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Capacity Building for Small Medium Enterprises on Competition Policy and Law

Action Plan for SMEs on CPL Issues

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EXECUTIVE SUMMARY – PRIORITY GOALS FOR THE ACTION PLAN

The Micro, Small and Medium Enterprises (MSME) sector is a vital engine of poverty reduction and economic growth in the Philippines, and the promotion of more intensive competition within the Philippines has the potential to unlock significant growth and development.

As the final output of the APEC-funded *Capacity Building for Small and Medium Enterprises on Competition Policy and Law (CPL)* project, this Action Plan provides the Philippine Competition Commission (PCC) and relevant stakeholders with an initial roadmap of activities to address key competition policy and law issues for MSMEs in the Philippines.

Action Plan

The Vision of the Action Plan is to achieve an enabling environment that discourages anti-competitive conduct, advocates for a fair, level playing field and facilitates the entry and growth of MSME players. The Mission is to advocate for and support initiatives for regulatory reform that minimize the regulatory burden placed upon MSMEs and to stimulate investment, innovation, job creation and inclusive growth. The primary Purpose of the Action Plan is to guide a coherent and shared understanding of CPL issues and foster effective cooperation between relevant stakeholders to achieve the Vision.

The project has identified four (4) priority goals that the Action Plan seeks to achieve. These priority goals, with specific sub-goals, are presented in the Table below.

Priority Goal 1. Mitigate government and regulatory restrictions on MSMEs
SG1. Consolidate responsibility and harmonization of functions for different government agencies for business registration and conduct.
SG2. Improve coordination among relevant government agencies, including both national agencies and Local Government Units (LGUs)
SG3. Achieve a reasonable balance of regulatory requirements for MSMEs consistent with the promotion of a more competitive environment
SG4. Achieve timely and accurate dissemination of pro-competitive information relevant to government business requirements and processes for MSMEs
Priority Goal 2. Promote access to better and more secure finance and credit
SG1. Improve ease of access to credit for MSMEs through formal financial institutions
SG2. Decrease the level of MSME dependence on informal funding sources
SG3. Increase financial literacy and a culture of saving in the Philippines
SG4. Raise awareness of available financial facilities for MSMEs
Priority Goal 3. Improve the competitive environment within which MSMEs operate
SG1. Improve provision of transportation infrastructure, shipping services and internal logistics for MSMEs
SG2. Improve adequate provision of telecommunications and internet connectivity for MSMEs
SG3. Implement the fiscal incentives available to local MSMEs and simplify taxation registration and payment processes to increase businesses participation

SG4. Raise awareness of the taxation process and requirements for MSMEs
Priority Goal 4. Increase awareness and understanding of CPL issues relevant parties.
SG1. Increase understanding of CPL as a multi-sectoral issue between government agencies
SG2. Increase understanding of CPL among MSME trade associations and MSME owners
SG3. Increase understanding of CPL with the general public.

Priority Activities

The Action Plan provides a discussion of and details proposals on a range of short, medium and long-term strategies and activities which will help achieve these priority goals and sub-goals. The following section focuses on those activities which can be progressed by the PCC and their stakeholders in the short term. As indicated below, a number of these activities cut across a number of the Priority Goals.

- 1. Conduct Competition Audit.** This activity envisages a broad assessment of Government agencies' policies and practices as they relate to and influence competition in the Philippines. This would require engagement with multiple organizations, and include the mapping of CPL-related responsibilities among government agencies. This would provide a strong baseline for identified areas of overlap and potential opportunities to harmonize the work of different agencies (**PG1, PG4**).
- 2. Establish a Competition Working Group.** This would involve establishing and facilitating regular meetings among CPL stakeholders from both government and business. This forum would act as a reference point for activities taken to addressing CPL issues for MSMEs (**All**).
- 3. Establish interagency meetings to promote cross agency dialogue.** Immediately establishing a dialogue among government agencies is important to highlight the significance of competition as a cross-sector issue among agencies. This is a prerequisite to create coordination among agencies. (**PG1, PG2, PG4**).
- 4. Assess the most effective means of disseminating information to target MSME.** There is significant variation in relation to types of MSMEs in the Philippines. A one-size-fits all approach to information dissemination is unlikely to be successful. While a centralised information point would be a sensible activity to undertake (as outlined below), further work will be needed to communicate CPL-related information to areas where there is inconsistent internet connectivity or low levels of literacy, particularly in rural areas (**PG2, PG3, PG4**).
- 5. Undertake a review to identify ways to simplify taxation compliance and payment process.** This process should look into identifying means to mitigate the administrative burden suffered by MSMEs (**PG3**).
- 6. Establish a consolidated reference and dissemination point for CPL information relating to MSMEs.** This activity should be aligned with an early focus activity. Underpinning this should be a mapping activity aimed at identifying the existing government portals and consolidating the information to be embedded into a single government portal (**PG3, PG4**).

