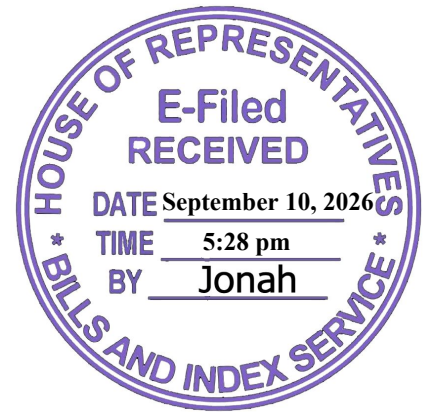




Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

TWENTIETH CONGRESS
Second Regular Session

HOUSE BILL NO. 11258



Introduced by Rep. Robert Nazal

AN ACT
STRENGTHENING GOVERNMENT SUPPORT FOR THE DIGITAL
TRANSFORMATION OF MICRO, SMALL, AND MEDIUM ENTERPRISES
(MSMEs) THROUGH E-COMMERCE AND RESPONSIBLE USE OF ARTIFICIAL
INTELLIGENCE, AND FOR OTHER PURPOSES

EXPLANATORY NOTE

Micro, small, and medium enterprises constitute 99.63 percent of the Philippines' 1.24 million business establishments and generate 6.35 million jobs—roughly two-thirds of total employment nationwide. Yet only 15,998 of these firms were actively transacting online in 2023, a fraction of the sector's potential market reach. This participation gap persists even as the digital economy contributed ₱2.25 trillion, or about 8.5 percent of gross domestic product, in 2024.

Household connectivity barriers are receding: the Women and ICT Development Index survey recorded a surge in home internet access from 17.7 percent in 2019 to 76.9 percent in 2022, confirming that physical access is no longer the primary hurdle to online commerce. Instead, MSMEs cite cost, skills shortages, logistics frictions, and mounting cyber-risks. Fortinet's 2024 threat-landscape report found that six in ten Philippine companies experienced a three-fold increase in cyber-attacks in 2023. At the same time, the Philippines climbed nine places to 56th out of 188 economies in Oxford Insights' 2024 Government AI Readiness Index, evidence of growing institutional capacity to deploy artificial intelligence responsibly. Harnessing these twin trends — rapid connectivity gains and improving AI readiness — demands a coherent policy response that lowers the cost of digital entry, embeds cybersecurity, and accelerates skills formation for the country's smallest firms.

The MSME E-Commerce Support Act delivers that response.

First, it creates a Digital and AI Transformation Grant that defrays the costs of web storefronts, AI-enabled marketing tools, smart-logistics interfaces, and mandatory data-protection safeguards.

Second, it mandates a nationwide capacity-building programme — jointly implemented by DTI, DICT, TESDA, and CHED — to upskill entrepreneurs and employees in e-commerce operations, AI fundamentals, and cybersecurity compliance.

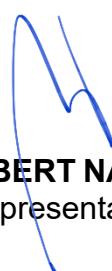
Third, it institutionalises a logistics-access scheme that links MSMEs to affordable warehousing and last-mile delivery services, especially in underserved regions.

Fourth, it establishes voluntary AI sandboxes where firms can pilot emerging technologies under regulatory guidance from the DICT and National Privacy Commission.

Fifth, the bill directs the MSME Development Council to publish open-data dashboards tracking digital-adoption rates, sales growth, and risk-reduction outcomes, ensuring transparency and evidence-based course correction.

The measure aligns squarely with Article XII, Section 1 of the Constitution, which obliges the State to promote industrialization and full employment. By lowering the threshold for digital participation, the bill empowers the sector that already provides the majority of jobs to reach new domestic and export markets, strengthens consumer protection through mandatory cybersecurity upgrades, and positions Philippine enterprises to capitalize on responsible artificial-intelligence tools. Enactment will not only modernize commerce but also deepen economic resilience and broaden the tax base—benefits that accrue to workers, consumers, and the national treasury alike.

Passage of this bill is therefore earnestly sought.



ROBERT NAZAL
Representative

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

Section 1. ***Title.*** – This Act shall be known as the “MSME E-Commerce Support Act.”

