

Micro, Small and Medium Enterprise Development Plan 2017-2022



**Micro, Small and
Medium Enterprise
Development Plan
2017-2022**



MALACAÑAN PALACE
MANILA

BY THE PRESIDENT OF THE PHILIPPINES

EXECUTIVE ORDER NO. 50

APPROVING THE MICRO, SMALL, AND MEDIUM ENTERPRISE (MSME) DEVELOPMENT PLAN 2017-2022 AND DIRECTING CONCERNED GOVERNMENT AGENCIES AND INSTRUMENTALITIES, INCLUDING GOVERNMENT-OWNED OR -CONTROLLED CORPORATIONS AND LOCAL GOVERNMENT UNITS, TO ADOPT AND IMPLEMENT THE PLAN

WHEREAS, Section 6 of Republic Act (RA) No. 6977, as amended, or the Magna Carta for Micro, Small and Medium Enterprises (MSMEs), provides that the President shall approve a six-year micro, small and medium enterprise development plan prepared by the Department of Trade and Industry (DTI) which shall form part of the Medium Term Philippine Development Plan, formulated in consultation with the private sector, to be validated and updated semestraly, and which shall include a component on a micro credit financing scheme;

WHEREAS, RA No. 6977 created the Micro, Small and Medium Enterprise Development (MSMED) Council tasked, among others, to review existing policies of government agencies that affect the growth and development of MSMEs, and recommend to the President and the Congress all policy matters affecting the same;

WHEREAS, RA No. 6977 designated the DTI – Bureau of Micro, Small and Medium Enterprise Development (BMSMED) to act as MSMED Council Secretariat and shall be responsible to prepare, coordinate, and recommend for approval of the Council the MSMED Plan 2017-2022;

WHEREAS, the MSME Development Plan (MSMEDP) 2017-2022, crafted with a vision to make the MSME sector more globally competitive, shall serve as the blueprint for integration and collaboration of relevant government and private sector institutions for MSME development;

WHEREAS, the MSMED Council, during its 7th Meeting on 18 August 2017, approved the MSMEDP 2017-2022 and subsequently approved its corresponding Key Performance Indicators during its 8th Meeting on 28 November 2017;

WHEREAS, the successful implementation of the MSMEDP rests on the support of all the stakeholders;

NOW, THEREFORE, I, RODRIGO ROA DUTERTE, President of the Philippines, by virtue of the powers vested in me by the Constitution and existing laws, do hereby order:

THE PRESIDENT OF THE PHILIPPINES

SECTION 1. MSME Development Plan 2017-2022. The MSMEDP 2017-2022 is hereby approved. All concerned government agencies and instrumentalities, including government-owned or -controlled corporations (GOCCs), and local government units (LGUs), are hereby directed to adopt, disseminate and implement the Plan.

SECTION 2. Coordination with the MSMED Council and Secretariat. All concerned government agencies and instrumentalities, GOCCs and LGUs are also hereby directed to work with the MSMED Council in identifying and carrying out programs and projects for MSMEs, including the appropriation of necessary budgets therefor. The MSMED Council may call upon the participation of concerned government agencies and instrumentalities, GOCCs and LGUS in coordination meetings of the committees that may be organized to ensure the implementation of the MSMEDP 2017-2022.

The DTI-BMSMED, as Council Secretariat, shall coordinate and work with the various implementing agencies and entities for the prioritization and sequencing of strategies, policies, programs and projects identified in the Plan, including proposed legislation. The monitoring of outcomes and implementation shall be reported regularly to the MSMED Council.

SECTION 3. Funding. The initial funding for the implementation of the various programs under the MSMEDP 2017-2022 shall be sourced from the applicable budgets of concerned agencies or instrumentalities and such other source to be identified by the Department of Budget and Management. Subsequent funding requirements shall be included in the respective budgets of concerned agencies or instrumentalities. The implementation of programs under the Plan may also be applied for funding under the MSMED Council Fund, subject to approval and availability thereof.

SECTION 4. Separability Clause. If any section or part of this Order is held unconstitutional or invalid, the other sections or provisions not otherwise affected shall remain in full force or effect.

SECTION 5. Repealing Clause. All other orders, guidelines, rules, regulations, and issuances or parts thereof which are inconsistent with the provisions of this Order are hereby repealed or modified accordingly.

SECTION 6. Effectivity. This Executive Order shall take effect immediately.

DONE in the City of Manila, this **4th** of **April** in the year of Our Lord, Two Thousand and Eighteen.

By authority of the President:


SALVADOR C. MEDIALDEA
Executive Secretary







MALACAÑAN PALACE
MANILA

FOREWORD



Micro, small and medium enterprises (MSME) play a crucial role in fulfilling our Ten-Point Socio-Economic Agenda that seeks to sustain the momentum of our current economic growth. Comprising 99.5% of business establishments, it provides opportunities for 4.8 million people and accounts for 61.6% of the country's total employment.

The **MSME Development Plan 2017-2022** will ensure the further empowerment of rising entrepreneurs in the next five years through development strategies that will create globally competitive MSMEs that are regionally integrated, resilient, sustainable and innovative.

I am confident that the strategies outlined in this Plan will continue to accelerate the growth of our MSME sector, especially as we revive the Philippine manufacturing industry and welcome new developments brought about by ASEAN integration.

As the Philippines continues to make its presence felt in the ASEAN and global economies, I encourage our partners from both the public and private sectors as well as other stakeholders to remain committed in your unwavering passion to reform, improve and develop our overall business environment so that MSMEs may truly realize their potential as drivers of inclusive growth and development.


RODRIGO ROA DUTERTE

MANILA
May 2018



PREFACE

Guided by a 7-point strategic framework for uplifting the micro, small and medium enterprises (MSMEs), the Philippines puts forward improved and innovative initiatives encapsulated in the new MSME Development Plan 2017-2022 that will provide greater opportunities to help entrepreneurs start up, sustain, expand, and internationalize their own businesses, and thereby become smarter entrepreneurs.

In the administration's 10-point socio-economic agenda which aims to broaden the gains of economic development, address inequality, and uplift the quality of life of all Filipinos, President Rodrigo Duterte envisioned the reduction of poverty from 21.6% in 2015 to 13%-15% by 2022. We, at the Department of Trade and Industry, are one with the President's desire to achieve inclusive growth and bring shared prosperity for all by empowering our MSMEs, which form a significant part in our country's growth resurgence.

Armed with the common mission of upgrading the MSMEs in the country, this Plan would not be possible without the continued efforts and cooperation of our MSME stakeholders and enablers from around the country. I also acknowledge the unrelenting commitment of the MSME Development Council members from the development to the implementation of the Plan.

I enjoin everyone's cooperation and commitment to help develop, handhold, and empower the MSMEs as we aim for shared prosperity for all.

A handwritten signature in blue ink, which appears to be 'R. Lopez', written in a cursive style.

SECRETARY RAMON M. LOPEZ
Department of Trade and Industry
Republic of the Philippines

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List of Abbreviations and Acronyms

AEC	ASEAN Economic Community
ASEAN	Association of Southeast Asian Nations
ASENSO	Access of Small Enterprises to Sound Lending Opportunities
APEC	Asia-Pacific Economic Cooperation
BDTP	Bureau of Domestic Trade Promotion
EMB	Export Marketing Bureau
BSMED	Bureau of Small and Medium Enterprise Development
BSOs	Business Support Organizations
BSP	Bangko Sentral ng Pilipinas
CIDA	Canadian International Development Agency
CDA	Cooperative Development Authority
CITEM	Center for International Trade Expositions and Missions
CSR	Corporate Social Responsibility
DCP	Design Center of the Philippines
DTI	Department of Trade and Industry
GMP	Good Manufacturing Practice
GFI	Government Financial Institutions
GIZ	German International Cooperation Agency
GVC	Global Value Chain
KM	Knowledge Management
LBP	Land Bank of the Philippines
LGUs	Local Government Units
KMME	Kapatid Mentor Micro Entrepreneurs
MFO	Major Final Output
MSME	Micro, Small, and Medium Enterprises
MSMEDC	Micro, Small, and Medium Enterprises Development Council
NEDA	National Economic and Development Authority
NFA	National Food Authority
NGA	National Government Agency
NWPC	National Wages and Productivity Commission
OECD	Organization for Economic Cooperation and Development
OFWs	Overseas Filipino Workers
OTOP	One Town, One Product
PAPs	Programs, Activities, and Projects
PDP	Philippine Development Plan
PITC	Philippine International Trading Corporation
PPPC	Public-Private Partnership Center
PTTC	Philippine Trade Training Center
RBM	Results-Based Management
ROG	Regional Operations Group
SBC	Small Business Corporation
SET-UP	Small Enterprise Technology-Upgrading Program
SSF	Shared Service Facility
SUCs	State Universities and Colleges
TNK	Trabaho, Negosyo, Kabuhayan (Employment, Business, Livelihood)
UP-ISSI	University of the Philippines-Institute for Small Scale Industries

Executive Summary

Background

The Micro, Small and Medium Enterprise (MSME) Development Plan 2017-2022 is the sectoral plan for the growth and advancement of the MSME sector. It was developed in consultation with various stakeholders from the private sector, academia, and government agencies. It is aligned with the Philippine government's goal of boosting employment, business, and livelihood or "*Trabaho, Negosyo, Kabuhayan*" translating to "*Malasakit*", "*Pagbabago*", at "*Patuloy na Pag-unlad*" of the Philippine Development Plan (PDP) 2017-2022.

The key inputs to the Plan's formulation were also taken from the Ten-Point Agenda for Development presented by President Rodrigo R. Duterte at his first State of the Nation Address on 25 July 2016. It was also developed in accordance with *AmBisyon Natin 2040*, the long-term mission and vision statement for Philippine development formulated by the National Economic and Development Authority (NEDA) in March 2016.

MSME Development Plan 2017-2022 continues where the previous Plans have left off, in the manner of its formulation, its intended modes of execution, and most importantly, in its intention to fully develop the sector's capabilities and harness its potential for the good of the country.

The MSME Sector

The MSME sector in the Philippines consists of 896,839 or 99.54% of the 900,914 total establishments in the country as reported by the Philippine Statistics Authority (PSA). Microenterprises make up the largest portion (89.53%), followed by small enterprises (9.59%), and medium enterprises (0.43%). This composition is at par with those of MSME sectors in other ASEAN countries. Microenterprises contribute the biggest share (29.43%) of the country's total employment closely followed by small enterprises (25.34%) while medium enterprises are far behind at 6.83%. Nearly half of the country's MSMEs are largely engaged in "wholesale and retail trade," constituting 46.51% of total establishments. A far second is "accommodation and food service activities" (13.27%) which is closely trailed by "manufacturing" (12.71%). Other key economic activities being undertaken by MSMEs are "information and communication" (3.92%) and "financial and insurance activities" (3.83%).

While the survey-generated data provided by PSA shows MSMEs at only about a million, the sector's number may be more. Data gathered from submission of Local Government Units (LGUs) to the Philippine Business Registry (PBR) indicated that there are about 3-4 million registered enterprises in the country.

The Plan's Vision

The MSME Development Plan 2017-2022 has as its vision: **“more globally competitive MSMEs that are regionally integrated, resilient, sustainable, and innovative thereby performing as key drivers of inclusive Philippine economic growth.”**

To achieve this, the MSME Development Plan 2017-2022 has three focus areas with corresponding themes or points of emphasis:

- (1) **business environment**, with emphasis on improving the business regulatory requirements and procedures as well as maximizing access to finance;
- (2) **business capacity**, with the aim of strengthening human capital development and improving innovation and technological competitiveness of MSMEs to transform and create new business models and enterprises; and,
- (3) **business opportunities**, with the aim of broadening access to markets.

Following are the goals, corresponding strategies, and action plans:

I. Business Environment

1. Improved Business Climate

The basic strategy adopted by the Plan is to “simplify, standardize, and harmonize MSME-related rules and regulations at all levels that will encourage MSMEs to tap the opportunities in macroeconomic policy, infrastructure development, and trade deals.”

Under this strategy, the action plans include:

- a. Expedite delivery of MSME assistance services;
- b. Streamline business permit and licensing systems;
- c. Remove restrictions, provide incentives and promote job-creating investments;
- d. Reduce regulatory burden; and,
- e. Foster in all government entities a convergence mindset that recognizes the centrality of MSME development in achieving dynamic and inclusive economies.

2. Improved Access to Finance

The Plan strategy calls for streamlining and simplifying loan processes for MSMEs, creating the necessary enabling environment that encourages local banks and relevant financial institutions to reach MSMEs at the ground level while equipping them with knowledge and enticements to avail of formal

financial channels.

Under this goal and strategy, the action plans include:

- a. Streamline and simplify loan requirements and processes for MSMEs and cooperatives;
- b. Build capacities of financial institutions and cooperatives to provide business development assistance for MSMEs;
- c. Provide financial literacy trainings for MSMEs;
- d. Institute policies and programs for innovative financing; and,
- e. Develop, promote and expand alternative financial instruments to better serve MSMEs' financing requirements.

II. Business Capacity

3. Enhanced Management and Labor Capacities

To enhance management and labor capacities, the Plan strategy is to expand and strengthen the human resources capacity of MSMEs through optimal application of a combination of mentoring, group training, field outreach, and online training; and, improve MSME knowledge base using gender and other parameters.

Under this goal and strategy, the action plans include:

- a. Encourage and promote entrepreneurship and equal opportunities for all including women and youth;
- b. Enhance labor capacities through human resource development and gender sensitivity programs for MSMEs; and,
- c. Intensify advocacy and education campaigns on laws/policies relevant to labor and related policies.

4. Improved Access to Technology and Innovation

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.

Under this goal and strategy, the action plans include:

- a. Expand facilities that MSMEs can share;
- b. Provide financing programs for equipment and machinery acquisition;
- c. Promote Philippine National Standards (PNS) by NGAs and its adoption by MSMEs;
- d. Develop internationally harmonized industry performance standards;
- e. Foster wider MSME clustering to achieve economies of scale via clustering models such as co-ops, "corporatives," nucleus farming,

- and other MSME collective mechanisms; and,
- f. Promote commercialization of technology and build capabilities to foster industry clustering.

III. Business Opportunities

5. Improved Access to Market

To improve access to market, the Plan strategy is to strengthen value- and supply- chain linkages; as well as make market information, analysis, learning, contacts, matching, and interaction on domestic and export markets timely, accurate, inexpensive, and available for MSMEs.

Under this goal and strategy, the applicable action plans include:

- a. Maximize opportunities that expand access to existing and new markets presented by the ASEAN Economic Community and other preferential trading agreements;
- b. Promote e-commerce;
- c. Organize local and international marketing events; and,
- d. Design export programs.

Cross-cutting Strategies

Other issues or strategies need to be pursued as they cut across the abovementioned strategies and goals because of their overall relevance. These are the following:

- a. Expand MSME assistance centers (e.g., Negosyo Center, etc.)
- b. Strengthen role of LGUs;
- c. Promote Green Growth;
- d. Promote women and youth entrepreneurship; and,
- e. Maximize opportunities in the digital and internet economy.

Strengthening Institutional Support

To achieve these action plans, five (5) institutional support measures were identified:

1. Effective coordination, complementation, and sharing among national and local government agencies together with MSME business groups and non-governmental organizations (NGOs) advocating MSMEs including establishing a more defined and regular mechanism for public-private sector partnership in the delivery of programs and services for MSMEs;
2. Generation and analysis of relevant information and sex-disaggregated data in implementation plans and its needed analysis for timely dissemination to stakeholders and MSMEs for planning, budgeting, and monitoring and evaluation (M&E);
3. Responsive, timely, graft-free, and effective services by implementing agencies and its personnel complement to the MSMEs;

4. Close geographical and sectoral monitoring and evaluation of Plan implementation so that timely update and adjustments can be undertaken; and,
5. Necessary budget allocation equitably distributed regionally for all indicated programs/projects/activities and its timely releases for effective Plan implementation.

These measures are cross-cutting and cannot be strictly categorized as supporting a specific strategy or set of action plans, in which case the undertaking of these measures are seen more to benefit the overall framework, its focus areas, and the strategies.

Implementation of Strategic Actions

This Plan developed a suggested timeline/Work Plan for implementing the actions identified under each strategic goal which the concerned agencies or lead can further finetune with concrete action lines according to their specific needs and objectives.

It is important for all the stakeholders to have a clear understanding of each other's commitment and what action items will be implemented by whom, when and how under an agreed Implementation Work Plan. The Work Plan should be vetted within the first 6-months of the Plan's implementation and should be updated at least on an annual basis.

The Plan will implement key programs to support the development of MSMEs.

Monitoring and Evaluation

A monitoring and evaluation framework has been developed in order to guide the Plan's stakeholders in determining whether the MSME development framework elements have been achieved or are proceeding in the desired direction.

Part 1

Introduction



Part 1. Introduction

In general, MSME sector plans are developed with the aim of promoting, strengthening, and ensuring the growth and development of MSMEs throughout various sectors of the economy – whether it be in agriculture, services, or manufacturing. The plans are intended to improve the MSMEs' contribution to the country's economic growth as well as employment generation. Past MSME plans sought to improve the overall business environment that would increase productivity and efficiency, along with strategies to access finance and new markets. More recently, a results-based management approach was adopted to measure overall success in the achievement of the Plan's objectives.

