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(In substitution of Senate Bill No. 1026)

Submitted by the Committee on Trade, Commerce and Entrepreneurship joint with the Committees on Social Justice, Welfare and Rural Development; Ways and Means; and Finance, with Senator Aquino IV as author thereof.

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

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

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

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

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

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

4 Towards this end, the State shall pursue an inclusive growth strategy that promotes  
5 an *environment conducive* to the development and growth of a vibrant social enterprise  
6 sector engaged in poverty reduction, economic and social development. It shall empower  
7 the poor as primary stakeholders in social enterprises, establish mechanisms essential to  
8 realizing their potential and achieving their full growth, and extend the assistance necessary  
9 for their advancement. The State shall likewise provide *technical and financial assistance*,  
10 incentives and other services to enable Social Enterprises to develop into viable and vital  
11 anti-poverty agents, and a strong social entrepreneurship movement that will be  
12 instrumental in reducing poverty in the country.

13 **SECTION 3. *Definition of Terms.*** -

14 a) A "Social Enterprise" or SE shall refer to a social mission-driven organization that  
15 conducts economic activities providing goods and services directly related to their  
16 primary mission of improving the well-being of the poor, basic and marginalized  
17 sectors and their living environment. A social enterprise explicitly declares and  
18 pursues poverty reduction as its principal objective by purposefully rendering both  
19 transactional and transformational services. An SE engages and invests in the poor  
20 to become effective workers, suppliers, clients and/or owners and ensures that a  
21 substantive part of the wealth created by the enterprise is distributed to or benefits  
22 them. In addition to reinvesting its surplus or profits back to the enterprise to  
23 sustain the fulfillment of its social mission, a SE also uses its surplus or profits and  
24 mobilizes other resources to assist the poor to become partners in SE or value chain  
25 management and governance and to become partners in community, sectoral and  
26 societal transformation.

27 b) "Government-Procuring Entity" refers to any branch, department, office, agency, or  
28 instrumentality of the government, including state universities and colleges,  
29 government-owned and/or - controlled corporations, government financial  
30 institutions, and local government units procuring Goods, Consulting Services and  
31 Infrastructure Projects;

- 1 c) "Basic Sectors," as defined by Republic Act 8425, or the "Social Reform and Poverty  
2 Alleviation Act," refer to the disadvantaged sectors of Philippine society, namely:  
3 farmer-peasant, artisanal fisherfolk, workers in the formal sector and migrant  
4 workers, workers in the informal sector, indigenous peoples and cultural  
5 communities, women, persons with disabilities, senior citizens, victims of calamities  
6 and disasters, youth and students, children, and urban poor;
- 7 d) "Economic Subsectors" refer to networks of related actors and enterprises  
8 performing various functions in value chains. These actors and enterprises  
9 transform raw materials into finished products, or develop services, and distribute  
10 or provide them through market channels to final consumers; they may be identified  
11 by key raw material source, by finished product or final service provided. An  
12 economic subsector may be comprised of several competing value chains. By  
13 understanding the dynamics of economic subsectors and using them as units of  
14 planning social entrepreneurship interventions, government agencies, support  
15 institutions and SEs shall more effectively reach and benefit a greater number of  
16 poor in poverty reduction programs
- 17 e) "Marginalized Sectors" refer to groups of people who are stigmatized or excluded by  
18 virtue of their physical, psychological, economic, social or cultural circumstance;
- 19 f) "Poor," as defined by Republic Act 8425, refers to individuals and families whose  
20 income fall below the poverty threshold as defined by the National Economic and  
21 Development Authority and/or cannot afford in a sustained manner to provide their  
22 minimum basic needs of food, health, education, housing and other essential  
23 amenities of life;
- 24 g) "Poverty Reduction" shall mean overcoming the income, resource and capability  
25 deprivation among the poor, basic and marginalized sectors;
- 26 h) "Social Enterprise Service Institution" refers to an organization that provides  
27 assistance to SEs for them to become viable and sustainable and which assistance  
28 pertains to supplying needs such as trainings, education and other capacity-building  
29 measures, research and development, and other similar activities;
- 30 i) "Transactional Services" refer to enterprise or market-driven activities, such as  
31 providing loans, demonstrating new technologies or conducting trainings that are

1 necessary for the poor in the SE system to effectively and efficiently perform their  
2 roles as workers, suppliers, clients and owners. Transactional services may be fee-  
3 based, such as the granting of loans, or non-fee based, such as the extension of  
4 production-related trainings;

5 j) "Transformative Services" refer to activities that empower the poor, such as  
6 leadership formation and organizational development, asset build-up and providing  
7 education and experiential learning opportunities, to become conscious change  
8 agents for themselves, for their communities, sectors and society as a whole.