Next Steps

The immediate next step for the PCC and broader relevant organizations is to further review and refine the contents of this Action Plan. The formalisation of dialogue between government agencies should be viewed as a priority to progressing this. As the Action Plan seeks to attain endorsement by key stakeholders, and as the strategies and activities are further refined, a coherent monitoring and evaluation (M&E) framework needs to be established which provides a clear nexus between the issues

to be addressed, the strategies, activities and indicators to measure attainment and to identify which actor is responsible to implement relevant change within a specific time frame.

INTRODUCTION

The MSME sector is a vital engine of poverty reduction and economic growth in the Philippines. The promotion of competition within the economy of the Philippines has the potential to unlock significant growth and development. The Action Plan presented in this document provides an initial roadmap of activities for addressing key competition policy and law issues for MSMEs in the Philippines.

This document is the final output of the APEC-funded *Capacity Building for Small and Medium Enterprises (SMEs) on Competition Policy and Law (CPL)* project. The central objective of the Project was to build the capacity of MSMEs in CPL, with a specific focus on the Philippines. This Action Plan is the culmination of three phases of data collection, analysis and synthesis, and is the product of a two-day workshop conducted in July 2017 with participants from government, trade associations, MSMEs and other APEC member economies. It provides the Philippines Competition Commission (PCC) and relevant partners with a draft of an actionable document for further refinement and endorsement.

Context

The MSMEs are a significant contributor to economic growth and employment in the Philippines. In 2015, the MSME sector contributed 35%¹ of GDP and approximately 62% of all jobs in the Philippines.² Consequently, there has been an emphasis within government policy to support the sector. More recently, enhancing competition policy and law with MSMEs in the Philippines has been identified as a means of increasing market performance, which has engendered increased effort from the Government of the Philippines to improve the competition environment.

Competition related issues in the Philippines have been integrated into the *Philippine Development Plan (PDP) 2017-2022*. Within it, there is a focus on levelling the playing field through the development of National Competition Policy. Specifically, it notes the importance of providing a market environment that is cognisant of SME needs: *'Competition will create a level playing field for SMEs by removing barriers to entry and reducing costs so that they can actively participate in the market.'*³

The *Philippine Competition Act (PCA)*, or Republic Act No. 10667, was enacted on July 2015 providing a basis for improving competition practice in the Philippines. The PCC was created under the PCA and is mandated to conduct inquiries and investigate cases involving anti-competitive agreements, abuse of dominant positions, and anti-competitive mergers and acquisitions. It is also within the remit of the PCC to impose administrative sanctions for violation of the PCA and engage in competition advocacy.

While the PCC is a key player in improving competition practice in the Philippines, its mandate and resource base is limited in scope and it will rely on partnerships with government, trade associations, research centres, and the MSME sector.

¹ Mercurio, R, (2015). SMEs eyed to hike GDP contribution, The Philippine Star. Available at: <http://www.philstar.com/business/2015/11/24/1525141/smes-eyed-hike-gdp-contribution>

² Government of Philippines, The Department of Trade and Industry, 2015 MSME Statistics. Available at: <http://www.dti.gov.ph/dti/index.php/2014-04-02-03-40-26/news-room/179-workshop-on-market-access-for-smes-set>

³ Government of Philippines, National Economic and Development Authority, (2017). *Philippine Development Plan 2017-2022*. p.249

THE ACTION PLAN

The Action Plan developed here is consistent with the main principles outlined in the Philippine Development Plan, as it relates to MSMEs and competition. The specific details presented in the following sections were developed and refined to reflect the vision for the PCC and key stakeholders, as discussed during the Workshop.

Vision

To achieve an enabling environment that protects against anti-competitive conduct, advocates for a fair, level playing field and facilitates the entry and growth of MSME players.

Mission

To advocate for and support initiatives for regulatory reforms that minimise the regulatory burden on MSMEs and stimulate investments, innovation, job creation and inclusive growth.

Purpose

To provide a roadmap to guide a coherent and shared understanding of CPL issues and foster effective cooperation between relevant parties towards achieving the Vision.

Structure

The following section outlines the Priority Goals and Actions for the Action Plan. Discussion is aligned with four key priority goals, identified through work undertaken during the Project. Each of the goals is presented in relation to the components outlined in Table 1.

Table 1 – Components of the Priority Goals and Actions

Component	Guiding question
Issue	What is the problem?
Goal	What are we trying to achieve
Strategies	How will we achieve the goal?
Activities	What are the specific tasks for each strategy?
M&E indicators	How will we measure success or achievement?
Time frames	When will the strategies and actions be implemented / completed?
Relevant parties	Who needs to be consulted?

PRIORITY GOALS AND ACTIONS

The Project identified a number of priority issues which have been adopted as the Action Plan's priority goals for addressing CPL issues faced by MSMEs. Overall, there are four priority goals that were identified:

1. Mitigate government and regulatory restrictions on MSMEs
2. Promote access to better and more secure finance and credit
3. Improve the competitive environment within which MSMEs operate
4. Increase awareness and understanding of CPL issues relevant parties

This following section describes each separately however there are overlaps between these goals.

1. Mitigate government and regulatory restrictions on MSMEs

Government and regulatory restrictions emerged as key factors for MSMEs in relation to CPL issues. The streamlining of current processes for business registration and conduct was identified as an area where there could be significant improvements that would benefit MSMEs.