Thus, there is a need to continue with the preparation and execution of sectoral plans for MSMEs, as has been done in previous administrations. That these plans were developed and implemented through several administrations is a testament to the foresight of past planners and policymakers to ensure a continuum of policies across administrations. Toward this, NEDA began developing a long-term vision known as *AmBisyon Natin 2040*, an amalgam of dreams and aspirations of ordinary Filipinos see their life to be by 2040. Essentially, it seeks to provide a guide in development planning across administrations which is used as basis in formulating the MSME Development Plan 2017-2022.

In addition, the Department of Trade and Industry – Bureau of Small and Medium Enterprise Development (DTI-BSMED) conducted consultative workshops and focus group discussions (FGDs) at the national level with various MSME associations and groups, such as the MSME Development Council, the various chambers of commerce, the Philippine Exporters Confederation, Inc. (PHILEXPORT), and the Employers' Confederation of the Philippines (ECOP); the various support organizations in and outside government, such as the DTI and its various bureaus/offices, the government financial institutions (GFIs) such as the Development Bank of the Philippines (DBP), Land Bank of the Philippines (LBP or Landbank), and the Small Business Corporation (SBC). The consultation was replicated in the regions, i.e., in Northern Luzon, Southern Luzon, the Visayas, and Mindanao.

The Plan seeks to identify challenges and opportunities for the sector to take appropriate actions necessary for its long-term growth and viability. While the concerns addressed by past plans remain (these include business environment, access to markets, access to finance, productivity and efficiency), these are now complicated by newer, more complex issues such as human security and border protection (in light of ASEAN integration and APEC), natural and man-made disasters, as well as the volatile financial markets. Although these issues have been around since the turn of the century and have been addressed to some extent in previous Plans, the 2017-2022 Plan seeks to tackle these issues in greater detail.

Along with the activities and visioning exercises which were aligned with *AmBisyon Natin 2040*, other planning considerations are as follows:

1. Accomplishment Report of the MSMED Plan 2011-2016;
2. Philippine Development Plan 2017-2022;
3. ASEAN Strategic Action Plan for SME Development 2016-2025;
4. ASEAN 2017 MSME Development Summit: Manila Call to Action;
4. APEC Strategy for SME Development 2017-2020; and,
5. DTI's 7Ms Way of Uplifting MSMEs.

Part 2

**The Business
Climate for
MSME
Development**



Part 2. The Business Climate for MSME Development

The business climate in which MSMEs find themselves situated today is complex and fluid due to the ever-changing economic and political landscape. Providing business opportunities and ensuring good governance for the citizenry, including the MSMEs, are some key international commitments that promise newer and much larger markets through the ASEAN Common Market and the APEC partnership. Properly navigated, these regional and global commitments should provide the Philippine MSMEs with much bigger economic opportunities than would otherwise be available if they had focused solely on the domestic markets.

A. The Philippine Development Plan 2017-2022

The administration of President Rodrigo R. Duterte seeks to build on the successes of previous administrations in reducing poverty and increasing prosperity. Apart from the platform of combating crime and restoring peace and order, President Duterte also underscored that a peaceful society would be more conducive toward the attainment of more stable and long-lasting economic progress. In general, the Duterte economic platform seeks to distribute economic activity throughout the country even as it also aims to improve the overall business climate and make doing business at all levels or sizes of enterprise an easier proposition.

President Duterte vowed to sustain the current economic policies implemented by the previous administration. This is to ensure the continued expansion of the economy, which in the first quarter of 2016 posted the highest growth in Asia at 6.9%.

The government draws upon successful models used to attract business to local cities and pursue the relaxation of Constitutional restrictions on foreign ownership, except on land ownership, in order to attract foreign direct investments (FDIs), according to the administration's economic managers. The objective is to invest in building the infrastructure necessary to make the Philippines a 21st century economy: from modernizing ports to improving logistical spine to ensuring reliable and low-cost power for all the islands. The current government eyes to implement not just major Public-Private Partnership (PPP) projects but more small and medium-sized projects, particularly in the countryside to ensure a more inclusive growth, as this will provide more job opportunities for more people.

The Duterte Administration's economic program gained more structure when the President unveiled his "0+10-Point Agenda," which is summarized as follows:

1. Continue and maintain current macroeconomic policies, including fiscal, monetary and trade policies.
2. Institute progressive tax reform and more effective tax collection,

- indexing taxes to inflation.
3. Increase the country's competitiveness and ease of doing business.
 4. Investment on infrastructure is also targeted to remain strong at the current 5% of GDP or higher at around six percent of total domestic output, with the help of PPP.
 5. Focus on the countryside to "promote rural and value-chain development towards increasing agricultural and rural enterprise productivity and rural tourism."
 6. Ensure security of land tenure to encourage investments, and address bottlenecks in land management and titling agencies.
 7. Invest in human capital to further ensure that the businesses' demand for skilled individuals are met, which will also ensure that people will have work to sustain them and in turn boost economic growth.
 8. Promote science, technology, and creative arts "to enhance innovation and creative capacity towards self-sustaining inclusive development."
 9. Strengthen social protection programs, including the conditional cash transfer (CCT) program, to address poverty and "protect the poor against instability and economic shock."
 10. Vigorously pursue the Reproductive Health Law (RH Law) to help couples from poor families to have informed choices to plan their families.

Of these points, numbers 3, 5, 6, 7, and 8 are those that relate most closely to MSMEs—numbers 3 and 5 being the most direct.

Improving the country's competitiveness (no. 3) will potentially raise investments and generate inclusive growth. Since the majority of the country's registered enterprises belong to the MSME sector, lowering the cost of doing business through streamlining business permit and licensing procedures will redound to the benefit of MSMEs.

A "pivot to the countryside" (no. 5) is the most logical direction for the new administration, considering that President Duterte, having been once a local chief executive, has first-hand knowledge and experience of what the rural sector requires in matters of job creation, income generation, and livelihood promotion.

With respect to securing land tenure (no. 6) as a means to promote investments in both rural and urban sectors, the issue becomes all the more pressing because there are presently no legal remedies to securitize land assets that are not covered by land titles. This is in the context of the country's long-standing agrarian reform program, which provides program beneficiaries or awardees of lands a Certificate of Land Ownership Award (CLOA) pertaining to the awarded property but is not negotiable as an instrument of security as a regular title would.

Investing in human capital (no. 7) through increased spending on education, training, and skills development, among others, will also impact favorably on MSMEs, which will require more and skilled manpower as they move further up the value chain. The government's adoption of the K to 12 Program would strengthen the country's human capital resources and provide sufficient capacity/capability development of middle-level skills, employment, and entrepreneurship.

Science and technology (S&T) and the creative arts (no. 8) also form the basis for which innovations in products and services, and therefore public spending in these areas, especially in human capital development in S&T and the arts, will improve the capability of MSMEs and make them more competitive in the global markets.

The broader context of the President's peace thrust is also an important pillar in the administration's economic platform. Peaceful communities form a more solid basis for creating businesses which generate jobs that ultimately provide an even more vibrant and peaceful community, turning full circle, i.e., the so-called peace dividend.

B. ASEAN Strategic Action Plan for MSME Development 2016-2025

The ASEAN Economic Community (AEC) Blueprint's goal is "to transform ASEAN into a single market and production base, a highly competitive economic region, a region of economic development, and a region fully integrated into the global economy" (Bano and Tabbada, 2015). Under AEC's third pillar of integration, "Equitable Economic Development", the growth of MSMEs is emphasized where the progress of the MSME sector is key towards narrowing the development gap. It is essential that MSME development policies are strategically relevant given the diversity of ASEAN MSMEs and the complexity of issues they face.

The ASEAN Strategic Action Plan for SME Development 2016-2025 or SAP SMED 2025 sets out a vision that embodies the common aspiration of ASEAN Member States (AMS) to have "Globally Competitive and Innovative MSMEs" with their commitment to achieve globally competitive, resilient and innovative MSMEs, seamlessly integrated to AEC and supporting inclusive development in the region by 2025. The Plan's five (5) Strategic Goals are: (A) Promote Productivity, Technology and Innovation; (B) Increase Access to Finance; (C) Enhance Market Access and Internationalization; (D) Enhance Policy and Regulatory Environment, and; (E) Promote Entrepreneurship and Human Capital Development. The Philippines is expected to play an important role in implementing Strategic Goal E as country champion.

Post-2025, SAP SMED identified 10 Key Performance Indicators (KPIs) as a policy tool to evaluate the achievements of the Plan. The ASEAN likewise partnered with OECD in developing an ASEAN Policy Index to further evaluate the policy action of all member states.

Meanwhile, the Philippines' Chairmanship of ASEAN has paved a way for the country to lead the region to promote dynamic and innovative MSMEs through the adoption of its 7Ms (i.e., Mindset, Mastery, Mentoring, Markets, Money, Machines and Models). The Manila Call to Action (MCA) for ASEAN MSMEs: 7Ms to MSME Development, which was adopted on 14 July 2017 took into account recommended action plans in the areas of 7Ms to create smarter entrepreneurs that can thrive in an increasingly competitive global market.

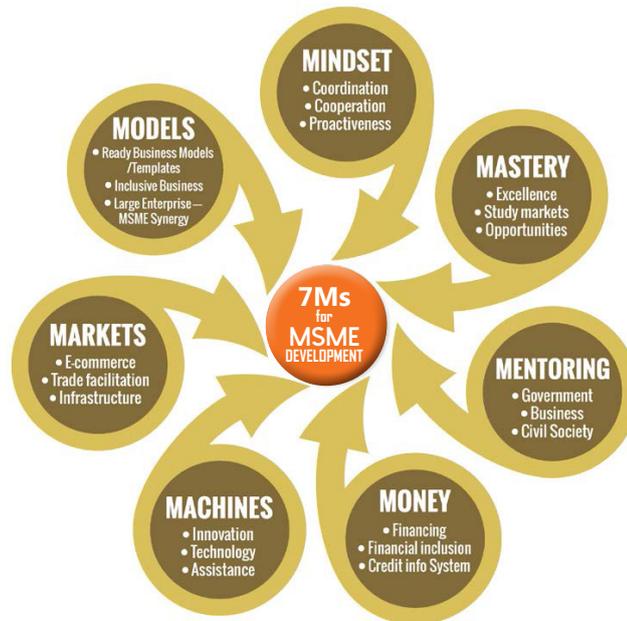
C. APEC Strategy for SME Development

The APEC SME Working Group (SMEWG) Strategic Plan 2017-2020 aims to promote SME development and enhance the effectiveness of APEC efforts for SMEs. This is in recognition of the fact that SMEs continue to face challenges such as trade barriers that hinder their full participation in the global marketplace. Thus, the APEC SMEWG Strategic Plan 2017-2020 was developed to provide a roadmap in order to address critical and emerging issues pertaining to the growth of SMEs in the APEC region.

Consistent with the SMEWG's mission statement and taking into consideration the APEC initiatives, as well as the Iloilo Initiative and the Boracay Action Agenda to globalize MSMEs as endorsed by APEC leaders in 2015, and the Digital Economy Action Plan welcomed by Ministers, the Strategic Action Plan 2017-2020 will focus on four (4) priority areas, namely, entrepreneurship, innovation, the internet, and digital economy; financing for business expansion and capacity development; inclusive business ecosystem that supports SME growth; and market access for SMEs. This is the thrust of modernizing efforts of MSMEs in the Asia-Pacific region, and Philippine MSMEs will benefit greatly from this APEC endeavor.

D. 7Ms Way of Uplifting MSMEs

As part of President Duterte's administration goal of ensuring inclusive growth and addressing income inequality, there is a need to empower those at the bottom of the pyramid and marginalized sectors with the right mindset and know-how to be able to move up in life. DTI has come up with 7Ms to help MSMEs set-up a business and be smarter entrepreneurs. These can help in making a difference in the market, while contributing to a larger cause of sustaining the Filipino entrepreneurial revolution.



DTI's 7Ms Way of Uplifting MSMEs



M1: Mindset

The right and positive entrepreneurial attitude that will carry the MSME through a vibrant entrepreneurial journey. Initiatives that will infuse an entrepreneurial mindset that is success- and innovation-driven, collaborative, and proactive will be pursued.



M2: Mastery

The mastery of know-how and how-to's of entrepreneurship – from setting up a business, basic rules of spotting market opportunities, finding the right product positioning and differentiation, product and market development, basic business finance and preparation in developing a system for continuous innovation – will be provided.



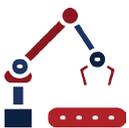
M3: Mentoring

Continuous business guidance in partnership with the private sector will be afforded. Experience coaching and mentoring of industry experts and large corporations on different aspects of business operations will be engaged.



M4: Money

Funding whether through microfinance or from alternative sources will be explored, to help out in financing business requirements.



M5: Machine

MSMEs will be equipped not only with the must-have knowledge on equipment and right tool to ensure quality production. Through these, MSMEs can level up production and increase productivity.



M6: Market

Assistance in promoting products through trade fairs in major malls and internationally recognized exhibits will be provided. Linking MSMEs with big companies or to the government to supply their requirements will be sought.



M7: Models

New and innovative business ideas will be developed and provided to MSMEs to help them get into business. MSMEs need to have ties with bigger businesses to create synergies which are essential in matching and innovating products and services.

Part 3

**State of MSME
Development
in the
Philippines**

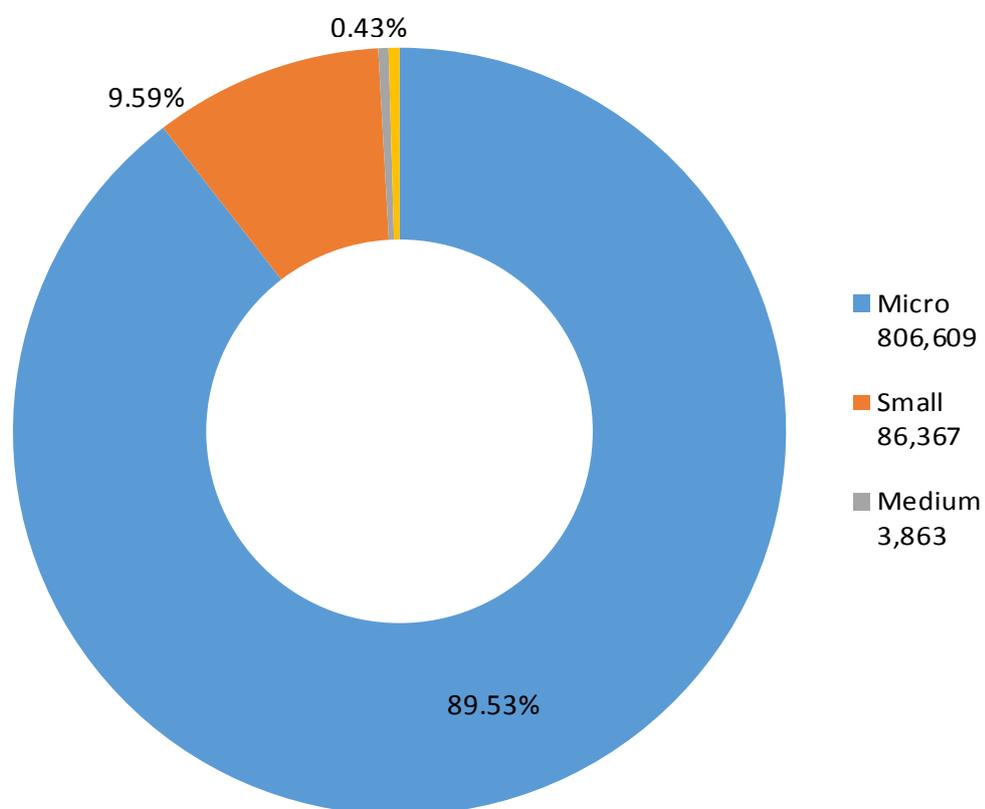


Part 3. State of MSME Development in the Philippines

A. Current Profile of MSMEs in the Philippines

The MSME sector in the Philippines consists of 896,839 establishments or 99.54% of the 900,914 total registered establishments in the country in 2015 (Figure 1). Micro-enterprises constitute the largest portion (89.53%), followed by small enterprises (9.59%), and medium enterprises (0.43%). This composition is at par with those of MSME sectors in other ASEAN countries.

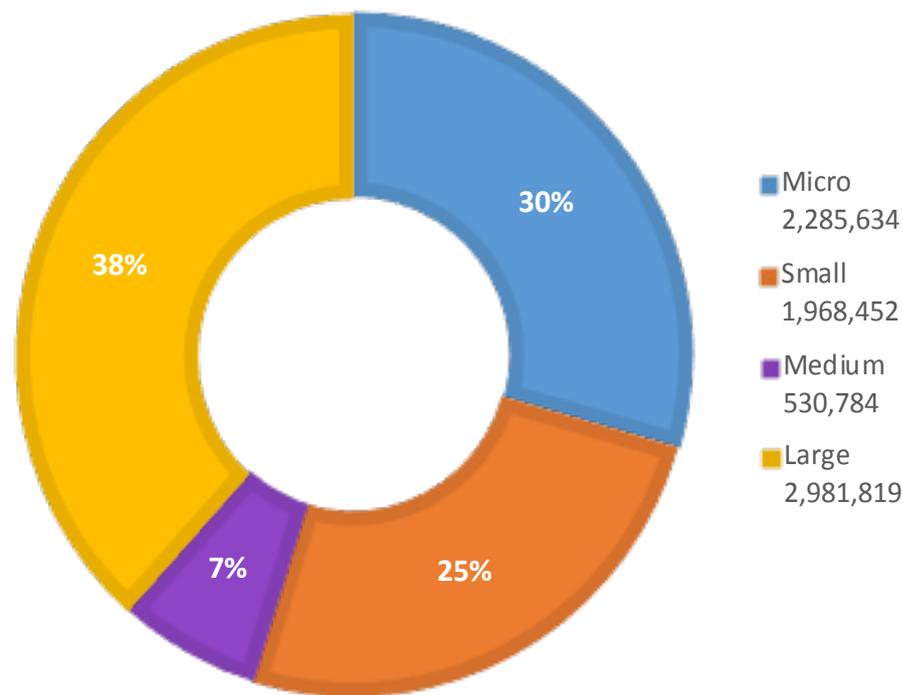
Figure 1. Number of Establishments, 2015



Source: PSA

Together, these MSMEs generated a total of 4,784,870 jobs or 61.61% of the country's total employment (Figure 2). The micro enterprises produced the biggest share (29.43%) closely followed by small enterprises (25.34%) while medium enterprises were far behind at 6.83%.

