



## **Better regulations seen key to more innovation**

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THE PHILIPPINES needs more reforms in the regulations for small businesses to improve the country's environment for innovation, according to INSEAD business school.

“The overall regulatory environment of the Philippines can still be significantly improved, especially from the point of view of labor markets and business environment. With regard to innovation, the examples of GII champions shows that providing a supportive environment for start-ups and venture capital is important,” Bruno Lanvin, executive director of Global Indices at INSEAD and co-editor of the Global Innovation Index (GII), said in an e-mailed response last week to questions.

“This includes clear bankruptcy laws, leaving room for the ‘right to fail’. The credibility of courts, and the priority granted to fighting corruption and increasing transparency in business contracts (including public procurement) are clearly key in that context. All of those should translate in higher GII rankings in the future,” he added.

The Philippines ranked 73<sup>rd</sup> out of 126 economies in the 2018 Global Innovation Index, steady from a year ago, which was “below average” according to a July 11 report from the Cornell University, INSEAD and the World Intellectual Property Organization.

The Philippines ranked ninth among the 30 lower-middle-income countries included in the index and placed 13<sup>th</sup> among 15 countries in Southeast Asia and Oceania.

The report noted that the country got high scores in Institutions, Human Capital & Research, Infrastructure, Business Sophistication, as well as Knowledge & Technology Outputs.

“The Philippines has a dynamic and young population. It is also part of the fastest growing region in the world. Aligning such resources with the foreseeable trends of the global economy... will be key for the future success and competitiveness of the country. Innovation policies have a critical role to play in this regard,” said Mr. Lanvin.

He also noted that further improving education and human capital “will be critically important” as “talents become more mobile and more precious internationally.”

“Similarly, improvements to the regulatory and legal frameworks (rule of law, ease of doing business) will remain central, as well as government policies heralding innovation as a national priority...” added Mr. Lanvin.

“It is clear that its ability to maintain open trade relations and favor a dynamic business environment and stable regulatory framework will help in this regard.”

A separate Philippine Institute for Development Studies report recommended improvement of small businesses' competitiveness by enhancing the efficiency of ports and Customs operations, improving credit terms of small and medium enterprises (SMEs), incentivizing higher-value exports, encouraging links between SMEs and foreign or larger firms, as well as expanding entrepreneurial skills training. It also advised small businesses to find market niches where competition is not yet stiff, consider indirect exporting, take advantage of government support and networks such as Negosyo Centers and the Kapatid Mentor Me Program.