

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

Sixteenth Congress
First Regular Session

HOUSE BILL NO. **2380**



Introduced by:

HON. GUS S. TAMBUNTING

EXPLANATORY NOTE

It is declared in our Constitution as 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. Also, it is declared as State Policy that the promotion of social justice in all phases of national development as well as in valuing the dignity of every human person and the full respect for human rights. To amplify these policies, our Constitution further stated that the goals of the national economy should be towards an equitable distribution of opportunities, income, and wealth, a sustained increase in the amount of goods and services produced by the nation for the people; and an expanding productivity aimed in raising the quality of life for all, especially the underprivileged.

In order to accomplish these goals, the role of enterprises in the economy as the major agent of development should be recognized. More importantly, in compliance with these policies, the creation of off-farm employment opportunities and transitional means for improving the livelihood of the people are instrumental in alleviating our nation. Nonetheless, the protection of Filipino enterprises is a foremost goal towards uplifting the plight of the people.

Thus, this bill is filed with the objective of promoting a poverty reduction program with an environment conducive to the development and growth of an effective social enterprise sector that adheres to the State Policy in poverty reduction, economic and social development. In the end, it will empower the poor as primary stakeholders in social enterprises, thereby establishing mechanisms essential to realizing their potential and achieving their full growth, and extend the assistance necessary for their advancement. To fully implement the objective of this bill, it seeks to ordain the promotion of social enterprise as a means to alleviate poverty through poverty-reduction programs.

Social Enterprise or SE is referred in this bill as a wealth-creating organization, however organized, whether an association, single proprietorship, partnership, corporation,

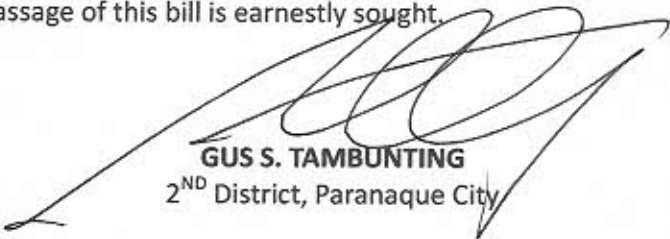
cooperative, or any other legal form, whose primary stakeholders are marginalized sectors of society, engaged in providing goods and/or services that are directly related to its mission of improving societal well-being. It distinguishes SE from other forms of small enterprises as SE is established to achieve triple bottom lines such as financial, social and ecological. More importantly, the role of SE is to generate profit or surplus with due regard to social and environmental costs, and makes a pro-active contribution to resolving social and environmental.

For the SE to accomplish the goal of this noble legislation, incentives and benefits are given which includes credit windows, pool of funds and creation of a developmental trust fund. Further, the incentives and benefits are only given to eligible SE in order to ensure that only SE who has the poor as primary stakeholders (SEPPS) will benefit. Thus, in the end, the social mission of SE will be accomplished in accordance to this bill.

Furthermore, this bill has already included the latest comments and additions prepared by the PRESENT Coalition that were also integrated in its Senate version.

In the end, the underprivileged will be given the opportunity to alleviate themselves from their economic conditions, such that through SE, they will become self-sustaining and thus, a major contributor in the economic boom of our nation.

Thus, the passage of this bill is earnestly sought.



GUS S. TAMBUNTING
2ND District, Paranaque City

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

Sixteenth Congress
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HOUSE BILL NO 2380

Introduced by:

HON. GUSTAVO S. TAMBUNTING

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 INCENTIVES AND BENEFITS, AND APPROPRIATING FUNDS THEREFOR.

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

**CHAPTER I
GENERAL PROVISIONS**

1 SECTION 1. *Short Title.* – This Act shall be known as the “*Poverty Reduction Through Social*
2 *Entrepreneurship Act.*”
3

4 SECTION 2. *Statement of Policy.* – It is declared as policy of the State the promotion of a
5 just and dynamic social order ensuring the prosperity and independence of the nation and
6 freedom of the people from poverty through policies that provide adequate social services,
7 promote full employment, a rising standard of living, and an improved quality of life for all. The
8 State shall provide social justice in all phases of national development.
9

10 As a State Policy, the goals of the national economy are a more equitable distribution of
11 opportunities, income, and wealth; a sustained increase in the amount of goods and services
12 produced by the nation for the benefit of the people; and an expanding productivity as the key to
13 raising the quality of life for all, especially the underprivileged.
14

15 The State shall promote industrialization and full employment based on sound agricultural
16 development and agrarian reform, through industries that make full and efficient use of human
17 and natural resources, and which are competitive in both domestic and foreign markets.
18 Notwithstanding, the State shall protect Filipino enterprises against unfair foreign competition and
19 trade practices.
20

1 The State also recognizes the important role of enterprises in the economy as the major
2 agent of development, creating off-farm employment opportunities and providing transitional
3 means for improving the livelihood of the people.

4
5 Towards this end, the State shall pursue a poverty reduction program that promotes an
6 environment conducive to the development and growth of a vibrant social enterprise sector
7 engaged in poverty reduction, economic and social development. It shall empower the poor as
8 primary stakeholders in social enterprises, establish mechanisms essential to realizing their
9 potential and achieving their full growth, and extend the assistance necessary for their
10 advancement. The State shall likewise ensure that the provision for technical and financial
11 assistance, incentives and other services are free from any condition that might infringe upon the
12 autonomy or organizational integrity of the social enterprises to enable them to develop into
13 viable and vital anti-poverty agents, and a strong social entrepreneurship movement which will be
14 instrumental in reducing poverty in the country.

15
16 SECTION. 3. *Definition of Terms.* – As used in this Act:

17
18 a) *Social Enterprise* or *SE* refers to a wealth-creating organization, however organized,
19 whether an association, single proprietorship, partnership, corporation, cooperative, or any
20 other legal form, whose primary stakeholders are marginalized sectors of society, engaged in
21 providing goods and/or services that are directly related to its mission of improving societal
22 well-being. It is established to achieve triple bottom lines such as financial, social and
23 ecological. It generates profit or surplus with due regard to social and environmental costs, and
24 makes a pro-active contribution to resolving social and environmental.

25
26 A social enterprise for purposes of this act shall mean a Social Enterprise with the Poor as
27 Primary Stakeholders (SEPPS). A SEPPS is a social enterprise that explicitly declares and pursues
28 poverty reduction/alleviation or improving the quality of life of specific segments of the poor as
29 principal objective. A SEPPS engages and invests in the poor to become effective workers,
30 suppliers, clients and/or owners, and/or ensures that a substantive part of the wealth created
31 by the enterprise is distributed to, or benefits them. In addition to reinvesting its surplus or
32 profits back to the enterprise to sustain the fulfilment of its social mission, a SEPPS also uses its
33 surplus or profits and mobilizes other resources to assist the poor to become partners in SE or
34 value chain management/governance and to become partners in community, sectoral and
35 societal transformation.