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

20 **SECTION 4. *Formulation of a Poverty Reduction Through Social Entrepreneurship (PRESENT)***

21 *Program.* - The PRESENT Program shall be established as a flagship program of government.  
22 The objective of the PRESENT Program is to progressively improve the position and  
23 benefits derived by a big number of the poor, marginalized and basic sectors derived from  
24 economic subsector development and growth. It shall do this by identifying strategic  
25 economic subsectors with the potentials for growth and where the poor are concentrated or  
26 could be major players. In the process, it shall identify and develop key SEs and resource  
27 institutions as partners in providing transactional and transformational services towards  
28 poverty reduction. SEs shall be developed as vehicles to ensure that the poor benefit the  
29 most from sustainable subsector development.

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

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

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

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

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

30 In addition to the existing functions of the Council as provided under Republic Act.  
31 9501, "The Magna Carta for Micro, Small and Medium Enterprises," as amended, the Council

1 shall serve as the primary agency tasked to carry out the promotion, growth and  
2 development of social enterprises in the country. To ensure that the Council is able to fulfill  
3 its additional mandate, there shall be an SE Committee under the Council that shall perform  
4 the following specific duties:

- 5 a) Promote social enterprise as a key strategy for reducing poverty and enabling  
6 inclusive growth;
- 7 b) Provide oversight for the implementation of the PRESENT Program and activities of  
8 the Center for Social Enterprise Development (CSED);
- 9 c) Establish policies, plans, programs and projects to develop and promote SE as a tool  
10 for poverty reduction as part of a comprehensive Social Enterprise Development  
11 Plan fully integrated and consistent with national development objectives and plans;
- 12 d) Monitor and evaluate the performance of programs and projects of CSED for  
13 appropriate incentives;
- 14 e) Submit annual and other periodic reports to the President and the Congress of the  
15 Philippines;
- 16 f) Promulgate such rules and regulations and exercise such other powers and  
17 functions as may be necessary to carry out the purposes of this Act; and
- 18 g) Perform such other functions as may be necessary for its effective operations and  
19 the continued enhancement, growth and development of the SE sector.

20 The SE Committee shall be composed of the relevant council members and  
21 representatives from the SE sector and SE service institutions as determined by the Council  
22 to realize these powers and functions.

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

- 28 a) The development and implementation of the PRESENT Program as approved by the  
29 Council, with the following components:
  - 30 1. Formulation and implementation of social entrepreneurship-oriented  
31 strategic economic sub-sector development plans that shall serve as the

1 basis for major policies, projects and activities.

2 2. Capacity Building and Sustainability - The CSED will work with qualified  
3 Social Enterprise Service Institutions and other intermediaries to design and  
4 deliver training and education in social entrepreneurship development,  
5 institutional start-up or strengthening, human resource competency and  
6 skills training, business planning and advisory services, upgrading of  
7 accounting and auditing systems, technical assistance for the installation or  
8 improvement of management information systems, technology intervention,  
9 technology incubation/commercialization, market studies, and product  
10 development competitiveness, business matching activities, trade fairs and  
11 missions, policy advocacy, disaster-resiliency and other related activities.

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

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

19 ii. equip SEs and support institutions with services and technologies that  
20 are appropriate for enhancing the participation and benefits of the  
21 poor in various economic subsectors; and;

22 iii. equip SEs and support institutions with innovative and sustainable  
23 approaches to improve access of the poor to quality basic social  
24 services.

25 4. Information and Marketing Assistance - The CSED shall promote the  
26 development and expansion of local and foreign markets for the products  
27 and services of SEs. Towards this, the CSED shall:

28 i. establish a marketing assistance program that will assist SEs match  
29 supply with demand in both domestic and foreign markets, as well as  
30 promote SE products and services through tri-media, trade fairs and  
31 trade missions; and

1           ii. develop, install and sustain a market information system for SEs with  
2           the assistance of the DTI and DOTC. All government departments,  
3           agencies, bureaus, research institutions, as well as the Local  
4           Government Units (LGUs) shall consolidate and continuously update all  
5           relevant information and data that would be of use to SEs on a periodic  
6           basis and make such data available in a dedicated website on the  
7           internet.

