



UNIVERSITY OF THE PHILIPPINES
INSTITUTE FOR SMALL-SCALE INDUSTRIES

MULTI-STAKEHOLDER CONVERGENCE FORUM ON SME BURNING ISSUES AND CONCERNS

Proceedings of the Forum

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RESOURCE PERSONS

Guest Speaker

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Presenters

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Discussants

Dr. Josef T. Yap, *President, Philippine Institute for Development Studies*

Ms. Emmarita Z. Mijares, *Deputy Executive Director, Export Development Council*

Mr. Virgilio P. Fulgencio, *Executive Director, National Competitiveness Council*

Mr. Reysan G. Gantuangco, *Deputy Director, Bangko Sentral ng Pilipinas-Department of Loans & Credit,*

Prof. Edison D. Cruz, *Director, UP Technology Management Center*

Dr. Virginia J. Soriano, *Professor, UP College of Engineering*

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Ms. Serenidad F. Lavador, *Technical Adviser, Small Enterprises Research & Development Foundation*

Dr. Edna Estifania A. Co, *Dean, UP National College of Public Administration and Governance*

Mr. Guillermo M. Luz, *Co-Chair, National Competitiveness Council*

SUMMARY OF DISCUSSIONS

SMED PLAN 2011-2016	APPROACHES / INITIATIVES / OBSERVATIONS	RECOMMENDATIONS
<ul style="list-style-type: none"> • Entrepreneurial Mindset 	<ul style="list-style-type: none"> • Thinking positively, being persistent, creative & innovative, recognizing & seizing opportunities, seeking solutions, industrious, hardworking and diligent, not dependent on other people and the government. • Developing an entrepreneurial mindset is about developing attitudes and providing opportunities for creative thinking. • Go Negosyo: develops entrepreneurial mindset through success stories, caravans, multimedia campaigns, seminars, forums, mentoring, and networking with big business, government agencies and nongovernment organizations. • UP ISSI pioneered in inculcating entrepreneurial mindset in the country by offering entrepreneurship development programs (EDP). • Being enterprising is not exclusive to entrepreneurs. Government agencies, organizations, and employees can also be enterprising without necessarily putting up a business. • Farmers can become small entrepreneurs. • Entrepreneurial mindset is also an integrated concept permeating business in an innovative manner. • Entrepreneurship is also about continual innovation and creativity. • Many universities today are creating themselves as an entrepreneurial university. 	<ul style="list-style-type: none"> • The local politicians should develop an entrepreneurial mindset. UP NCPAG and UP ISSI can work together on this. • Entrepreneurship training should come from inside and outside school. This must start at home during the childhood years and nurtured until adulthood. The home environment should be reinforced in school. • Teachers who are handling entrepreneurship courses should undergo continuous training and business exposure. • UP ISSI should help farmers in developing an entrepreneurial mindset
<ul style="list-style-type: none"> • Enterprise Development 	<ul style="list-style-type: none"> • BMBE Act of 2007 • Challenges facing MSMEs: <ul style="list-style-type: none"> ➢ High cost of doing business ➢ Lack of access to financial services ➢ Lack of access to technology and technology transfer ➢ Lack of access to business opportunities and evolving demand ➢ Absence of effective and efficient infrastructure services 	<ul style="list-style-type: none"> • Re the BMBE Law: <ul style="list-style-type: none"> ➢ Greater effort to disseminate information ➢ Draw a positive or negative list directory ➢ Harmonize government regulations ➢ Improve incentives • Strengthen the link among MNCs and large domestic manufacturers particularly those receiving government incentives through subcontracting.

SMED PLAN 2011-22016	APPROACHES / INITIATIVES / OBSERVATIONS	RECOMMENDATIONS
	<ul style="list-style-type: none"> House amendments to the BMBE Law 	<ul style="list-style-type: none"> Use part of their CSR for upgrading the technology of SMEs thus enabling them to seize the opportunities of globalization. Help SMEs improve their productivity and efficiency through technology transfer and managerial skills training. Provide managerial competencies to small entrepreneurs; this accounts for 90% of the successful implementation of a business plan. Financial institutions should include other business development services.
<ul style="list-style-type: none"> Business Environment 	<ul style="list-style-type: none"> Topmost barriers to doing business: corruption, inefficient government bureaucracy, inadequate supply infrastructure, unstable policies, and excessive tax regulation House amendments to the BMBE Law National Competitiveness Council: Simplifying the business registration procedure the “Eliminate, Simplify, Standardize, Automate (ESSA)” way It takes only an hour to register a business in San Fernando City Pampanga. It shows that creating a more conducive business environment depends on political will. 	<ul style="list-style-type: none"> Explore possibilities for adjusting taxation to satisfy the creation of new enterprises without compromising the revenues of LGUs. Provide an enabling environment at the executive level to support SME development. This can be a joint undertaking between the NCPAG and ISSI. Involve local industry chambers and other business groups in implementing the BMBE Law. LGUs can disseminate the information (about the BMBE Law) and enact local legislation and ordinances. Force government to provide an environment conducive to business. Settle corruption cases.
<ul style="list-style-type: none"> Access to Market 	<ul style="list-style-type: none"> DTI: One town-one product; value chain; industry clustering; Rural Micro Enterprise Promotion Program (RuMEPP). Importance of collaboration with government agencies, LGUs, private sector to integrate and implement assistance programs in program implementation. Proven convincing power of DTI over local politicians in identifying, developing, and promoting critical products and services that have a competitive advantage over their feudal interests. Bureau of Export Trade Promotion: The Philippine Export Development Plan, 2011 – 2013 	<ul style="list-style-type: none"> The President must champion Philippine exports in official international travels. Amend the Export Development Act and accelerate the passage of the Customs Modernization and Tariff Bill Institutionalize a funding source for export development and promotion. This should be given to the DTI. Settle corruption cases.

SMED PLAN 2011-22016	APPROACHES / INITIATIVES / OBSERVATIONS	RECOMMENDATIONS
<ul style="list-style-type: none"> • Access to Finance 	<ul style="list-style-type: none"> • SB Corp: SME Unified Lending Opportunities for National Growth (SULONG) Program • DTI: RuMEPP • Bangko Sentral ng Pilipinas: Credit Surety Fund (BSP-CSF) • House Bill No. 4688: Microfinance Development Bill 	<ul style="list-style-type: none"> • The SULONG Program must be reviewed and the commitment of the present heads of GFIs be secured. • There should be a successor program that will include capacity building on SME lending for GFI loan officers. • The academe, GFIs, BSP should address the financial literacy inadequacies of MSME-borrowers. • There should be greater effort to disseminate information about the SME financing programs. • Strengthen the reward structure of banks; this should not be based solely on the amount of the loan given. • The private banking sector should help government in the implementation of government financing programs.
<ul style="list-style-type: none"> • Productivity and efficiency 	<ul style="list-style-type: none"> • DOST: Small Enterprise Technology Upgrading Program (SET UP) = 1,239 projects assisted nationwide • Technology Application and Promotion Institute: Manufacturing Productivity Extension Program (TAPI: MPEX)=1,988 SMEs assisted nationwide • NCC-DTI-DILG: Simplify getting business permits by January 2012. Pilot implementation yielded a 17 – 18% increase in revenue of participating LGUs. • DTI: RuMEPP 	<p><u>To SMEs:</u></p> <ul style="list-style-type: none"> • Network with government institutions and avail their assistance packages. Get information that will help scale up operations. <p><u>To Government:</u></p> <ul style="list-style-type: none"> • Strengthen collaboration and cooperation with: government agencies, LGUs, NGOs, industry (experts, facilities), state universities and colleges (technical assistance), foreign companies (experts, funding, experiential learning). • Focus on skills training and capability building, particularly on financial management, formulation of business proposals, research and development, marketing, production and operations, systems, etc. • Promote programs that nurture local technology-based enterprises, and empower technical assistance/support services. • DOST to improve efficiency in releasing funds and processing business proposals. • Formulate an effective information dissemination campaign on the importance of infusion of appropriate technology/innovations to business, to improve operations (this may include reaching out to barangays/far-flung areas, and involving media partners). • Ensure constant and continuous support to technology-based start-ups. • MSMED Council, IGLF, BSP-CSF, DOST, TESDA, PTTC, CITC to accelerate subsidized training programs for SMEs

SMED PLAN 2011-22016	APPROACHES / INITIATIVES / OBSERVATIONS	RECOMMENDATIONS
	<ul style="list-style-type: none"> • Training providers come from government and private sectors. • NWPC: ISTIV Program. Implemented productivity improvement programs (PIPs) to 2,399 SMEs nationwide; benefiting 52,056 workers. 	<ul style="list-style-type: none"> • DAP, LGUs, UP ISSI, PTTC, PCE, and DOST to conduct follow-through programs and in-service training • DepEd and TESDA to inculcate entrepreneurship concepts and values in Grades 11 and 12 (in the new K12 curriculum) • CHed, Higher education institutions, UP ISSI, Entrepreneurship Educators Association (ENEDA) to enhance entrepreneurship education and provide continuing entrepreneurship education to faculty and students • Create a best practices network – UP ISSI, PTTC, DOST. • Involve top management and the workers and get their commitment to continuous improvement. • Prepare the enterprise to implement the PIPs • Set up a recognition and rewards system.

