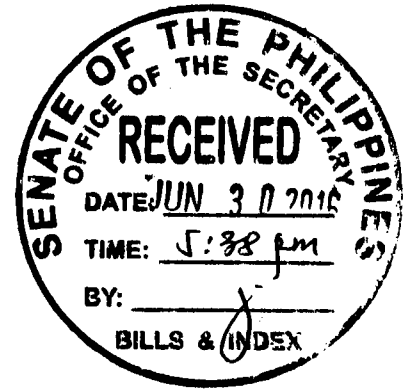


SEVENTEENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
First Regular Session)



SENATE
S.B. No. 176

Introduced by: Senator Paolo Benigno "Bam" A. Aquino IV

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

EXPLANATORY NOTE

This measure provides the framework for the planning and implementation of a National Poverty Reduction Through Social Entrepreneurship (the "PRESENT") Program. The PRESENT Bill provides a nurturing environment for the growth and burgeoning of strong and innovative Social Enterprises as tools to reduce poverty.

A "Social Enterprise" or "SE" as defined in the proposed bill, refers to a social mission-driven organization that conducts economic activities providing goods and/or services directly related to its primary mission of improving the well-being of the poor, basic and marginalized sectors and their living environment. A social enterprise explicitly declares and pursues poverty reduction as its principal objective by purposefully rendering both transactional and transformational services. An SE engages and invests in the poor to become effective workers, suppliers, clients and/or owners and ensures that a substantive part of the wealth created by the enterprise is distributed to or benefits them.

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

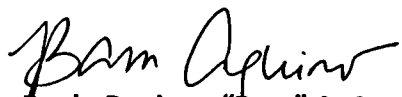
This is in line with Article XII, Section 1 of the Philippine Constitution which states:

Section 1. The goals of the national economy are a more equitable distribution of opportunities, income, and wealth; a sustained increase in the amount of goods and services produced by the nation for the benefit of the people; and an expanding productivity as the key to raising the quality of life for all, especially the under-privileged.

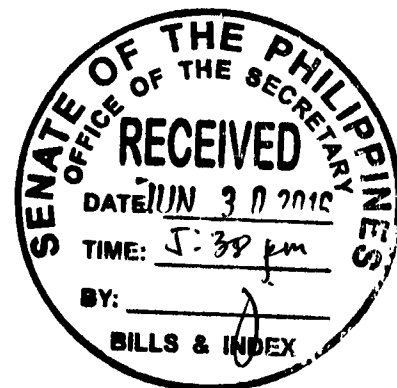
The challenge for Social Enterprises is how to become an effective poverty reduction tool. In the face of this challenge, government must play a supportive role to ensure that the appropriate systems, structures, and resources needed to support Social Enterprises are put in place. Government must help these new breed of entrepreneurs to acquire resources, build successful organizations, and achieve significant positive impact.

A nation's economy is not stagnant - new social investment models, ways of doing business, and impact measurement tools continually arise. These changes at times distort and blur the once clear boundaries among the traditional nonprofit, for-profit, and public sectors. It is time that a Social Enterprise be officially recognized and defined in order for the government to be able to give it adequate support.

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


Senator Paolo Benigno "Bam" A. Aquino IV

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SENATE
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**AN ACT INSTITUTIONALIZING THE POVERTY REDUCTION THROUGH SOCIAL
ENTREPRENEURSHIP PROGRAM AND PROMOTING SOCIAL ENTERPRISES WITH THE POOR
AS PRIMARY STAKEHOLDERS**

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

1 **CHAPTER I**
2 **GENERAL PROVISIONS**

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

5 **SEC. 2. Declaration of Policy.** - The State shall promote a just and dynamic social
6 order that will ensure the prosperity and independence of the nation and free the people
7 from poverty through policies that provide adequate social services, promote full
8 employment, a rising standard of living, and an improved quality of life for all. The State
9 shall provide social justice in all phases of national development and that the State values
10 the dignity of every human person and guarantees full respect for human rights.

11 The goals of the national economy are a more equitable distribution of
12 opportunities, income, and wealth; a sustained increase in the amount of goods and
13 services produced by the nation for the benefit of the people; and expanding productivity as
14 the key to raising the quality of life for all, especially the underprivileged. The State shall
15 promote industrialization and full employment based on sound agricultural development
16 and agrarian reform, through industries that make full and efficient use of human and
17 natural resources, and which are competitive in both domestic and foreign markets.