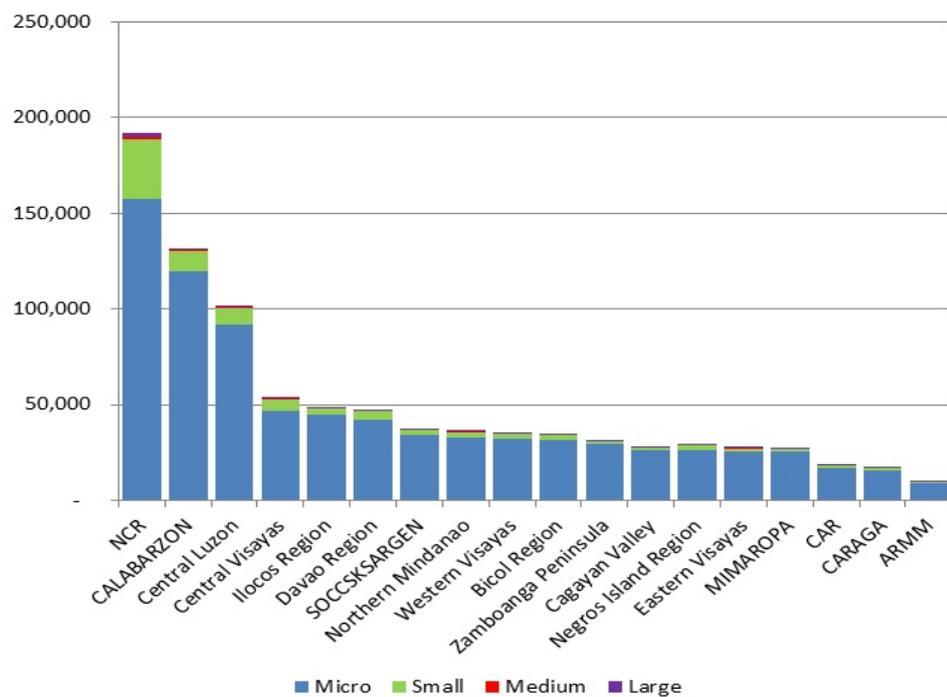
Figure 2. Contribution of Establishments to Total Employment, 2015



Source: PSA

Geographically, the MSMEs are concentrated in Luzon with almost 50% located in NCR, CALABARZON, and Central Luzon (Figure 3). Following them are Central Visayas and Western Visayas. The regions with the lowest number of MSMEs are CAR, Caraga, and ARMM. The rank distribution of the MSMEs in the country is strongly correlated with the distribution of GRDP contribution of the regions.

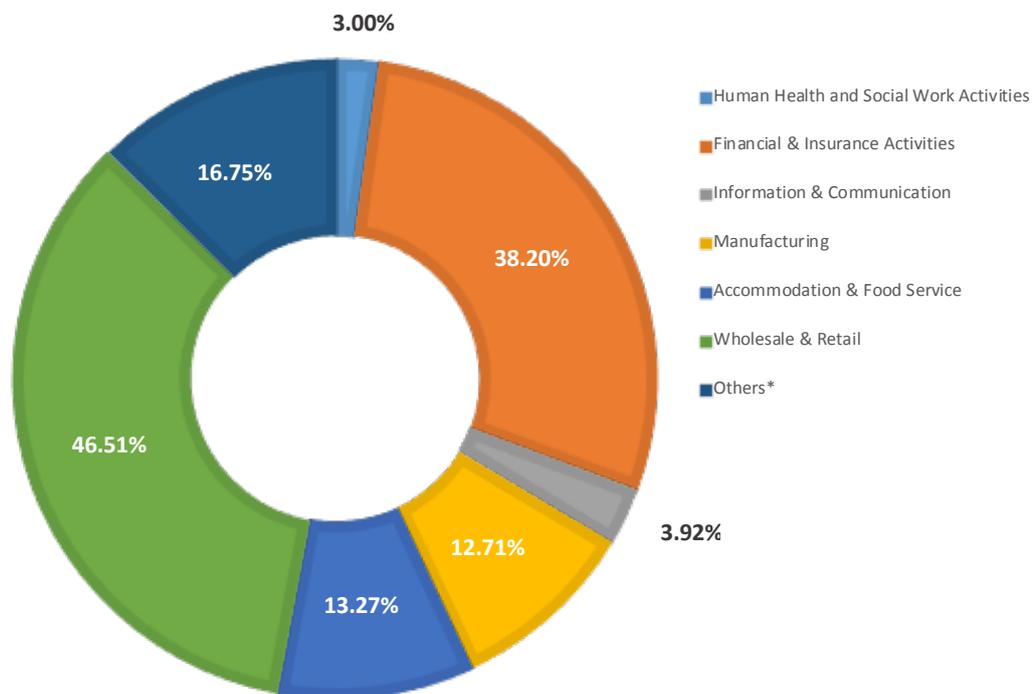
Figure 3. Distribution of MSMEs by Region, 2015



Source: PSA

About half of the country’s MSMEs are largely engaged in “wholesale and retail trade” (Figure 4) which constitutes almost half of the establishments (46.51%). A far second is “accommodation and food service activities” (13.27%) which is closely trailed by “manufacturing” (12.71%). Other key industries being undertaken by MSMEs are “information and communication” (3.92%) and “financial and insurance activities” (3.83%).

Figure 4. Distribution of MSMEs by Industry, 2015



Source: DTI, PSA

*Others include Agriculture, Forestry and Fishery; Mining and Quarrying; Electricity, Gas, Steam, & Air Conditioning Supply; Water Supply; Construction; Transport & Storage; Real Estate Activities; Professional, Scientific & Technical Activities; Administrative & Support Services; Education; Arts, Entertainment & Recreation; and Other Service Activities.

B. Challenges and Opportunities

The MSME sector, while having made strides over the years, continuously faces challenges that have implications in its further development. Among such challenges are:

1) Access to finance

Currently, as provided under the law, there is a mandatory 10% lending allocation to the sector, providing opportunities for MSMEs. However, in general, banks tend to prioritize larger corporate borrowers because of higher gains, perception of lower credit risk, higher repayment rates, and the availability of collateral. Also, access to financing from traditional financial institutions is limited due to the lack of credit information.

Since interest rates are at historic lows and banks' loanable funds are at high level, this translates into more opportunities for MSMEs to borrow. One way is to create the necessary enabling environment that encourages banks to see MSMEs as a viable market. However, recognizing the relatively high risk, the government should also develop or support the development of credit enhancement mechanisms (e.g., guarantees, insurance) to address associated risks of borrower default. Similarly, there is a strong need to enhance MSME financial literacy to make them more aware of financial resources and programs available. MSMEs need to be equipped to utilize diversified sources of financing.

2) Business environment and the cost of doing business

Despite substantial improvements in streamlining the process of business licensing/issuance of mayor's permit through the issuance of DTI/DILG/DICT Joint Memorandum Circular No.1 Series of 2010 and 2016, as well as securing FDA licenses to operate through the Market Authorization Portal, several government procedures and requirements for business in general are still numerous, repetitive, and time consuming in accomplishing, making it more costly for MSMEs to comply with. This is true for many NGAs and LGUs that are characterized by non-uniformity of rules, weak support for MSME and poor coordination among themselves.

The business environment should be characterized by streamlined and simplified rules and procedures. Inter- and intra-government cooperation for MSME development is necessary to achieve aligned and applied policies and regulations that would promote synergies at the regional and national levels.

3) Access to market

Many MSMEs find it difficult to penetrate and sustain their presence in desired markets. Lack of technical knowledge hinders these enterprises from participating in global value chains, as such MSME contribution to exports remain small. Another factor may be the low compliance of MSMEs with national and international standards such as quality and environmental standards, rendering them uncompetitive in the world market.

In order to support methods for enhanced market access and integration into global value chains, there is a need to increase information on both domestic and global markets. Promotion of partnership with large enterprises as well as the adoption of national and international standards of quality and environment may likewise be pursued. Further, promotion of online-based information systems may also intensified as one of the cost-effective means of market access for the MSMEs.

4) Productivity and efficiency

Enhancements to productivity and technology are deemed to be the major drivers of MSME development and progress. Many MSMEs find it difficult to innovate and undertake cost-effective methods, thus, their labor productivity suffers from poor technical education and low skill levels. The sector is hampered by unavailability and high cost of inputs due to inadequate infrastructure, and seasonality and instability of raw materials supplies, among others.

Capability building interventions, linkage with large enterprises including multi-national corporations, and strengthening of industry clusters, are some of the measures to enhance productivity and foster innovation in MSMEs.

5) Impacts of climate change and ease of undertaking disaster recovery

Due to its geographic location, the country ranks high in terms of exposure and risks to natural hazards such as earthquakes, typhoons, flooding and storm surges. Since MSMEs are a key driver of local economic development, resilience to both natural and man-made disasters should look not just into the context of shared community disaster risks but also in terms of business continuity.

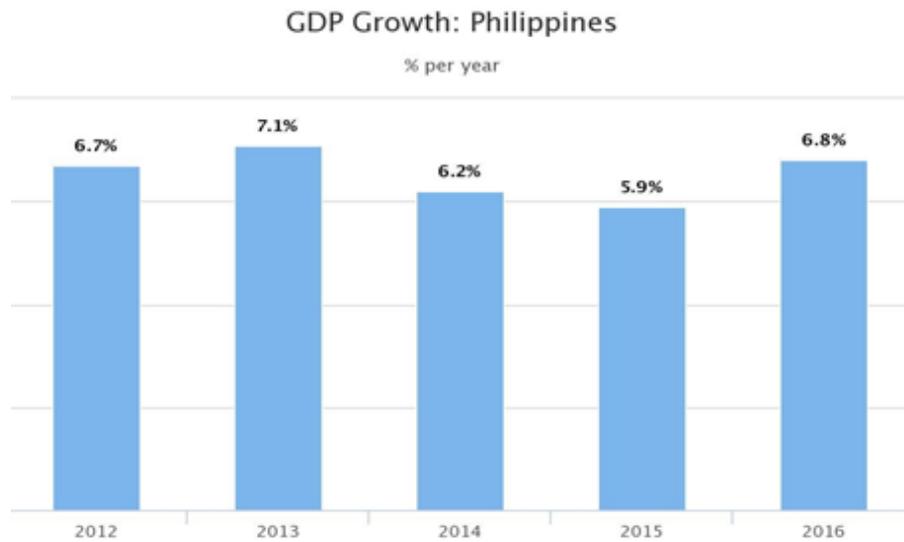
Efficient and effective business continuity programs should be made available to any enterprise, given their importance in the locality and their critical condition due to the risks they face. MSME should develop and strengthen their resilience by incorporating business continuity and emergency preparedness and response. Using business continuity planning framework enables MSMEs to direct and control their activities in order to ensure the continuity of services and recover losses after a disaster.

Against the backdrop of challenges faced by MSMEs, present opportunities provide the long-term impetus for MSMEs to be a more significant driver in the country's economic development. Among these are the following:

1) The Philippine economy as the world's next powerhouse

From 2012 to 2016, the Philippines was one of the fastest growing economies in the world based on gross domestic product (GDP) (Figure 5). This has made the country one of the world's most attractive investment destinations for both local and foreign businesses. On the supply side, this impressive growth performance creates tremendous opportunities for logistics, raw materials, employment, business, and virtual hosting. On the demand side, a larger and more cash-rich consumer base promises more robust domestic markets. The growth prospects of the country can only get even better through the years, barring any unforeseen circumstances.

Figure 5. Annual GDP growth rates, 2012-2016



Source: Asian Development Bank

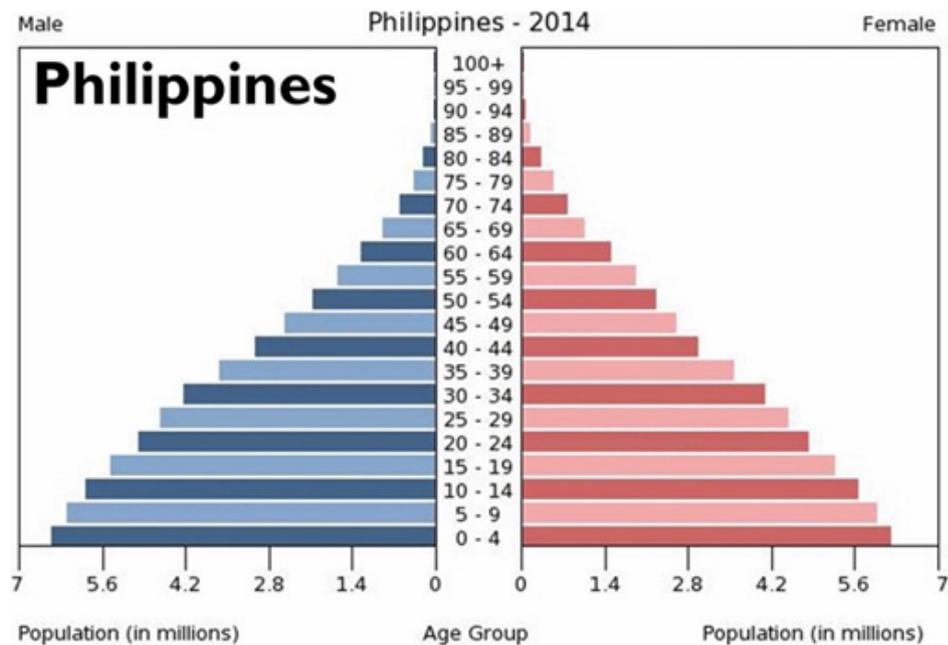
2) The ASEAN Economic Community (AEC) and other Free Trade Agreements

The integration of the ten (10) ASEAN economies starting in 2015 offers numerous opportunities for nimble MSMEs to expand their export, diversify markets within the region and forge partnerships with other ASEAN MSMEs in procuring globally competitive products and services. The various Free Trade Agreements (FTAs) that the Philippines has entered into offer opportunities for MSMEs to increase exports while welcoming investments from counterpart countries which include their own MSMEs.

3) Solid demographics because of a young and vibrant population

The country is already the 12th largest country in the world in terms of population, majority of which are composed of young and economically active age group whose consumer tastes are increasingly changing. It behooves the MSMEs which are largely domestic-oriented to recognize opportunities in these shifting demographics to enable them to properly take advantage of this demographic group – as potential entrepreneurs, customers and source of labor.

Figure 6. Age-Sex Pyramid of Philippine Household Population, 2014



Source: PSA

The country has historically been in a demographic “sweet spot,” where the young are more than the old and the working-age population is large enough to support the elderly segments of the population. This could mean a larger seedbed for youth entrepreneurship, wider domestic market due to increasing per capita income along with the sheer volume of potential customers, a technology-driven work force, and improved investment prospects from potential partners from developed countries with aging populations.

4) Green Growth

President Duterte has signed the landmark Paris Agreement on Climate Change that calls for the reduction of carbon emissions, which have been linked to the occurrence of natural disasters and extreme weather conditions. The global trend toward lower carbon emissions presents opportunities for MSMEs to produce products and services that are environment-friendly. A key driver to realizing the potential benefits of the Paris Agreement will be for businesses to engage and look for market-driven ways to increase investment in low-carbon and renewable energy sources in producing goods or services.

Currently, the government is developing the roadmap on Nationally Determined Contribution (NDC) in compliance with the Paris Agreement that outlines the country’s Low Emission Development Strategies/Goal/Pathway. The government may also introduce measures like carbon taxes and subsidies for green infrastructure. Increasing investments in renewable energy and non-fossil-fuel-intensive products will likewise provide opportunities for growth and employment.

C. Current Policies and Programs for the MSME Sector

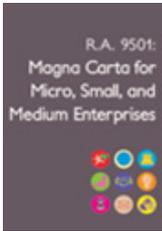
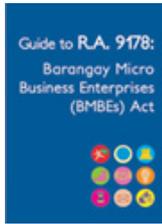
The Philippines has a legal framework governing the policy for MSME development enshrined in the Magna Carta for Micro, Small and Medium Enterprises (RA No. 6977, as amended), the Barangay Micro Business Enterprises Act of 2002 (RA No. 9178, as amended by RA No. 10644), the Go Negosyo Act (RA No. 10644), and the Youth Entrepreneurship Act (RA No. 10679). Said laws work synergistically to provide a holistic approach in setting strategic measures that encompass a wide range of relevant sectors under the purview of MSME development.

