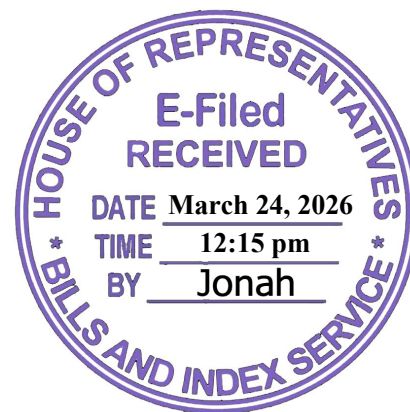


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. **8745**



Introduced by **REP. NATHANIEL “Atty. Nat” M. ODUCAO**

EXPLANATORY NOTE

It is the declared policy of the State to promote a just and dynamic social order that ensures prosperity, social justice, and respect for human dignity. Under the Constitution, the State must guarantee equitable distribution of opportunities, income, and wealth, provide for full employment, and protect the underprivileged in all phases of national development (cf. Art. II, Secs. 10-11; Art. XII, Sec. 1).

In 2023, national poverty incidence stood at 15.5%, approximately 17.5 million Filipinos, which, though lower than in 2021, remains well above acceptable levels.¹ The Government, through NEDA, aims to reduce poverty incidence to 10-11% by 2027, and 8-9% by 2028, as specified in the Philippine Development Plan 2023-2028.² Concurrently, MSME credit exposure has grown by 10.8% by mid-2025, indicating expanding banking support for small enterprises, yet many still lack access to sufficient capital and market opportunities.³ The Government has set aside ₱1.5 billion for microfinancing support under the Pondo sa Pagbabago at Pag-Asenso (P3) program in FY 2026, a three-fold increase from FY 2025 levels.⁴

This bill seeks to institutionalize a national framework that strengthens social enterprises and MSMEs as key partners in poverty alleviation, ensuring they are provided with incentives, easy access to capital, transparent market linkages, and credible social security measures. By doing so, the State reaffirms its constitutional obligations and positions itself to accelerate inclusive growth, raise living standards, and ensure that economic gains benefit all Filipinos, particularly the marginalized and rural poor.

¹ Reuters (2024) Philippines poverty rate at 15.5% in 2023, statistics agency says. Available at: <https://www.reuters.com/world/asia-pacific/philippines-poverty-rate-155-2023-statistics-agency-says-2024-08-15/> (Last accessed September 23, 2025)

² Philippines poverty rate at 15.5% in 2023, statistics agency says (2024). Available at: <https://www.philstar.com/business/2025/01/26/2416834/neda-expects-continued-poverty-reduction> (Last accessed September 23, 2025)

³ Tribune (2025) MSME loans up 108% amid BSP post-quota support. Available at: <https://tribune.net.ph/2025/09/17/msme-loans-up-108-amid-bsp-post-quota-support> (Last accessed September 23, 2025)

⁴ BusinessMirror (2025) State microfinance support to entrepreneurs at ₱1.5B. Available at: <https://businessmirror.com.ph/2025/08/13/state-microfinance-support-to-entrepreneurs-at-%E2%82%B11-5b/#:~:text=THE%20government%20is%20earmarking%20P1,Marcos%20Jr.> (Last accessed September 23, 2025)

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

A handwritten signature in black ink, appearing to read 'N. Oducado', with a small blue circular stamp or mark near the end of the signature.

REP. NATHANIEL “ATTY. NAT” M. ODUCADO
1Tahanan Party List

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. **8745**

Introduced by **REP. NATHANIEL “ATTY. NAT” M. ODUCAO**

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

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

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

3 **SEC. 2. *Declaration of Policy.*** – It is hereby declared the policy of the State to promote a
4 just and dynamic social order that will ensure the prosperity and independence of the nation and
5 free the people from poverty through policies that provide adequate social services, promote full
6 employment, a rising standard of living, and an improved quality of life for all.

7 In Article II, Sections 10 and 11, it is further declared that the State shall provide social
8 justice in all phases of national development and that the State values the dignity of every human
9 person and guarantees full respect for human rights.

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

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

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

21 Toward this end, the State shall pursue a poverty reduction program that promotes an
22 environment conducive to the development and growth of a vibrant social enterprise sector engaged
23 in poverty reduction, and economic and social development. It shall empower the marginalized

1 sectors as primary stakeholders in social enterprises, establish mechanisms essential to realizing
2 their potential and achieving their full growth, and extend the assistance necessary for their
3 advancement.

