Strengthening and Connecting the Dots called MSMEs in the ASEAN: With Focus on the Philippines

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Abstract

With the ASEAN's current initiative towards regional market integration, the small-and-medium scale enterprises (SMEs) in the Philippines - one of the major economic growth drivers in the country sees a potential opportunity for a considerable increased market access and a tremendous growth. For the country to become a major player in the ASEAN market and in the regional production networks, the smaller businesses must be ready to face the challenges and opportunities the economic integration brings. Thus, the paper aims to lay-out factors that are critical to the development of our local SMEs in terms of firm characteristics, investment climate, finance and current reforms which are essential to understanding the competitiveness and opportunities that the industries may seize.

Key Words: ASEAN, market integration, regional production network, SMEs
JEL Classification: C 19, G13, G 14
1. Introduction

The economy and its growth is one of the more pressing topics in the concluded Philippine Presidential Elections. Promised and proclaimed by all candidates, including the eventual winner and now incumbent President Rodrigo Roa Duterte, moving things upward ‘‘economically’’ to benefit the majority, especially the marginalized, must be seen and felt tangibly and strongly.

However, the Philippines economic growth and performance - internationally and internally remained lackluster. Oftentimes, the abundance of specks, or the many dots to which the ‘‘Micro, Small and Medium Enterprises or MSMEs’’ can be likened to, have not been given its deserved attention. The entry of a new administration will very likely bring about renewed hopes and vigor, but the main expectation will be on sustainability. Which is keeping the gains and improving on these.

The dots, the ‘‘informal business persons’’ have been there day in and day out doing their share for the economy. Their selling and buying which are the basics of trade; haggling and checking on supplies and demands without knowing that such acts make for robustness and management of expenses.

1.1 The ASEAN Initiatives

The MSMEs are integral workhorses, very significant drivers for job creation and economic growth not only in the Philippines but in the ASEAN region. The 10 ASEAN member countries Brunei, Cambodia, Indonesia, Laos PDR, Malaysia, Myanmar, Singapore, Thailand Vietnam and the Philippines have moved together for a higher level of cooperation, and fusing together of market integration. The ASEAN Economic Community where these member countries belong is ready for new perspectives in doing and making business. Those MSMEs that are innovative and growing rapidly are given opportunities to transform their business through positive steps that will stimulate SME growth. The move includes extensive structural reforms to enhance and encourage productivity, human capital and enterprise performance.

The ASEAN has attained this level of consciousness in the economic community. The Philippines has no recourse but to follow its neighboring and fellow ASEAN member countries in each stride.

With the ASEAN's current initiative towards regional market integration, the country's smaller businesses must be ready to face the challenges and opportunities the economic integration brings. Thus, this seeks to map out the issues that are essential to the growth of our local SMEs in terms of firm characteristics, investment climate, finance and current reforms which are essential to understanding the competitiveness and opportunities that the industries may seize.
2. Literature Review

In 2006, study showed that micro, small and medium enterprises (MSMEs) dominated the economy however they only accounted two-thirds of the country’s total employment and one-third total value added, and firm size distribution has also not changed significantly in the past two decades. In spite of the present programs and policies created for SMEs, access to finance has remained one of the most critical factors affecting the competitiveness of the sector where many private banks are still reluctant to lend to SMEs because of lack of credit information and low appreciation of lending to small businesses. More specific issues on SME financing include lack of acceptable collateral, slow loan processing, short repayment period, high interest rates, difficulties in loan restructuring, and lack of start-up funds.

It also raised concerns over the weak performance of SMEs despite regional measures implemented in the ASEAN Strategic Action Plan for SME Development 2010-2015 (ASAPSD), and the AS Policy Blueprint for SME Development 2004-2009 (APBSD). The study mentioned that a perception survey was conducted to evaluate the impacts of these frameworks. The study found that majority of the respondents perceived that the APBSD had limited impact on facilitating SMEs’ access to information, market, human resource development and skills, finance, and technology.

Aldaba (2012) examined the country's policy environment for SMEs with its remaining ASEAN neighbors. The study revealed that the weak performance of SMEs were due to barriers to the country's business climate such as limited access to finance, information gaps, lack of technology and skills, and poor product quality and marketing. This situation remain as a huge challenge as it hampers the advantage of the SMEs to compete internationally and to market their products abroad.