MAIN TOPIC : FAST FORWARD WITH THE MSME DEVELOPMENT PLAN, 2011 - 2016

SPEAKER : Engr. Merly M. Cruz, Undersecretary for Regional Operations and Development, Department of Trade and Industry

Session Topic : Delivering the Promises of the SME Sectoral Development Plan, 2011 – 2016

MAJOR POINTS

The SMED Plan focuses on addressing the critical constraints to the growth and development of the MSME sector. It targets a 40% contribution of the sector to total value added and generation of 2 million jobs by 2016. The main implementor of the SMED Plan is the Department of Trade and Industry. The expected major outcomes of the SMED Plan are improvements in the areas of: Business Environment (BE), Access to Market (A2M), Access to Finance (A2F), and Productivity & Efficiency (P&E).

Business environment

The emphasis of the BE portfolio is to create a dynamic environment where MSMEs are encouraged to put up small businesses, sustain them, and be competitive. To address the challenges in the business environment (such as excessive regulation, inadequate incentives, deficiencies in tax and production levels, and inability of the sector to provide health and social security benefits), the SMED Plan lays out activities that will streamline and cut back business regulations and procedures that include: reducing the steps in business registration and getting permits, setting up data banking facilities, and setting an overall government policy against corruption.

Access to market

The A2M outcome concentrates on enhancing the competitiveness of MSMEs in the domestic and global markets. Under the SMED Plan, a market development system will be developed that will integrate the efforts of the DTI, SME networks, government agencies, trade promotion bodies (duty free shops, hotels and restaurants), and logistics groups (including airline systems and ROROs) in bringing the products of MSMEs across the archipelago. Plans include the TindahangPinoy and putting up webstores.

Access to finance

The A2F seeks to make financial services available and accessible to MSMEs.

Productivity and efficiency

Expected results of P&E include coordinated and harmonized productivity improvement programs, motivated & skilled workers, availability of technologies that enable MSMEs to produce and deliver competitive and quality products and services that generate optimum economic returns.

Implementation Approaches

The SMED Plan will be implemented using these approaches:

1. Local and regional economic development approach (LRED). This is a tool for priming the ground to make the local and regional LGUs and residents more receptive to enterprise development. By tapping them, they can provide inputs as to what other products, services, facilities, etc. are needed to grow the local and regional economies.
2. Sector development or value chain approach. This emphasizes the need to go beyond product- industry-based interventions and into the development of manufacturing and service processes that form relevant value chains with high economic potential. The DTI is moving towards the industry clustering (IC) approach wherein the chain starts from

R&D to production or processing, to distribution, to market, and identifying the support services and logistics between the main activities of the chain.

3. Market system development. This is within the A2M outcome. It ensures that there is a market system that is functioning.

The SMED Plan is also looking at enabling MSMEs to use ICT in accessing market information and identifying opportunities for improving productivity and efficiency. The first initiative was the ratification of the eCommerce Law in 2000. Capacity building programs in ICT will be pursued under the DTI's SME programs that will consider recent trends like cloud computing which has been the subject of innovation. The technology offers businesses, particularly SMEs an opportunity to lower direct and indirect costs in many of their processes. The technology allows a company to rent hardware and software instead of acquiring and developing them.

There are also emerging global things included in the SMED Plan that may bring opportunities to MSMEs. These include climate change and green growth strategies, corporate social responsibility (CSR), base of the pyramid (BoP), migration, gender mainstreaming, and globalization. At the mitigation level, DTI is creating awareness through information dissemination. At the adaptation level, the government through the DTI is giving incentives to users of renewable and alternative energy. Green products also present new markets for MSMEs.

Discussions are being made with Senator Villar about a law that will require companies receiving government incentives to use 2% of their gross profit as their CSR for SMEs. The CSR can move further towards CSI or corporate social innovation that will lead to more social entrepreneurs that help create enterprises. The BoP is closely related to CSR where large companies tap small producers to supply their input requirements. The Jollibee Food Corporation partnered with a group of farmers to supply their onion requirements. In this arrangement, the onion farmer-group, while benefiting from the capacity building and technology transfer initiatives of Jollibee, are also assured of a market for their produce.

The remittances of OFWs are sources of investment capital that will provide opportunities to the families of OFWs. Gender mainstreaming or male-female entrepreneurship initiatives will be customized to suit Philippine culture. There are also challenges and opportunities present for developing MSMEs in globalization and increasing economic integration.

Globalization and increasing economic integration also presents challenges and opportunities for SME development. The Philippines currently has a total of 12 free trade agreements (FTAs), of which six have been concluded, one under negotiation, and five already proposed. Through these FTAs, the government is proposing a zero tariff or reduced tariffs for Philippine MSME exports. This will also reinforce the A2M outcome. These information will be included in the DTI seminars for the MSME sector.

DISCUSSANT : Dr. Josef T. Yap, President, Philippine Institute for Development Studies (PIDS)

COMMENTS

The Philippine economy continues to lag behind its neighbors in terms of per capita GDP and manufacturing contribution to GDP. Despite having almost the same size of SMEs to total enterprises with Japan, South Korea, and Malaysia, the employment and GDP contribution of Philippine SMEs are far behind that of Japan and South Korea. With manufacturing being the engine of economic growth, the data indicate that the country has a small and narrow industrial base.

By increasing intra-regional trade and investment, strengthening their local and regional financial markets, and rebalancing economic growth, East Asian countries were able to recover from the 2008 crisis that hit the global economy at a rate faster than the rest of the world. China's growth was backed by heavy investment while Singapore and Malaysia's were led by exports. The Philippines, meanwhile, over relied on consumption.

To achieve the twin goals of the Philippine SMED Plan 2011-2016 of generating 2 million jobs and 40% contribution to GVA there should be an industrial policy that will, among others, provide a mechanism to tap the resources and expertise of large enterprises. This will strengthen the link between large domestic manufacturers and SMEs through subcontracting especially in the country's growth areas. The country can follow the example of South Korea. It was the small and cottage producers in South Korea that helped the country sustain its economic growth since the 1980s.

Another provision is for the technology upgrading of SMEs in order to enable them to seize the opportunities of globalization. With transnational companies establishing global production hubs, these companies can adopt a group of SMEs (which was what Singapore and Malaysia did) and help them improve their productivity and efficiency through technology transfer and skills training and therefore, allowing the SMEs to calibrate their production management capabilities to international standards.

Reacting to the SMED Plan's emerging global themes of corporate social responsibility (CSR) and base of the pyramid (BoP), Dr. Yap suggested that MNCs and large domestic enterprises can use part of their CSR for enhancing subcontracting arrangements and forging productive technology upgrading partnerships. He also urged government to focus on the rural non-farm sector to hasten poverty alleviation.

OPEN FORUM

Entrepreneurship

The successful implementation of a development plan rests upon political leaders who should think over and above their feudal interests. They are the ones who should develop an entrepreneurial mindset.

There are also development-oriented local leaders who want to make a difference. These second-generation leaders particularly those who were schooled abroad are developing an entrepreneurial mindset.

Manufacturing

The manufacturing sector remains to be the engine of growth and transformation in the Philippines. It absorbs employment and generates a surplus that will grow the economy. In manufacturing an input of 1 or 2 will yield an output of 10. The best way is to focus on domestic production.

The DTI is into manufacturing to a limited extent through the OTOP projects. The downside in manufacturing is the prohibitive cost of electricity. However the emerging global issues of climate change and green growth could lead to a manufacturing sector that will develop/fabricate the machines to cater to the industrial requirements of MSMEs.

Corruption

Each one has to change; to keep the path straight. Corruption has brought the country to where it is now.

MAIN TOPIC : CREATING & EXPLOITING ROBUST MARKETS FOR SMEs

SPEAKER 1 : Mr. Ramon M. Lopez, Executive Director, Philippine Center for Entrepreneurship (PCE)

Session Topic : The Go Negosyo Program

MAJOR POINTS

Culture change, change from within, change in attitude—these are basic things that Filipinos must do to develop an entrepreneurial mindset. Economic policies, government programs, and technology alone will not solve the poverty problem. Having a positive attitude, being self-driven and confident, and being able to give more of oneself, are things that cannot be taught but they can be learned. Being positive means inspiring people to bring out their best, engaging in more productive discussions, such as business ideas that work, what businesses are hot or not, and less fixation on entertainment and political gossip.

There are 3Es in successful entrepreneurship: the entrepreneur, environment, and enterprise. The entrepreneur is the person-what s/he wants, vision, and determination; the environment refers to the opportunities around and the enabling factors such as public and private institutions, people, economic policies, government programs, technology, markets, and networks; the enterprise refers to the business itself and managerial skills of the entrepreneur to sustain and grow the enterprise.

An entrepreneurial mindset is described as:

- being positive and enterprising, hopeful, seeking solutions instead of dwelling on problems. With an entrepreneurial mindset, everybody has a chance to be confident to fight poverty.
- seeing opportunities in crises
- being hardworking and diligent, less dependence on other people and the government
- being creative and constantly, persistently innovating, coming out with a product or service distinct from the rest. Entrepreneurs are job creators, not copycats.

