

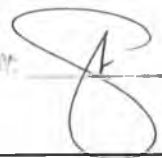
NINETEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Second Regular Session)



24 MAR 14 A10 :06

SENATE

S. No. 2607

RECEIVED BY: 

Introduced by SENATOR JOSEPH VICTOR G. EJERCITO

**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

Social enterprises are social mission-driven and wealth-creating organizations that primarily serve the marginalized sectors, providing them access to basic services and sustainable livelihoods.

The Poverty Reduction Through Social Enterprises (PRESENT) Bill seeks recognition of social enterprises as partners of the government in inclusive poverty reduction and sustainable development. It provides for support programs, incentives, and a governing body intended to provide an enabling environment for Social Enterprises (SEs) to grow, become sustainable, and scale up their impact.

The proposed measure proposes the creation of a National PRESENT Program which will institutionalize a strategy for the massive engagement of the poor in strategic economic subsectors and value chains. The bill also provides hybrid financing scheme to support social enterprises, such as loans and other financial instruments.

This measure also recognizes women and men as equal partners in development and nation-building and ensures women's and men's equal rights and access to SE resources. Further, the bill also seeks to harness local government units in enabling social enterprises to thrive, especially given the increased role afforded to LGUs through their devolved functions.

The ultimate objective of this bill is to institutionalize recognition and support for SEs as transformational partner of the poor and marginalized. It is a critical measure that would broaden and scale up the impact of SEs as partners of the government in inclusive recovery and poverty reduction.

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

A handwritten signature in black ink, appearing to read 'JOE EJERCITO', with a stylized flourish at the end.

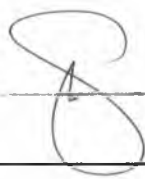
JOSEPH VICTOR G. EJERCITO

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

CHAPTER I

GENERAL PROVISIONS

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Section 1. Short Title. – This Act shall be known as the “Poverty Reduction through Social Entrepreneurship Act.”

Sec. 2. Statement of Policy. – It is the declared policy of the State to promote a just and dynamic social order that will ensure the prosperity and independence of the nation and free the people from poverty through policies that provide adequate social services, promote full employment, a rising standard of living, and an improved quality of life for all. It is further declared that the State shall provide social justice in all phases of national development and that the State values the dignity of every human person and guarantees full respect for human rights.

It is further stated that the goals of the national economy are a more equitable distribution of opportunities, income, and wealth; a sustained increase in the amount of goods and services produced by the nation for the benefit of the people; and an expanding productivity as the key to raising the quality of life for all, especially the underprivileged.

1 The State shall promote industrialization and full employment based on sound
2 agricultural development and agrarian reform, through industries that make full and
3 efficient use of human and natural resources, and which are competitive in both
4 domestic and foreign markets. However, the State shall protect Filipino enterprises
5 against unfair foreign competition and trade practices.

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

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

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

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

31 The State affirms the role of women in nation building and ensures the
32 fundamental equality of men and women before the law. It shall promote

1 empowerment of women and pursue equal opportunities for women and men and
2 ensure equal access to resources and to development results and outcome. Further,
3 as set out in Republic Act No. 9719, otherwise known as the "Magna Carta of Women
4 Act of 2009," the State shall ensure the full integration of women's concerns in the
5 mainstream of development, shall provide ample opportunities to enhance and
6 develop their skills, acquire productive employment, and contribute to their families
7 and communities to the fullest of their capabilities.

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

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

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

28 *b. Assets* shall refer to all kinds of properties, real or personal, owned by the
29 social entrepreneur as defined in paragraph (*ff*) of this Section and used for
30 the conduct of its business: Provided, that for the purpose of exemption
31 from taxes and to benefit from other incentives under this Act, this term
32 shall mean all kinds of properties, real or personal, owned and/or used by

1 the SE for the conduct of its business;

2 *c. Capability building* shall refer to the process of enhancing the viability and
3 sustainability of SEMPS. It pertains to 1) education, training, coaching and
4 other learning events such as, but not limited to, study tours; 2) technical,
5 consultancy and advisory services; 3) assistance in organizational systems
6 development; 4) technology incubation, development and dissemination; 5)
7 value chain and subsector development; 6) conduct of SE trade fairs and
8 missions; 7) networking and policy advocacy initiatives, and other such
9 activities that enable SEs to be effective and efficient vehicles for poverty
10 reduction. The term capability building precludes the grant of any loan or
11 equity funds to the SE and shall in no way refer to the provision of equity
12 investments, seed funding, partnership's seed funds, equity participation,
13 start-up funds or any such activity that connotes the infusion of capital or
14 funds from the government or from the SE Development Fund created under
15 Section 18 of this Act;