Issues

A broad range of issues was identified as inhibiting the ability of MSMEs to compete on a level playing field against larger firms. This includes issues relating to business registration, procurement of permits, the role of local government units, and the broader ease of doing business as influenced by government structures and regulations.

Workshop participants identified that a number of government agencies are similarly involved in processes relating to business registration and conduct resulting in overlapping of functions. This is exacerbated by limited coordination among these different agencies.

Issues that were identified pertain not only to national government agencies, but also to local government units (LGUs). Participants highlighted that the significant variation in the procedures, rates, and other requirements from LGUs makes the conduct of business rather challenging.

Trade associations and MSMEs maintained that there are too many regulatory requirements that MSMEs are subjected to which imposes a disproportionate cost upon them. Consequently, this deters MSMEs from shifting to the formal sector of the economy. The issue of regulatory disproportionality includes situations where MSMEs are required to adhere to the same requirements as large firms, with significantly greater capacity and resources, thus undermining MSMEs' ability to enter the market and compete with them.

Underpinning these issues was weak dissemination of information relating to government requirements and processes and a poor understanding of these requirements by MSMEs.

Sub-goals

In addressing these issues, four sub-goals for mitigating government and regulatory restrictions were identified.

SG1. Consolidate the responsibilities and harmonize the functions of the different government agencies involved in business registration and conduct

SG2. Improve coordination among relevant government agencies, both national and local

SG3. Achieve a reasonable balance of regulatory requirements for MSMEs

SG4. Achieve timely and accurate dissemination of information relevant to government business requirements and processes for MSMEs

Strategies and Activities

Various strategies were identified to make tangible progress towards achieving the four sub-goals. The strategies include a focus on coordination among government agencies, simplification of business registration process, promotion of effective advocacy, awareness-raising activities, and broader capacity development for government agency staff to meet MSME needs. The strategies and specific activities are outlined in Table 2.

Although addressing some of the issues relating to coordination among government agencies may be a long-term goal, short-term activities were identified that could quickly achieve results. A number of these short-term activities provide benefits by cutting across different strategies.

Five short-term activities which would assist mitigating government and regulatory restrictions on MSMEs include:

1. Conduct Competition Audit. This activity would include a broader assessment of government agencies' policies and practices as they relate to and influence competition in the Philippines. This would require engagement with multiple relevant organizations, and include mapping of agency responsibilities for CPL issues. This would provide an excellent baseline from which to identify areas of overlap and potential opportunities to harmonize the work of different agencies.
2. Establish a Competition Working Group. This would involve establishing and facilitating regular meetings among CPL stakeholders from the government and businesses. This forum would act as a reference point for activities taken to addressing CPL issues for MSMEs.
3. Establish interagency meetings to promote cross agency dialogue. Immediately establishing a dialogue among different government agencies related to CPL is important to highlight the significance of competition as a cross-sector issue among different agencies. This is a pre-requisite to better coordination among agencies.
4. In its engagement with various government agencies and other stakeholders, PCC should clearly define its role as the competition advocate in any inter-agency and stakeholder collaboration. For example, the National Competitiveness Council (NCC) of the Department of Trade and Industry (DTI) whose primary function is monitoring and advocating reforms to increase the country's competitiveness, is usually associated with the PCC. PCC's involvement in or linkage with any of NCC's activities must focus on CPL issues as competition is affected by the country's competitiveness.
5. Establish a consolidated reference and dissemination point for CPL information related to MSMEs.

Indicators , timeframes and relevant organizations

Possible indicators and information sources for monitoring the progress towards achieving certain sub-goals are presented in Table 2. These indicators need to be set in an overarching M&E framework and should be reviewed and finalised in line with the design of strategies and activities.

Where possible, it will be most resource efficient to draw on existing data for the indicators. For example, the data collected by the World Bank Ease of Doing Business survey together with the number of steps and days to complete business registration could be used as a means of assessing progress in simplifying the registration process.

The Workshop identified a broad range of stakeholders relevant to this component of the Action Plan. Specifically, this includes Philippine Competition Commission (PCC), Department of Trade and Industry (DTI), Securities and Exchange Commission (SEC), Local Government Units (LGUs), Cooperative

Development Authority (CDA), National Competitiveness Council (NCC), MSME Development Council, Negosyo Centers, Bureau of Internal Revenue (BIR), Department of Foreign Affairs (DFA), Department of Interior and Local Government (DILG), and Department of Information and Communications Technology (DICT), as well as MSMEs and representative associations.