Tips for Entrepreneurial Success:

1. An entrepreneur must start with a positive attitude and mindset; is smart and innovative.
2. The enterprise should be market-driven, market-oriented. The essence of marketing is to attract previous non-users, to make them crave for your product, and projecting the benefits that they will get.
Cebu Pacific cut down costs and lowered its fares by removing the perks—newspaper, snacks, very nice lounge area—and introduced the concept of free seats which are not at all free. This is the same concept as the unlimited rice of Mang Inasal and eat-all-you-can promos which do not really impact on sales since they still fall within the average consumption range of diners.
3. The ability to add value sets the entrepreneur apart from the regular businessperson.
4. Market research is very important. Big companies spend a lot for the services of marketing research groups to study their consumers. MSMEs can gather friends and neighbors for a small talk to get their pulse on what they need and want and what are being supplied by other enterprises.
5. Creativity and innovation spur enterprise growth, especially when technology comes into the picture as in the case of online marketing.

The Go Negosyo Story

Go Negosyo started six years ago after Joey Concepcion was appointed by President Arroyo as the presidential consultant for entrepreneurship. It is composed of Filipino entrepreneurs who want to help and inspire the poor to move up and succeed in life.

Go Negosyo pushes for the creation of an entrepreneurial climate by advocating a change in mindset and attitude among the Filipinos; Filipinos who are optimistic about the future, empowered and enterprising without relying too much on other people and government, and in control of their destinies. It targets the underprivileged Filipinos and micro and small entrepreneurs; to help them become rich to be able to help others.

Strategies

Go Negosyo hopes to cultivate and nurture a better mindset and culture among Filipinos that will lead to a positive and enterprising attitude through the following pursuits:

1. Sharing the success stories and experiences of the members, their challenges and difficulties, the interventions, how they survived, and succeeded. The stories focus on developing an entrepreneurial mindset, giving inspiration, and building confidence.
2. Roadshows/caravans
3. Multimedia campaigns (TV, website), books, newspaper column
4. Forums, small seminars on starting and managing a business
5. Seminars (NegoSems), Expos
6. Summits (women, youth)
7. Mentoring (Angelpreneurs – counsellors)
8. Networking with MSME enablers such as public and private institutions, private business, local government units, professional organizations.

Go Negosyo is not only for entrepreneurs. Being enterprising does not necessarily mean that one has to be an entrepreneur. People have different passions and excel in different disciplines. The important thing is attitude, the mindset to be the best that one can be.

Government officials can be enterprising. Governor L-Ray Villafuerte transformed Camarines Sur from being one of the poorest and dullest provinces into one of the fastest-growing and most exciting tourist destinations in the country. The province reinvented itself into a new way of thinking and a heartfelt of political will.

Government agencies can be enterprising. The Dept. of Trade and Industry went into partnerships with various private and government agencies and LGUs to orient the people of the merits of being an entrepreneur, promote the products of MSMEs, and discuss in every forum on how to maximize the foreign trade agreements to benefit the people.

An organization, an employee can be enterprising by sharing ideas on how to reduce cost, improve a product, and the like.

Future Directions:

The Go Negosyo team looks forward to strengthening its partnership with the Department of Trade and Industry, UP Institute for Small-Scale Industries, and with schools offering entrepreneurship courses. It is also trying to establish partnerships with companies that are creating special products for SMEs.

SPEAKER 2 : Ms. Blesila A. Lantayona, OTOP Champion and Regional Director, DTI Region III
Session Topic : One Town-One Product (OTOP) Program

MAJOR POINTS

The One Town-One Product Program was created in 2004 under Executive Order No. 176. It is a priority program of the government to promote entrepreneurship and create jobs. The DTI is the executing agency. It was patterned after Japan's one village-one product project for regional development. 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 a competitive advantage.

OTOP-Philippines supports micro, small, and medium enterprises (MSMEs) to manufacture, offer, and market distinctive products or services through the use of indigenous raw materials and local skills and talents. The Program offers a comprehensive assistance package through a convergence of services from LGUs, national government agencies (NGAs), and the private sector. The package includes business counselling, appropriate technologies, skills and entrepreneurial training, marketing, and product designs and development.

Targets and Outcomes

The OTOP Program targeted to have 1,518 municipalities and cities with successful OTOP implementation, create 668,000 jobs from 33,964 MSMEs, P7.431 billion worth of investments, P12.377 million domestic sales, and US\$ 522 million export sales. The five outcome portfolios are: business enabling, including policy support; access to finance including public and private funds; market system development to provide marketing models; learning and innovation for systematic program enhancement; and sector competitiveness using the value chain approach to facilitate the union of the various stakeholders and BDS providers.

Flagship Industries and OTOP Programs

Flagship industries required the participation of OTOP SMEs and enabled them to integrate their product in supply chains that serviced productive business operations. These include project bayong, SPIN program, bamboo, water hyacinth, veggie noodles, fish filet (panggasius), saba banana, and virtual poultry farming.

Accomplishments

Except for the employment target of which only 67% was achieved, the OTOP Program exceeded the targets it set for the five-year duration: Investments, 150%; domestic sales, 134 %; exports, 130 %; and MSMEs developed/assisted, 171%. Other achievements include an increase in the number of pasalubong outlets/OTOP market outlets to 1,843; development of 6,783 product prototypes; 7,781 product designs launched; over 200 Memorandum of Agreement concluded with different partner organizations; two national OTOP summits (2007 and 2010); OTOP trade missions; OTOP website; and OTOPreneur Magazine.

Evaluation

The OTOP Program was assessed by the Development Academy of the Philippines (DAP) to measure the successes of the Program and draw learnings from its implementation. The metrics used were socio-economic condition, quality of life, basic human needs, and business facilities. The result of the assessment study showed that 100% were able to increase their income from a range of 10% to more than 50%; 57% had better capacity to meet basic needs; 51% improved their quality of life; and 90% upgraded their operations/production facilities.

Success Factors of the OTOP Program

- Capacity of DTI to synergize the efforts of various service providers including local government agencies, non-government agencies, local players, and the private sector and harness their expertise to come up with a comprehensive package of assistance to the SMEs in the OTOP Program.
- Effective implementation of interventions (product design and development, marketing, entrepreneurial and management skills training, business counseling, loan rehabilitation) needed by SME beneficiaries regardless of industry, capitalization, and stage of maturity.

Conclusion

- The support of other government agencies—the Dept. of Science and Technology (DOST), Dept. of Tourism (DOT), Dept. of Interior and Local Government (DILG), and Dept. of Agriculture (DA)—is necessary for the success of poverty alleviation programs in the countryside.
- It is important to identify new and lucrative markets for the SMEs involved in the OTOP Program.
- The coming together of government and non-government agencies, as well as productive partnerships with bilateral and multilateral organizations, are vital for the continuing development and upgrading of the SMEs and their OTOP products.
- The improvement in the socio-economic conditions, income, and quality of life of SMES in the OTOP Program is a remarkable outcome of the implementation of the OTOP Program.
- Given the positive outcome of the Program, the OTOP has been sustained as a development strategy for promoting entrepreneurship and creating jobs.

DISCUSSANTS : Ms. Emmarita Z. Mijares, Deputy Executive Director, Export Development Council (EDC)
 Mr. Virgilio P. Fulgencio, Executive Director, National Competitiveness Council (NCC)

COMMENTS

The OTOP SMEs are the essential drivers of the Industry Clustering Program (ICP) in terms of building up a strong resource base. The vision for the OTOP Program was to make industry clustering the noose in the value chain.

DTI was successful in convincing and getting the cooperation of the LGU politicians regarding the identification, development, and promotion of critical products and services that have a competitive advantage over their feudal interests.

The success of the OTOP Program confirms the strategic importance of convergence in program implementation. The DTI as the lead implementer, harmonized the SME promotion and development efforts of the partner-agencies such as DOST, DA, DILG, DOLE-TESDA which is the whole idea in industry clustering.

The Philippine Export Development Plan, 2011 – 2013 (PEDP, 2011-2013) This was recently approved by President Benigno S. Aquino III on July 11, 2011. The PEDP 2011 – 2013 outlines the agreements of the public-private partnership (PPP) into three: Targets, Strategies, and Governance.

Targets

Exports – US\$ 898 billion in 2013; US\$ 120 billion in 2016

Redefine product and market strategies considering such growth drivers as volume supply chain attributes, local value added, and total employment. The key market exports from the value chain perspective consist of intermediate goods and finished goods.

- Intermediate goods are electronic, mineral coconut, petroleum, textile yarns/fabrics, forest products
- Finished goods are garments, agro-based products, machinery & transport equipment, homestyle, processed food and beverages, wearables
- Services

Governance

Strategies

1. Promote organic natural products (ONP), halal & kosher, and green exports
2. Move up the value chain; there is more value in software development
3. Capture high value processes in the global supply chain. Global production hubs provide many opportunities for subcontracting and export of intermediate goods.
4. Develop more product linkages for ONP and certification-enabled products by tapping the Dept. of Tourism, hotels, and resorts.
5. Where applicable, focus on precision (quality) rather than profusion (high volume) promotion. Brazil, India, Africa are high potential markets for finished goods. Instead of exporting intermediate goods to Singapore, they can be tapped to set up their facility in the Philippines.
6. Settle corruption cases. The Office of the President has asked EDC to collate documents and information that will lead to the identification of corruption cases.

