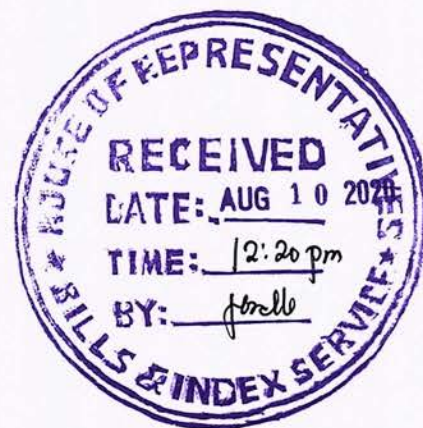


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

EIGHTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 7335



Introduced by REPRESENTATIVE MANUEL ANTONIO F. ZUBIRI

EXPLANATORY NOTE

The COVID19 pandemic that is currently ravaging the health of the Filipino and the economy has opened a lot of realizations of what comprises the economy of the nation. The recent slump of 16.5% by the economy further pushed the poor and marginalized to poverty as unemployment and lack of access to basic necessities increased.

As a result, stimulus packages are being drawn by the government to jump start the economy while balancing the safety of the people. To ensure that stimulus packages benefit the poor and marginalized, businesses that operate not purely for profit or businesses that support the poor and marginalized by allotting a huge portion of their revenues for such sectors need to be supported by the government.

The Poverty Reduction through Social Entrepreneurship (PRESENT) Bill has been pending in Congress since 2012. And this bill has been filed for this congress in both the Senate and House of Representatives. This growing recognition of the importance of social enterprises as partners of government in making good its commitment to accelerate the achievement of the Sustainable Development Goals of zero poverty, food security, reduced inequality, women's economic empowerment and building resilient and sustainable communities reflect the importance of this bill.

Before the pandemic, social enterprises numbered around 164,000 representing more than 15% of all enterprises in the country. They come in the form of cooperatives and associations of farmers, agrarian reform beneficiaries, fishers, indigenous people, women, persons with disability and overseas Filipino workers and their families; microfinance institutions serving the enterprising and entrepreneurial poor; trading development organizations practicing ethical and fair trade; and social-mission driven corporations and foundations providing decent jobs and services, sustainable livelihoods and access to markets to women and men small producers and various segments of the rural and urban poor.

An ongoing study of the Institute for Social Entrepreneurship in Asia (ISEA) provides an indication of the impact of COVID19 on these social enterprises: More than 50% have experienced a major downturn; close to 40% have experienced some downturn and less than 10% managed to sustain their operations. Those who sustained their operations were mainly in agriculture and essential services such as rice trading and social enterprise accounting.

52 Amidst the challenges of Enhanced Community Quarantine, a number of social enterprises found
53 ways to sustain their operations or pursue innovations. These included the production and
54 distribution of personal protective equipment and face masks to provide livelihood to their partner
55 craft communities; cooperative-to-cooperative trading to provide mutual support to their farmer-
56 members and sustain the sales of their respective agricultural products; engaging the Department of
57 Agriculture in securing and distributing open pollinated varieties of corn and vegetable seeds to
58 strengthen community-based seed banking; continuing with organic and sustainable agriculture
59 production and marketing; implementing a moratorium on loan collections; shifting to e-marketing
60 and/or door-to-door delivery of their products to reach households and sustain or expand their
61 customer base; shifting to social microfinance by transforming all loans as capital invested with their
62 clients as business partners; and developing proposals for responsive relief and recovery measures
63 that government and private sector players can implement in partnership with social enterprises.
64

65 With the efforts of social enterprises and what they contribute directly to the people, it is clear that
66 a National Poverty Reduction through Social Entrepreneurship Program is needed, a support
67 package in the form of hybrid financing—a combination of loans and grants—to enable the creation
68 of new and the recovery of existing social enterprises, towards effectively engaging the poor as
69 workers, suppliers, clients, co-owners and partners in economic recovery as well as tax breaks and
70 incentives. As enshrined in this bill, this will create decent jobs and sustainable livelihoods in
71 strategic economic subsectors and value chains where the poor are concentrated and could be
72 major players. This will allow them to use their hard-earned cash in recovery efforts and building
73 back better.
74