4 The State shall likewise ensure that the provision for technical and financial assistance,
5 incentives and other services are free from any condition that might infringe upon the autonomy or
6 organizational integrity of the social enterprises to enable them to develop into viable and vital anti-
7 poverty agents, and a strong social entrepreneurship movement which will be instrumental in
8 reducing poverty in the country.

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

14 The State shall pursue a low carbon development pathway, to which social enterprises
15 engaged in renewable energy, environmental protection, circular economy, and other such
16 activities, can contribute. This is consistent with the commitment of the State to its Nationally
17 Determined Contribution (NDC) under the global Paris Climate Agreement, which it ratified in
18 2017.

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

27 **SEC.3. *Definition of Terms.*** – As used in this Act:

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

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

- 45 b. *Assets* shall refer to all kinds of properties, real or personal, owned by the social
46 entrepreneur as defined in paragraph (ff) of this Section and used for the conduct of Its
47 business: Provided, that for the purpose of exemption from taxes and to benefit from

- 1 other incentives under this Act, this term shall mean all kinds of properties, real or
2 personal, owned and/or used by the SE for the conduct of its business;
- 3 c. *Capacity building* shall refer to the process of enhancing the viability and sustainability
4 of SEMPS. It pertains to 1) education, training, coaching and other learning events such
5 as, but not limited to, study tours; 2) technical, consultancy and advisory services; 3)
6 assistance in organizational systems development; 4) technology incubation,
7 development and dissemination; 5) value chain and subsector development; 6) conduct
8 of SE trade fairs and missions; 7) networking and policy advocacy initiatives, and other
9 such activities that enable SEs to be effective and efficient vehicles for poverty
10 reduction. The term capability building precludes the grant of any loan or equity funds
11 to the SE and shall in no way refer to the provision of equity investments, seed funding,
12 partnership's seed funds, equity participation, start-up funds or any such activity that
13 connotes the infusion of capital or funds from the government or from the SE
14 Development Fund created under Section 18 of this Act;
- 15 d. *Civil society organizations* shall refer to private, voluntary, and non-profit
16 organizations of citizens that are established to pursue a mission, usually involving the
17 interest of the public, marginalized groups or specific sectors of society. They include
18 non-government organizations, socio-civic groups, foundations and people's
19 organizations;
- 20 e. *Council* shall refer to the SE Council.
- 21 f. *Cooperative* shall refer to an autonomous and duly registered association of persons,
22 with a common bond of Interest, who have voluntarily joined together to achieve their
23 social, economic, and cultural needs and aspirations by making equitable contributions
24 to the capital required, patronizing their products and services and accepting a fair share
25 of the risks and benefits of the undertaking in accordance with universally accepted
26 cooperative principles as defined in R.A. 15 6938, as amended by R.A. 9520, otherwise
27 known as the "Philippine Cooperative Code of 2008";
- 28 g. *Economic subsectors* shall refer to networks of related actors and enterprises
29 performing various functions in value chains. These actors and enterprises transform
30 raw materials into finished products, or develop services, and distribute or provide them
31 through market channels to final consumers; they may be identified by key raw material
32 source, by finished product or final service provided. An economic subsector may be
33 comprised of several competing value chains. By understanding the dynamics of
34 economic subsectors and using them as units of planning social entrepreneurship
35 interventions, government agencies, support institutions and SEs shall more effectively
36 reach and benefit a greater number of poor in poverty reduction programs;
- 37 h. *Empowerment strategy* shall refer to a development strategy that enables the
38 marginalized sectors to own, manage, and control SEs in order for them to reap
39 maximum benefits from it and which acts as a channel for directly distributing income;
- 40 i. *Fair trade* shall refer to a trading partnership based on dialogue, transparency and
41 respect and which seeks greater equity in international trade and the transformation and
42 adaptation of trading structures and practices in favor of the poor and disadvantaged by
43 offering better trading conditions to, and securing the rights of, marginalized producers
44 and workers.
- 45 j. *Fair trade organizations* shall refer to enterprises certified by internationally-and
46 nationally-recognized Fair Trade networks;
- 47 k. *Fair trade principles* shall refer to the values adopted by fair trade organizations in their
48 day-to-day operation. These include creating opportunities for economically-
49 disadvantaged producers: transparency and accountability: payment of a fair price;
50 ensuring no child labor and forced labor; commitment to non-discrimination, gender
51 equity and freedom of association; ensuring good working conditions; providing
52 capacity building; and, respect for the environment:

- 1 l. *Foundation* shall refer to the categorization of a non-profit organization duly registered
2 that typically either donates funds and support to other organizations or provides the
3 source of funding for its own charitable purposes. Unlike a company, foundations have
4 no shareholders though they may have a board, an assembly and voting members. A
5 foundation may hold assets in its own name for the purposes set out in its constitutive
6 documents, and its administration and operation are carried out in accordance with its
7 statutes or articles of association rather than fiduciary principles:
- 8 m. *Gender Analysis* shall refer to a systematic analytical process based on sex
9 disaggregated and gender information. This process is used to identify, understand, and
10 describe gender differences and the relevance of gender roles and power dynamics in a
11 particular context.
- 12 n. *Gender and Development or GAD* shall refer to the development perspective and
13 process that are participatory and empowering, equitable, sustainable, free from
14 violence, respectful of human rights, and supportive of self-determination and
15 actualization of human potentials. It seeks to achieve gender equality as a fundamental
16 value that should be reflected in development choices; seeks to transform society's
17 social, economic and political structures and questions the validity of the gender roles
18 they ascribed to women and men; contends that women are active agents of
19 development and not just passive recipients of development assistance; and stresses the
20 need of women to organize themselves and participate in political processes to
21 strengthen their legal rights:
- 22 o. *Gender Mainstreaming* shall refer to the strategy for making women's as well as men's
23 concerns and experiences an integral dimension of the design, implementation,
24 monitoring, and evaluation of policies, programs and projects in all social, political,
25 civil, and economic spheres so that women and men benefit equally. It is the process of
26 assessing the implications for women and men of any planned action, including
27 legislation, policies or programs in all areas and at all levels:
- 28 p. *Hybrid financing* shall refer to the combination of grants with loans and other financial
29 instruments to support the unique nature of SEs as wealth creating organizations that
30 pursue social missions to improve societal wellbeing – in ways that are ecologically
31 and financially sustainable;
- 32 q. *Intermediation strategy* shall refer to a development strategy that provides financial,
33 agricultural, business development and institutional development services to the
34 entrepreneurial poor and employers of the poor and provides product development and
35 marketing support using the principles of fair trade to marginalized producers. A SE
36 engaged in intermediation strategy need not be owned by the marginalized stakeholders
37 but provide immediate access to services among a critical mass of these marginalized
38 stakeholders;
- 39 r. *Marginalized* shall refer to basic sectors and disadvantaged or vulnerable persons or
40 groups who are mostly living in poverty and have little to no access to: land and other
41 resources; basic social and economic services, such as health care, education, water and
42 sanitation, employment and livelihood opportunities, housing, social security, physical
43 infrastructure; and the justice system. As defined in Republic Act (RA) No. 9710,
44 otherwise known as the "Magna Carta of Women of 2009," these include, but are not
45 limited to, the following sectors, groups, and persons:
- 46 (1) "*Small Farmers and Rural Workers*" refers to those who are engaged directly or
47 indirectly in small farms and forest areas, workers in commercial farms and
48 plantations, whether paid or unpaid, regular or season-bound. These shall include,
49 but are not limited to, (a) small farmers who own or are still amortizing for lands
50 that are not more than three (3) hectares, tenants, leaseholders, and stewards; and
51 (b) rural workers who are either wage earners, self-employed, unpaid family

