



DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES
KAGAWARAN NG KAPALIGIRAN AT LIKAS YAMAN

MEMORANDUM

FOR : **The Directors**
Forest Management Bureau
Environmental Management Bureau
Biodiversity Management Bureau

FROM : **The OIC Director**
Policy and Planning Service

SUBJECT : **REQUEST FOR ADDITIONAL INPUTS ON THE ASEAN SME
POLICY INDEX (ASPI) 2024**

DATE : **19 SEP 2023**

This has reference to the letter from the Department of Trade and Industry – Regional Operations Group dated 15 September 2023, requesting additional information related to the ASEAN SME Policy Index (ASPI) 2024.

It may be recalled that on 17 April 2023, the Department submitted inputs to the study regarding ASPI 2024. Relatedly, on 12-13 September 2023, the DTI-Bureau of Small and Medium Enterprise Development (BSMED), together with the Philippine Institute for Development Studies (PIDS), Economic Research Institute for ASEAN and East Asia (ERIA) and the Organisation for Economic Cooperation and Development (OECD), conducted the National Validation Workshop to present the findings, resolve gaps and differences, and assess the initial results on the study conducted, particularly the existing policies and plans that help micro, small, and medium enterprises (MSMEs) in the Philippines.

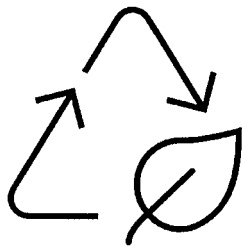
In this regard, we would like to seek your additional inputs/comments on the attached assessment grid and address the questions raised by OECD and ERIA (attached as **Annex A**) on Dimension 2: Environmental Policies and SMEs, specifically **sub-dimensions 2.1 Environmental Policies Targeting SMEs and 2.2 Incentives and instruments for greening SMEs operations.**

Moreover, to further discuss the result and the Department's inputs, we would like to invite you or your designated representative to a virtual meeting on **20 September 2023, at 1:30 PM.** Likewise, we would welcome an advance copy of your inputs and confirmation furnished to our email addresses: psddivision@gmail.com and/or policy@denr.gov.ph, on or before **19 September 2023, end of business.** For reference, please see the Zoom Meeting details below:

Meeting ID: 469 574 5952

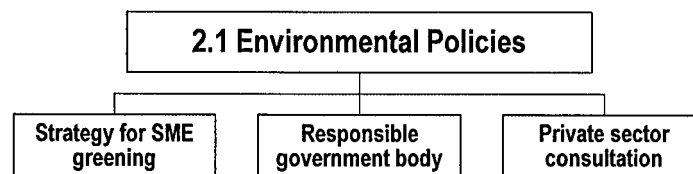
For your preferential action, please.


CHERYL LOISE T. LEAL



Dimension 2: Environmental Policies & SMEs

Dimension 2.1: Environmental Policies



FINDINGS

Planning and design

- The following strategies include environmental policies for SMEs: Philippine Development Plan 2017-2022 and 2023-2028; MSMED Plan 2017-2022; Investment Priorities Plan 2017; National Climate Change Action Plan 2011-2028; and National Framework for Physical Planning 2001-2030.
- No SME specific strategy is being implemented by the DENR's Environmental Management Bureau (EMB), but SMEs are included while regulating industrial and commercial establishments through several environmental policies.
- DTI and DENR are responsible for providing environmental advice and guidance.
- Formal consultations take place between the public and the private sector, and there is an active network of public-private stakeholders.

Implementation

- Certain budget is available under the Philippine Environmental Partnership Program (PEPP). Otherwise, DENT does not allocate budget for SME-specific action plan.
- DENR's Environmental Management Bureau (EMB) is responsible for providing environmental guidance to SMEs.

Monitoring and evaluation

- DENR, through its EMB, conducts monitoring across industrial and commercial stakeholders.
- SMEs can be covered under the ECONA (Environmental Consent Agreement) which can allow the implementation of Environmental Management System Audit, a systematic and documented verification process of objectively obtaining and evaluating an organisation's compliance of environmental requirements.

