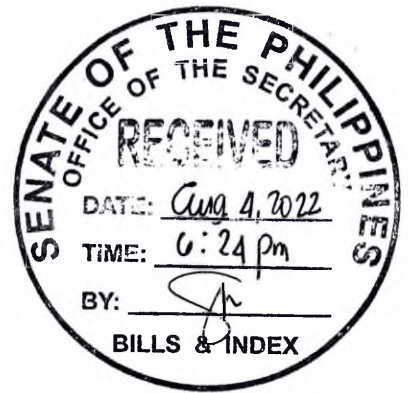


NINETEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



SENATE

S. B. NO. 1041

Introduced by **SENATOR JOEL VILLANUEVA**

**AN ACT
INSTITUTIONALIZING THE POVERTY REDUCTION THROUGH
SOCIAL ENTREPRENEURSHIP (PRESENT) PROGRAM AND
PROMOTING SOCIAL ENTERPRISES, PROVIDING FUNDS
THEREFOR AND FOR OTHER PURPOSES**

EXPLANATORY NOTE

In 2015, it was estimated that there were about 164,473 social enterprises in the Philippines, which constitutes 17% of the then 987,974 registered companies in the country.¹ Meanwhile, in a survey of 206 verified social enterprises in a study published by the British Council, together with the European Union, the United Nations Economic and Social Commission in Asia and the Pacific (UN ESCAP), and the Philippine Social Enterprise Network (PhilSEN), it was found that:²

- a) Social enterprises are led by young social entrepreneurs, with 28% of the start-ups headed by persons aged 35-44, 23% are led by persons aged 45-54, and 21% are led by 25-34 years old;
- b) More than half of the jobs created were for women, with 56% of females employed, showing that social enterprises are empowering women;
- c) 17,434 full-time staff were hired by the enterprises surveyed;

¹ ADB Briefs, Road Map for Strengthening Social Entrepreneurship in the Philippines, accessible at <https://www.adb.org/sites/default/files/publication/514471/adb-brief-112-social-entrepreneurship-road-map-philippines.pdf> (last accessed August 3, 2022).

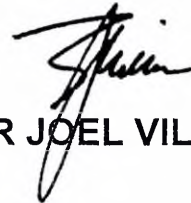
² Reaching the Farthest First: The State of Social Enterprise in the Philippines, accessible at https://www.britishcouncil.ph/sites/default/files/social_report_bc_fa_102517_web-compressed.pdf (last accessed August 3, 2022).

- d) More than 60% of respondents have growth plans, including attracting new customers, developing new products or services, expanding into geographic areas, and increasing sales with existing customs; and
- e) 19% of social entrepreneurs surveyed are focused on agriculture, 9% in education, 9% in business development, 8% in financial services, and 8% are engaged in employment creation.

The same report showed that social entrepreneurs usually face barriers and constraints, including capital, obtaining grants, and concerns with cash flow, among others.

At present, there are no direct policies for social enterprises in the Philippines. They indirectly benefit from laws applicable to MSMEs in general. But in view of the unique characteristic of social enterprises, generally “producer-based organizations whose efforts went primarily into the integration of their goods/services into the broader value chain and the distribution of the profits obtained from such to their low-income stakeholders,”³ there is a need to recognize and offer niche support mechanisms for their continued growth and expansion in Philippine and global markets.

Thus, the immediate passage of this bill is earnestly sought.

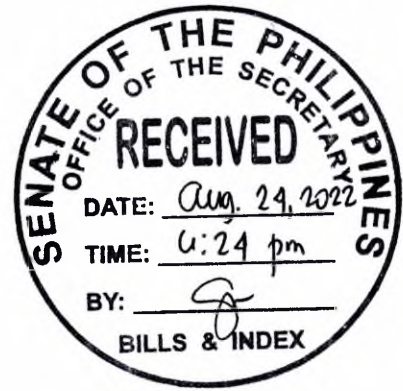


SENATOR JOEL VILLANUEVA *μ*

³ *Id.*

NINETEENTH CONGRESS OF THE
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SENATE

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

**CHAPTER I
GENERAL PROVISIONS**

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

SEC. 2. Declaration of Policy. – The State shall promote a just and dynamic
social order that will ensure the prosperity and independence of the nation and free
the people from poverty through policies that provide adequate social services,
promote full employment, a rising standard of living, and an improved quality of life
for all. The State shall provide social justice in all phases of national development
and shall guarantee, at all times, the dignity of every human person and full respect
for human rights. The State recognizes the important role of enterprises in the
economy as the major agent of development, creating off-farm employment
opportunities and providing transitional means for improving the livelihood of the
people.

