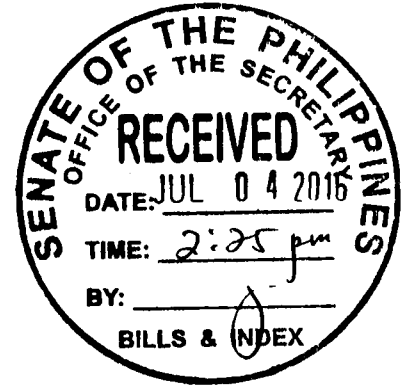


SEVENTEENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
First Regular Session)



SENATE
S.B. No. 349

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

AN ACT INSTITUTIONALIZING A NATIONAL STRATEGY FOR PROMOTING INCLUSIVE BUSINESS MODELS FOR POVERTY REDUCTION, INCLUSIVE GROWTH AND SUSTAINABLE DEVELOPMENT, AND FOR OTHER PURPOSES

EXPLANATORY NOTE

In the recently concluded Asia-Pacific Economic Cooperation or APEC Summit held in the Manila, we had the first ever high-level discussion on Inclusive Business, which promoted the idea of companies taking part in development, not just through philanthropy but also through their products and supply chains.

Under this inclusive business umbrella are social enterprises as well as large corporations that utilize their products, services, or even their supply chains to help poor communities create a sustainable industry and become financially successful.

This concept of business taking part in nation-building and social development is finally catching on and all over the world, allies in the fight against poverty have found an effective weapon – conscientious entrepreneurship – to beat poverty and create prosperity.

There is no better time than now to establish policies in support of this movement.

"Inclusive Business (IB)," as defined in this measure, refers to "a business approach that provides decent work and economic opportunities or relevant and affordable goods or services for poor and low income and/or marginalized sectors of society by making them part of the organization's core operations as producers, consumers, workers, owners or business partners, directly contributing to improved living standards, poverty reduction and systemic inclusion in a manner that is sustainable, in scale or scalable, and replicable."


The Inclusive Business Bill provides for the establishment of a national strategy for the promotion of Inclusive Businesses to be implemented by a new office, the Inclusive Business Center. The bill also provides policies for IB accreditation, and providing support and incentives for IBs and their community partners, including social enterprises.

A key strategy for providing sustainable livelihood and reducing poverty, especially in the countryside, is by integrating poor communities as suppliers of goods and/or services in the value chain of large businesses.

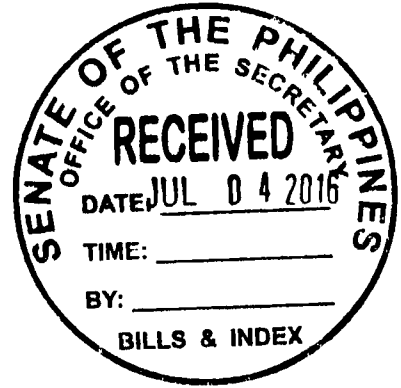
Inclusive Business companies can serve to link poor communities to more viable markets, enhancing economic opportunities and sources of income, and enabling them level up from subsistence livelihood.

Let us enjoin the private sector to take part in creating shared prosperity in our nation.

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


Senator Paolo Benigno "Bam" A. Aquino IV

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

1 **SECTION 1. Short Title.** - This Act shall be known as the "Inclusive Business
2 Promotion Act."

3 **SEC. 2. Declaration of Policy.** – The State recognizes the important role of the
4 private sector in achieving inclusive growth and sustainable development in the
5 country. By adopting inclusive business models, private sector companies can spur
6 innovation, deepen investments in low income communities, enable inclusive value
7 chains, provide decent jobs, boost productivity, enhance access to affordable and
8 quality goods and services, and generate new and higher income and livelihood for
9 the poor. A strong inclusive business sector can significantly and systematically
10 contribute to the achievement of the country's sustainable development goals and
11 the reduction of poverty on a significant, systemic and massive scale. Towards this
12 end, the State shall pursue an inclusive growth strategy that supports and promotes
13 the development of a vibrant inclusive business sector in the country.

