

1 AN ACT
2 ORDAINING THE PROMOTION OF SOCIAL ENTERPRISES TO ALLEVIATE POVERTY,
3 ESTABLISHING FOR THE PURPOSE THE POVERTY REDUCTION THROUGH SOCIAL
4 ENTREPRENEURSHIP (PRESENT) PROGRAM AND PROVIDING SUPPORT, BENEFITS AND
5 APPROPRIATIONS THEREFOR
6 CHAPTER I
7 GENERAL PROVISIONS
8

9 SECTION 1. **Short Title.** – This Act shall be known as the “Poverty Reduction through Social
10 Entrepreneurship Act.”
11

12 SECTION 2. **Statement of Policy.** – As provided in the Constitution of the Republic of the
13 Philippines, it is the declared policy of the State to promote a just and dynamic social order that will
14 ensure the prosperity and independence of the nation and free the people from poverty through
15 policies that provide adequate social services, promote full employment, a rising standard of living,
16 and an improved quality of life for all. In Article II, Sections 10 and 11, it is further declared that the
17 State shall provide social justice in all phases of national development and that the State values the
18 dignity of every human person and guarantees full respect for human rights.
19

20 In Article XII, Section 1, it is further stated that the goals of the national economy are a more equitable
21 distribution of opportunities, income, and wealth; a sustained increase in the amount of goods and
22 services produced by the nation for the benefit of the people; and an expanding productivity as the
23 key to raising the quality of life for all, especially the underprivileged.
24

25 The State shall promote industrialization and full employment based on sound agricultural
26 development and agrarian reform, through industries that make full and efficient use of human and
27 natural resources, and which are competitive in both domestic and foreign markets. However, the
28 State shall protect Filipino enterprises against unfair foreign competition and trade practices.
29 The State also recognizes the important role of enterprises in the economy as the major agent of
30 development, creating off-farm employment opportunities and providing transitional means for
31 improving people’s livelihoods.
32

33 Toward this end, the State shall pursue a poverty reduction program that promotes an environment
34 conducive to the development and growth of a vibrant social enterprise sector engaged in poverty
35 reduction, and economic and social development. It shall empower the marginalized sectors as
36 primary stakeholders in social enterprises, establish mechanisms essential to realizing their potential
37 and achieving their full growth, and extend the assistance necessary for their advancement. The State
38 shall likewise ensure that the provision for technical and financial assistance, incentives and other
39 services are free from any condition that might infringe upon the autonomy or organizational integrity
40 of the social enterprises to enable them to develop into viable and vital anti-poverty agents, and a
41 strong social entrepreneurship movement which will be instrumental in reducing poverty in the
42 country.
43

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

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

53 The State affirms the role of women in nation building and ensures the fundamental equality of men
54 and women before the law. It shall promote empowerment of women and pursue equal opportunities
55 for women and men and ensure equal access to resources and to development results and outcome.

56 Further, as set out in Republic Act No. 9719, otherwise known as the “Magna Carta of Women Act of
57 2009,” the State shall ensure the full integration of women’s concerns in the mainstream of
58 development, shall provide ample opportunities to enhance and develop their skills, acquire
59 productive employment, and contribute to their families and communities to the fullest of their
60 capabilities.

61 **SECTION. 3. Definition of Terms.** – As used in this Act:
62

63 a. *Social Enterprise (SE)* shall primarily refer to a social mission-driven organization that creates
64 wealth while contributing to social wellbeing and ecological sustainability. It can take the form
65 of non-stock, non-profit corporations including NGOs, POs, Foundations, Associations;
66 cooperatives; and sole proprietorships, partnerships, and stock corporations.
67

68 A social enterprise, for purposes of this Act, shall also refer to a Social Enterprise with the
69 Marginalized as Primary Stakeholders (SEMPS). A SEMPS is a social enterprise that
70 explicitly declares and pursues poverty reduction or improving the quality of life of specific
71 segments of the marginalized and vulnerable sectors as its principal objective. A SEMPS
72 engages and invests in the poor to become effective workers, suppliers, clients and/or
73 owners, and ensures that a substantive part of the wealth created by the enterprise is
74 distributed to them. This includes efforts to help workers in the informal sector transition to be
75 stakeholders of the formal economy. In addition to reinvesting its surplus or profits back
76 toward the fulfillment of its social mission in a sustainable way, a SEMPS also uses its surplus
77 or profits and mobilizes other resources to assist the poor to become partners in SE or value
78 chain management/ governance and to become partners in community, sectoral and societal
79 transformation.
80

81 b. *Assets* shall refer to all kinds of properties, real or personal, owned by the social entrepreneur
82 as defined in paragraph (ff) of this Section and used for the conduct of its business: Provided,
83 that for the purpose of exemption from taxes and to benefit from other incentives under this
84 Act, this term shall mean all kinds of properties, real or personal, owned and/or used by the
85 SE for the conduct of its business;
86

87 c. *Capability building* shall refer to the process of enhancing the viability and sustainability of
88 SEMPS. It pertains to 1) education, training, coaching and other learning events such as, but
89 not limited to, study tours; 2) technical, consultancy and advisory services; 3) assistance in
90 organizational systems development; 4) technology incubation, development and
91 dissemination; 5) value chain and subsector development; 6) conduct of SE trade fairs and
92 missions; 7) networking and policy advocacy initiatives, and other such activities that enable
93 SEs to be effective and efficient vehicles for poverty reduction. The term capability building
94 precludes the grant of any loan or equity funds to the SE and shall in no way refer to the
95 provision of equity investments, seed funding, partnership's seed funds, equity participation,
96 start-up funds or any such activity that connotes the infusion of capital or funds from the
97 government or from the SE Development Fund created under Section 18 of this Act;
98

99 d. *Civil society organizations* shall refer to private, voluntary, and non-profit organizations of
100 citizens that are established to pursue a mission, usually involving the interest of the public,
101 marginalized groups or specific sectors of society. They include non-government
102 organizations, socio-civic groups, foundations and people’s organizations;
103