The Economic Research Institute for ASEAN and East Asia (2014) recently released its ASEAN SME Policy Index in terms of the eight policy dimensions. Philippines barely average in the ASEAN in terms of policy and business environment for SMEs such as spanning institutional framework; cheaper and faster start-up and better legislation and regulation for SMEs; access to information and supporting services; access to finance; technology and technology transfer; international market expansion; promotion of entrepreneurial education; and developing stronger, more effective representation for SMEs’ interests.

Hence, with the ASEAN's movement toward a single market and production base under the Asean Economic Community (AEC) by 2015, can the country's small-and-medium scale enterprises level up its competition and standards? Can the government efforts and initiatives be enough to address the barriers to their development?
3. Methodology

3.1 Research Questions

As indicated in introduction, the major research question to ask in the study is if the Philippines ready to become a major player in the ASEAN market? Specifically, the study seeks to know the factors that are primary to the growth of our local SMEs in terms of firm characteristics, investment climate, finance and current reforms.

3.2 Descriptive Analysis

In this paper, we use the descriptive analysis to map the current state of the country's MSMEs and to show factors that have been vital to their growth. Descriptive statistics are used to describe the basic features of the data on MSMEs in the study. They provide simple summaries about the establishments such as frequencies, percentages, ranks and averages.

3.3 Data

The paper used secondary data from Department of Trade and Industry and from the World Bank's Doing Business Survey.

4. Results and Discussion

4.1 Readiness or Not? Of the Philippines’ MSMEs

Is the Philippines ready? This is a challenging question that does not seek neither to doubt nor question our capability to do so. It should be recall that there exists the 2011-2016 Micro, Small and Medium Enterprise (MSME) Development Plan that aimed to address the key challenges and constraints which prevent the MSME sector from realizing its full potential and boosting the country’s industrial growth.

The Plan laid out the overall framework in formulating action plans for a more harmonized approach to MSME development. It was developed in close consultation with national, regional, and provincial stakeholders. The implementation aspect will be carried out through linkages with stakeholder and concerted efforts of MSME Development Council in the regular monitoring, validation, and updating phase.

The value of the Philippine MSME sector cannot be understated in terms of its contribution to economic growth. The sector serves not only as supplier and subcontractor to large enterprises and exporters but also as part of the support system for logistics services. It accounted for 99.6% of total establishments in the country, contributed 61.2% to total employment and 35.7% to total value added.

The impressive numbers however, are not enough to encourage the MSME sector to be robust and propel its impact to the Philippine economy. For the past two decades, firm size distribution has not changed much as the proportion of medium sized enterprises remained small. This inertia resulted in a missing or hollowed middle of the country's industry structure. Medium enterprises remained at 0.4% while that of small enterprises was almost
unchanged at 7.7%. In employment and value added contribution, MSMEs registered unpretentious shares of 31.2% and 30.8%, respectively. Micro enterprises meanwhile formed the bulk of enterprises with a share of 91.6%. They accounted for a share of 4.9% of total value added and 30% of total employment.

Various challenges impede the performance of MSMEs that derail their potentials and promise in a highly competitive environment. The challenges include the high cost of doing business, lack of access to finance and market information, low productivity and competitiveness.

Further along is the presence, at times, of poor business conditions that directly affect the performance and competitiveness of all enterprises. The scenario is perceived to be more constraining for MSMEs given their relatively small size and limited resources. Moreover, MSMEs seldom qualify for bank loans due to lack of the necessary track record and collateral.

MSMEs also lack the necessary credit information that will assist banks to determine their creditworthiness. The limited capabilities of MSMEs in terms of management and financial tools confined them to remain domestic oriented rather than focusing on export markets. Another fundamental concern is the lack of access to new technology, weak technological capabilities, and failure to engage in innovation and research and development activities that hamper productivity of MSMEs.

