Overview

The Philippines are an archipelago of 7,107 islands in South East Asia. It is the 7th most populous country in Asia, with a population growing at a rate of nearly 2%. An additional 11 million Filipinos work overseas and remit USD 1.6 billion per month back into the domestic economy.

President Noynoy Aquino has vowed to return the Philippines to a “straight path” after winning the 2010 elections on the platform of “no corruption, no poverty”. Doing business in the Philippines is still not “easy”, as indicated by a low and further decreasing ranking (148/183) in the ease of doing business survey, despite improving macro-economic indicators and business climate. The informal economy still makes up half of the total economic activity.

Although the Philippines experienced consistent economic growth during the last decade, this growth was not all-inclusive: The number of people below the poverty line has increased during that period. Poverty is most prevalent in rural areas, and reaches up to 60% in the southern region of Mindanao.

The geographic nature of the archipelago and the concentration of economic activity in the capital region make distribution to people living in poverty a major challenge and leads to a considerable poverty penalty in rural areas.

Although urban areas, including many informal settlements, are fully electrified, only 60% of the rural population has access to energy. Donor-driven programs to provide solar energy in these areas had only very limited effect.

The provision of clean water is yet another challenge, and 15% of the population without access. Large water utilities now reach people in urban slums, but sustainable models for rural areas are still lacking.

A thriving and well-regulated microfinance industry has increased access to finance for more than 5.5 million clients. The mobile phone industry is another thriving industry, with a penetration rate of nearly 80%. The Philippines is world champion in sending text messages, with over 1 billion short messages sent per day.

The Philippine business community is moving from a traditional foundation-based CSR model to inclusive business models. Substantial socio-economic challenges provide vast room for improvement. This, plus a growing population, provide ample opportunities for businesses. Still, inclusive market approaches are just emerging and originate mostly from the vast NGO community (300,000 NGOs), social entrepreneurs and large corporations that engage people at the BoP as consumers, producers and entrepreneurs.

Market Data

Population 101.8 million (2011)
Population living in extreme poverty (< $1.25/day) 21.99% (2006)
Population living at the BoP (< $3,000/year) 93.43% (2006)
GDP (nominal) $188.7 billion
GDP growth (2010) 7.6%
GDP / per capita $3,500
Unemployment rate 7.3%
HDI ranking (2011) 100 / 172
CPI ranking 134 / 178

(All data for 2009 unless otherwise noted / all $ in purchasing power parity)
When the Philippines gained independence in 1946 after nearly 400 years of Spanish and 50 years of US colonization, it was economically ranked second in Asia. Since then it has consistently fallen behind its neighbours. The new administration, elected in 2010, promises to improve the situation and achieve more inclusive growth.

Which sectors currently offer the greatest opportunities?

In general the Philippines has great potential in retail, agri-business, IT and mobile industry, Business Process Outsourcing, creative industries and tourism. The BoP, as a distinct market opportunity, is still largely untapped, apart from mobile and financial services. Therefore BoP sectors of water, housing, health and energy offer good opportunities.

Is the support by the government likely to change?

The new administration only came to power only recently, in 2010, and will remain in office until 2016, so “aquinomics”, economic policies based on good governance, should continue. It is based on four pillars: (1) achieving fiscal sustainability and macro-economic stability, (2) reducing the infrastructure gap, (3) increasing competitiveness by reducing cost of doing business and (4) investing in people. However, specific support for social and BoP enterprises are currently not on the agenda.

What are future risks?

Natural disasters and climate change are risks to the economy and the people especially in the rural areas and the islands.

SMART is the largest mobile phone operator in the Philippines and at the forefront of technical innovation to reach the BoP e-load, for example, is a pre-paid system based on loading up pre-paid accounts via text message and works with thousands of micro-retailers. Building on this experience, SMARTmoney was launched in 2003, as the first electronic wallet linked to a mobile phone. Its use has spread to banking, retailing and remittances. SMART is now bringing more mobile phone applications onto its network, such as tele-health.

GawadKalinga (GK) is an NGO which has built over 1,800 housing communities by effectively partnering with corporate CSR initiatives and donors. Recently, GK started the Center for Social Innovation providing a platform for social entrepreneurs.

Hapinoy is a social enterprise which has built an inclusive retail distribution network reaching the BoP by aggregating 5,000 small informal convenience stores. Hapinoy established the supply chain and reduced cost by connecting directly with the fast moving consumer goods manufacturers. It also provides training and financing through its partner MFIs.

Jollybee is the largest fast food chain in the Philippines. Its program “Bridging Farmers to the JFC Supply Chain” engages small-holder farmers in the production of onions. With support from NGOs and logistics partners, the farmers have become part of the regular supply chain. Onions now bring income in addition to their main corn farming activities.

Directory

Literature & web sites

- CSR WeltWeit Philippines Profile | www.csr-weltweit.de/laenderprofile/profil/philippinen/
- Inquirer Daily Newspaper | www.inquirer.net/

Contacts & support

- Asian Social Enterprise Incubator Incubation and consulting services for social enterprises and corporations engaged at the BoP | https://www.facebook.com/ASEIinc
- Philippines Business for Social Progress Business network promoting corporate citizenship as a model for poverty alleviation | www.pbsp.org.ph
- ABS CBN Bayan, a social and enterprise development institution dedicated to building the nation from below through entrepreneurship, education, and community development and rehabilitation | www.abs-cbnbayanfoundation.com

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