

REPUBLIC OF THE PHILIPPINES  
HOUSE OF REPRESENTATIVES  
Quezon City

SEVENTEENTH CONGRESS  
First Regular Session  
House Bill No. 1839

Introduced by MAGDALO Party-List Representative  
**HON. GARY C. ALEJANO**

HOUSE OF REPRESENTATIVES  
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**EXPLANATORY NOTE**

Social Enterprise applies an entrepreneurial approach to addressing social issues and creating positive community change. The goal of social enterprise is the involvement of the marginalized, thus creating capacity and self-sufficiency for individuals, and impacting their communities and lessening their dependence to the government. Social enterprise aims to lessen the gap in the growing disparity with regard the distribution of wealth by providing a sustainable income-generating opportunity that provides the needs of people who live in poverty.

In the Philippines, the concept of Social Entrepreneurship is not new, though it is limited. Majority of the established social enterprises are based in Manila. Thus, the concept is fairly new outside of Manila. Social Entrepreneurs on the other hand have a reason to be happy nowadays as awareness with regard the concept of Social Entrepreneurship is gaining ground outside Manila as it is being offered as subjects in universities. However, there is still a need to create awareness not only to educate future social entrepreneurs but the consumers as well<sup>1</sup>.

In order to provide the needed boost and support to the concept of Social Enterprise and to provide an innovative alternative for poverty reduction, this bill seeks to establish a Poverty Reduction Through Social Entrepreneurship (PRESENT) Program in order to develop the appropriate structures and resources, as well as the proper environment to support and encourage the growth of social enterprising in the Philippines.

In view of the foregoing reasons, and in support to the Constitutional mandate 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, the immediate passage of this bill is earnestly sought.



HON. GARY C. ALEJANO

<sup>1</sup> Data retrieved from <http://homegrown.ph/social-enterprises-around-the-philippines/> on 07-Dec-2014.

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## AN ACT

## **ORDAINING THE PROMOTION AND DEVELOPMENT OF SOCIAL ENTERPRISES IN ORDER TO ENSURE POVERTY REDUCTION, PROVIDING THE MECHANISMS THEREFOR, AND FOR OTHER PURPOSES**

## CHAPTER I

## **TITLE, POLICIES AND OBJECTIVES**

**SECTION 1. *Short Title.*** – This Act shall be known as the Poverty Reduction Through Social Entrepreneurship (PRESENT) Act of 2016”.

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

It is likewise declared a policy of the State 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 and that, in the pursuit of these goals, all sectors of the economy and all regions of the country shall be given optimum opportunity to develop. Private enterprises, including corporations, cooperatives, and similar collective organizations, shall be encouraged to broaden the base of their ownership.

Further, all economic agents shall contribute to the common good and that individuals and private groups, including corporations, cooperatives, and similar collective organizations, shall have the right to own, establish, and operate economic enterprises, subject to the duty of the State to promote distributive justice and to intervene when the common good so demands.

Finally, it is declared a policy of the State that the promotion of social justice shall include the commitment to create economic opportunities based on freedom of initiative and self-reliance.

1        In furtherance of these policies, the Government shall pursue a poverty reduction program that  
2    promotes an environment conducive to the development and viability of social enterprises with the  
3    poor as the primary stakeholders, establishing the mechanisms essential to realizing their potential and  
4    achieving their full growth, and extending the assistance necessary for their advancement.

5  
6        The Government and all its departments, agencies, subdivisions, branches, and  
7    instrumentalities shall ensure the provision of technical and financial assistance and other services and  
8    incentives free from any conditions that might infringe upon the autonomy or organizational integrity  
9    of said social enterprises in order for them to develop into viable and vital anti-poverty agents and  
10   thereby result in a strong social entrepreneurship movement that shall be instrumental in bringing about  
11   a substantial reduction in poverty in the country.

12

## 13                    CHAPTER II

### 14                    DEFINITION OF TERMS

15

16                    **SECTION 3. *Definition of Terms*** – For purposes of this Act, the following terms shall mean:

17                  a)     *Absolute poverty* refers to the condition of the household below the food threshold  
18   level;

19                  b)     *Assets* refer to all kinds of properties, real or personal, owned by the SE as defined  
20   in paragraph (dd) of this Section and used for the conduct of its business: *Provided*, That for the  
21   purpose of exemption from taxes and to benefit from other incentives under this Act, this term  
22   shall mean all kinds of properties, real or personal, owned and/or used by the SE for the conduct  
23   of its business;

24                  c)     *Basic sectors* shall refer to the disadvantaged sectors of Philippine society,  
25   namely: farmer-peasant, artisanal fisherfolk, workers in the formal sector and migrant workers,  
26   workers in the informal sector, indigenous peoples and cultural communities, women, differently-  
27   abled persons, senior citizens, victims of calamities and disasters, youth and students, children,  
28   and urban poor as defined under Republic Act (R.A.) No. 8425, otherwise known as the “Social  
29   Reform and Poverty Alleviation Act”;

30                  d)     *Bottom line* shall refer to the objectives or purposes for which a social enterprise is  
31   established, which include, among others, financial, social and ecological objectives;

32                  e)     *Capability building* refers to the process of enhancing the viability and  
33   sustainability of SEs through activities that advance, in general, both transformational services  
34   and transactional services and include training in social entrepreneurship development,  
35   institutional strengthening, human resource competency and skills training, business planning  
36   and advisory services, upgrading of accounting and auditing systems, technical assistance for the  
37   installation or improvement of management information systems, technology intervention,  
38   technology incubation/commercialization, market studies, and product development  
39   competitiveness, business matching activities, trade fairs and missions, policy advocacy, and

1 other related activities. The term capability building precludes the grant of any loan or equity  
2 funds to the SE and shall in no way refer to the provision of equity investments, seed funding,  
3 partnership's seed funds, equity participation, start-up funds or any such activity that connotes the  
4 infusion of capital or funds from the government or from the People's Development Trust Fund  
5 created under R.A. No. 8425 to a SE as defined in this Act;

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

10 g) *Commission* shall refer to the Commission for Social Enterprises;

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

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

27 j) *Economic subsectors* are network of related firms that transform raw materials into  
28 finished products and distribute them through supply channels to final consumers; they may be  
29 identified by key raw material source or by finished product;

30 k) *Empowerment strategy* shall mean a development strategy that enables the  
31 marginalized sectors to own, manage, and control social enterprises in order for them to reap  
32 maximum benefits from it and which acts as a channel for directly distributing income;

33 l) *Fair Trade* shall refer to a trading partnership based on dialogue, transparency and  
34 respect and which seeks greater equity in international trade and the transformation and  
35 adaptation of trading structures and practices in favor of the poor and disadvantaged by offering  
36 better trading conditions to, and securing the rights of, marginalised producers and workers;

37 m) *Fair Trade Organizations* shall mean enterprises certified by internationally and  
38 nationally recognized Fair Trade networks;

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

8           o) *GPPB* refers to the Government Procurement Policy Board established in  
9 accordance with Article X of R.A.No.9184, otherwise known as the “Government Procurement  
10 Reform Act;”

11          p) *Intermediation strategy* shall refer to a development strategy that provides  
12 financial, agricultural, business development and institutional development services to the  
13 entrepreneurial poor and employers of the poor and provides as well product development and  
14 marketing support using the principles of fair trade to marginalized artisans. A Social Enterprise  
15 engaged in intermediation strategy need not be owned by the marginalized stakeholders but  
16 provide immediate access to services among a critical mass of these marginalized stakeholders;

17          q) *Marginalized sectors* shall refer to groups of people who are stigmatized or  
18 marginalized by virtue of their physical, psychological, economic, social or cultural  
19 circumstance;

