

Comments on House Bills Institutionalizing the Shared Service Facilities: Addressing Critical Implementation Challenges Through Evidence-Based Research¹

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1. We are grateful to the House of Representatives for the opportunity to comment on the bills related to Institutionalizing the Shared Service Facilities. The seven House Bills (HB Nos. 00457, 02268, 05695, 05806, 06245, 06700, and 06961) seeking to institutionalize the Shared Service Facilities (SSF) Project demonstrate remarkable consensus on core provisions, all proposing to establish SSF-Fabrication Laboratories in higher education institutions across all provinces. However, empirical research from the Philippine Institute for Development Studies reveals a critical implementation challenge that the final legislation and its Implementing Rules and Regulations (IRR) must address to ensure these facilities achieve their intended impact on MSME development and regional innovation ecosystems.
2. Perhaps the most striking finding from PIDS research directly challenges a core assumption underlying all seven bills. While the proposed legislation mandates attaching SSF-Fab Labs to State Universities and Colleges and Local Universities and Colleges for "proper monitoring and maintenance," research by PIDS (Albert et al., 2022; Quimba and Rosellon, 2019) reveals that universities and research institutions are rarely considered valuable cooperation partners by MSMEs. In fact, none of the surveyed MSMEs considered universities or other higher education institutions as their most valuable cooperation partner in innovation activities. Only 8.1 percent of MSMEs rated universities as "high importance" information sources which is considerably low compared to the 33.7 percent who rated clients or customers as highly important (Quimba & Rosellon, 2019; Albert et al., 2021).
3. This documented weakness in industry-academe collaboration presents both a greatest challenge and an opportunity for the SSF-Fab Lab initiative. In another research by PIDS, the case of the Central Visayas innovation ecosystems reinforces this concern, revealing that industry representatives report difficulties in discovering the available facilities and innovations, with one manager describing the process of finding HEI capabilities as a "guessing game" because institutions "don't advertise" their services (Quimba, Andrada, & Barral, 2024, p. 35).

¹ The views expressed in this position paper are those of the author and do not necessarily represent the official position of the Philippine Institute of Development Studies (PIDS).

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4. The bills' strategy of locating facilities in educational institutions could inadvertently perpetuate rather than resolve this disconnect unless the Implementing Rules and Regulations establish active mechanisms to bridge this gap. The IRR must therefore mandate establishment of formal industry liaison offices within host institutions specifically dedicated to facilitating MSME access and engagement. Faculty incentive structures should be restructured to recognize industry collaboration in promotion and tenure decisions, with allocated time for industry consultation. Joint product development programs where students work on real MSME challenges should be integrated into curricula, creating mutually beneficial ecosystems where academic research contributes to practical business solutions while providing rich learning opportunities.
5. PIDS research also found that only 33 percent of MSMEs undertake product or process innovation, with cost factors, knowledge gaps, and market uncertainties presenting interconnected barriers (Quimba & Rosellon, 2019; PIDS, 2021). More troubling, 47.2 percent of MSMEs cite high costs of procuring Fourth Industrial Revolution technologies as barriers, while 23.1 percent report "no demand or need" for these technologies. These reveal severe awareness gaps regarding potential advanced technologies and their applications (PIDS, 2021). These findings indicate that simply providing equipment access will prove insufficient without addressing the broader ecosystem of support MSMEs require.
6. The Inclusive Innovation Industrial Strategy framework's "7Ms" (mindset, mastery, mentoring, money, machine, market, and models) recognizes that providing machines represents only one of seven critical elements for MSME success (Quimba & Rosellon, 2019). Evidence from Turkey cited in PIDS research shows that both financial and advisory services prove most effective for government innovation policy, with specific needs depending on existing technological capability. For MSMEs in early innovation stages, consultancy and technical assistance prove particularly impactful (Quimba & Rosellon, 2019).
7. The bills should therefore be strengthened to explicitly mandate complementary services beyond equipment provision. The IRR must establish differentiated support mechanisms based on innovation maturity. For instance, For firms new to innovation activities, the SSF and SUC can provide intensive technical assistance and mentoring while for experienced innovators they can be provided access to advanced technology and equipment equipment access. Mandatory training programs on design, research and development, and technology applications should be integrated, potentially offered through universities, TESDA, and private technical-vocational centers as Quimba and Rosellon (2019) recommend.

8. The Research on Central Visayas' existing seven FabLabs and multiple food innovation centers documents sustainability as a critical concern threatening long-term viability. While initial capital investments establish facilities, operational budgets remain insufficient to maintain equipment, retain qualified personnel, and provide ongoing services. High staff turnover rates and inadequate operational funding emerge as persistent challenges (Quimba et al., 2024).
9. All seven bills appropriately charge initial implementation costs against DTI's current budget with subsequent funding through the General Appropriations Act. However, none explicitly addresses long-term operational sustainability beyond initial establishment. With 82 provinces requiring at least one facility each, capital expenditure for establishing and equipping these facilities could exceed several billion pesos, while recurrent operational costs such as equipment maintenance and replacement, consumable materials, utilities, technical staff salaries, facility management, user training, and technological upgrades, may significantly exceed initial capital investment over time.
10. The consolidated bill should mandate multi-year funding commitments calculated as percentages of initial investment, staff retention incentive provisions, and sustainable operational models. Computer-controlled manufacturing equipment becomes outdated within five to seven years; technology roadmaps and replacement cycles must be established from the outset. Cost recovery mechanisms should be explored, including modest user fees, industry partnerships for equipment upgrading, research grants, and commercial services to large enterprises that cross-subsidize MSME access which are structured to enhance rather than impede accessibility.
11. A government representative interviewed in Central Visayas research observed that various cooperatives develop unique agricultural products without coordination or common strategic direction, resulting in a "potentially large but fragmented" innovation ecosystem stemming partly from absence of clear government policies specifying priority products (Quimba et al., 2024). While regional councils like the Central Visayas Food Innovation Council and Regional Development Research Council exist, they require strengthened mandates and more active coordination roles.
12. House Bill No. 5695 distinguishes itself by including a Declaration of Policy section absent from other bills, articulating that fostering innovation, productivity, and inclusive growth by enabling MSME participation in global and digital economies constitutes state policy. This explicit policy declaration should be adopted in any consolidated bill as it provides stronger normative grounding and clearer implementation guidance. The consolidated measure

should also explicitly include the Commission on Higher Education in IRR formulation, as HB 5695 specifies, given the central role educational institutions play in hosting facilities.

13. The IRR must strengthen the Regional Innovation Councils mandated to develop innovation roadmaps identifying priority commodities and technologies, mandate regular stakeholder consultations, and ensure alignment of facility activities with regional development plans. Formal coordination structures should clarify respective roles and responsibilities of DTI, DOST, CHED, DILG, and other involved agencies, with dispute resolution mechanisms and specified timelines for inter-agency approvals.
14. Research reveals severe information gaps between higher education institutions and the private sector, with only 25.8 percent of firms aware of government innovation policy (PIDS, 2021). Furthermore, only 7.3 percent of MSMEs rate infrastructure such as Fab-labs as information sources of "high importance," suggesting either significant underutilization or lack of awareness about availability and benefits (PIDS, 2021). This remarkably low rating underscores the importance of implementing robust awareness campaigns and outreach programs alongside physical facility establishment.
15. The ongoing development of Project AGILE (Academe-Government-Industry Linkage Endeavor) in Central Visayas provides a model for centralized information repositories that legislation could formalize and expand (Quimba et al., 2024). The IRR should mandate creation of online portals listing all facilities with capabilities, equipment, and contact information, require regular research fairs where HEIs showcase innovations, and provide backend support for maintaining these systems. Aggressive promotion utilizing government and private sector networks must increase awareness among potential beneficiaries.
16. Policy barriers also require attention. Procurement laws create significant obstacles, with researchers often receiving funding "many months later nearing the deadline" due to bureaucratic procedures (Quimba et al., 2024, p. 31). Civil service regulations prevent faculty at public institutions from receiving additional remuneration for entrepreneurial activities, discouraging innovation commercialization engagement. The legislation should create special procurement procedures for SSF-Fab Labs allowing fast-track processes for research and development projects, enable facilities to charge service fees without excessive bureaucratic requirements, and permit revenue-sharing mechanisms incentivizing faculty participation without violating civil service regulations.
17. PIDS research identifies significant geographic differences in innovation activities, specifically recommending that science, technology, and innovation programs be further promoted in areas with low innovation cases, particularly in Mindanao (Quimba &

Rosellon, 2019). These regional disparities suggest uniform national implementation may prove insufficient. The IRR should provide for tailored approaches accounting for varying existing innovation capacity and infrastructure levels across provinces, with capacity-building programs for host institutions in less developed regions, technical assistance from advanced facilities to emerging ones, and phased implementation allowing learning from early adopters.

18. Sectoral variations also merit attention. Food manufacturing appears particularly affected by funding barriers, while agriculture shows high proportions citing absence of demand or need for FIRE technologies, suggesting this sector requires substantial education and demonstration of relevant applications (PIDS, 2021). Without deliberate policies, facilities risk capture by relatively larger and sophisticated enterprises, leaving micro enterprises underserved. The IRR should establish allocation policies ensuring inclusive access through reserved time slots, dedicated support services for micro enterprises, and outreach programs to underrepresented sectors.
19. Government financial support for innovation activities has demonstrated positive and statistically significant effects, increasing likelihood of organizational innovation by 18 percent and marketing innovation by 15 percent (Quimba & Rosellon, 2019). The existing SSF program has assisted over 500,000 MSMEs and generated approximately 200,000 jobs, with PIDS 2016 assessment noting "notable and substantial impact on jobs and productivity." This empirical evidence validates the program's institutionalization while highlighting the critical importance of addressing documented implementation challenges.
20. The Committee on Trade and Industry should consolidate these bills, adopting HB 5695's Declaration of Policy, HB 5806's most recent statistical data (3,651 projects, PHP 2.91 billion disbursed, 699,770 beneficiaries, 386,285 jobs), and explicit CHED inclusion in IRR formulation. Most critically, the final legislation must address the fundamental weakness in industry-academe linkages through mandated active collaboration mechanisms, provide comprehensive support systems beyond equipment, ensure sustainable operational funding, establish coordinated governance structures preventing fragmentation, overcome information asymmetry through centralized platforms and awareness campaigns, and account for geographic and sectoral variations in implementation approaches. By incorporating these evidence-based provisions, the institutionalized SSF Program can become a transformative platform for Philippine MSME competitiveness, innovation, and inclusive growth.

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