



Senate
Office of the Secretary

NINETEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)

'22 JUL 14 AIO :59

SENATE

RECEIVED BY:

S.B. No. 583

INTRODUCED BY SENATOR RISA HONTIVEROS

**AN ACT
ORDAINING THE PROMOTION OF SOCIAL ENTERPRISES TO ALLEVIATE
POVERTY, ESTABLISHING FOR THE PURPOSE THE POVERTY REDUCTION
THROUGH SOCIAL ENTREPRENEURSHIP (PRESENT) PROGRAM AND
PROVIDING SUPPORT, BENEFITS AND APPROPRIATIONS THEREFOR**

EXPLANATORY NOTE

Four million more Filipinos were pushed into poverty in the first half of 2021, increasing our country's poverty incidence to 26.16 million or 23.7%. In order to address poverty and its perennial challenges, new social investment models and capacity building programs need to be developed to help Filipinos become self-reliant entrepreneurs and achieve significant positive impact for the community.

There are many social enterprises able to prove its models to create wealth while performing its social mission. As a poverty reduction strategy, it creates social and economic value that benefits the poor as its primary stakeholders. These stakeholders are engaged as partners in the value chain (either as workers, suppliers, clients, co-developer, co-producer) and in social enterprise governance.

This Bill provides the framework for planning and implementation of a National Poverty Reduction through Social Entrepreneurship (PRESENT) Program. It also seeks to provide incentives and benefits to promote the growth of social enterprises, and to integrate SE into the overall poverty reduction strategy of the government.

The support and passage of this bill is also a means for the country to further contribute in the achievement of the national targets in conformance of the 2030 Sustainable Development Goals. In particular, zero hunger, zero poverty, reduced inequality, decent jobs, and inclusive, sustainable communities.

The immediate passage of this bill is earnestly sought.

RISA HONTIVEROS
Senator



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

CHAPTER I

GENERAL PROVISIONS

1
2
3
4 SECTION 1. *Short Title.* - This Act shall be known as the "Poverty Reduction
5 through Social Entrepreneurship Act."

6 Sec. 2. *Statement of Policy.* - As provided in the Constitution of the Republic of
7 the Philippines, it is the declared policy of the State to promote a just and dynamic
8 social order that will ensure the prosperity and independence of the nation and free the
9 people from poverty through policies that provide adequate social services, promote full
10 employment, a rising standard of living, and an improved quality of life for all. In
11 Article II, Sections 10 and 11, it is further declared that the State shall provide social
12 justice in all phases of national development and that the State values the dignity of
13 every human person and guarantees full respect for human rights.

14 In Article XII, Section 1, it is further stated that the goals of the national economy are a
15 more equitable distribution of opportunities, income, and wealth; a sustained increase
16 in the amount of goods and services produced by the nation for the benefit of the
17 people; and an expanding productivity as the key to raising the quality of life for all,
18 especially the underprivileged.

19 The State shall promote industrialization and full employment based on sound
20 agricultural development and agrarian reform, through industries that make full and
21 efficient use of human and natural resources, and which are competitive in both

1 domestic and foreign markets. However, the State shall protect Filipino enterprises
2 against unfair foreign competition and trade practices.

3 The State also recognizes the important role of enterprises in the economy as the major
4 agent of development, creating off-farm employment opportunities and providing
5 transitional means for improving people's livelihoods.

6 Toward this end, the State shall pursue a poverty reduction program that promotes an
7 environment conducive to the development and growth of a vibrant social enterprise
8 sector engaged in poverty reduction, and economic and social development. It shall
9 empower the marginalized sectors as primary stakeholders in social enterprises,
10 establish mechanisms essential to realizing their potential and achieving their full
11 growth, and extend the assistance necessary for their advancement. The State shall
12 likewise ensure that the provision for technical and financial assistance, incentives and
13 other services are free from any condition that might infringe upon the autonomy or
14 organizational integrity of the social enterprises to enable them to develop into viable
15 and vital anti-poverty agents, and a strong social entrepreneurship movement which
16 will be instrumental in reducing poverty in the country.

17 The State, through the creation of an enabling policy environment for social enterprises,
18 affirms its commitment to the Sustainable Development Goals (SDGs). Social
19 enterprises shall form part of national and local development plans toward accelerating
20 the achievement of the SDGs, especially the targets of zero poverty; no hunger; gender
21 equality; decent work and inclusive economic growth; reducing inequalities; and
22 sustainable production and consumption.

23 The State shall pursue a low carbon development pathway, to which social enterprises
24 engaged in renewable energy, environmental protection, circular economy, and other
25 such activities, can contribute. This is consistent with the commitment of the State to its
26 Nationally Determined Contribution (NDC) under the global Paris Climate Agreement,
27 which it ratified in 2017.

28 The State affirms the role of women in nation building and ensures the fundamental
29 equality of men and women before the law. It shall promote empowerment of women
30 and pursue equal opportunities for women and men and ensure equal access to
31 resources and to development results and outcome. Further, as set out in Republic Act
32 No. 9719, otherwise known as the "Magna Carta of Women Act of 2009," the State shall
33 ensure the full integration of women's concerns in the mainstream of development,
34 shall provide ample opportunities to enhance and develop their skills, acquire productive
35 employment, and contribute to their families and communities to the fullest of their
36 capabilities.

1 *Sec. 3. Definition of Terms.* – As used in this Act:

2 *a. Social Enterprise (SE)* shall primarily refer to a social mission-driven organization
3 that creates wealth while contributing to social wellbeing and ecological
4 sustainability. It can take the form of non-stock, non-profit corporations including
5 NGOs, POs, Foundations, Associations; cooperatives; and sole proprietorships,
6 partnerships, and stock corporations.

7 A social enterprise, for purposes of this Act, shall also refer to a Social Enterprise
8 with the Marginalized as Primary Stakeholders (SEMPS). A SEMPS is a social
9 enterprise that explicitly declares and pursues poverty reduction or improving the
10 quality of life of specific segments of the marginalized and vulnerable sectors as
11 its principal objective. A SEMPS engages and invests in the poor to become
12 effective workers, suppliers, clients and/or owners, and ensures that a
13 substantive part of the wealth created by the enterprise is distributed to them.
14 This includes efforts to help workers in the informal sector transition to be
15 stakeholders of the formal economy. In addition to reinvesting its surplus or
16 profits back toward the fulfillment of its social mission in a sustainable way, a
17 SEMPS also uses its surplus or profits and mobilizes other resources to assist the
18 poor to become partners in SE or value chain management/ governance and to
19 become partners in community, sectoral and societal transformation.

20 *b. Assets* shall refer to all kinds of properties, real or personal, owned by the social
21 entrepreneur as defined in paragraph (*ff*) of this Section and used for the
22 conduct of its business: Provided, that for the purpose of exemption from taxes
23 and to benefit from other incentives under this Act, this term shall mean all kinds
24 of properties, real or personal, owned and/or used by the SE for the conduct of
25 its business;

26 *c. Capability building* shall refer to the process of enhancing the viability and
27 sustainability of SEMPS. It pertains to 1) education, training, coaching and other
28 learning events such as, but not limited to, study tours; 2) technical,
29 consultancy and advisory services; 3) assistance in organizational systems
30 development; 4) technology incubation, development and dissemination; 5)
31 value chain and subsector development; 6) conduct of SE trade fairs and
32 missions; 7) networking and policy advocacy initiatives, and other such activities
33 that enable SEs to be effective and efficient vehicles for poverty reduction. The
34 term capability building precludes the grant of any loan or equity funds to the SE
35 and shall in no way refer to the provision of equity investments, seed funding,
36 partnership's seed funds, equity participation, start-up funds or any such activity

1 that connotes the infusion of capital or funds from the government or from the
2 SE Development Fund created under Section 18 of this Act;

