



***Digital Innovation for  
MSME Development  
Empowering MSMEs to Connect  
to the World***

**DR. RAFAELITA M. ALDABA**

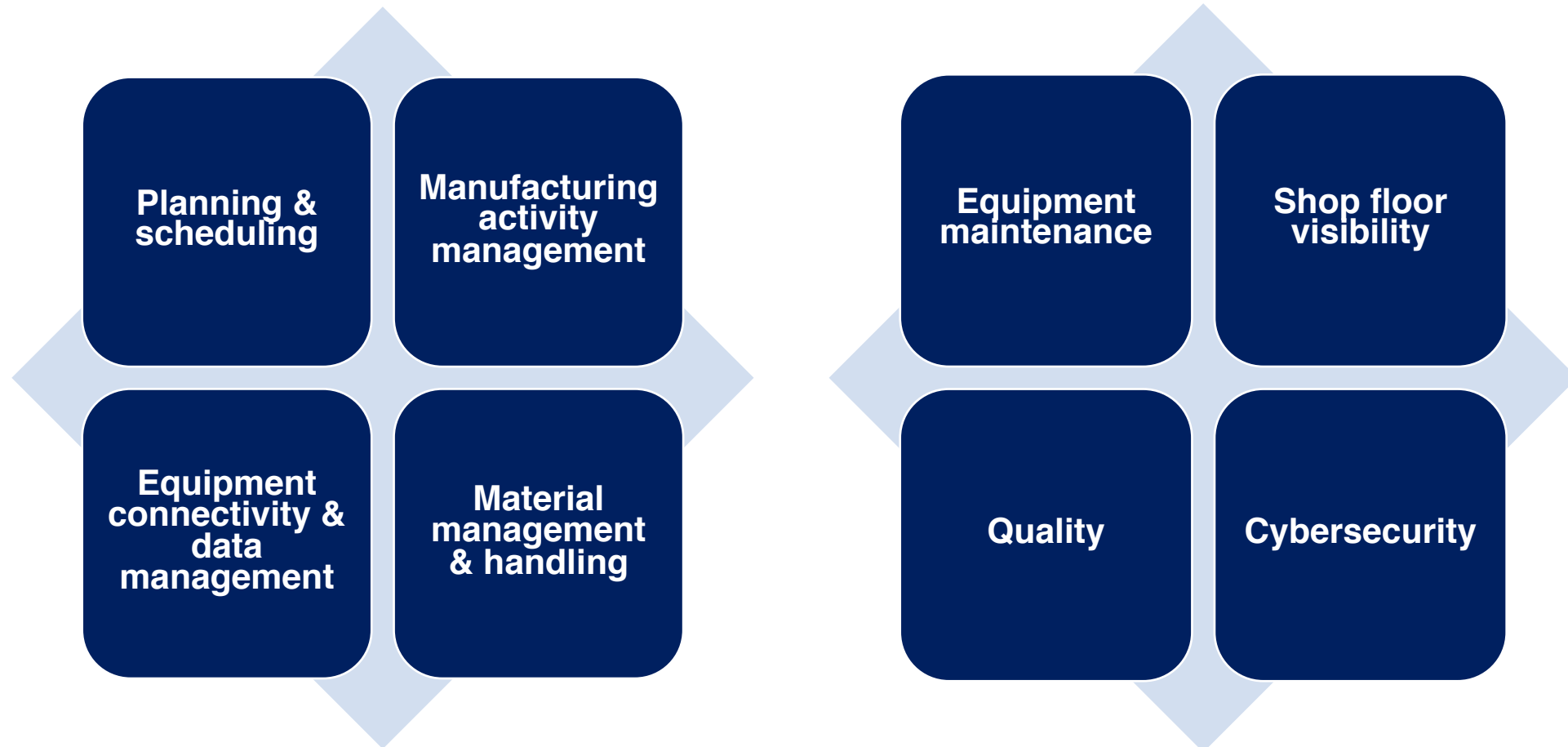