Table 2 – Action Plan for mitigating government and regulatory restrictions on MSMEs

Issue	Sub-goal	Strategies	Activities	Indicators and information sources	Time frames	Relevant organizations
1. Too many agencies involved, often with overlapping functions, related to business registration and conduct	SG1. Consolidate the responsibilities and harmonize the functions of the different government agencies involved in business registration and conduct	S1. Identify and map what responsibilities different agencies hold for business registration and conduct	A1. Conduct Competition Audit	Baseline set through Competition Audit Agency participation <i>Business Perceptions Survey</i>	Short-medium term	All government CPL stakeholders
		S2. Identify means to streamline and consolidate responsibilities of agencies	A1. Conduct Competition Audit	Baseline set through Competition Audit Agency participation <i>Business Perceptions Survey</i>	Short-medium term	All government CPL agencies
		S3. Consult with non-government organizations to align reform work with needs to MSMEs	A2. Establish a Competition Working Group, including government and business, to provide advice and guidance	Organization participation Outputs – meetings per year; cross-agency projects	Short term	Core CPL government agencies; targeted industry representatives
		S4. Map out ongoing related reform initiatives of various government agencies in this area, such as the passage of the Ease of Doing Business law, automation and streamlining of registration procedures at the Securities and Exchange Commission	A1. Conduct Competition Audit	Measures of the status and impact of ongoing reforms in business registrations on competition in relation to MSMEs	Short – medium term	Core CPL government agencies;

Issue	Sub-goal	Strategies	Activities	Indicators and information sources	Time frames	Relevant organizations
			A3. PCC to define its role as the competition advocate in any collaborative work with agencies and stakeholders	PCC's role in any inter-agency collaboration is clearly defined.		Core CPL government agencies;
2. Limited coordination among agencies	SG2. Improve coordination among relevant government agencies, both national and local.	S4. Promote meetings and cooperation among national government agencies	A4. Establish interagency meetings to promote cross-agency dialogue	Agency participation Outputs – meetings per year; cross-agency projects	Short term	All government CPL agencies, including LGUs
			A5. Establish a consolidated reference and dissemination point for CPL information related to MSMEs	Establishment of the mechanism Inputs –timely receipt of information from government agencies Outputs –timely publication information; number of engagements with MSMEs	Short term	PCC, DTI, LGUs Competition Working Group
		S5. Promote meetings and cooperation among national government agencies and LGUs	A4. Establish interagency meetings to promote cross-agency dialogue	Agency participation Outputs – meetings per year; cross-agency projects	Short term	All government CPL agencies, including LGUs
		S6. Promote greater consistency in business	A6. Promote awareness of variations in procedure	Outputs – number of advocacy events per year	Short-medium term	

Issue	Sub-goal	Strategies	Activities	Indicators and information sources	Time frames	Relevant organizations
		requirements for MSMEs by LGUs	and rate among high and low performing LGUs	Outcomes – number of accredited LGUs		
3. Too many regulatory requirements for MSMEs	SG3. Achieve a reasonable balance of regulatory requirements for MSMEs	S7. Identify and map the different regulatory overlaps government agencies	A1. Conduct Competition Audit	Baseline set through Competition Audit Agency participation <i>Business Perceptions Survey</i>	Short-medium term	All government CPL stakeholders
		S8. Reduce the number of steps and time period for business registration	A7. Identify most time-consuming business registration steps and target ways of reducing.	World Bank Ease of Doing Business Survey	Short term	NCC, SEC, DTI, CDA, LGUs, SSS, Philhealth, Pag-IBIG, BIR
4. Weak information dissemination of government requirements and processes	SG4. Achieve the timely and accurate dissemination of information relevant to government business requirements and processes	S9. Coordinate and consolidate relevant CPL information for MSMEs from government agencies	A5. Establish a consolidated reference and dissemination point for CPL information related to MSMEs	Establishment of the mechanism Inputs –timely receipt of information from government agencies Outputs –timely publication information; number of engagements with MSMEs	Short term	Competition Working Group
			A7. Assess the most effective means of disseminating information to target MSME audience		Short term	

2. Promote access to cheaper, secured finance and credit

Access to cheaper, secured finance and credit was identified as a key way to improve the ability for MSMEs to access markets and improve their competitiveness.

Issues

Lack of access to credit through formal financial institutions was identified as an issue for MSMEs in the Philippines. The Bangko Sentral ng Pilipinas estimates that about 86 percent of Filipino households are 'unbanked' or do not have any bank accounts.⁴ This is a particular problem in rural areas, especially with tenant farmers, who cannot provide collateral for bank loans as they are not owners of the land they till and so cannot gain access to secured credit which, if granted, is generally charged at a lower interest rate than unsecured credit. This is discussed in detail in *Policy Note 4: Infrastructure, Competition and SMEs*.

MSMEs at the Workshop identified difficulties in applying to formal financial institutions. Banks have stringent requirements in order to apply for finance and credit. Requirements for identification, credit record over a period of time, and often high interest rates on loans, if deemed approved, dissuade MSMEs. Minimal presence of bank branches in rural areas, low use of mobile banking apps or digital payments, and low installation rate of ATMs in accessible locations all contribute to low use of formal financial institutions.

In place of formal institutions, the MSMEs have high dependence on informal or semi-formal funding sources. The most common sources of finance are family, friends and informal financial facilities, such as Bombay lenders. The lack of security as to the terms and conditions of such loans, in addition to high interest rates, presents significant challenges for MSMEs that undermine growth and expansion.

