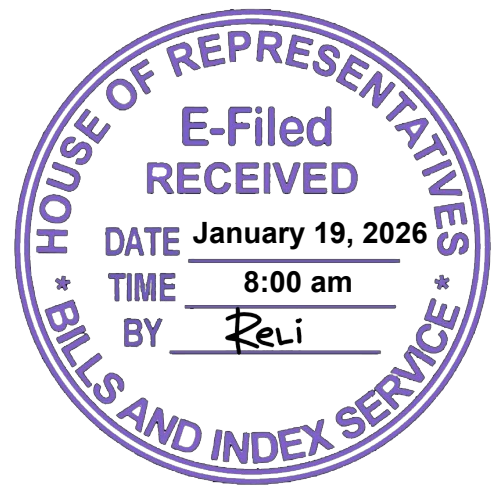




Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
First Regular Session



House Bill No. 7169

Introduced by CIBAC Party-List Representative
EDUARDO “BRO. EDDIE” C. VILLANUEVA

EXPLANATORY NOTE

The bill aims to promote social entrepreneurship as a key strategy for inclusive growth. Social enterprises are businesses that aim to make a profit and create positive social impact at the same time. The bill supports marginalized communities in setting up alternative business models and connecting them to local markets. By doing so, these communities can earn sustainable income and use their profits to support goals like creating opportunities for gainful employment, reducing poverty, and improving quality of life.

The proposed law establishes the Poverty Reduction Through Social Entrepreneurship (PRESENT) program. This program provides the framework to help marginalized groups - such as smallholder farmers, women, youth, indigenous peoples, persons with disabilities, and the urban poor – become active economic participants.

The bill provides government financial and technical support, special credit windows, and government procurement quotas to social enterprises. It creates the Social Enterprise Development Fund with an initial capital of P900 million for value chain financing and development services. Beyond economics, the bill is significant for its focus on social justice and the dignity of every human being, helping families maintain a decent standard of living rather than mere subsistence, including through savings and social security.

Contrary to the initial comments received from the Philippine Institute of Development Studies¹ on a similar measure filed in the previous Congress, it does not compete with government MSME support because the bill targets marginalized groups, those that have fallen between the cracks. Moreover, social enterprises create value by reinvesting profits to their social goals, unlike a regular enterprise or business.

¹ Ballesteros, M. (2023). Comments on Senate Bill No 782, An Act Institutionalizing the PRESENT program and promoting social enterprises with the poor as the primary stakeholders by Senator Juan Miguel Zubiri. Philippine Institute of Development Studies.
https://pidswebs.pids.gov.ph/CDN/document/1676859324_63f2d7bc3e4c5.pdf

It likewise integrates social entrepreneurship into high school curricula and declares an annual celebration of "Social Enterprise Week." This bill offers a new paradigm for economic growth.

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


EDUARDO "BRO. EDDIE" C. VILLANUEVA



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HOUSE BILL NO. 7169

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EDUARDO "BRO. EDDIE" C. VILLANUEVA

AN ACT
PROMOTING SOCIAL ENTERPRISES TO ALLEVIATE POVERTY,
ESTABLISHING FOR THE PURPOSE THE POVERTY REDUCTION THROUGH
SOCIAL ENTREPRENEURSHIP (PRESENT) PROGRAM, PROVIDING FUNDS
THEREFOR

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

CHAPTER I
GENERAL PROVISIONS

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

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

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

It shall empower the poor as primary stakeholders in social enterprises, establish a mechanism essential to realizing their potential and achieving their full growth, and extend the assistance necessary for their advancement. The State shall likewise provide technical and financial assistance, incentives, and other services to enable social enterprises to develop into viable and vital anti-poverty agents, and a strong

1 social entrepreneurship movement that will be instrumental in reducing poverty in the
2 country.

