Asia-Pacific
Economic Cooperation

2012/HRDWG/YF/010

Micro, Small, and Medium Enterprise Development for Inclusive Growth - Philippines

Submitted by: Philippines

APEC Youth Festival
Vladivostok, Russia
2-4 September 2012

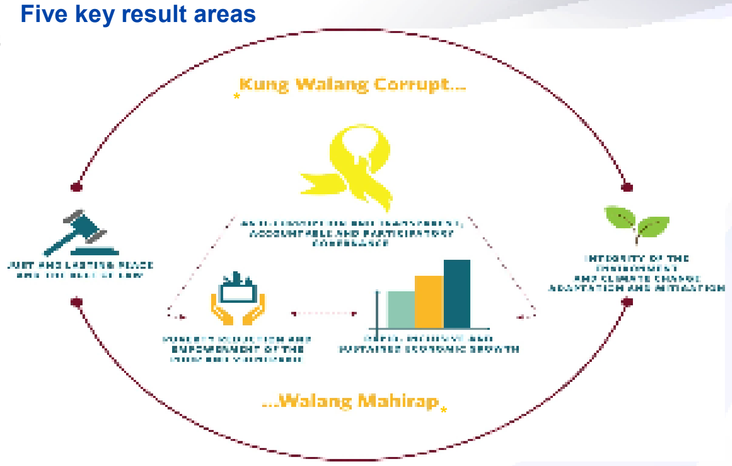
The Republic of the Philippines
MSME Development for Inclusive Growth

APEC Youth Festival 2012
Vladivostok, Russia
02-04 September 2012

Asia-Pacific Economic Cooperation

APEC RUSSIA 2012

The President's Social Contract with the Filipino People
Five key result areas



- The delivery of social and economic services will not be effective without good governance
- Poverty reduction initiatives should also be coupled with efforts to generate employment through economic growth
- A conducive context of peace and rule of law, and of environmental integrity is needed to support good governance, poverty reduction and growth

**There is no poverty If there is no corruption*

Source: Medium-Term Philippine Development Plan 2011-2016, Proposed 2013 Budget in Brief, Department of Budget and Management

The President's Social Contract with the Filipino People
Philippine Development Plan 2011-2016: In pursuit of inclusive economic growth

Medium-Term Targets

- 7.0-8.0% average GDP growth per year
- 22.0% investment-to-GDP by 2016
- 1 million employment generation per year
- 6.8% unemployment rate by 2016
- 16.6% poverty incidence by 2015
- 2.0% deficit-to-GDP by 2013
- Upper 30% in global governance and competitiveness rankings by 2016
- Investment grade sovereign credit ratings before 2016

Critical Interventions to Achieve Inclusive Growth

- Ensuring a stable macro-economic environment and fair competition
- Investing in Rice and Food Self-Sufficiency
- Investment in infrastructure, including Public-Private Partnerships
- Aligning tertiary and vocational curricula to five priority areas

Source: *Medium-Term Philippine Development Plan 2011-2016 Results Matrices; 2013 Proposed Budget in Brief*

