



UNITED NATIONS DEVELOPMENT PROGRAMME

SOCIAL ENTERPRISES AND INNOVATION



Development Challenges

The Philippine government sees innovation and entrepreneurship as crucial means for promoting economic growth and generating quality jobs. Through its National Innovation Agenda and Strategy Document (NIASD), it aims to build an innovation ecosystem to “support entrepreneur(s) to continuously innovate and come up with new and improved products, services, or processes.” However, the Philippines ranks 59th of 132 countries in the 2022 Global Innovation Index and lags behind neighbors five of seven pillars.¹ Inadequate human capital and resources, limited access to infrastructure and technology, weak industry linkages, and fragmented governance² have prevented entrepreneurs from thriving and for their innovations from being commercialized.

A new class of entrepreneurs who seek to not only profit financially but also contribute to addressing social and environmental problems has emerged. These social enterprises “engage the poor, bottom-of-the-pyramid, marginalized and vulnerable sectors as primary stakeholders”³ and design their solutions and operations to not only serve their needs but also include them in the process of change. A 2017 study⁴ estimated that there could be as many as 164,473 social enterprises or roughly about 17 percent of all registered establishments. Anecdotally however, many of these have ceased operations because of the COVID-19 pandemic.





UNDP Efforts to Support Social Enterprises and Innovations

UNDP Philippines sees social enterprises (SEs) and innovations as key to accelerating the Sustainable Development Goals (SDGs). It provides support to these social enterprises and innovations not only through direct financial and capacity building assistance but also by pursuing research and advocacy, promoting partnerships and network-building, and co-creating policy reforms. Below are some projects and initiatives recently implemented by UNDP Philippines:

1. Social Impact-Driven Entrepreneurship

Despite the rising number of SEs as well as incubators and investors that support them, many social enterprises are unable to cross the “Valley of Death” and achieve the impact they seek. UNDP Philippines, with support from the Australian government, launched the Innovations for Social Impact Partnership (ISIP) in 2018 to provide tailored mentorship and technical support to high potential SEs. To date, 39 SEs have benefited from the Social Impact Accelerator programme, of whom 18 SEs have received external funding offers worth USD 1 million. Additionally, ISIP works to strengthen educational institutions to act as regional hubs to capacitate SEs, and to conduct policy research and advocacy on strengthening the SE ecosystem.

2. Youth Entrepreneurship

Many talented entrepreneurs are young people and most start-up activities take place in the age range between 18 and 34 years. Today, young people are more connected, creative, and responsive to today’s challenges with fresh ideas to create the world they want for themselves, their communities, and their societies. In partnership with Citi Foundation, UNDP Asia-Pacific launched the Youth Co:Lab in 2017 to put young people front and center as agents of change. In the Philippines, Youth Co:Lab supported 1,700 young leaders, innovators, and entrepreneurs, of which 45 percent are women and 60 percent come from underrepresented sectors (out-of-school youth, LGBTQIA+, women, crises-affected, with disabilities, indigenous/religious/ethnic minority). Youth Co:Lab

also engages ecosystem players in government and private sector to advocate for the inclusion of the youth in enterprise development policy. Youth Co:Lab, through its national pre-incubation Springboard Programme, also offers tailored-fit support, mentorship, and linkages to market opportunities.

3. Women Entrepreneurship

In its various interventions, UNDP Philippines creates opportunities for women entrepreneurs to co-create solutions for various development challenges and lead the generation of new value: from women-led circular economy enterprises to women trailblazers in the digital space. During the COVID-19 crisis, UNDP Philippines worked with a loose coalition of fashion industry workers and entrepreneurs to tap and empower women sewers to create reusable face masks and other personal protective equipment (PPEs). With Citi, it launched the Women Organizations and Networks Delivering Assistance for COVID-19 Response (WONDER) which capacitated and supported women entrepreneurs to ramp up PPE production.

4. Biodiversity-Friendly & Circular Enterprises

In promoting blue and green economic paradigms, UNDP Philippines works to support various enterprises whose missions focus on protecting the planet. It has, for instance, bolstered the efforts of Biodiversity Friendly Enterprises (BDFEs) whose business models are to create sustainable economic value from the country’s terrestrial and marine protected areas. BDFE is a banner program of the Department of Environment and Natural Resources that promotes economic opportunities to MSMEs, LGUs, and people’s organizations through sustainable use of biological resources. Likewise, the GEF Small Grants Programme has been granting opportunities to community-based organizations to put premium on efforts towards biodiversity conservation. These encompasses community-based organizations that are led by women, indigenous peoples, youth, etc.



As part of its nascent but growing portfolio on circular economy, UNDP is also nurturing the development of enterprises whose business models revolve around designing for reuse and recovering value from waste. With Pasig City and Quezon City, UNDP Philippines is working to conceptualize and create Innovation for Circular Economy (ICE) Hubs: virtual and physical spaces that nurture circular enterprises, innovators, and their collaborators.