- workers directly and personally engaged in agriculture, small-scale mining, handicrafts, and other related farm and off-farm activities;
- (2) "*Fisherfolk*" refers to those directly or indirectly engaged in taking, culturing, or processing fishery or aquatic resources. These include, but are not to be limited to, women engaged in fishing in municipal waters, coastal and marine areas, women workers in commercial fishing and aquaculture, vendors and processors of fish and coastal products, and subsistence producers such as shell-gatherers, managers, and producers of mangrove resources, and other related producers;
- (3) "*Urban Poor*" refers to those residing in urban and urbanizable slum or blighted areas, with or without the benefit of security of abode, where the income of the head of the family cannot afford in a sustained manner to provide for the family's basic needs of food, health, education, housing, and other essentials in life;
- (4) "*Workers in the Formal Economy*" refers to those who are employed by any person acting directly or indirectly in the interest of an employer in relation to an employee and shall include the government and all its branches, subdivisions, and instrumentalities, all government-owned and - controlled corporations and institutions, as well as nonprofit private institutions or organizations;
- (5) "*Workers in the Informal Economy*" refers to self-employed, occasionally or personally hired, subcontracted, paid and unpaid family workers in household incorporated and unincorporated enterprises, including home workers, micro-entrepreneurs and producers, and operators of sari-sari stores and all other categories who suffer from violation of workers' rights;
- (6) "*Migrant Workers*" refers to Filipinos who are to be engaged, are engaged, or have been engaged in a remunerated activity in a State of which they are not legal residents, whether documented or undocumented;
- (7) "*Indigenous Peoples*" refers to a group of people or homogenous societies identified by self-ascription and ascription by other, who have continuously lived as organized community on communally bounded and defined territory, and who have, under claims of ownership since time immemorial, occupied, possessed customs, tradition, and other distinctive cultural traits, or who have, through resistance to political, social, and cultural inroads of colonization, non-indigenous religions and culture, became historically differentiated from the majority of Filipinos. They shall likewise include peoples who are regarded as indigenous on account of their descent from the populations which inhabited the country, at the time of conquest or colonization, or at the time of inroads of non-indigenous religions and cultures, or the establishment of present state boundaries, who retain some or all of their own social, economic, cultural, and political institutions, but who may have been displaced from their traditional domains or who may have resettled outside their ancestral domains as defined under Section 3 (h). Chapter 11 of Republic Act No. 8371, otherwise known as "The Indigenous Peoples Rights Act of 1997" (IPRA of 1997);
- (8) "*Children*" refers to those who are below eighteen (18) years of age or over but are unable to fully take care of themselves or protect themselves from abuse, neglect, cruelty, exploitation, or discrimination because of a physical or mental disability or condition;
- (9) "*Senior Citizens*" refers to those sixty (60) years of age and above;
- (10) "*Persons with Disabilities*" refers to those who are suffering from 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; and

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

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

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

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

(13) *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;

(14) *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);

(15) *Non-Government Organization or NGO* shall refer to a duly registered nonstock, 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;

(16) *People's Organization or PO* shall refer 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;

(17) *Persons with Disability or PWD* 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;

(18) *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.

- (19) *Poverty reduction/alleviation* shall refer to overcoming the income, resource, and capability deprivation among the poor as defined in the preceding paragraph and the marginalized sectors as defined in paragraph (r) hereof; 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;
- (20) *Procuring Entity* shall refer 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;
- (21) *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;
- (22) *SEGFP* shall refer to the SE Guarantee Fund Pool created under this Act;
- (23) *Social development* shall refer 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;
- (24) *Social Enterprise Resource Institution* shall refer 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;
- (25) *Social entrepreneur* shall refer 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 wellbeing;
- (26) *Social entrepreneurship* entails innovations designed to explicitly improve societal wellbeing, housed within entrepreneurial organizations, which initiate, guide or contribute to change in society;
- (27) *Social Inclusion strategy* shall refer 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;
- (28) *Social Investors* shall refer to 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;
- (29) *Social reform* shall refer to the continuing process of addressing the basic inequities in society through a systematic, unified and coordinated delivery of socioeconomic programs or packages;
- (30) *Social value* shall refer to the additional benefit to society of procuring a good or service, over and above the direct benefit and value of the good or service to the procuring entity. Additional benefits may include support for poor

- 1 communities or marginalized groups, advancement of human rights and social
2 justice, protection of the environment, and community development.
- 3 (31) *Transactional services* shall refer to enterprise related assistance to the poor
4 that involve an exchange of goods or services for money including being workers,
5 suppliers, or clients;
- 6 (32) *Transformational services* shall refer to the assistance to the poor as
7 conscious agents of change to lift their own selves from poverty and to participate
8 in group efforts to improve the quality of life of their community, sector or society
9 as a whole. This shall include building the leadership and management capacity
10 and role of the poor in social enterprises;
- 11 (33) *Value Chain* shall refer to value-adding economic activities that an
12 enterprise is interlinked with in the process of producing goods and/or services to
13 serve its chosen market. A value chain typically consists of: 1) inbound distribution
14 or logistics, 2) manufacturing operations, 3) outbound distribution or logistics, 4)
15 marketing and selling, and 5) after-sales service. These activities are supported by
16 6) purchasing or procurement, 7) research and development, 8) human resource
17 development, and 9) organizational development. A SE that understands and
18 manages its value chain improves its capability to create economic, environmental
19 and social values toward improving the position and benefits of the poor in the
20 value chain and toward ensuring the viability and sustainability of the enterprise.
- 21 (34) *Vulnerable sectors* shall refer to groups who are at-risk of any potential
22 event, loss or danger.

