

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



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SENATE

Senate Bill No. 782

RECEIVED BY

Introduced by Senator Juan Miguel F. Zubiri

AN ACT
INSTITUTIONALIZING THE POVERTY REDUCTION THROUGH SOCIAL
ENTREPRENEURSHIP (PRESENT) PROGRAM AND PROMOTING SOCIAL
ENTERPRISES WITH THE POOR AS PRIMARY STAKEHOLDERS

EXPLANATORY NOTE

Social enterprises in many parts of the world are considered catalysts for inclusive and sustainable development. Unlike traditional enterprises, social enterprises engage in revenue generating activities and at the same time address social problems especially of those belonging to the vulnerable and marginalized sectors as part of their core activities.

In a study published by the British Council and the Philippine Social Enterprise Network, there is an estimated 164,473 social enterprises operating in the Philippines whose top objectives are to generate employment, alleviate poverty, and improve and empower local marginalized groups or communities. The findings point to the importance of generating and advocating support for the sector.

At present, social enterprises are treated in the same manner as traditional micro, small and medium enterprises. There is a need to create a framework that will define and identify their needs for them to be effective tools to encourage the participation of marginalized groups in entrepreneurial activities.

This bill, thus, proposes the establishment of the Social Entrepreneurship (PRESENT) Program as a flagship anti-poverty program of the government. It defines social enterprises as social mission-driven organizations that conduct economic activities providing goods or services directly related to their primary mission of improving the well-being of the poor, basic and marginalized sectors and their living environment. This bill provides for incentives and benefits, including access to capital and other forms of financing, tax exemptions, marketing assistance, research and systems development, and preferential treatment of social enterprises in government procurement, among others.

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

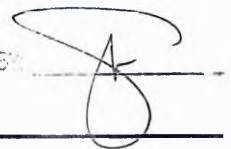


JUAN MIGUEL F. ZUBIRI

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

CHAPTER I
GENERAL PROVISIONS

1 **SECTION 1. Short Title.** This Act shall be known as the "*Poverty Reduction Through*
2 *Social Entrepreneurship (PRESENT) Act*".

3 **SEC. 2. Declaration of Policy.** The State shall promote a just and dynamic social order
4 that will ensure the prosperity and independence of the nation and free the people from poverty
5 through policies that provide adequate social services, promote full employment, raise standards
6 of living, and improve quality of life for all. The State shall provide social justice in all phases of
7 national development, value the dignity of every human person, and guarantee full respect for
8 human rights.

9 The State shall ensure a more equitable distribution of opportunities, income, and wealth;
10 sustained increase in the amount of goods and services produced by the nation for the benefit of
11 the people; and improved productivity to raise the quality of life for all, especially the
12 underprivileged. The State shall promote industrialization and full employment based on sound
13 agricultural development and agrarian reform through industries that make full and efficient use
14 of human and natural resources.

15 Towards this end, the State shall pursue an inclusive growth strategy that promotes an
16 environment conducive to the development and growth of a vibrant social enterprise sector
17 engaged in poverty reduction, and economic and social development. It shall empower the poor
18 as primary stakeholders in social enterprises, establish mechanisms essential to realize their
19 potential and achieve their full growth, and extend the assistance necessary for their
20 advancement. The State shall likewise provide technical and financial assistance, incentives and
21 other services to enable social enterprises to advance a strong social entrepreneurship movement
22 that will be instrumental in reducing poverty in the country.