Undersecretary

Competitiveness & Innovation Group

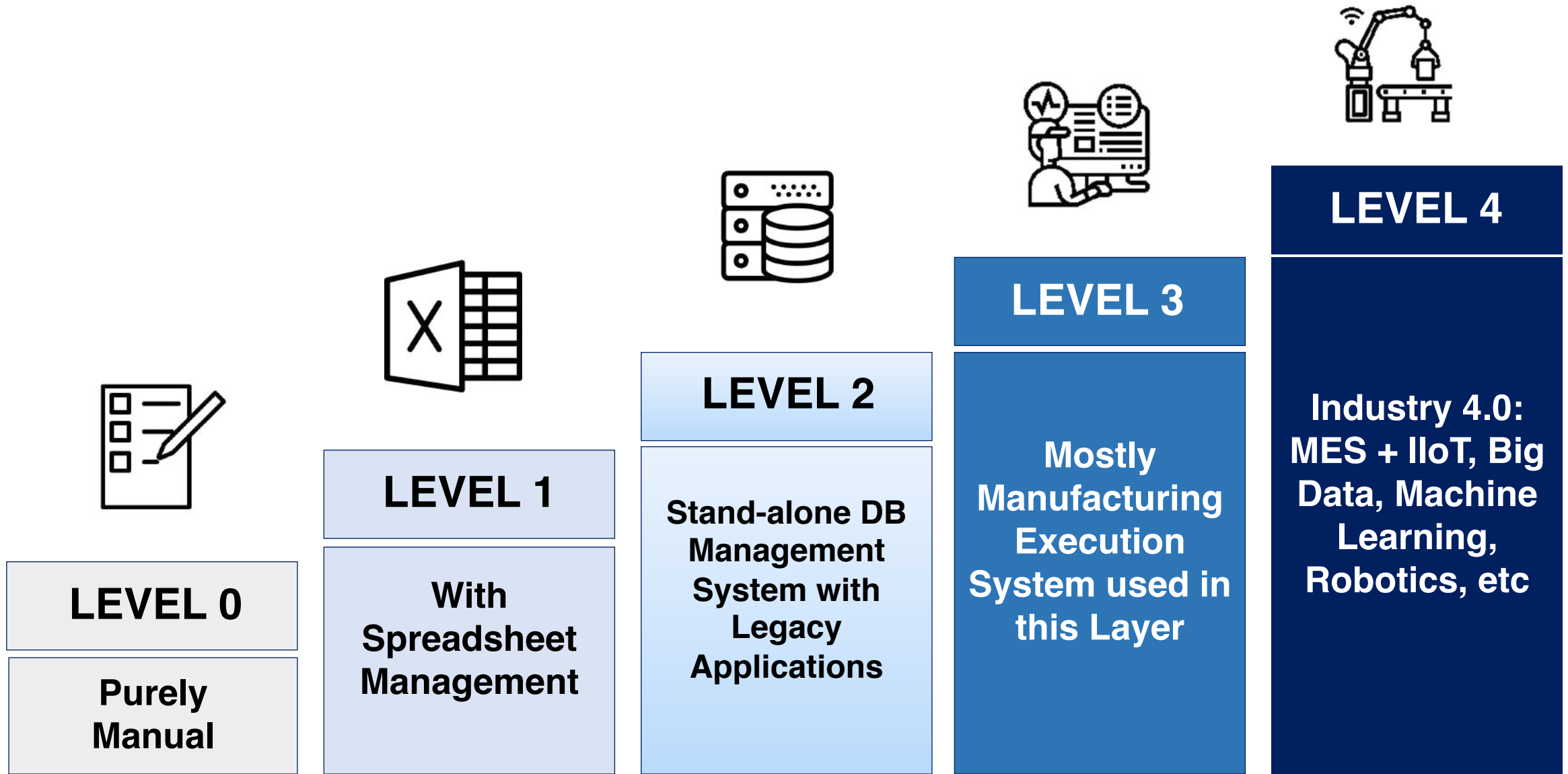
ABAC PH Digital Innovation Forum, 21 October 2020

