

Republic of the Philippines
Congress of the Philippines

Metro Manila

Fourteenth Congress

First Regular Session

Begun and held in Metro Manila, on Monday, the twenty-third day of July, two thousand seven.

[REPUBLIC ACT NO. 9501]

AN ACT TO PROMOTE ENTREPRENEURSHIP BY STRENGTHENING DEVELOPMENT AND ASSISTANCE PROGRAMS TO MICRO, SMALL AND MEDIUM SCALE ENTERPRISES, AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 6977, AS AMENDED, OTHERWISE KNOWN AS THE "MAGNA CARTA FOR SMALL ENTERPRISES" AND FOR OTHER PURPOSES

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

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

"SECTION 1. *Title.* - This Act shall be known as the 'Magna Carta for Micro, Small and Medium Enterprises (MSMEs)'".

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

"SEC. 2. *Declaration of Policy.* - Recognizing that MSMEs have the potential for more employment generation and economic growth and therefore can help provide a self-sufficient industrial foundation for the country, it is hereby declared the policy of the State to promote, support, strengthen and encourage the growth and development of MSMEs in all productive sectors of the economy particularly rural/agri-based enterprises. To this end, the State shall recognize the specific needs of the MSMEs and shall undertake to promote entrepreneurship, support entrepreneurs, encourage the establishment of MSMEs and ensure their continuing viability and growth and thereby attain countryside industrialization by:

"a) intensifying and expanding programs for training in entrepreneurship and for skills development for labor;

"b) facilitating their access to sources of funds;

"c) assuring to them access to a fair share of government contracts and related incentives and preferences;

"d) complementing and supplementing financing programs for MSMEs and doing away with stringent and burdensome collateral requirements that small entrepreneurs invariably find extreme difficulty complying with;

"e) instituting safeguards for the protection and stability of the credit delivery system;

"f) raising government efficiency and effectiveness in providing assistance to MSMEs throughout the country, at the least cost;

"g) promoting linkages between large and small enterprises, and by encouraging the establishment of common service facilities;

"h) making the private sector a partner in the task of building up MSMEs through the promotion and participation of private voluntary organizations, viable industry associations, and cooperatives; and

"i) assuring a balanced and sustainable development through the establishment of a feedback and evaluation mechanism that will monitor the economic contributions as well as bottlenecks and environmental effects of the development of MSMEs."

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

"SEC. 3. *Micro, Small and Medium Enterprises (MSMEs) as Beneficiaries.* - MSMEs shall be defined as any business activity or enterprise engaged in industry, agribusiness and/or services, whether 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:

micro: not more than P3,000,000

small: P3,000,001 - P 15,000,000

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

"The above definitions shall be subject to review and adjustment by the Micro, Small and Medium Enterprises Development (MSMED) Council under Section 6 of this Act or upon recommendation of sectoral organizations concerned, taking into account inflation and other economic indicators. The Council may use other variables such as number of employees, equity capital and assets size.

"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. 4. Section 4 of the same Act, as amended, is hereby further amended to read as follows:

"SEC. 4. Eligibility for Government Assistance.

- To qualify for assistance, counseling, incentives and promotion under this Act, businesses falling under the above definition must be:

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

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

"c) a business activity within the major sectors of the economy, namely: industry, trade, services, including the practice of one's profession, the operation of tourism-related establishments, and agri-business, which for purposes of this Act refers to any business activity involving the manufacturing, processing, and/or production of agricultural produce; and

"d) it must not be a branch, subsidiary or division of a large scale enterprise.

"However, this requirement shall not preclude MSMEs from accepting subcontracts and entering into franchise partnership with large enterprises or from joining in cooperative activities with other MSMEs.

"Programs of the Small Business Corporation (SB Corporation) as provided in subsequent provisions of this Act shall be exclusively delivered and directed to bonafide MSMEs.

"Any MSME, its directors, officers or agents, found to have committed fraud or misrepresentation for the purpose of availing the benefits under this Act shall be immediately disqualified as a beneficiary, without prejudice to any administrative, criminal or civil liability under existing laws.

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

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

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

"SEC. 5. *Guiding Principles.* - To set the pace for MSME development, the State shall be guided by the following principles:

"x x x

"c) *Coordination of government efforts.* Government efforts shall be coordinated to achieve coherence in objectives. All appropriate offices, particularly those under the Departments of Trade and Industry, Finance, Budget and Management, Agriculture, Agrarian Reform, Environment and Natural Resources, Labor and Employment, Transportation and Communications, Public Works and Highways, Science and Technology, Interior and Local Government and Tourism as well as the National Economic and Development Authority, Philippine Information Agency and the *Sangho Sentral ng Pilipinas*, through their national, regional and provincial offices shall, to the best of their efforts and in coordination with local government units, provide the necessary support and assistance to MSMEs.

