

13<sup>TH</sup> CONGRESS OF THE REPUBLIC )  
OF THE PHILIPPINES )  
First Regular Session )

'04 JUL -6 AM 1:00

SENATE

RECEIVED BY: 

S. BILL NO. 1348

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Introduced by Senator Ralph G. Recto

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### Explanatory Note

Enhancing the vitality of Small and Medium Enterprises (SMEs) is of pivotal importance in maintaining Philippine dynamism into the 21st century. SMEs are major vehicles in the growth and sustainable development of a globally competitive Philippine economy.

Efforts geared toward nurturing SMEs must have sound basis on development in the global market arena. SMEs must be attuned to the overall trends that create opportunities, challenges and risks for business. Nurturing and supporting our SMEs will definitely go a long way in bringing the country forward.

Considering that the government operates on limited resources, programs of assistance to the SMEs should give priority to enterprises that exhibit a strong capability to grow and to eventually develop into globally competitive enterprises.

This proposed measure seeks to establish business incubators in strategically viable locations throughout the country, preferably in economic zones or places near academic institutions. Incubators are useful and cost-effective instruments in promoting the survival of new enterprises during their early years of existence by providing a work environment that readily make available business facilities and services as well as technical and managerial support. Incubators, thus, hasten the transformation of selected, early-stage business with high potential, into self-sufficient, growing and profitable businesses.

To encourage private sector participation, private business incubators can avail of tax incentives provided under Book I of the Omnibus Investments Code of 1987 for a period of five (5) years. A revolving fund, which will be properly allocated to the various business incubator facilities, shall be created to provide loans to small firm tenants.

Recognizing the benefits of small and medium enterprises in realizing growth for the country, government should prioritize the promotion of SMEs as a key strategy in attaining sustained economic progress. The business climate and policy environment must be conducive to the survival and sustained growth of SMEs.


Hence, approval of this bill is earnestly requested.

  
RALPH G. RECTO

13<sup>TH</sup> CONGRESS OF THE REPUBLIC )  
OF THE PHILIPPINES )  
First Regular Session )

04 JUL -6 AM 11:00

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S. BILL NO. 1348

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AN ACT  
PROMOTING SMALL BUSINESS LOCATION AND INCUBATOR PROGRAM

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

PRELIMINARY PROVISIONS

1 SECTION 1. *Short Title.* - This Act shall be known as the "Small Business Location and  
2 Incubator Act of 2004."

3 SEC. 2. *Declaration of Policy.* - It is hereby declared the policy of the State to promote  
4 the development of the small business sector. Towards this end, the State shall establish  
5 business incubators in strategically viable locations as well as encourage the formation of private  
6 business incubators throughout the country to promote livelihood development, increase local  
7 employment and income, and broaden the tax base.

8 SEC. 3. *Business Incubator Defined.* - A business incubator is an organization set up  
9 for the specific purpose of nurturing young enterprises by providing common office and service  
10 facilities as well as a wide range of services including facilitating technology transfer, providing  
11 marketing assistance, and offering technical advice and information. It is the sharing of resources  
12 that yields the economies of scale that the fledgling enterprises so badly need.

13 SEC. 4. *As a Development Strategy.* - A business incubator shall be considered a  
14 vehicle for economic development. As a development strategy, public business incubators must  
15 be integrated into the economic development plan. They shall act as the focal point for  
16 community development.

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## GENERAL GUIDELINES

SEC. 5. - *Establishment of Business Incubators.* - The State shall establish small business incubators in viable locations throughout the country, preferably in economic zones or places near universities and other academic institutions, where it may be strategically advantageous to the development of industrial linkages between small and medium to large enterprises. Pilot business incubators may be established before implementing the small business incubator program on a wider scale.

SEC. 6. *Types of Business Incubators.* - Small business incubators shall be any but not limited to the following types: (a) private, public or mixed; (b) university-based or corporate-sponsored; (c) for profit or non-profit. Private and government corporations, non-government organizations (NGOs) and people's organizations (POs) may also establish small business incubators. Private business incubators may be profit-oriented corporations, school-based or run by charitable and/or religious institutions and/or organizations.

SEC. 7. *Specific Services.* - The small business incubators shall among others, provide the following services: flexible rental terms; on-site business assistance; assistance in obtaining financing, shared support services, flexible leases, flexible space arrangements, employee training, clerical services, telephone answering, typing, copying, data processing, bookkeeping, legal assistance, technology transfer, marketing and technical assistance.

The incubators offer the entrepreneur tenants opportunities to socialize, exchange ideas and experiences, and do business with each other.

SEC. 8. *Requirements for Setting Up Public Business Incubators.* - In setting up a public business incubator, the following guidelines shall be followed:

(1) For public business incubators to be established, the following requirements shall be met: (a) a market of potential entrepreneurs; (b) a project champion or project leader; (c) a small, committed, support and organizing group; (d) an active support by the community; (e) a financing scheme adapted to the chosen approach.

(2) The emphasis of public business incubators shall be on nurturing viable ventures that already exist in a given geographic area rather than promoting the movement of businesses from one geographic area to another;

1 (3) It is important that the role of the intended incubator be made explicit in the context  
2 of regional and local economic development, to ensure the congruence of the business  
3 incubation proposals with the local development plan.

