

Study of Social Entrepreneurship and Innovation Ecosystems in South East and East Asian Countries

Country Analysis: Republic of the
Philippines

The Japan Research Institute

Office of the Multilateral
Investment Fund

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1 Country Overview

1.1 Country Profile¹

Table 1: Fact Sheet of Republic of the Philippines

Population (2014)	99,138,690
GDP per capita (current USD, 2014)	USD 2,872.5
Rural population (% of total population, 2014)	55.5%
CO2 emission per capita (metric tons, 2011)	0.9 metric tons
GINI coefficient (2013)	43.0
Population below national poverty line (% , 2012) ²	25.2%
Unemployment (% of total labor force, 2014)	7.1%
Social Progress Index (2016) ³	65.92 (68th out of 133 countries)

1.2 Economic and Social Overview

The Philippines is an archipelago country in the Asia Pacific, consisting of 7,107 islands categorized under three geographical divisions: Luzon (which covers Metro Manila and accommodates 53% of the population); Visayas (which includes Cebu city, the country's industrial hub); and Mindanao (which includes Davao City and produces most of the country's agri-commodities). The country has almost 100 million people (2014), 34% of whom are under 14 years old and 49% live in urban areas.

It gained independence from Spain in 1889 and the United States in 1946. The official language is Filipino and English. More than 80% of the people are Catholic. In May 2016, President Rodrigo Duterte, a former mayor of Davao known for his tough stance against crime,

¹ World Bank Data (<http://data.worldbank.org/indicator/>) for Population, GDP per capita, % of rural population, CO2 emissions per person, and Unemployment, OECD.stats (<http://stats.oecd.org/index.aspx?queryid=66670>) for GINI coefficient and Population below national poverty line. [Accessed 19 July 2016]

² Poverty threshold is set at 50% of the median income observed in a given reference year.

³ Michael Porter's Social Progress Index measures multiple dimensions of social progress, benchmarking success, and catalyzing greater human wellbeing (<http://www.socialprogressimperative.org/data/spi>) [Accessed 19 July 2016]

was elected as a successor to Benigno Aquino III.

The Philippines is the 39th largest economy in the world (IMF, 2015) and the fourth largest economy among the ASEAN⁴ countries with USD 284.927 billion in annual GDP (2014). According to the World Bank's report in April 2016, the Philippines has one of the strongest growth prospects among East and South East Asian countries, expected to continue grow at a rate of over 6%. Its economic focus is transitioning from agriculture to manufacturing and services. In terms of economic sectors, 57% of GDP comes from its service sector, 32% from the industrial sector and 11% from the agricultural sector. Main exports include electronic products, garments, copper, petroleum products, coconut oil and fruit. The Philippines also relies heavily on remittance from about 12 million overseas Filipinos.

1.3 Key Social Challenges

The Philippines faces a myriad of social challenges, some of which are common to emerging countries, while others are more unique to the Filipino context.

1.3.1 Income inequity and poverty

Despite the recent rapid economic growth, poverty is the biggest social issue of the country. Poverty⁵ has remained nearly constant at a rate of approximately 25% for the past few years, but increased in absolute terms from 20.7 million in 2003 to 24.2 million in 2012⁶. Inequality in the Philippines remains the highest among the ASEAN countries with a Gini coefficient of 43.0 in 2013.

1.3.2 Unemployment

⁴ Association of Southeast Asian Nations (ASEAN) is a political and economic organization founded in 1967 with objectives of accelerating economic growth among member countries and maintaining regional stability. Its current members are Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam. In 2015, ASEAN Economic Community (AEC) was established to further integrate the regional economy.

⁵ The United Nations defines "the poverty line" as "income of below \$1.25 (PPP) per day".

⁶ Percentage of Population below the poverty line:

(<http://data.un.org/Data.aspx?d=MDG&f=seriesRowID%3A581>) [Accessed 19 July 2016]

Population:

(<http://data.worldbank.org/indicator/SP.POP.TOTL?end=2015&locations=PH&start=1960&view=chart>)

[Accessed 19 July 2016]

Similarly, the country's rapid economic growth has not contributed to substantial reduction in unemployment⁷ and underemployment⁸ rates. The unemployment rate was high at 7.1% in 2014⁹ and underemployment, most prevalent in the rural areas, stands at 18.4% as of April 2016¹⁰.

