Dear NordCham members and friends,

As 2017 is foreseen as another year of strong GDP growth of ca. 7% in the Philippine economy, NordCham is a committed partner to the private and public sector in realizing the bullish growth targets and development plans. Taking office in mid-2016, the new Duterte administration has come out strong with its ten point socio-economic agenda, setting the tone for reform and further development for the upcoming years. NordCham fully subscribes to the agenda, seeing it as a solid foundation for continued economic growth.

In the Nordic countries, the symbiosis between the public and private sectors has created some of the most successful businesses and model economies in the world over the years. We believe these models of good governance and best practices are worth sharing with the Philippines. Under the battle cry “Open for Business”, we strive to support initiatives, incentives, policies and plans which will all converge towards a single target: economic growth and prosperity for the nation.

The 10-point agenda presents tremendous opportunities for stronger Nordic-Philippine economic ties, specifically in the sectors of infrastructure development, ICT, energy, healthcare, and education. NordCham actively participates in promoting these opportunities by bringing in business delegations from the Nordic countries to the Philippines, as well as promoting the Philippines as a business destination through road shows in the Nordic countries. Through our consulting services, we have assisted more than 30 companies in their market entry into the Philippines. In addition, our regular high-level events, industry committee work, and partnership with the EU-Philippines Business Network provides a platform to support our members in their business operations in the Philippines.

Bo Lundqvist  
President  
NordCham Philippines
# TABLE OF CONTENTS

## I. FAST FACTS

## II. TRADE AND INVESTMENTS
- European Union Trade with the Philippines
- Nordic Trade with the Philippines
- Baltic Trade with the Philippines

## III. MARKET ENTRY
- Investment-related Government Agencies
- Modes of Entry
- Tenth Foreign Investment Negative List
- Government Investment Incentives

## IV. WHY INVEST IN THE PHILIPPINES?

## V. OPPORTUNITIES
- IT-BPM Industry
- Renewable Energy Industry
- Construction and Infrastructure Industry
- Healthcare Industry
- Manufacturing Industry

## VI. GOVERNMENT AND PRIVATE SECTOR DIRECTORY
# I. FAST FACTS

<table>
<thead>
<tr>
<th>Name:</th>
<th>Republic of the Philippines</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital:</td>
<td>Manila</td>
</tr>
<tr>
<td>Climate:</td>
<td>Tropical marine</td>
</tr>
<tr>
<td>Currency:</td>
<td>Philippine Peso (PhP)</td>
</tr>
<tr>
<td>Exchange Rate:</td>
<td>PhP 51.84/€1 (2016)</td>
</tr>
</tbody>
</table>

**Geography:** 7,107 Islands - Three major island groups: Luzon, Visayas, and Mindanao

**Population:** 100,981,437 (2015 Census); 13th most populous country in the world

**Ave. Population Growth Rate:** 1.72% (2015 Census)

**Ave. Age of Population:** 23.4 years

**Labor Force:** 43.70 Million (as of April 2016)

**Religions:** Roman Catholic (83%); Protestants (10%); Muslim (5%); Others (2%)

**Type of Government:** Unitary Form, Democratic Presidential System, Bicameral

**Administrative Division:** 18 Regions, 81 Provinces, 145 Cities, 1,489 Municipalities, and 42,036 Barangays

![Gender and Age Pyramid, 2016](image-url)

*Source: CIA World Fact Book 2016*
The Philippine economy as measures by its GDP continued on its growth momentum as it ended 2016 with a 6.8% expansion, higher than the 5.9% posted the year before. The strong economic performance for the year was buoyed by election related expenses and the renewed drive of the Duterte administration to build more infrastructures.

On the expenditure side, Private or household consumption remains the economic driver for growth accounting for lion’s share of 57.8% of the total GDP. Meanwhile, Capital Formation which accounted for 22.4% of the total GDP, expanded to 20.8% from last year’s 15.1% growth.

Gross National Income (GNI) accelerated to 6.6% in 2016, maintaining the Net Primary Income (NPI) growth at 5.3%.

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP Growth Rate</td>
<td>6.7</td>
<td>7.1</td>
<td>6.2</td>
<td>5.9</td>
<td>6.8</td>
</tr>
<tr>
<td>Private Consumption Growth</td>
<td>6.6</td>
<td>5.6</td>
<td>5.5</td>
<td>6.3</td>
<td>6.9</td>
</tr>
<tr>
<td>Government Expenditure Growth</td>
<td>15.5</td>
<td>5.0</td>
<td>3.3</td>
<td>7.8</td>
<td>8.3</td>
</tr>
<tr>
<td>Export Growth</td>
<td>8.6</td>
<td>-1.0</td>
<td>11.7</td>
<td>9.0</td>
<td>9.1</td>
</tr>
<tr>
<td>Import Growth</td>
<td>5.6</td>
<td>4.4</td>
<td>9.3</td>
<td>14.0</td>
<td>17.5</td>
</tr>
<tr>
<td>Ave. Inflation Rate</td>
<td>3.2</td>
<td>3.0</td>
<td>4.1</td>
<td>1.4</td>
<td>1.8</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>7.0</td>
<td>6.8</td>
<td>7.2</td>
<td>6.3</td>
<td>5.5</td>
</tr>
</tbody>
</table>

GDP Percentage Distribution by Sector, 2016

<table>
<thead>
<tr>
<th>Services</th>
<th>Agriculture</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>57.5%</td>
<td>8.8%</td>
<td>33.8%</td>
</tr>
</tbody>
</table>

On the production side, industry posted the fastest growth at 8.0%, higher than previous year’s 6.0 % growth. Services accelerated by 7.5%, faster than last year’s 6.8% growth. On the other hand, Agriculture declined by 1.3% from its 0.1% growth in 2015.

With the country’s projected population reaching 103.9 million in 2016, per capita GDP accelerated by 4.8% an improvement over the 4.7% growth registered in the previous year.
II. TRADE AND INVESTMENTS

European Union Trade with the Philippines

External trade relations of the Philippines with member countries of the European Union (EU) in 2015 amounted to US$13.87 billion accounting for 10.7% of the total trade of the Philippines. Japan (US$18.67 billion) remained as the top trading partner of the Philippines followed by the People’s Republic of China (US$17.65 billion) and the United States of America (US$16.49 billion).

Within the EU member countries, Germany ranked first with a total trade of US$5.23 billion. The Netherlands, France, and the United Kingdom followed with US$2.27 billion, US$1.48 billion, and US$898.25 million worth of trades, respectively.

Major goods exported to the EU countries were electronic products at US$4.06 billion, machinery & transport equipment at US$743.4 million, coconut oil at US$476.04 million, other manufactures at US$430.83 million, and chemicals US$178.65 million. Meanwhile the top five imports from the EU were electronic products at US$2.14 billion, transport equipment at US$940.09 million, industrial machinery & equipment at US$598.32 million, medicinal products at US$433.47 million, and other food and live animals at US$421.16 million.
Nordic Trade with the Philippines

Total external trade relations of the Philippines with the Nordic region remained robust and reached € 635.57 million in 2015. The Nordic countries exports to the Philippines amounted to €419.82 million led by Sweden with €136.62 million and followed by Finland with €128.84 million. Meanwhile, imports to the group capped at €215.75 million primarily driven by Finland and Norway. Most exports and imports good were electrical and electronic equipment; machinery, nuclear reactors, and boilers; pharmaceutical products; optical, photo, technical, and medical apparatuses; lac gums, resins, vegetable saps and extracts; and articles of apparel, accessories, knit or crochet.