4.2 What do the Current Numbers Say?

As of 2014, there are about 946,988 establishments in the Philippines where majority of these (99.6% or 942,925) are classified as micro, small, and medium enterprises (MSMEs) and the rest (0.4% or 4,063) are categorized as large enterprises (Table 1)

| Table 1: Industry Sizes |
|-------------------------|
| Size        | Frequency | Percent |
| MSMEs       | 942,925   | 99.6    |
| Micro       | 851,756   | 89.9    |
| Small       | 87283     | 9.2     |
| Medium      | 3,886     | 0.4     |
| Large       | 4,063     | 0.4     |
| Total       | 946,988   | 100.0   |

Source: Department of Trade and Industry.

Looking at the distribution of the MSMEs by sector, most of the MSMEs in 2014 are in the wholesale and retail trade (942,925) distributed as follows: repair of motor vehicles and motorcycle industries (437,205), accommodation and food services (127,518), manufacturing (117,642), other service industries (60,668), information and communication (39,107), financial and insurance activities (35,691), human health and social work activities (27,962),
professional, scientific and technical activities (18,603), education (17,811) and administrative and support services (16,296). These industries accounted for about 95.3% of the total number of MSME establishments (Table 2).

Table 2: MSMEs Distribution by Sector

| Sector                                       | Frequency | Percent |
|----------------------------------------------|-----------|---------|
| Wholesale and retail trade                   | 942,925   | 100.0   |
| Repair of motor vehicles and motorcycle industries | 437,205   | 46.4    |
| Accommodation and food services              | 127,518   | 13.5    |
| Manufacturing                                | 117,642   | 12.5    |
| Other service industries                     | 60,668    | 6.4     |
| Information and communication                | 39,107    | 4.1     |
| Financial and insurance activities           | 35,691    | 3.8     |
| Human health and social work activities      | 27,962    | 3.0     |
| Professional, scientific, and technical activities | 18,603    | 2.0     |
| Education                                    | 17,811    | 1.9     |
| Administrative and support services          | 16,296    | 1.7     |
| Others                                       | 44,422    | 4.7     |

Source: Department of Trade and Industry.

Geographically, majority of the MSMEs were located in the National Capital Region (NCR) with 22.3% or 210,039 establishments, in Region 4-A (CALABARZON) with 15.4% or 144,909 establishments, in Region 3 (Central Luzon) with 11.2% or 105,476, in Region 7 (Central Visayas) with 7.0% or 66,190, and in Region 6 (Western Visayas) with 5.7% or 54,094. These top five (5) locations accounted for about 61.6% of the total number of MSME establishments in the country (Table 3).

Table 3: MSMEs Distribution by Region

| Region  | Frequency | Percent |
|---------|-----------|---------|
| NCR     | 210,039   | 22.3    |
| Region 3| 105,476   | 11.2    |
| Region 4A| 144,909   | 15.4    |
| Region 6| 54,094    | 5.7     |
| Region 7| 66,190    | 7.0     |
| Other regions | 362,217 | 38.4 |
| Total   | 942,925   | 100.0   |

Source: Department of Trade and Industry.

Meanwhile, in terms of employment, MSMEs have generated a total of 4,891,836 jobs in 2014 and 2,897,421 for the large enterprises (Table 4). Almost 62.8% of the total jobs were generated by the MSMEs. Of these, 30.5% or 2,372,678 jobs were generated by micro enterprises, 25.5% or 1,986,823 by small enterprises, and 6.8% or 532,335 by medium
enterprises. Majority of the jobs are generated by MSMEs in the National Capital Region (NCR) with 1,573,463 jobs (Table 5). By industry sector, MSMEs in the wholesale and retail trade, repair of motor vehicles and motorcycles generated the most number of jobs with 1,734,823 in 2014 followed by MSMEs in manufacturing, 786,268 (Table 6).

Table 4: Industry by Employment Size

| Employment by Size | Frequency | Percent |
|--------------------|-----------|---------|
| MSMEs             | 4,891,836 | 62.8    |
| Micro             | 2,372,678 | 30.5    |
| Small             | 1986823   | 25.5    |
| Medium            | 532,335   | 6.8     |
| Large             | 2,897,421 | 37.2    |
| Total             | 7,789,257 | 100.0   |

Source: Department of Trade and Industry.

