



MANUFACTURING SUMMIT 2016

28-29 November
Makati Shangri-La, Manila



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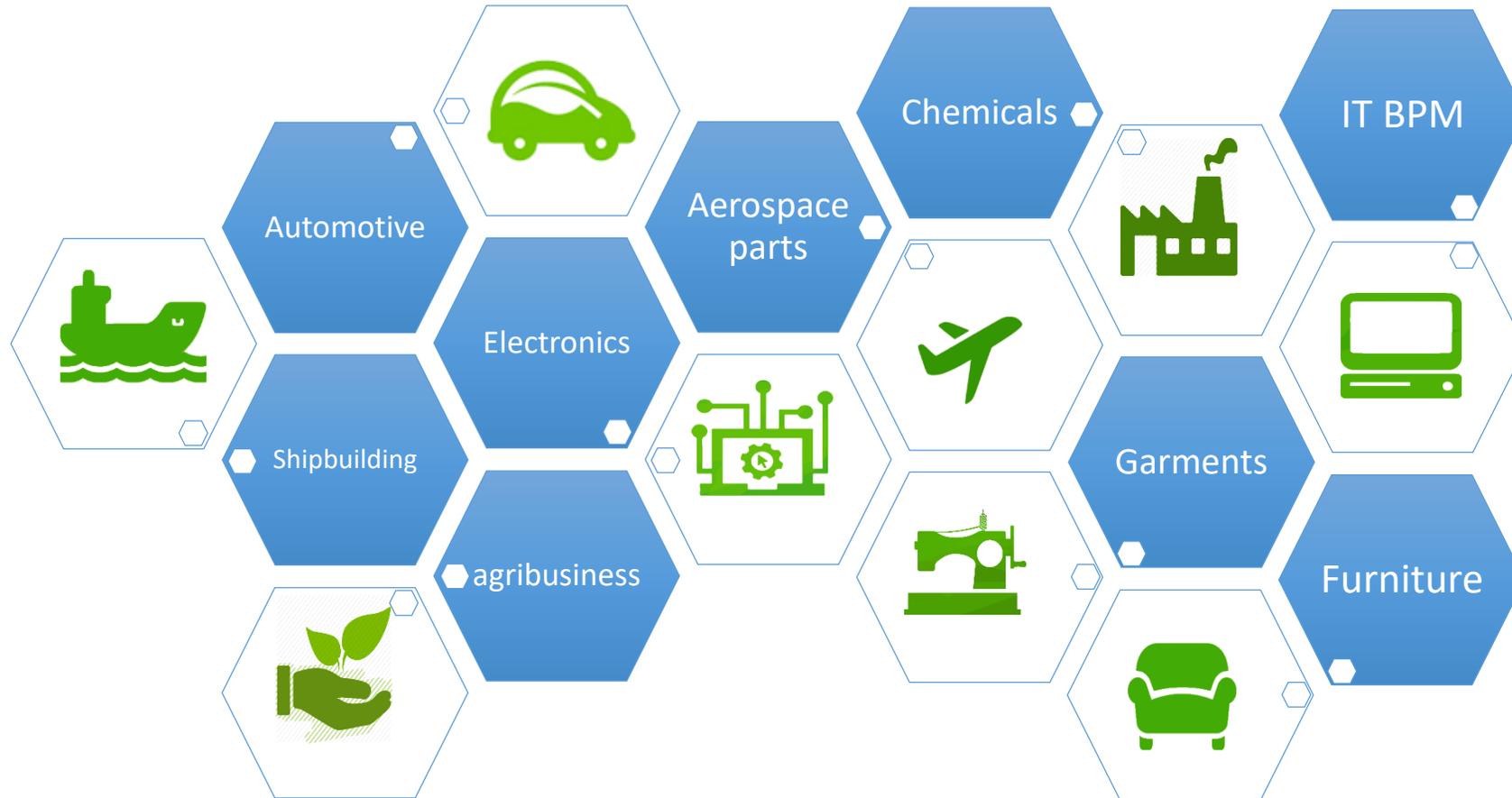
COMPETITIVE AND INNOVATIVE INDUSTRIES

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The goal of the New Industrial Policy is to create globally competitive, value adding, and innovative industries that would generate more and productive jobs and reduce poverty towards shared prosperity for all.



