

MALACAÑANG
MANILA

BY THE PRESIDENT OF THE PHILIPPINES

MEMORANDUM ORDER NO. 136

I. APPROVING THE 2004 INVESTMENT PRIORITIES PLAN

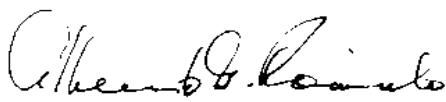
Pursuant to Article 29 of the Omnibus Investments Code of 1987, the attached 2004 Investment Priorities Plan (IPP) is hereby approved.

This Memorandum Order shall take effect fifteen (15) days after its publication as required under Article 31 of the Omnibus Investments Code of 1987.

DONE in the City of Manila, this 18th of February in the year of our Lord, Two Thousand and Four.



By the President:



ALBERTO G. ROMULO
Executive Secretary



2004 IPP PRIORITY INVESTMENT AREAS

The 2004 IPP shall encourage the following listed activities. The descriptions/coverage of the listed activities shall be limited and clarified in the Specific Guidelines to be issued by the Board of Investments (BOI).

I. National List

A. Exports Activities

This covers export producers, service exporters and activities considered in support of exporters.

1. Export Producers

Covers manufacture of non-traditional export products 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 and 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.

2. Activities in Support to Exporters - covers

- a) Services comprising a portion of the manufacturing process;
- b) Sub-assembly of parts/components of the final export product;
- c) Fabrication of parts/components of final products wherein the raw materials are provided by the direct exporter;
- d) Product testing and inspection; and,
- e) Repair and maintenance.

B. Mandatory Inclusions:

1. All areas/activities, whose inclusion in the IPP are required under existing laws.

<u>LAW</u>	<u>ACTIVITY</u>
P.D. 705	Industrial Tree Plantation
R.A. 7103	Iron and Steel Covers primary steel products as blooms, billets, slabs and ingots and intermediate steel products (hot rolled products, cold rolled products, tin mill black plates and tin plates).
R.A. 7942	Exploration, Mining, Quarrying, and Processing of Minerals Covers exploration, mining or quarrying, mineral processing and mining or quarrying integrated with mineral processing. Simple processing such as sorting, crushing or washing are not qualified to avail of income tax holiday (ITH) incentive. Activities involving exploration, mining or quarrying only and mining, quarrying or processing of aggregates and direct shipping ore shall not be granted ITH.
R.A. 8047	Publication or Printing of Books or Textbooks Covers the following: a) Publication of books and textbooks b) Printing of books and textbooks c) Reprinting of books and textbooks Application for registration shall be endorsed by the National Book Development Board (NBDB).
R.A. 8479	Refining, Storage, Marketing and Distribution of Petroleum Products These activities may register under E.O. 226 or R.A. 8479. Upon application, firms are required to indicate under which law to register, as there would be no switching of law of registration once registered. Under E.O. 226 registration, no income tax holiday (ITH) incentive shall be granted on Refinery, Storage, Distribution and Marketing and other activities under R.A. 8479. However, if registered under R.A. 8479, activities may qualify only to incentives provided under R.A. 8479. Registration of activity under R.A. 8479 shall be through the BOI and shall be subjected to BOI qualifications as provided under the Memorandum of Agreement (MOA) between BOI and the Department of Energy (DOE).
R.A. 9003	Ecological Solid Waste Management Covers the following activities: a. Recycling/Treatment Facility with Manufacturing b. Sanitary Landfill-Waste Management Services

NOTE: All modernization projects may qualify for registration for as long as the activity is listed in the 2004 IPP.

c. Support Services

Application for registration of projects under R.A. 9003 shall be accompanied by an endorsement from the National Solid Waste Management Commission (NSWMC)

2. Activities covered under Bilateral Agreements

This covers bilateral agreements entered into by the Philippine government with other foreign governments specifically granting incentives to a particular activity.

C. Other Preferred Activities

1. Agricultural/ Fishery Production and Processing

Limited to commercial production and commercial primary processing of agricultural (including sericulture) and fishery products including their by-products and wastes.