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

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

22 *f. Cooperative* shall refer to an autonomous and duly registered association of
23 persons, with a common bond of interest, who have voluntarily joined
24 together to achieve their social, economic, and cultural needs and
25 aspirations by making equitable contributions to the capital required,
26 patronizing their products and services and accepting a fair share of the
27 risks and benefits of the undertaking in accordance with universally
28 accepted cooperative principles as defined in R.A. 6938, as amended by R.A.
29 9520, otherwise known as the "Philippine Cooperative Code of 2008";

30 *g. Economic subsectors* shall refer to networks of related actors and
31 enterprises performing various functions in value chains. These actors and
32 enterprises transform raw materials into finished products, or develop

1 services, and distribute or provide them through market channels to final
2 consumers; they may be identified by key raw material source, by finished
3 product or final service provided. An economic subsector may be comprised
4 of several competing value chains. By understanding the dynamics of
5 economic subsectors and using them as units of planning social
6 entrepreneurship interventions, government agencies, support institutions
7 and SEs shall more effectively reach and benefit a greater number of poor
8 in poverty reduction programs;

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

13 *i. Fair trade* shall refer to a trading partnership based on dialogue,
14 transparency and respect and which seeks greater equity in international
15 trade and the transformation and adaptation of trading structures and
16 practices in favor of the poor and disadvantaged by offering better trading
17 conditions to, and securing the rights of, marginalized producers and
18 workers;

19 *j. Fair trade organizations* shall refer to enterprises certified by internationally-
20 and nationally- recognized Fair Trade networks;

21 *k. Fair trade principles* shall refer to the values adopted by fair trade
22 organizations in their day-to-day operation. These include creating
23 opportunities for economically- disadvantaged producers; transparency and
24 accountability; payment of a fair price; ensuring no child labor and forced
25 labor; commitment to non-discrimination, gender equity and freedom of
26 association; ensuring good working conditions; providing capacity building;
27 and, respect for the environment;

28 *l. Foundation* shall refer to the categorization of a non-profit organization duly
29 registered that typically either donates funds and support to other
30 organizations or provides the source of funding for its own charitable
31 purposes. Unlike a company, foundations have no shareholders though they
32 may have a board, an assembly and voting members. A foundation may

1 hold assets in its own name for the purposes set out in its constitutive
2 documents, and its administration and operation are carried out in
3 accordance with its statutes or articles of association rather than fiduciary
4 principles;

5 *m. Gender Analysis* shall refer to a systematic analytical process based on sex-
6 disaggregated and gender information. This process is used to identify,
7 understand, and describe gender differences and the relevance of gender
8 roles and power dynamics in a particular context;

9 *n. Gender and Development or GAD* shall refer to the development perspective
10 and process that are participatory and empowering, equitable, sustainable,
11 free from violence, respectful of human rights, and supportive of self-
12 determination and actualization of human potentials. It seeks to achieve
13 gender equality as a fundamental value that should be reflected in
14 development choices; seeks to transform society's social, economic and
15 political structures and questions the validity of the gender roles they
16 ascribed to women and men; contends that women are active agents of
17 development and not just passive recipients of development assistance; and
18 stresses the need of women to organize themselves and participate in
19 political processes to strengthen their legal rights;

20 *o. Gender Mainstreaming* shall refer to the strategy for making women's as
21 well as men's concerns and experiences an integral dimension of the design,
22 implementation, monitoring, and evaluation of policies, programs and
23 projects in all social, political, civil, and economic spheres so that women
24 and men benefit equally. It is the process of assessing the implications for
25 women and men of any planned action, including legislation, policies or
26 programs in all areas and at all levels;

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

31 *q. Intermediation strategy* shall refer to a development strategy that provides
32 financial, agricultural, business development and institutional development

1 services to the entrepreneurial poor and employers of the poor and provides
2 product development and marketing support using the principles of fair
3 trade to marginalized producers. A SE engaged in intermediation strategy
4 need not be owned by the marginalized stakeholders but provide immediate
5 access to services among a critical mass of these marginalized stakeholders;

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

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

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

24 (2) "Fisherfolk" refers to those directly or indirectly engaged in taking,
25 culturing, or processing fishery or aquatic resources. These include, but are
26 not to be limited to, women engaged in fishing in municipal waters, coastal
27 and marine areas, women workers in commercial fishing and aquaculture,
28 vendors and processors of fish and coastal products, and subsistence
29 producers such as shell-gatherers, managers, and producers of mangrove
30 resources, and other related producers;

