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INCLUSIVE INNOVATION CONGRESS 2017
31 MAY 2017, THE PENINSULA MANILA, MAKATI CITY

[Acknowledgements]

Distinguished guests, good morning!

I am pleased to see representatives from various sectors of our country here at the Inclusive Innovation Congress. Today, we shall discuss the necessary policies and mechanisms to create an inclusive innovation and entrepreneurship ecosystem in the Philippines.

By bringing in an international perspective, these discussions can provide us the momentum and inspiration on the latest innovation support ecosystem. This conference was born out of the discussion between Dr. Banatao, myself, and Dr. Fita and Dr. Perry last manufacturing summit.

I was proposing for the Department of Trade and Industry and BOI to have an R&D unit. Our vision is, to inject all these innovation on all stages of manufacturing industry, including the Micro SMEs. To us, and especially to me, the center of *Dutertenomics* is how to address the wide income disparity, the wide income gap. We've been in the advocacy for the past twelve years on Go Negosyo, promoting entrepreneurship, and the core teaching there is to inject innovation, make SMEs to think like entrepreneurs, and innovation is at the core of entrepreneurship.

How do we really level-up the kind of entrepreneurship? It should be a value-adding kind of entrepreneurship. Not the traditional trading, the sari-sari store, and simple business, but the value creation that is coming from innovation. Value-creation is where profit is, it's where the margins are when it comes to the getting profitability in business. It's not just really, *Sipag at Tiyaga*, but we have to create smarter entrepreneurs and these smarter entrepreneurs would really drive innovation; what's needed out there in the market and what are your strengths are, and if you combine them, you'll create innovation. You'll create a product that is relevant and that is market driven.

What we are trying to put here is innovation that is market driven, and innovation that is inclusive. Why? Because we wanted to create a mindset all throughout the Philippines, especially for the micro small and medium entrepreneurs to have an innovative mindset.

Only then that we can create smarter entrepreneurs who will be value creators, and that is where they get better profit for their business, and that's where we will really spread economic growth, and that is where you spread prosperity, and where you really create a vibrant economy where the bottom of the pyramid is the one being brought up.

Empowering the bottom of the pyramid, we empower the nation.

And that is the core of this conference today.

I also said yesterday that innovation is at the heart of entrepreneurship. Entrepreneurship is at the heart of the Department of Trade and Industry. Somebody even said yesterday that it should be Department of Trade and Innovation, so we are thinking of that seriously. It could be DTII, Department of Trade and Innovative Industries.

Inclusive Innovation & Entrepreneurship Ecosystem

The nature of innovation is about entrepreneurship—both social and commercial. At the heart of the innovation process is the skill to spot opportunities, even as we create new ways to take advantage of these opportunities. Innovation is driven by entrepreneurship: the mixture of vision, passion, energy, enthusiasm, insight, judgement, and plain hard work. All of these elements enable good ideas to become reality.

Traditionally, innovation is viewed as generally leading to economic growth and development. In contrast, inclusive innovation actively includes people excluded from mainstream economic growth and development.

This is also the passion of our president, to really empower the small guys, empower the oppressed. Mainstreaming those that are marginalized.

By aligning inclusive innovation with the overall goal of inclusive economic growth, we can create innovation for and/or by the marginalized sectors in society. This means innovation for those at the bottom of the pyramid, where business process innovations can potentially reduce inequality in the country.

This can be done by inserting new, micro, and small enterprises in knowledge transfer networks with universities, large firms, and other players. We also need to strengthen entrepreneurial skills while improving institutional environments for social entrepreneurship.

We, at DTI, we have about 500 Negosyo Centers by now. It's part of the *Negosyo Act*, and in these *Negosyo Centers* we have these daily seminars. Part of these entrepreneurial teachings, is teaching the "know-how".

Going back to what I have mentioned earlier, making them smarter entrepreneurs and not livelihood, people in the livelihood activity, providing breakthrough innovation in whatever they do, spotting opportunities and filling that market gap, and we are doing that nationwide.

Of course we have partners, private sector partners, PCCI, GoNegosyo and PFA, AFFI and many groups even the Federation of Filipino Chinese Chamber of Commerce. They are all saving time, teaching and mentoring. So it's like a big brother, small brother, or to put in gender equality, big sister, smaller sister kind of partnership and collaboration.

The creation of new ventures and the push for innovation in existing micro, small, and medium enterprises (MSMEs) are critical parts of an inclusive innovation process. This should be the central focus in government strategies to promote inclusive innovation and entrepreneurship.

More importantly, new firms and innovative MSMEs are agents of change in the economy as they introduce new products and services.

Inclusive Innovation & Entrepreneurship-led Growth

Innovation and entrepreneurship are essential for survival and growth. These two are needed by all organizations at all stages in their lifecycle.

In fact, this is true; innovation not only needed by the Micro SMEs, but is needed also by large enterprises. It's a never ending innovation especially for the large enterprises, otherwise smaller guys would take over, so you really have to be in the forefront of innovation.