24 CHAPTER II

25 POVERTY REDUCTION THROUGH SOCIAL ENTERPRISE

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

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

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

40 **SEC.5. *Qualifications for Benefits and Incentives.*** - To qualify for the benefits and
41 incentives provided for in this Act, the SE shall:

- 42 a. Provide or facilitate the provision of a combination of transactional and/or
43 transformational services to improve the position and benefits derived by the poor from
44 the SE and the value chain or economic subsector where the SE is located, including

- 1 becoming worker-owners, supplier-owners, supervisors and managers, active members
2 and leaders in governing bodies of the SE or its allied organizations;
- 3 b. Invest fifty one percent (51%) of its surplus, profits or mobilize other resources to assist
4 the poor to become partners in SE or value chain management/governance and/or to
5 become partners in community, sectoral and societal transformation;
- 6 c. Pursue a pro-active contribution to resolving social and environmental problems and
7 generate profit or surplus with due regard to social and environmental costs;
- 8 d. Be engaged in an economic activity within the sectors of agriculture and fisheries,
9 industry and services which, for purposes of this Act, shall refer to an activity in any of
10 the economic subsectors;
- 11 e. Distribute a substantive part of the wealth created by the enterprise to the poor in the
12 form of services, dividends and other forms of benefits, and payments and incentives
13 for products or services rendered consistent with the principles of fair trade;
- 14 f. Be duly registered with the appropriate agencies as provided under Republic Act No.
15 11232, or the "Revised Corporation Code of 2018;" Republic Act No. 9520, or the
16 "Revised the Cooperative Code of the Philippines of 2009;" Republic Act No. 9501, or
17 the "Magna Carta for Micro, Small and Medium Enterprises of 2008;" Republic Act
18 No. 9178, or the Barangay Micro Business Enterprises Act of 2002;" Republic Act No.
19 10693, or the "Microfinance NGOs' Act of 2015;" and other relevant laws; and
- 20 g. Comply with labor standards under Presidential Decree No. 442 as amended, otherwise
21 known as the Labor Code of the Philippines. Social enterprise resource institutions may
22 also avail of support from government as partners for building the capability and
23 sustainability as well as developing an enabling environment for social enterprises to
24 flourish, provided they have:
- 25 a. registration as a legal entity in the Philippines;
- 26 b. a dedicated program supporting social enterprises;
- 27 c. a track record of at least three (3) years of implementation of a dedicated SE
28 program;
- 29 d. at least three (3) qualified social enterprises vouching for their them.

30
31 International social enterprise resource institutions and their subsidiaries
32 operating in the Philippines must partner with a qualified local social enterprise
33 resource institution to avail of government support.

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

40 **SEC. 6. *Formulation of a Poverty Reduction through Social Entrepreneurship***
41 ***(PRESENT) Program.*** — To promote the development of a SE sector with the marginalized
42 sectors as primary stakeholders, a comprehensive and fully-integrated Poverty Reduction Through
43 Social Entrepreneurship (PRESENT) Program shall be formulated, guided by the following
44 principles:

- 45 a. Incorporating the PRESENT Program in the government's poverty reduction drive as
46 a major sustainable and comprehensive strategy;
- 47 b. Rationalizing poverty reduction programs by streamlining and coordinating the various
48 anti-poverty programs of the government to reduce inefficiency and duplication and to
49 improve the effectiveness of each program;

- c. Ensuring people's participation, access to information, 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. Recognizing women and men as equal partners in development and nation building and ensuring women's and men's equal rights and access to SE's resources, gender shall be mainstreamed in the program formulation; and
- g. Developing 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, etc. 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. SEMP's 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.

SEC.7. *Lead Agency.* - The Department of Trade and Industry (DTI) 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 the Department of Social Welfare and Development (DWSD) and the Department of Agriculture (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.

