As a driver of productivity and competitiveness, innovation is necessary to achieve sustained economic growth. The Philippines recognizes this and even devotes an entire chapter in its *Philippine Development Plan* to the advancement of innovation in the country.

Despite this recognition, the country’s investments in innovation have remained below the prescribed benchmark of the United Nations Educational, Scientific, and Cultural Organization for research and development expenditures, according to Albert et al. (2018). Coupled with other issues, such as inadequate infrastructure and restrictive regulations, these poor investments have resulted in the country’s low performance in the Global Innovation Index rankings.

Local firms also tend to shy away from innovation, despite its role in facilitating their good performance (Llanto and Prado 2016). In 2015, for instance, only 2 in every 5 firms were innovation-active in the Philippines, according to Albert et al. (2018). This figure further plummets among micro firms, with merely 1 in every 3 of them considered innovation-active that same year. When asked about public intervention, only 1 in 30 firms reported public support for their innovation activities.

Albert et al. (2018) also noted the government’s failure to mainstream innovation policies. They argued that the country often views innovation only within the context of science and technology and tends to implement it without a whole-of-government approach.

To address these issues, the authors recommended the crafting of a time-bound national innovation plan. The said plan should ideally consider sector-specific needs of firms and complementary factors for their innovation, as well as the soft and hard infrastructures needed to improve their capacities and drive to innovate. The study also urged the government to ease barriers to trade, stamp out anticompetitive practices, and address issues of inadequate physical and institutional infrastructure.

On the part of the firms, Llanto and del Prado (2016) said they should continue on page 3
Although the AIM-RSN PCC remains engaged in other forms of development, policy, and economic research, its renaming in 2015 prompted a shift in focus toward building national competitiveness and promoting shared prosperity. Under this competitiveness framework, it carries out a dynamic research agenda, covering a wide array of topics and affecting industries and people from all walks of life. It specifically works under the premise that competitiveness, by itself, is not an end but a means to achieve increased productivity and shared prosperity. In turn, competitiveness stands on three pillars, namely, policies, institutions, and conditions of factors of production.

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