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

16 a) *Social Value* – the increase in the welfare of a society, or identified
17 sectors of society, that is derived from a particular course of action or
18 activity;

19 b) *Social Enterprise* – a private sector or non-government organization
20 that primarily pursues social value and uses business approaches and
21 innovations to do so;

- 1 c) *Inclusive Business (IB)* – a business approach that provides decent
2 work and economic opportunities or relevant and affordable goods or
3 services for poor and low income and/or marginalized sectors of society by
4 making them part of the organization’s core operations as producers,
5 consumers, workers, owners or business partners, directly contributing to
6 improved living standards, poverty reduction and systemic inclusion in a
7 manner that is sustainable, in scale or scalable, and replicable;
- 8 d) *Inclusive Business (IB) Company* – a duly registered, commercially
9 viable, for-profit company that integrates an IB model or approach in its core
10 business operations;
- 11 e) *Inclusive Business (IB) Project* – the part of the core business
12 operation of an IB company where the IB model or approach is applied;
- 13 f) *IB Community Partners* – poor/low income and/or marginalized
14 sectors that are part of the core operations of IB companies and are deriving
15 social value from such participation. The term also refers to social
16 enterprises, cooperatives, non-government organizations, small and medium
17 enterprises, and other intermediary organizations that facilitate partnerships
18 and linkages between poor and/or marginalized sectors and IBs;
- 19 g) *Marginalized Sectors* – groups of people who are stigmatized or
20 excluded by virtue of their physical, psychological, economic, social, religious,
21 ethnic or cultural circumstance, identity, or status;
- 22 h) *Poor* – individuals and households whose income fall below the
23 poverty threshold as defined by the National Economic and Development
24 Authority and/or cannot afford in a sustained manner to provide for their
25 minimum basic needs of food, health, education, housing and other essential
26 amenities in life;
- 27 i) *Low income* – individuals and households whose income fall between
28 the poverty threshold and twice the poverty threshold as defined by the
29 National Economic and Development Authority;
- 30 j) *Government Procurement* - the acquisition of goods, consulting
31 services, and the contracting for infrastructure projects by the procuring
32 entity, as defined in Republic Act No.9184, otherwise known as the
33 “Government Procurement Reform Act.”;
- 34 k) *Procuring Entity* - any branch, department, office, agency, or
35 instrumentality of the government, including state universities and colleges,
36 government-owned and/or -controlled corporations, government financial
37 institutions, and local government units procuring goods, consulting Services
38 and infrastructure projects, as defined in Republic Act No.9184, otherwise
39 known as the “Government Procurement Reform Act”; and

1 l) *Value Chain* – value-adding economic activities that a business is
2 interlinked with in the process of producing goods and/or services to serve its
3 chosen market. A value chain typically consists of: 1) raw materials
4 processing, 2) inbound distribution or logistics, 3) manufacturing operations,
5 4) outbound distribution or logistics, 5) marketing and selling, and 6) after-
6 sales service. These activities are supported by 6) purchasing or procurement,
7 7) research and development, 8) human resources development, and 9)
8 organizational development.

9 ESTABLISHMENT OF NATIONAL INCLUSIVE BUSINESS STRATEGY

10 **SEC. 4. *National Inclusive Business Strategy.*** – There shall be established a
11 National Inclusive Business Strategy (NIBS) to engage the private sector in promoting
12 business solutions and innovations towards alleviating poverty and promoting the
13 welfare and development of poor and marginalized sectors and communities. The
14 strategy shall involve the development and implementation of comprehensive and
15 coordinated policies, plans and programs to:

16 a) Encourage private sector companies in various industries, including
17 but not limited to agribusiness, education, health, housing, tourism, financial
18 services, information and communication technology, and utilities, to adopt
19 IB models and approaches;

20 b) Empower poor and low income communities and marginalized
21 sectors, directly or through social enterprises or other intermediary
22 organizations, to engage IB companies in IB projects; and

23 c) Encourage public sector on national, regional and local levels to
24 integrate IB companies in their programs and policies.

25 CREATION OF INCLUSIVE BUSINESS CENTER (IBC)

26 **SEC. 5. *Creation of the Inclusive Business Center.*** - There is hereby created an
27 Inclusive Business Center (IBC), which shall be attached to the Department of Trade
28 and Industry (DTI).

29 **SEC. 6. *Powers and Functions of the IBC.*** - The IBC shall be the lead
30 coordinating office and hub for the development and implementation of the
31 National Inclusive Business Strategy (NIBS). The IBC shall be tasked to:

32 a) Coordinate with national government agencies, local government
33 units, IBs, IB community partners, and other stakeholders on the
34 development and implementation of the NIBS and its component plans,
35 programs and projects;

