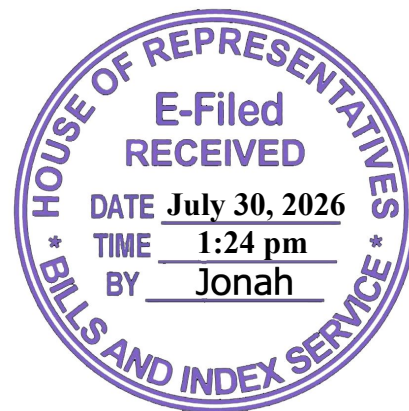


Republic of the Philippines  
HOUSE OF REPRESENTATIVES  
Quezon City, Metro Manila

TWENTIETH CONGRESS  
Second Regular Session

**HOUSE BILL NO. 10449**



Introduced by **ANG PROBINSYANO**  
Party-List Representative Alfred Delos Santos

### **EXPLANATORY NOTE**

MSMEs or Micro, Small and Medium Enterprises are the backbone of the Philippine economy. Despite being often unrecognized and under-supported, they remain key drivers of sustainable growth, generating employment and contributing greatly in the country's export earnings.

Latest data from a Department of Trade and Industry (DTI) report from 2024 showed that MSMEs made up over 99.6% of all the enterprises in the country<sup>1</sup>. As each new business evolves and progresses, they serve as "the engine of net employment growth" while also enhancing the overall quality of jobs that Filipinos can be employed in. Despite most of them (90.6%) being micro enterprises or those having less than ten (10) employees or assets less than P3 million, they still employ more than half of the Philippine workforce.

By 2024, MSMEs employed 66.6% of the total employment in the Philippines or around six and a quarter million people. MSMEs also account for up to 45% of the country's GDP and contribute to 25% of our total exports revenue.<sup>2</sup> These astounding numbers stem from the nature of their role in the economy and society. In a study by Dano-Luna, Francisco, and Canare,<sup>3</sup> they said that "[o]n the one hand, [MSMEs] contribute in maintaining the social-political stability in a country enabling the attainment of inclusive and sustainable national development. On the other hand, [they] have the potential

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<sup>1</sup> Department of Trade and Industry, "2024 Philippine MSME Statistics," available at <https://www.dti.gov.ph/dti-knowledge-hub/dti-statistics>

<sup>2</sup> Micro, Small, and Medium Enterprise Development (MSMED) Council, "Micro, Small, and Medium Enterprise Development Plan 2023-2028," available at [https://dtiwebfiles.s3.ap-southeast-1.amazonaws.com/BSMED/MSMED+Plan+2023-2028/MSMED+Plan+2023-2028\\_approved+07Nov2024.v2.pdf](https://dtiwebfiles.s3.ap-southeast-1.amazonaws.com/BSMED/MSMED+Plan+2023-2028/MSMED+Plan+2023-2028_approved+07Nov2024.v2.pdf)

<sup>3</sup> Maribel Dano-Luna, Jamil Paolo Francisco, and Tristan Canare (2018), *Drivers of Philippine SME Competitiveness: Results of the 2018 SME Survey*, AIM RSN PCC Working Paper 2018-03, pp.8-9, available at <https://www.researchgate.net/publication/329584820>.

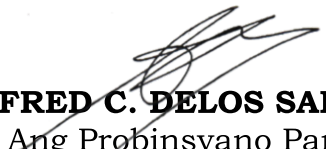
to link to large foreign firms and global value chains effectively contributing to regional and global development.”

Meanwhile, a study by Miranda and Miranda<sup>4</sup>, supported the view of Dano-Luna et al. and added that “they are vital to dispersing new industries to the countryside and stimulating employment. They are likely to be labor intensive, thus providing jobs wherever they are established. In this sense, they bring about more balanced agro-industrial growth and equity in income distribution.”

With all these contributions and more, MSMEs deserve more support and protection from the government. Their decline would be a significant blow in the employment of our fellow Filipinos and in our economy as a whole, while their continued empowerment and growth will strengthen our economic dynamics. As we have seen in the past few years, such as during the COVID-19 Pandemic, the United States tariffs under the Trump Administration, and the more recent oil crisis brought on by the Iran-American Conflict in West Asia, MSMEs are particularly vulnerable to developments brought about by crises, economic shocks, and geopolitics.

While there is an increase in pushing for a more robust MSME sector, it is prudent to institutionalize the aid and support for MSMEs so that we can ensure their survival and sustainability.

It is for these reasons that the passage of this bill is earnestly sought.

  
**ALFRED C. DELOS SANTOS**  
*Representative, Ang Probinsyano Partylist*

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<sup>4</sup> Asterio Tenedero Miranda and Juneth Lourdes Fiel Miranda (2018), “Status and conditions of small- and medium-sized enterprises as predictors in empowering rural communities in Samar Island, Philippines,” *Asia Pacific Journal of Innovation and Entrepreneurship* 12(1), available at <https://www.emerald.com/insight/content/doi/10.1108/APJIE-12-2017-0045/full/html>.