75 In view of the foregoing, the immediate passage of this bill is earnestly sought.
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79 **MANUEL ANTONIO F. ZUBIRI**
80 Representative
81 Third District, Bukidnon
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HOUSE BILL NO. 7335

Introduced by REPRESENTATIVE MANUEL ANTONIO F. ZUBIRI

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, BENEFITS AND APPROPRIATIONS THEREFOR**

CHAPTER I
GENERAL PROVISIONS

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

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

In Article XII, Section 1, it is further stated that the goals of the national economy are a more equitable distribution of opportunities, income, and wealth; a sustained increase in the amount of goods and services produced by the nation for the benefit of the people; and an expanding productivity as the key to raising the quality of life for all, especially the underprivileged. The State shall promote industrialization and full employment based on sound agricultural development and agrarian reform, through industries that make full and efficient use of human and natural resources, and which are competitive in both domestic and foreign markets. However, the State shall protect Filipino enterprises against unfair foreign competition and trade practices. The State also recognizes the important role of enterprises in the economy as the major agent of development, creating off-farm employment opportunities and providing transitional means for improving the livelihood of the people.

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

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

- a. *Social Enterprise or SE* refers to primarily a social mission driven wealth-creating organization, however organized, whether as non-stock non-profit including NGOs, POs, Foundations, Associations; cooperatives, sole proprietorship, partnerships, corporations, established to improve societal well-being as well as ecological sustainability. A social enterprise for purposes of this act shall also mean a Social Enterprise with Marginalized Sectors as Primary Stakeholders (SEMPs). A SEMPS is a social enterprise that explicitly declares and pursues poverty reduction or improving the quality of life of specific segments of the marginalized sectors as principal objective. A SEMPS engages and invests in the poor to become effective workers, suppliers, clients and/or owners, and ensures that a substantive part of the wealth created by the enterprise is distributed to them. In addition to reinvesting its surplus or profits back towards the fulfillment of its social mission in a sustainable way, a SEMPS also uses its surplus or profits and mobilizes other resources to assist the poor to become partners in SE or value chain management/ governance and to become partners in community, sectoral and societal transformation.
- b. *Assets* refer to all kinds of properties, real or personal, owned by the social entrepreneur as defined in paragraph (dd) of this Section and used for the conduct of its business: Provided, that for the purpose of exemption from taxes and to benefit from other incentives under this Act, this term shall mean all kinds of properties, real or personal, owned and/or used by the SE for the conduct of its business;
- c. *Basic sectors* shall refer to the disadvantaged sectors of Philippine society, namely: farmer-peasant, artisanal fisherfolk, workers in the formal sector and migrant workers, workers in the informal sector, indigenous peoples and cultural communities, women, persons with disability, 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;"
- d. *Capability building* refers to the process of enhancing the viability and sustainability of SEMPS 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 17 of this Act;

- e. *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;
- f. *Council* shall refer to the SE Council;
- g. *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";
- h. *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 social entrepreneurship interventions, government agencies, support institutions and SEs shall more effectively reach and benefit a greater number of poor in poverty reduction programs;
- i. *Empowerment strategy* shall mean a development strategy that enables the marginalized sectors to own, manage, and control SEs in order for them to reap maximum benefits from it and which acts as a channel for directly distributing income;
- j. *Fair trade* shall refer to a trading partnership based on dialogue, transparency and respect and which seeks greater equity in international trade and the transformation and adaptation of trading structures and practices in favor of the poor and disadvantaged by offering better trading conditions to, and securing the rights of, marginalized producers and workers;
- k. *Fair trade organizations* shall mean enterprises certified by internationally- and nationally-recognized Fair Trade networks;
- l. *Fair trade principles* refer to the values adopted by fair trade organizations in their day-to-day operation. These include creating opportunities for economically- disadvantaged producers; transparency and accountability; payment of a fair price; ensuring no child labor and forced labor; commitment to non-discrimination, gender equity and freedom of association; ensuring good working conditions; providing capacity building; and, respect for the environment;
- m. *Foundation* shall mean the categorization of a non-profit organization duly registered that typically either donates funds and support to other organizations or provides the source of funding for its own charitable purposes. Unlike a company, foundations have no shareholders though they may have a board, an assembly and voting members. A foundation