104 e. *Council* shall refer to the SE Council;
105

106 f. *Cooperative* shall refer to an autonomous and duly registered association of persons, with a
107 common bond of interest, who have voluntarily joined together to achieve their social,
108 economic, and cultural needs and aspirations by making equitable contributions to the capital
109 required, patronizing their products and services and accepting a fair share of the risks and
110 benefits of the undertaking in accordance with universally accepted cooperative principles as
111 defined in R.A. 6938, as amended by R.A. 9520, otherwise known as the “Philippine
112 Cooperative Code of 2008”;
113

114 g. *Economic subsectors* shall refer to networks of related actors and enterprises performing

115 various functions in value chains. These actors and enterprises transform raw materials into
116 finished products, or develop services, and distribute or provide them through market
117 channels to final consumers; they may be identified by key raw material source, by finished
118 product or final service provided. An economic subsector may be comprised of several
119 competing value chains. By understanding the dynamics of economic subsectors and using
120 them as units of planning social entrepreneurship interventions, government agencies,
121 support institutions and SEs shall more effectively reach and benefit a greater number of poor
122 in poverty reduction programs;
123

124 *h. Empowerment strategy* shall refer to a development strategy that enables the marginalized
125 sectors to own, manage, and control SEs in order for them to reap maximum benefits from it
126 and which acts as a channel for directly distributing income;
127

128 *i. Fair trade* shall refer to a trading partnership based on dialogue, transparency and respect
129 and which seeks greater equity in international trade and the transformation and adaptation of
130 trading structures and practices in favor of the poor and disadvantaged by offering better
131 trading conditions to, and securing the rights of, marginalized producers and workers;
132

133 *j. Fair trade organizations* shall refer to enterprises certified by internationally- and nationally-
134 recognized Fair Trade networks;
135

136 *k. Fair trade principles* shall refer to the values adopted by fair trade organizations in their day-
137 to-day operation. These include creating opportunities for economically- disadvantaged
138 producers; transparency and accountability; payment of a fair price; ensuring no child labor
139 and forced labor; commitment to non-discrimination, gender equity and freedom of
140 association; ensuring good working conditions; providing capacity building; and, respect for
141 the environment;
142

143 *l. Foundation* shall refer to the categorization of a non-profit organization duly registered that
144 typically either donates funds and support to other organizations or provides the source of
145 funding for its own charitable purposes. Unlike a company, foundations have no shareholders
146 though they may have a board, an assembly and voting members. A foundation may hold
147 assets in its own name for the purposes set out in its constitutive documents, and its
148 administration and operation are carried out in accordance with its statutes or articles of
149 association rather than fiduciary principles;
150

151 *m. Gender Analysis* shall refer to a systematic analytical process based on sex-disaggregated
152 and gender information. This process is used to identify, understand, and describe gender
153 differences and the relevance of gender roles and power dynamics in a particular context;
154

155 *n. Gender and Development or GAD* shall refer to the development perspective and process
156 that are participatory and empowering, equitable, sustainable, free from violence, respectful of
157 human rights, and supportive of self-determination and actualization of human potentials. It
158 seeks to achieve gender equality as a fundamental value that should be reflected in
159 development choices; seeks to transform society's social, economic and political structures
160 and questions the validity of the gender roles they ascribed to women and men; contends that
161 women are active agents of development and not just passive recipients of development
162 assistance; and stresses the need of women to organize themselves and participate in
163 political processes to strengthen their legal rights;
164

165 *o. Gender Mainstreaming* shall refer to the strategy for making women's as well as men's
166 concerns and experiences an integral dimension of the design, implementation, monitoring,
167 and evaluation of policies, programs and projects in all social, political, civil, and economic
168 spheres so that women and men benefit equally. It is the process of assessing the
169 implications for women and men of any planned action, including legislation, policies or
170 programs in all areas and at all levels;
171

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

175 sustainable;
176
177 q. *Intermediation strategy* shall refer to a development strategy that provides financial,
178 agricultural, business development and institutional development services to the
179 entrepreneurial poor and employers of the poor and provides product development and
180 marketing support using the principles of fair trade to marginalized producers. A SE engaged
181 in intermediation strategy need not be owned by the marginalized stakeholders but provide
182 immediate access to services among a critical mass of these marginalized stakeholders;
183

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

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

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

198 (2) “Fisherfolk” refers to those directly or indirectly engaged in taking, culturing, or
199 processing fishery or aquatic resources. These include, but are not to be limited to, women
200 engaged in fishing in municipal waters, coastal and marine areas, women workers in
201 commercial fishing and aquaculture, vendors and processors of fish and coastal products,
202 and subsistence producers such as shell-gatherers, managers, and producers of mangrove
203 resources, and other related producers;

204 (3) “Urban Poor” refers to those residing in urban and urbanizable slum or blighted
205 areas, with or without the benefit of security of abode, where the income of the head of the
206 family cannot afford in a sustained manner to provide for the family’s basic needs of food,
207 health, education, housing, and other essentials in life;

208 (4) “Workers in the Formal Economy” refers to those who are employed by any person
209 acting directly or indirectly in the interest of an employer in relation to an employee and shall
210 include the government and all its branches, subdivisions, and instrumentalities, all
211 government-owned and -controlled corporations and institutions, as well as nonprofit private
212 institutions or organizations;

213 (5) “Workers in the Informal Economy” refers to self-employed, occasionally or
214 personally hired, subcontracted, paid and unpaid family workers in household incorporated
215 and unincorporated enterprises, including home workers, micro-entrepreneurs and producers,
216 and operators of sari-sari stores and all other categories who suffer from violation of workers’
217 rights;

218 (6) “Migrant Workers” refers to Filipinos who are to be engaged, are engaged, or have
219 been engaged in a remunerated activity in a State of which they are not legal residents,
220 whether documented or undocumented;

221 (7) “Indigenous Peoples” refers to a group of people or homogenous societies identified
222 by self-ascription and ascription by other, who have continuously lived as organized
223 community on communally bounded and defined territory, and who have, under claims of
224 ownership since time immemorial, occupied, possessed customs, tradition, and other