- 1 b) Coordinate with the National Economic and Development Authority
2 to ensure that the NIBS is aligned and reflected in the Philippine
3 Development Plan (PDP);
- 4 c) Serve as the primary collection point of IB issues and challenges that
5 need to be addressed to encourage broad participation and adoption by the
6 private sector;
- 7 d) Provide business development, advisory and facilitation services to IBs
8 and IB community partners in coordination with relevant agencies and LGUs;
- 9 e) Provide information, advisory and training services for government
10 agencies and institutions to enhance their understanding of and capacity to
11 support IBs and IB community partners in the implementation of IB projects.
12 IBC shall also provide technical assistance and support to agencies in the
13 formulation of social value specifications in their procurement processes. The
14 IBC shall partner with non-government, research and training institutions for
15 this;
- 16 f) Establish and implement the criteria, process and guidelines for the
17 accreditation of IB models. It shall establish an Accreditation Committee for
18 this purpose;
- 19 g) Establish and maintain an IB information registry;
- 20 h) Coordinate with donors, government financial institutions,
21 commercial and rural banks, and social impact investors on financing
22 mechanisms for IBs and IB community partners;
- 23 i) Initiate public-private partnerships to enhance the viability of IB
24 projects in identified priority geographic areas or industries. The IBC may
25 establish local Project Management Offices specifically for this purpose;
- 26 j) Design and manage a Venture for the Philippines campaign or
27 program inviting young professionals to work with IBs or IB community
28 partners as community organizers and/or social entrepreneurs;
- 29 k) On behalf of the President, recommend to other government
30 agencies and institutions policies and programs to promote and support IBs;
- 31 l) Through the LEDAC, recommend to Congress, proposed legislation to
32 promote and support IBs; and
- 33 m) Monitor and assess the implementation of the NIBS and regularly
34 submit reports to the President and to Congress.

- 1 ii. Depth – The IB project of the company must lead to measurable
2 improvements in the quality of life for poor/low income or
3 marginalized populations through income generation or access to
4 relevant and affordable services and products.
5 iii. Systemic Impact – The IB project of the company must address
6 relevant poverty dimensions and provide a systemic contribution to
7 poverty alleviation and social inclusion.

8 b) Innovation and Sustainability :

- 9 a. Innovation - The IB project of the company must include innovative
10 features that lead to improvements in areas such as but not limited
11 to, profitability, governance, social value, social equity and
12 environmental sustainability.
13 b. Financial viability of the company – The company that adopts the IB
14 model must be financially viable.
15 c. Financial viability of the company’s IB model – The IB project of the
16 company must contribute substantially towards the financial viability
17 of the company with positive returns on investment.

18 The IBC Accreditation Committee shall propose for Board approval the
19 specific percentage weight and measurable indicators to be assigned to each
20 accreditation criteria, as well as any additional criteria. Criteria weights and
21 indicators shall be established on a per industry basis subject to Board approval;
22 Provided, that the final criteria approved by the Board for each industry shall be
23 applied consistently to all applicants from the same industry without exceptions.

24 **SEC. 11. IB Accreditation Process.** – The accreditation process shall involve
25 the following steps in accordance with guidelines to be established by the IBC:

- 26 a) Submission to Accreditation Committee of the completed application form,
27 business plan and required supporting documentation by the company;
28 b) Initial interview and review of company documentation by the Accreditation
29 Committee;
30 c) Site visit by Accreditation Committee to validate the social and
31 environmental acceptability and objectives as described in the company’s
32 application and business plan;
33 d) Evaluation and recommendation by the Accreditation Committee to the
34 Board;
35 e) Board decision to approve or disapprove company’s accreditation;
36 f) Accreditation for approved applications;
37 g) Regular monitoring and assessment; and
38 h) End of project impact review and reporting.

39 Accredited IBs shall be subject to regular monitoring, reporting and
40 assessment to ensure that the company’s IB project is being implemented according
41 to the approved business plan and achieving approved social value, innovation and
42 sustainability target specifications. Failure to pass the regular monitoring and
43 assessment by the Accreditation Committee may lead to the revocation of the IB’s

1 accreditation. Motions for project extension will be considered on a per project
2 basis.

3
4 The Accreditation Committee must disclose to companies with disapproved
5 accreditation applications the reason/s for disapproval to enable said companies to
6 improve or change their business projects accordingly. Companies with disapproved
7 applications may reapply for IB accreditation subject to the IBC's guidelines.

8 **SUPPORT, BENEFITS AND INCENTIVES FOR INCLUSIVE BUSINESSES**

9 **SEC. 12. *Use of IB Logo and Branding.*** – Accredited IBs may affix the
10 Philippine IB logo on their products' packaging, letterheads, brochures, leaflets and
11 other forms of information and communication collaterals, whether in print or
12 online, with permission from and subject to policies and guidelines from the IBC.

13 **SEC. 13. *Service Lane for Accredited IBs.*** – Accredited IBs shall be prioritized
14 in receiving advisory and facilitation services in the processing of relevant
15 government permits, licenses and other requirements for the implementation of
16 their IB projects. The IBC shall have the power to direct specific agencies to attend to
17 the bottlenecks and problems hindering the implementation and effectiveness of IB
18 projects.