- may hold assets in its own name for the purposes set out in its constitutive documents, and its administration and operation are carried out in accordance with its statutes or articles of association rather than fiduciary principles;
- n. *Hybrid financing* shall refer to the combination of grants with loans and other financial instruments to support the unique nature of SEs as wealth creating organizations that pursue social missions to improve societal well-being - in ways that are ecologically and financially sustainable;
- o. *Intermediation strategy* shall refer to a development strategy that provides financial, agricultural, business development and institutional development services to the entrepreneurial poor and employers of the poor and provides product development and marketing support using the principles of fair trade to marginalized producers. A SE engaged in intermediation strategy need not be owned by the marginalized stakeholders but provide immediate access to services among a critical mass of these marginalized stakeholders;
- p. *Marginalized Sectors* shall refer to groups in society who, for reasons of poverty, geographical inaccessibility, culture, language, age, sex, gender, migrant status, disability or other disadvantage, have not benefited from health, education, employment and other opportunities, and who are relegated to the sidelines of political persuasion, social negotiation, and economic bargaining;
- q. *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;
- r. *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); and inclusion (assistive device/technology, personal assistance, sign language interpreter, accessibility)
- s. *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;
- t. *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;
- u. *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;

- v. *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; it may also be the state of deprivation – such as poor health, lack of education, inadequate living standard, lack of income (as one of several factors considered), disempowerment, poor quality of work and threat from violence.
- w. *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;
- x. *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;
- y. *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;
- z. *Resource mobilization strategy* shall refer to a development strategy intended to generate income from the sale of products and services of a SE in order to finance or subsidize the operations of its core development program or development interventions among the marginalized sectors;
- aa. *SEGFP* refers to the SE Guarantee Fund Pool created under this Act;
- bb. *Social development* refers to the continuing process of addressing the needs of society, beginning with the people's minimum basic needs, through a systematic implementation of socioeconomic programs or packages;
- cc. *Social Enterprise Resource Institution* refers to an organization that provides financial and/or other forms of assistance to social enterprises for them to become viable and sustainable including but not limited to trainings, education and other capacity-building measures, research and development, advocacy and other support activities;
- dd. *Social entrepreneur* refers to an innovative individual or institution that promotes the creation and operationalization of enterprises or livelihood endeavors for those in need or which address social problems and improve societal well-being;
- ee. *Social entrepreneurship* entails innovations designed to explicitly improve societal well-being, housed within entrepreneurial organizations, which initiate, guide or contribute to change in society;
- ff. *Social Inclusion strategy* refers to the development strategy that assists marginalized groups of people in society who, for reasons of poverty, geographical inaccessibility, culture, language, age, sex, gender, migrant status, disability or other disadvantage, have not benefited from health, education, employment and other opportunities, and who are relegated to the sidelines of political persuasion, social negotiation, and economic bargaining in order to restore their dignity by not only removing the barriers that limit their

access to the delivery of basic social services and employment, but more importantly, by nurturing work and other environments that create avenues for their participation as productive members of society;

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

hh. *Social reform* refers to the continuing process of addressing the basic inequities in society through a systematic, unified and coordinated delivery of socioeconomic programs or packages;

ii. *Transactional services* refer to enterprise related assistance to the poor that involve an exchange of goods or services for money including being workers, suppliers, clients or owners;

jj. *Transformational services* refer to the assistance to the poor as conscious agents of change to lift their own selves from poverty and to participate in group efforts to improve the quality of life of their community, sector or society as a whole;

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

CHAPTER II

POVERTY REDUCTION THROUGH SOCIAL ENTERPRISE

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

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

In the case of social enterprises organized as stock corporations, partnerships or sole proprietorships, these social enterprises must not be 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 an 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.