"x x x."

SEC. 6. A new section, numbered Section 6 is hereby inserted after Section 5 of the same Act, to read as follows:

"SEC. 6. *Micro, Small and Medium Enterprises Development Plan (MSMEDP)*. - The President shall approve a six-year micro, small and medium enterprises development plan prepared by the Department of Trade and Industry (DTI) which shall form part of the Medium Term Philippine Development Plan (MTPDP). It shall be formulated in consultation with the private sector, validated and updated semestraly. Such plan shall include a component on a micro credit financing scheme."

SEC. 7. Section 6 of the same Act is hereby renumbered as Section 7 and further amended to read as follows:

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

"x x x."

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

"SEC. 7-A. *Composition*. - The Council shall be headed by the Secretary of Trade and Industry as Chairman, and may elect from among themselves a Vice-chairman to preside over the Council meetings in the absence of the Chairman. The members shall be the following:

"a) Secretary of Agriculture;

"b) Secretary of the Interior and Local Government;

"c) Secretary of Science and Technology;

"d) Secretary of Tourism;

"e) Chairman of Small Business Corporation;

"f) Three (3) representatives from the MSME sector to represent Luzon, Visayas and Mindanao;

"g) One representative from the labor sector, to be nominated by accredited labor groups; and

"h) A representative from the private banking sector; to serve alternately among the Chamber of Thrift Banks; the Rural Bankers' Association of the Philippines (RBAP); and the Bankers' Association of the Philippines (BAP).

"All members of the Council so appointed, except for the *ex officio* members, shall serve for a term of three (3) years. The person so appointed to replace a member who has resigned, died, or been removed for cause shall serve only for the unexpired portion of the term.

"The private sector members of the Council shall receive *per diem* of Two thousand pesos (P2,000) per meeting, for a maximum of twenty-four (24) meetings per year, which *per diem* may be adjusted by the MSME Council as appropriate.

"The Council may call upon the participation of any national or local government agency, association of local government officials or private sector organization in its deliberations especially when such agency or private sector organization is directly or indirectly concerned with and/or affecting the growth and development of MSMEs in any particular area or manner.

"The Council may create an Executive Committee of five (5) members elected by the

Council from among themselves or their designated permanent representatives, with at least two (2) members representing the private sector, and with authority to act for and on behalf of the Council during intervals of council meetings, and within the specific authority granted by the Council."

SEC. 9. Section 8 of the same Act, as amended, is hereby renumbered as Section 7-B and further amended to read as follows:

"SEC. 7-B. *Powers and Functions.* - The MSMED Council shall have the following powers, duties and functions:

"a) To help establish the needed environment and opportunities conducive to the growth and development of the MSME sector;

"b) To recommend to the President and the Congress all policy matters affecting MSMEs;

"c) To coordinate and integrate various government and private sector activities relating to MSME development;

"d) To review existing policies of government agencies that would affect the growth and development of MSMEs and recommend changes to the President and Congress through the Committee on Economic Affairs of the Senate and the Committee on Small Business and Entrepreneurship Development of the House of Representatives, whenever deemed necessary. This shall include efforts to simplify rules and regulations, as well as review of the applicability and relevance of procedural and documentary requirements in the registration, financing, and other activities relevant to MSMEs the result shall be included in the annual report to be submitted to Congress;

"e) To monitor and determine the progress of various agencies geared towards the development of the sector. This shall include overseeing, in coordination with local government units and the Department of Interior and Local Government as

well as private sector groups/associations, the development among MSMEs;

"f) To promulgate implementing guidelines, programs, and operating principles as may be deemed proper and necessary in the light of government policies and objectives of this Act;

"g) To provide the appropriate policy and coordinative framework in assisting relevant government agencies, in coordination with the NEDA and the Coordinating Council for the Philippine Assistance Program, as may be necessary, in the tapping of local and foreign funds for MSME development;

"h) To promote the productivity and viability of MSMEs by way of directing and/or assisting relevant government agencies and institutions at the national, regional and provincial levels towards the:

"1) Provision of business training courses, technical training for technicians and skilled laborers and continuing skills upgrading programs;

