

ACCELERATING POVERTY REDUCTION THROUGH SOCIAL ENTREPRENEURSHIP

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Colleagues in government; Dean Tony La Vina and the leaders, members and partners of the Institute for Social Entrepreneurship in Asia (ISEA) and the Poverty Reduction through Social Entrepreneurship (PRESENT) Coalition; members of the Ateneo community, friends in the fight against poverty, good afternoon.

Allow me to first congratulate ISEA on the occasion of its Fourth Anniversary, and to recognize its efforts in leading the action research that culminated in the formulation of the Poverty Reduction Through Social Entrepreneurship Bill that I have sponsored in Congress.

Let me also recognize the Foundation for a Sustainable Society Inc (FSSI) and the Ateneo School of Government (ASoG) for co-sponsoring this forum and for their lead roles in the Poverty Reduction through Social Entrepreneurship Coalition, which is spearheading the lobby effort for House Bill 6085.

As we all know, poverty and inequality continue to be the most pressing problems facing developing countries like the Philippines. But unlike our East Asian neighbors, the anti-poverty programs implemented by past administrations seem to have had little impact on the problem. The level and extent of poverty in our country remains very disturbing.

During the nine years of the Arroyo administration, for instance, the number of individuals falling below the poverty line had increased from 19.8 million in 2003 to 23.1 million in 2009. This means 3.2 million families in 2003 and 3.9 million families in 2009. Yet, during this period our economy experienced a modest growth at an average of 4.8 percent annually.

Inequality has not changed over the past twenty-years. A World Bank report cited in an Inquirer story on inequality in ASEAN last year showed the richest 20 percent of the population “outspent” the poorest 20 percent by more than eight times and that the Philippines has the most unequal income distribution compared to Thailand, Indonesia, Malaysia and Vietnam.

Wealth created by the national economy largely go to a handful of private corporations with households getting less share over time. According to studies conducted by scholars and the government’s own National Statistics Coordinating Board, in 2006 alone, more than Php 3 trillion of the country’s total income went to private corporations, compared to around Php 2.4 trillion going to households in the same year. By 2009, private corporations made Php 3.9 trillion, while households made Php 3.04 trillion. It is no wonder why more than a dozen Filipino businessmen have made it to the Forbes list of billionaires this year compared to only four a few years ago.

The situation is bound to worsen if we as a nation do not get our act together to find innovative solutions to these age-old problems of poverty and inequality.

That is why I see hope in social enterprises and a movement for social entrepreneurship for poverty reduction. As social mission-driven, wealth creating organizations that are dedicated to assist the poor get out of poverty, social enterprises with the poor as primary stakeholders deserve the recognition, incentives and support that House Bill 6085, as a Magna Carta for Social Enterprises, mandates.

To me, social enterprises, particularly those whose reason for being are to serve various segments of the poor, and engage them not only as workers, suppliers and clients but also to develop them as owners and partners in their own poverty reduction, are fascinating organizations.

- Unlike traditional non-government organizations that are dependent on donor funding, I appreciate social enterprises not only for creating wealth but more importantly for distributing the wealth they create to the poor they serve, in the process building the assets and capability of the poor to overcome poverty.

- Unlike traditional business enterprises that are primarily there to generate profit to enrich their owners, I appreciate social enterprises for creating profit or surplus with and for the poor; and
- Unlike companies practicing corporate social responsibility which tend to give up their social causes when their profit margins are at stake, I appreciate social enterprises for putting the interest of the poor first: just wages and fair prices for their workers or suppliers are not just costs but are considered benefits to the poor they serve, and vital for the sustainability of the enterprise.

I sponsored House Bill 6085 not only because I believe social enterprises should be supported as major partners of government in the fight against poverty but because it proposes a strategy that I believe could accelerate poverty reduction in our country: a National Poverty Reduction Through Social Entrepreneurship Program that envisions the identification and development of strategic economic subsectors with the potentials for growth and where the poor are concentrated or could be major players.

There is wisdom in the use of economic subsectors as units for planning and pursuing poverty reduction interventions. As we defined it in HB 6085, economic subsectors are networks of related actors and enterprises performing various functions in value chains. These actors and enterprises transform raw materials into finished products, or develop services, and distribute or provide them through market channels to final consumers. They may be identified by key raw material source, by finished product or final service provided.

This strategy has a lot of potential in helping to deliver the poor out of poverty if government is able to successfully undertake convergence efforts in partnership with social enterprises. I am particularly enthusiastic about seeing this strategy in coconut and fishery-based subsectors where the poorest in the rural sector are located.

Fisherfolk and coconut farmers are among the poorest of the poor in rural areas. Latest data show that about half of the 1 million fisherfolk in the country earn

income below the poverty line. The same poverty level is true for the more than 1.2 million coconut farmers nationwide.

Some 25 percent of agricultural lands are devoted to coconuts covering about 3 million hectares; 700,000 of the 1.2 M hectares of CARP balance are coconut lands. Coconut products remain the biggest single export-earning agro-based crop.