5. Social Enterprise in Peacebuilding

The Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) has attained fragile peace after decades of conflict and poverty. To accompany the normalization process and support the delivery of peace dividends, UNDP Philippines has supported social enterprises especially to women, former combatants, and internally displaced families as part of its various interventions in BARMM. These projects include the government-funded Support to Peace and Normalization (SPAN) where 135 social capital grants were provided to local organizations allowing beneficiaries to develop their enterprises; the ongoing EU-funded Programme on Assistance for Camp Transformation through Inclusion, Violence Prevention, and Economic Empowerment (PROACTIVE) which aims to promote sustainable enterprises in former rebel camps; as well as the activities of ISIP and Youth Co:Lab to nurture Bangsamoro entrepreneurs.

6. Grassroots Innovation

Innovations are not only created by scientists, inventors, and entrepreneurs, but also by the ordinary folk in communities. Grassroots innovations — those frugal solutions created by people to respond to issues they face daily — are increasingly being recognized for their importance as a source of insight on issues that policymakers and businesses may not immediately see from their macro perspectives. UNDP Philippines works with the Grassroots Innovation for Inclusive Development (GRIND) programme of the Department of Science and Technology to promote and integrate grassroots innovation in various development interventions on circular economy, resilience and peacebuilding, and local economic development.

7. Accelerating Social Innovation

Seeking to re-imagine development in the 21st century, UNDP created the Accelerator Labs in 2019 to be the world's largest and fastest learning network on wicked sustainable development challenges. The 91 labs are embedded in UNDP country offices to bring new capabilities for exploring development challenges, mapping solutions especially from the grassroots, and testing and scaling these. The Accelerator Lab PH (ALab PH) focuses on the frontier challenges of circular economy, inclusive value chains, and multi-stakeholder coalitions against poverty. ALab PH works with a loose network of social innovators and entrepreneurs who bring novel solutions to these challenges: these include grassroots innovators who seek to create value from waste, startups who create digital tools to produce new data on development issues, and local partners who implement experiments on the ground.

Potential Areas for Collaboration

1. Establish a Financing Facility for the *missing middle*.

Available financing opportunities are at the extreme ends of the spectrum. SEs and MSMEs seek financing deals that are too large to be served by microfinance institutions, but too small to be attractive for venture capitalists, banks, and private institutions. There is a mismatch between the needs of early-stage entrepreneurs and available capital in the local market (missing middle = USD 20,000 to 250,000), compounded by a mismatch in returns expectation. The lack of capital impedes the growth of SEs and MSMEs.



a. Co-create a grant facility with government financing facilities (i.e. DTI's Small Business Corporation, D BP or LBP) or an established angel investor network (i.e. Manila Angel Investor Network) to de-risk investments and offer flexible, blended and friendlier financing opportunities for SEs.



b. Co-design an investment readiness program for these SEs before granting access to the grant facility.



c. Set-up of an impact investment fund³. Support for the mobilization of new and Innovative sources of financing with the development of impact investment funds.

2. Strengthen Investment Readiness Support.

Focused on assisting SEs to scale and move from small to medium, or medium to large enterprises, a tailored program can provide tailored assistance on investment readiness.



a. Co-design a program to provide investment readiness support. This can zero in on improving the capital readiness of each SE; and include an investment diagnostics and support on their financial model, dashboards, credit history, investor decks and valuations. A long-term plan may be to capacitate DTI or its Go Negosyo centers to deliver this.

3. Enabling an Impact Investment Environment.

Understand and work towards an improved policy environment.



a. Deepen understanding on the changing landscape of the SE ecosystem to surface key drivers that stimulate growth and magnify social impact (i.e. state of social enterprises in the Philippines, quantitative study on the social returns on investment of social enterprises; policy actions needed to support growth)



b. Maintain a platform for the ecosystem that curates resources such as available financing opportunities, how to access them, and host community events to expose SEs to a bigger network of investors and private sector partners. A long-term plan may be to turn this platform over to DTI, DOF, or relevant government agencies.



c. Capacity development for the Cooperative and Social Enterprise Authority of BARMM, including setting-up a database for social enterprises in BARMM.



d. Assist national, regional and/or local government units to pursue and implement a local social value policy, or social procurement policy.



e. Learning exchange on innovation ecosystem convergence strategies for SDG mainstreaming at the regional and national level





Endnotes

¹ The Philippines performs above the regional average in knowledge and technology outputs, performed at par on business sophistication, but lagged neighbors on institutions, human capital and research, infrastructure, market sophistication, and creative outputs.

² These four were cited in the NIASD as key challenges to the innovation ecosystem.

³ UNDP (2022). Reimagining Inclusive Innovation in the Philippines (forthcoming public release).

⁴ CSO-SEED Project (2017). Reaching the Farthest First: The State of Social Enterprise in the Philippines.

Work With Us

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