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**AN ACT INSTITUTIONALIZING GOVERNMENT AID AND SUPPORT FOR  
MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs)**

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

**SECTION 1.** *Short Title.* – This Act shall be known as the “MSME  
Empowerment Act.”

**SECTION 2.** *Declaration of Policy.* – The State recognizes the  
indispensable role of the private sector, specifically the micro, small, and  
medium enterprises that make up most of all enterprises in the country. It is  
likewise the policy of the State to encourage private enterprise, address  
employment, and to provide incentives for needed investments.

**SECTION 3.** *Definitions.* – For purposes of this Act, the following terms  
shall mean:

a) **Micro, Small, and Medium Enterprises (MSMEs)** pertain to those  
business activities or enterprises engaged in industry, agri-business, services,  
and technology with an asset size, excluding land, of up to one hundred million  
pesos (PHP 100,000,000.00) and an employment size of less than or equal to  
two hundred (200) employees. Included in this definition are startups; and

b) **Startups** refer to persons or entities registered in the Philippines  
which aim to develop innovative products, processes, or business models as  
defined in R.A. 11337.

**SECTION 4.** *Interest-free loans and Interest-free Periods for Loans  
Secured by MSMEs.* – The Landbank of the Philippines and the Development  
Bank of the Philippines shall introduce an interest-free loan program

exclusively for MSMEs, provided that the maximum loanable amount shall not exceed the MSMEs' operational costs, including direct labor costs, for a period of three months, provided further that the MSME is a registered business with all the necessary permits and licenses, and qualified based on the requirements set by the bank.

All government-funded loan programs, the Landbank of the Philippines and the Development Bank of the Philippines, and other government banking and lending institutions, shall introduce loan programs with certain interest-free periods. For a three to five-year loan term, there shall be an interest-free period of three (3) months, which shall begin simultaneously with the first monthly installment payment schedule for the loan, for a five to ten-year loan term, there shall be an interest-free period of six (6) months, and for loan terms exceeding ten years, there shall be an interest-free period of one (1) year.

Notwithstanding the foregoing provisions, the President or the President's authorized representative shall have the discretion to provide loan moratorium for MSMEs, emergency loan programs available only during a crisis or a national emergency or ease other regulations affecting the ability of MSMEs to access and secure loans from the government.

**SECTION 5.** *Technical Assistance to MSMEs.* – The DTI, in coordination with the Department of Science and Technology (DOST), and the Department of Information and Communications Technology (DICT), shall provide technical assistance as well as offer programs for the training and education of MSMEs on business digitization, artificial intelligence, research and development, upskilling and reskilling of workers, innovation, and other relevant fields either through a grant, programmatic campaigns, or for a minimal charge.

**SECTION 6.** *Stimulus Fund for MSMEs during National Emergencies and Crisis.* – A stimulus fund in the amount of ten billion pesos (P 10,000,000,000.00) shall be made available for distribution to qualified MSME beneficiaries during national emergencies, a nationwide crisis, or a significant external trade disruption, or after the Department of Trade and Industry (DTI), in coordination with the Department of Economy, Planning, and Development (DEPDev) and the Bangko Sentral ng Pilipinas (BSP), certifies the existence of a significant external trade disruption, provided further that MSMEs who are critically-impacted, or MSMEs belonging to a certain sector most critically hit by the national emergency, crisis, or trade disruption shall be given priority in the distribution.

For purposes of this Act, a "significant external trade disruption" refers to adverse changes in the tariff, trade, or market access conditions affecting Philippine exports, imposed by a foreign government or resulting from an international trade agreement, policy shift, or conflict, which the DTI

determines has caused or is reasonably expected to cause substantial harm to the operations, revenues, or workforce of Philippine MSMEs, particularly those engaged in export-oriented industries.

The DTI shall be the agency assigned to conduct the application assessment and distribution of the stimulus fund to MSMEs. It shall ensure that the documentary requirements and other proof required from MSMEs to be qualified for the stimulus fund shall not be unnecessarily burdensome or unreasonable considering the circumstances of the times.

The Stimulus Fund shall not be lower than one hundred percent (100%) of their direct labor costs for a month but shall not exceed P100,000.00 for every qualified MSME.

**SECTION 7.** *Accountability and Transparency Mechanism.* – To ensure the proper, transparent, and accountable use of the Stimulus Fund, the following safeguards shall apply:

a) The DTI shall submit a semi-annual report to the President and the Commission on Audit (COA), disclosing the total amount released, the number and names of MSME beneficiaries, the amount received by each beneficiary, and the sector and region of each beneficiary, for any quarter in which the Stimulus Fund has been activated; and

b) The COA shall conduct a mandatory post-disbursement audit of the Stimulus Fund no later than after one (1) fiscal year after the lifting of the national emergency, nationwide crisis, or trade disruption that triggered its release, and shall submit its findings.

**SECTION 7.** *Separability Clause.* – If any provision or part of this Act is held invalid or unconstitutional, the remaining provisions or parts unaffected shall remain in full force and effect.

**SECTION 8.** *Repealing Clause.* – All laws, executive orders, presidential decrees or issuances, letters of instruction, administrative orders, rules, and regulations contrary to or inconsistent with the provisions of this Act are hereby repealed, amended, or modified accordingly.

**SECTION 9.** *Effectivity Clause.* – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,