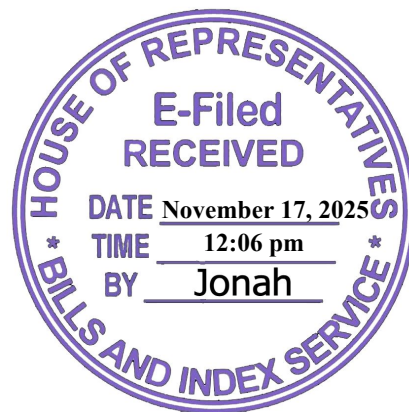




Republic of the Philippines
HOUSE OF REPRESENTATIVES
Constitution Hills, Quezon City

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 6020



Introduced by
REPRESENTATIVE MUNIR N. ARBISON, JR.

**AN ACT TO MODERNIZE THE DEVELOPMENT OF MSMES BY
AMENDING REPUBLIC ACT. NO. 6977, OTHERWISE KNOWN AS
THE MAGNA CARTA FOR SMALL ENTERPRISES, AS AMENDED BY
REPUBLIC ACT NO. 9501, OTHERWISE KNOWN AS THE MAGNA
CARTA FOR MICRO, SMALL AND MEDIUM ENTERPRISES**

EXPLANATORY NOTE

This measure seeks to modernize the existing Magna Carta for Micro, Small, and Medium Enterprises (MSMEs), which are recognized as the backbone of the Philippine economy, comprising 99.5% of all businesses and generating over 60% of jobs. Recognizing that these enterprises face persistent barriers in financing, technology, and market access, the bill proposes critical reforms to align the law with the current economic landscape and the Philippine MSME Development Plan 2023-2028.

A key reform is the adoption of a harmonized MSME classification system that utilizes employment size and annual sales turnover as objective criteria, removing asset size as a determinant to ensure consistency across government agencies and programs, alongside establishing a National MSME Information System for targeted policy. Additionally, the bill mandates Accelerated Digital Transformation by institutionalizing a national digital skills program and creating a Digital Transformation Fund to help MSMEs overcome cost barriers to technology adoption; it promotes Improved Access to Finance by strengthening the Small Business Corporation's mandate to administer innovative and non-traditional financing models, such as those based on movable assets; and it ensures Greater Participation in Government Procurement by setting aside a meaningful portion of government contracts exclusively for MSMEs,

coupled with prompt payment provisions to provide a reliable domestic market.

These necessary reforms are designed to empower MSMEs, who are the country's job creators, to thrive in the digital and competitive economy.

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



MUNIR N. ARBISON, JR.



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

SECTION 1. *Short Title.* - This Act shall be known as the "*MSME Development Modernization Act of 2025.*"

SEC. 2. Section 3 of Republic Act No. 6977, as amended by Republic Act No. 8289 and further amended by Republic Act No. 9501, is hereby further amended to read as follows:

"SEC. 3. Micro, Small and Medium Enterprises (MSMEs) as Beneficiaries. — For the purposes of this Act, "Micro, Small, and Medium Enterprises" (MSMEs) shall be defined as any business activity or enterprise engaged in industry, agribusiness, and/or services, whether a single proprietorship, cooperative, partnership, or corporation [whose total assets, inclusive of those arising from loans but exclusive of the land on which the particular business entity's office, plant and equipment are situated, must have value falling under the following categories:] **THAT SATISFIES THE FOLLOWING TWO CRITERIA:**

(1) EMPLOYMENT SIZE, AND (2) ANNUAL SALES TURNOVER, BASED ON THE FOLLOWING THRESHOLDS:

CATEGORY	EMPLOYMENT SIZE	ANNUAL SALES TURNOVER
MICRO	NOT MORE THAN 9 EMPLOYEES	NOT MORE THAN PHP 8,000,000
SMALL	10 TO 49 EMPLOYEES	MORE THAN PHP 8,000,000 UP TO PHP 40,000,000
MEDIUM	50 TO 199 EMPLOYEES	MORE THAN PHP 40,000,000 UP TO PHP 250,000,000

AN ENTERPRISE SHALL BE CLASSIFIED IN THE HIGHEST CATEGORY FOR WHICH IT SATISFIES BOTH CRITERIA AS PROVIDED ABOVE.

PROVIDED, THAT IN CASES WHERE AN ENTERPRISE SATISFIES ONLY ONE OF THE REQUIRED CRITERIA IN TWO OR MORE ADJACENT CATEGORIES, IT SHALL BE CLASSIFIED UNDER THE HIGHER APPLICABLE CATEGORY. THE MICRO, SMALL AND MEDIUM ENTERPRISE DEVELOPMENT (MSMED) COUNCIL SHALL ISSUE THE APPROPRIATE GUIDELINES UNDER THE IMPLEMENTING RULES AND REGULATIONS TO ADDRESS SUCH INSTANCES AND ENSURE THE CONSISTENT AND EQUITABLE APPLICATION OF THIS CLASSIFICATION SYSTEM, IN ACCORDANCE WITH THE INTENT OF THIS ACT.