8       b) Establishment and implementation of criteria and process for the qualification of  
9       SEs that shall be eligible for support and other incentives as provided by this Act and  
10      as approved by the Council;

11     c) Identification of sources of financing for the SE sector not limited to grants, loans  
12      and equity financing for enterprise incubation, start-up and expansion;

13     d) Management of multi-stakeholder convergence programs and activities among  
14      government agencies and private organizations in support of the PRESENT Program;

15     e) Coordination with the concerned government agencies and local government units  
16      in the development and implementation of the PRESENT Program and projects.  
17      Other government agencies and LGUs shall be encouraged to work with SEs in the  
18      furtherance of the PRESENT Program; and

19     f) Coordination with social enterprise stakeholders, including people's organizations,  
20      non-government organizations, and multi-sectoral and multi-disciplinary pool of  
21      experts from the academe, practicing professionals, business, industry, youth,  
22      women and and other concerned sectors to provide advice and technical assistance  
23      on matters pertaining to SEs.

24     **SECTION 7. *Social Enterprise Development Fund.*** - There shall be included in the budget of  
25     the DTI under the annual General Appropriations Act an initial amount of Five Hundred  
26     Million Pesos (P500,000,000.00) for the establishment of a Social Enterprise Development  
27     Fund (SEDF) to support the capacity building and sustainability component of the PRESENT  
28     Program.

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



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

3 **SECTION 8. *Special Credit Windows.*** - The Land Bank of the Philippines, Development Bank  
4 of the Philippines and other government financial institutions shall establish special credit  
5 windows that shall provide SEs with risk-based, non-collateralized loans for the following  
6 purposes:

7 a) Credit line for business development loan or working capital loan to cover the  
8 operational and management expenses of an existing business or income generating  
9 project, including receivable financing or purchase of additional inventory, soft or  
10 intangible investments such as trade fair participation or acquisition of software or  
11 franchise development packages;

12 b) Fixed assets financing to cover acquisition of fixed assets like machineries and  
13 equipment, motor vehicle, or acquisition of lot for project site or construction of a  
14 plant and building and the improvement thereof;

15 c) Value chain financing to cover any of the value chain activities such as production,  
16 processing and marketing;

17 d) Domestic letter of credit or trust receipt to provide a stand-by credit facility for the  
18 SE borrower for the purchase of product inputs, equipment, machinery, implements,  
19 and spare parts, whereby payment of which is guaranteed and to be made to the  
20 seller by the lending institution, provided all documents conform with the terms and  
21 conditions of the credit; and

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

24 **SECTION 9. *Social Enterprise Guarantee and Surety Fund.*** - There shall be established a  
25 Social Enterprise Guarantee and Surety Fund (SEGSF) which shall be funded from equity  
26 contributions of government financial institutions. The SEGSF shall be administered by the  
27 Philippine Guarantee Corporation (Philguarantee) to enable SEs to access non-  
28 collateralized and other appropriate financing while mitigating the risks involved in SE  
29 sector lending. The SEGSF shall be used to provide guarantee cover to participating financial  
30 institutions and other parties in extending financing to SEs: Provided, That the fund may  
31 also be used to cover the performance bond of SEs for their transactions.

1 **SECTION 10.** *Compliance to Mandatory Allocation of Credit Resources.* - Loans granted by  
2 financial institutions to Social Enterprises shall be computed by the Bangko Sentral ng  
3 Pilipinas as twice the loan amount for purposes of determining financial institutions'  
4 compliance to the mandatory allocation of credit resources to micro, small and medium  
5 enterprises under Republic Act. 9501, "The Magna Carta for Micro, Small and Medium  
6 Enterprises."

7 **SECTION 11.** *Movable Collateral Registry.* - The Land Registration Administration (LRA),  
8 through the Registry of Deeds, shall set-up and establish within two (2) years from the  
9 effectivity of this Act a comprehensive, centralized, internet-based electronic Movable  
10 Collateral Registry to encourage financial institutions such as banks, credit cooperatives,  
11 and microfinance institutions to accept a broad range of assets, in lieu of land and real  
12 property, as collateral to secure loans granted to micro, small and medium enterprises,  
13 particularly social enterprises. The collateralized assets may be in the form of sales invoice,  
14 receivables, purchase orders, contracts, equipment, machinery, quedan, inventory, raw  
15 materials, patents, and such other assets of similar nature.