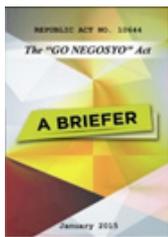
Government policies and programs for MSMEs cover the following outcome areas:

1. Business Environment (BE) - a dynamic practice and culture of governance that fosters the establishment, development, sustainability, and competitiveness of socially responsible and environment-friendly MSMEs.
2. Access to Finance (A2F) - the sustained availability of reasonably priced, socially responsible, and environment-friendly financial products, services, and support programs that are designed for MSMEs and those MSMEs can conveniently and readily access.
3. Access to Markets (A2M) - the sustained ability of MSMEs to be competitive in selling their products and services to existing and new markets, both domestic and international, under a climate of fair, free, socially responsible and environment-friendly trade practices.
4. Productivity and Efficiency (P&E) - the production and delivery of competitive, standards-compliant, socially responsible, and environment-friendly products and services that generate optimum economic returns.

Some of the major policies, programs, and projects in the four outcome areas are as follows:

Table 1. Policies and Programs Supporting MSMEs

OUTCOME AREA 1: BUSINESS ENVIRONMENT	
	<p>RA No. 9501: Magna Carta for Micro, Small and Medium Enterprises (as amended, RA No. 6977, RA No. 8289)</p> <p>An Act that promotes, supports, and encourages entrepreneurship through providing program assistance, and strengthening a balanced and sustainable development to MSMEs.</p>
	<p>RA No. 9178: Barangay Micro Business Enterprises (BMBEs) Act of 2002</p> <p>An Act promoting the establishment of Barangay Micro Business Enterprises (BMBEs), allocating incentives, benefits, and other purposes.</p>

	<p>RA 10644: Go Negosyo Act An Act promoting job generation and inclusive growth through the development of micro, small, and medium enterprises, mandating the establishment of Negosyo Centers in all cities, municipalities, and provinces, which shall be responsible for promoting ease of doing business and facilitating access to services for MSMEs.</p>
<p>R.A. 10679: Youth Entrepreneurship Act An Act promoting entrepreneurship and financial education among Filipino youth.</p>	<p>RA 9485: Anti-Red-Tape Act An Act to improve efficiency in the delivery of government service to the public by reducing bureaucratic red tape, preventing graft and corruption, and providing penalties therefor.</p>
<p>Joint Memorandum Circular No. 1 Series of 2011 Guidelines in implementing the standards in processing business permits and licenses in all cities and municipalities.</p>	<p>Joint Memorandum Circular No.1 Series of 2016 Revised standards in processing business permits and licenses in all cities and municipalities</p>
<p>Enhanced Business Name Registration System Provides ease of registering and paying business name registration online.</p>	

OUTCOME AREA 2: ACCESS TO FINANCE

	<p>RA No. 9501, Section 15: Mandatory Allocation of Credit Resources to Micro, Small and Medium Enterprises (as amended, RA No. 6977, RA No. 8289) For a period of 10 years from the date of the Act, all lending institutions under BSP rules, whether private or public, shall set aside at least 8% for micro and small enterprises and at least 2% for medium enterprises of their loan portfolio and make it available for MSME credit.</p>	
	<p>Microfinance program for micro, small, and medium enterprises (MSMEs) such as 'Pondo sa Pagbabago at Pag-aseño,' or P3 Program Aims to provide affordable loan program for MSMEs for this sector to shun loan sharks such as 5-6 money lending scheme. The P3 is designed to bring down the interest rate at which micro-finance is made available to micro enterprises.</p>	
<p>Access of Small Entrepreneurs to Sound Lending Opportunities (ASENSO) Program A revitalized government-led MSME financing program which aims to lower the effective cost of borrowing and liberalize requirements, create wider financing system that will give MSMEs access to short and long-term funds and standardize lending procedures. Under the program, MSMEs get the necessary assistance also through market exposure, human resource training, and product development.</p>	<p>Credit Surety Fund Program (CSF) A credit enhancement program designed by BSP that aims to increase the credit worthiness of MSMEs experiencing difficulty in obtaining loans due to lack of collateral, credit knowledge, and track record.</p>	

Access of MSMEs to Digital Payments

A digital finance ecosystem with the right mix and range of service providers, digital solutions, and delivery channels should facilitate the convenience, affordability, and reliability of financial service. In line with this, the National Retail Payment System (NRPS) aims to establish a safe, efficient, reliable and affordable retail payment system in the country. The framework defines high-level policies, standards and governance principles covering retail payment operations and infrastructures. This is an integral reform considering that out of 2.5 billion payment transactions per month, only 1% are made through electronic means. This will translate to lower cost and higher efficiency for our MSMEs as well as unleash the potential of e-commerce.

OUTCOME AREA 3: ACCESS TO MARKET

	<p>Go Lokal! A retail concept store which showcases innovative, high quality Philippine products crafted, designed and produced by the country's MSMEs. It also serves as a free marketing platform where MSME partners gain access to the local consumer market, and ultimately, to the global export market.</p>
	<p>Market Development Programs such as OTOP Program A priority program of the government to promote entrepreneurship and create jobs. Through OTOP, local chief executives of each city and municipality take the lead in identifying, developing, and promoting a specific product or service, which has competitive advantage.</p>
	<p>Export Pathways Program (EPP) EPP focuses on providing export assistance through a systematic approach, providing interventions at every stage of an exporter's growth. It utilizes the Value Chain Approach (VCA), Industry Clustering, and Sub-contracting to arrive at a holistic export development program.</p>
	<p>Enhanced Support for Trade Fairs This is the provision of a more organized menu of market services like trade fairs which are affordable to SMEs, through greater participation and partnerships with private organizations, LGUs and other key sectors. The DTI implements national, regional, sectoral, as well as international trade fairs such as the National Trade Fair (NTF), Manila F.A.M.E. International, International Food Exhibition (IFEX), and e-Services Philippines, among others.</p>
	<p>oneStore oneStore.ph is an e-commerce web application that operates nationwide and caters primarily to Philippine consumers. It helps DOST-assisted MSMEs widen the scope of their target market and It can help deliver economic growth and increase business opportunities. oneStore provides customers with an effortless shopping experience and retailers with simple and direct access to the largest customer base in the Philippines.</p>

<p>Tindahang Pinoy A depot that will showcase world-class, export-quality Philippine products. This facility aims to help exporters penetrate the domestic consumer and tourism markets with fund assistance from the DTI through the Philippine International Trading Corporation (PITC).</p>	<p>Information Drive on Foreign Trade Agreements The DTI, in partnership with the Bureau of Customs (BoC), the Tariff Commission and the private sector, has organized a series of information sessions on Doing Business in Free Trade Areas (DBFTA) nationwide to encourage and assist entrepreneurs to use Free Trade Agreements (FTAs) and benefit from them. Understanding emerging and new markets as well as instruments such as FTAs will help exporters address new challenges in the global business environment.</p>
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<p>Brand Equity Development Program (BrEDP) A new initiative of the government to develop innovative and globally competitive brands that can successfully penetrate into the national, regional/ASEAN, or international markets. The overall goal of the program is to increase awareness and identity of at least one brand per province, per year over the six years of implementation from 2017 to 2022.</p>

OUTCOME AREA 4: PRODUCTIVITY AND EFFICIENCY

 <p>Shared Service Facilities <i>"Shared Success for Filipino MSMEs"</i></p>	<p>Shared Service Facilities (SSFs) This program entails setting up common service facilities or production centers for certain processes to give MSMEs access to better technology and more sophisticated equipment to accelerate their bid for competitiveness and help them graduate to a next level where they could tap better and wider markets and be integrated in the global supply chain. The project is implemented in cooperation with the academe, LGUs, and private organizations.</p>
 <p>SME Roving Academy (SMERA)</p>	<p>SME Roving Academy (SMERA) A continuous learning program for the development of micro, small, and medium enterprises to become competitive in domestic and global markets.</p>
 <p>SETUP S & T innovations for MSMEs</p>	<p>Small Enterprise Technology Upgrading Program (SET-UP) SETUP provides MSMEs with equipment and technical assistance to enable them to increase sales and production, streamline and improve overall company operations, upgrade the quality of products and services, conform to national and international standards of excellence, and be competitive in their respective fields.</p>
 <p>KAPATID Mentor ME</p>	<p>KAPATID Mentor ME The Program is an initiative of the DTI and the Philippine Center for Entrepreneurship (PCE) to help the country's micro and small enterprises (MSEs) through coaching and mentoring where mentors teach MSEs on different aspects of business operations.</p>

<p>Food Innovation Center The Centers, which are located in a state universities and colleges or private higher educational institutions, aim to produce value-added agricultural and fishery food products by becoming the hub for innovations and technical support services for the food processing industry. Support services include food testing, information, packaging and labeling design, consultancy services, trainings, and seminars.</p>	<p>Industry Clustering The Program entails the delivery of various forms of technical assistance/interventions such as skills training, product development, market development and access, and the like in order to capacitate MSMEs and improve their productivity and competitiveness.</p>
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D. Results of the MSMED Plan 2011-2016 Implementation

The implementation of the MSMED 2011–2016 resulted in the generation of 3 million new jobs, 150% more than the Plan’s target of creating 2 million jobs. Other notable outputs during the Plan period were the creation of 1 million new MSMEs and the assistance to 710,908 existing MSMEs in their operations and expansion.

During the period, an estimated PhP82.14 billion was generated in domestic sales, PhP110.12 billion in export sales, and PhP226.24 billion investments. Direct lending to MSMEs during the period reached PhP2,215.75 billion, of which 44% went to micro and small enterprises and 56% to medium enterprises by the fourth quarter of 2016. Compliance rate of the mandatory lending to MSMEs in December 2016 was 3.81% for micro and small enterprises and 5.44% for medium enterprises.

The Plan’s initiatives for MSME development manifested strides that bode well for the sector’s short- and long-term prospects. Negosyo Centers totaling 448 have been set up as of December 2016, of which 52% are in Luzon, 23% in the Visayas and 25% in Mindanao. Negosyo Centers were established to bring government services closer to small businesses in all provinces, cities, and municipalities. Negosyo Centers are responsible for promoting ease of doing business and facilitating access to services for MSMEs. Aside from facilitating business registration, the Centers provide assistance to MSMEs in availing of technology transfer, production and management training programs, and marketing assistance from institutions like the DTI, DOST, UPISSI, CDA, TESDA, and other agencies concerned.

Shared Service Facilities (SSF) established reached 2,164 across 16 regions with a total cost of PhP1.164 billion. SSF refers to production centers that provide MSMEs access to better technology and more sophisticated equipment to accelerate their bid for competitiveness help them graduate to the next level where they could tap a better and wider market and be integrated in the global supply chain. The SSF benefitted 92,227 beneficiaries and in turn generating 52,921 jobs.

The SME Roving Academy conducted 8,518 sessions benefitting 357,534 MSMEs during 2013-2016. Industry clustering was undertaken on the following industries: processed rubber, cacao, coffee, coco coir, processed fruits and nuts, wearables & homestyles, and bamboo. In 2016, the clustering led to 109,624 jobs generated, PhP2.78 billion investments generated, and PhP6.12 billion domestic sales generated.

The Access of Small Enterprises to Sound Lending Opportunities (ASENSO) Program was able to release PhP220.98 billion during 2011-2016 which helped 255,579 MSME borrowers and generated 2.78 million jobs. The government's flagship program for the MSME sector aimed at creating a MSME-friendly lending environment where GFIs extend loans to MSMEs providing them with manageable terms to help them expand and grow their businesses.

Consistent with the Plan was the Mentor ME program, which was launched in 2016 and which to date, has conducted 4,124 coaching sessions in eleven (11) sites across the country. This program helps MSMEs scale up their businesses through coaching and mentoring.

Part 4

**Strategic
Directions
of MSME
Development**



Part 3. Strategic Directions of MSME Development

MSME Plan Development 2017-2022 Framework Elements

Looking into the individual elements of the framework, we examine the logical flow of the Plan, from its vision, through the focus areas and the respective goals within those areas, the strategies (both the general or line strategies and the cross-cutting strategies) that can be adopted to achieve those goals, the action plans following those goals, and the necessary institutional support to undertake such action plans. We proceed from the vision down to the institutional support.

1. Vision

The Plan's development framework is anchored on the medium-term vision that by 2022:

More globally competitive MSMEs that are regionally integrated, resilient, sustainable, and innovative thereby performing as key drivers of inclusive Philippine economic growth

This implies:

- Globally competitive MSMEs which can deliver innovative products and services that are preferred by consumers locally and internationally;
- Productive and innovative MSMEs which can continuously develop and transform competitive products and services that satisfy the demands of a discriminating market;
- Regionally integrated MSMEs in the ASEAN with diversified markets and partnerships in global markets;
- Resilient MSMEs which are capable of coping and overcoming negative effects of human-made and natural adversities; and,
- Highly sustainable MSMEs which can withstand the ever changing demands of the market, make profits without harming society and environment, and turn challenges into business opportunities.

2. Focus Areas, Goals, Strategies and Action Plans

For the Plan period, there are three focus areas which are critical in attaining the vision for 2022 which the MSMEs urgently need to improve on.

The vision is underpinned by five strategic goals with corresponding strategies and action plans, whose attainment can lead to the vision's realization:

FOCUS AREA 1: BUSINESS ENVIRONMENT

This pertains to the general background, situation, or milieu – the “ecosystem” as it were – in which businesses are born and thrive in.

STRATEGIC GOAL 1: IMPROVED BUSINESS CLIMATE

An improved business climate at national and local levels that will make it easier for MSMEs to start and grow a business.

The overall business climate that exists in a country should be conducive for MSMEs to start a business. It requires programs of the government to be geared towards encouraging and supporting people to start their own businesses. In order to achieve this strategic goal, the following strategies and action plans will be implemented:

STRATEGIES	ACTION PLANS
Simplify, standardize, and harmonize MSME related rules and regulations at local and national levels, that will encourage MSMEs to tap the opportunities in macroeconomic policy, infrastructure development, trade deals, etc.	<ul style="list-style-type: none">• Expedite delivery of MSME assistance services;• Streamline business permit and licensing systems;• Remove restrictions, provide incentives and promote job-creating investments;• Reduce regulatory burden; and,• Foster in all government entities a convergence mindset that recognizes the centrality of MSME development in achieving dynamic and inclusive economies.

STRATEGIC GOAL 2: IMPROVED ACCESS TO FINANCE

An improved access to finance would make public and private financial institutions work and interact more closely to provide more formal market-based financing in an equal and fair manner to all MSME.

Aspiring business people usually do not have capital of their own, and normally need external financing. The Plan seeks to provide reasonably priced capital financing facilities for MSMEs and simplify documentary and collateral requirements. In order to achieve this strategic goal, the following strategies and action plans will be implemented:

STRATEGIES	ACTION PLANS
Streamline and simplify loan processes for MSMEs, creating the necessary enabling environment that encourages local banks and relevant financial institutions to reach MSMEs at the ground level while equipping them with knowledge and enticements to avail of formal financial channels.	<ul style="list-style-type: none">• Streamline and simplify loan requirements and processes for MSMEs and cooperatives;• Build capacities of financial institutions and cooperatives to provide business development assistance for MSMEs;• Provide financial literacy trainings for MSMEs;• Institute policies and programs for innovative financing; and,• Develop, promote and expand alternative financial instruments to better serve MSMEs' financing requirements.

FOCUS AREA 2: BUSINESS CAPACITY

Business capacity can be described as the highest output that an enterprise, business or organization can deliver its products or services in a given amount of time with the available resources. To achieve this, business capacity is normally measured through human capital and technological resources to achieve its targets.

STRATEGIC GOAL 3: ENHANCED MANAGEMENT AND LABOR CAPACITIES

A competent and capable management and labor force working together in an atmosphere of mutual trust and respect towards greater productivity and competitiveness for the MSMEs.

In all industries, a core determinant of economic success is human capital development. Enterprises and organizations of all sizes need to focus on human capital because a clear understanding of and investing in it can lead to success. There should be enough and appropriate skills development resources made available to enhance human management and labor capacities. In order to achieve this strategic goal, the following strategies and action plans will be implemented:

STRATEGIES	ACTION PLANS
Expand and strengthen human resource capacity of MSMEs through optimal application of a combination of mentoring, group training, field outreach, and online training complemented with practicum and learning by doing approach. Improve knowledge on human capacity using purposive data collection covering gender and other parameters.	<ul style="list-style-type: none">• Encourage and promote entrepreneurship and equal opportunities for all including women and youth;• Enhance labor capacities through human resource development and gender sensitivity programs for MSMEs; and,• Intensify Intensify advocacy and education campaigns on laws/policies relevant to labor and related policies.

STRATEGIC GOAL 4: IMPROVED ACCESS TO TECHNOLOGY AND INNOVATION

Improved innovation and technological competitiveness of MSMEs to transform and create new business models and enterprises with strengthened innovation ecosystem to make innovative technologies, sustainable and resilient practices affordable, cost-effective, and accessible to all MSMEs. In order to achieve this strategic goal, the following strategies and action plans will be implemented:

STRATEGIES	ACTION PLANS
Support the development of linkages between MSMEs and large corporations; develop more inclusive business models and social enterprises; establish domestic economic zones for MSMEs; make innovative technologies as well as sustainable and resilient practices more affordable, cost-effective, and accessible to MSMEs across all regions in the country.	<ul style="list-style-type: none"> • Expand facilities that MSMEs can share; • Provide financing programs for equipment and machinery acquisition; • Promote Philippine National Standards (PNS) by NGAs and its adoption by MSMEs; • Develop internationally harmonized industry performance standards; • Foster wider MSME clustering to achieve economies of scale via clustering models such as co-ops, "corporatives," nucleus farming, and other MSME collective mechanisms; and, • Promote commercialization of technology and build capabilities to foster industry clustering.