31 (3) "Urban Poor" refers to those residing in urban and urbanizable
32 slum or blighted areas, with or without the benefit of security of abode,

1 where the income of the head of the family cannot afford in a sustained
2 manner to provide for the family's basic needs of food, health, education,
3 housing, and other essentials in life;

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

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

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

19 (7) "Indigenous Peoples" refers to a group of people or homogenous
20 societies identified by self-ascription and ascription by other, who have
21 continuously lived as organized community on communally bounded and
22 defined territory, and who have, under claims of ownership since time
23 immemorial, occupied, possessed customs, tradition, and other distinctive
24 cultural traits, or who have, through resistance to political, social, and
25 cultural inroads of colonization, non-indigenous religions and culture,
26 became historically differentiated from the majority of Filipinos. They shall
27 likewise include peoples who are regarded as indigenous on account of their
28 descent from the populations which inhabited the country, at the time of
29 conquest or colonization, or at the time of inroads of non-indigenous
30 religions and cultures, or the establishment of present state boundaries,
31 who retain some or all of their own social, economic, cultural, and political
32 institutions, but who may have been displaced from their traditional domains

1 or who may have resettled outside their ancestral domains as defined under
2 Section 3 (h), Chapter II of Republic Act No. 8371, otherwise known as "The
3 Indigenous Peoples Rights Act of 1997" (IPRA of 1997);

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

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

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

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

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

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

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

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

32 *t. Minimum basic needs* shall refer to the needs of a Filipino family pertaining

1 to survival (food and nutrition; health; water and sanitation), security
2 (shelter; peace and order; public safety, income and livelihood); and
3 enabling services (basic education and literacy, participation in community
4 development, family and psycho-social care); and inclusion (assistive
5 device/technology, personal assistance, sign language interpreter,
6 accessibility);

7 *u. Non-Government Organization or NGO* shall refer to a duly registered non-
8 stock, non-profit organization focusing on the upliftment of the basic or
9 disadvantaged sectors of society by providing advocacy, training, community
10 organizing, research, access to resources, and other similar activities and,
11 as defined under Section 34 (H)(2)(c) of Republic Act No. 8424, as
12 amended, otherwise known as the "National Internal Revenue Code of
13 1997," organized and operated exclusively for scientific, research,
14 educational, character-building and youth and sports development, health,
15 social welfare, cultural or charitable purposes, or a combination thereof, and
16 no part of the net income of which inures to the benefit of any private
17 individual;

18 *v. People's Organization or PO* shall refer to a self-help group belonging to the
19 basic sectors and/or disadvantaged groups composed of members having a
20 common bond of interest who voluntarily join together to achieve a lawful
21 common social or economic end;

22 *w. Persons with Disability or PWD* shall refer to individuals with restriction or
23 different abilities, as a result of a mental, physical or sensory impairment,
24 to perform an activity in the manner or within the range considered normal
25 for a human being;

26 *x. Poor* shall refer to individuals and families whose income fall below the
27 poverty threshold as defined by the National Economic and Development
28 Authority and/or are deprived of the means to provide in a sustained manner
29 their minimum basic needs of food, health, education, housing and other
30 essential amenities of life, as defined under R.A. 8425; it may also be the
31 state of deprivation – such as poor health, lack of education, inadequate
32 living standard, lack of income (as one of several factors considered),

1 disempowerment, poor quality of work and threat from violence.

2 *y. Poverty reduction/alleviation* shall refer to overcoming the income, resource,
3 and capability deprivation among the poor as defined in the preceding
4 paragraph and the marginalized sectors as defined in paragraph (r) hereof;

5 *z. Private Enterprise* shall refer to an organization engaged in a business
6 activity organized for the purpose of accumulating profit and whose primary
7 stakeholders and beneficiaries are its owners;

8 *aa. Procuring Entity* shall refer to any branch, department, office, agency, or
9 instrumentality of the government, including state universities and colleges,
10 government-owned and/or - controlled corporations, government financial
11 institutions, and local government units procuring Goods, Consulting
12 Services and Infrastructure Projects;

13 *bb. Resource mobilization strategy* shall refer to a development strategy
14 intended to generate income from the sale of products and services of a SE
15 in order to finance or subsidize the operations of its core development
16 program or development interventions among the marginalized sectors;

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

18 *dd. Social development* shall refer to the continuing process of addressing the
19 needs of society, beginning with the people's minimum basic needs, through
20 a systematic implementation of socioeconomic programs or packages;

