Guide to the Philippines

Opportunities and Limitations in Manufacturing

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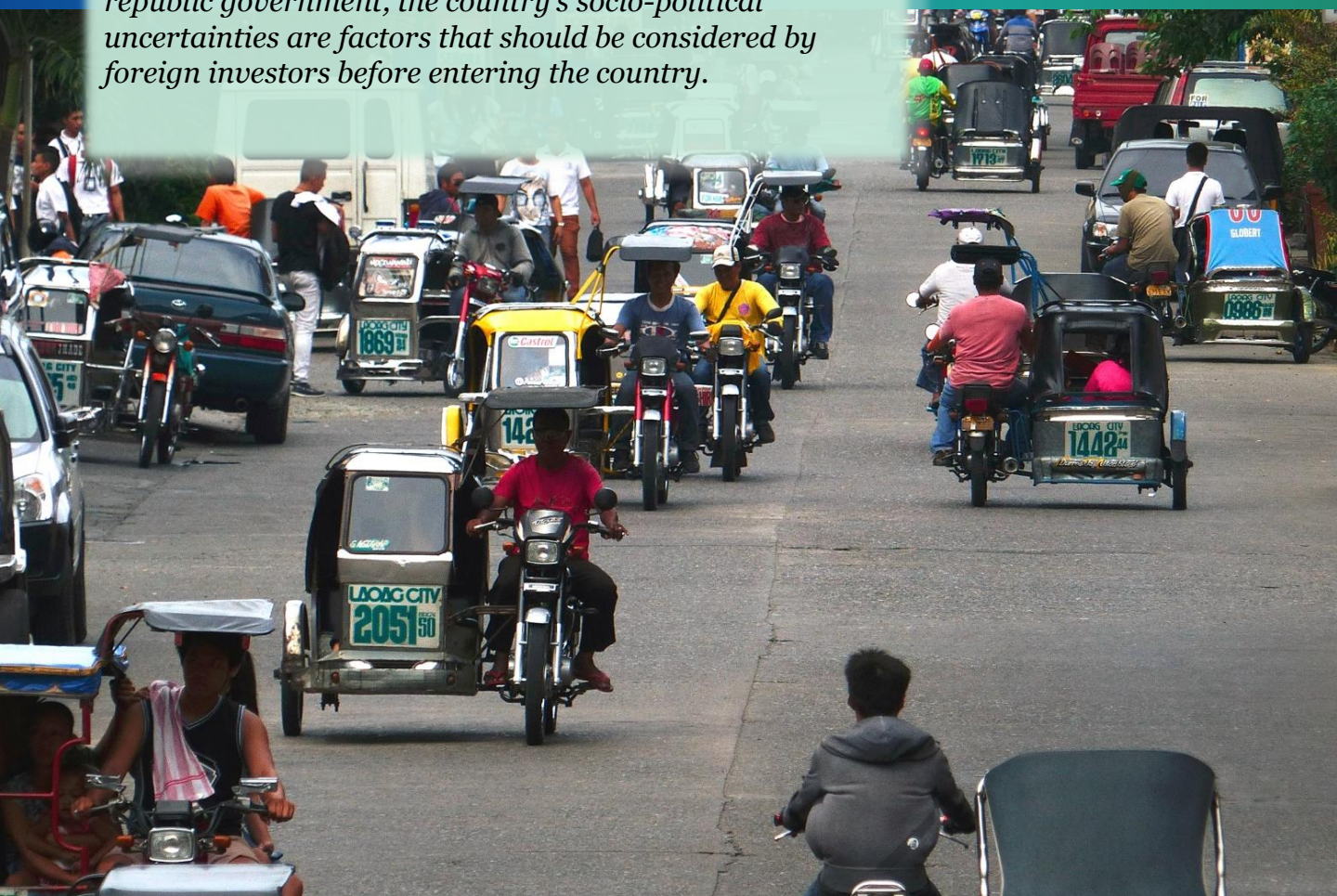
Executive Summary

The Philippines has witnessed a healthy gross domestic product (GDP) growth in the past several years as a result of the vigorous agenda under the Duterte administration, the remittance of overseas workers, and the young and English-proficient workforce. However, despite the growth, the Philippines remains a lower-middle income country.

The country has engaged in only two bilateral trade agreements: one with the European Free Trade Association and the other with Japan. Nevertheless, as part of the Association of Southeast Asian Nations (ASEAN), the Philippines benefits from another six multilateral trade agreements with Mainland China, South Korea, Japan, India, Australia, and New Zealand.

While the Philippines has a democratic constitutional republic government, the country's socio-political uncertainties are factors that should be considered by foreign investors before entering the country.



1. Overview of the Philippines

I. Country Profile[1,2,3,4,5,6,7]

The Philippines' economy has been growing at a steady rate of 6.3% since 2010, and is forecasted to have 11.6% gross domestic product (GDP) growth in 2019. As a result of this continual growth, the country is expected to shift from a lower-middle income to an upper-middle income economy in the near future. The county's economic growth is driven by strong consumer demand (influenced by a growing middle class and a large young population), and healthy remittance inflows from the Overseas Filipino Workers (OFWs). President Duterte's numerous policies (e.g. "10-Point Socioeconomic Agenda", and the "Build, Build, Build" infrastructure plan) are expected to further increase the country's competitiveness, boost economic growth, and develop human capital.

GDP *(in USD)*
369.5 bn (2019f)
330.9 bn (2018)

GDP Per Capita *(in USD)*
3,417 (2019f)
3,104 (2018)

Economic Structure
(in terms of GDP composition, 2017)
Agriculture: 9.6%
Industry: 30.6%
Services: 59.8%

External Trade *(% of GDP)*
Import: 44.4% (2018)
Export: 31.7% (2018)

Population
108.13 million (2019)
World ranking: 13/233

Median Age
23.7 (2018)
World ranking: 169/201 (from oldest to youngest)

Language
Filipino (official)
English (official)
Spanish

English Literacy
High proficiency (2018)
World ranking: 14/88

Government Structure
Constitutional Republic

Land Area
298,170 sq. km.

II. Country Profile on Trade

A. International Trade Agreements and Restrictions[8,9]

International trade agreements provide various benefits for participating countries with the aim of enhancing economic growth for all parties. It allows companies located in two or more countries to trade goods with each other at reduced or zero tariffs. This can be very attractive for Mainland China and Hong Kong companies that intend to expand their manufacturing footprint. The Philippines is a member of the Association of Southeast Asian Nations (ASEAN) since 1967, giving the country preferential access to Southeast Asian markets. In addition, the country also actively participates in international trade as it has been a full member of the World Trade Organization since 1995.

Currently, the Philippines has nine signed and effective trade agreements, including two bilateral and seven collective trade agreements (including the ASEAN Free Trade Area). In addition, the ASEAN – Hong Kong Free Trade Agreement (FTA) came into effect in June 2019 (see section below). Furthermore, there are two trade agreements currently under negotiation: one with the European Union, and another with the Regional Comprehensive Economic Partnership (RCEP); and another 10 proposed.

Signed and Effective Bilateral Trade Agreements

	Affected Industry	Agreement (effective date)
	• Industrial products • Agriculture	**Japan-Philippines Economic Partnership Agreement (2008)** • Elimination or reduction of tariffs on 95% of industrial and agricultural products; and • Bilateral economic assistance in 10 different sectors within the Official Development Assistance.
	• Industrial products	**Philippines-European Free Trade Association (EFTA) Free Trade Agreement (2018)** • EFTA comprises Iceland, Liechtenstein, Norway and Switzerland; • Elimination of customs duties on all industrial products from EFTA; and • Gradual reduction and elimination of duties on the majority of industrial products from the Philippines.

Signed and Effective Regional Trade Agreements as a Member of the ASEAN

As a member of the ASEAN, the Philippines benefits from agreements signed between the association and other countries. Therefore, the country has effective FTAs with: Mainland China (2005), South Korea (2007), Japan (2008), India (2010), Australia and New Zealand (2010).

The Regional Comprehensive Economic Partnership (RCEP)

This partnership is being negotiated between the ASEAN members and their FTA partners (i.e. Mainland China, South Korea, Japan, India, Australia, and New Zealand). The RCEP is designed to be a mutually beneficial economic partnership that will foster cooperation and integration between the 16 countries. The agreement aims to lower tariffs and other barriers to enhance trade between the partners.

The Association of Southeast Asian Nations (ASEAN)[9]

The ASEAN was founded in 1967 and currently has 10 members. The five founding members are Indonesia, Singapore, Malaysia, the Philippines, and Thailand. The remaining five countries joined in subsequent years: Brunei in 1984, Vietnam in 1995, Laos in 1997, Myanmar in 1997, and Cambodia in 1999.

The Association's Three Major Goals:

- Acceleration of economic growth, social progress and cultural development in the region;
- Promotion of regional peace and stability in Southeast Asia; and
- Foster cooperation and mutual assistance in economic, social, cultural, technical, scientific and educational fields.

The ASEAN Free Trade Area (AFTA)

In 1992, ASEAN countries decided to strengthen this comprehensive cooperation by implementing the AFTA. The main objective of the AFTA is to increase the region's economic competitive advantage through trade liberalisation and the elimination of tariffs and non-tariff barriers among the ASEAN members.

The Common Effective Preferential Tariff (CEPT) Agreement for AFTA reduces the tariff rates on a wide range of products within the region to 0-5%. In addition, restrictions on quantity traded and other non-tariff barriers are eliminated.

The CEPT covers all manufactured products, including capital goods and processed agricultural products, and those falling outside the definition of agricultural products. Agricultural products are excluded from the CEPT Scheme (further details on www.asean.org).

There are only three situations where a product can be excluded from the CEPT Scheme:

- General Exceptions: a member may exclude a product considered necessary for the protection of its national security, the protection of public moral, the protection of human, animal or plant life and health, and the protection of articles of artistic, historic or archaeological value;
- Temporary Exclusions: a member which is temporarily not ready to include certain sensitive products (i.e. rice) in the CEPT Scheme may exclude such products on a temporary basis; and
- Unprocessed agricultural goods.

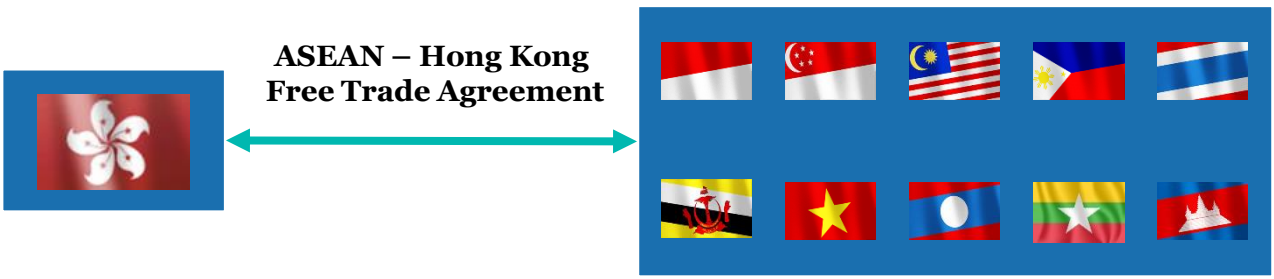
International Trade Agreement between Hong Kong and the ASEAN[10]

Overview

Trade within the region has been booming since the removal of tariffs between the ASEAN member states in 2015.

Hong Kong and the ASEAN announced the conclusion of negotiations on their Free Trade Agreements in September 2017 and forged agreements on 12 November 2017. Member states agreed to progressively cut down or eliminate custom duties on goods originating from Hong Kong. The agreements are comprehensive in scope and cover trade of goods and services, investments, economic and technical cooperation, dispute settlement, and other relevant areas.

The ASEAN was Hong Kong's second largest merchandise trade partner in 2018 with a total value of HKD 1.1 trillion (around 12% of the total trade value).



Entry

Free Trade Agreement: 11 June 2019

Investment Agreement: 17 June 2019

Both for the parts relating to Hong Kong and Laos, Myanmar, Singapore, Thailand, and Vietnam. The dates of entry for the remaining five countries have not been announced yet.

