Outlook and Trends for Philippine MSMEs in the Evolving Business Landscape

STRENGTHENING RESILIENCE OF WOMEN AND YOUTH-LED MICRO-, SMALL AND MEDIUM-SIZED ENTERPRISE (MSMEs) IN THE CREATIVE INDUSTRY IN THE PHILIPPINES FOR IMPLEMENTING THE 2030 AGENDA FOR SUSTAINABLE DEVELOPMENT

Policy Workshop
Discovery Suites
26 May 2022

CTTO: https://www.marketresearchphilippines.com
The COVID-19 outbreak has placed a tremendous strain on societies and economies around the world.

Philippine healthcare system was put under immense pressure.

**Response Measures**
- Concerted efforts around urgent health concerns
- Enhanced community quarantine (ECQ)

**Socio-economic Disruptions**
- Endangering employment, livelihood, and income-generation
- Issues around food security and safety, nutrition, and education

*Figure 1: Gross Domestic Product (At Constant 2018 Prices)*

- Year on Year Growth Rates (in percent)
- Q1 2019-2020 to Q3 2021-2022

<table>
<thead>
<tr>
<th>Year</th>
<th>Growth Rate</th>
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<tbody>
<tr>
<td>2019</td>
<td>5.8</td>
</tr>
<tr>
<td>2020</td>
<td>6.3</td>
</tr>
<tr>
<td>2021</td>
<td>7.0</td>
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Reference No. 2022-205
MSMEs comprise 99.5% of total Philippine enterprises.

They contribute to 35.7% of total value-added in 2020, 60% of all exports, representing 25% of total export revenues, and support 62.7% of total employment. (Philippine Statistics Authority, 2020)

<table>
<thead>
<tr>
<th>2020 MSME VALUE ADDED</th>
<th>2020 MSME CONTRIBUTION TO EMPLOYMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total MSME Value Added</td>
<td>Total MSME Employment</td>
</tr>
<tr>
<td>Financial Intermediation</td>
<td>Accomodation and Food Services</td>
</tr>
<tr>
<td>Wholesale/Retail/Repair</td>
<td>Wholesale/Retail/Repair</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>Manufacturing</td>
</tr>
<tr>
<td>3.35%</td>
<td>9.03%</td>
</tr>
<tr>
<td>6.58%</td>
<td>22.61%</td>
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<tr>
<td>6.87%</td>
<td>8.42%</td>
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<tr>
<td>35.70%</td>
<td>62.66%</td>
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</table>
Effects of the COVID-19 Containment Measures on MSMEs

**Overall Findings:** MSMEs experienced reduction in operating hours, production volume, revenue, and loss of employees.

Around 60% of firms were not in operation due to prohibition to operate, cash flow issues, broken supply chains, and unavailable workforce. 55% of non-operating firms reported loss of employees at varying degrees, with 30% experiencing 100% loss.

Firms in operation experienced some level of reduction in operating hours, resulting in:

- about 65% of firms reporting at least 60% reduction in both revenues and production volume; and
- roughly 60% of firms reporting some loss of employment up to as high as 90%.

Findings are based on responses (~97% MSMEs) received from 28 April to 16 May 2020.
Major Challenges for SMEs

1. Supply Chain Management

- No raw material supply
- Unavailable transport services (e.g. loading, shipping, distribution, etc.)
- Unclear/ inconsistent movement guidelines
- Customs delay
- Lack of demand / customers

Findings are based on responses (~97% MSMEs) received from 28 April to 16 May 2020.

CTTO: https://www.thebalancesmb.com/
Major Challenges for SMEs

2 Human Resources / Workforce

- Movement restrictions
- No available transportation
- Unable to execute work-from-home arrangements
- Difficulty to execute health protocols in the workplace
- Employee fear to go to work

Findings are based on responses (~97% MSMEs) received from 28 April to 16 May 2020.
Major Challenges for SMEs

3 CASHFLOW

Findings are based on responses (~97% MSMEs) received from 28 April to 16 May 2020.
Business Continuity Actions Taken by SMEs

Findings are based on responses (~97% MSMEs) received from 28 April to 16 May 2020.

