

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SEVENTEENTH CONGRESS
Second Regular Session

House Bill No. **6709**



Introduced by Representative ARTHUR C. YAP

EXPLANATORY NOTE:

According to the 2015 Poverty Incidence study conducted by the Philippines Statistics Authority, 26.3%¹ of the Philippine population is living below poverty line - that is 1 out of 4 Filipinos who cannot meet basic food needs that satisfy the nutritional requirements set by the Food and Nutrition Research Institute (FNRI) and live a life that they rightfully deserve. This calls us to gear towards better solutions for 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.

In our country, where poverty and inequality are primary problems, the most common type of social enterprise (SE) is the Social Enterprise with the Marginalized as Primary Stakeholders (SEMPs). To be considered an SE, the organization is required to have: (1) a social mission, (2) wealth-creating means, and (3) wealth distribution mechanism. To differ itself from inclusive businesses, SEs engage with the marginalized—not only as employees, suppliers or customers—but as partners in the business and partners in development. The marginalized are empowered to make decisions related to the business, and are given capacity building programs with the hope of helping them to be part of their own development through community development projects. The communities SEs engage with are also encouraged to gain more responsibility and can eventually become managers, or even co-owners, of the business.

Some SEs may be considered as MSMEs due to their asset and workforce size. But unlike MSMEs, SEs operate with a social mission. They engage with the marginalized and make business decisions that might prioritize their empowerment and the forwarding of their social mission over profitability. This creates more social impact as they hire people that many MSMEs would prefer not to hire, like PWDs, the uneducated, and troubled youth—just to name a few.

Unlike traditional businesses, the financial bottom lines of social enterprises only play a supporting role to their social bottom lines. Social enterprises have a distributive philosophy that allow the organization to view wages to the poor as social benefits that need to be optimized, rather than costs that need to be minimized. This leads to more equitable wealth distribution in the enterprise.

Because SEs balance both economic and social impact, they need more public and government support to offset the difficulties of working with marginalized groups. Many countries around the world—like the United Kingdom, Thailand, South Korea, and many other countries in Europe— have already recognized social enterprises as a different type of organization to draft well-tailored policies to hone the sector's development.

While SEs are not yet legally recognized in the Philippines, efforts to promote social enterprise development on a national level are still ongoing. With the Poverty Reduction Through Social

¹<https://nca.gov.ph/content/poverty-incidence-among-filipinos-reported-263-first-computer-2015-05>

Entrepreneurship (PRESENT) Bill, the biggest difficulties of SEs are addressed, and a framework to ensure the sector's growth, development, and sustainability is suggested. Moreover, promoting education about the SE sector (which has been key in the development of United Kingdom's SE ecosystem) is also highlighted in the bill.


Because it is in government's best interest to provide basic services and to include the marginalized in the formal economy, the bill lobbies for additional support and incentives to help them stay financially stable as they work to fulfill their social mission. The bill provides for tax incentives, guarantee pool funds, loans, technical assistance, and capacity building activities for SEMPS to make them more competitive, given that they meet the definition of SEMPS and provide adequate transformational and transactional services relative to their size and capacity.

By establishing a separate governing body, or the Social Enterprise Development Council (SEDC), SEs in the Philippines will be screened and monitored to ensure that they contribute to the development of marginalized community in order to access of the incentives provided in the bill. The SEDC will take charge of monitoring the state of SEs in the Philippines and provide recommendations on how to make the sector flourish. The SEDC can also assist other government offices that are interested to include an SE component in their respective poverty reduction and livelihood projects.

Because SE ecosystems and models from some countries abroad are more sophisticated, the bill gives social entrepreneurs of foreign nationality the opportunity obtain a Social Enterprise Visa, which is valid for five years, and to operate here in the Philippines while holding majority stake of the organization. By doing this, we attract more SE investors and entrepreneurs to invest money in the Philippines, which will be used for the empowerment and poverty reduction of the marginalized Filipinos. It will also promote knowledge exchange between the foreign nationals and local entrepreneurs, which will improve the current existing SE models in the country. The benefit provided for foreign nationals that operate in the Philippines are available only if foreign nationals continue to operate an SE as defined in the bill. Failure to meet this provision will result in the early termination of the Social Enterprise Visa and the withdrawal of benefits stipulated in the bill, including the ability to operate the organization with majority stake owned by a foreign national.