3 *d. Civil society organizations* shall refer to private, voluntary, and non-profit
4 organizations of citizens that are established to pursue a mission, usually
5 involving the interest of the public, marginalized groups or specific sectors of
6 society. They include non-government organizations, socio-civic groups,
7 foundations and people's organizations;

8 *e. Council* shall refer to the SE Council;

9 *f. Cooperative* shall refer to an autonomous and duly registered association of
10 persons, with a common bond of interest, who have voluntarily joined together
11 to achieve their social, economic, and cultural needs and aspirations by making
12 equitable contributions to the capital required, patronizing their products and
13 services and accepting a fair share of the risks and benefits of the undertaking in
14 accordance with universally accepted cooperative principles as defined in R.A.
15 6938, as amended by R.A. 9520, otherwise known as the "Philippine Cooperative
16 Code of 2008";

17 *g. Economic subsectors* shall refer to networks of related actors and enterprises
18 performing various functions in value chains. These actors and enterprises
19 transform raw materials into finished products, or develop services, and
20 distribute or provide them through market channels to final consumers; they may
21 be identified by key raw material source, by finished product or final service
22 provided. An economic subsector may be comprised of several competing value
23 chains. By understanding the dynamics of economic subsectors and using them
24 as units of planning social entrepreneurship interventions, government agencies,
25 support institutions and SEs shall more effectively reach and benefit a greater
26 number of poor in poverty reduction programs;

27 *h. Empowerment strategy* shall refer to a development strategy that enables the
28 marginalized sectors to own, manage, and control SEs in order for them to reap
29 maximum benefits from it and which acts as a channel for directly distributing
30 income;

31 *i. Fair trade* shall refer to a trading partnership based on dialogue, transparency
32 and respect and which seeks greater equity in international trade and the
33 transformation and adaptation of trading structures and practices in favor of the
34 poor and disadvantaged by offering better trading conditions to, and securing the
35 rights of, marginalized producers and workers;

- 1 *j. Fair trade organizations* shall refer to enterprises certified by internationally- and
2 nationally- recognized Fair Trade networks;
- 3 *k. Fair trade principles* shall refer to the values adopted by fair trade organizations
4 in their day-to-day operation. These include creating opportunities for
5 economically- disadvantaged producers; transparency and accountability;
6 payment of a fair price; ensuring no child labor and forced labor; commitment to
7 non-discrimination, gender equity and freedom of association; ensuring good
8 working conditions; providing capacity building; and, respect for the
9 environment;
- 10 *l. Foundation* shall refer to the categorization of a non-profit organization duly
11 registered that typically either donates funds and support to other organizations
12 or provides the source of funding for its own charitable purposes. Unlike a
13 company, foundations have no shareholders though they may have a board, an
14 assembly and voting members. A foundation may hold assets in its own name for
15 the purposes set out in its constitutive documents, and its administration and
16 operation are carried out in accordance with its statutes or articles of association
17 rather than fiduciary principles;
- 18 *m. Gender Analysis* shall refer to a systematic analytical process based on sex-
19 disaggregated and gender information. This process is used to identify,
20 understand, and describe gender differences and the relevance of gender roles
21 and power dynamics in a particular context;
- 22 *n. Gender and Development or GAD* shall refer to the development perspective and
23 process that are participatory and empowering, equitable, sustainable, free from
24 violence, respectful of human rights, and supportive of self-determination and
25 actualization of human potentials. It seeks to achieve gender equality as a
26 fundamental value that should be reflected in development choices; seeks to
27 transform society's social, economic and political structures and questions the
28 validity of the gender roles they ascribed to women and men; contends that
29 women are active agents of development and not just passive recipients of
30 development assistance; and stresses the need of women to organize
31 themselves and participate in political processes to strengthen their legal rights;
32
- 33 *o. Gender Mainstreaming* shall refer to the strategy for making women's as well as
34 men's concerns and experiences an integral dimension of the design,
35 implementation, monitoring, and evaluation of policies, programs and projects in
36 all social, political, civil, and economic spheres so that women and men benefit

1 equally. It is the process of assessing the implications for women and men of any
2 planned action, including legislation, policies or programs in all areas and at all
3 levels;

4 *p. Hybrid financing* shall refer to the combination of grants with loans and other
5 financial instruments to support the unique nature of SEs as wealth creating
6 organizations that pursue social missions to improve societal wellbeing - in ways
7 that are ecologically and financially sustainable;

8 *q. Intermediation strategy* shall refer to a development strategy that provides
9 financial, agricultural, business development and institutional development
10 services to the entrepreneurial poor and employers of the poor and provides
11 product development and marketing support using the principles of fair trade to
12 marginalized producers. A SE engaged in intermediation strategy need not be
13 owned by the marginalized stakeholders but provide immediate access to
14 services among a critical mass of these marginalized stakeholders;

15 *r. Marginalized* shall refer to basic sectors and disadvantaged or vulnerable persons
16 or groups who are mostly living in poverty and have little to no access to: land
17 and other resources; basic social and economic services, such as health care,
18 education, water and sanitation, employment and livelihood opportunities,
19 housing, social security, physical infrastructure; and the justice system.

20 As defined in Republic Act (RA) No. 9710, otherwise known as the "Magna Carta
21 of Women of 2009," these include, but are not limited to, the following sectors,
22 groups, and persons:

23 (1) "Small Farmers and Rural Workers" refers to those who are engaged
24 directly or indirectly in small farms and forest areas, workers in commercial farms
25 and plantations, whether paid or unpaid, regular or season-bound. These shall
26 include, but are not limited to, (a) small farmers who own or are still amortizing
27 for lands that is not more than three (3) hectares, tenants, leaseholders, and
28 stewards; and (b) rural workers who are either wage earners, self-employed,
29 unpaid family workers directly and personally engaged in agriculture, small-scale
30 mining, handicrafts, and other related farm and off-farm activities;

31 (2) "Fisherfolk" refers to those directly or indirectly engaged in taking,
32 culturing, or processing fishery or aquatic resources. These include, but are not
33 to be limited to, women engaged in fishing in municipal waters, coastal and
34 marine areas, women workers in commercial fishing and aquaculture, vendors
35 and processors of fish and coastal products, and subsistence producers such as
36 shell-gatherers, managers, and producers of mangrove resources, and other

1 related producers;

2 (3) "Urban Poor" refers to those residing in urban and urbanizable slum or
3 blighted areas, with or without the benefit of security of abode, where the
4 income of the head of the family cannot afford in a sustained manner to provide
5 for the family's basic needs of food, health, education, housing, and other
6 essentials in life;

7 (4) "Workers in the Formal Economy" refers to those who are employed by
8 any person acting directly or indirectly in the interest of an employer in relation
9 to an employee and shall include the government and all its branches,
10 subdivisions, and instrumentalities, all government-owned and -controlled
11 corporations and institutions, as well as nonprofit private institutions or
12 organizations;

13 (5) "Workers in the Informal Economy" refers to self-employed,
14 occasionally or personally hired, subcontracted, paid and unpaid family workers
15 in household incorporated and unincorporated enterprises, including home
16 workers, micro-entrepreneurs and producers, and operators of sari-sari stores
17 and all other categories who suffer from violation of workers' rights;

18 (6) "Migrant Workers" refers to Filipinos who are to be engaged, are
19 engaged, or have been engaged in a remunerated activity in a State of which
20 they are not legal residents, whether documented or undocumented;

21 (7) "Indigenous Peoples" refers to a group of people or homogenous
22 societies identified by self-ascription and ascription by other, who have
23 continuously lived as organized community on communally bounded and defined
24 territory, and who have, under claims of ownership since time immemorial,
25 occupied, possessed customs, tradition, and other distinctive cultural traits, or
26 who have, through resistance to political, social, and cultural inroads of
27 colonization, non-indigenous religions and culture, became historically
28 differentiated from the majority of Filipinos. They shall likewise include peoples
29 who are regarded as indigenous on account of their descent from the
30 populations which inhabited the country, at the time of conquest or colonization,
31 or at the time of inroads of non-indigenous religions and cultures, or the
32 establishment of present state boundaries, who retain some or all of their own
33 social, economic, cultural, and political institutions, but who may have been
34 displaced from their traditional domains or who may have resettled outside their
35 ancestral domains as defined under Section 3 (h), Chapter II of Republic Act No.
36 8371, otherwise known as "The Indigenous Peoples Rights Act of 1997" (IPRA of

