

APPROVING THE 2006 INVESTMENT PRIORITIES PLAN

MEMORANDUM ORDER NO. 211, April 04, 2006

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Pursuant to Article 29 of the Omnibus Investment Code of 1987, the attached 2006 Investment Priorities Plan (IPP) is hereby approved.

This Memorandum Order shall take effect fifteen (15) days after its publication in at least one newspaper of general circulation as required under Article 31 of the Omnibus Investments Code of 1987.

Done in the City of Manila, this 4th of April in the year of Our Lord, Two Thousand and Six.

(Sgd.) GLORIA M. ARROYO

By the President:

(Sgd.) EDUARDO R. ERMITA

Executive Secretary

Part I PRIORITY INVESTMENT AREAS

The descriptions/coverage and the entitlement to incentives of the following listed activities shall be defined and clarified in the General Policies and Specific Guidelines to be issued by the Board of Investments (BOI).

All projects with sovereign guarantee and/or guaranteed rate of return shall not be entitled to income tax holiday (ITH).

Industry Cluster and modernization activities as well as the establishment and operation of Centers of Excellence are applicable to all listed activities except when specifically excluded.

I. PREFERRED ACTIVITIES

- Agribusiness

This covers the commercial production and commercial processing of agricultural and fishery products including their by-products and wastes.

- Healthcare and Wellness Products and Services

This covers hospital services, medical and dental services, other human health and wellness products/services, retirement villages, medical zones and related services. This also covers the manufacture of drugs and medicines in accordance with the Philippine Drug Formulary of the Department of Health (DOH), supplements limited to Vitamin A, iron and iodine for use in the Food Fortification Law, and herbal medicines.

- Information and Communications Technology

This covers IT and IT-enabled services and ICT support services.

- Electronics

This covers all segments within the value-chain structure of the industry such as Original Design Manufacturing (COM), electronics manufacturing services (EMS), the manufacture of electronic products (except home appliances), IC design, the manufacture of parts and components of electronic products including the inputs for the manufacture of such components, and the manufacture of production supplies (e.g., molds and dies, precision tools, etc.) used by the electronics industry. This also covers the establishment of test and other service facilities.

- Motor Vehicle Products

This covers the production and/or manufacture of motor vehicle parts and components, and the manufacture or assembly of motor vehicles provided that the activity includes a program for the development of motor vehicle parts and components.

- Energy

This covers the exploration, development, and/or utilization of energy sources. This also covers activities using energy technologies leading to energy efficiency and conservation in accordance with the program of the Department of Energy (DOE).

- Infrastructure

This covers the development of infrastructures, telecommunications, logistics, transport systems and mass housing. This also covers infrastructure projects under the BOT Law.

- Tourism

This covers the development of tourism economic zones, tourist estates, eco-agri tourism facilities, and the establishment of tourist accommodation facilities. This also covers historico-cultural heritage projects and services provided by tourist operators as endorsed by the Department of Tourism (DOT).

- Shipbuilding/Shipping [a]

This covers shipbuilding, ship repair, shipyard operations (excluding shipbreaking), and overseas, domestic and RORO shipping and terminal operations.

- Jewelry

This covers the manufacture of fine jewelry and costume jewelry.

- Fashion Garments

This covers the production of fashion garments as endorsed by the Department of Trade and Industry (DTI). Fashion garments essentially refer to wearing apparel for a specific season with a distinct style and color based on international trends.

Machinery and equipment, raw materials and intermediate inputs in support of the activities listed in the IPP [b] This covers the fabrication of machinery and equipment and the production/manufacture of raw materials and intermediate inputs in support of the activities listed in the IPP.

II. MANDATORY INCLUSIONS

All areas/activities, which as provided for under existing laws, specifically require their inclusion in the IPP.

LAW**ACTIVITY****P.D. 705**

Industrial Tree Plantation

7103

Iron & Steel

R.A. 7942

Exploration, mining, quarrying, and processing of minerals [c]

R.A. 8047

Publication or printing of books or textbooks [d]

R.A. 8479

Refining, storage, marketing and distribution of petroleum products [e]

R.A. 9003

Ecological Solid Waste Management [e]

R.A. 9275

Clean Water Act [d]

7277

Rehabilitation, Self-Development and Self-Reliance of Disabled Persons

R.A. 6957

Build, Operate and Transfer (BOT) Law as amended by R.A. 7718 (For projects in excess of PhP 1 Billion) [e]

Activities covered under Bilateral Agreements

III. EXPORT ACTIVITIES[d]

This covers the production/manufacture of non-traditional export products and services in support of exporters as identified under the Medium-Term Philippine Development Plan 2004-2010 (MTPDP) or the Philippine Export Development Plan 2005-2007 (PEDP).

- Manufacture of Export Products/Services

This covers the production/manufacture of non-traditional export products and services with capability to export at least 50% of its output, if Filipino-owned or at least 70%, if foreign-owned. To qualify for incentives, industrial goods for export should have undergone manufacturing; mineral products for exports should have

undergone processing. Production of industrial goods involving simple processing covering any or a combination of activities such as but not limited to cleaning, sorting, cutting, shredding, pulverizing, grinding, crushing, compacting, dissolving and filtration are excluded.