The Poverty Reduction Through Social Entrepreneurship Act will ensure the prosperity and independence of the nation such that more people will be free from poverty through policies that provide adequate social services, promote full employment, a rising standard of living, and an improved quality of life for all.

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



HON. ARTHUR C. YAP
Representative

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

CHAPTER I
GENERAL PROVISIONS

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

SECTION 2. *Declaration of Policy.* - The State shall 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 State shall provide social justice in all phases of national development and that the State values the dignity of every human person and guarantees full respect for human rights.

The goals of the national economy are a more equitable distribution of opportunities, income, and wealth; a sustained increase in the amount of goods and services produced by the nation for the benefit of the people; and an expanding productivity as the key to raising the quality of life for all, especially the underprivileged. The State shall promote industrialization and full employment based on sound agricultural development and agrarian reform, through industries that make full and efficient use of human and natural resources, and which are competitive in both domestic and foreign markets.

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

Towards this end, the State shall pursue an inclusive growth strategy that promotes an environment conducive to the development and growth of a vibrant social enterprise sector engaged in poverty reduction, economic and social development. It shall empower the poor as primary stakeholders in social enterprises, establish mechanisms essential to realizing their potential and achieving their full growth, and extend the assistance necessary for their advancement. The State shall likewise provide technical and financial assistance, incentives and other services to enable Social Enterprises to develop into viable and vital anti-poverty agents, and a strong social entrepreneurship movement that will be instrumental in reducing poverty in the country.

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

- a) A “Social Enterprise” or SE shall refer to a social mission-driven organization that conducts economic activities providing goods and services directly related to their primary mission of improving the well-being of the poor, basic and marginalized sectors and their living environment. A social enterprise explicitly declares and

pursues poverty reduction as its principal objective by purposefully rendering both transactional and transformational services. An SE engages and invests in the poor to become effective workers, suppliers, clients and/or owners and ensures that a substantive part of the wealth created by the enterprise is distributed to or benefits them. In addition to reinvesting its surplus or profits back to the enterprise to sustain the fulfillment of its social mission, a SE also uses its surplus or profits and mobilizes other resources to assist the poor to become partners in SE or value chain management and governance and to become partners in community, sectoral and societal transformation.