1 1997);

2 (8) "Children" refers to those who are below eighteen (18) years of age or
3 over but are unable to fully take care of themselves or protect themselves from
4 abuse, neglect, cruelty, exploitation, or discrimination because of a physical or
5 mental disability or condition;

6 (9) "Senior Citizens" refers to those sixty (60) years of age and above;

7 (10) "Persons with Disabilities" refers to those who are suffering from
8 restriction or different abilities, as a result of a mental, physical, or sensory
9 impairment to perform an activity in the manner or within the range considered
10 normal for a human being; and

11 (11) "Solo Parents" refers to those who fall under the category of a solo
12 parent defined under Republic Act No. 8972, otherwise known as the "Solo
13 Parents Welfare Act of 2000".

14 Further, as defined in Republic Act No. 11054, otherwise known as the
15 "Bangsamoro Organic Act of 2018," marginalized groups shall include
16 "Bangsamoro People," to wit:

17 (12) "Bangsamoro People" shall refer to those who, at the advent of the
18 Spanish colonization, were considered natives or original inhabitants of Mindanao
19 and the Sulu archipelago and its adjacent islands, whether of mixed or full blood,
20 shall have the right identity themselves, their spouses and descendants, as
21 Bangsamoro.

22 (13) Further, as articulated in Republic Act. No. 9710, or the Magna Carta of
23 Women of 2009, marginalized groups shall include women in all aforementioned
24 sectors or groups.

25 s. *Microfinance* shall refer to the provision of a broad range of financial services
26 such as deposits, loans, payment services, money transfers and insurance
27 products to the poor and low-income households and their microenterprises and
28 small businesses, to enable them to raise their income levels and improve their
29 living standards;

30 t. *Minimum basic needs* shall refer to the needs of a Filipino family pertaining to
31 survival (food and nutrition; health; water and sanitation), security (shelter;
32 peace and order; public safety, income and livelihood); and enabling services
33 (basic education and literacy, participation in community development, family
34 and psycho-social care); and inclusion (assistive device/technology, personal
35 assistance, sign language interpreter, accessibility);

- 1 u. *Non-Government Organization or NGO* shall refer to a duly registered non-stock,
2 non-profit organization focusing on the upliftment of the basic or disadvantaged
3 sectors of society by providing advocacy, training, community organizing,
4 research, access to resources, and other similar activities and, as defined under
5 Section 34 (H)(2)(c) of Republic Act No. 8424, as amended, otherwise known as
6 the “National Internal Revenue Code of 1997,” organized and operated
7 exclusively for scientific, research, educational, character-building and youth and
8 sports development, health, social welfare, cultural or charitable purposes, or a
9 combination thereof, and no part of the net income of which inures to the benefit
10 of any private individual;
- 11 v. *People's Organization or PO* shall refer to a self-help group belonging to the basic
12 sectors and/or disadvantaged groups composed of members having a common
13 bond of interest who voluntarily join together to achieve a lawful common social
14 or economic end;
- 15 w. *Persons with Disability* or PWD shall refer to individuals with restriction or
16 different abilities, as a result of a mental, physical or sensory impairment, to
17 perform an activity in the manner or within the range considered normal for a
18 human being;
- 19 x. *Poor* shall refer to individuals and families whose income fall below the poverty
20 threshold as defined by the National Economic and Development Authority
21 and/or are deprived of the means to provide in a sustained manner their
22 minimum basic needs of food, health, education, housing and other essential
23 amenities of life, as defined under R.A. 8425; it may also be the state of
24 deprivation – such as poor health, lack of education, inadequate living standard,
25 lack of income (as one of several factors considered), disempowerment, poor
26 quality of work and threat from violence.
- 27 y. *Poverty reduction/alleviation* shall refer to overcoming the income, resource, and
28 capability deprivation among the poor as defined in the preceding paragraph and
29 the marginalized sectors as defined in paragraph (r) hereof;
- 30 z. *Private Enterprise* shall refer to an organization engaged in a business activity
31 organized for the purpose of accumulating profit and whose primary stakeholders
32 and beneficiaries are its owners;
- 33 {. *Procuring Entity* shall refer to any branch, department, office, agency, or
34 instrumentality of the government, including state universities and colleges,
35 government-owned and/or - controlled corporations, government financial

1 institutions, and local government units procuring Goods, Consulting Services
2 and Infrastructure Projects;

3 |. *Resource mobilization strategy* shall refer to a development strategy intended to
4 generate income from the sale of products and services of a SE in order to
5 finance or subsidize the operations of its core development program or
6 development interventions among the marginalized sectors;

7 }. *SEGFP* shall refer to the SE Guarantee Fund Pool created under this Act;

8 ~. *Social development* shall refer to the continuing process of addressing the needs
9 of society, beginning with the people's minimum basic needs, through a
10 systematic implementation of socioeconomic programs or packages;

11 . *Social Enterprise Resource Institution* shall refer to an organization that provides
12 financial and/or other forms of assistance to social enterprises for them to
13 become viable and sustainable including but not limited to trainings, education
14 and other capacity-building measures, research and development, advocacy and
15 other support activities;

16 €. *Social entrepreneur* shall refer to an innovative individual or institution that
17 promotes the creation and operationalization of enterprises or livelihood
18 endeavors for those in need or which address social problems and improve
19 societal wellbeing;

20 . *Social entrepreneurship* entails innovations designed to explicitly improve societal
21 wellbeing, housed within entrepreneurial organizations, which initiate, guide or
22 contribute to change in society;

23 .. *Social Inclusion strategy* shall refer to the development strategy that assists
24 marginalized groups of people in society who, for reasons of poverty,
25 geographical inaccessibility, culture, language, age, sex, gender, migrant status,
26 disability or other disadvantage, have not benefited from health, education,
27 employment and other opportunities, and who are relegated to the sidelines of
28 political persuasion, social negotiation, and economic bargaining in order to
29 restore their dignity by not only removing the barriers that limit their access to
30 the delivery of basic social services and employment, but more importantly, by
31 nurturing work and other environments that create avenues for their
32 participation as productive members of society;

33 f. *Social Investors* shall refer to individuals or institutions that choose to put in
34 money to a business endeavor or activity not principally for financial profit but to
35 fulfill a social mission which may include poverty reduction, concern for

1 environmental protection, strong organizational governance, and a desire for a
2 more economically just world;

3 ... *Social reform* shall refer to the continuing process of addressing the basic
4 inequities in society through a systematic, unified and coordinated delivery of
5 socioeconomic programs or packages;

6 *Social value* shall refer to the additional benefit to society of procuring a good or
7 service, over and above the direct benefit and value of the good or service to the
8 procuring entity. Additional benefits may include support for poor communities or
9 marginalized groups, advancement of human rights and social justice, protection
10 of the environment, and community development.

11 †. *Transactional services* shall refer to enterprise related assistance to the poor that
12 involve an exchange of goods or services for money including being workers,
13 suppliers, or clients;

14 ‡. *Transformational services* shall refer to the assistance to the poor as conscious
15 agents of change to lift their own selves from poverty and to participate in group
16 efforts to improve the quality of life of their community, sector or society as a
17 whole. This shall include building the leadership and management capacity and
18 role of the poor in social enterprises;

19 †. *Value chain* shall refer to value-adding economic activities that an enterprise is
20 interlinked with in the process of producing goods and/or services to serve its
21 chosen market. A value chain typically consists of: 1) inbound distribution or
22 logistics, 2) manufacturing operations, 3) outbound distribution or logistics, 4)
23 marketing and selling, and 5) after-sales service. These activities are supported
24 by 6) purchasing or procurement, 7) research and development, 8) human
25 resource development, and 9) organizational development. A SE that
26 understands and manages its value chain improves its capability to create
27 economic, environmental and social values toward improving the position and
28 benefits of the poor in the value chain and toward ensuring the viability and
29 sustainability of the enterprise.