# Smart Manufacturing Survey of Establishments

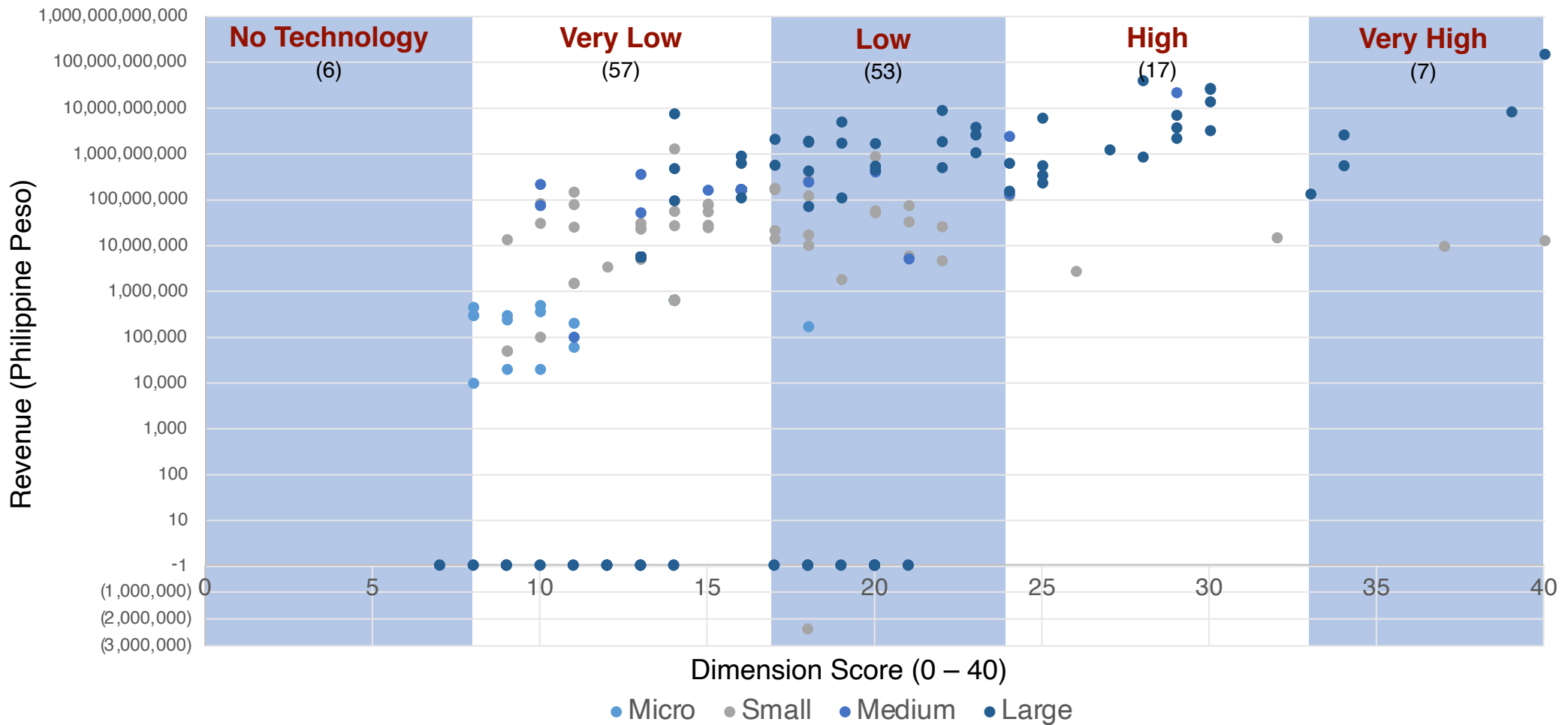
- Survey Tool developed by Manufacturing Enterprise Solutions Association ([www.mesa.org](http://www.mesa.org))
- Assess technology utilization status of manufacturing firms dimensions
- Understand where firms are in terms of Industry 4.0 preparedness