18 The State also recognizes the important role of enterprises in the economy as the
19 major agent of development, creating off-farm employment opportunities and providing
20 transitional means for improving the livelihood of the people.

21 Towards this end, the State shall pursue an inclusive growth strategy that promotes
22 an environment conducive to the development and growth of a vibrant social enterprise
23 sector engaged in poverty reduction, economic and social development. It shall empower

1 the poor as primary stakeholders in social enterprises, establish mechanisms essential to
2 realizing their potential and achieving their full growth, and extend the assistance necessary
3 for their advancement. The State shall likewise provide technical and financial assistance,
4 incentives and other services to enable Social Enterprises to develop into viable and vital
5 anti-poverty agents, and a strong social entrepreneurship movement that will be
6 instrumental in reducing poverty in the country.

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

- 8 a) *Basic Sectors* - as defined by Republic Act 8425, or the "Social Reform and Poverty
9 Alleviation Act" refer to the disadvantaged sectors of Philippine society, namely:
10 farmer-peasant, artisanal fisherfolk, workers in the formal sector and migrant
11 workers, workers in the informal sector, indigenous peoples and cultural
12 communities, women, persons with disabilities, senior citizens, victims of calamities
13 and disasters, youth and students, children, and urban poor;
- 14 b) *Economic Subsectors* - networks of related actors, and enterprises performing
15 various functions in value chains. These actors and enterprises transform raw
16 materials into finished products, or develop services, and distribute or provide them
17 through market channels to final consumers; they may be identified by key raw
18 material source, by finished product or final service provided. An economic
19 subsector may be comprised of several competing value chains. By understanding
20 the dynamics of economic subsectors and using them as units of planning social
21 entrepreneurship interventions, government agencies, support institutions and SEs
22 shall more effectively reach and benefit a greater number of poor in poverty
23 reduction programs;
- 24 c) *Government Procuring Entity* - any branch, department, office, agency, or
25 instrumentality of the government, including state universities and colleges,
26 government-owned and/or - controlled corporations, government financial
27 institutions, and local government units procuring Goods, Consulting Services and
28 Infrastructure Projects;
- 29 d) *Living Wage* - refers to the amount of family income needed to provide for the
30 family's food and non-food expenditures with sufficient allowance for savings/
31 investments for social security so as to enable the family to live and maintain a
32 decent standard of human existence beyond mere subsistence level, taking into
33 account all of the family's physiological, social and other needs.
- 34 e) *Marginalized Sectors* - groups of people who are stigmatized or excluded by virtue of
35 their physical, psychological, economic, social or cultural circumstance;
- 36 f) *Poor* - as defined by Republic Act 8425, refers to individuals and families whose
37 income fall below the poverty threshold as defined by the National Economic and
38 Development Authority and/or cannot afford in a sustained manner to provide their
39 minimum basic needs of food, health, education, housing and other essential
40 amenities of life;

- 1 g) *Poverty Reduction* - overcoming the income, resource and capability deprivation
2 among the poor, basic and marginalized sectors;
- 3 h) *Social Enterprise or SE* - to a social mission-driven organization, whether an
4 association, sole proprietorship, partnership, cooperative, corporation or any other
5 legal form, that conducts economic activities providing goods and/or services
6 directly related to its primary mission of improving the well-being of the poor, basic
7 and marginalized sectors and their living environment. A social enterprise explicitly
8 declares and pursues poverty reduction as its principal objective by purposefully
9 rendering both transactional and transformational services. An SE engages and
10 invests in the poor to become effective workers, suppliers, clients and/or owners
11 and ensures that a substantive part of the wealth created by the enterprise is
12 distributed to or benefits them. In addition to reinvesting its surplus or profits back
13 to the enterprise to sustain the fulfillment of its social mission, a SE also uses its
14 surplus or profits and mobilizes other resources to assist the poor to become
15 partners in SE or value chain management and governance and to become partners
16 in community, sectoral and societal transformation.
- 17 A SE registered as a sole proprietorship, partnership or corporation must
18 fulfill the eligibilities set forth in Section 14 to avail of the benefits and incentives
19 under this act.
- 20 i) *Social Enterprise (SE) Service Institution* - an organization that provides assistance to
21 SEs for them to become viable and sustainable and which assistance pertains to
22 supplying needs such as trainings, education and other capacity-building measures,
23 research and development, and other similar activities;
- 24 j) *Transactional Services* - enterprise or market-driven activities, such as providing
25 loans, demonstrating new technologies or conducting trainings that are necessary
26 for the poor in the SE system to effectively and efficiently perform their roles as
27 workers, suppliers, clients and owners. Transactional services may be fee-based,
28 such as the granting of loans, or non-fee based, such as the extension of production-
29 related trainings;
- 30 k) *Transformative Services* - activities that empower the poor, such as leadership
31 formation, organizational development, financial and legal literacy, asset build-up
32 and providing education and experiential learning opportunities, to become
33 conscious change agents for themselves, for their communities, sectors and society
34 as a whole; and
- 35 l) *Value Chains* - value-adding economic activities that an enterprise is interlinked with
36 in the process of producing goods and/or services to serve its chosen market. A
37 value chain typically consists of: 1) raw materials processing, 2) inbound distribution
38 or logistics, 3) manufacturing operations, 4) outbound distribution or logistics, 5)
39 marketing and selling, and 6) after-sales service. These activities are supported by 6)
40 purchasing or procurement, 7) research and development, 8) human resource