Table 5: MSMEs Employment by Region

| SMEs Employment by Region | Frequency | Percent |
|---------------------------|-----------|---------|
| NCR                       | 1,573,463 | 32.2    |
| Region 3                  | 485,748   | 9.9     |
| Region 4A                 | 703,005   | 14.4    |
| Region 6                  | 266,707   | 5.5     |
| Other regions             | 1,485,179 | 30.4    |
| Total                     | 4,891,836 | 100.0   |

Source: Department of Trade and Industry.

Table 6: MSMEs Employment by Sector

| SMEs Employment by Sector               | Frequency | Percent |
|-----------------------------------------|-----------|---------|
| Wholesale and retail trade              | 4,891,836 | 100.0   |
| Repair of motor vehicles and motorcycle | 1,734,823 | 35.5    |
| Accommodation and food services         | 678,275   | 13.9    |
| Manufacturing                           | 786,268   | 16.1    |
| Financial and insurance activities      | 238,438   | 4.9     |
| Education                               | 274,750   | 5.6     |
| Other sectors                           | 1,179,282 | 24.1    |

Source: Department of Trade and Industry.

In terms of value-added, the MSME sector contributed 35.7% of the total with manufacturing contributing the largest share of 6.87% (Table 7). Wholesale and retail trade and repair contributed 6.58% followed by financial intermediation with a share of 6%. Within the sector, small enterprises accounted for the largest share of 20.5%. Medium enterprises followed with a share of 10.3% while micro enterprises registered a share of 4.9%. In terms of exports, MSMEs account for 25% of the country’s total exports revenue (Table 8).
### Table 7: Sales and Census Value-Added

| Sales and Census Value-Added | Percent |
|-----------------------------|---------|
| MSMEs                       | 35.7    |
| Micro                       | 4.9     |
| Small                       | 20.5    |
| Medium                      | 10.3    |
| Large                       | 64.3    |
| Total                       | 100.0   |

Source: Department of Trade and Industry.

### Table 8: Industry’s Contribution to Exports

| Exports Contribution | Percent |
|----------------------|---------|
| MSMEs                | 25.0    |
| Large                | 75.0    |
| Total                | 100.0   |

Source: Department of Trade and Industry.

In terms of ease of doing business rank, the Philippines have slipped to 103rd place among 189 economies, down with six notches from its previous rank of 95th in the previous report (Table 9). The fall in ranking is reflected in a drop in a number of indicators such as starting a business, dealing with construction business, registering property, getting credit, paying taxes and some others. This has also shifted the country’s position in ASEAN, dropping it one place to 6th behind Singapore, Malaysia, Thailand, Brunei, and Vietnam. For the country, it takes 16 steps to start a business which is more steps than the ASEAN average, but the number of days it takes to start a business is 29 days which is faster compared to its neighbors (Table 10). Trade across border rank is 95 which are relatively much better compared to the ASEAN neighbors but with a relatively high cost to export (456USD) and import (580USD) border compliance (Table 11). Getting credit rank of the country is also one of the worst in ASEAN region with a rank of 109 out of 160 economies with credit bureau coverage of only 14 (% of adults).
Table 9: Ease of Doing Business Ranks by Subcategories, 2016

