

A Review of Social Enterprise Activity in the Philippines

August 2015



Conducted by:



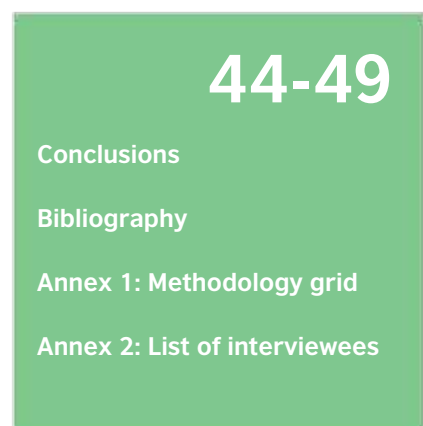
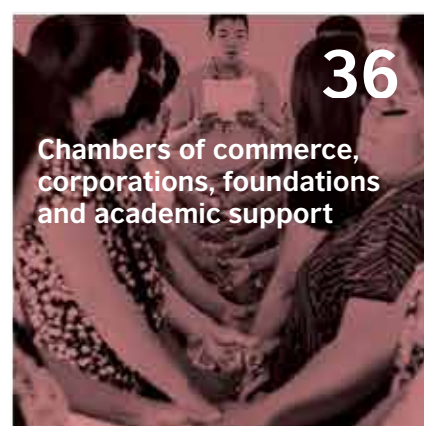
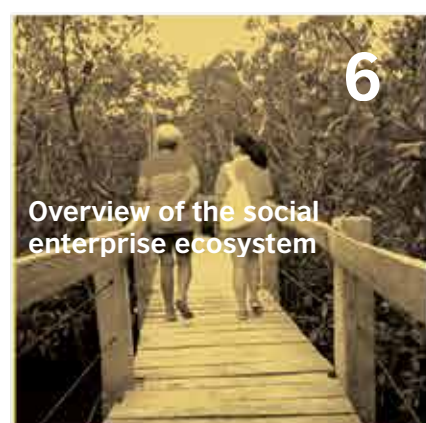
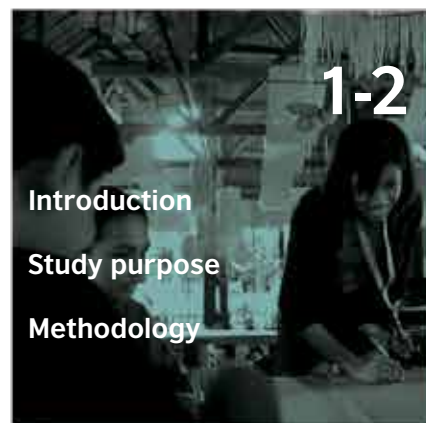
A Review of Social Enterprise Activity in the Philippines

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A Review of Social Enterprise Activity in the Philippines

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Foreword



Nicholas Thomas

British Council Philippines
Country Director

The UK is home to 70,000 social enterprises that employ one million people and contribute £24 billion every year to the economy. These social enterprises create jobs just like traditional businesses, but also develop innovative and financially sustainable solutions to entrenched social problems and challenges such as homelessness, elderly care and unemployment.

The UK has created the world's most fertile environment for social enterprise and investment, and its innovations, policies and intermediary organisations have been widely studied and replicated in other countries. The British Council's Global Social Enterprise programme draws on the UK's expertise to support the development of social enterprise and social investment in the UK and in other countries, and to share best practice and create opportunities between them. The global programme was launched in China and Indonesia in 2009 and is now active in 24 countries.

As part of the global programme, the British Council Philippines has implemented the I am a Changemaker Social Enterprise Competition that develops young people's creativity by offering them training and mentorship, a space to exchange ideas, and opportunities to build their networks with other young social entrepreneurs. Between 2009 and 2014, in partnerships with Starbucks, Intel and the Peace and Equity Foundation, the programme has trained more than 540 young social entrepreneurs, and awarded 3 million pesos in seed funding to 30 social enterprises.

The lead author of this report is Emily Darko of the Overseas Development Institute (ODI), one of the UK's leading independent think tank on policy and practice for international sustainable development. ODI has worked with the British Council to implement studies on the social enterprise landscape in Ghana, Bangladesh and, now, the Philippines.

ODI's report looks, in particular, at the ecosystems where social enterprises are most likely to thrive, at the level of support, both financial and non-financial, that is available to them, and at current policies and trends that have an impact on the sector. We hope the insights, ideas and policy recommendations that it sets out will contribute to the further emergence of a sector that can help resolve a wide range of social and economic development challenges.

Acronyms and Abbreviations

| | |
|---------|---|
| ARMM | Autonomous Region in Muslim Mindanao |
| CIC | Community Interest Company |
| DSWD | Department of Social Welfare and Development |
| DTI | Department of Trade and Industry |
| EDM | Enfants du Mekong (Children of the Mekong) |
| FSSI | Foundation for a Sustainable Society |
| GDP | Gross Domestic Product |
| ISEA | Institute for Social Entrepreneurship in Asia |
| LGT-VP | LGT Venture Philanthropy |
| MFI | Microfinance institution |
| MSE | Micro and small enterprise |
| MSME | Micro, small and medium enterprise |
| MVI | Micro Ventures Inc. |
| NGO | Non-governmental organisation |
| OFW | Overseas Filipino Workers |
| PEF | Peace and Equity Foundation |
| PhilSEN | Philippines Social Enterprise Network |
| PRESENT | Poverty Reduction through Social Enterprise |
| SEA-K | Self Employment-Kaunlaran |
| SEDPI | Social Enterprise Development Partnerships, Inc. |
| SEPPS | Social Enterprise with the poor as primary stakeholders |
| SEQI | Social Enterprise Quality Index |

Acknowledgements

This report could not have been completed without the contributions of all the stakeholders – social enterprises and support organisations – who were interviewed for the study. We would like to thank all those (listed in Annex 2) who gave their time to do interviews. We would also like to thank all those who helped organise interviews and provided additional information on email. Particular thanks to Terri Jayme-Mora, Country Manager of Ashoka Philippines and Dr. Antonio La Viña, Dean of the Ateneo School of Government for the books they provided to help the study. Many thanks also to the British Council Philippines team, in particular Maria Angela Flores and Justine Ong, for their support with contacting stakeholders and organising the I Am a Changemaker roundtable, as well as providing information about their social enterprise work and for reviewing and copyediting the report. Thanks to Kofo Sanusi and Eva Cardoso for project support. The inputs of peer reviewers Dr. Lisa Dacanay (of ISEA) and Benjamin Brown (of Social Enterprise UK) were very valuable and gratefully received. Finally, thanks to William Smith for project oversight and inputs to the report draft.

IMAGES

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1 Introduction



Study purpose

ODI was commissioned by the British Council Philippines to undertake a review of social enterprise activity in the Philippines. The main goal of this assignment was to make an assessment of the current social enterprise landscape in the Philippines based on a sample of stakeholder interviews and online evidence, and to identify the specific skills needed by social enterprises, the main barriers to growth and the challenges social enterprises face as well as recommendations on how to grow the social enterprise space.



This paper seeks to outline the social enterprise landscape in the Philippines and the context in which social enterprises evolve. The report maps the social enterprise space, provides an overview of key government support and regulatory barriers, interested investors, investor attitudes and discussion on the barriers to investment, and information about the support organisations within the ecosystem by category and sector. It should be noted that the scope of the study means it is by no means a comprehensive survey of all social enterprise activity in the Philippines. Nor does it claim to represent all opinion and evidence of social enterprise in the Philippines.

Methodology

The research comprised three main phases:

- A desk-based study of international and national experiences and good practice on encouraging the growth of the social enterprise ecosystem
- A brief desk-based survey of national and local policies and plans relevant to improving social enterprises in the Philippines
- Consultation with a selection of stakeholders in government, private industry, social investment and academia as well as social enterprise advocacy and network organisations, and a small sample of social entrepreneurs.

The review of international and Filipino social enterprise experiences was based on review of literature identified throughout Google searches and prior knowledge. Given the limited academic literature available, grey literature and media sources such as Filipino news websites and blogs were also used to gather information.

Stakeholders were interviewed in the Philippines between 24 February and 5 March 2015, in Metro Manila, Cebu City and Davao City. Stakeholders were identified by the British Council Philippines, and from the study team (via personal knowledge and internet searches of recent social enterprise activity), and through asking interviewees for recommendations. A total of 40 people were interviewed.

Stakeholders were identified using three routes: recommendations from the British Council Philippines, based on past contacts and work; recommendations from the Filipina co-author of the study, based on her personal knowledge and experience; organisations identified online through google searches using terms with the words 'social enterprise, Philippines' etc. As such, stakeholder information is representative across a number of types of actor, but selection processes are not rigorous to academic standards.

A semi-structured interview format was used, with two broad sets of questions – the first for social enterprises and the second set for support organisations (some of which are social enterprises themselves, but if they are supporting other social enterprises they were categorised as support organisations). The interviews sought to understand the activities of the organisation; experience and perceptions of the enabling environment and regulatory situation, finance situation and provision of non-financial support; constraints and opportunities for social enterprise development; and thoughts on the role for the British Council on social enterprise in the Philippines.

Defining social enterprise



This study does not start with a proposed social enterprise definition, nor does it apply a social enterprise definition to the interview selection and categorisation process, beyond a rough approximation by the authors of whether organisations interviewed or reviewed and termed ‘social enterprise’ are formal or informal.

In previous studies (British Council, 2013), social enterprise has been defined in terms of formal and informal, the former referring to social enterprises which recognise themselves as social enterprises and meet nationally or globally recognised social enterprise definitions, and informal social enterprises which are organisations that meet social enterprise definitions but either are unaware of the term or chose not to refer to themselves as social enterprises.

The UK government defines social enterprise as: “a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners.”

The UK government defines social enterprise as: “a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners.” The UK also has a legal provision for social enterprises to register as Community Interest Companies (CICs). CICs are required by law to have provisions in their articles of association to enshrine their social purpose, specifically an ‘asset lock’, which restricts the transfer of assets out of the CIC to ensure that they continue to be used for the benefit of the community; and a cap on the maximum dividend and interest payments it can make.¹

Three further definitions have been considered for this study: the British Council definition (which it does not seek to impose, but uses to guide work); an ODI definition focused on the business model; and a definition developed in the Philippines and central to social enterprise activity in the country. Whilst the authors recognise the difficulty of addressing the question of definition impartially, it is not the aim of this study to go beyond presenting evidence from stakeholders about the four definitions mentioned here.

The British Council defines social enterprises as “businesses that exist to address social and environment needs, [and] focus on reinvesting earnings into the business and/or the community.” A study by Smith and Darko (2014) tested a definition addressing business model rather than profit: a business operation which has social or environmental objectives which significantly modify its commercial orientation - non-state entity which derives a significant proportion of its revenue from selling goods or services. ODI work on social enterprise has looked at social enterprises as hybrid business models, operating in sub-sector niches where state, private and charity sectors do not or cannot reach (Smith & Darko, 2014; Griffin-El & Darko, 2014; Vu et al, 2014).

There is no official definition of social enterprise in the Philippines. However, the recently proposed social enterprise bill, discussed in more detail below, was drafted by a coalition of stakeholders, one of whom is the Institute of Social Entrepreneurship in Asia (ISEA), which – through the leadership of Dr Lisa Dacanay – has developed a definition of what it deems to be the most important form of social enterprise for inclusive and sustainable development: a social enterprise with the poor as primary stakeholders (SEPPS). A SEPPS is a ‘social mission-driven wealth creating organisation that has a double or triple bottom line (social, financial, environmental), explicitly has as a principle objective poverty reduction/alleviation or improving the quality of life of specific segments of the poor, and has a distributive enterprise philosophy.’ (Dacanay, 2013).

The study has spoken to stakeholders who subscribe to both a UK-like social/environmental impact and profit reinvestment social enterprise definition, those who fit or prefer the poverty-focused SEPPS definition of social enterprise, as well as to entrepreneurs who operate a social enterprise model but do not to describe their organisation as such. Findings on the issue of definition use the four definitions above as a basis of understanding, but seek to be a neutral representation of information from stakeholders.

A SEPPS is a ‘social mission-driven wealth creating organisation that has a double or triple bottom line (social, financial, environmental), explicitly has as a principle objective poverty reduction/alleviation or improving the quality of life of specific segments of the poor, and has a distributive enterprise philosophy’

¹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/31677/11-1400-guide-legal-forms-for-social-enterprise.pdf

The Philippines in brief

The Philippines is a large archipelago in South East Asia, consisting of 7,107 islands and with a population of 107.7 million people (in 2014), 34% of whom are under 14 years old (2014) and 49% live in urban areas (2011) (CIA Factbook²). The three major geographical divisions are the districts of Luzon (which covers Metro Manila), Visayas (where Cebu is located) and Mindanao (where the largest city is Davao). The Philippines is a predominantly Catholic country, the official languages are Filipino and English and the country gained independence from Spain in 1889 and the USA in 1946. The President at the time of writing is Benigno Aquino, who was elected in 2010.