20          r) *Micro-enterprise enterprise* as defined in R.A. No. 6977, as amended by R.A. No.  
21 9501, otherwise known as the “Magna Carta for Small Enterprises,” shall refer to any business  
22 activity or enterprise engaged in industry, agribusiness and/or services, whether single  
23 proprietorship, cooperative, partnership or corporation whose total assets, inclusive of those  
24 arising from loans but exclusive of the land on which the particular business entity's office, plant  
25 and equipment are situated, must have a value of not more than Three Million Pesos  
26 (₱3,000,000.00). This amount is subject to review and adjustments by the Micro, Small and  
27 Medium Enterprises Development (MSMED) Council, taking into account inflation and other  
28 economic indicators and may use other variables such as number of employees, equity capital  
29 and assets size;

30          s) *Microfinance* shall refer to a credit and savings mobilization program exclusively  
31 for the poor to improve the asset base of households and expand the access to savings of the poor.  
32 It involves the use of viable alternative credit schemes and savings program including the  
33 extension of small loans, simplified loan application procedures, collateral-free arrangements,  
34 alternative loan repayments, and minimum requirements for savings, and small denominated  
35 savers' instruments as defined in R.A. No. 8425;

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

1           u) *Non-Government Organization or NGO* refers to a duly registered non-stock, non-  
2 profit organization focusing on the upliftment of the basic or disadvantaged sectors of society by  
3 providing advocacy, training, community organizing, research, access to resources, and other  
4 similar activities;

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

8           w) *Persons with Disability (PWDs)* shall refer to those suffering from restriction or  
9 different abilities, as a result of a mental, physical or sensory impairment, to perform an activity  
10 in the manner or within the range considered normal for a human being;

11          x) *Poor* shall refer to individuals and families whose income fall below the poverty  
12 threshold as defined by the National Economic and Development Authority and/or cannot afford  
13 in a sustained manner to provide their minimum basic needs of food, health, education, housing  
14 and other essential amenities of life as defined under R.A. 8425;

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

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

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

25          bb) *Resource mobilization strategy* shall refer to a development strategy intended to  
26 generate income from the sale of products and services of a social enterprise in order to finance  
27 or subsidize the operations of its core development program or development interventions among  
28 the marginalized sectors;

29          cc) *SEPPS* refers to a *social enterprise with the poor as its primary stakeholders* and  
30 which is a wealth creating organization that explicitly declares poverty reduction/ alleviation or  
31 improving the quality of life of specific segments of the poor as its primary objective;

32          dd) *SEGFP* refers to the SE Guarantee Fund Pool created under this Act;

33          ee) *Social development* refers to the continuing process of addressing the needs of  
34 society, beginning with the people's minimum basic needs, through a systematic implementation  
35 of socioeconomic programs or packages;

36          ff) *Social Enterprise* or SE refers to an organization, whether an association, single  
37 proprietorship, partnership, corporation, or a cooperative, whose primary stakeholders and/or  
38 beneficiaries are marginalized sectors of society, engaged in providing goods and services that  
39 are directly related to its mission of improving societal well-being. It is established to achieve

1 multiple bottom lines such as financial, social and ecological. It generates profit or surplus with  
2 due regard to social and environmental costs, and makes a pro-active contribution to resolving  
3 social and environmental problems. A social enterprise, for purposes of this Act, shall strictly  
4 mean a SEPPS;

5       gg) *Social Enterprise Service Institution* refers to an organization that provides  
6 assistance to social enterprises for them to become viable and sustainable and which assistance  
7 pertains to supplying needs such as trainings, education and other capacity-building measures,  
8 research and development, and other similar activities;

9       hh) *Social Enterprise Advocacy Group* refers to an organization whose primary  
10 purpose is supporting the cause of social enterprises especially with regard to public policy and  
11 articulating issues or causes related to social entrepreneurship;

12       ii) *Social entrepreneur* refers to an innovative individual or institution that promotes  
13 the creation and operationalization of enterprises or livelihood endeavors for those in need or  
14 which address social problems and improve societal well-being;

15       jj) *Social entrepreneurship* entails innovations designed to explicitly improve societal  
16 well-being, housed within entrepreneurial organizations, which initiate, guide or contribute to  
17 change in society;

18       kk) *Social Inclusion strategy* refers to the development strategy that assists groups of  
19 people who are stigmatized or marginalized by virtue of their physical, psychological, economic,  
20 social or cultural circumstance in order to restore their dignity and create avenues for their  
21 participation as productive members of society by not only removing the barriers that limit their  
22 access to the delivery of basic social services and employment but, more importantly, by  
23 nurturing work and other environments for persons with disability and those who comprise the  
24 majority of the workers;

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

29       mm) *Social reform* refers to the continuing process of addressing the basic inequities in  
30 society through a systematic, unified and coordinated delivery of socioeconomic programs or  
31 packages;

32       nn) *Transactional roles* refer to enterprise-related functions performed by the poor that  
33 involve an exchange of goods or services for money including being workers, suppliers, clients  
34 or owners;

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

38       pp) *Transactional services* pertain to enterprise or market-driven activities, such as  
39 providing loans, demonstrating new technologies or conducting trainings that are necessary for

1 the poor in the social enterprise system to effectively and efficiently perform their roles as  
2 workers, suppliers, clients and owners. Transactional services may be fee-based, such as the  
3 granting of loans, or non-fee based, such as the extension of production-related trainings;

4 qq) *Transformational services* pertain to activities that empower the poor, such as  
5 leadership formation and organizational development, asset build-up and providing education and  
6 experiential learning opportunities, to become conscious change agents for themselves, for their  
7 communities, sectors and society as a whole;

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

11 ss) *Unemployment* shall mean an economic situation where persons who are 15 years  
12 old and over as of their last birthday and are 1) without work or have no job or business, 2)  
13 available for work and willing to take up work in paid employment or self-employment, 3)  
14 seeking work and had taken specific steps to look for a job or establish a business but failed to;  
15 and

16 tt) *Value chain* refers to interlinked value-adding activities that convert inputs into  
17 outputs which, in turn, add to the bottom line and help create competitive advantage. A value  
18 chain typically consists of: 1) inbound distribution or logistics, 2) manufacturing operations, 3)  
19 outbound distribution or logistics, 4) marketing and selling, and 5) after-sales service. These  
20 activities are supported by 6) purchasing or procurement, 7) research and development, 8) human  
21 resource development, and 9) organizational development.

## CHAPTER III

### POVERTY REDUCTION THROUGH SOCIAL ENTERPRISES

26 **SECTION 4. Social Enterprise (SE); General Concept and Coverage** – A Social Enterprise,  
27 for purposes of this bill, refers to social enterprises with the poor as its primary stakeholders. As such,  
28 it declares poverty reduction/alleviation or the improvement in the quality of life of specific segments  
29 of the poor as its primary objective and pursues this objective by directly engaging its chosen  
30 segment/s of the poor as workers, clients and/or suppliers. The poor play either just transaction roles or  
31 both transactional and transformational roles in the enterprise.