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

26 *ff. Social entrepreneur* shall refer to an innovative individual or institution that
27 promotes the creation and operationalization of enterprises or livelihood
28 endeavors for those in need or which address social problems and improve
29 societal wellbeing;

30 *gg. Social entrepreneurship* entails innovations designed to explicitly improve
31 societal wellbeing, housed within entrepreneurial organizations, which
32 initiate, guide or contribute to change in society;

1 *hh. Social Inclusion strategy* shall refer to the development strategy that assists
2 marginalized groups of people in society who, for reasons of poverty,
3 geographical inaccessibility, culture, language, age, sex, gender, migrant
4 status, disability or other disadvantage, have not benefited from health,
5 education, employment and other opportunities, and who are relegated to
6 the sidelines of political persuasion, social negotiation, and economic
7 bargaining in order to restore their dignity by not only removing the barriers
8 that limit their access to the delivery of basic social services and
9 employment, but more importantly, by nurturing work and other
10 environments that create avenues for their participation as productive
11 members of society;

12 *ii. Social Investors* shall refer to individuals or institutions that choose to put
13 in money to a business endeavor or activity not principally for financial profit
14 but to fulfill a social mission which may include poverty reduction, concern
15 for environmental protection, strong organizational governance, and a
16 desire for a more economically just world;

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

20 *kk. Social value* shall refer to the additional benefit to society of procuring a
21 good or service, over and above the direct benefit and value of the good or
22 service to the procuring entity. Additional benefits may include support for
23 poor communities or marginalized groups, advancement of human rights
24 and social justice, protection of the environment, and community
25 development.

26 *ll. Transactional services* shall refer to enterprise related assistance to the poor
27 that involve an exchange of goods or services for money including being
28 workers, suppliers, or clients;

29 *mm. Transformational services* shall refer to the assistance to the poor as
30 conscious agents of change to lift their own selves from poverty and to
31 participate in group efforts to improve the quality of life of their community,
32 sector or society as a whole. This shall include building the leadership and

1 management capacity and role of the poor in social enterprises;

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

13 *oo. Vulnerable sectors* shall refer to groups who are at-risk of any potential
14 event, loss or danger.

15 **CHAPTER II**

16 **POVERTY REDUCTION THROUGH SOCIAL ENTERPRISE**

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

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

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

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

- 3 a. Provide or facilitate the provision of a combination of transactional and/or
4 transformational services to improve the position and benefits derived by
5 the poor from the SE and the value chain or economic subsector where the
6 SE is located, including becoming worker-owners, supplier-owners,
7 supervisors and managers, active members and leaders in governing bodies
8 of the SE or its allied organizations;
- 9 b. Invest a substantive part of its surplus, profits or mobilize other resources
10 to assist the poor to become partners in SE or value chain
11 management/governance and/or to become partners in community, sectoral
12 and societal transformation;
- 13 c. Pursue a pro-active contribution to resolving social and environmental
14 problems and generate profit or surplus with due regard to social and
15 environmental costs;
- 16 d. Be engaged in an economic activity within the sectors of agriculture and
17 fisheries, industry and services which, for purposes of this Act, shall refer to
18 an activity in any of the economic subsectors;
- 19 e. Distribute a substantive part of the wealth created by the enterprise to the
20 poor in the form of services, dividends and other forms of benefits, and
21 payments and incentives for products or services rendered consistent with
22 the principles of fair trade; and
- 23 f. Be duly registered with the appropriate agencies as provided under Republic
24 Act No. 11232, or the "Revised Corporation Code of 2018;" Republic Act No.
25 9520, or the "Revised the Cooperative Code of the Philippines of 2009;"
26 Republic Act No. 9501, or the "Magna Carta for Micro, Small and Medium
27 Enterprises of 2008;" Republic Act No. 9178, or the Barangay Micro Business
28 Enterprises Act of 2002;" Republic Act No. 10693, or the "Microfinance
29 NGOs' Act of 2015;" and other relevant laws.

30 Social enterprise resource institutions may also avail of support from
31 government as partners for building the capability and sustainability as well as

1 developing an enabling environment for social enterprises to flourish, provided they
2 have:

- 3 a. a registration as a legal entity in the Philippines
- 4 b. a dedicated program supporting social enterprises
- 5 c. a track record of at least three (3) years of implementation of a dedicated
6 SE program
- 7 d. at least three (3) qualified social enterprises vouching for their them.