Innovation can also offer new ways of serving established and mature markets. For example, we have low-cost airlines that have revolutionized air travel and grown the market in the process. There are advances done with online banking. In retail, we have companies like Zara and Uniqlo, Zalora and Metrodeal and other online things.

There are these new business models, Uber, Grab, Airbnb and so on and so forth.

The purpose of innovation is to create value, whether expressed in financial terms, employment or growth, sustainability, or improvement of social welfare.

Select Country Experiences, Role Models, & Lessons

We can learn a lot from the major innovation policies and programs of other countries.

Taiwan

Taiwan's Small and Medium Enterprise Administration (SMEA) and Ministry of Economic Affairs (MOEA) have launched various guidance measures, while also offering funding sources for innovative R&D. This is to promote their SME's R&D enhancement and technology upgrade. SMEA of Taiwan works with different sectors to implement the government's incubation center policy. These incubation centers would provide office space, access to equipment, R&D technology, help in finding funding, business services, and management consulting.

The Ministry of Economic Affairs has established five incubation centers through direct investment since 2002. These centers offer technology support and services in consultancy, resource sharing, brand marketing, business matching for startups and

SMEs to help them transform, enhance their R&D abilities, and boost their international presence.

Taiwan also has the Emerging Industries Accelerator Program, which focuses on cloud computing, information communication technology (ICT), biomedicine, precision machinery, green energy, and cultural and creative industries.

Both accelerator and incubator programs help firms grow by providing guidance and mentorship, through holistic business advisory services adjusted to fit SMEs.

As of 2016, the major emerging industries are Cloud, IoT, Digital Content, Bio-Medicine, Green Energy, and Precision Electronics. To account for these, Taiwan launched major innovative industries to promote IoT applications: Green Energy Technology, National Defense, Asian Silicon Valley, Biomedical Industry, and Smart Manufacturing.

Malaysia, Singapore

In Malaysia, the Agensi Inovasi Malaysia (AIM) is the government agency mandated to drive innovation, embodying certain approaches to innovation, including adopting industry-academe collaboration, transforming strategic sectors, cultivating a thinking culture and catalyzing commercialization.

Meanwhile, Singapore's *Smart Nation 2025* carries vision to become the world's first Smart nation in the IoT era. It is built around the focal areas: Connect, Collect, Comprehend. For example, Big Data is collected and shared through nationwide sensors using a national ICT infrastructure that is safe, high-speed, economical, and scalable. This technology allows people to use the collected data to anticipate the needs to improve the needs and improve city services.

- Through their *Productivity & Innovation Credit Scheme*, business entities registered in Singapore can enjoy 400% tax deductions/allowances and/or 60% cash payments for investment in innovation & productivity improvements.
- Through their *Piloting New Sector Solutions*, high potential SMEs can receive support up to 80% capped at US\$1M per SME for piloting new and emerging ICT solution.
- Through *Accreditation @IDA (Information & Infocomm Development Authority)*, accredited SMEs will open more opportunities for their products and solutions to be showcased and eventually bought.
- Through *Partnership & Cooperation between SMEs and Large Enterprises* like the SPRING (Standards, Productivity and Innovation) Board and Advisory Group, they can work with Intel, Microsoft, and other companies to help SMEs in pursuing IoT opportunities.

Korea

Korea is focusing on 4 IoT strategies to develop their industries:

- *Increase collaboration among players in the ecosystem* - Government will collaborate with global businesses, large businesses, and communication service providers to develop an open platform where businesses can participate and further cooperate in developing IoT products and services.
- *Promote open innovation* - Anyone can develop and provide services using an open platform. In an open innovation system, ideas are developed into services and this creates an environment where the potential of each individual can be maximized.
- *Develop & expand services targeted toward the global market* - Government will develop products and services in cooperation with global businesses, while developing partnerships wherein both can enter the global market together.
- *Develop customized strategies for large businesses, SMEs, & start-ups.*

Chile

I understand this is where Dr. Banatao is involved, and that is the reason he is helping us also. He will help the Chilean ecosystem to try the innovation ecosystem, because his real intention is he will try to replicate it here in the Philippines. And I think that it is starting to happen.

Chile's Chilecon Valley happened after the Chilean government asked themselves, "What would happen if they bring the best and brightest entrepreneurs from all around the globe and insert them into the local ecosystem?"

An entirely government-funded initiative helped revitalize the economy of Santiago by attracting new tech startups. Dubbed "Chilecon Valley," their goal was to position Chile as an innovation and entrepreneurship hub of South America.

Since its launch in 2010, Chile has spent over US\$40 million on 1,300 budding businesses from almost 80 countries. According to the Brookings Institute, this has generated roughly 1,600 jobs in Chile and benefited some 200,000 Chileans.

Chilecon Valley is widely recognized as a success in nurturing a culture of entrepreneurship where there was once none.

What we can learn

Here are the major lessons we can derive from the efforts of these governments.

- Government is instrumental as it ensures an enabling environment for innovation and encourages entrepreneurship. It also needs to address gaps in supply chains and market inefficiencies towards increased productivity and enhanced market competition.