| Economy          | Ease of Doing Business Rank | Starting a Business | Dealing with Construction Permits | Getting Electricity | Registering Property | Getting Credit | Protecting Minority Investors | Paying Taxes | Trading Across Borders | Enforcing Contracts | Resolving Insolvency |
|------------------|-----------------------------|---------------------|----------------------------------|---------------------|----------------------|----------------|--------------------------------|--------------|-----------------------|----------------------|--------------------|
| Singapore        | 1                           | 1                   | 1                                | 6                   | 17                   | 19            | 1                              | 5            | 41                    | 1                    | 27                 |
| Malaysia         | 18                          | 14                  | 15                               | 13                  | 38                   | 4             | 31                            | 49           | 44                    | 45                   | 45                 |
| Thailand         | 49                          | 96                  | 39                               | 11                  | 57                   | 97            | 36                            | 70           | 56                    | 57                   | 49                 |
| Brunei Darussalam| 84                          | 74                  | 21                               | 68                  | 148                  | 79            | 134                           | 16           | 121                   | 113                  | 98                 |
| Vietnam          | 90                          | 119                 | 12                               | 108                 | 58                   | 28            | 122                           | 168          | 99                    | 74                   | 123                |
| Philippines      | 103                         | 165                 | 99                               | 19                  | 112                  | 109           | 155                           | 126          | 95                    | 140                  | 53                 |
| Indonesia        | 109                         | 173                 | 107                              | 46                  | 131                  | 70            | 88                            | 148          | 105                   | 170                  | 77                 |
| Cambodia         | 127                         | 180                 | 181                              | 145                 | 121                  | 15            | 111                           | 95           | 98                    | 174                  | 82                 |
| Lao PDR          | 134                         | 153                 | 42                               | 158                 | 66                   | 70            | 178                           | 127          | 108                   | 92                   | 189                |
| Myanmar          | 167                         | 160                 | 74                               | 148                 | 145                  | 174           | 184                           | 84           | 140                   | 187                  | 162                |

Source: World Bank, Doing Business.
### Table 10: Starting a Business

| Economy          | Ease of Doing Business Rank | Overall DTF | Starting a Business | Procedures (number) | Time (days) | Cost (% of income per capita) | Paid-in min. capital (% of income per capita) |
|------------------|----------------------------|-------------|---------------------|---------------------|-------------|--------------------------------|-----------------------------------------------|
| Brunei Darussalam | 84                         | 62.93       | 74                  | 87.63               | 7           | 1.2                            | 0                                             |
| Cambodia         | 127                        | 55.22       | 180                 | 58.1                | 7           | 87                            | 78.7                                          | 24.1                                         |
| Indonesia        | 109                        | 58.12       | 173                 | 66.04               | 13          | 47.8                          | 19.9                                          | 31                                           |
| Lao PDR          | 134                        | 53.77       | 153                 | 73.81               | 6           | 73                            | 4.9                                           | 0                                             |
| Malaysia         | 18                         | 79.13       | 14                  | 95.34               | 3           | 4                             | 6.7                                           | 0                                             |
| Myanmar          | 167                        | 45.27       | 160                 | 70.02               | 11          | 13                            | 97.1                                          | 0                                             |
| Philippines      | 103                        | 60.07       | 165                 | 68.56               | 16          | 29                            | 16.1                                          | 3.3                                           |
| Singapore        | 1                          | 87.34       | 10                  | 96.49               | 3           | 2.5                           | 0.6                                           | 0                                             |
| Thailand         | 49                         | 71.42       | 96                  | 85.07               | 6           | 27.5                          | 6.4                                           | 0                                             |
| Vietnam          | 90                         | 62.1        | 119                 | 81.25               | 10          | 20                            | 4.9                                           | 0                                             |

Source: World Bank, Doing Business.
### Table 11: Trading Across Borders

| Economy         | Ease of Doing Business Rank | Overall DTF Rank | DTF Rank | Time to export: Border compliance (hours) | Cost to export: Border compliance (USD) | Time to export: Documentary compliance (hours) | Cost to export: Documentary compliance (USD) | Time to import: Border compliance (hours) | Cost to import: Border compliance (USD) | Time to import: Documentary compliance (hours) | Cost to import: Documentary compliance (USD) |
|-----------------|----------------------------|------------------|----------|-------------------------------------------|----------------------------------------|-----------------------------------------------|---------------------------------------------|---------------------------------------------|---------------------------------------------|-----------------------------------------------|-----------------------------------------------|
| Brunei Darussalam | 84                        | 121              | 60.65    | 72                                        | 340                                    | 168                                           | 90                                          | 48                                          | 395                                        | 144                                          | 50                                           |
| Cambodia        | 127                       | 98               | 67.63    | 45                                        | 375                                    | 132                                           | 100                                         | 4                                           | 240                                        | 132                                          | 120                                          |
| Indonesia       | 109                       | 105              | 64.75    | 39                                        | 254                                    | 72                                            | 170                                         | 99                                          | 383                                        | 144                                          | 160                                          |
| Lao PDR         | 134                       | 108              | 64.09    | 3                                         | 73                                     | 216                                           | 235                                         | 5                                           | 153                                        | 216                                          | 115                                          |
| Malaysia        | 18                        | 49               | 86.74    | 20                                        | 321                                    | 10                                            | 45                                          | 24                                          | 321                                        | 10                                           | 60                                           |
| Myanmar         | 167                       | 140              | 55.05    | 144                                       | 432                                    | 144                                           | 140                                         | 120                                         | 367                                        | 48                                           | 115                                          |
| Philippines     | 103                       | 95               | 69.39    | 42                                        | 456                                    | 72                                            | 53                                          | 72                                          | 580                                        | 96                                           | 50                                           |
| Singapore       | 1                         | 41               | 89.35    | 12                                        | 335                                    | 4                                             | 37                                          | 35                                          | 220                                        | 1                                            | 37                                           |
| Thailand        | 49                        | 56               | 84.1     | 51                                        | 223                                    | 11                                            | 97                                          | 50                                          | 233                                        | 4                                            | 43                                           |
| Vietnam         | 90                        | 99               | 67.15    | 57                                        | 309                                    | 83                                            | 139                                         | 64                                          | 268                                        | 106                                          | 183                                          |