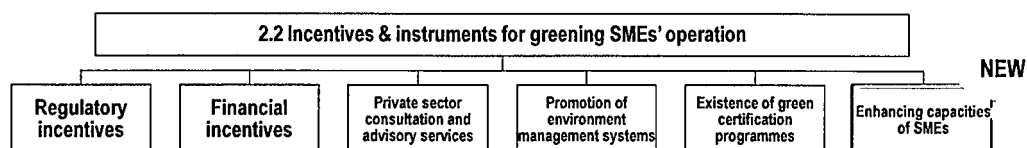
Dimension 2.1: Environmental Policies

QUESTIONS

- Is there any plan to develop a MSME specific strategy?
- Could you please provide concrete information regarding budget mobilisation?
- Are there any plans for better harmonisation and coordination of programs and projects between governmental agencies?
- Are there any independent evaluations in place?

**for specific questions, please consult the Assessment Grid*

Dimension 2.2: Incentives & instruments for greening SMEs' operations



FINDINGS

Planning and design

- DENR developed and promotes the following programs for supporting industrial compliance: Philippine Environmental Partnership Program (PEPP); Industrial EcoWatch Program.
- DENR's EMB provides support schemes and financial incentives to SMEs which exhibit above environmental performance. However, currently no SMEs have applied yet.
- The Philippines Green Jobs Act mandates providing incentives to business enterprises, including MSMEs, to generate and sustain green jobs.
- DTI's Green Economic Development (GED) aims to increase competitiveness of MSMEs by guiding them in implementing environment-friendly, climate-smart, and inclusive strategies to produce green products and services.
- DTI conducted a series of formal and informal consultations with relevant stakeholders in the private sector and academia. Green financing events were also organised.

Implementation

- No reports about the latest activities and accomplishments of the aforementioned programs. Last Accomplishment report was in 2021.
- DENR's 'Revised Guidelines for Pollution Control Officer Accreditation' provides guidance for business compliance with environmental policies through the designation of PCOs.
- The Climate Change Commission (CCC), in partnership with the ILO conducted several consultations with industry representatives and business associations to develop Green Jobs Assessment and Certification System.
- The Philippines Sustainable Finance Roadmap and the Sustainable Finance Framework focus on provision of green, social and sustainability bonds.

Monitoring and evaluation

- DTI's regional offices monitor and evaluate progress of Shared Service Facility (SSF) program.
- The CREATE law mandates DOF to regularly evaluate and assess outcomes and impact of incentives granted to businesses/industries.

Dimension 2.2: Incentives & instruments for greening SMEs' operations

QUESTIONS

- Could you provide more information on the availability of benefits and environmental management systems for the SMEs?
- Could you please provide information on the support mechanisms during the COVID-19 pandemic?
- Are there any awareness raising initiatives in place?
- Could you please provide more information on monitoring and evaluation?
- Are there any channels for government authorities to receive feedback from SMEs on incentives?

**for specific questions, please consult the Assessment Grid*

Dimension 2: Score Prediction 2024

SUB-DIMENSION	SCORE 2013
2.1 Environmental policies targeting SMEs	4.03
2.2 Incentives and instruments for greening SMEs operations	3.32
Dimension 2 Total Score:	3.75

*Imp – Implementation

*M&E – Monitoring and Evaluation

Sub-dimension 2.1: ENVIRONMENTAL POLICIES TARGETING SMEs10

THEMATIC BLOCK 1: PLANNING & DESIGN		Answers		Evidence / Links	Country Comments
2.1.t1q1	Are environmental policies for SMEs included in any of the government strategies (e.g. SME strategy or environmental strategy)?	Yes	<p>Philippine Development Plan 2017-2022 and PDP 2023-2028 http://pdp.neda.gov.ph/wp-content/uploads/2017/01/PDP-2017-2022-05-11-2017.pdf</p> <p>MSMED Plan 2011-2016 http://dti.gov.ph/businesses/msmes/msme-resources/msmed-plan</p> <p>MSMED Plan 2017-2022 (for finalization and approval) – THEME 4: Technology and Innovation 2017 Investment Priorities Plan - (Section: 9 Environment or Climate Change-Related Projects) http://www.boi.gov.ph/files/IPP%202017.pdf</p> <p>National Climate Change Action Plan 2011-2028 (Chapter 5) https://drive.google.com/file/d/0B35ePJ5EJR1GUEotajFxFV9XRDA/view</p> <p>National Framework for Physical Planning (NFPP) 2001-2030 http://www.neda.gov.ph/wp-content/uploads/2013/10/execsum.pdf</p> <p>https://pepp.emb.gov.ph/wp-content/uploads/2017/04/PHILIPPINE-ENVIRONMENT-PARTNERSHIP-PROGRAM-PEPP-Catalyst-for-Holistic-Environment-Partnership.pdf</p> <p>https://pepp.emb.gov.ph/wp-content/uploads/2016/06/PEPP-DAO-2003-14.pdf</p>	<p>Also included in the PDP 2023-2028, Chapter 15, Strategy Framework Outcome 2, page 360,</p> <p>"Promote and expand natural resource-based industries and enterprises"</p> <p>The Philippine Environment Partnership Program (PEPP) was created under DENR Administrative Order No. 2003-14 that aims to support industry self-regulation towards improved environmental performance.</p>	