FOCUS AREA 3: Business Opportunities

A business opportunity may be explained as a bundled investment that allows an MSME to utilize knowledge and opportunities of the market successfully engage in it.

STRATEGIC GOAL 5: IMPROVED ACCESS TO MARKET

MSMEs are ready and able to penetrate as well as expand and strengthen their role in domestic, regional, and global markets.

Access to markets is the sustained ability of MSMEs to be competitive in selling their products and services to existing and new markets, under a climate of fair, free and socially responsible and environment-friendly trade practices. In order to achieve this strategic goal, the following strategies and action plans will be implemented:

STRATEGIES	ACTION PLANS
Strengthen value and supply chain linkages and make domestic and export market information such as market analysis and directory of potential markets for matching and interaction timely, accurate, inexpensive, and available to MSMEs.	<ul style="list-style-type: none"> • Maximize opportunities that expand access to existing and new markets presented by the ASEAN Economic Community and other preferential trading agreements; • Promote e-commerce; • Organize local and international marketing events; and, • Design export programs.

3. Cross-cutting Strategies

Encompassing all the above-mentioned strategies are the so-called cross-cutting issues that need to be pursued because of their significance to the overall strategies. They will be critical to the long-term viability of Philippine MSMEs should these cross-cutting issues be addressed adequately. The five cross-cutting strategies that may be pursued are:

a. Expand MSME Assistance Centers

In the implementation of the previous Plans, the presence of MSME assistance centers were seen as crucial to the immediate success and long-term viability of the MSMEs. For instance, Negosyo Centers play vital roles in finding customers, accessing lending and credit markets, and tapping suppliers for raw materials, equipment, and other inputs. On the other hand, the Food Innovation Centers provide assistance on food testing, packaging and labeling design, consultancy services, trainings, and seminars for MSMEs in the food processing sector.

b. Strengthen LGUs' roles

A supportive LGU will spell the difference in getting a local MSME get its product or service to market or not. In previous Plans, projects such as One Town, One Product (OTOP) were the result of LGUs identifying their localities' strong industries, and getting their products to the market.

c. Promote Green Growth

Resource efficiency and cleaner production is essential to competitiveness. MSMEs have to implement environment-friendly and climate-smart processes and practices to reduce production costs, produce green products and services, and prepare for the impacts of climate change. MSMEs have to be informed about new developments related to green economy, including the opportunities for green markets and linkage to green technology suppliers. An enabling environment accelerating green economic development has to be in place to encourage MSMEs to go green.

d. Promote Women and Youth Entrepreneurship

The need for a heightened focus on women and youth entrepreneurship is integral in achieving inclusive growth and development in the country. The recent study by the Asian Institute of Management (AIM) showed that 63% of business owners were women and of this number, 52% were micro entrepreneurs while the rest were owners of small and medium enterprises. On the other hand, the Philippine population is composed of young people aged 10-24 years old who are potential entrepreneurs and source of labor. Women and youth have to be empowered by increasing their opportunities to avail of skills development, market information, financial services, etc. to reach their full potential – impacting economic and human development of the country.

e. Promote Digital and Internet Economy

The pervasiveness of fast-paced advances in Information and Communication Technology (ICT) affects both MSMEs and enablers alike on multiple levels. The digital and internet economy facilitates growth and inclusiveness that allow MSMEs to be more competitive, and foster greater integration among government policies through modernization of the business environment, innovating business capacity, and increased connectivity to create more business opportunities. With the advent of e-commerce, digital finance, and other emerging platforms, the Plan welcomes the different developments to further pursue its goals by leveraging technological improvements and extending it to all MSMEs, regardless of scale or industry.

4. Institutional Support

To implement the action plans, necessary institutional support from the national government, LGUs, academe, large-scale businesses, and non-government organizations should be enhanced.

Among support activities may include:

- a. Effective coordination, complementation, and sharing among national and local government agencies together with MSME business groups, academe and NGOs advocating MSMEs. This will necessarily require strengthening of the institutional infrastructure that will deliver basic services to MSMEs and synergize efforts of governments and the private sector on SME promotion with sufficient authority and resources to coordinate both horizontally (i.e., among departments and agencies) and vertically (among different policy levels at city/municipality, provincial, regional, and national level. In pursuing this, the Magna Carta for MSMEs may be reviewed as regards the mandates of the central coordinating and primary agency for MSME policies and programs (i.e., BSMED or SB Corporation);
- b. Generation of relevant information/data in plan implementation and its needed analysis for timely dissemination to stakeholders and MSMEs for use in planning, budgeting, and M&E;
- c. Responsive, timely, graft-free, and effective services by implementing agencies and its personnel complement to the MSMEs;
- d. Close geographical and sectoral monitoring and evaluation of plan implementation so that timely update and adjustments can be undertaken;
- e. Necessary budget allocation equitably distributed regionally for all indicated programs/projects/activities and its timely releases for effective plan implementation. Such funding should be sufficient to provide the requirements of the Negosyo Centers, which serve as the frontline services for MSMEs as well as the financing requirements of the sector.
- f. Policy review of existing laws, rules, and procedures, and formulation of timely, responsive, and relevant policies/amendments to promote and sustain MSMEs.

5. Other Priority Areas

a. Registering informal MSMEs (particularly Micro)

As the vast majority of small businesses are micro, moving them into the formal sector will greatly boost their chances of accessing formal, cheaper financing as well as government assistance to connect them to customers and suppliers. Formalizing them will also provide greater protection both to their business and workers as well as ensure that the government harnesses the potential contribution of the enterprises to the economy.

b. Graduating businesses to the next level

Registering businesses and entering them into the formal sector will give them greater opportunities to move up the value chain. This will integrate them into domestic and external markets on a larger scale, which promises better and more stable returns to their stakeholders and their communities.

c. Resilience and business recovery

Business resilience in the face of natural and man-made disasters is vital to the continuity of communities. MSMEs' ability to get back on their feet the soonest time possible with or without any help from the national government or LGU is necessary to stir economic activity in calamity-stricken areas. Their quickest recovery is the most desirable situation even when catastrophes and difficult conditions such as recessions or depressions begin to take toll on their businesses.

d. Academe-Industry Collaboration on Research & Development

Academic circles such as universities, colleges, and technical/vocational schools provide many new ideas for businesses that create new products or services, or innovate on existing products and services that promise to bring satisfaction and delight to the customer. Simple curiosity and creativity, unleashed in research rooms and laboratories, bring about new ways of doing things, resulting in novel, innovative products and services, or even new ways of bringing them to their customers through new and engaging packaging or delivery modes.

e. Industry Cluster Development

The development and promotion of industry clusters are identified as a major strategy in helping achieve its vision of a globally competitive and innovative industry and services sector that contributes significantly to inclusive growth and employment generation. It supports the President's 10-Point Economic Agenda particularly in promoting rural and value chain development toward increasing agricultural and rural enterprise productivity.

Using the industry cluster approach, alliances will be forged with relevant agencies and institutions to develop competitive and innovative SMEs, implement a program for productivity and efficiency, and create conducive business enabling environment.

6. Implementation of Strategic Actions

This Plan developed a suggested timeline/Work Plan for implementing the actions identified under each strategic goal which the concerned agencies or lead can further fine-tune with concrete action lines according to their specific needs and objectives.

It is important for all the stakeholders to have a clear understanding of each other's commitment and what action items will be implemented by whom, when and how under an agreed Implementation Work Plan. The Work Plan should be vetted within the first 6-months of the Plan's implementation and should be updated at least on an annual basis.

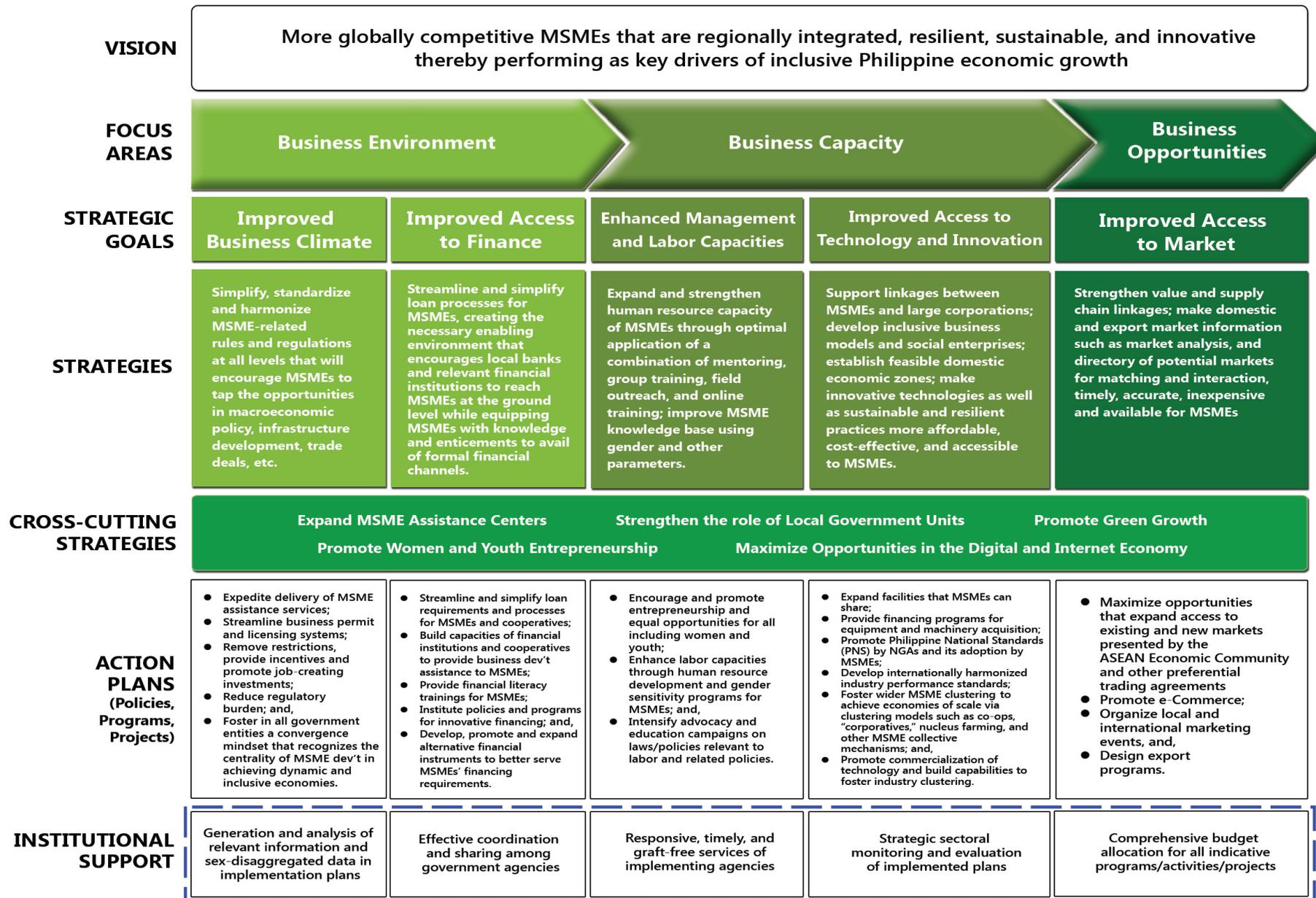
The action items were pre-identified based on the outcomes of the focus group discussions, inputs from agencies as well as commitments identified under the Manila Call to Action for MSME Development (issued during the ASEAN MSME Summit) with a view to resolving the most pressing issues and achieving the strategic goals.

The action items are formulated in consideration of the following elements:

1. Be relevant to the priority actions;
2. Supported by agency mandates, development plans or an identified future work emanating from discussions at the domestic and international fora in recent years
3. There is ownership and that the actions are realistic, practical with due consideration of the availability of funding and technical support from proponent agencies and possible partners, etc.
4. Identifies concretely the type of strategy or approach: a) improvement in legislations; b) human capital/capacity building; c) harmonization of policies; d) knowledge sharing; e) Information technology; f) infrastructure

(See Appendix A: List of Action Items for Each Strategic Goals)

Figure 7. MSMED Plan Development 2017-2022 Framework



Part 5
**Monitoring
and Evaluation**



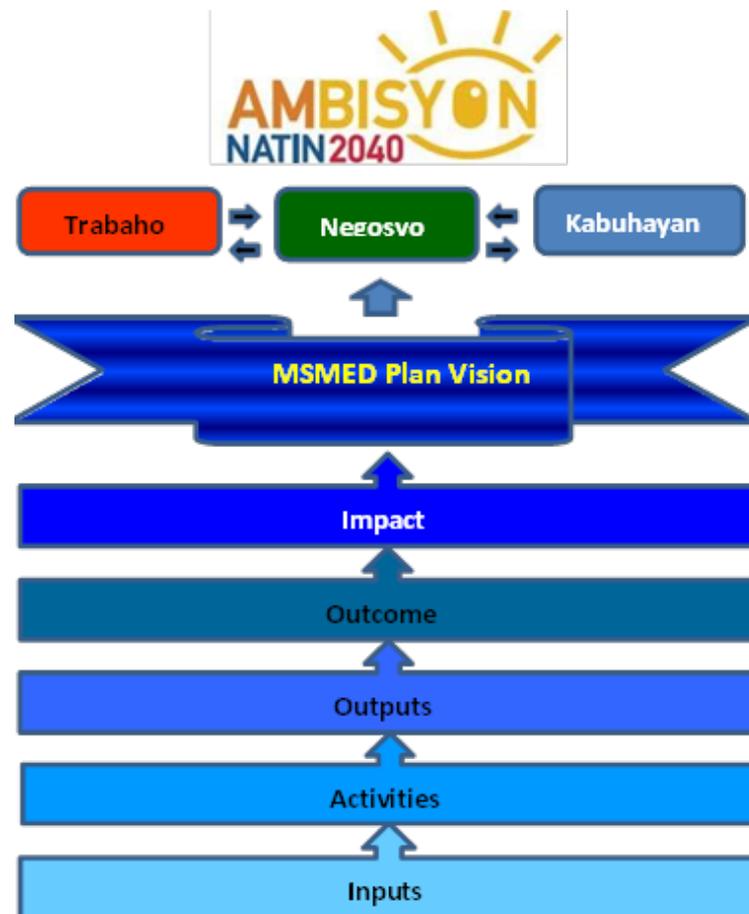
Part 5. Monitoring and Evaluation

The MSME Development Plan for 2017-2022 presents strategies to achieve the outcomes which include generation of employment and fostering Filipino businesses – *Trabaho, Negosyo, Kabuhayan*. This contributes to the attainment of the MSME vision, and supports the realization of benefits — *Matatag, Maginhawa, at Panatag na Buhay*.

If implemented effectively, the Plan would: (i) identify and execute strategies to increase employment levels, (ii) improve access to employment opportunities, and (iii) address skills requirement.

In Figure 7, the entire MSMED Plan is aligned with what the government’s aim for the Filipinos to achieve, which is *Trabaho, Negosyo, Kabuhayan*. This supports “*Malasakit at Pagbabago Tungo sa Kaunlaran at Katiwasayan*,” DTI’s theme under the Duterte Administration. In turn, this informs and feeds into the inter-generational *Ambisyon Natin 2040*, the 25-year long term vision for development planning that targets a more comfortable, more upwardly mobile generation of Filipinos by 2040.

Figure 8. MSMED Plan 2017-2022 Vision

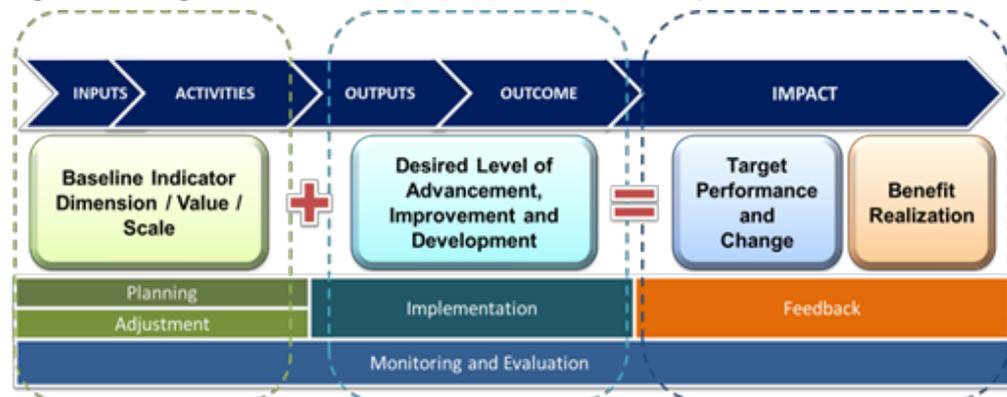


In order to realize its benefits, the Plan shall be implemented, monitored, and evaluated through the following progressions:

A. Logical Framework

The logical framework of the MSMED Plan for 2017-2022 is presented in Figure 9. The first layer in green dotted line correlates to the planning and adjustment phase where inputs and activities are gathered and consolidated to map out and clearly define the baseline indicator. Monitoring and evaluation is vital in establishing transparency and validity on the data being identified.