- b) "Government Procuring Entity" refers to any branch, department, office, agency, or instrumentality of the government, including state universities and colleges, government-owned and/or - controlled corporations, government financial institutions, and local government units procuring Goods, Consulting Services and Infrastructure Projects;
- c) "Basic Sectors," as defined by Republic Act 8425, or the "Social Reform and Poverty Alleviation Act" refer to the disadvantaged sectors of Philippine society, namely: farmer-peasant, artisanal fisherfolk, workers in the formal sector and migrant workers, workers in the informal sector, indigenous peoples and cultural communities, women, persons with disabilities, senior citizens, victims of calamities and disasters, youth and students, children, and urban poor;
- d) "Economic Subsectors" refer to networks of related actors, and enterprises performing various functions in value chains. These actors and enterprises transform raw materials into finished products, or develop services, and distribute or provide them through market channels to final consumers; they may be identified by key raw material source, by finished product or final service provided. An economic subsector may be comprised of several competing value chains. By understanding the dynamics of economic subsectors and using them as units of planning social entrepreneurship interventions, government agencies, support institutions and SEs shall more effectively reach and benefit a greater number of poor in poverty reduction programs
- e) "Marginalized Sectors" refer to groups of people who are stigmatized or excluded by virtue of their physical, psychological, economic, social or cultural circumstance;
- f) "Poor," as defined by Republic Act 8425, refers to individuals and families whose income fall below the poverty threshold as defined by the National Economic and Development Authority and/or cannot afford in a sustained manner to provide their minimum basic needs of food, health, education, housing and other essential amenities of life;
- g) "Poverty Reduction" shall mean overcoming the income, resource and capability deprivation among the poor, basic and marginalized sectors;
- h) "Social Enterprise Service Institution" refers to an organization that provides assistance to SEs for them to become viable and sustainable and which assistance pertains to supplying needs such as trainings, education and other capacity-building measures, research and development, and other similar activities;
- i) "Transactional Services" refer to enterprise or market-driven activities, such as providing loans, demonstrating new technologies or conducting trainings that are necessary for the poor in the SE system to effectively and efficiently perform their roles as workers, suppliers, clients and owners. Transactional services may be fee-based, such as the granting of loans, or non-fee based, such as the extension of production-related trainings;
- j) "Transformative Services" refer to activities that empower the poor, such as leadership formation and organizational development, asset build-up and providing education and experiential learning opportunities, to become conscious change agents for themselves, for their communities, sectors and society as a whole.
- k) "Value Chains" refer to value-adding economic activities that an enterprise is interlinked with in the process of producing goods and/or services to serve its chosen market. A value chain typically consists of: 1) raw materials processing, 2) inbound distribution or logistics, 3) manufacturing operations, 4) outbound distribution or logistics, 5) marketing and selling, and 6) after-sales service. These activities are supported by 6) purchasing or procurement, 7) research and development, 8) human resource development, and 9) organizational development. A SE that understands and manages its value chain improves its capability to create economic, environmental and social values towards improving the position

and benefits of the poor in the value chain and towards ensuring the viability and sustain ability of the enterprise.

CHAPTER II POVERTY REDUCTION THROUGH SOCIAL ENTERPRISE

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

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

- a) Provide or facilitate the provision of a combination of transactional and/or transformational services to improve the position and benefits derived by the poor from the SE;
- b) Make a pro-active contribution to resolving social and environmental problems and generate profit or surplus with due regard to social and environmental costs;
- c) Ensure that a substantive part of the wealth created by the enterprise is distributed to the poor in the form of services, dividends and other forms of benefits, and payments and incentives for products or services rendered consistent with the principles of fair trade;
- d) Register with appropriate agencies provided under the Corporation Code, the Cooperative Code of the Philippines, Magna Carta for Micro, Small and Medium Enterprises, Barangay Micro Business Enterprises Act, Microfinance NGOs' Act, or other laws.

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

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

- a) A social enterprise organized as a stock corporation must not be a branch, subsidiary or division of a private business enterprise, regardless of the size of such private business enterprise, nor may its policies be determined by a private business enterprise. *Provided*, that this shall not preclude an SE from accepting subcontracts from large private business enterprises or firms or from joining in cooperative or joint-venture activities with other SEs or foundations complying with planet, people, and prosperity standards.
- b) A social enterprise can be 90% owned by a Foreign national and will be exempted from the required capital provisions stipulated in Section 8 of the *Foreign Investments Act* (RA 8179) and will be eligible to the benefits stipulated in this act.
- c) Social enterprises mostly owned by Foreign nationals will cease to be exempt from RA 8179 and will cease eligible for the provisions stated here once the organization stops adhering to the definition of a social enterprise as stated in the bill.
- d) A social enterprise organized as stock corporations, partnerships or sole proprietorships, must invest at least 60% of its gross revenues to sustain the fulfilment of its social mission and environmental protection and provide transformational services for the well-being of the marginalized sector.

SECTION 7. Qualifications. – Within ninety (90) days from the date it is first convened, the Social Enterprise Development Council shall formulate the implementing rules and

regulations for the application and accreditation of enterprises to qualify as SE under this Act, following the principles of self-regulation, transparency and responsibility.

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

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

The 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.

