instructions, rules and regulations, or provisions thereof, which are inconsistent with the provisions of this Act are hereby repealed, amended or modified accordingly.

**SECTION 5.** Effectivity Clause - This Act shall take effect within fifteen (15) days after its complete publication in the Official Gazette or in at least two (2) newspapers of general circulation.