30 %o. *Vulnerable sectors* shall refer to groups who are at-risk of any potential event,
31 loss or danger.

32 33 **CHAPTER II**

34 **POVERTY REDUCTION THROUGH SOCIAL ENTERPRISE**

1 Sec. 4. *Social Enterprise (SE); General Concept and Coverage* – A Social
2 Enterprise (SE), for purposes of this Act, refers to a *Social Enterprise with the*
3 *Marginalized as Primary Stakeholders* (SEMPs) as defined in Sec. 3 (a) of this Act.

4 An SE employs any of the following development strategies in the pursuit of its social
5 mission: 1) empowerment strategy; 2) social inclusion strategy; 3) intermediation
6 strategy; and 4) resource mobilization strategy.

7 In the case of social enterprises organized as stock corporations, partnerships, or sole
8 proprietorships, these social enterprises should invest at least 60% of their net
9 revenues to sustain the fulfillment of their social mission and provide transformational
10 services for the wellbeing of the marginalized sector they serve. They must not be a
11 branch, subsidiary or division of a private business enterprise, regardless of the size of
12 such private business enterprise, nor may its policies be determined by a private
13 business enterprise. *Provided*, that this shall not preclude an SE from accepting
14 subcontracts from large private business enterprises or firms or from joining in
15 cooperative or joint-venture activities with other SEs or foundations.

16 Sec. 5. *Qualifications for Benefits and Incentives.* – To qualify for the benefits
17 and incentives provided for in this Act, the SE shall:

- 18 a. Provide or facilitate the provision of a combination of transactional and/or
19 transformational services to improve the position and benefits derived by the
20 poor from the SE and the value chain or economic subsector where the SE is
21 located, including becoming worker-owners, supplier-owners, supervisors and
22 managers, active members and leaders in governing bodies of the SE or its allied
23 organizations;
- 24 b. Invest fifty one percent (51%) of its surplus, profits or mobilize other resources
25 to assist the poor to become partners in SE or value chain
26 management/governance and/or to become partners in community, sectoral and
27 societal transformation;
- 28 c. Pursue a pro-active contribution to resolving social and environmental problems
29 and generate profit or surplus with due regard to social and environmental costs;
- 30 d. Be engaged in an economic activity within the sectors of agriculture and
31 fisheries, industry and services which, for purposes of this Act, shall refer to an
32 activity in any of the economic subsectors;
- 33 e. Distribute a substantive part of the wealth created by the enterprise to the poor
34 in the form of services, dividends and other forms of benefits, and payments and
35 incentives for products or services rendered consistent with the principles of fair
36 trade;

- 1 f. Be duly registered with the appropriate agencies as provided under Republic Act
2 No. 11232, or the "Revised Corporation Code of 2018;" Republic Act No. 9520, or
3 the "Revised the Cooperative Code of the Philippines of 2009;" Republic Act No.
4 9501, or the "Magna Carta for Micro, Small and Medium Enterprises of 2008;"
5 Republic Act No. 9178, or the Barangay Micro Business Enterprises Act of 2002;"
6 Republic Act No. 10693, or the "Microfinance NGOs' Act of 2015;" and other
7 relevant laws; and
- 8 g. Comply with labor standards under Presidential Decree No. 442 as amended,
9 otherwise known as the Labor Code of the Philippines.

10 Social enterprise resource institutions may also avail of support from government as
11 partners for building the capability and sustainability as well as developing an enabling
12 environment for social enterprises to flourish, provided they have:

- 13 a. a registration as a legal entity in the Philippines
14 b. a dedicated program supporting social enterprises
15 c. a track record of at least three (3) years of implementation of a dedicated SE
16 program
17 d. at least three (3) qualified social enterprises vouching for their them.

18 International social enterprise resource institutions and their subsidiaries operating in
19 the Philippines must partner with a qualified local social enterprise resource institution
20 to avail of government support.

21 Financial sustainability shall not be a prerequisite for the availment of incentives and
22 benefits under this Act. Provided that, social enterprises that have not achieved
23 financial sustainability may be eligible to avail of the services, assistance and incentives
24 set forth in this Act by presenting a workable strategy to achieve financial sustainability
25 over a reasonable period.

26 *Sec. 6. Formulation of a Poverty Reduction through Social Entrepreneurship*
27 *(PRESENT) Program.* — To promote the development of a SE sector with the
28 marginalized sectors as primary stakeholders, a comprehensive and fully-integrated
29 Poverty Reduction Through Social Entrepreneurship (PRESENT) Program shall be
30 formulated, guided by the following principles:

- 31 a. Incorporating the PRESENT Program in the government's poverty reduction drive
32 as a major sustainable and comprehensive strategy;
33 b. Rationalizing poverty reduction programs by streamlining and coordinating the
34 various anti-poverty programs of the government to reduce inefficiency and
35 duplication and to improve the effectiveness of each program;

- 1 c. Ensuring people's participation, access to information, and empowerment by
- 2 mobilizing civil society organizations and social movement groups working with
- 3 the poor;
- 4 d. Promoting sustainable programs that reduce inequality in incomes across
- 5 economic sectors and increase self-reliance among the poor;
- 6 e. Enabling SEs to overcome constraints and to take advantage of opportunities for
- 7 enhancing the position and benefits of the poor in economic subsectors and
- 8 value chains;
- 9 f. Recognizing women and men as equal partners in development and nation
- 10 building and ensuring women's and men's equal rights and access to SE's
- 11 resources, gender shall be mainstreamed in the program formulation; and
- 12 g. Developing sustainable mechanisms for the provision of quality and accessible
- 13 social services to the poor.

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

19 The PRESENT Program shall identify and develop key SEMPS and resource institutions
20 as partners in strategic economic subsectors that have the potential for growth and
21 where large numbers of the poor are concentrated. SEMP's shall be developed as
22 vehicles to ensure that the marginalized sectors benefit the most from sustainable
23 subsector development.

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

26 *Sec. 7. Lead Agency.* - The Department of Trade and Industry (DTI) shall serve
27 as the central planning, coordinating, implementing and monitoring body of the
28 program.

29 In the implementation of this Act, the DTI shall perform the following functions:

- 30 a. Work in close coordination with the Department of Social Welfare and
- 31 Development (DWSD) and the Department of Agriculture (DA) in targeting the
- 32 different sectors intended to be benefitted by the program;
- 33 b. Disseminate the information relating to the program;
- 34 c. Assist the Social Enterprise Development Council in calling upon the Departments
- 35 and Agencies in fulfilling the objectives of this Act;

- 1 d. Recommend to the SEDC measures and policies for the responsive delivery of the
- 2 commitments under this Act;
- 3 e. Provide seminar-workshops and training programs to educate the target sectors
- 4 about the conditions and other actions pertinent to this Act;
- 5 f. Perform such other functions as may be necessary or incidental to the proper
- 6 implementation of this Act.

7 *Sec. 8. Social Enterprise Development Council.* – To carry out the policy declared
8 under this Act, a Social Enterprise Development Council (SEDC), hereinafter referred to
9 as the Council, is hereby created as an agency attached to the Department of Trade
10 and Industry (DTI). It shall be the primary agency tasked to carry out the promotion,
11 growth and development of SEMP's in the country.