The National Competitiveness Council is a public-private-partnership initiative that focuses in providing and creating an environment conducive for business and entrepreneurship.

In Singapore, it takes only 30 minutes to register a business online. In San Fernando City, Pampanga, it takes an hour to register a business. If there are complaints, the mayor calls the attention of the employees. This shows that creating a more conducive business environment depends largely on political will.

Recommendations

1. The President must champion Philippine exports in official international travels.
2. Amend the Export Development Act and accelerate the passage of the Customs Modernization and Tariff Bill.
3. Institutionalize a funding source for export development and promotion. This should be given to the DTI.
4. Force government to provide an environment conducive for business.

MAIN TOPIC : BANKROLLING SMEs

Speaker 1 :Mr. Benel P. Laguna, President & COO, Small Business Corporation (SB Corp)

Session Topic :SME Unified Lending Opportunities for National Growth Program (SULONG Program)

MAJOR POINTS

The SULONG Program is a program of the government financial institutions (GFIs) that aims to improve the micro, small and medium enterprises' (MSMEs) access to financing. This is an addition to the existing financing programs already available for the MSME sector.

The Program has more relaxed collateral requirements, lower interest rates, and lower transaction fees. Participating banks are the GFIs including the Development Bank of the Philippines, Land Bank, National Livelihood Support Fund (NLSF), Philippine Export Import Bank (PhilEXIM), Quedan Corporation (QUEDANCOR), SB Corp., and Social Security System (SSS).

For the period 2004-2010, the SULONG Program has released P250 billion worth of loans to SMEs nationwide, of which the highest was in 2008 when total loans released reached P35.5 billion. The highest contributors are LandBank, DBP, PhilEXIM, and SB Corp. For every P80,000 worth of loan released, one job is supported/sustained.

SME financing

This (SULONG Program) GFI initiative is catalytic and a benchmarking tool to show private banks that SME financing can work. GFIs are the best outlets for lending operations but they have to be self-sustaining.

SME financing should be engaged primarily by the private sector. The implementation of the Law mandating banks to allot 10% of their loan portfolio to SMEs should be strictly enforced. It is SB Corp.'s dream to raise this to 30% since SMEs contribute 35% to value added. The SMEs should ask this from the government.

To increase the demand for SME financing, SME entrepreneurs should be given financial literacy programs, which is the major contribution of UP ISSI.

SME lending

Lending should be handled only by the experts in lending.

The reward structure of institutions lending to SMEs needs to be strengthened. The current practice of basing the incentive to the amount of loan given can be reviewed in favor of SMEs who require smaller loan amounts.

Many Filipinos still think that government loans are dole outs and do not have to be repaid.

Recommendations:

A reinvention of the SULONG Program is in order to get the commitment of the current heads of the GFIs to the Program.

A successor program can be crafted that will include capacity building for GFI loan officers on SME lending.

Speaker 2 : Mr. Jerry T. Clavesillas, Deputy Director, DTI- Bureau of Micro, Small and Medium Enterprise Development (DTI-BMSMED)
Session Topic : Rural Micro-enterprise Promotion Program (RuMEPP)

MAJOR POINTS

The RuMEPP Project is a special program of the DTI that aims to help strengthen the rural economy and reduce rural-urban migration. This is one of the mechanisms that address one of the emerging global themes in the SMED Plan 2011-2016, which is the BoP or base of the pyramid.

RuMEPP is a seven-year poverty alleviation program for the poorest of the poor. It focuses on the development of micro enterprises that have a small asset base. The components and partner institutions are: micro finance credit and support, with SB Corp.; micro enterprise promotion and development with DTI; and program management and policy coordination, with the Small Enterprises Research and Development Foundation (SERDEF).

Coverage

RuMEPP covers 19 provinces in the five priority regions, namely, Cordillera Administrative Region- Abra, Ifugao, and Kalinga; Bicol Region- Albay, Camarines Sur, Catanduanes, Masbate, and Sorsogon; Eastern Visayas Region- Biliran, Eastern Samar, Leyte, Northern Samar, and Samar; CARAGA Region- Agusan del Norte, Agusan del Sur, Surigao del Norte, and Surigao del Sur; and SOCSARGEN Region- Sarangani and South Cotabato.

Accomplishments to date include:

1. Business development services (BDS)
 - Skills training to Sarangani muslim women. Improved the preparation and packaging of *tinagtag*, a Maguindanaoan delicacy. Today the delicacy is now packaged with labels and is being sold in pasalubong centers and exported to the Middle East.
 - Skills training to South Cotabato women. Production of jute bags from pineapples. These bags are now being sold in trading centers in General Santos City.
2. Product development
 - Sarangani muslim housewives involved in processing seaweed into pickles, chips, jam, etc. The products are now properly packaged and are being sold in General Santos City.
 - Indigenous people in Agusan del Sur involved in cutflower production. The association is now supplying the cutflower needs of Cagayan de Oro City.
3. Marketing
 - LGU in South Cotabato introduced the 'Product Mobile', a van travelling around the province that displays the products of RuMEPP-assisted micro entrepreneurs.
 - Branding – Kalinga Mountain Coffee who are first level coffee processors – the grassroots. A label about the abaca/anahaw craft village that was put up at the instance of the Project at the entrance of Barangay Abas gave reason for the travellers and tourists on their way to whale watch in Pilar, Sorsogon to stop by and buy the local products.

Future directions:

Look into the SERDEF recommendation of bundling the credit and finance components of SB Corp. and BDS of DTI into one package.

Train microfinance institutions (MFIs) to become BDS providers.

Discussants: Mr. Reysan G. Gantuangco, Deputy Director, Dept. of Loans & Credit, Bangko Sentral ng Pilipinas (BSP)
Mr. Onesimo L. Cuyco, Division Chief, National Livelihood Development Corporation (NLDC)

COMMENTS

The Missing middle

The slow progression of micro enterprises into small enterprises is contributing to the increase in the number of those in the so-called missing middle. About 25% or P900 billion of the entire financing needs are directed to SMEs.

MSME financing

The role of GFIs is to jumpstart SME financing and prove to the private banking sector that SME financing is workable.

Financing programs offer financing services to different segments

- The RuMEPP targets the poorest of the poor
- SULONG targets micro, small micro, bankable micro, and bankable SMEs.
- The BSP's Credit Surety Fund targets micro, small and medium entrepreneurs that are members of cooperatives.

SME credit should be more visible; both the lending officer or account officer and the borrower should know about these programs.

Government is weak in assessing the performance of the financing programs, particularly in terms of determining the success rate of the beneficiary-SMEs.

Financial institutions should offer other business development services to go with financing. Loyalty to financial institutions is now measured by BDS, i.e., marketing services, and not merely on credit services. Unfortunately, some financial institutions cannot engage in non-banking services.

Financial Literacy of SMEs

SME financing can succeed if SMEs are financially literate. The academe, GFIs, BSP, among others can provide and enhance the financial literacy knowhow and skills of SME beneficiaries.

SME financing should not be the business of government alone due to its limited resources. The private banking sector should also participate in the financing programs.

The NLDC experience

Micro farmers can become small entrepreneurs if they group themselves. This was shown in the NLDC's pilot project with Jollibee Food Corp. when it accommodated onion farmers in Nueva Ecija. The farmers were able to increase their harvest of white onions from 60 tons in the first year to 150 tons in the following year. Farmers should treat farming as a business. UP ISSI can help farmers acquire this mindset.

RuMEPP

While the direct beneficiaries are the micro enterprise, there are also indirect beneficiaries. They are the ones that make up the other components in the value chain. For example, if the bamboo planters, primary processors, and handicraft manufacturers are the micro enterprises, the producers of high-end products, machine and equipment suppliers, support service providers, and everybody who belongs to the industry, being part of the value chain, also benefit.

MAIN TOPIC : COMPETING THROUGH TECHNOLOGY, QUALITY, AND EFFICIENCY IMPROVEMENT

SPEAKER 1 : Dr. Carol M. Yorobe, DOST Undersecretary for Regional Operations

Session Topic : The Small Enterprise Technology Upgrading Program (SET-UP)

MAJOR POINTS

The SET-UP is a national strategy that aims to assist MSMEs in adopting technological innovations to improve productivity and competitiveness. In particular, SET-UP enables SMEs to:

- address their technical problems through technology transfer and technological interventions by infusing appropriate technologies to improve operations and providing technical assistance and consultancy services such as HACCP, GMP, CPT, QMS, and assisting in the establishment of quality standards
- improve productivity through better product quality by designing functional packages and labels, providing training on productivity improvement and technology demonstrations, and funding technology acquisition, cost minimization and waste management.

The SET-UP Framework focuses on value adding and enhancing competitiveness of MSMEs, contributing to the creation of a robust economy, and creating employment to alleviate poverty.

Target Beneficiaries. SET-UP assistance is open to:

- any 100% Filipino-owned company or firm based in the Philippines
- any small- or medium-scale business whose product falls within the identified priority sectors (food processing, furniture, gifts-decor-handicraft, horticulture/agriculture, aquatic and marine, metals and engineering, and others (projects covering more than one priority sector)
- beneficiary- firm must be willing to apply technological improvements in its operations.