Figure 9. Logical Framework of the MSME Development Plan, 2017-2022

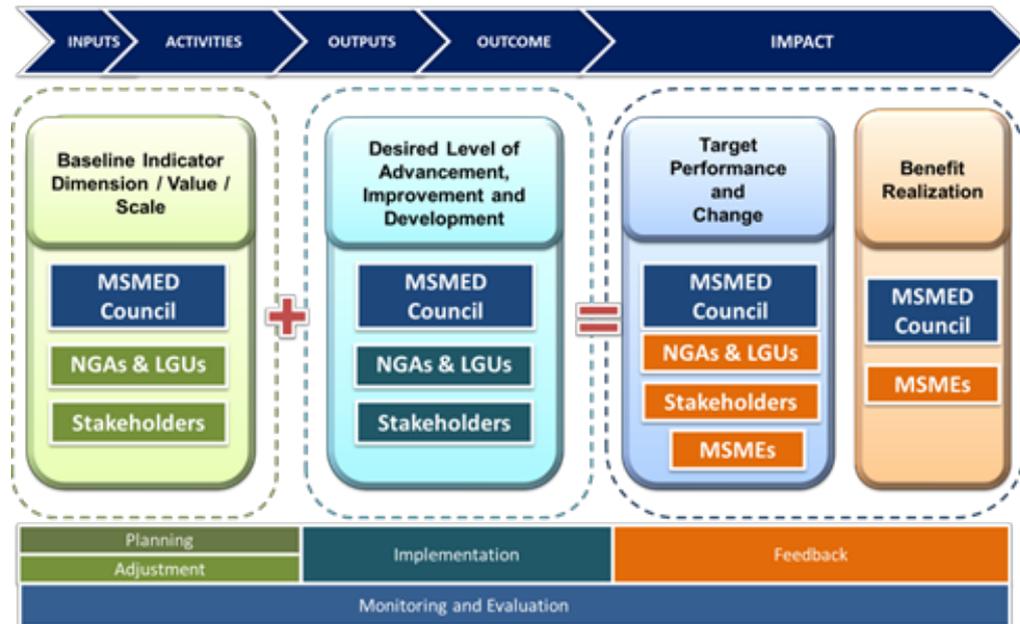


Logframe Model Source: IPDET – World Bank, UNICEF

B. Institutional Structure

As mandated by RA 9501 or the Magna Carta for Micro, Small and Medium Enterprise Development, the MSMED Council will drive and direct the implementation of the MSME Development Plan. In order to strengthen and align national, regional, and provincial MSME development, the five outcome areas – Business Environment, Access to Finance, Human Capital Development, Technology & Innovation, and Market Access shall be the basic parameters by which the Plan's results shall be measured.

Figure 10. Institutional Structure of the Logical Framework



Steering

The Plan’s institutional structure situated in Figure 10 is the institutions, organizations, agencies, and stakeholders involved in the MSMED Plan. The MSMED Council is expected to take the lead in M&E activities, to be supported by MSMED Council advisory members and well as other NGAs and LGUs.

The BSMED as the Council Secretariat will manage, monitor, and evaluate the Plan at the impact level for it to achieve its targeted performance, change, and benefit realization. The outcome and output levels will be handled by relevant NGAs and stakeholders through their inputs and activities.

The national and regional MSMED Councils together with NGAs and relevant stakeholders will hold regular dialogues to ensure coordination regarding the Plan’s implementation. The Regional and Provincial MSMED Councils shall conduct at least an annual monitoring of the output and outcome indicators at their respective LGU levels. At the mid-term and end-term of the Plan period, BSMED and the Council shall conduct evaluations with the objective of tracking progress made or the lack of it in the Plan implementation during those key intervals. The findings will inform the development of the next and future Plans.

Harmonization, Collaboration, and Support

The National MSMED Plan serves as a roadmap to guide the local stakeholders in developing MSMEs. The BSMED, as the Council Secretariat, coordinates with relevant stakeholders to determine periodically whether they are achieving their stated goals and strategies identified in the M&E matrix. The Council Secretariat consolidates and tabulates the measured results and submits periodic progress and accomplishment reports to the MSMED

Council on a regular basis, using the M&E matrix as a feedback to recognize the Plan's achievements and identify areas of improvement.

The Council Secretariat monitors and evaluates the Plan's results and determines whether those results are aligned with pre-identified goals and strategies for a given time frame, such as a semester or a year. Then, at a certain milestone, such as the end of a Plan period for instance, the results of the monitoring activities need to be evaluated to find out whether all the monitored activities, taken as a whole, contribute to achieving the outputs and outcomes for the period, and finally the Plan's vision.

C. Proposed Monitoring and Evaluation Indicators

The Plan's targets may be formulated through coordination and cooperation of government agencies and other stakeholders involved in MSME development. These stakeholders include national and LGU agencies, private sector organizations, and other development partners. These institutions have their respective mandates, budgets and planning timelines that need to be harmonized with the crafting and implementation of the MSMED Plan 2017-2022.

The M&E Plan is anchored to accomplish the following:

1. Identify the stakeholder's engagement (accountability) cycle in the MSMED Plan;
2. Adopt a systematic approach to collect and monitor data or information;
3. Establish a verifiable feedback strategy to immediately address situations as they occur or at least within the shortest period possible, so that on-target indicators can be affirmed and adverse effects resolved; and
4. At the end of each targeted milestone, such as the middle or end of the Plan period, provide more opportunities for growth, stability, consistency, and long-term advancement of the MSME sector.

Part 6
Key
Performance
Indicators



Part 6. Key Performance Indicators

Sector Vision: More globally competitive MSMEs that are regionally integrated, resilient, sustainable, and innovative thereby performing as key drivers of inclusive Philippine economic growth

Table 2. Overall Plan Indicators

Overall KPIs	Proposed Indicators	Source	MSMED Plan 2017-2022	
			Baseline	Target
1	Increase in employment of MSME	Total Employment (PSA List of Establishments)	4.784 M	8.284 M
2	Percentage increase in number of registered MSMEs	Number of Establishments, (PSA List of Establishments)	896,839	20%
		Number of registered Enterprises with LGUs (LGUs/PBR)*	TBD	TBD
		Number of registered MSME corporations (SEC)	TBD	TBD
3	Proportion of small-scale industries (enterprises) in total value added increased	Value added Other proxy: Total Sales NCC – CB (DTI)	35.7% ¹	50-55%**

**It is estimated that around 3-4 million enterprises are registered with LGUs. DTI has collected information from around 10% of the LGUs which gave a total registration of about 1 million enterprises.*

***Following the targets of the ASEAN-6, particularly Singapore and Malaysia.*

¹2006 PSA data. Note that the 2013 and 2014 ASPBI manufacturing value added is 24.34% and 20.91%, respectively.

Table 3. Performance Indicators on Improved Business Environment

FOCUS AREA 1: BUSINESS ENVIRONMENT				
Strategic Goal 1: Improved Business Climate				
Strategy 1	Proposed Indicators	Source	MSMED Plan 2017-2022	
			Baseline	Target
Simplify, standardize and harmonize MSME-related rules and regulations at the local and national levels, that will encourage MSMEs to tap the opportunities in macro-economic policy infrastructure development, trade deals, etc.	No. of Negosyo Centers established	NC Report	700+ NCs	350 ²
	No. of business assistance facilitated by the Negosyo Centers	NC Report	634,591	10% increase yearly
	Increased customer satisfaction	NC Report	85%	90%
	Number of Barangay Micro-Business Enterprises (BMBEs) ³ registered increased	Number of BMBEs registered (DTI/Negosyo Centers)	8,955 ⁴	60,000
	Number of LGUs with streamlined business permit and licensing systems (steps in registration)	Number of LGUs (DILG - LGA/CB Reports)	1,422 LGUs	1,634
	Number of agencies which have streamlined their processes	NCC Report	*	**
FLAGSHIP PROGRAMS				
(1) Negosyo Center				
(2) Project Repeal and Tax Reforms (National Competitiveness Council)				
(3) Streamlining of Business Registration (DTI-DILG-DICT Joint Circular No. 1 Series of 2010 and 2016)				

**to be generated by concerned agencies*

***to be established by concerned agencies*

² 202 NCs established from January to September 2017; 150 NCs for 2018. Although no target has been set for 2019-2022, NC will continue to expand at a rate of 10% or more yearly.

³ BMBEs are enterprises with asset size of less than Php 3M

⁴ NC 2017 Monitoring Report as of August 2017

Table 4. Performance Indicators on Improved Access to Finance

FOCUS AREA 1: BUSINESS ENVIRONMENT				
Strategic Goal 2: Improved Access to Finance				
Strategy 2	Proposed Indicators	Source	MSMED Plan 2017-2022	
			Baseline	Target
Streamline and simplify loan processes for MSMEs; incentivize local banks and related institutions to reach MSMEs at the ground level while equipping MSMEs with knowledge and enticements to avail of formal financial channels	Percentage of SMEs with bank loans/line of credit - Small enterprises - Medium enterprises	World Bank Enterprise Survey ⁵	22.6% 38.9%	** **
	Percentage of SMEs with a checking or savings account - Small enterprises - Medium enterprises	World Bank Enterprise Survey ⁶	90.9% 96.2%	** **
	Proportion of microenterprises availing P3 and other micro financing increased - Number of P3 borrowers - Number of borrowers availing from microfinance banks	SB Corp. BSP Reports	2,500 1,686,152	19,000 **
	No. of SMEs accessing funds thru Fintech	Fintech Association / CIC	*	**
	Percentage increase in the amount of loans availed by MSMEs	Amount of loans availed by MSMEs (BSP Reports)	Php496.863B	**
	Percentage of MSME loans to total business loans	Amount of loans availed by MSMEs (BSP Reports)	*	**
	Number of MSMEs accepting digital payments		*	**
	SME loans granted through movable collateral	IFC-World Bank		**
	Number of special financing facilities (e.g. Micro Disaster Risk Insurance (MDRI) financing, green finance, financing for women entrepreneurs, startup)		TBD	TBD
	FLAGSHIP PROGRAMS			
(1) P3				
(2) Financial Inclusion				
(3) FinTech				
(4) Micro Insurance programs (e.g. MDRI)				
(5) PESOnet (BSP)				

*to be generated by concerned agencies

**to be established by concerned agencies

⁵ Baseline figures based on 2015 report; World Bank Enterprise Survey for the Philippines has been conducted in 2009 and 2015.

⁶ Baseline figures based on 2015 report; World Bank Enterprise Survey for the Philippines has been conducted in 2009 and 2015.

Table 5. Performance Indicators on Enhanced Management and Labor Capacities

FOCUS AREA 2: BUSINESS CAPACITY				
Strategic Goal 3: Enhanced Management and Labor Capacities				
Strategy 3	Proposed Indicators	Source	MSMED Plan 2017-2022	
			Baseline	Target
Expand and strengthen human resource capacity of MSMEs through optimal application of a combination of mentoring, group training, field outreach, online training, complemented with practicum and learning by doing.	Percentage increase in MSME labor productivity	PSA (ASPBI) NWPC	*	**
	Percentage increase of trained MSME participants of government training	Reports from DTI, DOLE, NWPC, DOST, TESDA, UP-ISSI	4.296M	**
	Labor force participation rate, female (% of female population ages 15+) in MSME enterprises	Survey conducted by PSA, DOLE	*	**
	Labor force participation rate for ages 15-24 (youth). Total (%)	PSA/DOLE	*	**
	Number of training programs provided to MSMEs (including women and youth)	Agency submissions under the MSMED Plan Monitoring Report, DTI-RGMS, PCW, NYC, DepEd	*	**
	Number of MSMEs (including women and youth) trained	Agency submissions under the MSMED Plan Monitoring Report	*	**
	FLAGSHIP PROGRAMS (1) Negosyo Centers (Mentoring, SMERA) (2) SME Online Academy (DTI, ASEAN) (3) STEEP (TESDA) (4) RIPPLES (DTI-EMB) (5) GREAT Women (PCW, DTI) (6) GED (DTI) (7) Youth Entrepreneurship Development (DepEd)			

**to be generated by concerned agencies*

***to be established by concerned agencies*

Table 6. Performance Indicators on Improved Access to Technology and Innovation

FOCUS AREA 2: BUSINESS CAPACITY				
Strategic Goal 4: Improved Access to Technology and Innovation				
Strategy 4	Proposed Indicators	Data/Source	MSMED Plan 2017-2022	
			Baseline	Target
Support linkages between MSMEs & large corporations, develop more inclusive business models & social enterprises, establish feasible domestic economic zones for MSMEs and make innovative technologies and sustainable & resilient practices affordable, cost-effective, & accessible to all MSMEs.	Number of new and innovative common service facilities established - Number of SSFs/Fablabs, Food Innovation Centers, Incubators, Common Workspace, SET-UP etc.	DTI, DOST Reports	2,099*	**
	Percentage increase of MSME investments on technology and innovation - Percentage increase in the amount of investments in MSMEs - Approved amount invested in MSME sector- Actual FDI in MSME sector in the balance of payments	<ul style="list-style-type: none"> • Research and development expense • Capital expenditures (tangible) on machinery and equipment • Capital expenditures (intangible) on R&D (PSA-ASPBI, DOST-S&T Plan, PSA-Foreign Investment Report, BOI, BSP, PEZA, Clark Development Corporation, SBMA)	*	**
FLAGSHIP PROGRAMS				
(1) Shared Service Facilities (SSF) (DTI)				
(2) Fabrication Laboratories (DTI)				
(3) Small Enterprise Technology Upgrading (SET-Up) (DOST)				
(4) Food Innovation Center (DOST)				

*Note: SSF 2016 data only. DOST data on Food Innovation Center to be gathered.

**PSA to generate data. Target will be determined after establishing the baseline data.

Table 7. Performance Indicators on Improved Access to Market

FOCUS AREA 3: BUSINESS OPPORTUNITIES					
Strategic Goal 5: Improved Access to Market					
Strategy 5	Proposed Indicators	Source	MSMED Plan 2017-2022		
			Baseline	Target	
Strengthen value and supply chain linkages; make all domestic and export market information timely, accurate, inexpensive, and available to MSMEs.	Number and percentage of MSMEs participating in global value chains increased	(number of responses only= n) - Direct Exports (intermediate goods only) - Sales to exporters - Contract and Commission work done for others (PSA (ASPBI) / EMB (Tradeline) /BSP)	*	**	
	Amount and percentage increase in amount of domestic sales	PSA/CDA/BIR	*	**	
		Value of domestic sales Programs of agencies - Trade Fairs, Go Lokal, Presence of SME products in retail outlets, etc.	Php82.142B*	**	
	Amount and percentage increase in amount of export sales	Value of export sales	US\$110.123B		
		Number of MSMEs engaged in export sales (no. of responses only= n) PSA (ASPBI), EMB (Tradeline), Philexport	*	**	
	Number of enterprises with online presence or participating in Marketplaces	Data with BSMED for the APEC MSME Marketplace PBR (companies with websites)	*	**	
	% share of SMEs' contribution to national exports	PSA/BSP, EMB, BOI, PHILEXPORT	*	**	
% of SMEs with investment overseas	DTI FTSC/PITC, PFA, DA attaches	*	**		
FLAGSHIP PROGRAMS					
(1) Trade Fairs					
(2) Go Lokal!					
(3) OTOP Hub					
(4) Brand Equity Development					
(5) APEC MSME Marketplace					
(6) Programs on Trade Facilitation					

*to be generated by concerned agencies

**to be established by concerned agencies

Annexes and Appendices





ANNEX A.

Manila Call to Action for ASEAN MSMEs





MANILA CALL TO ACTION FOR ASEAN MSMEs¹ 7Ms to MSME Development July 14, 2017

We, participants in the ASEAN 2017 MSME Development Summit spanning the private sector, civil society and government from across ASEAN; **having brought together** our collective knowledge, perspectives and experience in discussions prior to and during the Summit; **recognizing** that micro, small and medium enterprises must be full participants and beneficiaries of the economic dynamism that closer regional economic integration brings; **seeing** wide scope for further strengthening the role and contribution of MSMEs in attaining a dynamic, inclusive and people-centered ASEAN Economic Community; and **intent on helping** translate the ASEAN Strategic Action Plan for SME Development 2016-2025 into concrete actions and initiatives; hereby **call for** the following deliberate actions to foster greater prominence of small enterprises in the region, driven by a holistic strategy embodied in the 7Ms of MSME Development: Mindset, Mastery, Mentoring, Money, Machines, Markets and Models:

On Mindset, Mastery and Mentoring:

- 1. Integrate entrepreneurship values and skills in the educational system spanning all levels.** Young people must be motivated not just to prepare for a job, but to create jobs as well, and be equipped to direct their interests, competencies, and talents toward creating wealth and employment via active entrepreneurship.
 - We call on ASEAN's Education Ministers to develop strategies to mold a strong entrepreneurship culture among ASEAN's children and youth.
- 2. Foster in all government entities a convergence mindset that recognizes the centrality of MSME development in achieving dynamic and inclusive economies.** Coordination mechanisms must be strengthened to ensure comprehensive and holistic support for all aspects of MSMEs' needs.
 - We call on ASEAN Member States to ensure an orchestrated, all-of-government effort for MSME promotion and development, via creation of MSME Development Councils or similar mechanism where absent, technically supported by an apex agency for MSMEs with access to all relevant government entities with a role to play in MSME development.

¹ The 'Manila Call to Action' Document addressing ASEAN excludes the Philippines-specific recommendations.

