

Promoting SME competitiveness in the Philippines

Compete, connect and change to build
resilience to crises



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About the paper

Increasing the competitiveness of small firms in the Philippines is vital to build resilience to shocks while promoting sustainable and inclusive growth.

Companies that were more competitive before the COVID-19 crisis were less affected by it, according to ITC's SME Competitiveness Survey. Firms with a greater capacity to change – because of their skills, innovation and financial management – were more likely to adopt resilient or agile responses. Finally, those with better connections to their business ecosystem were better able to access the information and support they needed to survive the crisis.

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For more information on SME Competitiveness Survey, see <http://www.intracen.org/SMEintelligence/>

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Foreword

The COVID-19 crisis has taken a huge toll on small companies in the Philippines. The economy is expected to shrink by 2% in 2020 after expanding 5.9% in 2019 and with unemployment projected at 6.8% in 2020, the Philippine government has prepared an emergency response plan focusing on higher health spending, monetary stimulus, cash transfers and support to affected firms.

Small and medium-sized enterprises (SMEs) employ 60% of the Filipino workforce. These firms are instrumental to achieving *AmBisyon Natin 2040*, the national vision for a strongly rooted, comfortable, and secure life for all Filipinos.

Helping these companies become more competitive would unleash their potential to flourish in the post-COVID-19 era. The 'new normal' in trade will stress resilience to shocks, embrace digital opportunities, provide inclusive employment opportunities, and prioritize environmental sustainability.

Transformative policymaking can help small firms take advantage of the trading opportunities on the horizon. However, up to date and accurate data and analysis will be critical in highlighting the constraints that these SMEs face, as well as their strengths and opportunities.

To this end, the Department of Trade and Industry of the Philippines (DTI), through the Bureau of Small and Medium Enterprise Development (BSMED), partnered with the International Trade Centre (ITC) to assess the competitiveness of small Filipino firms and the impact COVID-19 had on their ability to compete and trade globally. More than 450 companies were interviewed for the SME Competitiveness Survey (SMECS) and the ITC COVID-19 Business Impact Survey in the Philippines.

This report presents what the surveys revealed about the competitive strengths and weaknesses of Filipino SMEs and how that affected how they coped with the COVID-19 crisis. The findings will help in the design of policies and programmes that create a competitive and resilient SME sector that can withstand future shocks, whatever their nature or origin.

ITC and DTI share a common vision to build the competitiveness of small firms so they can access more local, regional and global markets and better adapt to shocks. Trade can fuel growth, generate income and reduce poverty, especially if appropriate domestic policies are in place. We see this report as an important step to make this vision a reality.

Pamela Coke-Hamilton
Executive Director
International Trade Centre

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Secretary
Department of Trade and Industry

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