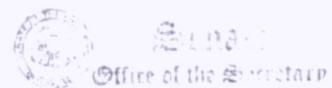


**EIGHTEENTH CONGRESS OF THE  
REPUBLIC OF THE PHILIPPINES )  
First Regular Session )**

**SENATE**



**Senate Bill No. 105**

19 JUL -1 P5:40

**Introduced by Senator Juan Miguel F. Zubiri**

RECEIVED JULY 19 2011 J

**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.

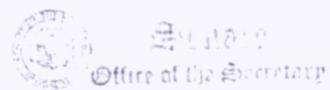
In view of the foregoing, the passage of this bill is earnestly sought.



**JUAN MIGUEL F. ZUBIRI**

EIGHTEENTH CONGRESS OF THE  
REPUBLIC OF THE PHILIPPINES )  
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AN ACT  
**INSTITUTIONALIZING THE POVERTY REDUCTION THROUGH SOCIAL  
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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 disadvantaged sectors of Philippine society, namely: farmer-peasant, artisanal fisherfolk, workers in the formal sector and migrant workers, workers in the informal sector, indigenous peoples and cultural communities, women, persons with disabilities, senior citizens, victims of calamities and disasters, youth and students, children, and urban poor as defined by Republic Act 8425, or the "Social Reform and Poverty Alleviation Act";
- 2    b) *Economic Subsectors* refer to networks of related actors, and enterprises performing various functions in value chains. These actors and enterprises transform raw materials into finished products, or develop services, and distribute or provide them through market channels to final consumers. They may be identified by key raw material source, by finished product or final service provided. An economic subsector may be comprised of several competing value chains. By understanding the dynamics of economic subsectors and using them as units of planning social entrepreneurship interventions, government agencies, support institutions and social enterprises shall more effectively reach and benefit a greater number of poor in poverty reduction programs;
- 3    c) *Government Procuring Entity* refers to any branch, department, office, agency, or instrumentality of the government, including state universities and colleges, government-owned and/or – controlled corporations, government financial institutions, and local government units procuring goods, consulting services and implementing infrastructure projects;
- 4    d) *Living Wage* refers to the amount of family income needed to provide for the family's food and non-food expenditures with sufficient allowance for savings and investments for social security so as to enable the family to live and maintain a decent standard of human existence beyond mere subsistence level, taking into account all of the family's physiological, social and other needs;
- 5    e) *Marginalized Sectors* refer to groups of people who are stigmatized or excluded by virtue of their physical, psychological, economic, social, or cultural circumstance;
- 6    f) *Poor* refers to individuals and families whose income fall below the poverty threshold as defined by the National Economic and Development Authority and/or cannot afford in a sustained manner to provide their minimum basic needs of food, health, education, housing, and other essential amenities of life as defined by Republic Act 8425;
- 7    g) *Social Enterprise* refers to a social mission-driven organization, whether an association, sole proprietorship, partnership, cooperative, corporation or any other legal form, that conducts economic activities, and provide 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. Social enterprises 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

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.

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

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

**SEC. 12. Eligibility for Benefits and Incentives.** – In the case of social enterprises organized as stock corporations, partnerships or sole proprietorships, the following requirements 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.

CHAPTER IV

## **APPROPRIATIONS AND OTHER PROVISIONS**

**SEC. 13. Role of Local Government Units (LGUs) in Social Enterprise Development.** – LGUs shall be encouraged to incorporate viable social enterprise development 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,*