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

The Council shall be composed of the following:

- a) Secretary of Trade and Industry, as chairperson;
- b) Secretary of Agriculture, as co-vice chairperson
- c) Office of the President
- d) SE sector head representative, as co-vice chairperson;
- e) Secretary of the Interior and Local Government;
- f) Secretary of Finance
- g) Secretary of Environment and Natural Resources;
- h) Nine (9) representatives from SEMPS, three (3) representatives each from the main island groupings of Luzon, Visayas, and Mindanao;

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

- a) Formulate policies and plans to develop and promote, coordinate, synergize, integrate, and ensure compatibility and complementation of policies and programs for SEs as well as other anti-poverty reduction initiatives consistent with national development objectives.
- b) Issue certificate of accreditation upon determination that the criteria set for this purpose have been fully satisfied: *Provided*, That the certificate of accreditation shall be valid only for such period as may be prescribed under the implementing rules and regulations of this Act;
- c) Oversee the successful implementation of the PRESENT Program and other government SE programs;
- d) Identify and access sources of financing to expand the SE sector;
- e) Monitor and evaluate the performance of programs and projects for appropriate

- incentives;
- f) Call upon any government agency to 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.
 - g) 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;
 - h) Submit annual and other periodic reports to the President and the Congress of the Philippines through the Congressional Oversight Committee;
 - i) 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 31 below;
 - j) Perform such other functions as may be necessary for its effective operations and the continued enhancement, growth and development of the SE sector;
 - k) Propose the concomitant plantilla position and structure for the personnel under it;
 - l) Manage the funds provided for by this law, including ensuring the funds' growth where possible.

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

SECTION 11. *Term and Appointment of SE Sector Representatives.* Within 90 days, DTI as Chair shall convene members of the Council from the Philippine Government, as identified in Section 9, who shall in turn, select and appoint representatives of SEMP's and SE-oriented NGOs/cooperatives. Said SE representatives must be screened and pre-selected by the sector.

Six (6) representatives (two from each region) shall be appointed for a term of three (3) years, while another three (3, one per region) representatives shall be appointed with a term of two (2) 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 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. In the case of a vacancy arising from death, incapacity or resignation, the representative appointed to the vacancy shall serve only for the remaining period of the term for the vacated office.

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

- a) Provide administrative support to the Council, with the assistance of the National Economic and Development Authority secretariat in the formulation of the PRESENT development programs and plans;
- b) Assist the Council in the implementation of the PRESENT development program and the annual and medium-term development plan;
- c) Assist the council in the performance of its accreditation and screening function;
- d) Assist the Council in monitoring the PRESENT development programs and the activities of the various concerned government agencies with respect to SEs;
- e) Prepare, collate and integrate all necessary inputs to the Council's yearly report on the status of SEs in the country;

- f) Submit periodic reports to the Council on the progress and accomplishment of its work programs; and
- g) Perform other functions that may be assigned and authorized by the Council.

SECTION. 13. *Office.* – The Council shall have its principal place of business in Metro Manila and may establish such branches within the Philippines as may be deemed necessary by the President of the Philippines to carry out the powers and functions of the Council.

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

- a) Provide SEMP's with capability-training and education through the Social Enterprise Capability Building and Sustainability Program created under Section 16 of this Act.
- b) Develop and enhance a research and development system which shall equip every SE with innovative and sustainable approaches that ensures improvement in the access to basic social services by the poor pursuant to Section 18 of this Act; and
- c) Manage a Social Enterprise Marketing Assistance Program (SMAP) that will ensure the generation of the highest possible income for the SEs pursuant to Section 19 of this Act.

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

The NCSED shall coordinate with the University of the Philippines Institute for Small Scale Industries (UP ISSI), the Technical Education and Skills Development Authority (TESDA), the Technology and Livelihood Resource Center (TLRC), the Department of Transportation (DOTr), Department of Communications, civil society organizations and other relevant agencies, state universities and colleges in implementing its programs.