3. **Support ABAC's ASEAN Mentorship for Entrepreneurs Network initiative (AMEN), aimed to facilitate scaling-up of micro and small enterprises via active mentorship.** Successful enterprises are urged to serve as peer mentors sharing their experiences in overcoming business hurdles and maximizing opportunities.
 - We call on the AMS to provide an enabling environment for business-to-business mentorship within and across the ASEAN economies, including appropriate incentives and special business mentor visas to ease cross-border mentoring arrangements.

On Money Access:

1. **Develop, promote and expand alternative financial instruments to better serve MSMEs' financing requirements.** Financing options for MSMEs may be extended to include movable collateral, export packing credits, receivables financing, social venture capital, securitized investments, and online crowd funding mechanisms, among others.
 - We call on the ASEAN Finance Ministries and central banks to collectively address policy and institutional hurdles impinging on the flow of financial resources to MSMEs where they are underserved by the formal financial system.
2. **Provide an appropriate regulatory framework to govern development banks and other financial institutions addressing MSME financial requirements, to enable them to fulfill their avowed mission.** The regulatory framework applied to commercial banks is not compatible with the mission of financial institutions mandated to serve the needs of small farms and firms, a function that is inherently costly and traditionally requires occasional public support.
 - We urge ASEAN central monetary authorities to apply a set of rules distinct from those applied to commercial banks, which would enable, rather restrict SME and small farm finance institutions in effectively serving MSMEs' financing needs.
3. **Strengthen credit worthiness of MSMEs through improved financial literacy and management, risk-sharing schemes, and a credit information system.** MSME mentoring on financial literacy and management must be institutionalized and up scaled, and alternative credit scoring systems pursued through creative use of data analytics with alternate data not typically used in credit reports.
 - We call on ASEAN governments, especially finance and trade ministries; private sector, especially financial institutions; and civil society groups, especially associations of financial executives and accountants, to institutionalize programs to assist MSMEs build capacity on financial literacy and management.

On Machines:

- 1. Explore establishment of an ASEAN MSME R&D Center focused on gathering and developing technologies serving MSMEs' peculiar needs**, particularly to improve their productivity and environmental sustainability. With closer regional integration through the AEC comes the need for a MSME-focused technology center with a region-wide scope.
 - We call on the AMS to pool resources and exert efforts toward establishment of an ASEAN MSME R&D Center, possibly tapping assistance from better-endowed dialogue partners.
- 2. Improve the responsiveness of government's machine and technology assistance programs to MSMEs' priority requirements.** Experts should determine machine specifications most responsive to MSMEs' needs, and identify equipment needs for each stage in the value chain, with due consideration for machine-labor complementation.
 - We call for closer coordination and collaboration between ASEAN's science and industry ministries in providing machine and equipment requirements of MSMEs across the region.
- 3. Provide more platforms and opportunities for knowledge sharing among MSMEs on non-proprietary machines and technologies.**
 - We call on ASEAN institutions and organizations to convene regular machine fairs and training programs that will bring together equipment and technology producers, exhibitors, traders, buyers, end-users especially MSMEs, and other stakeholders.

On Markets:

- 1. Work towards a unified ASEAN Digital Marketplace that will extend MSMEs' reach beyond national borders.** A region-wide online platform where MSMEs can readily trade in both products and inputs across the ASEAN economies remains elusive. This requires digital infrastructure that ensures wide connectivity all across the region, harmonized e-commerce legal frameworks, and trade facilitation measures accessible to MSMEs.
 - We call on AMS to move the e-ASEAN Framework Agreement forward, particularly toward harmonizing e-commerce laws across the AMS including on privacy and consumer protection, and establishing a true ASEAN e-commerce platform, to permit ASEAN to keep pace with rapid e-commerce growth worldwide.
- 2. Strengthen the monitoring and compliance system on quality standards in accordance with the ASEAN Standards and Conformance Strategic Action Plan**, essential for global competitiveness of ASEAN products and services.

- We call on the AMS to strengthen their respective quality infrastructure, including provision of adequate and easily accessible testing centers and standards monitoring tools, among others.
3. **Widen the linkages of MSMEs to the ASEAN regional value chains through business matching support and better information systems, such as the ASEAN Trade Repository.** A centralized information platform could be established containing geographic information on availability of raw materials, food and product demands, market trends, and product standards, among others.
 - We call on the ASEAN Business Advisory Council to develop a regional MSME business matching mechanism built on a MSME information system, drawing on national ABACs to gather the needed information.

On Models of Business:

1. **Gather, compile, organize, and disseminate information on available business models that may be employed by start-up MSMEs, e.g., in an ASEAN MSME Starter Kit Map.** The tool can guide starting entrepreneurs in setting up their business based on proven models/success stories.
 - We call on the ASEAN BAC to lead initiatives in creating and compiling a directory of available franchises, successful business templates, and open access software that can help MSMEs start and sustain operations
2. **Promote social enterprises that highlight community-based approaches to enterprise development.** An enabling and nurturing environment is needed for community-based and oriented enterprises to flourish.
 - We call on AMS to develop a tracking and monitoring mechanism to identify and assess the impact, progress, and learning from existing social enterprises.
3. **Foster wider MSME clustering to achieve economies of scale via clustering models such as co-ops, “corporatives,” nucleus farming, and other MSME collective mechanisms.** These models help foster a mindset of “coopetition” among MSMEs, and enable them to trade in volumes as one.
 - We call on AMS to share and exchange good practices in MSME clustering across the region, and adopt and adapt these to local circumstances as applicable.

We urge that in the work to translate these imperatives into actions at the regional, national and local levels, the prominence of women in creating, propelling and sustaining small enterprises be fully recognized, and that gender-responsiveness be ensured in all we do in pursuit of MSME development.

We also call on governments to provide ample budgets for programs and initiatives in pursuit of the 7Ms, promote an enabling and attractive business environment, and pursue affirmative action for MSMEs.

Lastly, we welcome the UN General Assembly's declaration of June 27 every year as MSME Day, and trust that with such recognition from the community of nations, MSMEs will henceforth be front and center in the pursuit of shared prosperity well beyond ASEAN.



Manila Call to Action for ASEAN MSMEs

(with recommendations specific to the Philippines)





MANILA CALL TO ACTION FOR ASEAN MSMEs¹ 7Ms to MSME Development July 14, 2017

We, participants in the ASEAN 2017 MSME Development Summit spanning the private sector, civil society and government from across ASEAN; **having brought together** our collective knowledge, perspectives and experience in discussions prior to and during the Summit; **recognizing** that micro, small and medium enterprises must be full participants and beneficiaries of the economic dynamism that closer regional economic integration brings; **seeing** wide scope for further strengthening the role and contribution of MSMEs in attaining a dynamic, inclusive and people-centered ASEAN Economic Community; and **intent on helping** translate the ASEAN Strategic Action Plan for SME Development 2016-2025 into concrete actions and initiatives; hereby **call for** the following deliberate actions to foster greater prominence of small enterprises in the region, driven by a holistic strategy embodied in the 7Ms of MSME Development: Mindset, Mastery, Mentoring, Money, Machines, Markets and Models:

On Mindset, Mastery and Mentoring:

- 1. Integrate entrepreneurship values and skills in the educational system spanning all levels.** Young people must be motivated not just to prepare for a job, but to create jobs as well, and be equipped to direct their interests, competencies, and talents toward creating wealth and employment via active entrepreneurship.
 - We call on ASEAN's Education Ministers to develop strategies to mold a strong entrepreneurship culture among ASEAN's children and youth.
 - For the Philippines, we call on the Department of Education to design the K+12 curriculum to instill entrepreneurship values at an early age, and entrepreneurship skills once in a position to put it into practice; and hasten to put the Youth Entrepreneurship Act into action.
- 2. Foster in all government entities a convergence mindset that recognizes the centrality of MSME development in achieving dynamic and inclusive economies.** Coordination mechanisms must be strengthened to ensure comprehensive and holistic support for all aspects of MSMEs' needs.

¹ The 'Manila Call to Action' Document addressing ASEAN excludes the Philippines-specific recommendations.

- We call on ASEAN Member States to ensure an orchestrated, all-of-government effort for MSME promotion and development, via creation of MSME Development Councils or similar mechanism where absent, technically supported by an apex agency for MSMEs with access to all relevant government entities with a role to play in MSME development.

- For the Philippines, we call for strengthening the MSME Development Council in its mandate, structure and functions, to: (1) Include other departments with vital contributions to make (DPWH, DOTr, DICT); (2) Expand the private sector's role and participation; (3) Appoint private sector and government Co-Chairs who can be effective and influential MSME champions; and (4) Establish a well-staffed, full time technical Secretariat possibly with composite membership drawing from the Council's member agencies/entities.

3. **Support and pursue ABAC's ASEAN Mentorship for Entrepreneurs Network initiative (AMEN), aimed to facilitate scaling-up of micro and small enterprises via active mentorship.** Successful enterprises are urged to serve as peer mentors sharing their experiences in overcoming business hurdles and maximizing opportunities.

- We call on the AMS to provide an enabling environment for business-to-business mentorship within and across the ASEAN economies, including appropriate incentives and special business mentor visas to ease cross-border mentoring arrangements.

- For the Philippines, we call for establishment of an Innovators Program to identify, accredit, certify and mobilize innovators who could foster and mentor MSMEs under a well-organized and monitored system. Incentives may be considered for innovators in the form of tax breaks, business promotion opportunities, and a recognition or awards system, thereby helping attract and retain local innovators in the country.

On Money Access:

1. **Develop, promote and expand alternative financial instruments to better serve MSMEs' financing requirements.** Financing options for MSMEs may be extended to include movable collateral, export packing credits, receivables financing, social venture capital, securitized investments, and online crowd funding mechanisms, among others.

- We call on the ASEAN Finance Ministries and central banks to collectively address policy and institutional hurdles impinging on the flow of financial resources to MSMEs where they are underserved by the formal financial system.

- For the Philippines, we call for active implementation of the Credit Surety Fund Cooperative Act, establishing a Credit Surety Fund that provides a surety cover to secure MSME bank loans, funded by well-endowed and well-managed member-cooperatives, local government units, and government financial institutions.

2. **Provide an appropriate regulatory framework to govern development banks and other financial institutions addressing MSME financial requirements, to enable them to fulfill their avowed mission.** The regulatory framework applied to commercial banks is not compatible with the mission of financial institutions mandated to serve the needs of small farms and firms, a function that is inherently costly and traditionally requires occasional public support.

- We urge ASEAN central monetary authorities to apply a set of rules distinct from those applied to commercial banks, which would enable, rather restrict SME and small farm finance institutions in effectively serving MSMEs' financing needs.

• For the Philippines, we call for formulating and applying a distinct set of governance rules for development finance institutions (e.g., DBP, Land Bank, SB Corp) that is compatible with their mandate and mission for financial inclusion.

3. **Strengthen credit worthiness of MSMEs through improved financial literacy and management, risk-sharing schemes, and a credit information system.** MSME mentoring on financial literacy and management must be institutionalized and up scaled, and alternative credit scoring systems pursued through creative use of data analytics with alternate data not typically used in credit reports.

- We call on ASEAN governments, especially finance and trade ministries; private sector, especially financial institutions; and civil society groups, especially associations of financial executives and accountants, to institutionalize programs to assist MSMEs build capacity on financial literacy and management.

• For the Philippines, we call on industry organizations and cooperatives to consider acting as conduit for loans to their member MSMEs; and barangays and communities to take more active roles to help better address and manage risks in MSME lending.

On Machines:

1. **Explore establishment of an ASEAN MSME R&D Center focused on gathering and developing technologies serving MSMEs' peculiar needs,** particularly to improve their productivity and environmental sustainability. With closer regional integration through the AEC comes the need for a MSME-focused technology center with a region-wide scope.

- We call on the AMS to pool resources and exert efforts toward establishment of an ASEAN MSME R&D Center, possibly tapping assistance from better-endowed dialogue partners.

• For the Philippines, we call on private sector and academe to collaborate in establishing Innovation Hubs, ideally near universities or industry clusters, where innovators and MSMEs can gather and incubate new ideas while utilizing shared facilities of DOST, DTI, UP, DICT, and the like.

2. **Improve the responsiveness of government's machine and technology assistance programs to MSMEs' priority requirements.** Experts should determine machine specifications most responsive to MSMEs' needs, and identify equipment needs for each stage in the value chain, with due consideration for machine-labor complementation.

- We call for closer coordination and collaboration between ASEAN's science and industry ministries in providing machine and equipment requirements of MSMEs across the region.

- For the Philippines, we enjoin LGUs, local chambers of commerce and civil society groups to jointly and proactively help in identifying machine needs, consolidating machine programs, and matching them with local MSMEs.

3. **Provide more platforms and opportunities for knowledge sharing among MSMEs on non-proprietary machines and technologies.**

- We call on ASEAN institutions and organizations to convene regular machine fairs and training programs that will bring together equipment and technology producers, exhibitors, traders, buyers, end-users especially MSMEs, and other stakeholders.

- For the Philippines, we call on DTI to further widen the reach of its Shared Services Facilities (SSF) program to expand MSME awareness, access, and utilization; and closely link or unify it with DOST's Small Enterprise Technology Upgrading Program (SETUP) to maximize impact on MSME productivity.

On Markets:

1. **Work towards a unified ASEAN Digital Marketplace that will extend MSMEs' reach beyond national borders.** A region-wide online platform where MSMEs can readily trade in both products and inputs across the ASEAN economies remains elusive. This requires digital infrastructure that ensures wide connectivity all across the region, harmonized e-commerce legal frameworks, and trade facilitation measures accessible to MSMEs.

- We call on AMS to move the e-ASEAN Framework Agreement forward, particularly toward harmonizing e-commerce laws across the AMS including on privacy and consumer protection, and establishing a true ASEAN e-commerce platform, to permit ASEAN to keep pace with rapid e-commerce growth worldwide.

- For the Philippines, we call on government and the telecommunications industry to address the country's glaring lag in Internet speed, quality and cost relative to the region, and establish a wide and secure e-payments system to facilitate wider e-commerce.

2. **Strengthen the monitoring and compliance system on quality standards in accordance with the ASEAN Standards and Conformance Strategic Action Plan**, essential for global competitiveness of ASEAN products and services.

- We call on the AMS to strengthen their respective quality infrastructure, including provision of adequate and easily accessible testing centers and standards monitoring tools, among others.

- For the Philippines, we call on Congress to pass the overdue National Quality Infrastructure Act. We also call for unified efforts by DTI, DA and the private sector to push the country brand in products and services with a distinct Philippine quality and character (e.g., Philippine Mangoes, Philippine Tuna, and Philippine Bangus).

3. **Widen the linkages of MSMEs to the ASEAN regional value chains through business matching support and better information systems, such as the ASEAN Trade Repository**. A centralized information platform could be established containing geographic information on availability of raw materials, food and product demands, market trends, and product standards, among others.

- We call on the ASEAN Business Advisory Council to develop a regional MSME business matching mechanism built on a MSME information system, drawing on national ABACs to gather the needed information.

- For the Philippines, we call on DTI and ABAC-Philippines to pursue a public-private mechanism for matching foreign and domestic companies with MSMEs in viable value chain relationships, starting with assembling an appropriate information base, and tapping large companies to support the needed market research. We also call on government to undertake affirmative action for MSMEs in government procurement.

On Models of Business:

1. **Gather, compile, organize, and disseminate information on available business models that may be employed by start-up MSMEs, e.g., in an ASEAN MSME Starter Kit Map**. The tool can guide starting entrepreneurs in setting up their business based on proven models/success stories.

- We call on the ASEAN BAC to lead initiatives in creating and compiling a directory of available franchises, successful business templates, and open access software that can help MSMEs start and sustain operations

- For the Philippines, we call on Congress to pass the proposed Start-Up Business Bill, providing tax exemptions for newly established and registered MSMEs, and encouraging entrepreneurs to explore new business models, innovative products and solutions, and creative new ways to do business.

2. **Promote social enterprises that highlight community-based approaches to enterprise development.** An enabling and nurturing environment is needed for community-based and oriented enterprises to flourish.

- We call on AMS to develop a tracking and monitoring mechanism to identify and assess the impact, progress, and learning from existing social enterprises.

- For the Philippines, we call on social enterprise practitioners and advocates to intensify efforts to raise awareness and secure government buy-in for an enabling policy framework for social enterprise, and on Congress to pass the Social Enterprise Bill that provides mechanisms to widen community-based and –oriented enterprises.

3. **Foster wider MSME clustering to achieve economies of scale via clustering models such as co-ops, “corporatives,” nucleus farming, and other MSME collective mechanisms.** These models help foster a mindset of “coopetition” among MSMEs, and enable them to trade in volumes as one.

- We call on AMS to share and exchange good practices in MSME clustering across the region, and adopt and adapt these to local circumstances as applicable.

- For the Philippines, we call on DTI and DA to work together and with other stakeholders to foster clustering of agri-enterprises per town or province, incubate an effective business model for them, and help them integrate into value chains. Negosyo Centers and other intermediaries (e.g., MFIs) can in turn assist them gain access to business development resources, markets, and technologies.

We urge that in the work to translate these imperatives into actions at the regional, national and local levels, the prominence of women in creating, propelling and sustaining small enterprises be fully recognized, and that gender-responsiveness be ensured in all we do in pursuit of MSME development.

We also call on governments to provide ample budgets for programs and initiatives in pursuit of the 7Ms, promote an enabling and attractive business environment, and pursue affirmative action for MSMEs.

Lastly, we welcome the UN General Assembly’s declaration of June 27 every year as MSME Day, and trust that with such recognition from the community of nations, MSMEs will henceforth be front and center in the pursuit of shared prosperity well beyond ASEAN.



