



## Strengthening Social Enterprises for Inclusive Growth: Philippines

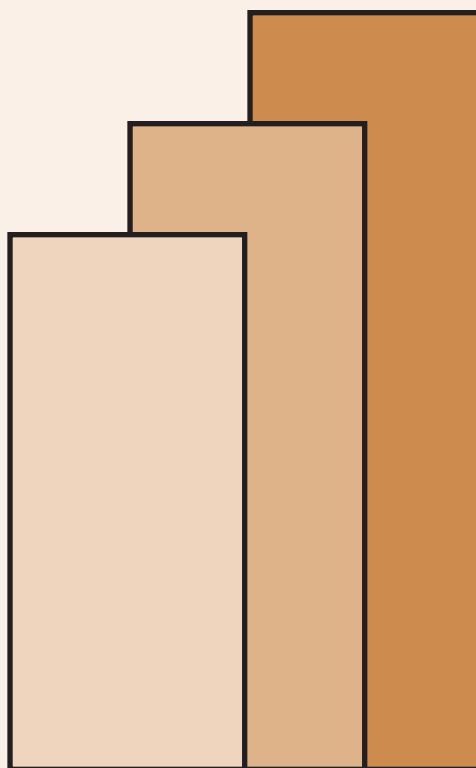
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## Strengthening Social Enterprises Competitiveness for Inclusive Growth: Philippines

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### Abstract

Social enterprises are gaining popularity in many parts of the world due to their great potential to advance the agenda of inclusive and sustainable growth. The uniqueness of social enterprises lies on their core advocacies, *i.e.*, the attainment of community well-being and human development. Their main difference to traditional micro, small, and medium enterprises is that they have a hybrid nature wherein they adopt business solutions to social problems. The Philippines, in particular, has a social and cultural environment that is conducive to the framework of social entrepreneurship given that the country has had a widespread focus on bottom-of-the-pyramid issues and on the movement toward the stronger participation of the civil society and the private sector in social issues. However, the current policy environment in the country is still unresponsive to the growth of social enterprises. Social enterprises are currently viewed as traditional micro, small, and medium enterprises despite the differences. The government should give additional support to social enterprises by providing incentives for mixed financing; improving the suitability of the environment for grants, international aid and venture capitalists; and recognizing the social enterprises' longer incubation period.

Key words: social enterprises, community economies, inclusive growth, social and solidarity economy

### I. Introduction

Social enterprises are now promoted globally as major agents for inclusive and sustainable development. Unlike traditional enterprises, social enterprises engage in for-profit activities with more active and deliberate action towards raising the quality of life of the vulnerable and marginalized communities. This idea of revenue generation for social or charitable objectives is not new. Social enterprises have existed for many centuries and have gained prominence in the Western economies in the 1970s (Poon 2011). In Asia, social enterprises in the form of cooperatives are more common. However, social enterprises were then considered as social or welfare programs. These enterprises have been established through foundations, corporate social responsibility (CSRs), government funding or civil society and international donors.

The contemporary interest in social enterprises comes from a “new breed” of firms that operate on a triple bottom line. These firms adopt business solutions to social problems and as such become vehicles for profit, community upliftment and other moral imperatives. The multiple bottom line approach is a departure from the capitalist model that considers firm growth and social protection as separate enterprises. Economic development for so long has been focused on the capitalist model which has been inadequate to address poverty alleviation and sustainable development due to market

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and governance failures (UNRISD 2013). The “new” social enterprise concept is seen as the third economy; a social innovation that could hasten the achievement of inclusive and sustainable growth.

In the literature, social innovation has been discussed in the context of “social entrepreneurship” “solidarity economy”, “community economies” (Moulaert, et al, 2013). So far, there is no integrative framework unifying these concepts but the underlying principle is the focus on the community and transformative social relations that brings about significant improvements in the well-being of the community (or communities) (Graham and Cornwell 2013; Newbury 2015; Defourny and Nyssens in Moulaert, et al 2013). The success stories of social enterprises globally have shown that multiple bottom lines can be achieved.

The social enterprise movement is gaining growing support in the Philippines. The country is also among the lead countries that actively promote social enterprises in Asia. However, there is limited information about the operations of social enterprises in the country.

The objective of this study is to examine recent social enterprises activity in the country. In particular, the study looks into these issues: (1) what social innovations are at work in social enterprises; (2) how do social enterprises relate to traditional MSMEs; and (3) what enabling policies are needed for social enterprises to thrive in the country.

The paper is organized as follows: Section II discusses the concept of social innovation in social enterprises and the significance of social enterprises globally. Section III, presents an overview of social enterprises in the Philippines; its history and organization. Section IV discusses how social innovation is at work in social enterprises in the Philippines. The analysis is based on the case study of Rags to Riches. Section V examines policies that support the development of social enterprises in the country. The last section concludes and provides recommendations.

## II. Social Innovation and the Global Significance of Social Enterprises

The composition and context of social enterprises vary from country to country. Some countries adopt broad components of these enterprise to include both profit and non-profit as well as different organizational type such as company, cooperative, association, small enterprise, MFI and mutual benefit organizations (Kerlin 2010). Other countries have limited categories of organizations considered social enterprises. In the United States, social cooperatives are not part of the social enterprise discourse (Kerlin 2010). In the United Kingdom, specific types of companies such as those involved in financial intermediation, insurance and pension, primary education, trade unions, political and religious organizations, among others, are excluded in the list of social enterprises (IFF Research 2005).

The United Nations, which recently launched an Agenda for Social and Solidarity Economy (SSE) adopts four classifications of enterprises in the social economy, which are: cooperatives, mutual benefits societies, associations and social enterprises (Fonteneau et al. 2011).<sup>2</sup> Cooperatives are organizations

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<sup>2</sup> The United Nations is promoting the agenda of social and solidarity economy (SSE) in the development circle as the alternative way to achieve the sustainable development goals. UN classified the social economy to capture the different organizations of social enterprises in different world regions (UN TFSSE 2014).

that are jointly owned and managed by people who have similar needs and desires (e.g. credit, agricultural, and health cooperatives). Cooperatives' members share in the capital of the organization. Mutual benefit societies provide social services through the sharing of resources and risks (e.g. insurance groups). Associations are groups of people with the same objectives. Their members usually do not have a share in the capital. Social enterprises are entrepreneurial organizations that are autonomous. The UN SSE agenda excluded foundations, i.e., public benefit, charitable, and private foundations, from the social economy.

The broad components of the social economy show that social enterprise is not defined by the types of organization or of the existence of social entrepreneurs or community. The core principle of social enterprise is social innovation. The literature identifies three major features of this social innovation (Defourny and Nyssens; Graham and Roelvick, in Moulaert 2013): (1) the capability of the enterprise to satisfy human needs or address pressing social needs; (2) a reconfigured social relations or processes between and among different social groups in the entrepreneurial process; and (3) the empowerment of the people that are trying to fulfill their needs.

The satisfaction of human needs relates to the provision of the needs (whether goods/service) of members or of a community through a business strategy. The enterprise exists to produce the goods or service primarily to satisfy the member or community's need. The profit motive is seen as a means to have a continuous productive activity so that the need can be provided on a continuing basis.

The second feature is concerned with the governance structure in social enterprises. Unlike traditional MSMEs whereby risks and financial viability depends totally on the capitalists/entrepreneur, the financial viability of social enterprises depends on the efforts of their members and workers that collaborate to secure adequate resources for the company. Social enterprises combine monetary and non-monetary resources; paid and voluntary workers. While the investment/capital risks are usually assumed by those who establish the enterprise (or the social entrepreneurs), the business is defined as a partnership where members contribute and relate based on their resources. A major social transformation observed in recent social enterprises is the involvement of several categories of actors or social groups- capitalist, NGOs, producers, users, volunteers- which is a departure from the homogenous social groups of earlier organizations. The different actors cooperate in the entrepreneurial process to respond to a well-defined need or objective thereby transforming the way activities are organized. This cooperation is maintained without neglecting the importance of leadership by an individual or small group of leaders. Another key aspect of social enterprise governance is the limited profit distribution that allows profits to be plowed back to the enterprise or community and provides a mechanism to avoid profit maximizing behavior. Social enterprises are not individualistic; they are formed by improvements in social relations.