3
4 **SEC. 3. Definition of Terms.** - As used in this Act, the following terms are
5 defined as follows:

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

- i) *Transformative Services* refer to activities that empower the poor, such as leadership formation, organizational development, financial and legal literacy training, asset build-up, and provision of education and experiential learning opportunities, to become conscious change agents for themselves, their communities, sectors, and the society as a whole;
- j) *Value Chains* refer to value-adding economic activities that firms and workers do to bring product from its conception to its end use. 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 (1) purchasing or procurement; (2) research and development; (3) human resource development; and (4) organizational development; and
- k) *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

SEC. 4. Formulation of a Poverty Reduction Through Social Entrepreneurship (PRESENT) Program. – There is hereby established a Poverty Reduction Through Social Entrepreneurship (PRESENT) Program to progressively improve the position and benefits received by the poor, marginalized, and basic sectors of Philippine society from economic subsector development and growth. To do this, the PRESENT Program shall identify strategic economic subsectors with potential for growth, the geographic concentration of the poor, marginalized, and basic sectors, and how these sectors can be tapped to spur the growth and development of a specific subsector. The PRESENT Program shall involve identifying and developing key SEs and resource institutions as partners in providing transactional and transformational services towards poverty reduction.

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

- a) Promoting sustainable programs that support the development of inclusive value chains in key economic subsectors, with a view to reducing inequality in incomes and increasing 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) Developing sustainable mechanisms for the provision of quality and accessible social services to the poor;
- d) Empowering people by ensuring the participation of the poor, marginalized, and basic sectors;

- e) Promoting gender sensitivity by ensuring women's equal rights and access to resources of SEs;
- f) Promoting ecological soundness in the pursuit of sustainable and equitable development;
- g) Incorporating the PRESENT Program in the government's poverty reduction drive as a major sustainable and comprehensive strategy; and
- h) Rationalizing of poverty reduction programs by streamlining and coordinating the various anti-poverty programs of the government to reduce inefficiency and duplication to improve the effectiveness of each program.

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

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

SEC. 5. National Enterprise Development Council. – The existing Micro, Small and Medium Enterprise Development (MSMED) Council under the Department of Trade and Industry (DTI) 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 hereafter be known as the National Enterprise Development Council ("Council").

In addition to the existing functions of the Council as provided under Republic Act No. 6977, as amended, otherwise known as the Magna Carta for Micro, Small and Medium Enterprises (MSMEs), the Council shall serve as the primary agency tasked to carry out the promotion, growth, and development of SEs in the country. It shall also approve the SE development plans as formulated and recommended by the Center for Social Enterprise Development (SED) created under Section 6 of this Act.

To ensure that the Council is able to fulfill its additional mandate as provide under this Act, there shall be created a SE Committee under the Council that shall perform the following functions:

- a) Promote SE 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 CSED;
- c) Establish policies, plans, programs, and projects to develop and promote SEs as a tool for poverty reduction in accordance with a comprehensive SE development plan that is 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 reports to the President and the Congress of the Philippines not later than June 30 of each year; and

- 1 f) Promulgate such rules and regulations and exercise such other powers and
2 functions as may be necessary to carry out the purposes of this Act and for
3 the continued enhancement, growth, and development of the SE sector.
4

5 The SE Committee shall be composed of the Secretary of Trade and Industry,
6 Secretary of Agriculture, Secretary of the Interior and Local Government, the President
7 of the Small Business Corporation, and three (3) representatives each from the SEs,
8 SE service institutions, and SE advocacy groups: Provided, That such representatives
9 shall each come from the main island groupings of Luzon, Visayas, and Mindanao.
10

11 **SEC. 6. Center for Social Enterprise Development.** – There shall be
12 established a Center for Social Enterprise Development (SED) under the supervision
13 of the Council to be headed by an Executive Director. The Executive Director shall
14 have the primary responsibility of overseeing the implementation of the
15 comprehensive policies for SE development.
16