APPENDIX A.

List of Action Items (Projects/Activities) for each Action under the Strategic Goals
(To be validated and updated during the Action Planning Workshop with Concerned Agencies)

Strategic Goal 1	IMPROVED BUSINESS CLIMATE									
	An improved business climate at national and local levels that will make it easier for MSMEs to start and grow a business. The overall business climate that exists in a country should be conducive for MSMEs to start a business. It requires programs of the government to be geared towards encouraging and supporting people to start their own businesses. In order to achieve this strategic goal, the following strategies and action plans will be implemented:									
STRATEGIES	Simplify, standardize, and harmonize MSME related rules and regulations at local and national levels, that will encourage MSMEs to tap the opportunities in macroeconomic policy, infrastructure development, trade deals, etc.									
ACTIONS	ACTION ITEMS	Timelines	Responsible agency/ies	TYPES OF MEASURES						REMARKS
				Laws	Building Capacity	Human	Harmonization of Policies	Sharing Knowledge	Technology	
Expedite delivery of MSME assistance services;	Establish more Negosyo Centers nationwide									
	Establish an online Negosyo Center									
	Expand MSME BDS network thru incentives for SMEs to use private BDS (e.g., voucher programs on SME assistance, technical training, etc.)									
	Enhance the ASEAN On-line SME Academy ¹									
Streamline business permit and licensing systems;	Pursue with DICT online business registration system									

¹ ASEAN Strategic Action Plan for SME Development 2016-2025: Strategic Goal E, E-1-1, no. 2; To be managed by the Philippines beginning 2018.

	Implement the streamlining of business registration under the Joint Memorandum with DTI, DILG, etc.									
Remove restrictions, provide incentives and promote job-creating investments;	Institutionalize support to Inclusive Business Models under the Investment Priorities Plan									
	Create incentive programmes for large enterprises to train local MSMEs to enable technology transfer ²									
	Enhance incentives for innovation awards and knowledge-based creative, green industries ³ , and manufacturing and knowledge-based industries ⁴									
Reduce regulatory burden that confronts the MSMEs	Pursue passage of Ease of Doing Business Bill									
	Implement the BMBE law									
Foster in all government entities a convergence mindset that recognizes the centrality of MSME development in achieving dynamic and inclusive economies ⁵	Strengthen MSME institutions i.e. MSME agency/office									
	Strengthen the MSME Development Council in its mandate, structure and functions ⁶									
	Establish a well-staffed, full time technical MSMEDC Secretariat possibly with composite membership drawing from the Council's member agencies/entities									

² ASEAN Strategic Action Plan for SME Development 2016-2025: Strategic Goal A, A-2-2, no. 1

³ ASEAN Strategic Action Plan for SME Development 2016-2025: Strategic Goal A, A-3-1, no. 2

⁴ ASEAN Strategic Action Plan for SME Development 2016-2025: Strategic Goal A, A-3-1, no. 3

⁵ ASEAN 2017 MSME Development Summit, Manila Call to Action: 7Ms to MSME Development “On Mindset, Mastery and Mentoring” Deliverable 1.2

⁶ ASEAN 2017 MSME Development Summit, Manila Call to Action: 7Ms to MSME Development “On Mindset, Mastery and Mentoring” Action 1.2

	Promote productive agglomerations and clusters enhancement (e.g., startup ecosystems, industry clusters. Etc)									
	Develop/review innovation strategy to strengthen the Philippines as the regional hub for startups									
	Strengthen local economic development (e.g., support to micro enterprises incl. those that support local tourism)									

Strategic Goal 2	IMPROVED ACCESS TO FINANCE An improved access to finance would make public and private financial institutions work and interact more closely to provide more formal market-based financing in an equal and fair manner to all MSME. Aspiring business people usually do not have capital of their own, and normally need external financing. The Plan seeks to provide reasonably priced capital financing facilities for MSMEs and simplify documentary and collateral requirements. In order to achieve this strategic goal, the following strategies and action plans will be implemented:										
STRATEGIES	Streamline and simplify loan processes for MSMEs, creating the necessary enabling environment that encourages local banks and relevant financial institutions to reach MSMEs at the ground level while equipping them with knowledge and enticements to avail of financing through formal financial channels.										
ACTIONS	ACTION ITEMS	Timelines	Responsible agency/ies	TYPES OF MEASURES						REMARKS	
				Laws	Building Capacity	Human	Harmonization of Policies	Knowledge Sharing	Technology		Infrastructure
Streamline and simplify loan requirements and processes for MSMEs and cooperatives;	Develop streamlined and unified loan requirements for MSME loans.										
Build capacities of financial institutions and cooperatives to provide business development assistance to MSMEs;	Build capacity of industry organizations and cooperatives as loan conduits for their member MSMEs										
Provide financial literacy trainings for MSMEs;	Strengthen credit worthiness of MSMEs through improved financial literacy and management, risk-sharing schemes, and a credit information system ⁷										
Institute policies and programs	Enhance other financial infrastructures										

⁷ ASEAN 2017 MSME Development Summit, Manila Call to Action: 7Ms to MSME Development “On Money Access” Action 2.3

for innovative financing	such as the guarantee system									
	<p>Prioritize and champion the passage of enabling laws or in instituting policies and programs that will enable financial institutions to lend more to MSMEs.</p> <ul style="list-style-type: none"> • Advocate and champion prioritization with relevant agencies especially with NEDA-LEDAC and Office of the President 									
	Formulate and apply a distinct set of governance rules for development finance institutions (e.g., DBP, Land Bank, SB Corp) that is compatible with their mandate and mission for financial inclusion ⁸									
Develop, promote and expand alternative financial instruments to better serve MSMEs' financing requirements ⁹	Promote the use of movable assets as collateral									
	Work with SMEs through Go Negosyo, and BSP Financial Inclusion outreach to increase awareness and train banks									
	Actively implement the Credit Surety Fund Cooperative Act, establishing a Credit Surety Fund that provides a surety cover to secure MSME bank loans, funded by well-endowed and well-managed member-cooperatives, local government units, and government financial institutions									

⁸ ASEAN 2017 MSME Development Summit, Manila Call to Action: 7Ms to MSME Development "On Money Access" Action 2.2

⁹ ASEAN 2017 MSME Development Summit, Manila Call to Action: 7Ms to MSME Development "On Money Access" Deliverable 2.1

Strategic Goal 3	ENHANCED MANAGEMENT AND LABOR CAPACITIES									
	A competent and capable management and labor force working together in an atmosphere of mutual trust and respect towards greater productivity and competitiveness for the MSMEs. In all industries, a core determinant of economic success is human capital development. Enterprises and organizations of all sizes need to focus on human capital because a clear understanding of and investing in it can lead to success. There should be enough and appropriate skills development resources made available to enhance human management and labor capacities. In order to achieve this strategic goal, the following strategies and action plans will be implemented:									
STRATEGIES	Expand and strengthen human resource capacity of MSMEs through optimal application of a combination of mentoring, group training, field outreach, and online training complemented with practicum and learning by doing approach. Improve knowledge on human capacity using purposive data collection covering gender and other parameters.									
ACTIONS	ACTION ITEMS	Timelines	Responsible agency/ies	TYPES OF MEASURES						REMARKS
				Laws	Building Capacity	Human	Harmonization of Policies	Knowledge Sharing	Information Technology	
Encourage and promote entrepreneurship and equal opportunities for all including women and youth;	Integrate entrepreneurship values and skills in the educational system spanning all levels ¹⁰									
	Mandate Department of Education to design the K+12 curriculum to instill entrepreneurship values at an early age, and entrepreneurship skills once in a position to put it into practice ¹¹ ;									
	Hasten the implementation of the Youth Entrepreneurship Act ¹²									
	Establish vocational training and counseling centers for micro enterprises, women, and youth in collaboration with the private sector ¹³									

¹⁰ ASEAN 2017 MSME Development Summit, Manila Call to Action: 7Ms to MSME Development “On Mindset, Mastery and Mentoring” Deliverable 1.1

¹¹ ASEAN 2017 MSME Development Summit, Manila Call to Action: 7Ms to MSME Development “On Mindset, Mastery and Mentoring” Action 1.1

¹² ASEAN 2017 MSME Development Summit, Manila Call to Action: 7Ms to MSME Development “On Mindset, Mastery and Mentoring” Action 1.1

¹³ ASEAN Strategic Action Plan for SME Development 2016-2025: Strategic Goal E, E-2-1, no. 2

	Promote women entrepreneurs to move up the value chain through capacity building, market access, branding and packaging ¹⁴									
Enhance labor capacities through HRD, gender diversity and gender sensitivity programs for MSMEs;	Gather, compile, organize, and disseminate information on available business models that may be employed by start-up MSMEs, e.g., in an ASEAN MSME Starter Kit Map ¹⁵									
	Enhance/develop, promote and monitor productivity measures									
Intensify advocacy and education campaigns on laws/policies relevant to labor and related policies	Promote social enterprises that highlight community-based approaches to enterprise development ¹⁶									
	Enhance the mentoring programs for MSMEs e.g. Kapatid Mentor ME (KMME)									
	Support ABAC's ASEAN Mentorship for Entrepreneurs Network initiative (AMEN), aimed to facilitate scaling-up of micro and small enterprises via active mentorship ¹⁷									
	Establish an Innovators Program to identify, accredit, certify and mobilize innovators who could foster and mentor MSMEs under a well-organized and monitored system. Incentives may be considered for innovators in the form of tax breaks, business promotion opportunities, and a recognition or awards system ¹⁸									

¹⁴ ASEAN Strategic Action Plan for SME Development 2016-2025: Strategic Goal E, E-2-2, no. 2

¹⁵ ASEAN 2017 MSME Development Summit, Manila Call to Action: 7Ms to MSME Development "On Models of Business" Deliverable 5.1

¹⁶ ASEAN 2017 MSME Development Summit, Manila Call to Action: 7Ms to MSME Development "On Models of Business" Deliverable 5.2

¹⁷ ASEAN 2017 MSME Development Summit, Manila Call to Action: 7Ms to MSME Development "On Mindset, Mastery and Mentoring" Deliverable 1.3

¹⁸ ASEAN 2017 MSME Development Summit, Manila Call to Action: 7Ms to MSME Development "On Mindset, Mastery and Mentoring" Action 1.3

Strategic Goal 4	IMPROVED ACCESS TO TECHNOLOGY AND INNOVATION Improved innovation and technological competitiveness of MSMEs to transform and create new business models and enterprises with strengthened innovation ecosystem to make innovative technologies, sustainable and resilient practices affordable, cost-effective, and accessible to all MSMEs. In order to achieve this strategic goal, the following strategies and action plans will be implemented:										
STRATEGIES	Support the development of linkages between MSMEs and large corporations; develop more inclusive business models and social enterprises; establish domestic economic zones for MSMEs; make innovative technologies as well as sustainable and resilient practices more affordable, cost-effective, and accessible to MSMEs across all regions in the country.										
ACTIONS	ACTION ITEMS	Timelines	Responsible agency/ies	TYPES OF MEASURES						REMARKS	
				Laws	Building Capacity	Human	Harmonization of Policies	Sharing Knowledge	Information Technology	Infrastructure	
Expand facilities that MSMEs can share;	Enhance the Philippine packaging development program for MSMEs i.e. Packaging Summit										
	Establish Innovations Hubs ideally near universities or industry clusters, where innovators and MSMEs can gather and incubate new ideas while utilizing shared facilities of DOST, DTI, UP, DICT, and the like ¹⁹										
	Facilitate the creation of collaboration among SMEs, large enterprises and academia ²⁰										
	Widen the reach of the Shared Services Facilities (SSF) program to expand MSME										

¹⁹ ASEAN 2017 MSME Development Summit, Manila Call to Action: 7Ms to MSME Development “On Machines” Action 3.1

²⁰ ASEAN Strategic Action Plan for SME Development 2016-2025: Strategic Goal A, A-3-3, no. 1

	awareness, access, and utilization; and closely link or unify it with DOST's Small Enterprise Technology Upgrading Program (SETUP) to maximize impact on MSME productivity ²¹												
	Conduct appropriate pre- and post-evaluation of SSF and other facilities												
	Institutionalize programmes that will allow universities to share their facilities with MSMEs ²²												
	LGUs, local chambers of commerce and civil society groups to jointly and proactively help in identifying machine needs, consolidating machine programs, and matching them with local MSMEs ²³												
Provide financing programs for equipment/machinery acquisition;	Continue implementation of programs like DOST SET UP												
	Promote among FIs the development of financial facility for the acquisition of machineries and equipment.												
Promote Philippine National Standards (PNS) by NGAs and its adoption by MSMEs;	Pursue passage of the National Quality Infrastructure Act ²⁴ .												
	Develop/Advocate the development of Philippine brands (e.g., Philippine Mangoes, Philippine Tuna, Philippine Bangus) ²⁵												

²¹ ASEAN 2017 MSME Development Summit, Manila Call to Action: 7Ms to MSME Development "On Machines" Action 3.3

²² ASEAN Strategic Action Plan for SME Development 2016-2025: Strategic Goal A, A-3-3, no. 2

²³ ASEAN 2017 MSME Development Summit, Manila Call to Action: 7Ms to MSME Development "On Machines" Action 3.2

²⁴ ASEAN 2017 MSME Development Summit, Manila Call to Action: 7Ms to MSME Development "On Markets" Action 4.2

²⁵ ASEAN 2017 MSME Development Summit, Manila Call to Action: 7Ms to MSME Development "On Markets" Action 4.2

Develop internationally harmonized industry performance standards.	Strengthen the monitoring and compliance system on quality standards in accordance with the ASEAN Standards and Conformance Strategic Action Plan ²⁶									
Foster wider MSME clustering to achieve economies of scale via clustering models such as co-ops, "corporatives," nucleus farming, and other MSME collective mechanisms ²⁷	Foster clustering of agri-enterprises per town or province, incubate an effective business model for them, and help them integrate into value chains ²⁸ .									
Promote commercialization of technology ²⁹ and build capabilities to foster industry clustering ³⁰	Share best practices on appropriate technology adoption among MSMEs to support higher production capability in focused industries ³¹									
	Develop capacity building programmes on intellectual property rights awareness ³²									
	Strengthen technology transfer centers for innovation commercialization ³³									

²⁶ ASEAN 2017 MSME Development Summit, Manila Call to Action: 7Ms to MSME Development "On Markets" Deliverable 4.2

²⁷ ASEAN 2017 MSME Development Summit, Manila Call to Action: 7Ms to MSME Development "On Models of Business" Deliverable 5.3

²⁸ ASEAN 2017 MSME Development Summit, Manila Call to Action: 7Ms to MSME Development "On Models of Business" Action 5.3

²⁹ ASEAN Strategic Action Plan for SME Development 2016-2025: Strategic Goal A, A-3-1

³⁰ ASEAN Strategic Action Plan for SME Development 2016-2025: Strategic Goal A, A-2-2

³¹ ASEAN Strategic Action Plan for SME Development 2016-2025: Strategic Goal A, A-2-2, no. 2

³² ASEAN Strategic Action Plan for SME Development 2016-2025: Strategic Goal A, A-3-1, no. 3

³³ ASEAN Strategic Action Plan for SME Development 2016-2025: Strategic Goal A, A-3-1, no. 5

Strategic Goal 5	IMPROVED ACCESS TO MARKET									
	MSMEs are ready and able to penetrate as well as expand and strengthen their role in domestic, regional, and global markets. Access to markets is the sustained ability of MSMEs to be competitive in selling their products and services to existing and new markets, under a climate of fair, free and socially responsible and environment-friendly trade practices. In order to achieve this strategic goal, the following strategies and action plans will be implemented:									
STRATEGIES	Strengthen value and supply chain linkages and make domestic and export market information such as market analysis and directory of potential markets for matching and interaction timely, accurate, inexpensive, and available to MSMEs.									
ACTIONS	ACTION ITEMS	Timelines	Responsible agency/ies	TYPES OF MEASURES						REMARKS
				Laws	Building Capacity	Human	Harmonization of Policies	Knowledge Sharing	Information Technology	
Maximize opportunities that expand access to existing and new markets presented by the ASEAN Economic Community and other preferential trading agreements;	Widen the linkages of MSMEs to the ASEAN regional value chains through business matching support and better information systems, such as the ASEAN Trade Repository ³⁴									
	Implement the Brand Equity Development Program (One Brand, One Province)									
Promote e-commerce;	Advocate for a secure e-payments system to facilitate wider e-commerce ³⁵									
	Promote the development and utilization of e-commerce platforms to encourage expansion of MSMEs ³⁶									
	Implement the APEC MSME Marketplace									

³⁴ ASEAN 2017 MSME Development Summit, Manila Call to Action: 7Ms to MSME Development “On Markets” Deliverable 4.3

³⁵ ASEAN 2017 MSME Development Summit, Manila Call to Action: 7Ms to MSME Development “On Markets” Action 4.1

³⁶ ASEAN Strategic Action Plan for SME Development 2016-2025: Strategic Goal C, C-1-3, no. 1

	Implement a national onboarding program for e-commerce (DTI in cooperation with DICT and all stakeholders) that covers parallel services such as distribution, payment, logistics, technology, security, etc.									
Organize local and international marketing events;	Organize signature events in the Philippines;									
	Participate in overseas trade fairs;									
	Engage packaging service providers and MSMEs									
Design export programs	Implement the Philippine Export Development Plan									

Prepared by the:

