

Country Case Studies on Inclusive Business

Policymakers have expressed interest in learning from peers that have already begun to support inclusive business. To support this request for knowledge-sharing, the G20 Global Platform on Inclusive Business developed a series of short pieces that examine the motivations, institutional coordination mechanisms, priorities and challenges that countries face as they support inclusive business.¹

Philippines

Building on strong foreign direct investment, remittances, and domestic business growth, the Philippine economy has experienced high growth in recent years, averaging 6.2% GDP growth since 2010. Yet as in many countries, ensuring that this growth is inclusive and sustainable remains a challenge. Approximately 60% of the population has a household income of less than \$3 per capita per day; one out of every four Filipinos lives in absolute poverty and lacks access to basic services. One approach to encouraging more inclusive growth can be found in the government's recent efforts to promote inclusive business.

Institutional Coordination: Forming a Coalition

Following the first Inclusive Business Asia Forum in November 2012, the Philippine Board of Investments (BOI), the Office of Senator Paolo Benigno "Bam" Aquino, the Philippine Business for Social Progress, and the Asian Development Bank joined forces to explore the potential of inclusive business approaches in the Philippines. This coalition recognized the vast potential of inclusive business models to generate sustainable livelihoods and provide basic services for the poor.

Together, a coalition of government stakeholders, multilateral institutions, businesses, and industry associations has conducted public-private discussions and consultations to determine the best way to accelerate adoption of inclusive business models in the Philippines.

Box 1: Advice for Policymakers

- 1. Embed inclusive business in national investment policies:** To be most effective, inclusive business priorities should be integrated into the country's investment policies. This will ensure continuity in future government administrations as well as the mainstream business community.
- 2. Inclusive business requires multi-stakeholder engagement:** Linkages with key stakeholders need to be strong and dynamic to effectively move inclusive business advocacy forward.
- 3. Awareness is key:** Because inclusive business is a new concept, it has to be introduced and re-introduced repeatedly to solidify its potential as an industry standard and mindset.
- 4. Inclusive business promotion needs strategic advocates and new public-private partnerships:** Inclusive business approaches represent new and innovative opportunities for outcome-oriented public-private partnerships. Establishing inclusive business support policies requires a committed and influential champion in the government to build strong linkages to private sector and business associations.

¹ This document has been prepared by the International Finance Corporation, a member of the World Bank Group, for the G20 Global Platform on Inclusive Business.



Government

The BOI is the Philippines' principal investment promotion agency and has taken the lead in promoting inclusive business in the Philippines. BOI was chosen as a suitable champion for inclusive business because of its mandate to promote business and investments in the country as an attached agency of the Department of Trade and Industry.

The BOI coordinates and collaborates with key legislative stakeholders, related government agencies, business associations, as well as with inclusive businesses themselves. It also advocates for inclusive business within regional trade promotion platforms, such as Asia-Pacific Economic Cooperation, and through local and provincial government representatives within the Philippines.

The BOI sponsored a study in 2015-2016 on how to align the government's existing industry policy with incentives for inclusive business. Recommendations from the study include: integrating inclusive business approaches in the Investment Priorities Plan, creating an inclusive business accreditation system, identifying social impact targets within industry roadmaps, instituting a services and monitoring lane at the BOI for inclusive business models, providing financial incentives for inclusive businesses, and granting preferential treatment for micro, small, and medium enterprises (MSMEs) led by households at the base of the pyramid.

In addition, the Office of Senator Aquino serves as a legislative champion of inclusive business in his engagement with the Philippine business community, leveraging his role as chair of the Senate Committee on Trade, Commerce and Entrepreneurship. The Office of Senator Aquino drafted legislation to support and promote inclusive business; during the 16th Congress (2013-2016) Senator Aquino filed the Poverty Reduction through Social Entrepreneurship bill (PRESENT). The bill sought to improve the enabling environment for social enterprises. At the recent opening of the 17th Congress, Aquino's office filed a more comprehensive bill promoting inclusive business and social entrepreneurship as one of his proposed priority measures, building on the study undertaken by BOI on accreditation and government support for inclusive businesses.

Multilateral Institutions

The Asian Development Bank provides technical assistance on inclusive business to the Philippine government and other stakeholders. It has conducted market studies, forums and workshops, and recommended policies and programs to accelerate the adoption of inclusive business models in the country. In 2015, the Asian Development Bank piloted inclusive business accreditation criteria and conducted pilot studies on the Philippines' three priority sectors for inclusive business: agribusiness, housing, and tourism.

The Philippines also engages with other development agencies such as the World Bank Group (WBG), including the WBG's International Finance Corporation, the United Nations Development Programme, and the Inter-American Development Bank, among others.

Businesses and Industry Associations

The coalition led by the BOI coordinates with inclusive businesses directly as well as through business associations. Inclusive businesses have a crucial role to play to illustrate the viability of new business models to Philippine policymakers. Successful businesses and their leaders identify and advocate for tools the government can use to create an enabling environment for inclusive business, pushing the government to action through policy, programs, and infrastructure.