16 The Movable Collateral Registry, which shall replace the existing chattel mortgage  
17 registry, should be simple, accurate, transparent and easily accessible. A uniform nominal  
18 flat fee shall be charged for registration to cover the cost of operation and maintenance of  
19 the Registry and shall, in no way, be based on the amount of the loan, asset or transaction.  
20 For purposes of registering a movable collateral, documents covering the transaction shall  
21 not be required but only specific details of the offered collateral and such other information  
22 as may be determined by the LRA will suffice for purposes of registering a movable  
23 collateral.

24 The Department of Justice (DOJ) and the LRA shall ensure that the security interests  
25 of lenders over the movable collateral shall be protected, and shall establish an efficient and  
26 timely system for the enforcement of such rights.

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

1 **SECTION 13. *Insurance for Social Enterprises.*** - The Insurance Commission shall issue the  
2 necessary rules and regulations and implement measures to ensure that the insurance  
3 industry shall provide insurance products, both life and non-life, for social enterprises and  
4 their stakeholders among the poor. Furthermore, social enterprises shall be eligible to be  
5 licensed agents or delivery channels for their clients and constituents.

6 **SECTION 14. *Eligibility for Benefits and Incentives.*** In the case of social enterprises  
7 organized as stock corporations, partnerships or sole proprietorships, the following  
8 requirements shall apply to become eligible for benefits and incentives provided by this Act:

9 a) A social enterprise must not be organized as a branch, subsidiary or division of a  
10 private business enterprise, regardless of the size of such private business  
11 enterprise, nor may its policies be determined by a private business enterprise.  
12 Provided, that this shall not preclude a SE from accepting subcontracts from large  
13 private business enterprises or firms or from joining in cooperative or joint-venture  
14 activities with other SEs or foundations practicing Corporate Social Responsibility  
15 (CSR).

16 b) At least sixty percent (60%) of a social enterprise's total expenditures must directly  
17 accrue to the fulfillment of its social mission or to provide transformational services  
18 for the poor.

19 **SECTION 15. *Social Entrepreneurship Education in Schools.*** - Toward strategically  
20 developing the nation's human resource capability in social entrepreneurship, the DepEd  
21 and the CHED shall cause the integration of SE content and inclusion of SE courses in the  
22 curricula at all levels, especially in the secondary and tertiary levels. A continuing social  
23 entrepreneurship education program for out-of-school youth and adults shall likewise be  
24 developed and undertaken.

25 **SECTION 16. *Social Enterprise Week.*** - In order to institute continuing awareness on the  
26 importance of SEs as a viable government strategy in pursuing poverty alleviation, the week  
27 of the month when this Act shall have been signed into law shall be declared as the "Social  
28 Enterprise Week" and shall be celebrated annually. The Council shall, through the CSED, be  
29 responsible in organizing activities for the event.

30 **SECTION 17. *Appropriations.*** - The Council shall allocate the initial amount of Fifty Million  
31 Pesos (P50,000,000.00) from the existing MSMED Council Fund to support the operations

1 and programs of the CSED. Thereafter, such sums as may be necessary for the continued  
2 implementation of this Act shall be included in the budget of the DTI under the annual  
3 General Appropriations Act.

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

7 **SECTION 18.** *Implementing Rules and Regulations.* – Within ninety (90) days from the  
8 effectivity of this Act, the Secretary of Trade and Industry shall, in consultation and  
9 coordination with the concerned government agencies, promulgate the necessary rules and  
10 regulations for the effective implementation of this Act.

11 **SECTION 19.** *Separability Clause.* – If any provision or part of this Act is declared invalid or  
12 unconstitutional, the remaining parts or provisions not affected shall remain in full force  
13 and effect.

14 **SECTION 20.** *Repealing Clause.* – All laws, decrees, ordinances, rules and regulations,  
15 executive order or administrative order and other presidential issuances inconsistent in  
16 this act are hereby repealed, amended or modified accordingly.

17 **SECTION 21.** *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in  
18 the Official Gazette or in two (2) national newspapers of general circulation.

19 Approved,