Exports of mineral products without processing shall not be entitled to ITH, e.g., mineral production without processing such as (i) quarrying and mining only, (ii) mining of direct shipping ore, (iii) minor processing as cleaning, sorting or size reduction.

Export of recycled materials with no or with simple processing involving any or a combination of activities such as but not limited to cleaning, sorting, cutting, shredding, pulverizing, grinding, crushing, compacting, dissolving and filtration shall not qualify for registration for purposes of incentives.

The BOI may, if national interest requires, withhold registration of an export product including industry inputs that are in short supply domestically.

- Activities in Support to Exporters -this covers the following:
- Services comprising a portion of the manufacturing process;
- Sub-assembly of parts/components of the final export product;
- Fabrication of parts/components of final products wherein the raw materials are provided by the direct exporter;
- Product testing and inspection; and,
- Repair and maintenance.

IV. PROJECTS UNDER THE RETENTION, EXPANSION AND DIVERSIFICATION (R.E.D.) PROGRAM

This covers activities of existing investors that are encouraged for retention, either to maintain, expand or diversify their operations in the country. Activities under the R.E.D. Program shall be subject to minimum investment requirements and other conditions as defined and clarified in the General Policies and Specific Guidelines to be issued by the BOI.

- RETENTION projects are the existing activities that are encouraged for continued operation in the Philippines. Retention projects may only be granted non-fiscal incentives;
- EXPANSION projects are existing activities that are encouraged to increase existing capacities within the country; and,
- DIVERSIFICATION projects are new activities of existing investors that are distinct from existing operations.

Trading and other activities enumerated under Article 11 of E.O. 226 are excluded.

V. RELOCATION ACTIVITIES

This refers to projects from other countries relocating to the Philippines that shall be subject to minimum investment requirements and other conditions as defined and clarified in the General Policies and Specific Guidelines to be issued by the BOI.

Trading and other activities enumerated under Article 11 of E.O. 226 are excluded.

VI. ARMMLIST

The ARMM List covers priority activities, which have been independently identified by the Regional Board of Investments of the ARMM (RBOI-ARMM) in accordance with E.O. 458. The RBOI-ARMM can grant registration and administer incentives to activities in the IPP, provided these are located in ARMM and subject to the General Policies and Specific Guidelines.

- EXPORT ACTIVITIES

- Export Trader and Service Exporters
- Support Activities for exporters

- AGRICULTURE, FOOD AND FORESTRY-BASED INDUSTRY

Processed Food

- Production and processing of Halal Meat and Halal foods
- Leguminous and other vegetable - based protein (textured, palletized or liquid
- Spices Processing (e.g., hot pepper, black pepper, ginger, etc.)
- Note: May be integrated with plantation
- Vegetable Oils (e.g. peanut oil, rice bran oil, sunflower and soybean oil)
- Production of Food Crops
- Note: Maybe integrated with post-harvest processing and other vegetables (such as Tomatoes)
- Integrated Coconut Processing and plantation
- Seaweeds Production and Processing
- Cassava Processing and other root crops
- Note: Maybe integrated with plantation
- Fruit Processing (e.g. durian, mangosteen, jack fruit, marang, banana, mango, passion guava, calamansi, and guyabanos) and plantation
- Aquaculture (Fish Production and Processing) such as, but not limited to:
 - Frozen fish
 - Chilled fish
 - Canned fish
 - Abalone
 - Crab fattening
- Eel production
 - Squid processing
- Carp and Tilapia Production and Processing

- Tropical Fish Production and Processing
 - Shrimps/Prawn
 - Lapu-lapu (Grouper) and other marine products
 - Com Flour Mill (Integrated with plantation)
 - Young Corn Production
- Note: May include processing/canning
- Mushrooms Culture and Processing
 - Sweet Potato Plantation and Processing
 - Crocodile Farming and Processing
 - Cutflower Production
 - Pearl Culture and processing
 - Industrial Tree Plantation (Include Rubber, Rattan, Bamboo, etc.) and wood processing (cement wood board and fiberboard) reconstructed veneer
 - Shipbuilding / Ship breaking / Ship repair and Watercraft
 - Abaca Pulp Plantation and Processing
 - Palm Oil Plantation / Processing/ refining and germinated oil palm seeds
 - Coffee Processing (Maybe integrated with plantation)
 - Panicle Board (use of agri-based waste material such as rice straw, wood waste, etc.)
 - Activated Carbon Manufacturing (use of coconut shell, wood based, etc.)
 - Feeds Production (Animal feeds and feeds for aquaculture)
 - Tobacco Plantation and Processing
 - Production of Beverage Crops (but not limited to)
 - Cacao Beans
 - Coffee Beans (Arabica variety)
 - Production of Plantation Crops and other Medical Herbs/Essential oil plants (including flower extracts)
 - Production of Livestock and Poultry (including Dairy products)
 - Beef (including cow-calf and feedlot operations)
 - Carabao (water buffalo) production
 - Goats and Sheep
 - Frozen semen and embryos