COPING EFFORTS

1. Alternative suppliers / service providers
2. Alternative markets
3. Utilize online platforms
4. Work from home arrangements
5. Staff housing
6. Adopt health protocols in work places
7. Diversify operations
8. Take out loans
9. Reduce operating hours

CTIO: https://bks-partners.com/
Outlook and Trends in the “New Normal”

NUMBER OF MSMEs IN THE PHILIPPINES

Data gathered from MSME Briefs and Updated List of Enterprises prepared by the Philippine Statistics Authority.

Preliminary data published in January 2022
Outlook and Trends in the “New Normal”

Evolving Business Environment

1. Increased interest of SMEs in digital technology
2. Pandemic-induced changes in purchasing behavior
3. Rebalance and shifts in supply chains
4. Early arrival of Industry 4.0 and the Future of Work
5. Acceleration in the pace of medical innovation
6. Greening of industries and businesses
Opportunities for MSMEs

**Digital Transformation**
Foster digital transformation including the adoption of Industry 4.0 technologies and business models.

- E-commerce
- Digital marketing
- Remote work
- Fintech
- Big data
- Internet of Things
- Artificial Intelligence
- Additive manufacturing

**Green Economy**
Accelerate adoption of green, circular, and climate-smart approaches in MSME operations.

- low carbon, efficient, circular, and clean in operation / production
- inclusive in consumption and outcomes

- fosters lasting prosperity
- creates decent work
- addresses root causes of conflict
- contributes to the full enjoyment of all human rights

**Economic Diversification**
Enable economic diversification, increased export activities, and participation in value chains.

- Manufacturing Resurgence
  - exports
  - GVC participation

- Quality Infrastructure
  - Quality and safety standards
  - Laboratory facilities and guidelines

- Linkage to Agriculture

- Supply/Value Chain Shifts
## Opportunities for MSMEs

### Inclusivity
Promote lasting and shared prosperity through inclusivity and formalization.

- Negosyo Centers
- Regional Innovation Centers
- Shared Service Facilities
- SME Roving Academy
- Sustainability Solutions Exchange
- OTOP / Kapamilya Mentor Me

**Reach and Effectivity**

**Formal Economy**

**Youth and Gender Dimensions**

### Resilience Building
Increase resilience through strategic and effective plans and investments.

**Business Continuity Strategies**
- Only 30% of micro- and small enterprises have BCPs
- Among MSMEs with BCPs, the plans developed were not responsive to the pandemic.

**Adaptation**

**Capacity Development**

**Access to Technology**

**Investments**

### Financing
Improve accessibility of sustainable financing for MSMEs.

- Sustainable Financing Roadmap
- BSP – Sustainable Financing Framework
- Small Enterprise Technology Upgrading Program (SETUP)
- Agri-Agra Credit Act of 2009

**Responsiveness to MSMEs**

**Green / Climate Financing**

**Capacity Development**
# UNIDO Knowledge Products

<table>
<thead>
<tr>
<th>Tool</th>
<th>Weblink</th>
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<tbody>
<tr>
<td>Pathway to Business Continuity and Recovery for MSMEs</td>
<td><a href="www.unido.org/resources-publications/latest-publications">www.unido.org/resources-publications/latest-publications</a></td>
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<tr>
<td>Quality and Standards and their Role in Responding to COVID-19</td>
<td><a href="www.unido.org/resources-publications/latest-publications">www.unido.org/resources-publications/latest-publications</a></td>
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<tr>
<td>Assessment of the impact of the COVID-19 outbreak on women and youth entrepreneurs in the manufacturing sector and manufacturing-related services</td>
<td><a href="www.unido.org/resources-publications/latest-publications">www.unido.org/resources-publications/latest-publications</a></td>
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<td>Industrialization Modernization and SMEs Clustering</td>
<td><a href="www.unido.org/resources-publications/publications-advancing-economic-competitiveness">www.unido.org/resources-publications/publications-advancing-economic-competitiveness</a></td>
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<td>Making it Green</td>
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THANK YOU.

