

Republic of the Philippines
House of Representatives
Quezon City, Metro Manila

EIGHTEENTH CONGRESS
Second Regular Session

House Bill No. 7457



INTRODUCED BY
REP. ALFRED VARGAS

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

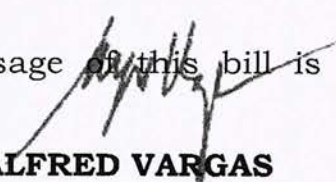
EXPLANATORY NOTE

Poverty remains to be one of the main challenges that the country faces today. With the daunting crisis from the COVID-19 pandemic, the World Bank is expecting an increase in the poverty rate in the country for 2020.¹

Social enterprises, as organizations that seek to reduce poverty and improve the well-being of the poor and the marginalized, are recognized as one of the key players in poverty reduction. Thus, this bill seeks to involve various sectors of society in the fight against poverty with the Poverty Reduction through Social Entrepreneurship (PRESENT) Program, in line with a counterpart measure in the Senate, Sen. Sonny Angara's Senate Bill No.820.

This bill seeks to promote people's participation and empowerment; establish sustainable and innovative programs that reduce income inequality and increase self-resilience among the poor; and develop effective mechanisms for the provision of quality and accessible social services to the poor, among others.

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


ALFRED VARGAS

¹ "Poverty rate seen to rise this year". 2020. PhilStar Global.
<https://www.philstar.com/headlines/2020/06/10/2019893/poverty-rate-seen-rise-year>

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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.*"

SECTION 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 that the State values the dignity of every human person and guarantees full respect for human rights.

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 underprivileged. The State shall promote industrialization and full employment based on sound agricultural development and agrarian reform, through industries that make full and efficient use of human and natural resources, and which are competitive in both domestic and foreign markets.

The State also 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, economic and social development. It shall empower the poor as primary stakeholders in social enterprises, establish mechanisms 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 services to enable Social Enterprises to develop into viable and vital anti-poverty agents, and a strong social entrepreneurship movement that will be instrumental in reducing poverty in the country.

SECTION 3. *Definition of Terms.* – The following terms when used in this Act shall mean:

- a) *Social Enterprise* or SE refers to a social mission-driven organization in the form of an association, single proprietorship, partnership, corporation, cooperative, peoples organization, non-stock non-profit and peoples organizations or any other legal form that conducts economic activities providing goods and/or services directly related to their 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.

A single proprietorship, partnership or corporation must fulfill the eligibilities set forth in Section 14 to avail of the benefits and incentives under this Act.

- b) *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 Infrastructure Projects;
- c) *Basic Sectors*, as defined by Republic Act 8425 or the "Social Reform and Poverty Alleviation Act", 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;
- d) *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 SEs shall more effectively reach and benefit a greater number of poor in poverty reduction programs;

- e) *Marginalized Sectors* refer to groups of people who are stigmatized or excluded by virtue of their physical, psychological, economic, social or cultural circumstance;
- f) *Poor*, as defined by Republic Act 8425, 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;
- g) *Poverty Reduction* refers to overcoming the income, resource and capability deprivation among the poor, basic and marginalized sectors;
- h) *Social Enterprise Service Institution* refers to an organization that provides assistance to SEs for them to become viable and sustainable and which assistance pertains to supplying needs such as trainings, education and other capacity-building measures, research and development, and other similar activities;
- i) *Transactional Services* refer to enterprise or market-driven activities, such as providing loans, demonstrating new technologies or conducting trainings that are necessary for the poor in the SE system to effectively and efficiently perform their roles as workers, suppliers, clients and owners. Transactional services may be fee-based, such as the granting of loans, or non-fee based, such as the extension of production-related trainings;
- j) *Transformative Services* refer to activities that empower the poor, such as leadership formation, organizational development, financial and legal literacy, asset build-up and providing education and experiential learning opportunities, to become conscious change agents for themselves, for their communities, sectors and society as a whole;

- k) *Value Chains* refer to value-adding economic activities that an enterprise is interlinked with in the process of producing goods and/or services to serve its chosen market. A value chain typically consists of: 1) raw materials processing, 2) inbound distribution or logistics, 3) manufacturing operations, 4) outbound distribution or logistics, 5) marketing and selling, and 6) after-sales service. These activities are supported by 6) purchasing or procurement, 7) research and development, 8) human resource development, and 9) organizational development. A SE that understands and manages its value chain improves its capability to create economic, environmental and social values towards improving the position and benefits of the poor in the value chain and towards ensuring the viability and sustainability of the enterprise; and
- l) *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/ 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.

