



UNITED NATIONS  
PHILIPPINES



Policy Brief Series

---

# Resilient Businesses and the Pandemic

Unlocking Opportunities to Build  
a Better Normal: Towards Gender-  
Responsive and Resilient Micro-,  
Small, and Medium Enterprises in the  
Food Manufacturing and Processing  
Sector in the Philippines

---

August 2021

### **About this publication**

This publication is the product of a joint research conducted by the International Labour Organization, the United Nations Industrial Development Organization and the United Nations Entity for Gender Equality and the Empowerment of Women. The research team from Independent Consultants Network Co., composed of Aji Espinoza, Merle Pimentel, and Carmel Valiente, was tapped for the study from November 2020 to March 2021. Overall technical guidance was provided by Felix Weidenkaff, Sandra Yu, Ma. Concepcion Sardaña, Georginia Pascual and Ricardo Simon Misa (International Labour Organization); Nobuya Haraguchi, Teddy Monroy, Jezreel Joy Eufemio (United Nations Industrial Development Organization); and Rosalyn Mesina (UN Women).

### **About the cover**

An enterprise manufacturing dried fruits in Dumaguete, Philippines. Photo © ILO/M. Rimando



UNITED NATIONS  
PHILIPPINES



Policy Brief Series

---

# Resilient Businesses and the Pandemic

Unlocking Opportunities to Build  
a Better Normal: Towards Gender-  
Responsive and Resilient Micro-,  
Small, and Medium Enterprises in the  
Food Manufacturing and Processing  
Sector in the Philippines

---

August 2021

A Joint Research Project by the



International  
Labour  
Organization



UNITED NATIONS  
INDUSTRIAL DEVELOPMENT ORGANIZATION





---

# Table of Contents

---

1

---

Executive  
Summary

5

---

Key Findings

9

---

Policy  
Recommendations

16

---

Areas for United  
Nations Support

TESDA trainees work side by side,  
creating chocolate truffles and carrot  
cakes. Photo © ILO/Ruben Hamahiga  
Dela Cruz



---

# Foreword

---

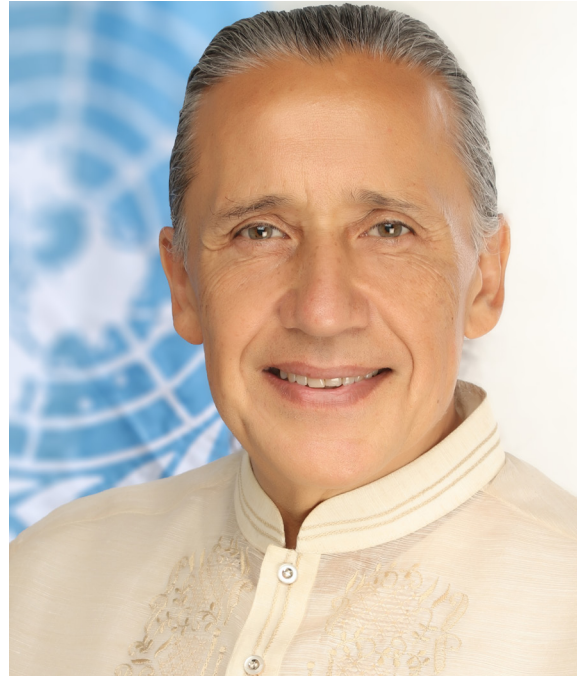
From March to May 2020, the National Capital Region (NCR) in the Philippines was placed under Enhanced Community Quarantine (ECQ), the strictest quarantine, to prevent the spread of COVID-19.

This quarantine also led to a halt in operations of businesses and enterprises, resulting in an extensive slowdown of the economy.

Lockdown containment measures pushed micro, small and medium enterprises (MSMEs) into a vicious cycle of constrained resources that creates greater uncertainty while delaying their path to recovery.

Indeed, the pandemic has created a complex situation that is proving to be very challenging and very difficult to manage. Yet, there are emerging opportunities to build a better normal, which the United Nations Industry Development Organization (UNIDO), United Nations Entity for Gender Equality and the Empowerment of Women (UN Women), and the International Labour Organization (ILO) explored in the research on **Unlocking Opportunities to Build a Better Normal: Towards Gender-Responsive and Resilient Micro-, Small and Medium Enterprises in the Food Manufacturing and Processing Sector in the Philippines**.

This synthesis report and policy brief highlights strategic ways to unlock opportunities for MSMEs, capitalizing on various joint efforts towards recovering from the pandemic, rebuilding towards a better normal and promoting the creation of gender-inclusive, greener industries and decent jobs in the process.



These strategies will also inform the implementation of the United Nations' updated Cooperation Framework with the Philippines—the Socioeconomic and Peacebuilding Framework for COVID-19 Recovery in the Philippines (SEPF). The SEPF, which was endorsed by the United Nations Country Team (UNCT) in 2020, is our blueprint for supporting the country to recover from the pandemic, while keeping the country on track to achieve the Sustainable Development Goals (SDGs), in a manner that leaves no one behind.

I am grateful to the Development Coordination Office (DCO) for its financial support that made this research possible.

Thank you.

**Gustavo Gonzalez**  
*Resident Coordinator*  
*United Nations in the Philippines*

---

# Executive Summary

---

The Philippines' National Capital Region (NCR) is enduring the world's longest novel coronavirus (COVID-19) lockdown.

As the nation's commercial centre, NCR contributes 38 per cent of the country's Gross Domestic Product (GDP).<sup>1</sup> For at least 60 days in 2020, from March to May, the government has placed NCR under an Enhanced Community Quarantine or ECQ. This is the strictest quarantine, and effectively a total lockdown, that required businesses and enterprises to halt operations, resulting in an extensive slowdown of the economy. Unfortunately, these containment measures were not totally eased and based on the severity of COVID-19 situation, varying levels of restrictions were prolonged throughout 2020 and until 2021, with severe implications for micro-, small and medium enterprises (MSMEs).

Lockdown containment measures pushed MSMEs into a vicious cycle of constrained resources that creates greater uncertainty while delaying their path to recovery. Rapid assessments conducted on MSMEs at the onset of the implementation of containment measures reported massive shutdowns. This resulted in temporary or permanent displacement in employment or reduction in working hours and income for others, at the very

least, as well as shifts to inactivity, and weaker household consumption.

These measures and the corresponding market disruptions have exacerbated pre-pandemic challenges of women-owned and led MSMEs, like access to financial services and capital, banking structures, and other business support and market-matching activities. Further, women often bear the brunt of increased pressures at home as they are burdened by longer unpaid domestic and care work due to changes in work arrangements. It is important to recognize that there are disproportionate impacts to women.

MSMEs in the Philippines, 53 per cent of which are women-led, contribute substantially to the economy. They comprise 99.5 per cent of all business enterprises, 60 per cent of all exporters, 25 per cent of total export revenue and 35 per cent of total value added.<sup>2</sup> As MSMEs also account for around 62 per cent of total employment—with 75 per cent of MSMEs reporting to have temporarily stopped operations during this period and thereafter tried continuing

---

<sup>1</sup> Regions by GDP in 2018 according to data from the Philippine Statistics Authority

<sup>2</sup> MSME Statistics, DTI 2019, <https://www.dti.gov.ph/resources/msme-statistics/>

---

operations by adopting measures such as reduced work hours to save jobs<sup>3</sup> and keep their enterprises afloat—this impact is widely felt across all segments of the economy. Therefore, the sooner MSMEs become fully operational and employment restored, the sooner household consumption levels will return to normal, paving the way for economic recovery.