Affected Major Industries

The tariff reduction commitments cover different kinds of major Hong Kong export commodities, such as (non-exhaustive):

- Jewellery
- Watches and Clocks
- Apparel and Clothing Accessories
- Toys

Other Affected Industries

- Food and Beverages
- Chemicals
- Pharmaceutical
- Metals
- Plastics & Rubber
- Footwear
- Machinery and Mechanical Appliances

B. Government Structure[11]

The Philippines is a constitutional republic with a multi-party system.

- The President acts as the head of state and the leader of the government. He holds executive power and appoints cabinet members to head the executive departments (e.g. Department of Finance, Department of Trade and Industry).
- Legislative power in the Philippines is held by the Congress, which consists of the House of Representatives (the lower house) and the Senate (the upper house). Every bill must gain the consent of both chambers before being signed by the President. However, only the Senate can approve or denounce treaties, and convict an impeached government official.
- Judicial power in the Philippines is held by the Supreme Court of the Philippines, and the lower courts. The Supreme Court is headed by the Chief Justice and 14 Associate Justices appointed by the President.

C. Political Uncertainties and Historical Coup Records[12,13,14,15,16]

The Philippines is considered a very politically unstable country. The country was ranked 173rd out of 195 countries in the World Bank's Political Stability Index. Since President Ferdinand Marcos was overthrown in 1986, the country has experienced over a dozen attempted coups. The most recent one, the Manila Peninsula siege, happened in 2007. On 29 November 2007, around 25 soldiers seized a room in the Manilla Peninsula Hotel and called for the overthrow of then President Arroyo. However, the coup failed, as hours into the hotel siege, the mutineers surrendered and were arrested.

In addition to the current political oppositions faced by President Duterte, his "drug war" is causing fear and instability in the country. Duterte's policy encourages the police and the public to kill suspected drug dealers and addicts. These killings, which have caused between 12,000 and 20,000 deaths since 2016, have been heavily condemned by local and international human rights organisations.

Source:

[1] *KPMG Business Guide, 2018*

[2] *Philippines 10-Year Forecast, Fitch Solutions, 2019*

[3] *The World Factbook, Central Intelligence Agency*

[4] *Imports of Goods and Services (% of GDP), Exports of Goods and Services (% of GDP), World Bank*

[5] *Philippines Population, Worldometers, 2019*

[6] *EF English Proficiency Index, EF Education First*

[7] *Geography Statistics Of Philippines, World Atlas*

[8] *Free Trade Agreements, Asia Regional Integration Centre*

[9] *ASEAN official website*

[10] *The Government of Hong Kong Special Administrative Region – Trade and Industry Department, Press Release, May 2019*

[11] *Three Branches of Government, Philippine Information Agency*

[12] *Political uncertainty main risk to growth, Business Inquirer, 2017*

[13] *"As if a weakening economy was not enough, election uncertainty piles further pressure on Philippine peso", South China Morning Post, 2019*

[14] *Political Stability – Country Rankings, The Global Economy, 2017*

[15] *Recent coups and attempted coups in the Philippines, Reuters*

[16] *UN launches 'comprehensive' review of Philippine drug war, The Guardian, 2019*

2. Legal Environment and Competition Law

Executive Summary

The Philippines attracts and welcomes foreign investments, and liberalised the corresponding regulations in 2018. As a result, the government expects innovation and technological advancement to positively impact the country's economy. However, there are still various sectors which are prohibited or restricted for foreign investments.

Mainland China and Hong Kong companies can choose to set up different types of business entities in the Philippines. However, unlike many other countries, Philippine law does not provide the option for business to establish a Limited Liability Company, with a domestic corporation being the closest equivalent in the Philippines. Foreign investors have the option of owning 100% of an enterprise in various sectors. Mainland China or Hong Kong companies can also choose to establish a branch office to conduct manufacturing or trading activities in the short-term.

2. Legal Environment and Competition Law

As stated in the Foreign Investments Act of 1991, it is the policy of the State to attract, promote, and welcome productive investments from foreign individuals, partnerships, corporations, and governments. Generally, investors' confidence is high, based on a strong macroeconomic position of the country, low debt and high level of foreign reserves. However, the Act also provides the Foreign Investment Negative List (FINL), with prohibited or restricted investment areas for foreigners: the FINL was promulgated in late 2018 and contains more liberalised regulations on foreign investments than previous versions (for more information about the FINL please refer to section 8 of this report). The government expects the country to benefit from more advanced technology and innovation from foreign investors.

The FINL only distinguishes between Philippine and foreign companies, and does not outline special laws for Mainland China or Hong Kong companies.

The Philippines' FINL Contains Two Lists of Prohibited or Restricted Business Sectors[1,2]

List A

Foreign Ownership is Limited by Mandate of the Constitution and Specific Laws

Examples:

- Retail trade enterprises with paid-up capital below USD 2.5 million (no foreign equity allowed);
- Small-scale mining (no foreign equity allowed);
- Advertising (up to 30% foreign equity allowed); and
- Ownership of private lands (up to 40% foreign equity allowed).

List B

Foreign Ownership is Limited for Reasons of Security, Defence, Risk to Health and Morals, and Protection of Small and Medium-sized Enterprises (SMEs).

Companies in these sectors are restricted to 40% foreign equity.

Examples:

- Domestic market enterprises with paid-in equity capital of less than the equivalent of USD 200,000; and
- Domestic market enterprises which involve advanced technology or employ at least 50 direct employees with paid-in equity capital of less than the equivalent of USD 100,000.

I. Types of Legal Business Entities Available for Foreign Investments[3,4,5,6,7,8,9]

There are several different main structures to relocate a factory or a business as an investor from Mainland China or Hong Kong to the Philippines. The Corporation Code, the Foreign Investments Act (Republic Act No. 7042, as amended), and other relevant laws govern the establishment of a foreign company in the Philippines. In early 2019, a revised Corporation Code ("New Code") was signed, which aims to improve the ease of doing business. Mainland China and Hong Kong companies have to obtain a license from the Securities Exchange Commission (SEC) to do business in the country. The SEC is the regulatory body with absolute jurisdiction for all companies, and also processes and approves the incorporation of a company. As opposed to many other countries, regulations in the Philippines do not provide the option for businesses to set up a Limited Liability Company or a Private Limited Company. A domestic corporation is considered the closest equivalent, which along with the branch office are the most popular business vehicles for foreign investors.

The three main forms of doing business or expanding manufacturing footprint to the Philippines are:

1. Domestic Corporations
2. Foreign Corporations
    - Branch Office
    - Representative Office
    - Regional or Area Headquarters (RHQ)
    - Regional Operating Headquarters (ROHQ)
    - Regional Warehouses
3. Partnerships

In addition to these three main business types, it is also possible to set up a sole proprietorship or a joint venture with a local partner. The sole proprietorship is a business type owned and operated by a single person with unlimited liability. The joint venture is a business entity with shared ownership and would mostly likely be incorporated as a domestic corporation and is therefore not elaborated further.

The New Code removed, subject to compliance with special laws, the minimum subscribed and paid-up capital requirement of USD 200,000 for stock corporations (domestic and foreign corporations), which is expected to attract more foreign investors.

Domestic Corporations

This is one of the most common business types for foreign investors. A domestic corporation is incorporated under the Philippine laws and represents a separate legal entity which is legally responsible for the payment of its obligations. A domestic corporation can conduct commercial activities and generate revenues and profits. Under the New Code, a domestic corporation does not require a minimum of five shareholders anymore: a One Person Corporation (OPC) can be set up by a single stockholder. Mainland China and Hong Kong businesses can hold up to 100% of the shares of a domestic corporation in the non-restricted sectors (for more details, please refer to section 8 of this report). However, if less than 40% of a corporation is foreign-owned, it will be considered as a Filipino corporation. It usually takes around eight weeks to set up a domestic corporation.

Foreign Corporation

Investors from Mainland China and Hong Kong can also engage in business in the Philippines through various types of foreign corporations. When considering relocating their manufacturing footprint to the Philippines, an investor has to define what kind of activities the company should carry out and choose the business type accordingly.

Branch Office

Branch offices are 100% owned by the Mainland China or Hong Kong head office and are not separate legal entities. Therefore, the parent company will be liable for the branch office's liability. A branch office is allowed to carry out business activities and is bound by all laws and regulations applicable to domestic corporations, with a few exceptions (e.g. the creation, formation, organisation, and dissolution of corporations). They also have to be registered with the SEC and are restricted for various sectors (for more details on restricted areas, please refer to section 8 of this report).

This business type is often chosen by manufacturing and trading companies with no long-term plans. Setting up a branch office usually takes around six weeks.

Representative Office

As opposed to the branch office, the representative office is not allowed to conduct production-related or commercial activities. It can only earn passive income, such as interest on deposits, which is subject to 20% tax. This business type is fully subsidised by its parent company and usually undertakes activities such as market research and the promotion and quality control of the parent's company. The establishment process takes around six weeks on average.

Regional or Area Headquarters (RHQ)

An RHQ may be a branch of a Mainland China or Hong Kong company. Its function is limited to non-income producing activities including supervision, communications or coordination of its subsidiaries, or branches in the Asia Pacific (APAC) region. It is only allowed to earn passive income and not subject to Philippine income tax.

Regional Operating Headquarters (ROHQ)

Similar to the RHQ, an ROHQ can be established by Mainland China and Hong Kong companies in order to serve its own affiliates, subsidiaries and branches in the Philippines or in the APAC region, and other foreign markets. However, as opposed to RHQs, ROHQs are allowed to derive income from certain qualifying services, such as:

- Business planning and coordination;
- Sourcing/procurement of raw materials and components;
- Logistics services; or
- Technical support and maintenance.

An ROHQ is prohibited from offering qualifying services to other than its own affiliates, subsidiaries or branches.

Regional Warehouses

Mainland China and Hong Kong manufacturers supplying spare parts, components, semi-finished products and raw materials to its distributors in the APAC region or worldwide may wish to establish regional warehouses in the Philippines. In order to do so, they must 1) establish an RHQ or an ROHQ in Special Economic Zones (for more details, please refer to section 9 of this report), and 2) obtain a license from the Philippine Economic Zone Authority. A warehouse is limited to activities such as serving as a supply depot for the storage, deposit and safekeeping, including packing, covering or labeling products to customer's specifications.

Partnership

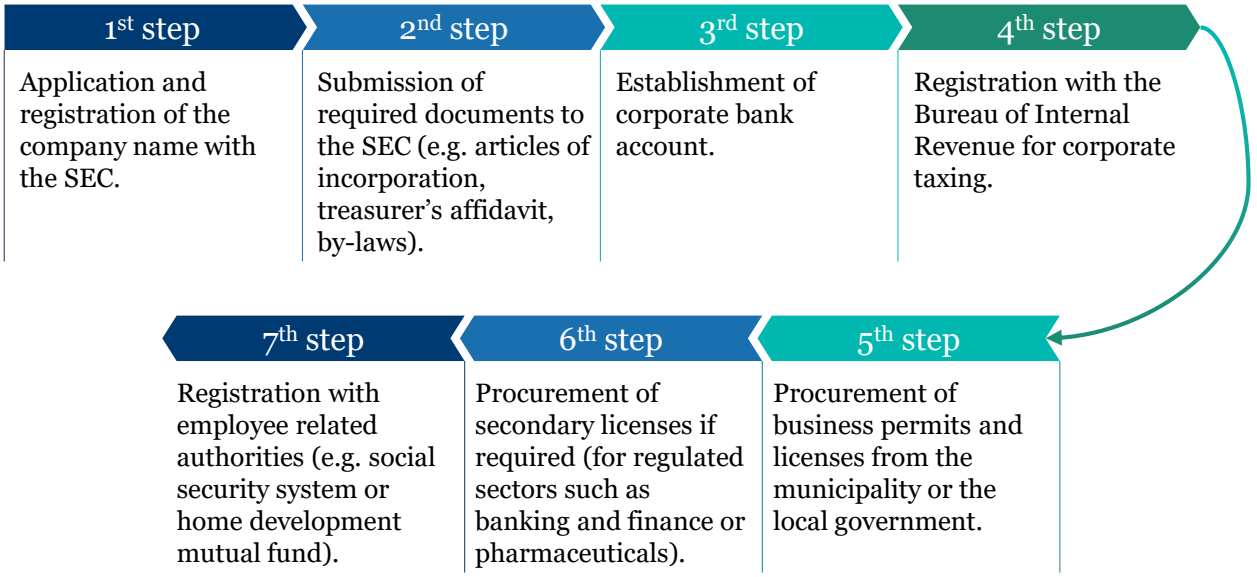
A partnership is an agreement between two or more parties to contribute properties or money to a common fund, with the intention of conducting business. Partnerships are governed under the Civil Code of the Philippines (Republic Act No. 386, as amended). They have juridical personalities and are separate legal entities. There are two forms of partnerships that differ in terms of their liability:

- In a general partnership, all partners have unlimited liability pro rata for the debts and obligations with all their properties;
- In a limited partnership, one or more partners have unlimited liability for the debts and obligations whereas the limited partners have liability only up to the amount of their capital contribution.