Gross Domestic Product (GDP) growth was at 6.8% in 2014 and GDP per capita was \$4,700 in 2013 (PPP – purchasing power parity) (ADB, 2014). The Philippines is a major exporter of electronic products, garments, copper, petroleum products, coconut oil and fruits, with over 57% of the labour force working in the services sector (CIA Factbook). The economy is heavily reliant on remittances from Overseas Filipino Workers (OFWs). The Philippines has one of the largest ‘diasporas’ in the world, with around 12 million Filipinos living abroad.

In 2013, unemployment stood at 7.4% and 26.5% of the population lives below the poverty line (CIA Factbook). Poverty data from the National Statistical Coordination Board in 2013 showed that the percentage of Filipinos living below the poverty line has not changed in the past six years, and a 2008 survey found that 3 out of 10 children in the Philippines are undernourished (Dacanay, 2013). The Philippines has a below average Human Development Index rating for the Asia Pacific region, and there is low public spending on health and education, significant infant mortality and an average of 8.7 years of primary and secondary education (Dacanay, 2013) rather than the expected eleven. Meanwhile, it is estimated the combined wealth of the richest 40 Filipinos is around 76% of the country’s GDP and this group possesses a total fortune of \$US 47.4 billion, whilst 30% of Filipino families live on an average of \$US 3.67 a day (Guillien et al, 2013).

The Department for Trade and Industry (DTI) estimate that there are almost one million Micro, Small and Medium sized enterprises (MSMEs) and that they represent over 99% of all business in the Philippines, and of this number almost 90% are micro enterprises³ (2012 figures). MSMEs created just under five million jobs in 2012, 88% of which were created by micro and small enterprises (DTI, 2015).

The country is located on the Pacific Ring of Fire, which makes it highly prone to earthquakes, volcanos and typhoons. Typhoon Yolanda (known globally as Haiyan) killed over 6000 people in 2013, and damaged large areas of the Visayas and destroyed many people’s livelihoods.

Mindanao is the southernmost region of the Philippines and is also the poorest in the country.⁴ Indigenous ethnic groups in Mindanao called Moros have fought for self-determination for many years. Much of the conflict has occurred in the area currently designated as the Autonomous Region of Muslim Mindanao. Many foreign embassies advise against travel to South-west Mindanao and Sulu due to the risk of kidnapping. The conflict ebbs and flows, though peace is increasingly within sight, as the government has made strong efforts to negotiate a new peace and power-sharing deal with the largest Muslim rebel group.

The Philippines faces a number of other social challenges – women remained economically disadvantaged, as do some ethnic groups, particularly indigenous peoples. Gang violence and related crime is a significant problem.

² <https://www.cia.gov/library/publications/the-world-factbook/geos/rp.html>

³ <http://www.dti.gov.ph/dti/index.php/msme/msme-statistics>

⁴ http://www.senate.gov.ph/press_release/2014/0605_aquino1.asp



The Philippines in brief

7, 107 islands
107.7 million people
49% live in urban areas



Gross Domestic Product (GDP)

6.8% 4th Quarter of 2014
6.1% Annual 2014 GDP



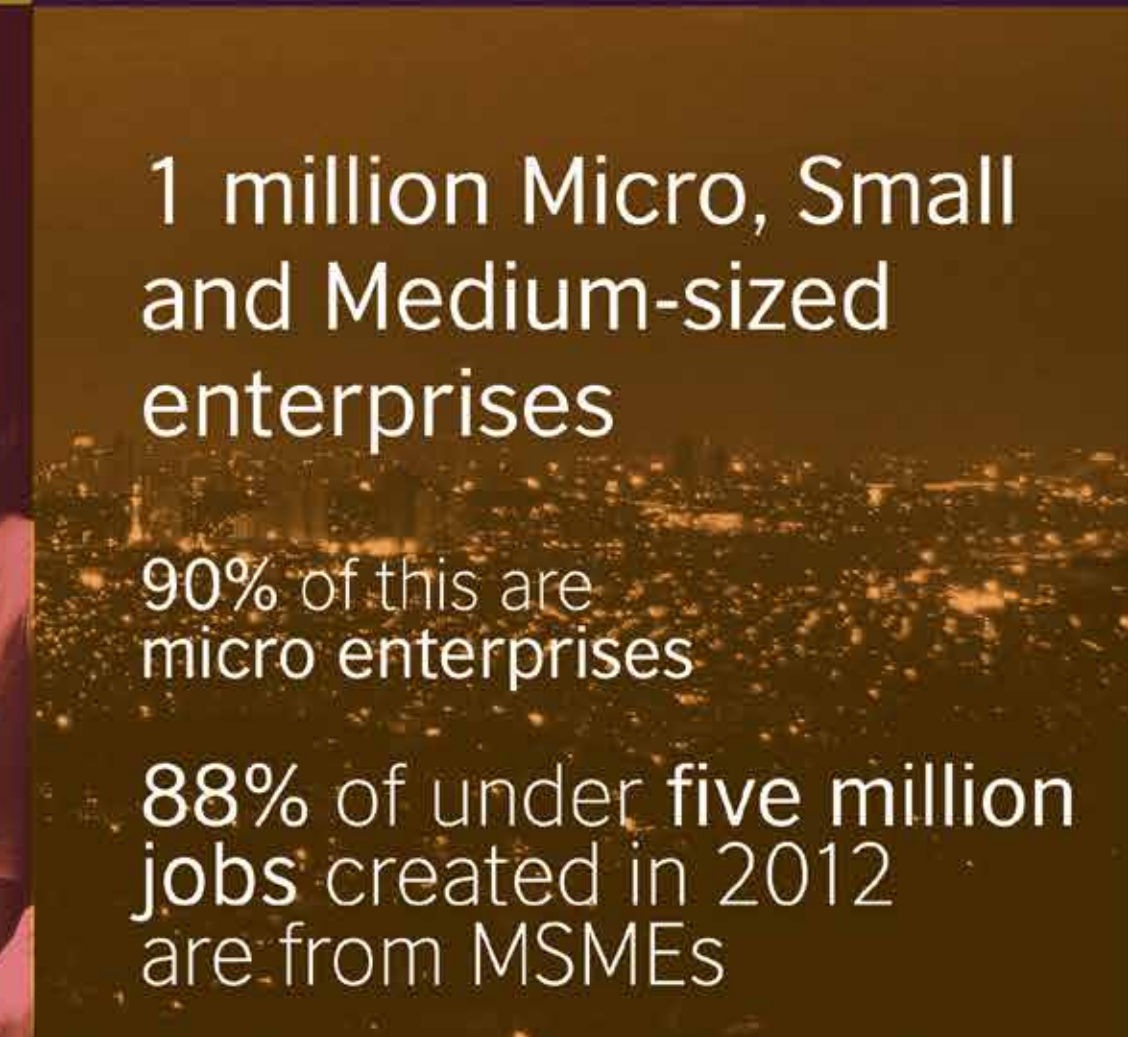
Major exporter of
electronic products,
garments, copper,
petroleum products,
coconut oil and fruits



57% of the labour force
work in the service sector



30% of Filipino families
live on an average of
\$USD 3.67
a day



1 million Micro, Small
and Medium-sized
enterprises

90% of this are
micro enterprises

88% of under five million
jobs created in 2012
are from MSMEs

2 Social enterprises and support organisations in the Philippines



Overview of the social enterprise ecosystem

The social enterprise movement has been building in the Philippines for several years. In 1999, a group of NGOs established the Philippine Social Enterprise Network (PhilSEN) as a community of practice to discuss and replicate social enterprise experience. The Ateneo de Manila University has a degree programme in social entrepreneurship and the Institute for Social Entrepreneurship (ISEA) in Asia was established, to invest in the pedagogy of social enterprise (Songco, n.d.). The Philippines also has a strong and well-established network of social enterprise actors, the Poverty Reduction Through Social Entrepreneurship (PRESENT) Coalition.

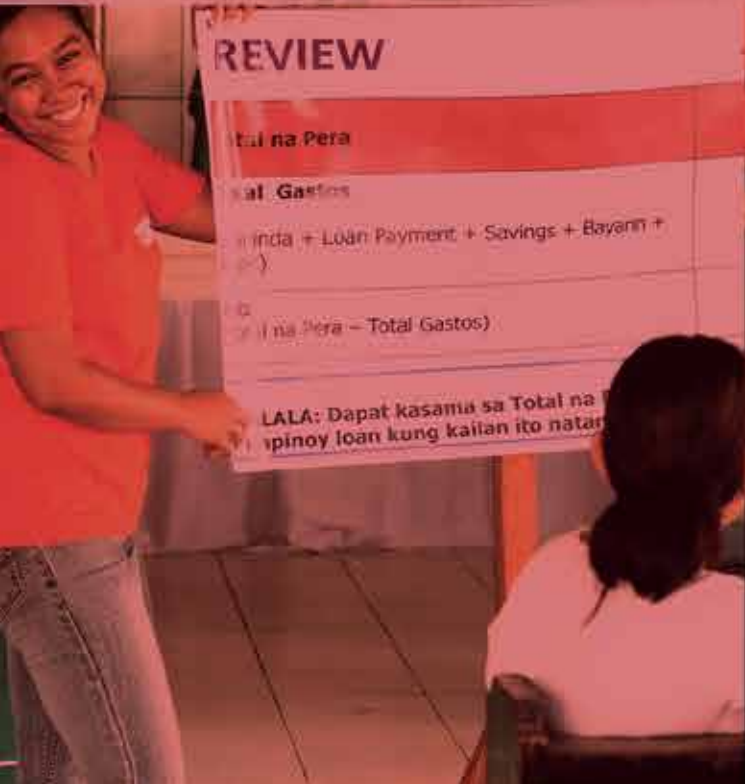


The PRESENT Coalition is a group of social enterprise advocates co-chaired by the Ateneo School of Government and the Foundation for a Sustainable Society, Inc (FSSI). The coalition is formed of 20 networks of social entrepreneurs and support organisations involved, including microfinance institutions (MFIs), small producer groups, academics and service providers. The PRESENT Coalition promotes the SEPPS definition of social enterprise with a strong emphasis on developing social enterprise in the wider context of fundamental changes to economic and social development that address inequality and poverty in the Philippines in ways in which activities and policies to date, as evidenced by poverty statistics, have not. The coalition undertakes a wide range of activities, including awareness-raising across a wide range of actors, and has led the creation of draft social enterprise legislation in the country, for which it has also engaged in a campaign of lobbying and policy engagement.

By 2007, it was estimated that there were 30,000 social enterprises operating in the Philippines, of which the vast majority were cooperatives and associations of some form, and 500 were MFIs (Dacanay, 2013). The history of cooperatives in the Philippines can be traced to the 19th century, as a concept brought from Europe. Cooperatives gained a bad name, however, during the Marcos dictatorship as they were state-run and often used to channel public funds (Songco, n.d.). In recent years, however, private-initiated cooperatives are seen to be creating wealth in marginalised groups (Songco, n.d.). Microfinance has also played a role in developing the social enterprise movement. Large amounts of subsidy were put into a number of NGOs that pioneered microfinance as a poverty reduction strategy. While many failed, a handful have created successful microfinance vehicles (Songco, n.d.).

The social enterprise scene in the Philippines, as in other countries, is particularly concentrated in the capital city. The formal social enterprise community is rather Manila-centric, and is a small community within which many people know each other. However, as Dacanay's estimate of social enterprises nationwide shows, the number of formal combined with informal social enterprises is far larger. Several organisations have recognised the need to extend their operations outside Metro Manila, and there are a growing number of initiatives to engage with social enterprises in other regions of the country.

The Philippines has a few social enterprises which are already achieving national impact. Human Nature, a cosmetics social enterprise, founded by the son-in-law of the founder of Gawad Kalinga, himself a successful young self-made entrepreneur, has in five years become one of the fastest growing brands in the country, selling around 16 million products (Graham, 2014). Brief case studies of two well-known social enterprises are provided – Hapinoy and Rags2Riches.



Snapshots of two prominent Filipino social enterprises



Rags2Riches

Rags2Riches is one of the best-known social enterprises in the Philippines, according to stakeholders interviewed for the study. Payatas, an area of Metro Manila, is one of the poorest communities in Metro Manila and contains large dumpsites. It is also home to many mothers looking after their children and weaving rugs and clothing out of scraps of cloth, relying on middlemen who take a large cut to sell their products. A group of young professionals met these women and designed an enterprise model to improve the quality and style of rugs, and sell them providing a much more substantial return to the women producers with the longer-term goal of empowering the community to own the production side of the enterprise. In the first four years of operations, Rags2Riches was able to train over 800 artisans across 21 communities in Metro Manila, and collaborate with big names in the fashion industry in the Philippines and globally, for example in London and New York (Office of Senator Bam Aquino, 2014).