<table>
<thead>
<tr>
<th>Countries</th>
<th>2015 Exports (In Euro)</th>
<th>2015 Imports (In Euro)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Denmark</strong></td>
<td>Machinery, mechanical appliances, and parts thereof (18.31Mn)</td>
<td>Lac; gums, resins and other vegetable saps and extracts (12.21 Mn)</td>
</tr>
<tr>
<td></td>
<td>Pharmaceutical products (13.42 Mn)</td>
<td>Optical, photographic, cinematographic, medical or surgical (11.72 Mn)</td>
</tr>
<tr>
<td></td>
<td>Optical, photographic, cinematographic, measuring, checking, precision, medical</td>
<td>Machinery, mechanical appliances, and parts thereof (4.06 Mn)</td>
</tr>
<tr>
<td></td>
<td>instruments (10.60 Mn)</td>
<td>Electrical machinery and equipment, and parts thereof (2.33 Mn)</td>
</tr>
<tr>
<td></td>
<td>Dairy produce, eggs, honey, edible products of animal origin (6.86 Mn)</td>
<td>Tobacco and manufactured tobacco substitutes (1.35 Mn)</td>
</tr>
<tr>
<td></td>
<td>Meat and edible meat offal (6.75 Mn)</td>
<td></td>
</tr>
<tr>
<td><strong>Finland</strong></td>
<td>Electrical machinery sound recorders and reproducers, and television (67.34 Mn)</td>
<td>Machinery, nuclear reactors, boilers, etc. (24.138 Mn)</td>
</tr>
<tr>
<td></td>
<td>Machinery, mechanical appliances, parts thereof (6.98 Mn)</td>
<td>Electrical, electronic equipment (3.257 Mn)</td>
</tr>
<tr>
<td></td>
<td>Rubber and articles thereof (5.93 Mn)</td>
<td>Optical, photo, technical, medical, etc. apparatus (2.699 Mn)</td>
</tr>
<tr>
<td></td>
<td>Preparations of meat, of fish or other aquatic invertebrates (1.90 Mn)</td>
<td>Meat, fish, &amp; seafood (1.930 Mn)</td>
</tr>
<tr>
<td></td>
<td>Preparations of vegetables, fruit, nuts or other parts of plants (1.69 Mn)</td>
<td>Articles of apparel, accessories, knit or crochet (0.515 Mn)</td>
</tr>
<tr>
<td><strong>Iceland</strong></td>
<td>Fish and crustaceans, and other aquatic invertebrates (0.18 Mn)</td>
<td>Machinery, mechanical appliances; sound recorders and reproducers, television (0.83 Mn)</td>
</tr>
<tr>
<td></td>
<td>Machinery, mechanical appliances, parts thereof (0.10 Mn)</td>
<td>Machinery; mechanical appliances; parts thereof (0.27 Mn)</td>
</tr>
<tr>
<td></td>
<td>Tools, implements, cutlery, spoons and forks, of base metal (0.01 Mn)</td>
<td>Rubber and articles thereof (0.23 Mn)</td>
</tr>
<tr>
<td></td>
<td>Articles of iron or steel (0.003 Mn)</td>
<td>Preparations of vegetables, fruit, nuts or other parts of plants (0.22 Mn)</td>
</tr>
<tr>
<td></td>
<td>Essential oils and resinoids; perfumery, cosmetic (0.001 Mn)</td>
<td>Preparations of meat, of fish or other aquatic invertebrates (0.18 Mn)</td>
</tr>
<tr>
<td><strong>Norway</strong></td>
<td>Misc. chemical products (16.76 Mn)</td>
<td>Ships and floating structures (24.22 Mn)</td>
</tr>
<tr>
<td></td>
<td>Commodity not specified (14.90 Mn)</td>
<td>Electrical machinery and equipment; sound recorders and reproducers, television (8.61 Mn)</td>
</tr>
<tr>
<td></td>
<td>Fish and crustaceans, molluscs and other aquatic invertebrates (11.76 Mn)</td>
<td>Machinery, mechanical appliances, nuclear reactors; parts thereof (5.37 Mn)</td>
</tr>
<tr>
<td></td>
<td>Optical, photographic, cinematographic, measuring, checking, precision, medical</td>
<td>Articles of apparel and clothing accessories (3.14 Mn)</td>
</tr>
<tr>
<td></td>
<td>Medical or surgical (6.96 Mn)</td>
<td>Articles of leather; (2.64 Mn)</td>
</tr>
<tr>
<td><strong>Sweden</strong></td>
<td>Machinery, mechanical appliances, nuclear reactors, parts thereof (4.34 Mn)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Paper and articles of paper pulp or paperboard (42.73 Mn)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Electrical machinery and equipment; sound recorders, television(29.76 Mn)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Machinery, mechanical appliances, parts thereof (26.84 Mn)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Pharmaceutical products (8.21 Mn)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Vehicles other than railway (5.21 Mn)</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Baltic Trade with the Philippines

The Baltic countries of Estonia, Latvia, and Lithuania total trade with the Philippines reached €16.56 million in 2015. The Baltic countries exports to the Philippines amounted to €4.69 million led by Lithuania with €2.66 million and followed by Latvia with €1.05 million. Imports, on the other hand, ended 2015 at €11.87 million primarily driven by Estonia’s electronic goods imports at €6.35 million.

<table>
<thead>
<tr>
<th>Countries</th>
<th>2015 Exports (In Euro)</th>
<th>2015 Imports (In Euro)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estonia</td>
<td>Cocoa and cocoa preparations (0.36 Mn)</td>
<td>Electrical machinery and equipment; sound recorders and reproducers, television (6.35 Mn)</td>
</tr>
<tr>
<td>Total: €10.12 Mn</td>
<td>Organic chemicals (0.23 Mn)</td>
<td>Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof (0.73 Mn)</td>
</tr>
<tr>
<td></td>
<td>Miscellaneous edible prep. (0.18 Mn)</td>
<td>Plastics and articles thereof (0.69 Mn)</td>
</tr>
<tr>
<td></td>
<td>Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof (0.08 Mn)</td>
<td>Misc. chemical products (0.48 Mn)</td>
</tr>
<tr>
<td></td>
<td>Tanning or dyeing extracts; tannins and their derivatives (0.07 Mn)</td>
<td>Footwear, gaiters and the like; parts of such articles (0.14 Mn)</td>
</tr>
<tr>
<td>Latvia</td>
<td>Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof (0.36 Mn)</td>
<td>Rubber and articles thereof (0.32 Mn)</td>
</tr>
<tr>
<td>Total: €1.94 Mn</td>
<td>Vehicles other than railway or tramway rolling stock (0.29 Mn)</td>
<td>Electrical machinery and equipment; sound recorders and reproducers, television (0.21 Mn)</td>
</tr>
<tr>
<td></td>
<td>Electrical machinery and equipment; sound recorders and reproducers, television (0.16 Mn)</td>
<td>Optical, photographic, cinematographic, measuring, checking, precision (0.08 Mn)</td>
</tr>
<tr>
<td></td>
<td>Pharmaceutical products (0.08 Mn)</td>
<td>Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof (0.07 Mn)</td>
</tr>
<tr>
<td></td>
<td>Wood and articles of wood; wood charcoal (0.06 Mn)</td>
<td>Prep. of vegetables, fruit, nuts or other parts of plants (0.06 Mn)</td>
</tr>
<tr>
<td>Lithuania</td>
<td>Sugars and confectionery (1.47 Mn)</td>
<td>Electrical machinery; sound recorders and reproducers, television (0.37 Mn)</td>
</tr>
<tr>
<td>Total: €4.50 Mn</td>
<td>Machinery, mechanical appliances, nuclear reactors; parts thereof (0.58 Mn)</td>
<td>Prep. of vegetables, fruit, nuts or other plants (0.37 Mn)</td>
</tr>
<tr>
<td></td>
<td>Optical, photographic, cinematographic, measuring, medical or surgical (0.24 Mn)</td>
<td>Tobacco and manufactured tobacco substitutes (0.27 Mn)</td>
</tr>
<tr>
<td></td>
<td>Electrical machinery; sound recorders and reproducers, television (0.14 Mn)</td>
<td>Rubber and articles thereof (0.27 Mn)</td>
</tr>
<tr>
<td></td>
<td>Fish and crustaceans, molluscs and other aquatic invertebrates (0.06 Mn)</td>
<td>Lac, gums, resins and other vegetable saps and extracts (0.21 Mn)</td>
</tr>
</tbody>
</table>

Source: ITC Trade Map
III. MARKET ENTRY

Investment-related Government Agencies

Department of Trade and Industry (DTI)
www.dti.gov.ph
The lead government body that is responsible for trade and industry policies, promotion services, technical advisory services, consumer protection, and business regulation services.

