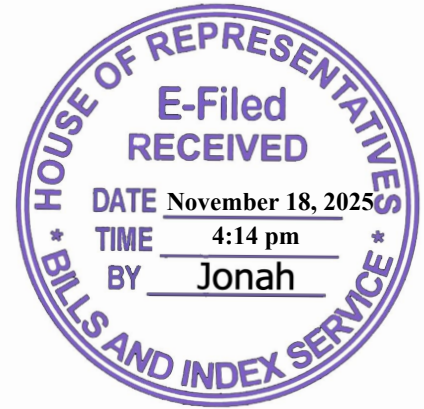


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

20th CONGRESS
First Regular Session

HOUSE BILL NO. 6152



Introduced by **REP. JUAN CARLOS "ARJO" C. ATAYDE**

AN ACT

FURTHER PROMOTING ENTREPRENEURSHIP BY STRENGTHENING, EMPOWERING, AND ENHANCING THE FINANCING AND OTHER SUPPORT PROGRAMS FOR MICRO, SMALL AND MEDIUM ENTERPRISES, AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 6977, AS AMENDED, OTHERWISE KNOWN AS THE "MAGNA CARTA FOR MICRO, SMALL AND MEDIUM ENTERPRISES (MSMES)"

EXPLANATORY NOTE

Micro, small, and medium enterprises (MSMEs) are the backbone of the Philippine economy. They represent the vast majority of business establishments in the country and are vital to national development. We recognize their pivotal role in advancing inclusive economic growth, generating employment, and fostering regional development.

According to the Congressional Policy and Budget Research Department (CPBRD), MSMEs account for approximately 99.58 percent of all business establishments in the Philippines.¹ They contribute significantly to employment and overall economic value added. Data from the Philippine Statistics Authority (PSA) show that MSMEs generated around 62.4 percent of total employment and contributed about 36 percent of gross value added.²

¹ <https://cpbrd.congress.gov.ph/wp-content/uploads/2024/10/FF2024-32-MSMe.pdf>

² https://serp-p.pids.gov.ph/feature/public/index-view?featuredtype_id=1&slug=micro-small-and-medium-enterprises

Because MSMEs are deeply embedded in local communities, their growth supports livelihoods across both urban and rural areas, and promotes more equitable development.

Despite their vital role, MSMEs continue to face multiple barriers that limit their growth potential. Access to finance remains weak, as many MSMEs struggle to secure affordable credit due to limited collateral and financial track record.

This proposed legislation seeks to strengthen the institutional framework for MSME development by enhancing support for digitalization, capacity building, access to credit, and integration into domestic and global value chains.

As our country pursues higher and more inclusive growth, strengthening MSMEs is not optional; it is imperative. This proposed measure provides the legislative foundation needed to empower MSMEs, ensure their sustainability, and harness their full potential for national development.

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


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AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 6977, AS AMENDED,
OTHERWISE KNOWN AS THE "MAGNA CARTA FOR MICRO, SMALL AND
MEDIUM ENTERPRISES (MSMES)"**

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

3 **SECTION 1.** Section 2 of Republic Act No. 6977, as amended, is hereby further
4 amended to read as follows:

5 "SEC. 2. Declaration of Policy. - Recognizing that MSMEs have the
6 potential [for] TO GENERATE more employment [generation] and SPUR
7 economic growth AND RECOVERY and therefore can help provide a self-
8 sufficient industrial foundation for the country, it is hereby declared the policy
9 of the State to promote, support, strengthen and encourage the growth and
10 development of MSMEs in all productive sectors of the economy particularly
11 rural/agri-based, MANUFACTURING, FINANCE, AND SERVICES
12 enterprises. To this end, the State shall recognize the specific needs of the
13 MSMEs and shall undertake to promote entrepreneurship, support
14 entrepreneurs, encourage the establishment of MSMEs and ensure their
15 continuing viability and growth and thereby attain countryside
16 industrialization by:

1 "x x x."