A partnership has to be registered with the SEC. The purpose of the registration is not to give the partnership a legal personality but to give a notice to interested parties.

Establishment Process

The New Code also mandated the SEC to develop and execute a new system enabling electronic submission of applications and other documents. The establishment process for a domestic corporation is summarised below. The process for other business entities is relatively similar, and therefore is not outlined additionally. For more information, please refer to the official SEC portal (www.sec.gov.ph/online-services/sec-company-registration-system/).



II. Overview on Other Business Laws and Regulations

A. Legal and Administrative Framework on Competition Law[10,11,12]

In 2015, the Philippine Competition Act (PCA) (Republic Act 10667) was passed after languishing in the Congress for 24 years. The PCA is the primary competition law framework protecting and promoting a competitive market. The Philippine Competition Commission (PCC) has the authority to conduct investigations and to hear and decide on cases of infringements of the PCA. The new PCA is expected to enable better consumer protection and to enhance economic growth through increased investment and job creation in the country.

The law outlines general regulations and does not specify particular rules for Mainland China or Hong Kong businesses that want to expand their manufacturing footprint to the Philippines.

The PCA prohibits three types of anti-competitive acts:

1. Abuse of dominant position
2. Anti-competitive agreements
3. Mergers and acquisitions control

In addition, the law outlines exceptions and sets penalty levels for infringements.

Abuse of Dominant Position

The PCA prohibits an entity from abusing its dominant position. A dominant position is defined in the PCA as a position of economic strength that an entity or entities hold which makes it capable of controlling the relevant market independently from any or a combination of the following: competitors, customers, suppliers, or consumers.

Actions of abusing a dominant market position include:

- Selling goods or services below cost, with the objective of driving competition out of the relevant market;
- Imposing barriers to entry or committing acts that prevent competitors from growing within the market; and
- Limiting production, markets, or technical development to the prejudice of consumers.

The entire list of prohibited actions can be consulted in the PCA SEC. 15. Abuse of Dominant Position (www.phcc.gov.ph/wp-content/uploads/2019/02/Philippine-Competition-Act-PCA-1.pdf).

Anti-competitive Agreements

The PCA also prohibits agreements between horizontal competitors or enterprises in a vertical production or distribution chain that substantially prevent, restrict, or lessen competition. The following agreements among others, between or among competitors are prohibited or restricted:

- Restricting competition as to price, or components thereof, or other terms of trade;
- Fixing price at an auction or in any form of bidding; and
- Setting, limiting, or controlling production, markets, technical development, or investment.

A business may be exempt from these prohibitions, if the conducted activities promote technical or economic progress or improve production or distribution of goods and services.

The entire list of prohibited actions can be consulted in the PCA SEC. 14. Anti-Competitive Agreements (www.phcc.gov.ph/wp-content/uploads/2019/02/Philippine-Competition-Act-PCA-1.pdf).

Engaging in an anti-competitive agreement may be subject to penalties of imprisonment from two to seven years, and a fine of PHP 50 million to PHP 250 million (approximately USD 1 to 5 million).

The PCA also deals with mergers and acquisitions that would substantially prevent, restrict, or lessen competition in the relevant market. The PCC published in 2017 its Rules on Merger Procedure which outlines more detailed regulations, measures and penalties in case of infringements. For instance, parties engaging in mergers or acquisitions, including joint ventures, have to notify the PCC within 30 days after signing, if 1) the gross annual revenues exceed PHP 5 billion (around USD 100 million), and 2) the transaction value exceeds PHP 2 billion (around USD 40 million). There are also clear measures for the acquisition of assets or shares. For more details, please refer to the official document by the PCC (www.phcc.gov.ph/wp-content/uploads/2017/11/PCC-MERGER-PROCEDURE-RULES.pdf).

B. Intellectual Property Protection Law on Trademarks[13]

A trademark is a visible sign capable of distinguishing the goods or services of an enterprise and shall include a stamped or marked container of goods. The Republic Act 8293, also known as the Intellectual Property Code of the Philippines, governs the trademark regulations in the country. The relevant trademark authority is the Intellectual Property Office of the Philippines. The Philippines' overarching intellectual property (IP) regulation, including those on trademarks, is ranked relatively low compared to other countries (ranked 37th out of 50). The laws and processes apply in general and do not specify particular rules for Mainland China or Hong Kong companies that consider to expand their manufacturing footprint to the Philippines. As such, the Philippines has one registration process for both local as well as foreign applicants:

1. Submission of the application to the Bureau of Trademarks (including data around the applicant and the trademark);
2. Search and examination through the Intellectual Property Office;
3. Publication in the IP Philippines Gazette which gives any individual the opportunity to oppose the registration of the trademark; and
4. Registration of the trademark.

The registration process takes between six to 12 months on average. A registration is valid for 10 years and can be renewed for subsequent 10-year periods.

C. Import/Export Regulations and Licenses[14]

Engaging in the import and export business in the Philippines requires certificates, registrations and licenses. The Philippines classifies three different lists with permitted, restricted or prohibited goods: 1) freely importable goods which require no permit, 2) regulated goods which require clearances or permits from corresponding government agencies (e.g. medicines, meat or petroleum products), and 3) prohibited goods which are not allowed to be imported or exported. For more details, please refer to the official portal at (www.dti.gov.ph/business/imports/import-facilitation).

Import

Mainland China and Hong Kong companies that want to import goods into the Philippines have to obtain an Import Clearance Certificate from the Bureau of Internal Revenue, which is valid for three years. In addition, it is required to register with the Bureau of Customs in order to set up an account with the Client Profile Registration System, which has to be renewed annually. As in most countries, an importer also has to file further documents, such as a bill of lading, a certificate of origin, a packing list or other special certificates that are needed for regulated goods.

Export

Exporters also need to register with the Client Profile Registration System through the Philippine Exporters Confederation and renew the account annually. Exporting certain goods requires additional registration processes or additional governmental permissions (e.g. exporting coffee, rice or sugar).

D. Jurisdiction System on Business Related Matters[15]

The Philippine law system is based on the Roman civil law and the Anglo-American common law. Depending on the case, either the civil law system or the statutes of the common law applies: 1) the civil law applies for disputes related to property, succession and family relations (non-exhaustive), whereas the common law operates in fields such as corporation or business related matters, taxation or labour relations (non-exhaustive).

As in most countries, the court structure in the Philippines is divided into various tiers:

- Metropolitan Trail Courts, Municipal Trial Courts, the Municipal Trial Courts in Cities, and Municipal Circuit Trial Courts (collectively, MTCs) are first level instances exercising jurisdiction over civil cases not exceeding PHP 300,000 or 400,000 (around USD 5,800 or 7,800), depending on the nature of the case and the location;
- Regional Trial Courts act as both, first level courts with jurisdiction over disputes outside the responsibility of MTCs as well as appeals from the decisions of the MTCs. For commercial disputes, special Regional Trial Courts are assigned;
- The Court of Appeals generally reviews disputes from the Regional Trial Courts; and
- The Supreme Court is the highest level of the Philippines' judiciary. It conducts appellate jurisdiction over cases from the Regional Trial Courts and the Court of Appeals.

In the Philippines, parties have the possibility to resort all types of commercial cases to arbitration. Arbitration bears various advantages over court litigations, such as higher speed, flexibility of the rules, free choice of arbitrators or confidentiality. For international disputes, the Hong Kong International Arbitration Centre is one of the preferred institutions outside of the Philippines.

Source:

[1] *Foreign Investments Act of 1991 [Republic Act No. 7042]*

[2] *Doing Business in the Philippines, Deloitte 2019*

[3] *Doing Business in the Philippines, Quisumbing Torres (Member firm of Baker & McKenzie) 2018*

[4] *Establishing a business in the Philippines, Thomson Reuters*

[5] *A peek into the Revised Corporation Code of the Philippines, BusinessWorld March 2019*

[6] *Setting Up a Domestic Corporation – Philippines, Kittelson & Carpo Consulting*

[7] *Revised Corporation Code is Now in Effect, Baker McKenzie March 2019*

[8] *Doing Business in the Philippines, EU – Philippines Business Network, July 2018*

[9] *Business entities in the Philippines, Healthy Consultants Group PLC*

[10] *Philippine Competition Law (R.A. 10667), Republic of the Philippines*

[11] *Key Prohibitions under the PCA Explained, Philippines Competition Commission*

[12] *PCC Rules on Merger Procedure, Philippines Competition Commission*

[13] *Philippines: Trade Marks 2019, ICLG*

[14] *Import and Export Procedures in the Philippines – Best Practices, ASEAN Briefing 2017*

[15] *Philippines: Litigation & Dispute Resolution 2019, ICLG*

3. Taxation, Transfer Pricing, Banking and Currency Control

Executive Summary

The main forms of taxation in the Philippines are personal and corporate income tax (CIT), and value added tax (VAT), among other specific business taxes.

Foreign Direct Investment (FDI) is generally welcomed in the Philippines. Most sectors are open for investment, but certain sectors have limitations on equity ownership, which are detailed in the Foreign Investment Negative List.

The Philippine Peso (PHP) is a free-floating currency, and the Philippines also welcomes the use of foreign currencies, with few restrictions. There are no foreign exchange controls, but exchanging foreign currencies requires certain documentation.

3. Taxation, Transfer Pricing, Banking and Currency Control

I. Taxation Practice[1,2,3,4]

The principal tax law governing the corporate tax provisions in the Philippines is the National Internal Revenue Code (NIRC), among other rules and regulations. In general, all companies in the Philippines, regardless of their tax residence, are subject to corporate income tax (CIT).

Domestic companies in the Philippines are generally taxed on worldwide income while foreign companies are taxed on the income derived from their activities in the Philippines only.

A. Corporate Income Tax (CIT)

Tax Calculation

The year of assessment (YA) can be the calendar year or fiscal year. Standard CIT is levied on net income. This includes the gross income (all gains or profits from a trade or business, except for certain items of passive income taxed at a different rate) minus allowable deductions.

Tax Residence

The place of incorporation and the location of business activities determine the tax residence and the source of taxable income of a company as follows:

Place of Incorporation	Business Activities in the Philippines?	Taxable Persons	Taxable Income
The Philippines	N/A	Residents	Worldwide income
Other countries	Yes	Residents	Philippines sourced income
	No	Non-residents	

Applicable Tax Rate

The standard tax rate for both resident and non-resident companies is 30%.

Types of CIT	Taxable Persons	Tax Base	Tax Rate
Standard CIT *(Note)*	Residents	Net income	30%
	Non-residents	Gross income	
Minimum Corporate Income Tax (MCIT) MCIT applies if: • The taxable year is at least the fourth year after the commencement of business operations; and • The amount of CIT (i.e. 30% of net income) is less than 2% of gross income	Residents	Gross Income	2%

Note: Educational institutions and non-profit organisations are subject to other tax rates. Please refer to Bureau of Internal Revenue.

Passive Income

- Dividends received by the non-resident companies are in general taxed at 30%, unless the recipient is a resident of a country having a tax treaty with the Philippines.
- Interests income derived from domestic currency bank deposits (or other monetary benefits from deposit instruments) paid to resident recipients are subject to withholding tax of 20% but those derived from foreign currency bank deposits are subject to withholding tax of 15%. Interest income received by non-resident companies are in general subject to withholding tax of 30%.