23 **SEC. 3. Definition of Terms.** As used in this Act, the following terms shall mean:

- 1 a) *Basic Sectors* – refer to the disadvantageded sectors of Philippine society, namely: farmer-
2 peasant, artisanal fisherfolk, workers in the formal sector and migrant workers, workers in
3 the informal sector, indigenous peoples and cultural communities, women, persons with
4 disabilities, senior citizens, victims of calamities and disasters, youth and students, children,
5 and urban poor as defined by Republic Act 8425, or the “Social Reform and Poverty Alleviation
6 Act”;
- 7 b) *Economic Subsectors* refer to networks of related actors, and enterprises performing various
8 functions in value chains. These actors and enterprises transform raw materials into finished
9 products, or develop services, and distribute or provide them through market channels to final
10 consumers. They may be identified by key raw material source, by finished product or final
11 service provided. An economic subsector may be comprised of several competing value
12 chains. By understanding the dynamics of economic subsectors and using them as units of
13 planning social entrepreneurship interventions, government agencies, support institutions and
14 social enterprises shall more effectively reach and benefit a greater number of poor in poverty
15 reduction programs;
- 16 c) *Government Procuring Entity* refers to any branch, department, office, agency, or
17 instrumentality of the government, including state universities and colleges, government-
18 owned and/or – controlled corporations, government financial institutions, and local
19 government units procuring goods, consulting services and implementing infrastructure
20 projects;
- 21 d) *Living Wage* refers to the amount of family income needed to provide for the family’s food
22 and non-food expenditures with sufficient allowance for savings and investments for social
23 security so as to enable the family to live and maintain a decent standard of human existence
24 beyond mere subsistence level, taking into account all of the family’s physiological, social and
25 other needs;
- 26 e) *Marginalized Sectors* refer to groups of people who are stigmatized or excluded by virtue of
27 their physical, psychological, economic, social, or cultural circumstance;
- 28 f) *Poor* refers to individuals and families whose income fall below the poverty threshold as
29 defined by the National Economic and Development Authority and/or cannot afford in a
30 sustained manner to provide their minimum basic needs of food, health, education, housing,
31 and other essential amenities of life as defined by Republic Act 8425;
- 32 g) *Social Enterprise* refers to a social mission-driven organization, whether an association, sole
33 proprietorship, partnership, cooperative, corporation or any other legal form, that conducts
34 economic activities, and provide goods and/or services directly related to its primary mission
35 of improving the well-being of the poor, basic and marginalized sectors and their living
36 environment. A social enterprise explicitly declares and pursues poverty reduction as its
37 principal objective by purposefully rendering both transactional and transformational services.
38 Social enterprises engages and invests in the poor to become effective workers, suppliers,
39 clients and/or owners and ensures that a substantive part of the wealth created by the
40 enterprise is distributed to or benefits them. In addition to reinvesting its surplus or profits

1 back to the enterprise to sustain the fulfillment of its social mission, a social enterprise also
2 uses its surplus or profits and mobilizes other resources to assist the poor to become partners
3 in social enterprise or value chain management and governance and to become partners in
4 community, sectoral and societal transformation.

5 A social enterprise registered as a sole proprietorship, partnership or corporation must
6 fulfill the eligibilities set forth in Section 14 to avail of the benefits and incentives under this
7 act.

8 h) *Value Chains* refer to value-adding economic activities that an enterprise is interlinked with in
9 the process of producing goods and/or services to serve its chosen market. A value chain
10 typically consists of: 1) raw materials processing, 2) inbound distribution or logistics, 3)
11 manufacturing operations, 4) outbound distribution or logistics, 5) marketing and selling, and
12 6) after-sales service. These activities are supported by purchasing or procurement, research
13 and development, human resource development, and organizational development. A social
14 enterprise that understands and manages its value chain improves its capability to create
15 economic, environmental and social values to ensure the viability and sustainability of the
16 enterprise, and maximize benefits to the poor and marginalized.

17 CHAPTER II

18 POVERTY REDUCTION THROUGH SOCIAL ENTERPRISES

19 **SEC. 4. *Formulation of a Poverty Reduction Through Social Entrepreneurship***
20 ***(PRESENT) Program.*** – The PRESENT Program shall be established as a flagship program of
21 the government. The objective of the PRESENT Program is to progressively improve the positions
22 of and benefits to the poor, marginalized, and underprivileged. It shall do this by identifying
23 strategic economic subsectors with the potentials for growth and where the poor are concentrated
24 or could be major players. In the process, it shall identify and develop key social enterprises and
25 resource institutions as partners in providing transactional and transformational services towards
26 poverty reduction. Social enterprises shall be developed as vehicles to ensure that the poor benefit
27 the most from sustainable subsector development.

