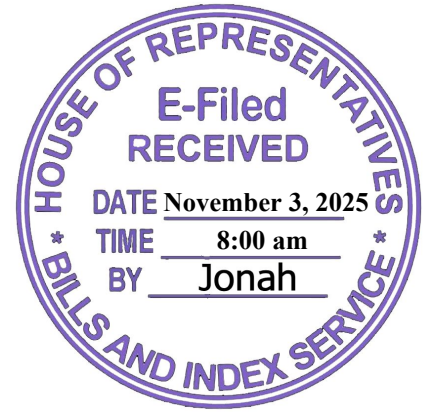




Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
First Regular Session



House Bill No. 5727

Introduced by CIBAC Party-List Representative
EDUARDO "BRO. EDDIE" C. VILLANUEVA

EXPLANATORY NOTE

Micro, Small, and Medium Enterprises (MSMEs) are crucial to the Philippine economy, representing 99.63% of all registered businesses and contributing to 66.97% of total employment in the Philippines as of 2023. Of the overall contribution to employment, micro enterprises accounted for the largest part (33.95%), closely succeeded by small enterprises (26.26%), whereas medium enterprises trailed with (6.77%).¹

MSMEs are important drivers of economic growth, employment generation, regional progress, and innovation. However, in spite of their economic importance, MSMEs continue to be one of the most susceptible sectors during times of crisis and systemic upheaval. The COVID-19 pandemic revealed and intensified these weaknesses. A February 2021 study by the Asian Development Bank Institute indicated that 61.7% of micro, 49.1% of small, and 35.8% of medium enterprises faced negligible to no revenues, resulting in temporary closures.² At the same time, significant workforce reductions took place across all MSME categories, where 68% of micro, 59.5% of small, and 78.6% of medium businesses reduced personnel.

Post-pandemic recovery efforts have been further hampered by successive natural calamities and international economic disruptions. These events, coupled with inflationary pressures and rising fuel and commodity prices, have imposed substantial operational costs on MSMEs, thereby threatening their viability and impeding job preservation.

In response to these challenges, this bill proposes a comprehensive legislative framework aimed at stimulating the recovery, growth, and long-term development of the MSME sector. The measure seeks to provide interest-free financial assistance and

¹ Department of Trade and Industry. 2023 Philippine MSME Statistics. Available at <https://www.dti.gov.ph/resources/msme-statistics/> (Accessed on 7 July 2025).

² Asian Development Bank. Covid-19 Impact On Micro, Small, and Medium-Sized Enterprises under the Lockdown: Evidence from a Rapid Survey in the Philippines. Available at <https://www.adb.org/sites/default/files/publication/677321/adbi-wpl216.pdf> (Accessed on 7 July 2025).

wage subsidies to enable MSMEs to sustain operations, retain employees, and reestablish financial stability. It also provides for the creation of a Contingent Assistance Fund designed to support MSMEs in times of national emergencies, natural disasters, public health crises, and other unforeseen events that pose a risk to business continuity.

This measure is anchored on the State policy to promote a self-reliant and independent national economy effectively controlled by Filipinos, as enshrined in Section 19, Article II of the 1987 Constitution. It likewise affirms the legislative intent to prioritize MSMEs as a strategic sector in national development planning and economic resilience.

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


EDUARDO "BRO. EDDIE" C. VILLANUEVA



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 5727

Introduced by CIBAC Party-List Representative
EDUARDO “BRO. EDDIE” C. VILLANUEVA

AN ACT
STIMULATING THE RECOVERY, GROWTH, AND DEVELOPMENT OF THE
MICRO, SMALL AND MEDIUM ENTERPRISES FOR JOB GENERATION AND
PRESERVATION, APPROPRIATING FUNDS THEREFOR AND FOR OTHER
PURPOSES

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

1 **SECTION 1. Short Title.** - This Act shall be known as the "MSME Stimulus Act"

2
3 **SEC. 2. Declaration of Policy.** - The State recognizes that micro, small and
4 medium enterprises (MSMEs) comprise the most significant number of establishments
5 in the Philippines and are one of the biggest generators of employment in the country.
6 Thus, it is hereby declared the policy of the State to support, strengthen, and facilitate
7 the growth of MSMEs for job generation and long-term development, and help
8 preserve and sustain their operations in times of national emergencies, natural
9 disasters, public health crises, and other unforeseen events that pose a risk to
10 business continuity.

11
12 **SEC. 3. Coverage.** – This Act shall cover all MSMEs in the country affected by
13 disasters, public health emergencies, war, armed conflict, economic crises, and other
14 related contingencies, such as technological or policy-related disruptions and
15 analogous causes.

16
17 **SEC 4. MSME Growth Stimulus Program.** – An MSME Growth Stimulus
18 Program is hereby established to extend assistance, strengthen, and facilitate the
19 growth and development of MSMEs for regional job generation and preservation.

20
21 **SEC 5. Modes of Assistance.** - The MSME Growth Stimulus Program shall
22 have the following components, without prejudice to expansion or creation of other
23 modes of assistance:
24
25

- 1 a) **Interest Free Loans.** The Land Bank of the Philippines (LBP) and the
2 Development Bank of the Philippines (DBP) shall provide an interest-free loan
3 program to qualified MSMEs to support growth assistance, regional job creation
4 and continued business operations (MSME Growth Assistance Program).

