



# SOCIAL ENTERPRISE LANDSCAPE IN THE PHILIPPINES

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For the  
Foundation for a Sustainable Society Inc.  
(FSSI)



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**Social Enterprise Landscape in the Philippines**

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**About FSSI**

FSSI is a social investment organization that works for the development of sustainable communities through social entrepreneurship.

FSSI provides financial and capacity building services to social enterprises across the country which live out the triple bottom lines (3BL) of social equity, environmental protection, and economic development.

The publication of this book is part of the celebration of the 30th anniversary of FSSI. FSSI was established on September 6, 1995.



## I. Executive Summary

Social enterprise has gained recognition as a viable platform for poverty reduction and realization of sustainable development goals. The core purpose of social enterprises is to create business solutions that directly deliver positive social or environmental impacts. Earning profit, on the other hand, is viewed as a means to further their development missions. Traditional, profit-oriented enterprises are distinct from social enterprises, which are operating in multiple bottom lines– that is, measuring their success based on multiple key areas: profit, people, and planet.

Philippine social enterprises are distinguished by their poor-centric approach to development. Social enterprises with poor as the primary stakeholders or SEPPs possess two core attributes– their transformational approach in engaging marginalized communities and their adherence to distributive enterprises philosophy. SEPPs are instrumental in generating employment, alleviating poverty, developing small communities, and empowering disadvantaged social groups.

This study built on the previous surveys to characterize the Philippine social enterprises. It also carried out interviews with select institutions to identify and assess their support to the sector. Part of the study is to profile the social enterprises supported by the Foundation for a Sustainable Society Inc. (FSSI) and draw lessons from its accomplishments in recent years. As FSSI closes its 2020-2024 Strategic Plan, the result of this study hopes to aid the Foundation in laying down its new set of strategies for the next five years.

### Based on the past surveys, social enterprises in the Philippines are:

- Headquartered mostly in Luzon, with a high concentration in the capital city. Majority of social enterprises operate at the local level
- Commonly registered as cooperatives and non-stock, nonprofit corporations
- Found commonly in the agriculture sector. Others are operating in the retail and commerce sector, financial services, and in the area of skills and vocational training
- Product-focused offering handicrafts and artisanal products, as well as agricultural produce and processed food products
- Engaging small farm owners and laborers as their enterprise partners or members
- Managed by women and a younger demographic
- Mostly financed through the owner's capital and grants
- Micro to small-scale in terms of assets and number of staff
- Earning revenue mostly from trading with the general public
- Reinvesting a portion of their profit to fund their social mission
- Possessing competitive advantages over traditional enterprises with their innovativeness and creativity in solving social problems, having a growing niche market, and greater access to partnerships and different development support
- Facing issues on access to capital and financial management, talent acquisition and retention, impact measurement, the sustainability and scalability of its operation, and resilience against economic crises

There is currently no legislation that caters to the social enterprises in the Philippines. Nonetheless, there are state-sponsored programs for MSMEs in the form of financing, capacity development, technical assistance, market development, and infrastructure, which may also benefit the social enterprises. Government support for MSMEs is concentrated mostly in the areas of financing and capacity building, but there are also few agencies with mandates to establish public infrastructure. An analysis on these various support from the government showed that there is a need to foster coordination and alignment among these agencies to better support MSMEs (and social enterprises). This is due to their evident overlapping and duplication.

Non-government organizations (NGOs) and foundations, capacity-builders, impact funders and financiers, academic institutions, and international organizations are filling the support for social enterprises that the government could not fully address. Referred to as intermediary support institutions by some stakeholders, these organizations are instrumental in providing financial support, capacity building, business networking opportunities, and policy advocacy for the benefit of social enterprises and its ecosystem. Capacity building is provided by almost all known intermediaries in the Philippines. Along with this type of support, some intermediaries have also endeavored to provide social enterprises with access to capital and investment opportunities. The lack of investment-ready social enterprises in the country may be linked to the limited number of intermediaries implementing incubation and business acceleration programs. Their services are crucial in developing social enterprises' business models and linking them to prospective investors for scaling up.

Private sector support for social enterprises is provided through their Corporate Social Responsibility (CSR) programs or through an Inclusive Business (IB) approach. Social enterprises could benefit from training, market development, and value chain integrations provided by the business associations, companies and/or through their corporate foundations. In terms of financing, corporate and commercial banks offer various competitive financial products and services for MSMEs in general (which may also be availed by qualified social enterprises). The engagement of companies with social enterprises remains limited to their CSR programs and integration of social enterprises in their supply chain are yet to be fully concretized. Support such as provision of capital, knowledge transfer, and market or business matching are still limited in scale. Some social enterprises, mostly in their early stage of development, are also encountering difficulties accessing funding from commercial banks due to their lack of awareness or understanding on the nature of their operations.

The Foundation for a Sustainable Society Inc. (FSSI) is one of the key support institutions in the Philippine social enterprise ecosystem. The Foundation has been providing development support to social enterprises by offering a wide range of financial services and extending enterprise development initiatives such as capacity building and business networking. FSSI has institutionalized the use of the triple bottom lines (3BL) to extend its support to its partner social enterprises. Loans take up between 50% to 80% of the development portfolio of FSSI from 2020 to 2023. These loans are mostly availed by cooperatives followed by non-stock and stock corporations. FSSI has also implemented the Investing in Women (IW) project since 2021 which targets women-owned and -led social enterprises by providing them with opportunities to scale up their operations.

In general, social enterprises in the country are thriving and growing. The sector is seeing growth in terms of market and scale of impact. Along with their growth is the strong commitment from non-government institutions to invest in the least developed regions in the country, women empowerment in entrepreneurship, and agro value chain development. As for the business sector's support, the call to move beyond CSR has sparked the interest of big companies to shift towards corporate citizenship and engage social enterprises in their value chain. Despite the lack of dedicated law, social enterprises are still benefiting from the existing government laws, policies, and programs for enterprises and businesses in general. It is important to note, however, that unlike typical profit-oriented enterprises, social

enterprises have unique needs given their multiple bottom approach. The PRESENT Bill, which has been consistently advocated for by the PRESENT Coalition since 2013, offers a glimmer of hope for social enterprises to operate in a more supportive environment.

Critical challenges faced by the social enterprises in the Philippines include poor access to capital and financial investments, difficulty in acquiring and retaining talent, limited market access for their products and services, and low public awareness about social enterprises. There are also other challenges that social enterprises share with other types of businesses. It includes bureaucratic red tape in complying with state incentives and regulatory requirements, losses due to market instability, vulnerability to economic shocks, and lack of access to public infrastructure and services.

**Based on these challenges, this report recommends the following:**

#### *For Academic and Learning Institutions*

1. Engage social enterprises as participants in extension programs related to disaster risk reduction and management, impact measurement, local agro-value chain development, and livelihood development
2. Academic institutions with social enterprise development centers may institutionalize business incubation-acceleration programs to complement the need for more similar support
3. May also partner with networks of investors for their incubation-acceleration programs
4. May tap social enterprises as industry partners for practicum and on-the-job training programs for the students

#### *For Business Sector*

1. Private companies should engage more social enterprises as their partner in the value chain
2. Inclusive businesses should provide social enterprise-partners with access to grants or any funding support to ensure the sustainability of their production. These companies may tap financial institutions and civil society organizations to provide them with direct access to capital
3. Business companies and their corporate foundations may initiate skills and training programs with capacity builders targeting rural and community-based organizations composed of vulnerable social groups such as women, Indigenous People, and youth. Areas of capacity development should include community and organizational development, livelihood generation, and climate resilience
4. Increase the participation and involvement of the chamber of commerce and industry by tapping them in network expansion, capacity building, and project implementation of social enterprises. Furthermore, social enterprises can be represented in CCIs through the establishment of a sub-committee within its organizational structure for policy and collaboration

**For Enablers and Capacity-builders**

1. Include in the incubation-acceleration program the development and application of impact measurement for social enterprises aligned with the requirement of impact investors
2. Link social enterprises with business development professionals to provide managerial and technical support on a pro bono or subsidized fee basis

**For Funders or Financiers**

1. Ensure the availability of disaster recovery, quick response, or business rehabilitation funds that can be easily accessed by partner social enterprises. Access to these funds must be relatively straightforward compared to other financial products offered by funders or financiers
2. Integrate climate resilience strategies in infrastructures, processes, supply chains, and products and services of social enterprises
3. Institutionalize the use of the people-planet-profit or the triple bottom line (3BL) metrics to guide investors and intermediaries in the support that can be provided to social enterprises
4. Incorporate proactive measures in scouting and funding social enterprises in Visayas and Mindanao to encourage investments and development of social enterprises in these regions
5. Consider waiving the eligibility requirement of having at least one year of operation to avail of financial support as long as the social enterprise is backed by a solid business model and promising potential
6. Ease up the requirements in availing financial services for potential social enterprise partners who have previously received government interventions and backed with established track records
7. Create shared platforms for social enterprises with parallel missions for exchanges in best practices and issues encountered in order to minimize mission drifts
8. International NGOs or country's Official Development Assistance (ODA) partners and local-based organizations should expand grant funding and capacity development programs for high impact initiatives such as women empowerment in social entrepreneurship, climate action, and agriculture among others
9. Interested and capable funders may consider extending short-term grant funding to subsidize the wage of the highly skilled personnel while the social enterprise builds operational sustainability

**For Government Agencies**

1. Enact the PRESENT Bill
2. Further review the processes of government transactions and other related laws and issuances and make necessary improvements to reduce red tape

3. Review of regulatory policies concerning social enterprises and MSMEs in general should consider inputs from other support institutions through stakeholders' consultation
4. Support the establishment of a Social Enterprise Registry
5. Establish hybrid financing mechanisms for social enterprises (which targets specific and high-impact sectors)
6. Government loan providers that are utilizing lending conduits to provide financial services to social enterprises may increase the number of outlets to enhance service accessibility, provide a uniform processing timeline, and streamline the lending process
7. There should be a deliberate targeting of social enterprises as recipients of infrastructure support from Official Development Assistance (ODA)-funded projects of the government to maximize its economic benefits
8. Government-run incubation and acceleration programs should ensure that the enterprises have become fully matured and scalable before ceasing their support to them
9. Intensifying the support on product certification by providing certification subsidy incentive

**Multi Stakeholder Collaboration**

1. Big retailers may provide conspicuous space for social enterprises' products that can be easily checked by potential consumers. Concerned government agencies, capacity builders, and financiers, on the other hand, may extend product development, certification, and production capacity development support to meet the demand requirements of the partner retailers
2. Concerned government offices, private companies and capacity builders may collaborate to complement the need for more incubation programs for startups and early-stage social enterprises. Funds from the government agencies and funders/financiers can be used to provide startup grants or micro loans, while business and technical expertise can be provided by private industry players to incubatees. This may be best piloted to technology-based and digital social enterprises
3. Local government units may partner with the private sector, CCI, capacity builders and funders and financiers in developing a localized social enterprise roadmap that will set objective targets in the assistance, intervention, and capacity building to be provided to the social enterprises, as well as monitoring of growth and impact measurement
4. Intensify blended or hybrid financing that combines grants from foundations with impact investments from venture capitalists to scale social enterprises



## II. Background

### A. Conceptual Overview of Social Enterprise

1. The Philippine micro, small and medium enterprises (MSMEs) sector is considered to be one of the main drivers of economic growth in the country. In 2022, 1.1 million or 99.59% of the total business establishments in the country are MSMEs. Micro enterprises dominated the sector which constituted 90.5% of the total establishments. This was followed by small enterprises at 8.7% and medium enterprises at 0.4%.<sup>1</sup> Due to its considerable size, the Department of Trade and Industry (DTI) estimated that MSMEs contributed 35.7% to the Philippines' total Gross Domestic Product (GDP)<sup>2</sup> and generated a total of 5.6 million jobs or 65.10% of the country's total employment.
2. MSMEs play an important role in poverty alleviation by providing work and livelihood opportunities and other social benefits to the poor, especially in rural areas. A report from the Employers Confederation of the Philippines (ECOP) revealed that over half of the Philippine employers are cognizant and deliberately taking actions toward the attainment of Sustainable Development Goals (SDGs) on poverty and hunger reduction, quality education, and decent employment, and local economic growth.<sup>3</sup>
3. Typical enterprises doing philanthropic activities often follow a non-profit business model and that only big brands or companies are able to align themselves with such work. The rise of the social enterprise model has paved the way for the MSME sector to actively engage in the sustainable and inclusive development processes. The fundamental distinction between social enterprises and traditional, profit-oriented enterprises hinges on their multiple bottom-line approach of operation, which is measuring their success based on multiple key areas: profit, people, and planet. This approach presents a different perspective from the capitalist model which treats financial growth and social development as separate economic endeavors.<sup>4</sup> The core purpose of social enterprises is to create business solutions that directly deliver positive social or environmental impacts. Earning profit, on the other hand, is viewed as a means to further their development missions. Ballesteros and Llanto (2017) provided a comparison between the social enterprises and traditional MSMEs in terms of structure and management as presented in Table 1. Note that while most social enterprises (SEs) are MSMEs, some SEs are large enterprises.
4. While there is a broad consensus that social enterprises are social mission driven organizations, different institutions promoting this sector have come up with their own definitions of social enterprise. The Organization for Economic Cooperation and Development (OECD), which assists its member countries in developing enabling policies and mobilizes financing efforts to support social enterprises, recognizes social enterprises with their main purpose of achieving economic and social goals rather than profit maximization.<sup>5</sup> Similarly, the United Kingdom, which is one of the countries around the world with an established social enterprise ecosystem, legally defines them as "businesses

<sup>1</sup> Department of Trade and Industry. 2022 Philippine MSME Statistics. <https://www.dti.gov.ph/resources/msme-statistics/>

<sup>2</sup> Data from DTI as cited by ADB in its 2022 ADB Asia SME Monitor. <https://data.adb.org/dataset/2022-adb-asia-small-and-medium-sized-enterprise-monitor-volume-1-country-and-regional>

<sup>3</sup> <https://mb.com.ph/2023/03/01/ph-msmes-and-the-sustainable-devt-goals/>

<sup>4</sup> Ballesteros and Llanto (2017). Strengthening Social Enterprises for Inclusive Growth: Philippines. Philippine Institute for Development Studies.

<sup>5</sup> Organization for Economic Cooperation and Development (OECD). <https://www.oecd.org/cfe/leed/social-economy/social-entrepreneurship.htm>

that exist to address social and environmental needs” with business earnings as a means to propel their development missions.<sup>6</sup> Annex D provides other conceptual definitions adopted by different organizations.

Table 1. Comparison of SEs and MSMEs

| AREAS OF COMPARISON      | SOCIAL ENTERPRISE                                                                                                                                                                                                   | MICRO SMALL AND MEDIUM ENTERPRISE                               |
|--------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|
| Goal                     | Build profitable company and create social value                                                                                                                                                                    | Build profitable company                                        |
| Outcomes                 | Sustainable productive activity, shared wealth, shared assets                                                                                                                                                       | Profit, increase owners' equity                                 |
| Ownership                | Private with possibility of progressive ownership transfer to primary stakeholders or community. Community can also move up the value chain from suppliers of raw materials to processors through capacity building | Private, ownership remains with the proprietor or incorporators |
| Management               | Independent/Autonomy                                                                                                                                                                                                | Independent/Autonomy                                            |
| Profit distribution      | Limited distribution                                                                                                                                                                                                | Profit maximizing                                               |
| Risk                     | Totally or partly assumed by entrepreneurs, investors                                                                                                                                                               | Assumed by owners, investors                                    |
| Entrepreneurial activity | Partnerships, collaborative                                                                                                                                                                                         | Individualistic, paid work                                      |
| Decision-making process  | Democratic, self-governing                                                                                                                                                                                          | Monocratic                                                      |
| Social protection        | Applies the principles of Fair Trade                                                                                                                                                                                | Governed by legal, regulatory requirements                      |

Source: Ballesteros & Llanto (2017)

5. In the Philippines, social enterprises have recently been granted official definition with the issuance of MSME Development Council Resolution No. 3, Series of 2021. It defines social enterprise as “a social mission-driven organization that creates wealth while contributing to social well-being and ecological sustainability”. Referred to by Dacanay (2013) as “social enterprises with the poor as the primary stakeholders” or SEPPs, social enterprises in the country are distinguished by its poor-centric approach to development.<sup>7</sup> They possess two (2) key attributes according to the working definition in the resolution:<sup>8</sup>
- a. **Transformational approach in engaging marginalized communities.** The social enterprises are empowering the marginalized groups to lift themselves out of poverty. The latter are engaged as either partners in the social enterprises’ value chain or as co-owners of the enterprise who take active roles in the management processes.
  - b. **Adherence to distributive enterprises philosophy.** The social enterprises undertake a combination of the following wealth and value creation activities that benefits the disadvantaged groups: (1) investing in the poor or marginalized groups

6 British Council. Social Enterprise. <https://www.britishcouncil.org/education/non-formal-education/our-resources/social-enterprise>  
7 Dacanay, M.L. (2013). Social Enterprise and The Poor: Transforming Wealth. Quezon City: Institute for Social Entrepreneurship in Asia and Ateneo School of Governance  
8 MSME Development Council Resolution No. 3, Series of 2021. <https://www.isea-group.net/wp-content/uploads/2022/06/MSMEDC-Resolution-No.-3-Series-of-2021-Rec-ognizing-Social-Enterprises.pdf>

as effective worker-partners, supplier-partners or client-partners; (2) investing in marginalized women as its co-equal stakeholders of the enterprise; (3) practicing fair trade principles, (4) instituting fair profit-sharing mechanism with the marginalized groups, and (5) reinvesting a part of its profit to provide transformational services to the poor and marginalized stakeholders.

6. The objectives of social enterprises vary with employment generation, poverty alleviation, community development, and social empowerment as the common socio-economic pursuits. Some are seeking to protect the environment, support vulnerable groups and promote health and well-being, among others.<sup>9</sup> According to Dacanay (2009), social enterprises employ four (4) development strategies stemming from these diverse objectives.
- a. **Empowerment strategy.** It involves organizing and enabling the economically disadvantaged groups to operate self-sustaining ventures. Social enterprises are investing in community-based industries by engaging local talents and capacitating them to manage their own enterprises.
  - b. **Social inclusion strategy.** This strategy addresses social inequalities by providing economic opportunities to groups of individuals who are stigmatized and marginalized because of their physical, psychological, and social conditions. Social enterprises with this inclusive development approach foster dignity and respect in the workplace.
  - c. **Intermediation strategy.** This type of development strategy identifies social enterprises as providers of relevant services to enterprising yet resource-poor groups. Unlike the empowerment strategy where these segments of the society are assisted to manage their own enterprises, this approach seeks to deliver critical support such as financing, market development, and other business development assistance to those existing enterprises.
  - d. **Resource mobilization strategy.** In this strategy, social enterprises are engaged in revenue generating activities to fund their social or environmental causes.
7. The products or services offered by social enterprises are based on their client’s economic needs. These offerings range from retail and trading, financing, to capacity development and other business development services. In their report, ISEA and OXFAM (2012) identified five (5) types of SEPPs according to their business activities:
- a. **Social Cooperatives.** As of 2022, there are approximately 20,000 registered cooperatives in the Philippines operating in various sectors, including finance, agriculture, transportation, consumer goods, and services.<sup>10</sup> It should be noted, however, that not all cooperatives can be considered as social enterprises. This gap gave rise to a new entity termed as social cooperative that combines the mutualistic approach of traditional cooperatives with prioritizing the general interest of specific marginalized groups or the community as a whole.<sup>11</sup> Available estimates indicate that nearly half of the registered cooperatives qualify as social cooperatives.<sup>12</sup>

9 British Council and PhilSEN (2017). Reaching the farthest first: The state of social enterprise in the Philippines. [https://www.britishcouncil.ph/sites/default/files/social\\_report\\_bc\\_fa\\_102517\\_web-compressed.pdf](https://www.britishcouncil.ph/sites/default/files/social_report_bc_fa_102517_web-compressed.pdf)  
10 CDA Cooperative Statistics. <https://cda.gov.ph/cda-updates/statistics/>  
11 Daniel Hernandez Caceres (2022). Social Enterprises in the Social Cooperative Form. [https://link.springer.com/chapter/10.1007/978-3-031-14216-1\\_9](https://link.springer.com/chapter/10.1007/978-3-031-14216-1_9)  
12 Institute for Social Entrepreneurship in Asia (ISEA) and OXFAM (2015). (2015). Poverty Reduction and Women Economic Leadership: Roles, Potentials and Challenges of Social Enterprises in Developing Countries in Asia.