CHAPTER II

POVERTY REDUCTION THROUGH SOCIAL ENTERPRISES

SECTION 4. Formulation of a Poverty Reduction Through Social Entrepreneurship (PRESENT) Program. – The PRESENT Program shall be established as a flagship program of government. The objective of the PRESENT Program is to progressively improve the position and benefits derived by a big number of the poor, marginalized and basic sectors derived from economic subsector development and growth. It shall do this by identifying strategic economic subsectors with the potentials for growth and where the poor are concentrated or could be major players. In the process, it shall identify and develop key SEs and resource institutions as partners in providing transactional and transformational services towards poverty

reduction. SEs shall be developed as vehicles to ensure that the poor benefit the most from sustainable subsector development.

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

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

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

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

SECTION 5. *National Enterprise Development Council.* – The existing Micro, Small and Medium Enterprise Development (MSMED) Council, which is an attached agency of the Department of Trade and Industry, shall be strengthened and expanded to effectively spur the growth and development of MSMES and SEs throughout the country, and to carry out the policy declared under this Act. It shall now be known as the National Enterprise Development Council, herein referred to as the Council.

In addition to the existing functions of the Council as provided under Republic Act 9501 or the “Magna Carta for Micro, Small and Medium Enterprises”, the Council shall serve as the primary agency tasked to carry out the promotion, growth and development of social enterprises in the country. To ensure that the Council is able to fulfill its additional mandate, there shall be an SE Committee under the Council that shall perform the following specific duties:

- a) Promote social enterprise as a key strategy for reducing poverty and enabling inclusive growth;
- b) Provide oversight for the implementation of the PRESENT Program and activities of the Center for Social Enterprise Development (CSED);
- c) Establish policies, plans, programs and projects to develop and promote SE as a tool for poverty reduction as part of a comprehensive Social Enterprise Development Plan fully integrated and consistent with national development objectives and plans;
- d) Monitor and evaluate the performance of programs and projects of CSED for appropriate incentives;
- e) Submit annual and other periodic reports to the President and the Congress of the Philippines;
- f) Promulgate such rules and regulations and exercise such other powers and functions as may be necessary to carry out the purposes of this Act; and

- g) Perform such other functions as may be necessary for its effective operations and the continued enhancement, growth and development of the SE sector.

The SE Committee shall be composed of the DTI, relevant council members and the following representatives from the SE Sector and SE Service Institutions to realize these powers and functions:

- a) Nine (9) representatives from SEs, three (3) representatives each from the main island groupings of Luzon, Visayas, and Mindanao;
- b) Three (3) representatives from SE service institutions; and
- c) Three (3) representatives from SE advocacy groups.

SECTION 6. Center for Social Enterprise Development. – There shall be established a Center for Social Enterprise Development (CSED) under the supervision of the Council and to be headed by an Executive Director, which shall have the primary responsibility of implementing comprehensive policies for Social Enterprise Development. Specifically, the CSED shall be responsible for:

- a) The development and implementation of the PRESENT Program as approved by the Council, with the following components:
 - 1. Formulation and implementation of social entrepreneurship-oriented strategic economic sub-sector development plans that shall serve as the basis for major policies, projects and activities;
 - 2. Capacity Building and Sustainability - The CSED will work with qualified Social Enterprise Service Institutions and other intermediaries to design and deliver training and education in social entrepreneurship development, institutional start-up or strengthening, human resource competency and skills training, business planning and advisory services, upgrading of accounting and auditing systems, technical assistance for the installation or improvement of management information systems, technology intervention, technology incubation/commercialization, market studies, and product

development competitiveness, business matching activities, trade fairs and missions, policy advocacy, disaster-resiliency and other related activities.