The third feature of social innovation is the empowerment of the enterprise itself and the stakeholders that are part of the enterprise. Empowerment of the enterprise means an independent, autonomous management that is not dictated or meddled upon by the public or private agencies even though the enterprise may have been established with donor funds or government subsidies. On the other hand, the empowerment of stakeholders is reflected in a democratic management process whereby members are represented in the decision-making process or have voting powers that is not based on capital ownership. Some social enterprises have implemented a devolutionary strategy

wherein ownership and capitalization are progressively transferred overtime to members or to the partner communities (Dacanay 2004). Empowerment of stakeholders is not only about providing jobs/livelihood/access but also capacity building and values formation.

A summary of the key features of social enterprises is provided and compared with traditional MSMEs to understand the similarities and contrast of these two for-profit organizations in terms of structure and strategies (Table 1).

Table 1: Key Features of SEs and MSMEs

	Social Enterprise (SE)	Micro Small and Medium Enterprise (MSME)
Goal	Build profitable company and create social value	Build profitable company
Outcomes	Sustainable productive activity; Shared wealth; shared assets	Profits; Increase owners' equity
Organizational type	Non-stock or stock corporation;	Non-stock or stock corporation;
Ownership	Private with possibility of progressive ownership transfer to primary stakeholders or community. Community can also move up the value chain from suppliers or raw materials to processors through capacity building programs	Private; Ownership remains with the 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; volunteerism	Individualistic; paid work
Decision-making process	Democratic; self-governing	Monocratic
Social protection	Applies the principles of Fair Trade (see footnote 6)	Governed by legal, regulatory requirements

Source: Authors' summary

There is yet no global data on the success rate and level of contribution of social enterprises to the economy. Some achievements and outcomes of the efforts of different types of social enterprise organizations in Europe, North America, South America, Asia, etc. have been provided by the UN (Box 1). Based on global experience, social enterprises have been benefitting billions of the population in terms

of jobs, health services and social protection. Moreover, these enterprises have made significant contribution to national output. There is also a growing interest to finance or invest in social enterprises specifically in companies that have developed scalable solutions for improving the quality of life of disadvantaged people. The global effort on “impact investing” portfolios is spearheaded by UK Impact Ventures and LGT (Liechtenstein).<sup>3</sup>

**Box 1. Worldwide Achievements of Social Enterprises**

- In Brazil, there are more than 20,000 enterprises operating within the social economy, which comprises almost 1.7 million people.
  - In Ecuador, popular and solidarity economy generates about 60 per cent of employment nationwide; it represents 13 per cent of the gross domestic product and accounts for 5 per cent of public purchases.
  - In Colombia, it is estimated that over 10,000 SSE organizations provide more than 670,000 jobs.
  - In Tanzania, women’s membership in the financial cooperative sector has more than quadrupled since 2005 which brings women’s share to 43 per cent.
- Source.* Box taken from Utting et al. (2014) p. 3

companies and employ over 11 million people (the equivalent of 6 per cent of the working population of the European Union).

- In France, the SSE sector comprises approximately 222,800 organizations and enterprises, employs 2.33 million people and includes 13.8 per cent of non-public sector jobs.
- In 2011, approximately 130 million people in the United States participated in the ownership of co-op businesses and credit unions. More than 13 million have become worker-owners of more than 11,000 employee-owned companies.
- In India, the country’s largest food marketing corporation, the Amul cooperative organization, has 3.1 million producer members and an annual turnover of USD 2.5 billion. Over 30 million people, mainly women, are organized in over 2.2 million self- help groups. The Self-Employed Women’s Association (SEWA), which supports the empowerment of women in the informal economy, had 1.4 million dues-paying members in 2012, organized to promote income, food and social security.
- In Nepal, 8.5 million forest users are represented in the country’s largest civil society organization.

### III. Overview of Social Enterprises in the Philippines

The active involvement of non-government organizations (NGOs) in Philippine development has been instrumental in the rise and resurgence of social enterprises in the country. NGOs have long been

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<sup>3</sup> Impact Ventures UK was started in 2014. It partners with LGT, a private banking and asset management group of the Princely House of Liechtenstein. Aside from the partnership with UK, LGT has its own broad impact investing portfolio currently consisting of 16 for profit organizations ([www.lgt.com/en/commitment/impact-investing](http://www.lgt.com/en/commitment/impact-investing) accessed 01/02/2017).

recognized as government's development partner specifically in bringing social services and programs to the disadvantaged or marginalized communities. This partnership has been institutionalized under the 1987 Philippine Constitution through the civil society's representations in different government councils and programs at the national and local levels.

NGO organizations are primarily known as non-profit organizations that are guided by philanthropic principles. They are dependent on grants and donations drawn from international development agencies and/or corporations or companies that allocate a portion of their profits to social missions. Overtime the NGOs had to diversify their sources of income as these traditional sources of funds have become scarce. Some NGOs engage in income generating activities such as training and facilitation, management and organizational services or setting up of for profit companies (Dacanay 2004). It can be told that the concern of NGOs for sustainability matched by their development focus have yielded new development initiatives that included social enterprises among others.<sup>4</sup>

The success of some social enterprises in raising profits and in empowering and transforming communities has popularized the use of "social enterprises" in the country. It has also captured the interest of non-NGOs primarily small scale investors that sought to help disadvantage communities or groups to have sustainable livelihoods.

However, the definition of "social enterprises" has yet to be harmonized in the country. The Philippine Social Enterprise Network or PhilSEN, a coalition of social enterprises established in 1998, adopts the broad components of social enterprises.<sup>5</sup> Social enterprise is defined as "*a social mission driven organization that conducts economic activities providing goods and services directly related to their primary mission of improving the well-being of the poor, basic and marginalized sectors and their living environment*" (PRESENT Bill Philippine Senate version). This definition embraces the broader sector of the social economy that includes traditional nonprofit organizations and nonprofit companies doing income generating activities to subsidized charitable activities.

There are proposals to define social enterprises as those enterprises that consider the poor as the primary stakeholders. Social enterprises with the poor as the primary stakeholders (or SEPPs) is defined as a "*social mission driven wealth creating organizations that have at least a double bottom line, explicitly have as principal objective poverty reduction or improving the quality of life of specific segments of the poor, and have a distributive enterprise philosophy*" (Dacanay, 2013, p. 51). This definition is narrower in terms of its focus on the poor as the primary stakeholder. It also restricts social enterprises to companies with a distributive philosophy defined as a strategy whereby the primary stakeholders (i.e., the poor) have majority ownership and substantive control in decision making which is evident either at the inception of business or through a devolution process (Dacanay 2004) (see Table 4).

While the SEPPs definition is narrower, the broad classification of social enterprises is still adopted. SEPPs have been classified based on organization and form as follows (ISEA and Oxfam 2015):

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<sup>4</sup> Dacanay (2004), CEC and Gibson, K (2008) and ISEAS and Oxfam (2015) provide discussions on the several initiatives undertaken by NGOs for social entrepreneurship. This change among NGOs is happening not only in the Philippines but in other countries as well (e.g. Indonesia, India, Bangladesh, etc).

<sup>5</sup> PhilSEN was created to enhance the capacities of social entrepreneurs/social organizations and to support the activities of members for the development of the sector.