- Private sector remains the engine of innovative growth and entrepreneurship. We also need to remember that minds are more important than money.
- Coordination and collaboration between and among stakeholders—the government, the various industries, and the academe—is crucial to sustain innovation.
- Collaboration between universities and industries are critical for skills development, generation, acquisition, and adoption of knowledge, as well as promotion of entrepreneurship.
- Benefits of university-industry linkages mean we can help coordinate R&D agendas and avoid duplications. We can also stimulate additional private R&D investment, as well as exploit synergies and complementarities of scientific and technological capabilities.

Innovation-centered PH Industrial Strategy

By creating an innovation-centered Philippine Industrial Strategy, we can ensure the momentum of our ongoing economic resurgence.

The Philippines' economic performance has been spectacular despite the aura of global uncertainty. For 2016, the Philippines grew by 6.8%, quite high compared to other countries, and more importantly, it is backed up by a strong manufacturing sector; 8% growth, and as of the first quarter of this year, about 7.5%. It is now manufacturing driven. On the expenditure side, it is now investment driven. The growth is coming from investments, over 26% growth, compared to what we have before which is usually consumption driven.

Currently, the Philippines has entered a new growth trajectory—and for this growth to be sustainable and inclusive, we have been implementing a new industrial policy that aims to grow and develop globally competitive and innovative industries.

This new industrial policy is global value chain (GVC) -focused and adopts a regional industrial cluster approach to develop the economies of different regions of the country.

Innovation is one of the key strategies here—along with intensive investment promotion, increased infrastructure spending, and reduced cost of doing business. We are also applying a more aggressive trade policy, focusing on MSME development, and closing the gaps in the supply and value chains of industries.

Developing PH Innovation Programs

The Philippine government has been implementing a number of measures to actively promote innovation in the country. While challenges remain in the innovation efforts, the Department of Trade and Industry (DTI) plans to address such challenges through the following:

As mentioned by Undersecretary Peri Rodolfo, the BOI has included projects in the IDP or innovation driven projects:

- Through the Board of Investment (BOI) Investment Priorities Plan, we will continue to provide incentives for R&D in manufacturing and other innovative economic activities.
- SlingShot Philippines was launched in 2015, a government-initiated platform spearheaded by DTI with support from DOST and key industry stakeholders. This platform brings together young minds with big ideas, innovators in pursuit of new things to benefit the community, supportive investors to fund startup ideas, and policymakers to provide the enabling business environment.
 - The key outcome of Slingshot is a shared work program among ecosystem players on how to transform the digital space into a creative mecca for technopreneurs, innovators, and investors.
- Through the QBO Innovation Hub, DTI & Ideospace Foundation signed a Memorandum of Understanding (MOU) last August 2016 for the establishment of an innovation hub for startups and innovation entrepreneurs. This hub aims to provide a platform to boost collaboration within the startup community, private sector, the academe and the government. This would also encourage MSMEs to collaborate and explore opportunities that disruptive technologies can offer.

Conclusion

At the end of the day, we would like to create an innovative culture among MSMEs. Innovation is a great equalizer for the MSMEs, it is also the source for having a differentiated product. As you would know, having a differentiated product, you innovate or die you differentiate or die. All Entrepreneurs are asked to find their unique selling proposition. As mentioned earlier, innovation increases the value endeavor.

We are aware of the need to strengthen the coordination of all these innovation initiatives, and efforts to avoid duplication to maximize government's limited resources.

DTI and DOST will sign a Memorandum of Understanding (MOU) to strengthen collaboration and leadership in building inclusive innovation and entrepreneurship in the country. We will also cooperate to bring together industry, academe, and other government agencies like CHED, DICT, and other stakeholders in the formulation, implementation, and monitoring of the Inclusive Innovation Roadmap.

This Roadmap will lay down the vision, goals, targets, priorities, and strategies to be implemented jointly by DTI and DOST in the next five to 10 years. Actually what we have in mind is creating an ecosystem beyond DTI and DOST, it really should involve the other units in government, the private sector, association and as I learned also from Dr. Dado in the ecosystem, there is an *primus inter pares* kind of ecosystem, which would be a sole champion of that innovation ecosystem. It is something that we could develop and it could be a some kind of a Prime Minister, Executive Secretary or a Superpower Type of

NEDA that could really encourage and have a collaborative, have a ecosystem. It could also be the DTI, but I would not be the chairman, I would just glad to be a supporter. Maybe we could invite Secretary Greg and Secretary Che to be part of that.

Today's discussions will be an important step to deepen and sustain the ongoing process to create an innovation ecosystem and foster inclusive innovation and entrepreneurship in the country. It will cover a wide range of interesting topics that would serve as vital inputs in the formulation of our Innovation Roadmap.

We are also confident that today's discussions will highlight the demonstrated capacity of the Filipino in terms of creativity, talent, and hard work to be innovative and entrepreneurial. We would like to underline the need for proper coordination and collaboration between and among government, industry, academe and other stakeholders to build this inclusive innovation and entrepreneurship ecosystem.

Doing this would support our goal of creating globally competitive and innovative industries, attract investments, create more and better jobs, and generate shared prosperity for all that our President needs to achieve.

Thank you, Sulong Pilipinas!