28 The formulation of the PRESENT program shall be guided by the following principles:

- 29 a) Promotion of sustainable programs that support the development of inclusive value
30 chains in key economic subsectors, towards reducing inequality in incomes and
31 increase self-reliance among the poor;
- 32 b) Enabling social enterprises to overcome constraints and to take advantage of
33 opportunities for enhancing the position and benefits of the poor and their living
34 environments including those that harness innovative approaches in addressing social
35 problems;
- 36 c) Development of sustainable mechanisms for the provision of quality and accessible
37 social services to the poor;
- 38 d) Encouraging the participation of the poor, basic, and marginalized sectors;
- 39 e) Promotion of gender-sensitivity by ensuring women's equal rights and access to social
40 enterprises resources;

- 1 f) Ecological soundness in the pursuit of sustainable and equitable development;
- 2 g) Incorporation of the PRESENT Program in the government's poverty reduction drive
- 3 as a major sustainable and comprehensive strategy; and
- 4 h) Rationalization of poverty reduction programs by streamlining and coordinating the
- 5 various anti-poverty programs of the government to reduce inefficiency and
- 6 duplication and to improve the effectiveness of each program.

7 The planning framework of the PRESENT Program and its planning process shall ensure
8 that the poor are engaged as primary stakeholders. It shall add value and complement ecosystem-
9 based, area-based, community-based and other tools and processes in local economic
10 development by promoting and utilizing the economic subsector as a strategic unit of analysis in
11 planning social enterprise development interventions.

12 PRESENT medium-term and annual development plans shall be formulated in synchrony
13 with the medium-term development plan of the national government.

14 **SEC. 5. Social Enterprise Development Council.** – To carry out the policy declared
15 under this Act, a Social Enterprise Development Council, hereinafter referred to as the "Council,"
16 is hereby created as an agency attached to the Office of the President. It shall be the primary
17 agency tasked to carry out the promotion, growth and development of social enterprises in the
18 country.

19 The Council shall be composed of the following:

- 20 a) Social enterprise sector head representative, as co-chairperson;
- 21 b) Secretary of Trade and Industry, as co-chairperson;
- 22 c) Secretary of Agriculture, as co-vice chairperson;
- 23 d) Lead Convenor of the National Anti-Poverty Council (NAPC), as co-vice chairperson;
- 24 e) Secretary of Social Welfare and Development;
- 25 f) Director-General of the National Economic Development Authority (NEDA);
- 26 g) Secretary of Finance;
- 27 h) Secretary of the Interior and Local Government;
- 28 i) Secretary of Labor and Employment;
- 29 j) Secretary of Science and Technology;
- 30 k) Secretary of Education;
- 31 l) Secretary of Agrarian Reform;
- 32 m) Secretary of Health;
- 33 n) Secretary of Environment and Natural Resources;
- 34 o) Chairperson of the Cooperative Development Authority (CDA);
- 35 p) Nine (9) representatives from social enterprises, three (3) representatives each from
- 36 main island grouping of Luzon, Visayas, and Mindanao;
- 37 q) Three (3) representatives from social enterprise service institutions; and
- 38 r) Three (3) representatives from social enterprise advocacy groups, as members.

1 Cabinet members may designate a permanent representative in case they fail to attend
2 its meetings. The designated permanent representative of any of the Cabinet members of the
3 Council must hold a position not lower than a bureau director.

4 The social enterprise sector head, the representatives of the social enterprises from the
5 main island group of Luzon, Visayas, and Mindanao, the social enterprise service institutions, and
6 the social enterprise advocacy groups shall be chosen by the President from among the nominees
7 submitted by their respective national organizations to service in the Council for a term of three
8 (3) years. These representatives must be conversant in the theory and practice of social enterprise
9 and committed to the policies and programs provided under this Act.