- b. **Microfinance Institutions (MFIs).** Microfinancing or micro-credit provides low-income earners with access to financial products, including loans, deposits, and microinsurance, among others.<sup>13</sup> MFIs cater to borrowers lacking a steady income source, collateral, and acceptable credit standing, making them ineligible for traditional bank financing. In the Philippines, microfinance services are provided by banks (i.e., rural and thrift banks), cooperatives, financing and lending companies and MFI NGOs. Among these MFIs, only the latter qualifies as SEPPs.<sup>14</sup> As of the second quarter of 2023, there are a total of 4,263 MFI NGOs (including head office and branches) serving some 6.6 million borrowers.<sup>15</sup>
- c. **Fair Trade Organizations (FTOs).** The FTOs are enterprises that seek to empower their partner small-scale, marginalized producers by developing their bargaining power in the market and achieving decent working conditions.<sup>16</sup> As of this writing, there are a total of six (6) fair trade organizations in the Philippines registered as members of the World Fair Trade Organization-Asia.<sup>17</sup> As part of the network, they enjoy market and business development support such as market access, capacity building, technology transfer, and access to information.
- d. **Trading and Development Organizations (TRADOs).** Commonly registered as stock for profit companies, TRADOs are attached to the non-government development organizations (NGDOs) serving as their trading or commercial enterprises. They are particularly involved in the production and/or trading/marketing of goods and/or provision of economic services (i.e., financial services, enterprise development services). While these enterprises are profit oriented, their operations are geared towards serving marginalized social sectors. Recent literature provides little to no information as to its number.<sup>18</sup> Earlier studies by ISEA and OXFAM (2012) assumed that there are over 2,500 TRADOs in the Philippines.<sup>19</sup>
- e. **New Generation Social Enterprises (New Gen SEs).** The growing interest in social entrepreneurship in recent years has developed a new breed of enterprises that are driven by social innovations. New Gen SEs are characterized by high youth involvement, market and innovation-driven operation, having focused social and environmental missions, and strong inclination towards collaboration with the support institutions.<sup>20</sup> To this date, there is no accessible database yet in the Philippines to account for this type of enterprise. Nonetheless, previous profiling done by Ballesteros and Llanto (2017) showed that most New Gen SE operate in the retail and commerce sector, some are into food and beverage services, while few are engaged in tourism and hospitality. They commonly involve the vulnerable social sectors such as women, low-income households, and rural dwellers in their operation as partners or beneficiaries. Such

13 Bangko Sentral ng Pilipinas. Financial Inclusion in the Philippines. [https://www.bsp.gov.ph/Media\\_And\\_Research/Financial%20Inclusion%20in%20the%20Philippines/FIP\\_3Qtr2013.pdf](https://www.bsp.gov.ph/Media_And_Research/Financial%20Inclusion%20in%20the%20Philippines/FIP_3Qtr2013.pdf)

14 ISEA and OXFAM (2015). Poverty reduction and women economic leadership: Roles, Potentials and Challenges of Social Enterprises in Developing Countries in Asia. [https://www.isea-group.net/wp-content/uploads/2020/05/ISEA\\_Oxfam\\_Poverty\\_Reduction\\_and\\_WEL\\_Report.pdf](https://www.isea-group.net/wp-content/uploads/2020/05/ISEA_Oxfam_Poverty_Reduction_and_WEL_Report.pdf)

15 Bangko Sentral ng Pilipinas. Financial Inclusion in the Philippines Dashboard. [https://www.bsp.gov.ph/Media\\_And\\_Research/Financial%20Inclusion%20Dashboard/2023/FIDashboard\\_2Q2023.pdf](https://www.bsp.gov.ph/Media_And_Research/Financial%20Inclusion%20Dashboard/2023/FIDashboard_2Q2023.pdf)

16 Fairtrade International. <https://www.fairtrade.net/about/what-is-fairtrade>

17 World Fair Trade Organization-Asia Directory. <https://wfto-asia.com/fto-directory/>

18 Institute for Social Entrepreneurship in Asia (ISEA) and OXFAM (2015). Poverty Reduction and Women Economic Leadership: Roles, Potentials and Challenges of Social Enterprises in Developing Countries in Asia.

19 The number of TRADOs in the Philippines were estimated from the 5,000 NGDOs in the country estimated by the ADB in 2007. Fifty percent (50%) or 2,500 of these NGDOs, as assumed by ISEA and OXFAM (2015), are undertaking production, trading and/or other economic activities, with some establishing one or more subsidiary stock, for profit corporations as their social enterprise arms.

20 Monika Tkacz (2016). New generation of social entrepreneurs: Exploratory research and cross case study analysis of new generation of social enterprises. <https://bibliotekanauki.pl/articles/889707>

partnerships primarily aim to alleviate poverty, generate local jobs, and preserve cultural heritage and the environment.<sup>21</sup>

8. Social enterprises come in various legal forms. In the Philippines, these enterprises can be registered as single proprietorships, corporations (either non-stock and nonprofit corporations or stock and for-profit corporations), civil society organizations, or cooperatives.<sup>22</sup>
  - a. **Single Proprietorship.** It is the simplest form of business organization that is common for enterprises with small scale operations. This type of legal form, however, lacks flexibility and provides less protection against business claims. The Department of Trade and Industry (DTI) is the government agency responsible for registering sole proprietorship.
  - b. **Corporations.** Social enterprises that are registered as stock corporations are engaged in revenue generating activities and are allowed to issue dividends, while non-stock corporations have no authorized capital stock, and their income cannot be distributed as dividends to its members, trustees or officers. Non-stock corporations are registered for philanthropic, religious, educational, professional and other similar purposes.<sup>23</sup> Both types of corporations are registered with Securities and Exchange Commission (SEC).
  - c. **Civil Society Organizations (CSOs).** Collectively termed as CSOs, People Organizations (POs) are composed of marginalized individuals working towards the advancement of the members' welfare, while NGOs are supporting disadvantaged individuals who are not necessarily their members. Though not mandatory, CSOs may opt to register with SEC as non-stock, non-profit corporation, with Cooperative Development Authority (CDA) as cooperative, and with Department of Labor and Employment (DOLE) as labor unions, labor federations, and rural workers' associations.<sup>24</sup>

Foundations are a subset of NGOs that are registered with SEC as non-stock, non-profit corporations. It is mandatory for them to include "Foundation" in their corporate name.<sup>25</sup> Foundations generally extend grants and endowments to entities for charitable, social welfare, educational and other similar purposes.<sup>26</sup>
  - d. **Cooperatives.** They are democratically controlled and owned by their members to collectively work towards shared economic and social goals. Article 7 of the Republic Act 9520 (otherwise known as Philippine Cooperative Code of 2008) provides that the one of the main objectives the cooperative is to "provide goods and services to its members to enable them to attain increased income, savings, investments, productivity, and purchasing power, and promote among themselves equitable distribution of net surplus through maximum utilization of economies of scale, cost-sharing and risk-sharing".<sup>27</sup>

21 Ballesteros and Llanto (2017). Page 8

22 British Council and Thomson Reuters Foundation (2018). ASEAN Social Enterprise Structuring Guide [https://www.britishcouncil.org/sites/default/files/asean\\_socialEnterprise\\_structuring\\_guide\\_guide\\_final\\_web\\_version\\_0.pdf](https://www.britishcouncil.org/sites/default/files/asean_socialEnterprise_structuring_guide_guide_final_web_version_0.pdf)

23 British Council and Thomson Reuters Foundation (2018). Page 180

24 ADB (2007). Overview of NGOs and Civil Society in the Philippines. <https://www.adb.org/sites/default/files/publication/28972/csb-phi.pdf>

25 British Council and Thomson Reuters Foundation (2018). Page 186

26 SEC (n.d.). About Foundations. <https://www.sec.gov.ph/foundations/about-foundations/#gsc.tab=0>

27 Republic Act 9520. <https://cda.gov.ph/issuances/republic-act-9520/>

9. Philippine social enterprises can also be segmented according to their maturity level. Their key distinction lies in the firmness of their social enterprise model, though other parameters for classification can be considered such as the year and scale of their operations. First, pre-social enterprises are generally in their infancy stage of development. They are commonly newly set up enterprises with no firm self-recognition as a social enterprise, though they are already serving poor people. In some cases, social enterprises that have already been in operation for quite some time can still be considered as pre-social enterprises due to their slow pace of growth. Developing social enterprises, on the other hand, are characterized by their relatively stable commercial operation with huge potential for growth. At this stage, these social enterprises are still navigating the right development model for their operation. Lastly, established social enterprises are institutions that have already possessed a working social enterprise model, earning significant revenue from their business activities. They have the capacity to both sustain and scale up their social and corporate operations.<sup>28</sup>

## B. Methodology

10. **Purpose.** The Foundation for a Sustainable Society, Inc. (FSSI) commissioned a team of researchers to (1) profile the Philippine social enterprises; (2) map out the different support received by social enterprises from government, non-government and private institutions; (3) identify the opportunities and challenges faced by these enterprises; and (4) provide recommendations to better support the social enterprises in the country.
11. Part of the study is to also profile the social enterprises supported by the FSSI and draw lessons from its accomplishments in recent years. As FSSI concludes its 2020-2024 Strategic Plan this year, the result of this study hopes to aid the Foundation in laying down its new set of strategies for the next five years.
12. **Data Collection and Analysis.** The study relied on both quantitative and qualitative data from secondary sources and interviews with select support institutions to assess the social enterprise landscape in the Philippines. Past surveys on the country's social enterprises, related technical reports and free-access publications served as the main sources in profiling the social enterprises, as well as the policies and programs from different support institutions. The research team also referred to available data on FSSI-assisted social enterprises and the Foundation's annual reports and articles to assess the extent of its support to the sector. A detailed list of references is provided in Annex A.
13. Key informant interviews (KIIs) with eight (8) support institutions in the country were also carried out to evaluate their programs and services for social enterprises. Insights from the informants also enriched the discussion on the opportunities and pressing challenges faced by the enterprises. Some of the key areas explored during the interviews included (1) the selection of social enterprises to be supported, (2) issues of the supported enterprises that their organization is trying to address, (3) challenges in implementing the programs, and (4) future plans. A list of the interviewed institutions and the indicative questions are available in Annexes B and C, respectively. The research team triangulated the information from the KIIs to complement and/or validate the findings from the desk research.
14. **Limitations of the Study.** The profile of social enterprises presented in this study have to be seen in light of some limitations as the past surveys are based on speculative extrapolation, and not on statistically robust sampling. These studies employed non-probability sampling (i.e., convenience sampling) where they only relied on responses received through their online questionnaire and available databases of social enterprises managed by some resource institutions. As such, the survey results are not the full representation of the entire social enterprise population in the country. Though it cannot be generalized, this report hopes to provide a snapshot of the characteristics and activities of the social enterprises in the country.
15. The research team also met challenges in scheduling interviews with the key informants due to their busy schedules. Some of the identified respondents either declined the invitation or did not respond despite the constant follow-ups. The time did not also permit the research team to interview the concerned government institutions that could have provided more insights aside from the available literature. Nonetheless, the wide availability of information from the internet has allowed the researchers to provide in the report the relevant support of government agencies.



### III. Profile of Philippine Social Enterprises

#### A. Number and Geographic Distribution

16. The British Council and Philippine Social Enterprise Network (2017) estimated that there are 164,473 social enterprises in the Philippines.<sup>29</sup> Taking off from the data of this study, Asian Development Bank (2018) showed that this number comprises 17% of the registered companies to the Securities and Exchange Commission (SEC) as of year-end 2017 totaling to 987,974.<sup>30</sup> The number of registered entities in the SEC has since risen to 1,211,586 based on its preliminary registration statistics for 2023.<sup>31</sup>
17. Although this is the latest available data on the number of social enterprises in the country, this number is not indicative of the impact of the COVID-19 pandemic. Based on the Social Enterprise Action Research of the Institute for Social Entrepreneurship in Asia (ISEA), the closure of markets, disruption in production and processing, and decrease in the collection of loan payments, among other factors, during the COVID-19 pandemic led to the temporary and permanent closure of MSMEs.<sup>32</sup>
18. **The Philippine social enterprises remained to be mostly headquartered in Luzon, with a significant number of these enterprises operating in the capital city.**<sup>33</sup> Result of the soon-to-be-published study conducted by the PRESENT Coalition (2024) shows that 61% of the 201 surveyed social enterprises are headquartered in Luzon, while enterprises in Visayas and Mindanao account for 20% and 19%, respectively. These figures are close to the result of the previous profiling carried out by British Council and PhilSEN (2017) where 58% of the surveyed social enterprises are located in Luzon, while the remaining 16% and 26% operate in Visayas and Mindanao, respectively.<sup>34</sup> Though correlation cannot be established, this geographic distribution of surveyed social enterprises is consistent with the 2023 MSMEs statistics released by the Department of Trade and Industry (See Table 2).

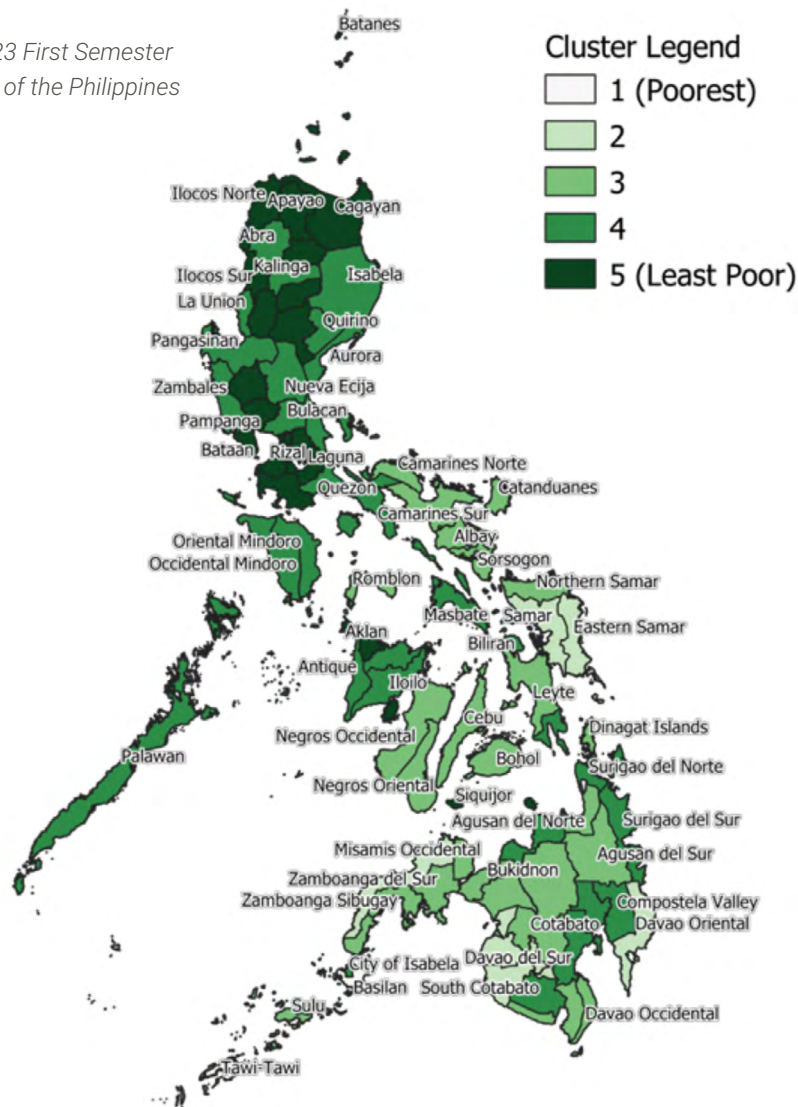
**Table 2.** *Geographic distribution of social enterprises vis-a-vis MSMEs in the Philippines*

| Location | Number of MSMEs as of 2023 | Percent of MSMEs | Percent of SEs based on PRESENT Coalition | Percent of SEs based on British Council |
|----------|----------------------------|------------------|-------------------------------------------|-----------------------------------------|
| NCR      | 204,844                    | 19%              | 61%                                       | 25%                                     |
| Luzon    | 491,849                    | 44%              |                                           | 33%                                     |
| Visayas  | 191,509                    | 17%              | 20%                                       | 16%                                     |
| Mindanao | 216,941                    | 30%              | 19%                                       | 26%                                     |

<sup>29</sup> British Council and PhilSEN (2017)  
<sup>30</sup> Asian Development Bank (2018). Technical Assistance Consultant's Report. Philippines: Knowledge Development Support for Southeast Asia - Roadmap for Strengthening Social Entrepreneurship in the Philippines  
[https://www.adb.org/sites/default/files/project-documents/49150/49150-001-tacr-en\\_1.pdf](https://www.adb.org/sites/default/files/project-documents/49150/49150-001-tacr-en_1.pdf)  
<sup>31</sup> SEC. Cumulative number of registered corporations and partnerships, CY 2000-2023.  
[https://www.sec.gov.ph/wp-content/uploads/2024/01/2024\\_2000-2023-SEC-Cumulative-Number-of-Registered-Corporations-and-Partnerships\\_19-Jan-2024.pdf](https://www.sec.gov.ph/wp-content/uploads/2024/01/2024_2000-2023-SEC-Cumulative-Number-of-Registered-Corporations-and-Partnerships_19-Jan-2024.pdf)  
<sup>32</sup> ISEA. Social Enterprise Action Research (2020). Inclusive and innovative pathways to COVID19 recovery: Social Entrepreneurship as Strategy in Leaving No One Behind and Building Back Better in the Philippines  
<sup>33</sup> PRESENT Coalition (2024) and British Council and PhilSEN (2017) both presented the geographic distributions of the headquarters by major island groups in the country. The latter also provided separate figures for NCR and BARMM since they represent the most and least developed regions, respectively. However, both surveys acknowledged that the proportion of social enterprises per geographic area may not accurately represent the population due to sampling biases.  
<sup>34</sup> British Council and PhilSEN (2017). Page 45

19. **Despite the higher poverty incidence, Visayas and Mindanao still host a relatively small number of social enterprises.** Based on the Philippine Statistics Authority (PSA)'s poverty statistics for the first semester of 2023, all the administrative regions in Visayas and Mindanao registered poverty incidences above the national rate of 16.4%.<sup>35</sup> The prevalence of poverty in these regions are also depicted in Figure 1. Despite its potential contribution to address pressing socio-economic issues in poor areas, it can be argued based on the available studies that social enterprises remain less felt in these impoverished regions outside Luzon. Nonetheless, the number of social enterprises in these areas may be far larger as more enterprises have recently established their provincial or local presence. Indeed, there is huge space to increase awareness and activity outside NCR and Luzon considering that other areas in the country are continuously plagued with poverty and social issues. Some resource institutions strive to support social enterprises from other locations in the country. Villgro Philippines, an incubator-accelerator for social enterprises in the country, shared in an interview that they are employing an internal policy to allocate at least 40% of the support to the social enterprises outside the NCR.

**Figure 1.** Preliminary 2023 First Semester Official Poverty Statistics of the Philippines lifted from PSA



35 Philippine Statistics Authority (PSA). Preliminary 2023 First Semester Official Poverty Statistics of the Philippines <https://www.psa.gov.ph/system/files/phdsd/2023%201st%20Sem%20Official%20Poverty%20Statistics%20Report.pdf>

20. **Majority of the social enterprises operate at the local level. Around 55% of social enterprises profiled by the PRESENT Coalition (2024) reported provincial and town operations.** In an earlier study by ISEA and PRESENT Coalition (2020), it was also found that the majority (88%) of the surveyed enterprises are operating at the local level.<sup>36</sup> The limited geographic scope of the social enterprises' operations can be attributed to their current development level. Early-stage social enterprises often start small<sup>37</sup> but their propensity to scale up in terms of geographic operations depends on their physical and financial capacity to expand. Further analysis made by the British Council and PhilSEN (2017) revealed that Mindanao and Visayas are home to social enterprises operating on a provincial and regional scale. The high concentration of local-level enterprises in these least developed regions warrants the need for more support to expand their operation.

21. On the opposite extreme, there are few social enterprises who have managed to operate internationally. Though it remains modest in number (only 6% as reported both by PRESENT Coalition and British Council & PhilSEN), these enterprises may have reached more communities to support the scale of its operation. The literature is yet to explore the breadth and depth of its impact on its partner communities.

36 ISEA and PRESENT Coalition. Page 171  
37 Raymund Habaradas (2022). Page 5

B. Legal Status

22. **Social enterprises are commonly registered as cooperatives or non-stock, non-profit corporations.** The latest study done by the PRESENT Coalition (2024) and the earlier survey of the British Council and PhilSEN (2017) have documented the dominance of social enterprises registered as cooperative and non-stock, non-profit corporations among other legal forms. These types of organizations are commonly matured according to the British Council and PhilSEN (2017).<sup>38</sup> Further scrutiny of their data as presented in Table 3 revealed that it is common for start-ups to organize themselves as stock, for-profit corporations but there is an observed shift as social enterprises transition to early stages and mature categories to become non-stock, non-profit corporations. It may also suggest that those non-stock, nonprofit corporations have spun off or “birthed” new social enterprises that are for-profits.

Table 3. Legal forms by level of maturity

| Maturity Level | Establishment          | Legal Form                         |
|----------------|------------------------|------------------------------------|
| Start-Ups      | 0-5 years ago          | Stock, for-profit corporations     |
| Early Stages   | 6-15 years ago         | Non-stock, non-profit corporations |
| Mature         | 16 years ago or beyond | Non-stock, non-profit corporations |

Source: British Council and PhilSEN (2017)

23. Possible explanation for this shift lies in the incentives and the advantages inherent to these legal forms. Cooperatives are exempted from taxes and fees as long as transactions are limited to their members. The members are incentivized through the distribution of the patronage fund which distributes the net surplus of the cooperative each year.<sup>39</sup> Similarly, the structure of non-stock, non-profit corporations (which includes NGOs) is advantageous due to its tax exemptions and donations received from external sources are classified deductible expenses.
24. **The maturity of the social enterprises plays a vital role in the extent of support that they can receive from the government, NGOs, and the business sector.** Cooperatives, as in the case of agri-based enterprises, are the ones that directly access government programs and projects.<sup>40</sup> Non-government intermediaries, on the other hand, usually engage with matured and established social enterprises due to the risk factors involved in shelling out financial investments to early-stage enterprises. In the case of the Peace and Equity Foundation (PEF), the business model and the growth potential of the social enterprise may sometimes outweigh the maturity. Safeguards are put into place by financing institutions by hiking the interest rates and introducing collaterals.