Underpinning these issues are low levels of financial literacy. Workshop participants identified that there was poor 'savings culture' through formal financial institutions in the Philippines. This interacts with lack of financial literacy and, potentially, trust in the financing support that is available through various government schemes and formal financial institutions themselves.

Sub-goals

In addressing these issues, four sub-goals for promoting access to better and more secure finance and credit were identified.

SG1. Improve ease of access to credit for MSMEs through formal financial institutions

SG2. Decrease the levels of MSME dependence on non-formal funding sources

SG3. Increase financial literacy and a culture of saving in the Philippines

SG4. Raise awareness of available financial facilities for MSMEs

Strategies and Activities

A number of strategies were identified aligned with the four sub-goals. These included promoting access and use of digital financing within MSMEs through formal institutions, advocating legislative and policy change to promote ease of access to finance, raising awareness of the risks of informal borrowing, and promoting awareness of available government programs to support MSMEs. The strategies and specific activities are outlined in Table 3.

The key issues related to access to finance and credit go beyond the scope of CPL stakeholders and government agencies. Many of the strategies and activities identified require broader engagement

⁴ Chipongian, Lee, (2017). "86% of Filipino households do not have bank accounts –BSP survey," Manila Bulletin, January 14, 2017. Available at <http://business.mb.com.ph/2017/01/14/86-of-filipino-households-dont-have-bank-accounts-bsp-survey/>. Accessed July 13, 2017.

with stakeholders such as the Bangko Sentral ng Pilipinas (BSP) and Department of Finance (DOF), among others. As a result, many of the activities identified in Table 3 focus on long-term change.

Activities targeted at influencing legislation, policy or program change, as well as advocacy, are the focus of this Action Plan. However, these activities are beyond the direct control of the CPL organizations. For example, while greater access to finance for MSMEs could be facilitated by adjusting banks' lending practices, this would require coordination among government departments and the central bank, and would take time to complete.

A number of short term activities emerged in the Workshop and could make tangible progress towards improving access to finance and credit. These greatly focus on improving financial literacy within MSMEs and the general public.

1. Assess the most effective means of disseminating financing information to targeted MSMEs. There is significant variation in relation to types of MSMEs in the Philippines. A one-size-fits all approach to information dissemination is unlikely to be successful. While a centralised information point would be a sensible activity to undertake (as outlined earlier), further work will be needed to communicate CPL related information to areas where there is inconsistent internet connectivity or low levels of literacy, particularly in rural areas.

2. Raising awareness of risks of informal systems and identifying the available government and banking processes to support MSMEs. This should link to Activity 1 in relation to using the most appropriate means to disseminate information to relevant MSMEs.

3. Establish an interagency committee to help coordinate a government response to CPL issues. This would address different priority goals and be complementary to a similar activity identified in the previous section. It would include engagement with the Competition Working Group, should it be established.

At a basic level, making other agencies aware of the Workshop outputs and encouraging them in the further development and endorsement of the Action Plan would provide a positive initial step.

Indicators, timeframes and relevant organizations

A number of possible indicators and information sources for monitoring activities under this sub-goal are presented in Table 3. As with the previous section, these indicators will need to be reviewed and finalised in line with the M&E framework.

Existing data sources could be explored to identify the contribution of activities outlined here in addressing broader issues. For example, data collected by the BSP on the number of Filipino individuals and businesses who have bank accounts could provide an insight into the contribution – rather than necessarily attribution – of certain activities.

The Workshop identified a broad range of stakeholders relevant to financing, however, a number of them were not part to the Workshop itself. Engagement of other relevant organizations such as the Credit Information Corporation (CIC) was also identified as important.

Table 3 – Action Plan for promoting access to better and more secure finance and credit for MSMEs

Issue	Sub-goal	Strategies	Activities	Indicators and information sources	Time frames	Relevant organizations
1. Difficulty in MSMEs accessing credit from formal financial institutions	SG1. Improve ease of access to credit for MSMEs	S1. Promote access to and use of digital financing within MSMEs through formal institutions	A1. Increase level of awareness related to benefits of using formal financial banking	Increased number of bank accounts held by Filipino businesses Increased number of e-transactions by Filipino businesses	Short term	TBC
			A2. Advocate for the implementation of digital financing plans of Bangko Sentral	Implementation of digital plans	Short-medium term	Banko Sentral General public; financial institutions; government
		S2. Advocate for legislative, policy or program change to promote ease of access to finance	A3. Advocate with relevant stakeholders for: A. Revisiting of the Magna Carta for MSMEs B. Increase in government guarantee programs C. Secured transaction law D. A movable asset registry E. Tax declaration to be allowed as collateral with financial institutions F. The simplification of land conversion procedure	Outcomes based on the undertaking of advocacy activities	Long term	Department of Finance Non-formal and semi-formal financial facilities Agrarian Reform Beneficiaries