Towards this end, the State shall pursue an inclusive growth strategy that
promotes an environment conducive to the development and growth of a vibrant
social enterprise sector engaged in poverty reduction, and economic and social
development. It shall empower the poor as primary stakeholders in social
enterprises, establish mechanism essential to realizing their potential and achieving
their full growth, and extend the assistance necessary for their advancement. The
State shall likewise provide technical and financial assistance, incentives and other

1 services to enable social enterprises to develop into viable and vital anti-poverty
2 agents, and a strong social entrepreneurship movement that will be instrumental in
3 reducing poverty in the country.
4

5 **SEC. 3. Definition of Terms.** – The following terms when used in this Act
6 shall mean:
7

- 8 a) **Basic Sectors** refer to the disadvantaged sectors of Philippine society,
9 namely: farmer-peasant, artisanal fisherfolk, workers in the formal sector
10 and migrant workers, workers in the informal sector, indigenous peoples
11 and cultural communities, women, persons with disabilities, senior
12 citizens, victims of calamities and disasters, youth and students, children
13 and urban poor;
14
- 15 b) **Economic Subsectors** refer to networks of related actors, and
16 enterprises performing various functions to value chains that transform
17 raw materials into finished products, or develop services, and distribute
18 or provide them through market channels to final consumers. These
19 subsectors may be identified by key raw material source, by finished
20 product or final service provided. An economic subsector may be
21 comprised of several competing value chains;
22
- 23 c) **Marginalized Sectors** refer to groups of people who are stigmatized or
24 excluded by virtue of their physical, psychological, economic, social or
25 cultural circumstance;
26
- 27 d) **Poor** refers to individuals and families whose income fall below the
28 poverty threshold as defined by the National Economic and Development
29 Authority (NEDA) and/or cannot afford in a sustained manner to provide
30 their minimum basic needs of food, health, education and housing and
31 other essential amenities of life;
32
- 33 e) **Poverty Reduction** refers to overcoming the income, resource and
34 capability deprivation among the poor, basic and marginalized sectors;
35
- 36 f) **Social Enterprise or SE** refers to a social mission-driven organization in
37 the form of an association, single proprietorship, partnership,
38 corporation, cooperative, people's organization, non-stock non-profit and
39 people's organizations or any other legal entity that conducts economic
40 activities providing goods and/or services directly related to their primary
41 mission of poverty reduction and improving the well-being of the poor,
42 basic and marginalized sectors and their living environment. In pursuit of
43 this primary mission, a SE:
44
- 45 1) Engages and invests in the poor to become effective workers,
46 suppliers, clients and/or owners;
47
 - 48 2) Ensures that a substantive part of the wealth created by the
49 enterprise is distributed to or benefits these sectors;
50

- 1 3) Reinvests its surplus or profits back to the enterprise to sustain the
2 fulfillment of its social mission; and
3
4 4) Utilizes its surplus or profits and mobilizes other resources to assist
5 the poor to become partners in SE or value chain management and
6 governance and to become partners in community, sectoral and
7 societal transformation;
8
9 g) **Social Enterprise Service Institution** refers to an organization that
10 provides assistance, including trainings, education and other capacity-
11 building measures, research and development, and other activities, to
12 SEs for them to become viable and sustainable;
13
14 h) **Transactional Services** refer to enterprise or market-driven activities,
15 such as providing loans, demonstrating new technologies or conducting
16 trainings that are necessary for the poor in the SE system to effectively
17 and efficiently perform their roles as workers, suppliers, clients and
18 owners. Transactional services may be fee-based, such as the granting
19 of loans, or non-fee based, such as the extension of production-related
20 trainings;
21
22 i) **Transformative Services** refer to activities that empower the poor, such
23 as leadership formation, organizational development, financial and legal
24 literacy, asset build-up and providing education and experiential learning
25 opportunities, to become conscious change agents for themselves, for
26 their communities, sectors and society as a whole;
27
28 j) **Value Chains** refer to value-adding economic activities that firms and
29 workers do to bring product from its conception to its end use. A value
30 chain typically consists of: (1) raw materials processing; (2) inbound
31 distribution or logistics; (3) manufacturing operations; (4) outbound
32 distribution or logistics; (5) marketing and selling; and (6) after-sales
33 service. These activities are supported by (1) purchasing or
34 procurement; (2) research and development; (3) human resource
35 development; and (4) organizational development; and
36
37 k) **Living Wage** refers to the amount of family income needed to provide for
38 the family's food and non-food expenditures with sufficient allowance for
39 savings/investments for social security so as to enable the family to live
40 and maintain a decent standard of human existence beyond mere
41 subsistence level, taking into account all of the family's physiological,
42 social and other needs.
43