19 **SEC. 14. *Government Support for IB Community Partners.*** – Community
20 partners of accredited IBs shall be prioritized by government agencies in the
21 provision or distribution of relevant government support programs and services that
22 may improve or strengthen the partners' capacity and resources to effectively
23 engage in the IB project. These government programs and services include but are
24 not limited to, public infrastructure, shared service facilities, enterprise capacity
25 building and training support, marketing assistance, value chain financing, business
26 incubation and technology transfer, and business facilitation.

27 **SEC. 15. *Pioneer Status for Inclusive Businesses.*** – An accredited IB shall
28 qualify for pioneer status with the Board of Investments and be entitled to all
29 corresponding fiscal and non-fiscal incentives as provided in Book I of Executive
30 Order No. 226, otherwise known as "The Omnibus Investment Code of 1987." These
31 incentives shall include but not be limited to an Income Tax Holiday for six years plus
32 a bonus year; Provided, that the IB shall only be entitled to these benefits for as long
33 as the IB retains its accredited status with the IBC.

34 **SEC. 16. *IB Information Registry.*** – The IBC shall establish and maintain an
35 online IB registry, which shall serve as the main repository of information on IBs. To
36 facilitate collaboration on potential and existing IB projects, the registry shall include
37 information on accredited IBs, IB community partners, and IB projects. It shall also
38 include information on business development service providers, financial service
39 providers, and social impact investors specifically catering to IBs and IB community
40 partners.

1 **SEC. 17. *IB Credit Guarantee Fund and Program.*** – Two percent (2%) of the
2 annual remittance of government financial institutions shall accrue to a special fund
3 that shall be established to support the operation of a credit guarantee program for
4 IB projects. This program seeks to stimulate bank lending to IBs and/or their
5 community partners by providing credit risk protection in the form of a first loss
6 portfolio capped financial guarantee.

7 The Small Business Corporation shall administer the special fund and
8 program. The Government Commission for GOCCs (GCG) shall devise and define a
9 performance standard to govern the performance of the program.

10 **SOCIAL VALUE IN GOVERNMENT PROCUREMENT**

11 **SEC. 18. *Institutionalizing an IB Approach in the Government Procurement***
12 ***Process.*** – All procuring entities shall be required to include relevant social value
13 specifications as part of the minimum technical requirements for the procurement of
14 goods and consulting services, or the contracting of infrastructure projects, through
15 a competitive bidding process as provided by R.A. No. 9184, otherwise known as the
16 "Government Procurement Reform Act." To determine the social value specifications
17 that it will include in the technical requirements for a good, service or project, each
18 agency shall conduct social value assessments as part of its procurement planning to
19 identify opportunities for delivering the greatest social value and impact.

20 The Government Procurement Policy Board (GPPB), in consultation with the
21 IBC, shall develop and promulgate policies for formulating and evaluating social
22 value specifications. The IBC shall be tasked to provide advice and training for
23 procuring entities on the formulation and evaluation of social value requirements.

24 The GPPB, in coordination with the IBC, shall also develop and promulgate
25 the necessary policies, standards and conditions where procuring entities may
26 purchase goods and services or contract projects from IB companies and IB
27 Community Partners through Alternative Modes of Procurement such as Limited
28 Source Bidding, Direct Contracting or Negotiated Procurement, as defined in the
29 Government Procurement Reform Act.

30 **SEC. 19. *Implementing Rules and Regulations.*** – The Inclusive Business
31 Center, in consultation with the Department of Trade and Industry (DTI), the
32 National Economic and Development Authority (NEDA), the Department of Social
33 Welfare and Development (DSWD), the National Anti-Poverty Commission (NAPC),
34 the Department of Budget and Management (DBM), and concerned private sector
35 groups and non-government organizations, shall issue the rules and regulations
36 necessary to implement the provisions of this Act ninety (90) days from the date of
37 appointment of the Executive Director.

38 **SEC. 20. *Appropriations.*** – The amount necessary to implement the
39 provisions of this Act shall be included in the budget of the DTI under the annual
40 General Appropriations Act.

1 **SEC. 21. *Separability Clause.*** — If any provision of this Act shall be declared
2 invalid or unconstitutional, such declaration shall not affect the validity of the
3 remaining provisions of this Act.

4 **SEC. 22. *Repealing Clause.*** — All provisions of laws, presidential decrees,
5 letters of instruction and other presidential issuances that are incompatible or
6 inconsistent with the provisions of this Act are hereby deemed amended or
7 repealed.

8 **SEC. 23. *Effectivity.*** — This Act shall take effect within fifteen (15) days
9 following its publication in the Official Gazette or in a newspaper of general
10 circulation.

11 *Approved,*