Taxable Income	Recipients	Withholding Tax Rate
Interests	Residents	• Domestic currency bank deposits: 20% • Foreign currency bank deposits: 15% • Other interest income: Subject to CIT/ MCIT (where applicable)
	Non-residents	• Interest income on foreign loan: 20% • Others: 30%
Dividends	Residents	0%
	Non-residents	30%
Other Passive Income (e.g. Royalties)	Residents	Subject to CIT/MCIT
	Non-residents	

Branch Income

Profits of a Philippine branch remitted back to its parent company are subject to a profit remittance tax of 15%, unless otherwise specified in applicable tax treaty.

Deductions

In general, all companies can opt for standard deductions at 40% of gross income instead of deducting itemised operating expenses. If companies choose itemised deductions, expenses are tax deductible if they are directly and exclusively incurred in the development, management, operation and/or conduct of the business. However, some expenses are specifically non-deductible, such as:

- Personal expenses;
- Goodwill;
- Start-up expenses;
- Tax penalties; and
- Income taxes imposed by the Philippines (i.e. CIT/MCIT) or any foreign country and value added tax (VAT).

Some of the deductible expenses are capped at certain thresholds, such as:

- Interest expenses are capped at 33% of interest income that is subject to taxation; and
- Deduction of entertainment expenses is capped at 0.5% of net sales for companies engaging in the sale of goods or properties. For companies engaging in service rendering (including lessors of properties), deduction of entertainment expenses is capped at 1%.

Consolidated Filing

There is no consolidated filing or group relief provisions for losses in the Philippines. Each company shall be taxed individually.

Taxable Losses

Operating losses occurred in a tax year can be set off against gross income for the next three consecutive years (if there is no substantial change in the control of the company). The loss shall not be deductible in the year when the company is exempt from income tax. Carryback of losses is not permitted.

Tax Return and Payment

Quarterly tax returns (must be denominated in PHP) must be filed and the quarterly tax due must also be paid within 60 days after each quarter.

Final tax returns must be filed within four months (i.e. on the 15th day of the fourth month) of the end of the YA. The balance of the tax due shall be settled after deducting the quarterly payments. If there is excess tax payment in the final tax return, it may be claimed as a refund or tax credit.

Double Tax Agreement (DTA) with Hong Kong

The Philippines has not yet entered into a DTA with Hong Kong.

B. Value Added Tax (VAT)

VAT applies to all imports and sales of goods, as well as rendering of services in the Philippines. A 3% tax will be applied to the gross income, instead of VAT if the income from sales of goods and rendering of services does not exceed PHP 3 million.

Applicable Tax Rate

The standard VAT rate is 12%, based on the gross receipts issued from the transactions.

The basis of VAT on the import of goods is the value used by the Bureau of Customs in determining tariff and customs duties excise taxes, and other charges.

Business Activities Subject to 0% VAT

The following business activities are subject to 0% VAT on output but are still eligible for input VAT credits:

- Export sales; and
- Services rendered to a party engaged in business conducted outside the Philippines or a non-resident person located outside the Philippines when the service is performed.

Exemptions from VAT

Certain goods and services are specifically exempt from VAT, including:

- Lease of a residential unit with a monthly rental of at most PHP 15,000;
- Sale of a residential unit valued at most PHP 1.5 million;
- Sale or lease of goods and services to senior citizens and persons with disabilities; and
- Transfers of property due to merger or consolidation.

Please refer to the Bureau of Internal Revenue for the full list of VAT exemptions.

C. Transfer Pricing Provisions

Section 50 of the NIRC governs the transfer pricing provisions in the Philippines. It adopts the arm's length principle of the Organisation for Economic Co-operation and Development's (OECD) Transfer Pricing Guidelines.

The Commissioner of Bureau of Internal Revenue (BIR) is authorised to distribute and allocate income and deductions between related parties in order to clearly reflect the amount of income earned by individual party and prevent tax evasion.

Taxpayers are required to prepare and maintain transfer pricing documentation to show that their transfer prices are consistent with the arm's length principle, and provide to the BIR when requested.

D. Statutory Auditing Requirements and Accounting Standards

Audit Requirements

All companies, including foreign branches, with paid-up capital of PHP 50,000 or above and/or quarterly gross sales of more than PHP 150,000 are required to prepare an annual statutory audit.

For those companies with an annual gross sales of more than PHP 3 million, their books of accounts must be audited annually by independent Certified Public Accountants (CPAs).

Financial Statements

The format and details provided in the financial statements should follow the Philippine Financial Reporting Standard (PFRS) or the Philippine Accounting Standards (PAS). In general, companies may determine its functional currency for its financial states according to the PFRS or PAS. However the BIR requires the tax return to be reported in PHP.

If a company is required to be audited by independent CPAs, the audited financial statements must be attached with the annual CIT return and stamp received by BIR. The stamped financial statements should then be filed with the Philippine Securities and Exchange Commission (SEC) within the due date (i.e. normally 120 calendar days from the end of the fiscal year or otherwise announced by the SEC).

Financial Reporting Framework

The Philippine Financial Reporting Standard Council is the sole authority for establishing accounting standards and other financial reporting requirements. All financial statements prepared have to comply with either the PFRS or the PAS.

II. Banking and Currency Control

A. Bank Account Setup Requirements and Restrictions for Foreign Direct Investment (FDI)

Bank Account Setup Requirements[5]

Foreigners wishing to open a bank account in the Philippines will require many documents and identification. The requirements for both individuals and corporate accounts are quite extensive. While the setup requirements will differ from bank to bank, most banks will require a foreigner to have an Alien Certification of Registration from the Bureau of Immigration, which may take some time to obtain. The table below shows other generally required documents for a business wishing to open a bank account in the Philippines.

#	General Documents Required
1	Articles of Incorporation
2	Certificate of Registration with the Securities and Exchange Commission
3	Corporate By-laws
4	Board Resolution incorporating: • Authority to open a bank account; • List of authorised officers; • List of directors and shareholders; and • Two ID cards of authorised officers

Restrictions for Foreign Direct Investment (FDI)

The Philippines generally welcomes FDI, with investment incentive programmes such as the Investment Priorities Plan. Under the Foreign Investments Act of 1991, foreign businesses are even allowed up to 100% equity in most industries. However, there are a few industries that foreigners are restricted from investing in. These industries are specified in the Foreign Investment Negative List, currently in its 11th edition. The Negative List restricts the percentage of equity that a foreign company may own, ranging from completely prohibited to a maximum of 40% foreign equity ownership. For more information on restrictions for FDI, please refer to section 8 of this report.

B. Restrictions on Inbound and Outbound Funding in Foreign Currency and Local Currency[6]

Local Currency

Local currency (PHP) is currently a free-floating currency, managed by the Central Bank of the Philippines (Bangko Sentral Ng Pilipinas). It is freely exchangeable, with no restrictions on importing and exporting. Non-residents, including Overseas Filipinos, are also allowed to open peso accounts with banks in the Philippines. Pesos deposited into these bank accounts can be used for any purpose, including exchange into foreign currency.

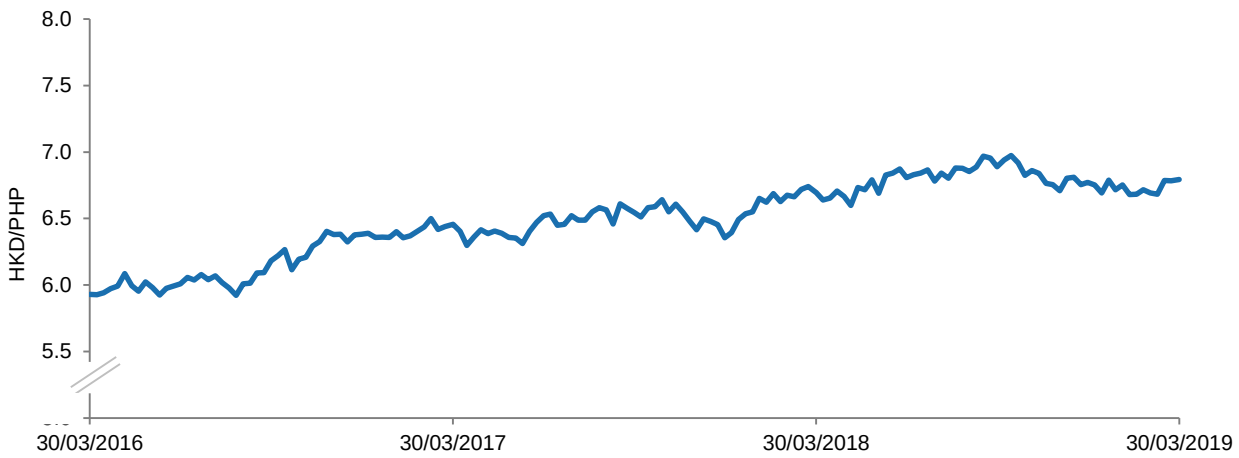
Foreign Currency

There are minimal restrictions on foreign currencies in the Philippines. Purchases of foreign currency is permitted in the Philippines, and can even be made using pesos. The only requirement is that the purchaser must submit a "duly accomplished Application to Purchase FX" (ATP) to a bank. The need for the ATP, and any supporting documents, may be waived if the amount of foreign currency to be purchased does not exceed USD 500,000 or equivalent for individuals, or USD 1 million or equivalent for corporates.

C. Policy on Foreign Exchange Rate and Three-year Historic Trend

The Philippine peso (PHP) is the official currency of the Philippines. The exchange rate is managed by the Central Bank of the Philippines under the New Central Bank Act of 1993, which liberalised the Philippine peso, and sets it on a free-floating exchange rate system. In the past, the currency was pegged against the US dollar, but a black market for the PHP devalued the currency. Currently, the black market does not exist, as the free-floating rate reflects the market demand and supply.

Three-year Exchange Rate Trend for HKD to PHP[7]



Date	HKD/PHP Rate
30/03/2016	5.9358
30/03/2017	6.4607
30/03/2018	6.6520
30/03/2019	6.6980

D. List of Banks from Foreign Investments[8]

According to the Central Bank of the Philippines, there are currently 46 universal and commercial banks in the Philippines. A universal bank can provide more services than commercial banks, including investment banking. There are six foreign-owned universal bank branches in the Philippines, and two foreign-owned commercial bank subsidiaries.

Banks from Foreign Investments in the Philippines

#	Bank Type	Names of Banks
1	Universal Bank Branch	Australia and New Zealand Banking Group Limited
2		Deutsche Bank AG
3		ING Bank N.V.
4		Mizuho Bank, Ltd. – Manila Branch
5		Standard Chartered Bank
6		The Hongkong & Shanghai Banking Corporation
7	Commercial Bank Subsidiaries	CTBC Bank (Philippines) Corporation
8		Maybank Philippines, Incorporated

There are additionally 18 foreign-owned commercial bank branches in the Philippines, and 13 representative offices of foreign banks. For a detailed list, please refer to Appendix 1.