1.3.3 Education and health

Public spending on education and health is significantly low. The Filipino government spent only 13.2% of its total expenditure on education¹¹ while, for instance, the Thai government spent 18.2% in 2009¹². Similarly, the Filipino government spent about 10.0% of its total expenditure on health while the Thai government spent 23.3% in 2014¹³. The number of years of education received by an average Filipino is 8.7 years. A 2008 survey found that 3 out of 10 children are malnourished¹⁴. According to the 5th Philippine Progress Report on the MDGs published in 2014, the country has only a "medium probability" of ending malnutrition among children and a "low probability" of improving maternal health and combating HIV/AIDs.

2 Overview of Social Entrepreneurship and Social

Innovation Movement

2.1 History of Social Entrepreneurship and Social Innovation Movement

Social enterprises in the Philippines have a strong focus on serving the poor. Many social enterprises involve low-income and marginalized groups as producers and suppliers. There is no recent official data of social enterprises, but as of 2007, it was estimated that there were

⁷ The International Labour Organization (ILO) defines "unemployment" as the number of jobless people who want to work, are available to work and are actively seeking employment.

⁸ Philippines statistics authority measures "underemployment" as persons are employed persons who express the desire to have additional hours of work in their present job or an additional job, or have a new job with longer working hours.

⁹ (<http://data.worldbank.org/indicator/SL.UEM.TOTL.ZS?locations=PH>) [Accessed 19 July 2016]

¹⁰ (<https://psa.gov.ph/statistics/survey/labor-force>) [Accessed 19 July 2016]

¹¹ (<http://data.worldbank.org/indicator/SE.XPD.TOTL.GB.ZS?locations=PH>) [Accessed 19 July 2016]

¹² (<http://data.worldbank.org/indicator/SE.XPD.TOTL.GB.ZS?locations=TH>) [Accessed 19 July 2016]

¹³ (<http://data.worldbank.org/indicator/SH.XPD.PUBL.GX.ZS?locations=PH-TH>) [Accessed 19 July 2016]

¹⁴ Marie Lisa Dacanay (2013). "Social Enterprises and The Poor: Transforming Wealth"

about 30,000 social enterprises in the Philippines, of which the vast majority (about 28,000) took the form of cooperatives and associations, while 500 were microfinance institutions. The remaining 1,500 included a diverse group of initiatives: fair trade organization network, social enterprises initiated by NGOs, small ventures with clear social agenda, and sector-specific or area-based enterprises serving specific poverty groups including farmers, fishers, indigenous communities, the urban poor and people with disabilities¹⁵. These organizations that possess characteristics of social enterprises developed over the years following different trends; even long before the term “social enterprise” was introduced in the country.

Among the social enterprises in the Philippines, cooperatives have the longest history that goes back as early as the 19th century, when Filipinos returning from studies in Europe brought back the concept to their home country. Unlike in Europe, however, cooperatives in the Philippines developed under government leadership rather than organically by the people. During the martial law regime in the 1970s, President Ferdinand Marcos issued decrees to strengthen cooperatives in order to propagate his vision of “New Society”¹⁶. These state-run cooperatives gained bad reputation since they were often used to channel public funds without improving the economic wellbeing of their members. In 1988, President Corazon C. Aquino passed a new Cooperative Code responding to the aggressive lobbying by cooperative leaders for the adoption of cooperative-friendly legislation. The new law supported the people to take control of cooperatives for their economic and social development. In the recent years, an increasing number of private-run cooperatives are said to be creating wealth among marginalized groups by having the poor as exclusive or majority owners. These include: cooperatives and small land owners who acquired land under the government’s land-to-the-tiller program; savings and credit cooperatives engaged in microfinance operations; and cooperatives providing various forms of social protection schemes such as micro insurance¹⁷.