Board of Investments (BOI)
www.boi.gov.ph
The investment promotion arm of the DTI charged with assisting Filipino and foreign investors to venture into desirable areas of economic activities.

Philippine Economic Zone Authority (PEZA)
www.peza.gov.ph
An attached agency of the DTI created to provide globally competitive business environment to investors through the management of special economic zones.

Securities and Exchange Commission (SEC)
www.sec.gov.ph
The national government agency charged with the supervision of the corporate sector, capital market participants, securities and investment instruments market.

Bureau of Internal Revenue (BIR)
www.bir.gov.ph
An attached agency of the Department of Finance (DOF) tasked to assess and collect all national internal revenue from taxes, fees and charges, and to enforce all forfeitures, penalties, and fines.

Bureau of Customs (BOC)
www.customs.gov.ph
An attached agency of the DOF responsible for collection, assessment, and enforcement of customs and trade laws for trade facilitation.

Bureau of Immigration (BI)
www.immigration.gov.ph
An Attache agency of the Department of Justice (DOJ) that monitors compliance of all foreigners with existing Philippine laws. Chief repository of all immigration records.

Food and Drug Administration (FDA)
www.fda.gov.ph
An attached agency of the Department of Health (DOH) mandated to ensure the safety, efficacy, and quality of health products, which include food, devices, and all other consumer goods.

Office of the Investment Ombudsman (IO)
www.ombudsman.gov.ph
A special office created under the Office of the Ombudsman tasked to assist investors and act on grievances involving delays committed by government agencies on licenses and permits, among others.
## Modes of Entry

<table>
<thead>
<tr>
<th>DOMESTIC CORPORATION</th>
<th>SUBSIDIARY</th>
<th>BRANCH</th>
<th>REPRESENTATIVE OFFICE</th>
</tr>
</thead>
<tbody>
<tr>
<td>• A stock or non-stock corporation organized under Philippine laws</td>
<td>• Deemed a domestic corporation even if majority of its capital stock is foreign-owned.</td>
<td>• Corporations organized and registered under the laws of any foreign country</td>
<td>• Corporation organized under the laws of any foreign country</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Undertakes activities such as but not limited to information dissemination &amp; promotion of the company's products as well as quality control of products</td>
</tr>
<tr>
<td>• Has its own identity</td>
<td>• Has a legal and juridical personality separate and distinct from its parent company</td>
<td>• An extension of the legal and juridical personality of the foreign head office and carries out the business and activities of the head office</td>
<td>• Deals directly with the clients of the parent company but does not derive income from the host country</td>
</tr>
<tr>
<td>• Has no subscription from the mother company</td>
<td>• Shares/stocks are held by the mother company abroad</td>
<td>• Does not exist independently of the head office</td>
<td>• Fully subsidized by its head office</td>
</tr>
<tr>
<td></td>
<td>• Assets and properties of parent company are not directly exposed to potential liabilities of the subsidiary</td>
<td>• Assets and properties of the foreign head office may be exposed to the liabilities of the branch</td>
<td></td>
</tr>
<tr>
<td>• Minimum of P 5,000 paid up capital</td>
<td>• At least US $200,000 (if not for export)</td>
<td>• At least US $200,000 (if not for export)</td>
<td>• Requires to inwardly remit US $30,000.00 (one time remittance) for its operating expenses</td>
</tr>
<tr>
<td></td>
<td>• Can be reduced to US $100,000 if: 1.) activity involves advanced technology 2.) employ at least 50 direct employees</td>
<td>• Can be reduced to US $100,000 if: 1.) activity involves advanced technology 2.) employ at least 50 direct employees</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• P5,000 minimum paid up capital if for export</td>
<td>• P5,000 minimum paid up capital if for export</td>
<td></td>
</tr>
<tr>
<td>• 100% Filipino-owned OR With foreign equity participation of 40% more or less</td>
<td>• At least 51% owned by parent company</td>
<td>• 100% ownership by the parent company</td>
<td>• 100% ownership by the parent company</td>
</tr>
<tr>
<td>REGIONAL HEADQUARTERS (RHQ)</td>
<td>REGIONAL OPERATING HEADQUARTERS (ROHQ)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-----------------------------</td>
<td>--------------------------------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Any business entity formed, organized and existing under the laws of any foreign country that is engaged in international trade</td>
<td>• Any business entity formed, organized and existing under the laws of any foreign country that is engaged in international trade</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Principally serves as a supervision, communications and coordination center for its subsidiaries, branches or affiliates in the APAC and other foreign markets</td>
<td>• Performs qualifying services to its affiliates, subsidiaries or branches in the Philippines, in the APAC and in other foreign markets</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| • Does not earn or derive income in the Philippines | • Derives income from undertaking the following qualifying services:  
  - General administration & planning;  
  - Business planning & Coordination;  
  - Sourcing/procurement of raw materials & components;  
  - Corporate finance advisory services;  
  - Marketing control & sales promotion;  
  - Training & personnel management;  
  - Logistics services;  
  - Research & development services, product development;  
  - Technical support & maintenance;  
  - Data processing & communication;  
  - Business development |
| • Minimum remittance of US $50,000 annually | • Minimum inward remittance of US $200,000 (one-time only) |

**INCENTIVES**

<table>
<thead>
<tr>
<th>For RHQ</th>
<th>For ROHQ</th>
</tr>
</thead>
<tbody>
<tr>
<td>No income tax since it does not derive income</td>
<td>Subject to preferential income tax rate of 10% on taxable income</td>
</tr>
<tr>
<td>Exempt from 12% VAT (sale or lease of goods and property and the rendition of services to regional or area headquarters)</td>
<td>Subject to 12% VAT</td>
</tr>
</tbody>
</table>

**INCENTIVES FOR BOTH RHQ AND ROHQ**

- Exemption from all kinds of local taxes, fees or charges imposed by the LGU except for real property tax on land improvements and equipment
- Tax and duty-free importation of training materials and equipment
- Tax and duty-free importation of household goods and personal effects
- Multiple Entry Visa for expatriates valid for three years including spouse and unmarried children below 21 years old
- Exemption from securing ACR / ECC /AEP
- Travel tax exemption for personnel of RHQ / ROHQ
- Withholding tax of 15% on compensation income  
  (Only foreign expatriates or Filipino personnel of equivalent position with an annual income not lower than P975,000 )
- Privilege to import brand new motor vehicles subject to tax and duty
Tenth Foreign Investment Negative List

In compliance to the Foreign Investment Act, Executive Order 184 otherwise referred to as 10th FINL was issued on May 29, 2015. In general, foreigners can invest up to 100% equity in corporations, partnerships and other entities in the Philippines, except in areas included in the Foreign Investments Negative List (FINL). The FINL lists investment areas and activities reserved to Filipino nationals where foreign investments are prohibited or limited to a certain percentage.