17 Specifically, the CSED shall be responsible for the following:
18

- 19 a) Development and implementation of the PRESENT Program as approved by
20 the Council, with the following components:
21 (i) Formation and Implementation of Plans: The CSED shall formulate
22 and implement social entrepreneurship-oriented strategic and
23 economic sub-sector development plans that shall serve as the
24 basis for major policies, projects, and activities;
25 (ii) Capacity Building and Sustainability: The CSED shall work with
26 qualified SE service institutions and other intermediaries to design
27 and deliver training and education in social entrepreneurship
28 development, institutional startup or strengthening, human
29 resource competency and skills training, business planning and
30 advisory services, upgrading of accounting and auditing systems,
31 technical assistance for the installation or improvement of
32 management information systems, technology intervention,
33 technology incubation/commercialization, market studies and
34 product development, business matching activities, trade fairs and
35 missions, policy advocacy, disaster resiliency, and other related
36 activities;
37 (iii) Research and Development: The CSED shall, in coordination with
38 DEPDev, Department of Science and Technology (DOST), DTI,
39 and other appropriate agencies, the academe, research institutions,
40 and intermediaries, develop and enhance a research and
41 development system that:
42 1. Provides recommendations and robust discussions and
43 engagements on poverty reduction vis-a-vis SE development
44 in key economic subsectors and other inputs for the Council
45 to undertake strategic planning for programs and projects;
46 and
47 2. Equips SEs and supports institutions with services and
48 technologies that are appropriate for enhancing the
49 participation and benefits of the poor in various economic

- subsectors, and innovative and sustainable approaches to improve access of the poor to quality basic social services;
- (iv) 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 end, the CSED shall:
 - (v) Establish a marketing assistance program that will assist SEs to match supply with demand in both domestic and foreign markets, as well as promote SE products and services through tri-media marketing, trade fairs, and trade missions; and
 - (vi) Develop, install, and sustain a market information system for SEs with the assistance of the DTI and the Department of Tourism (DOT). All government departments, agencies, bureaus, research institutions, and local government units (LUs) shall consolidate and continuously update on a regular basis and make accessible all relevant information and data that would be useful to SEs;
- b) Establishment and implementation of criteria and processes for the qualification of SEs to be eligible for the support and other incentives provided under this Act and as approved by the Council;
 - c) Identification of sources of financing for the SE sector, which shall not be 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
 - e) Program;
 - f) e) Coordination with the concerned government agencies and LGUs in the development and implementation of the PRESENT Program; and

Coordination with SE 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.

SEC. 7. Role of LUs in Social Enterprise Development. – LGUs shall be encouraged to incorporate viable SE development plans in their local development plans and, as far as practicable, collaborate with SEs on the implementation thereof.

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

The SEDF shall be allocated as follows:

- 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.

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

CHAPTER III INCENTIVES AND BENEFITS

SEC. 9. Special Credit Windows. – The Land Bank of the Philippines (LBP), Development Bank of the Philippines (DBP), and other government financial institutions shall establish special credit windows 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 asset financing to cover the acquisition of fixed assets like machineries and equipment, motor vehicle, or land for project site or construction of a plant and/or 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 standby credit facility for the SE borrower for the purchase of product inputs, equipment, machinery, implements, and spare parts; and
- e) Revolving credit line for re-lending to finance the livelihood project requirements of the beneficiaries/clients of SEs.

SEC. 10. Compliance with the Mandatory Allocation of Credit Resources. – Loans granted by financial institutions to SEs shall be computed by the Bangko Sentral ng Pilipinas (BSP) as equivalent to two times the amount of the loan for purposes of determining the financial institution's compliance with the mandatory allocation of credit resources to micro, small and medium enterprises as provided under Republic Act No. 6977, as amended.

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

SEC. 12. Insurance for Social Enterprises. – The Insurance Commission shall issue the necessary rules and regulations to implement measures to ensure that the insurance industry shall provide insurance products, both life and non-life, for SEs and their stakeholders.

1 **SEC. 13. Exemption from the Coverage of the Minimum Wage Law.** – SEs
2 that have total assets, inclusive of those arising from loans but exclusive of the land
3 on which the SE's office, plant, and equipment are situated, of not more than Three
4 Million Pesos (P3,000,000.00) shall be exempt from the coverage of the Minimum
5 Wage Law: Provided, That all employees covered under this Act shall be entitled to
6 the same benefits given to any regular employee such as social security and
7 healthcare benefits.

8
9 **SEC. 14. Eligibility for Incentives and Benefits.** – In the case of SEs organized
10 as stock corporations, partnerships, or sole proprietorships, the following requirements
11 shall apply to become eligible for the incentives and benefits provided under this Act:
12

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

27 **CHAPTER IV** 28 **OTHER PROVISIONS AND APPROPRIATIONS** 29

30 **SEC. 15. Social Entrepreneurship Education in Schools.** – The Council, in
31 addition to its mandate to promote entrepreneurship, shall coordinate and develop in
32 conjunction with the Department of Education (DepEd), Technical Education and Skills
33 Development Authority (TESDA), and Commission on Higher Education (CHED) a
34 curriculum or module on SEs and its inclusion in the curricula at all levels, especially
35 in the secondary and tertiary levels. A continuing social entrepreneurship education
36 program for out-of-school youth and adults shall likewise be developed and
37 undertaken.
38

39 **SEC. 16. Social Enterprise Week.** – In order to institute continuing awareness
40 on the importance of SEs as a viable strategy in pursuing poverty alleviation, the week
41 of the month when this Act shall have been signed into law shall be declared as the
42 Social Enterprise Week. The Social Enterprise Week shall be celebrated annually, the
43 celebrations of which shall be spearheaded by the CSED.
44

45 **SEC. 17. Appropriations.** – The Council shall allocate the initial amount of Fifty
46 Million Pesos (P50,000,000.00) from the existing MSMED Council Fund to support the
47 operations and programs of the CSED. Thereafter, such sums as may be necessary
48 for the continued implementation of this Act shall be included in the budget of the DTI
49 under the annual General Appropriations Act.
50

1 The budgetary requirements of the cooperating agencies shall be incorporated
2 in their respective budgets. The CSED may raise funds from other sources for specific
3 projects as may be authorized by law.
4

5 **SEC. 18. Transitory Provision.** – Within a period of five (5) years, the Council
6 shall facilitate the development and dissemination of tools and invest in the
7 development of the capability of SEs to plan, monitor, and evaluate their social and
8 financial performance and outcomes. In addition, the Council shall develop socially
9 acceptable benchmarks for evaluating the performance of SEs and utilize such to
10 more effectively develop and regulate the sector.
11

12 **SEC. 19. Implementing Rules and Regulations.** – Within ninety (90) days from
13 the effectivity of this Act, the DTI shall, in consultation with relevant government
14 agencies and stakeholders, promulgate the implementing rules and regulations (IRR)
15 to effectively carry out the provisions of this Act.
16

17 Failure of the relevant government agencies to promulgate the IRR within the
18 specified period shall subject the heads of these government agencies administrative
19 penalties under applicable civil service laws.
20

21 Should the IRR contain provisions that are contrary to this Act, the heads of the
22 government agencies responsible for such provision, when done in bad faith or with
23 gross negligence, shall be held administratively liable.
24

25 **SEC. 20. Separability Clause.** – If any portion or provision of this Act is declared
26 unconstitutional, the remainder hereof or any provisions not affected thereby shall
27 remain in force and effect.
28

29 **SEC. 21. Repealing Clause.** – Any law, presidential decree or issuance,
30 executive order, letter of instruction, rule, or regulation inconsistent with the provisions
31 of this Act is hereby repealed or modified accordingly.

32 **SEC. 22. Effectivity.** – This Act shall take effect fifteen (15) days after its
33 complete publication in the Official Gazette or in a newspaper of general circulation.
34

35 *Approved,*