Indeed, the pandemic has created a complex situation that is proving to be very challenging and very difficult to manage. Yet, there are emerging opportunities to build a better normal, which the United Nations Industry Development Organization (UNIDO), United Nations Entity for Gender Equality and the Empowerment of Women (UN Women), and the International Labour Organization (ILO) have jointly agreed to explore. The three agencies hope these opportunities can guide the positive shift of perspective on how MSMEs should handle the pervading crisis that the COVID-19 pandemic brought to them.

This research aims to understand and assess the evolving impacts and unique challenges posed by the COVID-19 pandemic to the MSMEs in a key manufacturing sector and its value chain. The research highlights strategic ways to unlock opportunities for MSMEs, capitalizing on various joint efforts towards recovering from the pandemic, rebuilding towards a better normal and promoting the creation of gender-inclusive, greener industries and decent jobs in the process. Specifically, this evidence-based research looked into the following to establish the current state of MSMEs in the food manufacturing sector:

- Coping mechanisms, awareness of opportunities, and perceived barriers at the enterprise level regarding (a) preserving

employment; (b) product/service diversification, including access to markets and opportunities to participate in the global value chain through exports (c) digitalization efforts; (d) maintenance of cash flows; and (e) areas for support

- Needs and other preconditions to help them recover and become better, more gender-inclusive and greener in the new normal. This includes a review on the ability of important stakeholders such as government, financial institutions and other private sector and interest groups and organizations in responding to these needs.
- Emerging good practices that will lead to their sustainable and gender-responsive recovery, and the creation of green jobs
- An understanding of how the above efforts and initiatives can better situate and facilitate women's opportunities to thrive and lead in the changing business environment and work context, looking at how to enhance strategies and refine mechanisms in place.

The food processing and manufacturing sector is one of the few essential industries allowed to operate throughout the lockdown to ensure food security. According to a recent report by the Oxford Economics,<sup>4</sup> the Philippines' agrifood sector, composed of agricultural production, Food & Beverage (F&B) manufacturing and F&B distribution, comprises 30 per cent of the total GDP and accounts for 43 per cent of the total employment. Specifically, the F&B manufacturing makes up 46 per cent of the agrifood sector's GDP contribution, and about 4 million jobs coming from direct, indirect and induced employment. This is significantly larger compared to other countries (Thailand, Viet Nam,

---

<sup>3</sup> NEDA Rapid Assessment, 2020

<sup>4</sup> The Economic Impact of AgriFood Sector in South East Asia, Oxford Economics, 2021





**A woman sells fruits on the sidewalk.**  
 The ILO warns that workers in the informal economy stand in immediate danger of having their livelihoods destroyed as an impact of COVID-19, Muntinlupa City, Philippines, May 2020. Photo © ILO/Minette Rimando.

and Indonesia) and thus very strategic with regards to facilitating economic recovery. It is also unique in the sense that the sector is largely represented at 70 per cent by women enterprise owners or decision makers.<sup>5</sup> Hence, it is an ideal sector to explore ways to incorporate gender responsiveness alongside cultivating resilience and sustainability of MSMEs business strategy and operations.

The research's key areas of investigation included policy, industry and sectoral stakeholders and understanding the enterprise within the context of its industry value chain. The review of relevant policies covered those that were drafted prior to the onset of the COVID-19 pandemic and new policies and programmes meant to support affected MSMEs.

Gathering information on the impact of COVID-19 on Philippine MSMEs was mainly done through desk research, and relied on the data drawn from rapid surveys conducted by government agencies (National Economic and Development Authority and the Department of Trade and Industry) and reports by

various development agencies (Asian Development Bank, World Bank, and the United Nations agencies UNIDO, ILO, UNDP). These captured prevailing circumstances during the 2020 lockdown period and onwards (April to July). While these surveys had mostly MSMEs as respondents, the profile of respondents varied and would not necessarily reflect the proportions based on Philippine Statistics Authority (PSA) census of establishments conducted in 2019. In the absence of surveys that used comparable samples, the research assumes that the trends and patterns are valid and may be observed in overall MSMEs in the Philippines but may not necessarily apply to MSMEs in the food manufacturing or food processing sectors.

Taking off from these assessments and surveys by United Nations agencies, development partners and their government counterparts, first-hand accounts were taken from key stakeholders through key informant interviews (KIIs) and in-depth focus group discussions (FGDs). The study looked into the evidence of various disruptions that affected

<sup>5</sup> [https://apfcanada-msme.ca/sites/default/files/2018-10/2018%20Survey%20of%20Entrepreneurs%20and%20MSMEs%20in%20the%20Philippines\\_0.pdf](https://apfcanada-msme.ca/sites/default/files/2018-10/2018%20Survey%20of%20Entrepreneurs%20and%20MSMEs%20in%20the%20Philippines_0.pdf)

the food manufacturing/processing value chain and MSMEs as a whole. The research team consolidated these with references from official information sources (i.e. PSA data), and aimed to validate these against real-life experiences of MSMEs through a series of FGDs conducted mostly with women entrepreneurs, exporters and representatives from social enterprises.

Using all these data, the research team prepared the draft research findings and initial recommendations for policy and further action. These were presented to key stakeholders, industry representatives and social partners at a validation workshop to allow them to present their own views, programmes, recommendations, and other additional input for inclusion in the research.

The data gathering and research covered the prevailing conditions from the second quarter to the third quarter of 2020. The validation exercise in March 2021 showed that the situation of the MSMEs persisted, and the challenges and aspects needing support remained. Similarly the opportunities and recommendations hold value even as the circumstances continue to evolve.

The full research is organized in key parts. It starts with an overview of the COVID-19 pandemic in the Philippines, its general impact on MSME operations and its effects on the industry value chain. Much of the data will be coming from surveys conducted from March to September 2020. This is followed by a discussion on key policies that were drawn up specifically for the COVID-19 response. The key policies featured are the Bayanihan Acts, 1, 2 and 3 policy series that would define the framework for government response and recovery efforts. Bayanihan 3 was still pending in Congress when data gathering was completed. It also describes the programmes by various government agencies, both existing and new, that were made available to support MSMEs during the pandemic, including specific programmes catering to women-owned and led MSMEs. The key findings provide the perspectives of MSMEs in the food manufacturing

and food processing sector, mainly coming from the FGDs on how they were affected by the crisis and the support they were able to access. The expressed needs of MSMEs on the best way for businesses to recover from the impact of the pandemic were then tackled. It also integrates the observations of participants from the validation workshop. Finally the research puts forward the synthesis from the key findings and suggested recommendations for MSMEs, particularly for those in the food manufacturing and processing sector, on the opportunities for building greater resilience to economic shocks while applying more

*Food and Beverage (F&B) manufacturing and F&B distribution comprise 30 per cent of the total GDP and accounts for 43 per cent of the total employment.*