Accomplishments as of July 2011

Number of projects assisted : 1,239 nationwide

Investment, cumulative (more than 10 years): P 613.2 million

Implementation constraints and responses

Constraints in the Implementation of SET UP	Response/Action Item
DOST Clients Inadequate skills of proponents in proposal preparation	DOST assists in the formulation of proposals; Strengthen info dissemination; exert more effort in inculcating the responsibility to meet obligations;
Lack of knowledge about available appropriate technologies	Strengthen info dissemination
Lack of belief and confidence in government programs and services	Make MSMEs realize that government is here, do follow through activities
Lack of financial responsibilities	Exert more effort in inculcating the responsibility to meet obligations
DOST Long processing time of proposal	DOST has reduced processing proposals to one month empowering regional offices with regional technical committees
Delayed release of funds	Dept. of Budget and Management promised to put in some reforms in releasing funds
Lack of staff complement in the provincial and regional offices	DOST now has a policy to reach out to the clients; involve media partners
Lack of mobility	Go to barangays, reach out to the clients
Others: Absence or lack of accredited equipment fabricators/suppliers	DOST has accredited equipment fabricators who service DOST clients
Adverse effect of natural calamities and financial crises	

Opportunities in partnerships

Strong collaboration and cooperation with: government agencies, LGUs, NGOs, industry (experts, facilities), state colleges and universities (technical assistance), foreign companies (experts, funding, experiential learning).

SPEAKER 2 : Engr. Jovito Rey E. Gonzales, Senior Science Specialist, Technology Application and Promotion Institute-DOST (TAPI-DOST)
Session Topic : The Manufacturing Productivity Extension Program (MPEX)

MAJOR POINTS

The mission of TAPI is to:

- accelerate economic growth through the application of science and technology (S&T)
- promote massive adoption of technological innovations particularly in the countryside
- encourage the establishment of productive technology-based enterprises.

The general failure of MSMEs to expand or even sustain operations can be traced to weak or poorly-designed government interventions that increase the entrepreneurs' knowledge and skills to use technology, and inadequate financial resources to grow their business. There are five factors behind the poor survival rates of MSMEs particularly those in the manufacturing sector where value-addition can be enhanced. These are:

- availability of raw materials in the required quality, volume, and sustainability
- choice of equipment and machinery
- lack of training and technical assistance
- lack of support services and
- dependence on a single market.

MPEX objectives and implementing strategies

The MPEX program aims to improve the productivity and efficiency of manufacturing SMEs by addressing their operational concerns. MPEX interventions focus on shopfloor operations of SMEs.

Priority sectors for MPEX assistance

- agro- and food processing
- furniture
- gifts and holiday decor (GHD)
- information technology
- material-based (wood, bamboo, minerals-marble, leather)
- metals and engineering (auto parts, machinery, components)
- microelectronics

Accomplishments

Total investment : P77,268,363 (after two decades)
 Total SMEs assisted : 1,988 nationwide covering the priority sectors (as of CY 2010)

DISCUSSANTS : Prof. Edison D. Cruz, Director, UP Technology Management Center (UP TMC)
Dr. Virginia J. Soriano, Professor, UP College of Engineering (UPCE)

COMMENTS

Having the product is one thing, but commercializing it takes a lot more. Going into production is a great challenge that's why it is essential to master the technology. Technology business incubators (TBIs) serve as hosts to aspiring technology-based enterprises. They provide logistics and technical assistance to start up companies that are still unable to stand on their own.

Production systems follow a certain life cycle. It starts with design (materials, technology, product design, framework design, business planning), product development, marketing, maturity, then decline.

To increase efficiency and improve productivity, small and medium entrepreneurs need decision-making tools (regarding technical, financial, marketing, social, environmental, regulatory, and the like), operating strategies, financial support, and information.

Advice to SMEs

Network with government institutions and avail their assistance packages. Get information that will help scale up operations.

RECOMMENDATIONS

To address quality and efficiency improvement and compete through technology, the stakeholders of SMEs need to:

- strengthen collaboration and cooperation with: government agencies, LGUs, NGOs, industry (experts, facilities), state universities and colleges (technical assistance), foreign companies (experts, funding, experiential learning);
- focus on skills training and capability building, particularly on financial management, formulation of business proposals, research and development, marketing, production and operations, systems, etc.;
- promote programs that nurture local technology-based enterprises, and empower technical assistance/support services;
- DOST to improve efficiency in releasing funds and processing business proposals;
- formulate an effective information dissemination campaign on the importance of infusion of appropriate technology/innovations to business to improve operations (this may include reaching out to barangays/far-flung areas and involving media partners); and
- ensure constant and continuous support to technology-based start-ups.

MAIN TOPIC : HARNESSING ENTREPRENEURIAL CAPABILITIES AND TALENTS

SPEAKER 1 : Prof. Nestor O. Rañeses, Director, UP Institute for Small-Scale Industries (UP ISSI) and Associate Professor, UPCE

Session Topic : Human Capability Programs for SMEs

MAJOR POINTS

The UP ISSI Vision is to be the Center of excellence for nurturing and advancing an entrepreneurial society. Its mission is to create and provide knowledge, know how, and information that empower entrepreneurs to grow and prosper.

Definitions

Competitiveness refers to the set of institutions, policies, and factors that determine the level of productivity of a country which sets the sustainable level of prosperity that can be earned by an economy.

Productivity determines the rate of return from physical, human, or technological investments in an economy.

National economic competitiveness refers to how a nation manages its resources and competencies to increase the prosperity of its people

Basic Facts

In the global competitiveness index, the Philippines is still in the first stage, characterized as a factor-driven economy just satisfying the basic requirements, while the economies of most Asian neighbors are in the advance stages of either efficiency-driven or innovation-driven. In terms of GDP per capita, with a 92 million population, the Philippines has been overcome by most of the developing Asian countries. Labor productivity has stagnated as compared to Malaysia, Vietnam, Singapore, Indonesia, and Thailand. After having the highest unemployment rate in the ASEAN from 1990-2004, the country improved a bit and is now second to Indonesia. But the number of new entrants to the labor force annually remains at least 700,000.

The top five most problematic factors for doing business in the Philippines are corruption (22.7%), inefficient government bureaucracy (18.3), inadequate supply infrastructure (15.4%), unstable policies (11.8), and excessive tax regulation (9.2%).

Ninety one percent (91.1%) of SMEs are micro enterprises; 92.8% of SMEs are in the National Capital Region.

Policy strategies

The more common policy strategies for training SMEs consist of: accelerated training by public training institutions, subsidized training, compulsory training, training levies, apprenticeship, best practices network, general taxation to finance training, and fiscal incentives to reward training.

In the Philippines, training providers for SMEs come from both the public and private sectors. Leading the public sector are the Dept. of Agriculture, Cooperative Development Authority (CDA), DTI agencies—Cottage Industry Technology Center (CITC) and Philippine Trade Training Center (PTTC), Development Academy of the Philippines (DAP), DOST agencies—Food and Nutrition Research Institute (FNRI), Forest Products Research Institute (FPRI), Metals Industry Research and Development Institute (MIRDC), Philippine Textile Research Institute PTRI), and Technology Resource Center (TRC), UP ISSI, Philippine Commission on Women (PCW, formerly National Commission on the Role of Filipino Women), National Anti-poverty Commission (NAPC), and the Technical Education and Skills Development Authority (DOLE-TESDA).

Among the private sector training providers are ABS-CBN Bayan Foundation, ACE Center for Entrepreneurship and Management Education, Business Coach, Inc., Center for Small Entrepreneurs, Nego-eskwela, Philippine Center for Entrepreneurship, and Philippine CEFE Network Foundation, Inc.

Malaysian example

The Malaysian Government provides incentives to assist SMEs in improving their productivity and efficiency. Fifty percent (50%) of the cost of the training is subsidized by the government and the SME can apply a loan to cover the remaining 50%. This incentive is applicable to programs on skills upgrading, QMS certification, start up businesses, marketing skills, and implementation of Rosetta net standards.

Concerns, Action Item, Options

Concerns	Action Item	Options
<ul style="list-style-type: none">• MSMEs are concentrated in the NCR• Determine the number of enterprises the country should have• Improve the graduation rate from micro to small enterprise and from small to medium scale enterprise	<ul style="list-style-type: none">• Identify opportunities in the other provinces	<ul style="list-style-type: none">• MSMED Council, IGLF, BSP-CSF, DOST, TESDA, PTTC, CITC to accelerate subsidized training programs for SMEs• DAP, LGUs, UP ISSI, PTTC, PCE, and DOST to conduct follow-through programs and in-service training• DepEd and TESDA to inculcate entrepreneurship concepts and values in Grades 11 and 12 (in the new K12 curriculum)• CHED, Higher education institutions, UP ISSI, Entrepreneurship Educators Association (ENEDA) to enhance entrepreneurship education and provide continuing entrepreneurship education to faculty and students• Create a best practices network – UP ISSI, PTTC, DOST.

SPEAKER 2 : Ms. Esther F. Guirao, Deputy Executive Director, National Wages and Productivity Commission (DOLE-NWPC)

Session Topic : Productivity Through Workplace Values Using the ISTIV Program (Being Industrious, Systematic, Time Conscious, Innovative, and Value for Work)

MAJOR POINTS

The NWPC is mandated to set minimum wages; promote productivity improvement and gain sharing; advice the President and Congress on matters relating to wages, income, and productivity; and define the policies, rules, and guidelines on wages, incomes, and productivity.