PROVIDED FURTHER, THAT The above ~~[definitions]~~ CLASSIFICATION shall be subject to PERIODIC review and adjustments by the Micro, Small and Medium Enterprises Development (MSMED) Council under Section 6 of this Act, AT LEAST ONCE EVERY FIVE (5) YEARS, OR AS MAY BE WARRANTED, ~~[or upon recommendation of sectoral organizations concerned]~~ taking into account inflation, ~~[and other]~~ economic ~~[indicators]~~ CONDITIONS, AND THE RECOMMENDATIONS OF SECTORAL ORGANIZATIONS

CONCERNED. THESE ADJUSTMENTS SHALL ENSURE THE CONTINUED RELEVANCE AND RESPONSIVENESS OF THE CLASSIFICATION SYSTEM. ~~[The Council may use other variables such as number of employees, equity capital and assets size.]~~

PROVIDED FINALLY, THAT THIS CLASSIFICATION SYSTEM SHALL SERVE AS THE SOLE BASIS FOR DETERMINING MSME STATUS FOR ALL GOVERNMENT AGENCIES AND INSTRUMENTALITIES FOR PURPOSES OF GRANTING INCENTIVES, DELIVERING ASSISTANCE AND SUPPORT PROGRAMS, AND DATA COLLECTION AND REPORTING.

The Council shall ensure that notwithstanding the plans and programs set for MSMEs as a whole, there shall be set and implemented other plans and programs varied and distinct from each other, according to the specific needs of each sector, encouraging MSMEs to graduate from one category to the next or even higher category."

SEC. 3. A new section, to be designated as Section 3-A, is hereby inserted after Section 3 of the same Act, as amended, to read as follows:

"SEC. 3-A. NATIONAL MSME INFORMATION SYSTEM." - THERE IS HEREBY ESTABLISHED A NATIONAL MSME INFORMATION SYSTEM, WHICH SHALL BE A CENTRALIZED DIGITAL DATABASE OF ALL REGISTERED MSMES IN THE COUNTRY. THE DTI, THROUGH THE BUREAU OF SMALL AND MEDIUM ENTERPRISE DEVELOPMENT (BSMED), SHALL LEAD ITS ESTABLISHMENT AND MAINTENANCE. ALL NATIONAL GOVERNMENT AGENCIES AND LOCAL GOVERNMENT UNITS (LGUS) ARE HEREBY MANDATED TO INTEGRATE THEIR EXISTING MSME DATABASES INTO THIS NATIONAL SYSTEM. THE PSA SHALL PROVIDE TECHNICAL ASSISTANCE TO ENSURE DATA INTEGRITY AND STATISTICAL VALIDITY. ANONYMIZED AND AGGREGATED DATA FROM THIS SYSTEM SHALL BE MADE PUBLICLY AVAILABLE TO SUPPORT POLICY RESEARCH AND MARKET ANALYSIS."

SEC. 4. Section 11-B of the same Act, as amended, is hereby further amended to read as follows:

"SEC. 11-B. Corporate Structure and Powers. - The SB Corporation shall:

xxx

For this purpose, the SB Corporation subject to compliance with the rules and regulations to be issued by the Bangko Sentral ng Pilipinas (BSP) and the Securities and Exchange Commission, shall have the following functions and duties:

xxx

"(H) DEVELOP AND ADMINISTER INNOVATIVE FINANCING PROGRAMS THAT GO BEYOND TRADITIONAL DEBT-BASED LENDING. THIS SHALL INCLUDE THE OPERATIONALIZATION OF RISK-BASED LENDING METHODOLOGIES, SUPPORT FOR MOVABLE ASSET-BASED LENDING IN LINE WITH THE FULL IMPLEMENTATION OF THE PERSONAL PROPERTY SECURITY ACT (REPUBLIC ACT NO. 11057), AND THE CREATION OF FINANCING WINDOWS FOR MSMES ADOPTING GREEN AND SUSTAINABLE TECHNOLOGIES.

"(I) BROADEN ITS CREDIT GUARANTEE FACILITIES TO ENCOURAGE PRIVATE FINANCIAL INSTITUTIONS TO LEND TO START-UPS, EARLY-STAGE ENTERPRISES, AND MSMES IN HIGH-RISK BUT HIGH-POTENTIAL SECTORS."

SEC. 5. A new section, to be designated as Section 16, is hereby inserted after Section 15 of the same Act, as amended, with the succeeding sections renumbered accordingly:

"SEC. 16. MANDATORY MSME PARTICIPATION IN GOVERNMENT PROCUREMENT. - TO OPTIMIZE THE DOMESTIC MARKET AND SUPPORT LOCAL ENTERPRISES, ALL PROCURING ENTITIES OF THE NATIONAL GOVERNMENT, ITS DEPARTMENTS, BUREAUS, OFFICES, AND AGENCIES, INCLUDING STATE UNIVERSITIES AND COLLEGES (SUCS), GOVERNMENT-OWNED

AND/OR CONTROLLED CORPORATIONS (GOCCS), AND LOCAL GOVERNMENT UNITS (LGUS), SHALL ENSURE THE PARTICIPATION OF LOCAL MSMES IN GOVERNMENT PROCUREMENT.