Sugar refining integrated with sugar milling may qualify for registration.

Coconut oil refining integrated with coconut oil milling may qualify for registration.

2. Energy Sources

Covers new and/or renewable energy sources (geothermal, wind, solar, biomass, etc.), and natural gas (provided that for natural gas, the cost of production per kwh is lower than the 2003 cost of production of existing power plants).

3. Logistics

Covers air and land transport, inter-island shipping including RORO operations, agricultural services such as cold storage and blast freezer, container yards and passenger terminals, integrated logistics, pipeline operations, natural and liquefied petroleum gas projects that include CNG/LPG conversion terminal shops, CNG/LPG assembly facility, CNG/LPG refueling station, and land transport using CNG/LPG for commercial operations.

4. Drugs and Medicines

Manufacture of essential drugs (listed in the current Philippine National Drug Formulary of the Department of Health), including herbal medicines and supplements, food supplements limited to the manufacture of Vitamin A, iron and iodine for use in the Food Fortification Law and subject to DOH certification, and vaccines for animal diseases (listed under the Bureau of Animal Industry – DA A.O. No. 12, Series of 1992) and active substances of these drugs.

5. Engineered Products

Covers dies and molds, manufacture/assembly of motor vehicles, manufacture of motor vehicle parts and components, manufacture of machinery and equipment parts, original design manufacturing (ODM) and lead frames.

6. Information and Communications Technology

Covers ICT Services such as application software, software development, firmware/middleware and animation; ICT-enabled Services such as contact center, engineering design and medical transcription; and ICT Support Activities such as e-learning services and community access facilities (limited to Less Developed Areas for community access facilities).

7. Infrastructure

Covers the establishment of physical infrastructure such as rural electrification system, telecommunications and power projects including those under the BOT Law. BOT and infrastructure projects with government guarantee shall not be entitled to income tax holiday (ITH) incentive.

8. Mass Housing Projects including Development and Fabrication of Housing Components

Covers mass housing development (socialized and low cost housing projects) and fabrication of housing components.

9. Research and Development Activities

Covers in-house R & D activities of any manufacturing/producing firm and commercial R & D activities of private firms and research institutions.

10. Social Service

Covers the establishment of retirement villages (limited to new projects only), health services including medical tourism, educational services and social welfare services.

11. Tourism-related Projects as Endorsed by the Department of Tourism

Covers the establishment of tourist accommodation facilities, tourist estates, historico-cultural heritage projects and eco-agri tourism facilities.

12. Motion picture limited to films with historical and socio-cultural significance, and documentary films

13. Printing

Covers printing including printing in support of packaging using only high technology and brand new equipment.

14. Environmental Services

Covers the establishment of toxic and hazardous waste (THW) merchant facilities; testing and measuring services for industrial/institutional point sources of emission and effluent and other related environmental parameters for machinery and equipment excluding motor vehicles; river system rehabilitation; and Clean Development Mechanism (CDM) projects.

15. Packaging

Covers packaging materials using only high technology and brand new equipment.

16. Petrochemicals

Covers upstream (naphtha cracker) and midstream activities (polymerization plant which produces PE, PVS, PP, PS, etc.).

II. Regional List

A. Industry Clusters

Industry clusters (ICs) are endorsed by the Small and Medium Enterprise Development Council (SMEDC). In the event that there is no operational SMEDC at the provincial/regional level, the DTI provincial/regional offices shall make the endorsement. ICs will be limited to only one (1) cluster per province.