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

- a. Provide or facilitate the provision of a combination of transactional and/or transformational services to improve the position and benefits derived by the poor from the SE and the value chain or economic subsector where the SE is located, including becoming worker-owners, supplier-owners, supervisors and managers, active members and leaders in governing bodies of the SE or its allied organizations;
- b. Invest a substantive part of its surplus, profits or mobilize other resources to assist the poor to become partners in SE or value chain management/governance and/or to become partners in community, sectoral and societal transformation;
- c. Make a pro-active contribution to resolving social and environmental problems and generate profit or surplus with due regard to social and environmental costs;
- d. Be engaged in an economic activity within the sectors of agriculture and fisheries, industry and services which, for purposes of this Act, shall refer to an activity in any of the economic subsectors;
- e. Ensure that a substantive part of the wealth created by the enterprise is distributed to the poor in the form of services, dividends and other forms of benefits, and payments and incentives for products or services rendered consistent with the principles of fair trade;
- f. Be duly registered with the appropriate agencies as provided under the Corporation Code or the Cooperative Code of the Philippines, Magna Carta for Micro, Small and Medium Enterprises, Barangay Micro Business Enterprises Act, Microfinance NGOs' Act, and other laws;

A social enterprise may be organized as a stock corporation, partnership or sole proprietorship provided that it (which) invests at least 60% of its net revenues to sustain the fulfillment of its social mission and provides transformational services for the well-being of the marginalized sector it serves.

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

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

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

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

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

Program. – To promote the development of a SE sector with the marginalized sectors 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 marginalized sectors 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 development by promoting and utilizing the economic subsector as a strategic unit of analysis and planning SE development interventions.

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

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

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

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

- a. Work in close coordination with DSWD and DA in targeting the different sectors intended to be benefitted by the program;
- b. Disseminate the information relating to the program;
- c. Assist the Social Enterprise Development Council in calling upon the Departments and Agencies in fulfilling the objectives of this Act;
- d. Recommend to the SEDC measures and policies for the responsive delivery of the commitments under this Act;
- e. Provide seminar-workshops and training programs to educate the target sectors about the conditions and other actions pertinent to this Act;
- f. Perform such other functions as may be necessary or incidental to the proper implementation of this Act.

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

Given the complexities of a Social Enterprise and its constituents, the Council shall be composed of the following:

- a. Secretary of Trade and Industry, as chairperson
- b. Secretary of Agriculture, as co-chairperson
- c. Secretary of Social Welfare and Development, as vice chairperson
- d. SE sector head representative, as co-vice chairperson
- e. Office of the President
- f. Director-General of the National Economic Planning and Development Agency
- g. Lead Convener of the National Anti-Poverty Commission
- h. Secretary of the Interior and Local Government
- i. Secretary of Finance
- j. Governor of the Bangko Sentral ng Pilipinas
- k. Secretary of Environment and Natural Resources
- l. Secretary of Agrarian Reform
- m. Secretary of Science and Technology
- n. Secretary of Labor and Employment
- o. Secretary of Education
- p. Secretary of Transportation
- q. Secretary of Information and Communications Technology
- r. Chairman of the Commission on Higher Education
- s. Chairman of the Cooperative Development Authority
- t. Chairman of the Securities and Exchange Commission
- u. Director-General of the Technical Education and Skills Development Authority
- v. Nine (9) representatives from SEMPS, three (3) representatives each from the main island groupings of Luzon, Visayas, and Mindanao.

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

- a. Formulate policies and plans to develop and promote, coordinate, synergize, integrate, and ensure compatibility and complementation of policies and programs for *SEs as well as other anti-poverty reduction initiatives consistent with national development objectives.*
- b. Formulate policies and plans to ensure the resilience and preparedness of social enterprises for disaster risk reduction and management as well as develop capacities of social enterprises to respond, recover and build back better in the face disasters and pandemics.
- c. Issue certificate of qualification upon determination that the criteria set for this purpose have been fully satisfied: *Provided, That the certificate of qualification shall be valid only for such period as may be prescribed under the implementing rules and regulations of this Act;*
- d. Oversee the successful implementation of the PRESENT Program and other SE programs;
- e. Identify and access sources of financing to expand the SE sector;
- f. Monitor and evaluate the performance of programs and projects for appropriate incentives;
- g. Call upon any government agency to carry out and implement programs and projects identified by the Council and to assist in clarifying issues and finding resolution to problems that concern their respective offices with respect to the implementation of the PRESENT Program enunciated under this Act or any development program for SEs.
- h. Call upon people's organizations, non-government organizations, the academe and other sectors to provide advice on matters pertaining to SEs and conduct of transactional and transformational services to farmers, producers, workers, consumers and other stakeholders;
- i. Submit annual and other periodic reports to the President and the Congress of the Philippines through the Congressional Oversight Committee;
- j. Promulgate such rules and regulations and exercise such other powers and functions as may be necessary to carry out the purposes of this Act, including guidelines for the administration of grant windows provided for in Section 23;
- k. Propose the concomitant plantilla position and structure for the personnel under it;
- l. Manage the funds provided for by this law, including ensuring the funds' growth where