"2) Provision of labor-management guidance, assistance and improvement of the working conditions of employees in MSMEs;

"3) Provision of guidance and assistance regarding product quality/product development and product diversification;

"4) Provision of guidance and assistance for the adoption of improved production techniques and commercialization of appropriate technologies for the product development and for increased utilization of indigenous raw materials;

"5) Provision of assistance in marketing and distribution of products of MSMEs through local supply-demand information, industry and provincial profiles, overseas marketing promotion, domestic market linkaging and the establishment of common service facilities such as common and/or cooperative bonded warehouse, grains storage, agro-processing

and drying facilities, ice plants, refrigerated storage, cooperative trucking facilities, etc;

"6) Intensification of assistance and guidance to enable greater access to credit through a simplified multi-agency financing program; to encourage development of other modes of financing such as leasing and venture capital activities; to provide effective credit guarantee systems, and encourage the formation of credit guarantee associations, including setting up of credit records and information systems and to decentralize loan approval mechanisms;

"7) Provision of concessional interest rates, lower financing fees, which may include incentives for prompt credit payments, arrangements tying amortizations to business cash flows, effective substitution of government guarantee cover on loans for the borrower's lack of collateral;

"8) Provision of bankruptcy preventive measures through the setting up of a mutual relief system for distressed enterprises, and the establishment of measures such as insurance against extraordinary disasters;

"9) Intensification of information dissemination campaigns and entrepreneurship education activities;

"10) Availment of and easier access to tax credits and other tax and duty incentives as provided by the Omnibus Investment Code and other laws;

"11) Provision of support for product experimentation and research and development activities as well as access to information on commercialized technologies; and

"12) Through appropriate government agencies:

"a) Provide more infrastructure facilities and public utilities to support operations of MSMEs;

"b) Establish, operate, and administer a small business incubation program in coordination with academic institutions, Department of Science and

Technology and other appropriate government entities that will provide space for start-up and expanding firms, shared use of equipment and work areas, daily management support services essential to high-quality commercial operations, technical assistance and other services to develop innovative and deserving MSMEs;

"c) Conduct a nationwide information campaign with the Philippine Information Agency that shall inform the public of all programs and services, government and nongovernment, available to MSMEs;

"d) Provide local and international network and linkages for MSME development;

"e) Compile and integrate statistical databank on Philippine MSMEs;

"f) Set-up new MSME centers and revitalize already established MSME centers to provide MSMEs in the regions easier access to services such as, but not limited to, the following:

- "i. Accept and act on all registration applications of MSMEs;
- "ii. Streamline registration process and facilitate speedy registration for the establishment of business enterprises in the country;
- "iii. Provide all information and referral services it shall deem necessary or essential to the development and promotion of MSMEs;
- "iv. Conduct other programs or projects for entrepreneurial development in their respective areas; and
- "v. Provide courses and development programs, training, advice, consultation on business conceptualization and feasibility, financing, management, capacity building, human resources, marketing, and such other services to support the needs of MSMEs;

"g) To submit to the President and the Congress through the Oversight Committee as defined under this Act, a yearly report on the status of MSMEs in the country, including the progress and impact of all relevant government policies, programs and legislation as well as private sector activities;

"h) To coordinate, monitor and assess the implementation of the MSMEDP, and when necessary, institute appropriate adjustments thereon in the light of changing conditions in both domestic and international environment; and

"i) Generally, to exercise all powers and functions necessary for the objectives and purposes of this Act."

SEC. 10. Section 9 of the same Act, as amended, is hereby renumbered as Section 8 and amended to read as follows:

"SEC. 8. *Designation of the Bureau of Micro, Small and Medium Enterprise Development as Council Secretariat.* - The Bureau of Small and Medium Business Development (BSMBD) hereinafter referred to as the Bureau of Micro, Small and Medium Enterprise Development (BMSMED) is hereby designated to act as the Council Secretariat and shall have the following duties and functions:

"x x x"

SEC. 11. A new section is hereby inserted after Section 9 of the same Act, as amended, and numbered as Section 9 to read as follows:

"SEC. 9. *Appropriations.* - To finance its activities and operational expenses, the Council shall have a separate annual appropriation approved by the Department of Trade and Industry (DTI) which shall be provided in the General Appropriations Act starting in the fiscal year immediately following the approval of this Act. The Council may also accept contributions from the private sector."

