

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



HOUSE OF REPRESENTATIVES

House Bill No. 2603

Introduced by Hon. Antonio B. Legarda Jr.

AN ACT
TO PROMOTE AND ADVANCE SUSTAINABLE LIVELIHOOD AND
ENTREPRENEURSHIP BY INTEGRATING, ENHANCING, AND
INSTITUTIONALIZING FINANCING AND OTHER PROGRAMS FOR
LIVELIHOOD SUPPORT FOR MICRO, SMALL AND MEDIUM ENTERPRISES
(MSMEs), APPROPRIATING FUNDS THEREFOR, AND FOR OTHER
PURPOSES

EXPLANATORY NOTE

Micro, Small, and Medium Enterprises (MSMEs) are an important sector of our economy. According to the Department of Trade and Industry, 99.5 percent of Philippine businesses are Micro, Small, and Medium Enterprises (MSMEs) and account for 25% of the country's total exports revenue.¹ In addition, MSMEs are responsible for employing 62.66% or more than 5 million of the country's workforce.²

MSMEs are unfortunately susceptible to economic shocks, notwithstanding the significant role they play in our economy. Research shows that in March 2020, at the height of the Covid-19 pandemic, 59.9% of microenterprises, followed by small businesses (44.8%) and medium-sized businesses (35.8%), had no sales.³ MSMEs that continued to function throughout the lockdown saw a considerable decline in sales: approximately 30% less sales were generated in March compared to February at 27.7% of micro, 43.6 percent of small, and 41.0 percent of medium-sized businesses.⁴

Although there are currently laws, policies, and programs for MSMEs, these are inadequate and fail to fully address the problems and challenges they are facing.

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

² *Ibid.*

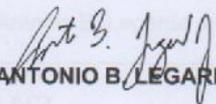
³ <https://www.adb.org/sites/default/files/publication/677321/adbi-wp1216.pdf>

⁴ *Ibid.*

Thus, this bill aims to provide support and assistance to MSMEs by giving more funding, credit facilities and livelihood assistance programs. This is in recognition of the vital role that MSMEs play in our economy and to enable them to become effective drivers for economic growth in the country.

In line with the policy adopted by its original proponent Senator Loren Legarda, this bill therefore likewise serves as a counter-part House Bill. It is for the reasons stated above that the passage of this measure is earnestly sought.

Introduced by Hon. _____


ANTONIO B. LEGARDA JR.

AN ACT

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SUPPORT FOR MICRO, SMALL AND MEDIUM ENTERPRISES (MSME),
APPROPRIATING FUNDS THEREFOR, AND FOR OTHER PURPOSES

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

Section 1. *Short Title* – This Act shall be known as the “Pangkabuhayan Act of 2022.”

Sec. 2. *Declaration of Policy* – It is hereby declared the policy of the State that the

diffusion and more equitable distribution of opportunities, income, and wealth shall be the goals of the national economic development program; and expanding productivity, coupled with a sustained increase in the number of goods and services produced for the direct benefit of the people is the key to empowerment, poverty reduction, and enhancement of the quality of the life of especially the underprivileged. Consistent with the above-stated policy, the Government:

- (a) Promote, encourage, and support profitable livelihood support programs and activities in the development of inclusive and productive sectors of the economy particularly small and medium enterprises, women and disadvantaged, rural, urban, coastal and water resources, and other sectors that contribute to employment and social development;
- (b) Encourage MSME loan, joint loan, and co-funding and equity financing;

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- (a) Promote, strengthen and encourage sustainable livelihoods, entrepreneurship, and the growth and development of MSMEs in all productive sectors of the economy particularly rural, agri-based enterprises, research and development, invention, innovation, cultural and creative

industries, and other careers that contribute to environmental and cultural preservation;