1 development, and 9) organizational development. A SE that understands and
2 manages its value chain improves its capability to create economic, environmental
3 and social values towards improving the position and benefits of the poor in the
4 value chain and towards ensuring the viability and sustainability of the enterprise.

5 **CHAPTER II**
6 **POVERTY REDUCTION THROUGH SOCIAL ENTERPRISES**

7 **SEC. 4. Formulation of a Poverty Reduction Through Social Entrepreneurship**
8 **(PRESENT) Program.** - The PRESENT Program shall be established as a flagship program of
9 government. The objective of the PRESENT Program is to progressively improve the position
10 of and benefits to the poor, marginalized and basic sectors derived from economic
11 subsector development and growth. It shall do this by identifying strategic economic
12 subsectors with the potentials for growth and where the poor are concentrated or could be
13 major players. In the process, it shall identify and develop key SEs and resource institutions
14 as partners in providing transactional and transformational services towards poverty
15 reduction. SEs shall be developed as vehicles to ensure that the poor benefit the most from
16 sustainable subsector development.

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

- 18 a) Promoting sustainable programs that support the development of inclusive value
19 chains in key economic subsectors, towards reducing inequality in incomes and
20 increase self-reliance among the poor;
- 21 b) Enabling SEs to overcome constraints and to take advantage of opportunities for
22 enhancing the position and benefits of the poor and their living environments
23 including those that harness innovative approaches in addressing social problems;
- 24 c) Development of sustainable mechanisms for the provision of quality and accessible
25 social services to the poor;
- 26 d) People's empowerment by ensuring the participation of the poor, basic and
27 marginalized sectors;
- 28 e) Gender-sensitivity by ensuring women's equal rights and access to SE's resources;
- 29 f) Ecological soundness in the pursuit of sustainable and equitable development;
- 30 g) Incorporation of the PRESENT Program in the government's poverty reduction drive
31 as a major sustainable and comprehensive strategy; and
- 32 h) Rationalization of poverty reduction programs by streamlining and coordinating the
33 various anti-poverty programs of the government to reduce inefficiency and
34 duplication and to improve the effectiveness of each program.

1 The planning framework of the PRESENT Program and its planning process shall
2 ensure that the poor are engaged as primary stakeholders. It shall add value and
3 complement ecosystem-based, area-based, community-based and other tools and
4 processes in local economic development by promoting and utilizing the economic
5 subsector as a strategic unit of analysis and planning SE development interventions.

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

8 **SEC. 5. Social Enterprise Development Council.** - To carry out the policy declared
9 under this Act, a Social Enterprise Development Council, hereinafter referred to as the
10 "Council," is hereby created as an agency attached to the Office of the President. It shall be
11 the primary agency tasked to carry out the promotion, growth and development of social
12 enterprises in the country.

13 The Council shall be composed of the following:

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

34 Cabinet-ranked ex officio members of the Council shall designate a permanent
35 representative in case they fail to attend its meetings. The designated permanent
36 representative of any of the Cabinet-ranked members of the Council must hold a position
37 not lower than a bureau director.

38 The SE sector head, the representatives of the SEs from the main island groupings of
39 Luzon, Visayas, and Mindanao, the SE service institutions, and the SE advocacy groups shall
40 be chosen by the President from among the nominees submitted by their respective
41 national organizations to serve in the Council for a term of three (3) years. These

1 representatives must be conversant in the theory and practice of SE and committed to the
2 policies and programs provided under this Act.