33 In addition to the aforementioned definition, in order for a social enterprise to be covered by  
34 this Act and considered to fall under said definition and, thereby, be eligible for the services, assistance  
35 and incentives set forth hereunder, said social enterprise:

36 (a) shall be duly registered with the appropriate agencies as provided under the Corporation  
37 Code or the Cooperative Code of the Philippines;

1                         (b) shall be one hundred percent (100%) owned and capitalized by Filipino citizens if single  
2 proprietorship or partnership. If the enterprise is a juridical entity, at least sixty percent (60%) of its  
3 capital or outstanding stocks must be owned by Filipino citizens;

4                         (c) shall possess for accreditation with the Commission on SEPPS Development created in  
5 Section 6 of this Act all the documentary requirements enumerated in Section 10 hereof;

6                         (d) may be collectively owned by the poor usually in the form of cooperatives or associations  
7 where the poor are the exclusive owners or comprise a majority of the members thereof;

8                         (e) shall provide transactional services to the poor by assisting them in the provision of goods  
9 and services in a value chain in furtherance of its social mission of increasing the economic benefits  
10 that the poor can derive from said value chain or provide transformational services and, thereby,  
11 enhance the poor's position in said enterprise as worker-owners, managers, and active members in its  
12 governing bodies or provide both transactional and transformational services, observing fair trade  
13 practices;

14                         (f) shall be engaged in a business activity within the major economic sectors,  
15 namely: agriculture, industry, and services which for purposes of this Act refers to any business  
16 activity in any of the economic subsectors;

17                         (g) shall employ any of the following development strategies in the pursuit of its social mission:  
18 1) empowerment strategy; 2) social inclusion strategy; 3) intermediation strategy; and, resource  
19 mobilization strategy;

20                         (h) shall, aside from ensuring the sustainability of its operations, distribute the wealth it derives  
21 to a broader segment of society, generate profit or surplus with due regard to social and environmental  
22 costs, and make a pro-active contribution to resolving social and environmental problems;

23                         (i) shall plough back a significant portion of its gross earnings in any given fiscal year for the  
24 expansion of its social investment and utilize no less than forty percent (40%) of its operational income  
25 for the procurement of raw materials or purchase of goods or services from its primary stakeholders;

26                         (j) shall neither be a branch, subsidiary or division of a private enterprise, regardless of the size  
27 of such private enterprise, nor may its policies be determined by a private enterprise or by persons who  
28 are not owners or employees of the enterprise: *Provided*, That this shall not preclude a social enterprise  
29 from accepting subcontracts from large private enterprises or firms or from joining in cooperative or  
30 joint-venture activities with other social enterprises or foundations practicing CSR.

31  
32                         Only Social Enterprises with the poor as their primary stakeholders are entitled to the services,  
33 assistance, and incentives set forth under this Act.

34  
35                         Micro, small, and medium enterprises established under R.A. No.6977, as amended by R.A.  
36 No. 8299 and R.A. 9150; Barangay Micro Business Enterprises established under R.A. 9178; Fair  
37 Trade certified organizations or certified Fair Trade organizations; Overseas Filipino Workers  
38 (OFWs)and their dependents that are organized and assisted by the Overseas Workers Welfare  
39 Administration (OWWA) and the National Livelihood and Development Corporation (NLDC) under

1 the Livelihood Development Program for OFWs; as well as community-based associations composed  
2 of poor families organized by the Department of Social Welfare and Development and the local  
3 government units (LGUs) under the Self-Employment Assistance – Kaunlaran Program as an  
4 alternative to the Conditional Cash Transfer Program that meet the preceding requirements shall be  
5 regarded as a Social Enterprise under this Act.

7                   **SECTION 5. *Formulation of a Poverty Reduction Through Social Entrepreneurship***

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

11                  a) Incorporation of the PRESENT Program in the government's poverty reduction drive as a  
12 major sustainable and comprehensive strategy;

13                  b) Rationalization of anti-poverty reduction programs by streamlining and coordinating the  
14 various anti-poverty programs of the government to reduce inefficiency and duplication and to improve  
15 the effectiveness of each program;

16                  c) People's participation and empowerment by mobilizing civil society organizations and  
17 social movement groups working with the poor;

18                  d) Promoting sustainable programs that reduce inequality in incomes across economic sectors  
19 and increase self-reliance among the poor;

20                  e) Identification of opportunities and constraints facing SEs within the context of economic  
21 subsectors and value chains; and,

22                  f) Gender-sensitivity by ensuring women's equal rights and access to SE's resources.

24                  The planning framework of the Poverty Reduction Through Social Entrepreneurship  
25 (PRESENT) Program and its planning process shall ensure that the poor, in general, are engaged,  
26 further ensuring the inclusion therein of the economic subsectors and the value chains, in particular, by  
27 utilizing the economic subsector as a sustainable unit of planning for local economic development and  
28 for designing interventions for Social Enterprise development.

30                  Annual and medium-term development plans shall likewise be formulated. The PRESENT  
31 development program shall be in synchrony with the medium-term development plan.

33                   **CHAPTER IV**  
34                   **INSTITUTIONAL MECHANISMS**

36                   **SECTION 6. *Creation and Composition of the Commission for Social Enterprises (CSE)*** --

37                  To carry out the above-stated policy and to spur the growth and development of SEs in the country, the  
38 Commission for Social Enterprises, hereinafter referred to as the Commission, is hereby created under  
39 the Office of the President.

2       The Commission shall be the primary agency tasked to carry out the promotion, propel the  
3 development, and spur the growth of SEs in the country. It shall be responsible for facilitating and  
4 coordinating national efforts to promote the viability and progress of SEs.

5

6       The Commission shall be headed by the President as Chairperson with the Secretary of the  
7 Department of Trade and Industry (DTI) as Vice Chairperson and shall be composed of the following:

8

- 9             (a)      The Lead Convenor of the National Anti-Poverty Commission (NAPC);  
10          (b)      The Director-General of the National Economic Development Authority (NEDA);  
11          (c)      The Secretary of the Department of Finance (DOF);  
12          (d)      The Secretary of the Department of the Interior and Local Government  
13                   (DILG);  
14          (e)      The Secretary of the Department of Agriculture;  
15          (f)      The Chairperson of the Cooperative Development Authority (CDA), or his duly  
16                   authorized permanent representative;  
17          (g)      Three (3) representatives from SEs, one (1) representatives each from the main island  
18                   groupings of Luzon, Visayas, and Mindanao;  
19          (h)      One (1) representative from among SE service institutions; and  
20          (i)      One (1) representative from SE advocacy groups.

21

22       Cabinet-ranked *ex officio* members of the Commission shall designate a permanent  
23 representative in case they fail to attend its meetings. The designated permanent representative of any  
24 of the aforementioned Cabinet-ranked members of the Commission must hold a position not lower than  
25 a bureau director.

26

27       The representatives of the SEs from the main island groupings of Luzon, Visayas, and  
28 Mindanao, the SE Service Institutions, and the SE Advocacy Groups shall be chosen by the President  
29 from among the nominees submitted by their respective national organizations to serve in the  
30 Commission for a term of three (3) years. These representatives must be conversant in the theory and  
31 practice of SE and committed to the policies and programs provided under this Act.

32

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

36

37       The Commission shall, from time to time, call upon the participation of any government agency  
38 to attend in its meetings to assist in clarifying issues and finding resolution to problems that concern  
39 their respective offices with respect to the implementation of the PRESENT Program enunciated

1 hereunder and which affects the growth and development of SEs.