Hapinoy

Hapinoy is the initiative of Senator Bam Aquino, who has been instrumental in proposing the PRESENT Bill and was launched by MicroVentures Inc (MVI). MVI is a microfinance support organisation, facilitating microbusiness to secure and effectively use microfinance. In 2007, MVI launched the Hapinoy Store Programme. Hapinoy is a play on the words happy and Pinoy, the colloquial word for Filipino. Hapinoy focuses on sari-sari stores, small convenience stores, and improving their access to market by creating community stores that act as a depot and distributor for smaller stores, as well as an information hub for the community.

Policy and regulatory context



Currently there is no social enterprise specific legislation in the Philippines, but a number of Acts and government programmes influence social enterprise. In terms of social and livelihoods programmes, the Department of Social Welfare and Development (DSWD) manages the 2009 Self Employment-Kaunlaran (SEA-K) livelihood programme, which aims to enhance the socio-economic skills of poor families through establishment of community-based credit organisations for entrepreneurial development. Started in 2009, the SEA-K established 1,389 projects affecting 28,939 families nationwide (ADB, unpublished). DSWD also has the Pantawid Pamilyang Pilipino conditional cash transfer programme. To introduce livelihood interventions for sustainability in this programme, the DSWD work with a fair trade organisation that develops coffee production and communities involved in the coffee farming sector. Through this, selected beneficiaries are organized into an association and attend training on business development. Capital assistance as seed money for the beneficiaries' potential coffee enterprise will also be provided. The DSWD also link the beneficiaries to the Department of Agriculture and the Philippine Coffee Alliance (ADB, unpublished).

There are also a number of government interventions to support MSMEs, which are of shared value to social enterprise. Information about them can be found on the DTI website: <http://www.dti.gov.ph/dti/index.php/msme/sme-laws-and-incentives>. Most recently, the government enacted the Go Negosyo Act 2014, which aims to boost MSMEs in the Philippines by establishing negosyo (business) centres to provide advice on access to finance, training and other forms of assistance to MSMEs to help them grow and thrive; in particular addressing the 'roadblock' caused by complicated regulatory and fiscal processes (Office of Senator Bam Aquino, 2014). The centres will be implemented through the DTI. Acts, such as Micro Enterprise Development Institution Act which provides incentives and tax exemptions for micro enterprise, offer government support opportunities that include many small and start-up stage social enterprises.

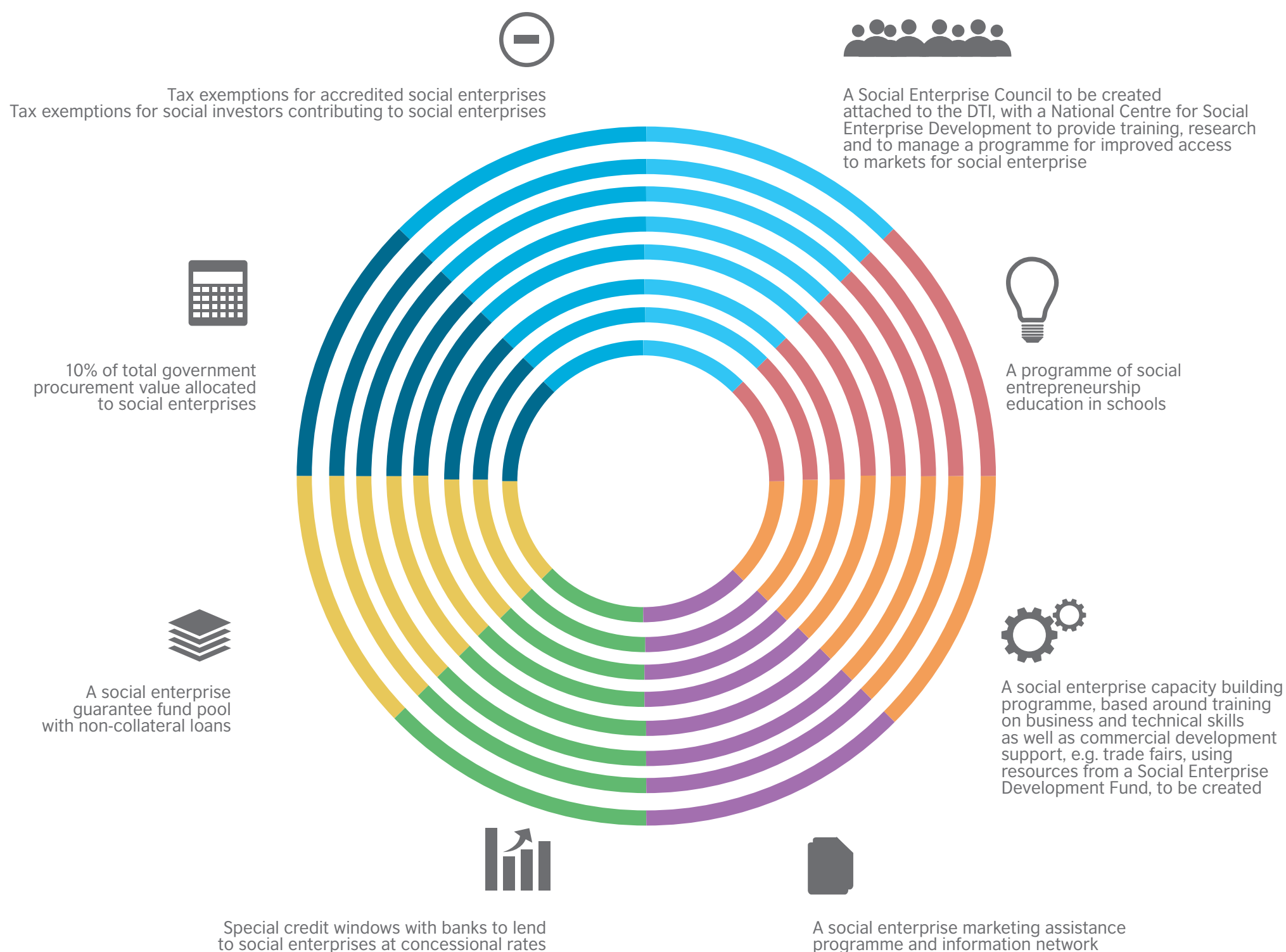
Social Enterprise Legislation

Two Bills are currently being debated which will potentially have bigger direct impact on social enterprise – the Social Value Bill and the Poverty Reduction through Social Enterprise (PRESENT) Bill. The study team gained limited information about the Social Value Bill during interviews and online – the focus of this section is the PRESENT Bill.

The Philippines has a bi-cameral political system. Bills are presented in both the House and the Senate, go through a reading in the committee in both the House and the Senate, a plenary hearing in both the House and the Senate, then a third bi-cameral reading, after which a Bill can be passed into legislation. At the time of writing, the PRESENT Bill has been through first readings in the Senate and House, and the Senate have published a revised draft of the Bill. Second readings are expected in August 2015 and it was hoped by proponents that a third reading will happen prior to election campaigning commencing in October 2015.

The Poverty Reduction through Social Enterprise (PRESENT) Bill

The PRESENT Bill was submitted to the Philippine Congress in 2012⁵ and the first reading of the Bill by the Senate was published in May 2014.⁶ The first draft of the Bill calls for:



⁵ http://www.pef.ph/phocadownload/Social-Enterprise-Bill_HB-6085.pdf

⁶ <http://www.senate.gov.ph/lisdata/1904516164!.pdf>

The Bill defines social enterprise as:

“an organisation, whether an association, single proprietorship, partnership, corporation, or a cooperative, whose primary stakeholders and/or beneficiaries are marginalized sectors of society, engaged in providing goods and services that are directly related to its mission of improving societal well-being. It is established to achieve multiple bottom lines such as financial, social and ecological. It generates profit or surplus with due regard to social and environmental costs, and makes a proactive contribution to resolving social and environmental problems. A SE, for purposes of this Act, shall principally mean a SEPPS (a SE with the poor as primary stakeholders and which is a wealth creating organisation that explicitly declares and pursues poverty reduction/alleviation or improving the quality of life of specific segments of the poor as principal objective. A SEPPS engages and invests in the poor to become effective workers, suppliers, clients and/or owners, and ensure 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 fulfilment of its social mission, a SEPPS also uses its surplus or profits and mobilizes other resources to assist the poor to become partners in SE or value chain management/governance and to become partners in community, sectoral and societal transformation).”

The first reading of the Bill in the Senate led to publication of the significant modifications in May 2014⁷ including:

- Re-wording of the social enterprise definition, incorporating the poverty reduction aspect within the definition (rather than in a separate SEPPS definition) and setting out reinvestment of profits criteria, and a shift from accreditation of social enterprise, to ‘qualification’ for forms of government support, the detail of which is not set out in the Bill but could be defined more ad hoc in future

The revised definition is:

“a social mission-driven organisation that conducts economic activities providing goods and services directly related to their 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.”

- A movable collateral registry is proposed, replacing the non-collateral loan guarantee fund
- The wording of the procurement section is modified, directing ‘key agencies of government’ to ‘allocate at least 10% of their annual budget’ to ‘projects to be procured from social enterprises’
- Tax incentives for both social enterprises and social investors are removed.

.....

⁷ <http://www.senate.gov.ph/lisdata/1904516164!.pdf>

The PRESENT Bill definition of social enterprise was modified in May 2014 as ‘a social mission-driven organisation that conducts economic activities providing goods and services directly related to their mission of improving the well-being of the poor, basic and marginalized sectors and their living environment’

Social Value Bill

Introduced by Senator ‘Bam’ Aquino, the Philippine Social Value Bill proposes the inclusion of ‘social value’ into all government procurement. The Bill is modelled on the UK Social Value Bill, and was developed following a British Council organised visit of policy makers, including Senator Aquino, to Europe. The Bill sets out that the government should ‘include social value in competitive bidding criteria and requirements for public procurement of goods, services and public projects, defining social value as:

“The additional benefit to society of procuring a good or service, over and above the direct benefit and value of the good or service to the procuring entity. Additional benefits may include support for poor communities or marginalized groups, advancement of human rights and social justice, protection of the environment, and community development⁸. ”

Opinion on the PRESENT Bill

There is a diverse spectrum of opinion about the need for a Social Enterprise Bill, and in particular, the content of the draft PRESENT Bill. The PRESENT Coalition is pushing for significant government support, and there is scepticism, according to stakeholders, about the justification for this and whether it is a realistic first step (although one stakeholder within the PRESENT Coalition identified the potential gap between initial policy demands and the potential outcome of subsequent engagement with policymakers as part of the policy-making process, others in the Coalition seemed keen to push for the Bill to be adopted in its initial form without compromise).

Social enterprise definition is seen as the biggest and most difficult issue for the PRESENT Bill, according to one government source. ‘There is no confirmed source of financial support from government to social enterprise, in spite of the wording of the first draft of the PRESENT Bill’ said this source. ‘In the original Bill, the coalition were asking for too much – they want a paradigm shift, but there needs to be a start, not to push for so much that it becomes unrealistic’. For example, with the clause obliging banks to lend a percentage of their portfolio to social enterprise is that this provision already exists for MSMEs, and banks prefer to pay penalties than take the risk of lending to MSMEs. The same is likely to be true for social enterprises according to one stakeholder. One social enterprise support agency said there is ‘no need for it’ and that ‘there are so many policies (that can benefit social enterprise), they just need to be implemented’. One example is existing legislation that grants tax exemptions to microenterprises which meet certain staff size and turnover criteria, which social enterprise stakeholders said is difficult to secure official confirmation of. There seems to be definite scope for social enterprises to gain more from existing legislation and government support to MSMEs in general, even if this does not address the more fundamental concerns for the PRESENT Coalition of addressing systemic inequality of resource allocation.

Overall, the Coalition push for a bill is seen, by the Coalition, as part of a bigger process of engaging, civil society, business,

The most important goal of the PRESENT coalition is for government to recognise social enterprises as key actors.

government and citizens in a transformative growth agenda (Dacanay, 2013) and for this reason, social enterprise specific legislation can act as an important driver. ‘Government can play a big role in promoting jobs through procurement; some social enterprises have won through regular bidding processes but government is in a position to use its procurement power to create more inclusive and sustainable jobs’ said one support organisation.

‘The most important goal of the PRESENT coalition is for government to recognise social enterprises as key actors. Some of the provisions in the Bill would definitely be a big boost. There needs to be a public debate (about government support to big business compared to SMEs and social enterprise), this is not just about quickly passing the Bill’ Lisa Dacanay.