Issue	Sub-goal	Strategies	Activities	Indicators and information sources	Time frames	Relevant organizations
2. High levels of MSME dependence on non-formal funding sources	SG2. Decrease the levels of MSME dependence on non-formal funding sources	S1. Promote access to and use of digital financing within MSMEs through formal institutions	A1. Increase level of awareness related to benefits of using formal financial banking	Increased number of bank accounts help by Filipino businesses Increased number of e-transactions by Filipino businesses	Short term	TBC
		S3. Raise awareness of understanding of risks from informal systems and benefits of formal systems	A4. Increase level of awareness related to risks of informal financial systems	<i>As above</i>	Short term	TBC
		S4. Coordinate and improve regulation and enforcement related to informal lenders	A5. Establish interagency meetings to promote cross-agency dialogue	Agency participation Outputs – meetings per year; cross-agency projects	Short term	TBC
3. Lack of financial literacy	SG3. Promote financial literacy and a culture of saving in the Philippines	S5. Integrate financial education / literacy in curriculum from grade school to high school	A6. Advocate for integrating financial literacy issues within school curriculum	Outcomes based on the undertaking of advocacy activities	Long term	Department of Education Education institutions; public
4. Lack of awareness on available financing facility	SG4. Raise awareness of available financial facilities for MSMEs	S6. Promote information dissemination on available / alternative financing facilities	A7. Assess the most effective means of disseminating information to target MSME audience	Increased public awareness (baseline to be set) Increased number of bank accounts help by Filipino businesses	Short term	DTI / CPA

Issue	Sub-goal	Strategies	Activities	Indicators and information sources	Time frames	Relevant organizations
			A8. Conduct of targeted dissemination activities, based on A7.	<i>As above</i>	Short term	

3. Improve the competitive environment within which MSMEs operate

The Workshop identified that the market environment within which MSMEs operate provides a number of barriers to their level of competitiveness.

Issues

The competitive market environment factors which influenced MSMEs were identified as infrastructure – such as transport, logistics, telecommunication and connectivity – and the taxation system.

A lack of adequate transport-related infrastructure imposes clear limits on MSMEs accessing new markets, as well as presenting additional costs to MSMEs in relation to transit time, freight fees, and potential spoilage of shipped products. This was an acute issue for market accessibility for rural businesses. It was reported that cartels may be operating in the commercial freight sector. Shipping was also an issue, with reports that internal shipping costs within the Philippines are sometimes more expensive than export shipping costs. This is discussed in further depth in *Policy Note 4: Infrastructure, Competition and SMEs*.

Telecommunications and internet connectivity were identified as factors which limit the competitiveness of MSMEs. Reports were made of high costs and poor service quality, with a lack of progress to improving service delivery and investment telecommunications infrastructure. Similarly, internet connectivity was considered to be inconsistent and unreliable.

Complicated processes to pay tax and the calculation of amount of tax payable were both issues identified by MSMEs as limiting their capacity to establish and grow their business. This was also a limitation in relation to new MSME businesses registering in the formal market. The Workshop reiterated findings from earlier in the Project, as outlined in *Policy Note 1: Government restrictions of competition for Small and Medium Enterprises*.

Sub-goals

In addressing these issues, four sub-goals for improvement of the competitive environment within which MSMEs operate were identified.

SG1. Achieve adequate provision of transportation infrastructure, shipping services, and internal logistics for MSMEs; PCC should prioritise cartel investigations in the logistics sector.

SG2. Achieve adequate provision of telecommunications and internet connectivity for MSMEs through the licensing of new entrants into the market and removing the exclusion of foreign investment in the telecommunications sector. PCC should also prioritise abuse of dominance investigations with regard to existing providers.

SG3. Implement the fiscal incentives available to local MSMEs and simplify taxation registration and payment processes to increase businesses participation.

SG4. Raise awareness of the taxation process and requirements for MSMEs

Strategies and Activities

The issues underpinning access to credit and finance stretch beyond CPL issues. This necessarily involves a balancing of strategies and associated activities with a focus on both long and short-term change. These are outlined in Table 4.

Long term strategies include, but are not limited to, advocating for a legislative, policy or program change to improve transport, shipping and logistics, telecommunications and internet connectivity, and the taxation system. The specific activities will rely on CPL organisations working with a broader range of stakeholders, such as with the Bureau of Internal Revenue and the Department of Finance.

Short term strategies include a focus on the simplification of payment and compliance relating to taxation, as well as improved information on taxation and access by the MSMEs. The specific short-term activities are outlined below. The activities aim to solidify the work of an interagency committee on the issue and establish a Competition Working Group, if necessary.

1. Undertake a review to identify ways to simplify taxation compliance and payment process. This process should look into identifying means to mitigate the administrative burden suffered by MSMEs. It may also look into providing incentives for start-up companies to encourage business growth. It must be noted that the process may be done concurrently with the process of identifying simpler means of business registration.

2. Establish a consolidated reference and dissemination point for CPL information relating to MSMEs. This activity should be aligned with an early focus activity. Underpinning this should be a mapping activity aimed at identifying the existing government portals and consolidating the information to be embedded into a single government portal.

3. Assess the most effective means of disseminating information to target MSMEs audience. As noted above, a one-size-fits-all approach to information dissemination is unlikely to be successful. This process should be used to form dissemination activities to target audiences.