10 The Chairperson and members of the Council shall be entitled to a reasonable per diem
11 for each meeting actually attended at such amount as may be fixed by the Council in accordance
12 with existing laws, rules, and regulations.

13 The Council shall, from time to time, call upon the participation of any government agency
14 to attend in its meetings to assist in clarifying issues and finding resolution to problems that
15 concern their respective offices with respect to the implementation of the PRESENT Program
16 enunciated under this Act or any development program for social enterprises.

17 The Council may create an Executive Committee of seven (7) members elected by its
18 members from among themselves or their designated permanent representatives, with at least
19 three (3) members representing social enterprises, and with the authority to act for the Council,
20 and within the specific authority granted by the Council.

21 **SEC. 6. Center for Social Enterprise Development.** – There shall be established a
22 Center for Social Enterprise Development (CSED) under the supervision of the Council and to be
23 headed by an Executive Director, which shall have the primary responsibility of implementing
24 comprehensive policies for social enterprise development. Specifically, the CSED shall be
25 responsible for:

26 a) The development and implementation of the PRESENT Program as approved by the
27 Council with the following components:

- 28 1. Formulation and implementation of social entrepreneurship-oriented strategic
29 economic sub-sector development plans that shall serve as the basis for major
30 policies, projects and activities;
- 31 2. Capacity Building and Sustainability – The CSED will work with qualified Social
32 Enterprise Service Institutions and other intermediaries to design and deliver
33 training and education in social entrepreneurship development, institutional
34 start-up or strengthening, human resource competency and skills training,
35 business planning and advisory services, upgrading of accounting and auditing
36 systems, technical assistance for the installation or improvement of
37 management information systems, technology intervention, technology
38 incubation/commercialization, market studies, and product development
39 competitiveness, business matching activities, trade fairs and missions, policy
40 advocacy, disaster-resiliency and other related activities;

- 1 3. Research and Development – The CSED in coordination with the NEDA, DOST,
2 DTI, and other appropriate agencies, research institutions, and intermediaries,
3 shall develop and enhance a research and development system that:
- 4 i. Provides studies on opportunities for poverty reduction and social
5 enterprise development in key economic subsectors and other inputs
6 for the Council to undertake strategic planning for programs and
7 projects;
- 8 ii. Equip social enterprises and support institutions with services and
9 technologies that are appropriate for enhancing the participation
10 and benefits of the poor in various economic subsectors; and;
- 11 iii. Equip social enterprises and support institutions with innovative,
12 and sustainable approaches to improve access of the poor to quality
13 basic social services.
- 14 4. Information and Marketing Assistance – The CSED shall promote the
15 development and expansion of local and foreign markets for the products and
16 services of social enterprises. Towards this, the CSED shall:
- 17 i. Establish a marketing assistance program that will assist social
18 enterprises match supply with demand in both domestic and foreign
19 markets, as well as promote social enterprise products and services
20 through tri-media, trade fairs and trade missions; and
- 21 ii. Develop install and sustain a market information system for social
22 enterprises with the assistance of the DTI and DOT. All government
23 departments, agencies, bureaus, research institutions, as well as
24 the Local Government Units (LGUs) shall consolidate and
25 continuously update all relevant information and data that would
26 be of use to social enterprises on a periodic basis and make such
27 data available in a dedicated website on the internet.
- 28 b) Establishment and implementation of criteria and process for the qualification of social
29 enterprises that shall be eligible for support and other incentives as provided by this
30 Act and as approved by the Council;
- 31 c) Identification of sources of financing for the social enterprise sector such as but not
32 limited to grants, loans and equity financing for enterprise incubation, start-up and
33 expansion;
- 34 d) Management of multi-stakeholder convergence programs and activities among
35 government agencies and private organizations in support of the PRESENT Program;
- 36 e) Coordination with the concerned government agencies and local government units in
37 the development and implementation of the PRESENT Program and projects; and
- 38 f) Coordination with social enterprise stakeholders, including people’s organizations,
39 non-government organizations, and multi-sectoral and multi-disciplinary pool of
40 experts from the academe, practicing professionals, business, industry, youth, women

1 and other concerned sectors to provide advice and technical assistance on matters
2 pertaining to social enterprises.

