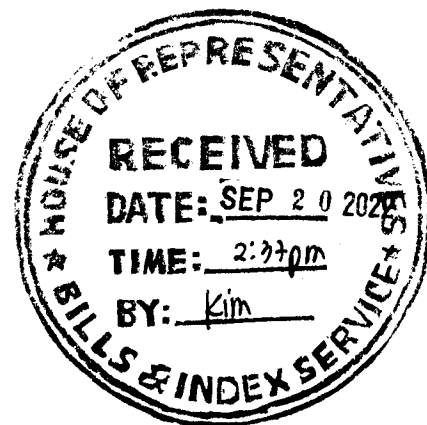


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

NINETEENTH CONGRESS
First Regular Session

House Bill No. 5028



Introduced by Hon. MARVIN C. RILLO
Representative, Fourth District, Quezon City

EXPLANATORY NOTE

It has been emphasized by various statistics and researches that the role of micro, small and medium enterprises (MSMEs) take a significant role as providers of employment and drivers of the country's economic growth. Micro-enterprises are important as they take hold a critical function in the economies of the nation down to the local communities. Microenterprises not only help improve the quality of life for entrepreneurs, but they also add value to the local economy. It offers jobs and create profits that bring outside money into a local economy. The income-generating opportunities they provide often help improve the quality of life for low-income groups. They can boost purchasing power, improve income, and create jobs.

Accordingly, the Philippines through Department of Trade and industry in its study details that the sheer number of micro, small and medium enterprises (MSMEs) immensely impacts as they account for 98% or more of all enterprises in most countries. It is then recorded at present that a total of 957,620 business enterprises operating in the country. Of these, 952,969 (99.51%) are MSMEs and 4,651 (0.49%) are large enterprises. Micro enterprises constitute 88.77% (850,127) of total MSME establishments, followed by small enterprises at 10.25% (98,126) and medium enterprises at 0.49% (4,716).¹

Barangay Micro Business Enterprise (BMBE) A BMBE is defined under the BMBE Law, RA. 9178 Act of 2002 as "any business enterprise engaged in production, processing, or manufacturing of products, including agro-processing, as well as trading and services, with total assets of not more than P3 million. The law explicitly declared the policy of the state to hasten the country's economic development by encouraging the formation and growth of barangay micro business enterprises (BMBEs) which effectively serve as seedbeds of Filipino entrepreneurial talents. The law recognizes this sector's role in economic growth and employment and ensures that establishments registered as BMBEs are provided with certain incentives such, as among others, tax exemptions, exemptions from the Minimum Wage Law, and priority lanes/windows for credit facilities with financial institutions.² Among all the specific incentives and other relevant significant clause on the aforementioned,

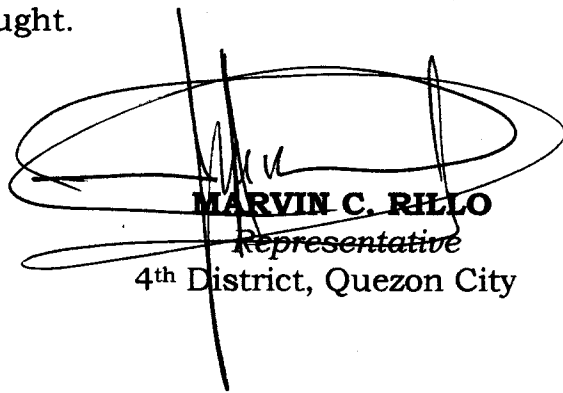
¹ Retrieved from: : <https://www.dti.gov.ph/resources/msme-statistics/> (date last accessed 19 Sep 2022)

² CL registers highest number of barangay enterprises in 2017. Retrieved from: <https://www.dti.gov.ph/regions/region-3/region-3-news/cl-registers-highest-number-of-barangay-enterprises-in-2017/> (date last accessed: September 19, 2022).

a relatively small number of micro businesses are registered as BMBEs. Based on the latest report of the Department of Trade and Industry (DTI) in 2018, there were only 28,531 businesses registered as BMBE since the DTI started accepting applications in January of 2016.

Hence, a revisit of Republic Act No. 9178 is with enormous necessity to ensure that its provisions are still relevant and reflect the present needs of the BMBE industry most especially with the abrupt changes on the economic flow as innovation and digitization brought by pandemic comes into play. Currently, the micro-level entities are still in the path of recovering from the effects of the pandemic and are still enduring further business shocks because of natural calamities, such as typhoons, and global economic events, such as the Russia-Ukraine conflict, unprecedented global inflation and rising fuel prices. Thus, amendments to the law, which aim to provide BMBEs with much needed support, concessions and incentives to register, partnerships to online payment gateway are in order.

On behalf of the people of the Fourth District of Quezon City, the approval of this Bill is earnestly sought.