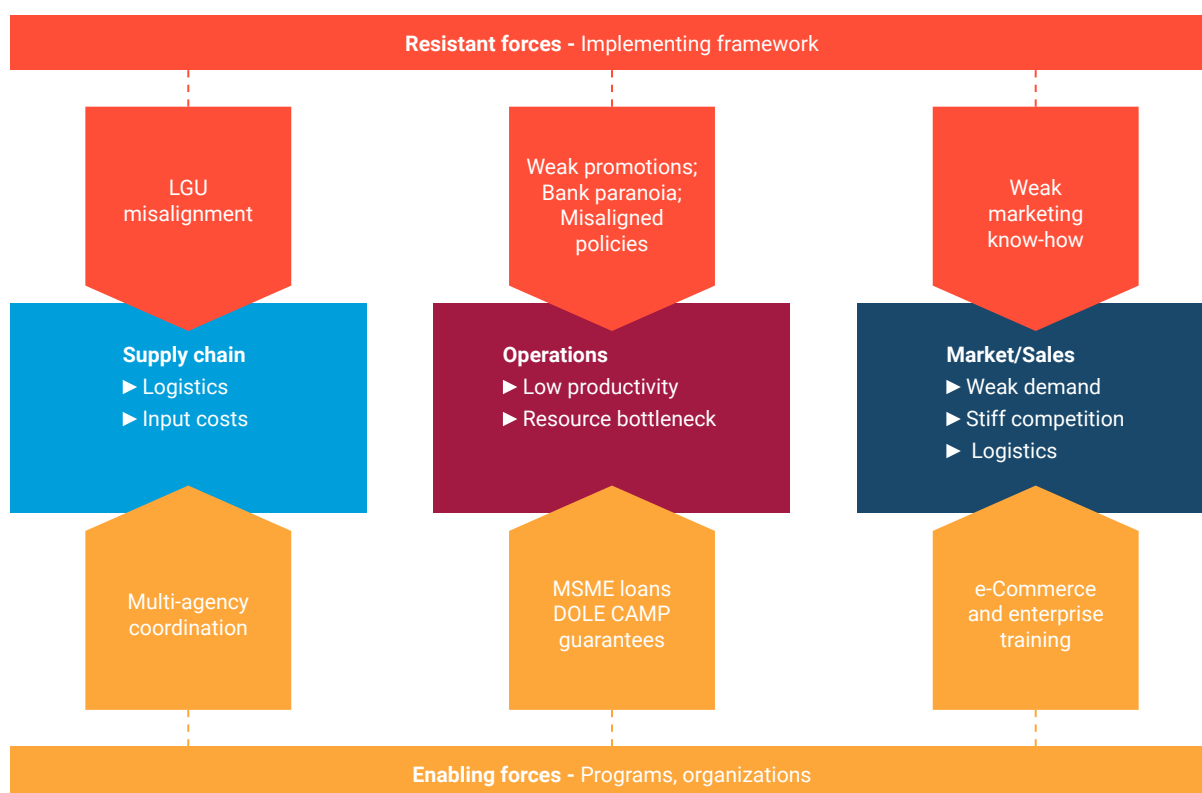
**Studying at the Technical Education and Skills Development Authority, Philippines.** Jade Millano and Rosalie Hernandez of TESDA Women's Center (TWC) practice their skills in siomai processing. Photo © ILO/Ruben Hamahiga Dela Cruz

# Key Findings

The government provided a comprehensive set of policy interventions to address the various needs of MSMEs, utilizing existing programmes and drafting new ones specifically to address the COVID-19 business environment.

As an unprecedented event with pervasive impact, the pandemic brings valuable lessons to guide future policies as the situation continues to evolve. There are problems with existing policies that must be resolved and aspects of programme delivery that must be smoothed out to allow for more consistent and coherent implementation, as illustrated in Figure I.

**Figure I Food Value Chain**



LGU = local government unit; DOLE CAMP = Department of Labor and Employment COVID-19 Adjustment Measures Program  
 Source: Data from research team



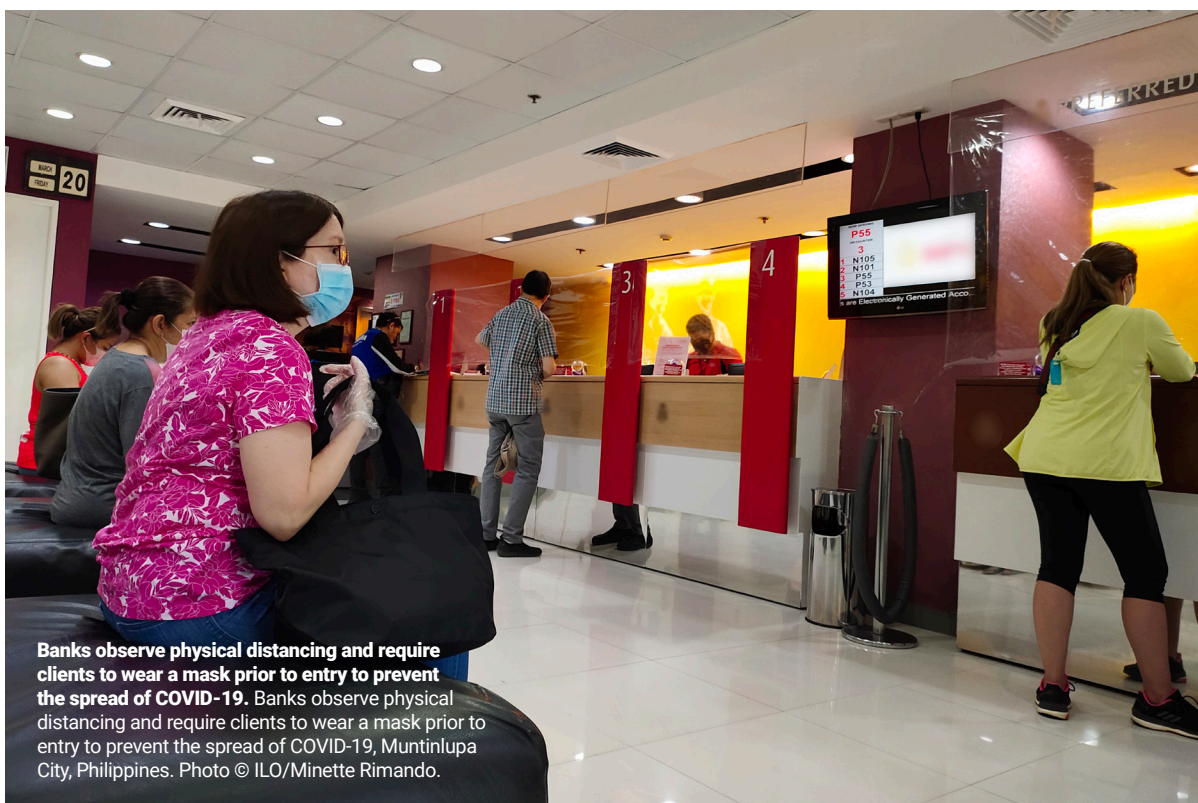
**A dealer delivers fruits and vegetables from farm to market.** A dealer delivers fruits and vegetables from farm to market to keep the food supply amid the COVID-19 lockdown, Muntinlupa City, Philippines. Photo © ILO/Minette Rimando.

Key challenges mentioned during the FGDs and interviews include cash flow, digitalization and the shift to e-commerce. Specific to the food manufacturing sector, MSMEs claimed that the main challenges include the impact of the lockdown on their respective business models, and the pincer effect on their limited resources, which led them to prioritize employees' welfare. Inconsistent policies, stricter regulations and additional fees compounded their operational burden. Along with this, understanding gender-based impacts and the perspectives on the relevance of green initiatives were taken into account. However, for these last two considerations, the challenge was getting relevant data and information for analysis from prior surveys or from the key partners' databases or policy documents.