36
37 b) *Absolute poverty* refers to the condition of the household below the food threshold level;

38
39 c) *Assets* refer to all kinds of properties, real or personal, owned by the social enterprise (SE)
40 as defined in paragraph (dd) of this Section and used for the conduct of its
41 business: *Provided, That* for the purpose of exemption from taxes and to benefit from other
42 incentives under this Act, this term shall mean all kinds of properties, real or personal, owned
43 and/or used by the SE for the conduct of its business;

44
45 d) *Basic sectors* shall refer to the disadvantaged sectors of Philippine society, namely: farmer-
46 peasant, artisanal fisherfolk, workers in the formal sector and migrant workers, workers in the
47 informal sector, indigenous peoples and cultural communities, women, persons with disability,
48 senior citizens, victims of calamities and disasters, youth and students, children, and urban poor

as defined under Republic Act (R.A.) No. 8425, otherwise known as the "Social Reform and Poverty Alleviation Act";

e) *Bottom line* shall refer to the objectives or purposes for which a SE is established. *Triple bottom line* shall refer to social, ecological and financial objectives;

f) *Capability building* refers to the process of enhancing the viability and sustainability of SEs and pertain to education, training, coaching and other learning events like study tours; technical, consultancy and advisory services; assistance in organizational systems development; technology incubation, development and dissemination; value chain and subsector development; conduct of SE trade fairs and missions; networking and policy advocacy initiatives and other such activities that enable SEs to be effective and efficient vehicles for poverty reduction. The term capability building precludes the grant of any loan or equity funds to the SE and shall in no way refer to the provision of equity investments, seed funding, partnership's seed funds, equity participation, start-up funds or any such activity that connotes the infusion of capital or funds from the government or from the SE Development Fund created under Section 16 of this Act;

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

h) *Council* shall refer to the SE Council;

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

j) *Corporate Social Responsibility or CSR* shall refer to the commitment of a private enterprise or business to contribute on a voluntary basis to a sustainable social and economic development by working with relevant stakeholders to improve their lives in ways that are good for business, the social reform agenda, the sustainable development agenda, and society at large. CSR-related activities shall include, but not be limited to, the following: 1) Charitable programs and projects; 2) Scientific research; 3) Youth and sports development; 4) Cultural or educational promotion; 5) Services to veterans and senior citizens; 6) Social welfare; 7) Environmental sustainability; 8) Health development; 9) Disaster relief and assistance; and Employee and worker welfare related CSR activities;

k) *Economic subsectors* are networks of related actors and enterprises performing various functions in value chains. These actors and enterprises transform raw materials into finished products, or develop services, and distribute or provide them through market channels to final consumers; they may be identified by key raw material source, by finished product or final service provided. An economic subsector may be comprised of several competing value chains. By understanding the dynamics of economic subsectors and using them as units of planning

1 social entrepreneurship interventions, government agencies, support institutions and SEs shall
2 more effectively reach and benefit a greater number of poor in poverty reduction programs;
3

4 *l) Empowerment strategy* shall mean a development strategy that enables the marginalized
5 sectors to own, manage, and control SEs in order for them to reap maximum benefits from it
6 and which acts as a channel for directly distributing income;
7

8 *m) Fair trade* shall refer to a trading partnership based on dialogue, transparency and respect
9 and which seeks greater equity in international trade and the transformation and adaptation of
10 trading structures and practices in favor of the poor and disadvantaged by offering better
11 trading conditions to, and securing the rights of, marginalized producers and workers;
12

13 *n) Fair trade organizations* shall mean enterprises certified by internationally and nationally
14 recognized Fair Trade networks;
15

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

23 *p) Foundation* shall mean the categorization of a non-profit organization that typically either
24 donates funds and support to other organizations or provides the source of funding for its own
25 charitable purposes. Unlike a company, foundations have no shareholders though they may
26 have a board, an assembly and voting members. A foundation may hold assets in its own name
27 for the purposes set out in its constitutive documents, and its administration and operation are
28 carried out in accordance with its statutes or articles of association rather than fiduciary
29 principles;
30

31 *q) GPPB* refers to the Government Procurement Policy Board established in accordance with
32 Article X of R.A.No.9184, otherwise known as the "Government Procurement Reform Act;"
33

34 *r) Intermediation strategy* shall refer to a development strategy that provides financial,
35 agricultural, business development and institutional development services to the
36 entrepreneurial poor and employers of the poor and provides as well product development and
37 marketing support using the principles of fair trade to marginalized producers. A SE engaged in
38 intermediation strategy need not be owned by the marginalized stakeholders but provide
39 immediate access to services among a critical mass of these marginalized stakeholders;
40

41 *s) Marginalized Sectors* shall refer to groups of people who are stigmatized or marginalized by
42 virtue of their physical, psychological, economic, social or cultural circumstance;
43

44 *t) Micro-enterprise* as defined in R.A. No. 6977, as amended by R.A. No. 9501, otherwise
45 known as the "Magna Carta for Small Enterprises," shall refer to any business activity or
46 enterprise engaged in industry, agribusiness and/or services, whether single proprietorship,
47 cooperative, partnership or corporation whose total assets, inclusive of those arising from loans
48 but exclusive of the land on which the particular business entity's office, plant and equipment
49 are situated, must have a value of not more than Three Million Pesos (₱3,000,000.00). This

amount is subject to review and adjustments by the Micro, Small and Medium Enterprises Development (MSMED) Council, taking into account inflation and other economic indicators and may use other variables such as number of employees, equity capital and assets size;

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

v) *Minimum basic needs* shall refer to the needs of a Filipino family pertaining to survival (food and nutrition; health; water and sanitation), security (shelter; peace and order; public safety, income and livelihood); and enabling services (basic education and literacy, participation in community development, family and psycho-social care);

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

x) *People's Organization or PO* refers to a self-help group belonging to the basic sectors and/or disadvantaged groups composed of members having a common bond of interest who voluntarily join together to achieve a lawful common social or economic end;

y) *Persons with Disability* shall refer to individuals with restriction or different abilities, as a result of a mental, physical or sensory impairment, to perform an activity in the manner or within the range considered normal for a human being;

z) *Poor* shall refer to individuals and families whose income fall below the poverty threshold as defined by the National Economic and Development Authority and/or are deprived of the means to provide in a sustained manner their minimum basic needs of food, health, education, housing and other essential amenities of life, as defined under R.A. 8425;

aa) *Poverty reduction/alleviation* shall mean overcoming the income, resource, and capability deprivation among the poor as defined in the preceding paragraph and the marginalized sectors as defined in paragraph (q) hereof;

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

cc) *Procuring Entity* refers to any branch, department, office, agency, or instrumentality of the government, including state universities and colleges, government-owned and/or - controlled corporations, government financial institutions, and local government units procuring Goods, Consulting Services and Infrastructure Projects;