3 CHAPTER III

4 INCENTIVES AND BENEFITS FOR SOCIAL ENTERPRISES

5 **SEC. 7. *Social Enterprise Development Fund.*** – There shall be included in the budget
6 of the DTI under the annual General Appropriations Act an initial amount of Nine Hundred Million
7 Pesos (Php900,000,000.00) for the establishment of a Social Enterprise Development Fund
8 (SEDF) which shall be utilized as grants to SEs for the plans set forth under the PRESENT program.

9 THE SEDF shall be allocated for:

- 10 a) Six Hundred Million Pesos (Php 600,000,000.00) for value-chain financing; and
11 b) Three Hundred Million Pesos (Php 300,000,000.00) for enterprise development
12 services.

13 After the first year of implementation, such sums as may be necessary to fund the SEDF
14 shall be included in the budget of the DTI under the annual General Appropriations Act.

15 Plans for the utilization of the SEDF shall be developed by the CSED for approval by the
16 Council.

17 **SEC. 8. *Special Credit Windows.*** – The Land Bank of the Philippines, Development
18 Bank of the Philippines and other government financial institutions shall establish special credit
19 windows for the following purposes:

- 20 a) Credit line for business development loan or working capital loan to cover the operational and
21 management expenses of an existing business or income generating project, including
22 receivable financing or purchase of additional inventory, soft or intangible investments such
23 as trade fair participation or acquisition of software or franchise development packages;
24 b) Fixed assets financing to cover acquisition of fixed assets like machineries and equipment,
25 motor vehicle, or acquisition of lot for project site or construction of a plant and building and
26 the improvement thereof;
27 c) Value chain financing to cover any of the value chain activities such as production, processing
28 and marketing;
29 d) Domestic letter of credit or trust receipt to provide a stand-by-credit facility for the social
30 enterprise borrower for the purchase of product inputs, equipment, machinery, implements,
31 and spare parts, whereby payment of which is guaranteed and to be made to the seller by
32 the lending institution, provided all documents conform with the terms and conditions of the
33 credit; and
34 e) Revolving Credit Line for re-lending to finance the livelihood project requirements of end-
35 borrowers.

36 **SEC. 9. *Social Enterprise Guarantee and Surety Fund.*** – There shall be established
37 a Social Enterprise Guarantee and Surety Fund (SEGSF) which shall be funded from equity
38 contributions of government financial institutions. The SEGSF shall be used to provide guarantee
39 cover to participating financial institutions and other parties in extending financing to social
40 enterprises. The SEGSF shall be administered by the Small Business Corporation to enable

1 qualified social enterprises to access non-collateralized and other appropriate financing while
2 mitigating the risks involved in social enterprise sector lending: *Provided*, That the SEGSF may
3 also be used to cover the performance bond of social enterprises for their transactions.

4 **SEC. 10. *Public Procurement for Social Enterprises.*** – For purposes of government
5 procurement, the Government Procurement Policy Board (GPPB) shall recommend and approve
6 policies to facilitate the full participation of social enterprises in public procurement processes and
7 to ensure the maximum public benefit and impact of government procurement projects. In
8 support of these policies, the DBM shall direct line agencies of government to include at least
9 10% of its annual budget for Maintenance and Other Operating Expenses and Capital Outlay
10 specifically for goods procured and services contracted from social enterprises.

11 **SEC. 11. *Insurance for Social Enterprises.*** – The Insurance Commission shall issue
12 the necessary rules and regulations and implement measures to ensure that the insurance
13 industry shall provide insurance products, both life and non-life, for social enterprises and their
14 stakeholders among the poor. Furthermore, social enterprises shall be eligible to be licensed
15 agents or delivery channels for their clients and constituents.