The research identified a few critical bottlenecks that need to be addressed with the service delivery mechanisms:

**a. On information dissemination:** Weak information dissemination on government response programmes leads to low awareness and uptake. Rapid assessment surveys of enterprise respondents conducted in April-July 2020 were consistent in showing low awareness levels. Among the initiatives, DTI programmes cut through better than the programmes of other agencies. Service delivery is also fragmented and MSMEs are simply referred or passed on to the next agency or programme.

**b. On coordination and policy alignment:** COVID-19 response showed some weakness in the coordination and alignment of policies with different actors, particularly in terms of implementation. The weak coordination is seen in the control of the mobility of people and goods: transportation, border control guidelines. The policies were also vague on the payment of business permits and taxes, particularly for MSMEs that stopped operations.



**Banks observe physical distancing and require clients to wear a mask prior to entry to prevent the spread of COVID-19.** Banks observe physical distancing and require clients to wear a mask prior to entry to prevent the spread of COVID-19, Muntinlupa City, Philippines. Photo © ILO/Minette Rimando.

**c. On financing and lending:** Financial institutions were given incentives to lend to MSMEs but they tightened credit instead due to the perceived uncertainty in the business environment. While the intent was to support MSMEs to recover, the tighter credit environment only made it more difficult for MSMEs to access these programmes and gain momentum to prosper.

**d. On sector prioritization:** Food processing/ manufacturing sector, while considered part of the essential economic activities permitted to operate, had been overlooked in the Bayanihan Act series. In contrast, logistics, transportation, education and tourism sectors were prioritized and funded.

MSMEs in the Philippines have relied mainly on their own resourcefulness and ingenuity to thrive and survive through the years. While most of them were caught off guard by the pandemic, specifically those in the food manufacturing sector, they adopted

various coping strategies. For instance, they used e-commerce to sell their products to markets and consumers diversified products based on the necessities of supply and distribution and adopted cash management strategies such as cutting costs, enhancing collections and negotiating for supplier credit. As most of them took the proactive stance to network and find resources to access, they discovered more support programmes that otherwise they would not have learned about if they were not hit by a crisis.

Delving deeper, the study uncovers areas where government response has fallen short and that would need keen attention so it can really deliver the support to MSMEs as intended:

a. Weak promotion of government programmes for MSMEs results in limited access by MSMEs and the inability of these programmes to reach their optimum.

---

b. This then leads to a situation where these programmes do not have a follow-through and development measures are left fragmented from various programme points and are unable to reach their integrative effects.

c. As MSMEs are oversaturated with more and more programmes, including options and schemes of support, they are left in the middle of well intentioned but discordant policies and programmes, which can be counter-productive.

d. The programmes that MSMEs find more effective use a focused, structured/systematic approach that responds to current needs, anticipates future business needs and provides a degree of customization for the industry it caters to.

e. Sadly, getting in to an e commerce platform is not enough. As MSMEs have experienced when they rushed into it during the pandemic they needed to learn how to effectively compete in this unfamiliar platform to benefit from it.

Certain vulnerable sectors and their respective needs had been overlooked. As expressed in the stakeholder validation, the general concern was that there was not enough support for women entrepreneurs and workers and those in the informal economy. Women juggle multiple roles and need support to manage the demands of being entrepreneurs, head of families and caregivers particularly in the prolonged uncertainty. Workers are vulnerable in the uncertain economic situation, which created temporary unemployment, reduced working hours and income, and lack of employment opportunities and livelihood options. Those engaged

in the informal sector are indicated to constitute 38 per cent of the total working population,<sup>6</sup> and while this estimate did not include the agricultural sector, a significant portion comes from MSMEs. Informal workers are characterized by not being duly registered or formally recognized, thus they are automatically excluded from key support programmes of the government.

The emerging themes of support for MSMEs, particularly in the food manufacturing sector, include (a) breaking the vicious cycle of constrained and dwindling resources; (b) identifying and improving the weaknesses in programme delivery by government and key stakeholders; and (c) unlocking opportunities to build resilience. Consultations with MSMEs and sectoral stakeholders validated the importance of the five thematic areas that could make MSMEs more resilient to shocks like the COVID-19 pandemic. They must demonstrate the following characteristics:

- Able to set and directs its own growth and be responsible for it
- Able to propel itself to grow
- Able to adapt and rebound especially when faced with serious challenges or failures
- An empowered and skilled entrepreneur
- A part of a larger ecosystem

---

<sup>6</sup> Formalization of *Micro Enterprises in ASEAN: Policy Insight*, OECD 2020. The estimates do not include the agricultural sector (see note in Table 1b of the OECD paper) and could be an underestimation of the total share of informal employment.

# Policy Recommendations



TESDA trainees Aiza Cortez, Wendy Serdena and Susana Advincula bottling the mango concentrate and papaya pickle. Photo © ILO/Ruben Hamahiga Dela Cruz

With the broad group of MSMEs in the Philippines, especially in sectors like food processing and manufacturing, it is important to understand that one cannot apply a one-size-fits-all approach to supporting, financing and assisting in their growth.

MSMEs in this sector are very important in the recovery narrative. Apart from their valuable contribution to the economy, these enterprises, regardless of their size, contribute to a secure food system. They serve a societal function of getting the right nutrition for all people at the right time and at the right price. It can be argued that they are essential, and any disruptions should be handled with urgency and every support should be established to ensure their resilience.

The research attempted to provide general recommendations for action and policy options for MSMEs and specific recommendations for MSMEs in the food processing and manufacturing sector, ensuring that gender-responsive recovery and resilience are considered.

It is hoped that these will be translated into initiatives to steer the recovery of MSMEs and to channel support for and collaboration among these economic heroes. Any kind of support counts to help MSMEs build resilience as they recover from the impact of COVID 19, and tread on to survive what has been an unprecedented challenge.

**MSME Hub: An Integrated service delivery system to enable micro-, small and medium enterprises to determine their own path to growth.**

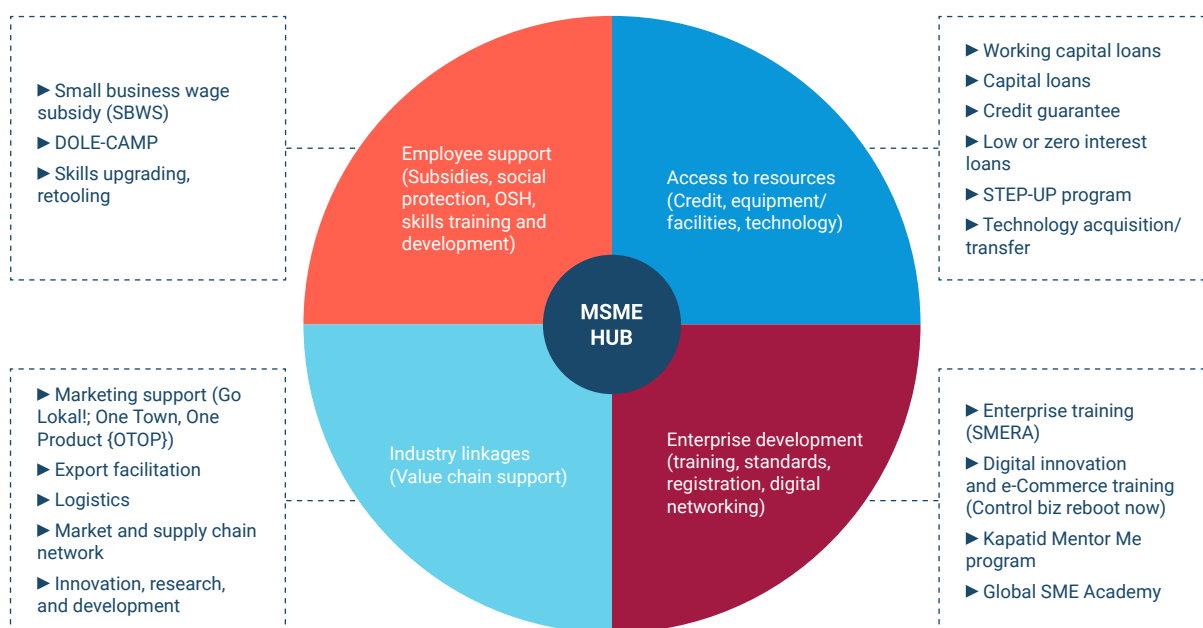
In responding to this pandemic, the government used existing programmes and drafted new ones to