<table>
<thead>
<tr>
<th>LIST A: FOREIGN OWNERSHIP IS LIMITED BY MANDATE OF THE CONSTITUTION AND SPECIFIC LAWS</th>
<th>LIST B: FOREIGN OWNERSHIP IS LIMITED FOR REASONS OF SECURITY, DEFENSE, RISK TO HEALTH, MORALS, AND PROTECTION OF SMALL &amp; MEDIUM SCALE ENTERPRISES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>No Foreign Equity</strong></td>
<td>1. Manufacture, repair, storage, and/or distribution of products and/or ingredients requiring Philippine National Police (PNP) Clearance: a. Firearms (handguns to shotguns), parts of firearms &amp; ammunition therefore, instruments or implements used in the manufacture of firearms b. Gunpowder c. Dynamite d. Blasting supplies e. Ingredients used in making explosives i. Chlorates of potassium &amp; sodium ii. Nitrates of ammonium, potassium, sodium barium, copper (11), lead (11), calcium and cuprite iii. Nitric acid iv. Nitrocellulose v. Perchlorates of ammonium, potassium &amp; sodium vi. Dinitrocellulose vii. Glycerol viii. Amorphous phosphorus ix. Hydrogen peroxide x. Strontium nitrate powder xi. Toluene f. Telescopic sights, snipers scope &amp; other similar 2. Manufacture, repair, storage and/or distribution of products requiring Department of National Defense (DND) clearance 3. Manufacture and distribution of dangerous drugs 4. Sauna &amp; steam bathhouses, massage clinics, &amp; other like activities regulated by law because of risks posed to public health &amp; morals. 5. All forms of gambling except those covered by investment agreements with PAGCOR 6. Domestic market enterprises with paid-in equity capital of less than the equivalent of USD 200, 000 7. Domestic market enterprises which involve advanced technology or employ at least 50 direct employees with paid-in equity of less than the equivalent of USD 100, 000</td>
</tr>
<tr>
<td>1. Mass media except recording</td>
<td>1. No Foreign Equity</td>
</tr>
<tr>
<td>2. Practice of professions:</td>
<td>2. No Foreign Equity</td>
</tr>
<tr>
<td>a. Pharmacy</td>
<td>3. No Foreign Equity</td>
</tr>
<tr>
<td>b. Radiologic &amp; X-ray technology</td>
<td>4. No Foreign Equity</td>
</tr>
<tr>
<td>c. Criminology</td>
<td>5. No Foreign Equity</td>
</tr>
<tr>
<td>d. Forestry</td>
<td>6. No Foreign Equity</td>
</tr>
<tr>
<td>e. Law</td>
<td>7. No Foreign Equity</td>
</tr>
<tr>
<td>3. Retail trade enterprises w/ pain-up capital of less than USD 2,500,000</td>
<td>8. No Foreign Equity</td>
</tr>
<tr>
<td>4. Cooperatives</td>
<td>9. No Foreign Equity</td>
</tr>
<tr>
<td>5. Private security agencies</td>
<td>10. No Foreign Equity</td>
</tr>
<tr>
<td>6. Small-scale mining</td>
<td>11. No Foreign Equity</td>
</tr>
<tr>
<td>7. Utilization of marine resources in archipelagic waters, territorial sea, and exclusive economic zone as well as small scale utilization of natural resources in rivers, lakes, bays, and lagoons</td>
<td>12. No Foreign Equity</td>
</tr>
<tr>
<td>8. Ownership, operation, and management of cockpits</td>
<td>13. No Foreign Equity</td>
</tr>
<tr>
<td>9. Manufacture, repair, stockpiling and/or distribution of nuclear weapons</td>
<td>14. No Foreign Equity</td>
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<tr>
<td>10. Manufacture, repair, stockpiling and/or distribution of biological, chemical, and radiological weapons and anti-personnel mines</td>
<td>15. No Foreign Equity</td>
</tr>
<tr>
<td>11. Manufacture of firecrackers and other pyrotechnic devices</td>
<td>16. Up to 50% Foreign Equity</td>
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<tr>
<td><strong>Up to 20% Foreign Equity</strong></td>
<td>17. Up to 50% Foreign Equity</td>
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<tr>
<td>12. Private radio communications network</td>
<td>18. Up to 50% Foreign Equity</td>
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<tr>
<td><strong>Up to 25% Foreign Equity</strong></td>
<td>19. Up to 50% Foreign Equity</td>
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<tr>
<td>13. Private recruitment, whether for local or overseas employment</td>
<td>20. Up to 50% Foreign Equity</td>
</tr>
<tr>
<td>14. Contracts for the construction &amp; repair of locally-funded public works except:</td>
<td>21. Up to 50% Foreign Equity</td>
</tr>
<tr>
<td>a. Infrastructure / development projects covered in RA 7718;</td>
<td>22. Up to 50% Foreign Equity</td>
</tr>
<tr>
<td>b. Projects which are foreign funded or assisted and required to undergo international competitive bidding</td>
<td>23. Up to 50% Foreign Equity</td>
</tr>
<tr>
<td>15. Contracts for the construction of defense-related structures</td>
<td>24. Up to 50% Foreign Equity</td>
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<tr>
<td><strong>Up to 40% Foreign Equity</strong></td>
<td>25. Up to 50% Foreign Equity</td>
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<tr>
<td>26. Ownership of condominium units</td>
<td>26. Up to 50% Foreign Equity</td>
</tr>
<tr>
<td>27. Ownership of private lands</td>
<td>27. Up to 50% Foreign Equity</td>
</tr>
<tr>
<td>28. Operation of public utilities</td>
<td>28. Up to 50% Foreign Equity</td>
</tr>
<tr>
<td>29. Educational institutions other than those established by religious groups and mission boards</td>
<td>29. Up to 50% Foreign Equity</td>
</tr>
<tr>
<td>30. Culture, production, milling, processing, trading except retailing of rice and corn and acquiring, by barter, purchase or otherwise, rice and corn and the by-products thereof.</td>
<td>30. Up to 50% Foreign Equity</td>
</tr>
<tr>
<td>31. Contracts for the supply of materials, goods and commodities to government-owned or controlled corporation, company, agency or municipal corporation</td>
<td>31. Up to 50% Foreign Equity</td>
</tr>
<tr>
<td>32. Facility operator of an infrastructure or a development facility requiring a public utility franchise</td>
<td>32. Up to 50% Foreign Equity</td>
</tr>
<tr>
<td>33. Operation of deep sea commercial fishing vessels</td>
<td>33. Up to 50% Foreign Equity</td>
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<tr>
<td>34. Adjustment companies</td>
<td>34. Up to 50% Foreign Equity</td>
</tr>
<tr>
<td>35. Small-scale mining</td>
<td>35. Up to 50% Foreign Equity</td>
</tr>
<tr>
<td>36. Utilization of marine resources in archipelagic waters, territorial sea, and exclusive economic zone as well as small scale utilization of natural resources in rivers, lakes, bays, and lagoons</td>
<td>36. Up to 50% Foreign Equity</td>
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<td>39. Manufacture, repair, stockpiling and/or distribution of biological, chemical, and radiological weapons and anti-personnel mines</td>
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</tr>
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<td>40. Manufacture of firecrackers and other pyrotechnic devices</td>
<td>40. Up to 50% Foreign Equity</td>
</tr>
</tbody>
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1. Mass media except recording
3. Retail trade enterprises w/ pain-up capital of less than USD 2,500,000
4. Cooperatives
5. Private security agencies
6. Small-scale mining
7. Utilization of marine resources in archipelagic waters, territorial sea, and exclusive economic zone as well as small scale utilization of natural resources in rivers, lakes, bays, and lagoons
8. Ownership, operation, and management of cockpits
9. Manufacture, repair, stockpiling and/or distribution of nuclear weapons
10. Manufacture, repair, stockpiling and/or distribution of biological, chemical, and radiological weapons and anti-personnel mines
11. Manufacture of firecrackers and other pyrotechnic devices
12. Private radio communications network
13. Private recruitment, whether for local or overseas employment
14. Contracts for the construction & repair of locally-funded public works except: a. Infrastructure / development projects covered in RA 7718; b. Projects which are foreign funded or assisted and required to undergo international competitive bidding
15. Contracts for the construction of defense-related structures
16. Advertising
17. Exploration, development, & utilization of natural resources
18. Ownership of private lands
19. Operation of public utilities
20. Educational institutions other than those established by religious groups and mission boards
21. Culture, production, milling, processing, trading except retailing of rice and corn and acquiring, by barter, purchase or otherwise, rice and corn and the by-products thereof.
22. Contracts for the supply of materials, goods and commodities to government-owned or controlled corporation, company, agency or municipal corporation
23. Facility operator of an infrastructure or a development facility requiring a public utility franchise
24. Operation of deep sea commercial fishing vessels
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39. Manufacture, repair, stockpiling and/or distribution of biological, chemical, and radiological weapons and anti-personnel mines
40. Manufacture of firecrackers and other pyrotechnic devices
41. Manufacture, repair, storage, and/or distribution of products and/or ingredients requiring Philippine National Police (PNP) Clearance: a. Firearms (handguns to shotguns), parts of firearms & ammunition therefore, instruments or implements used in the manufacture of firearms b. Gunpowder c. Dynamite d. Blasting supplies e. Ingredients used in making explosives i. Chlorates of potassium & sodium ii. Nitrates of ammonium, potassium, sodium barium, copper (11), lead (11), calcium and cuprite iii. Nitric acid iv. Nitrocellulose v. Perchlorates of ammonium, potassium & sodium vi. Dinitrocellulose vii. Glycerol viii. Amorphous phosphorus ix. Hydrogen peroxide x. Strontium nitrate powder xi. Toluene f. Telescopic sights, snipers scope & other similar 2. Manufacture, repair, storage and/or distribution of products requiring Department of National Defense (DND) clearance 3. Manufacture and distribution of dangerous drugs 4. Sauna & steam bathhouses, massage clinics, & other like activities regulated by law because of risks posed to public health & morals. 5. All forms of gambling except those covered by investment agreements with PAGCOR 6. Domestic market enterprises with paid-in equity capital of less than the equivalent of USD 200, 000 7. Domestic market enterprises which involve advanced technology or employ at least 50 direct employees with paid-in equity of less than the equivalent of USD 100, 000
Government Investment Incentives