SEC. 12. Section 10 of the same Act, as amended, is hereby further amended to read as follows:

"SEC. 10. *Rationalization of Existing MSME Programs and Agencies.* - The MSMED Council shall conduct continuing review of government programs for MSMEs and submit to Congress and the President a report thereon together with its policy recommendations."

SEC. 13. Section 11 of the same Act, as amended, is hereby further amended to read as follows:

"SEC. 11. *Creation of Small Business Guarantee and Finance Corporation.* - There is hereby created a body corporate to be known as the Small Business Guarantee and Finance Corporation, hereinafter referred to as the Small Business Corporation (SB Corporation), which shall be charged with the primary responsibility of implementing comprehensive policies and programs to assist MSMEs in all areas, including but not limited to finance and information services, training and marketing."

SEC. 14. A new sub-section is inserted after Section 11 of the same Act, as amended, to read as follows:

"SEC. 11-A. *Composition of the Board of Directors and its Powers.* - The SB Corporation corporate powers shall be vested on a Board of Directors composed of eleven (11) members which shall include the following:

- "a) The Secretary of Trade and Industry;
- "b) The Secretary of Finance;
- "c) A private sector representative to be appointed by the President upon the recommendation of the MSMED Council;
- "d) Seven (7) representatives of the SB Corporation common stock shareholders who shall be elected based on proportional distribution, in accordance with Section 24 of the Corporation Code; and

"c) The president of the SB Corporation as *ex-officio* member and to serve as vice chairman of the Board.

"The President shall appoint the chairman of the Board from among its members.

"All members of the Board so appointed, except for the *ex-officio* members, shall serve for a term of three (3) years without reappointment. The person so appointed to replace a member who has resigned, died, or been removed for cause shall serve only for the unexpired portion of the term.

"The Board of Directors shall have, among others, the following specific powers and authorities:

"a) Formulate policies necessary to carry out effectively the provisions of this charter and to prescribe, amend and repeal by-laws, rules and regulations for the effective operations of the small business corporation;

"b) Establish such branches, agencies and subsidiaries as may be deemed necessary and convenient;

"c) Compromise or release, in whole or in part, any claim or liability whatsoever for or against the SB Corporation, including interest, penalties, fees and/or other charges in accordance to its own by-laws and *Bangko Sentral ng Pilipinas* rules;

"d) Fix the features of non-voting preferred shares which shall be printed on the stock certificates evidencing the same;

"e) Exercise all such other powers as may be necessary or incidental to carry out the SB Corporation's purposes; and

"f) Notwithstanding the provisions of Republic Act No. 6758 and Compensation Circular No. 10, Series of 1989 issued by the Department of Budget and Management, the Board shall have the authority to provide for the organizational structure

and staffing pattern of SB Corporation and to extend to the employees and personnel thereof salaries, allowances and fringe benefits similar to those extended to and currently enjoyed by employees and personnel of other government financial institutions."

SEC. 13. A new sub-section is hereby inserted after Section 11 of the same Act, as amended, to read as follows:

"SEC. 11-B. *Corporate Structure and Powers.*

- The SB Corporation shall:

"a) be administratively attached to the Department of Trade and Industry and shall be under the policy and program supervision of the MSMED Council;

"b) have its principal offices in Metro Manila and whenever necessary, establish branch office in the provinces; and

"c) exercise all the general powers expressly conferred by law upon corporations under the Corporation Code, including those powers that are incidental or necessary to the attainment of the objective of this Act.

"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:

"a) Source and adopt development initiatives for globally competitive MSMEs in finance and business technologies;

"b) To extend all forms of financial assistance to eligible MSMEs. SB Corporation may also engage in wholesale lending. The SB Corporation shall be given two (2) years from the effectivity of this Act to comply with this requirement;

"c) Guarantee loans obtained by qualified MSMEs under such terms and conditions adopted by the SB Corporation Board of Directors;

"d) Hold, purchase, lease or otherwise acquire and own real and personal property, introduce necessary improvements thereon and to sell, mortgage, encumber or otherwise dispose of the same as may be necessary in the normal course of business;

"e) Formulate means and methods of accepting alternative collaterals and implementing alternative loan evaluation models;

"f) Apply for, receive and accept grants and donations from sources within and outside the country; and

"g) Hold, own, purchase, acquire, sell, mortgage, dispose or otherwise invest or re-invest in stocks, bonds, treasury bills, debentures, securities and similar forms of indebtedness of the government, its agencies and instrumentalities or any government financial institution."