12 Given the complexities of a social enterprise and its constituents, the Council shall be
13 composed of the following:

- 14 a. Secretary of Trade and Industry, as chairperson
- 15 b. Secretary of Agriculture, as co-chairperson
- 16 c. Secretary of Social Welfare and Development, as vice chairperson
- 17 d. SE sector head representative, as co-vice chairperson
- 18 e. Lead Convener of the National Anti-Poverty Commission
- 19 f. Director-General of the National Economic Planning and Development Agency
- 20 g. Vice Chair for Basic Sectors of the National Anti-Poverty Commission
- 21 h. Secretary of the Interior and Local Government
- 22 i. Secretary of Finance
- 23 j. Governor of the Bangko Sentral ng Pilipinas
- 24 k. Secretary of Environment and Natural Resources
- 25 l. Secretary of Agrarian Reform
- 26 m. Secretary of Science and Technology
- 27 n. Secretary of Labor and Employment
- 28 o. Secretary of Education
- 29 p. Secretary of Transportation
- 30 q. Secretary of Information and Communications Technology
- 31 r. Chairperson of the Commission on Higher Education
- 32 s. Chairperson of the Cooperative Development Authority
- 33 t. Chairperson of the Securities and Exchange Commission
- 34 u. Chairperson of the Philippine Commission on Women
- 35 v. Director-General of the Technical Education and Skills Development Authority

1 w. Nine (9) representatives from SEMPS, with three (3) representatives each from
2 the main island groupings of Luzon, Visayas, and Mindanao, where at least one
3 of the three representatives from each island grouping shall be a woman.

4 Sec. 9. *Powers and Functions.* – The Council shall have the following powers and
5 functions:

- 6 a. Formulate policies and plans to develop and promote, coordinate, synergize,
7 integrate, and ensure compatibility and complementation of policies and
8 programs for *SEs as well as other anti-poverty reduction initiatives consistent*
9 *with national development objectives.*
- 10 b. Formulate policies and plans to ensure the resilience and preparedness of social
11 enterprises for disaster risk reduction and management as well as develop
12 capacities of social enterprises to respond, recover and build back better in the
13 face disasters and pandemics.
- 14 c. Issue certificate of qualification upon determination that the criteria set for this
15 purpose have been fully satisfied: *Provided, That* the certificate of qualification
16 shall be valid only for such period as may be prescribed under the implementing
17 rules and regulations of this Act;
- 18 d. Oversee the successful implementation of the PRESENT Program and other SE
19 programs;
- 20 e. Identify and access sources of financing to expand the SE sector;
- 21 f. Monitor and evaluate the performance of programs and projects for appropriate
22 incentives;
- 23 g. Call upon any government agency to carry out and implement programs and
24 projects identified by the Council and to assist in clarifying issues and finding
25 resolution to problems that concern their respective offices with respect to the
26 implementation of the PRESENT Program enunciated under this Act or any
27 development program for SEs.
- 28 h. Call upon people’s organizations, non-government organizations, the academe
29 and other sectors to provide advice on matters pertaining to SEs and conduct of
30 transactional and transformational services to farmers, producers, workers,
31 consumers and other stakeholders;
- 32 i. Submit annual and other periodic reports to the President and the Congress of
33 the Philippines through the Congressional Oversight Committee;
- 34 j. Promulgate such rules and regulations and exercise such other powers and
35 functions as may be necessary to carry out the purposes of this Act, including
36 guidelines for the administration of grant windows provided for in Section 24;

- 1 k. Propose the concomitant plantilla positions and structure for the personnel under
2 it;
- 3 l. Manage the funds provided for by this law, including ensuring the funds' growth
4 where possible;
- 5 m. Put in place mechanisms for accountability to marginalized stakeholders being
6 served
- 7 n. Align and synchronize the provision of support programs, benefits and incentives
8 for SEs provided for in this Act;
- 9 o. Conduct periodic audits and
- 10 p. Perform such other functions as may be necessary for its effective operations and
11 the continued enhancement, growth and development of the SE sector.

12 Sec. 10. *Designation of Permanent Representatives to the Council.* Within 30
13 days from the effectivity of this Act, Cabinet-ranked *ex-officio* members of the Council
14 shall designate a permanent representative to the council, to attend the meetings of the
15 council in cases that the Cabinet-ranked *ex officio* members cannot personally attend
16 such meetings. The designated permanent representative of any of the Cabinet-ranked
17 members of the Council must hold a position not lower than a bureau director.

18 Sec. 11. *Term and Appointment of SE Sector Representatives.* Within 90 days,
19 DTI as Chair shall convene members of the Council from the Philippine Government, as
20 identified in Section 10, who shall in turn, confirm representatives of social enterprises
21 and social enterprise resource institutions. Said SE and SE Resource Institution
22 representatives must have been screened and pre-selected by the SE sector convened
23 by DTI, DA, and DSWD, in consultation with established social enterprises and networks
24 of SEs.

25 The islands of Luzon, Visayas, and Mindanao shall each have two (2) representatives
26 who will be appointed for a term of three (3) years. While another three (3)
27 representatives each representing Luzon, Visayas, and Mindanao shall be appointed for
28 a term of two (2) years to ensure continuity. Upon the expiration of all the terms of
29 these first set of officers, all terms of SE Sector Representatives shall be for three (3)
30 years. No person shall be appointed to serve as an SE representative in the SEDC for
31 more than a period of two (2) terms or more than six (6) years.

32 Any vacancy in the SEDC arising from the death, incapacity, resignation, or termination
33 of the term of an appointed SE representative shall be filled up within 90 days from the
34 occurrence of the said vacancy. All nominations to the vacancy shall be submitted
35 within 60 days from the occurrence of such. This process should be consistent with the
36 previous appointment process. In the case of a vacancy arising from death, incapacity
37 or resignation, the representative appointed to the vacancy shall serve only for the

1 remaining period of the term for the vacated office.

2

3

4 *Sec. 12. Secretariat.* – There is hereby created a Secretariat headed by an
5 Executive Director and two (2) Deputy Directors, and supported by staff, whose
6 composition shall be determined by the SEDC, to serve as the national, technical and
7 administrative secretariat of the Council with the member agencies providing additional
8 support staff when the need arises. The Secretariat shall perform the following
9 functions:

- 10 a. Provide administrative support to the Council, with the assistance of the National
11 Economic and Development Authority secretariat in the formulation of the
12 PRESENT development programs and plans;
- 13 b. Assist the Council in the implementation of the PRESENT development program
14 and the annual and medium-term development plan;
- 15 c. Assist the council in the performance of its accreditation and screening function;
- 16 d. Assist the Council in monitoring the PRESENT development programs and the
17 activities of the various concerned government agencies with respect to SEs;
- 18 e. Prepare, collate and integrate all necessary inputs to the Council's yearly report
19 on the status of SEs in the country;
- 20 f. Submit periodic reports to the Council on the progress and accomplishment of its
21 work programs; and
- 22 g. Perform other functions that may be assigned and authorized by the Council.

23 *Sec. 13. Office.* – The Council shall have its principal place of business within the
24 DTI's premises or it may establish an office in Metro Manila. It may also establish such
25 branches within the Philippines as may be deemed necessary by the President of the
26 Philippines to carry out the powers and functions of the Council.

27

28

29 *Sec. 14. National Center for Social Enterprise Development.* – There shall be
30 established a National Center for Social Enterprise Development (NCSED) under the
31 Council which shall perform the following functions:

- 32 a. Provide SEMP's with capability-training and education through the Social
33 Enterprise Capability Building and Sustainability Program created under Section
34 17 of this Act.
- 35 b. Develop and enhance a research and development system which shall equip
36 every SE with innovative and sustainable approaches that ensures improvement

1 in the access to basic social services by the poor pursuant to Section 18 of this
2 Act;

3 c. Manage a Social Enterprise Marketing Assistance Program (SMAP) that will
4 ensure the generation of the highest possible income for the SEs pursuant to
5 Section 19 of this Act.