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

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

CHAPTER III DEVELOPMENT OF SOCIAL ENTERPRISES

SECTION 17. *SE Capability Building and Sustainability Program; Creation of SE Development Fund.* – There is hereby established a SE Capability Building and Sustainability Program whose primary objective is to guarantee the viability and sustainability of 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 matching activities, trade fairs and missions, policy advocacy, disaster-resiliency and other related activities.

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

For this purpose, there is hereby created and established an SE Development Fund (SEDF) in the initial amount of Three Billion Pesos (₱3,000,000,000.00) to be administered by the Council 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 Council. Capability building projects approved by the Council shall be implemented by the NCSED, by itself or through reputable Social Enterprise Service Institutions contracted for the purpose, and acting under the supervision of the NCSED.

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

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

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

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

The SMIN shall be set up from the level of the municipal and provincial LGUs, the regional and up to the Council level within one (1) year from the approval of this Act, taking into account existing information networks such as the internet and using a dedicated website for the purpose, 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.

The SMIN shall provide information and marketing services related to products of SEMP 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 SEs, traders, key market centers, processors and business institutions both at the national and local levels;
6. Information and technology generated from research institutions;
7. International, regional and local market forecasts; and
8. Resource accounting data.

CHAPTER IV INCENTIVES AND BENEFITS

SECTION 20. *Special Credit Windows.* - The Land Bank of the Philippines, Development Bank of the Philippines and other government financial institutions shall establish special credit windows that shall provide SEs with risk-based, non-collateralized loans for the following purposes:

- a) Credit line for business development loan or working capital loan to cover the operational and management expenses of an existing business or income generating project, including receivable financing or purchase of additional

- inventory, soft or intangible investments such as trade fair participation or acquisition of software or franchise development packages;
- b) Fixed assets financing to cover acquisition of fixed assets like machineries and equipment, motor vehicle, or acquisition of lot for project site or construction of a plant and building and the improvement thereof;
 - c) Value chain financing to cover any of the value chain activities such as production, processing and marketing;
 - d) Domestic letter of credit or trust receipt to provide a stand-by credit facility for the SE borrower for the purchase of product inputs, equipment, machinery, implements, and spare parts, whereby payment of which is guaranteed and to be made to the seller by the lending institution, provided all documents conform with the terms and conditions of the credit; and
 - e) Revolving Credit Line for re-lending to finance the livelihood project requirements of end-borrowers,

SECTION 21. *Eligibility for Agriculture and Fisheries Credit.* – In addition to the special credit window provided above, 25% of funds accumulated as Alternative Compliance under Section 6 of RA 10000, otherwise known as "The Agri-Agra Reform Credit Act of 2009," shall be made available for SEs engaged in agriculture and fisheries activities.

SECTION 22. *Social Enterprise Guarantee Fund Pool.* – There shall be established a Social Enterprise Guarantee and Surety Fund (SEGSF) which shall be funded from equity contributions of government financial institutions. The SEGSF shall be administered by the Philippine Guarantee Corporation (Philguarantee) to enable SEs to access non-collateralized and other appropriate financing while mitigating the risks involved in SE sector lending. The SEGSF shall be used to provide guarantee cover to participating financial institutions and other parties in extending financing to SEs: Provided, That the fund may also be used to cover the performance bond of SEs for their transactions.

SECTION 23. *Utilization of People's Development Trust Fund.* – The earnings of the People's Development Trust Fund (PDTF) declared under Section 11 of RA 8425 may be utilized and accessed by the NSCED or accredited SE for the following purposes:

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

SECTION 24. *Tax Exemptions.* – Without prejudice to existing tax exemption provisions already applicable to different SEs under other laws, a qualified SEMPS shall have the following tax exemptions:

- a) SEMP's with a net annual income of not more than Fifteen million pesos (P15,000,000.00) shall be exempt from all national, city, provincial, municipal or barangay taxes of whatever name and nature: Provided, that such net income shall be allocated for transformational services and other activities of the SE as provided under Section 5.g of this Act;
- b) VAT and other percentage taxes;
- c) Documentary stamp tax;
- d) Capital gains tax on sales or exchanges of real property classified as capital assets or shares of stock; and

