

Inclusive Business in the Philippines

United Nations – MoST Joint Capacity Building Workshop on Science, Technology and Innovation for Sustainable Development Goals

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Defining Inclusive Business

Inclusive Business is a private sector approach to providing goods, services and livelihoods on a commercially viable basis, either at scale or scalable, to people at the base of the pyramid (BoP) by making them part of the value chain of the companies' core business as suppliers, distributors, retailers, employees, or customers.

Can you share with us some of the innovations in business models introduced by Filipino business leaders to deliver affordable goods and services to those at the base of the economic pyramid?

Manila Water

- Subsidiary of Ayala Corporation, the largest business conglomerate in the Philippines
- Exclusive provider of water and used water services to over 6 million people, mostly BoP populations, in 23 cities and municipalities in Metro Manila
- Has expanded water connection to about 2.9 million households (including 1.8 million from marginalized communities), reduced system losses, and increased safe and affordable water availability from 26% to 99% since 1999
- **Water for Poor Communities:** provides millions of low-income households in informal settlements with clean piped water at affordable rates

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Generika

- Owned by Erikagen, Inc.
- 750 Generika drugstores nationwide
- Provides access to affordable medicine and other medical services to millions of people at the base of the pyramid

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IB Policies in the Philippines

- IB as an innovative and effective strategy for poverty alleviation
- Encourage more IB models that integrate micro and small enterprises (MSEs) into the value chain of medium and large businesses, through the Inclusive Business program of the Board of Investments (BOI)

The Philippines has been the first ASEAN country to introduce a policy to promote inclusive business. Can you please tell us about this policy?



BOI Registration

- Covers business activities of medium and large enterprises (MLEs) in the **agribusiness** and **tourism** sectors that provide business opportunities to micro and small enterprises (MSEs) as part of their value chains
- IB Projects may qualify for Pioneer status with entitlement to five (5) years of Income Tax Holiday (ITH)
- Target and accomplish requirements within three (3) years of commercial operation

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Requirements

- At least 25% value of total cost of goods/services sold sourced from registered and/or recognized MSEs as evidenced by a duly notarized contract
- At least 20% increase in average income of individuals engaged from MSEs, cooperatives, or any organized entity duly recognized by a government body from the baseline year to the 3rd year of actual operation

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Requirements

- For Tourism:
 - At least 25 direct jobs (regular employment) generated for individuals in the identified databases (e.g. DSWD, DAR Beneficiaries, NCIP List, PWD, and others)
- For Agribusiness:
 - At least 300 farmers/fisherfolk/suppliers/individual beneficiaries engaged, of which, at least 30% are women

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Additional Requirements

- The enterprise must exhibit innovation in the business model through any of the following:
 - Provision of technical assistance/capacity building to MSEs and/or the direct jobs generated that increases productivity/quality or addresses specific knowledge gaps needed for the job; or
 - Facilitation of access to finance either directly or through a third part (i.e. provision of collateral by the company, direct lending, through a subsidiary, or third part financing disbursed directly to the client or through the company)
 - Provision of inputs and/or technology to MSEs and/or individual farmers and fisherfolk that would increase productivity or improve product quality (*for agribusiness*)

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Inclusive Business



5 Registered IB Models



*Almost Php3 billion
worth of sourcing from
MSEs*



*and engagement of
over 1,185
individuals, at least
30% of which are
women*

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Registered IB Projects (Agribusiness)

	Registered Activity	Project Cost	# of Marginalized Individuals Employed	Sourcing from Micro and Small Enterprises (Php)
1	Integrated dressed chicken processing plant in Batangas	2.08 billion	400	1.536 billion
2	Integrated coconut processing facility in Panabo	994 million	460	223.9 million
3	Rice milling facility	1.1 billion	320	999 million

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Registered IB Projects (Tourism)

	Registered Activity	Project Cost (in Php)	# of Marginalized Individuals Employed	Sourcing from Micro and Small Enterprises (in Php)
1	Tourism Facility in Palawan	1.674 billion	25 direct hires	60 million
2	Tourism Facility in Cebu	2.0 billion	30 direct hires	94 million

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Issues

Regulations / Structure	Awareness / Access to Info	Access to Financing and/or Technical Assistance
Ease of doing business not consistently enforced at LGU levels	No database to find market-ready MSMEs or value chain groups that can supply IBs w/ quality & volume	Ready access to affordable financing to develop innovative business models or improve processes
	No lead agency in the areas to coordinate with in re: IB promotion, implementation	Need to improve or develop impact & performance indicators
Some individual or grouped value chain players lack legal personality or organization to qualify for support		Free TA sometimes not fit, fee-based TA sometimes not affordable
		Ineligibility for funding facilities, lack of requirements, collateral, track record

In your experience, what are some of the challenges we face today to design or implement more inclusive science, technology and innovation policies and strategies?

Proposed IB Bill

- Creation of National IB Steering Committee, IB Secretariat
- Development of National Action Plan & Strategy for Inclusive Business
- Accreditation
- Creation of Information Registry
- Priority government support to IB & value chain partners, facilitating convergence of these support facilities
- Incentives, financing, guarantees
- Impact monitoring and evaluation

In your experience, what are some of the challenges we face today to design or implement more inclusive science, technology and innovation policies and strategies?

THANK YOU!

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