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

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

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

- 21 a. Incorporating the PRESENT Program in the government’s poverty reduction
22 drive as a major sustainable and comprehensive strategy;
- 23 b. Rationalizing poverty reduction programs by streamlining and coordinating
24 the various anti-poverty programs of the government to reduce inefficiency
25 and duplication and to improve the effectiveness of each program;
- 26 c. Ensuring people’s participation, access to information, and empowerment
27 by mobilizing civil society organizations and social movement groups
28 working with the poor;
- 29 d. Promoting sustainable programs that reduce inequality in incomes across
30 economic sectors and increase self-reliance among the poor;
- 31 e. Enabling SEs to overcome constraints and to take advantage of
32 opportunities for enhancing the position and benefits of the poor in

1 economic subsectors and value chains;

- 2 f. Recognizing women and men as equal partners in development and nation
3 building and ensuring women's and men's equal rights and access to SE's
4 resources, gender shall be mainstreamed in the program formulation; and
5 g. Developing sustainable mechanisms for the provision of quality and
6 accessible social services to the poor.

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

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

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

19 *Sec. 7. Lead Agency.* –The Department of Trade and Industry (DTI) shall serve
20 as the central planning, coordinating, implementing and monitoring body of the
21 program.

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

- 23 a. Work in close coordination with the Department of Social Welfare and
24 Development (DWSD) and the Department of Agriculture (DA) in targeting
25 the different sectors intended to be benefitted by the program;
26 b. Disseminate the information relating to the program;
27 c. Assist the Social Enterprise Development Council in calling upon the
28 Departments and Agencies in fulfilling the objectives of this Act;
29 d. Recommend to the SEDC measures and policies for the responsive delivery
30 of the commitments under this Act;
31 e. Provide seminar-workshops and training programs to educate the target
32 sectors about the conditions and other actions pertinent to this Act;

1 f. Perform such other functions as may be necessary or incidental to the
2 proper implementation of this Act.

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

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

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

1 Authority

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

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

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

1 producers, workers, consumers and other stakeholders;

- 2 i. Submit annual and other periodic reports to the President and the Congress
3 of the Philippines through the Congressional Oversight Committee;
- 4 j. Promulgate such rules and regulations and exercise such other powers and
5 functions as may be necessary to carry out the purposes of this Act,
6 including guidelines for the administration of grant windows provided for in
7 Section 24;
- 8 k. Propose the concomitant plantilla positions and structure for the personnel
9 under it;
- 10 l. Manage the funds provided for by this law, including ensuring the funds'
11 growth where possible;
- 12 m. Put in place mechanisms for accountability to marginalized stakeholders
13 being served
- 14 n. Align and synchronize the provision of support programs, benefits and
15 incentives for SEs provided for in this Act; and
- 16 o. Perform such other functions as may be necessary for its effective
17 operations and the continued enhancement, growth and development of
18 the SE sector.

19 *Sec. 10. Designation of Permanent Representatives to the Council.* Within 30
20 days from the effectivity of this Act, Cabinet-ranked *ex-officio* members of the Council
21 shall designate a permanent representative to the council, to attend the meetings of
22 the council in cases that the Cabinet-ranked *ex officio* members cannot personally
23 attend such meetings. The designated permanent representative of any of the
24 Cabinet-ranked members of the Council must hold a position not lower than a bureau
25 director.

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

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

8 Any vacancy in the SEDC arising from the death, incapacity, resignation, or
9 termination of the term of an appointed SE representative shall be filled up within 90
10 days from the occurrence of the said vacancy. All nominations to the vacancy shall be
11 submitted within 60 days from the occurrence of such. This process should be
12 consistent with the previous appointment process. In the case of a vacancy arising
13 from death, incapacity or resignation, the representative appointed to the vacancy
14 shall serve only for the remaining period of the term for the vacated office.

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

- 21 a. Provide administrative support to the Council, with the assistance of the
22 National Economic and Development Authority secretariat in the formulation
23 of the PRESENT development programs and plans;
- 24 b. Assist the Council in the implementation of the PRESENT development
25 program and the annual and medium-term development plan;
- 26 c. Assist the council in the performance of its accreditation and screening
27 function;
- 28 d. Assist the Council in monitoring the PRESENT development programs and
29 the activities of the various concerned government agencies with respect to
30 SEs;
- 31 e. Prepare, collate and integrate all necessary inputs to the Council's yearly
32 report on the status of SEs in the country;

1 f. Submit periodic reports to the Council on the progress and accomplishment
2 of its work programs; and

3 g. Perform other functions that may be assigned and authorized by the Council.