The potential impact of promoting social enterprises in various subsectors of the coconut industry is mind boggling. Huge potentials exist for engaging the poor in social enterprises in such subsectors as coco sugar, desiccated coconut, virgin coconut oil, coco coir and coco peat, just to name a few. To illustrate, let me show the potential impact of social enterprises that would just utilize the 10 billion coconut husks from the 3 million hectares of agricultural land planted to coconut. The Foundation for a Sustainable Society Inc estimates that if collected and processed, this volume of coco husks can provide some one billion tons of fiber and two billion tons of coco peat (or dust) per year with a market value of approximately Php10 billion to Php15 billion. Moreover processing these husks to coir, peat and other products can generate employment and livelihood opportunities for at least three million people in various coconut communities throughout the country. Just think about it: the full development of these coconut husk based subsectors alone could provide employment and livelihood opportunities to all 1.2 million coconut farmers and 1 million fisherfolks nationwide!

Even before House Bill 6085 is passed, I would like to advocate undertaking a strategy of this nature as the executive branch concludes the battle to resolve the coconut levy issue in favor of the small farmers. The courts have ruled last January 24, 2012 that 24 percent of San Miguel Corporation shares of stocks are owned by government and are “to be used only for the benefit of all coconut farmers and for the development of the coconut industry.”

The total shares are valued at P56.5 billion and as of January of this year, it has earned dividends amounting to almost P9 billion. This money can actually be used to capitalize and develop social enterprises in key subsectors of the coconut industry.

In addition to the coco levy fund, there are many other ways for government to support the development of the social enterprise sector. And here I would like to make special mention of an important provision in HB6085 mandating the use of government's power of public procurement for poverty reduction. As a case in point, let me go back to the coco coir subsector and show how government procurement of geo-textile nets could impact on the coconut farmers' poverty situation. Geotextile nets have been proven to be superior for erosion control in road construction and other infrastructure projects, and are already used extensively in other countries. While there have been efforts for government to use them for public works, I believe much can be done to effectively mainstream their use in government infrastructure projects. For example, the Department of Public Works and Highways already identified 4 million square meters of slopes in various parts of the country where geotextile nets could immediately be used. However, we have not seen government procurement efforts commensurate to serving even this immediate need.

As early as 2002, a Department of Agrarian Reform-commissioned study revealed that an agrarian reform beneficiary household's income averaging Php18.5 thousand per year, had the potential of increasing 3-5 times, to P60-95.3 thousand per year, by participating in a sustained manner in the twining and weaving activities of social enterprises engaged in the manufacture and sale of geotextile nets. While that study needs updating, it is indicative of the great impact of public procurement for poverty reduction not only for coconut farmers, but for other poverty sectors as well. For example, I only recently became aware about the issues that social enterprises serving persons with disability (PWD) are facing in relation to the current system of government procurement for school chairs and educational toys, limiting the number and quality of impact these social enterprises could have on unemployed PWDs. It is disturbing that PWDs are being asked to make do with procurement prices so low that they could not be assured decent incomes or could not cover the rising costs of raw materials. This despite budget allocations of the Department of Education that actually provide for much higher procurement prices. A Social Return on Investment study by the Institute for Social Entrepreneurship in Asia in 2009 showed that the biggest beneficiary of the school chair project of the National Federation of Cooperatives of Persons with Disability during the period 2002-2007 was not PWDs but the Department of Education itself in the form of savings from unjustly priced school chairs. It is disheartening to hear that just recently, Tahanang

Walang Hagdanan was not given any contract despite its track record of winning and fulfilling contracts to supply quality educational toys to the Department of Education. Such practices in government procurement need to change if we are to use it as an instrument for poverty reduction as envisioned in House Bill 6085.

Overall, HB 6085 codifies a set of incentives and support programs for social enterprises to flourish in major economic subsectors so that as a nation, we can accelerate poverty reduction. These support programs include special credit windows supported by a guarantee fund pool so that social enterprises could avail of non-collateralized loans; a comprehensive insurance system so that social enterprises and the poor could be protected from the impacts of climate change and natural disasters; a research and development program to assist social enterprises undertake continuing innovations; a market development program based on the principles of fair trade that would allow social enterprises to grow; and a capacity development program to assist social enterprises and the poor manage the challenges of scaling up.

Even without these much-needed government support, social enterprises have been engaged in evolving models of poverty reduction with a level of impact in specific communities they have touched. I would love to tell you the success stories of Alter Trade Group in Negros Occidental and how it helped over 800 asset-less, powerless sugar workers turned agrarian reform beneficiaries and AFFIRE in Southern Leyte, that innovated on manufacturing a diversified set of coconut-based products but I would rather that people directly involved in these enterprises tell their stories. Besides, I feel that I have talked quite at length already.

So let me just end by saying that with the incentives and support that HB 6085 envisions, we hope social enterprise models like Alter Trade and AFFIRE, and others that have been proven successful in addressing poverty, could be replicated or assisted to scale up their coverage and impact among poor households in more communities nationwide over a shorter period of time.

Congratulations once more and may we have a productive dialogue as we launch this Multisectoral Forum Series, towards accelerating poverty reduction through social entrepreneurship, the essence of HB 6085.

Maraming salamat at magandang hapon sa ating lahat!