6 d. Implement capability building projects approved by the Council;

7 e. Supervise capability- building projects approved by the Council implemented
8 through reputable Social Enterprise Resource Institutions contracted for the
9 purpose; and

10 f. Research on existing policies and programs of other countries for benchmarking
11 purposes (e.g. support system, ecosystem, programs, regulations).

12 The NCSED shall be headed by the Executive Director of the Council Secretariat. It shall
13 maintain a multi-sectoral, multi-disciplinary pool of experts including those from the
14 academe, practicing professionals, business and industry, youth, women and other
15 concerned sectors, who shall be screened according to the qualifications set by the
16 Council.

17 The NCSED shall coordinate with the University of the Philippines Institute for Small
18 Scale Industries (UP ISSI), the Technical Education and Skills Development Authority
19 (TESDA), the Department of Transportation (DOTr), Department of Information and
20 Communications Technology (DICT), the Philippine Commission on Women (PCW), civil
21 society organizations, including women's organizations, and other relevant agencies,
22 state universities and colleges in implementing its programs.

23 *Sec. 15. Personnel.* – Subject to the civil service laws, rules and regulations, the
24 Council is authorized to select, appoint, employ and fix the compensation of the officers
25 and employees of the Secretariat and the NCSED as shall be necessary to carry out its
26 functions.

27 *Sec. 16. Role of LGUs in SE Development.* – LGUs shall be enjoined to
28 incorporate viable SE Development Plans in their local development planning and to
29 collaborate with SEMP. The Gender and Development (GAD) Fund of LGUs may be
30 used toward the design and implementation of SE development plans at the local level.
31 Grants from government agencies, such as the Department of Interior and Local
32 Government (DILG), for civil society toward local development may also be used to
33 support social enterprises.

34 *Sec. 17. Social Entrepreneurship Education in Schools.* – Toward strategically
35 developing the nation's human resource capability in social entrepreneurship, the
36 Department of Education (DepEd) and the Commission on Higher Education (CHED)

1 shall cause the integration of SE content and inclusion of SE courses in the curricula at
2 all levels, especially in the secondary and tertiary levels. This shall be part of the SE
3 Capability and Sustainability Program stated in this Act.

4 A continuing social enterprise education program for out-of-school youth and adults
5 shall likewise be developed and undertaken. The social entrepreneurship education
6 program for primary and secondary education shall include information regarding:

- 7 a. Social issues and civic ways of addressing them;
- 8 b. The producer as a steward of natural resources;
- 9 c. The consumer as a responsible member of society and their responsibility to
10 develop critical awareness which is the responsibility to be alert and questioning
11 about environmental and social impacts of the goods and services they use;
- 12 d. Social concern which is the responsibility to be aware of the impact of their
13 consumption to society, especially to the disadvantaged;
- 14 e. Environmental awareness which is the responsibility to understand the
15 consequences of their use of natural resources, consumption, recognizing their
16 individual and social responsibility to conserve natural resources for future
17 generations; and
- 18 f. Gender justice, or the full equality and equity between men and women in all
19 spheres of life, resulting in women jointly, and on an equal basis with men,
20 defining and shaping the policies, structures, and decisions that affect their lives
21 and society as a whole.

22 All higher learning institutions and vocational schools are mandated to include a subject
23 on social entrepreneurship in their social studies program or in their business,
24 commerce, or economics courses.

25

26

CHAPTER III

27

DEVELOPMENT OF SOCIAL ENTERPRISES

28

29 *Sec. 18. SE Capability Building and Sustainability Program; Creation of SE*
30 *Development Fund.* – There is hereby established a SE Capability Building and
31 Sustainability Program whose primary objective is to guarantee the viability and
32 sustainability of SEMPS through activities that advance, in general, both
33 transformational services and transactional services. This program shall include training
34 in social entrepreneurship development institutional strengthening, human resource
35 competency and skills training, business planning and advisory services, upgrading of
36 accounting and auditing systems, technical assistance for the installation or

1 improvement of management information systems, technology intervention, technology
2 incubation/commercialization, market studies, and product development
3 competitiveness, business matching activities, trade fairs and missions, policy advocacy,
4 gender and development, resiliency, and other related activities.

5 The SE Capability Building and Sustainability Program shall likewise include the
6 establishment of an insurance system for SEs affected by natural calamities in line with
7 the National Framework Strategy on Climate Change 2010-2022 as provided for under
8 Republic Act No. 9729, otherwise known as the "Climate Change Act of 2009," and
9 Republic Act No. 10121, otherwise known as the "Philippine Disaster Risk Reduction and
10 Management Act of 2009."

11 For this purpose, there is hereby created and established an SE Development Fund
12 (SEDF) in the initial amount of Three Billion Pesos (₱3,000,000,000.00) to be
13 administered by the Council chargeable against the General Appropriations Act following
14 the year of the effectivity of this Act. The SEDF shall likewise be funded with one
15 percent (1%) of the following: 2) collected taxes pursuant to the implementation of
16 Republic Act No. 10351, otherwise known as the "SIN Tax Act of 2012;" 3) earnings
17 derived by the Tourism Infrastructure and Enterprise Zone Authority (TIEZA) from its
18 collections; and 4) equity contributions of participating government financial
19 institutions. Voluntary contributions, grants, gifts from both local and foreign sources
20 as may be accepted by the Council shall also form part of the SEDF.

21 The Social Enterprise Development Fund may also come from programs or projects
22 implemented by national government agencies funded by development assistance from
23 bilateral or multilateral development partners.

24 Additional funding and appropriation shall be provided by the Office of the President as
25 the needs arise during calamities, pandemics and other extra-ordinary circumstances,
26 subject to audit by the Commission on Audit. Social enterprise resource institutions may
27 receive funds for social enterprise programs.

28 In addition to the SEDF, the 5% allocation for Gender and Development (GAD)
29 programs of government agencies and local government units as prescribed in Republic
30 Act. No. 9710, otherwise known as the "Magna Carta of Women Act of 2009," may be
31 accessed by social enterprises which are women-led or contribute to women's economic
32 empowerment. The allocation can help build the capacity of such enterprises, including
33 further organizing women-led cooperatives and groups to improve women's economic
34 participation.

1 The SEDF shall be used for the purposes provided herein. Any undisbursed funds from
2 the preceding year shall form part of the disburseable portion of the SEDF in the
3 following year.

4 Also to this end, there is hereby created a Social Enterprise Guarantee Fund Pool
5 (SEGFP) which shall be comprised of the five percent (5%) of the preceding year
6 budget surplus of the government-owned and controlled corporations and government
7 financial institutions as contribution to the SEGFP in accordance with relevant laws,
8 charters and by-laws, in addition to voluntary contributions, grants and gifts from both
9 local and foreign sources as may be accepted by the Council.

10 The SEGFP shall be administered by the Council and shall be used to mitigate the risks
11 involved in SE sector lending, facilitating the provision of credit therefor. The fund shall
12 be placed in trust with the Land Bank of the Philippines for the purpose of providing
13 guarantee cover to participating financial institutions and other parties in extending
14 financing to SEs: Provided, that the fund may also be used to cover the performance
15 bond of SEs in government procurement.

16 The Council, in coordination with the Land Bank of the Philippines, shall draw up the
17 mechanics and administrative arrangements and issue the implementing guidelines for
18 the fund pool.

19 Sec. 19. *Cash Incentives for Persons with Disabilities (PWD)*. – To level the
20 playing field and recognize the circumstances of start-up SEs primarily employing PWDs,
21 the SEDF created in Section 18 of this Act shall provide a cash incentive for every PWD,
22 in accordance with Republic Act No. 7277, otherwise known as the "Magna Carta for
23 Disabled Persons Act of 1992," and other marginalized sectors as may be provided by
24 this law, representing at least twenty five percent (25%) of the daily minimum wage,
25 until such time that the said SE is able to achieve financial sustainability, *Provided that*,
26 in order to avail of the incentive, SEs shall be providing their PWD employees full
27 minimum wage.

