



MICRO, SMALL, AND MEDIUM ENTERPRISE DEVELOPMENT COUNCIL

MSMEDC Resolution No. 3 Series of 2021

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“Recognizing Social Enterprises as Partners in Poverty Reduction and Inclusive Recovery”

WHEREAS, the Philippine Development Plan 2017-2022, for the strategy to “increase access to economic opportunities,” under the Pagbabago pillar (inequality-reducing transformation), articulates that “Social enterprises and inclusive business models will be promoted. The government will also facilitate linking micro and small suppliers to cooperatives for purposes of facilitating access to finance, and to medium and large enterprises to access/diversify markets and enhance supply chain resilience, leveraging digital platforms, as appropriate”;

WHEREAS, the Micro, Small and Medium Enterprise Development Plan 2017-2022, under the focus area on business capacity, articulates that “To improve access to technology and innovation, the Plan strategy is to support linkages between MSMEs and large corporations, develop more inclusive business models and social enterprises; establish feasible domestic economic zones for MSMEs; and make innovative technologies including sustainable and resilient practices affordable, cost effective, and accessible to MSMEs across all regions of the country”;

WHEREAS, pending the enactment of an enabling legislative measure, DTI and MSMEDC can play an innovative role in recognizing and catalyzing a process of tailoring programs and services for social enterprises, including linking them to the digital economy and mentoring them as they grow into full-fledged entities, as has been done by the executive branch of government in other countries;

NOW, THEREFORE, be it resolved, as it is hereby resolved for the MSMEDC to:

1. Recognize social enterprises and their role as partners of the government for poverty reduction, the acceleration of the UN Sustainable Development Goals, and inclusive recovery from the COVID-19 pandemic.
2. Utilize the following working definition of social enterprises:

A **social enterprise (SE)** is a social mission-driven organization that creates wealth while contributing to social well-being and ecological sustainability. In a developing country context, many social enterprises pursue poverty reduction or improving the quality of life of specific segments of the marginalized and vulnerable sectors as a major objective.

As such, social enterprises have two (2) core attributes that distinguish them from regular businesses:

- (1) **Transformational engagement with marginalized sectors, which is in contrast to a purely transactional approach implemented by regular businesses.** An SE does not only improve the condition of the marginalized as workers, suppliers and clients, but it also provides transformational services that improve the position and capacity of the poor to lift themselves out of poverty and marginalization. It also develops

the poor and marginalized as partners in SE or value chain management/governance and/or in community, sectoral and societal transformation. Beyond partnership, SEs enable the poor and marginalized and the women of these sectors to become co-owners, supervisors, managers, and decision makers or to become leaders and stakeholders of their own social enterprises.

(2) **Adherence to a distributive enterprise philosophy**, which is in contrast to the philosophy of creation and accumulation of wealth for the owners of a regular business. As such, a social enterprise undertakes a combination of practices that distribute wealth and create value among their poor and marginalized stakeholders including the following:

- Purposively investing in the poor/marginalized to become effective worker-partners, supplier-partners or client-partners, including transitioning workers in the informal economy to become stakeholders of the social enterprise
- Purposively investing in the women of these poor/marginalized sectors as co-equal stakeholders of the social enterprise
- Paying living wages to their workers
- Engaging in transparent negotiations with their supplier communities towards offering fair or above-market prices.
- Distributing dividends, fair trade premiums or implementing other forms of profit-sharing schemes
- Reinvesting a significant percentage of its profits to the fulfillment of its social mission, including providing transformational services to the poor and marginalized as stakeholders of sustainable development.

3. Engage social enterprises in consultations to develop appropriate programs and services for them.

Approved, 13 December 2021.

For the MSMED Council:



SECRETARY RAMON LOPEZ
Chairman