2 SEC. 2. Section 3 of the same Act, as amended, is hereby further amended to
3 read as follows:

4 "SEC. 3. Micro, Small and Medium Enterprises (MSMEs) as
5 Beneficiaries. - MSMEs shall be defined as any business activity or enterprise
6 engaged in industry, agribusiness, land/ors OR services, whether single
7 proprietorship, cooperative, partnership or corporation whose total assets,
8 inclusive of those arising from loans but exclusive of the land on which the
9 particular business entity's office, plant and equipment are situated, must have
10 value falling under the following categories:

11 micro: not more than P3,000,000

12 small: P3,000,001 - P15,000,000

13 medium: P15,000,001 - P100,000,000

14 "The above definitions shall be subject to review EVERY THREE (3)
15 YEARS and adjustment, WHEN NECESSARY, by the Micro, Small and
16 Medium Enterprises Development (MSMED) Council under Section 6 of this
17 Act or upon recommendation of sectoral organizations concerned, taking into
18 account inflation and other economic indicators. x x x"

19 SEC. 3. Section 4 of the same Act, as amended, is hereby further amended to
20 read as follows:

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

24 "(a) duly registered with the appropriate agencies as presently
25 provided by law: Provided, That in the case of micro enterprises as
26 defined herein, registration with the office of the municipal or city
27 treasurer shall be deemed sufficient compliance with this requirement;

1 "(b) one hundred percent (100%) owned, capitalized by Filipino
2 citizens, whether single proprietorship or partnership. If the enterprise
3 is a juridical entity, at least sixty percent (60%) of its capital or
4 outstanding stocks must be owned by Filipino citizens;

5 "x x x."

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

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

13 **SEC. 4.** A new section is hereby inserted after Section 4 of the same Act, as
14 amended, and numbered as Section 4-A to read as follows:

15 "SEC. 4-A. GOVERNMENT ASSISTANCE, INCENTIVES AND
16 BENEFITS FOR ELIGIBLE MSMEs. - ELIGIBLE MSMEs SHALL BE
17 ENTITLED TO THE FOLLOWING GOVERNMENT ASSISTANCE,
18 INCENTIVES AND BENEFITS:

19 "(A) UPON RECEIPT OF THE APPLICATION OF AN MSME
20 FOR ANY PERMIT AND LICENSE FROM ANY LOCAL
21 GOVERNMENT UNIT (IGU), INCLUDING A BARANGAY, THE IGU
22 SHALL ISSUE A PROVISIONAL AUTHORITY EFFECTIVE FOR SIX
23 (6) MONTHS, SUBJECT TO THE FINAL APPROVAL OF THE
24 APPLICATION AND THE ISSUANCE OF THE PERMIT OR LICENSE
25 APPLIED FOR.

26 "(B) THE COST FOR THE ISSUANCE OF ALL PERMITS,
27 LICENSES, CERTIFICATIONS, AND OTHER SIMILAR DOCUMENTS
28 REQUIRED FOR THE CONDUCT OF BUSINESS FOR REGISTERED
29 MICRO ENTERPRISES SHALL NOT EXCEED FIVE HUNDRED

1 PESOS (P500.00 PER AGENCY. FOR REGISTERED SMALL
2 ENTERPRISES, THE COST SHALL NOT EXCEED THREE
3 THOUSAND PESOS (P3,000.00) PER AGENCY FOR A PERIOD OF
4 FIVE (5) YEARS.

5 "(C) THE NATIONAL GOVERNMENT, ITS BUREAUS,
6 OFFICES, AND AGENCIES SHALL ALLOCATE AT LEAST TWENTY
7 PERCENT (20%) OF ALL ITS PROCUREMENT OPPORTUNITIES FOR
8 GOODS AND SERVICES TO ELIGIBLE MSMEs IN ACCORDANCE
9 WITH THE APPLICABLE PROCUREMENT LAW, RULES, AND
10 REGULATIONS.

11 "THE GOVERNMENT PROCUREMENT POLICY BOARD
12 SHALL FORMULATE THE RULES FOR THE EFFECTIVE
13 IMPLEMENTATION OF THIS PROVISION AND ITS TECHNICAL
14 SUPPORT OFFICE SHALL MONITOR THE COMPLIANCE OF
15 GOVERNMENT AGENCIES ON THE REQUIRED PROCUREMENT
16 FOR MSMES AND SUBMIT ITS REPORT TO THE MSMED COUNCIL
17 ON A SEMESTRAL BASIS AND TO THE CONGRESS OF THE
18 PHILIPPINES, THROUGH ITS APPROPRIATE COMMITTEES ON A
19 YEARLY BASIS.

20 "(D) DULY REGISTERED MICRO AND SMALL ENTERPRISES
21 SHALL BE ENTITLED TO A DISCOUNT OF AT LEAST TWENTY
22 PERCENT (20%) ON SHIPPING AND DELIVERY FEES FOR THEIR
23 PRODUCTS AND RAW MATERIALS, AS WELL AS FOR MAILING,
24 FREIGHT, AND OTHER SIMILAR SERVICES PROVIDED BY EITHER
25 PUBLIC OR PRIVATE COURIERS.

