



Republic of the Philippines
House of Representatives

20th CONGRESS
Second Regular Session

HOUSE BILL NO. 10805

Introduced by Hon. Charisse Anne C. Hernandez

EXPLANATORY NOTE

Micro, small, and medium enterprises (MSMEs) are the backbone of the Philippine economy. They are the sari-sari stores in our communities, family-owned restaurants and shops, farmers and producers, online sellers, small manufacturers, and countless businesses that provide jobs and livelihood to Filipino families.

According to the Department of Trade and Industry, MSMEs account for 99.63% of registered business establishments in the Philippines. Yet despite their importance, many continue to face difficulties in accessing affordable financing, technology, markets, government opportunities, and reliable business support.

The Magna Carta for MSMEs, or Republic Act No. 6977, as amended by Republic Act No. 9501, was enacted to address these challenges. However, the business environment has changed significantly. Digitalization, e-commerce, new financing models, and global markets now play a much greater role in determining whether a small business can survive and grow.

This measure therefore seeks to modernize the Magna Carta for MSMEs and make government support more responsive to the realities of today's Filipino entrepreneurs.

First, the bill adopts a harmonized MSME classification system based on employment size and annual sales turnover, removing asset size as a determining factor. This will provide a clearer and more consistent basis for identifying MSMEs and delivering government assistance.

Second, it establishes a National MSME Information System to consolidate government data on MSMEs. Better data will allow government to better understand the needs of entrepreneurs and design programs that reach the right businesses.

Third, the bill promotes digital transformation and connectivity through a National Digital Skills Program and an MSME Digital Adoption Fund. Digitalization is no longer a luxury for small businesses. In 2025, the Philippine digital economy reached ₱2.74 trillion, or 9.8% of GDP, demonstrating the growing importance of digital tools and markets to our economy.

Fourth, the bill strengthens access to finance by empowering the Small Business Corporation to develop innovative financing mechanisms, including risk-based and movable asset-based lending, and to expand credit guarantees for startups and underserved MSMEs.

Fifth, the bill gives MSMEs greater access to the government procurement market by requiring procuring entities to set aside at least twenty percent (20%) of their procurement of goods and services for local MSMEs, while providing for simplified bidding procedures and prompt payment.

Finally, the bill establishes an Expanded Global Market Access Program for MSMEs to help Filipino businesses move beyond local markets and compete internationally. The Program will provide export-readiness training, market intelligence, assistance in obtaining international certifications, participation in trade fairs and business missions, access to digital marketplaces, and linkages with foreign buyers and global value chains.

The objective is simple: when a Filipino takes the risk of starting a business, government should help make that business capable of surviving, growing, creating jobs, and competing—not only in the Philippines, but in the global marketplace.

By modernizing the Magna Carta for MSMEs, we invest in the entrepreneurs who keep our communities and our economy moving. We give Filipino MSMEs a fairer chance to access capital, technology, government opportunities, and international markets—and ultimately, a better chance to grow from small businesses into stronger and more competitive enterprises.

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


CHARISSE ANNE C. HERNANDEZ
Representative
Lone District, Calamba City

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
Second Regular Session

House Bill No. **10805**

Introduced by Honorable Charisse Anne C. Hernandez

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

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

SECTION. 1. Short Title. This Act shall be known as the "MSME Development Modernization Act of 2026."

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
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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:

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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:

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"(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. New sections, to be designated as Section 17 and Section 18, are 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. 18. *GLOBAL MARKET ACCESS PROGRAM FOR MSMES.* – TO ENABLE PHILIPPINE MSMES TO PARTICIPATE IN GLOBAL VALUE CHAINS AND EXPAND THEIR EXPORT OPPORTUNITIES, THERE IS HEREBY ESTABLISHED A GLOBAL MARKET ACCESS PROGRAM FOR MSMES, TO BE JOINTLY IMPLEMENTED BY THE DTI, THROUGH THE EXPORT MARKETING BUREAU (EMB) AND THE BUREAU OF SMALL AND MEDIUM ENTERPRISE DEVELOPMENT (BSMED), IN COORDINATION WITH THE DEPARTMENT OF FOREIGN AFFAIRS (DFA), THE DICT, THE PHILIPPINE TRADE AND INVESTMENT CENTERS (PTICS), THE SMALL BUSINESS CORPORATION, AND OTHER RELEVANT GOVERNMENT AGENCIES AND PRIVATE SECTOR ORGANIZATIONS.

