



The Philippine New Industrial Policy

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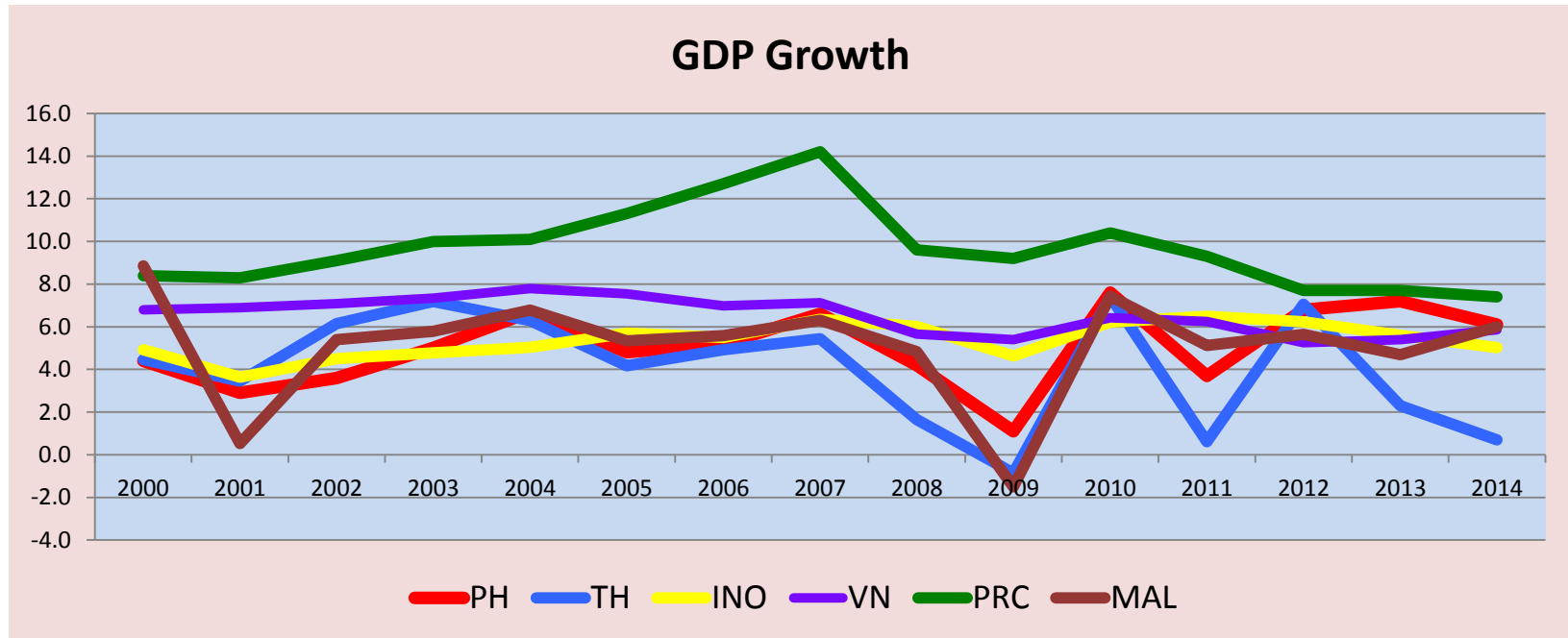
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Outline of Presentation

- 1. Strategic Industrial Policy for the Philippines**
 - **Opportunities & Challenges**
 - **Manufacturing Industry Roadmap**
 - **Comprehensive National Industry Strategy**
- 2. Implications for Region V**
 - **Industry Cluster Roadmaps: inclusive & sustainable regional growth & development**