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

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

11 a. Provide SEMP’s with capability-training and education through the Social
12 Enterprise Capability Building and Sustainability Program created under
13 Section 17 of this Act.

14 b. Develop and enhance a research and development system which shall equip
15 every SE with innovative and sustainable approaches that ensures
16 improvement in the access to basic social services by the poor pursuant to
17 Section 18 of this Act;

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

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

22 e. Supervise capability- building projects approved by the Council implemented
23 through reputable Social Enterprise Resource Institutions contracted for the
24 purpose; and

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

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

1 The NCSED shall coordinate with the University of the Philippines Institute for
2 Small Scale Industries (UP ISSI), the Technical Education and Skills Development
3 Authority (TESDA), the Department of Transportation (DOTr), Department of
4 Information and Communications Technology (DICT), the Philippine Commission on
5 Women (PCW), civil society organizations, including women’s organizations, and other
6 relevant agencies, state universities and colleges in implementing its programs.

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

11 Sec. 16. *Role of LGUs in SE Development.* – LGUs shall be enjoined to
12 incorporate viable SE Development Plans in their local development planning and to
13 collaborate with SEMP. The Gender and Development (GAD) Fund of LGUs may be
14 used toward the design and implementation of SE development plans at the local level.

15 Grants from government agencies, such as the Department of Interior and
16 Local Government (DILG), for civil society toward local development may also be used
17 to support social enterprises.

18 Sec. 17. *Social Entrepreneurship Education in Schools.* – Toward strategically
19 developing the nation’s human resource capability in social entrepreneurship, the
20 Department of Education (DepEd) and the Commission on Higher Education (CHED)
21 shall cause the integration of SE content and inclusion of SE courses in the curricula
22 at all levels, especially in the secondary and tertiary levels. This shall be part of the
23 SE Capability and Sustainability Program stated in this Act.

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

- 28 a. Social issues and civic ways of addressing them;
- 29 b. The producer as a steward of natural resources;
- 30 c. The consumer as a responsible member of society and their responsibility
31 to develop critical awareness which is the responsibility to be alert and
32 questioning about environmental and social impacts of the goods and

1 services they use;

2 d. Social concern which is the responsibility to be aware of the impact of their
3 consumption to society, especially to the disadvantaged;

4 e. Environmental awareness which is the responsibility to understand the
5 consequences of their use of natural resources, consumption, recognizing
6 their individual and social responsibility to conserve natural resources for
7 future generations; and

8 f. Gender justice, or the full equality and equity between men and women in
9 all spheres of life, resulting in women jointly, and on an equal basis with
10 men, defining and shaping the policies, structures, and decisions that affect
11 their lives and society as a whole.

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

15 **CHAPTER III**

16 **DEVELOPMENT OF SOCIAL ENTERPRISES**

17 *Sec. 18. SE Capability Building and Sustainability Program; Creation of SE*
18 *Development Fund.* – There is hereby established a SE Capability Building and
19 Sustainability Program whose primary objective is to guarantee the viability and
20 sustainability of SEMPS through activities that advance, in general, both
21 transformational services and transactional services. This program shall include
22 training in social entrepreneurship development institutional strengthening, human
23 resource competency and skills training, business planning and advisory services,
24 upgrading of accounting and auditing systems, technical assistance for the installation
25 or improvement of management information systems, technology intervention,
26 technology incubation/commercialization, market studies, and product development
27 competitiveness, business matching activities, trade fairs and missions, policy
28 advocacy, gender and development, resiliency, and other related activities.

29 The SE Capability Building and Sustainability Program shall likewise include the
30 establishment of an insurance system for SEs affected by natural calamities in line
31 with the National Framework Strategy on Climate Change 2010-2022 as provided for
32 under Republic Act No. 9729, otherwise known as the "Climate Change Act of 2009,"

1 and Republic Act No. 10121, otherwise known as the "Philippine Disaster Risk
2 Reduction and Management Act of 2009."

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

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

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

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

27 The SEDF shall be used for the purposes provided herein. Any undisbursed
28 funds from the preceding year shall form part of the disbursable portion of the SEDF
29 in the following year.

30 Also to this end, there is hereby created a Social Enterprise Guarantee Fund
31 Pool (SEGFP) which shall be comprised of the five percent (5%) of the preceding year
32 budget surplus of the government-owned and controlled corporations and government

1 financial institutions as contribution to the SEGFP in accordance with relevant laws,
2 charters and by-laws, in addition to voluntary contributions, grants and gifts from both
3 local and foreign sources as may be accepted by the Council.

