



Excellencies, delegates and partners of ASEAN-Business Advisory Council, fellow workers in government, honored guests, ladies and gentlemen. Magandang umaga po sa inyong lahat.

The Business Advisory Council gathering, this morning, with this year's agenda, is an event where those in power are being asked to focus on the powerless, specifically micro- to small- to medium-scale entrepreneurs—a hopeful sign that we are willing to do what's necessary to change the future of our region, if not the world. Today, senior policy makers are joining the conversation, heads of state of the different ASEAN countries, big names from the development community, and businessmen of every industry. My hopes are high that what we will discuss today will truly change lives—especially among the last, the least, and the lost.

Throughout the world's history, nations run by those who were politically and economically powerful, gravitated towards policies that kept the status quo. They created institutions that were usually extractive, rather than inclusive, so that they could remain in power. In a widely acclaimed book, the authors pointed out that this might be the reason why—as the title suggests—nations fail.

For many years, many thought letting income inequality continue was all right. But the voiceless and powerless are now raring to be heard. And with technology and social media, their frustrations are being felt on a global scale. They are rejecting globalization, democracy, traditional media, economic blocs—things we never thought would be questioned during our time. We woke up one day to find that social media could give rise to massive global power shifts, upending long-held beliefs about how nations should be run. It is about time for all of us to be honest about where we failed in the past, and radically change our strategies moving forward.

This is why putting the welfare of MSMEs at the center of ASEAN's agenda—essentially inclusive growth—is THE challenge of our time. There is only good that can come out of deepening the conversation on how to create prosperity for all, not just a select few.

The questions we need to ask ourselves in addressing the issue of inclusivity require deep thought: How do we restructure our institutions to create inclusive growth? How do we encourage the business sector to come up with inclusive business models? Businessmen are trained to think big to survive and grow. If we are to make our political and economic systems create prosperity for all, do we now need to “think small?”

These do not mean that we don't put as much importance on macroeconomic fundamentals. We are fortunate that our region has learned much from the economic crises of the past. ASEAN nations emerged from the 1997 financial contagion with stronger monetary policies and better coordination mechanisms within our region. As a result, our economies became very resilient even during the 2008 global crisis, and now, we are truly moving towards becoming one big economic bloc. With a population of 650 million, bigger than the European Union, and a very



young demographic, we seem to be on our way to becoming the fourth-largest economy by 2050.

But the problem is that prosperity has not trickled down. While the number of Asian billionaires are growing, ASEAN is still home to many of the world's poor. Small businesses are not graduating into big ones on a scale that can move the needle enough to change our future. And even MSMEs have not completely solved the problem of inclusivity; some small businessmen are middlemen who take advantage of the lack of knowledge of farmers and fisherfolk. If we wait for growth to trickle down in this difficult environment, the rate by which poverty is growing will outpace us. Therefore, we all need to do more and act fast. But how?

Allow me to tackle creating inclusive business environments first. The usual conditions need to be present: transparent and accountable governments, progressive taxation, level playing fields, and open markets. But we need to focus on certain industries that have direct impact on the poor, and one of these is agriculture.

The plight of farmers is close to my heart. I spent a large part of my career lawyering for them. I have seen with my own eyes how farmers are constrained by the following—lack of land, poor conditions for labor, no access to capital, and failure to access markets.

When I was still in Congress, the World Food Program chose my district as a pilot for the Zero Hunger Program. This program was patterned after the Brazil model, which was so successful it put Brazil out of the global hunger map. At the start, we discovered that only organized farmer groups can get access to government programs. But the poorest farmers in our district were those who did not belong to any particular group because they did not have money to pay for membership dues. As a result, assistance was given to farmers who were not the poorest. So, what we did was to make sure they would have access to financing for membership fees and accreditation. Only then were they able to get help from the government.

Then, we saw that although there were enough technical programs to help improve crop yield and market products, but there were few opportunities to link to markets directly. The middlemen were raking in the profits, but farmers who were working from sun-up to sun-down were hardly getting anything. So we entered into a Memorandum of Agreement with the Department of Social Welfare and Development for these farmers to supply their feeding programs for schoolchildren. DSWD agreed to buy 30% of their needs from these poor farmers. We are happy to note that a year after the program was implemented, the farmers' incomes have already grown by leaps and bounds.

There are several lessons to be learned from this practice: One, convergence is critical. Poverty and support for small entrepreneurs are complex problems and require multi-faceted solutions. The second lesson is that innovation and financing are very important components of turning farmers into wealthy entrepreneurs.



The private sector is also getting involved in initiatives that promote inclusive growth. Jollibee, a Philippine corporation, has partnered with the farmers of San Jose City in Nueva Ecija, a province north of Manila. They provided financial and technical assistance, for growing onions, and when these showed results, they sourced all their onions from these farmers rather than import them, which they used to do. I believe Jollibee is expanding the partnership to other crops now, providing even more opportunities for our farmers to improve their lives.

We are also trying to replicate this model in other towns and villages that the Office of the Vice President has adopted as part of our anti-poverty program, like the farmers from the coastal towns of Alabat, Quezon that produce coco sugar, and the coffee and cocoa farmers in Tampacan, South Cotabato. Just yesterday, I was in Cabanatuan City to visit our calamansi farmers there and introduce them to potential partners who can help them.

Let me point out that these are not dole outs or charitable activities. Partnerships like these should be profitable if they are to be sustainable—and they are. On top of being profitable, these partnerships also solve big business' supply chain problems. No wonder big businesses like Kenemer Foods, Unilever, Nestle and San Miguel are already looking into adopting the same model.

We also envision all these initiatives to be rolled out through a process of convergence, not in silos. Convergence must happen on at least two levels: within our governments, and among governments of ASEAN nations. The role of the state is to facilitate convergence and communication, encourage technology and innovation, and create financing mechanisms, so that our MSMEs can survive cut-throat competition.

At the Office of the Vice President, we are passionate about inclusive growth because to us, the poor should be more than just statistics. After we assumed office 9 months ago, my small team and I spend a few days of every week visiting the farthest and the poorest villages in our country. There we saw places like Agutaya, where the closest hospital is a 10-hour boat ride away. Many children were stunted, a condition caused by malnutrition and irreversible after the first 1,000 days.

There is also Siayan in Zamboanga del Norte, at the southernmost tip of the Philippines, which for several years had a 97.5% poverty incidence level. The people in Siayan could hardly eat three meals a day. But then a progressive mayor was elected and soon enough, the development of the municipality gained momentum. Bridges and roads were built, and livelihood and entrepreneurial programs were offered to residents.

I believe that unless progress reaches the farthest, poorest barangays, our job is not yet done. And the beauty of this, is that it takes very little to make them happy. So as we go back to our drawing boards to think about coming up with inclusive business models, or how to rethink our structures and institutions, let us all remember that the final scorecard is what happens to the last, the least, and the lost. Prosperity for all and inclusive growth will heal our conflicted world.

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Thank you very much. Good morning once again to everyone.