Part 1: Opportunities & Challenges

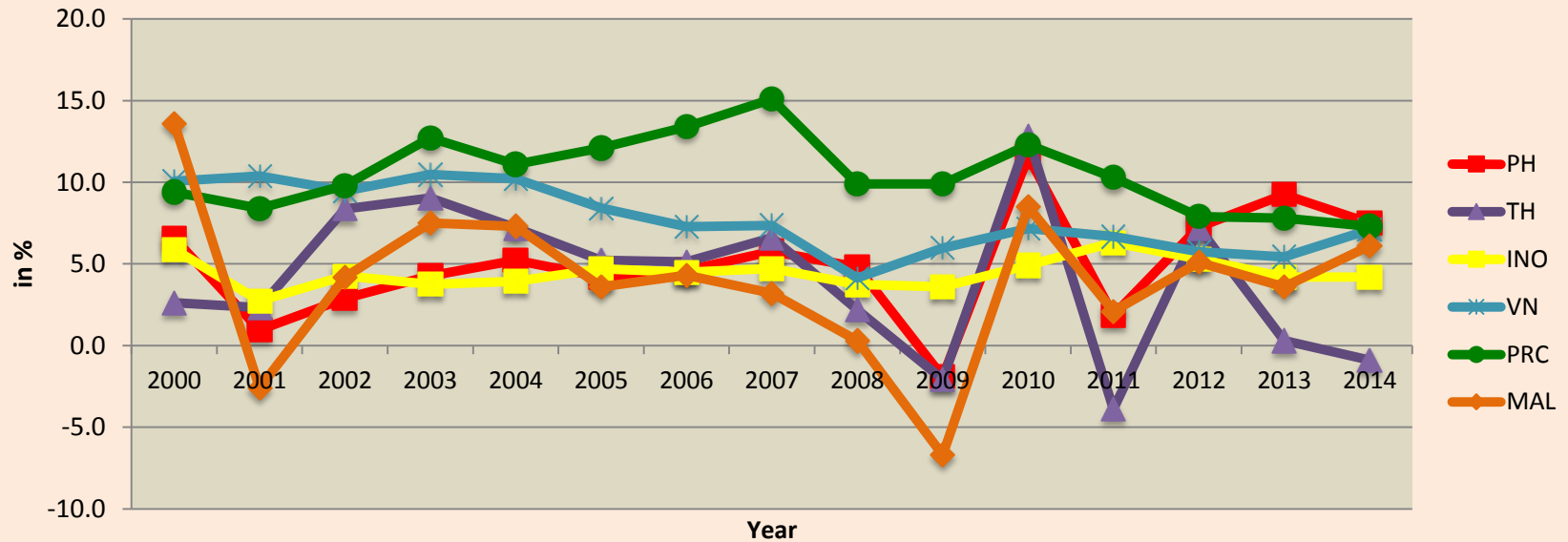
Short-term Outlook



- PH growth rate: 6.8 ('12), 7.2% ('13), 6.1% ('14)
- H1 2015: China 7%, VN 6.6% , **PH 5.3%**, MAL 3.4%, TH 0.35%, INO 4.7%
- PH impressive growth: Asia's new economic tiger
- 2015 Forecasts - NEDA: 6-6.5%, WB: 5.8%, ADB: 6%, OECD: 6.2%, JPMorgan: 5%, Moody's: 6%