44 CHAPTER II

45 POVERTY REDUCTION THROUGH SOCIAL ENTERPRISES

46
47 **SEC. 4. Formulation of a Poverty Reduction Through Social**
48 **Entrepreneurship (PRESENT) Program.** – There is hereby established a Poverty
49 Reduction Through Social Entrepreneurship (PRESENT) Program to progressively
50 improve the position and benefits received by the poor, marginalized and basic

1 sectors of Philippine society from economic subsector development and growth. To
2 do this, the PRESENT Program shall identify strategic economic subsectors with
3 potential for growth, the geographic concentration of the basic, marginalized and
4 poor sectors, and how these sectors can be tapped to spur the growth and
5 development of a specific subsector. The PRESENT Program shall involve
6 identifying and developing key SEs and resource institutions as partners in providing
7 transactional and transformational services towards poverty reduction.

8
9 The formulation of the PRESENT Program shall be guided by the following:

- 10
11 a) Promoting sustainable programs that support the development of
12 inclusive value chains in key economic subsectors, with a view to
13 reducing inequality in incomes and increasing self-reliance among the
14 poor;
- 15
16 b) Enabling SEs to overcome constraints and to take advantage of
17 opportunities for enhancing the position and benefits of the poor and
18 their living environments, including those that harness innovative
19 approaches in addressing social problems;
- 20
21 c) Developing sustainable mechanisms for the provision of quality and
22 accessible social services to the poor;
- 23
24 d) Empowering people by ensuring the participation of the basic, poor and
25 marginalized sectors;
- 26
27 e) Promoting gender sensitivity by ensuring women's equal rights and
28 access to resources of SEs;
- 29
30 f) Promoting ecological soundness in the pursuit of sustainable and
31 equitable development;
- 32
33 g) Incorporating the PRESENT Program in the government's poverty
34 reduction drive as a major sustainable and comprehensive strategy; and
- 35
36 h) Rationalizing of poverty reduction programs by streamlining and
37 coordinating the various anti-poverty programs of the government to
38 reduce inefficiency and duplication to improve the effectiveness of each
39 program.

40
41 The planning process and framework of the PRESENT Program shall ensure
42 that the poor are engaged as primary stakeholders. It shall add value and
43 complement ecosystem-based, area-based, community-based and other tools and
44 processes in local economic development by promoting and utilizing the economic
45 subsector as a strategic unit of analysis and planning for the development of
46 interventions spearheaded by SEs.

47
48 The medium-term and annual development plans of the PRESENT Program
49 shall be aligned with the medium-term development plan of the national government.
50

1 **SEC. 5. National Enterprise Development Council.** – The existing Micro,
2 Small and Medium Enterprise Development (MSMED) Council, which is an attached
3 agency of the Department of Trade and Industry (DTI), shall be strengthened and
4 expanded to effectively spur the growth and development of MSMEs and SEs
5 throughout the country, and to carry out the policy declared under this Act. It shall
6 hereafter be known as the National Enterprise Development Council (the “Council”).
7

8 In addition to the existing functions of the Council as provided under Republic
9 Act No. 9501, otherwise known as the Magna Carta for Micro, Small and Medium
10 Enterprises, the Council shall serve as the primary agency tasked to carry out the
11 promotion, growth and development of SEs in the country. It shall also approve the
12 SE development plans as formulated and recommended by the Center for Social
13 Enterprise Development (CSED) created under Section 6 of this Act.
14

15 To ensure that the Council is able to fulfill its additional mandate as provided
16 under this Act, there shall be created an SE Committee under the Council that shall
17 perform the following functions:
18