- Social Cooperatives. These are cooperatives with the poor or marginalized sectors as members and majority owners. Members usually come from a homogenous group – e.g. poor farmers, agrarian reform beneficiaries, fishers, vendors, entrepreneurial poor, persons with disabilities, and women of these sectors. There are currently 23,672 cooperatives registered in the country but not all are organizations of the poor or are serving the poor. It is estimated that roughly 11,000 or about 50% of total cooperatives are social cooperatives with total members of 4.56 million (ISEA and Oxfam 2015).
- Fair Trade Organizations (FTOs). FTOs are groups or companies that act as retailers; they establish strategic partnerships with supplier communities providing fair prices for their produce, pre-financing for production, training and capacity building and connecting producers to domestic and foreign markets (ICLEI Southeast Asia 2006).<sup>6</sup> The advocacy and the application of FTO principles in the country started relatively late around mid-1990s and was pioneered by agencies such as Community Crafts Association, Preda and Oxfam and later other alternative trade organizations (or ATOs) also evolved (e.g. Altertrade or AFTI).<sup>7</sup> Currently, FTOs in the Philippines comprise of small groups linked to solidarity organizations and of big companies and multinational organizations. There is no data as to the number of firms directly engage in fair trade. The main fair trade organization, the Philippine Fair Trade Forum (PFTF), which is an umbrella organization of FTOs, lists only 32 FTOs in the country as of 2012 but only a few is certified by the IFTA (International Fair Trade Association).<sup>8</sup>
- Microfinance institutions. Microfinance institutions are organizations that offer financial services to low income populations. The microfinance scheme is considered a revolutionary strategy that has addressed the persistent problem of lack of access to banking services of the poor and low income sector. With the success of microfinance in the country, banks and other entrepreneurs have established microfinance businesses. Based on the latest study by the ADB, there were about 2,000 NGO MFIs (including branches) and 200 banks with microfinance operations. Among the providers of microfinance services, institutions that are considered SEPPs are those whose clients are largely the poor and are providing clients with membership to the organization, access to diversified services to include various forms of social protection, education and training, business development and value chain development (ISEA and Oxfam 2015). It is assumed that it is the NGO MFIs that can be counted as SEPPs.
- Trading and Development Companies (TRADOs). These are enterprises set up by non-government development organizations (NGDOs) as commercial or trading arms serving specific area or sector-based poverty groups. They can be considered as the revenue generating arm of their parent NGDOs and are engaged in the production and/or trading/marketing of goods and/or provision of

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<sup>6</sup> Fair trade as defined by International Fair Trade Association is “a business concept developed for disadvantaged producers and workers to encourage sustainable, social, economic and environmental development of producers and their organizations.” The principles include: transparency, accountability, capacity building, payment of fair price, safe and healthy working environment, gender equality, better environmental practices. (<http://www.fairtrade.net/standards/aims-of-fairtrade-standards.html>; 07/15/2016)

<sup>7</sup> Preda stands for People Recovery, Empowerment and Development Assistance Foundation. Oxfam International is association of independent NGOs that partners with local communities for development programs.

<sup>8</sup> These are: Oxfam, Advocate of Philippine Fair trade (APFTI), Preda, Community Crafts Association of the Philippines, Social Action Foundation for Urban-Rural Development, Inc. (SAFRUDI), *Alter Trade Foundation Incorporated* (ATFI).



economic services (i.e. financial services, enterprise development services). These enterprises are usually organized as stock for profit corporations. The civil society group estimated that there are about 3,000 to 5,000 NGOs in 2007 (ISEA and Oxfam 2015). Of these NGOs about 50% have established at least one subsidiary corporation as social enterprise (ISEA and Oxfam 2015).

- New Generation Social Enterprises (New Gen SE). This classification differentiates the new generation social entrepreneurs from the traditional NGO initiated companies. The distinction also recognizes that there is a rising segment of social enterprises established by non-NGOs with a mission to help the poor. It encompasses a large segment of businesses that are engaged in the production of goods/ services/trading/marketing of goods to assist the poor or disadvantaged groups in moving out of poverty. Most New Gen SE take the form of non-stock corporations. There is no comprehensive listing of these firms in the Philippines but several firms that labeled themselves as the New Gen SE have created a crowdsourced social directory called ChooseSocial.PH.<sup>9</sup> Based on the crowdsourced listing, most New Gen SE are engaged in retail and commerce; some are into food and beverage services while a few are involved in tourism and hospitality (Annex A). These organizations have well-defined social objectives which include any two of the following: poverty alleviation (or eradication), employment, culture preservation, and environment. The target community is defined primarily by sectoral groupings (e.g. women, youth, disaster affected groups, low-income families); a few by location (e.g. rural communities).

It is important to note that for the above SE types, success indicators are measured based on multiple bottom lines. Earned income is important so are the indicators of social performance and empowerment. PHILSEN has developed some benchmark indicators for these bottomlines specifically for social enterprises engaged in production/manufacturing. As shown in Table 2, the indicators reflect SEs adherence to normative values as outcomes of the productive activity. For instance, improvement in the quality of life of workers is associated with job security, “living wage” and adequate social protection that includes shelter, health care, security of workers or producers. It is also measured in terms of increased prosperity and economic activity in the community.

A comparison of SE and traditional MSMEs show similar measures of doing well in business performance and enterprise management. However, for SEs the business activity is a tool to achieve social objectives. For traditional MSMEs, increase profits and owners’ equity are the outcomes of interest. The benefits to society is measured in terms of number of jobs created. The concern on the social aspect is limited to the minimum requirement on social protection of workers as provided in the Philippine Labor Code. Social protection is considered by MSMEs as the primary responsibility of government. The concern for the community and the environment is ad hoc and if present is unrelated to the core business activity.

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<sup>9</sup> ChooseSocial.PH aims to be the most comprehensive and up-to-date resource about social enterprises in Philippines. As of July 2016, there are 70 New Gen SE listed in the crowdsourcing. <https://www.choosesocial.ph/organization> web accessed 2016 July 7

Currently, the SE Quality Indicators (SEQI) has been mainly used by SE members of PHILSEN for planning. Nevertheless, the indicators are useful in understanding the core standards of SE operations and provides a quick reference to differences in outcomes of social enterprises and traditional SMEs.<sup>10</sup>

Table 2: Outcome Indicators of Social Enterprises and SMEs		
Criteria	SE	MSME
1. Business and Management Performance		
Production Efficiency	Production processes follow established industry standards	Production processes and quality standards set above legal and industry standards
	Quality control system is in place	
	Enterprise conducts ongoing research and development for its products	Increase investment in research and development
	Production area follows basic layout, sanitation and safety standards	As required by Phil Labor Law on work conditions
	Work area, tools and equipment are worker and women-friendly	
Efficient Enterprise Management	Enterprise is legally registered with all necessary permits and licenses	Same
	Financial controls, systems and. procedures are in place	Same
	Leaders/managers have skills and experience in managing the enterprise	Highly trained company managers /leaders
	There is a strategic enterprise and business plan	Strategic and business plans exist and are reviewed periodically
	Workers/producers have basic technical/production skills and are well informed on procedures to follow	Significant proportion of skilled workers
	Enterprise mobilizes partners for support (e.g. tapping capital, technical assistance, volunteers, community)	Not monitored
Financial Viability	Enterprise has established a stable market.	Annual increase in profits as reflected in key financial ratios: Gross profit margin; Net profit margin, Operating Profit margin, Return on Invested Capital, Return on Equity
	Sales and Income/revenue from the enterprise increase annually	
	Enterprise is able to finance operations/production from sale of product or services	
	Enterprise is considered credit-worthy by financial institutions/funding agencies	
	Dependence on grants reduce in a period of 3 years.	Extent of capital from equity and financing

<sup>10</sup> The social enterprise quality index (SEQI) aims to provide a common performance standard for social enterprises. It was developed by PHILSEN in collaboration with officials of selected SEs and NGOs. This SEQI is still a work in progress and is mainly adopted to social enterprises producing/manufacturing specific products. An SEQI for SE engaged in service delivery has yet to be developed o. (PHILSEN 2009 SEQI).