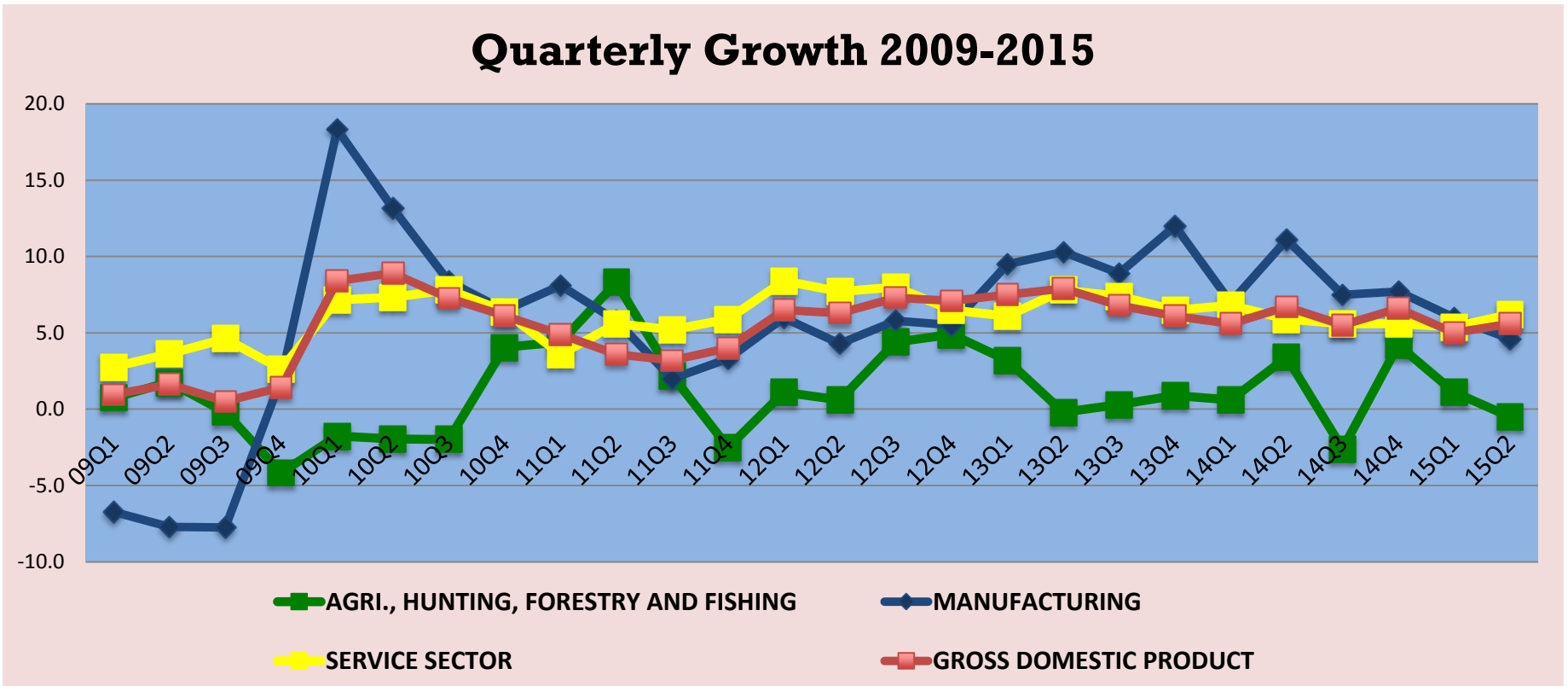
PH a new growth area

Industry Growth: PH vs Selected East & Southeast Asian Countries



- ◆ PH Industry growth: 7.3% ('12); 9.3% ('13, highest), 7.5% ('14 highest)

Manufacturing Resurgence



- Manufacturing resurgence: 5.4% ('12); 10.3% ('13); 8.1% ('14); 5.3% ('15H1)

WHAT MAKES PH DIFFERENT

Market Opportunities

- Growing market & middle class: demographic sweet spot

Labor

- Young, English speaking, highly trainable workforce
- Moderate wage increases

Operating Environment

- Strong macroeconomic fundamentals
- Political stability, business/consumer confidence

Policy Focus

- New Industrial Policy & a more pro-active Government
- IPA rules & regulations, incentives & investor care

Improved competitiveness ranking (WEF)

- Rank #47/140 countries in 2015-16 from rank #52

Growth Challenges

Area	Major Constraints
Regulation	<ul style="list-style-type: none">• Complex/costly business procedures• Policy consistency, transparency, predictability• 60-40% foreign equity rule
Infrastructure/ Logistics	<ul style="list-style-type: none">• High cost of power, domestic shipping• Lack of ports, airports, road infrastructure
SME	<ul style="list-style-type: none">• Access to finance, technology, support for start-ups, standards, marketing, network links
HRD	<ul style="list-style-type: none">• Lack of skilled workers, limited standards & certifications
Innovation	<ul style="list-style-type: none">• Industry-academe linkages, R&D facilities
Supply/value chain	<ul style="list-style-type: none">• Limited linkages in manufacturing, agriculture, & services, weak parts & components sector

Strategic Industrial Policy

- ❑ **Goal: improve competitiveness & productivity**
 - Growth oriented action to upgrade industries
 - Remove obstacles to growth → Investments
 - Deepen participation in regional production networks
- ❑ **Role of Government: coordination/facilitation**
 - Create proper environment for private sector development, strengthen industries
 - Private sector, investment & entrepreneurship: proximate cause of growth
- ❑ **Cluster-based industrial strategy**
 - Promote clusters for inter-firm cooperation & agglomeration of activities
 - Industry agglomeration to build strong & competitive regional economies
- ❑ **GVC-focused industrial policy**