- possible;
- m. Align and synchronize the provision of support programs, benefits and incentives for SEs provided for in this Act; and
- n. Perform such other functions as may be necessary for its effective operations and the continued enhancement, growth and development of the SE sector.

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

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

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

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

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, civil society organizations and other relevant agencies, state universities and colleges in implementing its programs.

SECTION 15. *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 16. *Role of LGUs in SE Development* – LGUs shall be encouraged to incorporate viable SE Development Plans in their local plans and collaborate with SEMP's.

CHAPTER III DEVELOPMENT OF SOCIAL ENTERPRISES

SECTION 17. *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 SEMP's 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 improvement of management information systems, technology intervention, technology incubation/commercialization, market studies, and product development competitiveness, business matching activities, trade fairs and missions, policy advocacy, disaster-resiliency and other related activities.

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

For this purpose, there is hereby created and established an SE Development Fund (SEDF) in the initial amount of Three Billion Pesos (₱3,000,000,000.00) to be administered by the Council chargeable against the General Appropriations Act following the year of the effectivity of this Act. The SEDF shall likewise be funded with one percent (1%) of the following: 2) collected taxes pursuant to the implementation of the SIN TAX Law; 3) earnings derived by the TIEZA from its collections; and 4) equity contributions of participating government financial institutions. Voluntary contributions, grants, gifts from both local and foreign sources as may be accepted by the Council shall also form part of the SEDF.

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

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

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

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

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

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

SECTION 18. Social Enterprise Recovery and Rehabilitation Fund. -In light extreme disasters and pandemics, a Social Enterprise Recovery and Rehabilitation Fund is hereby established for financing

695 programs and projects supporting adaptation and resilience of social enterprises, including stimulus
696 grants. The Fund shall be lodged under the Department of Trade and Industry.

697 **SECTION 18. *Social Enterprise Research and Development System.*** -The Council, in coordination
698 with the NEDA, DOST, and DTI, and other appropriate agencies and research institutions, shall
699 develop and enhance a research and development system that:

- 700
- 701 a) Provides studies on opportunities for poverty reduction and SE development in key
- 702 economic subsectors and other inputs for the Council to undertake strategic planning for its
- 703 PRESENT Program;
- 704 b) Equip SEs and support institutions with technologies that are appropriate for enhancing the
- 705 participation and benefits of the poor in various economic subsectors; and,
- 706 c) Equip SEs and support institutions with innovative and sustainable approaches to improve
- 707 access of the poor to quality basic social services.
- 708

709 **SECTION 19. *Social Enterprise Marketing Infrastructure Development.*** - The Council shall promote
710 the development and expansion of local and foreign markets for the products and services of SEMP, s,
711 guided by the principles of fair trade. Consistent with this, the Council shall:

- 712 a) Establish a SE Marketing Assistance Program (SMAP) that will assist SEMP, s, match supply
- 713 with demand in both domestic and foreign markets, as well as promote SE products and
- 714 services through tri-media, trade fairs and trade missions;
- 715 b) Develop, install and sustain a SE market information system (SMIN) with the assistance of the
- 716 DTI and DICT which shall be called the SE Marketing Information Network (SMIN).
- 717

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

724

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

728

729 The SMIN shall provide information and marketing services related to products of SEMP, s, which shall
730 include the following:

- 731 a. Supply data;
- 732 b. Demand data;
- 733 c. Price and Price trends;
- 734 d. Product standards;
- 735 e. Directory of, but not limited to SEs, traders, key market centers, processors and
- 736 business institutions both at the national and local levels;
- 737 f. Information and technology generated from research institutions;
- 738 g. International, regional and local market forecasts; and
- 739 h. Resource accounting data.
- 740