The ISTIV Program was launched in 1998. It is the flagship productivity improvement program (PIP) of NWPC. ISTIV is a values-based human resources program that introduces productivity and quality (P&Q) concepts and basic technologies in MSMEs. The Program involves everyone in the business organization—the owners, supervisors, and rank and file—in the training design and implementation of the P&Q. The ISTIV uses full cycle training and consulting.

Accomplishments

The ISTIV Program has been implemented to a total of 2,399 SMEs nationwide, which benefited 52,056 members of the workforce. Through the PIPs that were installed and implemented they were taught how to cut down unproductive time, use Gantt charts, apply just-in-time concepts, finish tasks before the deadline, among others.

Evaluation

An evaluation on the ISTIV was conducted on 22 beneficiaries spread out among manufacturing, agribusiness, and service sectors in Luzon, Visayas, and Mindanao. The results showed improvements in production efficiency and labor productivity, in sales and profit, and more satisfied customers among the beneficiary - firms.

Success factors

Critical to the success of the ISTIV Program are the involvement of top management and the workers and their commitment to continuous improvement, readiness of the enterprise to implement the PIPs, recognition and rewards system, and establishment of partners and linkages.

DISCUSSANTS : Ms. Ma. Luisa B. Gatchalian, National President, ENEDA and Professor, Miriam College
Ms. Serenidad F. Lavador, Technical Adviser, SERDEF

COMMENTS

Entrepreneurial mindset

UP ISSI pioneered in inculcating an entrepreneurial mindset in the country by introducing programs on entrepreneurship development. The programs were offered to aspiring entrepreneurs, including professionals and students.

Developing an entrepreneurial mindset is not only about developing the skills; it is also about developing attitudes and providing opportunities for creative thinking. This must be done during the childhood years through proper upbringing and teaching about the values of being on time, keeping a schedule for playing and studying, allowing them to make decisions, etc. Giving them some independence may seem insignificant but they provide the foundation for developing an attitude leading to an entrepreneurial behavior. These behavior should be nurtured until adulthood.

The home environment should be reinforced in school; starting with pre-school where the schoolchildren can be taught how to handle money, submit work on time, and respect their classmates and teachers. It also helps to expose them young in the business; make them earn their allowance by doing some minor tasks. This will make them appreciate the value of hard work and hard-earned money.

Entrepreneurship education

While it will be good to incorporate ISTIV concepts in the college curriculum, there is the need for a continuous training and exposure for teachers who are handling entrepreneurship courses.

MAIN TOPIC : PROVIDING BUSINESS ENABLING ENVIRONMENT FOR SMEs

SPEAKER 1 : Mr. Jerry T. Clavesillas, Deputy Director, Bureau of Micro, Small and Medium Enterprise Development (DTI-BMSMED)

Session Topic : The Barangay Micro Business Enterprises (BMBE) Act of 2007

MAJOR POINTS

Why are MSMEs unable to graduate into small enterprises? Why do MSMEs choose to remain in the informal sector? These are questions that the BMBE Act of 2007 seek to find solutions to.

The most common challenges facing micro, small and medium enterprises are:

- high cost of doing business
- lack of access to financial services
- lack of access to technology and technology transfer
- lack of access to business opportunities and evolving demand
- absence of effective and efficient service infrastructure.

The BMBE Act of 2007 encourages the formation and growth of barangay-based micro business enterprises and integrates those enterprises in the informal sector with the mainstream economy by simplifying government procedures, assisting them, and giving incentives and benefits.

Incentives to BMBEs in the BMBE Law include income tax exemption, minimum wage exemption, priority to a credit window, technical and managerial assistance, and minimal government requirements.

Issues in implementation

Out of the 1,610 total number of LGUs, only 16% submit reports, of which 54.4% are implementing the BMBE Law.

The lukewarm reception to the BMBE Law is attributed to two factors: the apparent disinterest of potential BMBEs. The exemptions are not attractive since the potential BMBEs although unregistered anyway, can still avail of technical assistance. There is also the apprehension of some government agencies to implement the Law for one reason or another including perceived loss of revenues.

Recommendations to the BMBE Law

1. Disseminate information about the BMBE Law
2. Draw a negative or positive list directory that will identify enterprises that can and cannot register as a BMBE
3. Harmonize conflicting government regulations of government agencies concerned in implementation and identify a lead agency (e.g., MSMED Council)
4. Improve incentives that will entice micro enterprises to register as BMBEs.

The key indicators of improving business registration among APEC-member economies are: starting a business, paying taxes, dealing with licenses and permits, trading across borders, enforcing contracts, accessing credit, employing workers, registering property, and closing a business. In a study, the Philippines ranked poorly in terms of closing a business. Entrepreneurs and investors also experience immediate disregarding of contracts.

SPEAKER 2 : Congressman Teodoro A. Casiño, Chair, Committee on Small Business and Entrepreneurship Development
Session Topic : Legislative Agenda for MSMEs

MAJOR POINTS

The micro, small and medium enterprises are marginalized and unrepresented; their issues and concerns are not properly heard in Congress.

Updates on Legislation for MSMEs

1. House Bill No. 4688, known as the Microfinance Development Bill was approved on June 06, 2011. The Bill seeks to expand micro finance services. It also strengthens non-government microfinance institutions with a net worth from P10 million to 20 million.
2. Amendments to the BMBE Law
 - Coverage – include all micro enterprises
 - Registration – reduction of registration fee to P500; extension of certificate of authority to a maximum of 6 years
 - Benefits – exemption from local business taxes; additional credit window from OWWA; inclusion of informal sector workers in coverage of development fund
 - Improved compliance and monitoring through a business registry, involvement of LGUs and business groups, increased fines for violators
 - Better information dissemination.

In the pipeline

- Buy Pinoy Build Pinoy Bill
- Buy Pinoy Month
- Bill on social enterprises and fair trade

DISCUSSANTS : Dr. Edna Estifania A. Co, Dean, UP National College of Public Administration and Governance
Mr. Guillermo M. Luz, Co-chair, National Competitiveness Council

COMMENTS

MSME development

All development is in the local area where the SMEs are located. MSME development is not a priority of the President. Legislators are poor on oversight; in scrutinizing the implementation of government policies pertaining to MSME development.

Incentives

Tax exemptions are a double-edged sword. They are meant to encourage new business enterprise creation and entice informal businesses to come out in the open but they also inhibit LGUs from generating potential resources. This is possible for some LGUs that have other revenue sources.

To support the BMBE Law, LGUs can disseminate the information and enact local legislation and ordinances.

Entrepreneurship

Entrepreneurship is a discipline. Entrepreneurship training should come from inside and outside school. A business idea should try to address or provide a solution to something; it should be better than the rest. The important elements of a business plan are the addressable market, strategy, financial plan, organization, and funding. A business plan is just a plan. The most important thing is to have the skills to implement the plan. This comprises 90% of a business.

Business environment

Building the competitiveness of the environment will build up the competitiveness of the country. The bureaucracy they have to deal with makes it very difficult for MSMEs to set up a business. The NCC is trying to simplify the business registration procedures through a system of Elimination, Simplification, Standardization, and Automation (ESSA). The Council is working with DTI and DILG on simplifying the procedure of getting business permits. The group came out with only one form and reduced the number of steps, days, and signatories. Results of a study after implementing the changes showed an increase on the revenue on the permit fees paid to the LGUs by 17 – 18%.

Being transparent, simplifying the processes, and making it easier for enterprises to transact with government lead to greater competitiveness.

Recommendations

Explore possibilities for adjusting taxation to satisfy the creation of new enterprises without compromising the revenues of LGUs.

Focus on providing an enabling environment at the executive level to support SME development more than the legislative level. This can be a joint undertaking between the NCPAG and ISSI. NCPAG will provide modules on public administration and governance while ISSI will handle the enterprise development aspect.

Involve local industry chambers and other business groups in implementing the BMBE Law.

PARTICIPANTS' FEEDBACK

The following comments were gathered from the audience towards the end of the Forum.

1. Mr. Henry Freires

- Science and technology/ inventions and innovations developed by Filipinos can make our country globally-competitive/ progress.
- I dream of industrial zones manufacturing Philippine inventions/ innovations for export, not foreign inventions wherein we have no absolute control.
- Urgent area: energy. Fossil fuel is no longer safe to extract underground via seawater injection. It is currently causing earthquakes (SG of water= 1.0; Petroleum= 0.8). The increase of "off-centered" weight of the Earth will cause "pole-shift." Filipino inventors should develop polonium as fuel. Funds and security must be provided by the government.

2. Mr. Ernian Lao

Action Plan:

- The government and private institutions implement programs implemented to help the SMEs but I believe only a few select businesses/ people are able to feel this help. Why? (1) Corruption; (2) the people in position implementing these programs, especially on the provincial/ regional level are biased on which people/ group they would help; and (3) maybe we are missing the big picture and the systems currently in place are ineffective.