All SEMP's duly certified by the Council, in consultation with the Department of Finance (DOF) and the Board of Investment (BOI) of the DTI, shall be exempted from the payment

of VAT, tariff and duties for the importation of all types of product inputs, equipment, machinery, implements, and spare parts: Provided, That these inputs, equipment, machinery, implements, and spare parts shall be for the exclusive use of the importing SEMPS and can be shown to be directly related to further improve the value chain operations of the SEMPS.

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

SECTION 25. Preferential Rights. – Without prejudice to preferential rights already available to specific enterprises or organizations under other laws, qualified SEMP's shall be accorded a preferential right in the procurement process and in the implementation of procurement contracts by the government in all its branches, departments, agencies, subdivisions, and instrumentalities, including in the government-owned and controlled corporations and local government units.

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

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

Registered small enterprises under RA 6977 that qualify as SEMP's under this Act shall, consistent with Section 4 of RA 9501, be entitled to a share of at least twenty percent (20%) of total procurement value of goods and services supplied to the government, its bureaus, offices and agencies annually.

SECTION 26. Grant facility. Grant assistance shall be provided to accredited social enterprises for the performance and conduct of their mission towards poverty reduction, promotion of social justice, and improvement in economic welfare of the poor and marginalized sectors. There will be two windows under this fund facility, namely: capacity-building grant, and star-up enterprise grant. The SE Council shall formulate the guidelines for the management and implementation of grant assistance.

SECTION 27. Insurance for Social Enterprises. The Insurance Commission shall issue the necessary rules and regulations and implement measures to ensure that the insurance industry shall provide insurance products, both life and non-life, for social enterprises and their stakeholders among the poor. Furthermore, SEMPS shall be eligible to be licensed agents or delivery channels for their clients and constituents.

SECTION 28. Social Enterprise Visa for Foreign Nationals. – Foreign Nationals who choose to operate a social enterprise in the Philippines and provide transactional and

transformational services to a marginalized community in the sectors determined by the Council will be eligible for a five-year Social Enterprise Visa that will allow them to start and operate the venture. Renewal of the visa is contingent on the progress of the enterprise, and development programs and services provided by the SE to the community.

SECTION 29. *Incentives for Social Investors.* – Social investors and other institutions that contribute money or other forms of contribution in the promotion and development of SEs shall be entitled to the following tax incentives:

- Equity investments and donations to an accredited SEMPS shall be fully deductible from the gross income of the investor or donor.
- Dividends or other forms of profit shares received from an accredited SEMPS shall be exempt from income tax.
- Donations, grants and contributions to an accredited SE shall be exempt from donor's tax.

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

SECTION 30. *Appropriations.* – The amount necessary to implement the provisions of this act shall be charged against the current year's appropriation of the Office of the President. Thereafter, sums as may be necessary for its continued implementation shall be included in the GAA. The budget requirements of cooperating agencies shall be incorporated in their respective budgets.

SECTION 31. *Penalty Clause.* – The penalty of imprisonment for not less than six (6) months but not more than two (2) years or a fine of not less than two hundred fifty-thousand (P250,000) or both imprisonment and fine, at the discretion of the court, shall be imposed upon any person, corporation, government entity or agency who, intentionally or by gross negligence, fails to provide the benefits, rights and incentives granted to SEs in violation of this Act, or perform any act in violation of its provisions. Penalties collected shall be added to SE Development Fund.

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

SECTION 32. *Non-Compliance with the Mandatory Allocation of Credit Resources.* – Administrative sanctions including a fine of not less than Five hundred thousand pesos (P500,000.00) shall be imposed by the Banko Sentral ng Pilipinas upon any banking or lending institution who fails to provide the credit allocations granted to SE in violation of Section 19 of this Act.

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

Approved.