SEC. 16. Section 12 of the same Act, as amended, is hereby further amended to read as follows:

"SEC. 12. *Capitalization and Funding of the SB Corporation.* - The SB Corporation shall have an authorized capital stock of Ten billion pesos (P10,000,000,000.00). The initial capital of One billion pesos (P1,000,000,000.00) shall be established from a pool of funds to be contributed in the form of equity investments in common stock by the Land Bank of the Philippines (LBP), the Development Bank of the Philippines (DBP), in the amount of Two hundred million pesos (P200,000,000.00) each. The Social Security System (SSS) and the Government Service Insurance System (GSIS) shall also set aside Two hundred million pesos (P200,000,000.00) each for the SB Corporation. Authorized capital stock of the small business corporation shall be divided into 80,000,000 common shares and 20,000,000 preferred shares with a par value of One hundred pesos (P100.00) per share: *Provided*, That the common shares which have been issued, including those issued against the assets of

the KKK Guaranty Fund consolidated under the small business corporation by virtue of Executive Order No. 233, Series of 2000 and Executive Order No. 19, Series of 2001 and including those already subscribed, shall form part of the capitalization of the corporation: *Provided, further*, That holders of preferred shares issued under Republic Act No. 6977, as amended, shall have the option to convert the same into common shares. Additional equity funding shall come from trust placements of excess and unused funds of existing government agencies, bilateral and multilateral official development assistance funds, subscriptions from government owned or controlled corporations, and investments of private financial institutions and corporations: *Provided, finally*, That any investment from the private sector shall only be in the form of preferred shares.

"To allow for capital build-up, SB Corporation shall be given a five (5) year grace period on dividend commitments beginning on the date of effectivity of this amendment. Thereafter, it may only declare as dividend not more than thirty percent (30%) of its net income and the rest withheld as retained earnings."

SEC. 17. New sections are hereby inserted after Section 12 of the same Act, as amended, to read as follows:

"SEC. 13. The SB Corporation shall be subject to the supervision and examination of the *Bangko Sentral ng Pilipinas* taking into consideration its developmental objectives."

"SEC. 14. *Venture Capital and Micro Finance Trust Fund*. - The SB Corporation may set aside an amount of money to encourage the setting up of a venture capital and micro finance trust fund for the purpose of promoting business opportunities available to MSME sector. The Venture Capital Fund shall be used mainly for venture capital finance especially in technology-oriented industries. The micro finance trust fund shall be used to provide collateral-free fixed and working capital loans to micro and small enterprises run by those emerging out of poverty."

SEC. 18. Section 13 of the same Act, as amended, is hereby renumbered as Section 15, and further amended to read as follows:

"SEC. 15. *Mandatory Allocation of Credit Resources to Micro, Small and Medium Enterprises.*

- For the period of ten (10) years from the date of the effectivity of this amendatory Act, all lending institutions as defined under *Bangko Sentral ng Pilipinas* rules, whether public or private, shall set aside at least eight percent (8%) for micro and small enterprises and at least two percent (2%) for medium enterprises of their total loan portfolio based on their balance sheet as of the end of the previous quarter, and make it available for MSME credit as herein contemplated.

"Compliance of this provision shall be:

"a) actual extension of loans to eligible MSMEs; or

"b) actual subscription of preferred shares of stock of the SB Corporation; or

"c) wholesale lending to Participating Financial Institutions (PFIs) for on-lending to MSMEs; or

"d) purchase/discount of MSMEs receivables; or

"e) loans granted to export, import, and domestic traders subject to compliance with Section 3 of this Act; or

"f) subscribe/purchase of liability instruments as may be offered by the SB Corporation.

"The *Bangko Sentral ng Pilipinas* shall formulate rules for the effective implementation of this provision: *Provided*, That the purchase of government notes, securities and other negotiable instruments shall not be deemed compliance with the foregoing provisions: *Provided, further*, That the *Bangko Sentral ng Pilipinas* shall establish an incentive program to encourage lending to micro,

small and medium industries beyond the mandatory credit allocation to said enterprises, such as possible reduction in bank's reserve requirement.

"The MSMED Council shall set up the appropriate systems to monitor all loan applications of MSMEs in order to account for the absorptive capacity of the MSME sector.

"The *Bangko Sentral ng Pilipinas* shall furnish to the MSMED Council on a quarterly basis comprehensive reports on the banks' compliance, noncompliance and penalties of the above provisions on the mandatory credit allocation for MSMEs.