The Foreign Investment Act of 1991 provides guidelines under which non-Philippine nationals can invest or do business in the Philippines, which requires a paid-in capital of at least US$200,000. Investments classified as strategic industries may avail of incentives given by Investment Promotion Agencies (IPAs), such as BOI or PEZA.

Strategic industries are characterized by the following:

a) Crucial to the accelerated industrialization of the country;
b) Require massive capital investments to achieve economies of scale for efficient operations;
c) Require highly specialized or advanced technologies;
d) Strong backward and forward linkages with most industries existing in the country; and
e) Generate substantial foreign exchange savings through import substitution and collateral foreign exchange earnings through export of part of the output that will result with the establishment, expansion, or development of the industry.

Aside from BOI and PEZA, there are 21 Agro-Industrial Economic Zones, 216 IT Parks and Centers, 68 Manufacturing Economic Zones, 2 Medical Tourism Zones, and 19 Tourism Economic Zones that offer various incentives.

Investment Priorities Plan 2015-2016

Pursuant to the Omnibus Investment Code of 1987 and the thrust of the Philippine government to spur economic growth, the Investment Priorities Plan 2015-2016 (IIP) was adopted. The IIP contains the list of preferred investment areas eligible for incentives once registered with the Board of Investments.

Fiscal Incentives

- Income Tax Holiday
- Exemption from taxes & duties on imported spare parts.
- Exemption from wharfage dues & export tax, duty, impost, & fees.
- Reduction of the rates of duty on capital equipment, spare parts, & accessories.
- Tax exemption on breeding stocks & genetic materials.

Non-Fiscal Incentives

- Employment of foreign nationals.
- Simplification of customs procedures.
- Importation of consigned equipment.
- Privilege to operate a bonded manufacturing/trading warehouse.

I. List of Preferred Activities

a. Manufacturing

- Motor vehicles (excluding motorcycles, e-bikes, and golf carts) and motor vehicle parts and components
  1. Body panel stamping
  2. Engines, transmissions, and transaxle
  3. Large injection moulded parts
  4. Bumpers; instrument panel; door trims; center console; grill; wheel house finisher; lamps; shock absorber; wiper motor/blade; engine mounts; electric power steering; combination meter; instrument cluster; chassis & sub-frame; interior finishing; switches; seat mechanism; retractable seat belts; window regulator; constant velocity joints/ transmission; aluminium radiators; plastic fuel tanks; fuel pumps; brake system and components; evaporators and condensers; relays; flame laminated automotive fabric; door & rear view mirrors; automotive glass; engine parts & assembly; and transmission parts & assembly
  5. Controller assembly, motor, and battery (other than lead acid) for electric vehicle

- Shipbuilding including parts and components

- Aerospace parts and components

- Chemicals
  1. Oleo-chemicals
  2. Petrochemicals and derivatives
  3. Chlor-Alkali Plants

- Virgin paper pulp, copper wires and copper wire rods, basic iron and steel products, steel grinding balls, long steel products (billet and reinforcing steel bars), and at hot/cold-rolled products

- Tool and Die
  1. Simple, Compound and Progressive Dies for metal stamping or metal forging
  2. Mold for die casting, for plastic injection or blow molding, glass blow molding, forging, encapsulation molds
  3. Jigs and fixtures for metal cutting and metal forging

b. Agribusiness and Fishery

- Commercial production
  1. Coconut, corn, cassava, coffee, cocoa, fisheries, poultry and livestock;
  2. High value crops - rubber, spices, vegetables and fruits;
  3. Emerging commodities – sampaloc, jackfruit, peking duck, native pigs, siling labuyo, peanuts, monggo, and achuete.

- Commercial processing
  1. Extraction of higher value substances from agricultural and forest-based raw materials through bioprocessing;
  2. Conversion of agricultural and fishery products, their by-products and wastes, to a form ready for further processing or final consumption.
• Production of animal and aqua feeds excluding those for game animals, fowls and other species for pet/leisure purposes
• Production of fertilizers and pesticides
• Modernization of sugar mills
• Mechanized agriculture support services
• Agriculture support infrastructures, e.g. facilities for drying, cold chain storage, blast freezing, bulk handling and storage; packing houses, trading centers, ice plants in Less Developed Areas, AAA slaughterhouses, AAA dressing plants

c. Services
  • Integrated Circuit Design
  • Creative Industries/ Knowledge-Based Services
    1. Animation
    2. Software development
    3. Game development
    4. Health Information Management Systems
  • Ship repair
  • Charging stations for e-vehicles
  • Maintenance, Repair and Overhaul (MRO) of aircraft
  • Industrial waste treatment
d. Economic and Low-cost

f. Energy
  • Exploration and development of energy resources (including energy crops or upstream biofuels)
  • Power generation plants
  • Ancillary services
g. Public Infrastructure and Logistics
  • Airports and seaports (includes RO-RO ports) for cargo and passenger
  • Air, land and water transport (Limited to brand new ships, aircrafts, seaplanes, RO-RO, buses, boats, mass rail- limited to capital equipment incentive only)
  • LNG Storage and Regasification Facility
  • Bulk water treatment and supply