Sec. 2. ***Declaration of Policy.*** – It is the policy of the State to promote inclusive economic growth by enhancing the digital and artificial-intelligence competitiveness of MSMEs. The government shall provide targeted support in digital capacity-building, responsible AI adoption, online presence, e-commerce logistics, and cybersecurity compliance.

Sec. 3. ***Statement of Objectives.*** – This Act shall have the following objectives:

1. Provide financial and technical assistance enabling MSMEs to integrate e-commerce platforms and AI-powered tools for marketing, customer support, inventory management, and data analytics;

2. Improve the digital and AI literacy of MSME owners and employees through accredited training programs;
3. Promote cybersecurity, data privacy, and ethical AI standards that safeguard consumers and enterprises;
4. Establish a coordinated support mechanism involving national agencies, LGUs, and private partners in accelerating responsible digital and AI transformation;
5. Incentivize Filipino MSME participation in global value chains and AI-enabled online marketplaces.

Sec. 4. **Coverage.** – This Act applies to all duly registered MSMEs operating in the Philippines, including cooperatives, social enterprises, and informal enterprises undergoing formalization.

Sec. 5. **Digital and AI Transformation Grants.** – A Digital and AI Transformation Grant is hereby created to support qualified MSMEs. Eligible expenditures include:

1. Website development, e-commerce platform subscriptions, and AI-enabled storefront or chatbot services;
2. Digital marketing tools (including AI-driven customer targeting and content generation) and campaigns;
3. Inventory, payment, and supply-chain systems with embedded AI forecasting or optimization features;
4. Access to logistics service platforms, smart warehousing, and AI-assisted route optimization;
5. Cybersecurity solutions, data-protection compliance measures, and risk-scoring AI services.

Sec. 6. ***MSME Digital and AI Skills Training Program.*** – The Department of Trade and Industry (DTI), in coordination with TESDA, DICT, and the Commission on Higher Education (CHED), shall offer nationwide training that covers:

1. E-commerce operations, digital entrepreneurship, and AI fundamentals for business;
2. Customer relations, digital branding, and AI-enhanced marketing analytics;
3. Supply-chain management and AI-driven demand forecasting;
4. Data privacy, cybersecurity basics, and responsible-AI frameworks consistent with international best practice.

Sec. 7. ***Responsible-AI Compliance and Sandbox Program.*** – The DICT, together with the National Privacy Commission (NPC) and DOST, shall establish voluntary AI Sandboxes where MSMEs can pilot new AI solutions under regulatory guidance, supported by standardized ethical-AI and data-governance checklists.

Sec. 8. ***E-Commerce Logistics Access Program.*** – The DTI, in partnership with logistics providers, shall facilitate MSME access to affordable nationwide delivery systems and encourage local logistics hubs and warehousing cooperatives that employ AI-assisted inventory tracking and last-mile optimization, with priority to underserved areas.

Sec. 9. ***Public-Private Partnerships.*** – The DTI and concerned agencies are encouraged to partner with technology companies, AI developers, logistics firms, and digital banks to extend subsidized or pro-bono AI and e-commerce services to MSMEs.

Sec. 10. ***Monitoring and Evaluation.*** – The MSME Development Council shall create a multi-stakeholder monitoring framework to assess digital- and AI-adoption rates, productivity gains, sales growth, and risk-reduction outcomes of beneficiaries, using open-data dashboards where feasible.

Sec. 11. ***Lead Agency.*** – The Department of Trade and Industry (DTI) shall be the lead agency for this Act in coordination with the DICT, DOST, NPC, and other relevant agencies.

Sec. 12. ***Appropriations.*** – Funds necessary for initial implementation shall be charged against the current-year budgets of concerned agencies. Thereafter, required sums shall be included in the annual General Appropriations Act.

Sec. 13. ***Implementing Rules and Regulations.*** – The DTI, in consultation with concerned agencies and MSME stakeholders, shall promulgate the rules and regulations within thirty (30) days from effectivity.

Sec. 14. ***Repealing Clause.*** – All laws, decrees, executive issuances, rules, or regulations inconsistent with this Act are hereby repealed or modified accordingly.

Sec. 15. ***Separability Clause.*** – If any section or provision of this Act is declared unconstitutional or invalid, the remaining provisions shall remain in full force and effect.

Sec. 16. ***Effectivity.*** – This Act shall take effect after its publication in at least two (2) national newspapers of general circulation.

Approved,