address the emergency needs of MSMEs. Government agencies offered a host of programmes on financing, training, digitalization, market access and employee support. However, majority of MSMEs were not aware of these programmes and therefore, were unable to access them. Even if MSMEs were interested, they would not know where to find the right information.

Faced with an economic crisis created by the pandemic, MSMEs are likely to require multiple types of support. Their first order of business is to reopen and bring operations to pre-pandemic level. Separately transacting with agencies has been difficult before the crisis. It is time to provide an integrated and unified platform that is accessible online and offline.

Figure II illustrates a concept of an MSME Hub which is a one-stop-shop facility where an MSME can find all the information it needs, organized initially in four subsystems: Employee Support; Resources; Industry Linkages/Value Chain; Enterprise Development and Training.

**Figure II MSME Hub**



Source: Data from research team





**Workers in agriculture.** Farm workers face safety, health, and environmental risks due to the nature of their work and lack of job training for the high number of low-skilled, seasonal and migrant workers. Photo © ILO/M. Fossat

It can be designed as an integrated information platform but eventually evolve to be a convergence service delivery platform which may include facilitation services, application, payment transactions and programme delivery for online training. Further, this will reinforce earlier efforts to seamlessly coordinate access to and delivery of various government programmes, and address the multiple challenges encountered by MSMEs, even beyond the COVID-19 recovery.

This is not an entirely new idea. Given the fragmentation of government services for MSMEs, there are efforts to move into a convergence of services to create better impact. The DTI and the Department of Agriculture (DA) have programmes that are designed to deliver a package of services to MSMEs.

DTI's *Kapatid Mentor Me Program* is a training programme that includes facilitation services whereby MSMEs are referred to agencies that can assist them in the different stages of their life cycle

(incubation, start-up/infancy, growth and expansion). The programme focuses on empowering the entrepreneur and the firm. It has a system of referring MSMEs to agencies within DTI, other national government agencies (e.g. Department of Science and Technology, Food and Drug Administration), government banks and private sector institutions (e.g. banks, industry organizations).

The DA's *Ani at Kita* is designed to ensure the productivity and profitability of farmers and fisherfolk using the product value chain approach. The DA continues to work on delivering services ranging from technical assistance to financing, and at the same time, forging partnerships with the private sector for market access.

These programmes have good feedback from MSMEs but their reach remains limited. For a segment of MSMEs that needed much handholding, these programmes would have contributed significantly if more MSMEs had applied for these.

### **Financing within the value chain structure to minimize uncertainty and free micro-, small and medium enterprises from the vicious cycle of constrained resources**

The banking industry's lack of willingness to lend to MSMEs is attributed to the perception that even in normal times, lending to smaller companies is riskier than lending to larger companies. Given the current situation where markets are soft (there are more potential sellers than buyers), it is understandable that banks would be less confident with MSMEs. As a result, women-owned and led MSMEs can find themselves at a bigger disadvantage, having less access to formal finance and facing structural, legal and cultural barriers to owning assets that can serve as collaterals for loans.

However, if banks could consider MSMEs as part of a value chain linked to a larger company, then perhaps the risks could be rationalized and the stability of the larger company could serve as a guarantee. Efforts could be directed to explore the

---

viability of these arrangements under the current fiscal and legal frameworks.

The mandatory requirement for banks to set aside 10 per cent of their loan portfolios to MSMEs expired in 2018 and should be considered for reinstatement. The implementation of this policy must also be evaluated, particularly how well banks fulfilled the desired policy objectives. A new policy may then be formulated by the Bangko Sentral ng Pilipinas (BSP).

As large banks are more willing to service the larger, less risky enterprises, a different service delivery mechanism may be explored and designed specifically for emergency financing of MSMEs, which make up over 90 per cent of business establishments. As most banks and financial institutions have corporate social responsibility (CSR) programmes in place, future initiatives can be directed towards these alternative financial services, particularly for the micro-enterprises. These additional offerings are not meant to replace provisions for banks to have mandatory loan portfolios for MSMEs, but are there to be activated and deployed to augment emergency needs. These and related initiatives can be a good addition to the mandatory sustainability reports that banks and financial institutions are required to submit together with their annual reports by the Philippine Securities and Exchange Commission.

### **Promoting and supporting inclusive business models to address the needs of the vulnerable sectors**

With a more formalized relationship structure than

the value chain model, banks or financial institutions could prioritize MSMEs that are using inclusive business models, where there is a contractual relationship between the anchor enterprise and the smaller enterprises within the value chain. These arrangements may vary. It could be supplier-or contract-based business relationships, or those implementing a big brother strategy, where an able MSME, acts as the big brother, providing support, access to markets, business advice and other resources to the smaller players in the supply chain.

This model is best exemplified by enterprises and economic activities that seek to create value for low-income groups and communities by integrating them into the value chain as clients and consumers (demand side) and/or as producers, entrepreneurs or employees (supply side), in a manner that is sustainable and not exploitative. Business operations and practices can be geared to advocate approaches such as gender inclusiveness and sustainability, serving both economic and social purposes.

Inclusive business models go beyond CSR, are aligned with the UN Business and Human Rights Framework,<sup>7</sup> and promote the Decent Work Agenda and the Women Empowerment Principles.<sup>8</sup> Financial institutions should use their leverage to promote these among MSMEs by integrating social and human rights criteria (e.g., having initiatives/policies for ensuring gender equality and women's empowerment) in their lending operations and policies.

In this case, banks or financial institutions can support MSMEs serving as anchor enterprises to tap into existing contractual relationships between the smaller

---

<sup>7</sup> The UN Guiding Principles on Business and Human Rights are a set of guidelines for States and companies to prevent, address and remedy human rights abuses committed in business operations. <https://www.business-humanrights.org/en/big-issues/un-guiding-principles-on-business-human-rights/>

<sup>8</sup> The ILO Decent Work Agenda was developed for the world of work, looking at job creation, rights at work, social protection and social dialogue, with gender equality as a crosscutting objective. <https://www.ilo.org/global/topics/decent-work/lang-en/index.htm>

The Women's Empowerment Principles (WEPs) offer guidance on how to promote gender equality and women's empowerment in the workplace, marketplace and community. <https://www.weeps.org/about>

enterprises and their suppliers within the value chain, and use this as a channel to deliver their financial programmes. Doing so reinforces and improves the whole value chain while also reaching those at the bottom tiers (e.g. informal economy) that need more support to perform and are otherwise constrained by limited access to resources and funding. This process can also facilitate the early steps towards formalizing these enterprise activities. With this, the resources/funds are directed to support and scale the inclusive business model, along with all its socioeconomic benefits, as it inspires other enterprises to innovate their business models, given that this will enable them to access similar financial services and programmes.