		<p>DENR: There is no SME-specific strategy being implemented by the DENR-Environmental Management Bureau (EMB), however, SMEs are included when regulating industrial and commercial establishments through our environmental policies concerning the Clean Air Act, Clean Water Act, Ecological Solid Waste Management Act and Toxic Substances and Hazardous and Nuclear Waste Control Act. Some examples would include:</p> <ul style="list-style-type: none"> - Permit-to-Operate for sources of air pollution - Pre-Manufacture and Pre-Importation Notification (PMPIN) of chemicals not included in the Philippine Inventory of Chemicals and Chemical Substances - Chemical Control Orders - Hazardous waste generation 	<p>DENR: LIST OF EMB POLICIES: https://emb.gov.ph/laws-and-policies-3/</p>	
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		<p>- Discharge permitting - Water Quality Management Area (WQMA) Governing board - Airshed Governing Board - Environmental Compliance Certificate (ECC) - Certificate of Non-Coverage (CNC)</p>		
			<p>Are the strategy elements regarding environmental policies for SMEs associated with:</p>	
	<p>DENR: Documentation and Minutes of the Meeting during stakeholder consultation and a round of email requesting for comments and inputs.</p>	<p>DENR: The scope includes the entirety of the economic system target industries, to the vendors and commercial establishments, which includes SMEs, down to the consumer.</p>	<p>an action plan</p>	<p>2.1.t1q1.1</p>
	<p>DENR: Online Permitting and Monitoring System (OPMS): https://opms.emb.gov.ph/accounts/login/ Self-Monitoring Report (SMR): https://emb.gov.ph/wp-content/uploads/2016/04/DAO-2003-27.pdf Environmental Statistics Page: https://emb.gov.ph/environmental-statistics-2/</p>	<p>DENR: Permitting and issuance of Environmental Compliance Certificate are one of the measure parameters in determining the impact, as well as the mitigation of pollution. Further, compliance monitoring of</p>	<p>measurable targets</p>	<p>2.1.t1q1.2</p>

		regulated entities to environmental laws is done to ensure that appropriate pollution mitigation measures are performed.		
2.1.t1q1.3	Timeframe	DENR: These are regular activities of the Department.		
2.1.t1q1.4	expected impact	DENR: These efforts would minimize the deterioration of the environment while still considering the economic growth of the country.		
	Does the strategy promote the following:	Yes	PDP 2023-2028	Chapter 15 (Accelerate Climate Action and Strengthen Disaster Resilience), Outcome 2 (Ecosystem Resilience Enhanced) includes promotion and expansion of natural resource-based industries and enterprises, through collaboration among different groups to (a) secure sustainable production, (b) accelerate rehabilitation and

				conservation efforts, (c) strengthen enforcement of environmental rules and regulations, and (d) boost the contribution of ecosystems in climate change adaptation and mitigation.
2.1.t1q1.5	Eco-efficient products and eco-innovation	<p>DENR: A Joint Administrative Order (JAO) between the Department of Science and Technology (DOST) and DENR regarding the verification of new and modified environmental technologies for:</p> <ul style="list-style-type: none"> - treatment, storage and disposal of waste; - pollution control and abatement; and - cleaner production technology. 	<p>DENR: JAO 2006-01: https://emb.gov.ph/wp-content/uploads/2015/10/DAO-2006-01.pdf</p>	<p>Outcome 3 (Low Carbon Economy Transition Enabled) of Chapter 15 exploring the feasibility of adopting carbon pricing instruments (CPI) as a cost-effective means to encourage the transition to clean energy and improve energy efficiency in high-emitting sectors (i.e., energy and industry), raise state revenues, and address environmental</p>