"Lending institutions which are not qualified to acquire or hold lands of the public domain in the Philippines shall be permitted to bid and take part in sales of mortgaged real property in case of judicial or extra-judicial foreclosure, as well as avail of receivership, enforcement and other proceedings, solely upon default of a borrower, and for a period not exceeding five (5) years from actual possession: *Provided*, That in no event shall title to the property be transferred to such lending institution. If the lending institution is the winning bidder, it may, during said five (5) year period, transfer its rights to a qualified Philippine national, without prejudice to a borrower's rights under applicable laws."

SEC. 19. New sections to be numbered as Sections 16, 17 and 18 are hereby inserted after Section 13 of the same Act, as amended, to read as follows:

"SEC. 16. *Micro, Small, and Medium Enterprise Week*. - In order to institute continuing awareness of the primacy of small business in nation-building and in people empowerment, and to celebrate and espouse the firm commitment of the State in the promotion, growth and development of small business, the second week of July of every year shall be declared as the "Micro, Small, and Medium Enterprise Development Week". The MSMED Council, the Department of Trade and Industry, and the SB Corporation shall be jointly responsible in organizing activities for the event."

"SEC. 17. *Presidential Awards for Outstanding MSME.* - Presidential awards for outstanding MSMEs and good MSME practices, consisting of rewards in cash or in kind shall be granted to one hundred percent (100%) filipino-owned companies and development partners during the MSME development week."

"SEC. 18. *Congressional Oversight Committee.* - To monitor and oversee the implementation of this Act, there shall be a Congressional Oversight Committee on Micro, Small and Medium Enterprise Development (COC-MSMED) composed of the chairpersons of the Senate Committee on Economic Affairs and the House Committee on Small Business and Entrepreneurship Development as chairperson and co-chairperson, respectively; five (5) members of each of the Senate and House of Representatives to include the chairpersons of the Senate committees on Trade and Commerce; and Banks, Financial Institutions and Currencies; and the chairpersons of the House committees on Trade and Industry, Banks and Financial Intermediaries, and Appropriations; *Provided*, That two (2) of the five Senators and two (2) of the five House Members shall be nominated by the respective minority leaders of the Senate and the House of Representatives.

"The COC-MSMED shall set the guidelines and overall framework for the monitoring of the implementation of this Act and shall adopt its internal rules of procedure. The Secretariat of the COC-MSMED shall be drawn from the existing personnel of the Senate and House of Representatives committees comprising the COC-MSMED."

SEC. 20. Section 14 of the same Act, as amended, on Penal Clause is hereby renumbered as Section 19, and further amended, to read as follows:

"x x x"

"Penalties on noncompliance shall be directed to the development of the MSME sector. Ninety percent (90%) of the penalties collected should go

to the MSMED Council Fund, while the remaining ten percent (10%) should be given to the BSP to cover for administrative expenses."

SEC. 21. A new section is hereby inserted after Section 14 of the same Act, to read as follows:

"SEC. 20. *Implementing Rules and Regulations.* - The Department of Trade and Industry, through the Bureau of Micro, Small and Medium Business Development and in consultation with other concerned government agencies, nongovernment organizations and private sector involved in the promotion of MSMEs, shall formulate the Implementing Rules and Regulations (IRR) necessary to implement the provisions of this Act within ninety (90) days from the approval of this Act. The IRR issued pursuant to this Section shall take effect thirty (30) days after publication in a national newspaper of general circulation."

SEC. 22. *Separability Clause.* - The provisions of the Act are hereby declared to be separable. If any provision of this Act shall be held unconstitutional, the remainder of the Act not otherwise affected shall remain in full force and effect.

SEC. 23. *Repealing Clause.* - All laws, executive orders, rules and regulations, or parts thereof, inconsistent herewith are hereby repealed or modified accordingly.

SEC. 24. *Effectivity Clause.* - This Act shall take effect within fifteen (15) days from its publication in at least two (2) national newspapers of general circulation.

Approved,


PROSPERO C. NOGRALES
Speaker of the House
of Representatives


MANNY VILLAR
President of the Senate

This Act which is a consolidation of Senate Bill No. 1646 and House Bill No. 1754 was finally passed by the Senate and the House of Representatives on March 3, 2008 and February 27, 2008, respectively.

Marilyn B. Barua-Yap
 MARILYN B. BARUA-YAP
Secretary General
House of Representatives

Emma Lirio Reyes
 EMMA LIRIO REYES
Secretary of the Senate

Approved: **MAY 23 2008**

Gloria M. Arroyo
 GLORIA MACAPAGAL ARROYO
President of the Philippines