The research studied two examples of this inclusive business model, which are both women-led and owned enterprises. One is the ECHOstore, which provides support to small scale suppliers and community producers to cover the cost of producing goods that are sold in their online stores. The other is Coffee for Peace, which sources its supplies from coffee farmers' cooperatives. These cases should be further studied and developed by financial institutions so implementation mechanisms can be designed, replicated and delivered with government support as innovative financing programmes.

### **Developing and promoting the adoption of green initiatives that could significantly improve the cost efficiency or profitability of micro-, small and medium enterprises' operations**

A window of opportunity presents itself to increase awareness and relevance of green initiatives among MSMEs. Green initiatives have been promoted as a form of compliance with environmental regulations and without direct impacts on business operations and bottom lines. More recent approaches have proven that green initiatives, particularly those related to the efficient use of production inputs such as raw materials, energy and water (also called eco-efficiency), can be an operational strategy to improve productivity. Workplaces whose business operations are more aligned to environmental

sustainability are also safer and healthier for its employees and host communities. The combined positive impact of green initiatives on the enterprise, business operations and people contributes to the overall resilience of the enterprise.

The COVID-19 crisis brings the relationship of business sustainability and ecological impact closer to MSMEs as they now have an urgent need to cut costs. Their options include using resources more efficiently, reducing waste and recycling, being more receptive to innovations in their production processes, procuring raw materials whenever possible, discerning better distribution of their products, and finding ways to improve customer service and employee support to encourage productivity. Enterprises may also have become more aware of the importance of occupational health standards: crowded workplaces, lack of ventilation, pollution and poor sanitation in the surrounding environment are all conducive conditions for disease transmission.

These provide a good starting point for educating MSMEs and communities about environmental sustainability and linking these aspects to important thematic areas such as:

- Using appropriate strategies including technologies to improve MSME productivity and realigning profits with environmental sustainability (green/renewable energy, green packaging, green jobs, recycling, repurposing, circular economy)
- Applying green initiatives/practices and business continuity strategies, including digitalization, to build resilience
- Understanding the collective impacts of MSMEs on environmental degradation and what the sector could do to address these

Further research is needed to understand the perceptions and appreciation of MSMEs on environmental sustainability. It is important also

to work with solutions tailored for the situations of MSMEs (by size of firm, attitude or level of receptiveness). As MSMEs are mostly micro-enterprises with limited assets and capital resources, the challenge, aside from awareness of the business case of greening, is enabling them to allocate resources and make front-end financial decisions in this direction. Banks and financial institutions should be encouraged to have innovative financing programmes that serve this need. There are many supportive existing policies, which can be reviewed and updated to reflect the current realities and ensure coherence with other programmes that support economic recovery and the transition to a greener economy.

**Aligning programme support and prioritization with the phasing in of economic activities and integrating gender-responsive public procurement opportunities for micro-, small and medium enterprises in the food processing/manufacturing sector**

The food manufacturing and processing sector was exempted from lockdowns and allowed to operate but unlike sectors like tourism, logistics and transport, it was not particularly targeted for specific

incentives and support in the Bayanihan Act series. Moving forward, it may take a conscious effort not to overlook supporting productive activities, especially those that could generate local employment and livelihood options. The third phase of the government's National Action Plan against COVID-19 issued towards the end of 2020 provides the operational framework for addressing the impacts of the pandemic. This last phase is more focused on economic recovery while maintaining health and safety for the populace and is expected to facilitate the gradual reopening of the economy. Specific to the whole of agrifood sector, which includes food manufacturing, a corollary strategy and programme for food security and resilience should carry recommendations to support MSMEs' unhampered operations and production capacity, which are implementable at the local government level.

One area to explore for alignments at the local government level is the Local Disaster Risk Reduction and Management Plan, which also includes programmes, projects and activities in relation to economic recovery following an emergency situation. Creative and value-adding initiatives can be proposed to mobilize economic and market recovery while securing food systems through the engagement of the local food

**Safety and health in manufacturing.** In the food and beverage industry, promoting safety and health of workers through their families proved to be successful. Workers and their families learn from family-centred occupational safety and health (OSH) campaigns to build a culture of prevention. Manufacturing is a sector with the highest proportion of occupational accidents involving young people. Photo © ILO/M. Fossat



processing/manufacturing operators in the locality. Public procurement programmes can be launched to support local food producers, particularly MSMEs owned and led by women and youth. Emergency employment programmes benefitting women, youth and other vulnerable members of the community like informal workers can also be established.

### **Developing gender-sensitive data, segmentation criteria and clear guidelines in collecting, reporting and conducting sex-disaggregated data analysis and gender assessments**

MSMEs are segmented by the number of employees or size of capitalization. Using these same measures for programming and monitoring could be a challenge as more than 99 per cent of enterprises in the Philippines fit into this segment. There is a lack of specific data on gender parity and other sensitive indicators for growth, growth potential and subsector performance. While sporadic surveys were conducted, these were not mainstreamed into national data collection efforts, so these were carried out without a follow-through. If these data had been available, it could have provided guidance for designing and monitoring programmes customized to the varying needs of the MSMEs, avoiding the one-size fits-all approach.

In past surveys reviewed by the research team, gender is merely used as a profiling variable. If these surveys were designed to include and monitor gender-sensitive indicators in the analysis framework, the results could show variances between the responses of males and females.

Better gender disaggregation in the data can identify segments where gender disparity may be observed (e.g. by company size, industry activity, markets accessed, attitude or mindset, company leadership style). Not only can this help design and direct programme interventions that are tailored for specific MSME segments, it can also provide a quick assessment of how effective the programmes are in addressing the issues they were made for.

A survey conducted in 2018 reported that MSMEs in the Philippines are predominantly owned or operated by women in industries with a large proportion of women: retail and trade, food processing, manufacturing, and arts and culture. With women comprising 70 per cent, the food processing sector also had the most respondents (75 per cent) looking for modest to high growth. However, support for addressing gender-specific barriers could be necessary. In the same report, women-owned and led MSMEs in other sectors indicated no or low interest in business growth compared to men. With less access to technology and innovation and financial and business support services and networks, they are also less likely to adopt digital and online platforms.

To propel MSME recovery towards a better normal, a gender-specific menu of support services could be well justified. These could include addressing the needs for financing, e-commerce/market access, re-skilling, health maintenance and shared facilities for child care, among others, for women who own and operate these MSMEs, particularly in the food processing sector, which they dominate.

These require substantial data collection and coordination efforts across the different national agencies and implementation partners with the mandate of supporting MSME development. Hence, there is a need for a practical follow-through effort to initiate discussions among them. This can pave the way for a review of the current state of data availability on MSME performance, as well as the gaps in key indicators to measure gender disparity, adoption of green technologies, and sustainability approaches in operations, digitalization, business growth (revenue, profit, employees) and other resilience-building measures.