2. Social Responsibility and Performance		
Benefits poor and disadvantaged people	Enterprise is based in marginalized communities	Location based on efficiency and cost parameters
	Benefits are widely distributed and do not enrich only a few	Number of jobs provided in the community;
	Contributes to community well-being through social welfare, equity and the meeting of basic needs such as food, shelter, water and health care	Not monitored; generally unplanned
	Hiring policy provides equal access and opportunities regardless of sex, religion, ethnicity, age, gender and does not discriminate against the disabled	Provides equal access and non-discriminatory. Employment and support for disabled persons driven by tax incentives (Magna Carta for the Disabled)
Improves of quality of life of immediate enterprise producers and workers	Enterprise follows principles of Fair Trade*	Trainings of regular and long-term employees
	Enterprise provides producers with a stable source of income; hired worker is paid a living wage or above industry rates**	Hired workers paid minimum wage based on minimum living standards and financial capacity of firms; wage adjustment indexed on inflation (Book III Art 124 Phil Labor Law)
	Workers have health and social security benefits and job security	Paid workers can be hired on contractual basis, with no job security. Social security based on minimum requirement in the Labor Code
Spurs economic and social development of the community or area	Enterprise provides jobs and additional incomes	Not monitored; generally unplanned or informal
	Other livelihood opportunities are created as a result of the enterprise's activities	
	Community participation in local governance increases as a result of the enterprise	
	Social equity increase annually***	
3. Environment and Cultural Practices		
Environment and Ecological soundness	Develops and promotes conservation and protection of local resources	Not monitored
	Institutes measures to regenerate raw materials	
	Has proper waste disposal system	As required by law
	Enhances indigenous knowledge and skills	Not monitored
* Fair trade (see footnote 6)		
** Living wage – defined as above the poverty threshold or enough to provide basic necessities such as food, education, housing and clothing for a family of six		
*** Social equity – refers to assets and investments contributed to the enterprise by people's organizations and other stakeholders;		

in cash or in kind

Source: Authors' summary based on PHILSEN Social Enterprise Quality Indicators (SEQ1) and Philippines Labor Code (Labor Relations, Standards, and Social Relations); Law governing social security system (RA 1161); Magna Carta for the Disabled

#### IV. Fostering Social Innovation in New Generation SE: A Case Study of Rags to Riches

This section examines how social innovation and multiple bottomlines are demonstrated in the case of Rags to Riches, a social enterprise established by a group of social entrepreneurs in Metro Manila Philippines (see Box 2).<sup>11</sup> Rags to Riches is one of the success stories of social enterprises in the Philippines. It is a fashion and design house that used upcycled scrap cloth, organic materials and indigenous fabrics woven by artisans living in poor communities across the Philippines.

#### **Box 2. The Case of Rags to Riches: From Street Selling to Export Markets**

##### Addressing a pressing need of households

Rug weaving was a common source of income for the stay-at-home mothers in poverty-stricken families in Barangay Payatas in Quezon City. A distinguishing feature of Payatas is a 13-hectare open dumpsite that is home to about 24,000 families living in squalor and extreme poverty (Census, 2010). Women from these poor families would weave scraps of cloth, which they found in the dumpsite, into foot rugs they sold in the streets and markets. At times, they would buy scraps of cloth from middle men who have direct access to factories at a high price. Since the women have no direct access to markets, they would sell their rugs to the middlemen who would pocket most of the profits. They earn only Php16 to 20 per day (US\$0.32 to 0.4) for the sale of rugs. This situation greatly undermined the women's informal business and the earnings were not even enough to buy food for the families' daily requirement.

Through the efforts of the parish church, the community was linked to a group of young professionals with a common mission to help poor households. The group of professionals initially assisted the Payatas women to have access to the raw materials from factories and to the retail markets. Using a startup capital of USD200, the group of young professionals collaborated with three Payatas mothers and sold the products mostly in school bazaars. The mothers successfully made money and were joined by more mothers. This prompted the young professionals to form a company to grow the business and help the families in a sustainable manner. The idea was for the company to undertake product innovation; move the product to a higher value chain and expand its market.

In a period of five years, the company has registered 100% annual growth in revenues and has grown into a medium-sized enterprise. To date, it supports 10 organized partner communities with about 900 women weavers in different areas of Metro Manila. There are 300 company staff in charge of central production and retail sale. The women weavers are stay home moms and commit only two to three hours of work at home. For this effort, they get P350 to P500 (US\$ 7 to 10), which can support daily food needs and schooling of children.

##### Organization and Social Relations

<sup>11</sup> We are providing this information with permission by one of the originators/owners of the company.

The company was established as a business partnership between the young professionals and the organized group of Payatas women. The young professionals were the incorporators and a “social entrepreneur” was chosen among them to lead the company. Rags to Riches was registered as a non-stock corporation in 2007 with the incorporators providing the equity capital and taking on the obligation for borrowed capital. The company is involved in all phases of production and in product marketing. It starts from community production to a centralized production process then to retail marketing. Both central production unit and retail marketing are handled by the company. The central production unit processes the rugs into creative products for higher value.

On the other hand, community production and the supply of rugs are handled by the organized group of women weavers. The community production is led by a “nanay” who oversees the weaving, collects the outputs of the community and represents the community in company meetings. Prices for the rugs are market driven but at a premium based on artisan (skill) and productivity (i.e. number of hours they are willing to work). Moreover, the company provides the raw materials and advances about 50% of payment for the job orders.

In the initial phase, the company was also involved in community organizing, whereby the partner community was organized into a cooperative. However, this approach was not replicated since the company does not have the expertise on cooperative management and community organizing. Under the current scheme Rags to Riches partners with NGOs, local foundations, church-based groups that have already organized the communities. The company comes in as the livelihood arm; selecting women weavers in the community; organizing them into a group and training the organized women into a partner community for production. The expansion of partner communities is determined by the demand for the products to ensure that the livelihoods of existing partner communities are maintained.

To maintain competitiveness, Rags to Riches partners with other stakeholders to enable the company to navigate through and thrive in the business. The company coordinates with a team of talented renowned designers; some in-house designers, others do volunteer work to help the company create stylish and functional home and fashion accessories out of scrap materials. The company also engage other social enterprises that are into fabric business to access other raw materials (e.g. indigenous materials) that the women artisans can use. The company also partnered with an international investor, the LGT (Liechtenstein) Venture Philanthropy Foundation, a recognized global investor in social enterprises that show impact and commitment to sustainable development. LGT infused additional equity capital into the company to support the growth of the company’s operations. Also under a partnership, United Parcel Services (UPS) takes care of deliveries of Rags2Riches products both in the domestic market and overseas. Other stakeholders are local and international retail outlets and online stores that help in product marketing. For the backend requirement of the business, Rags2Riches partnered with Netsuite, a leading global provider of cloud-based business solutions. Netsuite provided them an accounting and inventory tracking system at a very heavily discounted price.

The company also established an Artisan Academy to provide trainings for the artisans and employees. At present, the academy is manned by only two people but through partnerships with other institutions e.g., Bangko Sentral ng Pilipinas and Bankers Association of the Philippines, the Academy was able to support the needed trainings.

The partnerships with different stakeholders were developed as the company expanded. There was no business model that was followed at the start.

#### Empowerment of households

The partner communities is represented in the company by the group's appointed "nanay" (or leader), during Board meetings. This partnership model is applied in all partner communities of Rags to Riches. While the "nanay" has no voting rights, participation in Board meetings provides an avenue for the community to give their insights. In addition to the women weavers, the company's employees, subcontractors and raw material suppliers are ably represented in company meetings. This approach teaches the management to listen and allows the company and key partners to build trust. The representations also help the the company to adjust systems that considers the artisans and employees work environment and conditions.

The company also has to provide measures to balance financial sustainability with social responsibility. For instance, it is company's policy not to buy supplies of rugs from the community for charitable reasons because doing so will have adverse effects on the sustainability of the business. This policy at times can offend the community. The company thus has to also invest in values formation. The trainings given through the Artisan Academy is a total package. In addition to skills training, trainings on quality of life skills such as financial literacy, family counseling, values-formation and family nutrition are provided. Building these social values takes time. It took about three to five years from organizing the production unit before the partnership has gained stability.

Rags2Riches is concerned about the impact of the business on the community. While it does not regularly monitor community progress, the company has established a "quality of life program" for the partner households. The quality of life is a savings and micro-insurance program, a partnership program with the bank of CARD Inc., a top Philippine microfinance institution, to teach them how to save money, plan for their future, and deal with financial shocks. Part of their salaries go into their deposit accounts. The company tapped CARD MRI Insurance Agency (CaMia) to provide safety nets for the artisans through an insurance program that covers housing, hospitalization and other welfare programs.