- 1 *dd) Resource mobilization strategy* shall refer to a development strategy intended to
2 generate income from the sale of products and services of a SE in order to finance or
3 subsidize the operations of its core development program or development interventions
4 among the marginalized sectors;
5
- 6 *ee) SEGFP* refers to the SE Guarantee Fund Pool created under this Act;
7
- 8 *ff) Social development* refers to the continuing process of addressing the needs of
9 society, beginning with the people's minimum basic needs, through a systematic
10 implementation of socioeconomic programs or packages;
11
- 12 *gg) Social Enterprise Service Institution* refers to an organization that provides assistance
13 to SEs for them to become viable and sustainable and which assistance pertains to supplying
14 needs such as trainings, education and other capacity-building measures, research and
15 development, and other similar activities;
16
- 17 *hh) Social Enterprise Advocacy Group* refers to an organization whose primary purpose
18 is supporting the cause of SEs especially with regard to public policy and articulating issues
19 or causes related to social entrepreneurship;
20
- 21 *ii) Social entrepreneur* refers to an innovative individual or institution that promotes
22 the creation and operationalization of enterprises or livelihood endeavors for those in need
23 or which address social problems and improve societal well-being;
24
- 25 *jj) Social entrepreneurship* entails innovations designed to explicitly improve societal
26 well-being, housed within entrepreneurial organizations, which initiate, guide or contribute
27 to change in society;
28
- 29 *kk) Social Inclusion strategy* refers to the development strategy that assists groups of
30 people who are stigmatized or marginalized by virtue of their physical, psychological,
31 economic, social or cultural circumstance in order to restore their dignity by not only
32 removing the barriers that limit their access to the delivery of basic social services and
33 employment, but more importantly, by nurturing work and other environments that create
34 avenues for their participation as productive members of society;
35
- 36 *ll) Social Investors* are individuals or institutions that choose to put in money to a
37 business endeavor or activity not principally for financial profit but to fulfill a social mission
38 which may include poverty reduction, concern for environmental protection, strong
39 organizational governance, and a desire for a more economically just world;
40
- 41 *mm) Social reform* refers to the continuing process of addressing the basic inequities in
42 society through a systematic, unified and coordinated delivery of socioeconomic programs
43 or packages;
44
- 45 *nn) Transactional roles* refer to enterprise-related functions performed by the poor that
46 involve an exchange of goods or services for money including being workers, suppliers,
47 clients or owners;
48

1 oo) *Transformational roles* are functions performed by the poor as conscious agents of
2 change to lift their own selves from poverty and to participate in group efforts to improve
3 the quality of life of their community, sector or society as a whole;
4

5 pp) *Transactional services* pertain to enterprise or market-driven activities, such as
6 providing loans, demonstrating new technologies or conducting trainings that are necessary
7 for the poor in the SE system to effectively and efficiently perform their roles as workers,
8 suppliers, clients and owners. Transactional services may be fee-based, such as the granting
9 of loans, or non-fee based, such as the extension of production-related trainings;
10

11 qq) *Transformational services* pertain to activities such as leadership formation,
12 organizational development, financial and legal literacy development, asset build-up, and
13 other educational and experiential learning opportunities, that empower the poor to
14 become conscious change agents for themselves, for their communities, sectors and
15 society as a whole;
16

17 rr) *Underemployment* shall mean an economic position where an employed person's
18 desire to have additional hours of work in his/her present job or to have an additional job,
19 or to have a new job with longer working hours is not met;
20

21 ss) *Unemployment* shall mean an economic situation where persons who are 15 years
22 old and over simultaneously satisfy the following criteria: (1) without work or have no job
23 or business; (2) available for work and willing to take up work in paid employment or self-
24 employment; (3) seeking work and had taken specific steps to look for a job or establish a
25 business but failed to secure work or set up a business;
26

27 tt) *Value chain* refers to value-adding economic activities that an enterprise is
28 interlinked with in the process of producing goods and/or services to serve its chosen
29 market. A value chain typically consists of: 1) inbound distribution or logistics, 2)
30 manufacturing operations, 3) outbound distribution or logistics, 4) marketing and selling,
31 and 5) after-sales service. These activities are supported by 6) purchasing or procurement,
32 7) research and development, 8) human resource development, and 9) organizational
33 development. A SE that understands and manages its value chain improves its capability to
34 create economic, environmental and social values towards improving the position and
35 benefits of the poor in the value chain and towards ensuring the viability and sustainability
36 of the enterprise.
37
38

39 CHAPTER II

40 POVERTY REDUCTION THROUGH SOCIAL ENTERPRISES

41

42 SECTION 4. *Social Enterprise (SE); General Concept and Coverage* – A Social Enterprise (SE),
43 for purposes of this Act, refers to a *Social Enterprise with the Poor as Primary Stakeholders* (SEPPS)
44 as the term is defined in Sec. 3 (a) of this Act. It may be collectively owned by the poor in the form
45 of cooperatives, associations, or other legal form, where the poor are the exclusive owners or
46 comprise a majority of the shareholders, partners or members. SEPPS also include NGOs or other
47 organizations that engage in wealth-creating activities, the proceeds of which are used exclusively
48 to sustain the fulfillment of their social mission.
49

1 SECTION 5. *Eligibility for Benefits and Incentives.* – To be eligible for the benefits and
2 incentives provided for in this Act, the SE shall:

- 3
- 4 a) provide or facilitate the provision of a combination of transactional and/or
5 transformational services to improve the position and benefits derived by the poor from
6 the SE and the value chain or economic subsector where the SE is located, including
7 becoming worker-owners, supplier-owners, supervisors and managers, active members
8 and leaders in governing bodies of the SE or its allied organizations;
- 9
- 10 b) invest a substantive part of its surplus, profits or mobilize other resources to assist the
11 poor to become partners in SE or value chain management/governance and/or to
12 become partners in community, sectoral and societal transformation;
- 13
- 14 c) make a pro-active contribution to resolving social and environmental problems and
15 generate profit or surplus with due regard to social and environmental costs;
- 16
- 17 d) employ any of the following development strategies in the pursuit of its social mission: 1)
18 empowerment strategy; 2) social inclusion strategy; 3) intermediation strategy; and,
19 resource mobilization strategy;
- 20
- 21 e) be engaged in an economic activity within the sectors of agriculture and fisheries,
22 industry and services which, for purposes of this Act, shall refer to an activity in any of
23 the economic subsectors;
- 24
- 25 f) ensure that a substantive part of the wealth created by the enterprise is distributed to
26 the poor in the form of services, dividends and other forms of benefits, and payments
27 and incentives for products or services rendered consistent with the principles of fair
28 trade;
- 29
- 30 g) be duly registered with the appropriate agencies as provided under the Corporation
31 Code or the Cooperative Code of the Philippines, Magna Carta for Micro, Small and
32 Medium Enterprises, Barangay Micro Business Enterprises Act and other laws.
- 33

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

38

39

40 SECTION 6. *Other Eligibility Provisions.* In the case of social enterprises organized as stock
41 corporations, partnerships or sole proprietorships, the following additional requirements shall
42 apply:

43

- 44 a. A Social Enterprise organized as a stock corporation must not be a branch,
45 subsidiary or division of a private business enterprise, regardless of the size of such private
46 business enterprise, nor may its policies be determined by a private business enterprise.
47 *Provided,* that this shall not preclude an SE from accepting subcontracts from large private
48 business enterprises or firms or from joining in cooperative or joint-venture activities with
49 other SEs or foundations practicing CSR.

b. A social enterprise must not be organized a branch, subsidiary or division of a private business enterprise, regardless of the size of such private business enterprise, nor may its policies be determined by a private business enterprise. *Provided*, that this shall not preclude a SE from accepting subcontracts from large private business enterprises or firms or from joining in cooperative or joint-venture activities with other SEs or foundations practicing CSR.

c. A social enterprise organized as stock corporations, partnerships or sole proprietorships, must invest at least 60% of its gross revenues to sustain the fulfilment of its social mission or to provide transformational services for the poor.