38 British Council and PhilSEN (2017). Page 46  
39 British Council and Thomson Reuters Foundation (2018). Page 169  
40 Danilo A. Songco (2022). How much has people empowerment progressed among small farmers and fisherfolk? State of people's organizations in the Philippines. Philippine Institute for Development Studies. <https://www.econstor.eu/bitstream/10419/256889/1/pidsdps2207.pdf>

C. Products and Services

25. **Social enterprises in the Philippines offer a range of products and services.** Their operations are locally rooted, leveraging their business models to create positive social impact and contribute to sustainable development in their target communities or social groups. By taking off from the list of social enterprises generated by Ballesteros and Llanto (2017) and referring to the existing studies with case examples, it was found that these enterprises are mostly product-focused that are engaged in the manufacture and retail of artisan products and production and processing of food products. Only a few social enterprises are service based. Twelve percent (12%) or less of the social enterprises surveyed by ISEA and PRESENT Coalition (2020) are operating in the tourism industry and social service sector (e.g., housing, utilities, and health and social care). Examples of Philippine social enterprises engaged in these industries are provided below.
26. **Handicrafts, apparels and other artisanal works are intended to develop the local economy and preserve traditional craftsmanship.** Social enterprises have found a niche in offering sustainable products ranging from bags, accessories, footwear and home decor. Their social models are commonly focused on developing the local economy, preserving traditional craftsmanship and promoting cultural heritage. They train and support disadvantaged social groups such as women, indigenous communities, youth and low-income individuals to produce goods. Anthill Fabric Gallery, Rag2Riches, Plush and Play, and Gugu Backpacks are among the social enterprises in the Philippines that are actively engaged in the production and retail of these kinds of products.
27. **Social enterprises in the agriculture sector are creating economic value and livelihood opportunities for marginalized farmers along the value chain.** Production and marketing of agricultural produce are commonly done by agri-based social cooperatives. As an example, the Northern Mindanao Vegetable Producers Association Incorporated (Normin Veggies) is an association of various vegetable industry stakeholders that facilitate cluster farming and market their produce to institutional buyers such as restaurants, supermarkets, and fast-food chains. Through Normin Veggies, smallholder farmer-members are able to save transportation and transaction costs.<sup>41</sup> Beyond farm production, there are also social enterprises engaged in processing and marketing that practice fair trade, promote sustainable production, and provide livelihood opportunities for small farmers. Gawad Kalinga Enchanted Farm has incubated several enterprises in this area of operation which include Bayani Brew, Theo & Philo Artisan Chocolates, First Harvest, and Gourmet Keso.
28. **Social tourism operators are redefining the local sector through responsible and sustainable agri-ecotourism.** Some social enterprises operate community-based touristic activities that offer authentic cultural experiences, community immersion, sustainable leisure activities, and other meaningful activities in rural communities, providing them additional income while preserving their heritage. Popular examples in the Philippines include Route +63, Kawil Tours, and The Circle Hostel. Kawil Tour, a Palawan-based social enterprise, is instrumental in developing the local tourism industry and the community in Culion by outsourcing services from fishers and boatpersons, as well as from local businesses. The Circle Hostel in Zambales, on the other hand, is promoting environment

41 Tinsley E. & Agapitova, N. (2018). Private sector solutions to helping smallholders succeed: Social enterprise business models in agriculture. Sector <https://documents1.worldbank.org/curated/en/851711521095180329/pdf/124304-WP-PUBLIC-AgriBookMar.pdf>

friendly tourism operations while offering affordable accommodation for its guests. As a capacity builder, they are working with local residents to provide tours and surfing lessons.<sup>42</sup>

29. **A small number of social enterprises in the health care sector are operating in the marginalized communities.** There is still a wide expectation that health care provision falls under the purview of the government or big NGOs.<sup>43</sup> The passage of the Universal Health Care Law in 2019 has significantly increased the public spending on healthcare. Social enterprises, according to ADB (2018), may face a “crowding out” effect by government services. Nevertheless, there are few thriving social enterprises in the country that are playing a critical role in extending much needed health care services in marginalized communities. The Health Innovation Multipurpose Cooperative offers a variety of healthcare services including insurance to marginalized communities in Cebu.<sup>44</sup> The Medical Mission Group Federation, which was founded by a group of young physicians to address inadequate healthcare services in Davao City, has grown to become a network of hospitals in the country today, institutionalizing a cooperative health system serving marginalized communities.<sup>45</sup>
30. **Housing and utilities sectors are uncharted spaces for the majority of social enterprises due to their capital-intensive and highly regulated nature.** Also, real estate projects such as housing often have a long gestation period while operating in water and sanitation industries offer less financial returns.<sup>46</sup> Big companies and NGOs, through their Corporate Social Responsibility (CSR) and Inclusive Business programs, are observed to be the key players in these sectors. The Manila Water Foundation, Manila Water Company’s social development arm, has been installing water supply systems and sanitation facilities in public institutions (e.g., public schools and health centers) and low-income communities.<sup>47</sup> In the real estate development sector, Gawad Kalinga Foundation and Habitat for Humanity Philippines (HFH) are among the notable examples. Partnership with government agencies to address regulatory concerns, as well as with corporations, NGOs and faith-based groups to leverage other resources and expertise is crucial to the success of HFH’s housing projects.<sup>48</sup> They also partnered with microfinance institutions to offer low-income families with microloans for housing.<sup>49</sup>

42 Aquino, R (2022). Community change through tourism social entrepreneurship. *Annals of Tourism Research*. 95. <https://doi.org/10.1016/j.annals.2022.103442>  
43 ADB (2018). Page 19  
44 British Council (2015). A review of social enterprise activity in the Philippines. [https://www.britishcouncil.org/sites/default/files/social\\_enterprise\\_activity\\_philippines.pdf](https://www.britishcouncil.org/sites/default/files/social_enterprise_activity_philippines.pdf)  
45 <https://mmgphil.org/about-us/>  
46 ADB (2018). Page 20  
47 <https://manilawaterfoundation.org/our-programs/flagship-programs>  
48 <https://www.habitatforhumanity.org.uk/country/philippines/>  
49 <https://www.adb.org/news/adb-habitat-humanity-support-housing-microloans-vulnerable-communities>

D. Target Sectors

31. **The agriculture sector receives considerable attention from social enterprises.** Existing studies highlighted the significant number of Philippine social enterprises operating in the farming and agribusiness sector. Poverty is predominantly an agricultural and rural phenomenon. Filipino farmers, fisherfolk and rural dwellers remained to be the poorest among the basic social sectors in the country.<sup>50</sup> It comes as no surprise that 62% of the 201 social enterprises surveyed by the PRESENT Coalition operate in the farming sector. These social enterprises are aiming to contribute to the poverty alleviation by offering products and services across the agricultural value chain, harnessing agricultural market intelligence, and improving the productivity in crop, livestock, dairy and other farming activities.<sup>51</sup> The sector has found itself among the priority areas for investment of some support organizations interviewed for this study, such as the Villgro Philippines and the Peace and Equity Foundation.
32. **The retail and commerce sector also saw a significant increase in social enterprise activity.** Aside from agriculture, PRESENT Coalition (2024) has also identified retail and marketing sectors with high concentration of social enterprise activity. Common to their business models is their community-based approach of capacitating marginalized groups to produce goods and employing innovative branding skills to sell high quality products. Rags2Riches concretely demonstrates this development approach through engaging a community of women in Payatas, Manila to produce high quality and stylish bags, apparels, and home decor out of rugs. These women get a substantial return from the sales of these products and are eventually empowered to own the production side of the enterprise.<sup>52</sup>
33. **Social enterprises providing financial services commonly operate as microfinance institutions.** Microfinance institutions (MFIs) may be considered as social enterprises as they provide flexible financial terms for resource-poor, low-income borrowers. Furthermore, MFIs are indirectly serving social enterprises with small-scale operations.<sup>53</sup> Among the economic sectors, social enterprises in the financial sector receive greater support from impact investors. They are able to attract investments as they are often in a mature state.<sup>54</sup>
34. **Social enterprises in the education sector are focused on vocational training and skills development.** Their development approach is anchored in the provision of skills training for marginalized groups for them to maximize job and livelihood opportunities. Their training modules are designed to assist these groups to land jobs in service industries like food, hospitality and customer relations.<sup>55</sup> Bagosphere, a Bacolod-based social enterprise, is an example of a training provider in the Philippines that helps youth acquire skills in the Business Process Outsourcing (BPO) industry.<sup>56</sup>

50 Philippine Statistics Authority (2023). Fisherfolks and Farmers Remain to Have the Highest Poverty Incidences Among the Basic Sectors in 2021. <https://www.psa.gov.ph/content/fisherfolks-and-farmers-remain-have-highest-poverty-incidences-among-basic-sectors-2021>  
51 Asian Development Bank (2017). Are Social Enterprises the Inclusive Businesses of Tomorrow? Development Banks’ Perspective. <https://www.adb.org/sites/default/files/project-documents/46240/46240-001-tacr-en.pdf>  
52 ADB (2017). Page 17  
53 ADB (2018). Page 15  
54 British Council and PhilSEN (2017). Page 48  
55 ADB (2017). Page 18  
56 British Council (2015). Page 31

E. Social Enterprise Leadership

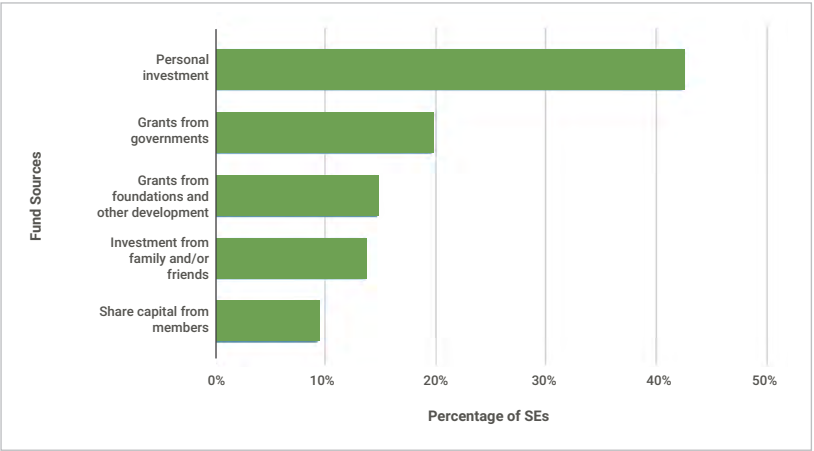
35. **More Filipinas are taking leadership roles in social enterprises.** There is an increasing trend on the number of women taking leadership roles in social enterprises. The study of PRESENT Coalition (2024) revealed that 58% of social enterprises in the country are women-led. Similarly, an earlier survey by the British Council found an almost equal share of men and women-leaders among the profiled social enterprises.<sup>57</sup> This close parity is consistent with the findings of the 2023 Global Gender Gap Index of the World Economic Forum where the Philippines ranked 16th and was deemed the most gender-equal country in Asia.<sup>58</sup> This composition is important to note because intermediaries often factor in gender in assessing the support to be provided to social enterprises.
36. **However, it is important to note that women-leaders are commonly found only in early-stage social enterprises.** The British Council and PhilSEN (2017) noted that more Filipinas are only involved during the early stage of the social enterprise.<sup>59</sup> This study did not explore the reason for the lesser involvement of women in more established social enterprises. In countries like the United Kingdom, USA, India, Pakistan and Brazil, the number of women at board level is decreasing as the size of the organization increases. They face barriers in terms of managing their operations as they mostly bear the brunt of family and time pressures compared to their male counterparts.<sup>60</sup> There might still be a lot of things to be done in order to achieve gender equality and women empowerment in the social enterprise sector. This may require an enterprise-level cultural and policy shift that would guarantee women a seat in the organizational board and ensure their full participation in decision making. Furthermore, capacity building programs for women entrepreneurs may not be enough to produce high-capacity leaders who can take executive roles. The knowledge gap in this area in the Philippine context is worth exploring.
37. **The social enterprise sector is attracting youth entrepreneurs.** British Council and UNESCAP (2021) revealed that half (51%) of the surveyed Philippine social enterprises are led by entrepreneurs in their early 40s or below. This is a younger demographic compared with CEOs of mainstream businesses who are 55 years old, on average.<sup>61</sup> Youth leadership among social enterprises seems to be a global phenomenon.<sup>62</sup> Young people are getting attracted to pursue vocations with positive social and environmental impact. Surveys have also revealed that young people today prefer managing their own enterprise rather than working as an employee. These youth aspirations, coupled with their inherent creativity and innovativeness, present a dual opportunity that would drive social entrepreneurship in the future.<sup>63</sup>

57 British Council and PhilSEN (2017). Page 14  
58 Michelle Abad (24 June 2023). Philippines improves in 2023 world gender equality ranking. In Philippine Institute for Development Studies. <https://www.pids.gov.ph/details/news/in-the-news/philippines-improves-in-2023-world-gender-equality-ranking>  
59 British Council and PhilSEN (2017). Page 42  
60 British Council (2017). Activist to entrepreneur: The role of social enterprise in supporting women's empowerment. [https://www.britishcouncil.org/sites/default/files/social\\_enterprise\\_and\\_womens\\_empowerment\\_july.pdf](https://www.britishcouncil.org/sites/default/files/social_enterprise_and_womens_empowerment_july.pdf)  
61 Romel, V. (2015). Half of the global CEOs are in their 50s. An article in Financial Times. <https://www.ft.com/content/226fbb53-1c36-32f0-ba15-414d8a807761>  
62 Schwab Foundation for Social Entrepreneurship and the World Economic Forum (2024). The State of Social Enterprise: A Review of Global Data 2013–2023 [https://www3.weforum.org/docs/WEF\\_The\\_State\\_of\\_Social\\_Enterprise\\_2024.pdf](https://www3.weforum.org/docs/WEF_The_State_of_Social_Enterprise_2024.pdf)  
63 OECD (2022). Unlocking the potential of youth-led social enterprises. <https://www.oecd.org/cfe/leed/social-economy/oecd-global-action/Youth-SSE-Executive-Summary-ENG.pdf>

F. Financial Profile

38. **Social enterprises are mostly financed through the owner's capital and external grants.** Social enterprises are either financed through internal (personal investment and profit from operation) or external sources (debt and equity financing as well as grants from resource institutions).<sup>64</sup> PRESENT Coalition (2024) found that the founders' own money or resources serves as their initial capital in establishing their social enterprises (See Figure 2). Meanwhile, financial grants from the government are their common source of external funding. Earning profit to finance their operation remains challenging especially for young social enterprises, thus reliance on grants for financial investment remains high. The least popular source of financing is commercial loan as social enterprises have reported difficulty in accessing this financial product due to collateral and credit worthiness requirements.<sup>65</sup>

Figure 2. Sources of initial capital for social enterprises



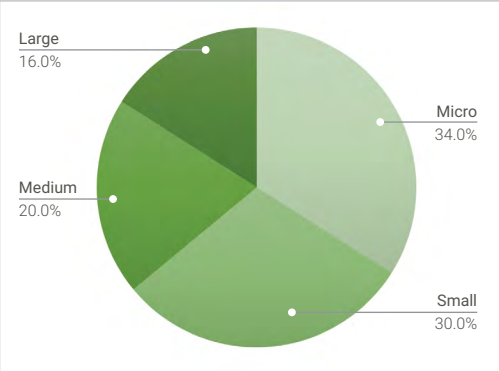
Source: PRESENT Coalition (2024)

39. **The type of financing varies depending on the maturity level of the social enterprise.** For early-stage enterprises, seed capital in the form of grant is crucial to kickstart their operations. Their reliance on grants eventually decreases as they become financially stable.<sup>66</sup> Their operation is sustained either through (1) reinvesting a certain percentage of their profits or (2) availing debt or equity financing as it is assumed that they already built their capacity to repay the investor.
40. **Almost two-thirds of the social enterprises are micro and small scale in terms of assets and number of staff.** The Magna Carta for MSMEs categorizes enterprises as micro if it has up to PhP 3,000,000 asset size, small if it has PhP 3,000,001 to Ph 15,000,000, medium if it has PhP 15,000,0001 to PhP 100,000,000, and large if it has over PhP 100,000,000 asset size.<sup>67</sup> Sixty four percent (64%) of social enterprises surveyed by the PRESENT Coalition (2024) are considered micro and small enterprises. Furthermore, most of the social enterprises generate a small number of jobs. In terms of the number of employees, over half (58%) of the surveyed social enterprises by PRESENT Coalition (204) manage less than nine employees and 30% have 10-49 employees, which according to the separate classification of Philippine Statistics Authority<sup>68</sup> are considered as micro to small

64 ADB (2017). Page 20  
65 British Council and PhilSEN (2017). Page 53  
66 ADB (2017). Page 20  
67 [https://lawphil.net/statutes/repacts/ra2008/ra\\_9501\\_2008.html](https://lawphil.net/statutes/repacts/ra2008/ra_9501_2008.html)  
68 The Philippine Statistics Authority (PSA) classifies an enterprise as micro if it has less than 10 employees; small, if it has 10 to 99 employees; and medium, if it has 100 to 199 employees. Exceeding these criteria, an enterprise is considered as a large enterprise.

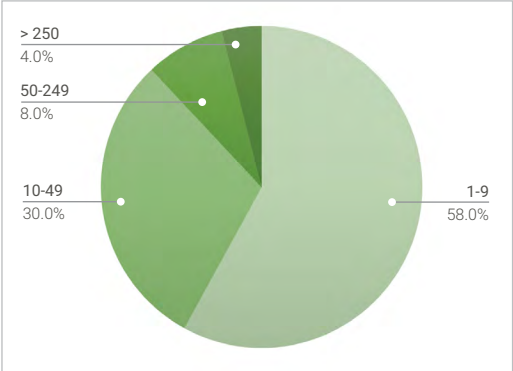
enterprises. Figures 3 and 4 present the proportion of social enterprises according to asset and number of employees.

Figure 3. Social enterprises by asset size



Source: PRESENT Coalition (2024)

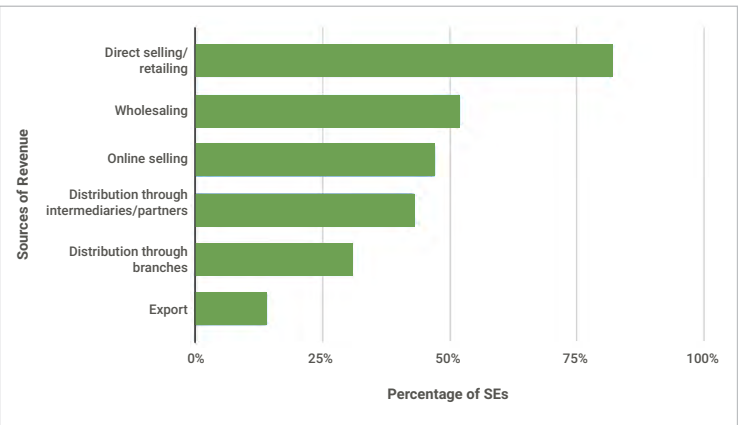
Figure 4. Social enterprises by no. of employees



Source: PRESENT Coalition (2024)

41. **Trading with the general public is the major source of revenue for social enterprises.** Recent survey done by ISEA and PRESENT Coalition (2020) has shown that social enterprises are mostly (82%) generating revenue from direct selling or retailing. Half (52%) of them are also engaged in wholesaling. Other modes of product or service distribution include online selling, distribution either through institutional partners or their branches, and export. Figure 5 shows the percentage of social enterprises engaged in various modes of product or service distribution.

Figure 5. Source of revenue of social enterprises



Source:  
ISEA and PRESENT Coalition  
(2024)

42. **Estimating the revenue earned by the social enterprises from these activities is challenging due to the lack of reliable and updated data.** Nonetheless, a survey done by the British Council and PhilSEN (2017) noted that social enterprises posted an average revenue of PhP 23.3 million in 2016.<sup>69</sup>
43. Looking at the entities with whom these social enterprises transact, a significant number of these enterprises are selling their products or services to individuals. Business transactions with private companies and institutional buyers— both government and non-government

69 The average exchange rate in 2016 is USD1=PHP 47.5. <https://www.exchangerates.org.uk/USD-PHP-spot-exchange-rates-history-2016.html>

institutions remain relatively few.<sup>70</sup> It can be inferred that a significant number of social enterprises still cannot effectively tap big institutional buyers due to their inability to scale up their production and meet the market's set product standards. Same reasons could be attributed to their limited capacity to export and participate in the global value chains. Like Philippine SMEs, early-stage social enterprises may be unable to achieve economies of scale to meet higher demands abroad and sell their products at lower prices. It requires greater assets and capital to scale up.<sup>71</sup> SMEs (which may also be experienced by social enterprises) are also having difficulty complying with regulatory requirements and quality standards both in the Philippines and market destinations abroad. It includes securing certification on the use of production processes such as the Good Manufacturing Practices (GMP) and Hazard Analysis Critical Control Point (HACCP), as well as Good Agricultural Practices (GAP) in the case of the agri-based enterprises.<sup>72</sup>

44. On public procurement, the majority of the social enterprises are still not able to participate in government procurement processes. Entry and participation remain relatively challenging due to the stringency and complexity of the process, numerous documentary requirements, and net financial contracting capacity thresholds which might be overwhelming to newcomers. Payment for completed procurement requirements often takes some time to be processed from the procuring entity's end which may affect the cash position of the social enterprises. Furthermore, competing with established suppliers with proven track records in government procurement is also a hurdle that needs to be addressed. This is echoed by the study conducted by the World Bank where it was found out that market regulations are one of the causes of reduced competition in the Philippine market which is further reflected in weak investor protection mechanisms and limited growth of the private sector.<sup>73</sup>
45. **Social enterprises are reporting profits with the surplus being reinvested to fund their social mission.** Sixty eight percent (68%) of the social enterprises are putting equal importance on both revenue generation and attainment of their social/environmental goals. The remaining 32% are putting more premium on achieving their social objectives over profit.<sup>74</sup> This observation will largely affect and is interconnected with the sustainability of the operations of social enterprises.
46. The profit earned by the social enterprises are reinvested in a variety of ways. It can be allocated for growth and development activities, funding third parties for social/environmental projects, rewarding its staff, capacity building of stakeholders and putting it as reserves, among others. Recent surveys showed that the majority of the profitable enterprises invest their surplus to growth and development and funding third parties for social/environmental projects.<sup>75,76</sup> This echoes the previously mentioned assertions on prioritizing the establishment of the operations to further their social and environmental missions. Interviewed support organizations underscored that the attainment of social objectives is still highly dependent on these enterprises' ability to become financially viable. Nearly half (47.5%) of the social enterprises are still reporting a net loss.<sup>77</sup> At the very least, social enterprises should keep an optimal mix of financial resources to be viable and able to support their social missions.