MANUFACTURING DRIVER for STRUCTURAL CHANGE

VISION: globally competitive with strong linkages within both domestic & global economies

Phase I 2014-2017

**-automotive,
aerospace parts
electronics,
garments, food,
resource-based
industries,
chemicals,
furniture, tool &
die, shipbuilding**

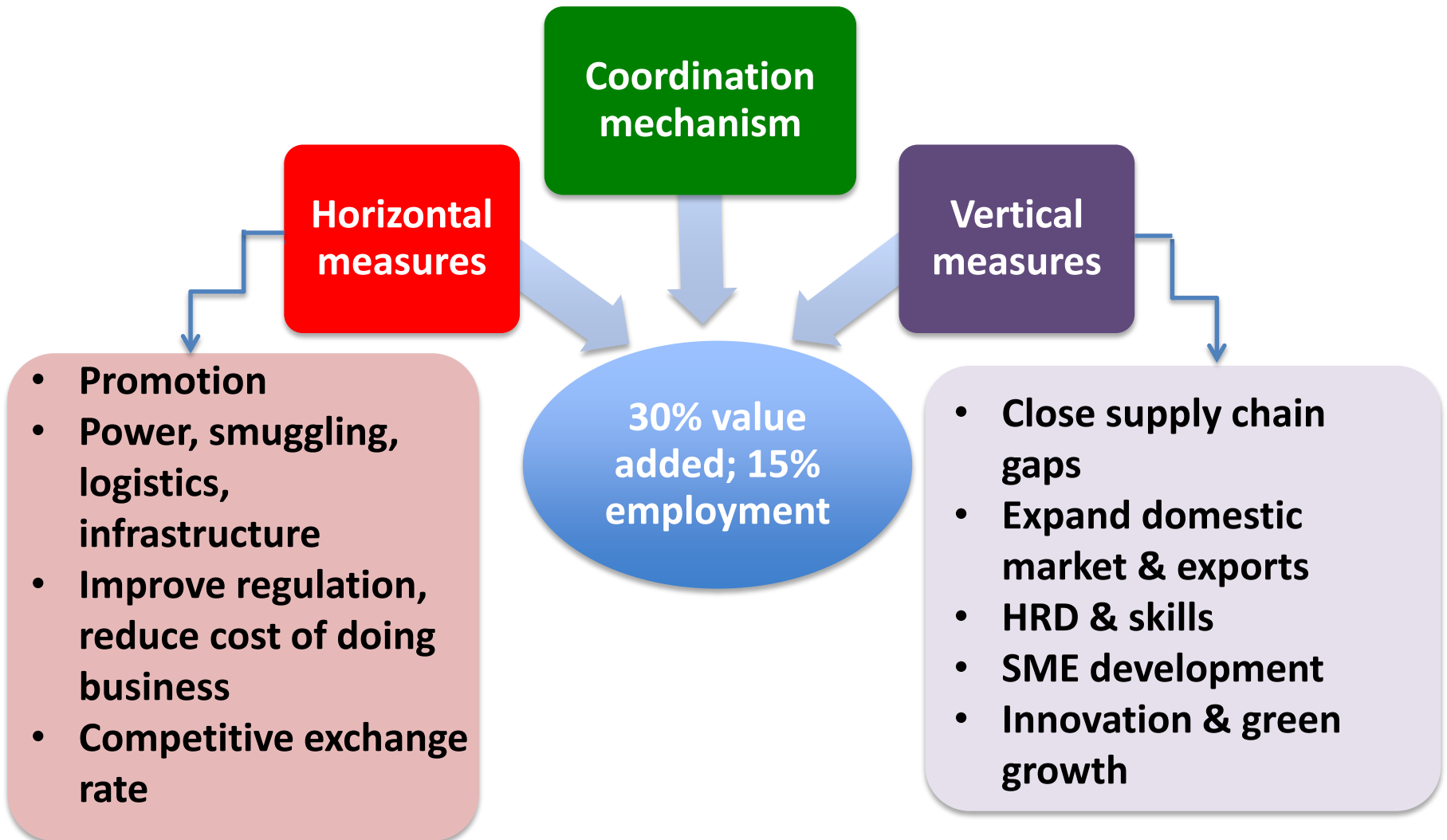
Phase II 2018- 2021

**-high value added
activities upstream
industries
(chemicals, iron &
steel), med-tech
basic & fabricated
metal**

Phase III 2022- 2025

**-move to high tech
transport equipment,
chemicals, electrical
machinery
-manufacturing hubs
in regional & global
production networks
for auto, electronics,
machinery, garments,
food**