- 19 a) Promote social enterprise as a key strategy for reducing poverty and
20 enabling inclusive growth;
- 21 b) Provide oversight for the implementation of the PRESENT Program and
22 activities of the CSED;
- 23 c) Establish policies, plans, programs and projects to develop and promote
24 SEs as a tool for poverty reduction in accordance with a comprehensive
25 social enterprise development plan that is fully integrated and consistent
26 with national development objectives and plans;
- 27 d) Monitor and evaluate the performance of programs and projects of
28 CSED for appropriate incentives;
- 29 e) Submit annual and other periodic reports to the President and the
30 Congress of the Philippines not later than April 30 of each year; and
31 f) Promulgate such rules and regulations and exercise such other powers
32 and functions as may be necessary to carry out the purposes of this Act
33 and for the continued enhancement, growth and development of the SE
34 sector.
35

36 The SE Committee shall be composed of the Secretary of DTI, Secretary of
37 Agriculture, Secretary of Interior and Local Government, the Chairman of the Small
38 Business Corporation, and three (3) representatives each from the SEs, SE service
39 institutions and SE advocacy groups: *Provided*, That such representatives shall each
40 come from the main island groupings of Luzon, Visayas, and Mindanao.
41

42 **SEC. 6. Center for Social Enterprise Development.** – There shall be
43 established a Center for Social Enterprise Development (CSED) under the
44 supervision of the Council to be headed by an Executive Director. The Executive
45
46
47
48
49

1 Director shall have the primary responsibility of implementing the comprehensive
2 policies for social enterprise development.

3
4 Specifically, the CSED shall be responsible for the following:
5

- 6 a) The development and implementation of the PRESENT Program as
7 approved by the Council, with the following components:
8
- 9 1) Formation and Implementation of Plans: The CSED shall formulate
10 and implement social entrepreneurship-oriented strategic and
11 economic sub-sector development plans that shall serve as the
12 basis for major policies, projects and activities;
13
 - 14 2) Capacity Building and Sustainability: CSED shall work with
15 qualified SE service institutions and other intermediaries to design
16 and deliver training and education in social entrepreneurship
17 development, institutional start-up or strengthening, human
18 resource competency and skills training, business planning and
19 advisory services, upgrading of accounting and auditing systems,
20 technical assistance for the installation or improvement of
21 management information systems, technology intervention,
22 technology incubation/commercialization, market studies, and
23 product development competitiveness, business matching activities,
24 trade fairs and missions, policy advocacy, disaster resiliency and
25 other related activities.
26
 - 27 3) Research and Development: The CSED, in coordination with
28 NEDA, Department of Science and Technology (DOST), DTI, and
29 other appropriate agencies, research institutions, academe, and
30 intermediaries, shall develop and enhance a research and
31 development system that:
32
 - 33 (i) Provides recommendations and robust discussions and
34 engagements on poverty reduction vis-à-vis SE development
35 in key economic subsectors and other inputs for the Council to
36 undertake strategic planning for programs and projects;
37
 - 38 (ii) Equips SEs and supports institutions with services and
39 technologies that are appropriate for enhancing the
40 participation and benefits of the poor in various economic
41 subsectors, and innovative and sustainable approaches to
42 improve access of the poor to quality basic social services;
43
 - 44 4) Information and Marketing Assistance: The CSED shall promote the
45 development and expansion of local and foreign markets for the
46 products and services of SEs. Towards this end, the CSED shall:
47
 - 48 (i) Establish a marketing assistance program that will assist SEs
49 match supply with demand in both domestic and foreign

1 markets, as well as promote SE products and services through
2 tri-media marketing, trade fairs and trade missions; and
3

4 (ii) Develop, install and sustain market information system for SEs
5 with the assistance of the DTI and the Department of Tourism
6 (DOT). All government departments, agencies, bureaus,
7 research institutions, and local government units (LGUs) shall
8 consolidate and continuously update on a regular basis and
9 make accessible all relevant information and data that would
10 be useful to SEs;
11