To do this:

I think we/ the government should (a) provide an environment in which SMEs will grow and expand not only in the Luzon region but also in the Visayas and Mindanao areas; (b) we should have apprenticeship systems implemented to people who cannot afford formal education so they can learn skills to be able to produce products that they can sell; (c) I think we, as Filipinos, should be more patriotic by patronizing products that we create instead of thinking that these products are low class/ poorly made.

3. Participant

- We should have more manufacturing industries. It was said that manufacturing industry isn't focused due to the expensive cost of electricity. Why not invest on powerplants (renewable ones)? If most towns have renewable energy sources, the cost of electricity won't be much of a problem. Though the electricity produced from renewable sources aren't that much compared to the conventional ones, there are still other options.

Also, the OTOP should be mandated all over the country. The program seems to be very promising and would help a lot of people. If there is a product per town, it would make people in those towns be productive and focused. If the mayor would help them into setting up their business, it would boost up the morale of the people wanting to go into entrepreneurship. A lot are not venturing into making their own business because they are not sure if there will be support coming from the government.

4. Ms. Rachelle Austero

- I believe that aspiring entrepreneurs will be encouraged to establish their own business if the process for the business start-up will not be too difficult and complicated. Assistance, not only through financing, will be of great help. It will be better if there is some institution/ firm which can offer guidance for the entrepreneurs in accomplishing all necessary documents before they can start business operations, especially those who have no idea about these processes.

5. Mr. Sy and Mr. Tenioso

Action Plan:

- SME business is simply a matching examination. Match SME products to be supplied to large companies. Do this and everyone's happy.

To do this:

- Make a comprehensive website where SMEs & large companies can post their product specifications, wants and needs (www.sme.help.ph).
- Good logistic support, ie., interisland railroad.
- Internet usage. Google is good!

Great idea brought about by a great lunch!

6. Participant

- Require business courses on all degree programs of universities.
Hold "Negoskwelas" for students and the uneducated to teach them about business for a specific product/ project per town.
More government financial support for low-income families.

7. Participant

- Feudalism, as I understand, is a culture where there is a landlord and there are "subjects." For many places in the Philippines, feudalism culture (where there is a lord or a dominating family and there are "subjects") is very much alive. One manifestation of this culture is the presence of "political dynasties." A family rules this place and then another family rules the other place. I'm thinking that the fight for SMEs is a fight against this culture of feudalism. Maybe, to change the mindset of the people to entrepreneurship, a Filipino's tendency to be loyal to a lord or, in other words, to be a "subject," must be changed.

As a Mechanical Engineering student, we have a course requirement which is to come up with a project (tangible) that will show the things that we have learned during our 5 years of studying. We are thinking of creating a solar device.

8. Ms. Josielin Go

- Start introductory training from grade school to college then master the training on entrepreneurship.
How to start?
Value for money should be taught to children. Children should be educated on wise spending. The parents have a major role in their values formation.
Follow through training. The academe has a big role to play.
Productivity is very broad in its word and should be taught.

I commend UP ISSI for this very enlightening forum, for bringing in the government and private agencies to present their programs to us. Congratulations and more power!

9. Ms. Amy Quisumbing

- I hope that forums like this will also be available online (print/ video) for the benefit of those who can't be here like MSMEs and OFWs. Thank you, UP ISSI.

10. Philippine Society of Inventors and Innovators Inc.

Original Equipment Manufacturing Association of the Philippines, Inc.

- Plans and training without tools will not work. We need people to join us.
- We made a plan called "a store that makes the poor rich."
- We made a plan called "Inventors Reality Show."

11. Participant

Action plan:

- Make entrepreneurship and financial education a part of the curriculum (in the graduating year).
Give students a project to create a product to be sold or made by SMEs for them to apply what they have learned so far to improve SMEs.
Successful projects should be given full support by the school and GFIs.

12. Participant

- Report of OTOP, GFIs, SULONG, etc.- performance or assistance must show!
(a) % of per group they assisted such as XX % for micro, XX % for cottage level, XX % for small, etc.
(b) How many are there in need? In crisis?
(c) Through the help given, how many became successful? How sustainable is the program?

Review of integrated (the total approach) assistance program: is it a developmental program? Commercial program? R&D program? Incubation program?

Most programs are the same, competing with private banks. Government must take initiatives in crisis or developmental programs for those affected by various crises like in other countries.

Most of the financial programs are not developmental in nature. There must be a good program focusing on a crisis program and SME development program.

Pilot program for crisis-affected SMEs.

SME Labor wages- What industry can afford like in Germany

Maybe we can invite ambassadors like from the Netherlands to share their grant programs for SMEs.

Provide legal assistance to SMEs in affected areas.

There must be private sectors/ SMEs as part of reactors/ discussants.

13. Ms. Erlinda Llado

- How can you assist an individual who is interested in having a small business on dehydrated herbs when DOST charges higher fees in lending the dryer equipment and seems not interested in giving information on the "how tos" of technology on the said business?

14. Mr. Julius Labrador

- The meeting was very interesting. We need some time to digest what we talked about and agreed upon.

15. Ms. Isabella Francia M. Medina

Comments:

1. Very informative, good flow! Organizers must be more conscious of the time.
2. Good speakers!
Great talk!
3. Include tables during set up (for participants)
4. Make coffee readily available. Use styropor and not ceramic materials.
5. Provide more products to sell
6. Be punctual.

ABOUT THE RESOURCE PERSONS



Dr. Caesar A. Saloma is currently the Chancellor for UP Diliman. He is also a professor at the National Institute of Physics, University of the Philippines in Diliman, Quezon City. Prior to being the Chancellor, he was the Dean of the College of Science. He also served as Director of the National Institute of Physics for two terms. He was appointed to the highest rank of Scientist 3 by the UP System in 2006. Dr. Saloma obtained his BS, MS, and PhD degrees from the University of the Philippines Diliman in 1981, 1984, and 1989, respectively.

http://www.thefullwiki.org/Caesar_Saloma



Engr. Merly M. Cruz is the DTI Undersecretary for Regional Operations and Development Group (RODG). She supervises all DTI regional offices, four bureaus, and project management offices. She likewise steers all the DTI Regional Offices into action and prompt responsiveness to the current needs and demands of our country's MSMEs in various industries. Concurrently, Usec. Cruz serves as the Philippine senior official to the Brunei-Indonesia-Malaysia-Philippines East Asian Growth Area (BIMP-EAGA) regional group.



Dr. Josef T. Yap is President of the Philippine Institute for Development Studies where he specializes in macroeconomic policy and applied econometrics. He finished his undergraduate and doctoral studies at the University of the Philippines Diliman and went to the University of Pennsylvania for a post-graduate program. His current research interest centers on regional economic integration in East Asia. Dr. Yap is the regional coordinator of the East Asian Development Network and was actively involved in the establishment of the Economic Research Institute for ASEAN and East Asia (ERIA). He is co-author of the book *The Philippine Economy: East Asia's Stray Cat? Structure, Finance and Adjustment* and is an Associate Editor of the Asian Economic Journal.



Ms. Blesila A. Lantayona is the Regional Director of the Department of Trade & Industry, Region 3 and DTI-RODG's island coordinator for Luzon. She earned her BS Degree in Agriculture major in Economics (cum laude) from Xavier University (Ateneo de Cagayan) as a scholar of the Filipino Banana Growers and Exporters Foundation, Inc. She holds an MBA Degree in International Business from Ecole Europeenne des Affaires in Paris, France and was a 1993-1994 fellow of the European Union-ASEAN Scholarship Programme. She also pursued her Master in Agribusiness at the University of Southeastern Philippines. Prior to her present assignment, Ms. Lantayona was the Assistant Regional Director of DTI Region XI.



Mr. Ramon M. Lopez is the Executive Director of the Philippine Center for Entrepreneurship-Go Negosyo program, a post he has held since September 2006. He has developed and executed strategies and programs of the Go Negosyo advocacy of the PCE to promote the spirit of entrepreneurship in the country. Mr. Lopez is also the Vice President and Head of Strategic Planning, and former Head of the Market Development Group of the RFM Corporation. Mr. Lopez took his Master in Development Economics (with recognition) at Williams College in Massachusetts, USA and finished his AB Economics degree at the University of the Philippines Diliman.



Ms. Emmarita Z. Mijares is the Deputy Executive Director of the Export Development Council. She became the private sector representative to the council after she retired from the Department of Trade & Industry, where she headed the Export Assistance Network. She also once headed the Import and Export Section of the Bureau of Product Standards which checks the quality of export products before shipment. Ms. Mijares is a Chemical Engineering Board Exam toptotcher from the University of the Philippines and most recently, she graduated from the University of Georgia, USA where she specialized in nonproliferation and export control.



Mr. Virgilio P. Fulgencio is the Executive Director of the Center for Industrial Competitiveness, National Industrial Manpower Training Council of the Department of Trade and Industry. Prior to CIC/NIMTC, he was the Officer-in-Charge of the Center for Labor Relations Assistance of DTI, and a college instructor in Pasig Catholic College, St. Paul College, and Ateneo Center for Continuous Education. His professional affiliations include membership in the Philippine Quality and Productivity Movement, Philippine Industrial Relations Society, and Hermanos de Mesa del Santissimo Rosario. Mr. Fulgencio obtained his bachelor's degree in Business Administration from the University of the East. He also holds a master's degree in Business Economics from the University of Asia and the Pacific and a master's degree in Business Administration from De La Salle University.