28 Sec. 20. *Social Enterprise Recovery and Rehabilitation Fund*. – To prepare for or
29 respond to climate risks and impacts, disaster vulnerabilities and hazards, humanitarian
30 emergencies (including those arising from armed conflict), epidemics, financial crises or
31 economic shocks, and other such events, a Social Enterprise Resilience Fund is hereby
32 established to build the resilience of social enterprises. This shall include stimulus
33 grants, climate adaptation initiatives, risk insurance, and other such facilities and
34 products to improve the ability of SEs to withstand shocks and stresses. The Fund shall
35 be lodged with the Department of Trade and Industry and shall be managed by the
36 SEDC.

1 Sec. 21. *Social Enterprise Research and Development System.* – The Council, in
2 coordination with the Department of Science and Technology (DOST), NEDA, DTI, and
3 other appropriate agencies and research institutions, shall develop and enhance a
4 research and development system that:

- 5 a) Provides studies on opportunities for poverty reduction and SE development in
6 key economic subsectors and other inputs for the Council to undertake strategic
7 planning for its PRESENT Program;
- 8 b) Equip SEs and support institutions with technologies that are appropriate for
9 enhancing the participation and benefits of the poor in various economic
10 subsectors; and,
- 11 c) Equip SEs and support institutions with innovative and sustainable approaches to
12 improve access of the poor to quality basic social services.

13 This system must be based on gender analysis, or, as defined in this bill, the systematic
14 analytical process based on sex-disaggregated and gender information.

15 Sec. 22. *Social Enterprise Marketing Infrastructure Development.* – The Council
16 shall promote the development and expansion of local and foreign markets for the
17 products and services of SEMP, guided by the principles of fair trade. Consistent with
18 this, the Council shall:

- 19 a) Establish a SE Marketing Assistance Program (SMAP) that will assist SEMP
20 match supply with demand in both domestic and foreign markets, as well as
21 promote SE products and services through tri-media, trade fairs and trade
22 missions;
- 23 b) Develop, install and sustain a SE market information system (SMIN) with the
24 assistance of the DTI and DICT which shall be called the SE Marketing
25 Information Network (SMIN).

26 The SMIN shall be set up from the level of the municipal and provincial LGUs, the
27 regional and up to the Council level within one (1) year from the approval of this Act,
28 taking into account existing information networks such as the internet and using a
29 dedicated website for the purpose, to ensure linkage of the SEs with the government
30 and its various departments, agencies, bureaus and instrumentalities, the local and
31 domestic markets, as well as research institutions. The Council shall provide technical
32 assistance in setting up the SMIN at the local and regional levels.

33 All government departments, agencies, bureaus, research institutions, as well as the
34 LGUs shall consolidate and continuously update all relevant information and data that
35 would be of use to SEs on a periodic basis and make such data available on a dedicated
36 website on the internet. Data shall be gender-disaggregated as far as possible.

1 Compliance with the relevant laws, rules, and regulations concerning data privacy shall
2 be ensured.

3 The SMIN shall provide information and marketing services related to products of
4 SEMPS which shall include the following:

- 5 a. Supply data;
- 6 b. Demand data;
- 7 c. Price and Price trends;
- 8 d. Product standards;
- 9 e. Directory of, but not limited to SEs, traders, key market centers,
10 processors and business institutions both at the national and local levels;
- 11 f. Information and technology generated from research institutions;
- 12 g. International, regional and local market forecasts; and
- 13 h. Resource accounting data.

14
15 **CHAPTER IV**
16 **FINANCING AND BENEFITS**
17

18 *Sec. 23. Hybrid Financing.* – Social Enterprises shall be supported through hybrid
19 financing to enable them to provide a combination of transactional and transformational
20 services to the marginalized sectors, groups or persons they serve. Given the unique
21 nature of SEs as wealth-creating organizations that pursue their social mission to
22 improve societal wellbeing in ways that are ecologically and financially sustainable, they
23 need to be supported through hybrid financing that entails a combination of grants with
24 loans and other financial instruments.

25 *Sec. 24. Special Credit Windows with non-collateralized loans.* – In addition to
26 the special credit windows provided for the promotion of microfinance as provided
27 under Section 16 of Republic Act No. 8425, the Land Bank of the Philippines,
28 Development Bank of the Philippines, Philippine Postal Bank, and Al Amanah Bank, and
29 other public or government-owned banks are hereby mandated to set aside at least ten
30 percent (10%) of their total loan portfolio based on their balance sheet in the end of
31 the preceding quarter over a period of five (5) years and open a special credit window
32 for qualified SEs.

33 For a period of eight (8) years from the date of the effectivity of this Act, all other
34 lending institutions as defined under the Central Bank Act or the General Banking Act,
35 as amended, shall likewise set aside at least ten percent (10%) of their total loan
36 portfolio that will not require a collateral based on their balance sheet as of the end of
37 the previous quarter and make the same available for SEs through a special credit

1 window. The BSP, in consultation with the Council, shall formulate the rules for the
2 effective implementation of this provision: Provided, That the purchase of government
3 notes, securities and other negotiable instruments shall not be deemed compliance with
4 the foregoing provision.

5 The Council shall establish a system to monitor all loan applications of SEs in order to
6 account for the absorptive capacity of the SE sector.

7 The BSP shall require lending institutions covered by this Act to furnish the Council on a
8 quarterly basis a regular report on their respective compliance with the above provisions
9 on the mandatory credit allocations for SEs and shall act immediately on the Council's
10 reports of non-compliance therewith.

11 The special credit window for SEMPS shall bear interest lower than the market rate and
12 shall have longer terms of payment and waiver of applicable fees.

13 Sec. 25. *Special Credit Window Purposes.* – The special credit window provided
14 under Section 24 of this Act shall be intended for the following purposes:

- 15 a. Credit line for business development loan or working capital loan to cover the
16 operational and management expenses of a start-up or existing business or
17 income generating project, including receivable financing or purchase of
18 additional inventory, soft or intangible investments such as trade fair participation
19 or acquisition of software or franchise development packages;
- 20 b. Fixed assets financing to cover acquisition of fixed assets like machineries and
21 equipment, motor vehicle, or acquisition of lot for project site or construction of a
22 plant and building and the improvement thereof;
- 23 c. Value chain financing to cover any of the value chain activities such as
24 production, processing and marketing;
- 25 d. Domestic letter of credit or trust receipt to provide a stand-by credit facility for
26 the SE borrower for the purchase of product inputs, equipment, machinery,
27 implements, and spare parts, whereby payment of which is guaranteed and to be
28 made to the seller by the lending institution, provided all documents conform
29 with the terms and conditions of the credit; and
- 30 e. Revolving Credit Line for re-lending to finance the livelihood project requirements
31 of end-borrowers.
- 32 f. A special credit line (X% of total loan portfolio) for women-led SEs or SEs that
33 support women (ie., 50%), particularly those in the agricultural and informal
34 sectors. Women shall have no barriers to economic participation as provided for
35 in Republic Act No. 7192, otherwise known as the “Women in Development and
36 Nation Building Act of 1992.”

1 Sec. 26. *Grant facility.* The SE Development Fund in Section 18 shall provide
2 grants to qualified social enterprises and resource institutions for the performance and
3 conduct of their mission toward poverty reduction, sustainable development, promotion
4 of gender and social justice, environmental conservation, climate action, and
5 improvement in economic welfare of the poor and marginalized sectors.

6 There will be three windows under this fund facility, namely: capacity-building grant;
7 start up enterprise grant; and ecosystem-building grant. The SE Council shall formulate
8 the guidelines for the management and implementation of grant assistance.

9 Sec. 27. *Tax Credits.* – SEDC will develop a system of valuation of social,
10 economic and ecological contributions of social enterprises and the social impact on the
11 marginalized sectors they serve, as bases for tax credits from the government.