				<p>concerns. Local carbon markets will also be established to tap private sector financing, including foreign investments, particularly for the agriculture and forestry sectors. To this end, the DENR will identify and establish areas for carbon offsetting and encourage support for relevant initiatives such as efforts to advance the implementation of Reducing Emissions from Deforestation and Forest Degradation or REDD+ activities and rehabilitate and conserve blue carbon ecosystems. This will support businesses in adopting resource-efficient and cleaner production measures and pursuing supply chain-greening initiatives that optimize the use of natural resources, minimize emissions and</p>
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				waste, and reduce risks to people and communities.
2.1.t1q1.6	More efficient/less material intensive production processes	Yes		See reply on 2.1.t1q1.5
	Green quality standards with regards to the global supply chains	Yes		<p>PDP 2023-2028, Outcome 2 further states that to promote the green and blue economy, the government will pursue enabling policies that will provide more livelihood and economic opportunities, particularly for the poor and vulnerable upland and coastal communities.</p> <p>Investments in activities that foster the sustainable management of natural resources, such as on forest and coastal protection and rehabilitation, will be increased to generate more jobs and livelihoods. The government and the private sector will also promote and develop more</p>

				<p>biodiversity-friendly enterprises and ecotourism sites within and outside protected areas. Likewise, forestry investments will be revitalized by establishing more commercial forest plantations for timber and non-timber forest products, fuelwood, and high-value crops (e.g., coffee, cacao, and rubber). Marine-based industries and enterprises, such as mudcrab fattening, blue swimming crab culture, seaweed farming, and salt production, will also be scaled up to provide employment opportunities and income for coastal communities.</p>
	<p>Circular economy: more broadly, such as, creation of innovative, circular economy-related business models (If so, please specify)</p>	<p>Yes</p>	<p>PDP 2023-20208 Chapter 2 Promote Human and Social Development</p>	<p>Waste recycling and other recovery programs—such as community composting and recovery of rare metals from waste electrical and electronic</p>

		<p>DENR: For Hazardous Waste Management: - Recovery of valuable resources is encouraged through Category D TSD Facility under DAO 2013-22.</p> <p>For Clean Water Program: - Recover valuable resources such as nutrients, energy, and materials from wastewater treatment processes. For instance, nutrient-rich wastewater can be utilized as fertilizer for crops, while biogas generated from anaerobic digestion can be used to produce energy.</p> <p>- Encourage the design of sustainable products that use less water, minimize wastewater generation,</p>	<p>DENR: DAO 2013-22: https://emb.gov.ph/wp-content/uploads/2018/06/dao-2013-22.pdf</p>	<p>equipment (urban mining) programs—will be intensified to improve resource efficiency and promote a circular economy. This shall enable public and private investments (e.g., development of green technologies and establishment of facilities) in waste recovery reuse, and recycling as well as manufacturing and production using secondary raw materials.</p>
2.1.t1q2	Is there a government body responsible for providing	Yes	<p>Department of Trade and Industry http://www.dti.gov.ph/ For greening strategies Department of Environment and Natural Resources (DENR) Environment</p>	DENR-EMB holds industry forum with MSMEs.

	environmental advice and guidance for SMEs?		<p>Management Bureau http://pepp.emb.gov.ph/ http://ecac.emb.gov.ph/ For Environmental Compliance</p> <p>Industry forum https://pepp.emb.gov.ph/wp-content/uploads/2017/06/DENR-EMB-industry-forum.pdf https://pepp.emb.gov.ph/wp-content/uploads/2017/07/Article-for-the-La-Union-Travel.pdf</p>	
	Yes, it exists	<p>Yes</p> <p>DENR: Yes, the Department of Environment and Natural Resources.</p>	<p>Department of Trade and Industry http://www.dti.gov.ph/ For greening strategies</p> <p>Department of Environment and Natural Resources (DENR) Environment Management Bureau http://pepp.emb.gov.ph/ http://ecac.emb.gov.ph/ For Environmental Compliance</p> <p>Industry forum https://pepp.emb.gov.ph/wp-content/uploads/2017/06/DENR-EMB-industry-forum.pdf https://pepp.emb.gov.ph/wp-content/uploads/2017/07/Article-for-the-La-Union-Travel.pdf</p>	DENR-EMB holds industry forum with MSMEs.