Mr. Benel P. Laguna is President and Chief Operating Officer of the Small Business Corporation where he also serves as Vice Chair of the Board of Directors. As COO, he has overseen the growth in the loan origination of the SB Corp. from Php 1.3 B in 2022 to Php 4.2 B in 2010. He is currently a Review Committee Member of the Industrial Guarantee and Loan Fund (IGLF). He was a member of the Project Steering Committee of PEARL 2. With SB Corp. being a member-government financial institution (GFI) of the SULONG Program of the national administration, Mr. Laguna sits as the Chairman of the SULONG Finance Committee and orchestrates its efforts to seek ways to improve the lending environment for the SMEs.



Mr. Jerry T. Clavesillas is the Assistant Director of the Bureau of Micro, Small and Medium Enterprise Development of the DTI. He administers various programs for the MSMEs where he takes charge of the study, preparation, planning, implementation, and evaluation of these programs. He is also responsible for recommending policies and standards, objectives and priorities and likely directions in the promotion and development of MSMEs through the SME Development Council. Concurrently, he is the Program Manager of the RuMEPP and a member of the Technical Advisory Group of the IGLF.



Mr. Reysan G. Gantuangco is the Deputy Director of the Credit Rating & Financial Services Group- as well as of the Policy, Systems & Business Development Group Department of Loans & Credit of the Bangko Sentral ng Pilipinas (BSP). He undertakes credit scoring, establishes the credit lines of banks dealing with BSP, and manages securities for overdraft lines of banks. As such, he formulates & implements policies on BSP lending operations, operates the electronic rediscounting system of the bank, implements business process improvements in the Department, and is Project Head of BSP Credit Surety Fund Program. Mr. Gantuangco obtained both his Bachelor's degree in Commerce, Major in Accounting & Master's degree in Business Administration & Computer Science from the San Sebastian College, Recoletos, Manila.



Dr. Carol M. Yorobe is the Undersecretary for Regional Operations of the Department of Science and Technology. She holds a doctorate in Public Administration. She is a Career Executive Service Officer 1 and a certified public accountant. Her areas of expertise include financial management, human resource management and development, institution development, administration and policy and planning. Dr. Yorobe has been conferred awards and citations including the Outstanding Alumni Achievement award for Government Service given by UP NCPAG, Outstanding Alumna in Research & Development Management given by the Foundation University, and recognition Award for Significant Contribution to the National Research and Development System given by Philippine Council for Agricultural Research and Resources Development (PCARRD) of DOST.



Engr. Jovito Rey E. Gonzales is the Chief Science Research Specialist in the Investment and Business Operations Division of the Technology Application and Promotion Institute. His previous assignments include being the Program Manager for the Small Enterprise Technology Upgrading Program, the Manufacturing Productivity Extension Program, and the Invention Guarantee Fund Assistance Program. His areas of expertise include plant production and rationalization, process and systems design and improvement, project management, alternative dispute resolution, and information technology. He obtained his bachelor's degree in Industrial Engineering and completed the academic requirements for Masters in Business Administration from the University of Santo Tomas. Engr. Gonzales finished his Master of Information Technology at the University of the Philippines Los Baños.



Prof. Edison D. Cruz is the current Executive Director of the Technology Management Center of the University of the Philippines where he is directly responsible for the center's graduate program and research and extension activities. Prof. Cruz has an MBA from the University of the Philippines College of Business Administration and a bachelor's degree in Business Economics (Cum Laude) from the UP School of Economics. Aside from teaching graduate and undergraduate courses in the TMC, he also handles local and international consulting projects for both the government and the private sectors.



Dr. Virginia J. Soriano obtained her bachelor's degree in Industrial Engineering at the University of the Philippines Diliman, her M. Eng. in Industrial Engineering and Management from the Asian Institute of Technology, Bangkok, Thailand under a Scholarship Award from the Government of Australia, and her Ph.D. in Mechanical and Manufacturing Engineering from the University of New South Wales, Sydney, Australia under the ESEP Scholarship Award from the Government of the Philippines. She is currently Associate Professor VII of the Industrial Engineering and Operations Research Department in the UP College of Engineering. She was Chairperson of the said department from Nov. 2007 to Oct. 2008. Prior to being involved in the University, she was Senior Project Officer of the Management Systems Development, Organization Management and Development Group of the Development Academy of the Philippines. Aside from her work in the academe, Dr. Soriano is also involved in various research, extension, and consultancy work.



Prof. Nestor O. Rañeses is the Director of the UP ISSI, Associate Professor of Industrial Engineering and Operations Research at the College of Engineering and Affiliate Faculty at the Technology Management Center in UP Diliman. He was former Senior Director for Quality Asia of AMIS Semiconductor and Worldwide Manufacturing Quality Manager of ON Semiconductor. He holds a masters degree in Industrial Systems Engineering from Georgia Institute of Technology. Prof. Rañeses completed his graduate studies on Energy Systems at the University of Wisconsin–Madison, and was research exchange scientist on Ergonomics at the Kanagawa University in Yokohama, Japan. He has more than 30 years of professional experience on systems integration and total quality management and process optimization.



Ms. Esther F. Guirao is currently the Deputy Executive Director of the National Wages and Productivity Commission, an attached agency of the Department of Labor and Employment. Ms. Guirao has more than twenty years of experience in wage and productivity policy development, program management, training, strategic planning, and communications. She is a Career Service Executive Officer III, a certified ISTIV productivity trainer and likewise a trained social audit officer. In 2002-2004, Ms. Guirao was the Labor Attache and headed the Philippine Overseas Labor Office in Taipei, Taiwan, Republic of China. Ms. Guirao, obtained her Masters in Public Management from the Development Academy of the Philippines and her postgraduate Diploma in Development Administration from the University of Manchester, in Manchester, United Kingdom. She is a graduate of the University of the East with a degree in Business Administration.



Ms. Ma. Luisa B. Gatchalian is a faculty of the Entrepreneurship Department of Miriam College, the National President of the Entrepreneurship Educators Association of the Philippines (ENEDA), and a member of the Research & Information Committee of the Small Enterprises Research & Development Foundation, Inc. As an educator for the past 21 years, Ms. Gatchalian finds mix-teaching techniques that are mostly experiential and project-based, very engaging, enriching, and appropriate for college teens aspiring to be entrepreneurs. She is very much interested in various research and development projects which are aimed on progressive teaching and learning. She is the first President of ENEDA NCR chapter (2007-2009) and was with UP ISSI for 13 years.



Ms. Serenidad F. Lavador is a Member of the Board of Trustees and the Technical Adviser to the Office of the President of the Small Enterprises and Research Foundation, Inc. She has worked with the United Nations as ILO Expert/Adviser in the fields of child labor, gender and development, women's employment, and rural vocational training. She has worked as expert/consultant on the above-mentioned fields with UN agencies and international organizations, including WFP, UNHCR, the World Bank, Asian Development Bank, Technonet Asia, and East West Center in Hawaii. She also served as ILO Chief Technical Adviser on child labor elimination and women/gender and development projects in Bangladesh, Egypt, and Pakistan. She likewise worked as a specialist in small enterprise and entrepreneurship training and development in the Philippines, Indonesia, Malaysia and Thailand. She is one of the pioneers in entrepreneurship development in the Philippines while working as head of the Entrepreneurship Development and Training Department of the UPISSI from 1972 to 1982.



Cong. Teodoro A. Casiño is a social reformist and a dynamic leader. He is a third-term party-list representative of Bayan Muna. Prior to being a Congressman, he joined the labor movement as part of the Kilusang Mayo Uno, was elected secretary general of the Bagong Alyansang Makabayan, and appointed commissioner of the EDSA People Power Commission from 2001-2002. As a progressive legislator and advocate of new politics, he spearheads the fight against corruption and government abuse and pushes for fundamental reforms in the areas of good governance and people empowerment, justice and human rights, educational reform, economic nationalism, the protection of the national patrimony and the environment, and the appropriate use of information and communications technology. In 2008, he was accorded the distinction as “Most Outstanding Congressman” during the annual Congress Magazine awards.



Dr. Edna Estifania A. Co is currently Dean and Professor at the National College of Public Administration and Governance in UP Diliman. She has a Doctorate in Public Administration from UP and was visiting Research Fellow at the University of Manchester Institute for Development Policy and Management. Her expertise includes social development, organization studies, citizenship and citizens' role in governance, democracy assessment, and electoral administration and reform.



Mr. Guillermo M. Luz is currently the Private Sector Co-Chairman of the National Competitiveness Council, a public-private sector body dedicated to building the long-term competitiveness of the Philippines through policy reforms, project implementation, institution-building, performance monitoring, and goal-setting. He was Executive Vice President and Chief Operating Officer of Ayala Foundation from 2006 to May 2011, concurrently serving as Director of Ayala Museum, and was the Executive Director of the Makati Business Club from 1987 to 2006. Mr. Luz graduated from Ateneo de Manila University with a bachelor's degree in Social Sciences (Sociology and Political Science). He was selected as one of the Ten Outstanding Young Men (TOYM) and an Aquino Fellow for Public Service in 1999. He was conferred the Chino Roces Freedom Award in 2002.