Microfinance institutions (MFIs) have achieved tremendous growth over the past two decades and have played an important role in developing the social enterprise movement in the Philippines. Microfinance was first introduced to the country by a group of nonprofit leaders

¹⁵ Marie Lisa Dacanay (2013). “Social Enterprises and The Poor: Transforming Wealth”

¹⁶ Marcos was President of the Philippines from 1965 to 1986. In 1972, Marcos declared martial law to restore law and order and to build a “New Society” based on new social and political values.

¹⁷ Marie Lisa Dacanay (2013). “Social Enterprises and The Poor: Transforming Wealth”

who visited Bangladesh to study the Grameen model in the late 1980s. By recognizing microfinance as an effective tool to its poverty alleviation efforts, the government formulated the National Strategy of Microfinance in 1997, which listed the following principles of the government's microfinance policy: (a) greater role of the private sector in the provision of financial services; (b) an enabling policy environment that facilitates increased participation of the private sector in microfinance; (c) market-oriented financial and credit policies including interest rates on loan and deposits; (d) non-participation of government line agencies in the implementation of credit and guarantee programs. As a result, the Philippines has developed a supportive business environment for MFIs to thrive. The country recently ranked first in the world in terms of policy and regulatory framework for microfinance, and is in the top ten for overall microfinance business environment¹⁸.

The term “social enterprise” entered the public discourse in the Philippines in the late 1990s. NGOs were establishing social enterprises in order to seek financial sustainability given the decline in donor funding. Based on this trend and influenced by the growing global attention on social enterprise models, some started to further explore the boundaries of how the market can benefit the poor. In 1999, a group of NGOs established the Philippine Social Enterprise Network (PhilSEN) to discuss and replicate social business experiences. A few years later, the Ateneo School of Government in Ateneo de Manila University started to offer a social entrepreneurship program. The Institute for Social Enterprise in Asia (ISEA) was established to invest in the pedagogy of social enterprise through a multi-stakeholder approach. The Poverty Reduction Through Social Entrepreneurship (PRESENT) Coalition is another influential network of social enterprise advocates. The PRESENT Coalition is co-chaired by the Ateneo School of Government and Foundation for a Sustainable Society (FSSI). The coalition consists of about 20 networks of social enterprises and support organizations and undertakes a wide range of activities including awareness raising and lobbying of the country's first social enterprise legislation bill. In the recent past, a new type of social enterprises is emerging with a number of young entrepreneurs stepping into the arena from the business sector.

2.2 Definition of a Social Enterprise

¹⁸ Economist Intelligence Unit (2012). “Global microscope on the microfinance business environment 2012” (http://www.ifc.org/wps/wcm/connect/467a47804ce326f793afd7f81ee631cc/EIU_MICROFINANCE_2012_PRINT.pdf?MOD=AJPERES) [Accessed 19 July 2016]

Currently, there is no official definition of a social enterprise in the Philippines. However, Dr. Marie Lisa M. Dacanay, the founder of ISEA and a core member of developing the social enterprise legislation bill, has coined a new term: a Social Enterprise with the Poor as the Primary Stakeholder (SEPPS). According to Dacanay, a SEPPS is defined as:

“a social-mission driven wealth creating organization 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.”¹⁹

SEPPS has achieved a significant level of recognition in the social sector in the Philippines. The PRESENT coalition, for example, promotes the SEPPS definition emphasizing the importance of developing social enterprises to address inequality and poverty, which the government has not been able to manage effectively.

In the first draft of the social enterprise legislation bill, PRESENT defined a social enterprise based on the concept of SEPPS but expanded the primary stakeholders from “the poor” to “marginalized sectors of society”. The definition in the first draft read as below.

an organization, 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 generates profits 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...).²⁰

This definition of social enterprise was significantly modified after the first reading of the bill in the Senate in 2014. The key changes involved a few items: including the poverty reduction aspect within the definition (rather than in a separate SEPPS definition); setting out criteria for reinvestment of profits; and a shift from accreditation of social enterprise to qualifications to receive government support. Details of the last point were not described in the Bill,

¹⁹ Marie Lisa Dacanay (2013). “Social Enterprises and The Poor: Transforming Wealth”

²⁰ (http://www.isea-group.net/resources/Social_Enterprise_Bill_HB_6085.pdf) [Accessed 19 July 2016]

leaving room for the need of clearer definitions.²¹ The revised version was presented as below.

a social mission-driven organization 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.