# SMART Manufacturing Maturity Index (SMMI)



# 79% of the respondents are in levels from very low to low technology utilization



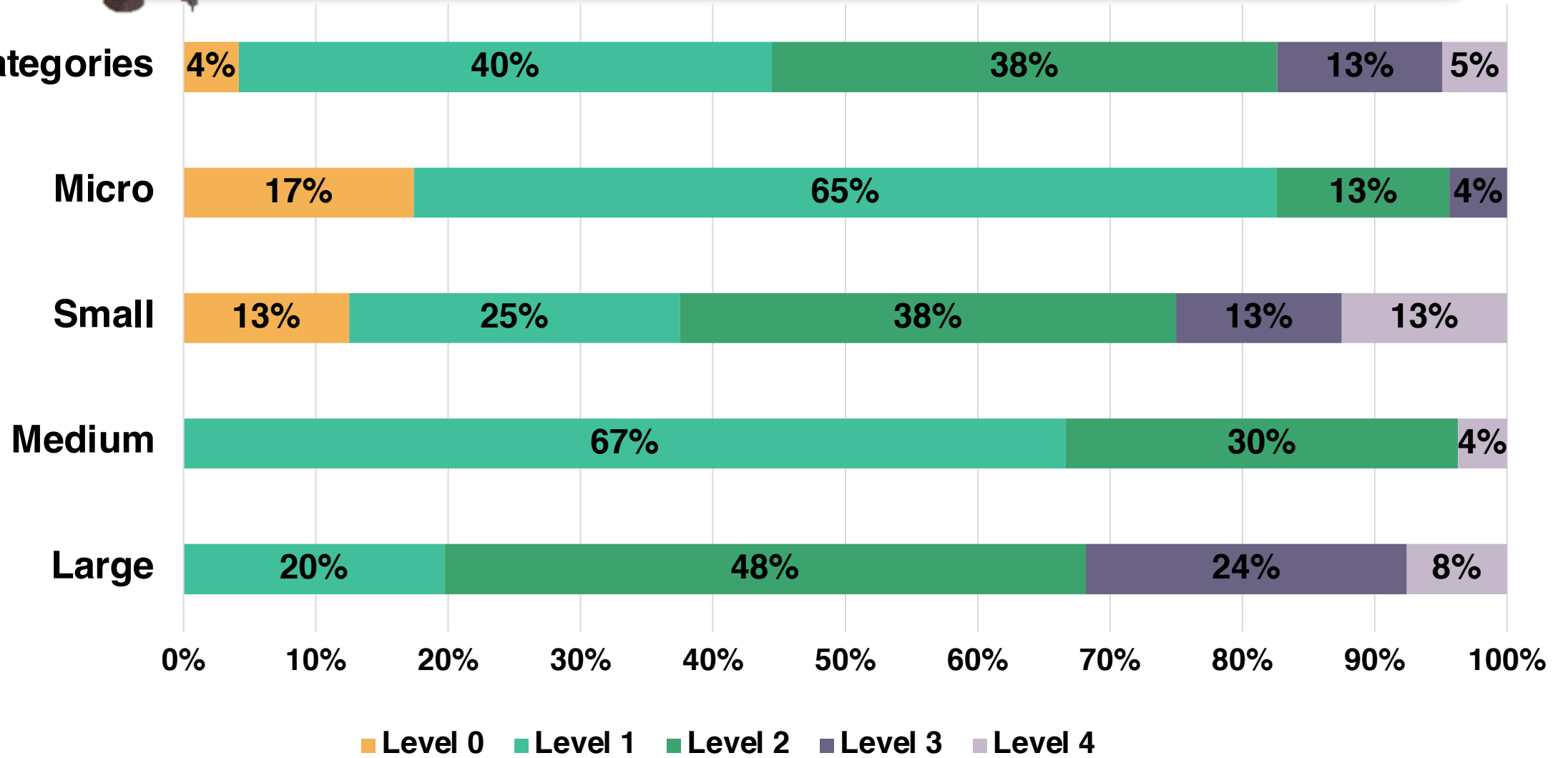
**Total Respondents: 144 Firms**

**79% or 114 respondents have Very Low or Low Technology Utilization**



## 40% of firm respondents are in Level 1, 38% in Level 2

All Categories

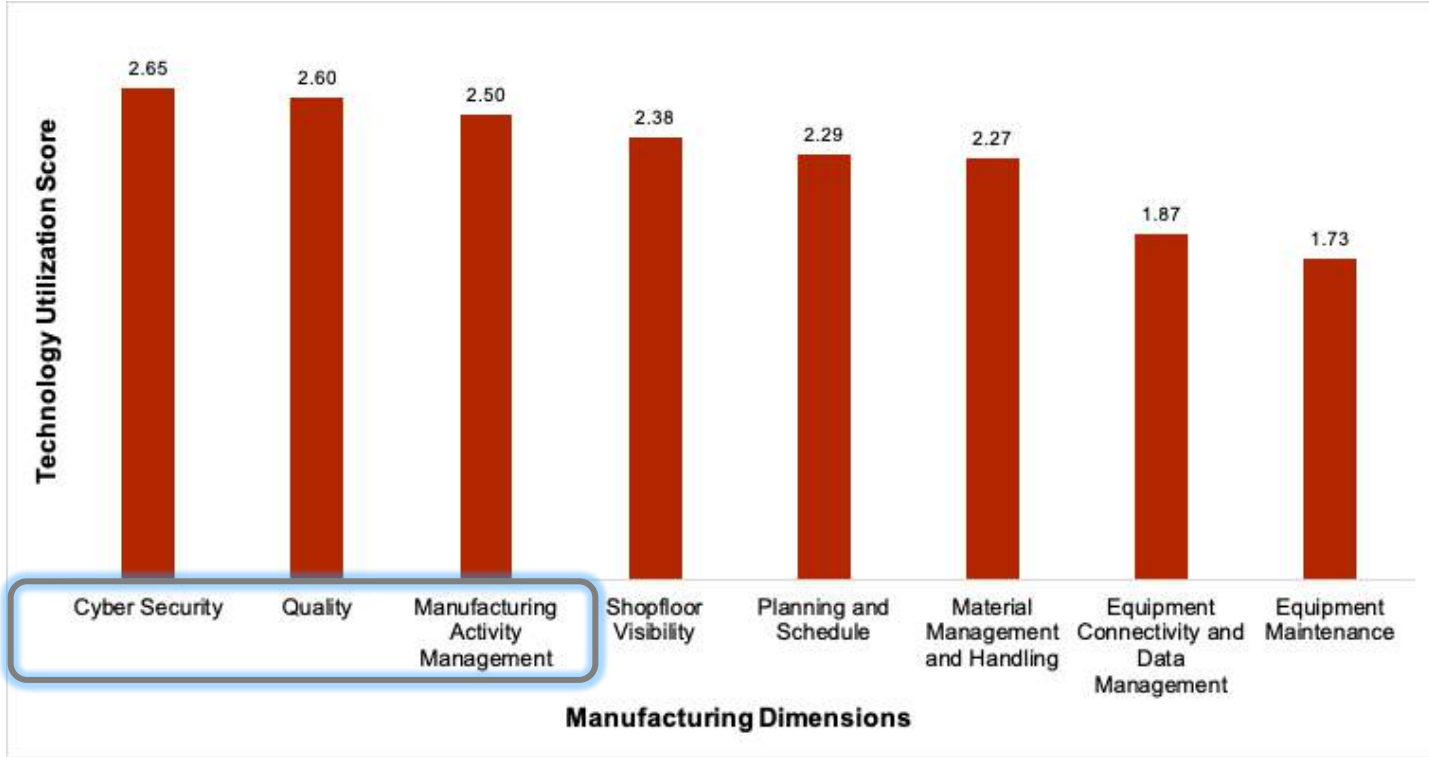




# Cybersecurity, Quality, and Manufacturing Activity Management: highest tech utilization



Business Expenses						
	Internet Service	Cell Phone Service	Location	Subscriptions	Software	Computer Hardware