SEC.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 SEMP's 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. Lead Convener of the National Anti-Poverty Commission;
- f. Director-General of the National Economic Planning and Development Agency;
- g. Vice Chair for Basic Sectors 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. Chairperson of the Commission on Higher Education;
- s. Chairperson of the Cooperative Development Authority;
- t. Chairperson of the Securities and Exchange Commission;
- u. Chairperson of the Philippine Commission on Women;
- v. Director-General of the Technical Education and Skills Development Authority;
- w. Nine (9) representatives from SEMPS, with three (3) representatives each from the main island groupings of Luzon, Visayas, and Mindanao, where at least one of the three representatives from each island grouping shall be a woman.

SEC.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 24;
- k. Propose the concomitant Plantilla positions and structure for the personnel under it;
- l. Manage the funds provided for by this law, including ensuring the funds' growth where possible.
- m. Put in place mechanisms for accountability to marginalized stakeholders being served.
- n. Align and synchronize the provision of support programs, benefits and incentives for SEs provided for in this Act;
- o. Conduct periodic audits and
- p. Perform such other functions as may be necessary for its effective operations and the continued enhancement, growth and development of the SE sector.

SEC.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.

SEC.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, and DSWD, in consultation with established social enterprises and networks of SEs.

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.

SEC.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.

SEC. 13. Office. - The Council shall have its principal place of business within the DTTs 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.

SEC. 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 2 Act;
- c. Manage a Social Enterprise Marketing Assistance Program (SMAP) that will ensure the generation of the highest possible income for the SEs pursuant to Section 19 of this Act.
- d. Implement capability building projects approved by the Council;
- e. Supervise capability- building projects approved by the Council implemented through reputable Social Enterprise Resource Institutions contracted for the purpose: and
- f. Research on existing policies and programs of other countries for benchmarking purposes (e.g. support system, ecosystem, programs, regulations).

The NCSED shall be headed by the Executive Director of the Council Secretariat.

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

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

SEC. 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.

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

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

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

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

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

CHAPTER III

DEVELOPMENT OF SOCIAL ENTERPRISES

SEC.18. 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 SEMPS 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

1 matching activities, trade fairs and missions, policy advocacy, gender and development, resiliency,
2 and other related activities.

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

8 For this purpose, there is hereby created and established an SE Development Fund (SEDF)
9 in the initial amount of Three Billion Pesos (Php 3,000,000,000.00) to be administered by the
10 Council chargeable against the General Appropriations Act following the year of the effectivity of
11 this Act.

12 The SEDF shall likewise be funded with one percent (1%) of the following:

- 13 1) collected taxes pursuant to the implementation of Republic Act No. 10351, otherwise
14 known as the "SIN Tax Act of 2012;"
- 15 2) earnings derived by the Tourism Infrastructure and Enterprise Zone Authority (TIEZA)
16 from its collections; and
- 17 3) equity contributions of participating government financial institutions. Voluntary
18 contributions, grants, gifts from both local and foreign sources as may be accepted by
19 the Council shall also form part of the SEDF.

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

23 Additional funding and appropriation shall be provided by the Office of the President as
24 the needs arise during calamities, pandemics and other extra-ordinary circumstances, subject to
25 audit by the Commission on Audit.

26 Social enterprise resource institutions may receive funds for social enterprise programs. In
27 addition to the SEDF, the 5% allocation for Gender and Development (GAD) programs of
28 government agencies and local government units as prescribed in Republic Act. No. 9710,
29 otherwise known as the "Magna Carta of Women Act of 2009," may be accessed by social
30 enterprises which are women-led or contribute to women's economic empowerment. The allocation
31 can help build the capacity of such enterprises. Including further organizing women-led
32 cooperatives and groups to improve women's economic participation. The SEDF shall be used for
33 the purposes provided herein. Any undisbursed funds from the preceding year shall form part of
34 the disbursable portion of the SEDF in the following year. Also to this end, there is hereby created
35 a Social Enterprise Guarantee Fund Pool (SEGFP) which shall be comprised of the five percent
36 (5%) of the preceding year budget surplus of the government-owned and controlled corporations
37 and government financial institutions as contribution to the SEGFP in accordance with relevant
38 laws, charters and by-laws, in addition to voluntary contributions, grants and gifts from both local
39 and foreign sources as may be accepted by the Council.