Source:

[1] *Philippines Tax Profile, KPMG*

[2] *Worldwide Tax Summaries – Philippines, PricewaterhouseCoopers*

[3] *Philippines Highlights 2019, Deloitte Touche Tohmatsu*

[4] *Bureau of Internal Revenue official website*

[5] *Opening Bank Account in the Philippines, Kittelson Carpo Consulting*

[6] *Rules on Foreign Exchange Transactions, Bangko Sentral Ng Pilipinas, Jun 2019*

[7] *Bloomberg*

[8] *Directory of Banks and Non-Banks, Bangko Sentral Ng Pilipinas, Aug 2019*

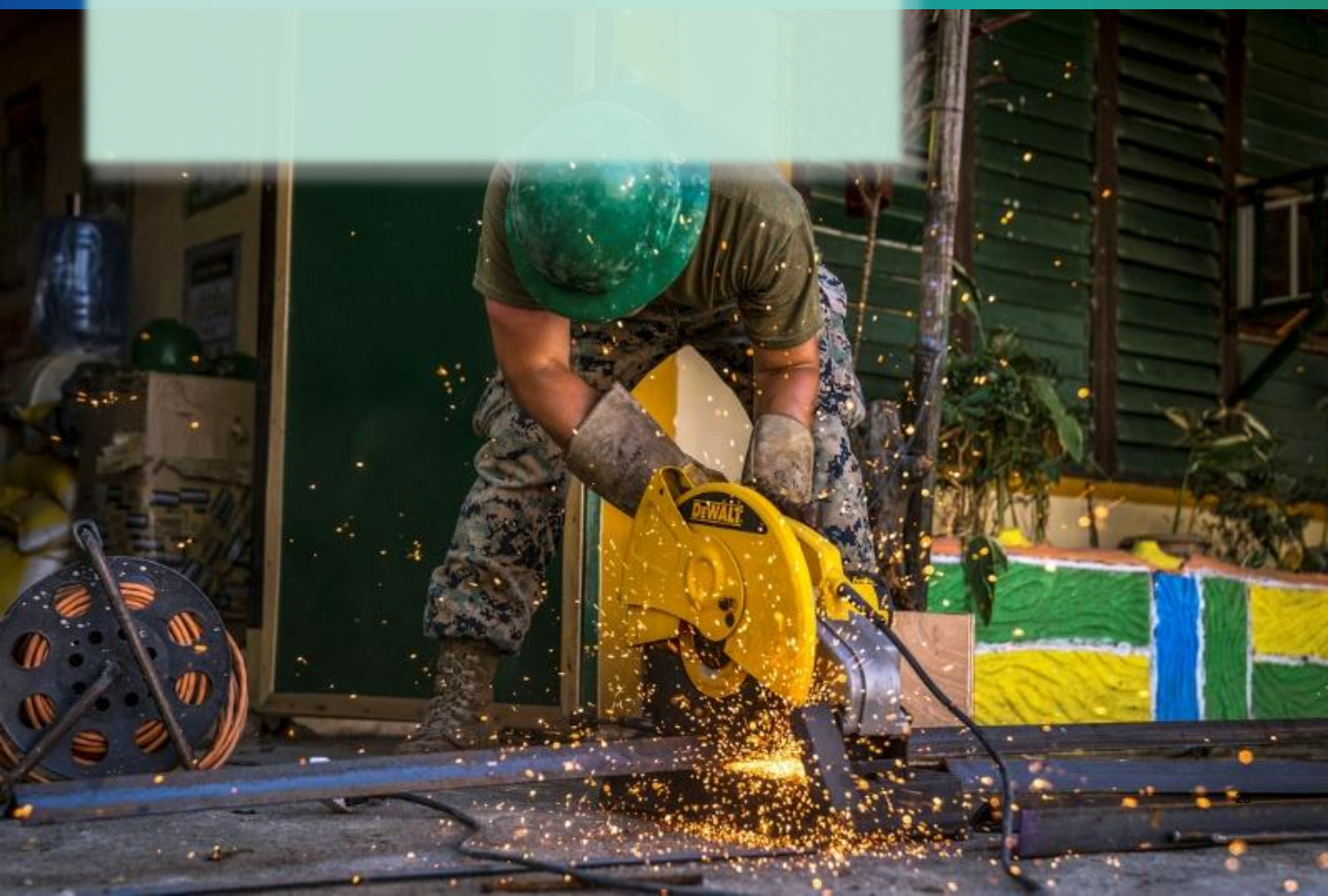
4. Labour, Compensation Rule and Labour Supply Situation

Executive Summary

The Philippines' Labour Code provides guidance on matters such as maximum working hours, minimum wages, and welfare to protect employees.

Foreign workers are forbidden or restricted from engaging in certain jobs which can be done by local workers.

Foreign workers are required to obtain a work permit and a visa for legal employment in the Philippines, which are approved by the relevant government departments on a discretionary basis.



4. Labour, Compensation Rule and Labour Supply Situation

I. Overview on Laws and Regulations over Local Labour Employment[1,2,3,4]

A. Contracts and Protection Towards Employees

The Labour Code of the Philippines, among other related laws, governs labour employment. Enacted in 1974, it forms the basis of the laws governing labour relations and employment of private employees.

These laws apply to five categories of employment arrangements: regular employment, probationary employment, project-based/term employment, seasonal employment, and casual employment.

Minimum Legal Working Age

The minimum employment age is 15 (except when the minor is working directly under his/her parents' or guardians' responsibility).

Children over 15 but under 18 years of age are only allowed to work during specific periods of the day for a certain number of hours stated by the Secretary of Labour and Employment. No one under 18 years is allowed to perform work which is "hazardous or deleterious in nature" as determined by the Secretary of Labour and Employment.

Labour Contract

The Labour Code of the Philippines governs the agreement between employer and employees. An employment contract, either oral or written, is concluded for all categories of employment arrangements recognised by the Philippine labour law. The contract must meet the minimum statutory standards prescribed by the Labour Code. Generally, the contract should be arranged in English; in the case of the employment of a Philippine national, a contract in Filipino must also be available to communicate the terms of the contract accurately.

Termination of Employment

The Labour Code of the Philippines only recognises two categories of causes for the termination of employment: just causes and authorised causes. Just causes include but are not limited to, serious misconduct from the employee's part, habitual neglect of their duty by the employee, fraud, insult or inhumane treatment by the employer, and crime by either party. Authorised causes for employers to dismiss their employees include but are not limited to, redundancy and installation of labour-saving devices.

With a just cause, employers can dismiss their employees without notice or separation pay. With an authorised cause, employers must give a written notice at least one month in advance, to the employee and the Ministry of Labour and Employment; and the dismissed employee shall receive a severance payment.

Depending on the authorised cause related to the dismissal, the employee is entitled to receive a severance payment equivalent to one-half or one month pay per year of service. Service for six months or more in a year is considered as one whole year.

B. Minimum Wage Level

As of November 2018, the minimum wage ranges from PHP 270 (around USD 5.30) to PHP 537 (around USD 10.50) per day. The wage varies depending on the location where the service is performed and the nature of work. Non-agricultural industries have a higher minimum daily wage than agriculture.

The minimum wage rate is occasionally updated by the government.

C. Maximum Working Hours and Days

The maximum number of working hours is eight hours per day, or 48 hours per week.

Once employees have worked for six consecutive working days, they must be given a 24-hour resting break.

Overtime

For work performed in excess of the maximum number of hours, employees must be compensated with overtime pay. Overtime pay can range from 125% to 371.8% of regular pay, depending on whether the day is a rest day, holiday, and whether the overtime is considered night shift. Undertime work on any day cannot be used to offset overtime work on any other day. Permission to go on leave another day is not an acceptable alternative to the overtime compensation payment.

D. Mandatory Welfare

Home Development Mutual Fund (HDMF) and the Social Security System (SSS)

All private employees, whether permanent, temporary, or provisional, are entitled to the HDMF benefits and should be registered under the SSS.

The HDMF, also known as the Pag-IBIG Fund, is a mutual provident savings programme supported by mandatory contributions from employees and employers of private earning groups and the government. The HDMF offers short term loans and housing programmes, and can also act as a savings programme. It was introduced to target the housing financing problem in the country.

The SSS provides income replacement when the employee is unable to work due to injuries, illnesses, disabilities, maternity, old age, and death.

The maximum monthly compensation used to calculate the contributions by employers and employees is PHP 5,000. Employers will always need to contribute 2%. Employees contribute 1% if the monthly compensation is PHP 1,500 or below, and 2% otherwise. In other words, both the employee and employer's monthly contributions are capped at PHP 100 (around USD 2).

The National Health Insurance Program (NHIP)

NHIP, formerly called Medicare, provides health insurance for all SSS members and their dependents. The Philippine Health Insurance Corporation (PhilHealth) is the mandated administrator of the programme. Financial assistance is provided for various personal health services and outpatient care, including but not limited to medicine, x-rays, and preventative services.

Monthly Basic Salary (in PHP)	Contribution (in PHP)	
	Employer	Employee
≤10,000	137.50	137.50
10,000 – 39,999	137.51 – 549.99	137.51 – 549.99
≥40,000	550.00	550.00

Other Benefits and Rights

In addition to these provisions, workers in the Philippines are entitled to various rights:

- Annual leave: employees who have worked continuously for one full year are entitled to at least five days of annual leave per year;
- Maternity leave benefits: full pay during maternity leave of at least two weeks prior to delivery, and four weeks after (four weeks also given after abortion). Maternity leave may be extended without pay should there be medically certified complications or illness due to pregnancy, delivery, abortion, or miscarriage.

Apart from the above mentioned legal provisions, employers are required by law to provide adequate drinking facilities, washrooms, and toilets for employees and must have first aid and medical facilities available at the premises (the extent of the facilities depends on the number of employees).

E. Labour Law Governing Authorities, Enforcements, and Restrictions

Governing Authorities

The Department of Labour and Employment (DOLE) is the official government body responsible for the oversight of labour administration and protection, social policy, and the promotion of employment.

Labour Law Enforcements

The Secretary of Labour and Employment and his authorised representatives, including labour regulation officers, are responsible for overseeing compliance with general working conditions, occupation safety and health, labour welfare, and labour relations. The Regional Director of the DOLE and his authorised hearing officers are responsible for settlement of labour disputes such as recovery of wages and monetary claims.

The Court of Industrial Relations and the National Labour Relations Commission provide an escalated way to resolve any disputes arising between employers and employees.

Employment Restrictions

Permitted Occupation Categories for Special Work Permit

Any foreign nationals wishing to work in the Philippines for more than six months must obtain an Alien Employment Permit (AEP) from the DOLE; for work lasting less than six months, a Special Work Permit from the Immigration Bureau is another viable option. The positive list of occupations that allow foreigners to obtain a Special Work Permit came into effect in 2019 due to reported frequent abuse of the Special Work Permits. The positive list includes athletes, lecturers, movie and TV crew, artists, chefs, and more. Foreigners seeking work in the Philippines in occupations other than those on the positive list must obtain an AEP. In addition, Article 40 of the Labour Code states that an AEP is only granted when it can be proven that no local worker is willing, available, and competent for the job that the foreigner is registering for.

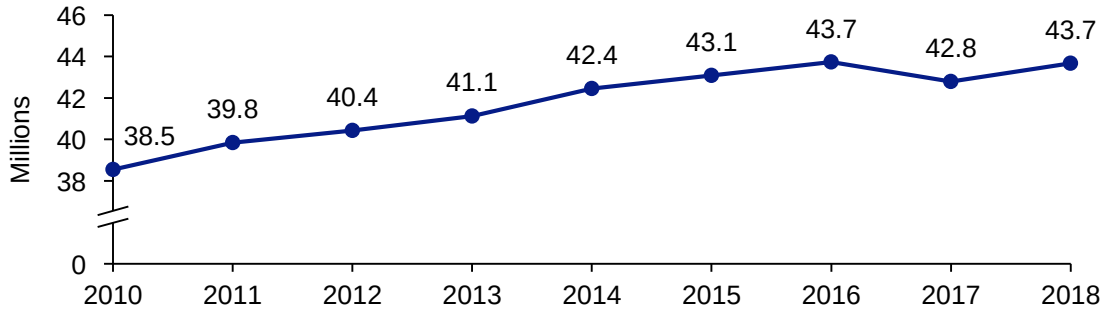
Prohibition against Discrimination

Female employees are protected from discrimination by the Labour Code on issues such as wages, promotion and training, and marriage. Any payment or compensation for a female employee must not be less than what a male employee receives for work of equal value. Female employees must have access to the same promotion and training opportunities as male employees; and an employer must not require female employees to not get married as a condition of employment.