- 12 b) Establishment and implementation of criteria and process for the
13 qualification of SEs to be eligible for the support and other incentives
14 provided under this Act and as approved by the Council;
15 c) Identification of sources of financing for the SE sector, which shall not be
16 limited to grants, loans and equity financing for enterprise incubation,
17 start-up and expansion;
18
19 d) Management of multi-stakeholder convergence programs and activities
20 among government agencies and private organizations in support of the
21 PRESENT Program;
22
23 e) Coordination with the concerned government agencies and LGUs in the
24 development and implementation of the PRESENT Program and
25 projects;
26
27 f) Coordination with social enterprise stakeholders, including people's
28 organizations, non-government organizations, and multi-sectoral and
29 multi-disciplinary pool of experts from the academe, practicing
30 professionals, business, industry, youth, women, and other concerned
31 sectors to provide advice and technical assistance on matters pertaining
32 to SEs.
33

34 **SEC. 7. Role of LGUs in SE Development.** – LGUs shall be encouraged to
35 incorporate viable SE development plans in their local development plans, and, as
36 far as practicable, collaborate with SEs with regard the implementation thereof.
37

38 **SEC. 8. Social Enterprise Development Fund.** – There is hereby
39 appropriated an amount of Nine Hundred Million Pesos (P900,000,000.00) for the
40 establishment of a Social Enterprise Development Fund (SEDF), which shall be used
41 to fund grants to SEs for the implementation of the PRESENT Program.
42

43 The SEDF shall be allocated as follows:
44

- 45 a) Six Hundred Million Pesos (P600,000,000.00) for value-chain financing;
46 and
47
48 b) Three Hundred Million Pesos (P300,000,000.00) for enterprise
49 development services.
50

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

4
5 The CSED shall develop the roadmap for the utilization of the Fund, which
6 shall be approved by the Council.

7
8 **CHAPTER III**
9 **INCENTIVES AND BENEFITS FOR SOCIAL ENTERPRISES**

10
11 **SEC. 9. *Special Credit Windows.*** – The Land Bank of the Philippines (LBP),
12 Development Bank of the Philippines (DBP) and other government financial
13 institutions shall establish special credit windows for the following purposes:

- 14
15 a) Credit line for business development loan or working capital loan to
16 cover the operational and management expenses of an existing business
17 or income generating project, including receivable financing or purchase
18 of additional inventory, soft or intangible investments, such as trade fair
19 participation or acquisition of software or franchise development
20 packages;
- 21
22 b) Fixed assets financing to cover the acquisition of fixed assets like
23 machineries and equipment, motor vehicle, or acquisition of lot for
24 project site or construction of a plant and building and the improvement
25 thereof;
- 26
27 c) Value chain financing to cover any of the value chain activities such as
28 production, processing and marketing;
- 29
30 d) Domestic letter of credit or trust receipt to provide a stand-by credit
31 facility for the SE borrower for the purchase of product inputs,
32 equipment, machinery, implements, and spare parts; and
- 33
34 e) Revolving credit line for re-lending to finance the livelihood project
35 requirements of the beneficiaries/clients of SEs.

36
37 **SEC. 10. *Compliance with Mandatory Allocation of Credit Resources.*** –
38 Loans granted by financial institutions to SEs shall be computed by the *Bangko*
39 *Sentral ng Pilipinas* (BSP) as equivalent to two times the amount of the loan for
40 purposes of determining the financial institution's compliance to the mandatory
41 allocation of credit resources to micro, small and medium enterprises as provided
42 under Republic Act No. 9501, otherwise known as the Magna Carta for Micro, Small
43 and Medium Enterprises.

44
45 **SEC. 11. *Government Procurement.*** – Eligible SEs shall be entitled to a
46 share of at least ten percent (10%) of total procurement value of goods and services
47 supplied to the Government, its bureaus, offices and agencies annually. The
48 Department of Budget and Management (DBM) shall monitor the compliance of
49 government agencies on the required procurement for SEs and submit its report to
50 the Council and the Congress of the Philippines not later than April 30 of each year.

