

SENATE  
S. No. 1827

10 JUL 21 P5:29

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Introduced by Senator Miriam Defensor Santiago

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EXPLANATORY NOTE

Business incubators housed in academic settings provide unique educational opportunities for students, provide entrepreneurs with enhanced access to a skilled workforce, and bring a wealth of resources to business, academia, and communities.

Academic affiliated incubators bridge the missions of academic institutions by bringing together education, economic development, and technology commercialization efforts.

Studies in the United States have shown that incubator tenant companies have an average success rate of 87 percent, and 90 percent for technology-based incubator tenant companies. These success rates are dramatically higher than the success rates for companies in the general economy. Incubator companies are also more likely to remain in the same communities as they grow and provide high paying jobs and benefits to their employees.

Business incubators help academic institutions contribute to local goals of sustaining economic development in their surrounding communities. Education in entrepreneurship and other business formation skills is essential to business success and sustainable economic development.

The purpose of this Act is to encourage entrepreneurship by increasing the role for academia in entrepreneurship by providing space and expertise in an academic setting to house and support new and emerging small businesses.\*

*Miriam Defensor Santiago*  
MIRIAM DEFENSOR SANTIAGO

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\* This bill was originally filed during the Thirteenth Congress, First Regular Session.

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Introduced by Senator Miriam Defensor Santiago

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1 AN ACT  
2 TO SUPPORT BUSINESS INCUBATION IN ACADEMIC SETTINGS

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

3 SECTION 1. *Short Title.* – This Act shall be known as the “Linking Educators and  
4 Developing Entrepreneurs for Reaching Success (LEADERS) Act.”

5 SECTION 2. *Definition of Terms.* – For the purposes of this Act, the term:

6 (A) “Degree-Granting Institution” means all institutions for higher learning with teaching  
7 and research facilities constituting a graduate school and professional schools that award  
8 master’s degrees and doctorates and an undergraduate division that awards bachelor’s degrees.

9 (B) “Incubator” means an entity affiliated with or housed in a degree-granting institution  
10 that provides space and coordinated and specialized services to entrepreneurial businesses which  
11 meet selected criteria during the businesses’ start-up phase, including providing services such as  
12 shared office space and services, access to equipment, access to telecommunications and  
13 technology services, flexible leases, specialized management assistance, access to financing, and  
14 other coordinated business or technical support services.

15 (C) “CHED” means the Commission on Higher Education.

16 SECTION 3. *Program Authorized.* –

17 (A) *In General.* – The CHED is authorized to support the establishment and development  
18 of incubators.

19 (B) *Allocation of Funds.* – From the amount appropriated under Section 8, the CHED

1 (1) Shall use eighty percent (80%) of the amount to -

2 (a) Make awards, on a competitive basis, in amounts of Twenty Million Pesos  
3 (P20,000,000.00) to help acquire or renovate space for incubators; and

4 (b) Make awards, on a competitive basis, in amounts of Twenty Million Pesos  
5 (P20,000,000.00) to Fifty Million Pesos (P50,000,000.00), for developing  
6 curricula, providing services, including preparing corporate charters,  
7 partnership agreements, and basic contracts, assistance with patents,  
8 trademarks, and copyrights, and technology acquisition services, or providing  
9 programming for entrepreneurs housed in an incubator;

10 (2) Shall use ten percent (10%) of the amount to make awards, on a competitive  
11 basis, in amounts of P20,000,000.00 to P50,000,000.00, for feasibility studies for  
12 determining the need for or siting of incubators; and

13 (3) Shall use ten percent (10%) for research regarding best practices for incubator  
14 programs, including the development of a benchmarking system based on uniform  
15 measures, and for dissemination of information regarding such practices.

16 (C) *Contracts.* – The CHED is authorized to contract with organizations with expertise in  
17 business incubation practices for the purposes of carrying out subsection (B)(3).

18 (D) *Recipients.* – The CHED shall make an award —

19 (1) Described in paragraph (B)(1) to a nonprofit entity that has a strong affiliation  
20 with a degree-granting institution and manages or provides technical assistance to the degree-  
21 granting institution's affiliated incubator, or if no non-profit entity manages or provides  
22 technical assistance to the incubator, to the degree-granting institution managing the  
23 incubator; and

24 (b) Described in paragraph (B)(2) to a degree-granting institution, or a non-profit  
25 municipality, city, township, or community development organization.