- (b) Consolidate MSME laws, social laws, and livelihood and poverty alleviation programs to promote sustainable production, develop skills and capabilities, provide access to financial support and resource management, increase access to information, market access, and value chain development, and create opportunities for economic empowerment and increased incomes;
- (c) Adopt livelihood, entrepreneurial, and/or MSME development and support that is holistic, comprehensive, integrated, people-centered, responsive, and participatory, in lessening the socioeconomic and environmental impacts of disasters including epidemics and climate change, and promoting the involvement and participation of all sectors and all stakeholders concerned, at all levels, especially the local community;
- (d) Institutionalize the policies, structures, coordination mechanisms, and programs with continuing budget appropriation from national down to local levels towards building economic empowerment and improved incomes;
- (e) Simplify and minimize procedural rules and documentary requirements in the act of registration, availing of financing, or accessing government services;
- (f) Complement and supplement financing programs to remove stringent and burdensome collateral requirements;
- (g) Engage the participation of the beneficiaries, especially the poor and vulnerable, in the design, development, and implementation of sustainable livelihood policies or programs;
- (h) Engage the participation of civil society organizations (CSOs) and the private sector in the government's livelihood development and support for MSMEs programs towards complementation of resources and effective delivery of services to the citizenry; and
- (i) Assure a balanced and sustainable development through the establishment of a feedback and evaluation mechanism that will monitor socio-economic contributions as well as bottlenecks and environmental effects.

Sec. 3. *Scope.* – This Act provides for the development of policies and plans and the implementation of actions and measures pertaining to all aspects of sustainable livelihood development and support and the growth and development of MSMEs.

Sec. 4. *The Pangkabuhayan Council.* – The Pangkabuhayan Council is hereby established to develop the country’s sustainable livelihood and entrepreneurship goals, priorities, and long-term national strategy. The Council shall seek mainstream principles that are integrated, people-centered, participatory, responsive, and sustainable in the development, implementation, and assessment of sustainable livelihood and entrepreneurial programs and strategies.

Sec. 5. *Composition of the Pangkabuhayan Council.* – The Council shall be composed of the following members:

- (a) President of the Philippines as the Chairperson;
- (b) Secretary of the Department of Trade and Industry (DTI) as the Vice-Chairperson;
- (c) Director-General of the National Economic and Development Authority (NEDA);
- (d) Secretary of the Department of Agriculture (DA);
- (e) Secretary of the Department of Environment and Natural Resources (DENR);
- (f) Secretary of the Department of Labor and Employment (DOLE);
- (g) Secretary of the Department of Tourism (DOT);
- (h) Secretary of the Department of Social Welfare and Development (DSWD);
- (i) Secretary of the Department of Science and Technology (DOST);
- (j) Chairperson of the Commission on Higher Education (CHED);
- (k) Secretary of the Department of Budget and Management (DBM);
- (l) Secretary of the Department of Education (DepEd);
- (m) Secretary of the Department of Interior and Local Government (DILG);
- (n) Director-General of the Intellectual Property Office of the Philippines (IPOPHIL); and
- (o) Seven (7) Executive Members are to be appointed by the President.

The Executive Members shall be appointed from the ranks of business, entrepreneurs, academe, and the scientific community, at least one (1) of whom shall be a woman. There shall be at least one (1) representative from the MSME sector. Those to be appointed from the academe and the scientific community shall have at least seven (7) years of experience in the field of science and technology, research and development, or innovation.

The President may designate the Executive Secretary to attend on his behalf and preside over the meetings of the Pangkabuhayan Council. The Department Secretaries and other members may not designate alternate representatives other than their respective undersecretaries to the meetings.

The majority of the members shall constitute a quorum.

Sec. 6. *Powers and Functions.* The Pangkabuhayan Council shall have the following powers and functions:

1. The Council shall act as the coordinating and supervising body for all agencies involved in the establishment and operation of the following programs:

- (a) DTI's Negosyo Center Program, which is responsible for promoting ease of doing business and facilitating access to services for Micro, Small, and Medium Enterprises (MSMEs);
- (b) DSWD's Sustainable Livelihood Program (SLP), which is a community-based program that provides income-generating activities to low-income households;
- (c) DOLE's Tulong Panghanapbuhay sa Ating Disadvantaged/Displaced Workers (TUPAD) or Cash for Work Program, a community-based package assistance that provides emergency employment for displaced workers, underemployed, and seasonal workers;
- (d) DOLE'S Integrated Livelihood Program-Kabuhayan, which provides assistance through grants to individuals and groups that can be used to start a livelihood project, expand or upgrade an existing project, restore or re-establish existing livelihood projects destroyed

due to natural and human-made disasters, or transform existing livelihood assistance to community/group enterprises.

(e) DOST's Small Enterprises Technology Upgrading Program (SETUP), a nationwide strategy that aims to encourage and assist SMEs to adopt technology innovations to improve their operations and thus boost their productivity and competitiveness;

(f) DTI and TESDA's (Technical Education and Skills Development Authority) Barangay Kabuhayan, a national program that ensures that all livelihood and skills training centers offered by the National Government are properly implemented at the municipal level.