Indicators, timeframes and relevant organizations

Possible indicators and information sources for monitoring activities under this sub-goal are presented in Table 4. These indicators will need to be reviewed and finalised to align with the overarching M&E framework. Unlike in previous sections, where possible current data sources should be used, this section may rely on the collection generated by the conduct of a particular activity. For example, the number of page and document views for the consolidate dissemination point should be measured over time. Also, simple integration of feedback and user satisfaction surveys on the site could also provide useful feedback.

Activities under this priority goal would include the PCC, DICT, Department of Transportation (DoTr), DTI, BIR, DoF, and other relevant CPL organizations.

Table 4 – Action Plan for improving the competitive environment within which MSMEs operate

Issue	Sub-goal	Strategies	Activities	Indicators and information sources	Time frames	Relevant organizations
1. Lack of adequate transport and shipping related infrastructure	SG1. Achieve adequate provision of transportation infrastructure, shipping services and internal logistics for MSMEs	S1. Advocate for legislative, policy or program change to improve transport, shipping and logistics	A1. Advocate with relevant stakeholders for the implementation of: A. ASEAN Transport Strategic Plan 2016-2025 B. National Logistics Master Plan 2017-2022	Outcomes based on undertaking advocacy activities	Long term	Department of Transportation (DOTr), and relevant agencies such as MARINA, LTRFB, CAAP, and PPA; Department of Trade and Industry (DTI); National Economic Development Authority (NEDA); Philippine legislature
2. Poor quality and high cost telecommunication and internet connectivity	SG2. Achieve adequate provision of telecommunications and internet connectivity for MSMEs	S2. Advocate for legislative, policy or program change to improve telecommunications and internet connectivity	A2. Advocate with relevant stakeholders for: A. Revision of Telecommunication Act	Outcomes based on undertaking advocacy activities	Long term	Department of Information and Communications Technology (DICT), Philippine legislature
3. High rates of taxation and complicated processes to pay tax	SG3. Implement the fiscal incentives available to local MSMEs and simplify taxation registration and payment processes to increase businesses participation.	S3. Advocate for legislative, policy or program change to improve taxation system	A3. Advocate with relevant stakeholders for: A. Tax Reform Act	Outcomes based on undertaking advocacy activities	Long term	Philippine legislature, Department of Finance (DOF), Bureau of Internal Revenue (BIR), NCC

Issue	Sub-goal	Strategies	Activities	Indicators and information sources	Time frames	Relevant organizations
		S4. Simplify processes for payment and compliance related to taxation	A4. Undertake review to identify ways to simplify taxation compliance and payment process	Outcomes of activity	Short term	DICT, DOF, BIR, NCC
			A5. Continue expanding business registrations online	Number of businesses registering through online portal	Short term	NCC, SEC, DTI, CDA, BIR, DICT, SSS, Philhealth, Pag-IBIG, various LGUs
4. Low understanding of the taxation process	SG4. Raise awareness of the taxation process and requirements for MSMEs	S5. Promote information dissemination on taxation process and compliance	A6. Establish a consolidated reference and dissemination point for CPL information related to MSMEs	Volume of engagement with dissemination point	Short term	DICT, DOF, BIR, DTI
			A7. Assess the most effective means of disseminating information to target MSME audience	Outcomes of activity	Short term	DICT, DOF, BIR, DTI
			A8. Conduct of targeted dissemination activities, based on A7.	Increased public awareness (baseline to be set)	Short term	DICT, DOF, BIR, DTI

4. Increase awareness and understanding of CPL issues relevant parties

The need to increase awareness and understanding of CPL issues is clear. It was noted on many occasions during the Workshop that any and all competition-related efforts will be futile if there is no substantive understanding of CPL by all stakeholders.

Issues

The previous sections of this Action Plan have all identified increasing awareness and understanding of CPL as part of the strategy and activities to be employed in the short term. This section focuses on how advocacy should be conducted at three levels: government, MSMEs associations and owners, and the general public. These issues are outlined in further detail in *Policy Note 2: Advocating for Small Medium Enterprises and Competition Policy*.

At a government level, there are key issues identified in terms of processes, procedures and coordination among relevant CPL agencies. In addition to the issues outlined under Priority Goal 1, benefits would be gained by promoting greater understanding of what competition law can and cannot do, and how competition impediments can be remedied by either administrative or statutory changes undertaken by various government departments. There is also a need for competition authorities such as the PCC to work in closer coordination with other state regulators toward a more effective implementation of CPL.

At an MSME Associations and Owners level, the Workshop re-affirmed earlier project findings that there is a limited understanding of CPL and its implication for MSMEs. There was limited understanding of CPL issues, particularly legal prohibitions of the PCA relevant to MSMEs such as cartel activities and related punishments. It is likely that SMEs could engage in such activities without any intent for wrongdoing. Small business owners and MSME associations also pointed out the need for CPL agencies to guide them not only on the prohibited acts under the CPL but how the CPL can help enhance and protect their livelihoods.