*Source: Interview with incorporators of Rags to Riches; 13 Dec 2016, Quezon City.*

The case study of Rags to Riches illustrates that it is possible for business enterprises to be socially innovative and bridge the gap between profits and human/social needs of marginalized people. Social enterprises are operated like any other business, they are concerned with financial growth and sustainability and typically start as small scale companies with assets in the range of the traditional micro and small enterprises. However, unlike traditional MSMEs, social enterprises evolve from the bottom-of-the-pyramid issues. In the case of Rags2Riches, the company has met a need that the local market has long failed to satisfy. It has provided the women artisans the opportunity to formalize their livelihood; gain access to major markets and earn higher income. It has also empowered the households through deliberate efforts to invests in skills training, values formation and quality of life trainings. The enterprise also brought about indirect benefits to the community by contributing to environmental sustainability by producing value products from scrap cloth, organic and indigenous materials.

The negotiated social relations between the social entrepreneurs and the group of women artisans has mobilized other stakeholders- e.g. professional designers, training academy, academic institutions, NGOs, MFIs, international investors- that lend support to the company and community and change the business planning process.

The partnership with community and mobilization of other stakeholders require a participative rather than individualistic agenda. Community partnership implies that social capital has to be built and nurtured. Social capital is commonly understood as community networks or networks of relationships among people in a community that is based on links, shared values and understandings in society (OECD 2016). Building this relationship takes time; it is not simply a case of rejecting some community

members or of hiring or firing people. Likewise, getting the support of other stakeholders and volunteers requires finding the right partners that buy into the social mission and building trust in the enterprise and community partnership.

The integration of social mission in the core of the business differentiates social enterprises from the corporate social responsibility (CSR) approach whereby the social mission is based on the corporate leaders' personal preferences and often have no relation at all to the core business.

Social enterprises are also differentiated from the inclusive business approach whereby a big corporation consciously integrates a community in the supply chain. This approach is common among big corporations that uses agriculture-based raw materials for their products. The corporation engages into contract farming with the farming community, provides the technology and training to improve productivity and grow the required raw materials for the company. However, traditional big corporations usually invest in building human capital to suit labor requirements; to address business risks and improve human productivity for higher economic returns. On the other hand, social enterprises as they scale up invest in the community; the community do not necessarily stay as raw material supplier but can move up into the value chain. Investing in the community also means not only creating/improving "wage employment" but reforming values in the community, constructing the community and enlarging the community to involve other people in the community and other communities as well.

## V. Policy Environment and Government Agenda for Social Enterprises

It is important to understand the policy environment that enables social enterprises to develop. The historical evolution of social enterprises shows that these enterprises are shaped by the political, legal and socioeconomic environments (Poon 2011; Kerlin 2010). In particular, the study of Poon (2011) noted three main conditions that have led to the emergence and development of social enterprises globally (see Table 3).<sup>12</sup> First, the political and legal environment should provide the opportunities and space for social enterprises to emerge. The government has to be supportive of the role of civil society to fill in gaps in delivery of social services. It also has to actively promote the development of social enterprises through the institutional environment.<sup>13</sup> The legal/regulatory environment, in particular, should facilitate experimentation. Moreover, providing incentives for international aid and CSRs also encourage and shapes the development of social enterprises. Excessive regulations can obstruct firms to innovate, lead to informal arrangements difficulty to access financing, and ineligibility in government programs.

Second, a conducive social and cultural environment to enable the growth of social enterprises. Social enterprises require an environment where social entrepreneurs have to emerge in sufficient

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<sup>12</sup> The study provided a review of social enterprises in different regions -- Europe, United States, Latin America and Asia (focusing on China and India).

<sup>13</sup> In the United Kingdom, the promotion of social enterprises has been institutionalized through the creation of a national social enterprise unit and regional government units to support local efforts

number. Social entrepreneurship is encouraged when there is a widespread attention on socioeconomic issues and a cultural environment that allows linkages with other countries for exchange of talents and expertise on social enterprise development.

Third, there should be an “ecosystem” of enabling institutions to facilitate the success and scaling up of social enterprises (Poon 2011:30). Social enterprises require the support of different institutions – academe, incubators, financier, experts/consultants, business plan competitions, etc. - in order for these enterprises to scale up.

Most countries or regions represented in Poon’s study depict a conducive environment to SE development. In contrast China’s legal, political and cultural environment tend to hinder the development and growth of social enterprises.

There are observations that the current policy and legal environment in the country is unresponsive to the promotion and growth of social enterprises (Dacanay 2012). At present, the government categorized enterprises in terms of size of assets and employment. It differentiates micro, small and medium sized companies (MSMEs) from big businesses for specific policies and programs. Social enterprises as for profit organizations are similarly classified.

There are two major laws that promote and support the development of MSMEs – one, the Magna Carta for MSMEs which was enacted in 2008 and two, the Barangay Micro Business Enterprises (BMBEs) Act of 2002. Table 4 presents the key provisions of MSME and BMBEs. These laws provide for the development of the sector through policies and programs to improve MSMEs and BMBEs access to financing, markets, and technology. Moreover, tax incentives and the appropriate structures to implement these programs have been created. Since SEs are also considered MSMEs they qualify for the incentives under the Magna Carta and BMBEs laws. A key policy issue is whether social enterprises should be given a separate or special classification with additional incentives.

In other world regions, social enterprises are viewed as “hybrid organizations”. This hybrid nature is reflected in the resource mix and governance structure of social enterprises. Social enterprises combine grants and capital. Grants are important specifically in the initial phase of the enterprise since many social enterprises are set up by groups of people who are economically constrained. In other words, these organizations are likely to have limited access to resources and networks. They also have to work with existing resources of the community or locality thus community organizing and capacity building are part of the entrepreneurial process. This is in contrast with traditional SMEs that can hire workers to match specific job requirements.

Social enterprise also need to build partnerships with different groups of civil society actors. These partnerships have to be built on trust, shared values and understandings, which imply an incubation period to enable social enterprises to achieve their objectives and social mission. This is in contrast with traditional SMEs that is focused on individual leadership without concern on other stakeholders.

A proposed bill for social enterprises development, entitled “Poverty Reduction through Social Entrepreneurship” or PRESENT Act, is currently being sponsored by a coalition of social enterprise practitioners, advocates, NGOs, and academe. The bill provides for similar programs and incentives enjoyed by MSMEs and BMBEs which include tax exemptions, special credit windows and guarantee funds, LGU support, etc.



The relevant provisions of the proposed bill that pertains to social enterprise are the provisions on tax exemption to social investors and longer tax break period of 10 years instead of 3 years as in the case of BMBEs. The additional tax measures would give incentives to donors who are interested to extend financial assistance to social enterprises (even if they are for profit enterprises). On the other hand, a longer tax break recognizes that building partnerships among different groups require social enterprises to have an incubation period.

It is important to note that the PRESENT bill does not include the “exemption to the minimum wage law” as an incentive. It is reported that social business enterprises are known to pay above the minimum wage and apply other fair trade principles. However, it may also be true that the smaller enterprises may find it difficult to comply with legally mandated wages, which may constrain growth. Many micro-enterprises are in the nascent stage of enterprise building. This indicates the need for better information and data on social enterprises to ascertain their growth dynamics and prospects. As the social enterprise expands, partner communities can also move up the value chain (from production to processing). Co-ownership or a transfer of ownership to the primary stakeholders is also considered as a possible outcome for social enterprises.