741 **CHAPTER IV**

742 **INCENTIVES AND BENEFITS**

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

SECTION 21. **Special Credit Windows with non-collateralized loans.** – In addition to the special credit windows provided for the promotion of microfinance as provided under Section 16 of RA 8425, the Land Bank of the Philippines, Development Bank of the Philippines, Philippine Postal Bank, and Al Amanah Bank, and other public or government-owned banks are hereby mandated to set aside at least ten percent (10%) of their total loan portfolio based on their balance sheet in the end of the preceding quarter over a period of five (5) years and open a special credit window for qualified SEs.

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

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

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

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

SECTION 22. **Special Credit Window Purposes.** – The special credit window provided under Section 21 of this Act shall be intended for the following purposes:

- a. Credit line for business development loan or working capital loan to cover the operational and management expenses of a start-up or existing business or income generating project, including receivable financing or purchase of additional inventory, soft or intangible investments such as trade fair participation or acquisition of software or franchise development packages;
- b. Fixed assets financing to cover acquisition of fixed assets like machineries and equipment, motor vehicle, or acquisition of lot for project site or construction of a plant and building and the improvement thereof;
- c. Value chain financing to cover any of the value chain activities such as production, processing and marketing;
- d. Domestic letter of credit or trust receipt to provide a stand-by credit facility for the SE borrower for the purchase of product inputs, equipment, machinery, implements, and spare parts, whereby payment of which is guaranteed and to be made to the seller by the lending institution, provided all documents conform with the terms and conditions of the credit; and

- e. Revolving Credit Line for re-lending to finance the livelihood project requirements of end-borrowers.

SECTION 23. *Grant facility.* The SE Development Fund in Section 18 shall provide grants to qualified social enterprises and resource institutions for the performance and conduct of their mission towards poverty reduction, promotion of social justice, and improvement in economic welfare of the poor and marginalized sectors.

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

SECTION 24. *Strengthening of the Agriculture and Fisheries Credit Policy.* – In addition to the special credit window provided above, at least ten percent (10%) of the funds created under Section 6 of RA 10000, otherwise known as "The Agri-Agra Reform Credit Act of 2009," is mandated to be set aside by all banking institutions, whether government or private, for SEs engaged in agriculture and fisheries activities as credit.

SECTION 25. *Tax Exemptions.* – Without prejudice to existing tax exemption provisions already applicable to different SEs under other laws, a qualified SEMPS shall have the following tax exemptions for five (5) years subject to renewal of another five (5) years:

- a) SEMPs with a net annual income of not more than Fifteen million pesos (P15,000,000.00) shall be exempt from all national, city, provincial, municipal or barangay taxes of whatever nature: Provided, that such net income shall be allocated for transformational services and other activities of the SE
- b) VAT and other percentage taxes;
- c) Documentary stamp tax;
- d) Capital gains tax on sales or exchanges of real property classified as capital assets or shares of stock; and
- e) Donor's Tax on donations made to SEs;

SEDC will develop a system of valuation of social, economic and ecological contributions of social enterprises to society and the social impact among the marginalized sector they serve, as bases for a comprehensive incentives package from government.

All SEMPs duly certified by the Council, in consultation with the Department of Finance (DOF) and the Board of Investment (BOI) of the DTI, shall be exempted from the payment of VAT, tariff and duties for the importation of all types of product inputs, equipment, machinery, implements, and spare parts: Provided, That these inputs, equipment, machinery, implements, and spare parts shall be for the exclusive use of the importing SEMPS and can be shown to be directly related to further improve the value chain operations of the SEMPS.