II. Local Labour Supply Market Condition

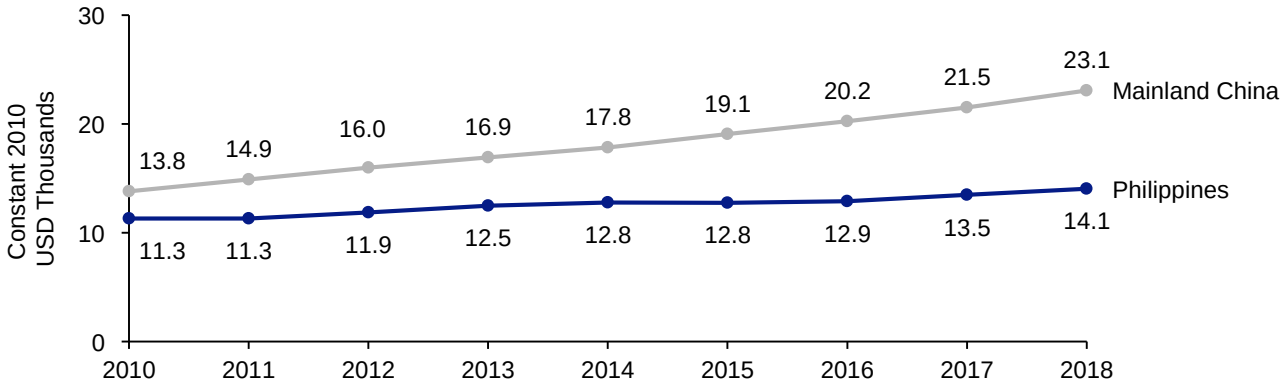
A. Supply Situation for Total Labour Force[5,6]

Philippines' Total Labour Force (2010 – 2018)



The estimated total labour force was around 43.7 million in 2018. The supply of labour for the past nine years has shown an overall upward trend, with a minor drop in 2017. As of 2017, approximately 25% of the labour force worked in the agriculture sector, 18% in manufacturing industry, and 56% in services.

Philippines' Labour Productivity (GDP per worker) *(Note)* (2010 – 2018)

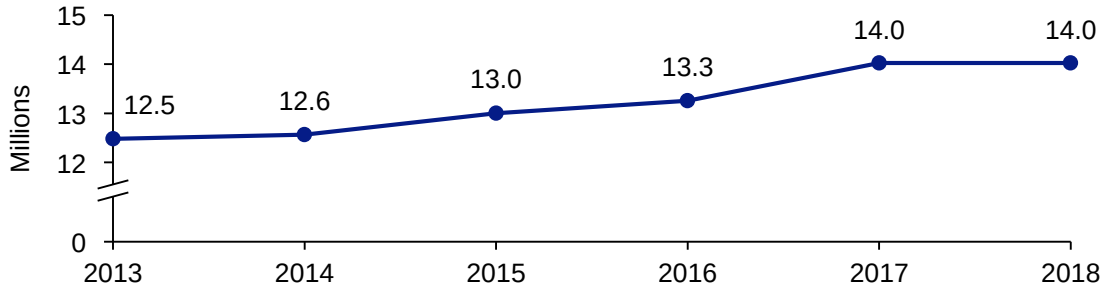


The Philippines' labour productivity was around 39% lower than Mainland China in 2018. In addition, Mainland China's productivity grew at a higher rate (around 6.7%) than that of the Philippines (around 2.8%) between 2010-2018. The Philippines' productivity ranked seventh amongst the 10 ASEAN countries.

Note: Industry labour productivity measures the value added per worker in manufacturing, construction, mining and quarrying and public utility sectors.

B. Supply on Educated Employees[5]

Philippines' Estimated Labour Force with Higher Education (2013 – 2018)



The estimated labour force with higher education (defined as level of education beyond upper secondary school) was around 14.0 million in 2018, approximately 32% of the total labour force.

C. Government Support on Employee Training

Book Two of the Philippines Labour Code outlines the human resources development programme which aims to efficiently allocate human resources and meet the demand for trained manpower. The table below lists examples of incentives provided by the DOLE.

#	Incentives Granted
1	Deduction from taxable income of 50% of training expenses incurred for development programmes
2	Grants-in-aid provided by the government for manpower and youth development
3	Assistance provided by the DOLE to employers with developing training schemes
4	Instructor training, training in vocation, and entrepreneurship development provided by the DOLE

The organisation of training programmes and apprenticeships shall mainly be executed on a voluntary basis by employers; however, should there be any "particular requirements of economic development", the President of the Philippines may require mandatory training in particular occupations or employment levels where shortage of trained manpower is considered to be critical.

D. Labour Unionisation and Related Government Regulations

All labour organisations must be registered with, and licensed by, the DOLE.

Protection of Rights of Unionisation

Article 259 of the Labour Code protects employees from an employer's disciplinary actions and discrimination aimed at discouraging or encouraging membership in a certain labour organisation. It is also unlawful for employers to require a person to withdraw from his labour organisation or to not join one as a condition of employment. Moreover, employers are also restricted from interfering with the administration of labour organisations, including providing financial aid to it or its supporters.

Labour Dispute Settlement

Article 250 of the Labour Code details the procedure on collective bargaining. Written notice with a statement of proposal is needed to initiate a negotiation. A response must be made by the other party within 10 days and should differences arise, a conference should be arranged.

If the dispute cannot be settled, the National Conciliation and Mediation Board may provide directions to resolve the dispute. A voluntary arbitrator may be appointed to reconcile the dispute. If the dispute goes on for another 10 days, the National Labour Relations Commission is mandated to conduct hearings and resolve the dispute in 20 days.

E. Work Permits and Visas[7]

Work Permits

Foreign employees need a Special Work Permit to work for less than six months and an AEP to work for more than six months in the Philippines. An AEP will be valid for one year or the duration of the employment contract not exceeding five years. An AEP is only valid if the employee works in the company and in the position it was secured for. Should the foreign employee assume a new position within the same company or join another company, a new AEP must be obtained.

- Approval criteria: approval is considered by the DOLE on a case by case basis. The permit is granted provided that there exists a lack of domestic workers available, willing, and competent for the designation.
- Termination of employment: in case of termination of the employment or resignation of employees, the employer has a duty to report the cancellation of the respective work permits.
- The application should be filed to the DOLE Regional Office or Field Office.

For the detailed procedures, guidelines on application filing and required documents in work permit application, please visit DOLE homepage (www.dole12.org/portal/cp-alien-employment-permit-aep/).

Visas

Non-immigrant visas are issued by the Philippines' Bureau of Immigration.

- The most common work visa for foreign employment is the Pre-arranged Employment Visa, also known as the 9(G) visa. Applicants must obtain an AEP before applying for the 9(G) visa. The visa can only be applied through an employer's sponsorship. Should there be a change of employer, the 9(G) visa obtained is downgraded to a tourist visa, and foreign employees must apply for a new work visa. Initially valid for one to three years, this visa can be renewed for up to three years at a time.
- The Treaty Trader's Visa, also known as the 9(D) visa, is for foreigners from countries with a bilateral trade agreement with the Philippines; currently, those are the United Sates, Germany, and Japan. To obtain the 9(D) status, foreign nationals must prove to be engaging in substantial trade with the Philippines with at least 120,000 USD investment. They must be an executive or supervisor in the company and share the same nationality as their employer. This visa is valid for up to two years.

In order to work in the Philippines, foreign employees are required to go through the following procedures:

#	Key Steps for Foreigners Wishing to Work in the Philippines
1	Apply for the AEP (which takes 2 – 3 weeks) , and also the Provisional Work Permit (which takes about 2 weeks) should you wish to start working while your employment visa application is in process
2	Apply for the relevant employment visa (which takes 2 - 3 months)
3	Extend the duration of validity of the permit and visa if necessary

Travelling to the Philippines

Hong Kong residents are permitted to stay up to 14 days in the Philippines without a visa.

F. Religious and Cultural Concerns or Considerations[8,9]

Religion

Religious freedom exists in the Philippines. The Philippines does not have a state religion. However, Christianity is practiced by around 91% of the population. Approximately 5.5% of the population is Muslim. Ethno-religion and other religions make up the remainder.

Culture

Due to the history and location of the Philippines, the country's business culture is influenced by both western and eastern practices. Business relations are heavily affected by personal relationships. Therefore, it is essential for developing ties with Filipino business contacts. In addition, it is important to note that the majority of businesses in the Philippines are family-owned.

Source:

[1] *The Labour Code of the Philippines, the Department of Labour and Employment, 2016*

[2] *The Handbook on Workers' Statutory Monetary Benefits, the Department of Labour and Employment, 2019*

[3] *Employer's Guide to Government-Mandated Employee Benefits in the Philippines, Moneymax, 2018*

[4] *Foreigners can get work permits only in 15 job categories, Inquirer, 2019*

[5] *Labour Force Survey, Philippine Statistics Authority*

[6] *World Factbook, Central Intelligence Agency, 2019*

[7] *The Guide to Employment Permits for Foreign Workers in the Philippines, ASEAN Briefing, 2017*

[8] *Religious Freedom Report, ACN International*

[9] *The Philippines: Business Practices, Santander Trade, 2019*

5. Research and Development Environment

Executive Summary

The Philippines identified science and technology (S&T) as a lever to achieve the country's objectives of socioeconomic growth, macroeconomic stability and social equity. The government is currently implementing the National Science and Technology Plan (NSTP) to transform the country into a producer of highly competitive and value-added products over 18 years. Additional policies are being implemented to develop research and development (R&D) activities in specific industries such as manufacturing or semiconductor and electronics.

However, the country's S&T ecosystem is still developing. The government manages a few research centres and offers various funding opportunities. The private sector is involved in building S&T infrastructure, but universities' impact in R&D is limited. In addition, the country needs to double its S&T workforce and strengthen intellectual property protection to attract more foreign investors.

5. Research and Development Environment

I. The Science and Technology (S&T) in the Philippines

A. Policies and Trends in S&T

The National Science and Technology Plan (NSTP) 2002-2020[1]

The Department of Science and Technology (DOST) drafted the NSPT to define and guide the Philippines' S&T ecosystem development over nearly 20 years. The plan aims to foster S&T in the country to achieve the objectives set in the national Philippine Development Plan (PDP) which are: socio-economic growth, macroeconomic stability, social equity and good governance.

The main goals of the NSPT are presented along the following timeline:

2002 - 2004	2004 - 2010	2010 -2020
S&T should: • Contribute to enhancing national productivity and competitiveness; and • Help solve urgent national problems.	The Philippines needs to: • Utilise world class research and development (R&D) knowledge applied to specific industries; and • Develop a national S&T culture.	The Philippines must: • Develop highly competitive and/or valued added products and services leveraging S&T and R&D.

In order to meet these targets, the government is implementing multiple actions along nine focus areas: 1) create industry specific clusters, 2) tackle national issues such as poverty, resources management or housing and employment, 3) train an S&T proficient workforce, 4) support small and medium-sized enterprises (SMEs), 5) promote technology transfers, 6) build/upgrade S&T infrastructure, 7) enhance domestic and international cooperation between public sector, private sector and universities, 8) improve S&T governance, and 9) foster a science, technology and innovation (STI) culture.

In the NSTP, the Philippine government also identified 12 priority R&D areas, the main ones among which are:

Manufacturing and Process Engineering

Information and Communications Technology (ICT)

Materials Science and Engineering

Microelectronics

Other Policies[2]

To support the national implementation of the NSTP and transform the Philippines into a highly competitive economy, the government drafted additional policies designed to strengthen the overall plan.

- The Science for Change Program (SC4P) aims to accelerate the country's STI ecosystem by increasing investment in S&T workforce trainings and R&D activities expansion.
- The Harmonized National Research and Development Agenda (HNRDA) identifies five priority R&D areas of which development should alleviate poverty and promote inclusive growth. One of the priority areas is creating competitive industries by attracting foreign direct investment (FDI) and building R&D facilities tailored for the manufacturing or the semiconductor and electronics industry.

Outlook[3,4]

The Philippines' innovation capabilities are still limited. In the 2018 Global Competitiveness Index, the country ranked 67th out of 140 countries, below other ASEAN countries such as Malaysia (30th) and Thailand (51st). Compared to its 2015 ranking (48th), the country fell by almost 19 rankings. The Philippines' lowest scores were recorded on R&D expenditure criteria (99th), trademark applications (98th) and international co-inventions (87th). Indeed, according to the latest data available (from 2013), R&D expenditures represented only 0.14% of its GDP. However, the country had high scores in the diversity of workforce (15th) and multi-stakeholder collaboration (27th).

