

NINETEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)

22 JUL -7 P3 :09

RECEIVED BY: _____



SENATE

S. B. NO. 138

Introduced by **SENATOR JOEL VILLANUEVA**

AN ACT
STIMULATING THE RECOVERY, GROWTH, AND DEVELOPMENT
OF THE MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs)
FOR JOB GENERATION AND PRESERVATION, APPROPRIATING
FUNDS THEREFOR AND FOR OTHER PURPOSES

EXPLANATORY NOTE

Micro, small and medium enterprises (MSMEs) are the backbone of our economy. They play a vital role in developing the Philippine economy by creating jobs for the country's labor force, providing healthy competition to large corporations by conveniently offering goods and services to customers, and promoting entrepreneurship by being starting points for what could potentially be larger corporations. According to the Department of Trade and Investment (DTI), MSMEs account for a staggering 99.5% of all business in the country and account for 62.66% of the country's employment in 2020.¹

Despite their size as a sector, MSMEs have become extremely vulnerable and continue to face many growth challenges as they recover from the effects of the COVID-19 pandemic. In a study conducted by the Asian Development Bank Institute on February 2021, it was found that 61.7% of micro, 49.1% of small, and 35.8% of medium sized businesses had little to zero revenue and were forced to temporarily close at the advent of the pandemic.² In addition, 68% of micro, 59.5% of small, and 78.6% of medium sized businesses were constrained to retrench their employees.³ To make matters worse, MSME's have recently had to endure further business losses as a result of natural calamities such as typhoons and global economic events such as the Russia-Ukraine conflict.

¹ <https://www.dti.gov.ph/resources/msme-statistics/>

² <https://www.adb.org/sites/default/files/publication/677321/adbi-wp1216.pdf>

³ *Id.*

Presently, any momentum to spur recovery for the sector as a result of the opening of the economy is stifled in the wake of increased prices in oil and basic commodities and consequently, increased operational cost. To assist them in their recovery, we need to throw these businesses a lifeline in order to give them breathing room to generate revenue, while retaining all those under their employ.

Thus, this bill aims to support MSMEs by providing them with interest-free financial assistance, and subsidies to aid them in paying their employees' wages. This bill also seeks to establish a contingent fund to cushion any adverse impact brought about by natural disasters, public health emergencies, and other related contingencies that may further cripple this already struggling industry.

The immediate passage of this bill is earnestly sought.



SENATOR JOEL VILLANUEVA JR

1 **SEC. 4. MSME Growth Stimulus Program.** – An MSME Growth Stimulus
2 Program is hereby established to extend assistance, strengthen and facilitate the
3 growth and development of MSMEs for regional job generation and preservation.
4

5 **SEC. 5. Modes of Assistance.** – The MSME Growth Stimulus Program shall
6 have the following components, without prejudice to expansion or creation of
7 other modes of assistance:
8

9 **a) Interest Free Loans.** The Land Bank of the Philippines (LBP) and the
10 Development Bank of the Philippines (DBP) shall provide an interest-free
11 loan program to qualified MSMEs to support growth assistance, regional job
12 creation and continued business operations (MSME Growth Assistance
13 Program).
14

15 The MSME Growth Assistance Program shall be subject to the following
16 conditions and such other requirements as may be imposed by the
17 Department of Finance (DOF) and the Bangko Sentral ng Pilipinas (BSP):
18

- 19 1) The maximum loanable amount shall be equivalent to one hundred
20 fifty percent (150%) of the MSME's labor and overhead costs for six
21 (6) months;
22
- 23 2) The loan shall be payable within three (3) years; and
24
- 25 3) No collateral shall be required as security for the loan, except if the
26 amount of the loan exceeds Three Million Pesos (Php3,000,000.00).
27

28 **b) Wage Subsidy.** The DOF, through the Social Security System (SSS), shall
29 provide a wage subsidy to cover all or a portion of the wages of the
30 employees of qualified MSMEs (MSME Wage Assistance Program). The
31 wage subsidy shall be subject to the following conditions and such other
32 requirements as may be imposed by DOF and SSS, in coordination with the
33 Department of Labor and Employment (DOLE):
34