(g) NEDA, DOST, and DTI's implementation of the Philippine Innovation Act, a law that seeks to guide the country's innovation goals and is expected to make the policy environment in the country conducive to more science, technology, and innovation efforts;

(h) DTI's Shared Service Facilities (SSF) Project, a flagship program of the DTI aimed at improving the productivity and efficiency of small enterprises through access to better technology.

This shall include overseeing, in coordination with local government units and the DILG as well as private sector groups/associations, the developments among micro, small and medium enterprises as well as the individual beneficiaries;

2. The Council shall promote and advance sustainable livelihood and entrepreneurship by integrating the aforementioned programs through the Council;

3. The Council shall monitor and assess the progress of the program beneficiaries, which report shall be submitted to the Congress;

4. The Council shall review the programs' existing policies and recommend changes or improvements therein to the President and Congress.

This shall include efforts to simplify rules and regulations, as well as a review of the applicability and relevance of procedural and documentary requirements in the registration, financing, and other activities relevant to

MSMEs and individual beneficiaries, the result of which shall also be included in the annual report to be submitted to Congress.

5. The Council shall submit to the Congress an annual report of its assessment on the efficacy of the program, the status of its implementation including but not limited to progress reports, challenges, and recommendations, review of the policies involved, research, and other reports integral to the implementation of this Act.

6. The Council shall 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;

7. The Council shall publish Compliance Guidelines, streamlining and simplifying the rules and regulations on procedural and documentary requirements for registration, financing, and other activities relevant to the implementation of the specified programs.

The Compliance Guideline shall be written in plain language or the applicable local dialect. The publication of each Compliance Guideline shall include the posting of the guide in a conspicuous location on the website of the concerned agencies, and distribution of the guide to known industry contacts, such as small entities, associations, or industry leaders affected by the rule.

The Council shall publish and disseminate the Compliance Guideline within ninety (90) days from the date of issuance.

8. The Council shall conduct research to support women's entrepreneurship including entrepreneurial behavior, barriers, participation and cessation rates, discriminatory practices, and contribution to the national economy and growth;

9. The Council shall provide policy direction towards recognizing women's propensity and talent in entrepreneurship as well as establish linkages that will enable more opportunities for women to engage in entrepreneurship; and

10. The Council shall develop, in coordination with the DepEd, Technical Education and Skills Development Authority (TESDA), and Commission on

Higher Education, a course curriculum or training program in entrepreneurship that will promote entrepreneurial culture and competence.

Entrepreneurship shall be integrated into the curriculum of educational and training institutions at all levels.

Sec. 7. Establishment of a Sustainable Livelihood and Entrepreneurial Development Centers. - A Sustainable Livelihood and Entrepreneurial Development Center hereinafter referred to as the "SLED", shall be established in every rural municipality in the country in accordance with such program established and determined by the DILG, taking into account the socio-economic profile, literacy, employment conditions, health status of the residents, the opportunities therein available, the presence of support mechanics/structures and skills craftsmanship training activities in the community, and such other factors indicative of the need for the SLED. Provided, That priority shall be given to the most economically depressed areas with the highest percentage of disadvantaged and needy citizens.

Initially and within a period of one (1) year from the date of the effectivity of this Act, at least one (1) Pilot Center shall be established in each of the fifteen (15) regions of the country, including the Bangsamoro Autonomous Region in Muslim Mindanao and the Cordillera Autonomous Region.

In applicable areas, the existing Go Negosyo Centers shall continue to operate as SLED subject to the provisions of this Act. The SLED shall be responsible for promoting ease of doing business and facilitating access to services for MSMEs and entrepreneurs within its jurisdiction.

The SLEDs may be set up under the auspices of the local government units, and/or non-government organizations tapped by DILG to assist in the implementation of this Act.

The SLED shall be assisted by the DOLE by rendering technical assistance and training to the personnel of the SLED and shall be supported by officials in encouraging the participation of residents in the programs and training offered by the SLED. The DILG, DOH, DOLE, DA, and other government agencies shall gear their programs to support the activities and actions envisioned and implemented by the SLED.

Comment [MOU1]: Won't this overlap with Go Negosyo Centers?

Sec. 8. *Capitalization and Funding of the Pangkabuhayan Council.* - A Pangkabuhayan Fund to strengthen livelihood, entrepreneurial, and/or MSME development and support is hereby established. This Fund, from which grants will be issued, shall be administered by the Pangkabuhayan Council which shall screen and approve qualified proposals. Subject to availability of funds, a revolving fund in the initial amount of One Billion Pesos (Php 1,000,000,000.00) is hereby allocated for the initial year's implementation of this Act, and such funds necessary for its continuous and effective implementation shall thereafter be included in the annual General Appropriations Act.