3 Public Policy for Social Entrepreneurship and Social Innovation

3.1 Acts and Government Programs that Influence Social Enterprise

As of mid- 2016, there is no social enterprise specific legislation in the Philippines. Nevertheless, the government has established a number of Acts and programs in its effort to alleviate poverty in the country. Below are some of them that influence social enterprise.

3.1.1 The Self Employment-Kaunlaran (SEA-K) livelihood program

The Philippine government has implemented many social and livelihood programs, which aim to empower the poor through entrepreneurial activities. The SEA-K Program is one of the core social programs administered by Department of Social Welfare and Development. Until 2010, the program used to be a microcredit scheme that provided the poor with access to microcredit through establishing community-based credit organizations for entrepreneurial

²¹ British Council (2015). "A Review of Social Enterprise Activity in the Philippines"

development. In 2011, the Program was transformed into a Sustainable Livelihood Program with two livelihood assistance schemes – the Employment Facilitation Track and the Microenterprise Development Track. While the Employment Facilitation Track assists poor households to access to employment opportunities, the Microenterprise Development Track assists families to start entrepreneurial activities, some of which develop into start-ups of social enterprise. The main strategies of the Microenterprise Development Track shifted from microcredit to capacity building, providing skills training, entrepreneurial training and market linkages. The program links the beneficiaries to banks, MFIs, and other lending institutions; beneficiaries can tap into the SEA-K capital fund for financing as a last resort.²²

3.1.2 The Go Negosyo Act 2014

There are a number of government interventions that support micro, small and medium enterprises (MSMEs), which include many small and start-up stage social enterprises. According to the Department of Trade and Industry, 99.6% of all businesses in the Philippines was classified as MSMEs. Moreover, of the total number of MSMEs, 91.0% were micro enterprises with asset size less than USD 60,000²³ and staff size up to 10 employees. The government recognizes micro enterprises as measures that enable poor families to undertake entrepreneurial activities to meet their minimum basic needs by generating income. However, these enterprises tend to have difficulty in accessing credit or capital. Most recently, the government enacted the Go Negosyo Act, which aims to promote MSMEs by establishing negosyo (business) centers to provide advice on access to finance, training and other forms of assistance to MSMEs.

3.1.3 The Micro Enterprise Development Institutions Act

By recognizing micro enterprises as a tool for poverty reduction in the country, the Micro Enterprise Development Act provides an enabling policy environment for micro enterprise development institutions. These organizations are referred to as MICRODEVs and provide financial, business and human development services for micro enterprises to grow and thrive. Many MICRODEVs are micro finance institutions. The Act provides accredited MICRODEVs

²² Marife Ballesteros et al. (2015). “Assessment of the DSWD SEA-K Strategy” Philippine Institute for Development Studies, Discussion Paper Series No. 2015-09.

²³ Unless otherwise stated, the exchange rate of PHP 1=USD 0.02 is applied throughout this report.

with incentives and tax exemptions.

3.2 Development of a Social Enterprise Legislation

There are currently two bills under debate that have direct impact on social enterprise, namely, the Poverty Reduction through Social Enterprise (PRESENT) Bill and the Social Value Bill.

In the Philippines, bills are first submitted to both the House and the Senate, then go through a reading in the committee in both chambers, a plenary hearing in both chambers, and finally after the third bi-cameral reading can a bill be passed into legislation.

3.2.1 Poverty Reduction through Social Enterprise (PRESENT) Bill

As described in the previous chapter, the PRESENT Bill was developed by the PRESENT Coalition in 2012. As of mid-2016, the PRESENT Bill has gone through the first readings in the House and the Senate, resulting in the Senate to issue a revised draft of the bill in 2014. According to Jay Lacsamana, Executive Director of FSSI, the PRESENT Coalition plans to restart lobbying activities after the Presidential election in May 2016 with an aim to pass the bill in the next 17th congress.