- 35 1) The wage subsidy shall be based on the regional minimum wage per
36 month, but not to exceed Eight Thousand Pesos (Php8,000.00) per
37 employee;
38
- 39 2) The Wage shall only cover rank-and-file employees of qualified
40 MSMEs; and
41
- 42 3) The term of the subsidy shall be for a maximum period of three (3)
43 months.
44
45
46

1 **SEC. 6. Eligibility Requirements for MSME Growth Stimulus Program.** – To
2 be eligible to avail of the benefits under the MSME Growth Stimulus Program,
3 MSMEs must be:
4

- 5 a) Duly-registered with the Bureau of Internal Revenue, and no tax-
6 related cases or proceedings are pending against it. For this purpose,
7 a Certificate of Good Standing or such other appropriate proof shall be
8 presented;
9
- 10 b) Duly registered with, and compliant with all its obligations under all
11 government social security programs, including, but not limited, to the
12 Social Security System (SSS), Home Development Mutual Fund (Pag-
13 Ibig) and Philippine Health Insurance Corporation (PhilHealth);
14
- 15 c) Have no pending labor cases; and
16
- 17 d) As a condition for the availment of the benefits of this Act, must
18 commit to maintain its personnel from the time of availment of the
19 benefits under this Act up to twelve (12) months thereafter. During the
20 same period, it shall further commit to refrain from terminating its
21 employees due to authorized causes as provided under Article 283 of
22 the Labor Code of the Philippines, unless in exceptional and
23 meritorious cases as determined by the Secretary of Labor and
24 Employment.
25

26 Non-compliance with the foregoing conditions shall render any loan obtained
27 under the Program to be immediately payable with corresponding legal interest.
28 In the case of wage subsidy, the non-compliant MSME shall immediately refund
29 all benefits received under the Program, with the corresponding legal interest.
30

31 **SEC. 7. Contingency Fund for MSMEs' Growth Stimulus Program.** – There is
32 hereby established as a special account with the National Treasury, a
33 contingency fund called the MSME Stimulus Contingency Fund for selective
34 implementation in priority job-generating industries' sectors such as agri-food and
35 fishing or areas affected by disasters, public health emergencies, armed conflict,
36 and other related contingencies, such as technological or policy-related
37 disruptions and analogous causes.
38

39 **SEC. 8. Appropriations.** – An amount of One Hundred Billion Pesos
40 (Php100,000,000,000.00) shall be appropriated for the initial implementation of
41 this Act, to be divided as follows:
42

- 43 a) Forty Billion Pesos (Php40,000,000,000.00) for the MSME Growth
44 Assistance, which shall be lodged under the budget of the Department of
45 Trade and Industry (DTI);
46

1 b) Forty Billion Pesos (Php40,000,000,000.00) for the MSME Wage
2 Assistance, which shall be lodged under the budget of DOF; and
3

4 c) Twenty Billion Pesos (Php20,000,000,000.00) for the MSME Stimulus
5 Contingency Fund, which shall be lodged under the budget of DOF.
6

7 Thereafter, an amount of not less than Twenty Billion Pesos
8 (Php20,000,000,000.00) shall be appropriated annually for the implementation of
9 this Act, and augmented by available funds from unprogrammed funds and
10 savings realized by any government agency or instrumentality under the
11 Executive Department.
12

13 **SEC. 9. Implementing Rules and Regulations.** – The DOF, DTI and DOLE,
14 upon consultation with appropriate government agencies and other stakeholders,
15 shall promulgate the necessary rules and regulations to implement this Act within
16 sixty (60) days from its effectivity.
17

18 **SEC. 10. Separability Clause.** – Any portion or provision of this Act that is
19 declared unconstitutional or invalid shall not have the effect of nullifying other
20 portions or provisions hereof as long as such remaining portions can still subsist
21 and be given effect in their entirety.
22

23 **SEC. 11. Repealing Clause.** – All laws, ordinances, rules, regulations, other
24 issuances, or parts thereof, which are inconsistent with this Act, are hereby
25 repealed or modified accordingly.
26

27 **SEC. 12. Effectivity.** – This Act shall take effect fifteen (15) days after its
28 publication in the Official Gazette or in a newspaper of general circulation.
29

30 **Approved,**