Further, the Pangkabuhayan Council, in coordination with the agencies concerned, shall explore the possibility of accessing a growing range of bilateral and multilateral funds in order to be able to assist in the funding of livelihood, entrepreneurial, and/or MSME programs and initiatives. Public-private partnerships shall also be encouraged in the development and implementation of programs and initiatives.

Sec. 9. *Mandatory Allocation of Credit Resources for Livelihood Support Programs and Micro, Small, and Medium Enterprises.* - For a period of ten (10) years from the date of the effectivity of this Act, all lending institutions as defined under Bangko Sentral ng Pilipinas (BSP) rules, whether public or private, shall set aside at least ten percent (10%) of their total loan portfolio based on their balance sheet at of the end of the previous quarter for Micro, Small and Medium Enterprises, and make it available for MSME credit or livelihood support programs as herein contemplated. Compliance with this provision shall include:

- a. The actual extension of loans to eligible MSMEs or beneficiaries; or
- b. Wholesale lending to Participating Financial Institutions (PFIs) for on-lending to MSMEs; or
- c. Purchase/discount of MSMEs receivables; or
- d. Extension of loans to MSME value chain actors who allow MSMEs to participate in organized or formal value chains. Chain actors include, among others, traders, suppliers, processors, and aggregators who conduct linked sequences of value-adding activities involved in

bringing a product to final consumers.

The BSP and the Securities and Exchange Commission (SEC), in consultation with the Pangkabuhayan Council, 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 compliant with the foregoing provisions: *Provided, further*, That the BSP and the SEC, in consultation with all stakeholders, shall establish a meaningful incentive system to encourage compliance this provision; *Provided, finally*, that the BSP and the SEC shall align their regulations on penalties for banks and other entities for non-compliance with the provision for mandatory lending.

The Pangkabuhayan Council shall set up the appropriate systems to monitor all loan applications of MSMEs to account for the absorptive capacity of the MSME sector. Each lending institution shall designate a Chief Compliance Officer who will prepare and sign the report on compliance and noncompliance with the mandatory credit allocation, for submission to the BSP in the case of banks, and the SEC in the case of non-bank financial intermediates.

The BSP in the case of banks, and the SEC in the case of non-bank financial intermediates shall furnish to the Pangkabuhayan Council every quarter comprehensive reports on the lending entity's compliance and noncompliance with the above provisions on the mandatory credit allocation for MSMEs and beneficiaries, and shall submit an annual report, signed by an officer with the rank of at least a managing director, on the amounts of the penalties for non-compliance with the mandatory lending provision of this act.

All banks shall provide access to deposit accounts, such as savings, checking, and debit accounts, to registered MSMEs. Financial technology shall be provided to MSMEs to ensure their financial inclusion.

All lending entities shall report credit information and transactions of MSMEs to a national credit registry to monitor proper compliance and efficient implementation.

For efficient implementation and operation, cooperatives, except cooperative banks and insurance cooperatives, shall be under the sole supervision and

examination of the Cooperative Development Authority (CDA); all other financial entities, corporations and financial intermediaries, such as non-government organizations, financing companies, non-stock savings and loan associations, microfinance non-government organizations, and lending investors shall be under the SEC; banks shall be under the BSP; and insurance companies shall be under the Insurance Commission (IC). For clarity, cooperative banks shall be under the supervision and examination of the CDA and BSP; while insurance cooperatives shall be under the supervision and examination of the CDA and Insurance Commission (IC).

Lending institutions that 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. 10. *Recovery Fund.* – Aside from the existing benefits for MSMEs and eligible entrepreneurs, the Pangkabuhayan Council shall establish a Recovery Fund for MSMEs and beneficiaries, to be sourced from the Pangkabuhayan Fund, to provide MSMEs with aid, relief, and recovery interventions for disasters, calamities, epidemics, or complex emergencies, such as but not limited to, the COVID-19 pandemic.

Sec. 11. *Congressional Oversight Committee.* – To monitor and oversee the implementation of this Act, there shall be a Congressional Oversight Committee on Sustainable Livelihood and Entrepreneurship Development (COC-SLED) 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 of 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-SLED 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-SLED shall be drawn from the existing personnel of the Senate and House of Representatives committees comprising the COC-SLED.