26 SECTION 4. *Uses of Funds.* – Funds awarded under section 3(B)(1) may be used for -

27 (A) Curriculum, training, or technical assistance developed by academic faculty with  
28 participation from entrepreneurship experts and local government leaders;

1 (B) Programming that contributes to a coordinated set of business assistance tools, such  
2 as developing management teams, providing workforce development, forming strategic alliances,  
3 developing capital formation networks, and developing customized plans to help entrepreneurs  
4 meet the challenges of doing business in their specific communities; and

5 (C) Hiring staff to coordinate the activities described in paragraph (A) or (B) or for  
6 curriculum development.

7 SECTION 5. *Applications.* –

8 (A) *In General.* – Each entity desiring assistance under this Act shall submit an  
9 application to the CHED at such time, in such manner, and accompanied by such information as  
10 the CHED may require.

11 (B) *Contents.* – Each application shall contain an assurance that the activities to be  
12 assisted -

13 (1) Have the support of the municipality or city, in which the incubator is housed  
14 or proposed to be housed; and

15 (2) Are consistent with the local economic development plan or strategic master  
16 plan.

17 (C) *Priority.* – The CHED shall give priority to funding applications under this Act that  
18 provide strong educational opportunities to students in entrepreneurship, and that require  
19 significant collaboration between businesses, academia, and local government and economic  
20 development leaders.

21 (D) *Consideration.* –

22 (1) *In General.* – In addition to applications from other appropriate sources, the  
23 CHED may give consideration to funding applications under this Act that support -

24 (a) The building of new incubators;

25 (b) Incubators located in economically distressed areas;

26 (c) Incubators with successful graduation rates for tenant companies;

27 (d) Incubators that have shown demonstrable economic benefits in their  
28 surrounding communities;

1 (e) Incubators that work with faculty entrepreneurs or university-based  
2 research; or

3 (f) Incubators located in rural areas where the presence of an incubator  
4 may enhance and diversify the area's economy through expanded  
5 technology commercialization.

6 (2) *Definition of Consideration.* – In this subsection, the term “consideration”  
7 does not mean priority.

8 SECTION 6. *Matching Funds.* – Each entity receiving government assistance under  
9 Section 3(B)(1) shall contribute matching funds, in an amount equal to the amount of  
10 government assistance received under this Act, toward the costs of the activities assisted under  
11 this Act. The non-government share required under this section may be provided in the form of  
12 in-kind contributions.

13 SECTION 7. *Report.* – The CHED, at the end of the third year for which assistance is  
14 provided under this Act, shall prepare and submit to Congress a report that -

15 (A) Describes the most effective or innovative additions to curricula developed under this  
16 Act;

17 (B) Contains a comparison of small business survival rates for small businesses that  
18 started up in incubators versus small businesses that did not so start;

19 (C) Describes factors leading to any success of incubator businesses;

20 (D) Describes the best role for degree-granting institutions in business incubation; and

21 (E) Contains a comparison of academic-affiliated incubators of specific missions and  
22 ages supported under this Act with incubators with similar missions and ages that are not  
23 supported under this Act.

24 SECTION 8. *Authorization of Appropriations.* – For the purpose of carrying out this Act,  
25 such sums, as may be deemed appropriate by the CHED, are hereby authorized to be  
26 appropriated from the National Treasury.

1           SECTION 9. *Separability Clause.* – If any provision or part hereof, is held invalid or  
2 unconstitutional, the remainder of the Act or the provision not otherwise affected shall remain  
3 valid and subsisting.

4           SECTION 10. *Repealing Clause.* –Any law, presidential decree or issuance, executive  
5 order, letter of instruction, administrative order, rule or regulation contrary to, or inconsistent  
6 with the provisions of this Act is hereby repealed, modified or amended accordingly.

7           SECTION 11. *Effectivity Clause.* –This Act shall take effect fifteen (15) days after its  
8 publication in at least two (2) newspapers of general circulation.

Approved.