Breakout Session Goal

- For each area, identify the most binding constraints preventing industry growth and recommend policy measures to resolve these constraints that would produce the biggest bang & lead to highly significant improvement in the overall business and investment environment
 - Competitiveness and innovation
 - Labor & HRD
 - Physical infrastructure
 - Ease of doing business
 - MSME Development & inclusive business
 - Incentives & other forms of government support
 - International Trade & FTAs

How do we define “competitive and innovative”



- Manufacturing operations that require modern technologies and advance equipment and processes (covers a broad range of manufacturing operations)
- Manufacture of complex, technology based products (examples: electronics and semiconductors, automotive and aviation parts)
- Industries (including SMEs) that would rely on innovative physical manufacturing techniques to maintain or become more competitive (better products, lower costs, productivity, sustainability)
- Question: What programs and policies are needed to increase the level of innovation in such industries to make them more competitive?
- More advanced and innovative manufacturing operations created means more high paying jobs in the Philippines



Current State of Competitiveness and Innovation and its impact on Manufacturing Industry Growth

Current State

- Investment in innovative manufacturing in the Philippines needs to be increased. Note: market demands still dictate investment and needs in innovation for manufacturing.
- DOST research institutes and facilities have been partnering with industry (including SMEs) to help with technical assistance and capacity building. Includes R&D partnerships, pilot testing, access to research outputs through the Technology Transfer Act, soft loan programs such as the Small Enterprise Technology Upgrading Program (SETUP).



Issues and Challenges

Issues and Challenges

- Lack of avenues for technical collaborations with fellow Philippine industries and ASEAN industries
- Other countries such as Malaysia and Thailand have good models for collaborations that can be sold to further investment in advanced manufacturing (food industry is a good example)
- Minimal technical collaborations with universities and actual research being conducted in the Philippines. Only a handful of technology patents are generated in the Philippines compared to manufacturing giants such as India.
- Lack of plentiful science and engineering talent that companies can recruit to build up their advanced manufacturing operations (refer to human resource development breakout group)

Issues and Challenges

- Companies in PEZA zones have difficulty donating advanced manufacturing equipment to universities to help train future engineers. It is cheaper to send equipment back to the US than donating it locally to a university
- Infrastructure and logistical issues also affect the capability and incentives for companies to engage in advanced manufacturing (refer to physical infrastructure breakout group)
- There are perceived difficulties in the business interaction with government institutes such as DOST in contracting and partnering for technical services. A lack of an “industry facing” office that is sensitive to industry financial procedures and timelines

Issues and Challenges

- Lack of financial incentives to invest in people and/or technologies that may bring about manufacturing innovations or improve efficiency.
- Difficulty of SMEs and local companies involved in the production of high value products to compete with foreign made products in the Philippine market
- Ultimately, the preceding issues point to a lack of a robust innovation ecosystem that supports innovative and competitive manufacturing activities to flourish in the Philippines. Addressing this need is not necessarily a financial matter.



Recommendations

Recommendations

- First Recommendation: Foster a dynamic innovation ecosystem of government, academic, and industrial stakeholders that is seamlessly working together to support innovative manufacturing activities in the country
- Need collaborative agreements between industry associations, government, and academe to encourage technical partnerships that support advanced manufacturing
- Establish an entity that would manage government funded research and training facilities for the joint use of industrial, academic, and government engineers. Such an entity would be held accountable for the delivery of products, expertise, and services that are in the norms of commercial manufacturing operations
- Promotion of existing technologies and programs of DOST to industrial end users (particularly SMEs) who can take advantage of government support and scale up the commercial applications of current research. There is a significant amount of services and funding support available from both DOST and DTI

Recommendations



- Establish more shared service research and manufacturing facilities to for startup companies and SMEs.
- Programs that enable businesses to quickly pivot within a dynamic market landscape, and provides opportunities to explore less mature manufacturing sectors that have high growth potential (example is the shift from computer hardware to more software/internet driven products)
- Programs or venues for Philippine manufacturing industries to forge technical collaborations with industries both foreign and domestic
- Craft exclusions to PEZA policies that allows the tax free donation of equipment and instruments to Philippine universities for research and training uses only.

Recommendations

- Address other predicaments which factor to competitive manufacturing such as poor infrastructure and human resource capital
- Direct financial support or subsidies are not necessarily what is needed to improve the ecosystem
- Build from the suggestions from innovation “rankings and studies” of the Philippines

Recommendations

- Second Recommendation: Fiscal incentives for private investments in typically risky R&D and activities that build up capability for innovative manufacturing
- Tax incentives for expenses incurred for investing in scientists and engineers to conduct innovative research and development
- Tax incentives for purchase of equipment and instruments needed for research and advanced manufacturing
- Tax incentives for the importation of specific input materials that are needed for high value, technologically advanced products being manufactured

Recommendations



- Analogous to the CARS program where fiscal support encourages private sector investment in local automotive manufacturing
- Incentivizing local demand for locally designed and manufactured high value products (such as electronics)
- Help trade promotion of high value Philippine manufactured products to foreign markets



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