Table 3: Political, Legal, Social, Cultural, and Institutional Environment of Social Enterprise Sectors in Some Regions/Countries

<b>REGION/ COUNTRY</b>	<b>Political Environment</b>	<b>Legal Environment</b>	<b>Social Environment</b>	<b>Cultural Environment</b>	<b>Institutional Environment</b>
<b>India</b>	The political environment in India is conducive to the conditions necessary for the emergence of social enterprises. India has a withdrawn state role that provides an opportunity for the third and the private sector to address different socioeconomic issues. It had massive deregulations and privatization in the past, which empowered non-state actors to take a larger role.	The limited regulation and oversight by the government of India provide space for experimentation (testing of pilot programs and improving them) for social enterprises under the non-profit system.	The stark and apparent socioeconomic problems in India draw attention locally and even outside India's borders.	India has a strong NGO culture which provides a good foundation for the emergence of social enterprises. Additionally, India, being an English-speaking country, was able gather foreign support for the social enterprise sector development.	India has a very developed institutional environment which receives support from both domestic-based and foreign-based institutions. It has a significant network of social enterprise incubators, consulting service providers, and research organizations, which are to provide significant support to the development of the organizations

					of social entrepreneurs.
<b>China</b>	In China, there is a very strong state presence, particularly in social issues. The Chinese government is concerned on getting its political legitimacy undermined once it allows other actors to have significant roles in addressing social issues. Nevertheless, the participation of non-state actors is incrementally being accepted.	The legal environment in China is complex and obstructive, limiting the growth of the social enterprise sector. There are prohibitive requirements for registration. NGOs need to be sponsored by a member of the Chinese Communist Party for official registration, and they have to meet a funding threshold. Additionally, NGOs may only be registered either as a local or a national organization.	China has stark and significant social problems. The government's way of dealing with the issues have limited the role of the private sector and civil society in this area. Nevertheless, the new and emerging technologies (e.g. microblogging) increase the awareness of the society on various social issues, creating an increasingly conducive environment for the development of the social enterprise sector.	The most significant obstacle to the social sector development is China's cultural environment (strong self-interested profit-driven culture, weak culture of philanthropy, and limited connections with external social enterprise sectors).	The institutional environment in China is significantly underdeveloped. There are only a few well-established social enterprise incubators, consulting firms, financing sources, or research institutions in the country. Nevertheless, the number of institutional structures to support the social enterprise sector in China has been increasing in recent years.
<b>United States</b>	The government of the United States made cuts to the funding for non-profit organizations due to the prolonged economic downturn in the country, which was a result of the high oil prices in 1973. The withdrawn state role largely contributed to the emergence of the social enterprise sector in the region.		Social needs had been increasing in the United States.	Due to the widespread culture characterized by the prominence of business activity, novel business approaches became an attractive alternative means of revenue generation.	Private foundations (e.g. Kellogg Foundation, Kauffman Foundation, and Pew Charitable) and academic institutions (e.g. Yale University) supported the shift toward social enterprise.

<p><b>Africa</b></p>	<p>The emergence of the social enterprise sector in Africa is largely due to the withdrawal of the state funding for related activities. Following the oil crisis in the 1970s, the World Bank and the International Monetary Fund designed Structural Adjustment Policies as conditions for loan grants to developing countries. Africa adopted the policies of reduction in state expenditures, deregulation, and privatization.</p>		<p>Socioeconomic conditions had been deteriorating in Africa.</p>		<p>-Due to the reduction in state funding and the increase in socio-economic problems, many NGOs adopted social enterprise models to sustain the delivery of goods and services to the public. -The non-state sector in the African countries received international attention and, subsequently, foreign aid due to the inability of the state to address the socioeconomic problems.</p>
<p><b>Western Europe</b></p>	<p>The 1970s economic downturn is a factor of the emergence of the contemporary social enterprise sector in Western Europe. The economic downturn of the 1970s decreased economic growth and increased unemployment, placing a major strain on the welfare state system. There was then a state move to push social enterprise as an approach toward solving the massive economic problems. The governments provided strong support to the emergence of the social enterprise sector.</p>	<p>Many European countries created specialized legal structures and forms which eased the operations of the social enterprises.</p>	<p>There was an increased unemployment and decreased economic growth due to the economic downturn of the 1970s.</p>	<p>The strong civil society culture helped drive the social enterprise sector development.</p>	<p>Many European countries adopted an institutional approach in promoting the social enterprise sector development. They did this by creating specialized legal structures and forms, which facilitated the operations of the social enterprises.</p>
<p><b>Eastern Europe</b></p>	<p>The social enterprise sector emerged in Eastern Europe due to the withdrawal of the state's roles resulting from the fall of communism, which led to conditions similar to those caused by economic recessions of</p>	<p>The social enterprise sector in Eastern Europe is relatively underdeveloped due to legal and institutional constraints.</p>			<p>Foreign actors provided technical expertise and financial resources to stimulate the growth of the local social enterprise sector.</p>

	the 1970s.				
<b>Latin America</b>	Global developments, which led to political changes in the continent, and economic dislocations, which resulted from the Washington Consensus measures, accelerated the growth of the social enterprise sector in Latin America.			The emergence of the social enterprise sector in Latin America could be linked to the influence of European traditions and practices	

Note. Condensed from Poon, D. (2011). The emergence and development of social enterprise sectors. *Social Impact Research Experience Journal (SIRE)* 1-1-2011. Wharton School. University of Pennsylvania.

Table 4: MSMEs Development Plans and the Proposed PRESENT Bill

Provisions	RA9501 of 2008	RA 9178 of 2002	SOCIAL ENTERPRISE BILL or PRESENT ACT	
			House Version	Senate Version
Title	"Magna Carta for Micro, Small and Medium Enterprises (MSMEs)". AN ACT TO PROMOTE ENTREPRENEURSHIP BY STRENGTHENING DEVELOPMENT AND ASSISTANCE PROGRAMS TO MICRO, SMALL AND MEDIUM SCALE ENTERPRISES,	"Barangay Micro Business Enterprises (BMBEs) Act of 2002." AN ACT TO PROMOTE THE ESTABLISHMENT OF BARANGAY MICRO BUSINESS ENTERPRISES (BMBEs), PROVIDING INCENTIVES AND BENEFITS THEREFOR, AND FOR OTHER PURPOSES.	"Poverty Reduction Through Social Entrepreneurship (PRESENT) Act." AN ACT ORDAINING THE PROMOTION OF SOCIAL ENTERPRISES TO ALLEVIATE POVERTY, ESTABLISHING FOR THE PURPOSE THE POVERTY REDUCTION THROUGH SOCIAL ENTREPRENEURSHIP (PRESENT) PROGRAM AND PROVIDING INCENTIVES AND BENEFITS THEREFOR	"Poverty Reduction Through Social Entrepreneurship (PRESENT) Act." AN ACT INSTITUTIONALIZING THE POVERTY REDUCTION THROUGH SOCIAL ENTREPRENEURSHIP (PRESENT) PROGRAM AND PROMOTING SOCIAL ENTERPRISES WITH THE POOR AS PRIMARY STAKEHOLDERS
Rationale of Law	MSMEs have the potential for more employment generation and economic growth and therefore can help provide a self-sufficient industrial foundation for the country.	To encourage the formation and growth of barangay micro business enterprises which effectively serve as seedbeds of Filipino entrepreneurial talents, and integrating those in the informal sector with the mainstream economy.	To pursue a poverty reduction program that promotes an environment conducive to the development and growth of a vibrant social enterprise sector engaged in poverty reduction, economic and social development. It shall empower the poor as primary stakeholders.	To pursue an inclusive growth strategy that promotes an environment conducive to the development and growth of a vibrant social enterprise sector engaged in poverty reduction, economic and social development.