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

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

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

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

30 *Sec. 21. Social Enterprise Research and Development System.* -The Council, in
31 coordination with the Department of Science and Technology (DOST), NEDA, DTI, and

1 other appropriate agencies and research institutions, shall develop and enhance a
2 research and development system that:

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

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

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

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

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

31 All government departments, agencies, bureaus, research institutions, as well
32 as the LGUs shall consolidate and continuously update all relevant information and

1 data that would be of use to SEs on a periodic basis and make such data available on
2 a dedicated website on the internet. Data shall be gender-disaggregated as far as
3 possible. Compliance with the relevant laws, rules, and regulations concerning data
4 privacy shall be ensured.

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

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

16 **CHAPTER IV**

17 **FINANCING AND BENEFITS**

18 *Sec. 23. Hybrid Financing.* – Social Enterprises shall be supported through
19 hybrid financing to enable them to provide a combination of transactional and
20 transformational services to the marginalized sectors, groups or persons they serve.
21 Given the unique nature of SEs as wealth-creating organizations that pursue their
22 social mission to improve societal wellbeing in ways that are ecologically and financially
23 sustainable, they need to be supported through hybrid financing that entails a
24 combination of grants with 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,
29 and other public or government-owned banks are hereby mandated to set aside at
30 least ten percent (10%) of their total loan portfolio based on their balance sheet in
31 the end of the preceding quarter over a period of five (5) years and open a special
32 credit window for qualified SEs.

1 For a period of eight (8) years from the date of the effectivity of this Act, all
2 other lending institutions as defined under the Central Bank Act or the General Banking
3 Act, as amended, shall likewise set aside at least ten percent (10%) of their total loan
4 portfolio that will not require a collateral based on their balance sheet as of the end
5 of the previous quarter and make the same available for SEs through a special credit
6 window. The BSP, in consultation with the Council, shall formulate the rules for the
7 effective implementation of this provision: Provided, That the purchase of government
8 notes, securities and other negotiable instruments shall not be deemed compliance
9 with the foregoing provision.

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

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

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

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

- 20 a. Credit line for business development loan or working capital loan to cover
21 the operational and management expenses of a start-up or existing business
22 or income generating project, including receivable financing or purchase of
23 additional inventory, soft or intangible investments such as trade fair
24 participation or acquisition of software or franchise development packages;
- 25 b. Fixed assets financing to cover acquisition of fixed assets like machineries
26 and equipment, motor vehicle, or acquisition of lot for project site or
27 construction of a plant and building and the improvement thereof;
- 28 c. Value chain financing to cover any of the value chain activities such as
29 production, processing and marketing;
- 30 d. Domestic letter of credit or trust receipt to provide a stand-by credit facility
31 for the SE borrower for the purchase of product inputs, equipment,
32 machinery, implements, and spare parts, whereby payment of which is

1 guaranteed and to be made to the seller by the lending institution, provided
2 all documents conform with the terms and conditions of the credit; and
3 e. Revolving Credit Line for re-lending to finance the livelihood project
4 requirements of end-borrowers.

5 A special credit line (X% of total loan portfolio) for women-led SEs or SEs that
6 support women (ie., 50%), particularly those in the agricultural and informal sectors.
7 Women shall have no barriers to economic participation as provided for in Republic
8 Act No. 7192, otherwise known as the "Women in Development and Nation Building
9 Act of 1992."

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

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

18 *Sec. 28. Tax Credits.* – SEDC will develop a system of valuation of social,
19 economic and ecological contributions of social enterprises and the social impact on
20 the marginalized sectors they serve, as bases for tax credits from the government.

21 *Sec. 29. Preferential Rights.* – Without prejudice to preferential rights already
22 available to specific enterprises or organizations under other laws, qualified SEMP
23 shall be accorded a preferential right in the procurement process and in the
24 implementation of procurement contracts by the government in all its branches,
25 departments, agencies, subdivisions, and instrumentalities, including in the
26 government-owned and controlled corporations and local government units.

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

31 These social values include, *inter alia*, poverty reduction, sustainable
32 development, environmental conservation, climate action, community development,

1 and gender and social justice. As such, the determination of government procurement
2 shall factor in social values.

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

5 SEMP's shall be given priority and preference in the following procurement
6 processes:

7 a. Direct contracting as provided under Section 50 of Republic Act No. (RA)
8 9184, otherwise known as the "Government Procurement Reform Act of
9 2002," may be resorted to if the contracting party selling the goods and
10 services required by the procuring entity is a social enterprise as qualified
11 by the Council.