26 "(E) THE OFFICIAL IN CHARGE WITH THE OPERATION OF
27 GOVERNMENT BUILDINGS, STRUCTURES, AND OPEN AREAS,
28 INCLUDING PUBLIC MARKETS, WHETHER WET OR DRY,
29 AIRPORTS, SEA PORTS, FISH PORTS, PARKS, ZOOS, CONVENTION
30 CENTERS, ENTERTAINMENT CENTERS, TOURISM CENTERS,
31 SCHOOLS, SCHOOL CAMPUSES, AND OTHER SIMILAR

1 STRUCTURES OR AREAS SUITABLE FOR SELLING OR
2 MARKETING, WHETHER PERMANENT OR TEMPORARY, THAT
3 CAN BE USED AS SELLING AREAS, SHALL PROVIDE AN
4 AUTHORIZED MSME STORE FREE SPACE MEASURING AT LEAST
5 ONE PERCENT (1%) OF THE TOTAL SPACE AVAILABLE THEREIN.
6 FOR PURPOSES OF THIS ACT. FREE SPACE REFERS TO THE SPACE
7 THAT MAY BE USED FOR SELLING PURPOSES WITHOUT NEED
8 FOR THE PAYMENT OF RENT, GOODWILL FEES, ROYALTIES,
9 COMMISSION, PERCENTAGES ON SALES, NOR ANY OTHER
10 SIMILAR SCHEME.

11 "(F) THE OWNER OR OPERATOR OF PRIVATE MALLS,
12 SUPERMARKETS, SHOPPING CENTERS, AND COMMERCIAL
13 SELLING ESTABLISHMENTS SHALL BE ENCOURAGED TO
14 PROVIDE FREE SPACE TO ANY AUTHORIZED MSME STORE.

15 "THE MSMED COUNCIL OF THE CONCERNED CITY,
16 MUNICIPALITY, OR BARANGAY SHALL APPROVE THE MSME
17 STORE THAT MAY OCCUPY THE FREE SPACE, UPON THE
18 RECOMMENDATION OF THE LOCAL OFFICE OF THE
19 DEPARTMENT OF TRADE AND INDUSTRY (DTI). THE FREE SPACE
20 ALLOCATED FOR THE MSME STORE SHALL BE PROVIDED IN THE
21 FOLLOWING ORDER OF PREFERENCE:

22 "(1) ONE TOWN, ONE PRODUCT STORE OR GO
23 LOKAL! STORE OF THE DTI;

24 "(2) MSME KUMUNIDARAN PRODUKTO AT
25 RESONABLENG SERBISYO STORE (OR "KUMPARE STORE");
26 OR "(3) A LOCAL MICRO OR SMALL ENTERPRISE STORE.

27 "ONCE AN MSME STORE IS IN PLACE, ITS REMOVAL OR
28 REPLACEMENT SHALL NOT BE ALLOWED EXCEPT FOR
29 VALID CAUSE AND AFTER OBSERVANCE OF DUE
30 PROCESS. "THE APPROVAL AND THE REMOVAL OF THE
31 MSME STORE THAT WILL BE GIVEN FREE SPACE SHALL BE

1 REPORTED BY THE MSMED COUNCIL OF THE
2 CONCERNED CITY, MUNICIPALITY, OR BARANGAY TO
3 THE CONGRESSIONAL OVERSIGHT COMMITTEE ON
4 MICRO, SMALL AND MEDIUM ENTERPRISE
5 DEVELOPMENT.

6 "(G) THE OWNER OR OPERATOR OF PRIVATE MALLS
7 SHALL ALSO BE ENCOURAGED TO ALLOCATE TWENTY
8 PERCENT (20%) OF THEIR TOTAL RENTABLE SPACE TO LOCAL
9 MICRO AND SMALL ENTERPRISES WHICH SHALL BE EXTENDED
10 A TWENTY PERCENT (20%) DISCOUNT ON RENTAL RATES.
11 PRIVATE MALLS SHALL NOT CHARGE ROYALTY CHARGES,
12 GOODWILL CHARGES, COMMISSION CHARGES, PERCENTAGE
13 OF SALES, AND OTHER SIMILAR SCHEMES UPON THE MSMEs.