Definition of SME or SE	MSMEs shall be defined as any business activity or enterprise engaged in industry, agribusiness and/or services, whether single proprietorship, cooperative, partnership or corporation whose total assets have value as follow: micro: not more than P3,000,000, small: P3,000,001 - 15,000,000 and medium: P15,000,001 - P100,000,000	"Barangay Micro Business Enterprise," or BMBE, refers to any business entity or enterprise engaged in the production, processing or manufacturing of products or commodities, including agro - processing, trading and services, whose total assets shall not be more than Three Million Pesos (P3,000,000.00).	Social Enterprise refers to a wealth-creating organization, whether an association, single proprietorship, partnership, corporation, or a cooperative or any other legal form, whose primary stakeholders are marginalized sectors of society, engaged in providing goods and services that are directly related to its mission of improving societal well-being.	"Social Enterprise" or SE shall refer to a social mission-driven organization that conducts economic activities providing goods and services directly related to their primary mission of improving the well-being of the poor, basic and marginalized sectors and their living environment.
Support programs and Incentives				
a. Finance	Credit and guarantee support Mandatory allocation of credit resources of all lending institutions to SMEs	Government lending institutions provide special credit window for BMBEs	Non-collateralized loan through special credit windows with a guarantee fund pool Comprehensive insurance program due to climate change	
b. Technology	SME innovation R&D	Technology transfer, production and management training, and marketing assistance	R&D and technology support Resources for comprehensive capacity development for SEs	
c. Market Access	10% share of SMEs in government procurement Trade and investment promotion; capacity building programs, market information assistance		Preferential treatment provision in government procurement	
d. Regulatory	LGUs provide facilities that will facilitate administrative and operational requirements	One-Stop-Business Registration Center for efficient processing of permits or licenses	Proactive SE market development promoting principles of fair trade Mainstream SE content in formal educational system Recognition and support for LGUs in developing social enterprises	
e. Incentives	Presidential awards for outstanding MSMEs and good MSME practices	Exemption from Taxes and Fees. Exemption from minimum wage laws	Tax exemptions and tax breaks for SEs and social investors Cash incentives (e.g. 25% of minimum wage for SE employing PWDs)	
Implementing body	Micro, Small and Medium Enterprise Development (MSMED) Council. — attached to the Department of Trade and Industry (DTI). The Bureau of Small and Medium Business Development (BSMBD acts as the Council Secretariat		Create Social Enterprise Development Council (SEDC). The SEDC is an agency attached to the Department of Trade and Industry (DTI).	Create National Enterprise Development Council for MSMEs and SEs to carry out the policy throughout the country,

1/ Local government units (or LGUs) have administrative powers to regulate activities within their areas of responsibility. LGUs issue business permits, regulate small and medium industries, develop livelihood programs, maintain symbiotic ties with local chambers of commerce (Local Government Code of 1990)

## VI. Conclusions

The modern movement on social enterprises that is developing in different parts of the globe has led to a rethinking of the economy. There is a growing recognition of a “diverse economy”; the capitalist economy as one component and the community economy that is promoted through social enterprises as another. The appeal of social enterprises is the attention to community well-being and human development as the core advocacies of enterprise business. Social enterprises are engaged not only in developing a business but in constructing communities and enlarging them. The development of these enterprises thus could be a better way to advance the agenda of inclusive and sustainable growth.

Social enterprises comprise of different organizations and there are important differences in world regions. The emerging type in the country is an enterprise initiated by social entrepreneurs, also referred to as the New Generation SE (or New Gen SE). Under the New Gen SE model, the social entrepreneur(s) establishes a business to address a pressing need of households or marginalized communities. The community is either directly involved in the business or provided access to basic services (e.g. power, health insurance, water) for improved livelihood and human development. The New Gen SE tends to move toward commercialization faster than an enterprise that started as a cooperative organization, which often fails due to dysfunctional management. In this SE model, the incorporators provide the business concept; bring in the financing, technology, and other resources and take lead in building partnerships that are necessary for the enterprise to thrive and for the community to progress. The incorporators totally or partly assume the business risks.

While there are some similarities in the entrepreneurial operations of SEs and SMEs, social enterprises are being considered as hybrid organizations. The hybrid nature of social enterprises is reflected in the resource mix, social relations and governance structure. Social enterprises combine both grants and capital and are built on partnerships among different sectors of the civil society. These unique features imply that while social enterprises are for profit organizations, the inclusion of social mission in the entrepreneurial activity require social enterprises to undertake partnership building, capacity building and experimentation before commercialization can happen. These processes need a strategy that combines volunteerism and paid work; grants and equity capital; venture financing and bank financing. Moreover, the incubation period for social enterprises tends to be longer compared to SME since the partnership and capacity building processes take time to build. There is therefore a need to develop policies and programs that can respond to the hybrid nature of social enterprises.

At present, the policy environment for social enterprises in the country has yet to be established. Social enterprises are still viewed in the same light as traditional SMEs and therefore there is no urgency to create policies and programs for these organizations since the existing policies framework also work for them. Similar to traditional SMEs, social enterprises are being provided a conducive environment for doing business that works along the lines of ease in doing business such as starting a business, paying taxes, getting credit, enforcing contracts, closing a business, etc. However, additional support to social enterprises can be provided specifically in line with providing incentives for mixed financing, providing a conducive environment for grants, international aid, CSR and venture capitalists and recognizing the longer incubation period of SE.

On the other hand, the Philippines has a social and cultural environment conducive for social entrepreneurship to emerge. This is largely attributed to the widespread focus in the country of bottom-

of-the-pyramid issues and the stronger participation of the civil society and the private sector in social issues. Social entrepreneurship programs have also been established in academic institutions and private foundations, enabling social entrepreneurs to become more equipped with relevant knowledge and networks (both local and international). This environment should be nurtured so that social entrepreneurs can emerge in sufficient number.

A basic issue that needs to be clarified is the definition of social enterprises. The term “social enterprises” has been applied to a variety of organizations and institutions, both profit and non-profit. It also includes different sizes of social enterprises. It might be good to harmonize the definitions to enable government to respond to the needs of the sector. Adopting a broad definition could muddle the concept and relevance of social enterprises.

Finally, research on social enterprises has been constrained by the lack of comprehensive and systematic data. Thus, current studies are limited to case studies that do not adequately capture the relative importance of social enterprises. Developing a M&E system for social enterprises would be a useful tool to provide evidence on the impact of social enterprises on community growth and on broad based growth. The empirical research will help move the social enterprises agenda forward.

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**ANNEX A: List of Social Business Enterprises Registered at ChooseSocial.Ph, 2016**

Retails and Commerce					
Name of Enterprise	Year Founded	Business Category	Business Sub-Category	What is the Social Cause	Partner/Beneficiary
1. Anthill Fabric Gallery	2010	Retail & Ecommerce	Filipino handcrafts, Jewelry, bags & accessories, Clothing & footwear	Culture, Entrepreneurship & local business development, Rural development	Rural Communities, Aboriginal / Indigenous groups, Women
2. Artwine	2007	Retail & Ecommerce	Filipino handcrafts, Jewelry, bags & accessories, Home & décor	Education, Poverty eradication	Youth, Low-income individual
3. Bambike		Retail & Ecommerce	Green products, Fair Trade, Filipino handcrafts	Environment, Employment development & skills training, Poverty eradication	Rural Communities, Low-income individuals
4. Bambowtie	2012	Retail & Ecommerce	Fair Trade, Filipino handcrafts, Clothing & footwear	Education	Youth
5. Banago	2011	Retail &	Jewelry, bags &	Employment	Disaster affected

		Ecommerce	accessories	development & skills training, Entrepreneurship & local business development, Rural development	groups, Rural Communities, Women
6. Benitez Collection	2011	Retail & Ecommerce	Green products, Filipino handcrafts, Jewelry, bags & accessories	Environment, Employment development & skills training, Poverty eradication	Women
7. CustomMade Handcrafted Traditions	2003	Retail & Ecommerce	Green products, Fair Trade, Filipino handcrafts	Culture, Environment, Employment development & skills training	Rural Communities, Aboriginal / Indigenous groups
8. ECHOStore	2008	Retail & Ecommerce	Green products, Fair Trade, Filipino handcrafts	Poverty eradication, Health and wellness	Rural Communities, Women
9. EcoIngenuity Inc.	2010	Retail & Ecommerce	Green products, Jewelry, bags & accessories	Environment, Employment development & skills training, Rural development	Disaster affected groups, Rural Communities, Low-income individuals
10. Gifts & Graces Fair Trade Foundation	2006	Retail & Ecommerce	Fair Trade, Filipino handcrafts, Jewelry, bags & accessories	Employment development & skills training, Entrepreneurship & local business development, Poverty eradication	Rural Communities, Aboriginal / Indigenous groups, Low-income individuals
11. Gkconomics	2009	Retail & Ecommerce	Filipino handcrafts, Jewelry, bags & accessories, Home & décor	Employment development & skills training, Entrepreneurship & local business development, Poverty eradication	Women, Low-income individuals
12. Gugu	2010	Retail & Ecommerce	Filipino handcrafts, Jewelry, bags & accessories	Culture, Entrepreneurship & local business development	General population
13. Habi Footwear	2011	Retail & Ecommerce	Green products, Clothing & footwear	Environment, Employment development & skills training, Poverty eradication	Women, Low-income individuals
14. Human Nature	2008	Retail & Ecommerce	Green products, Cosmetics	Entrepreneurship & local business development, Poverty eradication, Rural development	Low-income individuals

15. Jacinto & Lirio	2009 (to be verified)	Retail & Ecommerce	Green products, Jewelry, bags & accessories	Environment, Employment development & skills training	Disaster affected groups, Rural Communities
16. Kape Maria	2012	Retail & Ecommerce	Fair Trade	Poverty eradication	Rural Communities
17. Kinamot nga Buhat	2013	Retail & Ecommerce	Filipino handcrafts, Jewelry, bags & accessories	Employment development & skills training	Disaster affected groups, Women
18. Lagu	2012	Retail & Ecommerce	Green products, Jewelry, bags & accessories	Environment	General population
19. Liberty Street Clothing Company	2012	Retail & Ecommerce	Clothing & footwear	Employment development & skills training, Human Rights	Women
20. Lumago Designs	2012	Retail & Ecommerce	Fair Trade, Filipino handcrafts, Jewelry, bags & accessories	Environment, Poverty eradication	Women, Low-income individuals
21. Manila Sole	2011	Retail & Ecommerce	Green products, Clothing & footwear	Culture, Environment, Entrepreneurship & local business development	General population
22. Maruyog Charms	2012	Retail & Ecommerce	Filipino handcrafts, Jewelry, bags & accessories	Culture, Poverty eradication	Aboriginal / Indigenous groups
23. Messy Bessy	2007	Retail & Ecommerce	Green products, Home & décor, Parenting Products	Environment, Employment development & skills training, Education	Youth
24. Olivia and Diego	2013	Retail & Ecommerce	Green products, Jewelry, bags & accessories	Environment, Employment development & skills training, Rural development	Rural Communities, Youth, Women
25. Plush and Play	2012	Retail & Ecommerce	Green products, Filipino handcrafts, Parenting Products	Education, Poverty eradication	Youth, Women
26. Rags2Riches	2007	Retail & Ecommerce	Green products, Jewelry, bags & accessories, Home & décor	Employment development & skills training, Entrepreneurship & local business development, Poverty eradication	Women, Low-income individuals

27. Red Carpet	2011	Retail & Ecommerce	Filipino handcrafts, Jewelry, bags & accessories, Home & décor	Poverty eradication	Women
28. Suelas	2011	Retail & Ecommerce	Clothing & footwear	Entrepreneurship & local business development, Poverty eradication	Rural Communities, Low-income individuals
29. Taclob	2014	Retail & Ecommerce	Green products, Filipino handcrafts, Jewelry, bags & accessories	Employment development & skills training, Education	Disaster affected groups, Youth
30. Takatak Project	2011	Retail & Ecommerce	Filipino handcrafts, Home & décor	Culture, Entrepreneurship & local business development	Low-income individuals, General population
31. Tejo	2013	Retail & Ecommerce	Filipino handcrafts, Jewelry, bags & accessories	Employment development & skills training, Poverty eradication	Women, Low-income individuals
32. The Carrier Pigeon Project		Retail & Ecommerce	Jewelry, bags & accessories, Clothing & footwear	Education	Youth, Low-income individuals
33. The Paper Project Inc	2011	Retail & Ecommerce	Filipino handcrafts	Employment development & skills training, Human Rights	Women
34. VESTI	2011	Retail & Ecommerce	Filipino handcrafts, Jewelry, bags & accessories	Culture, Entrepreneurship & local business development	Rural Communities, Aboriginal / Indigenous groups
35. VURS Clothing	2010	Retail & Ecommerce	Clothing & footwear	Human Rights	Youth, Women, Low-income individuals
36. W.E. Garage	2012	Retail & Ecommerce	Green products, Jewelry, bags & accessories	Environment, Poverty eradication	Women, Low-income individuals
37. We Are Juan	2014	Retail & Ecommerce	General Products	Entrepreneurship & local business development, Social enterprise development	Other social enterprises, co-operatives or charities, etc.
<b>Food and beverage services</b>					
1. Bayani Brew	2012	Food and beverage services	Food production and/or distribution	Social enterprise development, Poverty eradication, Rural development	Rural Communities, Low-income individuals

2. Coffee For Peace (CFP)	2008	Food and beverage services	Bar or cafe, Food production and/or distribution	Environment, Rural development	Rural Communities, Aboriginal / Indigenous groups, Low-income individuals
3. Cream of the Crop	To be checked	Food and beverage services	Food production and/or distribution	Rural development	Rural Communities
4. Enchanted Farm (EF) Café	2012	Food and beverage services	Restaurant, Bar or cafe	Entrepreneurship & local business development, Social enterprise development, Poverty eradication	Homeless, Low-income individuals
5. First Harvest	2013	Food and beverage services	Food production and/or distribution	Employment development & skills training, Education, Rural development	Rural Communities, Youth, Low-income individuals
6. Friggies	2013	Food and beverage services	Food production and/or distribution	Health and wellness, Rural development	Rural Communities, General population
7. Goldenduck	2011	Food and beverage services	Food production and/or distribution	Entrepreneurship & local business development, Poverty eradication, Rural development	Rural Communities, Low-income individuals
8. Good Food Co.	2011	Food and beverage services	Food production and/or distribution	Environment, Health and wellness, Rural development	Rural Communities
9. Gourmet Keso	2011	Food and beverage services	Food production and/or distribution	Entrepreneurship & local business development, Poverty eradication, Rural development	Rural Communities, Women, Low-income individuals
10. Hamlet	2013	Food and beverage services	Food production and/or distribution	Poverty eradication, Health and wellness, Rural development	Rural Communities, Youth, Low-income individuals
11. Theo & Philo Artisan Chocolates	2010	Food and beverage services	Food production and/or distribution	Entrepreneurship & local business development, Poverty eradication, Rural development	Rural Communities
<b>Tourism and hospitality</b>					
1. Corong Galeri Lokals	2000	Tourism and hospitality	Ecotourism, Cultural tourism, Commercial Tourism	Culture, Environment, Employment development & skills training	Rural Communities, Aboriginal / Indigenous groups
2. FlipTrip	2014	Tourism and	Cultural tourism,	Entrepreneurship &	Rural

		hospitality	Commercial Tourism, Accommodation	local business development, Rural development	Communities
3. Kawil Tours	2011	Tourism and hospitality	Ecotourism, Commercial Tourism	Environment, Entrepreneurship & local business development, Rural development	Rural Communities, Low-income individuals
4. Mabuhay Restop Travel Cafe and Museum	2013	Tourism and hospitality	Cultural tourism	Culture, Poverty eradication	Low-income individuals
5. Route +63	2012	Tourism and hospitality	Voluntourism, Ecotourism, Cultural tourism	Culture, Environment, Entrepreneurship & local business development	General population
6. The Circle Hostel	2011	Tourism and hospitality	Ecotourism, Cultural tourism, Accommodation	Environment, Entrepreneurship & local business development	General population
7. Trail Adventours	2010	Tourism and hospitality	Ecotourism, Cultural tourism	Environment, Education	Low-income individuals, General population
8. TriboCo. Kultura Kamp	To be checked	Tourism and hospitality	Cultural tourism	Culture, Rural development	Rural Communities, Aboriginal / Indigenous groups
<b>Arts</b>					
1. Joomalam!	To be checked	Arts	Music	Education, Poverty eradication	Youth, Low-income individuals
2. loudbasstard	2012	Arts	Music	Environment, Employment development & skills training, Education	Youth
<b>Environment and animal protection</b>					
RAD Green Solutions	2009	Environment and animal protection	Clean Technology	Environment	General population

Note: The listing also included companies that provides consulting and professional services; energy and infrastructure services that targets the poor or marginalized households as clients. These were excluded as we narrow the discussion of social enterprise as those firms that includes the community in the entrepreneurial process.

Source: <https://www.choosesocial.ph/organization> web accessed 2016 July 7