- Lisa Dacanay

⁸ <http://www.senate.gov.ph/lisdata/1704414368!.pdf>

Social enterprises reviewed for the study

A total of 14 social enterprises were interviewed for the study. The table below provides a brief overview of the enterprises, their business models and impacts. Following this, brief examples of how social enterprises operate and the impacts they seek to have are presented.

Table 1: Interviewed social enterprise profiles

| Name | Year Established | Core intended impact(s) and data | Geographic location of operations | Number of staff | Business model |
|--|-------------------|---|-----------------------------------|--|---|
| Akaba | 2013 | High-end bag producer. Improved incomes for producers. | Luzon | 6 | Fairtrade price premium model, through cooperatives |
| Alay Kapwa - Cebu | 1990 | Fair Trade processed food. For women livelihood, youth and education for street children. | Cebu | 5 and processed in households and communities | Fair Trade premium model and community-based production and social change |
| Anthill | 2010 | Art, crafts and fabric company. Livelihoods and local indigenous skills preservation | Cebu | 9 in head office + 102 producers | Franchise model, set up distinct businesses in each community with aim of autonomy; pay above-market prices. |
| Coffee for Peace/Peace Builders | 2007 | Coffee shop and coffee processing and trading | Mindanao | 10 | Above-market and guaranteed prices to producers. NGO arm trains farmers. |
| Don Bosco Multipurpose Cooperative | 1985 | Cooperative promoting sustainable agricultural production in rice and bananas | Mindanao | 20 staff and production in the communities | Cooperative selling organic products including via 2 shops in Davao and identified places in Mindanao and supermarkets across Metro Manila. Exporting rice and banana, also receives some grant financing |
| Filo D'Oro | 2005 | Art and furniture producers, working with out of school youth for livelihood and skills development | Cebu | 18 | Corporate buyer for furniture products with preferential prices. Above-market payments to producers. |
| Good Food Community | 2011 | Community shared agriculture, selling organic food boxes | Luzon | 4 | Above market prices to producers |
| Graci Q Designs | 2007 | Jewellery design company working with poor women producers to improve livelihoods | Cebu | 6 admin staff and community-based production | Above market and guaranteed prices to producers |
| Habi Footwear | 2012 | Shoes from scraps. Improved incomes for women producers. | Luzon | 17-20 (community members - suppliers not staff) | Fairtrade price premium model |
| Health Innovation Multipurpose Cooperative | 2013 | Healthcare to poor and marginalised communities | Cebu | 11 | Cooperative model of healthcare insurance |
| HowYouCanHelp | 2012 | Improved access to IT services | Metro Manila | 5 + part-time designers | Not at SE, just a business serving BOP-facing clients. Cross-subsidising |
| K&H Soy & Milk | Metro Manila 2007 | 5 + part-time designers Advocacy for wellness and health. Household level production | Cebu | 5 staff and production is by mothers in households | Fair Trade supplier and consolidating small producers. |
| Route 63 | 2012 | Ecotourism travel company. Livelihoods, environment | | 2 | High fees and guaranteed payment to community suppliers |
| Southern Partners Fairtrade Centre | 1996 | Agricultural cooperative supporting poor rural producers, particularly women | Nationwide | 5 staff. 20 in processing plant. 18 partner organisation and 97 farmer producers | Fair Trade premium model and marketing for suppliers and processing agricultural products and exporting already |



Amongst the enterprises interviewed for this study, the vast majority are formal social enterprises. One was informal in that the founder did not wish to be labelled as a social enterprise, others were cooperatives that have become involved directly or indirectly in the PRESENT Coalition, so only recently recognising themselves as social enterprises. As detailed below, the current limited geographical coverage of social enterprise specific support and profiling indicates a likely greater number of informal social enterprises operating outside major urban centres.

Using the ODI definition (see social enterprise definition section above), all the social enterprises interviewed for this study operate enterprise models that 'significantly modify their commercial orientation' (Smith & Darko, 2014). Whereas measuring the social impact of operations is complicated and subjective, particularly in comparison with other organisational types, business models are more straightforward to understand and quantify. Of the social enterprises interviewed, several operate fair trade type models, paying guaranteed above-market prices to suppliers and ensuring purchase of products. Several models are cooperatives, providing forms of more democratic involvement in management and business decisions.



Snapshots of Social Enterprises outside Metro Manila



Anthill - Cebu

ANTHILL stands for Alternative Nest and Trading/Training Hub for Ingenious/Indigenous Little Livelihood Seekers. ANTHILL is a fabrics, arts and crafts social enterprise in Cebu which works with local producers to preserve Filipino traditional fabric production techniques and produce high-quality goods for sale. Each production community runs as a franchise, making distinct products, with the intention that it will eventually be independently managed. Products are sold through the Anthill Gallery in Cebu City and online, with consumers including donor agencies who use the dolls produced in a rural indigenous community for sexual violence work. ANTHILL was founded by a mother and daughter team, the mother is a successful commercial fashion and fabric retailer.



Coffee for Peace – Davao

Davao-based social enterprise Coffee for Peace has two components to its business model, a coffee shop and a coffee trading system, buying coffee at above-market prices from local producers in Mindanao. Coffee for Peace promotes sustainable livelihoods as part of a strategy to promote peace through greater economic and ecological stability, opportunities and justice. The enterprise evolved from an NGO working on peace and reconciliation in conflict-affected areas of Mindanao.

Niches of social enterprise activity

Previous ODI research has shown how social enterprises operate in three niches: markets serving the very poor; markets where innovative products, services and business approaches are used (e.g. to overcome stigma, to promote new technology or new services with social/environmental as well as commercial benefits, where people are unused to paying for a good/service); basic social services where the state no longer can or was never able to provide comprehensive, quality coverage (Smith & Darko, 2014).

There is considerable focus in the social enterprise community in the Philippines on markets serving the very poor. Many social enterprises in the Philippines are producer-based organisations, working with low-income and marginalised groups of producers and suppliers. Across the sectors that these social enterprises work in, primary focus is often on improved prices for producers and increased access to market. At a sectoral level, there is less evidence in the Philippines than elsewhere of social enterprises addressing basic social needs (Smith & Darko, 2014). This would be in sectors or areas where there is a lack of public, private and NGO sector presence and where the hybrid business models of social enterprises offer value add commercially viable social-first approaches. There seems to be considerable overlap between the activities of social enterprises and NGOs, especially in the agriculture sector, with the apparent re-branding of some NGOs as social enterprises with no clear indication that their business models have substantially changed. As social enterprises in the Philippines seek to raise their profile and recognition for their contribution above and beyond mainstream business and charity, further understanding of the niches in which they operate and are successful, and niches they could move in to, may be useful.

A total of 18 interviews were conducted with support organisations. Table 2 below provides a brief outline of what they do and how they support social enterprise. It is not possible to rigorously state that organisations do or do not support social enterprise because of the variation in definitions they use, and because many which provide support to MSMEs could potentially support for-profit social enterprise forms, even if they are unaware of this. Below are more detailed examples of activity from a selection of key support organisations.

Table 2: Support organisations and the range of support they provide⁹

| Organisation name | What support services does the organisation provide | Social enterprise definition used | Support the organisation provides specifically to social enterprise |
|---|--|---|--|
| Agri-Aqua Development Coalition (AADC) | Rural economic empowerment coalition in Mindanao providing BDS services, grants and value chain support | Income-generating socially orientated activity and owned by the communities | All support is to rural development and basic sector (farmers, fisherfolk, IP etc.) activity and low-income producers, but not specifically to formal or informal social enterprise. |
| Asian Development Bank | Large-scale investments for development, technical assistance | Consistent with British Council definition | Very little investment in social enterprise, due to size of loans. Informal support connecting to alternative sources of finance. Increasing investment in inclusive business. |
| Ashoka | Fellowship scheme with mentoring, training and stipend; education and outreach programmes on social entrepreneurship | Focus on social entrepreneurship and systemic change, rather than enterprise models | To social entrepreneurs, some of whom run social enterprises |
| Ateneo de Manila University | Tertiary education on social enterprises, informal workspace for social enterprise, office location for social enterprise support organisations | SEPPS definition | To social enterprises, social entrepreneurs and social enterprise support organisations |
| Baba's Foundation | Microfinance, agricultural extension services, business development services | Poverty reduction and changed mind-set and values formation. | Farmers and microenterprise rather than social enterprise specifically |
| Cebu Chamber of Commerce | Business promotion, SME business training services, networking opportunities, business enabling environment programmes | No formal definition, understanding of social enterprise based around cooperatives and producer groups | None specifically, but considerable focus on MSMEs |
| DTI (Davao, Cebu and Manila offices) | Non-financial support to MSMEs including social enterprise including support with regulation and fiscal matters, access to finance and business development skills | None at present | Not specifically to social enterprise, and mixed awareness of social enterprise |
| EDM-Enterprise | Equity, incubation, training and consulting on inclusive/sustainable business | Consistent with British Council definition, although work with a wider range of inclusive businesses | The equity stakes and incubation activities are with social enterprises, the remainder with social enterprises, inclusive businesses and mainstream businesses trying to become more inclusive |
| FSSI | Business development services, technical and technology skills support, social investment and microfinance | SEPPS definition | Focus on social enterprises with poor as primary stakeholders, also funds microfinance organisations. |
| Gawad Kalinga | Community housing, skills and livelihood development, social enterprise incubation – workspace, workforce (from housing community) | SEPPS definition | Primary support is to community members, but social enterprise is a key aspect of livelihood work. |
| Institute for Social Entrepreneurship in Asia (ISEA) | Knowledge development and resource sharing social enterprise promotion network | SEPPS definition | All activities support and involve social enterprise |
| Mindanao Coalition Of Development NGO Networks (MINCODE) | Coalition of Mindanao-based civil society organisations supporting local economic development in part through a social enterprise development programme | SEPPS definition | Lobbying and advocacy for enabling environment of social enterprises in the Mindanao context, linking and access to other service providers. |
| Office of Sen. Bam Aquino | Sen. Bam is a social enterprise advocate and his office have contributed to drafting, editing and legislative progress of social enterprise and social value legislation | SEPPS definition used in legislation | Support to social enterprise legislation |
| Peace and Equity Foundation (PEF) | Finance, capacity building, marketing assistance, technology and events | No one size, fit all; based on social mission; base capacities; analyse the partner in relation to the value-chain. | All activities support social enterprise |
| PhilSEN | Affiliation strengthening relationships and managing knowledge resources | SEPPS definition | Specifically focused on SEPPS social enterprises |
| PRESENT Coalition (represented by FSSI) | Coalition of a range of social enterprises and social enterprise support organisations raising awareness and promoting legislation on social enterprise | SEPPS definition | All activities support and involve social enterprise |
| SEDPI | Finance, training, research, incubation and mentoring | Consistent with British Council definition | SEDPI works on microfinance, financial inclusion and social enterprise. About 10% of investments have been to social enterprises. |
| Sustainable Integrated Area Development (SIAD) Initiatives in Mindanao-Convergence for Asset Reform and Regional Development SIMCARRD | NGO Networking supporting and promoting social enterprise activity in Mindanao | SEPPS definition and owned by the communities | Support to informal social enterprise - promoting community-based sustainable agriculture and livelihoods and addressing sustainability issues of local service providers |

⁹ This table is indicative and not exhaustive. Errors and gaps are the sole responsibility of the report authors.



The following short summaries provide examples of the range of support services available to social enterprises.

Cebu-based incubator: EDM-Enterprise

EDM-Enterprise is a company connected to French non-profit Enfants du Mekong (EDM). EDM-Enterprise started exploring social enterprise around two years ago, in the communities they worked in, and realised they needed business talent to connect social enterprise ideas to markets. EDM-Enterprise has three functions: as an incubator in a small number of social enterprises, taking equity and providing human resource investments as well. It also has a consulting branch, focused on social impact of business. The third function is training – programmes on social enterprise, working with government to teach youth business skills to set up social enterprise and developing a course on social enterprise at a Manila university. Unlike many bespoke social enterprise support entities, EDM-Enterprise is based in Cebu, not Manila. EDM-Enterprise is a social enterprise, registered as a for-profit business. Consultancy is the most profitable activity, incubation is seen as a long-term investment and training is ideally self-sustaining.

Academic knowledge-sharing and capacity building network: ISEA – Institute for Social Entrepreneurship in Asia

Although ISEA President and Founder Professor Lisa Dacanay is a Filipina, ISEA is present in nine countries in Asia. Its main mandate is knowledge creation, capacity development and platform-building for the promotion of social entrepreneurship in Asia. Since ISEA was founded in 2008, it has focused on developing innovative solutions to address poverty and inequality through social enterprise, promoting social enterprises that target the poorest primary stakeholders. ISEA is hosted by the University Ateneo de Manila, and in return runs Ateneo's social enterprise Masters programme.

Business development skills provider and investor: SEDPI – Social Enterprise Development Partnerships, Inc.