70 PRESENT Coalition (2024)  
71 Francisco, J., Canare, T. & Labios, J. (2019). Obstacles of Philippines SMEs' participation in global value chains. Philippine Institute for Development Studies Research Paper Series No. 2019-05. <https://pidswebs.pids.gov.ph/CDN/PUBLICATIONS/pidsrp1905.pdf>  
72 Francisco, J., Canare, T. & Labios, J. (2019). Page 21  
73 Page 29. <https://documents1.worldbank.org/curated/en/853041563828559514/pdf/Philippines-Assessing-the-Effectiveness-of-MSME-and-Entrepreneurship-Support.pdf>  
74 British Council and PhilSEN (2017). Page 49  
75 British Council and UNESCAP (2021). Page 47  
76 British Council and PhilSEN (2017). Page 50  
77 British Council and UNESCAP (2021). Page 46

G. Social Impact

- 47. **Smallholder farmers and farm laborers are getting most of the support from the social enterprises.** Across various studies, social enterprises have consistently reported giving top support to smallholder farmers, fisherfolk, and agricultural workers. This indicates that through the years, the majority of the social enterprises in the country remained committed to tackling the perennial problem of poverty in the agriculture sector. The other most common groups of beneficiaries include local communities, and community-based organizations. In terms of social groups, many social enterprises are drawn towards supporting women, though others are catering to other vulnerable groups such as indigenous people, children and youth, and people with disabilities.
- 48. **These beneficiaries are engaged by the social enterprises as their partners for development.** The latest study by PRESENT Coalition (2024) revealed that over half (62%) of the surveyed social enterprises are partnering with their target communities for mutual benefits, while 56% of them said that they are tapping these communities as co-owners or members of the enterprise. Their relationship with the poor and marginalized communities seems to have changed since the ISEA and PRESENT Coalition study in 2020, when most of the social enterprises reported engaging them as workers or suppliers/ producers.
- 49. **Impact measurements are still adopted on a limited scale.** Data from the British Council and PhilSEN (2017) shows that sixty six percent (66%) of the surveyed social enterprises in the country are recording their social or environmental impact. Yet, their number is still few compared with the number of Singaporean and Malaysian social enterprises practicing impact measurement.<sup>78</sup> The capacity of Philippine social enterprises in this area is still limited. Incorporating impact measurement requires financial and human resources to carry out and its alignment with the needs of the investors are crucial in order to tap funding support.

78 British Council and UNESCAP (2021). Page 37

H. Strengths and Weaknesses

- 50. **Strengths.** Social enterprises in the Philippines possess several strengths that contribute to their sustainability and potential impact:
  - a. **As a source of innovative and creative solutions to social problems.** Many social enterprises in the Philippines innovate by developing new products, services, or business models that address local needs and gaps in the market, fostering creativity in problem-solving. New Generation SEs, in particular, have incessantly showcased their innovative skills in developing products and services that could spur generate local employment, promote inclusivity, and preserve local heritage. This unique quality of social enterprises over traditional for-profit enterprises makes them a viable platform for government’s poverty reduction and sustainable development efforts.
  - b. **Possess a growing niche market.** Social enterprises are largely serving those ethical and environmentally conscious consumers which are seen growing in numbers. In a recent study by Kantar Philippines, 77% of Filipinos expressed their willingness to purchase eco-friendly products, while 61% said they would consume ethically sourced products.<sup>79</sup> Beyond willingness to buy, the Consumer Report Philippines 2023 published by Standard Insights revealed that many Filipino consumers (66.3%) have made an actual purchase of products and services in support of the businesses’ eco-friendly and ethical practices.<sup>80</sup> This supports the claim of one of the interviewed resource institutions that there is indeed a rise in conscious consumerism in the country and that the social enterprises are in the best position to take advantage of this niche market.
  - c. **Access to partnership and dedicated support, specifically from non-government institutions.** The multiple bottom-line approach of social enterprises has attracted support from and partnership with different institutions genuinely advocating for sustainable development. Collaboration often works through mutually beneficial exchanges. Social enterprises offer a solid familiarity of local setting, agility and innovative capacity, while resource institutions and the private sector provide financing support, access to network, and other development support. Compared with traditional enterprises, social enterprises also qualify for support from both the government and non-government institutions dedicated to supporting them, allowing them to maximize various programs for their development.
- 51. **Weaknesses.** Just like typical businesses, social enterprises are also confronted with challenges in business operations (i.e., marketing, financial, and human resource), though there are few weaknesses unique to them. Past surveys have shown that these weaknesses are mostly observed among young social enterprises. These are discussed in detail below.
  - a. **Poor financial management.** The weak financial health of young social enterprises may also be attributed to a lack of managers with solid experience and expertise in making sound financial decisions. Newly established enterprises cannot also afford accountants or skilled bookkeepers who can prepare financial reports, which are one of the necessary documents to avail funding support from formal credit sources.<sup>81</sup>

79 Ron Jabal (07 March 2023). Mainstreaming conscious consumerism. An article in Business World  
80 Standard Insights (2023). Consumer Report Philippines 2023. <https://standard-insights.com/blog/rise-of-environmental-sustainability-in-the-philippines/>  
81 As observed in the social enterprises supported by one of the interviewed organizations.

- b. **Lack of investment-ready social enterprises.** In relation to the previously discussed weakness, many social enterprises are also struggling to secure adequate funding due to challenges in demonstrating financial sustainability or accessing appropriate financing options. They lack capabilities in ascertaining their capital requirement, the timing of accessing funding support and possible venues to outsource capital, which signals their insufficient readiness to receive financial investments.<sup>82</sup> Compared with mature social enterprises, founders of young startups have limited knowledge on where to locate a network of funders who are willing to support them financially given their maturity level.
- c. **Inability to acquire and retain quality talents.** Two of the interviewed resource organizations shared that some of the young social enterprises they support are having a hard time getting and keeping the right talent for the organization. With limited financial resources, especially in the case of early-stage enterprises, it is difficult for them to offer compensation packages that are at par with established companies or organizations. Also, there is a limited pool of applicants with business background and experience in nonprofit organizations,<sup>83</sup> which is seen to be a highly preferred qualification. Only those mature and successful social enterprises in terms of size and scale can afford to hire people with corporate experience.<sup>84</sup> Once competent talents have been hired, retaining them is another challenge due to the organization's lack of structured processes and professional development opportunities, among others. The absence of quality personnel in the enterprises is contributory to the difficulty in achieving scale and readiness to take external investments.<sup>85</sup>
- d. **Inability to measure impact.** Social enterprises have limited capacity and financial resources to measure their social impact. They also perceived the process as complex and resource intensive. The data requirement, collection, and analysis vary across different maturity levels. At the earlier stages, social enterprises are more concerned with gauging their product and business model development. The demand for more data on their impact on their beneficiaries increases as they attempt to further develop their operation and attract investors and stakeholders through their impact stories. Time series data would also be useful in measuring the impact of those social enterprises that have already been operating for several years.

Their inability to carry out such an important aspect of their operation may lead to missing investment opportunities from impact investors, misgauging the true impact of their activities, and losing the trust of investors, support institutions and other stakeholders.<sup>86</sup>

- e. **Tendency to Mission Drift.** Operating a social enterprise presents an inherent challenge in balancing dual or multiple objectives. Issues arise when an organization's pursuit of financial targets starts to overshadow its social/environmental mission—hence the so-called “Mission Drift”. Multiple support organizations mentioned during the interviews that the loss of the social enterprise's identity can stem from their dire need to sustain and prioritize the survival of their operation. This action may damage the

82 ADB (2017). Page 24

83 Raymund Habaradas (2022). Social Entrepreneurship: Conceptual Definition, Brief Literature Review and Some Examples from the Philippines. <https://www.adb.org/sites/default/files/institutional-document/826606/adou2022bn-social-entrepreneurship-definition-philippines.pdf>

84 British Council (2015). Page 28

85 ADB (2017). Page 26

86 ADB (2018). Page 64

reputation of the enterprise and can lead to the withdrawal of support from donors and support institutions.<sup>87</sup>

- f. **Weak engagement and support from members.** Building the trust and cooperation of the members can be challenging, especially for social cooperatives. Resistance and loss of interest from the members may emerge from failure to address their needs, unresolved management conflicts, and corrupt practices of officials. Since membership is voluntary, detaching from the organization is relatively easy.
- g. **Vulnerability to climate and economic crises.** The impact of climate and natural hazards (e.g., drought and typhoon), compounded by the COVID-19 pandemic, are exposing the vulnerability and weak resilience of social enterprises in the country. An action research conducted by ISEA and PRESENT Coalition (2020) during the initial year of the pandemic found that the majority of the social enterprises have reported decrease or loss of revenue due to the local economic downturn. Most of the affected are small-scale enterprises. Established ones, on the other hand, were able to bounce back quickly through process and marketing innovations.

Even after the pandemic, natural disasters continuously pose a threat to the sustainability of their operation. Specifically, agri-based enterprises such as social cooperatives continue to bear the brunt of disaster impacts as they face production losses and local market disruptions.<sup>88</sup>

87 Mission Drift. [https://www.4lenses.org/setypology/mission\\_drift/](https://www.4lenses.org/setypology/mission_drift/)

88 ISEA and PRESENT Coalition (2020). Inclusive and Innovative Pathways to COVID19 Recovery: Social entrepreneurship as strategy in leaving no one behind and building back better in the Philippines. <https://philippines.oxfam.org/latest/policy-paper/social-enterprise-action-research-sear-report>



## IV. FSSI’s Support to Social Enterprises

52. FSSI uses the triple bottom lines (3BL) to extend its support to its partner social enterprises which aim to complement both the financial requirements of the social enterprises for their operations and their social requirements. Harvard Business School (HBS) identifies profit generation as the standard “bottom line” for enterprises alongside the consideration of social and environmental impact in their operations as the other two bottom lines.<sup>89</sup> This concept can be further broken down into three P’s: profit, people, and the planet which enterprises can use as a benchmark on how they can integrate sustainable practices in the value chain while setting sight in making a profit. In the context of FSSI’s adoption of the 3BL concept for social enterprise development, social enterprises must first be able to satisfy the profit requirement followed by the compliance to either the people or the planet requirement during the commencement of the partnership in order for them to qualify with the support. FSSI then helps the social enterprises develop their targets in accordance with the 3BL approach and these social enterprise-determined targets are then fine-tuned and monitored during the course of the partnership.
53. HBS underscored that the 3BL does not assert to prioritize people and planet over profit, but there must be a complementation between these factors. While some argue that the 3BL is an idealistic theory in a capitalist economy, HBS emphasized that most innovative enterprises have committed to this idea and have generated the financial benefits through its sustainable practices. It has also been identified that the use of the 3BL approach is mostly for the internal processes of an enterprise and the external manifestation if this is reflected in the environmental, social, and governance (ESG) metrics, a third-party metric that gauges the use of sustainable practices in the operation of an enterprise.<sup>90</sup> Various studies have also highlighted the importance of the ESG metrics in guiding the investors and intermediaries in making investment decisions since it has been established that positive ESG metrics are correlated to better financial returns.
54. **In recent years, FSSI has poured investments mostly into Luzon-based social enterprises** as seen in Table 4. It is also interesting to note that in 2023, there were three (3) social enterprises supported that operate on a national scale.<sup>91</sup> The allocation of funding per geographic location is consistent with the geographic distribution of social enterprises based on the study of the PRESENT Coalition (2024).

**Table 4.** FSSI development portfolio per geographical area (in million pesos)

| Geographical area | 2023          | Percentage | 2022          | Percentage |
|-------------------|---------------|------------|---------------|------------|
| Luzon             | 100.32        | 35         | 91.92         | 36         |
| Visayas           | 39.03         | 14         | 40.27         | 16         |
| Mindanao          | 79.56         | 28         | 63.14         | 25         |
| National          | 65.00         | 23         | 60.00         | 23         |
| <b>TOTAL</b>      | <b>283.91</b> | <b>100</b> | <b>255.33</b> | <b>100</b> |

Source: Data from FSSI

<sup>89</sup> <https://online.hbs.edu/blog/post/what-is-the-triple-bottom-line>  
<sup>90</sup> <https://online.hbs.edu/blog/post/what-is-the-triple-bottom-line>  
<sup>91</sup> FSSI Annual Report 2023 [Pre-print]. Page 7

55. **Cooperatives take the bulk of the share in terms of loans provided by FSSI** as seen in Table 5. This is consistent with the observation that 48% of the 46 social enterprise partners of FSSI are cooperatives. This is further confirmed by the findings of the PRESENT Coalition (2024) and the British Council & PhilSEN (2017), that cooperatives are the most common form of social enterprise due to its underlying advantages and as expected, funding organizations like FSSI, have mostly supported cooperatives. This can be attributed to the relatively high trust credited to cooperatives since they have also been established and regulated under the Cooperative Development Authority (CDA). Furthermore, the structure of cooperatives offer confidence to investors in terms of repayment and expansion abilities due to the perks associated with the cooperative identity and relative ease of establishment.

**Table 5.** FSSI loans per type of ownership (in million pesos)

| Legal Form            | 2023          | Percentage | 2022          | Percentage |
|-----------------------|---------------|------------|---------------|------------|
| Cooperative           | 73.87         | 44         | 70.83         | 43         |
| Sole Proprietorship   | 22.60         | 13         | 32.96         | 20         |
| Non-stock Corporation | 37.45         | 22         | 28.37         | 17         |
| Stock Corporation     | 26.40         | 16         | 26.78         | 16         |
| Partnership           | 7.14          | 4          | 6.93          | 4          |
| <b>TOTAL</b>          | <b>167.47</b> | <b>100</b> | <b>165.88</b> | <b>100</b> |

Source: Data from FSSI

56. Non-stock and stock corporations rank next to cooperatives in terms of the funding support. Non-Stock and stock corporations take up 20% and 9% of the social enterprise partners of FSSI, respectively. Together with the cooperative, non-stock corporations have been classified as a legal form which exhibits maturity in their operations. Engaging with non-stock corporations and cooperatives is a common practice with intermediaries and is a strategic move due to often associated confidence with these legal forms.
57. It is also noteworthy that single proprietorships share between 13% to 20% of the portfolio. Sole proprietorships take up 22% of the social enterprise partners of FSSI. Further scrutiny of these percentages reveals that these translate to a large individual number of supported social enterprises.
58. **Loans take up between 50% to 80% of the development portfolio of FSSI in a fiscal year.** Loans have been the prevailing fund release to partner social enterprises. As of March 2024, the development portfolio of FSSI is 49% loans, 42% deposits, 3% equity, and 6% IW co-investments loans, maximum of 40% deposits, and maximum of 10% equity.<sup>92</sup>
59. In 2023, 15% of the development portfolio was allocated to the Investing in Women (IW) Co-investments which is a good addition and area for expansion in the services offered by FSSI. Table 7 further digests the amount allocated for this project. The IW Co-investments is

targeting women-owned and -led social enterprises (WSEs) which is in consonance with the findings of the PRESENT Coalition that 58% of the social enterprises in the country are led by women. One of the objectives of the project is to scale up the WSEs, which directly contribute to increased economic participation of women as employees and entrepreneurs. It is good that in laying out the base of the project, FSSI has capacitated the WSEs in sustainable competitive and responsible enterprise, gender inclusion, and leadership and coaching skills.

**Table 7.** Investing in Women Co-Investments (in million pesos)

| IW Co-investments      | Amount Invested |              |             |
|------------------------|-----------------|--------------|-------------|
|                        | 2023            | 2022         | 2021        |
| Loans                  | 18.66           | 7.60         | 0.00        |
| Developmental Deposits | 24.41           | 17.43        | 7.00        |
| <b>TOTAL</b>           | <b>43.07</b>    | <b>25.03</b> | <b>7.00</b> |

Source: Data from FSSI



## V. Support for Philippine Social Enterprises

### A. Government Policies and Programs

60. The government offers a variety of support to MSMEs in the form of financing, capacity development, technical assistance, market development, and infrastructure to MSMEs. A study commissioned by the Asian Development Bank (ADB) has acknowledged that the examination of the assistance provided to MSMEs is crucial since support directed to MSMEs will also directly or indirectly impact social enterprises.<sup>93</sup> This is in recognition that MSMEs and social enterprises share joint characteristics in terms of enterprise management and performance, but underscoring that for social enterprises, revenues are used to finance social objectives.<sup>94</sup> Currently, there is no structured policy which targets social enterprises in the Philippines.
61. There are several government agencies that are mandated to provide support to MSMEs. These agencies include the Department of Trade and Industry (DTI), Department of Agriculture (DA), Department of Science and Technology (DOST), Department of Agrarian Reform (DAR), and the Department of Social Welfare and Development (DSWD). The following sections describe the various programs and initiatives of these agencies in developing the enterprises. Figure 6 also summarizes their services and support.
62. Government support for MSMEs is concentrated mostly in the areas of financing and capacity building. There are also few agencies with mandates to establish public infrastructure. It can be inferred from these services and support that there is a need to foster coordination and alignment among these agencies to better support MSMEs. An international resource institution interviewed for this study noted that there are government programs that overlap in terms of activities and target beneficiaries. Agencies such as DA

**Figure 6.** Government institutions in the Philippines and services provided to the MSMEs

| Government Institution | Financing | Capacity Building | Technology transfer | Market Development and Assistance | Infrastructure |
|------------------------|-----------|-------------------|---------------------|-----------------------------------|----------------|
| DTI                    | •         | •                 | •                   | •                                 | •              |
| DA                     | •         | •                 | •                   | •                                 | •              |
| DSWD                   | •         |                   |                     |                                   |                |
| DAR                    | •         | •                 | •                   | •                                 | •              |
| DOST                   | •         | •                 | •                   |                                   |                |
| CDA                    |           | •                 |                     |                                   |                |

Source: Consultants

<sup>93</sup> Asian Development Bank. Technical Assistance Consultant's Report. Philippines: Knowledge Development Support for Southeast Asia - Roadmap for Strengthening Social Entrepreneurship in the Philippines

<sup>94</sup> Ballesteros and Llanto (2017). Strengthening Social Enterprises for Inclusive Growth: Philippines. Philippine Institute for Development Studies.

and DENR implement similar programs that provide production support and construct farm-to-market roads, irrigation facilities, and other infrastructure that both cater to farmers. Only that the latter is focused on the farming agrarian reform communities. The DA, with a development thrust to develop the value chain of agri-based enterprises and cooperatives, are providing post-production support (in processing, marketing and logistics) which are also under the purview of DTI.