Note: includes natural method and artificial insemination and embryo transfer technology

- Bricks and Roofing Tiles production
- Quality seeds and seedlings of fruit trees and other planting materials propagated asexually or by tissue culture
- Sugarcane plantation, processing and Refineries
- Sericulture
- Mosquito coil processing

- BASIC INDUSTRIES

- Pharmaceuticals'
 - Antibiotics
 - Penicillin
 - Streptomycin
 - Tetracycline
 - Soft gelatin Capsules
 - Medical Devices
 - Prosthetics
 - Diagnostics
 - Other pharmaceuticals, herbal medicines
 - Textile and Textile Products
 - Yams and fabrics
 - Hand-woven textiles
 - Specialty fabrics
 - Tire cord fabrics
- Note: Must be integrated with weaving and dipping units.
- Ramie (degummed, staple fiber, combed tops, noel slivers)
 - Fish nets
 - Fabrics made of indigenous raw materials
 - Fertilizers (organic and inorganic)
 - Solid waste materials
 - Mining (Exploration and development of Mineral Resources)
 - Mining and quarrying of Metallic and Non Metallic Minerals (including small scale as defined under P.D. 1899, but to exclude river beds in operations)
 - Processing of Minerals (such as beneficiation and other Metallurgical methods)
 - Cement - At least 1.0 million MTPY Capacity (Clinker based)

- CONSUMER MANUFACTURES

- Rubber Products such as:
- High pressure and hydraulic rubber hoses
- Rubber bolts
- Industrial rubber rollers
- Rubber tires
- Leather Products

- INFRASTRUCTURE AND SERVICES

- Public utilities (with developmental route of the five provinces and one city of the ARMM and other adjacent Cities and Provinces)
- Common Carriers (land, air and water transport facilities)
- Electric Transmission/distribution
- Water Supply Facilities/Waterways and sewerage systems
- Buses /Cargo trucks
- Other specialized mass transport systems
- Power generation like hydro power, Geothermal and natural gas
- Telecommunication with International Gateways
- Tourism
- Tourism Estate

Subject to guidelines developed jointly by the Board of Investments -ARMM and Department of Tourism (DOT)

- Tourist Accommodation Facilities
- Hotels
- Resorts
- Other tourist accommodation facilities such as apartel, pension houses, tourist inns, and others
- Tourist Transport Facilities

Air

- Water
- Tourist Buses and taxi/van

Note: *Endorse by the DOT

**New and expansion projects may be registered

- Industrial Service Facilities

This will cover the following activities:

- Common Centers:
- Testing and Quality Control Laboratories
- Training and Demonstration Centers
- Tool Shops and Similar Facilities
- Metal casting

Foundry

Die casting

Powder

Metallurgy

- Metal working

Die and mold

Electroplating

Forging

Machining

Heat Treatment

Brass Making

- Furniture

Kiln Drying

Treatment and processing facilities

- Ceramics

Kiln

Glazing

- Food Processing

Bottling and Canning of Distilled Water

Industrial salt

Vapor Heat Treatment

Slaughter house/abattoir

- Automotive Battery Plate Manufacturing

Note: The following criteria must be met:

- * The project will serve the common needs of the industry in the locality and;
- * The project will improve the relative status & comparative advantages of the industry

- Development of Retirement Villages

- Shall include Health and Medical facilities including amenities required by the Philippine Retirement Authority (PRA).

- Subject to the guidelines to be approved by BOI-ARMM in consultation with the PRA, the Department of

Health (DOH), the Regional Planning and Development Office and other concerned agencies.

- Petrochemical Complex
- Industrial Gases (such as oxygen and nitrogen)
- Miscellaneous Chemical Products
- Biotechnological/Biosynthetic Chemicals
- Essential Oils
- Fine Chemicals

- ENGINEERING INDUSTRIES

- Engineering Products
- Motor Vehicle parts and components
- Automobile parts and assembly
- Modern offset printing
- Electronics and Telecommunication Products

- ARMM PRIORITY AND TOURISM AREAS

Note: Listed below are potential tourist destination which need further exploration and evaluation for intensified promotions, development and marketing.

NUCLEUS

GATEWAY

SATELLITE DESTINATION

AREA I - SULU

JOLO

SULU PROVINCE

AREA II-TAWI-TAWI

BONGAO

TAWI-TAWI PROVINCE

AREA III -LANAO
DEL SUR

MARAWI CITY**LANAO DEL SUR PROVINCE**

AREA IV-
MAGUINDANAO

COTABATO CITY**MAGUINDANAO PROVINCE****AREA V - BASILAN****ISABELA****BASILAN PROVINCE**

-
- [a] The establishment and operation of Centers of Excellence is limited only to Shipbuilding
[b] Industry cluster and modernization activities as well as the establishment and operation of Centers of Excellence are limited only to the fabrication of Machinery and Equipment
[c] Also covers cement manufacturing, which incentives shall be limited to those provided under E.O 226
[d] Industry Cluster and the establishment and operation of Centers of Excellence are not applicable.
[e] Industry Cluster is not applicable

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