PPP Projects

II. Export Activities
  a. Production and manufacture of export products
  b. Service Exports
  c. Activities in support of exporters

III. Special Laws
  a. Industrial Tree Plantation (P.D. 705)
  b. Mining (R.A. 7942) (limited to capital equipment incentive)
  c. Publication or Printing of Books/Textbooks (R.A. 8047)
  d. Refining, Storage, Marketing and Distribution of Petroleum Products (R.A. 8479)
  e. Rehabilitation, Self-Development and Self-Reliance of Persons with Disability (R.A. 7277)
  f. Renewable Energy (R.A. 9513)
  g. Tourism (R.A. 9593)

IV. ARMM List

The ARMM List covers priority activities that have been identified by the Regional Board of Investments of the ARMM (RBOI-ARMM) in accordance with E.O. No. 458. The RBOI-ARMM may also register and administer incentives to activities in this IPP for project locating in the ARMM.

a. Export Activities
   • Export Trader and Service Exporters
   • Support Activities for Exporters

b. Agriculture, agribusiness / aquaculture & fishery
   • This covers the production of processed foods (production of “Halal” meat and foods), vegetable oils, food crops, integrated coconut processing and plantation, activated carbon, production of beverage crops and plantation, seaweeds production and processing, fruit processing, aquaculture (fish production and processing), young/ sweet corn production, potato and sweet potato plantation/processing, cut flower production/processing, abaca plantation/processing, oil palm plantation/processing/ refining and germinated oil palm seeds, feeds production, sugarcane plantation/processing and refineries, quality seeds and seedlings of fruit trees and other planting materials propagated asexually or by tissue culture, pearl culture/processing, production of livestock and poultry that includes processing, crocodile farming and processing, sericulture, feeds production and production of plantation crops and other pharmaceuticals, medical herbs/ essential oil plants, biomass, rubber, cagegeenan, mangosteen and moringa.

c. Basic Industries
   • This covers the production of pharmaceuticals such as antibiotics and medical devices, textile and textile products, inorganic and organic fertilizers using solid waste materials, exploration and development of natural gas and mineral resources and cement production of at least one million MTPY capacity

d. Consumer Manufactures
   • This covers processing of rubber products to be integrated with plantation and leather products.

e. Infrastructures and Services
   • This covers public utilities with developmental route from ARMM and other adjacent cities and provinces such as common carriers, electric transmission/distribution, electric motor vehicles and its parts and components, water supply facilities/waterways and sewerage systems,
buses/cargo trucks, other specialized mass transport systems, power generation like hydro power, geothermal and natural gas, and telecommunications.

f. Industrial Services Facilities
   - This covers the following activities: common centers to include testing and quality control laboratories, training and demonstration centers, tool shops and similar facilities, metal casting, metal working, furniture, ceramics and food processing, petrochemical complex and industrial gases.

g. Engineering Industries
   - This covers engineering products, electronics and telecommunication products, fabrication of construction materials and hydro power plants.

h. Logistics
   - This covers shipping of cargoes (air, sea and land) and forwarders.

i. BIMP – EAGA Trade and Investment Enterprises
   - This covers enterprises located or have their base of operation in the BIMP – EAGA, namely, Brunei; Sabah and Sarawak in Malaysia; Maluku, Sulawesi, Kalimantan and Iringaya in Indonesia; and Mindanao and Palawan in the Philippines, who shall invest and engage in economic activity in the ARMM including SMEs.

j. Tourism
   - This covers the establishment of tourism estate subject to guidelines developed jointly by RBOI- ARMM and the Department of Tourism – ARMM, tourist accommodation facilities, tourist transport facilities and development of retirement villages which shall include health and medical facilities including amenities required by the Philippine Retirement Authority (PRA) and subject to the guidelines to be approved by RBOI-ARM in consultation with the PRA, the Department of Health (DOH), the Regional Planning and Development Office (RPDO) and other concerned agencies.

k. Health and Education Services and Facilities
   - The ARMM has the lowest indication in the country regarding health and education as reflected in the Human Development Index. For this purpose, there is a need for incentives to be given to investors in the health and educational sectors such as putting – up of private hospitals, medical clinics, wellness centers, primary education, secondary education, tertiary education (colleges, universities and vocational - technical schools) and ancillary services including any and all health and education-related investments.

l. Halal Industries
   - ARMM being the only Muslim region in the country has a comparative advantage in the Halal industry. Any Halal related business enterprises shall be covered. Halal refers to the permissible products and services under Islamic Law.

Activities eligible for PEZA Incentives

Export Manufacturing – manufacturing, assembly or processing activity resulting in the exportation of at least 70% of production. (“Manufacturing / Processing” shall mean the process by which raw materials or semi-finished materials are converted into a new product through a change in their physical, mechanical or electro-magnetic characteristics and/or chemical properties. “Assembly” shall mean the process by which semi-finished parts or materials are put together or combined to form a distinct product without substantially changing its physical or mechanical characteristics or electro-magnetic and/or chemical properties.) Eligible firms shall qualify for registration as “Economic Zone Export Manufacturing Enterprise.”

IT Service Export – IT service activities, of which 70% of total revenues is derived from clients abroad. (“IT Service Activities” are activities which involve the use of any IT software and/or system for value addition). Among the IT Service activities eligible for incentives are: IT-enabled services such as business process outsourcing, call centers, data encoding, transcribing and processing, etc.; software development and application, including programming and adaptation of system softwares and middlewares; for business, media, e-commerce, education, entertainment, etc.; content development for multi-media or internet purposes; and others. Eligible firms shall qualify for registration as “IT Enterprise.”

Tourism – establishment and operation within PEZA Tourism Special Economic Zones of sports and recreation centers, accommodation, convention, and cultural facilities and their special interest attraction activities / establishments, with foreign tourists as primary clientele. Eligible firms shall qualify for registration as “Tourism Economic Zone Locator Enterprise.”

Medical Tourism – medical health services, endorsed by the Department of Health, with foreign patients as primary clientele. Eligible firms shall qualify for registration as “Medical Tourism Enterprise” in a Medical Tourism Special Economic Zone Park or Center.

Agro-industrial Export Manufacturing – processing and or manufacturing of agricultural products resulting in the exportation of its production. (“Processing” shall mean the conversion of any agricultural and marine products from its raw state into intermediate or final product, which undergo physical and/or chemical change through mechanical and/or chemical process.) Eligible firms shall qualify for registration as “Agro-Industrial Economic Zone Export Enterprise.”

Agro-industrial Bio-Fuel Manufacturing – specialized manufacturing of agricultural crops and eventual
commercial processing which shall result in the production of clean energy such as bio-fuels and the like. Eligible firms shall qualify for registration as “Agro-Industrial Economic Zone Enterprise.”

Logistics and Warehousing Services – (a) operation of a warehouse facility for the storage, deposit, safekeeping of goods for PEZA-registered Economic Zone Export Manufacturing Enterprises, and or (b) importation or local sourcing of raw materials, semi-finished goods for resale to - or for packing / covering (including marking / labeling) cutting or altering to customers’ specification, mounting and/ or packaging into kits or marketable lots for subsequent sale to - PEZA-registered Export Manufacturing Enterprises for use in their export manufacturing activities, or for direct export, or for consignment to PEZA-registered Export Manufacturing Enterprises and eventual export. Eligible firms shall qualify for registration as “Economic Zone Logistics Services Enterprise.”

Economic Zone Development and Operation

- Manufacturing Economic Zone Development / Operation – development, operation and maintenance of an economic zone for export manufacturing enterprises, inclusive of the required infrastructure, facilities and utilities such as light and power system, water supply and distribution system, sewerage and drainage system, pollution control devices, communication facilities, paved road network, administration building. Eligible firms shall qualify for registration as “Manufacturing Economic Zone Developer / Operator.”