5
6 The MSME Growth Assistance Program shall be subject to the following
7 conditions and such other requirements as may be imposed by the Department
8 of Finance (DOF) and the Bangko Sentral ng Pilipinas.

- 9 1) The maximum loanable amount shall be equivalent to one hundred fifty
10 percent (150%) of the MSME's labor and overhead costs for six (6)
11 months;
12 2) The loan shall be payable within three (3) years; and
13 3) No collateral shall be required as security for the loan, except if the
14 amount of the loan exceeds Three Million Pesos (P3,000,000.00).

- 15
16 b) **Wage Subsidy.** The DOF, through the Social Security System (SSS), shall
17 provide a wage subsidy to cover all or a portion of the wages of the employees
18 of qualified MSMEs (MSME Wage Assistance Program). The wage subsidy
19 shall be subject to the following conditions and such other requirements as may
20 be imposed by DOF and SSS, in coordination with the Department of Labor
21 and Employment (DOLE):

- 22 1) The wage subsidy shall be based on the regional minimum wage per
23 month, but not to exceed Eight Thousand Pesos (P8,000.00) per
24 employee;
25 2) The Wage shall only cover rank-and-file employees of qualified MSMEs;
26 and
27 3) The term of the subsidy shall be for a maximum period of three (3)
28 months.

29
30 **SEC 6. Eligibility Requirements for MSME Growth Stimulus Program.** - To
31 be eligible to avail of the benefits under the MSME Growth Stimulus Program, MSMEs
32 must be:

- 33 a) Duly-registered with the Bureau of Internal Revenue, and no tax-related cases
34 7 or proceedings are pending against it. For this purpose, a Certificate of Good
35 Standing or such other appropriate proof shall be presented;
36 b) Duly registered with, and compliant with all its obligations under all government
37 social security programs, including, but not limited, to the SSS, Home
38 Development Mutual Fund, and Philippine Health Insurance Corporation;
39 c) Have no pending labor cases; and
40 d) As a condition for the availment of the benefits of this Act, must commit to 15
41 maintain its personnel from the time of availment of the benefits under this Act
42 up to twelve (12) months thereafter. During the same period, it shall further
43 commit to refrain from terminating its employees due to authorized causes as
44 provided under Article 283 of the Labor Code of the Philippines, unless in
45 exceptional and meritorious cases as determined by the Secretary of Labor
46 and Employment.

47
48 Non-compliance with the foregoing conditions shall render any loan obtained
49 under the MSME Growth Stimulus Program to be immediately payable with
50 corresponding legal interest. In the case of wage subsidy, the non-compliant MSME

1 shall immediately refund all benefits received under the Program, with the
2 corresponding legal interest.

3
4 **SEC 7. Contingency Fund for MSMEs' Growth Stimulus Program.** - There
5 is hereby established as a special account with the National Treasury, a contingency
6 fund called the MSME Stimulus Contingency Fund for selective implementation in
7 priority job-generating industries' sectors such as agri-food and fishing or areas
8 affected by disasters, public health emergencies, armed conflict, and other related
9 contingencies, such as technological or policy-related disruptions and analogous
10 causes.

11
12 **SEC 8. Appropriations.** – An amount of One Hundred Billion Pesos
13 (P100,000,000,000.00) shall be appropriated for the initial implementation of this Act,
14 to be divided as follows:

- 15 a) Forty Billion Pesos (P40,000,000,000) for the MSME Growth Assistance Program,
16 which shall be lodged under the budget of the Department of Trade and Industry
17 (DTI);
18 b) Forty Billion Pesos (P40,000,000,000.00) for the MSME Wage Assistance
19 Program, which shall be lodged under the budget of DOF; and
20 c) Twenty Billion Pesos (P20,000,000,000.00) for the MSME Stimulus Contingency
21 Fund, which shall be lodged under the budget of DOF.

22
23 Thereafter, an amount of not less than Twenty Billion Pesos
24 (P20,000,000,000.00) shall be appropriated annually for the implementation of this
25 Act, and augmented by available funds from unprogrammed funds and savings
26 realized by any government agency or instrumentality under the Executive
27 Department.

28
29 **SEC 9. Implementing Rules and Regulations.** – The DOF, DTI, and DOLE,
30 upon consultation with appropriate government agencies and other stakeholders, shall
31 promulgate the necessary rules and regulations to implement this Act within sixty (60)
32 days from its effectivity.

33
34 **SEC 10. Separability Clause.** - If any portion or provision of this Act is
35 declared unconstitutional, the remainder hereof or any provisions not affected thereby
36 shall remain in force and effect.

37
38 **SEC 11. Repealing Clause.** – Any law, presidential decree or issuance,
39 executive order, letter of instruction, rule, or regulation inconsistent with the provisions
40 of this Act is hereby repealed or modified accordingly.

41
42 **SEC 12. Effectivity.** – This Act shall take effect fifteen (15) days after its
43 complete publication in the Official Gazette or in a newspaper of general circulation.

44
45 *Approved,*