2  
3       The Commission may create an Executive Committee of five (5) members elected by the  
4 Commission members from among themselves or their designated permanent representatives, with at  
5 least two (2) members representing the SEs, and with authority to act for and on behalf of the  
6 Commission during intervals of Commission meetings, and within the specific authority granted by the  
7 Commission.  
8

9           **SECTION 7. Powers and Functions** – The Commission shall have the following powers and  
10 functions:  
11

12           (a) Formulate policies, plans, programs and projects to develop and promote SEs as a tool for  
13 poverty reduction and consistent with national development objectives;

14           (b) Oversee the successful implementation of the PRESENT Program and other Public-Private  
15 Partnership programs with the poor as the primary stakeholders;

16           (c) Identify sources of financing to expand SEs;

17           (d) Monitor and evaluate the performance of programs and projects for appropriate incentives;

18           (e) Call upon any government agency to carry out and implement programs and projects  
19 identified by the Commission;

20           (f) Call upon POs, NGOs, the academe and other sectors to provide advice on matters  
21 pertaining to SEs and conduct of transactional and transformational services to farmers, producers,  
22 workers, consumers and other stakeholders;

23           (g) Submit annual and other periodic reports to the President and Congress of the Philippines  
24 through the Congressional Oversight Committee;

25           (h) Promulgate such rules and regulations and exercise such other powers and functions as may  
26 be necessary to carry out effectively the purposes and objectives of this Act; and

27           (i) Perform such other functions as may be necessary for its effective operations and for the  
28 continued enhancement, growth or development of SEs.  
29

30           **SECTION 8. Secretariat and Office** – The Bureau of Small and Medium Business  
31 Development of the Department of Trade and Industry shall be strengthened and empowered in terms  
32 of establishing functional divisions and incremental staffing to serve as the national technical and  
33 administrative secretariat of the Commission with the member agencies providing additional staff  
34 support as the need arises. The secretariat shall perform the following functions:

35           (a) to provide staff support to the Commission, with the assistance of the National Economic  
36 and Development Authority secretariat, in the formulation of the PRESENT development programs  
37 and plans;

38           (b) to assist the Commission in the implementation of the PRESENT development program and  
39 the annual and medium-term development;

1 (c) to assist the Commission in the accreditation of SEs;

2 (d) to assist the Commission in monitoring the PRESENT development programs and the  
3 activities of the various concerned government agencies with respect SEs;

4 (e) to prepare, collate and integrate all necessary inputs to the Council's yearly report on  
5 the status of SEs in the country;

6 (f) to submit periodic reports to the Commission on the progress and accomplishment of  
7 its work programs; and

8 (g) to perform ad/hoc functions as are authorized by the Commission.

9  
10 The Commission shall have its principal place of business in Metro Manila and may establish  
11 such branches within the Philippines as may be deemed necessary by the President of the Philippines to  
12 carry out the powers and functions of the Commission.

13  
14 **SECTION 9. *The National Center for Social Enterprise Development*** - There shall be  
15 established a National Center for Social Enterprise Development (NACSED) under the Commission  
16 which shall develop a research and development system, provide training and education on SE  
17 development, and establish a SE networking services in order to implement the provisions of this Act.

18 In this regard, it shall, in coordination with relevant agencies, perform the following functions:

19 (a) provide SEs with capability-training and education through the SE Capacity Building  
20 Program created under Section 12 of this Act;

21 (b) develop and enhance a research and development system that shall equip every SE with  
22 innovative and sustainable approaches that ensures improvement in the access to more desirable basic  
23 social services by the poor pursuant to Section 14 hereunder; and

24 (c) establish and manage a Social Enterprise Marketing Information Network (SMIN) that shall  
25 link the SEs not only to government and research institutions but, more importantly, to markets, both  
26 locally and abroad, in order to ensure that SEs generate the highest possible income pursuant to Section  
27 15 hereof.

28  
29 The NACSED shall be headed by the Director of the Bureau of Small and Medium Business  
30 Development in his *ex officio* capacity as head of the Commission secretariat. It shall maintain a multi-  
31 sectoral, multi-disciplinary pool of experts including those from the academe, practicing professionals,  
32 business and industry, youth, women and other concerned sectors, who shall be screened according to  
33 qualifications set by the Commission.

34  
35 The National Center for Social Enterprise Development shall, in addition to coordinating with  
36 relevant agencies, partner with the University of the Philippines Institute for Small Scale Industries  
37 (UP ISSI), State Universities and Colleges, other universities and academic organizations, the  
38 Technical Education and Skills Development Authority (TESDA), and Technology and Livelihood

Resource Center (TLRC), Department of Transportation and Communication (DOTC), and CSOs in implementing its programs.

**SECTION 10. Role of LGUs in Social Enterprise Development** - Pursuant to the relevant provisions of R.A. No. 7160, otherwise known as the Local Government Code, the LGUs shall be fully responsible for the development of SEs and the implementation and enforcement of the pertinent provisions of this Act within their respective jurisdictions with the end in view of reducing poverty therein. The LGUs are hereby mandated to include in their respective local development plans policies and programs geared toward the development of SEs in their jurisdiction.

LGUs with viable SE development plan as incorporated in their respective local development plans are entitled to avail of the SE Development Fund created under the immediately succeeding section for the purpose of initiating the development of SEs in their own jurisdiction.

# **CHAPTER V**

## **OTHER CAPACITY BUILDING MECHANISMS**

**SECTION 11. Social Enterprise Capacity Building Program; Creation of Social Enterprise Development Fund** – There is hereby established a Social Enterprise Capacity Building Program whose primary objective is to guarantee the viability and sustainability of SEs through activities that advance, in general, both transformational services and transactional services. This program shall include training in social entrepreneurship development, institutional strengthening, human resource competency and skills training, business planning and advisory services, upgrading of accounting and auditing systems, technical assistance for the installation or 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, and other related activities.

For this purpose, there is hereby created and established a Social Enterprise Development Fund (SEDF) in the amount of Three Billion Pesos (₱3,000,000,000.00) to be administered by the Commission with an endowment from the earnings of the Philippine Amusement and Gaming Corporation (PAGCOR), in addition to appropriations by Congress, voluntary contributions, grants, gifts from both local and foreign sources as may be accepted by the Commission. Capacity building projects approved by the Commission shall be implemented by the National Center for Social Enterprise Development.

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

1           **SECTION 12. Promotion and Development of Social Enterprises as One of the Purposes of**  
2       **the People's Development Trust Fund (PDTF)** – The promotion and development of SEPPS is hereby  
3       declared one of the purposes of the PDTF established under Section 10 of R.A. 8425.

5       For this purpose Sec. 11 of R.A. 8425 is hereby amended to read as follows:

6           “Sec. 11. Purposes of the People's Development Trust Fund. – The  
7       earnings of the PDTF shall be utilized for the following purposes:

8           (1) Consultancy and training services for microfinance institutions and  
9       their beneficiaries on the establishment of the necessary support services, social  
10      and financial preparation of beneficiaries, preparation of plans and programs  
11      including fund sourcing and assistance, establishment of credit and savings  
12      monitoring and evaluation mechanisms **AS WELL AS CONSULTANCY AND**  
13      **TRAINING SEVICES ON SOCIAL ENTERPRISE MANAGEMENT IN**  
14      **THE FUNCTIONAL AREAS OF MARKETING, ORGANIZATIONAL**  
15      **AND HUMAN RESOURCE MANAGEMENT, OPERATIONS**  
16      **MANAGEMENT, FINANCIAL MANAGEMENT AND STRATEGIC**  
17      **MANAGEMENT;**

18           (2) Scholarships or training grants for microfinance **OR SOCIAL**  
19      **ENTERPRISE** staff and officers, and selected beneficiaries;

20           (3) Community organizing for microfinance, livelihood, **SOCIAL**  
21      **ENTERPRISE** and micro-enterprises training services;

22           (4) Livelihood/micro-enterprise/**SOCIAL**                           **ENTERPRISE**  
23      **DEVELOPMENT AND CAPACITY BUILDING** project/program feasibility  
24      studies and researches;

25           (5) Savings mobilization and incentive programs, and other similar  
26      facilities;

27           (6) Information and communication systems such as baseline surveys,  
28      development monitoring systems, socioeconomic mapping surveys,  
29      organizational assessments, and other similar activities;

30           (7) Legal and other management support services such as  
31      registration/**ACCREDITATION**, documentation, contract review and  
32      enforcement, financial audit and operational assessment;

33           (8) Information dissemination of microfinance technology **AND SOCIAL**  
34      **ENTERPRISE DEVELOPMENT**; and

35           (9) Other activities to support microfinance **AND SOCIAL**  
36      **ENTERPRISES** as approved by the designated agency administering the PDTF.