MARVIN C. RILLO
Representative
4th District, Quezon City

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

NINETEENTH CONGRESS
First Regular Session

House Bill No. 5028

Introduced by **REPRESENTATIVE MARVIN C. RILLO**

“AN ACT PROVIDING FOR SUPPORT FOR THE GROWTH AND DEVELOPMENT OF BARANGAY MICRO BUSINESS ENTERPRISES AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 9178, OTHERWISE KNOWN AS THE BARANGAY MICRO BUSINESS ENTERPRISES ACT OF 2002, AND FOR OTHER PURPOSES”

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

SECTION 1. *Section 2 of Republic Act No. 9178, otherwise known as the “Barangay Micro Business Enterprises Act of 2002” is hereby amended to read as follows:*

“SEC 2. Declaration of Policy. — ~~[It is hereby declared to be the policy of the State to hasten the country’s economic development by encouraging the formation and growth of barangay micro business enterprises which effectively serve as seed beds of Filipino entrepreneurial talents, and integrating those in the informal sector with the mainstream economy, through the rationalization of bureaucratic restrictions, the active intervention of the government specially in the local level, and the granting of incentives and benefits to generate much needed employment and alleviate poverty.]~~

THE STATE RECOGNIZES THAT BARANGAY MICRO BUSINESS ENTERPRISES(BMBEs), WHILE THE SMALLEST TYPE OF ALL ENTERPRISES, IS AMONG THE SIGNIFICANT ESTABLISHMENTS IN THE COUNTRY, AND IS ONE OF THE BIGGEST GENERATORS OF EMPLOYMENT. THUS, IT IS HEREBY DECLARED THE POLICY OF THE STATE TO SUPPORT, STRENGTHEN AND FACILITATE THE GROWTH OF BMBEs TO HELP THIS SECTOR CONTINUE TO FLOURISH AMIDST PUBLIC HEALTH EMERGENCIES, NATURAL CALAMITIES AND GLOBAL ECONOMIC SHOCKS AS WELL AS AID THEM IN INNOVATING AND DIGITIZATION THROUGH THE USE OF ONLINE PAYMENT GATEWAY FACILITIES.”

SEC. 2. *Section 4 of Republic Act No. 9178, is hereby amended to read as follows:*

"Section 4. Registration and Fees. — The Office of the Treasurer of each city or municipality shall register ~~[the BMBE's]~~ and **PROMPTLY** issue a Certificate of Authority, **FREE OF CHARGE, TO ALL BMBES WITHIN ITS JURISDICTION UPON SUBMISSION OF PROOF OF TOTAL ASSETS,** to enable the BMBE to avail of the benefits under this Act. Any such application shall be processed ~~[within fifteen (15)]~~ **NOT LATER THAN FIVE** working days upon submission of complete documents. Otherwise, the BMBEs shall be deemed registered. The Municipal or City Mayor may appoint a BMBE Registration Officer who shall be under the Office of the Treasurer. Local government units (LGUs) are encouraged to establish a One-Stop-Business Registration Center to handle the efficient registration and processing of permits/licenses of BMBEs. Likewise, LGUs shall make a periodic evaluation of the BMBEs' financial status, **AS WELL AS THE NUMBER OF JOBS IT GENERATES,** for monitoring and reporting purposes.

~~[The LGUs shall issue the Certificate of Authority promptly and free of charge. However,]~~ **NOTWITHSTANDING ANYTHING TO THE CONTRARY,** to defray the administrative costs of registering and monitoring the BMBEs, the LGUs may charge a fee not exceeding One Thousand Pesos (P1,000.00).

The Certificate of Authority shall be effective for a period of ~~[two (2)]~~ **THREE (3)** years, renewable for **ANOTHER** period of ~~[two (2)]~~ **THREE (3) YEARS UPON** ~~[years for every renewal.]~~ **COMPLIANCE WITH THE REQUIREMENTS.**

~~[As much as possible,]~~ IN ALL CASES, BMBEs shall be subject to minimal bureaucratic requirements and reasonable fees and charges."

SEC. 3. *Section 5 of Republic Act No. 9178, is hereby amended to read as follows:*

"Section 5. Who are Eligible to Register. — Any person, natural or juridical, or cooperative, or association, having the qualifications as defined in Section 3(a) hereof may apply for registration as BMBE. **EACH LGU SHALL MAINTAIN AND CONTINUOUSLY UPDATE A DATABASE CONTAINING ALL REGISTERED BMBEs UNDER ITS JURISDICTION.**"

SEC. 4. *Section 7 of Republic Act No. 9178 is hereby amended to read as follows:*

"Section 7. Exemption from Taxes and Fees. — All BMBEs shall be exempt from tax for income arising from the operations of the enterprise.