Lacsamana, a core member of developing and promoting the PRESENT Bill, describes the objective of the bill as following:

What we want in the social sector is the government to promote social enterprises through three services: access to finance to make social enterprises profitable; access to sustainable technologies to make social enterprises environmentally friendly; and access to other technologies that help enterprises owned by the poor and the marginalized people to promote such kind of ownership by the poor.²⁴

The PRESENT Coalition developed the first draft that called for a number of major government interventions to support the development and growth of social enterprises in the country. After the first reading, the Senate has revised the draft to be more feasible within the current policy implementation framework. For instance, the Bill by the Senate removed clauses regarding accreditation and tax exemptions from the first draft and narrowed down the scope

²⁴ Interview with the Japan Research Institute (March 2016)

of a number of other government interventions for social enterprises.

Table 2: Key government interventions proposed in the social enterprise legislation drafts

The first draft by the PRESENT Coalition²⁵	The first reading of the Bill by the Senate
Accreditation of Social Enterprise	Removed
Tax exemptions for accredited social enterprises and social investors	Removed
Creation of a new Social Enterprise Council, with National Center for Social Enterprise Development under the Council that provides training, research and a market access program for social enterprises	Expansion of the existing Micro, Small and Medium Enterprise Development (MSMED) Council to spur the development of SEs, and renaming it as the National Enterprise Development Council
A social enterprise guarantee fund with non-collateral loans	A movable collateral registry instead of the non-collateral loan guarantee fund
10% of total government procurement value allocated to social enterprises	10% of key government agencies' annual budget allocated to projects procured from social enterprises
Special credit windows (8% of total loan portfolio) by banks to lend to social enterprises at concessional rates	Establishment of special credit windows (the amount unspecified) by government financial institutions to provide SEs with risk-based, non-collateralized loans
A social enterprise marketing assistance program and information network	Unchanged
A social enterprise capacity building program, such as trainings in business and technical skills as well as commercial development support	Unchanged
A social enterprise program in schools	Unchanged

In his interview conducted in 2016, Lacsamana of FSSI described that tax incentives and accreditation are the two of the most controversial topics in the bill. There is a concern that social enterprises could be used as vehicles for corruption, as NGOs and charitable organizations suffered from such scandals in the past. Moreover, accrediting social enterprises can be difficult in practice since enterprises do not issue enough accounting information for the Social Enterprise Council to judge whether significant amounts of their profits are used for the poor or the marginalized.

3.2.2 Social Value Bill

Another legislation, if passed, that will have direct impact on social enterprise is the The Philippine Social Value Act. This bill is based on the British “Social Value Bill,” which requires the government to include “social value” as a condition to apply for procurement. In the Philippine Social Value Act, “Social value” is currently defined as:

²⁵ (http://www.isea-group.net/resources/Social_Enterprise_Bill_HB_6085.pdf) [Accessed 19 July 2016]

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 development.²⁶

3.3 Key Challenges for the Future

While the government has an important role to play in building an enabling environment for the growth of social enterprises, there are some challenges. Firstly, although many policies and programs in favor of social enterprises have materialized, not all of them are implemented effectively. Secondly, in order to effectively implement policies that specifically support social enterprise, different stakeholders need to agree on the definition of a social enterprise. Moreover, impact measurement will be critical to make social enterprises accountable. For instance, PhilSEN developed a “Social Enterprise Quality Index” to set a common standard for monitoring and evaluating performance of its member organizations.

4 Key Ecosystem Players

This chapter describes the key non-government, ecosystem players that promote social entrepreneurship and social innovation in the Philippines.

4.1 Funders

According to Lacsamana, Executive Director of FSSI, there is a huge demand for investment in social enterprises. Most social enterprises in the Philippines are informal microenterprises that have difficulty in accessing financial services and often lack collateral for securing loans. The government programs, as described in the previous chapter, are neither large enough nor effective to meet such demand. Consequently, social enterprises utilize different types of existing finance options.