*Data with better gender disaggregation and segmentation can provide guidance for designing and monitoring programmes customized to the varying needs of the MSMEs*

# Areas for United Nations Support

This research contributes to the Prosperity and Planet Pillar strategic objectives under the United Nations Philippines' Socioeconomic and Peacebuilding Framework (SEPF), particularly on emerging areas including integrating green and climate lens in the recovery efforts, and strengthening resilience-building in all sectors and levels of government.

The research supports the People Pillar strategic objectives as it contributes to address the needs and vulnerability of women.

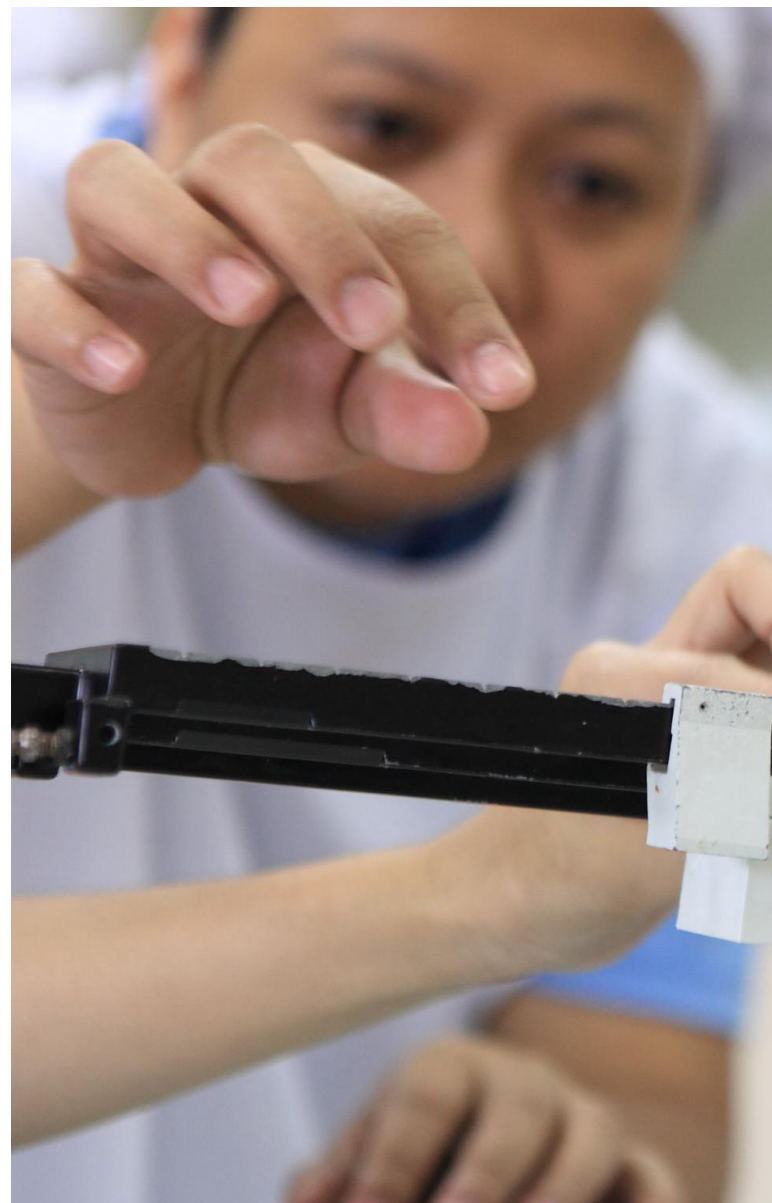
The research also highlights the interlinking nature of aspirations under Prosperity and Planet and People Pillars, recognizing the importance of creating a balance between the two, decoupling economic growth from environmental degradation, and ensuring that women's situation and context are incorporated in all recovery and resilience-building efforts. These all contribute to making enterprises and industries

more resilient and promote an inclusive sustainable economic development.

The evidence and policy options generated from this research aim to contribute to the promotion of the Decent Work Agenda and the inclusive and sustainable industry development in the country. Further, this research reinforces the Updated Philippine Development Plan 2017-2022 and the National Employment Recovery Strategy, alongside the implementation of the third phase of the National Action Plan against COVID-19 with a people-centred, local government-led and nationally enabled approach to economic recovery.

This research hopes to provide the basis for actions to advance the achievement of Sustainable Development Goals (SDGs)<sup>9</sup> in the country through

<sup>9</sup> In particular, SDG 1: end to poverty; SDG 8: economic growth and decent work for all; SDG 9: resilient infrastructure, inclusive industrialization and fostering innovation; SDG 10: reduced inequalities; and SDG 11: inclusive, safe, resilient, inclusive and sustainable cities and communities.



joint United Nations policy and programme support and assistance to the following areas:

- **Addressing the evolving needs of MSMEs, particularly supporting and protecting women and informal workers whose jobs and livelihoods are disrupted by the pandemic**

For the food manufacturing and processing MSMEs to fulfill their key role in the sector's recovery, support and interventions is crucial at this critical time. Because the sector's strength is only as good as its weakest link, interventions to address the recovery needs of the vulnerable, the women, the informal workers who comprise the majority of the sector, stand to be a strategic move. As proposed in the MSME Hub, which aims to be a versatile platform for service information and coordination for MSMEs,

customizing the delivery mechanisms around the needs of women-led/owned enterprises and those operating in the informal economy will add value and enhance the reach and efficiency of programmes for MSMEs.

The United Nations supports programmes that best exemplifies the whole-of-government approach, and through the efforts of the various United Nations agencies, add value to this process by providing constructive multi-sectoral dialogue mechanisms. Guided by the government's National Employment Recovery Strategy, the United Nations will continue to support gender-responsive employment and livelihood policies, along with integrated strategies towards formalization, strengthened employment services, and labour market programmes that address transitions to decent work.



TESDA trainee Reselda Lindio uses the Triple Beam Balance to measure the accurate weight of the solution. Photo © ILO/Ruben Hamahiga Dela Cruz

---

- **Integrating green initiatives and the climate lens in job-rich recovery efforts, with a focus on MSMEs**

This is an opportunity to transition to the creation of decent, productive and greener jobs; promote digitalization of work and practices; embrace innovation; retool and re-skill the workforce; and mobilize green financing and fiscal instruments to drive enterprise and societal growth.

The food manufacturing and processing component outweighs agricultural production and food distribution, covering almost half (46 per cent) of the agrifood sector's contribution to GDP in the Philippines. Recovery efforts for the sector that are geared towards economic and employment outcomes serve the broader goal of contributing to national food security. It is strategic to maximize support for the sector to advance, aligning it to key global trends and development on sustainability, the fourth industrial revolution and the SDGs. This will make it fully a force for good—for the planet and the people—that will champion how industries should progress towards a better future.

The United Nations recognizes that while it has all this potential, the MSMEs that comprise the core of this sector have been heavily impacted by the COVID-19 pandemic. United Nations agencies have been actively providing support, recalibrating and designing programmes since early 2020. A number of United Nations assessments have already been conducted (MSME surveys, labour market impact assessments, food sector value chain studies) to guide policy advice and strategies, complementing the response of the national government.