- IT Park Development / Operation – development, operation and maintenance of an area as a complex capable of providing infrastructures and other support facilities required by IT Enterprises, as well as amenities required by professionals and workers involved in IT Enterprise, or easy access to such amenities. Eligible firms shall qualify for registration as “IT Park Developer / Operator.”

- Tourism Economic Zone Development / Operation – development, operation and maintenance of an integrated resort complex, with prescribed carrying capacities of tourist facilities and activities, such as but not limited to, sports and recreation centers, accommodations, convention and cultural facilities, food and beverage outlets, commercial establishments and other special interest and attraction activities / establishments, and provided with roads, water supply facilities, power distribution facilities, drainage and sewage systems and other necessary infrastructure and public utilities. Eligible firms shall qualify for registration as “Tourism Economic Zone Developer / Operator.”

- Medical Tourism Economic Zone Development / Operation – development, operation and maintenance of a Medical Tourism Park or Medical Tourism Center which are planned and designed in accordance with the standards of the Department of Health and the Department of Tourism to have support facilities and services required for health and wellness, and provided with required infrastructure facilities and utilities. Eligible firms shall qualify for registration as “Medical Tourism Economic Zone Developer / Operator.”

- Agro-Industrial Economic Zone Development / Operation – development operation and maintenance of an agro-industrial economic zone planned and designed to have support facilities and services required for processing and agro-based manufacturing facilities, and provided with the required infrastructure facilities and utilities. Eligible firms shall qualify for registration as “Agro-Industrial Economic Zone Developer / Operator.”

- Retirement Economic Zone Development /Operation –development operation and maintenance of a Retirement Economic Zone Park or Center, planned and designed in accordance with the accreditation standards of the Philippine Retirement Authority, and provided with the required infrastructure facilities and utilities. Eligible firms shall qualify for registration as “Retirement Economic Zone Developer / Operator.”

Facilities Providers

- Facilities for Manufacturing Enterprises – construction as owner /operator of factory buildings inside a PEZA Special Economic Zone for lease to PEZA-registered Export Manufacturing Enterprises. Eligible firms shall qualify for registration as “Economic Zone Facilities Enterprise.”

- Facilities for IT Enterprises – construction as owner/operator of buildings and other facilities inside IT Parks which are leased to PEZA-registered IT Enterprises. Eligible firms shall qualify for registration as “IT Park Facilities Enterprise.”

- Retirement Facilities – establishment, operation and management of retirement facilities and other related activities, with foreign retirees as primary clientele, duly endorsed by the Philippine Retirement Authority, and located in a Retirement Economic Zone. Eligible firms shall qualify for registration as “Retirement Economic Zone Facilities Enterprise.”

Utilities – establishment, operation and maintenance of light and power systems, water supply and distribution systems inside Special Economic Zones. Eligible firms shall qualify for registration as “Economic Zone Utilities Enterprise.”

PEZA Incentives

Depending on the type and business activity, an enterprise operating within an economic zone is entitled to incentives granted to PEZA-registered entities. These incentives generally include the following:

1. Income tax holiday of four years for a non-pioneer project and six years for a pioneer project, or three years for an expansion project
2. 5% special tax on gross income and exemption from all national and local taxes upon expiry of the income tax holiday
3. Tax and duty free importation of raw materials, capital equipment, machinery and spare parts
4. Tax credit on import substitution
5. Exemption from wharfage dues and export tax, impost or fees
6. Value-added tax (VAT) zero-rating of local purchases of goods and services
7. Tax credits for exporters using local materials as inputs as provided by the Export Development Act of 1994
8. Additional deduction for incremental labor and training expenses
9. Simplified import-export procedures
10. Employment of non-resident foreign nationals in supervisory, technical or advisory positions.

IV. WHY INVEST IN THE PHILIPPINES?

Strong Economic Fundamentals. The Philippines remains to be a viable investment destination. In spite of the prevailing global economic uncertainty, the country’s GDP is on a growth streak, posting an average of 5-7% in the last five years. Inflation, likewise, remains subdued in the last few years.

Young and Educated Population. In 2015, the country reached the 100 million mark in terms of population closing the year as 13th most populous nation in the world. With an average age of 23.4 years old and a literacy rate of 94.6%, the Filipino labour force is one of the advantages of the country as compared to other Asian nations. English, being the country’s second language, is taught in all schools which in effect made the country the world’s third largest English-speaking nation. Further, almost 350,000 new graduates enrich the professional pool yearly.

Strategic Geographical Location. The Philippines is strategically situated almost right in middle of South East Asia, allowing four hours flying time from almost all major capitals around the region. The country provides access to over 500 million people in the ASEAN market with international shipping and air lanes suited for European and American businesses.

Abundant Natural Resources. The country’s more than 7,100 islands boast of beautiful beaches and breath-taking sceneries that offer vacationers and tourists a taste of paradise. The Philippine archipelago provides diverse natural resources, ranging from land, marine, and mineral resources. While 2,145 fish species calls the country home, the Philippines is also one of the biggest copper producer in Southeast Asia and among the top ten producers of gold in the world.

Developing Infrastructure. The Philippines continues to invest and develop communication, transportation, economic, and other infrastructure that will link the country’s three major islands. Improvements in the facilities and services were commissioned by the government in response to the positive developments in inter-island shipping and domestic aviation. The country’s container terminals are well-suited to handle cargo traffic at the highest levels of efficiency. Communication provides redundant international connectivity 24/7 with fiber optic cable as primary backbone network and satellite as backup. The landmark BOT legislation allows private investors to build and operate infrastructure, then turn it over to the Philippine government after a set period of time.

Challenges

Over the past few years, the Philippines posted marked improvements in its competitiveness rankings in the Annual World Economic Forum – Global Competitiveness Report (WEF-GCR). However, the country dropped ten notches in the 2016 WEF-GCR where it landed in 57th place from 47th in 2015.

In the said report, the Philippines declined in 8 out of the 12 pillars of the annual survey. The largest drops were reported in Goods Market Efficiency (down by 19, from 80th to 99th); Technological Readiness (down by 15, from 68th to 83rd); Institutions (down by 14, from 77th to 91st); Innovation (down by 14, from 48th to 62nd) and Business Sophistication (down by 10, from 42nd to 52nd). Infrastructure, Labor Market Efficiency, and Market Size also dropped it ranking to 95th, 86th, and 31st from its previous year’s ranking of 90th, 82nd, and 30th, respectively.

On the other hand, the Philippine ranking for Higher Education and Training, Health and Primary Education, and Macroeconomic Environment improved to 58th, 81st, and 20th from its previous ranking at 86th, 63rd, and 24th, respectively. Macroeconomic management remains the country’s strongest performing pillar in the overall index. The Financial Market Development indicator rank remains unchanged at 48th.

Economic Restrictions

The 1987 Constitution of the Philippines limits foreign participation in several industries of which majority shares must be owned by Filipinos. Take for instance Art. II, sec. 19 that mandates a “self-reliant and independent national economy effectively controlled by Filipinos,” which paves the way for several government regulations, laws, and orders that restrict foreign investors. For example, it allows only 40% foreign equity share in mining, agriculture, forestry, and transportation related undertaking while 0% foreign equity share in media. In response to this reality, Congress has working on amending some of the economic provisions of the constitution to allow liberalization of some sectors.

Traffic Congestion

Over the last ten years, the Philippines had underinvested in physical infrastructure that resulted to limiting its growth potentials with an average allocation of 2%-3% of its GDP. The country continues to rank
below Singapore, Malaysia, Thailand, and Indonesia within ASEAN-6 in terms of infrastructure quality. Thus, challenges in airports, power, roads, seaports, and telecommunications are evident that affected the overall performance of the Philippines.