First, given the vibrant and growing microfinance sector supported by the government, many

²⁶ (<http://www.senate.gov.ph/lisdata/17044143681.pdf>) [Accessed 19 July 2016]

social enterprises utilize microfinance services provided by regulated financial intermediaries such as Pinoy ME Foundation, Baba's Foundation and FSSI.

Secondly, social enterprises tend to secure their start-up and early-stage funding through business competitions and awards. "I am a Changemaker", a social enterprise business competition run by the British Council Philippines and Peace & Equity Foundation (PEF), provides seed funding for the top five winners every year. However, business competitions tend to be time-intensive for applicants while the award amount may not necessarily be significant. Thus, there is a need for business competitions to provide participants with non-financial resources such as access to mentors and investors.²⁷

Thirdly, small-scale angel investment is growing recently. For example, Rags2Riches (please see the case study for details) obtained initial capital from individuals.

Fourthly, the social impact investor community is gradually growing but still nascent in the Philippines. They include foundations, such as PEF and SGV Foundation, which provide grants, as well as newly emerging impact investors, such as LGT Ventures, which offer equity and loans. Social impact investors identify barriers to investment, such as:

- Small investment size with high due diligence cost;
- Limited capacity of social enterprises to absorb capital;
- Difficulty finding viable social enterprises to invest in, particularly due to the lack of staff and outreach outside Metro Manila;
- Weak business models especially for nonprofits without much experience.

Many funders not only provide social enterprises with finance but also other support such as training.

²⁷ British Council (2015). "A Review of Social Enterprise Activity in the Philippines"

Table 3: Key Ecosystem Players (Funders)

Name	Competitions /Open innovation	Training	Incubation/ Acceleration	Research	Finance	Coworking	Activity (maximum 20 words)
Pinoy ME Foundation					x		Offers micro loans for enterprise development, working capital, and equipment purchase to MSMEs and social enterprises.
Baba's Foundation		x	x	x	x		Provides microfinance, agricultural extension services, business development services to farmers and microenterprise.
Foundation for a Sustainable Society (FSSI)		x	x	x	x		Provides, microfinance, social investment (in the forms of project loans, asset management products, equity contributions and grants), business development, technical and technology skills support. Co-chairs the PRESENT Coalition.
British Council	x	x		x	x		Organizes a business competition "I am a Changemaker" in partnership with Peace and Equity Foundation since 2009. The top five winners receive seed funding from sponsors. Also provides training for social entrepreneurs and conducts research to promote social entrepreneurship.
Peace and Equity Foundation (PEF)	x				x		Provides grants, loans, guarantees, and equity to civil society-led efforts to reduce poverty. Runs a business competition with the British Council.
SGV Foundation					x		Provides grants to social enterprises and NGOs for enterprise development.
LGT Venture Philanthropy		x	x		x		Provides USD 50,000 equity or loans and professional interns to early-stage social enterprises.

4.2 Intermediaries

There is a nascent but growing community of intermediaries, including incubators, accelerators and co-working spaces. They provide social enterprises with services in mainly two areas:

- assistance in fulfilling fiscal and regulatory requirements, such as securing paperwork for tax exemptions, paying tax on time, and navigating the government system;
- business-related mentoring, such as support to link communities that can become producers and suppliers, building distribution channels, marketing to export markets.

Given that many social enterprises were initiated by NGOs and communities, the demand for business-related mentoring is especially high.

Also, social enterprise networks, such as PhilSEN, the PRESENT Coalition, and ISEA, play important roles to raise awareness and build a sound market environment for social enterprise to develop and grow through research, knowledge-sharing, and lobbying.