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

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

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

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

- a. Direct contracting as provided under Section 50 of RA 9184, otherwise known as the "Government Procurement Reform Act," may be resorted to if the contracting party selling the goods and services required by the procuring entity is a social enterprise as certified by the Council.
- b. Shopping as provided under Section 52, paragraph (a) of RA 9184 may be resorted to when there is an unforeseen contingency requiring immediate purchase: *Provided*, That the procurement of the goods and services shall be first obtained from the social enterprise within the area of operation of the procuring entity which is duly certified by the Council as having the capacity to supply the required goods and services: *Provided, further*, That the amount shall not exceed One hundred thousand pesos (P100,000.00).
- c. Shopping as provided in Section 52, paragraph (b) of RA 9184 may be resorted to in the procurement of ordinary or regular office supplies and equipment not available in the Procurement Service involving an amount not exceeding Two hundred fifty thousand pesos (P250,000.00): *Provided*, That the Procurement does not result in splitting of contracts: *Provided, further*, That a price quotation shall be first obtained from a social enterprise as certified by the Council as having the capacity to furnish or provide the required office supplies and equipment. Only in the event of failure of submission or absence of SE price quotation that at least three (3) price quotations from other bona fide suppliers shall be obtained.
- d. Negotiated procurement as provided under Section 53 of RA 9184 may be allowed when the goods or services subject of the procurement may be obtained from a SE within the area of operation of the procuring entity which is duly certified by the Council as having the capacity to supply the required goods and services.
- e. A procuring entity, when applicable, shall have at least one member representing SEMP's.

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

SECTION 27. **Insurance for Social Enterprises.** The Insurance Commission shall issue the necessary rules and regulations and implement measures to ensure that the insurance industry shall provide insurance products, both life and non-life, for social enterprises and their stakeholders among the poor. Furthermore, SEMP's shall be assisted to become eligible and effective insurance providers to their clients and constituents.

SECTION 28. **Incentives for Social Investors, SE Resource Institutions.** – Social investors and social enterprise resource institutions that contribute money or other forms of contribution in the promotion and development of SEs shall be entitled to the following tax incentives:

- Equity investments shall be fully deductible from the gross income of the investor.
- Donations made to qualified SEMP's shall be exempt from donor's tax.

- Dividends or other forms of profit shares received from a qualified SEMPS shall be exempt from income tax.
- Grants and contributions to a qualified SE shall be deductible from gross income in the case of corporate taxpayers and shall be included in the items chargeable against the estate in the case of an individual taxpayer.
- Dedicated program funds for SE development and SE ecosystem building initiatives shall be exempt from taxes.

The provisions of this Section shall apply to a social investor or SE resource institution when the recipient SE has been certified as qualified SE by the Council.

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

SECTION 30. Penal Clause. – The penalty of imprisonment for not less than six (6) months but not more than two (2) years or a fine of not less than two hundred fifty-thousand (P250,000) or both imprisonment and fine, at the discretion of the court, shall be imposed upon any person, who, intentionally or by gross negligence, fails to provide the benefits, rights and incentives granted to SEs in violation of this Act or perform any act in violation of its provisions.

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

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

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

SECTION 32. Joint Congressional Oversight Committee. – Upon the effectivity of this Act, a Congressional Oversight Committee, hereafter referred to as the PRESENT Oversight Committee is hereby constituted. This Committee shall set the overall framework to review the implementation of this Act. It shall likewise determine inherent weaknesses in the law and recommend necessary remedial legislation or executive measures.

The PRESENT Oversight Committee shall be composed of fourteen (14) members with the chairpersons of the Committee on Trade and Industry of the House of Representatives, and the Committee on Trade, Commerce and Entrepreneurship of the Senate as Co-Chairpersons; and six (6)

members from each House, to be designated by the Speaker of the House of Representatives, and the Senate President, respectively.

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

SECTION 33. Separability. – If any provision or part of this Act is declared invalid or unconstitutional, the remaining parts or provisions not affected shall remain in full force and effect.

SECTION 34. Implementing Rules and Regulations. – Within ninety (90) days from the effectivity of this Act, the Department of Trade and Industry shall, in consultation and coordination with the concerned government agencies and social enterprise sector, promulgate the necessary rules and regulations for the effective implementation of this Act.

SECTION 35. Repealing Clause. – For purposes of this Act, Section 11 of RA 8425 and Sections 50, 52 and 53 of RA 9184 which are inconsistent with this Act are hereby deemed amended. All other laws, executive orders, presidential decrees, rules and regulation or parts thereof inconsistent with any provisions of this Act are hereby repealed, amended or modified accordingly.

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

Approved,