Source: World Bank, Doing Business.
## Table 12: Getting Credit

| Economy               | Ease of Doing Business Rank | Overall DTF | Getting Credit |
|-----------------------|-----------------------------|-------------|----------------|
|                       |                             | Rank | DTF | Strength of legal rights index (0-12) | Strength of legal rights index (0-10) old methodology | Depth of credit information index (0-8) | Depth of credit information index (0-6) old methodology | Credit registry coverage (% of adults) | Credit bureau coverage (% of adults) |
| Brunei Darussalam     | 84                          | 79   | 50  | 4                             | ..                                      | 6                           | ..                                      | 61.2                          | 0                             |
| Cambodia              | 127                         | 15   | 80  | 11                            | ..                                      | 5                           | ..                                      | 0                             | 37                            |
| Indonesia             | 109                         | 70   | 55  | 5                             | ..                                      | 6                           | ..                                      | 48.5                          | 0                             |
| Lao PDR               | 134                         | 70   | 55  | 6                             | ..                                      | 5                           | ..                                      | 5.1                           | 0                             |
| Malaysia              | 18                          | 28   | 70  | 7                             | ..                                      | 7                           | ..                                      | 57                            | 77.1                          |
| Myanmar               | 167                         | 174  | 10  | 2                             | ..                                      | 0                           | ..                                      | 0                             | 0                             |
| Philippines           | 103                         | 109  | 40  | 3                             | ..                                      | 5                           | ..                                      | 0                             | 14                            |
| Singapore             | 1                           | 19   | 75  | 8                             | ..                                      | 7                           | ..                                      | 0                             | 58.6                          |
| Thailand              | 49                          | 97   | 45  | 3                             | ..                                      | 6                           | ..                                      | 0                             | 60.2                          |
| Vietnam               | 90                          | 28   | 70  | 7                             | ..                                      | 7                           | ..                                      | 41.5                          | 6.9                           |

Source: World Bank, Doing Business
4.3 Concrete Steps

The challenges and issues that derail the growth and development of MSMEs are what the 2011-2016 MSMED Plan hope to focus on and address. In harnessing vibrancy within the sector, the Plan envisions the: i) implementation of measures to create an enabling business environment and ii) provision of government support not only to improve MSME access to finance and expand market access but also to strengthen MSME productivity and competitiveness and their linkage with large enterprises and value chain networks. Moreover, coordination and monitoring of activities among national agencies and local government units (LGUs) will also be intensified to harmonize the implementation of the Plan.

Four Outcome Portfolios have been defined namely, Business Environment (BE), Access to Finance (A2F), Access to Markets (A2M), and Productivity and Efficiency (P&E). The outcome portfolios were defined by the participants in a consultation process with major stakeholders sometime this year. Measures will be formulated in regional and provincial action plans to deliver the expected results for each portfolio.