Table 4: Key Ecosystem Players (Intermediaries)

Name	Competitions /Open innovation	Training	Incubation/ Acceleration	Research	Finance	Coworking	Activity (maximum 20 words)
Asian Social Enterprise Incubator			x	x			Fosters inclusive business and renewable energy through consulting, research and project development.
Xchange			x		x		Incubates social enterprises by investing in early stage social enterprises, while providing full-time mentorship to help them grow and achieve scale.
The Social Enterprise Development Partnerships, Inc. (SEDPI)		x					Provides capacity building services in the fields of microfinance and social entrepreneurship and financial literacy.
Bayan Academy for Social Entrepreneurship and Human Resource Development		x					Offers entrepreneurship, management and education training programs and services for NGOs, cooperatives, banks, educational institutions and MSMEs.
Gawad Kalinga			x				Facilitates social enterprises to work with communities to provide them with skills and livelihood opportunities.
Ashoka Philippines			x		x		Provides business-related mentoring, access to potential

							partners and stipends to Ashoka fellows.
Philippine Social Enterprise Network (PhilSEN)	x			x			A social enterprise network that facilitates knowledge-sharing and replication of social enterprise experiences.
Poverty Reduction Through Social Entrepreneurship (PRESENT) Coalition	x			x			Coalition of social enterprises and intermediaries. Raises awareness and promotes legislation on social enterprise.

4.3 Academia

The lack of skilled professionals is one of the core challenges that social enterprises face at the global level. The Philippines is not an exception. There are a few universities and research institutions in the country that provide education programs to foster future social entrepreneurs.

Ateneo de Manila University is the pioneer among them as it established a social enterprise degree program in the late 2000s. More recently, it has managed to launch a graduate level program in 2015 called the Master in Social Entrepreneurship. The university also actively convenes relevant stakeholders in the country, as demonstrated in the hosting of a conference titled “Social Entrepreneurship and Innovation: The Role of Universities”.

Table 5: Key Ecosystem Players (Academia)

Name	Competitions /Open innovation	Training	Incubation/ Acceleration	Research	Finance	Coworking	Activity (maximum 20 words)
Ateneo de Manila University		x	x	x			Offers social entrepreneurship program in Ateneo School of Government and Masters degrees in the Ateneo Graduate School of Business. Established the Ateneo Center for Social Entrepreneurship to initiate research, training and incubation of social enterprises.
Institute for Social Entrepreneurship (ISEA)		x		x			Conducts research and builds knowledge sharing platform. Catalyzed the establishment of the social entrepreneurship program in Ateneo de Manila University.

							Together with Ateneo de Manila University and FSSI, established the PRESENT Coalition.
Central Mindanao Univeristy			x				Established Mount Kalayo Institute for Social Enterprise Growth (MKISEG) together with Gawad Kalinga as a mentoring hub for social enterprises in Mindanao.

4.4 Corporates

Private sector actors support social enterprises mainly in two ways:

- Through their corporate social responsibility (CSR) activities, companies offer grants and other non-financial resources, such as pro bono business-related mentoring, to social enterprises;
- Through their core businesses, companies build partnerships with social enterprises, including producers and suppliers.

Most corporations take the former approach, but some have started to take the latter approach.

Table 6: Key Ecosystem Players (Corporates)

Name	Competitions /Open innovation	Training	Incubation/ Acceleration	Research	Finance	Coworking	Activity (maximum 20 words)
Isla Lipana & Co. (a member of the PwC global network)	x						Runs the Developmental Social Enterprise Awards (DSE Awards), as a CSR program, by partnering with Benita & Catalino Yap Foundation (BCY Foundation).
Starbucks		x			x		In partnership with Intel and Peace and Equity Foundation, trained more than 540 young social entrepreneurs and awarded USD 60,000 in seed funding to 30 social enterprises.
Intel		x			x		In partnership with Peace and Equity Foundation as well as with Starbucks, trained more than 540 young social entrepreneurs, and awarded USD 60,000 in seed funding to 30 social enterprises.

Ayala Group			x		x		The Group's Manila Water Company delivers water supply, sewage and sanitary services to low-income communities. Also, with Pearson, established a joint venture called Affordable Private Education Centers, a for-profit chain of low-fee private schools.
Pearson			x		x		With Ayala Corporation, established a joint venture called Affordable Private Education Centers, a for-profit chain of low-fee private schools.
Cocal Cola					x		Took a minority equity stake in Water Health International (WHI), a social enterprise which runs decentralized Water Health Centers in rural and underserved communities in the Philippines, Bangladesh, India and Ghana.