SEDPI was established in 2004, has trained about 28,000 stakeholders in 23 countries and offers a Diploma in microfinance with the Ateneo de Manila University. SEDPI works in three areas – microfinance, social enterprise and financial literacy. It began as a microfinance support organisation. For social enterprise, they run trainings on introduction to social enterprise, start up, finance, social performance management – impact measurement and M&E, and strategic planning. They have a fund through which they invest, primarily in MFIs but also now provide some capital to social enterprises, alongside business development skills support and sometime co-work space. Part of the fund comes from Overseas Filipino Workers (OFWs), who also SEDPI trains in financial literacy then asks them to invest, offering a 6% return, raising commercial capital at 5-6% then investing at 10% to MFIs and social enterprises. They have a total portfolio of 200m pesos, of which 20 million goes to social enterprise, 1 million of this as equity.

Investor: PEF – Peace and Equity Foundation

Established in 2001, PEF is an NGO and financing organisation, managing an endowment fund for civil society efforts to reduce poverty and providing loans, equity, bridge-finance and grants. From 2011, PEF have funded social enterprise models, and in 2012 began to focus on building the ecosystem for social enterprise, providing capacity building support – marketing assistance, technology direct to enterprises. PEF also fund joint conferences and event and run an enterprise development training programme.



University: Ateneo de Manila

One of the Philippines primary academic organisations, the Ateneo School of Government runs a diploma programme on social entrepreneurship covering leadership, background and practical skills on social enterprise, delivered with support from the British Council. Ateneo de Manila University also hosts ISEA, with whom they have partnered to develop a post-graduate social enterprise programme that ISEA deliver.

Private sector organisation: Cebu Chamber of Commerce

Cebu Chamber of Commerce is a private sector membership organisation representing businesses in Cebu; the majority of its membership is SMEs, and also includes a cooperative and a producer organisation. The Chamber of Commerce provides a range of skills advice to small business, as well as networking and investor opportunities and wider activities promoting businesses from the Cebu region.

The PRESENT Program

The PRESENT Coalition is anchored in the PRESENT Program, which builds on the experience of coalition members in the social entrepreneurship-framed subsector and in value chain development for the poorest producers and service providers. Its focus is on the promotion of a concept of social entrepreneurship, rather than support to particular business models, social enterprises. As such, the programme sees economic subsectors where the poor are concentrated as the unit for planning poverty reduction interventions in partnership with SEPPS that simultaneously address poverty and economic growth (Lisa Dacanay, peer review comment).

Investment provision and investor preferences

The study interviewed a number of organisations providing financial investment to social enterprises. Financial investment is understood here as all forms of finance, including non-returnable capital - grants. The table below outlines investor attitudes and preferences, including key investors in the sector who were not interviewed as part of the study. This is not a comprehensive list of all potential sources of funding for social enterprises in the Philippines, but presents a cross-section of different types of investor organisation and the variety of investment types they offer.

Table 3: Investors identified and their investment profiles

| Organisation name | Organisation Type | Investment to social enterprise |
|--|--|---|
| Asian Development Bank | Development Finance Institution | Keen to provide investment, but minimum loan size of \$2m makes lending to Filipino social enterprise currently unviable. Improved due diligence for lending to inclusive business and informal referrals for social enterprises to other investors |
| Ashoka | Support organisation with grant capital | Stipends and support to social entrepreneurs, not necessarily social enterprises. Seeking to expand number and geographical reach of Filipino fellows. |
| Baba's Foundation | Foundation | Microfinance at 3.5%-4% of loans between PhP 5,000 to PhP 15,000 |
| EDM-Enterprise | Support organisation | Equity stake and investment in human resources, alongside incubation, multi-year investment |
| FSSI | Foundation | FSSI manages an endowment fund of PhP 1 billion (2014), 50% of which is dedicated to social investment, providing project loans, asset management products, equity contribution and grants. |
| Got Heart Foundation | Foundation | |
| IIX and Shujog | Investment platform and support organisation | A pilot accelerator programme launched in the Philippines in 2014 will provide seed capital, tailored one-to-one mentorship and ongoing advisory services initially to 4 early stage social enterprises ¹⁰ |
| LGT Venture Philanthropy | Impact Investment Fund | Equity and loans to early stage social enterprises, an average of \$US50,000 financial support to each investee. ¹¹ |
| Oiko Credit | Cooperative society | Loans, credit lines, equity and capacity building to 'income generating projects benefiting the poor' including social enterprises (cooperatives, fair trade organisations), SMEs, and rural banks. ¹² |
| People' Credit and Finance Corporation | Government provider of microfinance | Microfinance provider, loans for 1-4 years of up to PhP 300,000 at rates of 8%-14% for investment credit and 3% for institutional credit. ¹³ Not specifically financing social enterprise. |
| Peace and Equity Foundation (PEF) | Foundation | Endowment fund for civil society-led efforts to reduce poverty, providing grants, loans, guarantees, joint ventures and equity. |
| Pinoy ME Foundation | Foundation | Microfinance provider. The Social Investment Fund provides loans for enterprise development, as well as for working capital and equipment purchase, to MSMEs and social enterprises. |
| SEDPI | Support organisation with endowment | Offers loans at 10% interest rates to social enterprises and equity stakes (5% of investments are equity). To date PhP 20 million has been invested in social enterprises. |
| SGV Foundation | Foundation | Grant funding to social enterprises, NGOs and enterprise development. ¹⁴ |

Past British Council work and anecdotal evidence from the study reveals that there is also a proportion of corporate support to social enterprise in the Philippines, although no publicised information about bespoke social enterprise financing programmes by corporates was identified through the research.



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¹⁰ <http://www.asiaiix.com/impact-investment-exchange-asia-launches-impact-accelerator-in-the-philippines-2/>

¹¹ [https://www.lgt.com/shared/.content/publikationen/\\$verwaltung_publikationen/philanthropie/LGTV_Portrait_en.pdf](https://www.lgt.com/shared/.content/publikationen/$verwaltung_publikationen/philanthropie/LGTV_Portrait_en.pdf)

¹² <http://sea.oikocredit.coop/development-financing>

¹³ <http://www.pcf.ph/dnn/~/.dnn/ProductsandServices/MicrofinanceProgram/tabid/58/Default.aspx>

¹⁴ <http://www.sgvfoundation.com.ph/programs/>

3 Challenges and Opportunities for Social Enterprise Development



This section sets out challenges that exist for social enterprise development, considering in particular the role of Government and regulatory barriers that exist to social enterprise evolution and identifies some solutions and opportunities for helping social enterprise in the Philippines to evolve and grow.

Perceptions of social enterprise in the Philippines

This section outlines findings from stakeholder interviews about their perceptions about social enterprise.

Social enterprise as a route to systemic change



Social enterprises that engage the poor as passive beneficiaries have a tendency to foster subservience and dependency that may lead to the hardening of social exclusion



(Dacanay, 2013)



Social enterprises have shown leadership in value chain and sub-sector impact, even without government support. They also want the (traditional) business community to play a bigger role



-Lisa Dacanay

This study showed that many stakeholders engaged in some way in social enterprise see their activity as part of a wider drive for a more inclusive economic structure, with frequent mention made of national and global trade imbalances, priorities to large and international companies at the expense of smaller domestic activities and the overall problem of inequality in the Philippines, which it is recognised will not be addressed purely through social enterprise.

Dacanay (2013) demonstrates that the nature of mainstream markets and economic practice disadvantages social enterprises, which do not conform to norms of minimising wages, maximising profits and having limited decision-making involvement of producers and suppliers, particularly up the value chain – creating pro-poor value chains. She finds that social enterprises which do not take into consideration the fact that they are a heterogeneous organisation form operating in an orthodox market tend to incur negative impacts on their viability and sustainability; or compromise the social impact of their operations (Dacanay, 2013). Dacanay suggests that social enterprises need to understand this, and have a clear agenda for change in how they deal with mainstream markets (Dacanay, 2013). From interviews during this study, it was clear that several were thinking about the economic impact they were having at the value chain as well as the enterprise level.

Taxation is an issue raised by social enterprise and SME advocates alike, not that the two are always mutually exclusive. Both mention the injustice of a taxation system where small businesses and social enterprises are taxed on the same criteria as big business. Also, stating wider problems in terms of government policy towards business in that only large enterprises are recognised as significant job-creators. And that structures that do exist to support small business, such as the Land Bank of the Philippines and SME activities of the Department of Trade and Industry (DTI) are not tailored to be accessible to more marginalised enterprises, who struggle with access and procedures (Key, 2012).

Social enterprise as a model for delivering poverty reduction

Whilst there is evidence of a strong, indigenous social enterprise movement in the Philippines which focuses on the poverty reduction potential of social enterprise activity, there is not universal agreement amongst the stakeholders interviewed that social enterprises are the best solution to the Philippines’ inequality and poverty. This is particularly the case when the issue of resource allocation by government specifically to social enterprise is raised. This seemed to be a contentious issue amongst stakeholders, but an important one for the PRESENT Coalition, government, investors and the general public to understand and resolve.

The interviews revealed a degree of conflict in terms of prioritising support to social enterprise, at the cost of SMEs, as perceived by some stakeholders. Broadly, there are three sets of opinions:

- That MSMEs are primary economic and social development drivers, and that social enterprises are a marginal component of MSME activity
- That social enterprise represents an ideal model for all micro and small enterprise and is preferable to mainstream MSME because of its expected wider social impact, so should receive preferential treatment over MSMEs
- A middle ground that sees social enterprises as having growing importance, but recognises the importance of continued support to MSMEs, regardless of their degree of emphasis on social/environmental impact, and the potential for social enterprises to access existing support to MSMEs, much of which is directly relevant to them.

The second opinion was articulated by stakeholders close to the PRESENT Coalition¹⁵ but according to some other stakeholders is not in line with public and government official opinion and risks polarising opinion about social enterprise or undermining the general, broad trend of support. This was felt to be particularly the case in the absence of methods through which to illustrate the value-add of social enterprise through social/environmental impact or resource use to social return ratios, etc., particularly in comparison to mainstream MSME and charity activity, and in the social services sector, compared to government provision.

Although the respective values of particularly micro and small enterprise were compared by several stakeholders to the benefits of social enterprise (which is an overlapping sub-set of micro and small enterprise), there was little mention by stakeholders of the comparative value of social enterprise and NGO activity in delivering poverty reduction, although there was wide-spread recognition of the importance of grants to initiating social enterprise activity, and the significant value of community-based organisations, NGOs and people with community development and social development skills in establishing social enterprises that have inclusive, empowering impact on the poorest people.

Concern about abuse of support to social enterprise

Related to the point above, several interviewees, including social entrepreneurs, expressed concern about unscrupulous use of the term social enterprise, particularly if there is an increase in the benefits of being considered one, such as some of the provisions in the PRESENT Bill. There is concern that social enterprises could be at risk of becoming vehicles for corruption, as NGOs and charities are perceived to have been in the past, for example during the ‘pork barrel’ corruption in NGOs scandal in the Philippines in 2014 (Graham, 2014).

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¹⁵ It should be noted that this is a finding from interviews, not necessarily representative of the coalition’s official views

Social enterprise is also considered to be misused because it creates ‘marketing mileage’ and allows companies to charge a ‘social enterprise premium’, even though ‘the social enterprise ‘brand’ only appeals to some consumers, often customers abroad are willing to pay more’. Regulation could go some way to addressing this. Investors can also require standards of due diligence and impact reporting that drive and illustrate impact. Public interest and scrutiny of the sector could also be important.

Defining social enterprise and recording impact

During stakeholder interviews, support organisations were asked about the definitions they used if they provided specific support to social enterprise, and about how they measured impact. Some had wide definitions around social impact, with limited impact measurement criteria. Others reviewed business plans in detail, to support social enterprises which both met a tighter definition of impact and profit re-investment, and showed potential to sustain and grow. In terms of the proposed PRESENT legislation, agreement around a viable social enterprise is fundamental – and there was no clear consensus on this from stakeholders interviewed for the study.

Impact measurement criteria used by support organisations varied, and were most rigorous when substantial investment of time and non-financial resource was being offered. Focus was usually on sustainability and potential to grow, as well as demonstrated and potential impact.

Some social enterprises are capturing impact data themselves. According to interviews, it seems often to be basic baseline and progress data around impact at the level of enterprise business activity, rather than wider social impact, for example by exploring effects at household level or over time.

If and when government legislation on social enterprise is passed, this could be critical to shaping how social enterprise is understood and could contribute to more rigorous impact reporting if this is made a requirement of access to forms of government support. However, even if social enterprises consistently report quality impact data, this does not necessarily contribute to distinguishing their social impact from mainstream enterprise, particularly if the latter are not collecting and reporting social impact data that is comparable.