37           The PDTF may be accessed by the following:

38           (a) Registered microfinance organizations engaged in providing micro-  
39      enterprise services for the poor to enable them to become viable and sustainable;

(B) THE NATIONAL CENTER FOR SOCIAL ENTERPRISE

## **DEVELOPMENT;**

#### **(C) ACCREDITED SOCIAL ENTERPRISES;**

**(D)** Local government units providing microfinance and micro-enterprise programs to their constituents: Provided, That the PDTF shall not be used by the LGUs for personal services and maintenance and other operating expenses; and

(E) Local government units undertaking self-help projects where at least twenty-five percent (25%) of the total earnings of the PDTF shall be used exclusively for the provision of materials and technical services.

**SECTION 13. Social Enterprise Research and Development System** - The Commission, in consultation with the Department of Science and Technology, the Department of Trade and Industry, other appropriate agencies and research institutions, shall develop and enhance a research and development system that equips Social Enterprises with innovative and sustainable approaches that creates access to more desirable basic social services by the poor.

Appropriate technology and low-carbon and resource-efficient designs shall be encouraged in the development, adaptation, diversification, or expansion of the design of goods or services that consider not only the market needs but, more so, the need to protect the environment and produce ethical products and conduct ethical practices in the provision of services, and reduce the cost, improve the quality, and increase the value-added for such goods and services in order to be globally competitive.

The Commission shall, in coordination with Department of Science and Technology and the Department of Trade and Industry, cause the conduct of trainings and seminars, and the production of training and information materials on the research output, including the trends and developments thereof, in order to enhance hands-on learning and application of skills by the Social Enterprises.

**SECTION 14. Marketing Infrastructure Development** - (a) A system of timely, accurate and  
sive business information and efficient trading services which will link the Social Enterprises to  
ble markets, both locally and abroad, for the promotion of their products shall be developed.  
hall, hence, be accorded an innovative support toward the generation of maximum income  
n assistance in marketing.

(a) A market information system shall be installed and maintained by the Commission, with the assistance of the Department of Trade and Industry and the Department of Transportation and Communication, for the use and benefit of, but not limited to, the SEPPSes, government agencies, LGUs, private enterprises, and the public at large.

(b) The Commission shall establish a Social Enterprises Marketing Assistance Program (SMAP) that will ensure the generation of the highest possible income for the Social Enterprises, matching supply and demand in both domestic and foreign markets. The SMAP shall include assistance in marketing and promotions drive in the local tri-media and trade fair participation.

(c) A SE Marketing Information Network (SMIN) shall be set up from the level of the municipal and provincial LGUs, the regional and up to the Commission level within one (1) year from the approval of this Act, taking into account existing information networks such as the internet, to ensure linkage of the Social Enterprises with the government and its various departments, agencies, bureaus and instrumentalities, the local and domestic markets, as well as research institutions. The Commission 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 the internet.

(d) The SMIN shall provide information and marketing services related to products of SEs which shall include the following:

1. Supply data;
  2. Demand data;
  3. Price and Price trends;
  4. Product standards;
  5. Directory of, but not limited to, processors and business institutions
  6. Information and technology
  7. International, regional
  8. Resource accounting data

## **CHAPTER VI**

### **ACCREDITATION OF SEs**

**SECTION 15. Accreditation** – No entity shall use the title of Social Enterprise unless duly certified and accredited as such by the Commission.

A social enterprise formed and organized under this Act acquires juridical personality as a Social Enterprise from the date the Commission issues a certificate of accreditation under its official seal. All applications for accreditation shall be disposed of with finality by the Commission within a period of sixty (60) days from the filing thereof, otherwise the application is deemed approved, unless the cause of the delay is attributable to the applicant: *Provided*, That in case of a denial of the

1 application for accreditation, an appeal may be elevated with the Office of the President within ninety  
2 (90) days from receipt of the notice of denial thereof: *Provided, further,* That failure of the Office of  
3 the President to act on the appeal within ninety (90) days from the filing thereof shall mean approval of  
4 said application.

5

6       **SECTION 16. *Documents to be Submitted for Accreditation*** – For purposes of accreditation, a

7 Social Enterprise shall submit the following documents:

8           (a) A copy of the board resolution certifying to the result of the vote approved through a  
9 referendum approving the accreditation of the SE with the Commission;

10          (b) A certified copy of the articles of incorporation/cooperation and bylaws as required by the  
11 Commission;

12          (c) List of names of incumbent board of directors and their addresses certified by the board  
13 secretary and attested by the chairperson;

14          (d) Summary of programs and services that show the applicant-organization's engagement with  
15 the poor;

16          (e) Within six (6) months from the accreditation, the treasurer shall submit a sworn statement  
17 of the authorized share capital, the subscribed share capital of members and the amount of paid-up  
18 share capital received by the treasurer; and,

19          (f) Bonds of accountable officers.

20

21       **SECTION 17. *Certificate of Accreditation*** – A certificate of accreditation issued by the  
22 Commission under its official seal shall be conclusive evidence that the SE therein mentioned is duly  
23 accredited unless it be proved that the accreditation thereof has been cancelled or revoked.

24

25       **SECTION 18. *Accreditation of Existing Cooperatives, Micro, Small, and Medium  
enterprises, Barangay Micro Business Enterprises; Fair Trade certified organizations or certified  
Fair Trade organizations; OFWs and their dependents organized and assisted under the Livelihood  
Development Program for OFWs; and Community-based Associations under the Self-Employment  
Assistance – Kaunlaran Program as SEs*** - A cooperative that qualifies as SE as defined in this Act  
26 may be accredited as such by the Commission in order to enjoy the benefits and privileges granted  
hereof only upon prior written verification by the Cooperative Development Authority to the effect that  
27 the same is needed and desired by the beneficiaries and that it will be economically viable in its  
28 operations; and that the same may now be accredited in accordance with requirements of this Act.

29

30       The Commission, in consultation with Cooperative Development Authority shall issue the  
31 appropriate rules and regulations pertaining to the implementation of this Section.

32

33       A micro, small, and medium enterprise established under R.A. No.6977, as amended by R.A.  
34 No.8299 and R.A. No. 9150, a Barangay Micro Business Enterprise established under R.A. 9178, Fair

Trade certified organizations or certified Fair Trade organizations, OFWs and their dependents that are organized and assisted by the OWWA and the NLDC under the Livelihood Development Program for OFWs; and community-based associations composed of poor families organized by the Department of Social Welfare and Development and the LGUs under the Self-Employment Assistance – Kaunlaran Program that meet the qualifications as a Social Enterprise under Section 4 of this Act may likewise be accredited as a Social Enterprise.

**SECTION 19. Register of SEs** – The Commission shall establish a register which shall contain a chronological entry of the name of every SE accredited or whose accreditation is cancelled/revoked which is under dissolution under this Act together with the basic information required for accreditation or cancellation or revocation and any other information considered useful. The Commission shall publish annually a list of existing SEs, SEs whose accreditation are cancelled or revoked, and SEs under dissolution during the year together with such information on each of them as may be prescribed in the implementing rules and regulations.

## CHAPTER VII

## **ACCESS TO CREDIT RESOURCES AND GUARANTEE FUND**

**SECTION 20. SEs' Access to Credit Resources and Mandatory Allocation Thereof** - In the context of poverty reduction through SEs, there is a need to ensure their access to credit. In this regard, active participation of the banking sector and government financial institutions is hereby mandated.

In addition to and apart from the special credit windows mandated under Section 16 of R.A. No. 8425 to be opened by the Land Bank of the Philippines, Development Bank of the Philippines, Philippine Postal Bank, and Al Amanah Bank for the promotion of microfinance, the foregoing banks are hereby mandated to set aside at least eight percent (8%) of their total loan portfolio based on their balance sheet as of the end of the preceding quarter and open a special credit window for SEs as herein contemplated.