B. S&T Related Organisations

Department of Science and Technology (DOST)[5]

The DOST is the Philippines' main government body in charge of S&T-related matters. The department's vision is to ensure that national S&T efforts lead to economic growth, increased productivity and benefit the population (e.g. better quality of life). In order to realise this vision, the DOST is charged with two major missions: 1) leading and coordinating all S&T activities in the country and 2) formulating policies and programmes to foster the national S&T ecosystem development.

The DOST is composed by multiple councils and agencies which carry out different missions:

- Three sectoral planning councils (e.g. the Philippines Council for Industry, Energy and Emerging Technology Research and Development) which formulate S&T policies and programmes, and fund and monitor national R&D projects;
- Seven R&D institutes (details in the next section) which carry out basic and applied research;
- Six S&T services institutes (e.g. the Technology Application and Promotion Institute) which provide S&T related services;
- Two collegial bodies (e.g. the National Research Council of the Philippines) which are in charge of establishing links with international agencies ; and
- Sixteen regional offices and 80 provincial S&T centres which plan and implement S&T programmes at a regional level. They also coordinate and provide services to all S&T stakeholders.

II. The Infrastructure of Science and Technology

A. Government R&D Institutes and/or Funding Agencies

The Philippines has a few R&D centres, which are mostly managed by specific national departments. Below is an overview of the R&D institutes under the DOST.

DOST's R&D Institutes (Part 1/2)

Institute	R&D
Advanced Science and Technology Institute	The ASTI carries out research focusing on: • ICT; • Microelectronics; and • Technology transfer.

DOST's R&D Institutes (Part 2/2)

Institute	R&D
Industrial Technology Development Institute	The ITDI focuses on R&D in: • Chemicals and Energy; • Biotechnology and Nanotechnology; • Material Science; and • Food processing and packaging technologies.
Metals Industry R&D Centre	The MIRDC assists metals and engineering companies in R&D activities designed to improve products, processes and materials.
Philippines Textile Research Institute	The PTRI's main missions are: • Conduct applied R&D for the textile industry; • Transfer completed research to end-user; and • Provide trainings programmes and support the private sector.
Food and Nutrition Research Institute	The FMRI carries out research focusing on: • Food quality and safety; • Nutrition technologies; and • Therapeutic nutrition.
Forest Products R&D Institute	The FPRDI's major objectives are: • Conduct R&D on wood and non-woods products; • Foster technology transfers; and • Provide technical services (e.g consultancy) and trainings.
Philippines Nuclear Research Institute	The PNRI's mission is to carry out nuclear related R&D, provide specialised nuclear services and efficiently implement nuclear safety standards in the country.

B. University-based R&D Institutes[6,7]

Apart from the government, universities are also important players in the R&D field. According to the 2019 QS Asia University Rankings, the Philippines only has four universities ranked in the top 300, indicating low research and teaching quality. Typically, QS Institute ranks the top universities in Asia according to six criteria, among which the most important ones are academic reputation (assessing teaching and research quality) and citation per faculty (assessing importance of research outputs). The top institution in the Philippines comes in 72nd place, with no other institutions ranked in the top 100. The ranking implies that R&D carried out in the universities has a low impact in the S&T international scene.

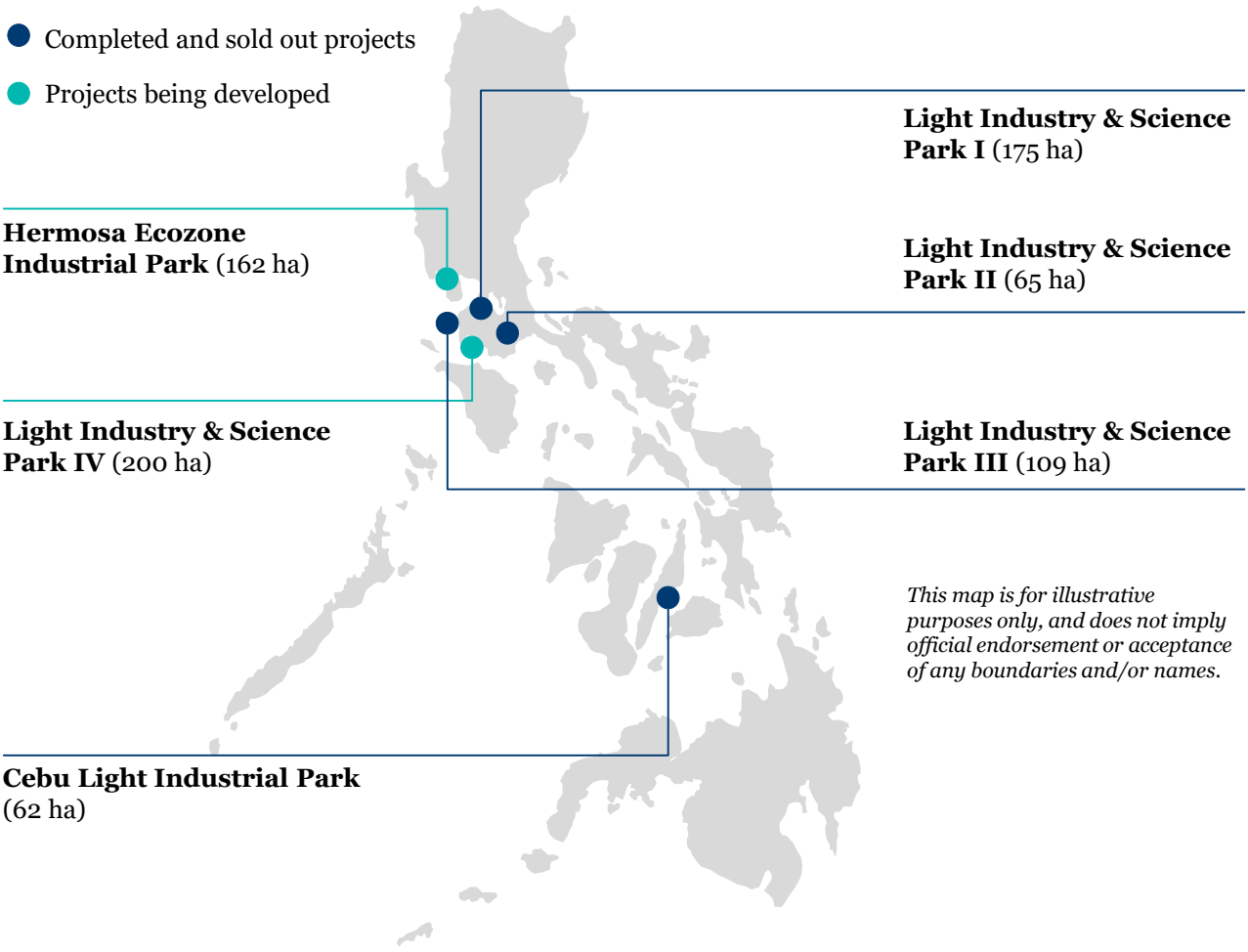
University of the Philippines (72nd)

The research areas prioritised in the university are: 1) ICT engineering and nanotechnology, 2) Computational modelling and complex systems, 3) Agriculture, nutrition, biotechnology, 4) Environment, climate and energy, and 5) Health, disease and wellness.

C. Private Business Firms (Research Centres)[8]

In the Philippines the private sector is heavily involved in R&D, specifically due to one private enterprise: the Science Park of the Philippines Inc. (SPPI). The company is the leading industrial estates developer of the country with its four Light Industry and Science Parks and two Industrial Parks (covering almost 800 hectares (ha)). The SPPI's parks are home to domestic and foreign investors which carry out production and R&D activities in the estates. Some examples of multinational companies (MNCs) located in the parks are: NEC, NXP Semiconductors, Mitsui Hi-tech, Procter & Gamble, and Unilever. One of the main reasons to locate a company in these parks is the availability of tax and non-tax incentives delivered by the Board of Investments (BOI). For more information, please refer to section 9 of this report.

Location of SPPI's Light Industry and Science Parks (LISPs)



D. Infrastructure Availability for Foreign Investments

As highlighted in the section above, foreign investors are welcome in the Philippines and can easily set up in the SPPI's LISPs. Infrastructure is especially available for foreign companies in the Harmosa Ecozone and the LISP IV, which are still under development and looking for investors. Overall, the area around Manila hosts the greatest number of infrastructure available for foreign investments.

III. Priority Areas in the Philippines (major exports)[9,10]

The Philippines' economy is supported by a proficient electronics industry. In 2018, the country's top five exports were:

Top 5 Exports	% of Total Exports (in 2018)
Electrical Machinery and Equipment	48.7%
Machinery and Appliances	14.3%
Optical and Medical Equipment	3.3%
Edible Fruits and Nuts	3.1%
Precious Stones and Metals	2.2%

The country has extensive hi-tech capabilities. In 2018, 58% of total manufactured exports were labelled hi-tech products (e.g. products with high R&D intensity, such as in computers, aerospace, pharmaceuticals), compared to only around 30% in Vietnam or Malaysia. The Philippines has managed to upgrade its exports and use R&D to create value-added products.

IV. Funding for S&T, R&D[5]

With the Science for Change Program, the government is seeking to develop strong national R&D capacities, to increase industrial competitiveness. To reach this objective, four different funding programmes have been established to grant funding for specific purposes.

Collaborative Research and Development to Leverage Philippines Economy (CRADLE) Programme

Description	Priority Areas	Sub-programme	Funding
Provides financial grants to projects aiming to establish long-lasting relationships between academic institutions, R&D institutions and the private sector to foster the country's R&D capabilities.	Priority will be given to projects focusing on: • Basic research; • Industry; • Energy; and • Emerging technologies.	CRADLE 1 for projects creating mutually beneficial links between academics and the industry.	• Maximum funding of PHP 5 million (around USD 100,000). • Maximum support of 3 years.
		CRADLE 2 for projects involving SMEs and academics in joint R&D activities with commercial applications.	• Maximum funding of PHP 5 million (around USD 100,000). • Maximum support of 2 years.

Business Innovation through S&T (BIST) for Industry Programme

Description	Priority Areas	Requirements	Funding
Provides financial assistance to Filipino's companies in order to support them in the acquisition of strategic technologies. These technologies shall be incorporated in their R&D activities.	Priority will be given to projects focusing on: • Manufacturing under Industry 4.0 (automation and robotics); • Semiconductors and electronics; • ICT; and • Infrastructure and Logistics.	• Company must be incorporated in the Philippines. • Company must be at least 60% Filipino-owned.	• The BIST refunds 70% of eligible expenses incurred by companies for the licensing of technologies and the purchase of equipment. • The refund is distilled over a period of 3 to 5 years.

Niche Centers in the Regions for R&D (NICER) Programme

Description	Priority Areas	Requirements	Funding
Provides grants to Higher Education Institutions (HEI) planning to build regional R&D centres. The centres should answer specific industry needs, help train an S&T workforce and support IP management and protection improvements in the country.	Priority will be given to projects focusing on: • Basic research; • Industry, energy and emerging technologies; • Agriculture, aquatic and natural resources sectors; • Disaster risk reduction and climate change adaptation; and • Health.	• Any HEI can apply for the programme if the project proves to have a positive impact on regional industries. • The proposed project should be in line with national policies (e.g. the HNRDA). • The proposed project should not exceed 3 years and must expose a clear roadmap of R&D activities and outputs.	• The NICER provides funding assistance for a maximum of 3 years.

R&D Leadership (RDLead) Programme

This programme is designed for HEI or Research and Development Institutions (RDI) involved in the NICER programme. The RDLead provides them funding to hire experts (with PhD and at least 15 years of experience) who will be in charge of guiding and strengthening the institutions' R&D activities.

V. Human Resources for S&T[11,12]

The Philippines' S&T labour force is scarce. According to the latest data available (from 2013), the country's ratio of researchers in R&D was 188 per 1 million people, which adds up to around 19,000 full-time researchers nationally. In the 2019 Global Innovation Index, the country ranked 78th out of 126 countries on the criterion "Researchers, FTE/mn pop." below Malaysia (35th), Thailand (53rd) and Vietnam (58th). This bottleneck has been identified by the Philippine government which currently targets to reach a ratio of 380 researchers/one million people. Therefore, the country needs to double its researcher population and close the 19,000 people gap.