	No, but there is a plan to create it			
	No, it doesn't exist and there is no plan to create it			
2.1.t1q3	Was the private sector consulted in developing environmental policies for SMEs?	Yes		
	An informal consultation process took place			
	A formal consultation process took place	Yes	https://www.gppb.gov.ph/downloadables/forms/GPP_roadmap_print.pdf https://www.switch-asia.eu/site/assets/files/3402/philippines_country_report_13_july_2022.pdf (p. 17)	The Philippine Green Public Procurement encourages manufacturers and SMEs to produce green products, and to adopt the following fields of action: energy efficiency, resource efficiency, meeting international production and process standards, fostering innovation, mitigating of conflicts deriving from the overuse of natural resources, attracting foreign investments, natural resources and climate change resilience.

				DTI – Bureau of Product Standards (DTI-BPS) and the Private Sector Participation in Managing the Environment (PRIME) – Environmental Management System Module designed a plan in institutionalizing the National Product Ecolabelling Program.
	Both formal and informal consultations took place	DENR: Yes, this is a part of policy formulation. It is done through meetings, FGDs, email and public consultation.		
	The private sector was not consulted			
2.1.t1q 4	Is there a network of public and private actors to help the SMEs improve their environmental performance through capacity building workshops?	Yes	https://www.switch-asia.eu/site/assets/files/3402/philippines_country_report_13_july_2022.pdf (p. 17)	DTI – Bureau of Product Standards (DTI-BPS) and the Private Sector Participation in Managing the Environment (PRIME) – Environmental Management System

				Module designed a plan in institutionalizing the National Product Ecolabelling Program.
	Yes, it exists	Yes	DENR: This is achieved through knowledge sharing during environmental events, stakeholder consultations and technical assistance conducted by DENR-EMB, development partners, CSOs/NGOs and concerned industries.	
	No, but there is a plan to create it			
	No, it doesn't exist and there is no plan to create it			

THEMATIC BLOCK 2: IMPLEMENTATION		Answers	Evidence / Links	Country Comments
2.1.t2q1	Has a budget been mobilised for the action plan?	Yes DENR: No, the Department does not allocate budget for a SME-specific action plan.	https://pepp.emb.gov.ph/wp-content/uploads/2016/06/PEPP-DAO-2003-14.pdf	DENR DAO no. 2003-14, creating the PEPP, provides financial assistance to qualified establishments, accessible to partner banks, such as the DBP and LBP. It further provides fiscal incentives, such as tax credits and accelerated depreciation deductions.
	From government budget only	Yes		

	With some donor support			
	Mainly with donor contributions			
	Funds are balanced between government and donor			
	Budget has not been mobilised			
2.1.t2q2	Are there sector-specific environmental policies targeting SMEs in operation?	Yes DENR: No, the regulated entities of the DENR-EMB covers all enterprises whether small, medium, micro or large.		
2.1.t2q3	Is the government body responsible for providing environmental guidance for SMEs fully operational?			
	Fully operational and well-staffed/funded	Yes DENR: Yes, DENR-EMB has Regional Offices addressing the environmental compliance of SMEs nationwide.		
	Staffed and funded but not yet operational			
	Limited staff and funds	Yes		

2.1.t2q4	Is the government co-ordinating with business associations and local councils for the delivery of environmental guidance to SMEs?	Yes		
	There is informal co-ordination			
	There is formal co-ordination			
	There is both formal and informal co-ordination	Yes DENR: Yes, through meetings, FGDs, email and public consultation.		
	There is no co-ordination			
2.1.t2q5	Which green/environmental policies/measures/strategic documents that are specifically targeting the greening of SMEs have been implemented in the last 4 years? (Please share the relevant, most recent report or information about the implementation status)	DENR: The Department encourages Environmental Management System, as such, industries which are ISO 14001 certified may opt to apply for twice a year submission of SMR instead of Quarterly	DENR: Sec 12 DAO 2014-02: https://ncr.emb.gov.ph/wp-content/uploads/2016/06/DAO-no.-2014-02.pdf	