12 b. Shopping as provided under Section 52, paragraph (a) of RA 9184 may be
13 resorted to when there is an unforeseen contingency requiring immediate
14 purchase: *Provided*, That the procurement of the goods and services shall
15 be first obtained from the social enterprise within the area of operation of
16 the procuring entity which is duly qualified by the Council as having the
17 capacity to supply the required goods and services: *Provided, further*, That
18 the amount shall not exceed Five hundred thousand pesos (P500,000.00).

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

29 d. Negotiated procurement as provided under Section 53 of RA 9184 may be
30 allowed when the goods or services subject of the procurement may be
31 obtained from a SE within the area of operation of the procuring entity which

1 is duly qualified by the Council as having the capacity to supply the required
2 goods and services.

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

7 A procuring entity, when applicable, shall have at least one member
8 representing SEMPS.

9 Qualified SEMP's under this Act shall be entitled to a share of at least twenty
10 percent (20%) of the total procurement value of goods and services supplied to the
11 government, its bureaus, offices and agencies annually. Provided, That, the DBM shall
12 direct line agencies of government to include at least 10% of its annual budget for
13 Maintenance and Other Operating Expenses and Capital Outlay specifically for goods
14 procured and services contracted from social enterprises producing and offering such
15 goods and services.

16 *Sec. 30. Insurance for Social Enterprises.* The Insurance Commission shall issue
17 the necessary rules and regulations and implement measures to ensure that the
18 insurance industry shall provide insurance products, both life and non-life, for social
19 enterprises and their stakeholders among the poor. Furthermore, SEMPS shall be
20 assisted to become eligible and effective insurance providers to their clients and
21 constituents.

22 *Sec. 31. Support for Social Investors and SE Resource Institutions.* – The
23 government shall develop a program that fosters a community of social investors and
24 resource institutions supportive of social enterprises.

25 *Sec. 32. Appropriations.* – The amount necessary to implement the provisions
26 of this Act shall be charged against the current year's appropriation of the Office of
27 the President. Thereafter, such sums as may be necessary for its continued
28 implementation shall be included in the GAA. The budget requirements for the
29 implementation of this Act for cooperating agencies shall be incorporated in their
30 respective budgets.

31 *Sec. 33. Penal Clause.* – The penalty of imprisonment for not less than six (6)
32 months but not more than two (2) years or a fine of not less than two hundred fifty-

1 thousand (P250,000) or both imprisonment and fine, at the discretion of the court,
2 shall be imposed upon any person, who, intentionally or by gross negligence, fails to
3 provide the benefits, rights and incentives granted to SEs in violation of this Act or
4 perform any act in violation of its provisions.

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

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

16 *Sec. 34. Non-Compliance with the Mandatory Allocation of Credit Resources. –*
17 Administrative sanctions including a fine of not less than Five hundred thousand pesos
18 (P500,000.00) shall be imposed by the Banko Sentral ng Pilipinas upon any banking
19 or lending institution who fails to provide the credit allocations granted to SE in
20 violation of Section 19 of this Act.

21 *Sec. 35. Joint Congressional Oversight Committee. –* Upon the effectivity of this
22 Act, a Congressional Oversight Committee, hereafter referred to as the PRESENT
23 Oversight Committee is hereby constituted. This Committee shall set the overall
24 framework to review the implementation of this Act. It shall likewise determine
25 inherent weaknesses in the law and recommend necessary remedial legislation or
26 executive measures.

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

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

5 Sec. 36. Separability. – If any provision or part of this Act is declared invalid or
6 unconstitutional, the remaining parts or provisions not affected shall remain in full
7 force and effect.

8 Sec. 37. Implementing Rules and Regulations. – Within ninety (90) days from
9 the effectivity of this Act, the Department of Trade and Industry shall, in consultation
10 and coordination with the concerned government agencies and social enterprise
11 sector, promulgate the necessary rules and regulations for the effective
12 implementation of this Act.

13 Sec. 38. *Repealing Clause.* – For purposes of this Act, Section 11 of RA 8425
14 and Sections 50, 52 and 53 of RA 9184 which are inconsistent with this Act are hereby
15 deemed amended. All other laws, executive orders, presidential decrees, rules and
16 regulation or parts thereof inconsistent with any provisions of this Act are hereby
17 repealed, amended or modified accordingly.

18 Sec. 39. *Effectivity.* – This Act shall take effect fifteen (15) days from its
19 publication in the Official Gazette or in two (2) newspapers of general circulation.

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21 Approved,