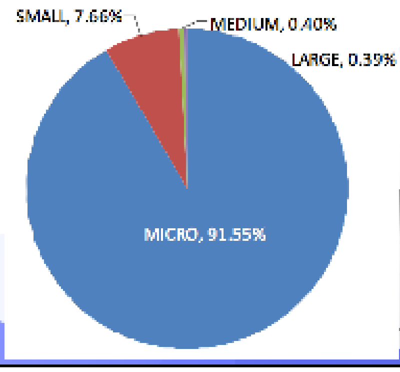
Overview of Philippine MSMEs

Classification of MSMEs in the Philippines

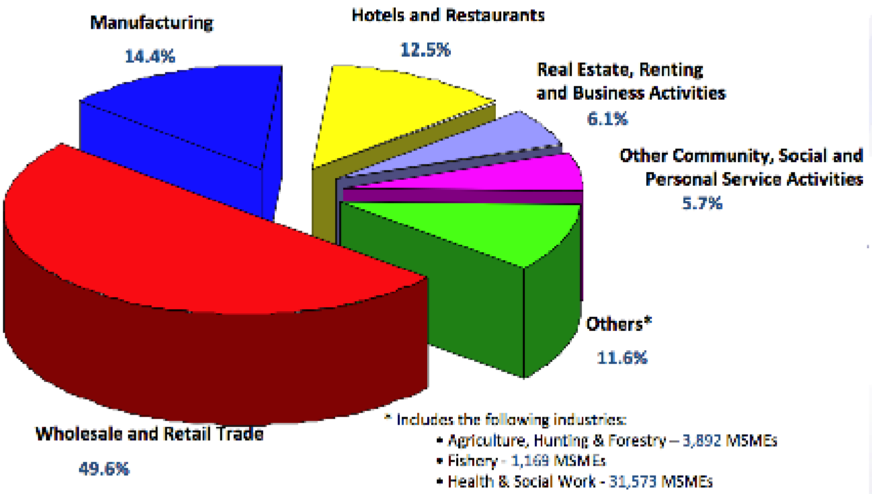
	Asset Size (PhpM)[a]	Employment[b]
Large	> 100	> 200
Medium	15.001–100	100–199
Small	3.001–15	10–99
Micro	≤ 3	1–9

Source: [a] RA 9501
[b] National Statistics Office

Contribution of SMEs
- ***99.6% of total firms***
- ***61% of total employment***
- ***35.7% of value-added***

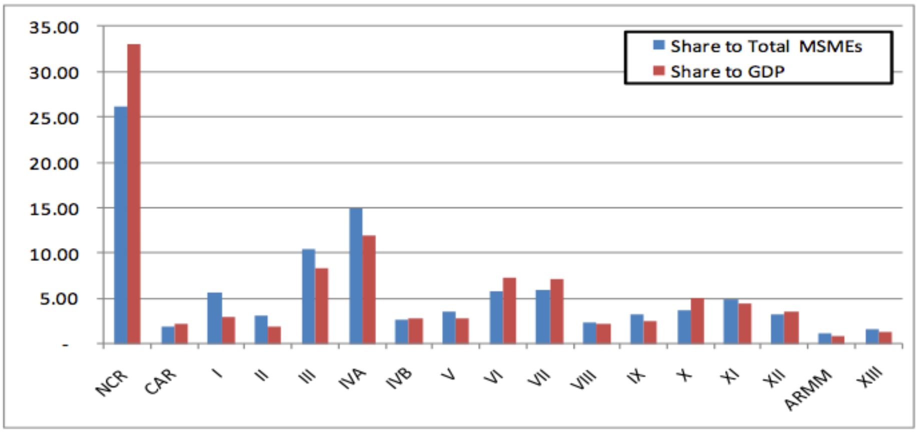


Overview of Philippine MSMEs



* Includes the following industries:
- Agriculture, Hunting & Forestry – 3,892 MSMEs
- Fishery - 1,169 MSMEs
- Health & Social Work - 31,573 MSMEs
- Financial Intermediation – 26,443 MSMEs

Distribution of MSMEs by Region vs Regional Contribution to GDP



Source: National Statistics Office, 2008

Philippine MSME Development Plan 2011-2016

Key Challenges to SME Development

- Firm size distribution has not changed much in the past two decades
- Constraints to SME performance include:
  - High cost of doing business
  - Lack of access to finance and market information
  - Low productivity and competitiveness
  - Lack of access to new technology and R&D

Most MSMEs have remained domestic-oriented rather than take risks of internationalization

Philippine MSME Development Plan 2011-2016

Four Outcome Portfolios

1. Business Environment
2. Access to Finance
3. Access to Markets
4. Productivity and Efficiency

Structural and Other Developmental Reforms and Programs

Accelerating reforms to achieve inclusive growth

2010

2010:
Applied Zero Based Budgeting Approach in preparing the 2011 Budget

2010:
Implementation by the Bureau of Customs (BOC) of Electronic to Mobile System; Enhancement of the agency's post-entry audit capability

2010:
Launched PPP Program

2010:
Reinvigorated implementation of programs against corrupt officials, tax evaders and smugglers