5 Examples of Social Enterprises

This chapter provides an overview of the leading social enterprises in the Philippines that were selected based on the following three criteria; an organization that (a) serves the mission to solve a social issue in the country, (b) has established a sustainable business model²⁸, and (c) is recognized by domestic opinion leaders to be innovative and potentially leading to larger systematic change.

Table 7: Examples of social enterprises in the Philippines

Name	Legal Format	Year established	Description	Website
Akaba	Private company	2013	A high-end bag producer that sources its materials through cooperatives in order to enhance farmers' income.	http://www.akaba.co/
Anthill	Private company	2010	An art, crafts and fabric company, that sets up businesses by providing communities with ownership and above-market	http://www.anthillfabricgallery.com/download_for_maintenance.php

²⁸ Loosely defined as business models that generate both operational profits and social impact at least for several years.

			prices.	
Coffee for Peace/ Peace Builders	Private company	2007	A coffee processing and trading company that pays above-market and guaranteed prices to producers. Its NGO arm trains farmers.	http://www.coffeeforpeace.com/
Good Food Community	Private company	2011	A social enterprise engaged in community-shared agriculture selling organic food boxes.	http://www.goodfoodcommunity.com/
Habi Footwear	Private company	2012	A shoes-from-scrap producer that aims to improve income for women producers.	http://www.habifootwear.com/
Hapinoy	Private company	2007	A company that manages a franchise of small stores (sari sari) that helps shop owners serve as a depot and distributor.	http://hapinoy.com/
Human Nature	Private company	2008	A natural cosmetics producer, which employs people from poor communities. Sold around 16 million products as of 2014.	http://humanheartnature.com
Route 63	Private company	2012	An ecotourism operator that pays high fees and guaranteed payment to community suppliers.	http://route63travels.com/

6 Final Reflections

6.1 Growing Social Entrepreneurship Ecosystem Originally Driven by Microfinance and Cooperative Driven Social Entrepreneurship Movement

The social entrepreneurship and enterprise sector in the Philippines is currently undergoing a transition. Social enterprises and the surrounding ecosystem in the country were born out of a long history of the poverty alleviation efforts by key actors such as cooperatives, microfinance institutions, and NGOs. Recently, more and more young entrepreneurs, including the ones from the business sector, are stepping in to start social enterprises. The number of intermediaries, which provide social enterprises with business-related services, is growing. The potential policy changes in the pipeline could enable social enterprises to grow faster and expand its impact on the country's social issues. Despite the overall positive trend, the sector also faces a few challenges that need to be addressed in order for the ecosystem to effectively

support social enterprises to scale their impact and generate innovation.

6.2 Gaps in the Ecosystem, Ways Forward for Social Innovation

(a) Lack of professionals with business-related skills

The lack of business skills – such as expertise in accounting, tax regulations, value chain development, organizational management, etc. - is one of the most common challenges identified by social enterprises and intermediaries. To respond to this demand, a number of organizations provide trainings in these areas. Based on their experiences, training programs are effective when tailored to meet the needs of each enterprise, instead of providing blanket, one-size-fits-all solutions. The Philippines case demonstrates the unique role that universities play in fostering the next-generation social entrepreneurs and innovators. Rags2Riches is a prime example of how academic institutions spurred the idea and facilitated the growth of a successful social enterprise (Please see the case study for more details).

(b) Lack of investors for each stage of social enterprise development

There is generally a lack of financial support for social enterprises. The number of impact investors is still very limited, and they find it difficult to find viable investees with scale. In order to accelerate the growth of private investment in social enterprises, private foundations can play an important role in bridging the gap between government funding for early startups and growth funding for larger enterprises. For instance, Rags2Riches and Kennemer Foods International were both seeking investors that provide equities for business expansion. Sharing information and deals among investors and bringing in new investors would have a positive impact on the social enterprise ecosystem.