Strategy to make manufacturing an engine of growth & source of more & better Jobs



open trade regime, sustainable macro policies, sound tax policies & administration, efficient bureaucracy, secure property rights, institutions

AGRIBUSINESS: CATALYST TO DRIVE REGIONAL ECONOMIC TRANSFORMATION

Transform & upgrade agriculture from traditional farming to a globally competitive agribusiness sector

Phase III 2022-2025

Phase II 2018-2021

Phase I 2014-2017

-rubber, coconut, mangoes, coffee, cacao, banana, palm oil; high value crops; supply chain gaps

-strengthen links between agro-processing & production: R&D; strengthen supply chains, upgrade commodity clusters; access to technologies, finance; regulatory & certification system

-deepen participation in GVC
-PH as agribusiness regional hub

SERVICES: GLUE THAT BINDS ALL SECTORS TOGETHER

Globally competitive services, create quality jobs, move up the value chain

Phase I 2014-2017

- labor-intensive sectors: tourism, construction, ship repair, MRO
- accelerate infrastructure investments
- move up ITBPM GVC

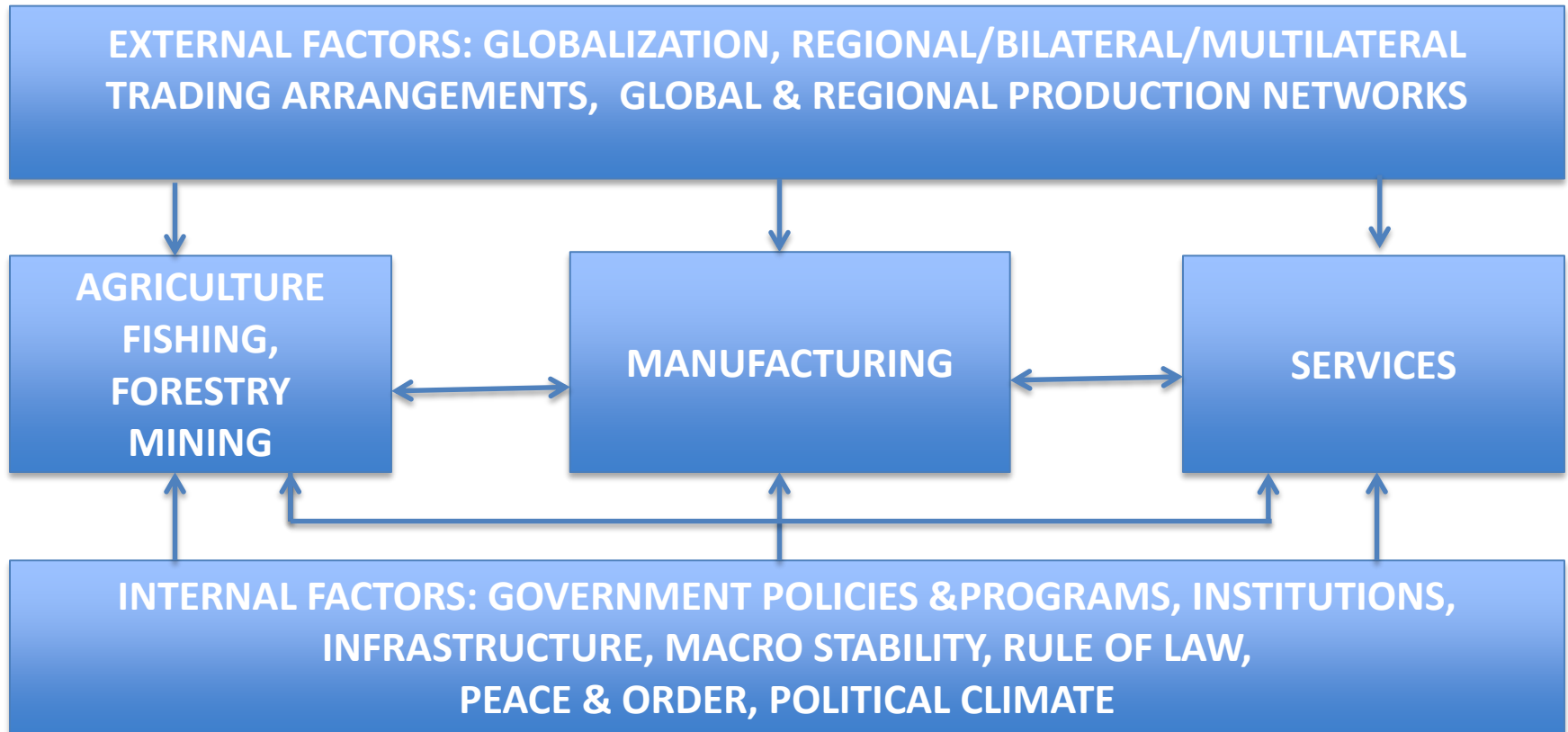
Phase II 2018-2021

- education, design, R&D, finance, infrastructure
- engineering & services embedded in manufacturing
- HRD & skills training, innovation ecosystem linked with manufacturing

Phase III 2022-2025

- PH as regional hub: training
- upgrade services, manufacturing related services to sustain growth & job creation

Comprehensive National Industrial Strategy (CNIS)



- Globally competitive industries, strong domestic & global linkages
- 3 Major Channels: COMPETITION, INNOVATION, PRODUCTIVITY
- **Cluster-based industrial strategy** to build strong & competitive regional economies

Part 2: Regional Development Plan

GRDP STRUCTURE (%)	2010	2011	2012	2013	2014
AGRIC, HUNTING, FORESTRY, FISHING	25.6	24.4	25.3	24.4	23.7
INDUSTRY	18.9	18.0	19.1	19.5	19.8
Manufacturing	2.7	3.2	3.1	3.2	3.6
SERVICES	56.5	56.6	55.6	56.0	56.6
GRDP growth rate		1.9	7.1	8.1	4.2

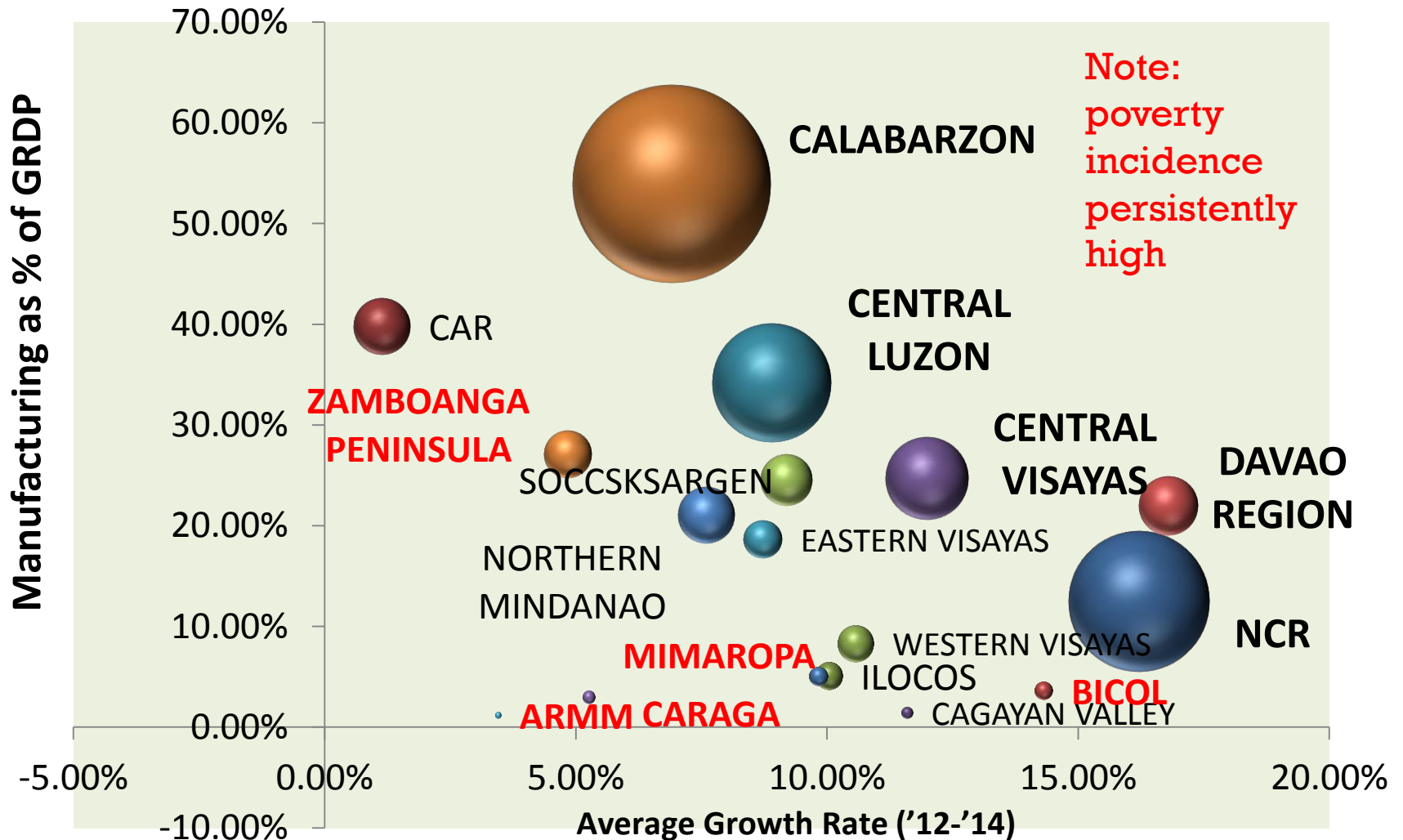
Unemployment rate: 6.2%; Underemployment rate: 33.8% (Jul 2015)

Vision: a prime mover of trade & industry development, progressive agro-industrial economy, an investment hub with globally-competitive and environment-friendly industries

Industry Clustering Strategy: investments, exports, jobs, SME development

Horizontal Measures: infrastructure & logistics support, incentives, marketing, financing, R&D

Transforming Region V



- Average manufacturing growth rate is 14.31% from 2012-2014 while share of manufacturing to GRDP is 3.63% in 2014

Competitiveness Agenda



- Agriculture development
- Responsible mining
- Manufacturing: food processing, fiber craft, potter, coco-based products, marine products, furniture, shell craft, pili confectionary, minerals
- Tourism
- Industry Cluster Roadmaps: constraints preventing growth, what kind of incentives are needed, SME inclusion, how to upgrade clusters, move up value chain

Roadmap Formulation

STEP 1: What are the existing & future growth potentials of the industry in both domestic and export markets?

- Identify dynamically growing tradable industries; not picking winners, self-discovery by firms

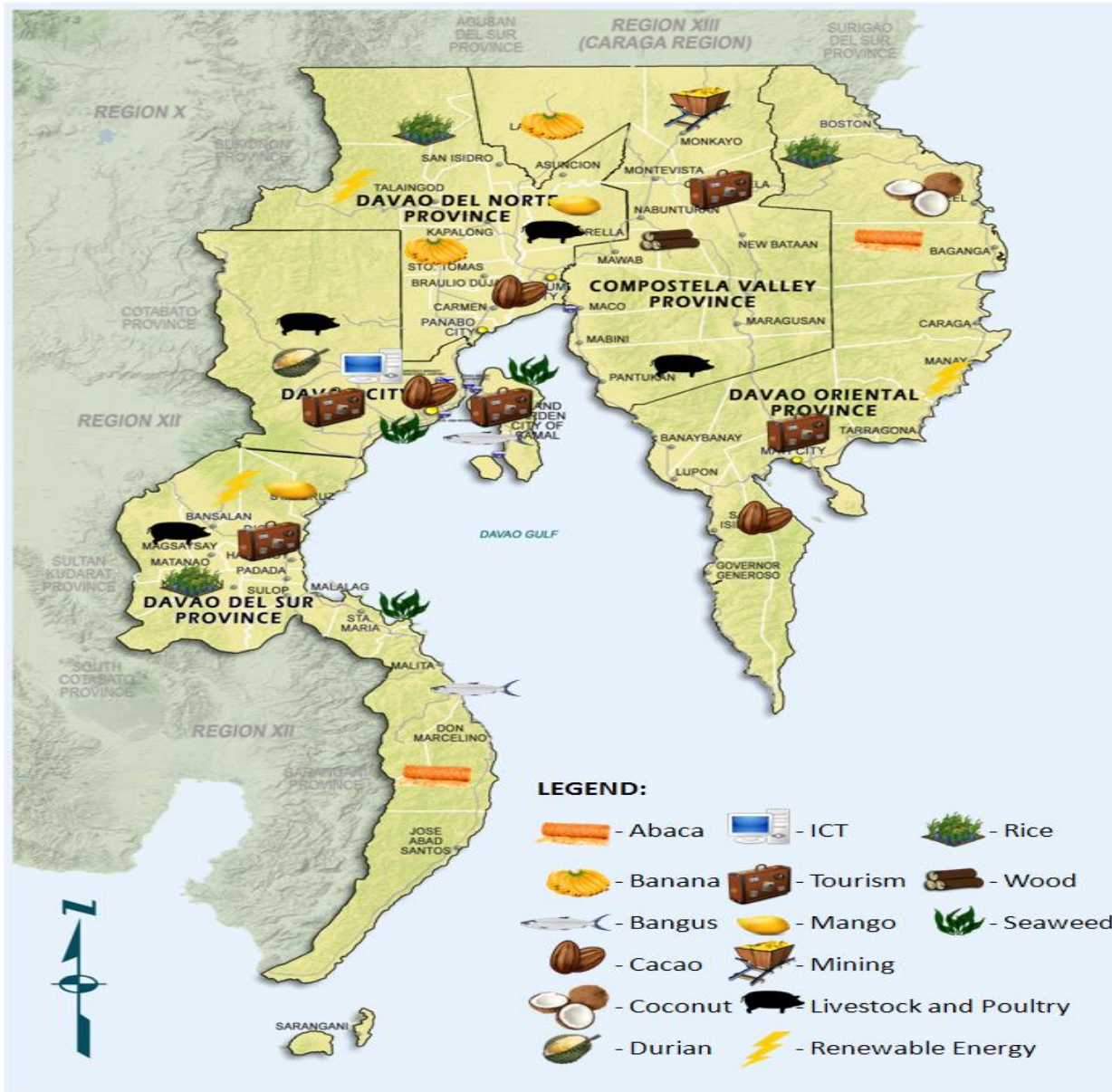
STEP 2: See if private sector is already in these industries; are there existing or nascent activities?

STEP 3: What are the obstacles preventing firms from upgrading quality of their products? new firms from coming in?

STEP 4: Take action to remove constraints






- **Horizontal:** protection of property rights, business & investment environment, industrial clusters, eco zones
- **Vertical:** tax incentives for a limited time, direct credits, access to raw materials & capital equipment
- **Coordination mechanisms:** RDCs

Region XI: Priority Industry Clusters



- 17 Industry clusters: 13 agri
- abaca, banana, bangus, cacao, coconut, durian, mango, ICT, seaweeds, mining, renewable energy, tourism, livestock & poultry, oil palm, wood, rubber, rice
- State of industry, opportunities, constraints, value chain mapping

Most Binding Constraints to Upgrading

	Growing	Processing
Cacao 	Lack of postharvest facilities, quality planting materials, supply gap, of FMR, limited GAP	Lack of supply of beans & cacao preparations, weak linkage (bean & grinding)
Coconut 	Limited access to quality planting material, high input costs, old technologies in harvesting	Low productivity, lack of technology in processing
Durian 	High input cost, inadequate post harvest, poor harvesting, packaging technology, handling; diseases	High cost of investment in processing equipment
Mango 	Limited access to planting materials, limited number of nursery operators, high cost of inputs, absence of post harvest facilities, poor implementation GAP	Insufficient supply of mangoes, VHT facility underutilized, lack of research on high value added processed products
Seaweed 	High cost of inputs, lack of post harvest facilities at the farmers' level, absence of testing labs, presence of diseases	Insufficient supply of dried seaweeds

Thank You!

Through a new industrial policy, we can make our industries competitive and create an environment conducive to private sector development.

With industry roadmaps' clear vision to transform economy, Region V will be in a better position to attract more investments, create more & better jobs, & reduce poverty.



For more information, visit our website

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