16 **SEC. 12. *Eligibility for Benefits and Incentives.*** – In the case of social enterprises
17 organized as stock corporations, partnerships or sole proprietorships, the following requirements
18 shall apply to become eligible for benefits and incentives provided by this Act:

- 19 a) A social enterprise must not be organized as a branch, subsidiary or division of a private
20 business enterprise, regardless of the size of such private business enterprise, nor may its
21 policies be determined by a private business enterprise. *Provided*, That this shall not preclude
22 a social enterprise from accepting subcontracts from large private business enterprises or
23 firms or from joining in cooperative or joint-venture activities with other social enterprises or
24 foundations practicing Corporate Social Responsibility (CSR); and
25 b) A social enterprise must plow back at least sixty percent (60%) of its total expenditures and
26 profits to the enterprise for the benefit of the poor, and engage in practices that optimize the
27 benefits for the poor through the provision of living wages, above-market pricing for
28 economically disadvantaged producers and suppliers, and other such best practices that
29 distribute the profit generated by the enterprise.

30 **CHAPTER IV**

31 **APPROPRIATIONS AND OTHER PROVISIONS**

32 **SEC. 13. *Role of Local Government Units (LGUs) in Social Enterprise***
33 ***Development.*** – LGUs shall be encouraged to incorporate viable social enterprise development
34 plans in their local plans and collaborate with social enterprises.

35 **SEC. 14. *Social Entrepreneurship Education in Schools.*** – Toward strategically
36 developing the nation's human resource capability in social entrepreneurship, the DepEd, TESDA
37 and the CHED shall cause the integration of social enterprise content and inclusion of social
38 enterprise courses in the curricula at all levels, especially in the secondary and tertiary levels. A
39 continuing social entrepreneurship education program for out-of-school youth and adults shall
40 likewise be developed and undertaken.

1 **SEC. 15. *Social Enterprise Week.*** – In order to institute continuing awareness on the
2 importance of social enterprises as a viable government strategy in pursuing poverty alleviation,
3 the week of the month when this Act shall have been signed into law shall be declared as the
4 “Social Enterprise Week” and shall be celebrated annually. The Council shall, through the CSED,
5 be responsible in organizing activities for the event.

6 **SEC. 16. *Appropriations.*** – The amount necessary to implement the provisions of this
7 Act shall be charged against the current year’s appropriations of the Office of the President.
8 Thereafter, such sums as may be necessary for its continued implementation shall be included in
9 the annual General Appropriations Act.

10 The budgetary requirements of the cooperating agencies shall be incorporated in their
11 respective budgets. The CSED may raise funds from other sources for specific projects as may be
12 authorized by law.

13 **SEC. 17. *Transitory Provision.*** – Within a period of five years, the CSED shall facilitate
14 the development and dissemination of tools, and invest in the development of the capability of
15 social enterprises to plan, monitor and evaluate their social and financial performance and
16 outcomes. Further, the CSED shall evolve socially acceptable benchmarks for evaluating the
17 performance of social enterprises and incorporate such to more effectively develop and regulate
18 the sector.

19 **SEC. 18. *Implementing Rules and Regulations.*** – Within ninety (90) days from the
20 effectivity of this Act, the Department of Trade and Industry shall, in consultation and coordination
21 with the concerned government agencies, promulgate the necessary rules and regulations for the
22 effective implementation of this Act.

23 **SEC. 19. *Separability Clause.*** – If any provision or part of this Act is declared invalid
24 or unconstitutional, the remaining parts or provisions not affected shall remain in full force and
25 effect.

26 **SEC. 20. *Repealing Clause.*** – All laws decrees, ordinances, rules and regulations,
27 executive order or administrative order and other presidential issuances inconsistent in this act
28 are hereby repealed, amended or modified accordingly.

29 **SEC. 21. *Effectivity Clause.*** – This Act shall take effect fifteen (15) days after its
30 publication in the Official Gazette or in two (2) national newspapers of general circulation.

Approved,