(A) MANDATORY SET-ASIDE. - ALL PROCURING ENTITIES SHALL SET ASIDE AT LEAST TWENTY PERCENT (20%) OF THEIR TOTAL PROCUREMENT VALUE FOR GOODS AND SERVICES FOR THE YEAR TO BE EXCLUSIVELY SOURCED FROM LOCAL MSMES. THE GOVERNMENT PROCUREMENT POLICY BOARD (GPPB) SHALL, WITHIN SIX (6) MONTHS FROM THE EFFECTIVITY OF THIS ACT, ISSUE THE NECESSARY RULES AND REGULATIONS TO IMPLEMENT THIS PROVISION.

(B) SIMPLIFIED BIDDING PROCESS. - THE GPPB SHALL CREATE A SIMPLIFIED BIDDING PROCESS WITH REDUCED DOCUMENTARY REQUIREMENTS FOR PROCUREMENT PROJECTS BELOW A THRESHOLD TO BE DETERMINED BY THE BOARD, WHICH ARE RESERVED FOR MSMES.

(C) PROMPT PAYMENT. - ALL PROCURING ENTITIES SHALL PAY THEIR MSME SUPPLIERS FOR DELIVERED GOODS AND RENDERED SERVICES WITHIN A MAXIMUM PERIOD OF THIRTY (30) CALENDAR DAYS FROM THE SUBMISSION OF COMPLETE DOCUMENTS. ANY UNJUSTIFIABLE DELAY IN PAYMENT SHALL BE SUBJECT TO PENALTIES AS PRESCRIBED BY THE GPPB."

SEC. 6. A new section, to be designated as Section 17, is hereby inserted with the succeeding sections renumbered accordingly:

"SEC. 17. MSME DIGITAL TRANSFORMATION AND CONNECTIVITY. - THE STATE RECOGNIZES THE CRITICAL ROLE OF DIGITALIZATION IN ENHANCING MSME COMPETITIVENESS. TO THIS END, THE FOLLOWING SHALL BE PURSUED:

(A) NATIONAL DIGITAL SKILLS PROGRAM FOR MSMES - THE DEPARTMENT OF INFORMATION AND COMMUNICATIONS TECHNOLOGY (DICT), IN COORDINATION WITH THE DTI AND THE TECHNICAL EDUCATION AND SKILLS DEVELOPMENT AUTHORITY (TESDA), SHALL ESTABLISH AND IMPLEMENT A CONTINUOUS NATIONAL DIGITAL SKILLS PROGRAM. THIS PROGRAM SHALL PROVIDE ACCESSIBLE AND AFFORDABLE

TRAINING FOR MSME OWNERS AND THEIR EMPLOYEES ON CRITICAL DIGITAL COMPETENCIES, INCLUDING E-COMMERCE, DIGITAL MARKETING, CYBERSECURITY, AND THE USE OF BUSINESS PRODUCTIVITY TOOLS.

(B) DIGITAL ADOPTION FUND. - THERE IS HEREBY CREATED AN MSME DIGITAL ADOPTION FUND, TO BE ADMINISTERED BY THE SMALL BUSINESS CORPORATION, WHICH SHALL PROVIDE GRANTS AND SOFT LOANS FOR MSMES TO ACQUIRE OR SUBSCRIBE TO ESSENTIAL DIGITAL SOLUTIONS, INCLUDING BUT NOT LIMITED TO ENTERPRISE RESOURCE PLANNING (ERP) SYSTEMS, CUSTOMER RELATIONSHIP MANAGEMENT (CRM) SOFTWARE, AND OTHER PRODUCTIVITY-ENHANCING TECHNOLOGIES.

(C) CONNECTIVITY FOR UNDERSERVED AREAS. - THE DICT, IN PARTNERSHIP WITH THE PRIVATE SECTOR, SHALL PRIORITIZE THE ESTABLISHMENT OF AFFORDABLE AND RELIABLE HIGH-SPEED INTERNET CONNECTIVITY, INCLUDING SATELLITE AND OTHER ALTERNATIVE TECHNOLOGIES, IN RURAL AND GEOGRAPHICALLY ISOLATED AREAS TO ENSURE THAT ALL MSMES CAN PARTICIPATE IN THE DIGITAL ECONOMY."

SEC. 7. *Implementing Rules and Regulations.* - Within ninety (90) days from the effectivity of this Act, the Department of Trade and Industry, in consultation with the MSMED Council and other relevant stakeholders, shall promulgate the necessary rules and regulations for the effective implementation of this Act.

SEC. 8. *Separability Clause.* - If any provision of this Act is declared unconstitutional or invalid, the other provisions not affected thereby shall remain in full force and effect.

SEC. 9. *Repealing Clause.* - All laws, decrees, executive orders, rules and regulations, and other issuances inconsistent with this Act are hereby repealed or modified accordingly.

SEC. 10. *Effectivity.* - This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,