12 Sec. 28. *Preferential Rights.* – Without prejudice to preferential rights already
13 available to specific enterprises or organizations under other laws, qualified SEMP
14 shall be accorded a preferential right in the procurement process and in the implementation
15 of procurement contracts by the government in all its branches, departments, agencies,
16 subdivisions, and instrumentalities, including in the government-owned and controlled
17 corporations and local government units.

18 Such a preferential right is anchored not just in economic efficiency but in social values
19 which provide long-term benefits to society. As defined in this bill, social value refers to
20 the additional benefit to society of procuring a good or service, over and above the
21 direct benefit and value of the good or service to the procuring entity.

22 These social values include, *inter alia*, poverty reduction, sustainable development,
23 environmental conservation, climate action, community development, and gender and
24 social justice. As such, the determination of government procurement shall factor in
25 social values.

26 Such a preferential right, however, shall not be prejudicial to the interests of the
27 government and the public.

28 SEMP shall be given priority and preference in the following procurement processes:

29 a. Direct contracting as provided under Section 50 of Republic Act No. (RA) 9184,
30 otherwise known as the “Government Procurement Reform Act of 2002,” may be
31 resorted to if the contracting party selling the goods and services required by the
32 procuring entity is a social enterprise as qualified by the Council.

33 b. Shopping as provided under Section 52, paragraph (a) of RA 9184 may be
34 resorted to when there is an unforeseen contingency requiring immediate
35 purchase: *Provided*, That the procurement of the goods and services shall be
36 first obtained from the social enterprise within the area of operation of the

1 procuring entity which is duly qualified by the Council as having the capacity to
2 supply the required goods and services: *Provided, further,* That the amount shall
3 not exceed Five hundred thousand pesos (P500,000.00).

4 c. Shopping as provided in Section 52, paragraph (b) of RA 9184 may be resorted
5 in the procurement of ordinary or regular office supplies and equipment not
6 available in the Procurement Service involving an amount not exceeding Two
7 hundred fifty thousand pesos (P250,000.00): *Provided,* That the Procurement
8 does not result in splitting of contracts: *Provided, further,* That a price quotation
9 shall be first obtained from a social enterprise as qualified by the Council as
10 having the capacity to furnish or provide the required office supplies and
11 equipment. Only in the event of failure of submission or absence of SE price
12 quotation that at least three (3) price quotations from other bona fide suppliers
13 shall be obtained.

14 d. Negotiated procurement as provided under Section 53 of RA 9184 may be
15 allowed when the goods or services subject of the procurement may be obtained
16 from a SE within the area of operation of the procuring entity which is duly
17 qualified by the Council as having the capacity to supply the required goods and
18 services.

19 e. Social enterprises established by and for Persons with Disability (PWD) shall be
20 qualified under the Department of Education's Supply and Delivery of Furniture
21 for Elementary, Junior and Senior High Schools under the 10% Allocation for
22 Cooperatives of Persons with Disability.

23 f. A procuring entity, when applicable, shall have at least one member representing
24 SEMPS.

25 Qualified SEMPs under this Act shall be entitled to a share of at least twenty percent
26 (20%) of the total procurement value of goods and services supplied to the
27 government, its bureaus, offices and agencies annually. *Provided,* That, the DBM shall
28 direct line agencies of government to include at least 10% of its annual budget for
29 Maintenance and Other Operating Expenses and Capital Outlay specifically for goods
30 procured and services contracted from social enterprises producing and offering such
31 goods and services.

32 *Sec. 29. Insurance for Social Enterprises.* – The Insurance Commission shall
33 issue the necessary rules and regulations and implement measures to ensure that the
34 insurance industry shall provide insurance products, both life and non-life, for social
35 enterprises and their stakeholders among the poor. Furthermore, SEMPS shall be

1 assisted to become eligible and effective insurance providers to their clients and
2 constituents.

3 Sec. 30. *Support for Social Investors and SE Resource Institutions.* – The
4 government shall develop a program that fosters a community of social investors and
5 resource institutions supportive of social enterprises.

6 Sec. 31. *Appropriations.* – The amount necessary to implement the provisions of
7 this Act shall be charged against the current year's appropriation of the Office of the
8 President. Thereafter, such sums as may be necessary for its continued implementation
9 shall be included in the GAA. The budget requirements for the implementation of this
10 Act for cooperating agencies shall be incorporated in their respective budgets.

11 Sec. 32. *Penal Clause.* – The penalty of imprisonment for not less than six (6)
12 months but not more than two (2) years or a fine of not less than two hundred fifty-
13 thousand (P250,000) or both imprisonment and fine, at the discretion of the court,
14 shall be imposed upon any person, who, intentionally or by gross negligence, fails to
15 provide the benefits, rights and incentives granted to SEs in violation of this Act or
16 perform any act in violation of its provisions.

17 If a corporation is found to have violated the provisions of this Act, the officers,
18 directors, members or trustees shall be held liable. If the violation was committed by a
19 government official or employee, such official or employee shall be terminated from the
20 service with forfeiture of all the benefits due him in addition to the fine and/or
21 imprisonment mentioned above.

22 Corporations and other juridical entities, financial or otherwise, found representing
23 themselves as a SE shall be caused to pay double the benefits it reaped from this
24 program through the taxes it was able to save when it represented itself as a SE. In
25 addition, the officers of the juridical entity who represented itself as a SE shall be liable
26 for a fine of P500,000.00 or imprisonment for not less than two (2) years or both fine
27 and imprisonment at the discretion of the court.

28 Sec. 33. *Non-Compliance with the Mandatory Allocation of Credit Resources.* –
29 Administrative sanctions including a fine of not less than Five hundred thousand pesos
30 (P500,000.00) shall be imposed by the Banko Sentral ng Pilipinas upon any banking or
31 lending institution who fails to provide the credit allocations granted to SE in violation of
32 Section 19 of this Act.

33 Sec. 34. *Joint Congressional Oversight Committee.* – Upon the effectivity of this
34 Act, a Congressional Oversight Committee, hereafter referred to as the PRESENT
35 Oversight Committee is hereby constituted. This Committee shall set the overall
36 framework to review the implementation of this Act. It shall likewise determine inherent

1 weaknesses in the law and recommend necessary remedial legislation or executive
2 measures.

3 The PRESENT Oversight Committee shall be composed of fourteen (14) members with
4 the chairpersons of the Committee on Trade and Industry of the House of
5 Representatives, and the Committee on Trade, Commerce and Entrepreneurship of the
6 Senate as Co-Chairpersons; and six (6) members from each House, to be designated by
7 the Speaker of the House of Representatives, and the Senate President, respectively.

8 For purposes of determining remedial legislation, the PRESENT Oversight Committee
9 shall, within six (6) years after the effectivity of this Act, conduct a sunset review which
10 shall include a systematic evaluation of the impact of this Act, accomplishments of the
11 program, and the performance of its implementing agencies.

12 Sec. 35. *Separability.* – If any provision or part of this Act is declared invalid or
13 unconstitutional, the remaining parts or provisions not affected shall remain in full force
14 and effect.

15 Sec. 36. *Implementing Rules and Regulations.* – Within ninety (90) days from the
16 effectivity of this Act, the Department of Trade and Industry shall, in consultation and
17 coordination with the concerned government agencies and social enterprise sector,
18 promulgate the necessary rules and regulations for the effective implementation of this
19 Act.

20 Sec. 37. *Repealing Clause.* – For purposes of this Act, Section 11 of RA 8425 and
21 Sections 50, 52 and 53 of RA 9184 which are inconsistent with this Act are hereby
22 deemed amended. All other laws, executive orders, presidential decrees, rules and
23 regulation or parts thereof inconsistent with any provisions of this Act are hereby
24 repealed, amended or modified accordingly.

25 Sec. 38. *Effectivity.* – This Act shall take effect fifteen (15) days from its
26 publication in the Official Gazette or in two (2) newspapers of general circulation.

Approved,