PhilSEN Social Enterprise Quality Index

PhilSEN formulated a ‘Social Enterprise Quality Index’ (SEQI) for monitoring and evaluating social enterprise performance in 2009, to set a common standard for its members. The SEQI is based on the principles of Doing Well, Doing Good and Doing Right. Doing well in social entrepreneurship means production systems and procedures in place are clear for everyone, facilities enhanced productivity and product quality and managers and workers are skilled enough to ensure good production. In marketing it means, the organisation promotes fair trade practices and fair prices and can manage changes in market conditions. In finance, it means economic efficiency and financial viability, transparent processes and participatory decision making as well as fair hiring policy and good working conditions. Doing right means that the enterprise supports social reforms and change; promotes policies and practices that protect and promote ecology and renewable energy systems; upholds gender equity and cultural diversity and promotes stakeholder engagement and partnership in any project or engagement.

Staff, skills and mentoring

In terms of staff, interviewees mentioned problems of workforce skills and aptitude. Achieving and sustaining quality control is a problem for many producer organisations, as is finding appropriately skilled staff, particularly in remote areas where there cannot be regular external monitoring.

The second issue raised was the general shortage of business skills amongst social enterprise staff. Some of the most successful social enterprises in terms of size and scale seem to be those hiring people with corporate experience; for example Human Nature has senior staff with experience at large multinationals such as Unilever and McDonald's (Graham, 2014). Others have promoted staff from the ranks, such as Rags2Riches, where a Workshop Supervisor is someone who used to scavenge for scraps on rubbish sites before becoming a seamstress (Graham, 2014).

Formal and informal mentoring was mentioned by several people as important to build up business skills, particularly if it came from senior and established business professionals. Pro bono advice and support from experienced business professionals and experts in fields such as design, accounting, law, amongst others, is very useful to expanding the skill sets amongst social enterprise staff.

Several tertiary academic organisations in the Philippines provide social enterprise programmes and courses. There is also growing recognition of the need to extend understanding on social enterprise principles at secondary and even primary level. Government controls the curriculum so can significantly influence general public understanding and awareness of social enterprise through school teaching. Focus on academic routes to social enterprise could also be supported through social enterprise focus through vocational training.

Finance

Access to appropriate finance

Access to finance which is appropriate to the stage of growth of the social enterprise is important. Finance was not reported as a major constraint by many of the social enterprises, which is in stark contrast to studies in sub-Saharan Africa, for example (Griffin-El & Darko, 2014; Darko & Koranteng, 2015). However, stakeholders did identify problems accessing particular types of finance, and investors faced difficulty finding suitable investees.

Foreign Direct Investment (FDI) is increasing in the Philippines, so is local private investment. In general finance seems to be seen as 'a buyers' market' in the Philippines – according to one stakeholder, it is very liquid, when the proper documentation is available. "The problem is that a lot of social enterprises don't keep records and accounting standards aren't good," said a social enterprise support organisation. For cooperatives in particular, their democratic nature makes them an unattractive investment vehicle for mainstream financial institutions (Songco, n.d.).

However, in terms of access to finance for social enterprises, as well as most MSMEs, they often lack collateral for securing loans. There is a government initiative under which non-collateral loans are provided, with proof of the MSMEs existence – for example through membership of a chamber of commerce that will vouch for the enterprise.

Social enterprises spoken to for the study find some solutions. Microfinance, for example, has established a strong foothold in the Philippines, and this success is credited in large part to the policy environment – the establishment of the People's Credit and Finance Corporation and the National Livelihood Development Corporation, which together have made over PhP 1 Billion worth of investments in the microfinance market (Songco, n.d.). There is significant provision of microfinance to informal social enterprises, particularly rural producers and microenterprises in the agriculture and agri-business sectors.

Social enterprises interviewed rely on their own money and that of family and friends for starting up, and also see the growing number of business awards and competitions as important sources of early stage financing. Competitions and awards, however, are perceived to take up a lot of time and their requirements can affect the business model and operations, which is not always ideal according to one enterprise. Competitions can be the start of networking opportunities and include non-financial forms of support, which makes them more appealing.

‘Competitions take time, so you want something from it – more than the grant if you win’ social enterprise stakeholder.

Grants are good for early stage support, but can only do so much and social enterprises need to build revenue streams. As one non social enterprise specific support organisation put it: ‘you have to be careful about providing grants to social enterprises – without grants you can see who the real entrepreneurs are!’

There is evidence of growing formalisation of small-scale angel investment. One social enterprise interviewed received initial financing from a group of retirees from a church.

Investors themselves identify a number of barriers to investment:

- The small size and limited capacity of social enterprises to absorb capital
- Difficulty finding viable social enterprises to invest in, particularly due to lack of staff and outreach outside Metro Manila and other urban areas.
- Weak commercial models of some social enterprises, particularly those which have developed into social enterprises from NGOs

Social impact investing

There is a lot of reference in literature to the availability of potential social impact investing capital (ADB, 2011; JP Morgan and GIIIN, 2014; Pan, 2014; Whitley et al, 2013), but a lack of viable social enterprises to invest in – viable often meaning scalable, but also of a reasonable size so they can absorb much higher amounts of capital than many micro and small social enterprises are able to. This was validated in interviews with stakeholders such as the Asian Development Bank, who are currently developing strategies to facilitate lending smaller amounts to inclusive businesses, which requires altering incentives for staff to make smaller investments, and increasing due diligence around social impact. In countries, like the Philippines, where it is easy for development banks to do major investments, it is not so easy to promote smaller investments to inclusive business, as compared to smaller and poorer countries.

In terms of impact investment, there is some caution about how appropriate it is to social enterprises. One social entrepreneur interviewed for the study said: ‘impact investors focus on what they need, not what social enterprises need’ and a social enterprise support organisation, itself a social enterprise, said ‘there are many interested investors but we are careful because we must have shared values’.

A number of social impact investors are active in the Philippines and more are initiating and scaling up engagement in the Philippines. LGT Venture Philanthropy (LGT-VP) is an impact investing supporting ‘organisations with outstanding social and environmental impact’ in the Philippines, providing loans and equity for 2-7 year old organisations with strong potential for growth and positive impacts, and grants are reserved for organisations that ‘do not earn money but are addressing serious problems’ (ChangeFusion, 2013). LGT-VP make investments from \$50k and engage at the community level, linking with larger investors who can take on enterprises from their portfolio that ‘graduate’ to requiring larger amounts of finance. Singapore-based impact investor IIX is also due to setup operations in the Philippines soon, with an accelerator programme announced in 2014.

Several social enterprise support organisations (not just finance providers) identified lack of pipeline as a constraint, and lack of capacity to reach outside established contact fields for activity – for example, much existing support is provided only in the Metro Manila region, and to a lesser extent, other major urban areas such as Cebu and Davao.

Informally, there seems to be at least a degree of portfolio sharing amongst social investors and support organisations, which is of significant potential benefit to the development of the sector. Sharing pipelines is often at the discretion of individuals within organisations, and some impact investors are less willing to collaborate with other organisations because of their more commercial nature. Often competition and prize providers operates in silos and don't share pipelines or engage with other support organisations to cross-refer entrepreneurs and enterprises.

It was observed by stakeholders that domestic banks could do more, such as the Bangko Sentral ng Pilipinas (BSP) – Philippines Central Bank, who it was suggested could provide a forum to raise awareness of social enterprise competitiveness and regulatory concerns to help create a proactive regulatory environment conducive to social enterprise – and MSME – growth.

For impact investing in particular, impact measurement is a key issue. Professor Dacanay has written important contributions on this area, but few of the social enterprises interviewed were recording impact data in any detail, some were not recording any. There are exceptions – for example, Human Nature are currently working with ISEA to develop a social return on investment (SROI) story, quantifying the impact of their work.

Navigating regulation and taxation

Fiscal and regulatory requirements are difficult for social enterprises, as well as SMEs, to navigate in the Philippines – it was mentioned frequently as an obstacle. SEDPI portfolio social enterprises, for example, noted that the support they receive to pay taxes on time and to navigate government is very valuable to them. The government's Go Negosyo programme also provides support on navigating regulation and taxes. There are some tax exemption clauses for MSEs – those with assets of less than 3000 pesos and a maximum of 10 staff, but it is not easy to secure the paperwork for this tax exemption and none of the enterprises spoken to for the study mentioned that they had secured this exemption.

Social enterprises in the Philippines have the option of registering as either non-stock, non-profit corporations and/or as stock for-profit corporations with the Securities and Exchange Commission, or as cooperatives with the Cooperative Development Agency. Social enterprises often register as for and non-profit entities, to allow access to both equity and grant finance, so processes can be particularly complicated. ISEA and Oxfam (2014) estimate that 25% of social enterprises in the Philippines have become 'multi-organisational systems' – they combine stock, for profit corporation and non-stock, non-profit corporation forms, as a way to manage the provision of different types of products and services and to manage revenue mix.

Geographical scope of social enterprise activity

The geography of the Philippines creates challenges for economic and social activity in general, but given the small scale and limited resources of many social enterprises, creates a particular problem for achieving economies of scale to attract finance, and also replicating and scaling success. The country is large and expensive to travel within, as well as time-consuming.

Many stakeholders mentioned that social enterprise focus is heavily Manila-centric at the moment. Although there is growing presence of both social enterprises and support organisations in Cebu and Davao, as well as local government awareness of social enterprise, particularly in Davao, there is considerable scope to increase awareness and activity outside Metro Manila and Luzon province – not least because other areas of the country have higher levels of poverty and need.

Whilst national level policy support will help all social enterprises, local government and local government offices will be key to implementation. So awareness of local government officials, for example in DTI local offices, is important to outreach for social enterprise, both through existing programmes and potentially through specific support to social enterprise in the future. Ability of local government to identify informal social enterprise, encourage social enterprise development and provide support to social enterprises in rural and peri-urban areas could be very important to increasing the geographic reach of social enterprise activity and raising the profile of non-urban social enterprises.

Social enterprise activity and impact sectors

Many social enterprises are set up to address livelihood needs and wealth creation, not with a social purpose, to address a specific social challenge. This study was by no means a comprehensive review of all social enterprises in the Philippines, and may not have reviewed a representative sample. However, a trend in the areas of social enterprise activity was noted, and several stakeholders suggested that it might be worthy of further exploration and understanding: that there appear to be few social service focused social enterprises.



There are social enterprises that provide social services but they are less well-known than product social enterprises. They could be better promoted.



-SE Support organisation



There is a discussion in the Philippines about the need to privatise healthcare. We could learn from Europe about where social enterprise is a good alternative to state social services. Where we have a failed state, there is more room for social enterprises to become vehicles for social services provision, although in the Philippines there is still an expectation that social service provision is a government role'



-Support organisation

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Asian Development Bank (2012) notes that the higher proportion of product-based social enterprises is a strength, with entrepreneurs being customer-focused and successfully linking into regional markets. In terms of service based enterprises, whilst there are a number in the Philippines, evidence from this study indicates that they are significantly fewer than product-based enterprises (particularly livelihood-based producer goods sales and marketing models), and that of the service enterprises that exist, there is limited focus on providing social services, such as health, education, water and sanitation.

Social enterprises are involved in post-disaster recovery activities, and within this provide social services. Support organisation ISEA has helped create a Build Back Better platform to facilitate this; much of the focus seems to be on livelihood improvement, economic initiatives rather than social service provision.

In health, Health Innovation Multipurpose Cooperative is a social enterprise which provides a range of healthcare services to poor and marginalised communities in Cebu, based on a commercialised NGO model. This organisation expressed a need to raise awareness of the social enterprises that do exist in the health sector, and to facilitate dialogue across health sector actors – local and national government, private companies and charities.

In education, stakeholders interviewed for this study perceive there to be opportunities for social enterprise engagement in terms of access and quality. However, no direct examples of social enterprises focused on education were found. Skills development, however, does receive more support from social enterprise, particularly in terms of handicrafts and micro-production. There are also skills developers operating for the services industries, such as skills development enterprise Bagosphere¹⁶, which is helping young people gain skills for employment in call centres, where jobs are no longer the domain of high-end graduates.

¹⁶ <http://www.bagosphere.com/>

Stakeholders spoke of the acute supply shortage of quality basic social services, particularly to poor and marginalised Filipinos. Support organisations and academia may wish to further understand if and why social enterprises are not appearing to address these challenges more comprehensively, as they do seem to be in other developing countries (Darko & Koranteng, 2015; Griffin-EL & Darko, 2014).

Business development services, incubation, co-working spaces and access to communities

There is a nascent and growing range of organisations providing support to social enterprise in the form of business development services, incubation, co-working spaces and, commonly, combinations of these. Stakeholder perceptions are that Metro Manila has the largest proportional share of such activities, however the study identified examples of new and longer-standing support organisations in both urban Cebu and Davao, and operating in rural areas of the country.