14 "(H) FREE BASIC CREDIT REPORT FOR MSMEs. - THE
15 CREDIT INFORMATION CORPORATION (CIC) SHALL PROVIDE
16 MSMEs WITH BASIC CREDIT REPORTS, FREE OF CHARGE, ONCE
17 PER YEAR. THE BASIC CREDIT REPORT SHALL SERVE AS THE
18 PRIMARY PROOF OF CREDIT WORTHINESS OF MSMEs IN THEIR
19 LOAN APPLICATIONS.

20 "THE SECURITIES AND EXCHANGE COMMISSION (SEC)
21 SHALL ISSUE THE RULES AND REGULATIONS NECESSARY FOR
22 THE IMPLEMENTATION OF THIS SECTION WITHIN THIRTY (30)
23 DAYS UPON THE EFFECTIVITY OF THIS ACT."

24 SEC. 5. Section 5 of the same Act, as amended, is hereby further amended to
25 read as follows:

26 "SEC. 5. Guiding Principles. - To set the pace for MSME development,
27 the State shall be guided by the following principles: "(a) Minimal set of rules
28 and simplification of procedures and requirements. All government agencies
29 having to do with MICRO, [AND] small AND MEDIUM enterprises shall
30 pursue the principles of minimum regulation to ensure stability of rules and

1 to encourage entrepreneurial spirit among the citizenry. The agencies shall see
2 to it that procedural rules and requirements, within their respective offices in
3 coordination with other agencies, are minimized in the act of registration,
4 availment of financing and accessing other government services and
5 assistance.

6 "(b) Role of the private sector. In order to hasten growth and expansion
7 of MICRO, small and medium enterprises, the private sector throughout the
8 country shall be encouraged to assist in the effective implementation of this
9 Act by participating in government programs for MICRO, small and medium
10 enterprises strictly in accordance with the law, and consistent with the
11 attainment of the purposes hereof. To encourage private sector participation,
12 the Council, in consultation with the concerned sector, may recommend
13 simplified procedure and localized incentives to MICRO, [AND] small AND
14 MEDIUM enterprises. The Government shall encourage the organization and
15 establishment of MICRO, small and medium enterprise industry associations
16 at the local and regional levels preferably unified under a national
17 federation/association.

18 "(c) Coordination of government efforts. Government efforts shall be
19 coordinated to achieve coherence in objectives. All appropriate offices,
20 particularly those under the Departments of Trade and Industry, Finance,
21 Budget and Management, Agriculture, Agrarian Reform, Environment and
22 Natural Resources, Labor and Employment, Transportation [and
23 Communications], INFORMATION AND COMMUNICATIONS
24 TECHNOLOGY, Public Works and Highways, Science and Technology,
25 Interior and Local Government, and Tourism as well as the Department of
26 Economy, Planning, and Development, Philippine Information Agency, SEC
27 and the Bangko Sentral ng Pilipinas (BSP), through their national, regional,
28 and provincial offices shall, to the best of their efforts and in coordination with
29 local government units, provide the necessary support and assistance to
30 MSMEs. THE DTI SHALL BE THE LEAD AGENCY THEREFOR.

31 " x x x."

1 SEC. 6. Section 6 of the same Act, as amended, is hereby further amended to
2 read as follows:

3 "SEC. 6. Micro, Small and Medium Enterprises Development Plan
4 (MSMEDP. - The President OF THE PHILIPPINES shall approve a six year
5 micro, small and medium enterprises development plan prepared by the
6 [Department of Trade and Industry (DTI)] DTI which shall form part of the
7 [Medium Term Philippine Development Plan (MTIPDP). It shall be formulated
8 in consultation with the private sector AND ALL RELEVANT
9 STAKEHOLDERS, validated and updated semestraly. Such plan shall include
10 a component on a micro credit financing scheme."

11 SEC. 7. Section 7 of the same Act, as amended, is hereby further amended to
12 read as follows:

13 "SEC. 7. Micro, Small and Medium Enterprise Development (MSMED)
14 Council. - The existing Small and Medium Enterprise Development Council,
15 which was created by [Republic Act No.] RA 6977, as amended [by Republic
16 Act No. 8289], shall be strengthened to effectively spur the growth and
17 development of MSMEs throughout the country, and to carry out the policy
18 declared in this Act and shall now be known as the Micro, Small and Medium
19 Enterprise Development (MSMED) Council. The Council shall be attached to
20 the Department of Trade and Industry] DTI and shall be constituted within
21 sixty (60) days after the approval of this Act.