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

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

10 The Council may create an Executive Committee of seven (7) members elected by its
11 members from among themselves or their designated permanent representatives, with at
12 least three (3) members representing the SEs, and with the authority to act for the Council,
13 and within the specific authority granted by the Council.

14 **SEC. 6. Center for Social Enterprise Development.** - There shall be established a
15 Center for Social Enterprise Development (CSED) under the supervision of the Council and
16 to be headed by an Executive Director, which shall have the primary responsibility of
17 implementing comprehensive policies for Social Enterprise Development. Specifically, the
18 CSED shall be responsible for:

19 a) The development and implementation of the PRESENT Program as approved by the
20 Council, with the following components:

21 1. Formulation and implementation of social entrepreneurship-oriented strategic
22 economic sub-sector development plans that shall serve as the basis for major
23 policies, projects and activities;

24 2. Capacity Building and Sustainability - The CSED will work with qualified Social
25 Enterprise Service Institutions and other intermediaries to design and deliver
26 training and education in social entrepreneurship development, institutional
27 start-up or strengthening, human resource competency and skills training,
28 business planning and advisory services, upgrading of accounting and auditing
29 systems, technical assistance for the installation or improvement of management
30 information systems, technology intervention, technology
31 incubation/commercialization, market studies, and product development
32 competitiveness, business matching activities, trade fairs and missions, policy
33 advocacy, disaster-resiliency and other related activities;

34 3. Research and Development - The CSED in coordination with the NEDA, DOST,
35 DTI, and other appropriate agencies, research institutions, and intermediaries,
36 shall develop and enhance a research and development system that:

37 i. provides studies on opportunities for poverty reduction and SE development
38 in key economic subsectors and other inputs for the Council to undertake
39 strategic planning for programs and projects;

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

32 **CHAPTER III**
33 **INCENTIVES AND BENEFITS FOR SOCIAL ENTERPRISES**

34 **SEC. 7. Social Enterprise Development Fund.** - There shall be included in the budget
35 of the DTI under the annual General Appropriations Act an initial amount of Nine Hundred
36 Million Pesos (Php 900,000,000.00) for the establishment of a Social Enterprise
37 Development Fund (SEDF) which shall be utilized as grants to SEs for the plans setforth
38 under the PRESENT program.

1 THE SEDF shall be allocated for:

- 2 a) Six Hundred Million Pesos (Php 600,000,000.00) for value-chain financing;
- 3 and
- 4 b) Three Hundred Milion Pesos (Php 300,000,000.00) for enterprise
- 5 development services.

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

9 Plans for the utilization of the SEDF shall be developed by the CSED for approval by
10 the Council.

11 **SEC. 8. *Special Credit Windows.*** - The Land Bank of the Philippines, Development
12 Bank of the Philippines and other government financial institutions shall establish special
13 credit windows for the following purposes:

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

31 **SEC. 9. *Social Enterprise Guarantee and Surety Fund.*** - There shall be established a
32 Social Enterprise Guarantee and Surety Fund (SEGSF) which shall be funded from equity
33 contributions of government financial institutions. The SEGSF shall be used to provide
34 guarantee cover to participating financial institutions and other parties in extending
35 financing to SEs. The SEGSF shall be administered by the Small Business Corporation to
36 enable qualified SEs to access non collateralized and other appropriate financing while
37 mitigating the risks involved in SE sector lending: Provided, That the SEGSF may also be used
38 to cover the performance bond of SEs for their transactions.

1 **SEC. 15. *Social Enterprise Week.*** - In order to institute continuing awareness on the
2 importance of SEs as a viable government strategy in pursuing poverty alleviation, the week
3 of the month when this Act shall have been signed into law shall be declared as the "Social
4 Enterprise Week" and shall be celebrated annually. The Council shall, through the CSED, be
5 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
9 included in the annual General Appropriations Act.

10 The budgetary requirements of the cooperating agencies shall be incorporated in
11 their respective budgets. The CSED may raise funds from other sources for specific projects
12 as may be 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
15 capability of SEs 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 SEs and incorporate such to more effectively develop and regulate the
18 sector.

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

23 **SEC. 19. *Separability Clause.*** - If any provision or part of this Act is declared invalid or
24 unconstitutional, the remaining parts or provisions not affected shall remain in full force
25 and 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
28 act are hereby repealed, amended or modified accordingly.

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

31 *Approved,*