4 (4) The DTI, in coordination with the SMED Council, DOST, UP-ISSI and other  
5 concerned agencies shall set the general criteria/framework on the selection and graduation of  
6 candidate entrepreneurs and/or tenants/locators.

## 8 MANAGEMENT OF PUBLIC BUSINESS INCUBATORS

9 SEC. 9. *Board of Directors.* - The Board of Directors shall have the supervision and  
10 control over a small business incubator. It shall have the responsibility of overseeing and  
11 ensuring that the established national policies and standards for the effective and economical  
12 operation of the small business incubator are met and implemented. It shall provide guidance in  
13 the implementation of rules and regulations, plans, programs and projects of the small business  
14 incubator including the evaluation process of admitting and graduating tenants/locators.

15 The Board shall have seven (7) members, to be selected from the local Chamber of  
16 Commerce and Industry/SME or business sector, academe, banking, science and technology, the  
17 Provincial Small and Medium Enterprise Development Council, local government officer/s  
18 concerned and the Administrator.

19 SEC. 10. *Administrator.* - A qualified individual and/or professional entity/ies with  
20 adequate and appropriate expertise shall head the drive to establish and run an incubator facility.  
21 The Administrator shall have the responsibility of implementing laws, rules and regulations,  
22 plans, programs and projects of the incubators; providing efficient and effective services to the  
23 small business incubators' tenants; coordinating resource requirements and other functions as  
24 may be required in the management of the small business incubator.

25 SEC. 11. *Location.* - The Department of Trade and Industry (DTI) in consultation with  
26 the Department of Science and Technology (DOST) and other concerned agencies shall be  
27 responsible for the overall countrywide planning and distribution of public small business  
28 incubators (SBIs). The regional, provincial/city and municipal development councils shall be  
29 responsible for planning and designating the zones for SME locations.

1 SEC. 12. *Fees and Charges.* - Small Business Incubators (SBIs) shall be authorized to  
2 charge fees and charges in accordance with Executive Order No. 159 and other existing laws.

3 SEC. 13. *Grants and Donations.* - All public business incubators and those run by the  
4 NGOs and/or POs shall be authorized to solicit and/or receive grants and donations from local  
5 and foreign institutions.

6 SEC. 14. *Transfer of Management and Control* - An appropriate scheme shall be  
7 provided to effect a gradual transfer of management and control of all state-run business  
8 incubators to people's or community-based organizations within a maximum of ten years.

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#### INCENTIVES

11 SEC. 15. *Tax Incentives.* - Private Business Incubators shall be eligible to avail of  
12 incentives such as tax holidays, and other incentives provided under Book 1 of the Omnibus  
13 Investments Code of 1987 for a period of five (5) years.

14 SEC. 16. *Loan Fund.* -The Small Business Guarantee and Finance Corp. (SBGFC) shall  
15 create a revolving fund (which will be properly allocated to the various business incubators) to  
16 provide loans to small firms tenants within the incubator facilities. Firm tenants from private  
17 business incubators (those operated by individuals, companies, NGOs or POs) may also avail of  
18 this loan facility provided they can show proof of the "Certificate of Compliance" provided  
19 under Section 17 of this Act.

20 SEC. 17. *Certificate of Compliance.* - Private business incubators applying for  
21 availment of the loan facility mentioned in the immediately preceding section shall obtain from  
22 the Department of Trade and Industry (DTI) a "Certificate of Compliance" to ensure that the  
23 *minimum requirements* for the establishment of business incubators set under this Act are being  
24 complied with.

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#### APPROPRIATION

27 SEC. 18. *Appropriation.* -The amount necessary to implement the provisions of this Act  
28 shall be included in the General Appropriations Act of the year following its enactment into law  
29 and thereafter.

1 MISCELLANEOUS PROVISIONS

2 SEC. 19. *Lead Agency.* - The DTI shall be the lead agency responsible for direction  
3 setting and overall implementation of this Act and shall have the power of governance and  
4 supervision over the national business incubator program. It is hereby empowered to form an  
5 Executive Committee composed of the DOST, UP-ISSI, representatives from the business  
6 sector and non-government organizations, among others, to administer the business incubator  
7 program.

8 SEC. 20. *Implementing Rules and Regulations.* - The DTI, through the SMED  
9 Council, in cooperation with the DOST, DILG, DOF, DECS, UP-ISSI and other concerned  
10 agencies shall formulate the general rules and regulations necessary for the effective  
11 implementation of the intents and provisions of this Act

12 SEC. 21. *Repealing Clause.* - All laws, decrees, executive orders, rules and regulations  
13 or parts thereof, which are inconsistent with this Act, are hereby repealed, amended or modified  
14 accordingly.

15 SEC. 22. *Separability Clause.* - If any provision of this Act is held unconstitutional or  
16 invalid, all other provisions not affected thereby shall remain valid.

17 SEC. 23 *Effectivity.* - This Act shall take effect fifteen (15) days following its publication  
18 in the Official Gazette or in at least two (2) newspapers of general circulation, whichever comes  
19 first.

20 *Approved,*