~~{The LGUs are encouraged either to reduce the amount of local taxes, fees and charges imposed or to exempt BMBEs from local taxes, fees and charges.}~~

FIRST TIME BMBE REGISTRANTS SHALL, IN ADDITION, BE EXEMPT FROM LOCAL TAXES, FEES AND CHARGES FOR THE FIRST THREE (3) YEARS OF OPERATION SUBJECT TO SEMI-ANNUAL SUBMISSION OF PROOF OF EMPLOYMENT GENERATED IN THE LOCALITY”

SEC. 5. *Section 9 of Republic Act No. 9178 is hereby amended to read as follows:*

“Section 9. Credit Delivery — Upon the approval of this Act, the Land Bank of the Philippines (LBP), the Development Bank of the Philippines (DBP), the ~~[Small Business Guarantee and Finance Corporation (SBGFC)]~~ **SMALL BUSINESS CORPORATION (SB CORPORATION)**, and the People's Credit and Finance Corporation (PCFC) shall set up a special credit window that will service the financing needs of BMBEs registered under this Act consistent with the Bangko Sentral ng Pilipinas (BSP) policies; rules and regulations. The Government Service Insurance System (GSIS) and Social Security System (SSS) shall likewise set up a special credit window that will serve the financing needs of their respective members who wish to establish a BMBE. The concerned financial institutions (Fls) encouraged to wholesale the funds to accredited private financial institutions including community-based organizations such as credit, cooperatives, non-government organizations (NGOs) and people's organizations, which will in turn, directly provide credit support to BMBEs.

All loans from whatever sources granted to BMBEs under this Act shall be considered as part of ~~[alternative]~~ **THE OTHER MODES OF** compliance to ~~[Presidential Decree No. 717, otherwise known as the Agri-Agra Law,]~~ **REPUBLIC ACT NO. 11901, OTHERWISE KNOWN AS THE AGRICULTURE, FISHERIES, AND RURAL DEVELOPMENT FINANCING ACT OF 2022, AND SUCH OTHER APPLICABLE LAW PROVIDING A LIMIT FOR LOANS GRANTED TO MICRO, SMALL AND MEDIUM ENTERPRISES (MSMES)** ~~[, or to Republic Act No. 6977, known as the Magna Carta for Small and Medium Enterprises, as amended].~~ For purposes of compliance with ~~[Presidential Decree No. 717 and Republic Act No. 6977, as amended,]~~ **THE FOREGOING LAWS**, loans granted to BMBEs under this Act shall be computed at ~~[twice]~~ **TWO AND A HALF TIMES (2.5)** the amount of the face value of the loans.

To minimize the risks in lending to the BMBEs, ~~[SBGFC and the Quedan and Rural Credit Guarantee Corporation (QUEDANCOR)]~~ **THE PHILIPPINE GUARANTEE CORPORATION (PHILGUARANTEE)** ~~under the Department of Agriculture, in case of agribusiness activities,~~ shall set up a special guarantee window to provide the necessary credit guarantee to BMBEs under their respective guarantee programs.

The LBP, DBP, PCFC, [SBGFC] SB CORPORATION, PHILGUARANTEE, SSS, AND GSIS [~~and QUEDANCOR~~] shall annually report to the appropriate Committee of both Houses of Congress on the status of the implementation of this provision.

The BSP shall formulate the rules for the implementation of this provision and shall likewise establish incentive programs to encourage and improve credit delivery to the BMBEs.

TO FACILITATE THE GROWTH AND RECOVERY OF BMBEs, A BMBE REGISTERED UNDER THIS ACT SHALL BE ENTITLED TO INTEREST-FREE LOANS FROM THE CREDIT WINDOW OF THE LBP, DBP, SMALL BUSINESS CORPORATION AND PCFC; PROVIDED, THAT THE LOAN AMOUNT SHALL (I) NOT EXCEED ONE MILLION PESOS (P1,000,000.00), (II) NOT REQUIRE A COLLATERAL, AND (III) BE PAYABLE UP TO THREE (3) YEARS; PROVIDED, FURTHER, THAT IN THE EVENT THAT SUCH LOAN IS GRANTED TO ACCREDITED PRIVATE FINANCIAL INSTITUTIONS, INCLUDING COMMUNITY BASED ORGANIZATIONS SUCH AS COOPERATIVES, NGOS AND PEOPLE'S ORGANIZATIONS ENGAGED IN GRANTING CREDIT, THAT IN TURN RELEND SUCH AMOUNT TO BMBEs, ONLY THE LOAN GRANTED TO THE BMBE SHALL BE INTEREST-FREE AND ANY SUCH INTEREST FOREGONE BY THE PRIVATE FINANCIAL INSTITUTION SHALL BE DEDUCTED FROM THE INTEREST DUE ON ITS LOAN PROVIDED BY THE CONCERNED GOVERNMENT FINANCIAL INSTITUTION; PROVIDED, FINALLY, THAT IN ORDER TO PROPERLY IMPLEMENT THE PROVISION OF THIS SECTION, AN AMOUNT OF FIVE HUNDRED MILLION PESOS (P500,000,000) SHALL BE APPROPRIATED TO ANSWER FOR THE INTEREST SUBSIDY PROVIDED UNDER THIS ACT."