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UNIDO Mandate

The United Nations Industrial Development Organization (UNIDO) is the specialized agency of the United Nations that promotes industrial development for poverty reduction, inclusive globalization, and environmental sustainability.

Promote and accelerate inclusive and sustainable industrial development (ISID).
UNIDO Programmatic Focus

1. Creating Shared Prosperity
   - Value-chain Development
   - Blue Economy
   - Human Security
   - Gender and Youth Development

2. Advancing Economic Competitiveness
   - Industry 4.0 and Digital Transformation
   - Trade Capacity Building and Industry Diversification
   - SME Development

3. Safeguarding the Environment
   - Circular Economy and RECP
   - Energy and Climate Change
   - Environment and Health
   - Eco-industrial Parks

4. Strengthening Knowledge and Institutions
Creating Shared Prosperity

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STRENGTHENING KNOWLEDGE AND INSTITUTIONS
### UNIDO Enabling Functions

#### Technical Cooperation
- Capacity building
- Technology demonstration and transfer
- Investment facilitation

#### Analytical and research functions and policy advisory services
- Policy documents
- Thematic research and publications
- Industrial Development Report
- International Yearbook of Industrial Statistics
- SDG 9 Analytics / Dashboard

#### Normative functions and standards and quality-related activities
- Regulatory and advisory services and assistance in the development of strategies and thought-leadership products
- Global standards (e.g. ISO, quality standards)

#### Convening and partnerships for knowledge transfer, networking and industrial cooperation
- Vienna Energy Forum
- Global Manufacturing and Industrialization Summit
- Global Alliance on Circular Economy and Resource Efficiency
- South-South and Triangular Industrial Cooperation
- Networks
UNIDO in the Philippines

UNIDO country programming framework for Inclusive and sustainable industrial development for the Philippines for 2018-2023

Portfolio
- 21 projects
- USD 120M (ongoing and completed projects)
- Funds support from multilateral and bilateral donors

Government Partners
- DTI
- NEDA
- DENR
- DOE
- DOH
- MinDA
- BARMM
- LGUs
- Development Banks

Private Sector Partners
- PCCI
- UN-GCNP
- Industry Associations
- Commercial Banks
- Civil Society Organizations

Academe Partners
- UP
- DLSU
- AIM
- DAP

Components of the framework:
- Fostering green and resilient industrial communities
- Cultivating effective partnerships for ISID
- Supporting inclusive, sustainable & innovation-led industrialization
- Engaging people to build new partnerships that promote and accelerate inclusive and sustainable industrial development

#UNIDOING
The 2030 Agenda for Sustainable Development

1. No Poverty
2. Zero Hunger
3. Good Health and Well-being
4. Quality Education
5. Gender Equality
6. Clean Water and Sanitation
7. Affordable and Clean Energy
8. Decent Work and Economic Growth
9. Industry, Innovation and Infrastructure
10. Reduced Inequalities
11. Sustainable Cities and Communities
12. Responsible Consumption and Production
13. Climate Action
14. Life Below Water
15. Life on Land
16. Peace, Justice and Strong Institutions
17. Partnerships for the Goals
ISID and the Sustainable Development Goals
Capitalizing on the Digital Space – The 4th Industrial Revolution

Physical and software components are deeply intertwined where data access and transfer is conducted dis-centrally, allowing computers and smart machines to interact with one another, ultimately making decisions without human involvement leading to higher levels of autonomy and capability for self-cognition, self-optimization, and self-customization.
Industry 4.0

Industry 4.0 involves concepts, tools, and applications that complement a smart embedded system of machines able to communicate with each other and with people while performing autonomous tasks.

**Elements**

- **Artificial Intelligence**: brain
- **Data and Connectivity**: nervous system
- **Cameras and sensors**: senses
- **Automation and robotics**: arms and legs

**Main Tools**

- cyber-physical systems (CPS)
- Industrial Internet of Things (IIoT)
- big data and cloud computing
- autonomous robots
- simulation and visualization models
- additive manufacturing
- cyber security