



EXECUTIVE SUMMARY

Worldwide, there is a growing recognition of the importance and potential of social entrepreneurship as a key factor in achieving the Sustainable Development Goals (SDGs)¹. In the Philippines, there is an estimated count of 164,473 social enterprises (SE) present.² However, numerous challenges prevent the Philippine social enterprise ecosystem from fully thriving.

In 2019, the Innovation and Social Impact Partnership (ISIP) project, co-implemented with the Philippine Development Foundation (PhilDev) and the United Nations Development Programme (UNDP), funded by the Australian Embassy in the Philippines (DFAT-Australia), conducted a series of roundtable discussions to contextualize the financing landscape, opportunities, and challenges of the Philippine Social Enterprise ecosystem resulting in knowledge products. ISIP conducted peer to peer discussions, added on ground insights from practitioners, and reviewed related studies and reports to include the effects of the COVID-19 pandemic on the SE Ecosystem. These four knowledge products are on financing Filipino social enterprises from the perspective of Growth-Stage Social Enterprises; Entrepreneurship-Supporting Organizations (ESO); investors; and the financial landscape.

In addition, ISIP was also able to produce a Technopreneurship Governance Blueprint (TGB) that assessed the entrepreneurial readiness (with social impact aspect) of Philippine universities. The TGB sets the goal for integrating innovation and social impact in technopreneurial activities in HEIs.

ISIP also conducted a study on the impacts of COVID-19 pandemic and community quarantine on social enterprises in the Philippines. The study aimed to identify the impacts in terms of business operations, financial status, and financing opportunities, and to provide recommendations for SEs to survive during and after the COVID-19 pandemic.

The following are the key findings from the knowledge products.

1 Kovac Vujasinovic, P, et al. (n.d.) The Role of Social Entrepreneurship as a key driver of the Agenda 2030. United Nations Regional Academy. Retrieved from: http://www.ra-un.org/uploads/4/7/5/4/47544571/6_unido_the_role_of_social_entrepreneurship_as_a_key_driver_of_the_agenda_2030.pdf

2 CSO-SEED (n.d.) Reaching the Farthest First. The state of social enterprise in the Philippines. Retrieved from: https://www.britishcouncil.org/sites/default/files/the_state_of_social_enterprise_in_the_philippines_british_council_singlepage_web.pdf

Financing for Filipino Social Enterprises

Perspective of Growth-stage Social Enterprises

Growth-stage SEs identified critical success factors for social enterprises in the Philippines, such as mentorship and peer-to-peer learning; capacity and willingness to pivot; support platforms and allied services; value chain partnerships; and an effective and strategic management team. They also mentioned the challenges posed by the COVID-19 pandemic for SEs in the country, such as the disruption of operations and the decentralization of the supply chain. However, they also mentioned insights and opportunities brought about by the pandemic such as the digitization of their operations and their business participation in e-commerce.

Perspective of Entrepreneurship-Supporting Organizations

According to ESOs, the success factors for financing Filipino social enterprises can be summarized into three heuristics: (1) Think Big, (2) Be F.A.S.T., and (3) Act Social. Think Big refers to the ability of the entrepreneur to think ambitiously about the enterprise's growth and scale. Be F.A.S.T. stands for Financial Acumen and Strategic Thinking which entails making sound fiscal decisions to balance and align economic value and social purpose. Lastly, to act social is to harness social linkages through embeddedness and effectual networking.

ESOs also identified tension points between ESO and Funder; ESO and SEs; and, ESO and Capital. An example of an ESO-Funder tension is the misalignment of timelines which causes ESOs to be dependent on the funders. ESOs and SEs also experience tension as the balance between the impact-first motives of SE founders and the ESOs' focus on financial sustainability is delicate and often difficult to balance. Lastly, ESOs also experience challenges with capital such as when ESOs are tasked to fill the 'missing middle' when ESOs are in search for patient capital while capital providers are more concerned with risks and return on investments.

Perspective of Investors

Investors, on the other hand, defined the characteristics of an 'investment-ready' SE, such as having strong, resilient founding teams with the capability to be flexible, grow, and pivot; demonstrating traction; and having a realistic exit strategy for investor capital.

However, investors also shared inhibitors of SE growth such as limited deal flow in the Philippines, misalignment of enterprise and investor valuation, and limited ability of SEs to demonstrate required rate of return on investment.

Financing Landscape of Social Enterprises in the Philippines

This knowledge product seeks to validate assumptions about social enterprise financing and inform on-going and future ISIP approaches that aim to bridge the financing gap of Filipino social enterprises. Findings show that social enterprises face numerous challenges in accessing finance due to the limitations of the financial market infrastructure such as limited supply of capital, unrefined business model, weak access to investors due to limited network, and limited track and performance record. These are further worsened by the COVID-19 pandemic, which brought about strict lockdowns and social distancing protocols affecting business operations.

Technopreneurship Governance Blueprint

The Technopreneurship Governance Plan is a guiding framework for the academe. The blueprint aims to promote a minimum standard for HEI-based technopreneurial activities in the Philippines and provides a checklist of basic principles, human resources, operational costs, physical and digital infrastructure considerations for rolling out the course in institutions.

Impact of COVID-19 Pandemic and Community Quarantine to Social Enterprises in the Philippines

The study shows that social enterprises, similar to MSMEs, have been negatively affected by the COVID-19 pandemic and community quarantine. Several SEs note experiencing disruptions in the supply chain and distribution channels. As such, SEs have been forced to adapt to the situation by modifying their work arrangements, reducing the scope of their business operation, enforcing additional health protocols, and transitioning towards digitization. However, several SEs have noted opportunities brought about by the pandemic, such as the opportunity for the SEs to innovate by changing or improving their products to meet current demands of the pandemic and to tap the virtual market.

The knowledge products indicate that the Philippine social enterprise ecosystem is growing; however, several roadblocks prevent it from fully thriving. The COVID-19 pandemic and the accompanying community quarantines also affected the SE ecosystem by introducing new barriers, such as disruptions in supply chains, but also by providing opportunities, such as digitization and transition online platforms. Several recommendations have been provided to improve and streamline the social enterprise ecosystem in the Philippines, such as, but not limited to, the recognition of social enterprises in the Philippines, stronger call for policymakers and national government to promote and streamline social entrepreneurship in the Philippines, institutionalization of support for social enterprises, cultivation of more SE-focused capital, and adoption of the Technopreneurship Governance Blueprint among HEIs.