22 "The Council shall be the primary agency responsible for the promotion,
23 growth and development of MICRO, small and medium enterprises in the
24 country by way of facilitating and closely coordinating national efforts to
25 promote the viability and growth of MICRO, small and medium enterprises,
26 including assisting relevant agencies in the tapping of local and foreign funds
27 for MICRO, small and medium enterprise development, as well as promoting
28 the use of existing programs, as well as seeking ways to maximize the use of
29 our labor resources.

1 **SEC. 8.** Section 7-A of the same Act, as amended, is hereby further amended to
2 read as follows:

3 "SEC. 7-A. Composition of the Micro, Small and Medium Enterprises
4 Development (MSMED) Council. - The members of the Council shall be the
5 following OR THEIR DULY DESIGNATED REPRESENTATIVE:

6 "(A) The Secretary of Trade and Industry as Chair;

7 "(B) The Secretary of Agriculture;

8 "(C) The Secretary of the Interior and Local Government;

9 "(D) THE SECRETARY OF FINANCE;

10 "(E) THE SECRETARY OF SCIENCE AND TECHNOLOGY;

11 "(F) THE SECRETARY OF TOURISM;

12 "(G) THE SECRETARY OF ENVIRONMENT AND NATURAL
13 RESOURCES;

14 "~~[(d)]~~ (H) Three (3) representatives from the MSME sector, [to represent
15 Luzon, Visayas and Mindanao, with at least one (1) representative from
16 the microenterprise sector TO BE NOMINATED BY THE PHILIPPINE
17 CHAMBER OF COMMERCE AND INDUSTRY; AND

18 "~~[(e)]~~ One (1) representative from the women sector designated by the
19 Philippine Commission on Women;}

20 "~~[(f)]~~ One (1) representative from the youth sector designated by the
21 National Youth Commission; and

22 "~~[(g)]~~ (I) The [Chairman]PRESIDENT of THE Small Business
23 Corporation."

24 "A. Advisory Unit. - There shall be an Advisory Unit to the Council,
25 which shall consist of the following OR THEIR DULY DESIGNATED
26 REPRESENTATIVE:

1 "(a) The Secretary of Science and Technology] THE SECRETARY
2 OF AGRARIAN REFORM;

3 "(b) The Governor of the [Bangko Sentral ng Pilipinas] BSP; "

4 (C) THE CHAIRPERSON OF THE SEC;

5 "[(c)] (D) The President of the Land Bank of the Philippines;

6 "[(d)] (E) The President of the Development Bank of the
7 Philippines;

8 "[(e)] (F) The Director General of the Department of Economy,
9 Planning, and Development;

10 "(G) THE CHAIRPERSON OR THE COOPERATIVE
11 DEVELOPMENT AUTHORITY (CDA);

12 "(H) THE PRESIDENT OF THE PHILIPPINE GUARANTEE
13 CORPORATION;

14 "(I) THE COMMISSIONER OF THE INSURANCE
15 COMMISSION (IC);

16 "(J) THE PRESIDENT OF THE PHILIPPINE CROP INSURANCE
17 CORPORATION;

18 "(K) A REPRESENTATIVE OF A NATIONAL ORGANIZATION
19 REPRESENTING AND DOMINATED BY MSMEs;

20 "[(f)] (L) One (1) representative from the labor sector, to be
21 nominated by accredited labor groups;

22 "[(g)] (M) A representative from the private banking sector to
23 serve [alternatively] ALTERNATELY [between] AMONG the
24 [c]Chamber of [t]Thrift [b]Banks, [and] the Rural Banker's
25 Association of the Philippines [(BAP)], AND THE BANKERS
26 ASSOCIATION OF THE PHILIPPINES;

1 shall be reviewed yearly: Provided, further, That the IRR shall be approved by the
2 MSMED Council.

3 **SEC. 23. Separability Clause.** — The provisions of this Act are hereby declared
4 to be separable. If any provision of this Act shall be held unconstitutional, the
5 remainder of this Act not otherwise affected shall remain in full force and effect.

6 **SEC. 24. Repealing Clause.** — Section 22 of RA 8367, or the "Revised Non-Stock
7 Savings and Loan Association Act of 1997", is hereby repealed. All laws, decrees,
8 proclamations, issuances, or ordinances that are contrary to or inconsistent with the
9 provisions of this Act are hereby amended, repealed or modified accordingly.

10 **SEC. 25. Effectivity.** — This Act shall take effect fifteen (15) days after its
11 publication in the Official Gazette or in a newspaper of general circulation

12 Approved,
13