SECTION 7. *Rules and Regulations for Application and Qualification of SEPPS.* – Within ninety (90) days from the date it is first convened, the Social Enterprise Development Council shall formulate the implementing rules and regulations for the application and accreditation of enterprises to qualify as SE under this Act, following the principles of self-regulation, transparency and responsibility.

SECTION 8. *Formulation of a Poverty Reduction Through Social Entrepreneurship (PRESENT) Program* — To promote the development of a SE sector with the poor as primary stakeholders, a comprehensive and fully-integrated Poverty Reduction Through Social Entrepreneurship (PRESENT) Program, shall be formulated, guided by the following principles:

- a) Incorporation of the PRESENT Program in the government's poverty reduction drive as a major sustainable and comprehensive strategy;
- b) Rationalization of poverty reduction programs by streamlining and coordinating the various anti-poverty programs of the government to reduce inefficiency and duplication and to improve the effectiveness of each program;
- c) People's participation and empowerment by mobilizing civil society organizations and social movement groups working with the poor;
- d) Promoting sustainable programs that reduce inequality in incomes across economic sectors and increase self-reliance among the poor;
- e) Enabling SEs to overcome constraints and to take advantage of opportunities for enhancing the position and benefits of the poor in economic subsectors and value chains;
- f) Gender-sensitivity by ensuring women's equal rights and access to SE's resources; and,
- g) Development of sustainable mechanisms for the provision of quality and accessible social services to the poor.

The planning framework of the PRESENT Program and its planning process shall ensure that the poor are engaged as primary stakeholders. It shall add value and complement ecosystem-based, area-based, community-based and other tools and processes in local economic

1 development by promoting and utilizing the economic subsector as a strategic unit of analysis and
2 planning SE development interventions.

3
4 The PRESENT Program shall identify and develop key SEs and resource institutions as
5 partners in strategic economic subsectors that have the potential for growth and where large
6 numbers of the poor are concentrated. SEs shall be developed as vehicles to ensure that the poor
7 benefit the most from sustainable subsector development.

8
9 PRESENT medium-term and annual development plans shall be formulated in synchrony
10 with the medium-term development plan of the national government.

11
12 SECTION 9. *Social Enterprise Development Council.* – To carry out the policy declared
13 under this Act, a Social Enterprise Development Council (SEDC), hereinafter referred to as the
14 Council, is hereby created as an agency attached to the Department of Trade and Industry (DTI). It
15 shall be the primary agency tasked to carry out the promotion, growth and development of social
16 enterprises in the country.

17
18 The Council shall be composed of the following:

- 19
20 a) Secretary of Trade and Industry, as chairperson;
21 b) Secretary of Agriculture, as co-vice chairperson
22 c) Lead Convenor of the National Anti-Poverty Council (NAPC), as co-vice chairperson;
23 d) SE sector head representative, as co-vice chairperson;
24 e) Secretary of Securities and Exchange Commission
25 f) Chairman of the Cooperative Development Council
26 g) Secretary of Social Welfare and Development;
27 h) Director-General of the National Economic Development Authority (NEDA);
28 i) Secretary of Finance;
29 j) Secretary of the Interior and Local Government;
30 k) Secretary of Labor and Employment;
31 l) Secretary of Science and Technology;
32 m) Secretary of Education;
33 n) Secretary of Agrarian Reform;
34 o) Secretary of Health;
35 p) Secretary of Environment and Natural Resources;
36 q) Chairperson of the Cooperative Development Authority (CDA);
37 r) Nine (9) representatives from SEs, three (3) representatives each from the main
38 island groupings of Luzon, Visayas, and Mindanao;
39 s) Three (3) representatives from SE service institutions; and
40 t) Three (3) representatives from SE advocacy groups, as members.

41
42 The Council shall, from time to time, call upon the participation of any government agency
43 to attend in its meetings to assist in clarifying issues and finding resolution to problems that
44 concern their respective offices with respect to the implementation of the PRESENT Program
45 enunciated under this Act or any development program for SEs.

46
47 SECTION 10. *Designation of Permanent Representatives to the Council.* Within 30 days
48 from the effectivity of this Act, Cabinet-ranked *ex-officio* members of the Council shall designate a
49 permanent representative to the council, to attend the meetings of the council in cases that the

1 Cabinet-ranked *ex officio* members cannot personally attend such meetings. The designated
2 permanent representative of any of the Cabinet-ranked members of the Council must hold a
3 position not lower than a bureau director.
4

5 SECTION 11. *Term and Appointment of SE Sector Representatives.* Within 90 days from the
6 effectivity of this Act, the President shall select and appoint the representatives of the SEs from
7 the main island groupings of Luzon, Visayas and Mindanao, the SE Service Institutions, and the SE
8 Advocacy Groups from among the nominees submitted by their respective organizations.
9 Nominations for representatives shall be submitted within 60 days from the effectivity of this Act.
10 These representatives must be conversant in the theory and practice of SE under this Act.
11

12 Of those first appointed after the effectivity of this act, five (5) representatives, consisting
13 of a representative each for Luzon SEs, Visayas SEs, Mindanao SEs, SE Service Institutions, and SE
14 Advocacy Groups, shall serve for a term of three (3) years. A second group of five (5)
15 representatives, with the same composition above, shall serve for a term of two (2) years, while a
16 third group shall serve for a term of one (1) year.
17

18 All SE representatives shall thereafter be appointed to serve for a term of three (3) years.
19 No person shall be appointed to serve as an SE representative in the SEDC for more than a period
20 of two (2) terms.
21

22 Any vacancy in the SEDC arising from the death, incapacity, resignation, or termination of
23 the term of an appointed SE representative shall be filled up within 90 days from the occurrence
24 of the said vacancy. All nominations to the vacancy shall be submitted within 60 days from the
25 occurrence of such. In the case of a vacancy arising from death, incapacity or resignation, the
26 representative appointed to the vacancy shall serve only for the remaining period of the term for
27 the vacated office.
28

29 SECTION 12. *Powers and Functions.* – The Council shall have the following powers and
30 functions:
31

- 32 a) Formulate policies, plans, programs and projects to develop and promote SEs as a
33 tool for poverty reduction consistent with national development objectives;
- 34 b) Oversee the successful implementation of the PRESENT Program and other SE
35 programs;
- 36 c) Identify and access sources of financing to expand the SE sector;
- 37 d) Monitor and evaluate the performance of programs and projects for appropriate
38 incentives;
- 39 e) Call upon any government agency to carry out and implement programs and
40 projects identified by the Council;
- 41 f) Call upon people's organizations, non-government organizations, the academe and
42 other sectors to provide advice on matters pertaining to SEs and conduct of transactional
43 and transformational services to farmers, producers, workers, consumers and other
44 stakeholders;
- 45 g) Submit annual and other periodic reports to the President and the Congress of the
46 Philippines through the Congressional Oversight Committee;
- 47 h) Promulgate such rules and regulations and exercise such other powers and
48 functions as may be necessary to carry out the purposes of this Act; and
- 49 i) Perform such other functions as may be necessary for its effective operations and

1 the continued enhancement, growth and development of the SE sector.