For a period of ten (10) years from the date of the effectivity of this Act, all other lending institutions as defined under Bangko Sentral ng Pilipinas rules, whether public or private, shall likewise set aside at least eight (8%) percent of their total loan portfolio 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.

35 The Bangko Sentral ng Pilipinas, in consultation with the Commission, shall formulate the rules  
36 for the effective implementation of this provision: *Provided*, That the purchase of government notes,  
37 securities and other negotiable instruments shall not be deemed compliance with the foregoing  
38 provision: *Provided, further*, That the Bangko Sentral ng Pilipinas shall establish an incentive program

1 to encourage lending to small and medium industries beyond mandatory credit allocation to said  
2 enterprises, such as possible reduction in bank's reserve requirement.

4 The Commission shall establish the appropriate systems to monitor all loan applications of SEs  
5 in order to account for the absorptive capacity of the SE sector.

7 The Bangko Sentral ng Pilipinas shall require lending institutions covered by this Act to furnish  
8 the Commission on a quarterly basis a regular report on their respective compliance with the above  
9 provisions on the mandatory credit allocations for SEs and act with dispatch on the Commission's  
10 reports of non-compliance therewith.

12 The special credit window for SEs shall bear lower than market interest rates with longer terms  
13 or repayment and waiver of applicable fees.

15 **SECTION 21. SEs' Special Credit Window; Purposes** – The special credit window mandated  
16 in the preceding section to be created shall be intended for, but not limited to, the following purposes:

18 (a) **Organizational Developmental Loan or Capacity-Building Loan** for the conduct of  
19 social preparation activities or the conduct of capability-building/training or professional development  
20 of the board, management and staff of the SEPPS intended for social entrepreneurship development  
21 and institutional strengthening, human resource competency and skills training, business planning and  
22 advisory services, technology intervention, technology incubation/commercialization, market studies,  
23 and product development competitiveness, business matching activities, trade fairs and missions, and  
24 policy advocacy;

25 (b) **Credit Line for Business Development Loan or Working Capital Loan** to cover the  
26 operational and management expenses of a start-up/existing business or income generating project,  
27 including receivable financing and/or purchase of additional inventory, and soft or intangible  
28 investments such as: trade fair participation; pre-operating expenses for expansion project; rental  
29 deposit; IT software packages; franchise development packages, and others;

30 (c) **Fixed Assets Financing** to cover acquisition of fixed assets like machinery and equipment  
31 or motor vehicle; lot acquisition for project site and/or the construction of a plant and building and the  
32 improvements thereof;

33 (d) **Value Chain Financing** to cover any of the value chain activities (production, processing  
34 and marketing) with direct forward or backward link;

35 (e) **Domestic Letter of Credit/Trust Receipt** to provide a standby credit facility for the  
36 borrower for the purchase of product inputs, equipment, machinery, implements, and spare parts,  
37 whereby payment of which is guaranteed and to be made to the seller by the lending institution,  
38 provided all documents conform with the terms and conditions of the credit; and

(f) **Revolving Credit Line** – funds for re-lending to finance the livelihood project requirements

of end-borrowers.

**SECTION 22. Eligibility for Agriculture and Fisheries Credit.** - At least ten percent (10%) of funds created under Section 6 of Republic Act No. 10000, otherwise known as "The Agri-Agrarian Credit Act of 2009", and mandated to be set aside by all banking institutions, whether government or private, for agriculture and fisheries credit shall be made available for SEs engaged in agriculture and fisheries activities.

**SECTION 23. SE Guarantee Fund Pool.** - There shall be evolved a Social Enterprise credit line and financing system to improve the viability and productivity of the SEPPS through government and private banking institutions.

There is hereby created a Social Enterprise Guarantee Fund Pool (SEGFP) which shall use five percent (5%) of the 2012 surplus of the government-owned and/or – controlled corporations and government financial institutions including the Philippine Amusement and Gaming Corporation (PAGCOR), the Philippine Charity Sweepstakes Office (PCSO), the Social Security Commission (SSS), and the Government Service Insurance System (GSIS), the National Power Corporation and the Philippine National Oil Company as contribution to the SGFP in accordance with relevant charters and by-laws and the penalties collected from banking institutions for non-compliance under compliance as provided under this Act.

The SEGFP shall be administered by the Commission and shall be used to mitigate the risks involved in SEPPS sector lending, thereby facilitating the provision of credit therefor. Such 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. The Commission, 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.

## CHAPTER VIII

### INCENTIVES AND BENEFITS

**SECTION 24. Tariffs and Duties Exemption for the Importation of Product Inputs, Equipment, Machinery, and Implements** - All SEs as duly certified by the Commission in consultation with the Department of Finance and the Board of Investment of the Department of Trade and Industry shall, for five (5) years after the effectivity of this Act, be exempted from the payment of tariff and duties for the importation of all types of product inputs, equipment, machinery, implements, and spare parts: *Provided, however,* That these inputs, equipment, machinery, implements, and spare parts shall

1 be for the exclusive use of the importing SEs and can be shown to be directly related to further improve  
2 the value chain operations of the SEs.

3

4 The Commission, in consultation with the Department of Finance and the Board of Investment,  
5 shall, within ninety (90) days from the effectivity of this Act, formulate the implementing rules and  
6 regulations governing the importation of the inputs, equipment, machinery, and implements for use by  
7 the SEs.

8

9 **SECTION 25. *Taxation of an Accredited SE*** – The taxation of a SE shall be as follows:

- 10 a) A Social Enterprise with undistributed or undivided net income of not more than Ten  
11 Million Pesos (₱10,000,000.00) shall be exempt from all national, city, provincial, municipal or  
12 barangay taxes of whatever name and nature.
- 13 b) Transactions of the SE and its clients shall be exempt from documentary stamp tax.
- 14 c) A reinvestment made by a SE for the expansion of its socioeconomic projects within the  
15 area of its operation shall be tax deductible from the gross income for income tax purposes.

16

17 **SECTION 26. *Preferential Right for SEs Transacting Procurement Business with  
Government*** – SEs shall be accorded a preferential right in the procurement process and the  
18 implementation of procurement contracts by the government and all its branches, departments,  
19 agencies, subdivisions, and instrumentalities, including government-owned and/or -controlled  
20 corporations and local government units.

21

22 All Annual Procurement Plans of a Procuring Entity of the government as cited in Section 7 of  
23 R.A. No. 9184 or the “Government Procurement Reform Act” shall promote, to the extent possible or  
24 available, the preferential procurement of goods produced and services rendered by SEs.

25

26 The provisions of Section 10 of R.A. 9184 to the contrary notwithstanding, the Procuring Entity  
27 shall, at all times, resort first to direct contracting, shopping, or negotiated procurement in obtaining  
28 goods or services where such goods or services may be obtained from a SE within the area of operation  
29 of the Procuring Entity and is duly certified by the Commission as having the capacity to supply the  
30 same.