3. Research and Development - The CSED in coordination with the NEDA, DOST, DTI, and other appropriate agencies, research institutions, and intermediaries, shall develop and enhance a research and development system that:
 - i. provides studies on opportunities for poverty reduction and SE development in key economic subsectors and other inputs for the Council to undertake strategic planning for programs and projects;
 - ii. equip SEs and support institutions with services and technologies that are appropriate for enhancing the participation and benefits of the poor in various economic subsectors; and
 - iii. equip SEs and support institutions with innovative, and sustainable approaches to improve access of the poor to quality basic social services.
4. Information and Marketing Assistance - The CSED shall promote the development and expansion of local and foreign markets for the products and services of SEs. Towards this, the CSED shall:
 - i. establish a marketing assistance program that will assist SEs match supply with demand in both domestic and foreign markets, as well as promote SE products and services through tri-media, trade fairs and trade missions; and
 - ii. develop install and sustain a market information system for SEs with the assistance of the DTI and DOT. All government departments, agencies, bureaus, research institutions, as well as the Local Government Units (LGUs) shall consolidate and continuously update all relevant information and data that would be of use to SEs on a periodic basis and make such data available in a dedicated website on the internet.

- b) Establishment and implementation of criteria and process for the qualification of SEs that shall be eligible for support and other incentives as provided by this Act and as approved by the Council;
- c) Identification of sources of financing for the SE sector not limited to grants, loans and equity financing for enterprise incubation, start-up and expansion;
- d) Management of multi-stakeholder convergence programs and activities among government agencies and private organizations in support of the PRESENT Program;
- e) Coordination with the concerned government agencies and local government units in the development and implementation of the PRESENT Program and projects.
- f) Coordination with social enterprise stakeholders, including people's organizations, non-government organizations, and multi-sectoral and multi-disciplinary pool of experts from the academe, practicing professionals, business, industry, youth, women and other concerned sectors to provide advice and technical assistance on matters pertaining to SEs.

SECTION 7. *Role of LGUs in SE Development.* – LGUs shall be encouraged to incorporate viable SE development plans in their local plans and collaborate with SEs.

SECTION 8. *Social Enterprise Development Fund.* – There shall be included in the budget of the DTI under the annual General Appropriations Act an initial amount of Nine Hundred Million Pesos (P900,000,000.00) for the establishment of a Social Enterprise Development Fund (SEDF) which shall be utilized as grants to SEs for the plans set forth under the PRESENT program.

The SEDF shall be allocated for:

- a) Six Hundred Million Pesos (P600,000,000.00) for value-chain financing; and
- b) Three Hundred Million Pesos (P300,000,000.00) for enterprise

development services.

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

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

CHAPTER III

INCENTIVES AND BENEFITS FOR SOCIAL ENTERPRISES

SECTION 9. *Special Credit Windows.* – The Land Bank of the Philippines, Development Bank of the Philippines and other government financial institutions shall establish special credit windows for the unique needs of SEs that are backed by a guarantee fund, as provided by Section 10 of this Act, for the following purposes:

- a) Credit line for business development loan or working capital loan to cover the operational and management expenses of an existing business or income generating project, including receivable financing or purchase of additional inventory, soft or intangible investments such as trade fair participation or acquisition of software or franchise development packages;
- b) Fixed assets financing to cover acquisition of fixed assets like machineries and equipment, motor vehicle, or acquisition of lot for project site or construction of a plant and building and the improvement thereof;
- c) Value chain financing to cover any of the value chain activities such as production, processing and marketing;
- d) Domestic letter of credit or trust receipt to provide a stand-by credit facility for the SE borrower for the purchase of product inputs, equipment, machinery, implements, and spare parts, whereby payment of which is guaranteed and to be made to the seller by the lending institution, provided all documents conform with the terms and conditions of the credit; and

- e) Revolving Credit Line for re-lending to finance the livelihood project requirements of end-borrowers.