2010:
Simplified and shortened business practices through web-based applications at the BIR

2010:
Set up the Debt Management Office at the Department of Finance

2011

2011:
Passage of the Government-Owned-and-Controlled Corporations (GOCCs) Governance Act of 2011

2011:
Enhanced Business Name Registration System

2011:
Issued guidelines on the adoption of Philippine Financial Report Standards (PFRS) 9: Adopted phased-immigration to Basel III

2011:
BOC National Single Window

2012

2012 and beyond
Full implementation of the Government Integrated Financial Management Information Systems (GIFMIS) in 2013

2012 and beyond:
Sin Tax Bill and Rationalization of Fiscal Incentives Bill

2012:
Program Budgeting Approach

2012:
Nationwide Launch of Philippine Business Registry Facility

2012:
Passage of Amendments to the Anti-Money Laundering Act of 2001

2012:
Launched Food Staples Sufficiency Program

Improved Access to Finance

"Access to Finance is the sustained availability of reasonably priced, socially responsible, and environment-friendly financial products, services, and support programs that are designed for MSMEs, and that MSMEs can conveniently and readily access."

Major Projects and Programs

1. SME Unified Lending Opportunities for National Growth (SULONG) Program (GFIs)
2. Mandatory Allocation of Credit Resources to SMEs (RA 6977, 8% requirement)
3. Projects with Development Partners (i.e. GTZ, USAID)

Facilitated Access to Markets and Integration to Regional/International Trading Systems

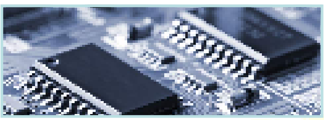
APEC Small and Medium Enterprises Working Group (SMEWG)

ASEAN Policy Blueprint for MSME Development (AEC 2015)

13 Free Trade Agreements with Bilateral and Multilateral Partners

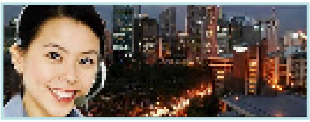
Five Priority Areas for Economic Development and Job Generation

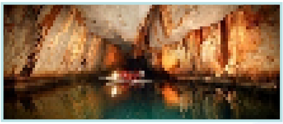
Harnessing the industry sector's potentials as engine of growth



Semiconductor and Electronics Manufacturing

Agriculture and Fisheries Development





Business Process Outsourcing

Tourism Development

General Infrastructure

Source: Department of Budget and Management, 2013 Proposed Budget in Brief

Multi-sectoral Linkages and Councils

- National Competitiveness Council
- MSMED Council
- Government – Academe – Private Sector Consortiums/Fora

Focus on Good Governance Yielding Results

The Philippines is showing improvements on several governance and competitiveness indicators

	2009/2010	2010/2011[1]	Change
Heritage Foundation – Index of Economic Freedom	115[2]	107[3]	*8 places* ↑
Transparency International – Corruption Perceptions Index	139	134	*5 places* ↑
World Bank Government Effectiveness Indicator	51	52	*1 percentile* ↑
World Economic Forum ("WEF") – Enabling Trade Index	92	72	*20 places* ↑
WEF – Financial Development Index	50	44	*6 places* ↑
WEF Competitiveness Rankings			↑
Overall	85	75	*10 places* ↑
Institutions	125	117	*8 places* ↑
Macro environment	68	54	*14 places* ↑
Higher Education and Training	73	71	*2 places* ↑
Goods and Market Efficiency	97	88	*9 places* ↑
Technological Readiness	95	83	*12 places* ↑
Financial Market Development	75	71	*4 places* ↑
Business Sophistication	60	57	*3 places* ↑
Innovation	111	108	*3 places*

Source: World Bank, Transparency International and WEF
[1] World Bank Governance Indicators and Transparency International values are for the year 2010 / World Economic Forum Rankings values are from the 2011/2012 report data
[2] Heritage Foundation 2011 ranking.
[3] Heritage Foundation 2012 ranking.

Internationalization Issues

Climate Change and Natural Disasters

Young/Women Participation

Logistics and Transportation

Migration

Thank you!