THE PROGRAM SHALL INCLUDE, BUT SHALL NOT BE LIMITED TO, THE FOLLOWING:

(A) DEVELOPMENT AND IMPLEMENTATION OF EXPORT READINESS PROGRAMS, INCLUDING TRAINING ON EXPORT PROCEDURES, INTERNATIONAL TRADE REGULATIONS, CUSTOMS DOCUMENTATION, PRODUCT STANDARDS AND CERTIFICATIONS, INTELLECTUAL PROPERTY PROTECTION, PACKAGING, LOGISTICS, CROSS-BORDER TAXATION, AND MARKET INTELLIGENCE;

(B) PROVISION OF TECHNICAL ASSISTANCE TO MSMES IN OBTAINING INTERNATIONALLY RECOGNIZED QUALITY CERTIFICATIONS, SUSTAINABILITY CERTIFICATIONS, FOOD SAFETY CERTIFICATIONS, HALAL CERTIFICATION, AND OTHER PRODUCT STANDARDS REQUIRED FOR ACCESS TO FOREIGN MARKETS;

(C) ASSISTANCE IN PROMOTING PHILIPPINE MSMES THROUGH INTERNATIONAL TRADE FAIRS, BUSINESS MATCHING ACTIVITIES, TRADE MISSIONS, EXPORT EXHIBITIONS, AND DIGITAL MARKETPLACES, INCLUDING CROSS-BORDER ELECTRONIC COMMERCE PLATFORMS;

(D) ESTABLISHMENT OF AN MSME EXPORT ASSISTANCE DESK WITHIN DTI TO PROVIDE ADVISORY SERVICES ON EXPORT FINANCING, MARKET OPPORTUNITIES, TARIFF AND NON-TARIFF MEASURES, RULES OF ORIGIN, FREE TRADE AGREEMENTS, AND APPLICABLE TRADE REMEDIES;

(E) DEVELOPMENT OF DIGITAL EXPORT PLATFORMS AND ELECTRONIC TRADE FACILITATION SYSTEMS THAT WILL ENABLE MSMES TO MARKET AND SELL THEIR PRODUCTS AND SERVICES DIRECTLY TO INTERNATIONAL BUYERS;

F) FACILITATION OF ACCESS TO EXPORT FINANCING, EXPORT CREDIT INSURANCE, AND GUARANTEE PROGRAMS THROUGH THE SMALL BUSINESS CORPORATION, GOVERNMENT FINANCIAL INSTITUTIONS, AND ACCREDITED FINANCING INSTITUTIONS;

(G) PROMOTION OF PARTICIPATION OF WOMEN-OWNED, YOUTH-LED, INDIGENOUS PEOPLES', RURAL, AGRICULTURAL, AND INNOVATION-DRIVEN MSMES IN INTERNATIONAL TRADE AND EXPORT DEVELOPMENT PROGRAMS;

(H) ESTABLISHMENT OF STRATEGIC PARTNERSHIPS WITH FOREIGN CHAMBERS OF COMMERCE, INTERNATIONAL DEVELOPMENT ORGANIZATIONS, MULTINATIONAL ENTERPRISES, AND GLOBAL E-COMMERCE PLATFORMS TO EXPAND BUSINESS OPPORTUNITIES FOR PHILIPPINE MSMES; AND

(I) FORMULATION OF A NATIONAL MSME EXPORT DEVELOPMENT ROADMAP, WHICH SHALL IDENTIFY PRIORITY INDUSTRIES, EMERGING EXPORT MARKETS, AND STRATEGIC INTERVENTIONS NECESSARY TO INCREASE THE PARTICIPATION OF MSMES IN INTERNATIONAL TRADE.

THE DTI SHALL SUBMIT TO CONGRESS, NOT LATER THAN MARCH 31 OF EVERY YEAR, A REPORT ON THE IMPLEMENTATION OF THIS PROGRAM, INCLUDING THE NUMBER OF MSMES ASSISTED, EXPORT SALES GENERATED, EMPLOYMENT CREATED, MARKETS ACCESSED, AND RECOMMENDATIONS FOR FURTHER STRENGTHENING MSME INTERNATIONALIZATION."

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,