SEC. 6. *Section 10 of Republic Act No. 9178 is hereby amended to read as follows:*

"Section 10. Technology Transfer, Production and Management Training, and marketing Assistance – A BMBE Development Fund shall be set up with an endowment of Three Hundred Million pesos (P300,000,000.00) from the Philippine Amusement and Gaming Corporation (PAGCOR) and shall be administered by the SMED Council.

The Department of Trade and Industry (DTI), the Department of Science and Technology (DOST), the university of the Philippines Institute for Small Scale Industries (UP ISSI), Cooperative Development Authority (CDA), Technical Education and Skills Development Authority (TESDA), and Technology and Livelihood Resource Center (TLRC) may avail of the said Fund for technology transfer, production and management training and marketing assistance to BMBEs.

The DTI, in coordination with the private sector and non-government organization (NGOs), shall explore the possibilities of linking or matching-up BMBEs with small, medium and large enterprises and likewise establish incentives therefor. THE DTI, IN

COORDINATION WITH THE DEPARTMENT OF INTERIOR AND LOCAL GOVERNMENT (DILG), SHALL ENACT PROGRAMS THAT PROVIDE BMBEs WITH MARKETING ASSISTANCE, SUCH AS, BUT NOT LIMITED, TO BUSINESS MATCHING ACTIVITIES, TRADE FAIRS, OVERSEAS MARKETING PROMOTIONS, AND BUSINESS DEVELOPMENT ACTIVITIES, INCLUDING ENTREPRENEURSHIP AND SKILLS DEVELOPMENT, AND OTHER RELATED ACTIVITIES.

THE DEPARTMENT OF SCIENCE AND TECHNOLOGY (DOST), IN COORDINATION WITH THE DILG AND OTHER RELEVANT GOVERNMENT AGENCIES, SHALL ALSO IMPLEMENT PROGRAMS GEARED TOWARDS PROVIDING BMBEs WITH APPROPRIATE TECHNOLOGY INTERVENTIONS WHICH CAN HELP IMPROVE THEIR PRODUCTION PROCESSES, ACCOUNTING SYSTEMS, AND OTHER AREAS OF BUSINESS OPERATIONS.

The DTI, in behalf of the DOST, UP ISSI, CDA, TESDA and TLRC shall be required to furnish the appropriate Committees of both Houses of Congress a yearly report on the development and accomplishments of their projects and programs in relation to technology transfer, production and management training and marketing assistance extended to BMBEs."

SEC. 7. A new *Section 10-A* is hereby inserted to read as follows:

"SEC. 10-A. BMBE EDUCATION AND TRAINING. - THE DTI, IN COORDINATION WITH THE DEPARTMENT OF EDUCATION (DEPED), TECHNICAL EDUCATION AND SKILLS DEVELOPMENT AUTHORITY (TESDA), AND COMMISSION ON HIGHER EDUCATION (CHED), SHALL PROVIDE FREE TRAININGS, COURSES, AND OTHER DEVELOPMENT PROGRAMS FOR OWNERS AND EMPLOYEES OF REGISTERED BMBEs TO IMPROVE THEIR BUSINESS PRACTICES AND TO ENABLE THEM TO INNOVATE IN LIGHT OF RAPID TECHNOLOGICAL CHANGES."

SEC. 8. Appropriations. - In addition to the amount provided under Section 5 of this Act, amending Section 9 of the Barangay Micro Business Enterprises Act of 2002, the sums necessary for the implementation of this Act shall be charged against the responsible agency's current appropriations. Thereafter, such sums as necessary for the continued implementation of this Act shall be included in the annual General Appropriations Act.

SEC. 9. Implementing Rules and Regulations. - Within sixty (60) days from the effectivity of this Act, the DILG and DTI, upon consultation with appropriate government agencies and other stakeholders, shall promulgate the necessary rules and regulations to effectively implement this Act.

SEC. 10. Separability Clause. - If, for any reason, any part, section or provision of this Act is held invalid or unconstitutional, the remaining provisions not affected thereby shall continue to be in full force and effect.

SEC. 11. *Repealing Clause.* - All laws, presidential decrees, executive orders, rules and regulations, or parts thereof which are inconsistent with the provisions of this Act are hereby repealed, amended, or modified accordingly.

SEC. 12. *Effectivity.* - This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved.



MARVIN C. RILLO
Representative
4th District, Quezon City