1	\$86.90	\$171.96	\$45.23	\$54.90	\$114.18	\$242.10
2	\$86.90	\$171.96	\$45.23	\$54.90	\$114.18	\$214.98
3	\$86.90	\$171.96	\$45.23	\$54.90	\$114.18	\$202.19
4	\$86.90	\$171.96	\$45.23	\$54.90	\$114.18	\$216.94
5	\$174.22	\$343.92	\$90.46	\$109.80	\$228.36	\$433.82
6	\$174.22	\$343.92	\$90.46	\$109.80	\$228.36	\$419.45
7	\$174.22	\$343.92	\$90.46	\$109.80	\$228.36	\$398.31
8	\$174.22	\$343.92	\$90.46	\$109.80	\$228.36	\$369.96
9	\$174.22	\$343.92	\$90.46	\$109.80	\$228.36	\$336.24
10	\$174.22	\$343.92	\$90.46	\$109.80	\$228.36	\$302.52
11	\$174.22	\$343.92	\$90.46	\$109.80	\$228.36	\$268.80
12	\$174.22	\$343.92	\$90.46	\$109.80	\$228.36	\$235.08
13	\$174.22	\$343.92	\$90.46	\$109.80	\$228.36	\$201.36
14	\$174.22	\$343.92	\$90.46	\$109.80	\$228.36	\$167.64
15	\$174.22	\$343.92	\$90.46	\$109.80	\$228.36	\$133.92
16	\$174.22	\$343.92	\$90.46	\$109.80	\$228.36	\$100.20
17	\$174.22	\$343.92	\$90.46	\$109.80	\$228.36	\$66.48
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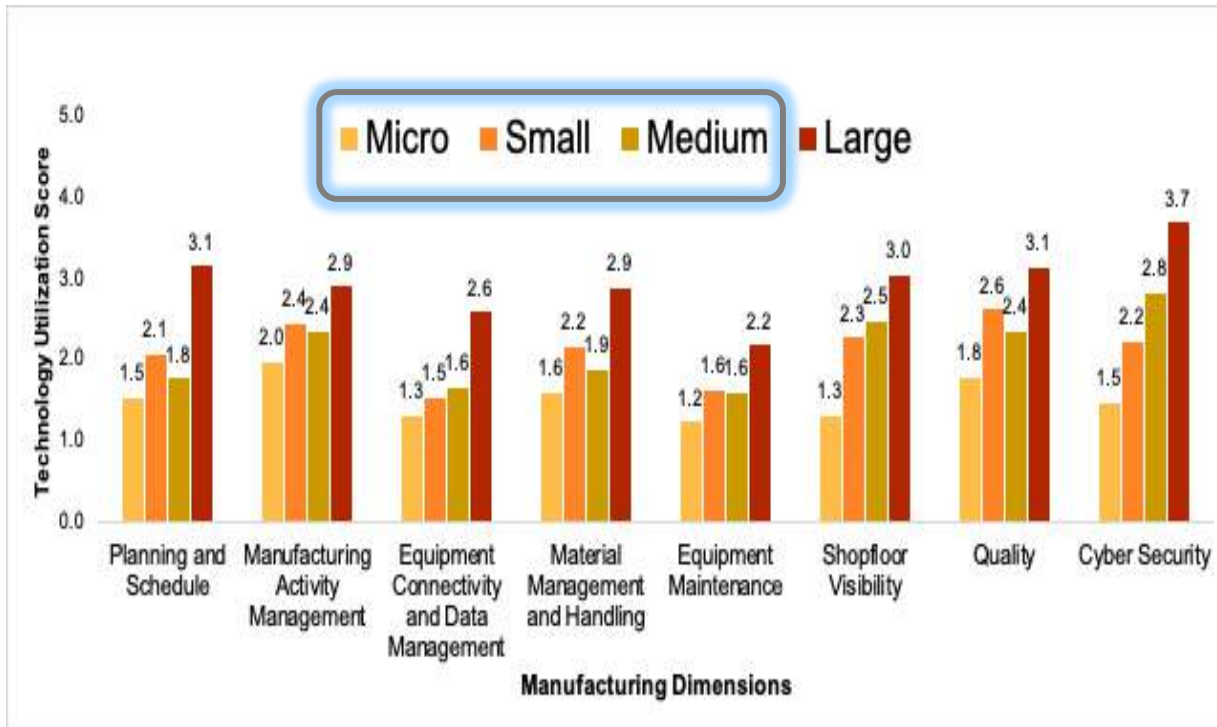
Legend: 4 (Highest) =High Technology Utilization, 0 (Lowest) =No Technology Utilization