THEMATIC BLOCK 3: MONITORING AND EVALUATION	Answers	Evidence / Links	Country Comments
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2.1.t3q1	Are environmental policies targeted toward SMEs being regularly monitored?	<p>Yes</p> <p>DENR: Not specific to SMEs, but Department through the EMB Central Office and Regional Offices conduct monitoring across industrial and commercial stakeholders.</p>	https://pepp.emb.gov.ph/wp-content/uploads/2016/06/PEPP-DAO-2003-14.pdf	<p>DENR DAO 2003-14 creates the PEPP to support industry self-regulation towards improved environmental performance.</p>
2.1.t3q2	Have environmental policies targeted toward SMEs been independently reviewed?	<p>No</p>		<p>SMEs can be covered in the ECONA (Environmental Consent Agreement), which is an agreement entered between DENR and by an establishment or industry association after the establishment or industry expresses its intention to achieve improved environmental management and performance within the context of implementing an Environmental Management System Audit, which is a systematic and documented verification process of objectively obtaining and evaluating</p>

				evidence to determine whether an organization conforms with the requirements of the EMB PEPP EMS or an EMS standards such as PNS 1701 (local name for ISO 14001, the first standard in the ISO 14000 series).
		DENR: No		
2.1.t3q3	Are there reports on performance?	Yes DENR: No		
2.1.t3q4	Have there been any evaluation regarding the costs and benefits of greening and making SMEs environmentally sustainable?	DENR: No		

Sub-dimension 2.1: ENVIRONMENTAL POLICIES TARGETING SMEs (OPEN QUESTIONS)		Answers		Evidence / Links	Country Comments
2.1.oq1	Which actions of the strategy have been implemented?	DENR: None			
2.1.oq2	Which targets of the strategy have been achieved?	DENR: None			
2.1.oq3	Which private sector or local organisations is the government co-ordinating with and in what way?	DENR: None			

2.1.oq 4	Which government body/agency is responsible for greening policy for SMEs?	DENR: None		
2.1.oq 5	In which government strategies is environmental greening for SMEs mentioned?	MSMED Plan 2017-2022 DENR: None		
2.1.oq 6	Which business organisations (or other channels, such as research institutes, consultants) have been active in providing support to SMEs for greening?	DENR: Some academic and research institutions are providing proposals for improving the measures being employed by projects in mitigating project impacts.		
2.1.oq 7	Are there sector-specific strategies for environmental compliance assurance of SME operations?	Yes DENR: None		
2.1.oq 8	Have there been any analysis of costs and benefits of greening SMEs?	DENR: Cost and benefit analysis can be done as early as during the preparation of their Environmental Impact Statements		
2.1.oq 9	Which government or non-governmental body/agency is responsible for providing training on greening SMEs to relevant stakeholders and target	DENR: The Department of Trade and Industry - Bureau of Micro, Small and Medium Enterprise		DTI and BOI

groups?

Development (BMSMED) has developed an action plan for Micro, Small and Medium Enterprise

		Development Plan that promotes Green Growth.		
2.1.oq10	Are any information dissemination tools available (online or offline), to be used for spreading awareness about the green transition, and the resources available to facilitate it?	DENR: The Environmental Education and Information Division updates the social media and website of the Bureau which includes activities and recognitions.	DENR: EMB website: emb.gov.ph EMB Facebook Page: https://www.facebook.com/DENREnviBureau	
2.1.oq11	What are the challenges and constraints faced by SMEs in implementing green and circular transition?			

		Answer
2.1info	Please provide any additional information which you think is important and might help us evaluate your country better.	DENR: Look into the market as well. The tingi-tingi culture of the Filipino market is an important aspect of why there is difficulty in transitioning to a greener SMEs or circular economy.
2.1score	Please provide a self-assessed level from 1 to 6 for sub-dimension: 2.1 Environmental Policies Targeting SMEs (1 is none to very little has been done and 6 is an example of a good international practice)	<u>3.8</u> <u>3</u> DENR: 3