31

32 (a) For this purpose, Sections 50, 52, and 53 of R.A. 9184 are hereby amended to read as  
33 follows:

34

35

36 “Sec. 50. Direct Contracting. - Direct Contracting may be resorted to only  
37 in any of the following conditions:

1                   a. Procurement of Goods of propriety nature, which can be obtained only  
2 from the propriety source, i.e. when patents, trade secrets and copyrights prohibit  
3 others from manufacturing the same items;

4                   b. When the Procurement of critical components from a specific  
5 manufacturer, supplier, or distributor is a condition precedent to hold a contractor  
6 to guarantee its project performance, in accordance with the provisions his  
7 contract;

8                   c. Those sold by an exclusive dealer or manufacturer, which does not have  
9 sub-dealers selling at lower prices and for which no suitable substitute can be  
10 obtained at more advantageous terms to the government; or

11                  **D. WHERE THERE EXISTS A SEPPS SELLING THE GOODS OR  
12 SERVICES REQUIRED BY THE PROCURING ENTITY AS CERTIFIED  
13 BY THE COMMISSION.**

14  
15                  “Sec. 52. *Shopping*. - shopping may be resorted to under any of the  
16 following instances:

17                  a. When there is an unforeseen contingency requiring immediate purchase:  
18 **PROVIDED, THAT THE PROCUREMENT OF THE GOODS OR  
19 SERVICES IS FIRST OBTAINED FROM A SOCIAL ENTERPRISE  
20 WITHIN THE AREA OF OPERATION OF THE PROCURING ENTITY  
21 WHICH IS DULY CERTIFIED BY THE COMMISSION AS HAVING THE  
22 CAPACITY TO SUPPLY SAID GOODS AND SERVICES:** Provided,  
23 however, That the amount shall not exceed **ONE HUNDRED THOUSAND  
24 PESOS (₱100,000)**; or

25                  b. Procurement of ordinary or regular office supplies and equipment not  
26 available in the Procurement Service involving an amount not exceeding Two  
27 hundred fifty thousand pesos (P250,000): Provided, however, That the  
28 Procurement does not result in Splitting of Contracts: Provided, further, That **A  
29 PRICE QUOTATION FROM A SEPPS CERTIFIED BY THE  
30 COMMISSION AS HAVING THE CAPACITY TO FURNISH OR  
31 PROVIDE SUCH OFFICE SUPPLIES AND EQUIPMENT SHALL FIRST  
32 BE OBTAINED; PROVIDED, FINALLY, THAT ONLY AFTER THE  
33 FAILURE OF SUBMISSION OF A PRICE QUOTATION BY A SOCIAL  
34 ENTERPRISE THAT** at least three (3) price quotations from **OTHER** bona  
35 fide suppliers shall be obtained.

36                  The above amounts shall be subject to a periodic review by the GPPB. For  
37 this purpose, the GPPB shall be authorized to increase or decrease the said  
38 amount in order to reflect changes in economic conditions and for other justifiable  
39 reasons.

1           “Sec. 53. Negotiated Procurement. - Negotiated Procurement shall be  
2       allowed only in the following instances:

3           a. In case of two (2) failed bidding as provided in Sec. 35 hereof;

4           b. In case of imminent danger to life or property during a state of calamity,  
5       or when time is of the essence arising from natural or man-made calamities or  
6       other causes where immediate action is necessary to prevent damage to or loss of  
7       life or property, or to restore vital public services, infrastructure facilities and  
8       other public utilities;

9           c. Take-over of contracts, which have been rescinded or terminated for  
10      causes provided for in the contract and existing laws, where immediate action is  
11      necessary to prevent damage to or loss of life or property, or to restore vital public  
12      services, infrastructure facilities and other public utilities;

13           d. Where the subject contract is adjacent or contiguous to an on-going  
14      infrastructure project, as defined in the IRR: Provided, however, That the original  
15      contract is the result of a Competitive Bidding; the subject contract to be  
16      negotiated has similar or related scopes of work; it is within the contracting  
17      capacity of the contractor; the contractor uses the same prices or lower unit prices  
18      as in the original contract less mobilization cost; the amount involved does not  
19      exceed the amount of the ongoing project; and, the contractor has no negative  
20      slippage: Provided, further, That negotiations for the procurement are commenced  
21      before the expiry of the original contract. Wherever applicable, the principle shall  
22      also govern consultancy contract, where the consultants have unique experience  
23      and expertise to deliver the required service;

24           e. Subject to the guidelines specified in the IRR, purchases of Goods from  
25      another agency of the government, such as the Procurement Service of the DBM,  
26      which is tasked with a centralized procurement of commonly used Goods for the  
27      government in accordance with Letters of Instruction No. 755 and Executive  
28      Order No. 359, series of 1989; or

29           **F. WHERE THE GOODS OR SERVICES SUBJECT OF THE  
30      PROCUREMENT CONTRACT MAY BE OBTAINED FROM A SEPPS  
31      WITHIN THE AREA OF OPERATION OF THE PROCURING ENTITY  
32      AND WHICH IS DULY CERTIFIED BY THE SEPPSDEV AS HAVING  
33      THE CAPACITY TO SUPPLY SAID GOODS OR SERVICES.**

34  
35           (b) Only if and when no procurement is perfected by way of direct  
36      contracting, shopping, or negotiated procurement by reason of the absence of a  
37      Social Enterprise within the area of operation of the Procuring Entity which is  
38      certified by the Commission as having the capacity to supply the goods and  
39      services subject of the procurement contract or of the lack of interest to supply

1 from a Social Enterprise shall the Procuring Entity through its Bids and Awards  
2 Committee issue an invitation to bid;

3 (c) A Procuring Entity shall, where applicable, have at least one  
4 member representing SEs;

5 (d) In the implementation of R.A. No. 7880, otherwise known as the  
6 "Fair and Equitable Access to Education Act", in particular the allocation for  
7 textbooks, desks, furniture and equipment used for instructional purposes, the ten  
8 percent (10%) out of the twenty five percent (25%) of the amount released for the  
9 purchase of desks, furniture and equipment allocated to SEs or cooperatives of  
10 persons with disabilities shall always be observed notwithstanding the provisions  
11 of R.A. 9184 or the "Government Procurement Reform Act" to the contrary[‐];

12 (e) Registered small enterprises under R.A. 6977, otherwise known as  
13 the "Magna Carta for Small Enterprises," as amended by R.A. 8299 and R.A.  
14 9150, that qualify as SE under this Act shall, consistent with Section 4 of R.A.  
15 9150, be entitled to a share of at least ten percent (10%) of total procurement  
16 value of goods and services supplied to the Government, its bureaus, offices and  
17 agencies annually.

18 (f) The Commission and the Department of Budget and Management  
19 shall issue the rules and regulations that shall implement the preferential right  
20 accorded to SEs under this Section, including the limitations and restrictions in  
21 the application of the same."

22  
23 **SECTION 27. *Incentives for Social Investors*** – Social investors and other institutions that  
24 contribute money or other forms of donation in the promotion and development of SEs shall be entitled  
25 to the following tax incentives:

26 (a) Donations to SEs shall be fully deductible from the gross income of the donor subject to the  
27 conditions of Section 34(c) of Republic Act No. 8424, as amended, otherwise known as the "National  
28 Internal Revenue Code of 1997": *Provided, however,* That the accreditation of the SE by the  
29 Commission under this Act shall be sufficient; and

30 (b) Donations to the SE shall be exempt from donor's tax subject to the qualifications of  
31 Section 101 of Republic Act No. 8424, as amended, otherwise known as the "National Internal  
32 Revenue Code of 1997": Provided, That for purposes of utilization, accreditation granted under this Act  
33 shall be sufficient.

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4           **CHAPTER IX**

5           **PENAL PROVISIONS**

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9           **SECTION 28. Non-Compliance with the Mandatory Allocation of Credit Resources** – The

10 Bangko Sentral ng Pilipinas shall impose administrative sanctions and other penalties on the lending  
11 institutions for non-compliance with provision of this Act including a fine of not less than Five hundred  
12 thousand pesos (₱500,000).

13

14           **SECTION 29. Penalty Clause** - Any person who, intentionally or by gross negligence,

15 commits an act, other than the non-compliance with the mandatory allocation of credit resources as  
16 provided in the preceding section, in violation of any provision of this Act, fails to perform his/her  
17 functions under this Act and/or who shall, in any manner, commit any act to defeat any provisions of  
18 this Act shall, upon conviction, be punished with a fine of not less than Twenty-Five Thousand pesos  
19 (₱25,000.00) but not more than Fifty thousand pesos (₱50,000.00) and suffer imprisonment of not less  
20 than six (6) months but not more than two (2) years, without prejudice to being charged before a  
21 regular court for violation of the provisions of the Revised Penal Code, Civil Code and other pertinent  
22 laws.