B. ARMM List

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

1. Export Activities

- a. Export Trader and Service Exporters
- b. Support Activities for Exporters

2. Agriculture, Food and Forestry-Based Industries

- a. Processed Food
 - Production and processing of halal meat and halal foods
 - Leguminous and other vegetable-based protein (textured, pelletized 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) and 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 root crops
Note: Maybe integrated with plantation.
- Fruit processing (e.g. durian, mangosteen, jackfruit, marang, banana, mango, passion guava, calamansi, and guyabano) 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
- Corn 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

b. Cutflower Production

c. Pearl Culture and Processing

d. Industrial Tree Plantation (include Mangrove, Rattan, Bamboo, etc.) and wood processing (cement wood board and fiberboard) reconstructed veneer.

e. Shipbuilding / Ship Breaking / Ship Repair and Watercraft

f. Abaca Pulp Production and Processing

g. Palm Oil Plantation, Processing, Refining and Germinated Oil Palm Seeds

h. Coffee Processing (maybe integrated with plantation)

i. Particle Board (use of agri-based waste material such as rice straw, wood waste, etc.)

j. Activated Carbon Manufacturing (use of coconut shell, wood based, etc.)

k. Feeds Production (animal feeds and feeds for aquaculture)

l. Tobacco Plantation and Processing

- m. Production of Beverage Crops, but not limited to:
 - Cacao beans
 - Coffee beans (Arabica variety)
- n. Production of Plantation Crops and Other Medical Herbs/Essential Oil Plants (including flower extracts)
- o. 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 embryosNote: includes natural method and artificial insemination and embryo transfer technology
- p. Bricks and Roofing Tiles Production
- q. Quality Seeds and Seedlings of Fruit Trees and Other Planting Materials Propagated Asexually or by Tissue Culture
- r. Sugar Cane Plantation, Processing and Refineries
- s. Sericulture
- t. Mosquito Coil Processing

3. Basic Industries

- a. Pharmaceuticals
 - Antibiotics
 - Penicillin
 - Streptomycin
 - Tetracycline
 - Soft gelatin capsules
 - Medical Devices
 - Prosthetics
 - Diagnosis
 - Other pharmaceuticals, herbal medicines
- b. Textile and Textile Products
 - Yarns and fabrics
 - Hand-woven textiles
 - Specialty fabrics
 - Tire cord fabricsNote: Must be integrated with weaving and dipping units
 - Ramie (degummed, staple fiber, combed tops, noels and slivers)
 - Fish nets
 - Fabrics made of indigenous raw materials
 - Silk reeling
- c. Fertilizers (organic and inorganic)

NOTE: All modernization projects may qualify for registration for as long as the activity is listed in the 2004 IPP.

- Solid Waste Materials
- d. 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)
- e. Cement – at least 1.0 million MTPY Capacity (clinker based)

4. Consumer Manufactures

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

5. Infrastructure and Services

- a. 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, and Geothermal
- b. Telecommunications with International Gateways
- c. Tourism
 - Tourism estates
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 appartels, pension houses, tourist inns, and others
 - Tourist transport facilities
 - Air
 - Water
 - Tourist buses and taxi/van

Note: *Should be endorsed by the DOT.
**New and expansion projects may be registered.

d. 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 working
 - ◆ Electroplating
 - ◆ Foundry
 - ◆ Forging
 - ◆ Machining
 - ◆ Heat treatment
 - ◆ Brass making
 - Furniture
 - ◆ Kiln drying
 - ◆ Treatment and processing facilities
 - Ceramics
 - ◆ Kiln
 - ◆ Glazing
 - Food Processing
 - ◆ Bottling and Canning of Water
 - ◆ Industrial Salt
 - ◆ Vapor heat treatment
 - ◆ Slaughterhouse/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 and comparative advantages of the industry.
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- Development of Retirement Villages
 - Shall include health and medical facilities including amenities required by the Philippine Leisure and Retirement Authority (PLRA).
 - 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 (RPDO) and other concerned agencies.

e. Petrochemical Complex

f. Industrial Gases (such as oxygen and nitrogen)

g. Miscellaneous Chemical Products

- Biotechnological/biosynthetic chemicals
- Essential oils
- Fine chemicals

6. Engineering Industries

- a. Engineering Products
 - Motor vehicle parts and components
 - Automobile parts and assembly
 - Modern offset printing
- b. Electronics and Telecommunication Products

7. ARMM Priority and Tourism Areas

Listed below are potential tourist destinations, 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