Sec. 12. *Information Dissemination.* - The Philippine Information Agency, in coordination with the DTI and the DILG, shall ensure the proper and adequate information dissemination of the contents and benefits of this Act to pertinent media entities and all cities, municipalities, and barangays.

Sec. 13. *Considerations in Setting Priority Areas for Sustainable Livelihood and Entrepreneurship.* - In identifying the priority areas for livelihood and entrepreneurship development, the Pangkabuhayan Council shall, in consultation with the sectors concerned, consider the following areas:

- (a) Food security and sustainable agriculture;
- (b) Regenerative systems;
- (c) Health;
- (d) Secure, clean, and reliable energy;
- (e) Climate change and disaster resilience;
- (f) Innovation of traditional knowledge, traditional cultural expressions, and genetic resources;
- (g) Digital economy;
- (h) Sustainable transportation services; and
- (i) Sustainable tourism, among others.

Sec. 14. *Whole of Government Approach.* - In order to effectively promote and advance sustainable livelihood and entrepreneurship across all areas of government policy, a "whole of government approach" shall be adopted. This approach shall

facilitate engagement with business, the research, development, and engineering (RD&E) sector, MSMEs, and the broader community towards ensuring the full and effective implementation of this Act.

All government agencies concerned, including the following, shall be responsible for implementing sustainable livelihood and entrepreneurship and, as such, shall observe the "whole of government approach" provided herein:

- (a) National Economic and Development Authority (NEDA);
- (b) Department of Science and Technology (DOST);
- (c) Department of Trade and Industry (DTI);
- (d) Department of Agriculture (DA);
- (e) Department of Environment and Natural Resources (DENR);
- (f) Department of Health (DOH);
- (g) Department of Energy (DOE);
- (h) Department of Transportation (DOTr);
- (i) Department of National Defense (DND);
- (j) Department of Information and Communications Technology (DICT);
- (k) Department of Budget and Management (DBM);
- (l) Department of the Interior and Local Government (DILG);
- (m) Department of Foreign Affairs (DFA);
- (n) Department of Education (DepEd);
- (o) Commission on Higher Education (CHED);
- (p) Department of Labor and Employment (DOLE); and
- (q) Intellectual Property Office of the Philippines (IPOPHL).

Government agencies shall make available for public access, a joint web portal, that will bear information pertinent to livelihood and MSMEs policies, strategies, and programs, including services, grants, and financial assistance. The agencies shall likewise ensure that beneficiaries are guided on available services. The web portal shall also include a database of all ongoing and completed programs implemented.

It shall have interactive features that will allow the public to access services or file applications online. Inquiries shall be addressed within three (3) days from

receipt thereof. The processing of applications shall be streamlined in accordance with the guidelines to be established by the Pangkabuhayan Council. Reforms to this effect shall be reported to the Council within six (6) months from the effectivity of this Act.

The online facility shall provide an acknowledgment receipt and reference number for each transaction for monitoring purposes.

Government agencies concerned shall submit periodic progress reports to the Pangkabuhayan Council on the status of livelihood or entrepreneurial programs. Reporting guidelines shall be prepared by the Council for this purpose.

The enumeration of agencies provided herein is without prejudice to other agencies that the Council may mandate.

Sec. 15. *Removing Barriers to Livelihood and MSME Support.* - The Pangkabuhayan Council and its member government agencies shall eliminate regulatory barriers and cut red tape to enable access to livelihood and MSME support programs. Towards this end, the Council shall facilitate consultations with stakeholders to identify and cause the removal of barriers, such as procedural rules and documentary requirements in registration, availing of financing, or accessing government services.

Sec. 16. *Implementing Rules and Regulations.* - The Secretary of the DTI, in consultation with the appropriate agencies as may be deemed necessary, shall formulate the necessary rules and regulations to implement the provisions of this Act within ninety (90) days after its approval. The rules and regulations issued pursuant to this Section shall take effect fifteen (15) days after its publication in a newspaper of general circulation.

Sec. 17. *Separability Clause.* - If any provision of this Act shall be held unconstitutional, the remainder of this Act not otherwise affected shall remain in full force and effect.

Sec. 18. *Repealing Clause.* - All laws, executive orders, presidential decrees, rules, and regulations, or parts thereof inconsistent with any provisions of this Act are hereby repealed, amended, or modified accordingly.

Sec. 19. *Effectivity.* - This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,