In implementing these measures, the Plan targets a 40% contribution of the sector to total value added and generation of 2M employment by 2016. Following are the list of steps that will tangibly manifest the outcomes of each portfolio:

A. Business Environment (BE)
   - The cost of doing business (taxes, fees, etc.) is affordable to MSMEs.
   - The institutional support structures for the development of start-up and existing MSMEs are in place. The policies necessary to develop the MSME sector are crafted and being fully implemented.
   - Support for MSME development is results based, coordinated, harmonized, and sustained by capable stakeholders at the national and local levels.
   - An entrepreneurial mindset is pervasive among MSMEs and other MSME stakeholders.
   - Soft and hard infrastructures for MSME development are established.
   - The information required by MSMEs are available and accessible.
   - MSMEs are gender-responsive and environment-friendly.

B. Access to Finance (A2F)
   - The financial products, services, and support programs that MSMEs need are sustainably available and accessible even for start-up MSMEs and those in the countryside.
   - The cost of obtaining MSME loans is reasonable and affordable.
   - The requirements that MSMEs need to comply with to obtain loans are reasonable and manageable.
   - The process that MSMEs need to follow and documents that must be submitted to obtain loans are simplified and streamlined.
• MSMEs are trained in financial management and are able to understand and speak the language of financial institutions, while financial institutions are trained to understand and speak the language of MSMEs.

• Financial products and services for MSME lending are gender-responsive and environment-friendly.

• The information needed by MSMEs to access financial resources is available and easily accessible.

• The assistance extended by stakeholders to MSMEs in accessing funds is coordinated, responsive, and effective.

C. Access to Markets (A2M)

• MSMEs have maintained their existing markets and penetrated new and emerging markets locally and globally.

• MSMEs are competitive locally and globally.

• Marketing support systems are established and are sustainably operating.

• MSMEs are implementing the value chain approach and are benefiting from it.

• MSMEs are using information technology and intellectual property system to develop a sustainable market share and gain competitive advantage for their products and services.

• Market information needed by MSMEs is available and freely accessible.

• MSMEs have considerable share in the sustainable development market locally and globally.

• Government support programs [(e.g. One Town, One Product (OTOP) Program)] to help MSMEs access local and global markets are coordinated and highly satisfactory.

D. Productivity and Efficiency (P & E)

• Government programs and policies on productivity enhancement are coordinated, effective, and highly satisfactory.

• The MSME workforce is highly motivated and is equipped with the appropriate skills and attitude needed by MSMEs.

• The working environment of MSMEs fosters greater productivity and efficiency among the workforce.

• MSMEs are using gender-responsive and environment-friendly technologies.

• MSMEs are compliant with international quality standards.

• MSMEs are using state of the art productivity enhancing technologies.

• Information on productivity enhancement is available and freely accessible.

The 2011-2016 MSMED Plan will take into consideration global themes and cross-cutting issues related to gender, climate change, corporate social responsibility, and migration. It will likewise support the adoption of local and regional economic development, sector development, and market system development approaches.
5. Conclusions and Recommendations

There are sectors where MSMEs are members, and at times such membership is mainstreamed with the major industry associations and Chambers of Commerce through PHILEXPORT and PCCI. These are strong anchors and advocates of MSMEs, networked internationally and within ASEAN. Both organizations have the capacity to undertake independent research and studies on their own or with partners. They are able to tap technical expertise and funding for joint research projects. There is an institutionalized broad and nationwide mechanism i.e. the MSMED Council at various levels that combines government and MSME representatives where the former is able to solicit feedback and measure outcomes of programs for the sector.

Consultations with key players at various levels should take place at least on a monthly basis. There is ample evidence that suggestions and recommendations from the private sector have been adopted by government especially in the MSME Development Plan 2011-2016. The regularity of holding annual or biennial summit of individual MSMEs and their clusters will highlight their innovative products and articulate their issues and concerns vis-à-vis government bureaucracy.

Consistent dialogue between the MSMED Council and key legislative committees concerned with specific legislation on MSME must also be conducted. The meetings, dialogues, consultations should not stop from mere talks. There should be concrete steps in establishing a more effective system of feedback, monitoring and documentation of successful policy outcomes highlighting insights and lessons learned for the sector.

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