63. **Financing.** Grants from the government comprise 20% of the source of finance for social enterprises based on the survey conducted by the British Council.<sup>95</sup> In 2023 alone, The Department of Budget and Management (DBM) allotted PhP 1.2 billion to fund various MSME programs, consistent with the MSME Development Plan of DTI.<sup>96</sup>
64. The DTI is at the forefront of implementing financing support programs to enterprises. The Magna Carta for MSMEs or Republic Act 9501 provided a categorical definition of MSMEs and has set the benchmark for the eligibility of entities for government assistance. Under this law is the microcredit financing scheme which is implemented by DTI's Small Business Corporation (SBCorp), and it has various MSME financing programs that can be tailored to the specific needs of the enterprise. One such program is Pondo sa Pagbabago at Pag-asenso (P3) which targets micro-enterprises to encourage them to divest from resorting to unfair and detrimental loans such as the 5-6 scheme. Under this program, micro-enterprises are provided with loan amounts of up to PhP 200,000 with an effective interest rate of 2.5% per month based on a diminishing balance of the principal. Furthermore, under Republic Act No. 10644 or the Go Negosyo Act, a start-up fund directly catering to MSMEs was established, and it is used for the financing and development of priority sectors.
65. The Landbank of the Philippines, government financial institution, has dedicated loans products that cater to general / small and medium enterprises. Its support to entrepreneurs can be traced to its varied lending programs including term loan facility which is the provision of capital expenditures, working capital and liquidity support facilities which is the support to the daily operations of the enterprise, farm tourism financing program which can cater to social enterprises operating under the hospitality and tourism sector, and the Emerging Female-Initiated Livelihood and Investment Projects via INclusive Financing to Accelerate Entrepreneurial Growth (FILIPINA) Lending Program which targets the women-led enterprises.<sup>97</sup>
66. RA 9178, otherwise known as the "Barangay Micro Business Enterprises (BMBEs) Act of 2002" aims to strengthen and mainstream micro-enterprises from the barangay level. Provisions of this law include the exemptions of BMBEs from income tax for income generated from its operation and the Minimum Wage Law as long as employees still receive social security and health benefits. BMBEs are also granted priority to a special credit window directed for their financing and operational requirements. These special credit windows, however, were reported to be non-operational in most areas which makes this policy a failure to address the accessibility of loans to BMBEs.
67. The Agriculture Credit Policy Council of the Department of Agriculture has an agri-negosyo loan program that finances capital requirements of marginalized small farmers and fisherfolk that are organized as sole proprietors, partnership, corporations, and cooperatives. It offers loans of up to PhP 300 thousand for micro agri-negosyo loans and up to

95 British Council and PhilSEN (2017)

96 <https://www.dbm.gov.ph/index.php/management-2/327-dbm-msme-programs-to-get-p1-2b-funding-assistance-under-2023-gaa>

97 <https://www.landbank.com/loans/business-loan/generalsmall-medium-enterprises>

PhP 15 million for small agri-negosyo loans. Both loan programs can be accessed through Government Financial Institutions (GFIs) and Non-Government Financial Institutions (NGIs) with zero percent interest and payment terms of up to five years, which makes these an advantageous option for micro and small enterprises operating in the agriculture sector.<sup>98</sup>

68. The Republic Act 11901 or The Agriculture, Fisheries and Rural Development Financing Enhancement Act of 2022 repealed RA 10000 or the Agri-Agra Reform Credit Act of 2009 and aims to enhance the delivery of agriculture, fisheries, and rural development financing. This law tasked financial institutions to provide a better financing system for agri-based micro, small, and medium enterprises (MSMEs) by introducing products and services that are suited to their needs.<sup>99</sup> One key feature of this law is the provision of financing to the agriculture sector regardless of capitalization which can spur the development and operationalization of MSMEs, particularly start-ups.
69. **Technology Transfer.** Under the BMBE Act of 2002, various agencies were mandated to implement programs in technology transfer for MSMEs. This includes the DTI and the DOST in which the implementation of some of their programs emanated from.
70. Under the Go Negosyo Act, MSMEs can avail of technology transfer programs through the Negosyo Centers which can be accessed and located in strategic areas. Data from the DTI reveals that there are 1,383 Negosyo Centers established all throughout the country which also promote ease of doing business and ensure that MSMEs can easily access services for their growth and development.<sup>100</sup>
71. The Department of Science and Technology (DOST) is implementing the Small Enterprise Technology Upgrading Program (SETUP) which targets the technological needs of MSMEs in terms of appropriate industry-level interventions. Through SETUP, value addition to the products and services of the beneficiaries are achieved by utilizing and customizing the technology to enhance competitiveness and productivity. The program has even evolved into SETUP 4.0 which integrates the response to the COVID-19 pandemic with the end goal of attaining a vibrant MSME sector under the themes of innovation, resilience, sustainability and global competitiveness.<sup>101</sup>
72. For the MSMEs operating under the agriculture sector, the DA provides interventions through the provision of farm inputs and agricultural and fishery machinery and equipment. As envisioned in RA 8335 otherwise known as the Agriculture and Fisheries Modernization Act of 1997, the agricultural sector which is often regarded as one of the poorest sectors will be supplied with poverty alleviation and social equity programs and projects. This includes the implementation of basic and support services as well as the provision of appropriate agricultural machinery.<sup>102</sup> The machinery provided to beneficiaries ranges from production to post-harvest interventions which are location-specific and cost-effective with the goal of spurring productivity. Requests for the provision of agricultural and fisheries machinery can be processed through the regional field offices of the DA with a prerequisite endorsement from the city or municipal agriculture office. Only requests from established farmers and fisherfolk cooperatives, associations, and agrarian reform beneficiary organizations are accepted for validation and further scrutiny.

98 <https://acpc.gov.ph/agri-negosyo-loan-program-anyo/>

99 [https://lawphil.net/statutes/repacts/ra2022/ra\\_11901\\_2022.html](https://lawphil.net/statutes/repacts/ra2022/ra_11901_2022.html), <https://www.dof.gov.ph/diokno-welcomes-the-enactment-of-agri-agra-law-amendments/>

100 <https://www.dti.gov.ph/negosyo/negosyo-center/reports/>

101 <chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.ukdr.uplb.edu.ph/cgi/viewcontent.cgi?article=4941&context=journal-articles>

<https://sdgs.un.org/partnerships/small-enterprise-technology-upgrading-program-40-setup-40>

102 <https://www.da.gov.ph/wp-content/uploads/2016/11/afma.pdf>

73. **Market Development and Assistance.** The DTI, through its One Town, One Product (OTOP) program assists MSMEs in mainstreaming and establishing local products that can be attached to the identity of a specific location. It also conducts Go Lokal! trade fairs which highlight locally manufactured products.
74. The Department of Agriculture's Agribusiness and Marketing Assistance Service (AMAS) is the agency's arm in the development and promotion of enterprises and providing linkages between producers, traders, and investors.<sup>103</sup> It also provides technical support to organizations by examining product and consumer demands, ensuring access to postharvest facilities, credit sources, and value-adding technologies in order to expand market reach and promote products. AMAS has consistently encouraged investment in agribusiness, particularly commodities with low capital requirements but with high return of investment.<sup>104</sup> One of DA's foreign-assisted projects is the Philippine Rural Development Project (PRDP) which is funded by the World Bank (WB), and aims to promote inclusive growth through broad-based and market-oriented rural agro-industrial development. One of its components is enterprise development which strengthens linkages between DA and LGUs to identify strategic value chains and investments are provided in key agricultural products in the area.<sup>105</sup>
75. The Department of Social Welfare and Development (DSWD) is implementing the Sustainable Livelihood Program which allows marginalized communities, especially Pantawid Pamilyang Pilipino Program (4Ps) beneficiaries, to consolidate into groups and undergo a micro-enterprise development track with the end-goal of self-sustainability. From DSWD's end, the groups are regularly monitored and linked with industry experts, financial coaches, and credit assistance.<sup>106</sup>
76. **Capacity Building.** The DTI, through its training arm, the Philippine Trade Training Center (PTTC) is implementing a wide range of capacity-building activities for MSMEs including food processing and manufacturing, human resource development, operations and financial management, and technical adoption. Apart from its regular programs under its helm, the DTI has teamed up with its institutional partners such as the Philippine Center for Entrepreneurship (PCE) which capacitates MSMEs through a program composed of three tiers which include Mentor ME (microenterprises), Adopt-an-SSF (shared service facility), and Inclusive Business (IB). This mentorship program cuts across the value chain which ranges from product development up to marketing. Mentees are trained to upscale their operations, mainstream local products, and link with industry players.<sup>107</sup>
77. Under the Go Negosyo Act, Negosyo Centers shall develop mentoring programs in partnership with local chambers of commerce and other business organizations with the goal of equipping prospective and current entrepreneurs with the essentials of operating an enterprise.<sup>108</sup>
78. The University of the Philippines Institute for Small-Scale Industries (UP ISSI) which was established through RA 6041 is mandated to conduct training in the field of small and medium-scale Philippine industries.<sup>109</sup> It also undertakes research on the promotion of

<sup>103</sup> <https://www.da.gov.ph/about-us/staff-offices/>

<sup>104</sup> <https://acpc.gov.ph/da-amas-da-acpc-encourage-filipinos-to-invest-in-agribusiness/>

<sup>105</sup> <http://prdp.da.gov.ph/about-us/major-components/>

<sup>106</sup> <https://www.dswd.gov.ph/programs/sustainable-livelihood-program/about-the-sustainable-livelihood-program/>

<sup>107</sup> <https://www.dti.gov.ph/negosyo/kapatid-mentor-me-project/>

<sup>108</sup> Section 4j of RA 10644. [https://lawphil.net/statutes/repacts/ra2014/ra\\_10644\\_2014.html](https://lawphil.net/statutes/repacts/ra2014/ra_10644_2014.html)

<sup>109</sup> <https://elibrary.judiciary.gov.ph/thebookshelf/showdocs/2/17581>

small and medium-scale industries. It currently offers training courses on supervision and leadership, accounting, data analytics, and marketing and operations.<sup>110</sup>

79. The Cooperative Development Authority (CDA) which was reorganized through RA 11364 or the Cooperative Development Authority Charter of 2019 is mandated to implement training programs to provide cooperatives and their members with technical and entrepreneurial skills to effectively manage their operations and ensure viability and growth. The CDA is implementing the Koop Kapatid Program which allows micro and small cooperatives to enter into a memorandum of agreement with medium and large cooperatives to equip the former with management, financial, and technical skills through consultancy, coaching, and advisory services.<sup>111</sup>
80. The Technical Education and Skills Development Authority (TESDA) conducts training courses under their enterprise-based programs which include apprenticeship, learnership, and dual training system.<sup>112</sup> The agriculture and manufacturing sectors were identified as priority sectors under TESDA's National Technical Education and Skills Development Plan (NTESDP) 2023-2028 which aims to develop urban and rural communities through enterprise-based TVET programs.<sup>113</sup>
81. In terms of the government's collaboration with the private sector, QBO Innovation Hub is a vision concretized through the collaboration between DOST, DTI, IdeaSpace, and J.P. Morgan. It was conceptualized in 2016 and operates under a shared goal of assisting startups, establishing the network of partners, and utilizing technology and innovation in achieving sustainable development and inclusive growth. Its main programs include investor matching, incubation program, consultation services, and feedback and mentorship sessions.<sup>114</sup> While the QBO Innovation Hub is not exclusively targeted for social enterprises, this platform is a viable avenue in promoting the growth and development of startups and is a good model for public-private partnerships.
82. **Infrastructure Support.** The DTI has established shared services facilities (SSFs) to expand the production capacities of neighboring MSMEs in a location while improving product quality and marketability. Aside from the physical infrastructure, tools and equipment are also provided, making SSFs a shared system where linkages are also established through sharing of best practices among the beneficiaries.<sup>115</sup>
83. The DA, through its Regional Field Offices, and other operating units has continuously constructed processing centers, cold storages, greenhouses, and market infrastructures to support MSMEs and cooperatives engaged in agriculture. This was institutionalized through the AFMA which takes into consideration the following parameters in the establishment of agriculture and fisheries infrastructure support services in a specific area: socio-economic contributions of the infrastructure, presence of agrarian reform beneficiaries and small farmers and fisherfolk, and absence of public investment.<sup>116</sup> Another of DA-PRDP's components is infrastructure development which aims to increase the volume of production through the establishment of infrastructures linking the farm and the market. This component integrates social and environment safeguards in the implementation and also includes improved health in its considerations through provision of water systems.<sup>117</sup>

<sup>110</sup> <https://beta.entrepreneurship.org.ph/2023/12/07/up-issi-training-calendar/>

<sup>111</sup> [https://cda.gov.ph/wp-content/uploads/2024/01/Koop-Kapatid-MC-2023-02-11x8.5\\_accordion\\_fold\\_brochure.pdf](https://cda.gov.ph/wp-content/uploads/2024/01/Koop-Kapatid-MC-2023-02-11x8.5_accordion_fold_brochure.pdf)

<sup>112</sup> <https://www.tesda.gov.ph/About/TESDA/38>

<sup>113</sup> <https://www.tesda.gov.ph/About/TESDA/47>

<sup>114</sup> <https://www.qbo.com.ph/about>

<sup>115</sup> <https://www.dti.gov.ph/negosyo/shared-service-facilities/>

<sup>116</sup> Page 7. <https://www.da.gov.ph/wp-content/uploads/2016/11/afma.pdf>

<sup>117</sup> <http://prdp.da.gov.ph/about-us/major-components/>

84. **Local Government Unit Initiatives.** Salonga (2020) pointed out that LGUs can be at the forefront of providing a favorable operating environment for social enterprises to thrive due to their strong familiarity of the local setting and can therefore fine tune policies through ordinances suited to the needs of the local social enterprises. It was also stressed that programs for social enterprises such as funding and capacity building should be anchored on the findings of monitoring and profiling mechanisms to ensure that interventions are need- and market-oriented.<sup>118</sup>
85. In the case of Quezon City, it has partnered with Bayan Innovation Group (BIG) and the Society for the Advancement of Professional Social Entrepreneurship (SAPSE) through a memorandum of agreement in implementing the “Tatak SE, Kabahagi Ka Sa QC” which aims to position Quezon City as the leading LGU in SE establishment, the model of which can be replicated by other LGUs. The program will identify and tap actors that will assist in the growth and development of social enterprises in the city while administering interventions that were previously laid out in the social enterprise roadmap. It was envisioned that through the program, people and community would be in harmonious interaction and that the quality of living of the marginalized would improve.<sup>119</sup> Additionally, the Quezon City Government has started implementing its Startup QC program which provides funding and mentoring to startup enterprises. Beneficiaries of the program which can either be professional or students can also expand their network and are linked with industry players. In the long run, the program aims to position Quezon City as a bright spot for emerging entrepreneurs through the provision of a business-friendly climate.<sup>120</sup>
86. A collaboration between the LGU of Libmanan, Camarines Sur, Mariners Polytechnic Colleges Foundation-Canaman, Tabang Bikol Movement, and the Central Bicol State University in Agriculture for the Social Enterprises Development (SED) Project was made to develop and institutionalize a social enterprise framework that can be used as a reference by other communities. This project specifically covers disaster survivors and aims to provide economic resilience and livelihood programs to them.<sup>121</sup>
87. Taoyuan City, a city in Taiwan, has been dubbed as Asia’s Social Business City due to its favorable environment in encouraging the growth of social businesses, social enterprises, and social innovation. This vision started in the development of Taiwan’s Social Enterprise Action Plan in 2014 and was centered on four main themes namely, law adjustment, platform building, subsidy, and advocacy. The city government also institutionalized a Social Business Center which is in charge of policy, training, incubation, and supervision of social enterprises in the city.<sup>122</sup> The tag “Social Business City” was conferred by Yunus Social Business Center University of Florence through its Action Research for Co-development (ARCO) after its evaluation yielded that Taoyuan City was able to produce 150 social enterprises through its programs and was able to tap various stakeholders, and most importantly, created a cultural reset among its citizens to venture into social enterprises instead of the usual for-profit enterprises.<sup>123</sup>

118 Salonga, Norby (2020). Creating an Inclusive Social Enterprise Ecosystem: A Policy Recommendation for the Growth of the SE Sector in the Philippines. [https://animorepository.dlsu.edu.ph/cgi/viewcontent.cgi?article=1117&context=res\\_aki](https://animorepository.dlsu.edu.ph/cgi/viewcontent.cgi?article=1117&context=res_aki)

119 <https://www.bayaninnovationgroup.org/news/tatak-se-kabahagi-ka-sa-qc-envisioned-as-social-entrepreneurship-model-for-igus-by-trish-lim-francia-bayan-family-of-foundations>

120 <https://quezoncity.gov.ph/departments/local-economic-investment-promotions-office/>

121 <https://www.bicolmail.net/single-post/igu-inks-pact-with-partners-to-promote-social-enterprise-dev-t>

122 <http://sbflorence.org/en/taoyuan-social-business-city-2/>

123 <https://www.pioneerspost.com/news-views/20221104/made-taoyuan-creating-asias-first-social-business-city>

88. The cases of Taoyuan City and Quezon City highlight the essential role of LGUs in creating a favorable operating environment and enacting policies that are specifically catered to the needs of the locality. By encouraging the growth of social enterprises, LGUs will not just encourage investment in their area, but will also aid SEs in achieving their social objectives which can bridge the gap between the government’s support to its citizens.
89. **Awards and Recognitions.** The DA, through the AMAS is implementing the Young Farmers Challenge: Kabataang Agribiz since 2021 which aims to provide young entrepreneurs with an avenue to showcase their agricultural and fishery innovations while encouraging the youth to continue venturing in agri-fishery enterprises. The program seeks business models that integrate food security and innovation in their operations. The participants are also provided with mentoring from industry experts in terms of marketing, value-adding, and scaling up their products. The prize granted to participants in each level of the program is seen to augment the start-up capital of the enterprises.<sup>124</sup>
90. The Presidential Awards for Outstanding MSMEs which are organized by the MSMED Council through the DTI aim to recognize MSMEs who were able to showcase excellence in their operations through growth, sustainability, innovation, and competitiveness.<sup>125</sup> There are two award categories which cater to small and medium enterprises and one awardee for each category is selected from Northern Luzon, Southern Luzon (including NCR), Visayas, and Mindanao.
91. Through these awards and recognitions, social enterprises are incentivized to develop their business model into an inclusive and sustainable business. The gathering of MSMEs into a single event can also be a benchmark for social enterprises to view and adopt the best practices of other established organizations. Monetary prizes granted to social enterprises can also be used as additional sources of funding which can be used to scale their operations.
92. **Other Programs and Issuances.** The Micro, Small, and Medium Enterprise Development Council (MSMEDC) which is composed of various national government agencies and private sector, women and youth representatives has issued Resolution No. 3, Series of 2021 “Recognizing Social Enterprises (SEs) as Partners in Poverty Reduction and Inclusive Recovery” which recognizes the pivotal role of social enterprises in bridging the gap of government interventions to its intended beneficiaries.<sup>126</sup> This landmark issuance puts social enterprises in the fabric of the government poverty alleviation programs which is crucial in the absence of an enabling law which provides an official definition of a social enterprise and the benefits that can be reaped from such categorization.
93. The Philippines has passed the RA 11032, or the Ease of Doing Business and Efficient Government Service Delivery Act of 2018 which requires all government instrumentalities to comply with the prescribed timeline in processing business and nonbusiness related simple, complex, or highly technical transactions. It amended RA 9485 or the Anti-Red Tape Act of 2007 and is aimed to reduce the bureaucratic red tape and processing. Section 11 of this act details the streamlined procedures in the registration and licensing of local businesses through the establishment of business one stop shop (BOSS) and utilization of electronic

124 <https://www.philstar.com/business/2021/06/11/2104756/da-seeks-competitive-youth-young-farmers-challenge-agribusiness-grant>

125 <https://www.dti.gov.ph/presidentialawards/>

126 <https://www.isea-group.net/news/story/msmedc-approves-its-resolution-on-recognizing-ses-as-partners-in-poverty-reduction-and-inclusive-recovery/#:~:text=The%20Micro%2C%20Small%2C%20and%20Medium,Meeting%20last%20December%2013%2C%202021>

portals and databases to ensure that existing and startup enterprises are provided with the least amount of time and resources in complying with the requirements.<sup>127</sup>

94. The IRR of RA 9184 or the Government Procurement Reform Act provides for the conduct of community participation in procurement. Appendix 35 of the IRR defines Community Participation as “Where, in the interest of project sustainability or to achieve certain specific social objectives, it is desirable in selected projects, or its components, to call for participation of local communities through Community or Social Groups, or members thereof in the delivery of Goods and Simple Infrastructure Projects.”<sup>128</sup> Negotiated Procurement - Community Participation (NP-CP) can be invoked if community-based projects are to be implemented to achieve specific social objectives that will benefit the community in terms of the generation of local employment, utilization of local human resource and technology, and promotion of local products. This mode of procurement allows flexibility for procuring entities to engage the involvement of organized or unorganized community or social groups (CSGs) in the direct purchase of goods including agricultural and fishery products or implementation of simple infrastructure projects subject to identified thresholds. These CSGs must be composed of groups of individuals who are residing near the community and must be established under a common social objective or agenda geared towards the development of the community.
95. Pursuant to RA 11337 or the Innovative Startup Act, the Philippine Startup Development Program is institutionalized which integrates programs, benefits, and incentives for both startup and startup enablers. The incentives given to entities who aim to develop innovative products, business models, or processes include subsidy for costs in registration and licensing and use of government facilities, streamlined intellectual property registration with the Intellectual Property Office of the Philippines (IPOPHL), and grants-in-aid for various purposes. This law also provided a categorical definition of startup enablers and the subsequent registration of these entities. One of the salient points of this law include the creation of the Philippine Startup Ecozones and the Startup Investment Development Plan which can be a game changer in the provision of an enabling environment for enterprises if properly implemented.<sup>129</sup>

127 [https://arta.gov.ph/wp-content/uploads/2020/07/RA.11032\\_Certified\\_True\\_Copy.pdf](https://arta.gov.ph/wp-content/uploads/2020/07/RA.11032_Certified_True_Copy.pdf)  
128 <https://www.gppb.gov.ph/wp-content/uploads/2024/04/Updated-2016-Revised-IRR-of-RA-No.-9184-as-of-15-April-2024.pdf>  
129 [https://www.dost.gov.ph/phocadownload/Downloads/Resources/IRR/IRR-R.A.-11337-Innovative-Startup-Act\\_signed.pdf](https://www.dost.gov.ph/phocadownload/Downloads/Resources/IRR/IRR-R.A.-11337-Innovative-Startup-Act_signed.pdf)

B. Non-government Support

96. In the Philippines, social enterprises receive dedicated support from various non-governmental organizations (NGOs) and foundations, capacity-builders, impact funders and financiers, academic institutions, and international organizations. Referred to as “intermediary support institutions” by some stakeholders, these organizations are instrumental in providing financial support, capacity building, networking opportunities, and advocacy for the benefit of social enterprises and their ecosystem.
97. Figure 7 presents the types of support provided by the intermediaries to the social enterprises in the country. It shows that capacity building is widely available across different intermediaries. Along with this type of support, some intermediaries have also endeavored to provide social enterprises with access to capital and investment opportunities. This bundle of assistance is necessary to ensure that the managerial and technical knowledge gained from skills training are immediately applied with the availability of capital and financial resources at their immediate disposal. Annex E provides additional information on the support provided by these organizations.
98. The lack of investment-ready social enterprises in the country can be linked to the limited number of intermediaries implementing incubation and business acceleration programs. Their services are crucial in developing social enterprises’ business models and linking them to prospective investors for scaling up. To the best of the consultants’ knowledge, IIX and Villgro Philippines are the only known support organizations with incubation-to-acceleration programs with direct partnership with networks of impact investors.