Support services of organisations reviewed typically make some form of reference to social enterprise (see table 2); this is to be expected because of the way stakeholders were identified for interview. It could be assumed that there is a far wider infrastructure of support to both MSMEs and non-profit organisations developing commercial models that social enterprises may be accessing.

In terms of services provided, two forms of support seem to have been particularly useful to social enterprises spoken to for this study: assistance with regulatory and fiscal issues, and business-related mentoring, for example support with distribution, marketing and access export markets.

The need for more support and training on business aspects of social enterprise was raised by social entrepreneurs and support organisations alike; given how much of the social enterprise movement in the Philippines stems from community and NGO activities, this need seems to be particularly acute.

There is a growing number of bespoke social enterprise incubators and accelerators in the Philippines such as the Asian Social Enterprise Incubator, Xchange and SEDPI, which partnered with the British Council Philippines to provide incubation of their ‘I am a Changemaker’ award programme winners.

An important service for social enterprises which is being provided in the Philippines is support to link them to communities who can become their producers and suppliers; Gawad Kalinga have played an important role in this – see below for more information. Whilst many Fairtrade and community-originated social enterprise in the Philippines have strong bases in the communities that constitute their markets and producers and suppliers, newer social enterprises seem to rely on support of NGO organisations (like Gawad Kalinga) and local government advice from rural development programming evidence as to where to engage, and how to make initial links with communities.

Social enterprise support from Gawad Kalinga

Gawad Kalinga operates a community-building model, constructing houses then improving the social and financial wellbeing of inhabitants. Its model has spread to other countries in Asia, including Cambodia and Papua New Guinea (Graham, 2014). Whilst Gawad Kalinga itself is a non-profit, it facilitates social enterprises to work with its communities to provide them with skills and livelihood opportunities.

Many of the social enterprises interviewed or reviewed for this study were in some way connected to Gawad Kalinga, e.g.



Rags2Riches co-founder Reese Fernandez-Ruiz was a GK volunteer before setting up her social enterprise (Graham, 2014). MAD Travel is another, founded by former journalist and another son-in-law of the GK founder Tony Meloto, Thomas Graham (Graham, 2014).





Social enterprises need help with strategic planning, compliance with government legislation, more solid marketing channels and market research – they generally don't have budgets for this, grants could be useful.



-Social enterprise support organisation



If social enterprise really is to transform the way a nation does business, then eventually it must also extend to regions like Bukidnon, disconnected from the mainstream economy and severely hampered by its inaccessibility



(Graham, 2014)

A different kind of co-working space is Gawad Kalinga's enchanted farm. Gawad Kalinga founder Tony Meloto wanted to create a 'Silicon Valley for social enterprise' and a 'Disneyland for countryside development' and has transformed a large area of former quarry land into a community that is not only growing agricultural produce, but also innovating with technology and architecture, and processing agricultural produce (Graham, 2014). One example is a social enterprise called Plush and Play, which makes stuffed toys, providing jobs for mothers in the farm community (Graham, 2014).

Awareness raising, networks, events and research

Raising the profile to increase financial and non-financial support and acknowledgement of the importance of social enterprise and extending their reach is seen to be important:

A number of social enterprise specific events and conferences have taken place in the Philippines in the last few years. The Asian Development Bank hosted a Social Enterprise Forum in 2012.¹⁷ Ateneo de Manila University, ISEA and other partners held a National Social Enterprise Conference in November 2014 alongside ISEA, which looked at the role, potential and challenges for social enterprises as drivers of poverty reduction and women's empowerment. Gawad Kalinga also recently hosted an social enterprise event and another is planned in Cebu in 2015.

Networks and peer support groups have also been important for social enterprises growing their operations, although many are based in Manila and do not operate elsewhere.

Beyond social enterprise networks, there is perceived to be a need for a much wider education campaign about social entrepreneurship values as well as specific examples of social enterprise activity and success. Ashoka, for example, has a programme teaching empathy and social values at secondary school level, which aims to instil social entrepreneurial values across society from a young age. Awareness raising in policy making is happening, for example, through lobbying by the PRESENT Coalition in the Senate and House of Representatives for the PRESENT Bill.



There is value to having a community to work with, collaborations come from this, having a space to meet and discuss



-Support organisation



We don't see a lot of incubators, accelerators, courses, social enterprise meet-ups and drinks in the Visayas



-Cebu-based support organisation

Research to demonstrate social enterprise substance

There is research on social enterprise in the Philippines – but a proportion of it is either unpublished (ADB, 2012) or only available as books, which are not widely available for sale (e.g. Ateneo publications – For the people, by the People (Hechanova, 2009); Delaney, 2013; Blue way – case studies on social business enterprises). There is recognition amongst authors of this problem, and solutions are being sought. But support to help this happen faster could be valuable.

Several stakeholders and some of the literature (for example, Villar et al, 2011; Habaradas et al, 2014) suggest that case studies of social enterprises and their business models would be useful to inform a wider Filipino audience about what social enterprises are and why they are important, through examples of local social enterprise success stories. Such stories exist in various forms already, particularly in books written on social enterprise in the Philippines. There is a gap to provide case studies in more widely accessible forms. Examples of this are already being achieved, for example through winners of the British Council I am a Changemaker programme appearing on national television outlets. There is value to social enterprise brands being seen primarily as positive brands. However, for social enterprises to secure greater government and private support, there needs to be understanding of their value beyond certain government and private sector support organisations

There is a substantial literature on measuring social impact, and literature on standards used by social enterprises – and social impact investors – to attempt to quantify the social value of operations, to help justify or attract support. This report will not cover the literature, but it is impossible not to note the challenge in terms of securing particularly government support, as well as winning public ‘hearts and minds’, without having at least anecdotal evidence that is widely acknowledged of the success of social enterprise in achieving double and triple bottom lines.

Chambers of commerce, corporations, foundations and academic support

Chambers of Commerce, such as the Cebu Chamber, which was interviewed for this study, provide a range of support services to MSMEs, covering although not specifically making provisions for social enterprise. These include capacity building by training in aspects of business management, accounting, production, taxes and in saving costs. The Cebu Chamber of Commerce runs seminars on accounting for non-accounting professionals, and also helps facilitate links to finance for MSMEs. A significant proportion of member businesses and SMEs, and the Cebu Chamber also has 24 affiliate members, among which at least one cooperative and a market vendors association. Chambers of commerce not only provide support the enterprise level, but run programmes promoting inclusive, ethical and sustainable business, for example on CSR, corporate governance, business collaboration to address law and order, solid waste management and to support ecotourism.

Big corporates are providing some support. Gawad Kalinga was provided with a government lease for land to build its community houses, then Hyundai provided material resources (Graham, 2014). Also, Filipino food chain Jollibee operates an inclusive business model. It is not a social enterprise, but demonstrates that there is domestic corporate willingness to engage producers and suppliers in more equitable ways.

A growing number of universities and business schools provide social enterprise undergraduate and post-graduate programmes, or social enterprise modules as part of other programmes. Many are Manila-based, but there are examples in Cebu and Davao also. Universities are also providing direct support to social enterprise – Coffee for Peace, for example, get support from the Central Mindanao University by way of partnership on coffee production.

There is considerable recognition in the Philippines of the need to engage with educational organisations below tertiary level, in particular to achieve wider reach because social entrepreneurship education at universities is not universally accessible. Ashoka, for example, is working with schools and universities on a changemaker ethos and on empathy skills, engaging people from a young age on the value needed for social entrepreneurship.

Government and donor programmes and engagement

Existing support and programmes

Social enterprise is not a concept commonly recognised by bi- and multi-lateral donors, who tend to separate enterprise and private sector development from social development, and from climate change and environmental issues. This is starting to change however. The study team learned, for example, that the Asian Development Bank commissioned a range of studies, including an unpublished report on social enterprise in the Philippines, considering the potential for them to invest in social enterprises. Social enterprises, it was found, currently do not usually operate at sufficient scale for the bank, with typical minimum investments of \$2-5 million, to be able to be recipients, and focus at present is on growing support to inclusive business. But there is willingness to see the social enterprise sector grow, with support from smaller-scale investment.

In terms of the Filipino government, the DTI is responsible for MSME development and administers national MSME support programmes and is the department that connects most closely with social enterprises across sectors. The DTI does not directly provide finance, but partner with organisations that do, particularly at the local level. DTI also works with government financial institutions to administer wholesale funds and lend to MFIs. Its provision include a shared services facility, which aims to provide equipment for (micro and small enterprises (MSEs) to share with each other to increase their productivity. There is also a Roving Academy programme, providing training and capacity building for SMEs. Go Negosyo centres, established by Sen. Aquino's recent Bill, will provide services to help MSMEs with registration and other fiscal and regulatory issues. Social enterprises are able to access all of these services. However, to date no bespoke services are provided to social enterprise.

For DTI, social enterprise is relatively new or even unfamiliar term, and seems to be viewed with some scepticism. There is concern about social enterprises competing with MSMEs for government concessions and support, and to existing capacity to screen social enterprises and monitor genuine impact. Underlying this seems to be a common perception of social enterprise as being similar or synonymous with charity, and not understanding market principles – such as the potential distortionary effects of the proposed PRESENT Bill, and the risks of opportunistic posturing as social enterprise it could create.



If social enterprise wants a different identity, it must provide a different kind of service



Social enterprise needs to be a tangible concept. If they are hiring disabled people, that is distinct – mainstream businesses won't do this



DTI Davao said that that take an industry cluster approach, supporting organisations based on industry clusters, indicating a possibility to address social enterprises as an industry cluster and provide bespoke support. Of the three DTI offices spoken to for the study, in Manila, Cebu and Davao, the Davao office seemed to have the most advanced engagement with social enterprise, particularly community-based organisations. Professor Dacanay, a Filipina expert on social enterprise and founder of ISEA, provided an orientation session to the Davao DTI, which has increased awareness of social enterprises, particularly the pro-poor community-based models that Dacanay focuses on. Dacanay confirmed that an information campaign is planned by the DTI for April 2015 about social enterprise support. According to interviews, DTI itself sees opportunities for social enterprise engagement with big corporates. However, there is some scepticism about social enterprise within government:

'I'm sceptical about the need for government to support social enterprise – it doubles up spending on something that could be provided cheaper by the state' said one government source. But other stakeholders indicate that key goods and services are not being provided cheaper by the state; and often they are not being provided by the state at all. If the social enterprise movement can not only garner support for social enterprise, but also drive up standards and activities from the public sector, this is perceived to offer a double win situation. Government sources interviewed for the study expressed interest to help, but need a practical and workable definition of social enterprise in order to do so.

In terms of delivery partnership, social enterprise could benefit from the proposed Social Value Bill, if it is able to compete with other bidders for provision. Given the limitations of demonstrating social impact, and the small size and difficulties operating viable commercial models that many social enterprises face, social enterprise support organisations may need to assist social enterprises to become viable bidders.

Stakeholders were positive about elements of government support, in particular social entrepreneurs mentioning that they had been successfully linked to communities in need by local government. But there is perceived to be widespread lack of understanding of social enterprise, or focus purely on the livelihood impacts, not the wider social impacts.

Future government support

Government has an important role to play in shaping social enterprise activity. An increasing number of countries, in the developing world as well as in places like the UK and Canada, are recognising there is a public interest in providing support to social enterprise, and to investment markets that can serve social enterprise. The sequencing of support from government is important, as is thinking about distortionary effects, for example from tax exemptions.

Lots of the same measures that would help social enterprise would also help SMEs; the point is raised above about the importance of implementing existing legislation more effectively and inclusively. Programmes should take into consideration alternative uses of public resources, market distortion and address obstacles for SMEs, with social enterprise as a sub-set.

Making the market more conducive to social enterprise is not just about access to finance, but also about recognition, and about ‘being on shortlists when phone calls are made’ and priority in procurement. It was suggested that having a dedicated office to answer questions and support businesses that seek social and environmental impact could help such companies beyond what a regular investment office can offer. From the incubator and non-government support space, it seems to be important for such an office to understand the distinction between a social enterprise and an inclusive business, but the case for only supporting a sub-set of social enterprise that focus primarily on poverty reduction (as opposed to wider social – and also environmental focuses) is less clear-cut.

According to Professor Dacanay, there are operational differences between social enterprise and SMEs that distinguish them. There are types of services, according to her, that are provided by SEPPS and not by MSMEs – social inclusion services (health, education, water and sanitation) and transformational services (organising the poor, building their capacity within value chains to move up). So, she argues, if the government has meagre resources to create jobs and address social challenges, it should focus on this type of social enterprise. Government agents still need convincing: ‘MSMEs are seen as the engine of growth – we don’t want social enterprises to be in competition with SMEs’. However, as government increases support to social enterprises and gains deeper understanding of the value-add they can offer, more MSMEs may be encouraged to explore their potential to become social enterprises.