2
3 SECTION. 13. SEDC: How Convened, Quorum, and *Per Diem*. Within 90 days from the
4 effectivity of this Act, and upon the appointment of at least 10 representatives for the SE Sector,
5 the SEDC shall be convened upon the call of its Chairperson or his permanent designated
6 representative. The Council shall thereafter meet at least once every quarter, and may
7 furthermore be convened for special meetings through a call of the Chairman, his designated
8 permanent representative, or a majority of the Council members, as may be necessary.

9
10 A majority of all the members of the SEDC shall constitute a quorum to do business.
11 *Provided that*, in no case shall the SEDC be convened without the attendance of at least five (5) of
12 the representatives for the SEs, SE Service Institutions, and SE Advocacy Groups.

13
14 The Chairperson and members of the Council shall be entitled to a reasonable *per diem* for
15 each meeting actually attended at such amount as may be fixed by the Council in accordance with
16 existing laws, rules and regulations.

17
18 SECTION 14. SEDC Executive Committee. The Council may create an Executive Committee
19 of seven (7) members elected by its members from among themselves or their designated
20 permanent representatives, with at least three (3) members representing the SEs, and with the
21 authority to act for the Council, and within the specific authority granted by the Council.

22
23 SECTION 15. *Secretariat*. – There is hereby created a Secretariat headed by an Executive
24 Director and two (2) Deputy Directors, and supported by staff, whose composition shall be
25 determined by the SEDC, to serve as the national, technical and administrative secretariat of the
26 Council with the member agencies providing additional support staff when the need arises. The
27 Secretariat shall perform the following functions:

- 28
29 a) Provide administrative support to the Council, with the assistance of the National
30 Economic and Development Authority secretariat in the formulation of the PRESENT
31 development programs and plans;
32 b) Assist the Council in the implementation of the PRESENT development program and
33 the annual and medium-term development plan;
34 c) Assist the Council in the accreditation of SEs;
35 d) Assist the Council in monitoring the PRESENT development programs and the
36 activities of the various concerned government agencies with respect to SEs;
37 e) Prepare, collate and integrate all necessary inputs to the Council's yearly report on
38 the status of SEs in the country;
39 f) Submit periodic reports to the Council on the progress and accomplishment of its
40 work programs; and
41 g) Perform other functions that may be assigned and authorized by the Council.

42
43 SECTION. 16. *Office*. – The Council shall have its principal place of business in Metro
44 Manila and may establish such branches within the Philippines as may be deemed necessary by
45 the President of the Philippines to carry out the powers and functions of the Council.

46
47 SECTION. 17. *National Center for Social Enterprise Development*. – There shall be
48 established a National Center for Social Enterprise Development (NCSSED) under the Council which
49 shall perform the following functions:

- a) Provide SEs with capability-training and education through the Social Enterprise Capability Building and Sustainability Program created under Section 16 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; and
- 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.

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 Technology and Livelihood Resource Center (TLRC), the Department of Transportation and Communications (DOTC), civil society organizations and other relevant agencies, state universities and colleges in implementing its programs.

SECTION. 18. *Personnel.* – Subject to the civil service laws, rules and regulations, the Council is authorized to select, appoint, employ and fix the compensation of the officers and employees of the Secretariat and the NCSED as shall be necessary to carry out its functions.

SECTION. 19. *Role of LGUs in SE Development* - Pursuant to the relevant provisions of R.A. No. 7160, otherwise known as the Local Government Code, the LGUs shall be primarily responsible for the development of SEs and the implementation and enforcement of the relevant provisions of this Act within their respective jurisdictions with the end in view of reducing poverty therein. The LGUs are hereby mandated to include in their respective local development plans certain policies and programs geared toward the development of SEs in their jurisdiction.

Only LGUs with viable SE development plans as incorporated in their respective local development plans are entitled to avail of the SE Development Fund created under the immediately succeeding section for the purpose of initiating and facilitating the development and sustainability, or otherwise assisting such SEs in their own jurisdiction: *Provided That* no LGU shall establish and operate its own SE. *Provided further*, that this provision shall in no case be construed to prohibit LGUs from assisting in the establishment and operation of SEs.

CHAPTER III DEVELOPMENT OF SOCIAL ENTERPRISES

SECTION 20. *SE Capability Building and Sustainability Program; Creation of SE Development Fund* – There is hereby established a SE Capability Building and Sustainability Program whose primary objective is to guarantee the viability and sustainability of SEs through activities that advance, in general, both transformational services and transactional services. This program shall include training in social entrepreneurship development, institutional strengthening, human resource competency and skills training, business planning and advisory services, upgrading of accounting and auditing systems, technical assistance for the installation or

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

5
6 The SE Capability Building and Sustainability Program shall likewise include the
7 establishment of an insurance system for SEs affected by natural calamities in line with the
8 National Framework Strategy on Climate Change 2010-2022 as provided for under RA 9729 or the
9 Climate Change Act of 2009 and RA 10121 or the Philippine Disaster Risk Reduction and
10 Management Act of 2010.

11
12 For this purpose, there is hereby created and established a SE Development Fund (SEDF) in
13 the amount of Three Billion Pesos (₱3,000,000,000.00) to be administered by the Council with an
14 endowment from the earnings of the Philippine Amusement and Gaming Corporation (PAGCOR),
15 in addition to appropriations by Congress, voluntary contributions, grants, gifts from both local
16 and foreign sources as may be accepted by the Council. Capability building projects approved by
17 the Council shall be implemented by the NCSED, by itself or through reputable Social Enterprise
18 Service Institutions contracted for the purpose, and acting under the supervision of the NCSED.

19
20 Only the fruits of the SEDF shall be used for the purposes provided herein. Any undisbursed
21 fruits for the preceding year shall form part of the disbursable portion of the SEDF in the following
22 year.

23
24 SECTION 21. *Social Enterprise Research and Development System* -The Council, in coordination
25 with the NEDA, DOST, and DTI, and other appropriate agencies and research institutions, shall
26 develop and enhance a research and development system that:

- 27
28 a) provides studies on opportunities for poverty reduction and SE development in key
29 economic subsectors and other inputs for the Council to undertake strategic planning for its
30 PRESENT Program;
31 b) equip SEs and support institutions with technologies that are appropriate for enhancing
32 the participation and benefits of the poor in various economic subsectors; and,
33 c) equip SEs and support institutions with innovative and sustainable approaches to improve
34 access of the poor to quality basic social services.