Figure 7. Active intermediaries in the Philippines and services provided to the social enterprises

|                    | Capacity Building | Access to markets | Incubator | Accelerator | Capital Raise | Investment Fund | Investment Platform |
|--------------------|-------------------|-------------------|-----------|-------------|---------------|-----------------|---------------------|
| Bayan Academy      | •                 | •                 | •         |             |               |                 |                     |
| BPI Sinag          | •                 |                   | •         |             |               |                 |                     |
| GK Enchanted Farm  | •                 |                   |           |             |               |                 |                     |
| FSSI               | •                 |                   |           |             | •             | •               |                     |
| IIX                | •                 | •                 | •         | •           | •             | •               | •                   |
| ISEA               | •                 |                   |           |             |               |                 |                     |
| SEDPI              | •                 |                   |           |             | •             |                 | •                   |
| PEF                | •                 |                   |           |             | •             | •               |                     |
| The Sparks Project | •                 |                   |           |             |               |                 | •                   |
| Villgro            | •                 | •                 | •         | •           | •             |                 |                     |

Source: Partially adopted from thr Impact Investment Exchange Asia (ADB, 2018)

99. **Enablers and Capacity Builders.** Early-stage social enterprises are at high risk of failure if not given the right development support. Business incubators, accelerators and workspaces are intermediaries that provide business development services, co-working spaces and access to information to these social startups as they attempt to scale their business models.<sup>130</sup> Some examples in the Philippines include Villgro Philippines, The Sparks Project, Gawad Kalinga's Enchanted Farm, and the Bank of the Philippine Islands' Sinag Program.
100. Incubators mimic a nurturing environment where early-stage social enterprises can test and refine their business models. Their incubation programs involve capacity-building workshops, mentoring services and field immersions to co-create their ideas with their target communities. It runs from months to years and incubatees are typically engaged on a cohort basis. Accelerators, on the other hand, provide the incubated enterprises with customized development support to level up their business models and build their investment worthiness. They provide necessary support to social enterprises in securing capital from investors.<sup>131</sup> Unlike incubators, accelerator programs are held on short and fixed durations.
101. **Case Example.**<sup>132</sup> The Villgro Philippines is one of the leading incubator-accelerators for social enterprises in the country. The organization operates in four high-impact sectors: agriculture, health, gender, and climate action. Mainly catered to a cohort of 5-10 social enterprises in their early growth stages, its incubation program is intended to pilot the social enterprise business models while the acceleration component aims to build their investment readiness. Its ISIP Social Impact Accelerator Program, which is funded by the Australian Government and co-implemented with Agency for Technical Cooperation and Development (ACTED) and UNDP Philippines<sup>133</sup>, provides social enterprises with access to expert advice, technical assistance in enterprise management, network of support from other institutions, and impact and gender-smart training, among others. On impact investing, Villgro Philippines has partnered with Xchange to establish the Impact Pioneers Network to pool capital resources from High-Net-Worth Individuals (HNWI), family offices, corporations and foundations and invest in impact-first enterprises.
102. In sum, early-stage social enterprises can count on these support organizations for their capacity development needs. Their curated enterprise development programs, innovative entrepreneurship instruction, and wide industry network are their strong suits. Contrary to the evaluation of ADB (2018), these institutions have recently managed to include capital raise and impact investing in their package of support through their built-in incubation-acceleration programs. This is aimed at facilitating the smooth transition from testing to scaling up of business models with support to immediate access to funding. Lastly, interviews with selected enablers and capacity builders revealed that little to no support is being provided to social enterprises in terms of impact measurement.
103. **Academia and Learning institutions.** Higher education institutions are leading actors in promoting social entrepreneurship as a relevant academic discipline. In the Philippines, several universities offer degree programs in this field. The De La Salle University Manila (DLSU) has recently piloted its Bachelor of Science in Social Innovation and Entrepreneurship program,<sup>134</sup> while Ateneo de Manila University (ADMU) has been

<sup>130</sup> British Council and PhilSEN (2017)

<sup>131</sup> ADB (2018)

<sup>132</sup> Interview with Villgro Philippines and online publications

<sup>133</sup> <https://www.isip-ph.com/isip-partners>

<sup>134</sup> <https://www.bworldonline.com/sparkup/2023/06/26/530412/benilde-opens-social-innovation-and-entrepreneurship-program/>

offering a Master in Entrepreneurship with a Social Entrepreneurship Development track.<sup>135</sup> These universities are also home to the pioneering centers for social entrepreneurship, the Lasallian Social Enterprise and Economic Development (LSEED) and the Ateneo Center for Social Entrepreneurship (ACSEnt). Both centers are engaged in research, education and training, and platform building for social enterprises. They are also both members of the PRESENT Coalition that are actively involved in pushing for the passage of the PRESENT Bill. In September 2023, LSEED and ACSent entered into a three-year partnership in promoting social entrepreneurship and sustainability among Higher Education Institutions (HEIs), organizing capacity building, and sharing of best practices.

104. **Case Example.**<sup>136</sup> The **Lasallian Social Enterprise for Economic Development (LSEED) Center** is a unit in DLSU responsible for promoting social innovation and entrepreneurship. The center collaborates with the different units in the university and its external partners for its curricular, internship, volunteerism, research and advocacy programs. As of this writing, the LSEED Center is implementing 35 local and international initiatives under its 12 major programs.
105. LSEED Center generally assists community-based enterprises across different economic sectors. Under its incubation-acceleration program, these enterprises are nurtured from formation until they reach the maturity stage. It has so far assisted over 70 social enterprises and takes pride in the 100% retention rate for all these enterprises, where the majority have already achieved a steady income stream within 2-3 years of operation.
106. In an interview with its Executive Director, the center shared its plan of expanding its incubation-acceleration program in terms of providing the currently assisted social enterprises with more opportunities for development to ensure a higher success rate. This would also entail connecting them to the right investors to scale up their operations. Furthermore, the center is looking at establishing its presence in other schools within the La Salle system. They are also working with other HEIs to initiate and develop programs in their bid to expand the network of actors and stakeholders in the social enterprise sector.
107. Apparently, social entrepreneurship as an academic course is still confined to big universities located in the key cities of the country. To date, only DLSU and ADMU in Manila, as well as the University of San Carlos in Cebu City have institutionalized centers dedicated to the promotion of social entrepreneurship. However, this report does not discount the fact that there are local universities and schools outside the metropolitan areas that are offering related academic programs. Formal courses on cooperative management and rural development are currently taught in schools like the University of the Philippine Los Baños, Benguet State University, Central Luzon State University, and Mariano Marcos State University, to name a few. Making courses on social entrepreneurship and other allied disciplines available to higher education institutions situated in provinces with high poverty incidence can potentially produce more local social entrepreneurs with solid familiarity with the needs of the community.
108. **Impact Funders and Investors.** Financing social enterprises is driven by either philanthropic objectives or by commercially motivated capital provision (i.e., equity or debt financing).<sup>137</sup> Common sources of financing include foundations and traditional banks, though there is growing popularity of raising capital through microfinance institutions, crowdfunding platforms and impact investors.<sup>138</sup>

<sup>135</sup> <https://gsb.ateneo.edu/programs/master-in-entrepreneurship-social-enterprise-development/>

<sup>136</sup> Interview with LSEED and online publications

<sup>137</sup> British Council and UNESCAP (2021).

<sup>138</sup> ADB (2018).

109. **Foundations.** Non-profit organizations in the form of Foundations are managing endowment funds and offering financial products for social enterprises. Their financial assistance and capacity building programs are tailored to the varying development levels of the social enterprises to jumpstart their projects. The Foundation for Sustainable Society, Inc. (FSSI) and the Peace and Equity Foundation (PEF) are examples in the country.
110. **Microfinance Institutions (MFI).** MFIs provide financial services intended for resource-poor entrepreneurs who don't qualify for typical bank financing due to lack of steady income source, collateral, and acceptable credit standing. As of the second quarter of 2023, there are estimated 7,064 microfinance institutions in the Philippines of which 139 are banks, 2,783 are credit cooperatives, 27 are microfinance NGOs, and 4,115 are financing and lending companies. Among these MFIs, only the microfinance NGOs qualify as SEPPs.<sup>139</sup> As of the second quarter of 2023, there are a total of 4,263 MFI NGOs (including head office and branches) serving some 6.6 million borrowers.<sup>140</sup> Since 2006, the National Confederation of Cooperatives or NATCCO has been implementing the Microfinance Innovation in Cooperative (MICOOP) to strategically reach poorer and unbankable enterprising individuals in areas with high poverty incidence.
111. **Case Example.**<sup>141</sup> The MICOOP Program is described in the NATCCO website as a program that “seeks to extend the reach of co-op microfinance services to the poorest of the poor who desire to engage in micro, small, and medium enterprises but have no access to formal lending institutions and/or are dependent on informal lenders who charge usurious loan rates.” The statement reflects MICOOP’s mission of helping the poorest of the poor through their integration into the formal financial sector. In operational terms, this also translates to the selection of areas for branching out: MICOOP is being implemented based on a scheme whereby NATCCO enters into a partnership with a viable and qualified co-op to help the co-op put up new branches or satellite offices in areas of high poverty incidence. The co-op has the option to choose between the build-operate-adapt-transfer (BOAT) or the 50/50 partnership scheme. Interest rate can fetch up to 13% depending on the risks identified in the operation. Since 2006, NATCCO was able to establish 147 MICOOP offices translating to 53 partner cooperatives, 70% of which are agrarian reform beneficiary organizations (ARBOs). As of 2024, 85 cooperatives are still under the program with deposits totaling PhP 1.26 billion. Sixty-three (63) cooperatives have graduated through buyout in which some tend to register as independent cooperatives.
112. The program eases up the access of MSMEs to financial services while also equipping them with confidence that the funds are intact. It also leverages technology through the utilization of a system and automated teller machines (ATMs) that provide its customer base with a perception that the MICOOP is similar to formal banking institutions. However, the success of the program does not exclusively lie to the core banking system that it has provided. NATCCO recognizes that it is not enough to provide the enabling environment for the microfinance to thrive so financial literacy and management assistance was provided to the beneficiaries. Through this, repayments are ensured by inculcating a culture of improved financial and management skills. However, consistent with the common issues in microfinance institutions, cases of fraud still prevail despite the existence of a system and close monitoring.

139 ISEA and OXFAM (2015). Poverty reduction and women economic leadership: Roles, Potentials and Challenges of Social Enterprises in Developing Countries in Asia. [https://www.isea-group.net/wp-content/uploads/2020/05/ISEA\\_Oxfam\\_Poverty\\_Reduction\\_and\\_WEL\\_Report.pdf](https://www.isea-group.net/wp-content/uploads/2020/05/ISEA_Oxfam_Poverty_Reduction_and_WEL_Report.pdf)

140 Bangko Sentral ng Pilipinas. Financial Inclusion in the Philippines Dashboard. [https://www.bsp.gov.ph/Media\\_And\\_Research/Financia%20Inclusion%20Dash-board/2023/FIDashboard\\_2Q2023.pdf](https://www.bsp.gov.ph/Media_And_Research/Financia%20Inclusion%20Dash-board/2023/FIDashboard_2Q2023.pdf)

141 Interview with NATCCO and online publications.

113. The program also exemplifies the efficient interplay between the government and the private sectors which can serve as a prototype in the microfinance industry. Through the partnership with DAR, ARBOs are jointly selected through set criteria including historical performance and track record.
114. **Crowdfunding.** Crowdfunding has recently become a popular source of capital, especially for early-stage social enterprises. It can be donation-based (for social projects without expecting financial returns) or rewards-based (for enterprising projects). There are other government-regulated forms of crowdfunding such as equity crowdfunding and peer-to-peer lending. The former offers equity to investors while the latter, through a platform, matches the lenders and the borrowers for different types of loans such as personal loan and fast loan.<sup>142</sup> The government has recognized the potential of crowdfunding as an accessible source of funding for small enterprises. The sector is regulated by the Securities and Exchange Commission (SEC), which does not require prior registration of securities as long as investments are solicited through accredited third parties.<sup>143</sup> These crowdfunding intermediaries may be a registered broker, investment house or funding portal which mediates the sale and resale of crowdfunding securities through an electronic platform.<sup>144</sup> As of this writing, there are only three accredited crowdfunding firms in the county: Investree Philippines, SeedIn Technology Inc., and Eastern Securities Development Corp. (Round One).<sup>145</sup> A total of PhP 427 million worth of capital has been raised by 146 companies to fund 1,114 projects through crowdfunding initiatives in 2023.<sup>146</sup>
115. **Case Example.**<sup>147</sup> The Spark Project has been running a crowdfunding platform since 2013. It has so far connected 110 impact-oriented projects to over 3,000 backers and raised a total of 20 million pesos. Among their three (3) types of crowdfunding services, rewards-based is the most popular option for organizations who wish to receive funding for their projects.
116. Projects to be supported under crowdfunding are selected based on two (2) major criteria: It must be managed by a social enterprise and that the project should demonstrate “crowdfundability”. In their over a decade of operation, Spark Project has managed to assess qualitatively which projects are crowdfund-worthy by looking at the revenue potential of the project, as well as the expertise and commitment of the proponent. The Spark Project Team is also tying up with other support organizations in pre-filtering enterprises to be engaged for crowdfunding. Social enterprises in the retail and commerce sectors are the common projects they subject to this platform.
117. It takes around six to nine months to complete a crowdfunding cycle. The Spark Project is assisting the interested project proponent throughout the process— from preparation stage, campaign proper, implementation stage, to delivery of commitment. A project is given 45 days to reach its funding goal. In the event that the project fails, it may request for an extension period, fill in the shortfall through their own funds, or contact directly its backers to facilitate the returning of money.

142 ADB (2018).

143 <https://business.inquirer.net/386400/need-money-for-growth-sec-tells-small-businesses-to-try-crowdfunding>

144 <https://www.sec.gov.ph/wp-content/uploads/2020/09/2019MCNo14.pdf>

145 <https://business.inquirer.net/438230/ph-startups-raised-p2b-from-crowdfunding>

146 <https://www.dof.gov.ph/sec-intensifies-capital-market-promotion-to-help-small-businesses-raise-funds/>

147 Interview with The Spark Project and online publication

118. **Impact Investing.** The Global Impact Investing Network (GIIN), an international organization with a wide network of impact investors, defines impact investments as “investments made into companies, organizations, and funds with the intention to generate positive, measurable social and environmental impact alongside a financial return”.<sup>148</sup> There are two broad groups of impact investors— the Private Impact Investors (PIIs) and Development Finance Institutions (DFIs). PIIs include the fund managers, family offices, foundations, banks, and pension funds. DFIs, on the other hand, are state-owned financial institutions making direct and indirect investments to the private sector for development purposes.<sup>149</sup>
119. The Philippines is second to Indonesia in terms of impact investing market in Southeast Asia. From 2020 to 2023, a total of USD 649 million worth of impact investments from 66 deals was deployed in the country. Eight (8) DFIs were the major source of impact investments in terms of value at USD 632 million made from 18 deals. This amount is 40 times greater than the combined investments made by 19 PIIs with USD 16 million that were generated from 48 impact deals. Investment risks are spread to 23 impact deals with a ticket size of less than USD 100,000. These were allocated to seed and pre-seed stage companies. The remaining 14 deals with ticket sizes above USD 5 million were invested in growth stage companies.<sup>150</sup>
120. Financial services, healthcare and transportation sectors receive the highest amount of impact investments in the Philippines. Most of the deals in financial services are made with lending institutions such as MFIs and SME financing organizations and, to some extent, to support emerging financing platforms such as financial technology (FinTech) companies.<sup>151</sup> Interest from the PIIs to improve the delivery of healthcare services has grown since the COVID-19 pandemic.<sup>152</sup> Investments were focused on health IT, specifically telemedicine which connects patients and doctors to provide easier access to medical consultations.<sup>153</sup> Meanwhile, the agriculture sector witnessed the highest number of deals (16 deals) among the sectors. The majority of these deals are debt-based, which are commonly provided as working capital to agri-based cooperatives and associations. The equity deals, on the other hand, were made to support farm consolidations with value-chain wide development assistance.<sup>154</sup> Figure 8 presents the impact investments made across different sectors from 2020-2022.
121. In the past decade, the country also saw a modest growth in Gender Lens Investing (GLIs) which indicates a positive move towards gender equality and empowerment in social entrepreneurship. GLI is an “impact investment strategy or approach to investing that takes into consideration gender-based factors into investment analysis to advance gender equality and better-informed investment decision making”.<sup>155</sup> From 2020 to 2023, the country registered a total of 35 deals in GLIs amounting to USD 47 million.<sup>156</sup> This is an increase from 20 deals in 2017 reported by GIIN and Intelicap (2018). GLIs in the country commonly seek to support financial services enterprises that provide women with access to finance and micro entrepreneurship or livelihood-enhancing services.

<sup>148</sup> Investing in Women (2023). Impact investing in Southeast Asia: Update 2020-2023. <https://www.intellicap.com/wp-content/uploads/2023/05/Imp-Inv-in-SEA-Update-2020-22-final.pdf>

<sup>149</sup> Investing in Women (2023). Page 11

<sup>150</sup> Investing in Women (2023). Page 42

<sup>151</sup> GIIN and Intelicap (2018). The landscape for impact investing in Southeast Asia. <https://s3.amazonaws.com/giin-web-assets/giin/assets/publication/research/giin-seal-full-digital-webfile.pdf>

<sup>152</sup> Investing in Women (2023). Page 24

<sup>153</sup> <https://www.trade.gov/country-commercial-guides/philippines-healthcare>

<sup>154</sup> GIIN and Intelicap (2018). Page 150

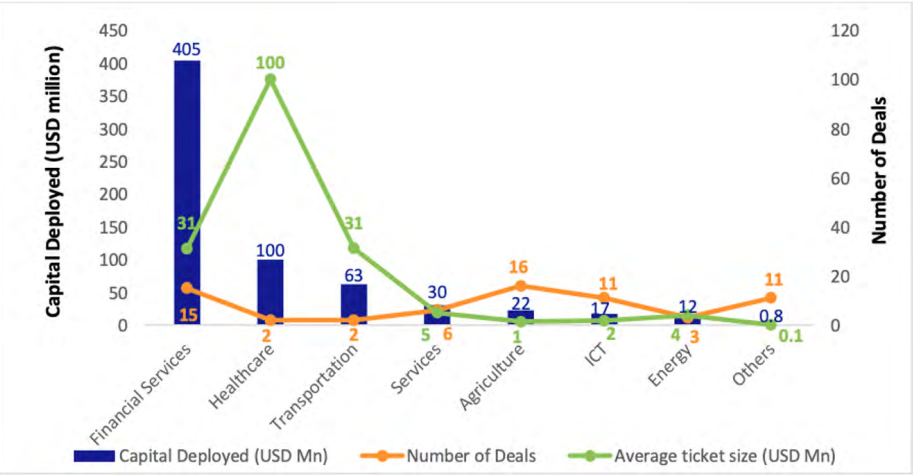
<sup>155</sup> Investing in Women (2023). Page 10

<sup>156</sup> Investing in Women (2023).

C. Business Sector Support

122. Private sector support for social enterprises is either in the form of Corporate Social Responsibility (CSR) or through an Inclusive Business (IB) approach. Social enterprises could benefit from training, market development, and value chain integrations provided by the business associations, companies and/or through their corporate foundations. In terms of financing, corporate and commercial banks offer various competitive financial products and services for MSMEs in general (which may also be availed by qualified social enterprises).

Figure 8. Impact investment in the Philippines by sector, 2020-2022



Source: Investing in Women (2023)

123. Interviews with private stakeholders and resource institutions noted that the support for social enterprises from the private sector remains limited. Previous assessment done by ADB (2018) arrived at the same conclusion where the engagement of companies with social enterprises are mostly through the former’s CSR programs and integration of social enterprises in their supply chain are yet to be fully concretized. Support such as provision of capital, knowledge transfer, and market or business matching are still limited in scale.<sup>157</sup> A number of social enterprises surveyed by the British Council and PhilSEN (2017) also encountered difficulties accessing funding from commercial banks due to their lack of awareness or understanding on the nature of their operations.<sup>158</sup>
124. Nonetheless, there are few corporate-led programs that demonstrate the huge potential of the private sector in playing a catalytic role in the social enterprise ecosystem. These are discussed below.
125. **Corporate Social Responsibility (CSR).** CSR is defined as “a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders”.<sup>159</sup> Corporations in the Philippines have traditionally viewed CSR as their key contribution to social development. Big conglomerates in the Philippines such as the Ayala Group of Companies, Jollibee Food Corporation and Bank of the Philippine Islands are implementing some of their CSR programs to social enterprises through their corporate foundations.