4 Potential lessons for the Philippines from the UK and from other Asian Countries



The British Council has led work in Asia facilitating knowledge-sharing from the UK and between Asian countries to progress social enterprise regulatory and policy development. This section sets out brief information of potential relevance to actors in the Philippines.

Social enterprise legislation in Asia

A number of Asian countries have passed social enterprise legislation in the last few years – their experiences could offer insights to inform activities of the PRESENT Bill Coalition, and more widely to educate government and the public. This section provides a brief overview and links to further information.

In Thailand, the Thai Social Enterprise Office (TSEO) was established in 2012, to provide support and funds to social enterprise. As well as working with the stock exchange, the TSEO is looking into tax incentives for investors and for social enterprises themselves and plans a pilot loan and equity fund scheme which is intended to build the capacity of the sector. The TSEO is also working on common social impact measurement standards (British Council, 2012).

In November 2014, Vietnam voted through a new Enterprise Law which for the first time provides a legal definition of social enterprise and grants social enterprises a number of specific rights. The amended law defines a social enterprise as ‘a business whose main aim is to address a social or environmental issue and which re-invests a minimum of 51% of its annual profits towards its social or environmental mission’. It states that government will “encourage, support and promote the development of social enterprises.” For instance, social enterprises will enjoy “preferential conditions or be considered for special treatment” in the granting of licenses and certificates. Moreover, the law authorises them to obtain funding, sponsorship and investment from Vietnamese and foreign individuals, enterprises and NGOs to cover their operational and administration costs. In addition, it enjoins government to provide detailed business registration procedures and other measures to promote the development of social enterprises (British Council, 2014).

The power of social enterprise to address social challenges resulting from rapid but not always inclusive growth has been recognised by the government of South Korea. The Social Enterprise Promotion Act (SEPA) came into effect in 2007 and was amended in 2010. The legal form of the social enterprise ranges between corporation of public interest, non-profit private organisation, social welfare corporation, and consumers’ cooperation can be also social enterprise. Under the legislation, the Minister of Employment and Labour can support the social enterprises with professional consultation for management, taxation, labour affairs, accounting and the State or local autonomous governments can support the social enterprises by renting the state-owned or public land, and by reducing or exempting taxes (Taek, 2010). The Korea Social Enterprise Promotion Agency has also added a global section to its annual social entrepreneurship incubator program to support entrepreneurs wishing to launch their social enterprises in developing countries (Kim, 2015).

Social enterprise legislation in the UK

The UK has one of the most developed social enterprise regulatory structures in the world, and has a large and growing number of social enterprises which employ approximately one million people and contribute £24 billion to the economy .

In the 1990s, the UK government launched a Social Enterprise Coalition (now Social Enterprise UK) and the creation of a social enterprise unit under the then Department of Trade and Industry. To support social enterprises, the UK has developed a Social Value Act, social investment tax relief, has a legal status for social enterprises (Community Investment Companies, or CICs) and hosts the world's fastest growing social investment market, having pioneered investment funds such as Big Society Capital, the world's first and largest social investment bank (unpublished British Council Global Social Enterprise Strategy).

One reason why social enterprise gained traction in the UK is that it had champions within the senior echelons of government; individuals championing social enterprise and help the ecosystem to grow. A key instigator, Patricia Hewitt, helped ensure that social enterprise remained on the agenda for the Ministry of Health, the department in which she first promoted it. Similarly, Sir Ronald Cohen's interest in social investment has promoted social impact investment on the political agenda in the UK (Darko & Koranteng, 2015).

Government social enterprise policy has moved from what is now the Department for Business, Innovation and Skills (BIS) to Cabinet Office. Although Cabinet Office activities sit across government departments, meaning there is theoretical potential for social enterprise to be mainstreamed across government, instead this has meant that social enterprise is not effectively embedded in departments that could offer the most benefit to social enterprise and is less connected with business: BIS does not systematically factor social enterprise requirements into programmes supporting local economic development and SME promotion. Social enterprise in the UK has received cross-party support which has been very important to continuing support for it but the UK experience demonstrates the challenges of cross-government co-ordination in a developed-country context (Darko & Koranteng, 2015). The CIC legal entity does not provide universal validation of the benefit of a social enterprise legal entity: according to the 2013 Social Enterprise UK survey, only 17% of social enterprises are registered as CICs.



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¹⁸ <http://www.tseo.or.th/> ; http://www.asef.org/images/docs/Session%201.3_Nuttaphong%20Jaruwannaphong%20%28Thailand%29.pdf

¹⁹ <http://www.bangkokpost.com/business/news/360973/b1bn-mutual-fund-planned-to-support-social-enterprises>

²⁰ <http://www.theguardian.com/british-council-partner-zone/2014/dec/16/approved-social-enterprise-receives-legal-status-in-vietnam> ; <http://asialawportal.com/2015/02/26/vietnam-newly-enacted-investment-and-enterprise-law-to-stimulate-more-investments/>²¹ <http://www.bangkokpost.com/business/news/360973/b1bn-mutual-fund-planned-to-support-social-enterprises>

²¹ <http://www.innov8social.com/2015/01/social-enterprise-in-south-korea-5-facts.html>

²² http://www.moleg.go.kr/english/korLawEng.jsessionid=QagudLNtBP7VomcsCkKsU2RRoCXsUTGmOfB8leVwu4el7WIP6HaQlhDN9ho1s5ER.moleg_a2_servlet_engine2?pstSeq=57937&pageIndex=7

²³ http://www.socioeco.org/bdf_fiche-document-815_en.html

²⁴ http://www.socialenterprise.org.uk/uploads/files/2013/07/the_peoples_business.pdf

²⁵ <http://www.socialenterprise.org.uk/>

²⁶ <http://www.theguardian.com/british-council-partner-zone/2014/oct/16/sir-ronald-cohen-on-social-investment-in-the-uk-video>

²⁷ Created by a merger of the Department for Innovation, Universities and Skills (DIUS) and the Department for Business, Enterprise and Regulatory Reform (BERR) – which was itself formerly the Department for Trade and Industry (DTI)

²⁸ http://www.socialenterprise.org.uk/uploads/files/2013/07/the_peoples_business.pdf

5 Conclusions



Social enterprise in the Philippines is vibrant and growing. The country is on the cusp of important policy changes that could see social enterprise start to have much wider presence and impact in the coming years. Ensuring that legislation is in place to recognise social enterprise and provide forms of support that are widely acceptable will be important to the implementation of any legislation that is passed, and to the impact it can have.

Finding a definition of social enterprise that is workable will be fundamental to securing practical and viable legislation. The definition needs to be acceptable to the range of stakeholders involved – in particular social enterprises and government. It also needs to be measurable and publically accountable.



There seem not to be significant numbers of social enterprises addressing basic social service provision for those lacking access to quality education, healthcare and water and sanitation. This gap could be further explored and understood to establish if it is an area in which social enterprise could benefit from further support. Stakeholders mentioned the contention around private sector provision of healthcare and education in the Philippines. Expectations of state provision seem high, even if the state's services are not sufficient to address need in the country.

Stakeholders and social enterprises alike recognised a skills gap in terms of knowledge of the commercial side of social enterprise operations – business development and management, accounting and legal and fiscal processes as well as marketing, logistics and distribution. Support seems to work best when targeted to the needs of individual enterprises, or accessible to enterprises as and when they require it. Mentoring and peer learning is important and several Filipino social enterprise founders spoke about the importance of making business connections and learning from people going through a similar process to themselves.

Capital cities often have disproportionate access to resources in general, and social enterprise activity and support is no exception. However, the nature of social enterprise ethos means that it is particularly important that stakeholders and support organisations continue to increase access to support and to raise awareness outside Metro Manila and Luzon. Cebu and Davao have growing social enterprise presence, and support organisations are starting to either set up in Visayas and Mindanao or run outreach programmes to these areas from Manila.

Awareness of social enterprise is growing, but social enterprises themselves, as well as support organisations, can help increase support by talking about their business model, operations and ethos so that people can understand and witness social enterprise in action. The Philippines is also building a considerable wealth of research and information about how social enterprise is developing. Assuring that this research is diverse and rigorous is important, as well as help to make it more accessible – through online publication and dissemination beyond tertiary education institutions.

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Annex 1: Methodology Grid

| Component | Research Question(s) | Method |
|--|---|--|
| International and national experiences | What lessons can the Philippines draw from international and national experience of social enterprise development? | Desk-based review of literature and information drawn from stakeholder interviews |
| Current context and national and local policies and plans to improve social enterprise | What policies and plans exist that are relevant to social enterprise? What is the policy context for implementation of these policies and plans? How do the policies and plans influence social enterprises at present, and what would benefit them in future? | Desk-based review of policies and plans; desk-based review of information and data on social enterprise activity and support organisations; interviews with policy actors in the Philippines, interviews with social enterprise stakeholders (support organisations, social entrepreneurs) |
| Consultation with stakeholders | What is the current state of social enterprise activity in the Philippines? What support is currently provided to social enterprises in the Philippines and where are there gaps? How effective is the current policy context and what could be improved? What challenges and barriers do social enterprises face and how can they be overcome? What role could the British Council Philippines play in the Filipino social enterprise scene in future? | Semi-structured interviews conducted with a cross-section of stakeholders including: multi- and bi-lateral institutions; national government agencies, representatives of private industry; chambers of commerce, social investors; BDS and other support organisations; academic institutions and social entrepreneurs. |
| Review of British Council Philippines activity on social enterprise | How has the British Council Philippines engaged on social enterprise to date and in which ways can engagement continue/adapt/expand to support social enterprise further over the coming three years? | Review of British Council Philippines documents; interviews with British Council Philippines staff; evidence from stakeholder interviews and desk-based analysis of the Philippines social enterprise context. |

Annex 2: List of Interviewees

| Interviewee Name | Organisations |
|-----------------------------------|---|
| Kristine Ongtenco | Akaba |
| Alex Fong | Akaba |
| Agnes S. Bolanes | Agri-Aqua Development Coalition of Mindanao |
| Kensuke Uno | AIESEC |
| Emily Carsino | Alay Kapwa - Cebu |
| Anya Lim | ANTHILL Fabric Garment |
| Terri Jayme-Mora | Ashoka Philippines |
| Bart Édes | Asian Development Bank |
| Antonio G. M. La Viña | Ateneo School of Government |
| Cristita “Tara” Racosalem-Epal | Baba's Foundation |
| Ma. Teresa B. Chan | Cebu Chamber of Commerce, Inc. |
| Dawn Albert Pates | Coffee for Peace |
| Jerry Clavesillas | Department of Trade and Industry - National Office, Manila |
| Roselyn Suelto | Department of Trade and Industry - Region VII, Cebu |
| Ogie Jimoto | Don Bosco Multi-Purpose Cooperative |
| Maria Belinda Q. Ambi | DTI Region XI, Davao |
| Rachel Eilbott | EDM-Enterprise |
| Ely Bravo | Filo d'Oro |
| Jay Bertram Lacsamana | Foundation for a Sustainable Society, Inc. |
| Miriam Arnelle Azurin | Foundation for a Sustainable Society, Inc. |
| Toby Florendo | Gawad Kalinga - Cebu |
| Charlene Tan | Good Food Community |
| Grace Niggel | GracieQ Creative Design |
| Janine Mikaella Chiong | Habi Footwear |
| Adriana “Din” A. Mabanta, RMT, MD | Health Innovation Multi-Purpose Cooperative |
| JC Soriano | HowYouCanHelp |
| Dr Lisa Dacanay | nstitute for Social Entrepreneurship in Asia (ISEA) |
| Kathy Hazela | K&H Soy & Milk |
| Raiza Mae Anayatin | Mindanao Coalition Of Development NGO Networks (MINCODE) |
| Paola Q. Deles | Office of Senator Bam Aquino |
| Ricardo E. Torres Jr. | Peace and Equity Foundation, Inc. |
| Renee Ann Jolina C. Ajayi | Philippine Institute for Development Studies (PIDS) |
| Lu Gargarita | Philippine Social Enterprise Network (PhilSEN) |
| Miriam Azurin | PRESENT Coalition |
| Florence Adviento | Route 63 |
| Mariel Vincent A. Rapisura | Social Enterprise Development Partnerships, Inc. (SEDPI) |
| Geraldine "Gigi" Labradores | Southern Partners and Fair Trade Centre (SPFTC) |
| Kairos | SPFTC - Advocate |
| Emily Carsino | SPFTC - Member/Supplier (Sec.Gen. Alay-Kapwa Foundation) |
| Blanca | SPFTC - Member/Supplier (Volunteer from Spain with Alay-Kapwa Foundation) |
| Tina Delimna | Sustainable Integrated Area Development (SIAD) Initiatives in Mindanao-Convergence for Asset Reform and Regional Development SIMCARRD |
| Monica Alipe | Urban Kamalig |

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