With successful programmes for MSMEs already initiated in 2020, the United Nations will

continue to support, expand and deliver focused programmes for MSMEs, focusing on strategic sectors such as food manufacturing. United Nations agencies will jointly work towards game-changing solutions that promote global-best technologies and approaches, the digitalization of work and other practices, and the financing of innovative and green investments and initiatives. These will be pursued alongside policy coherence and comprehensive consideration of the impacts on the different sectors. They will provide appropriate support such as retooling and re-skilling of the workforce that will be affected by the transition to greener jobs and livelihoods. Through constant social dialogue, these measures can be made responsive to real needs, fit for purpose and receptive to the evolving conditions of the MSMEs.

- **Championing the greening of food production and distribution systems while upholding their stability to leverage sustainable and inclusive growth**

The development of agrifood systems over the years has caused significant environmental impacts and resource depletion. The whole process—from agricultural production to food manufacturing to distribution—would take 70 per cent of the water extracted from nature, cause 60 per cent of biodiversity loss, and contribute significantly to climate change by generating a third of the greenhouse gas emissions.<sup>10</sup> Food manufacturing and processing, as well as handling and packaging operations, create different types of wastes along its value chain which contribute to the immense disposal burden and severe pollution problems. Unfortunately, as the population increases over the years, global demand will grow and food production will scale up to meet this. The rest of industry is set on this trajectory as it

---

<sup>10</sup> <https://www.unep.org/news-and-stories/story/hungry-change-global-food-system>



supports contemporary lifestyles and demands. The global expansion runs the risk of making substantial environmental and climate impacts, making the damage devastatingly irreversible.

Even without the pandemic, managing the environmental impacts of the sector is a clear imperative. The economic slowdown has given the industry sectors time to assess and realign their operations, and with proper guidance, pivot these towards sustainability.

The United Nations is engaged in the wholistic understanding of food systems, from sourcing to production, and ensuring equitable access in distribution. United Nations agencies have shared knowledge and expertise in the areas of nutrition, food availability, accessibility, utilization and food systems stability. United Nations Philippines has taken part in the development of the government's National Food Policy. Other complementary United Nations actions in this area include studies on food cold chains and the impact of COVID-19 on food systems. The United Nations continues its support for actions to address food loss and wastage, to help conserve land and water resources, and to help mitigate health issues arising from agriculture, forestry, and fisheries, and to provide increased attention to food safety and quality.

● **Strengthening resilience on all levels to support long-term solutions to climate change, disaster, pandemics and other future shocks, and ensuring the protection of the most vulnerable**  
Facilitating a coherent response and providing effective platforms for social dialogue and stakeholder engagements is necessary to balance the economic priorities with the fragile issues of health, climate and environmental sustainability.

Philippine enterprises go through operational disruptions every year caused by hazards like typhoons, floods, droughts, volcanic eruptions and earthquakes. Policies and programmes have been drawn up to address the impacts, using resources

from the government and the private sector. However, all these proved to be insufficient in the face of the COVID-19 pandemic, which exposed the vulnerability of MSMEs and the need for more concerted initiatives to build their resilience.

The United Nations has supported the government to harmonize disaster risk reduction and management with human security. It has advanced building back better towards sustainable development, taking an all-hazards approach and shifting its focus from reducing risk to enhancing resilience. United Nations agencies can jointly expand this to support MSMEs, covering entire value chains and including the informal economy.

Though circumstances, geographical locations, and systems of stakeholders differ, it would help to recognize points for convergence and interdependencies through consensus-building, dialogue and social interventions such as the Just Transition framework in order to build a coherent response and guide the next steps and programme of action.

Echoing the whole-of-society approach employed by the national government in its COVID-19 response and recovery programmes, the United Nations system's contribution as an organization will be translated through joint work programmes, maximizing specific agency mandates, technical resources and strategic partnerships. The goal of delivering an effective system-wide response and recovery from this unprecedented crisis should contribute to achieving the country's sustainable development targets.

---

# References



Asia Pacific Foundation of Canada. *Micro, Small, and Medium Enterprises in Agri-Food: A study of the Philippines, Viet Nam, and Peru* (2018).

Asian Development Bank, "Philippine economy to decline further in 2020 amid COVID-19, with recovery in 2021" (15 September 2020).

Bangko Sentral ng Pilipinas. Banks continue to tighten lending standards in Q3 2020 (2020, October 29).

Hill, E., Baird, M., Seetahul. *The Philippines and COVID-19: Impact on the Private Sector*. Investing in Women & UN Women (2020).

International Labour Organization. *A Quick Reference Guide to Common COVID-19 Policy Responses* (2020).

International Labour Organization, Country Office for the Philippines. *Covid-19 Labor Market Impact in the Philippines*. Assessment and national policy responses (2020).

Masigan, A. J. "The State of E-Commerce in the Philippines", *BusinessWorld* (2020, August 2).

Organization for Economic Co-Operation and Development. *Formalisation of Micro-Enterprises in ASEAN* (2020).

Oxford Economics. *The Economic Impact of the Agri-Food Sector in Southeast Asia. Food Industry Asia. Executive Summary* (2021).

Philippines, Bayanihan to Heal as One Act. Republic Act No. 11469 (24 March 2020) Congress of the Philippines, Eighteenth Congress.

Philippines, Bayanihan to Recover as One Act. *Republic Act No. 11494*. (11 September 2020). Congress of the Philippines, Eighteenth Congress.

Philippines, Department of Trade and Industry. *2019 MSME Statistics (Manila, 2019)*. Available at <https://www.dti.gov.ph/resources/msme-statistics/>

Philippines, Department of Trade and Industry. *DTI-SB Corp to process 15,000 MSME loans by December* (2020).

---

Philippines, National Economic Development Authority. *Consumer and Agricultural Fisheries Sector Rapid Assessment* (2020).

Philippines, National Economic Development Authority. *COVID-19 Business Survey* (2020)

Philippines, National Economic Development Authority. *NEDA Survey for all Business Owners under the ECQ* (2020)

Philippines, National Task Force Against Covid-19. *National Action Plan Against Covid-19, Phase III* (2020).

Shinozaki, S. *COVID-19 Impact on Micro, Small, and Medium-Sized Enterprises and Post Crisis Actions (Six-month after the outbreak in the Philippines)* (Asian Development Bank, 2020).

Small Business Corporation. *Implementing Guidelines for CARES Program* (2020). Available at <https://www.sbgfc.org.ph/news/sb-corporation-opens-p1b-loan-facility-msmes-affected-covid-19>

United Nations Development Program Philippines. *MSME Value Chain Rapid Response Survey* (2020).

United Nations Development Program Philippines. *MSME Value Chain Rapid Response Survey Wave 1* (2020).

United Nations Industrial Development Organization. *Assessment of the Socio-Economic Effects of the Covid-19 and Containment Measures on Philippine Enterprises* (2020).


Villanueva, C. A. *Initiatives of the BSP in Response to the Pandemic and in Support of MSMEs - From the Onclusive Finance Advocacy Office of the BSP*. (I. C. Network, Interviewer, 2020)

## **United Nations Philippines**

United Nations Philippines UN House Manila | 15/F Rockwell Business Center Sheridan  
North Tower corner of United and Sheridan Streets, Mandaluyong City

T+ 632 7902 9901 | [unic.manila@unic.org](mailto:unic.manila@unic.org)

Website: [philippines.un.org](http://philippines.un.org)

 [facebook.com/unphilippines](https://facebook.com/unphilippines)

 [@unphilippines](https://twitter.com/unphilippines)