# Large enterprises in highly urbanized areas have the highest technology utilization

Large manufacturers recorded the highest technology utilization across all manufacturing dimensions

Firms with High Technology Utilization concentrated in **NCR, Region 3, Region IVA**



Digital divide may widen existing regional economic development imbalances in the country

Legend: 4 (Highest) =High Technology Utilization, 0 (Lowest) =No Technology Utilization



# Opportunities and Challenges in Transforming to Industry 4.0 Technologies

## Primary Considerations for Shifting to Industry 4.0

77%

**micro**  
enterprises are familiar with Industry 4.0

28%

Improvement in Productivity and Competitiveness

13%

Innovation and Technology Advancement

13%

Cost of Investment & Funding

10%

Market Conditions

7%

Others

29%

Not Considering/Unfamiliar

67%

**small and medium**  
enterprises are familiar with Industry 4.0

## Barriers to Industry 4.0 Transformation

#1

Lack of financial capability

#2

Unfamiliar/Not Considering

#3

Other Company Reasons

#4

Market Conditions

#5

Lack of Skills, Knowledge, and Expertise

#6

Poor Digital Infrastructure

83%

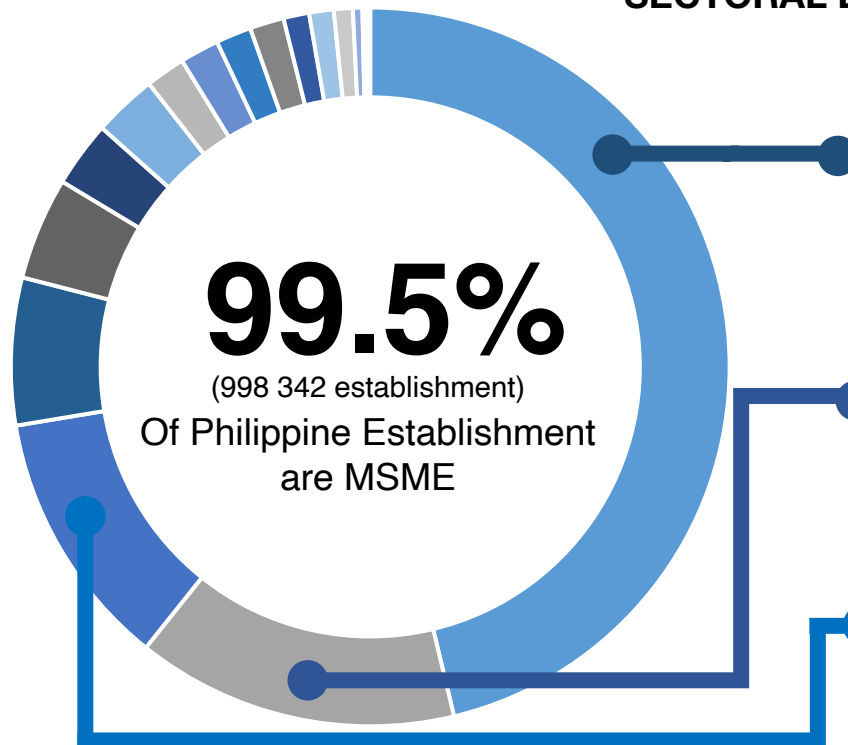
**large**  
enterprises are familiar with Industry 4.0