<sup>157</sup> ADB (2018). Page 26

<sup>158</sup> British Council and PhilSEN (2017). Page 53

<sup>159</sup> <https://www.unido.org/our-focus-advancing-economic-competitiveness-competitive-trade-capacities-and-corporate-responsibility-corporate-social-responsibility-market-integration/what-csr>

126. The BPI Foundation Inc., in partnership with Bayan Academy, has been implementing its flagship accelerator program called BPI Sinag which basically provides seed funding and mentorship to early-stage social enterprises. Originally conceived as a business challenge program in 2015, BPI Sinag has evolved to provide market development support through its partnership with Ayala Land and Entrego. The awardees can avail of free leasable space for up to one year in any Ayala Malls<sup>160</sup> and logistic solutions for seamless delivery of their products.<sup>161</sup>
127. While the example above can represent the significant role of the corporate entities in developing the social enterprise sector, companies can do more by engaging with social enterprises in a longer-term capacity, integrating them into the core of their business operations through Inclusive Business models.
128. **Inclusive Business.** The concept of Inclusive Business calls for a meaningful and long-term engagement of the private sector in the development process through embedding social missions in their corporate existence and operations. Inclusive Business is defined as “a private sector approach to providing goods, services, and livelihoods on a commercially viable basis, either at scale or scalable, to people at the base of the pyramid by making them part of the value chain of companies’ core business as suppliers, distributors, retailers, or customers”.<sup>162</sup> Though still in its nascent stage of development, the concept of inclusive business is, nonetheless, gaining traction among private companies in the Philippines. Available data shows that there are about 70 companies in the country that are engaged in inclusive business practices.<sup>163</sup>
129. Corporate-led foundations like the Philippine Business for Social Progress (PBSP) have been promoting inclusive business in the core business competencies of its corporate members.<sup>164</sup> Launched in 2012, PBSP’s Livelihood and Enterprises Development Program advocates for inclusive business by “encouraging its member companies and the wider community to integrate low-income communities/farmers into their value chains as suppliers, employees, and business partners”.<sup>165</sup> It should be noted, however, that PBSP’s inclusive business program is currently limited to the agribusiness sector and that according to an interview with its Executive Director, engages enterprises in general and not necessarily social enterprises.
130. **Case Example.**<sup>166</sup> The **Philippine Business for Social Progress (PBSP)** has recently implemented two projects on the cacao and coconut value chain that employ the inclusive business strategy. Both projects are supported by the Government of Denmark.
- Sustainable Integration of Philippine Smallholder Farmers into the Global Cacao Value Chain.** PBSP has partnered with Kennemer Foods International, Mars Foods and Agronomika Finance Corporation in 2020 to support individuals and groups of cacao farmers in Palawan and Mindanao and engage them in the supply chain of these international firms. In 2021, the project has so far assisted 335 farmers in upgrading cacao production, expanding market reach, accessing financial support and building technical and organizational capacities.
  - More with Less Project.** Started in 2021, PBSP worked with the Lionheart Farms Philippines Corporation (as its commercial partner) and the Philippine Coconut Authority

<sup>160</sup> <https://www.bpi.com.ph/about-bpi/news/bpi-foundation-awards-php2-million-cash-grants-to-social-enterprises>  
<sup>161</sup> <https://www.bpi.com.ph/about-bpi/news/bpi-sinag-evolves-to-achieve-more-inclusive-and-sustainable-growth>  
<sup>162</sup> As defined by the G20 Inclusive Business Framework. <https://g20challenge.com/what-is-inclusive-business/>  
<sup>163</sup> J. Perez (2022). Ten years of inclusive business in the Philippines. <https://www.inclusivebusiness.net/node/5945>  
<sup>164</sup> <https://www.pbasp.org.ph/about>  
<sup>165</sup> <https://www.pbasp.org.ph/news-category/inclusive-business>  
<sup>166</sup> Interview with PBSP and online publications

- to increase the productivity and income of coconut farmers in Southern Palawan by introducing and promoting the planting of superior variety coconuts (hybrid and dwarf). Specifically, the project aims to develop the coconut sap value chain in the province through production support and product development.
131. As part of the Philippine business community, the chambers of commerce and business associations in the country are also supporting the inclusive business concept. The Makati Business Club and Management Association of the Philippines are actively participating in inclusive business events. The Cagayan de Oro Chamber of Commerce established an inclusive business promotion center for Mindanao.<sup>167</sup> The APEC Business Advisory Council (ABAC) in the Philippines has also committed to link more MSMEs in the domestic and global markets.<sup>168</sup>
132. **Private Bank Financing.** To date, the financial products offered by the private financial institutions are designed to address the needs of the MSMEs in general. For instance, Security Bank has two collateral-based loan products– the Business Mortgage Loan (allows MSMEs to loan up to PHP 30 million payable within 20 years) and Revolving Credit Line (for MSMEs with a short business cycle that require short-term funding from 6 to 12 months). Annual interest rates range from 8.5% to 10%. Their Business Express Loan, on the other hand, provides collateral-free financing for up to PHP 5 million.<sup>169</sup> BDO Unibank, through its BDO SME loan, offers relatively similar loan products– from credit line for short-term financing to term loan for business investments like equipment acquisition and construction of business facilities.<sup>170</sup>
133. The state has instituted mechanisms in encouraging banks to provide consistent financing services to enterprises. Currently, there are three legislations that mandate the lending institutions to allocate a certain percentage of their total loan portfolios for MSMEs, agri-fishery sectors and innovation-based enterprises. The RA 9501 or the Magna Carta for MSMEs requires both public and private lending institutions to set aside at least eight percent (8%) for micro and small enterprises and at least two percent (2%) for medium enterprises of their total loanable funds.<sup>171</sup> The Agriculture, Fisheries and Rural Development Financing Enhancement Act of 2022 or RA 11901, which repealed the Agri-Agra Reform Credit Act of 2009, imposes lending institutions to set a minimum credit quota of 25% to finance viable agricultural and fisheries projects. Section 9 of this law penalizes those banks for noncompliance or under-compliance at 0.5% or at rates prescribed by the Bangko Sentral ng Pilipinas.<sup>172</sup> Lastly, RA 11293, otherwise known as the Philippine Innovation Act, provides that “all banking institutions, whether government or private, shall set aside at least 4% of their total loanable funds for innovation development credit.” Similar to RA 11901, banks that fail to meet the credit quota are obliged to pay a penalty fee of 0.5% of the amount of noncompliance or under-compliance.<sup>173</sup>
134. Compliance with these policies among banks remains low. Analyses of its implementation revealed that banks opt to pay the penalty fee rather than absorb the risk of investing in enterprises with generally low credit worthiness. On the demand side, the MSMEs, especially the micro subsector, are hesitant to approach commercial banks for loan financing due to tedious processing and complex documentary requirements, high interest rates, and lack of collateral, among others.<sup>174</sup> This suggests a weak financial literacy and lack of investment-ready enterprises.

<sup>167</sup> [https://www.adb.org/sites/default/files/project-documents/46240/46240-001-tacr-en\\_4.pdf](https://www.adb.org/sites/default/files/project-documents/46240/46240-001-tacr-en_4.pdf)

<sup>168</sup> ADB (2018).

<sup>169</sup> <https://www.securitybank.com/news/security-bank-enables-filipino-msmes-through-new-business-banking-segment/>

<sup>170</sup> <https://www.bdo.com.ph/personal/loans/sme-loan>

<sup>171</sup> <https://www.officialgazette.gov.ph/2008/05/23/republic-act-no-9501/>

<sup>172</sup> [https://legacy.senate.gov.ph/republic\\_acts/ra%2011901.pdf](https://legacy.senate.gov.ph/republic_acts/ra%2011901.pdf)

<sup>173</sup> <https://neda.gov.ph/wp-content/uploads/2019/12/RA-11293-or-the-Philippine-Innovation-Act.pdf>

<sup>174</sup> Ma. Victoria R. Raquiza (2021). Micro, small, and medium enterprise (MSME) sector financing Issues and challenges. University of the Philippines Center for Integrative and Development Studies. <https://cids.up.edu.ph/wp-content/uploads/2022/02/UP-CIDS-Discussion-Paper-2021-01.pdf>



## VI. Opportunities and Challenges for Philippine Social Enterprises

### A. Opportunities

135. **The Philippine social enterprise sector is seeing growth in terms of market and scale of impact.** The majority of the social enterprises in the country are optimistic and expecting market growth despite the operational challenges they faced during the pandemic.<sup>175</sup> The number of customers, who are largely ethical and environmentally conscious consumers, is seen growing. In a recent study by Kantar Philippines, 77% of Filipinos expressed their willingness to purchase eco-friendly products, while 61% said they would consume ethically sourced products.<sup>176</sup> This supports the claim of one of the interviewed resource institutions that there is indeed a rise in conscious consumerism in the country and that social enterprises are in the best position to take advantage of this niche market. In the near-term, social enterprises are also expecting to scale their impact by replicating their ventures.<sup>177</sup> These enterprises, especially those headquartered in the city, are establishing their operations in local areas. They are aiming to deepen their impact by focusing their resources on the same sector and investing in the same type of community.
136. **Along with their growth is the increasing support from non-government institutions that are willing to pour their resources into high-impact sectors and projects.** All the resource institutions interviewed have expressed their intention to focus their efforts in developing and deepening the impact of their supported social enterprises. These institutions are becoming more strategic in terms of selecting the sector or types of social enterprises that they will invest into. Some of them have taken a step in working with social enterprises outside Metro Manila where socio-economic issues such as lack of income, employment and access to basic services still hamper development. Since most of the social enterprises are operating in the agriculture sector, a lot of support organizations are now also providing financial, capacity development, and marketing support to these enterprises. They are commonly employing a value-chain approach to development which aims to empower agri-based enterprises and groups in maximizing returns from both horizontal and vertically integrated operations.
137. Many investments and partnerships among intermediary organizations have been recently made and forged to further promote Gender Lens Investing (GLIs). Women-owned and -led social enterprises are receiving packages of assistance ranging from impact investments, technical assistance on business operations, to leadership training. Looking at the sources of these investments, almost all the initiatives and commitments are from international financial institutions and development cooperation agencies (e.g. UN-based agencies and ODA arm of developed countries). Though they are headquartered outside

<sup>175</sup> British Council and UNESCAP (2021). Page 49

<sup>176</sup> Ron Jabal (07 March 2023). Mainstreaming conscious consumerism. An article in Business World

<sup>177</sup> British Council and PhilSEN (2017). Page 52

the country, these investors have co-invested with local conduits such as NGOs and foundations, thus effectively tapping potential local investees and providing continuous support even after the investment.<sup>178</sup>

138. **The call to move beyond CSR is encouraging the private sector to shift towards corporate citizenship and engage social enterprises in their value chain.** As noted by ADB (2018), there is indeed a growing interest among private sector stakeholders to engage social enterprises in their supply chain. Inclusive businesses present social enterprises with growth opportunities by providing them access to sustainable markets, technologies, wide business networks, and expansion strategies. This mutually beneficial partnership is seen to expand the revenue sources of the social enterprises, and at the same time, strengthen the sustainability portfolio of the corporate partner. The inclusive business model has also the potential to expand to other industries other than agriculture and agribusiness. For the education sector, companies can partner with social enterprises providing vocational training and near-hire training to supplement the workforce needs of the former and other companies within the same industry. As for the financial service sector, private financial institutions such as commercial banks can further expand their reach to the grassroots community by engaging with microfinance institutions, rural banks and cooperatives as their wholesale clients. Generally, in order to attract private investments through an inclusive business model, there is a need to build the social enterprises' economic and social impact potential and ability to mitigate financial risks. This suggests, according to ADB (2018), that the sector must increase the pool of investment-ready and growth-stage social enterprises.

139. **Despite the lack of dedicated law, social enterprises are still benefiting from the existing government laws, policies, and programs for enterprises and businesses in general.** Social enterprises continuously operate in multiple legal forms, and this is giving them options based on the ease of administrative processes, access to incentives (e.g., tax exemption for cooperatives and NGOs) and other privileges inherent to their current legal status (e.g., eligibility to government programs and foreign donations). Various policies and programs for MSMEs that also benefit social enterprises were discussed in the previous section of this report.

140. It is important to note, however, that unlike typical profit-oriented enterprises, social enterprises have unique needs given their multiple bottom approach. The PRESENT Bill, which has been consistently advocated for by the PRESENT Coalition since 2013, offers a glimmer of hope for social enterprises to operate in a more supportive environment. For instance, the proposed hybrid financing or a combination of grants and loans shall enable these enterprises to effectively deliver their transformational and transactional services to the poor and marginalized sector. Certain provisions for incentives such as the preferential rights would also accord them preferential treatment in government procurement of goods and services,<sup>179</sup> thus expanding their market reach. Once enacted, the law is hoped to complement the other programs and not regulate the number of social enterprises in the country, as cautioned by one of the interviewed support institutions.

<sup>178</sup> GIIN and Intelicap (2018). Page 159  
<sup>179</sup> <https://legacy.senate.gov.ph/lisdata/43733397411.pdf>

141. **The passage of the PRESENT Bill has recently gained momentum in the legislative halls.** In December 2023, the Committee on Micro, Small, and Medium Enterprise Development of the House of Representatives approved a PRESENT Substitute Bill, which consolidated and replaced the seven (7) versions of the Bill filed in the House. For its part, the Senate has held a series of Technical Working Group meetings to consolidate these versions of the Bill. The Senate Sub-Committee on PRESENT is yet to approve and issue the substitute bill. While the bill is pending in the legislative branch, the proposed PRESENT Program is gradually gaining support from some executive agencies. The Coalition has partnered with the DTI to pilot a registry system for social enterprises in order to identify the appropriate programs/interventions based on their characteristics and needs. Also, they have worked with the city governments of Pasig and Quezon to pass an ordinance and implement a localized PRESENT Program.<sup>180</sup>

<sup>180</sup> FSSI 2023 Annual Report

## B. Challenges and Priorities

142. **Early-stage social enterprises are still confronted with challenges in accessing capital and financial investments.** Half (53%) of the surveyed social enterprises by the British Council (2017) have reported difficulties in accessing capital. According to the study, this is mostly observed in early stage and start up enterprises.<sup>181</sup> Availment of debt financing such as loans has been difficult for these enterprises due to stringent collateral requirements. Equity financing, on the other hand, is the least option for these enterprises due to their lack of access to investor networks and the impact investors' preference for social enterprises with established business models.
143. This challenge also reflects the state of Gender Lens Investing (GLIs) in the country. While it was reported that there are a significant number of women-led social enterprises, most of these entrepreneurs operate micro enterprises that are not perceived by impact investors as financially viable investments. Their capital requirement often falls short of the required ticket size of these investors. At the same time, many investors are still using general evaluation criteria which may disregard women-led and -owned enterprises in their investment pipelines.<sup>182</sup> This may further aggravate the notion that there is a lack of investable women entrepreneurs in the country.
144. Newly established social enterprises require focused support on firming up their business models and developing their viability to attract investments. As they advance to the growth stage, they require access to partnership and networking opportunities with investors to expand their operation. This study has interviewed several organizations that are addressing this need through their built-in incubation-acceleration programs. Through this program, early-stage startups are subjected to intensive and personalized capacity building to develop their business models and eventually get access to investors for financing opportunities.
145. **Newly established social enterprises are grappling with issues on talent acquisition and retention.** Another pressing issue for social enterprises in the country is related to human resources.<sup>183</sup> Two of the interviewed resource organizations shared that some of the young social enterprises they support are having a hard time getting and keeping the right talent for the organization. With limited financial resources, especially in the case of early-stage enterprises, it is difficult for them to offer compensation packages that are at par with established companies or organizations. Also, there is a limited pool of applicants with business background and experience in nonprofit organizations,<sup>184</sup> which is seen to be a valuable qualification of an employee working for social enterprises. Only those mature and successful social enterprises in terms of size and scale can afford to hire people with corporate experience.<sup>185</sup> Once competent talents have been hired, retaining them is another challenge due to the organization's lack of structured processes and professional development opportunities, among others. The absence of quality personnel in the enterprises is contributory to the difficulty in achieving scale and their readiness to take external investments.<sup>186</sup>

<sup>181</sup> British Council and PhilSEN (2017). Page 52

<sup>182</sup> Investing in Women (2023). Page 35

<sup>183</sup> British Council and PhilSEN (2017). Page 52

<sup>184</sup> Habaradas (2022). Page 7

<sup>185</sup> British Council (2015). Page 28

<sup>186</sup> ADB (2017). Page 26

146. **The lack of demand for their products and services is also restricting some social enterprises to stay in business.** Like any startups, young social enterprises also tend to be market myopic. Many of these enterprises have failed to establish the need for their products and services.<sup>187</sup> A well-known incubator interviewed for this study has observed this problem among its supported social enterprises as some of them are experiencing challenges in achieving product-market fit and gaining market traction.
147. Incubation programs in the Philippines hold a promise of market success by employing Design Thinking and Lean Startup Methodology in testing and building the business models of their incubatees. Their modules are designed to test three stages of lean startup fit: problem-solution fit, product-market fit, and scale or business model fit. This approach encourages the enterprises to define the problem they want to solve, co-create their solution with potential customers, and validate concepts with real customers.<sup>188</sup>
148. **There is still a lack of public awareness or understanding of what social enterprises are.** A study commissioned by the BPI Foundation (2021) revealed that there is still confusion among the general public, some support institutions, and even social enterprises themselves on what constitutes a social enterprise.<sup>189</sup> The latter is true up to this day when one of the support institutions interviewed recounted that some of the social enterprises (mostly agri-based cooperatives) they are supporting don't even recognize themselves as one. For the general public, this would mean a lack of appreciation for its potential and slow growth in terms of the number of new entrants in the sector. For social enterprises, they might miss support and opportunities that are only dedicated for their growth. For support institutions, there might be problems in terms of identifying the social enterprises to be supported, as well as in identifying the right support and interventions for them.
149. The low public awareness about social enterprises could be attributed to the lack of specific policies for them. The legal definition of social enterprises is important because it can determine how funding and support are targeted. In the absence of social enterprise law in the Philippines, support institutions like the academe, social enterprises forums and networks, and capacity builders play an important role in raising public awareness about the sector. There is a need to integrate social entrepreneurship in the academic curriculum of other universities and schools, as well as in the modules and included topics of training providers. Forums, conferences and seminars are also an effective venue to highlight the potential of the sector and draw interest from the public.
150. **Social enterprises often face bureaucratic hurdles.** Like other business entities in the Philippines, social enterprises view fiscal and regulatory requirements in the country as tedious and complex. ISEA and PRESENT Coalition (2020) documented cases where some social enterprises, especially during the pandemic, experienced slow processing of application and release of government loans, as well as the issuance of Certificate of Tax Exemption for cooperatives. Sector-specific regulations like the Food and Drug Administration (FDA) certifications are impeding the operation of food-based social enterprises due to its slow issuance.<sup>190</sup> For enterprises engaged in the tourism sector,

<sup>187</sup> Tom Eisenmann (2021). What Start-ups Fail. Harvard Business Review. <https://hbr.org/2021/05/why-start-ups-fail>

<sup>188</sup> Tom Eisenmann (2021)

<sup>189</sup> BPI Foundation Inc. (2021). National Social Enterprise Development Roadmap: Executive Report.

<sup>190</sup> ISEA and PRESENT Coalition (2020). Page 121

inconsistent requirements, high compliance cost, and enforcement issues are some of the challenges encountered in complying with the accreditation system instituted by the Department of Tourism (DOT) for primary tourism enterprises (PTEs).<sup>191</sup>

151. Government programs for MSMEs that may also benefit social enterprises may be difficult to access due to inefficient processes, leading to missed opportunities for funding, grants, or incentives. Some social enterprises surveyed by the British Council (2015) lamented that they were unable to avail tax exemptions meant for micro enterprises because of the difficulty in securing paper works.<sup>192</sup> The problematic implementation of the Barangay Micro Business Enterprise (BMBE) law has long been recognized. Among the concerns on its enforcement include the Php1,000 payment for the certificate of registration; challenges in securing income tax exemption due to Bureau of Internal Revenue's strict policies; and payment of other local taxes and fees despite the exemption granted by the law.<sup>193</sup>
152. Addressing these challenges requires streamlining regulatory processes, improving transparency, and creating supportive policies that facilitate rather than hinder the operations of social enterprises. Efforts to reduce red tape may facilitate the smooth scaling of social enterprises.<sup>194</sup>
153. **Agri-based social enterprises are at the losing end of unfavorable market structure and industry conditions.** Farmer cooperatives and associations, including agri-based social enterprises are significantly affected by prolonged market instability due to price competition and market saturation, among others. Imported agricultural products that are often cheaper can undercut the produce of these cooperatives, making it difficult for them to sell at competitive prices. Market glut is also overwhelming small-scale farmers and cooperatives that may not have the capacity to store or process large quantities of produce. Some agri-based social cooperatives that are currently assisted by an interviewed support organization are reporting business losses partly because of increasing prices of farming inputs and unprofitable farmgate and retail prices of harvest due to the influx of imported goods.
154. Mitigating these challenges requires advocating for policies that support local agriculture, such as tariffs on imports, subsidies for local production, infrastructure development, and programs aimed at improving product quality and competitiveness. Additionally, cooperatives and other businesses may focus on niche markets, value-added products, or certifications that emphasize local and sustainable production practices to differentiate themselves from imported goods.
155. **Recurring weather disturbance is disrupting the production and the supply chain of agri-based social enterprises.** Natural disasters like typhoons, drought and widespread livestock diseases are hampering the production activities of farming communities and agri-based enterprises, and social enterprises are no exception. Even after the pandemic, agri-based social enterprises continue to bear the brunt of disaster impacts as they face production losses and market disruptions.<sup>195</sup>

<sup>191</sup> Cruz, R. (2022). Tourism Accreditation in the Philippines: Government and Private Sector Perspectives. In: Aquino, R.S., Porter, B.A. (eds) *Tourism in the Philippines. Perspectives on Asian Tourism*

<sup>192</sup> British Council (2015). Page 30

<sup>193</sup> ISEA (2012) Perspectives on the policy environment affecting social enterprises in the Philippines [https://www.isea-group.net/wp-content/uploads/2020/05/SE-Policy-Environment-Philippines\\_for\\_ISEA\\_May\\_2012.pdf](https://www.isea-group.net/wp-content/uploads/2020/05/SE-Policy-Environment-Philippines_for_ISEA_May_2012.pdf)

<sup>194</sup> ADB (2017). Page 26

<sup>195</sup> ISEA and PRESENT Coalition (2020).