225 distinctive cultural traits, or who have, through resistance to political, social, and cultural
226 inroads of colonization, non-indigenous religions and culture, became historically
227 differentiated from the majority of Filipinos. They shall likewise include peoples who are
228 regarded as indigenous on account of their descent from the populations which inhabited the
229 country, at the time of conquest or colonization, or at the time of inroads of non-indigenous
230 religions and cultures, or the establishment of present state boundaries, who retain some or
231 all of their own social, economic, cultural, and political institutions, but who may have been
232 displaced from their traditional domains or who may have resettled outside their ancestral
233 domains as defined under Section 3 (h), Chapter II of Republic Act No. 8371, otherwise
234 known as "The Indigenous Peoples Rights Act of 1997" (IPRA of 1997);

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

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

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

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

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

246
247 (12) "Bangsamoro People" shall refer to those who, at the advent of the Spanish
248 colonization, were considered natives or original inhabitants of Mindanao and the Sulu
249 archipelago and its adjacent islands, whether of mixed or full blood, shall have the right
250 identity themselves, their spouses and descendants, as Bangsamoro.

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

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

257
258 t. *Minimum basic needs* shall refer to the needs of a Filipino family pertaining to survival (food
259 and nutrition; health; water and sanitation), security (shelter; peace and order; public safety,
260 income and livelihood); and enabling services (basic education and literacy, participation in
261 community development, family and psycho-social care); and inclusion (assistive
262 device/technology, personal assistance, sign language interpreter, accessibility);

263
264 u. *Non-Government Organization or NGO* shall refer to a duly registered non-stock, non-profit
265 organization focusing on the upliftment of the basic or disadvantaged sectors of society by
266 providing advocacy, training, community organizing, research, access to resources, and other
267 similar activities and, as defined under Section 34 (H)(2)(c) of Republic Act No. 8424, as
268 amended, otherwise known as the "National Internal Revenue Code of 1997," organized and
269 operated exclusively for scientific, research, educational, character-building and youth and
270 sports development, health, social welfare, cultural or charitable purposes, or a combination
271 thereof, and no part of the net income of which inures to the benefit of any private individual;

272
273 v. *People's Organization or PO* shall refer to a self-help group belonging to the basic sectors
274 and/or disadvantaged groups composed of members having a common bond of interest who
275 voluntarily join together to achieve a lawful common social or economic end;

276

- 277 w. *Persons with Disability* or PWD shall refer to individuals with restriction or different abilities, as
278 a result of a mental, physical or sensory impairment, to perform an activity in the manner or
279 within the range considered normal for a human being;
280
- 281 x. *Poor* shall refer to individuals and families whose income fall below the poverty threshold as
282 defined by the National Economic and Development Authority and/or are deprived of the
283 means to provide in a sustained manner their minimum basic needs of food, health,
284 education, housing and other essential amenities of life, as defined under R.A. 8425; it may
285 also be the state of deprivation – such as poor health, lack of education, inadequate living
286 standard, lack of income (as one of several factors considered), disempowerment, poor
287 quality of work and threat from violence.
288
- 289 y. *Poverty reduction/alleviation* shall refer to overcoming the income, resource, and capability
290 deprivation among the poor as defined in the preceding paragraph and the marginalized
291 sectors as defined in paragraph (r) hereof;
292
- 293 z. *Private Enterprise* shall refer to an organization engaged in a business activity organized for
294 the purpose of accumulating profit and whose primary stakeholders and beneficiaries are its
295 owners;
296
- 297 aa. *Procuring Entity* shall refer to any branch, department, office, agency, or instrumentality of the
298 government, including state universities and colleges, government-owned and/or - controlled
299 corporations, government financial institutions, and local government units procuring Goods,
300 Consulting Services and Infrastructure Projects;
301
- 302 bb. *Resource mobilization strategy* shall refer to a development strategy intended to generate
303 income from the sale of products and services of a SE in order to finance or subsidize the
304 operations of its core development program or development interventions among the
305 marginalized sectors;
306
- 307 cc. *SE GFP* shall refer to the SE Guarantee Fund Pool created under this Act;
308
- 309 dd. *Social development* shall refer to the continuing process of addressing the needs of society,
310 beginning with the people's minimum basic needs, through a systematic implementation of
311 socioeconomic programs or packages;
312
- 313 ee. *Social Enterprise Resource Institution* shall refer to an organization that provides financial
314 and/or other forms of assistance to social enterprises for them to become viable and
315 sustainable including but not limited to trainings, education and other capacity-building
316 measures, research and development, advocacy and other support activities;
317
- 318 ff. *Social entrepreneur* shall refer to an innovative individual or institution that promotes the
319 creation and operationalization of enterprises or livelihood endeavors for those in need or
320 which address social problems and improve societal wellbeing;
321
- 322 gg. *Social entrepreneurship* entails innovations designed to explicitly improve societal wellbeing,
323 housed within entrepreneurial organizations, which initiate, guide or contribute to change in
324 society;
325
- 326 hh. *Social Inclusion strategy* shall refer to the development strategy that assists marginalized
327 groups of people in society who, for reasons of poverty, geographical inaccessibility, culture,
328 language, age, sex, gender, migrant status, disability or other disadvantage, have not
329 benefited from health, education, employment and other opportunities, and who are relegated
330 to the sidelines of political persuasion, social negotiation, and economic bargaining in order to
331 restore their dignity by not only removing the barriers that limit their access to the delivery of
332 basic social services and employment, but more importantly, by nurturing work and other
333 environments that create avenues for their participation as productive members of society;
334
- 335 ii. *Social Investors* shall refer to individuals or institutions that choose to put in money to a
336 business endeavor or activity not principally for financial profit but to fulfill a social mission

- 337 which may include poverty reduction, concern for environmental protection, strong
338 organizational governance, and a desire for a more economically just world;
339
- 340 *jj. Social reform* shall refer to the continuing process of addressing the basic inequities in society
341 through a systematic, unified and coordinated delivery of socioeconomic programs or
342 packages;
343
- 344 *kk. Social value* shall refer to the additional benefit to society of procuring a good or service, over
345 and above the direct benefit and value of the good or service to the procuring entity.
346 Additional benefits may include support for poor communities or marginalized groups,
347 advancement of human rights and social justice, protection of the environment, and
348 community development.
349
- 350 *ll. Transactional services* shall refer to enterprise related assistance to the poor that involve an
351 exchange of goods or services for money including being workers, suppliers, or clients;
352
- 353 *mm. Transformational services* shall refer to the assistance to the poor as conscious
354 agents of change to lift their own selves from poverty and to participate in group efforts to
355 improve the quality of life of their community, sector or society as a whole. This shall include
356 building the leadership and management capacity and role of the poor in social enterprises;
357
- 358 *nn. Value chain* shall refer to value-adding economic activities that an enterprise is interlinked
359 with in the process of producing goods and/or services to serve its chosen market. A value
360 chain typically consists of: 1) inbound distribution or logistics, 2) manufacturing operations, 3)
361 outbound distribution or logistics, 4) marketing and selling, and 5) after-sales service. These
362 activities are supported by 6) purchasing or procurement, 7) research and development, 8)
363 human resource development, and 9) organizational development. A SE that understands and
364 manages its value chain improves its capability to create economic, environmental and social
365 values toward improving the position and benefits of the poor in the value chain and toward
366 ensuring the viability and sustainability of the enterprise.
367
- 368 *oo. Vulnerable sectors* shall refer to groups who are at-risk of any potential event, loss or danger.
369

370 CHAPTER II

371 POVERTY REDUCTION THROUGH SOCIAL ENTERPRISE

372

373 SECTION 4. **Social Enterprise (SE); General Concept and Coverage** – A Social Enterprise (SE),
374 for purposes of this Act, refers to a *Social Enterprise with the Marginalized as Primary Stakeholders*
375 (SEMPs) as defined in Sec. 3 (a) of this Act.
376

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

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

388 SECTION 5. **Qualifications for Benefits and Incentives.** – To qualify for the benefits and incentives
389 provided for in this Act, the SE shall:

- 390 a. Provide or facilitate the provision of a combination of transactional and/or transformational
391 services to improve the position and benefits derived by the poor from the SE and the value

- 392 chain or economic subsector where the SE is located, including becoming worker-owners,
393 supplier-owners, supervisors and managers, active members and leaders in governing bodies
394 of the SE or its allied organizations;
- 395 b. Invest a substantive part of its surplus, profits or mobilize other resources to assist the poor to
396 become partners in SE or value chain management/governance and/or to become partners in
397 community, sectoral and societal transformation;
 - 398 c. Pursue a pro-active contribution to resolving social and environmental problems and generate
399 profit or surplus with due regard to social and environmental costs;
 - 400 d. Be engaged in an economic activity within the sectors of agriculture and fisheries, industry
401 and services which, for purposes of this Act, shall refer to an activity in any of the economic
402 subsectors;
 - 403 e. Distribute a substantive part of the wealth created by the enterprise to the poor in the form of
404 services, dividends and other forms of benefits, and payments and incentives for products or
405 services rendered consistent with the principles of fair trade; and
 - 406 f. Be duly registered with the appropriate agencies as provided under Republic Act No. 11232,
407 or the "Revised Corporation Code of 2018;" Republic Act No. 9520, or the "Revised the
408 Cooperative Code of the Philippines of 2009;" Republic Act No. 9501, or the "Magna Carta for
409 Micro, Small and Medium Enterprises of 2008;" Republic Act No. 9178, or the Barangay Micro
410 Business Enterprises Act of 2002;" Republic Act No. 10693, or the "Microfinance NGOs' Act of
411 2015;" and other relevant laws.

412

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

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

420

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

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

427 SECTION 6. **Formulation of a Poverty Reduction through Social Entrepreneurship (PRESENT)**

428 **Program.** — To promote the development of a SE sector with the marginalized sectors as primary
429 stakeholders, a comprehensive and fully-integrated Poverty Reduction Through Social
430 Entrepreneurship (PRESENT) Program shall be formulated, guided by the following principles:

- 431 a. Incorporating the PRESENT Program in the government's poverty reduction drive as a major
432 sustainable and comprehensive strategy;
- 433 b. Rationalizing poverty reduction programs by streamlining and coordinating the various anti-
434 poverty programs of the government to reduce inefficiency and duplication and to improve the
435 effectiveness of each program;
- 436 c. Ensuring people's participation, access to information, and empowerment by mobilizing civil
437 society organizations and social movement groups working with the poor;
- 438 d. Promoting sustainable programs that reduce inequality in incomes across economic sectors
439 and increase self-reliance among the poor;
- 440 e. Enabling SEs to overcome constraints and to take advantage of opportunities for enhancing
441 the position and benefits of the poor in economic subsectors and value chains;
- 442 f. Recognizing women and men as equal partners in development and nation building and
443 ensuring women's and men's equal rights and access to SE's resources, gender shall be
444 mainstreamed in the program formulation; and
- 445 g. Developing sustainable mechanisms for the provision of quality and accessible social
446 services to the poor.

447

448 The planning framework of the PRESENT Program and its planning process shall ensure that the
449 marginalized sectors are engaged as primary stakeholders. It shall add value and complement

450 ecosystem-based, area-based, community-based, etc. tools and processes in local economic
451 development by promoting and utilizing the economic subsector as a strategic unit of analysis and
452 planning SE development interventions.

453

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

458

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

461

462 SECTION 7. **Lead Agency.** – The Department of Trade and Industry (DTI) shall serve as the central
463 planning, coordinating, implementing and monitoring body of the program.

464

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

- 466 a. Work in close coordination with the Department of Social Welfare and Development (DWSD)
467 and the Department of Agriculture (DA) in targeting the different sectors intended to be
468 benefitted by the program;
- 469 b. Disseminate the information relating to the program;
- 470 c. Assist the Social Enterprise Development Council in calling upon the Departments and
471 Agencies in fulfilling the objectives of this Act;
- 472 d. Recommend to the SEDC measures and policies for the responsive delivery of the
473 commitments under this Act;
- 474 e. Provide seminar-workshops and training programs to educate the target sectors about the
475 conditions and other actions pertinent to this Act;
- 476 f. Perform such other functions as may be necessary or incidental to the proper implementation
477 of this Act.

478

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

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

- 485 a. Secretary of Trade and Industry, as chairperson
- 486 b. Secretary of Agriculture, as co-chairperson
- 487 c. Secretary of Social Welfare and Development, as vice chairperson
- 488 d. SE sector head representative, as co-vice chairperson
- 489 e. Lead Convener of the National Anti-Poverty Commission
- 490 f. Director-General of the National Economic Planning and Development Agency
- 491 g. Vice Chair for Basic Sectors of the National Anti-Poverty Commission
- 492 h. Secretary of the Interior and Local Government
- 493 i. Secretary of Finance
- 494 j. Governor of the Bangko Sentral ng Pilipinas
- 495 k. Secretary of Environment and Natural Resources
- 496 l. Secretary of Agrarian Reform
- 497 m. Secretary of Science and Technology
- 498 n. Secretary of Labor and Employment
- 499 o. Secretary of Education
- 500 p. Secretary of Transportation
- 501 q. Secretary of Information and Communications Technology
- 502 r. Chairperson of the Commission on Higher Education
- 503 s. Chairperson of the Cooperative Development Authority
- 504 t. Chairperson of the Securities and Exchange Commission
- 505 u. Chairperson of the Philippine Commission on Women
- 506 v. Director-General of the Technical Education and Skills Development Authority

507 w. Nine (9) representatives from SEMPS, with three (3) representatives each from the main
508 island groupings of Luzon, Visayas, and Mindanao, where at least one of the three
509 representatives from each island grouping shall be a woman.
510

511 **SECTION 9. Powers and Functions.** – The Council shall have the following powers and functions:

- 512 a. Formulate policies and plans to develop and promote, coordinate, synergize, integrate, and
513 ensure compatibility and complementation of policies and programs for *SEs as well as other*
514 *anti-poverty reduction initiatives consistent with national development objectives.*
- 515 b. Formulate policies and plans to ensure the resilience and preparedness of social enterprises
516 for disaster risk reduction and management as well as develop capacities of social
517 enterprises to respond, recover and build back better in the face disasters and pandemics.
- 518 c. Issue certificate of qualification upon determination that the criteria set for this purpose have
519 been fully satisfied: *Provided, That the certificate of qualification shall be valid only for such*
520 *period as may be prescribed under the implementing rules and regulations of this Act;*
- 521 d. Oversee the successful implementation of the PRESENT Program and other SE programs;
- 522 e. Identify and access sources of financing to expand the SE sector;
- 523 f. Monitor and evaluate the performance of programs and projects for appropriate incentives;
- 524 g. Call upon any government agency to carry out and implement programs and projects
525 identified by the Council and to assist in clarifying issues and finding resolution to problems
526 that concern their respective offices with respect to the implementation of the PRESENT
527 Program enunciated under this Act or any development program for SEs.
- 528 h. Call upon people’s organizations, non-government organizations, the academe and other
529 sectors to provide advice on matters pertaining to SEs and conduct of transactional and
530 transformational services to farmers, producers, workers, consumers and other stakeholders;
- 531 i. Submit annual and other periodic reports to the President and the Congress of the Philippines
532 through the Congressional Oversight Committee;
- 533 j. Promulgate such rules and regulations and exercise such other powers and functions as may
534 be necessary to carry out the purposes of this Act, including guidelines for the administration
535 of grant windows provided for in Section 24;
- 536 k. Propose the concomitant plantilla positions and structure for the personnel under it;
- 537 l. Manage the funds provided for by this law, including ensuring the funds’ growth where
538 possible;
- 539 m. Put in place mechanisms for accountability to marginalized stakeholders being served
- 540 n. Align and synchronize the provision of support programs, benefits and incentives for SEs
541 provided for in this Act; and
- 542 o. Perform such other functions as may be necessary for its effective operations and the
543 continued enhancement, growth and development of the SE sector.
544

545 **SECTION 10. Designation of Permanent Representatives to the Council.** Within 30 days from the
546 effectivity of this Act, Cabinet-ranked *ex-officio* members of the Council shall designate a permanent
547 representative to the council, to attend the meetings of the council in cases that the Cabinet-ranked
548 *ex officio* members cannot personally attend such meetings. The designated permanent
549 representative of any of the Cabinet-ranked members of the Council must hold a position not lower
550 than a bureau director.
551

552 **SECTION 11. Term and Appointment of SE Sector Representatives.** Within 90 days, DTI as Chair
553 shall convene members of the Council from the Philippine Government, as identified in Section 10,
554 who shall in turn, confirm representatives of social enterprises and social enterprise resource
555 institutions. Said SE and SE Resource Institution representatives must have been screened and pre-
556 selected by the SE sector convened by DTI, DA, and DSWD, in consultation with established social
557 enterprises and networks of SEs.
558

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

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

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

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

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

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

- a. Provide SEMP's with capability-training and education through the Social Enterprise Capability Building and Sustainability Program created under Section 17 of this Act.
- b. Develop and enhance a research and development system which shall equip every SE with innovative and sustainable approaches that ensures improvement in the access to basic social services by the poor pursuant to Section 18 of this Act;
- c. Manage a Social Enterprise Marketing Assistance Program (SMAP) that will ensure the generation of the highest possible income for the SEs pursuant to Section 19 of this Act.
- d. Implement capability building projects approved by the Council;
- e. Supervise capability- building projects approved by the Council implemented through reputable Social Enterprise Resource Institutions contracted for the purpose; and
- f. Research on existing policies and programs of other countries for benchmarking purposes (e.g. support system, ecosystem, programs, regulations).

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

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

624
625 SECTION 15. **Personnel.** – Subject to the civil service laws, rules and regulations, the Council is
626 authorized to select, appoint, employ and fix the compensation of the officers and employees of the
627 Secretariat and the NCSED as shall be necessary to carry out its functions.
628

629 SECTION 16. **Role of LGUs in SE Development.** – LGUs shall be enjoined to incorporate viable
630 SE Development Plans in their local development planning and to collaborate with SEMP. The
631 Gender and Development (GAD) Fund of LGUs may be used toward the design and implementation
632 of SE development plans at the local level.
633

634 Grants from government agencies, such as the Department of Interior and Local Government (DILG),
635 for civil society toward local development may also be used to support social enterprises.
636

637 SECTION 17. **Social Entrepreneurship Education in Schools.** – Toward strategically developing
638 the nation’s human resource capability in social entrepreneurship, the Department of Education
639 (DepEd) and the Commission on Higher Education (CHED) shall cause the integration of SE content
640 and inclusion of SE courses in the curricula at all levels, especially in the secondary and tertiary
641 levels. This shall be part of the SE Capability and Sustainability Program stated in this Act.
642

643 A continuing social enterprise education program for out-of-school youth and adults shall likewise be
644 developed and undertaken. The social entrepreneurship education program for primary and
645 secondary education shall include information regarding:
646

- 647 a. Social issues and civic ways of addressing them;
- 648 b. The producer as a steward of natural resources;
- 649 c. The consumer as a responsible member of society and their responsibility to develop critical
650 awareness which is the responsibility to be alert and questioning about environmental and
651 social impacts of the goods and services they use;
- 652 d. Social concern which is the responsibility to be aware of the impact of their consumption to
653 society, especially to the disadvantaged;
- 654 e. Environmental awareness which is the responsibility to understand the consequences of their
655 use of natural resources, consumption, recognizing their individual and social responsibility to
656 conserve natural resources for future generations; and
- 657 f. Gender justice, or the full equality and equity between men and women in all spheres of life,
658 resulting in women jointly, and on an equal basis with men, defining and shaping the policies,
659 structures, and decisions that affect their lives and society as a whole.

660
661 All higher learning institutions and vocational schools are mandated to include a subject on social
662 entrepreneurship in their social studies program or in their business, commerce, or economics
663 courses.

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CHAPTER III DEVELOPMENT OF SOCIAL ENTERPRISES

668 SECTION 18. **SE Capability Building and Sustainability Program; Creation of SE Development**
669 **Fund.** – There is hereby established a SE Capability Building and Sustainability Program whose
670 primary objective is to guarantee the viability and sustainability of SEMPS through activities that
671 advance, in general, both transformational services and transactional services. This program shall
672 include training in social entrepreneurship development institutional strengthening, human resource
673 competency and skills training, business planning and advisory services, upgrading of accounting and
674 auditing systems, technical assistance for the installation or improvement of management information
675 systems, technology intervention, technology incubation/commercialization, market studies, and
676 product development competitiveness, business matching activities, trade fairs and missions, policy
677 advocacy, gender and development, resiliency, and other related activities.
678

679 The SE Capability Building and Sustainability Program shall likewise include the establishment of an
680 insurance system for SEs affected by natural calamities in line with the National Framework Strategy
681 on Climate Change 2010-2022 as provided for under Republic Act No. 9729, otherwise known as the
682 "Climate Change Act of 2009," and Republic Act No. 10121, otherwise known as the "Philippine
683 Disaster Risk Reduction and Management Act of 2009."
684

685 For this purpose, there is hereby created and established an SE Development Fund (SEDF) in the
686 initial amount of Three Billion Pesos (₱3,000,000,000.00) to be administered by the Council
687 chargeable against the General Appropriations Act following the year of the effectivity of this Act. The
688 SEDF shall likewise be funded with one percent (1%) of the following: 2) collected taxes pursuant to
689 the implementation of Republic Act No. 10351, otherwise known as the "SIN Tax Act of 2012;" 3)
690 earnings derived by the Tourism Infrastructure and Enterprise Zone Authority (TIEZA) from its
691 collections; and 4) equity contributions of participating government financial institutions. Voluntary
692 contributions, grants, gifts from both local and foreign sources as may be accepted by the Council
693 shall also form part of the SEDF.
694

695 The Social Enterprise Development Fund may also come from programs or projects implemented by
696 national government agencies funded by development assistance from bilateral or multilateral
697 development partners.
698

699 Additional funding and appropriation shall be provided by the Office of the President as the needs
700 arise during calamities, pandemics and other extra-ordinary circumstances, subject to audit by the
701 Commission on Audit. Social enterprise resource institutions may receive funds for social enterprise
702 programs.
703

704 In addition to the SEDF, the 5% allocation for Gender and Development (GAD) programs of
705 government agencies and local government units as prescribed in Republic Act. No. 9710, otherwise
706 known as the "Magna Carta of Women Act of 2009," may be accessed by social enterprises which are
707 women-led or contribute to women's economic empowerment. The allocation can help build the
708 capacity of such enterprises, including further organizing women-led cooperatives and groups to
709 improve women's economic participation.
710

711 The SEDF shall be used for the purposes provided herein. Any undisbursed funds from the preceding
712 year shall form part of the disbursable portion of the SEDF in the following year.
713

714 Also to this end, there is hereby created a Social Enterprise Guarantee Fund Pool (SEGFP) which
715 shall be comprised of the five percent (5%) of the preceding year budget surplus of the government-
716 owned and controlled corporations and government financial institutions as contribution to the SEGFP
717 in accordance with relevant laws, charters and by-laws, in addition to voluntary contributions, grants
718 and gifts from both local and foreign sources as may be accepted by the Council.
719

720 The SEGFP shall be administered by the Council and shall be used to mitigate the risks involved in
721 SE sector lending, facilitating the provision of credit therefor. The fund shall be placed in trust with the
722 Land Bank of the Philippines for the purpose of providing guarantee cover to participating financial
723 institutions and other parties in extending financing to SEs: Provided, that the fund may also be used
724 to cover the performance bond of SEs in government procurement.
725

726 The Council, in coordination with the Land Bank of the Philippines, shall draw up the mechanics and
727 administrative arrangements and issue the implementing guidelines for the fund pool.
728

729 **SECTION 19. Cash Incentives for Persons with Disabilities (PWD).** - To level the playing field and
730 recognize the circumstances of start-up SEs primarily employing PWDs, the SEDF created in Section
731 18 of this Act shall provide a cash incentive for every PWD, in accordance with Republic Act No.
732 7277, otherwise known as the "Magna Carta for Disabled Persons Act of 1992," and other
733 marginalized sectors as may be provided by this law, representing at least twenty five percent (25%)
734 of the daily minimum wage, until such time that the said SE is able to achieve financial sustainability.
735

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

743 SECTION 21. **Social Enterprise Research and Development System.** -The Council, in coordination
744 with the Department of Science and Technology (DOST), NEDA, DTI, and other appropriate agencies
745 and research institutions, shall develop and enhance a research and development system that:

- 746
- 747 a) Provides studies on opportunities for poverty reduction and SE development in key economic
 - 748 subsectors and other inputs for the Council to undertake strategic planning for its PRESENT
 - 749 Program;
 - 750 b) Equip SEs and support institutions with technologies that are appropriate for enhancing the
 - 751 participation and benefits of the poor in various economic subsectors; and,
 - 752 c) Equip SEs and support institutions with innovative and sustainable approaches to improve
 - 753 access of the poor to quality basic social services.
- 754

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

757

758 SECTION 22. **Social Enterprise Marketing Infrastructure Development.** - The Council shall
759 promote the development and expansion of local and foreign markets for the products and services of
760 SEMP, guided by the principles of fair trade. Consistent with this, the Council shall:

- 761 a) Establish a SE Marketing Assistance Program (SMAP) that will assist SEMP match supply
 - 762 with demand in both domestic and foreign markets, as well as promote SE products and
 - 763 services through tri-media, trade fairs and trade missions;
 - 764 b) Develop, install and sustain a SE market information system (SMIN) with the assistance of
 - 765 the DTI and DICT which shall be called the SE Marketing Information Network (SMIN).
- 766

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

773

774 All government departments, agencies, bureaus, research institutions, as well as the LGUs shall
775 consolidate and continuously update all relevant information and data that would be of use to SEs on
776 a periodic basis and make such data available on a dedicated website on the internet. Data shall be
777 gender-disaggregated as far as possible. Compliance with the relevant laws, rules, and regulations
778 concerning data privacy shall be ensured.

779

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

- 782 a. Supply data;
 - 783 b. Demand data;
 - 784 c. Price and Price trends;
 - 785 d. Product standards;
 - 786 e. Directory of, but not limited to SEs, traders, key market centers, processors and
 - 787 business institutions both at the national and local levels;
 - 788 f. Information and technology generated from research institutions;
 - 789 g. International, regional and local market forecasts; and
 - 790 h. Resource accounting data.
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CHAPTER IV

794 **FINANCING AND BENEFITS**

795
796 SECTION 23. **Hybrid Financing.** – Social Enterprises shall be supported through hybrid financing to
797 enable them to provide a combination of transactional and transformational services to the
798 marginalized sectors, groups or persons they serve. Given the unique nature of SEs as wealth-
799 creating organizations that pursue their social mission to improve societal wellbeing in ways that are
800 ecologically and financially sustainable, they need to be supported through hybrid financing that
801 entails a combination of grants with loans and other financial instruments.
802

803 SECTION 24. **Special Credit Windows with non-collateralized loans.** – In addition to the special
804 credit windows provided for the promotion of microfinance as provided under Section 16 of Republic
805 Act No. 8425, the Land Bank of the Philippines, Development Bank of the Philippines, Philippine
806 Postal Bank, and Al Amanah Bank, and other public or government-owned banks are hereby
807 mandated to set aside at least ten percent (10%) of their total loan portfolio based on their balance
808 sheet in the end of the preceding quarter over a period of five (5) years and open a special credit
809 window for qualified SEs.
810

811 For a period of eight (8) years from the date of the effectivity of this Act, all other lending institutions
812 as defined under the Central Bank Act or the General Banking Act, as amended, shall likewise set
813 aside at least ten percent (10%) of their total loan portfolio that will not require a collateral based on
814 their balance sheet as of the end of the previous quarter and make the same available for SEs
815 through a special credit window. The BSP, in consultation with the Council, shall formulate the rules
816 for the effective implementation of this provision: Provided, That the purchase of government notes,
817 securities and other negotiable instruments shall not be deemed compliance with the foregoing
818 provision.
819

820 The Council shall establish a system to monitor all loan applications of SEs in order to account for the
821 absorptive capacity of the SE sector.
822

823 The BSP shall require lending institutions covered by this Act to furnish the Council on a quarterly
824 basis a regular report on their respective compliance with the above provisions on the mandatory
825 credit allocations for SEs and shall act immediately on the Council's reports of non-compliance
826 therewith.
827

828 The special credit window for SEMPS shall bear interest lower than the market rate and shall have
829 longer terms of payment and waiver of applicable fees.
830

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

- 833 a. Credit line for business development loan or working capital loan to cover the operational and
834 management expenses of a start-up or existing business or income generating project,
835 including receivable financing or purchase of additional inventory, soft or intangible
836 investments such as trade fair participation or acquisition of software or franchise
837 development packages;
- 838 b. Fixed assets financing to cover acquisition of fixed assets like machineries and equipment,
839 motor vehicle, or acquisition of lot for project site or construction of a plant and building and
840 the improvement thereof;
- 841 c. Value chain financing to cover any of the value chain activities such as production, processing
842 and marketing;
- 843 d. Domestic letter of credit or trust receipt to provide a stand-by credit facility for the SE borrower
844 for the purchase of product inputs, equipment, machinery, implements, and spare parts,
845 whereby payment of which is guaranteed and to be made to the seller by the lending
846 institution, provided all documents conform with the terms and conditions of the credit; and
- 847 e. Revolving Credit Line for re-lending to finance the livelihood project requirements of end-
848 borrowers.
- 849 f. A special credit line (X% of total loan portfolio) for women-led SEs or SEs that support women
850 (ie., 50%), particularly those in the agricultural and informal sectors. Women shall have no
851 barriers to economic participation as provided for in Republic Act No. 7192, otherwise known
852 as the "Women in Development and Nation Building Act of 1992."
853

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

859
860 There will be three windows under this fund facility, namely: capacity-building grant; start up
861 enterprise grant; and ecosystem-building grant. The SE Council shall formulate the guidelines for the
862 management and implementation of grant assistance.

863
864 SECTION 28. **Tax Credits.** – SEDC will develop a system of valuation of social, economic and
865 ecological contributions of social enterprises and the social impact on the marginalized sectors they
866 serve, as bases for tax credits from the government.

867
868 SECTION 29. **Preferential Rights.** – Without prejudice to preferential rights already available to
869 specific enterprises or organizations under other laws, qualified SEMP's shall be accorded a
870 preferential right in the procurement process and in the implementation of procurement contracts by
871 the government in all its branches, departments, agencies, subdivisions, and instrumentalities,
872 including in the government-owned and controlled corporations and local government units.

873
874 Such a preferential right is anchored not just in economic efficiency but in social values which provide
875 long-term benefits to society. As defined in this bill, social value refers to the additional benefit to
876 society of procuring a good or service, over and above the direct benefit and value of the good or
877 service to the procuring entity.

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

881
882 Such a preferential right, however, shall not be prejudicial to the interests of the government and the
883 public.

884
885 SEMP's shall be given priority and preference in the following procurement processes:
886 a. Direct contracting as provided under Section 50 of Republic Act No. (RA) 9184, otherwise
887 known as the "Government Procurement Reform Act of 2002," may be resorted to if the
888 contracting party selling the goods and services required by the procuring entity is a social
889 enterprise as qualified by the Council.
890 b. Shopping as provided under Section 52, paragraph (a) of RA 9184 may be resorted to when
891 there is an unforeseen contingency requiring immediate purchase: *Provided*, That the
892 procurement of the goods and services shall be first obtained from the social enterprise within
893 the area of operation of the procuring entity which is duly qualified by the Council as having
894 the capacity to supply the required goods and services: *Provided, further*, That the amount
895 shall not exceed Five hundred thousand pesos (P500,000.00).
896 c. Shopping as provided in Section 52, paragraph (b) of RA 9184 may be resorted in the
897 procurement of ordinary or regular office supplies and equipment not available in the
898 Procurement Service involving an amount not exceeding Two hundred fifty thousand pesos
899 (P250,000.00): *Provided*, That the Procurement does not result in splitting of contracts:
900 *Provided, further*, That a price quotation shall be first obtained from a social enterprise as
901 qualified by the Council as having the capacity to furnish or provide the required office
902 supplies and equipment. Only in the event of failure of submission or absence of SE price
903 quotation that at least three (3) price quotations from other bona fide suppliers shall be
904 obtained.
905 d. Negotiated procurement as provided under Section 53 of RA 9184 may be allowed when the
906 goods or services subject of the procurement may be obtained from a SE within the area of
907 operation of the procuring entity which is duly qualified by the Council as having the capacity to
908 supply the required goods and services.
909 e. Social enterprises established by and for Persons with Disability (PWD) shall be qualified under
910 the Department of Education's Supply and Delivery of Furniture for Elementary, Junior and
911 Senior High Schools under the 10% Allocation for Cooperatives of Persons with Disability.

912 f. A procuring entity, when applicable, shall have at least one member representing SEMPS.
913

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

920 SECTION 30. **Insurance for Social Enterprises.** The Insurance Commission shall issue the necessary
921 rules and regulations and implement measures to ensure that the insurance industry shall provide
922 insurance products, both life and non-life, for social enterprises and their stakeholders among the poor.
923 Furthermore, SEMPS shall be assisted to become eligible and effective insurance providers to their
924 clients and constituents.

925 SECTION 31. **Support for Social Investors and SE Resource Institutions.** – The government shall
926 develop a program that fosters a community of social investors and resource institutions supportive of
927 social enterprises.

928 SECTION 32. **Appropriations.** – The amount necessary to implement the provisions of this Act
929 shall be charged against the current year's appropriation of the Office of the President. Thereafter,
930 such sums as may be necessary for its continued implementation shall be included in the GAA. The
931 budget requirements for the implementation of this Act for cooperating agencies shall be incorporated
932 in their respective budgets.

933 SECTION 33. **Penal Clause.** – The penalty of imprisonment for not less than six (6) months but not
934 more than two (2) years or a fine of not less than two hundred fifty-thousand (P250,000) or both
935 imprisonment and fine, at the discretion of the court, shall be imposed upon any person, who,
936 intentionally or by gross negligence, fails to provide the benefits, rights and incentives granted to SEs
937 in violation of this Act or perform any act in violation of its provisions.

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

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

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

951 SECTION 35. **Joint Congressional Oversight Committee.** – Upon the effectivity of this Act, a
952 Congressional Oversight Committee, hereafter referred to as the PRESENT Oversight Committee is
953 hereby constituted. This Committee shall set the overall framework to review the implementation of
954 this Act. It shall likewise determine inherent weaknesses in the law and recommend necessary
955 remedial legislation or executive measures.

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

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

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973 **SECTION 36. Separability.** – If any provision or part of this Act is declared invalid or unconstitutional,
974 the remaining parts or provisions not affected shall remain in full force and effect.

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976 **SECTION 37. Implementing Rules and Regulations.** – Within ninety (90) days from the effectivity of
977 this Act, the Department of Trade and Industry shall, in consultation and coordination with the
978 concerned government agencies and social enterprise sector, promulgate the necessary rules and
979 regulations for the effective implementation of this Act.

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981 **SECTION 38. Repealing Clause.** – For purposes of this Act, Section 11 of RA 8425 and Sections 50,
982 52 and 53 of RA 9184 which are inconsistent with this Act are hereby deemed amended. All other
983 laws, executive orders, presidential decrees, rules and regulation or parts thereof inconsistent with
984 any provisions of this Act are hereby repealed, amended or modified accordingly.

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

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989 Approved,

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