Business associations play the important role of coordinating between inclusive businesses and other stakeholders. For example, Philippine Business for Social Progress, an association of more than 250 member companies – 60% of which are conglomerates and multinational companies in the Philippines, advocates for inclusive business approaches nationwide. It established the Inclusive Business Imperative Center, a one-stop shop to provide the private sector resources to plan, monitor, and measure the social impact of inclusive business activity. In 2014, Philippine Business for Social Progress partnered with Mindanao Development Authority to launch the Joint Enabling Secretariat for Inclusive Business in Mindanao. The Secretariat enables the private sector to seek investment opportunities in Mindanao and supports the public sector to prioritize high-impact improvements to the enabling environment in Mindanao.

Advocacy: Overcoming Challenges

As may be expected in promoting any new concept, the Philippines has faced internal challenges to incorporating inclusive business in domestic policy:

1. **Unfamiliarity:** As inclusive business is a relatively unfamiliar topic in the country and the region, many private sector stakeholders questioned whether there is indeed a business case for inclusive business models. Similarly, social sector actors were at times wary of the for-profit orientation of inclusive business models. Inclusive business actors in the Philippines encouraged new actors exploring inclusive business to eschew purely financial (business bottom line) and purely social (philanthropic) outlooks and to embrace a shared value approach that integrates and strengthens both goals. Advocacy, clear definitions, and case studies have helped to illustrate the viability of inclusive business models.
2. **First mover:** As a first mover in the region, the Philippine government has faced uncertainty as to what policy instruments and programs to implement in support of inclusive business. Some stakeholders questioned whether untested and unfamiliar policies can indeed reap results.
3. **Company size:** Initial messaging to promote inclusive business in the Philippines initially targeted larger companies. This approach generated concern that it excluded the majority of businesses in the Philippines--largely MSMEs. The issue was resolved by including social enterprises in advocacy materials about inclusive business, developing MSME-specific indicators, and by emphasizing the integration of MSMEs in the value chains of large inclusive businesses wherever possible.
4. **Mainstreaming for the long term:** Today, the main challenge in the Philippines is mainstreaming and institutionalizing inclusive business programs and policies to ensure the continuity of support for this concept in future government administrations.

Developing Inclusive Business Policies and Priorities

The Philippine Development Plan (2011-2016) emphasized the pursuit of inclusive growth in national programs and policies. The plan laid out a framework based on improving transparency and accountability in governance, strengthening macroeconomic policy, boosting industry competitiveness, facilitating infrastructure development, strengthening the financial sector and capital mobilization, improving access to quality social services, enhancing peace and security for development, and ensuring ecological integrity.

The new administration under President Rodrigo Duterte builds on the economic achievements of the recent years through a 10-point agenda targeting a 1.25-1.5% reduction in the poverty rate per year, which amounts to an estimated nine million Filipinos lifted out of poverty in the next six years.

As part of its priorities, the Department of Trade and Industry is now working to accelerate the trickle down effects of economic growth and alleviate poverty through well-paying income opportunities and entrepreneurship. DTI promotes inclusive business models and social enterprises to tighten value chain linkages between micro-to-small enterprises and medium-to-large companies

The Department of Trade and Industry's 2014-2016 Investment Priority Plan emphasized inclusive growth and outlined support for activities that encourage inclusive business practices. In response, the BOI has shifted its focus from measuring investments alone, and now prioritizes the number of direct and indirect jobs its investment promotion generates.

The BOI identified three priority sectors in which to focus their initial pilots of the inclusive business accreditation system. The sectors--agribusiness, housing, and tourism--were selected due to their job-rich nature and the potential for inclusive business models' success.

- Agribusiness was prioritized because of the archipelago's vast and underutilized natural resources and growing demand for high-value crops. Two-thirds of the Philippines' poor are found in rural areas, and most farmers fall below the poverty line. Increasing farmers' productivity through inclusive business models can improve their quality of life.
- Housing was identified as a priority for inclusive business models due to the potential for it to address challenges faced by informal settlers in urban centers. It also complements the social housing requirements being implemented in the Philippines.
- Tourism was selected because of the country's young, talented, and English-speaking population, to promote economic growth in rural regions, and to leverage the country's existent handicrafts industry.

Box 2: Snapshot of Policy Instruments under Consideration

The Inclusive Business Awards: Responding to desires from policy and business leaders for concrete and local examples of inclusive business, the BOI is considering an awards initiative to heighten local awareness and recognize successful inclusive business models in the country. Awardees would be recognized in prominent business events and roadshows. The initiative is intended to create a pipeline of inclusive business projects for replication and funding by impact investors and commercial banks.

Incentives for Inclusive Business in the Investment Priorities Plan (IPP): The government's IPP emphasizes sectors of strategic importance to the country. Investments in sectors prioritized in the IPP are eligible for incentives and facilitation support such as simplified licensing, tax breaks, and eased restrictions. Inclusive business was included as a cross-cutting theme in the IPP 2014-2016. In the forthcoming IPP for 2017-2019, the BOI is considering including inclusive business and social enterprise models as priorities eligible for incentives. The new IPP will also provide specific guidelines on employment and standards for goods and services that will distinguish inclusive business approaches from exploitative models.

Case study available at www.g20inclusivebusiness.org.

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