1
2 **SEC. 12. Insurance for Social Enterprises.** – The Insurance Commission
3 shall issue the necessary rules and regulations to implement measures to ensure
4 that the insurance industry shall provide insurance products, both life and non-life,
5 for social enterprises and their stakeholders.
6

7 **SEC. 13. Exemption from the Coverage of the Minimum Wage Law.** – SEs
8 with a Within three (3) years from its organization, SEs that have total assets,
9 inclusive of those arising from loans but exclusive of the land on which the SE's
10 office, plant and equipment are situated, is not more than Three Million Pesos
11 (P3,000,000.00) shall be exempt from the coverage of the Minimum Wage Law:
12 *Provided*, That all employees covered under this Act shall be entitled to the same
13 benefits given to any regular employee such as social security and healthcare
14 benefits.
15

16 **SEC. 14. Eligibility for Benefits and Incentives.** – In the case of social
17 enterprises organized as stock corporations, partnerships or sole proprietorships, the
18 following requirements shall apply to become eligible for benefits and incentives
19 provided under this Act:
20

- 21 a) An SE must not be organized as a branch, subsidiary or division of a
22 private business enterprise, regardless of the size of such private
23 enterprise, nor may its policies be determined by a private business
24 enterprise: *Provided*, That this shall not preclude an SE from accepting
25 subcontracts from large private business enterprises or firms or from
26 joining in cooperative or joint venture activities with other SEs or
27 foundations practicing corporate social responsibility;
28
- 29 b) At least sixty percent (60%) of an SE's total expenditures and profits are
30 plowed back to the enterprise for the benefit of the poor, and such SE
31 engages in practices that optimize the benefits for the poor through the
32 provision of living wages, above-market pricing for economically
33 disadvantaged producers and suppliers, and other best practices that
34 distribute the profit generated by the enterprise.
35

36 **CHAPTER IV** 37 **APPROPRIATION AND OTHER PROVISIONS** 38

39 **SEC. 15. Social Entrepreneurship Education in Schools.** – The Council, in
40 addition to its mandate to promote entrepreneurship and coordinate with education
41 agencies for this purpose, shall coordinate with, and develop in conjunction with the
42 Department of Education (DepEd), Technical Education and Skills Development
43 Authority (TESDA) and the Commission on Higher Education (CHED), a curriculum
44 or module that on SEs, and its inclusion in the curricula at all levels, especially in the
45 secondary and tertiary levels. A continuing social entrepreneurship education
46 program for out-of-school youth and adults shall likewise be developed and
47 undertaken.
48

49 **SEC. 16. Social Enterprise Week.** – In order to institute continuing
50 awareness on the importance of SEs as a viable government strategy in pursuing

1 poverty alleviation, the week of the month when this Act shall have been signed into
2 law shall be declared as the Social Enterprise Week. The Social Enterprise Week
3 shall be celebrated annually, the celebrations of which shall be spearheaded by the
4 CSED.

5
6 **SEC. 17. Appropriations.** – The Council shall allocate the initial amount of
7 Fifty Million Pesos (P50,000,000.00) from the existing MSMED Council Fund to
8 support the operations and programs of the CSED. Thereafter, such sums as may
9 be necessary for the continued implementation of this Act shall be included in the
10 budget of the DTI under the annual General Appropriations Act.

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

15
16 **SEC. 18. Transitory Provision.** – Within a period of five (5) years, the
17 Council shall facilitate the development and dissemination of tools and invest in the
18 development of the capability of SEs to plan, monitor and evaluate their social and
19 financial performance and outcomes. In addition, the Council shall evolve socially-
20 acceptable benchmarks for evaluating the performance of SEs and incorporate such
21 to more effectively develop and regulate the sector.

22
23 **SEC. 19. Implementing Rules and Regulations.** – Within ninety (90) days
24 from the effectivity of this Act, the DTI, in consultation with the appropriate
25 government agencies and other relevant stakeholders, shall formulate the rules and
26 regulations to effectively implement the provisions of this Act.

27
28 **SEC. 20. Separability Clause.** – Any portion or provisions of this Act that
29 may be declared unconstitutional or invalid shall not have the effect of nullifying other
30 portions and provisions hereof as long as such remaining portions or provisions can
31 still subsist and be given effect in their entirety.

32
33 **SEC. 21. Repealing Clause.** – All laws, decrees, executive orders,
34 proclamations and administrative regulations, or any parts thereof inconsistent with
35 the provisions of this Act are hereby revoked, repealed or modified accordingly.

36
37 **SEC. 22. Effectivity Clause.** – This Act shall take effect fifteen (15) days
38 after its publication in the *Official Gazette* or in at least two (2) newspapers of
39 general circulation.

40
41 **Approved,**