At a general population level, there are low levels of awareness of competition, specifically related to the PCA and PCC. Raising awareness of CPL could help build the political and social capital the PCC and other stakeholders to successfully advocate change across a broader range of work.

Sub-goals

In promoting awareness of CPL issues with different stakeholder groups, three sub-goals were identified.

SG1. Increase understanding of CPL as cross-cutting issues within government agencies

SG2. Increase understanding of CPL among MSME trade associations and MSME owners

SG3. Increase understanding of CPL with the general public.

Strategies and Activities

Advocacy strategies should focus on enhancing the level of knowledge and understanding of CPL issues among government agencies and raising awareness of the PCA and its implication for MSME owners, association, and the general public.

The specific activities overlapped with a number of those identified earlier in the Action Plan. The conduct of the Competition Audit (Priority Goal 1) would provide a means of engaging closely with other government stakeholders, and raising awareness of CPL issues and how policies affect the competition within the Philippines. The establishment of inter-agency meetings as well as a Competition Working Group could provide clear benefits for CPL advocacy. There is also a clear requirement to assess the best means of disseminating CPL-related information to the broad spectrum of MSMEs in the Philippines.

Assessing the most effective means of disseminating information to target MSME will also be relevant to the general public. This will likely include taking advantage of low-cost profile building such as public commentary and engagement in the media, and can be complemented by longer term change like the inclusion of CPL in school curriculum (Priority Goal 2).

As part of a broader consideration for the best means of targeting dissemination, consideration could be given to various forms of mass media advocacy. This would include the development of e-portal, videos, and infographics with translation of relevant information into Filipino. The use of social media and other means like the GO Negosyo radio broadcast could also be helpful.

Indicators, timeframes and relevant organizations

The indicators and information sources outlined in Table 5 provides a basis for certain measures to monitor in the implementation of activities to promote advocacy of CPL. These indicators should be situated as part of a broader M&E framework.

There will be a broad range of relevant organizations involved under this Priority Goal as it catches the sum of all activities needed to implement the advocacy components outlined above.

Table 5 – Action Plan for increasing awareness and understanding of CPL issues with relevant parties

Issue	Sub-goal	Strategies	Activities	Indicators and information sources	Time frames	Relevant organizations
1. Low levels of awareness of the cumulative impact of government CPL and associated procedure and practice on MSMEs	SG1. Increase understanding of CPL as a cross-cutting issues within government agencies	S1. To enhance the level of knowledge and understanding of CPL as a cross-cutting issues within government agencies	A1. Conduct Competition Audit A2. Establish a Competition Working Group A3. Establish interagency meetings to promote cross agency dialogue	Outcomes of activity	Short term	PCC, NCC, various industry organizations, other relevant CPL organizations
2. Low levels of awareness and understanding of CPL issues and its effect among MSME associations, owners and the general public	SG2. Increase understanding of CPL MSME trade associations and MSME owners	S2. To enhance the level of knowledge and understanding of CPL MSME trade associations and MSME owners	A2. Establish a Competition Working Group A4. Assess the most effective means of disseminating information to target MSMEs A5. Establish a consolidated reference and dissemination point for CPL information related to MSMEs	Outcomes of activity	Short term	PCC, NCC, various industry organizations, other relevant CPL organizations
	SG3. Increase understanding of CPL the general public.	S3. To enhance the level of knowledge and understanding of CPL the general public.	A4. Assess the most effective means of disseminating information to target MSME	Outcomes of activity	Short term	PCC, NCC, various industry organizations, other relevant CPL organizations
			A6. Advocate for integrating financial literacy issues within school curriculum	Outcomes of activity	Medium term	PCC, DepEd

MONITORING, EVALUATION AND LEARNING

The previous sections outlined particular indicators and information sources which could be used to monitor activities undertaken as part of the Action Plan. As noted earlier, these will be developed as the Action Plan is refined. Specifically, it is important that they are set in a broader M&E framework for the Action Plan, which establishes a coherent line of sight between different sub-goals, strategies and activities.

As part of the broader M&E framework, there should be the inclusion of specific activities, outputs and outcomes:

- Activities (e.g. participation in training, conduct of activities)
- Outputs (e.g. production of reports, advocacy documents)
- Outcomes (e.g. achievement of policy change, measured behaviour change)

As noted in the main text, where possible, existing data collection and collation of activities should be drawn on. This includes data collected by the Government of the Philippines and relevant agencies, as well as other data sets such as the World Bank. However, it may be essential to collect and maintain a record of other new data sources. In addition to assessing the real impact of reform initiatives arising from these activities or other related government reform initiatives, a feedback mechanism involving various stakeholders may be developed. It could be in the form of periodic surveys conducted, for example, by private sector or industry groups who are most affected by the reforms.

NEXT STEPS

The immediate next step for the PCC and broader relevant organizations is to further review and refine the contents of this Action Plan. The formalisation of dialogues between government agencies should be viewed as a priority to progressing this. As the Action Plan builds towards endorsement by key stakeholders, and as the strategies and activities are further refined, a coherent monitoring and evaluation framework needs to be established which provides a clear line of sight between the issues to be addressed, strategies, activities and indicators.