SECTION 10. *Social Enterprise Guarantee and Surety Fund.* – There shall be established a Social Enterprise Guarantee and Surety Fund (SEGSF) which shall be funded from equity contributions of government financial institutions. The SEGSF shall be administered by the Small Business Corporation to enable SEs to access non collateralized and other appropriate financing while mitigating the risks involved in SE sector lending. The SEGSF shall be used to provide guarantee cover to participating financial institutions and other parties in extending financing to SEs: *Provided*, That the fund may also be used to cover the performance bond of SEs for their transactions.

SECTION 11. *Compliance to Mandatory Allocation of Credit Resources.*
– Loans granted by financial institutions to Social Enterprises shall be computed by the Bangko Sentral ng Pilipinas as twice the loan amount for purposes of determining financial institutions' compliance to the mandatory allocation of credit resources to micro, small and medium enterprises under Republic Act 9501 or the "Magna Carta for Micro, Small and Medium Enterprises."

SECTION 12. *Public Procurement for Social Enterprises.* – The Government Procurement Policy Board (GPPB) shall facilitate the full participation of social enterprises in public procurement processes. In support of this provision, the DBM shall direct agencies of government to allocate at least ten percent (10%) of their annual budgets specifically for projects to be procured from social enterprises.

SECTION 13. *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.

SECTION 14. *Cash Incentives for Persons with Disabilities.* – To level the playing field and in recognition of the circumstances of start-up SEs primarily employing PWDs, the SEDF created in Section 8 of this Act shall provide a cash incentive for every PWD, in accordance with Republic Act 7277 or the “Magna Carta for Disabled Persons”, and other marginalized sectors as may be provided by this law, representing at least twenty five percent (25%) of the daily minimum wage, until such time that the said SE is able to achieve financial sustainability.

SECTION 15. *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:

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

CHAPTER IV

APPROPRIATION AND OTHER PROVISIONS

SECTION 16. *Social Entrepreneurship Education in Schools.* – Toward strategically developing the nation's human resource capability in social entrepreneurship, the DepEd, TESDA and the CHED shall cause the integration of SE content and inclusion of SE courses in the curricula at all levels, especially in the secondary and tertiary levels. A continuing social entrepreneurship education program for out-of-school youth and adults shall likewise be developed and undertaken.

SECTION 17. *Social Enterprise Week.* – In order to institute continuing awareness on the importance of SEs as a viable government strategy in pursuing poverty alleviation, the week of the month when this Act shall have been signed into law shall be declared as the "*Social Enterprise Week*" and shall be celebrated annually. The Council shall, through the CSED, be responsible in organizing activities for the event.

SECTION. 18. *Appropriations.* – The Council shall allocate the initial amount of Fifty Million Pesos (P50,000,000.00) from the existing MSMED Council Fund to support the operations and programs of the CSED. Thereafter, such sums as may be necessary for the continued implementation of this Act shall be included in the budget of the DTI under the annual General Appropriations Act.

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

SECTION 19. *Transitory Provision.* – Within a period of five years, the NEDC shall facilitate the development and dissemination of tools, and invest in the development of the capability of SEs to plan, monitor and evaluate their social and financial performance and outcomes. Further, the NEDC shall evolve socially-acceptable benchmarks for evaluating the performance of SEs and incorporate such to more effectively develop and regulate the sector.

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

SECTION 21. *Separability Clause.* – If any portion or provision of this Act is subsequently declared invalid or unconstitutional, other provisions hereof which are not affected thereby shall remain in full force and effect.

SECTION 22. *Repealing Clause.* – All other laws, acts, presidential decrees, executive orders, presidential proclamations, issuances, rules and regulations, or parts thereof which are contrary to or inconsistent with any of the provisions of this Act are hereby repealed, amended, or modified accordingly.

SECTION 23. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,