35
36 SECTION 22. *Social Enterprise Marketing Infrastructure Development* - The Council shall
37 promote the development and expansion of local and foreign markets for the products and
38 services of SEs, guided by the principles of fair trade. Consistent with this, the Council shall:

- 39
40 a) establish a SE Marketing Assistance Program (SMAP) that will assist SEs match
41 supply with demand in both domestic and foreign markets, as well as promote SE products
42 and services through tri-media, trade fairs and trade missions;
43 b) develop, install and sustain a SE market information system with the assistance of
44 the DTI and DOTC which shall be called the SE Marketing Information Network (SMIN).

45
46 The SMIN shall be set up from the level of the municipal and provincial LGUs, the regional and
47 up to the Council level within one (1) year from the approval of this Act, taking into account
48 existing information networks such as the internet and using a dedicated website for the purpose,
49 to ensure linkage of the SEs with the government and its various departments, agencies, bureaus

1 and instrumentalities, the local and domestic markets, as well as research institutions. The Council
2 shall provide technical assistance in setting up the SMIN at the local and regional levels.

3
4 All government departments, agencies, bureaus, research institutions, as well as the LGUs
5 shall consolidate and continuously update all relevant information and data that would be of use
6 to SEs on a periodic basis and make such data available in a dedicated website on the internet.

7
8 The SMIN shall provide information and marketing services related to products of SEs which
9 shall include the following:

- 10
11 i. Supply data;
12 ii. Demand data;
13 iii. Price and Price trends;
14 iv. Product standards;
15 v. Directory of, but not limited to SEs, traders, key market centers, processors and
16 business institutions both at the national and local levels;
17 vi. Information and technology generated from research institutions;
18 vii. International, regional and local market forecasts; and
19 viii. Resource accounting data.
20

21
22 CHAPTER IV
23 INCENTIVES AND BENEFITS
24

25 SECTION 23. *Special Credit Windows.* – In addition to the special credit windows provided
26 for the promotion of microfinance as provided under Section 16 of RA 8425, the Land Bank of the
27 Philippines, Development Bank of the Philippines, Philippine Postal Bank, and Al Amanah Bank, are
28 hereby mandated to set aside at least eight percent (8%) of their total loan portfolio based on their
29 balance sheet in the end of the preceding quarter, and open a special credit window for SEs.

30
31 For a period of ten (10) years from the date of the effectivity of this Act, all other lending
32 institutions as defined under the Central Bank Act or the General Banking Act, as amended,
33 whether public or private, shall likewise set aside at least eight percent (8%) of their total loan
34 portfolio based on their balance sheet as of the end of the previous quarter and make the same
35 available for SEs through a special credit window. The BSP, in consultation with the Council, shall
36 formulate the rules for the effective implementation of this provision: *Provided*, That the purchase
37 of government notes, securities and other negotiable instruments shall not be deemed compliance
38 with the foregoing provision.
39

40 The BSP shall establish an incentive program to encourage lending to SEs beyond the
41 mandatory credit allocation such as possible reduction in bank's reserve requirement.
42

43 The Council shall establish a system to monitor all loan applications of SEs in order to
44 account for the absorptive capacity of the SE sector. The BSP shall require lending
45 institutions covered by this Act to furnish the Council on a quarterly basis a regular report on their
46 respective compliance with the above provisions on the mandatory credit allocations for SEs and
47 shall act immediately on the Council's reports of non-compliance therewith.
48

1 The special credit window for SEs shall bear interest lower than the market rate and shall
2 have longer terms of payment and waiver of applicable fees.

3
4 SECTION 24. *Special Credit Window Purposes.* – The special credit window provided under
5 Section 19 of this Act shall be intended for the following purposes:

- 6
7 a) Organizational developmental loan or capacity-building loan for the conduct of
8 social preparation activities or the conduct of capability-building and training or
9 professional development of the board, management and staff of the SE for social
10 entrepreneurship, such as business planning and advisory services, technology
11 intervention, incubation, market studies, and product development;
12 b) Credit line for business development loan or working capital loan to cover the
13 operational and management expenses of a start-up or existing business or income
14 generating project, including receivable financing or purchase of additional inventory, soft
15 or intangible investments such as trade fair participation or acquisition of software or
16 franchise development packages;
17 c) Fixed assets financing to cover acquisition of fixed assets like machineries and
18 equipment, motor vehicle, or acquisition of lot for project site or construction of a plant
19 and building and the improvement thereof;
20 d) Value chain financing to cover any of the value chain activities such as production,
21 processing and marketing;
22 e) Domestic letter of credit or trust receipt to provide a stand-by credit facility for the
23 SE borrower for the purchase of product inputs, equipment, machinery, implements, and
24 spare parts, whereby payment of which is guaranteed and to be made to the seller by the
25 lending institution, provided all documents conform with the terms and conditions of the
26 credit; and
27 f) Revolving Credit Line for re-lending to finance the livelihood project requirements of
28 end-borrowers.

29
30 SECTION 25. *Eligibility for Agriculture and Fisheries Credit.* – In addition to the special
31 credit window provided above, at least ten percent (10%) of the funds created under Section 6 of
32 RA 10000, otherwise known as "The Agri-Agra Reform Credit Act of 2009," mandated to be set
33 aside by all banking institutions, whether government or private, for agriculture and fisheries
34 credit, shall be made available for SEs engaged in agriculture and fisheries activities.

35
36 SECTION 26. *Social Enterprise Guarantee Fund Pool with Non-Collateral Loans.* – There is
37 hereby created a Social Enterprise Guarantee Fund Pool (SEGFP) which shall be comprised of the
38 five percent (5%) of the preceding year budget surplus of the government-owned and controlled
39 corporations and government financial institutions including the PAGCOR, the Philippine Charity
40 Sweepstakes Office (PCSO), the Social Security System (SSS), the Government Service Insurance
41 System (GSIS), the National Power Corporation and the Philippine National Oil Company (PNOC),
42 as contribution to the SGFP in accordance with relevant laws, charters and by-laws, in addition to
43 voluntary contributions, grants and gifts from both local and foreign sources as may be accepted
44 by the Council.

45 The SEGFP shall be administered by the Council and shall be used to mitigate the risks
46 involved in SE sector lending, facilitating the provision of credit therefor. The fund shall be placed
47 in trust with the Land Bank of the Philippines for the purpose of providing guarantee cover to
48 participating financial institutions and other parties in extending financing to SEs: *Provided, That*
49 the fund may also be used to cover the performance bond of SEs in government procurement.

1 The Council, in coordination with the Land Bank of the Philippines, shall draw up the
2 mechanics and administrative arrangements and issue the implementing guidelines for the fund
3 pool.
4

5 SECTION 27. *Utilization of People's Development Trust Fund.* – The earnings of the
6 People's Development Trust Fund (PDTF) declared under Section 11 of RA 8425 may be utilized and
7 accessed by the NSCED or accredited SE for the following purposes:
8

- 9 a) Consultancy and training services for SEs and their beneficiaries on the
10 establishment of the necessary support services such as financial preparation, fund
11 sourcing, operation of credit and savings entities, monitoring and evaluation including
12 training on marketing, financial, human resource, operational and strategic management;
- 13 b) Scholarships or training grants for SE staff and officers, and selected beneficiaries;
- 14 c) Community organizing for SEs;
- 15 d) SE development and capability building programs, feasibility studies and researches;
- 16 e) Legal and other management support services for SEs such as registration or
17 accreditation, documentation, contract review and enforcement, audit and operational
18 assessment;
- 19 f) Information dissemination of SE technology and management; and
- 20 g) Other activities to support SEs as approved by the designated agency administering
21 the PDTF.
22

23 SECTION 28. *Tax Exemptions.* – Without prejudice to existing tax exemption provisions
24 already applicable to different SEs under other laws, A qualified SE shall have the following tax
25 exemptions:
26

- 27 a) SEs with a net annual income of not more than Fifteen million pesos (P15,000,000.00)
28 shall be exempt from all national, city, provincial, municipal or barangay taxes of whatever
29 name and nature: *Provided*, That such net income shall be allocated for transformational
30 services and other activities of the SE as provided under Section 5.g of this Act;
- 31 b) VAT and other percentage taxes;
- 32 c) Documentary stamp tax;
- 33 d) Capital gains tax on sales or exchanges of real property classified as capital assets or
34 shares of stock; and
- 35 e) For five (5) years after the effectivity of this Act, all SEs duly certified by the Council,
36 consultation with the Department of Finance (DOF) and the Board of Investment (BOI) of
37 the DTI, shall be exempted from the payment of VAT, tariff and duties for the importation
38 of all types of product inputs, equipment, machinery, implements, and spare parts:
39 *Provided*, That these inputs, equipment, machinery, implements, and spare parts shall be
40 for the exclusive use of the importing SEs and can be shown to be directly related to
41 further improve the value chain operations of the SEs.
42

43 The Council shall, in consultation with the DOF and the BOI, within ninety (90) days from
44 the effectivity of this Act, formulate the implementing rules and regulations governing the
45 importation of the inputs, equipment, machinery, and implements for use by the SEs.

46 For income tax purposes, a reinvestment made by a SE for the expansion of its
47 socioeconomic projects within the area of its operation shall be tax deductible from the gross
48 income.
49

1 SECTION 29. *Preferential Rights.* – Without prejudice to preferential rights already
2 available to specific enterprises or organizations under other laws, qualified SEs shall be accorded
3 a preferential right in the procurement process and in the implementation of procurement
4 contracts by the government in all its branches, departments, agencies, subdivisions, and
5 instrumentalities, including in the government-owned and controlled corporations and local
6 government units.

7
8 SEs shall be given priority and preference in the following procurement processes:

9
10 a) Direct contracting as provided under Section 50 of RA 9184, otherwise known as the
11 “*Government Procurement Reform Act,*” may be resorted to if the contracting party selling
12 the goods and services required by the procuring entity is a social enterprise as certified by
13 the Council.

14
15 b) Shopping as provided under Section 52, paragraph (a) of RA 9184 may be resorted
16 to when there is an unforeseen contingency requiring immediate purchase: *Provided, That*
17 *the procurement of the goods and services shall be first obtained from the social enterprise*
18 *within the area of operation of the procuring entity which is duly certified by the Council as*
19 *having the capacity to supply the required goods and services: Provided, further, That the*
20 *amount shall not exceed One hundred thousand pesos (P100,000.00).*

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

31
32 c) Negotiated procurement as provided under Section 53 of RA 9184 may be allowed
33 when the goods or services subject of the procurement may be obtained from a SE within
34 the area of operation of the procuring entity which is duly certified by the Council as having
35 the capacity to supply the required goods and services.

36
37 A procuring entity, when applicable, shall have at least one member representing SEs.

38
39 Registered small enterprises under RA 6977 that qualify as SE under this Act shall, consistent
40 with Section 4 of RA 9501, be entitled to a share of at least ten percent (10%) of total procurement
41 value of goods and services supplied to the government, its bureaus, offices and agencies annually.

42
43 The Council shall, in coordination with the Department of Budget and Management (DBM)
44 and the Department of the Interior and Local Government (DILG), issue the rules and regulations
45 that shall implement the preferential right accorded to SEs under this section including the
46 limitations and restrictions in its application.

1 SECTION 30. *Incentives for Social Investors.* – Social investors and other institutions that
2 contribute money or other forms of donation in the promotion and development of SEs shall be
3 entitled to the following tax incentives:

4 a) Equity investments and donations to an accredited SE shall be fully deductible from
5 the gross income of the investor or donor subject to the conditions of Section 34 paragraph (c) of
6 RA 8424 otherwise known as the “*National Internal Revenue Code of 1997*,” as amended.

7 b) Dividends or other forms of profit shares received from an accredited SE shall be
8 exempt from income tax.

9 c) Donations, grants and contributions to an accredited SE shall be exempt from
10 donor’s tax.

11
12 For the purpose of availing of the tax incentives under this Section, the accreditation of
13 the recipient SE by the Council shall be a sufficient evidence for qualification as a social investor
14 under this Act.

15
16
17 CHAPTER V
18 APPROPRIATION AND OTHER PROVISIONS
19

20 SECTION 31. *Appropriations.* – To carry out the provisions of this Act, the following
21 amounts are appropriated as follows:

22
23 a) The sum of One hundred million pesos (P100,000,000.00) is hereby appropriated as
24 the initial operating fund which sum shall be sourced from the President’s Contingent Fund
25 and voluntary contributions, grants and gifts from both local and foreign sources as may be
26 accepted by the Council. In the subsequent years, the Council shall have a separate annual
27 appropriation under the DTI which shall be included in the annual General Appropriations
28 Act starting in the fiscal year immediately following the approval of this Act.

29 b) The aggregate sum of Three billion pesos (P3,000,000,000.00) for ten (10) years is
30 hereby appropriated for the establishment of the SEDF from the share of the national
31 government in the earnings of the PAGCOR and from voluntary contributions, grants and
32 gifts from both local and foreign sources as may be accepted by the Council, in the
33 following manner: on the first year, One hundred million pesos (P100,000,000.00); on the
34 second year, One hundred fifty million pesos (P150,000,000.00); on the third year, Two
35 hundred million pesos (P200,000,000.00); on the fourth year, Two hundred fifty million
36 pesos (P250,000,000.00); on the fifth year, Three hundred million pesos (P300,000,000.00);
37 and every year thereafter until the tenth year, Five hundred million pesos
38 (P500,000,000.00) annually.

39
40 SECTION 32. *Penalty Clause.* – The penalty of imprisonment for not less than six (6)
41 months but not more than two (2) years or a fine of not less than Twenty-five thousand pesos
42 (P25,000.00) but not more than Fifty thousand pesos (P50,000.00), or both imprisonment and
43 fine, at the discretion of the court, shall be imposed upon any person, corporation, government
44 entity or agency who, intentionally or by gross negligence, fails to provide the benefits, rights and
45 incentives granted to SEs in violation of this Act, or perform any act in violation of its provisions.