# The Philippine MSME Landscape

## MSME CONTRIBUTION (%)

	Micro	Small	Medium
<b>Enterprises</b>	88.5	10.6	0.5
<b>Employment</b>	28.9	27.0	7.3

## SECTORAL DISTRIBUTION



### 1 Wholesale & Retail Trade 46.3%

Establishment: 461,765 (46.3%)  
Employment: 2,040,774 (35.7%)

### 2 Accommodation & Food Service 14.5%

Establishment: 144,535 (14.5%)  
Employment: 882,455 (15.4%)

### 3 Manufacturing 11.7%

Establishment: 116,335 (11.7%)  
Employment: 767,831 (13.4%)

Source: BSMED 2018 Philippine MSME Statistics

35.7%

2018 MSME  
Contribution to  
Value Added

63.2%

2018 MSME  
Employment Share



**INDUSTRY 4.0  
ROADMAPS**



**SME ACADEMY**



**INDUSTRY 4.0  
PILOT FACTORY**



**PHILIPPINES AS AN  
AI CENTER**



**UPSKILLING &  
RESKILLING OF  
WORKFORCE**

# Securing Manufacturing Revitalization & Transformation (SMaRT)

GUIDING PRINCIPLES

Performance Based

Targeted

Time-Bound

Transparent

WHAT TO SUPPORT?

Industry 4.0 Adoption

New Business Models

Product Upgrades

Service Upgrades

Process Upgrades

SELECTION CRITERIA AND GUIDELINES

Global Value Chain Upgrading

Adoption of Industry 4.0 technologies to catalyze manufacturing growth & the economy

Commercialization of Innovation and R&D

Industrial Development in Rural Areas, new industries, clusters & activities to address supply/value chains gaps

HOW TO SUPPORT

Incentives, Vouchers, Tariffs

Other Fiscal and Non-Fiscal Support

Intellectual Property Protection

Grants

Soft Loans

Standards

Subsidies

# Innovating and Preparing for the New Normal

DTI Programs aimed at equipping MSMEs for the New Normal

## Virtual Promotions



The DTI moved to use Digital Platforms and E-Commerce Technology to amplify its Promotional Fairs sharing and responding more information to potential buyers and the public.

## Strengthening Local Businesses



“Buy Local, Go Lokal” campaign supports Philippine MSMEs by shifting buying patterns towards consumption and purchase of Philippine fresh produce and manufactured goods.

## Transforming Skills and Training

### CTRL+BIZ: REBOOT NOW!

Webinars on e-commerce to help MSMEs transform their businesses digitally.



ASEAN SME Academy aims to grow and compete regionally and internationally

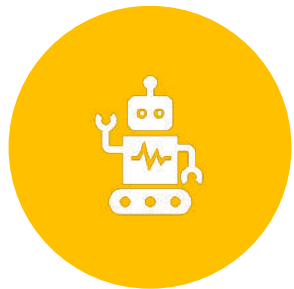
# With Industry 4.0, industries can be made more efficient & scalable, leapfrog to inclusive, resilient, & sustainable industrial development



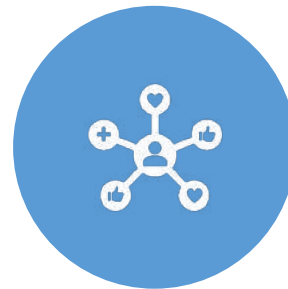
Embrace Industry 4.0 to strengthen competitiveness & sustainability of industries



Adapt programs to meet demand for talent created by Industry 4.0



Innovate, integrate into digital economy, industry clusters & global collaboration



Government-academe-industry collaboration

**As we shift towards Industry 4.0, we need to ensure that no enterprise especially MSMEs or region is left behind.**

**THANK YOU**