156. The country's high exposure to natural hazards will continuously pose a threat to the sustainability of their operations. While occurrence of weather disturbances is inevitable, a whole host of support is needed to reduce the vulnerability and build the resilience of the agri-based enterprises. Public institutions and private resource organizations may provide capacity building on disaster risk planning to these enterprises. Disaster recovery and rehabilitation funds may also be instituted and access to crop insurance should be enhanced.
157. **Lack of access to public infrastructure and services. Social enterprises and MSMEs in general require seamless support from public infrastructure and services in order to operate efficiently.** There are cases where some agri-based social enterprises are not able to optimize their production and properly market their harvest due to lack of irrigation, postharvest and marketing facilities in the area.<sup>196</sup> Inadequate electricity and water supply in rural areas also disrupts the operation of social enterprises engaged in processing, negatively affecting their production and consequently their revenue. Lack of communication facilities or poor internet connectivity restricts rural-based enterprises from doing transactions online. One incubator interviewed recounted their experience having difficulty in contacting their rural-based incubatees for updates and feedback.
158. Government should be at the forefront of developing and promoting infrastructure in the countryside. Careful prioritization and effective implementation of rural infrastructure programs are expected from the mandated government agencies to ensure that no public resources are wasted and that economic benefits are realized in due time. While spurring infrastructure development is needed, its sustainability is another equally important aspect of investment. Operational sustainability of the facilities is the common issue encountered when managing this type of public investment. For example, recipients of post-harvest facilities such as cooperatives and associations are, in usual instances, not capable of sustaining the operations and maintenance due to a lack of working capital. These cases warrant complementary support from other institutions for its effective utilization.

<sup>196</sup> ISEA and PRESENT Coalition (2020). Page 123



## VII. Development Agenda and Recommended Actions

### A. Sectoral Strategies (SS)

159. This section provides a set of strategies that aim to address macro-level issues affecting social enterprise operations. It should be noted that some of the following strategies may not be only applicable to social enterprises but may also impact the MSMEs in general (as in the case of SS5-SS6).
- a. **SS1. Pass a dedicated legislation recognizing Philippine social enterprises.** The lack of public awareness about social enterprises could be attributed to the absence of dedicated law for this sector. For starters, adoption of an official definition of social enterprise is crucial to distinguish them from other business forms. The DTI's MSMED Council and the PRESENT Coalition have made a great stride in this area by issuing a resolution while actively advocating for the passage of the PRESENT Bill. Guided by this definition, setting up a Social Enterprise Registry is also necessary to better document and communicate the work and impact of the social enterprises in the country. This database is yet to be realized through the effort of the aforementioned institutions.
  - b. **SS2. Policy coherence and coordinated implementation of existing programs and processes.** Government agencies must coordinate and streamline their efforts to avoid fragmented policies and duplication of functions and strategies and waste of resources. An inter-agency committee may be created and/or strengthened to ensure harmony on the targeting of enterprises to be supported and complementing the interventions to be provided. Once the PRESENT Bill is enacted and social enterprises in the country are legally recognized, a similar scheme should be instituted to ensure that the identified social enterprises in the country are not receiving duplicating support and that these supports from different agencies are complementary and holistic.
  - c. **SS3. Expand financing options for social enterprises.** There is a need to increase funding opportunities, especially for early-stage enterprises. Increasing the supply of capital entails opening new funding windows, capacitating private and public financial institutions to manage the risk of investing in micro to small enterprises, attracting more impact investors in the country, and promoting innovative and hybrid financing schemes.
  - d. **SS4. Bolster public infrastructure and enhance connectivity in rural areas.** Investing in rural infrastructure is crucial for fostering economic development, reducing regional disparities, and improving the livelihoods of rural communities by supporting social enterprises. Local roads and transportation networks, improves access to markets for community-based social enterprises. Access to reliable communication infrastructure, such as internet connectivity and mobile networks, allows social enterprises to engage in e-commerce, access information, and communicate with suppliers and customers. Infrastructure for utilities like electricity, water supply, and sanitation is essential for small enterprises to operate efficiently and maintain hygiene standards. Lastly, well-planned infrastructure improves the resilience of rural enterprises

to external shocks and natural disasters. It supports sustainable practices by integrating environmental considerations into infrastructure development. It is expected that more social enterprises will be encouraged to establish their presence in the rural areas as these public infrastructure will contribute to improving the efficiency of their operation and facilitate their growth.

- e. **SS5. Build economic resilience of social enterprises during crises.** This strategy aims to produce resilient social enterprises that are better equipped to innovate and adapt their business models in response to crises. It aims to capacitate these enterprises in exploring new revenue streams, adopting technology solutions, or pivoting their operations to meet emerging needs. Achieving this strategy involves forging partnerships with other organizations, governments, and donors. It is expected that these collaborations will not only provide financial and technical support but will also create networks that can share resources, knowledge, and best practices, enhancing collective responses to crises. By investing in resilience-building strategies, stakeholders can ensure that social enterprises remain effective agents of positive change in their communities and beyond.
- f. **SS6. Improve access to information.** Previous assertions that knowledge is power have been rendered obsolete in the age of digital technology. More appropriately, data and information are power, and the access to these resources is crucial to policy development, project implementation, and monitoring and evaluation. The government and the private sectors can work together to leverage the use of digital infrastructures and capacitate enterprises in digital literacy programs. Through this complementation, products and services as well programs and projects of social enterprises can be easily communicated to its target market while providing enablers and intermediaries with the particulars of the activities of their potential beneficiaries.

## B. Enterprise-level Strategies (ES)

160. Below are the proposed strategies addressing the enterprise-level issues identified in the previous section of this report.

- a. **ES1. Build investment-readiness of social enterprises.** Determining if a social enterprise is “investment ready” involves assessing several key factors that investors typically consider before committing funds: (1) the financial viability of the business model, (2) strong market potential of the product or service, (3) scalability of the operation, (4) evident market traction and milestones, and (5) presence of management team that is capable of steering the organization towards the set goals. The country’s lack of investment-worthy social enterprises highlights the need for more incubation to acceleration programs and complementary support such as grant funding, market development support, and technology upgrading, among others.
- b. **ES2. Adoption and streamlining of impact measurements.** Effective impact measurement provides tangible evidence of the social enterprise’s effectiveness in delivering positive social change. This evidence can be used to demonstrate milestones, attract partnerships and investments, and advocate for supportive policies that benefit the enterprise and its beneficiaries (e.g., awarding of tax credits to social enterprises as proposed in the PRESENT Bill). The challenge lies in streamlining the metrics and frameworks across social enterprises to properly gauge their aggregate impact. There is also a need to incentivize them to set up their own impact monitoring system, given the cost associated with doing so.
- c. **ES3. Increase market viability and reach of products and services.** Sustaining the market growth of the social enterprise involves continuous exploration of the needs and trends in the market, even if it also means entirely pivoting from the current business activities. As discussed in the previous section, there is a bright market prospect for social enterprises in the country, and cultivating a strong brand identity that communicates their social values and impact is crucial to tapping their growing niche market effectively. Just like any MSMEs, social enterprises require further support on market access and development. This can be fulfilled through connecting them with institutional buyers, capacitating them to participate in the value chain of big companies and the government procurement process, and provision of other support such as product certification.
- d. **ES4. Develop and retain competent human resources.** Attracting and retaining the right talents for the organization requires both internal strategy and external support. Social enterprises may seek support from intermediaries and other organizations for subsidies, technical support, and learning development opportunities. In the case of social cooperatives, attracting talents and potential leaders means developing the interest of their youth members and the member’s children in participating in the organization’s activities.

C. Recommended Actions

By Support Institutions

| For Academic and Learning Institutions |                                                                                                                                                                                                        |                   |
|----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| Recommended Actions                    |                                                                                                                                                                                                        | Target Strategies |
| 1                                      | Engage social enterprises as participants in extension programs related to disaster risk reduction and management, impact measurement, local agro-value chain development, and livelihood development. | SS4, ES2, ES3     |
| 2                                      | Academic institutions with social enterprise development centers may institutionalize business incubation-acceleration programs to complement the need for more similar support.                       | ES1, ES3          |
| 3                                      | May also partner with the network of investors for their incubation-acceleration program.                                                                                                              | SS3               |
| 4                                      | May tap social enterprises as industry partners for practicum and on-the-job training programs for the students.                                                                                       | ES4               |

| For Business Sector |                                                                                                                                                                                                                                                                                                                                                                                               |                   |
|---------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| Recommended Actions |                                                                                                                                                                                                                                                                                                                                                                                               | Target Strategies |
| 1                   | Private companies should engage more social enterprises as their partner in the value chain.                                                                                                                                                                                                                                                                                                  | ES3               |
| 2                   | Inclusive businesses should provide social enterprise-partners with access to grants or any funding support to ensure the sustainability of their production. These companies may tap financial institutions and civil society organizations to provide them with direct access to capital.                                                                                                   | SS3               |
| 3                   | Business companies and their corporate foundations may initiate skills and training programs with capacity builders targeting rural and community-based organizations composed of vulnerable social groups such as women, Indigenous Peoples, and youth. Areas of capacity development should include community and organizational development, livelihood generation and climate resilience. | ES1, ES4          |
| 4                   | Increase the participation and involvement of the chamber of commerce and industry by tapping them in network expansion, capacity building, and project implementation of social enterprises. Furthermore, social enterprises can be represented in CCIs through the establishment of a sub-committee within its organizational structure for policy and collaboration.                       | SS2               |

| For Enablers and Capacity-Builders |                                                                                                                                                                               |                   |
|------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| Recommended Actions                |                                                                                                                                                                               | Target Strategies |
| 1                                  | Include in the incubation-acceleration program the development and application of impact measurement for social enterprises aligned with the requirement of impact investors. | ES2               |
| 2                                  | Link social enterprises with business development professionals to provide managerial and technical support on a pro bono or subsidized fee basis.                            | ES4               |

| For Funders or Financiers |                                                                                                                                                                                                                                                                                                             |                   |
|---------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| Recommended Actions       |                                                                                                                                                                                                                                                                                                             | Target Strategies |
| 1                         | Ensure the availability of disaster recovery, quick response, or business rehabilitation funds that can be easily accessed by partner social enterprises. Access to these funds must be relatively straightforward compared to other financial products offered by funders or financiers.                   | SS5               |
| 2                         | Integrate climate resilience strategies in infrastructures, processes, supply chains, and products and services of social enterprises.                                                                                                                                                                      | SS5               |
| 3                         | Institutionalize the use of the people-planet-profit or the triple bottom line (3BL) metrics to guide investors and intermediaries in the support that can be provided to social enterprises.                                                                                                               | ES2               |
| 4                         | Incorporate proactive measures in scouting and funding social enterprises in Visayas and Mindanao to encourage investments and development of social enterprises in these regions.                                                                                                                          | SS3               |
| 5                         | Consider waiving the eligibility requirement of having at least one year of operation to avail of financial support as long as the social enterprise is backed by a solid business model and promising potential.                                                                                           | SS3               |
| 6                         | Ease up the requirements in availing financial services for potential social enterprise partners who have previously received government interventions and backed with established track records.                                                                                                           | SS3               |
| 7                         | Create shared platforms for social enterprises with parallel missions for exchanges in best practices and issues encountered in order to minimize mission drifts.                                                                                                                                           | SS6               |
| 8                         | International NGOs or country's Official Development Assistance (ODA) partners and local-based organizations should expand grant funding and capacity development programs for high impact initiatives such as women empowerment in social entrepreneurship, climate action, and agriculture, among others. | SS3, ES1          |
| 9                         | Interested and capable funders may consider extending short-term grant funding to subsidize the wage of the highly skilled personnel while the social enterprise builds operational sustainability.                                                                                                         | ES4               |

| For Government Agencies |                                                                                                                                                                                                                                                                   |                   |
|-------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| Recommended Actions     |                                                                                                                                                                                                                                                                   | Target Strategies |
| 1                       | Enact the PRESENT Bill.                                                                                                                                                                                                                                           | SS1               |
| 2                       | Further review the processes of government transactions and other related laws and issuances and make necessary improvements to reduce red tape.                                                                                                                  | SS2               |
| 3                       | Review of regulatory policies concerning social enterprises and MSMEs in general should consider inputs from other support institutions through stakeholders' consultation.                                                                                       | SS2               |
| 4                       | Support the establishment of Social Enterprise Registry.                                                                                                                                                                                                          | SS1, SS6          |
| 5                       | Establish hybrid financing mechanisms for social enterprises (which targets specific and high-impact sectors).                                                                                                                                                    | SS3               |
| 6                       | Government loan providers that are utilizing lending conduits to provide financial services to social enterprises may increase the number of outlets to enhance service accessibility, provide a uniform processing timeline, and streamline the lending process. | SS3               |
| 7                       | There should be a deliberate targeting of social enterprises as recipients of infrastructure support from Official Development Assistance (ODA)-funded projects of the government to maximize its economic benefits.                                              | SS4               |
| 8                       | Government-run incubation and acceleration programs should ensure that the enterprises have become fully matured and scalable before ceasing their support to them.                                                                                               | ES1               |
| 9                       | Intensifying the support on product certification by providing certification subsidy incentive.                                                                                                                                                                   | ES3               |

Through Multi Stakeholder Collaboration

| Public-Private Partnerships |                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                  |
|-----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|
| Recommended Actions         |                                                                                                                                                                                                                                                                                                                                                            | Concerned Support Institutions                                                                                                                   |
| 1                           | Big retailers may provide conspicuous space for SEs' products that can be easily checked by potential consumers. Concerned government agencies, capacity builders, and financiers, on the other hand, may extend product development, certification, and production capacity development support to meet the demand requirements of the partner retailers. | Government (e.g., DA or DTI)<br><br>Business sector (e.g., big private retailers)<br><br>Capacity builders<br><br>Funders and financiers         |
| 2                           | Academic institutions with social enterprise development centers may institutionalize business incubation-acceleration programs to complement the need for more similar support.                                                                                                                                                                           | Government (e.g., DTI, DOST, or DICT)<br><br>Business sector (e.g., telecommunication and related industries)<br><br>Capacity builders           |
| 3                           | Local government units may partner with the private sector, CCI, capacity builders and funders and financiers in developing a localized SE roadmap that will set objective targets in the assistance, intervention, and capacity building to be provided to the SEs, as well as monitoring of growth and impact measurement.                               | Government (i.e., LGUs)<br><br>Business sector (i.e., local Chamber of Commerce and Industry)<br>Funders and Financiers<br><br>Capacity builders |

| Donor and Collaborative Funding |                                                                                                                                                           |                                                                                     |
|---------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| Recommended Actions             |                                                                                                                                                           | Concerned Support Institutions                                                      |
| 1                               | Intensify blended or hybrid financing that combines grants from foundations with impact investments from venture capitalists to scale social enterprises. | Government<br><br>Impact funders<br><br>International organizations or ODA partners |



# ANNEXES

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B. List of Key Informants

| Name                        | Designation                   | Organization                                                        |
|-----------------------------|-------------------------------|---------------------------------------------------------------------|
| Mr. Elvin Ivan Y. Uy        | Executive Director            | Philippine Business for Social Progress (PBSP)                      |
| Ms. Sylvia Okinlay-Paraguya | Chief Executive Officer (CEO) | National Confederation of Cooperatives (NATCCO)                     |
| Ms. Priya Thachadi          | Co-founder and CEO            | Villgro Philippines                                                 |
| Mr. Patrick Dulay           | Founder and CEO               | The Spark Project                                                   |
| Mr. Roberto Calingo         | Executive Director            | Peace and Equity Foundation (PEF)                                   |
| Mr. Norby Salonga           | Founding Director             | Lasallian Social Enterprise for Economic Development (LSEED) Center |
| Ms. Ana Marina Tan          | Director                      | Ateneo Center for Social Entrepreneurship (ACSent)                  |
| Ms. Marie Lisa Dacanay      | President                     | Institute for Social Entrepreneurship in Asia (ISEA)                |

C. KII Indicative Questions

1. Can you provide an overview of your programs or services for social enterprises (SEs) or MSMEs in general?
2. How do you select the social enterprises that you support? Are there specific sectors or types of social enterprises that your organization supports?
3. What are the common issues encountered by these enterprises that your organization is trying to address?
4. How do you measure the impact of your programs/interventions to the SEs/MSMEs you are supporting?
5. What are the future plans of your organization in terms of expanding your support to the SEs/MSMEs?
6. Does your organization collaborate with the government agencies, non-government organizations or business sector?
7. Are you aware of any support provided by the business sector to the SEs?
8. Do you have any recommendations to the government or policymakers in terms of the support that can be provided to the SEs/MSMEs?

D. Social Enterprise as Defined by Some Organizations

| Institution                                                                 | Definition                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-----------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Asian Development Bank <sup>197</sup>                                       | A social enterprise is a business-oriented not-for-profit, or a mission-oriented for-profit enterprise. It has a social or environmental mission - or both - at the core of its work and seeks to operate in a financially sustainable manner.                                                                                                                                                                                                                                                      |
| British Council <sup>198</sup>                                              | A business that exists to address social and environment needs, [and] focus on reinvesting earnings into the business and/or the community                                                                                                                                                                                                                                                                                                                                                          |
| European Commission <sup>199</sup>                                          | A social enterprise is an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives. It is managed in an open and responsible manner and, in particular, involves employees, consumers and stakeholders affected by its commercial activities. |
| NESsT <sup>200</sup>                                                        | A business that is created to address or solve a critical social problem in a financially sustainable (and potentially profitable) way                                                                                                                                                                                                                                                                                                                                                              |
| Organization for Economic Cooperation and Development (OECD) <sup>201</sup> | Any private activity conducted in the public interest, organized with an entrepreneurial strategy, whose main purpose is not the maximization of profit but the attainment of certain economic and social goals, and which has the capacity for bringing innovative solutions to the problems of social exclusion and unemployment.                                                                                                                                                                 |
| United Kingdom <sup>202</sup>                                               | 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 maximize profit for shareholders and owners.                                                                                                                                                                                                                                                                   |
| UN Economic and Social Commission for Asia and the Pacific <sup>203</sup>   | A social enterprise is a business that exists specifically to make money and a positive social impact at the same time, and can be for-profit or not-for-profit.                                                                                                                                                                                                                                                                                                                                    |

Source: Compiled by the consultants

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E. Active Intermediaries in the Philippines

| Organizations                                            | Description of Support                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|----------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Bayan Academy                                            | Bayan Academy is a social development organization offering entrepreneurship and management training programs. It delivers the capacity building component of the BPI Foundation Inc. Sinag Program, the Foundation's business acceleration program for social enterprises. Other related activities of the organization include the Women's Initiative for Social Enterprises (WISE) Project, funded by Wells Fargo which is a gender-sensitive capacity-building program that empowers women micro entrepreneurs towards business success. |
| BPI Foundation Inc. (BPIFI)                              | Sinag Business Challenge is BPIFI's flagship accelerator program that provides seed funding and mentorship to early-stage social enterprises with outstanding business models. For its 8th year of successful implementation, the program has expanded its support to the awardee-enterprises to include market access and logistics development.                                                                                                                                                                                            |
| Foundation for a Sustainable Society, Inc. (FSSI)        | FSSI is a social investment organization that provides financial and enterprise development support to social enterprises with a triple bottom line (3BL) approach. Its financial services include loan, equity investment, developmental deposit, fund syndication and seed capital.                                                                                                                                                                                                                                                        |
| Gawad Kalinga Enchanted Farm (GKEF)                      | Located in Angat, Bulacan, GKEF incubates budding social enterprises who are engaging farmers and marginalized communities in the nearby areas. The farm also attracts travelers across the globe who seek meaningful tourism experience. Incubatees are given free access to available land and spaces to do their production and processing activities. GKEF as a farm tourism destination also offers opportunities for the incubatees to market their products.                                                                          |
| Impact Investment Exchange Asia (IIX)                    | IIX is an investment and finance organization that works with networks of investors and businesses to raise capital for impact enterprises and social innovators. It operates in a wide range of sectors/areas which includes healthcare, renewable energy, agriculture, education and women empowerment. For instance, its IIX Foundation is entirely focused on supporting women in the Global South.                                                                                                                                      |
| Institute for Social Entrepreneurship in Asia (ISEA)     | ISEA is a consortium of international support institutions and social enterprise leaders across Asia. It is a regional center undertaking social entrepreneurship research, education, platform building and policy advocacy. ISEA is the lead convenor of the PRESENT Coalition.                                                                                                                                                                                                                                                            |
| Peace and Equity Foundation (PEF)                        | PEF manages a billion-peso endowment fund intended to develop community-based and impact-driven enterprises. The foundation is providing financing support and technical assistance to select social enterprises (mostly agro-based and social service providers) operating in its six key strategic areas in the country. Their financial products include term loans, credit lines, seed capital and grants.                                                                                                                               |
| Social Enterprise Development Partnerships, Inc. (SEDPI) | SEDPI is a capacity-building and financial service provider working in the fields of microfinance, social entrepreneurship and financial education. Its capacity building services include training, research and consulting while financing services include loans, equity investments and socially responsible investments. SEDPI is composed of three for-profit organizations and one non-profit organization in the form of Foundation.                                                                                                 |
| The Spark Project                                        | The Spark Project is the leading crowdfunding platform for social enterprises in the country. Since 2013, it has connected 110 impact-oriented projects to over 3,000 backers and raised over 20 million pesos. Its partnerships with large-scale development organizations have also enabled them to capacitate and incubate over 105 enterprises. They are currently running the Spark School and Spark Consultancy programs offering online courses on social entrepreneurship and business advisory support, respectively.               |
| Villgro Philippines                                      | Villgro Philippines is an early-stage social enterprise incubator and network builder. It provides intensive incubation through customized venture building support, in-depth mentoring, connections to relevant networks, and access to follow-on funding to high potential enterprises through its various initiatives.                                                                                                                                                                                                                    |

Source: Compiled by the consultants



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