40 The SEGFP shall be administered by the Council and shall be used to mitigate the risks
41 involved in SE sector lending, facilitating the provision of credit therefor. The fund shall be placed
42 in trust with the Land Bank of the Philippines for the purpose of providing guarantee cover to
43 participating financial institutions and other parties in extending financing to SEs: Provided, that
44 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 **SEC. 19. Cash Incentives for Persons with Disabilities (PWD).** — To level the playing
5 field and recognize the circumstances of start-up SEs primarily employing PWDs, the SEDF
6 created in Section 18 of this Act shall provide a cash incentive for every PWD, in accordance with
7 Republic Act No. 7277, otherwise known as the "Magna Carta for Disabled Persons Act of 1992,"
8 and other marginalized sectors as may be provided by this law, representing at least twenty five
9 percent (25%) of the daily minimum wage, until such time that the said SE is able to achieve
10 financial sustainability. Provided that, in order to avail of the Incentive, SEs shall be providing their
11 PWD employees full minimum wage.

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

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

- 24 a) Provides studies on opportunities for poverty reduction and SE development in key
25 economic subsectors and other inputs for the Council to undertake strategic planning
26 for its PRESENT Program;
27 b) Equip SEs and support institutions with technologies that are appropriate for enhancing
28 the participation and benefits of the poor in various economic subsectors; and,
29 c) Equip SEs and support institutions with innovative and sustainable approaches to
30 improve access of the poor to quality basic social services. This system must be based
31 on gender analysis, or, as defined in this bill, the systematic analytical process based
32 on sex-disaggregated and gender information.

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

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

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

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

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

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

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

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

CHAPTER IV

FINANCING AND BENEFITS

SEC.23. *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 sectors, groups or persons they serve. Given the unique nature of SEs as wealth-creating organizations that pursue their social mission to improve societal wellbeing 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.

SEC.24. *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 Republic Act No. 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, 35 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.

1 The Council shall establish a system to monitor all loan applications of SEs in order to
2 account for the absorptive capacity of the SE sector. The BSP shall require lending institutions
3 covered by this Act to furnish the Council on a quarterly basis a regular report on their respective
4 compliance with the above provisions on the mandatory credit allocations for SEs and shall act
5 immediately on the Council's reports of non-compliance therewith. The special credit window for
6 SEMPS shall bear interest lower than the market rate and shall have longer terms of payment and
7 waiver of applicable fees.

8 **SEC. 25. *Special Credit Window Purposes.*** — The special credit window provided under
9 Section 24 of this Act shall be intended for the following purposes:

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

32 **SEC. 26. *Grant facility.*** — The SE Development Fund in Section 18 shall provide grants
33 to qualified social enterprises and resource institutions for the performance and conduct of their
34 mission toward poverty reduction, sustainable development, promotion of gender and social
35 justice, environmental conservation, climate action, and improvement in economic welfare of the
36 poor and marginalized sectors.

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

40 **SEC. 27. *Tax Credits.*** — SEDC will develop a system of valuation of social, economic
41 and ecological contributions of social enterprises and the social impact on the marginalized sectors
42 they serve, as bases for tax credits from the government.

43 **SEC. 28. *Preferential Rights.*** — Without prejudice to preferential rights already available
44 to specific enterprises or organizations under other laws, qualified SEMP's shall be accorded a
45 preferential right in the procurement process and in the implementation of procurement contracts
46 by the government in all its branches, departments, agencies, subdivisions, and instrumentalities,
47 including in the government-owned and controlled corporations and local government units. Such

1 a preferential right is anchored not just in economic efficiency but in social values which provide
2 long-term benefits to society.

3 As defined in this bill, social value refers to the additional benefit to society of procuring a
4 good or service, over and above the direct benefit and value of the good or service to the procuring
5 entity. These social values include, inter alia, poverty reduction, sustainable development,
6 environmental conservation, climate action, community development, and gender and social
7 justice.

8 As such, the determination of government procurement shall factor in social values. Such
9 a preferential right, however, shall not be prejudicial to the interests of the government and the
10 public. SEMP's shall be given priority and preference in the following procurement processes:

- 11 a. Direct contracting as provided under Section 31 of Republic Act No. (RA) 19 12009,
12 otherwise known as the "New Government Procurement Act," may be resorted to if the
13 contracting party selling the goods and services required by the procuring entity is a
14 social enterprise as qualified by the Council.
- 15 b. Negotiated procurement as provided under Section 35 of RA 12009 may be allowed
16 when the goods or services subject of the procurement may be obtained from a SE
17 within the area of operation of the procuring entity which is duly qualified by the
18 Council as having the capacity to supply the required goods and services.
- 19 c. Social enterprises established by and for Persons with Disability (PWD) shall be
20 qualified under the Department of Education's Supply and Delivery of Furniture for
21 Elementary, Junior and Senior High Schools under 31 the 10% Allocation for
22 Cooperatives of Persons with Disability.
- 23 d. A procuring entity, when applicable, shall have at least one (1) member representing
24 SEMPS. Qualified SEMP's under this Act shall be entitled to a share of at least twenty
25 percent (20%) of the total procurement value of goods and services supplied to the
26 government, its bureaus, offices and agencies annually. Provided, That, the DBM shall
27 direct line agencies of government to include at least 10% of its annual budget for
28 Maintenance and Other Operating Expenses and Capital Outlay specifically for goods
29 procured and services contracted from social enterprises producing and offering such
30 goods and services.

31 **SEC. 29. Insurance for Social Enterprises.** — The Insurance Commission shall issue the
32 necessary rules and regulations and implement measures to ensure that the insurance industry shall
33 provide insurance products, both life and non-life, for social enterprises and their stakeholders
34 among the poor. Furthermore, SEMPS shall be assisted to become eligible and effective insurance
35 providers to their clients and constituents.

36 **SEC. 30. Support for Social Investors and SE Resource Institutions.** — The government
37 shall develop a program that fosters a community of social investors and resource institutions
38 supportive of social enterprises.

39 **SEC. 31. Appropriations.** — The amount necessary to implement the provisions of this
40 Act shall be charged against the current year's appropriation of the Office of the President.
41 Thereafter, such sums as may be necessary for its continued implementation shall be included in
42 the GAA. The budget requirements for the implementation of this Act for cooperating agencies
43 shall be incorporated in their respective budgets.

44 **SEC.32.Penal Clause.** - The penalty of imprisonment for not less than six (6) months but
45 not more than two (2) years or a fine of not less than two hundred fifty thousand pesos (Php250,000)
46 or both imprisonment and fine, at the discretion of the court, shall be imposed upon any person,

1 who, intentionally or by gross negligence, fails to provide the benefits, rights and incentives granted
2 to SEs in violation of this Act or perform any act in violation of its provisions.

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

7 Corporations and other juridical entities, financial or otherwise, found representing
8 themselves as a SE shall be caused to pay double the benefits it reaped from this program through
9 the taxes it was able to save when it represented itself as a SE. In addition, the officers of the
10 juridical entity who represented itself as a SE shall be liable for a fine of Php500,000.00 or
11 imprisonment for not less than two (2) years or both fine and imprisonment at the discretion of the
12 court.

13 **SEC. 33. *Non-Compliance with the Mandatory Allocation of Credit Resources.*** —
14 Administrative sanctions including a fine of not less than Rve hundred thousand pesos
15 (Php500,000.00) shall be imposed by the Bangko Sentral ng Pilipinas upon any banking or lending
16 institution who fails to provide the credit allocations granted to SE in violation of Section 19 of this
17 Act.

18 **SEC. 34. *Joint Congressional Oversight Committee.*** — Upon the effectivity of this Act,
19 a Congressional Oversight Committee, hereafter referred to as the PRESENT Oversight Committee
20 is hereby constituted. This Committee shall set the overall framework to review the implementation
21 of this Act. It shall likewise determine inherent weaknesses in the law and recommend necessary
22 remedial legislation or executive measures.

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

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

32 **SEC.35. *Separability Clause.*** - If any provision or part of this Act is declared invalid or
33 unconstitutional, the remaining parts or provisions not affected shall remain in full force and effect.

34 **SEC. 36. *Implementing Rules and Regulations.*** — Within ninety (90) days from the
35 effectivity of this Act, the Department of Trade and Industry shall, in consultation and coordination
36 with the concerned government agencies and social enterprise sector, promulgate the necessary
37 rules and regulations for the effective implementation of this Act. 20.

38 **SEC.37. *Repealing Clause.*** - For purposes of this Act, Section 11 of RA 8425 and Sections
39 50, 52 and 53 of RA 9184 which are inconsistent with this Act are hereby deemed amended. All
40 other laws, executive orders, presidential decrees, rules and regulation or parts thereof inconsistent
41 with any provisions of this Act are hereby repealed, amended or modified accordingly.

42 **SEC.38. *Effectivity.*** — This Act shall take effect fifteen (15) days from its publication in
43 the *Official Gazette* or In two (2) newspapers of general circulation.

1 *Approved,*