Bureaucracy

Due to repetitive, complex, and often conflicting orders and procedures of government agencies on business permits and licensing, entry approval, and an array of regulations investments are often delayed which discourages foreign investors. However, through the concerted effort of government agencies such as the National Competitive Council and the Investment Ombudsman, bureaucracy is now being tempered and government procedures are now being streamlined. PEZA continues to be an exemplary agency as it has often been cited by various private sector organizations for staying true to its commitment of “No red tape, only Red Carpet.”

Corruption

Although corruption allegations are still pervasive, the Office of the Ombudsman and the Department of Justice continues to active in investigating and prosecuting public sector officials for corruption charges. In fact, the government’s swift actions have been recognized by independent international agencies such as Transparency International (TI) when it jumped from 129th spot in 2011 to 94th spot in 2013 making it the least corrupt country in Southeast Asia ahead of Indonesia, Thailand, and Vietnam.

V. OPPORTUNITIES

IT-BPM Industry

One of the most vibrant industries in the Philippines is the Information Technology and Business Process Management (IT-BPM). Started emerging in 2000, the industry has significantly diversified its growth in the past two decades and has created employment opportunities to the predominantly English speaking young Filipinos. IT-BPM generated as much as USD 18.4 billion in revenues in 2015, which is 18.7% higher than the USD 15.5 billion growth in 2013. This figure represents 6% of the country’s total economic output in 2015 and generating at least 1.03 million direct employment. Absolutely on track with its forecasted revenue of USD 25 billion and 1.3 million direct employment in 2016.

The IT-BPM industry is characterized into voice and non-voice operations. It is recognized as the number one voice provider in the IT-BPO services worldwide catering to various functional and vertical areas of healthcare, engineering, banking, investments, financial services, and shipping, among others. On the other hand, the Philippines is the second highest non-voice provider in the world next only to India. Non-voice with complex services is rapidly growing in the country due to client satisfaction of the quality of voice services, higher demands, increasing market operations, availability of workforce, and the overall competitiveness of the Philippines.

Although most economic developments spurred by IT-BPM are concentrated in Metro Manila, the government with the private sector is encouraging businessmen to invest in the “Next Wave Cities” such as Baguio, Davao, Dumaguete, Iloilo, Metro Bulacan, Metro Cavite, Metro Laguna, Metro Naga, and Metro Rizal to further cascade its economic benefits into the various regions of the country.

Likewise, the Philippine government through the Technical Education and Skills Development (TESDA) has provided funding and training for Filipinos wanting to specialize on animation, customer relationship management, software and game developments. A number of educational institutions have been identified to jointly craft a curriculum that fits the demands of the IT-BPM industry.

Renewable Energy Industry

With increased business activities due to robust economic growth and expanding population, the Philippine energy demands continue to be one of the priorities of the government. As of 2015, sources of power generation were primarily coal (33,054 Gwh), natural gas (18,690 Gwh), geothermal (10,308 Gwh), hydropower (9,137 Gwh), and oil-based (5,708 Gwh) while wind, solar, and biomass accounted to merely 364 Gwh. However, due to climate change issues, emphasis on the development of renewable energy sources have been given considerable attention especially with the enactment of Republic Act 9523 otherwise referred to as the Renewable Energy Act of 2008.

Fiscal and non-fiscal incentives are introduced in order to increase geothermal capacity by 75%, hydropower capacity by 160%, additional 277 MW biomass power capacity, and develop the first ocean energy facility as provided for in the National Renewable Energy Roadmap.

Construction and Infrastructure Industry

This industry is expected to sustain its strong growth in the Philippine market largely attributed to private construction residential and non-residential undertakings and the rolling out of the administration’s flagship infrastructure projects under the Private-Public
Partnership scheme or PPP as monitored by the PPP Center and the National Economic Development Authority (NEDA) chaired by no less than the President himself. By year-end, public and private sector construction activities is seen to reach Php. 1.7 trillion or estimated at 10.9% growth. Last year, the industry contributed 5.8% at constant price to the Philippine economy and was responsible for 6.6% total employment as of October 2015.

The government through the Housing and Land Use Regulatory Board (HLURB) is targeting construction of one million housing units by end of 2016 with over 300 condominium projects in Metro Manila targeted as mid-market segment.

As for PPP projects, there are eleven (11) major big-ticket infrastructure projects that have been awarded as of November 2015, which include the Php. 64.9 billion LRT Line 1 Cavite Extension and Operations and Management; Php. 55.51 billion Cavite-Laguna (CALA) Expressway; and the Php. 17.52 billion Mactan-Cebu International Airport Passenger Terminal Building, among others. There are also at least forty (40) other PPP projects under different stages of procurement and bidding that are in the pipeline of public infrastructure projects.

Despite the expected moderation of public construction after 2015 due to the upcoming 2016 elections and the change of national leadership, the infrastructure industry will continue to grow especially in the energy and utilities segments, which are forecasted to expand at an annual average of 7.6% between 2015 until 2019.

Healthcare Industry

The government through joint cooperation between the Department of Health (DOH) and Department of Science and Technology (DOST) has adopted the “Philippines e-Health Strategic Framework and Plan 2015-2020,” which would pave the pivotal infusion of Information and Communication Technologies (ICT) with medical services.

Healthcare spending in the Philippines is estimated at Php. 500 billion in 2013 with gross value added amounting to Php. 172.04 billion that increased at least 10% in 2015. Most people in the labor sector have access to health insurance for themselves and dependents, while majority of the Filipinos if not all, are members of the Philippine Health Insurance Corporation (PhilHealth).

With the e-health strategic plan, the Philippine government is expected to develop infrastructure for ICTs in health to promote equitable and affordable universal access, establish national centers for service improvements, upgrade medical equipment for state sponsored hospitals and health centers at the barangay levels, as well as implement national electronic public health information system.

A consortium of private organizations have established the Philippine Healthcare Initiative to look upon three PPP healthcare related projects, which include the Quality Management Framework on Healthcare Facilities, Human Touch Program for Nursing Homes, and the Development of the Geriatric Curriculum. Likewise, a segment of this industry called “medical tourism” has been gaining attraction especially from foreign retirees, which have been offered special visa arrangement by the Philippine government.

Manufacturing Industry

A key industry in the Philippine economy that comprised more than half of the country’s industrial sector and accounted at most 25% of its GDP is the manufacturing industries. The sector grew by 10.5% in 2013 and 8.1% in 2015. It seeks to achieve global competitiveness with forward and backward linkages with a total value added of 30% and 15% of total employment in 2025 under the so called “Manufacturing Resurgence Program” to which the government has allocated USD 1.5 million for its implementation. At the sub-sectoral level, all segments-consumer goods, intermediate and capital goods—had posted positive value added growth rates since 1990s.

Through the Department of Trade and Industry (DTI), the government in consultation with the various industry associations formulated a roadmap that will revive the manufacturing sector in the Philippines. From 2018-2021, it will shift to high value added activities, focus its investments in the core sectors, link and integrate manufacturing with agriculture and service industries, as well as create a manufacturing innovation ecosystem. In the long-run (2022-2025), the Philippines will continue to maintain globally competitive and innovative manufacturing industry with emphasis on electronics, automotive, food, machinery, garments, and establishing regional and global production networks.

In recent years, more foreign companies are availing the incentives provided in PEZA zones in the hope that the Philippines be the manufacturing hub in Southeast Asia in view of the ASEAN Economic Community. While labor costs are increasing rapidly in China, the Philippines remains a competitive market with minimum salary requirements and a strong government support from DOLE, PEZA, and DTI, among others.
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