23           If the violation is committed by the social enterprise or government agency, the members,

24 officers, directors or trustees thereof who have actually participated in, authorized, or ratified the  
25 prohibited act shall, upon conviction, be held liable.

26           If the violation is committed by the employees and agents who acted in gross violation of the

27 provisions of this Act, the officers, directors or trustees, or incorporators of the social enterprise shall  
28 be jointly and severally liable with the offending employees, agents, and the enterprise.

29           In the case of a public official or employee, the offender shall, upon conviction, suffer the

30 accessory penalty of absolute disqualification.

31           **CHAPTER X**

32           **TRANSITORY PROVISION**

33           **SECTION 30. Phase-in of PRESENT Program as a Substitute Program for the Conditional**

34 **Cash Transfer Program.** - Unless circumstances warrant otherwise, the Department of Social Welfare  
35 and Development shall, in coordination with the Commission and within a period of five (5) years but  
36 in no case longer than ten (10) years from the approval of this Act, phase-out the Conditional Cash  
37 Transfer Program and, in lieu thereof, phase-in the development of SE as a substitute program for  
38 poverty reduction to the extent allowed in the Eligible Expenditures in support of the Conditional Cash

1 Transfer Program as stipulated in the Appendix of the Loan Agreement thereof with the World Bank  
2 through the International Bank for Reconstruction and Development.

3

4 The Commission, in coordination with the DSWD, shall prepare the beneficiaries of the  
5 Conditional Cash Transfer Program and organize them into full-fledged SEs under the contemplation of  
6 this Act.

7

8 **CHAPTER XI**

9 **MISCELLANEOUS PROVISIONS**

10 **SECTION 31. Compliance With Other Laws that Govern the Relationship Between a Social**  
11 **Enterprise and its Employees** – The Labor Code and all other labor laws, the Social Security Act, the  
12 Medical Care Act, and all other social legislations, and all other laws and executive orders that govern  
13 the relationship between a Social Enterprise and its employees shall apply and that all employees  
14 covered under this Act shall be entitled to the same benefits given to any regular employee such as  
15 social security and healthcare benefits.

16

17 **SECTION 32. Congressional Oversight** - There is hereby created a Congressional Oversight  
18 Committee on SE composed of the Chairman of the Senate Committee on Economic Affairs, Trade and  
19 Commerce and the Chairman of the House Committee on Small Business and Entrepreneurship  
20 Development, four (4) members of the Senate and four (4) members of the House of Representatives.  
21 The members from the Senate shall be appointed by the Senate President from among the members of  
22 the Senate Committee on Economic Affairs, Trade and Commerce based on the proportional  
23 representation of the parties or coalition therein. The members from the House of Representatives shall  
24 be appointed by the Speaker from among the members of the House Committee on Small Business and  
25 Entrepreneurship Development based on the proportional representation of the parties or coalitions  
26 therein.

27

28 The Oversight Committee, upon review and approval of the Implementing Rules and  
29 Regulations mandated under Sec. 34 of this Act shall become *functus officio* and therefore cease to  
30 exist: *Provided, however,* That the Commission shall thereafter submit to the Committee on Economic  
31 Affairs, Trade and Commerce of the Senate and the Committee on Small Business and  
32 Entrepreneurship Development of the House of Representatives an annual report on the  
33 implementation of this Act.

34

35 The appropriation for the oversight committee shall be charged to the budget of both Houses of  
36 Congress in the Annual General Appropriations Act.

37

38 **SECTION 33. Appropriations** – To carry out the provisions of this Act, the following amounts  
39 are appropriated as follows:

1                   (1) The sum of One Hundred Million Pesos (₱100,000,000.00) is hereby appropriated as the  
2 initial operating fund which sum shall be sourced from the President's Contingent Fund. In the  
3 subsequent years, the Commission shall have a separate annual appropriation under the DTI which  
4 shall be provided in the General Appropriation Act starting in the fiscal year immediately following the  
5 approval of this Act.

6                   (2) The aggregate sum of Three Billion Pesos (₱3,000,000,000.00) for ten (10) years is hereby  
7 appropriated for the establishment of the SEDF from the share of the national government in the  
8 earnings of the Philippine Amusement and Gaming Corporation (PAGCOR), in the following manner:  
9 on the first year, One Hundred Million Pesos (₱100,000,000.00); on the second year, One Hundred  
10 Fifty Million Pesos (₱150,000,000.00); on the third year, Two Hundred Million Pesos  
11 (₱200,000,000.00); on the fourth year, Two Hundred Fifty Million Pesos (₱250,000,000.00); on the  
12 fifth year, Three Hundred Million Pesos (₱300,000,000.00); and every year thereafter until the tenth  
13 year, Four Hundred Million Pesos (₱500,000,000.00) annually.

14

15                 **SECTION 34. *Social Enterprise Week*** - In order to institute continuing awareness on the  
16 primacy of social enterprises with the poor as the primary stakeholders as a viable government strategy  
17 in pursuing poverty reduction, the week of the month when this Act shall have been signed into law  
18 shall be declared as the "Social Enterprise Week" and shall be celebrated annually. The Commission,  
19 through the National Center for SE Development shall be responsible in organizing activities for the  
20 event.

21

22                 **SECTION 35. *Implementing Rules and Regulations*** – The **Commission** shall formulate and  
23 promulgate, in consultation with the concerned sectors, the rules and regulations necessary to  
24 implement the provisions of this Act within three (3) months from its effectivity.

25

26                 **SECTION 36. *Printing and Distribution*** – 1) The National Printing Office shall publish this  
27 Act in the Official Gazette in full within sixty (60) days from the date of its effectivity. Copies of this  
28 Act shall be given to every department, agency, subdivision, and instrumentality of the Government,  
29 including government-owned and controlled corporations, regional and provincial offices, and local  
30 governments.

31

32                 2) All duly accredited SEs shall be given one (1) copy each at cost. Thereafter, every newly  
33 accredited SEPPS shall be issued at cost a copy of this Act and the rules and regulations promulgated  
34 thereunder together with its certificate of accreditation.

35

36                 **SECTION 37. *Information Dissemination*** - The Philippine Information Agency (PIA), in  
37 coordination with the Commission, the DTI, DA, and the DILG, shall ensure the proper and adequate  
38 information dissemination of the contents and benefits of this Act to the general public especially to its  
39 intended beneficiaries.

1  
2                   **CHAPTER XII**  
3                   **FINAL PROVISIONS**

4               **SECTION 38. Non-Impairment Clause** - Nothing in this Act shall be construed as to diminish,  
5 impair, or repeal rights recognized, granted, or available to marginalized or basic sectors under existing  
6 laws

7  
8               **SECTION 39. Separability Clause** - If any provision of this Act shall be held invalid or  
9 unconstitutional, the remaining provisions thereof not affected thereby shall remain in full force and  
10 effect.

11  
12              **SECTION 40. Interpretation and Construction** – In case of doubt as to the meaning of any  
13 provision of his Act or the rules and regulations issued in pursuance thereof, the same shall be resolved  
14 liberally in favor of the SEs and their stakeholders.

15  
16              **SECTION 41. Repealing Clause** - All laws, decrees, proclamations, orders, other issuances,  
17 rules and regulations or parts thereof which are contrary to or inconsistent with this Act are hereby  
18 repealed, amended or modified accordingly.

19  
20              **SECTION 42. Effectivity** - This Act shall take effect fifteen (15) days after its publication in  
21 the Official Gazette or in two (2) national newspapers of general circulation.

Approved,