46 If the violation is committed by the SE or a government agency, the members, officers,
47 directors or trustees thereof who are directly involved shall be held liable therefor.
48

1 If the violation is committed by the employees and agents who acted in gross violation of
2 the provisions of this Act, the officers, directors or trustees, or incorporators of the SE shall be
3 jointly and severally liable with the offending employees, agents, and the enterprise.
4

5 If the offender is a public official or employee, the offender shall, upon conviction, suffer
6 the accessory penalty of absolute disqualification.
7

8 SECTION 33. *Non-Compliance with the Mandatory Allocation of Credit Resources.* –
9 Administrative sanctions including a fine of not less than Five hundred thousand pesos
10 (P500,000.00) shall be imposed by the Banko Sentral ng Pilipinas upon any banking or lending
11 institution who fails to provide the credit allocations granted to SE in violation of Section 19 of this
12 Act.
13

14 SECTION 34. *Non-Impairment Clause.* – Nothing in this Act shall be construed to diminish,
15 impair, or repeal the rights granted to marginalized sectors under existing laws.
16

17 SECTION 35. *Information Dissemination.* – The Philippine Information Agency (PIA) shall,
18 in coordination with the Council, the DTI, DA, and the DILG, ensure the proper and adequate
19 information dissemination of the contents and benefits of this Act to the general public especially
20 to its intended beneficiaries.
21

22 Within sixty days (60) after its effectivity, the Council shall distribute copies of this Act to
23 every department, agency, subdivision, and instrumentality of the government, including
24 government-owned and controlled corporations, regional and provincial offices, and local
25 governments.
26

27 All duly accredited SEs shall be given one (1) copy of this Act at cost. Thereafter, every
28 newly accredited SE shall be issued a copy of this Act together with the rules and regulations
29 promulgated pursuant to this Act.
30

31 SECTION 36. *PRESENT Program in Government.* – All agencies of the government
32 implementing a poverty alleviation program shall, in coordination with the Council and within a
33 period of five (5) years but in no case longer than ten (10) years from the approval of this Act,
34 incorporate the PRESENT Program in their respective poverty alleviation programs as a tool for
35 poverty reduction.
36

37 The Council shall, in coordination with the various government agencies with poverty
38 alleviation programs, prepare the appropriate beneficiaries thereof and organize them into full-
39 fledged SEs under the contemplation of this Act.
40

41 Within a period of five (5) years, the Council shall facilitate the development and
42 dissemination of tools, and invest in the development of the capability of SEs to plan, monitor and
43 evaluate their social and financial performance and outcomes. The Council shall evolve socially
44 acceptable benchmarks for evaluating the performance of SEs and incorporate them to effectively
45 develop and regulate the sector.
46

47 SECTION 37. *Social Entrepreneurship Education in Schools* - Toward strategically
48 developing the nation's human resource capability in social entrepreneurship, the DepEd and the
49 CHED shall cause the integration of SE content and inclusion of SE courses in the curricula at all

1 levels, especially in the secondary and tertiary levels. This shall be part of the SE *Capability*
2 *Building and Sustainability Program* stated in Sec. 6 of this Act.

3
4 A continuing social entrepreneurship education program for out-of-school youth and adults
5 shall likewise be developed and undertaken.

6
7 The social entrepreneurship education program for primary and secondary education shall include
8 information regarding:

- 9
10 a) social issues and civic ways of addressing them
11 b) the producer as a steward of natural resources
12 c) the consumer as a responsible member of society and his responsibility to develop
13 critical awareness which is the responsibility to be alert and questioning about the
14 environmental and social impacts of the goods and services he/she uses;

15
16 c.1) social concern which is the responsibility to be aware of the impact of his
17 consumption to society, especially the disadvantaged; and

18
19 c.2) environmental awareness which is the responsibility to understand the
20 environmental consequences of his use of natural resources, consumption,
21 recognizing his individual and social responsibility to conserve natural resources for
22 future generations;

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

27
28 SECTION 38. *Applicability of Other Laws.* – The Labor Code and all other labor laws, the
29 Social Security Act, the Medical Care Act, other social legislations, and all other laws and executive
30 orders that govern the relationship between the employer and the employee shall apply to SE and
31 its employees and that all employees covered under this Act shall be entitled to the same benefits
32 given to any regular employee such as social security and healthcare benefits.

33
34 SECTION 39. *Interpretation and Construction.* – In case of doubt in the meaning of any
35 provision of this Act or in the rules and regulations promulgated pursuant to this Act, it shall be
36 resolved in favor of SEs and their stakeholders.

37
38 SECTION 40. *Congressional Oversight Committee.* – There is hereby created a
39 Congressional Oversight Committee on Social Enterprises composed of the Chairman of the Senate
40 Committee on Economic Affairs, Trade and Commerce and the Chairman of the House Committee
41 on Trade and Industry, four (4) members of the Senate and four (4) members of the House of
42 Representatives. The members from the Senate shall be appointed by the Senate President from
43 among the members of the Senate Committee on Economic Affairs, Trade and Commerce based
44 on the proportional representation of the parties or coalition therein. The members from the
45 House of Representatives shall be appointed by the Speaker from among the members of the
46 House Committee on Trade and Industry based on the proportional representation of the parties
47 or coalitions therein.

1 The Oversight Committee, upon review and approval of the Implementing Rules and
2 Regulations of this Act shall become *functus officio* and thereafter cease to exist: *Provided,*
3 *however,* That the Council shall submit to the Committee on Economic Affairs, Trade and
4 Commerce of the Senate and the Committee on Trade and Industry of the House of
5 Representatives an annual report on the implementation of this Act.

6
7 The appropriation for the oversight committee shall be charged to the budget of both
8 Houses of Congress in the annual General Appropriations Act.

9
10 SECTION 41. *Social Enterprise Week.* – In order to institute continuing awareness on the
11 importance of SEs as a viable government strategy in pursuing poverty alleviation, the week of the
12 month when this Act shall have been signed into law shall be declared as the "*Social Enterprise*
13 *Week*" and shall be celebrated annually. The Council shall, through the NCSED, be responsible in
14 organizing activities for the event.

15
16
17 CHAPTER V
18 FINAL PROVISIONS
19

20 SECTION 42. *Implementing Rules and Regulations.* – Within ninety (90) days from the
21 effectivity of this Act, the Secretary of Trade and Industry shall, in consultation and coordination
22 with the concerned government agencies and sector, promulgate the necessary rules and
23 regulations for the effective implementation of this Act.

24
25 SECTION 43. *Separability Clause.* – If any provision or part of this Act is declared invalid or
26 unconstitutional, the remaining parts or provisions not affected shall remain in full force and
27 effect.

28
29 SECTION 44. *Repealing Clause.* – For purposes of this Act, Section 11 of RA 8425 and
30 Sections 50, 52 and 53 of RA 9184 which are inconsistent with this Act are hereby deemed
31 amended. All other laws, executive orders, presidential decrees, rules and regulation or parts
32 thereof inconsistent with any provisions of this Act are hereby repealed, amended or modified
33 accordingly.

34
35 SECTION 45. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in
36 the Official Gazette or in two (2) national newspapers of general circulation.

37
38 Approved,