Nevertheless, the Philippines can leverage its strong base of S&T educated people. Indeed, around 29% of the total number of tertiary graduates graduate in science and engineering *(Note)*.

Note: the figure represents the share of all tertiary-level graduates in natural sciences, mathematics, statistics, information and technology, manufacturing, engineering, and construction as a percentage of all tertiary-level graduates.

VI. Support in Testing and Verification

In the Philippines, support in testing and verification can be obtained from the various institutions operating under the DOST. Indeed, all six S&T services institutes and seven R&D institutes provide technical services such as consultancy, patenting or licencing. More precisely, manufacturing investors looking for support in testing and verification can contact the Industrial Technology Development Institute and the Metals Industry R&D Centre. These centres can provide tailored services to private manufacturers in fields such engineering design (e.g. prototyping), testing and analysis, calibration, standards and measurements.

VII. Intellectual Property Policy[13]

Intellectual property (IP) rights are an important factor to consider when entering a country. Some nations have troubles implementing a strong framework to protect IP rights which can lead to serious damages to the companies. Each year the Global Innovation Policy Center (GIPC) publishes a worldwide ranking which analyses eight IP protection related categories: patents, copyrights, trademarks, trade secrets, commercialisation of IP assets, enforcement, systemic efficiency, as well as membership and ratification of international treaties. According to the 2019 IP Index published by the GIPC, the Philippines' IP Protection is relatively low. Globally, the country is ranked 37th out of 50 analysed countries and regionally its performance is below other Asian countries. Overall, the Philippines scored 36% compared with 52% for the Asian average (as a reference, the top five world economies averaged 92% on the index).

The report underlines areas where the Philippines' IP protection is improving:

- The legislation provides basic IP rights;
- Improved IP protection capabilities with administrative IP courts;
- Proposed IP code amendments to toughen criminal sanction; and
- Proposed fast-track procedures for trademark registration.

However, some areas of improvement can be underlined:

- Major hurdles to technology transfers and licencing;
- Poor life sciences related IP rights; and
- Lack of digital protection and high online piracy rates.

Source:

[1] *National Science and Technology Plan 2002-2020, DOST*

[2] *Harmonized National R&D Agenda 2013-2020, DOST*

[3] *The Global Competitiveness Report 2018, World Economic Forum*

[4] *Research and Development expenditure (as % of GDP), The World Bank*

[5] *DOST Homepage*

[6] *QS Asia University Rankings 2019, QS World University Rankings*

[7] *University of the Philippines homepage*

[8] *Science Park of The Philippines homepage*

[9] *Trade Map, International Trade Centre*

[10] *High-technology exports as a share of manufactured exports, World Bank*

[11] *Researchers in R&D per million people, World Bank*

[12] *Global Innovation Index 2019, INSEAD*

[13] *2019 IP Index, Global Innovation Policy Center, 2019*

6. Supply Chain Environment

Executive Summary

The Philippines' economy is heavily focused on services and manufacturing. In particular, the Philippines is a major player in the global tourism, electronics, and automotive industries. While the agriculture sector plays a smaller role in the country's economy, the Philippines continues to be a large global producer of bananas, other tropical fruits, and their related products.

The Philippines boasts a talented, English-speaking workforce. However, foreign ownership restrictions, and poor infrastructure leading to high transportation costs have restricted foreign investments. In response to this problem, the current Philippine government has created the PHP 8.4 trillion Build, Build, Build programme, aiming to modernise and upgrade the country's infrastructure over the next few years.

6. Supply Chain Environment

I. Industry Profiles in the Philippines

Breakdown of 2018's Top 10 Exports[1,2,3]

The Philippines' major sectors by gross domestic product (GDP) in 2017 are services (59.8%), industry (30.6%) and agriculture (9.6%).

In the Philippines, the service sector mainly includes tourism, trade, private services, transportation, and communications. The major industries are electrical machinery, food and beverage, and chemical products. The primary products dominating the agricultural industry are rice, coconuts, corn, sugarcane, bananas, pineapples, and mangoes.

In 2018, the Philippines' total global shipments amounted to USD 67.5 billion of which over 80% were contributed by its top 10 exports.

Product Groups *(Note)*	Value in 2018	% of Total Exports
1. Electrical machinery and equipment	USD 32.9 billion	48.7%
2. Machinery and appliances	USD 9.6 billion	14.3%
3. Optical and medical equipment	USD 2.2 billion	3.3%
4. Edible fruits and nuts	USD 2.1 billion	3.1%
5. Precious stones and metals	USD 1.5 billion	2.2%
6. Copper, copper articles	USD 1.4 billion	2.1%
7. Ores, slag, and ash	USD 1.2 billion	1.8%
8. Ships and boats	USD 1.2 billion	1.8%
9. Animal or vegetable fats and oils	USD 1.2 billion	1.7%
10. Mineral fuels including oil	USD 1.1 billion	1.7%

Note: The above categories are grouped based on the Harmonized Commodity Description and Coding System (HS Code). For specific items within each category, please refer to www.censtatd.gov.hk/trader/hscode/index.jsp

The electronics industry in the Philippines dominates its yearly exports. The Philippines is a major global player in the integrated circuits market, being the fifth largest exporter in 2017 (USD 32.2 billion, or 4.6% of global exports), as well as in the semiconductor market, being the sixth largest exporter (USD 3.3 billion, or 3.8% of global exports).

Even though agriculture only contributed around 10% of the country's GDP in 2018, it remains one of the main industries in the Philippines. That year, the Philippines was the world's third largest exporter of bananas, and second largest exporter of coconut oil.

II. The Key Supported Industries in the Philippines[4]

The Philippines is one of Asia's fastest-growing economies, with average annual GDP growth of over 6.3% since 2010. However, due to foreign ownership restrictions and poor infrastructure, the country receives less Foreign Direct Investment (FDI) than its Southeast Asian peers. Please refer to section 7 for more details.

When considering specific industries, manufacturing receives by far the most FDI in the Philippines (it attracts around 50% of the country's equity investments). Within the manufacturing industry, the electronics and automotive industries are both major contributors.

A. Supply Chain Policy for Key Supported Industries and Local Supply Situations[5, 6]

Electronics

The Philippines is a major player in the global integrated circuits and semiconductor industries. Some of the largest integrated circuits companies of the world have locations in the Philippines, including Texas Instruments, STMicroelectronics, NXP, ON Semiconductor, Analog Devices, and Maxim. Most of the electronics in the Philippines are of high quality, and produced for exports. Hong Kong is by far the largest target for the Philippines' electronics industry, accounting for over 20% of the country's exports in 2018.

Compared to regional peers, the Philippines has a two major advantages when it comes to attracting electronics companies: its workforce has strong English skills, is flexible and trainable, while still being low cost; and the country offers very robust financial and non-financial support to companies. Indeed, the Semiconductor and Electronics in the Philippines Foundation, Inc. (SEIPI) provides many supporting functions in the economy such as training, networking, research development, and general information support. In addition, the Philippine Economic Zone Authority (PEZA) provides many incentives for electronics companies wishing to invest in the Philippines. For more information regarding the incentives, please refer to section 9.

Automotive

The Philippines is a major global player in the automotive industry. However, the multinational companies producing cars in the Philippines such as Toyota, Mitsubishi, Mazda, Nissan, and Isuzu, mostly target the domestic market rather than producing cars for export. The major auto components manufactured for export in the Philippines are wire harnesses, wheel assemblies and drive trains, and transmissions.

The Philippines has a workforce advantage in the manufacturing of auto components, as the production process is labour intensive. The domestic workforce is relatively low cost, but is still well-trained in engineering, and generally loyal to the companies (i.e attrition rates are low).

However, a major challenge in the Philippines is that there are very few domestic vehicle part producers. According to the Department of Trade and Industry (DTI), in 2014, only 330 out of over 20,000 automobile parts used were manufactured domestically. Wire harness manufacturers need to import parts from other Southeast Asian countries or the United States (US) and the European Union (EU). Transmission producers need to import metal and parts from India and Mainland China.

Nevertheless, the Philippine government has created many programmes aimed to further develop the automotive parts industry by providing incentives under the Investment Priorities Plan (IPP), and reducing duty rates for imported parts through the Motor Vehicle Development Program.

III. Key Raw Materials Sourcing Platforms/Channels[7]

The Philippine government has created the Procurement Service of the Department of Budget and Management (PS-DBM) to purchase goods from the private sector for use by the government, and resell unnecessary goods. The Philippine Government Electronic Procurement System (PhilGEPS) is the primary portal for information on government procurement, and is managed by the PS-DBM. (ps-philgeps.gov.ph/home/index.php)

IV. Procurement Situation (local and overseas) of Raw Materials

A. Hurdles or Problems Encountered

Being an archipelago, the Philippines has a natural hurdle when it comes to transportation within the country: the sea. This problem is further complicated by the weak logistics infrastructure in many of the islands, leading to high transportation costs and long delivery times.

However, the Philippine government has been taking steps to improve the overall infrastructure in the country, primarily through the Build, Build, Build programme which aims to develop modern logistics infrastructure that can help drive the country's economical growth in the future.

According to a 2019 report by the World Bank, the Philippines is ranked 124th in the world in terms of ease of doing business, and is ranked seventh out of the ASEAN countries (Hong Kong is ranked fourth worldwide in the same report). While the Philippines ranks poorly in Starting a Business (166th), Getting Credit (184th), and Enforcing Contracts (151st), it ranks better in Getting Electricity (29th) and Resolving Insolvency (63rd).

B. Efficiency of Customs and Clearance Process[8]

The Philippines applies two systems of tariff classification. The 8-digit ASEAN Harmonised Tariff Nomenclature (AHTN) is used for trade transactions between the Philippines and the other ASEAN countries, whilst the United Nations' Standard International Trade Classification (SITC) applies for trade with non-ASEAN countries. For more information regarding tariff classification, please refer to the Philippine Tariff Finder launched by the Tariff Commission (www.finder.tariffcommission.gov.ph/)

All the goods imported are liable for customs duties, 12% value added tax (VAT), and any applicable excise tax. Imports and exports are mostly governed under the Customs Modernization and Tariff Act (CMTA), enacted in 2016. Imports are classified into four categories:

- Freely Importable Commodities, which are goods that may be freely imported without permits or licenses;
- Regulated Commodities, which are goods subject to regulation, and can be imported only with declaration, clearances, licenses, and other required documentation;
- Restricted Importation, which are goods prohibited from importation, unless with specific authorisation; and
- Prohibited Importation, which are goods completely prohibited from importation.

For more information regarding specific goods in each category, please refer to the CMTA (www.senate.gov.ph/lisdata/2230519018!.pdf)

Custom Clearance Process[9]

Goods Declaration

Step 1:

Goods imported or exported are subject to customs declaration. Goods declaration must be lodged within 15 days of the discharge of the last package from the arriving vessel or aircraft.

Relevant list of documents are required for submission to the Bureau of Customs at the place where the goods are imported/exported.

Selectivity System

Step 2:

The Customs Cargo Clearance System will categorise goods into one of four control channels:

- Green: no documentary check or examination of goods
- Yellow: documentary check only
- Red: documentary check and examination of goods
- Blue: to be considered for post-clearance audit

Examination of Goods

Step 3:

Goods in the yellow or red channel will need to go through documentary checks and examination if appropriate. Priority in examination will be given to live animals, perishables, and other urgent goods. Goods may be examined physically or using x-ray. Customs may also take samples of goods.

Inspection and Release of Cargo

Step 4:

Goods will be assessed and valued for duties, taxes, and other charges.

Goods shall only be released after payment of duties, taxes, and other charges, or upon specific circumstances.

The following table shows the supplementary documents needed for customs declaration:

#	Import and Export Goods
1	Invoice
2	Bill of lading or air waybill
3	Packing list
4	Duly notarised Supplemental Declaration on Valuation (SDV)
5	Certificate of Origin
6	Import/export permit or clearance, if required
7	Certificate of Product Registration from the Philippines' Food and Drug Administration for animals, plants, foods, medicine, or chemicals
8	Any other specific documents required by specific regulations

For specific regulations regarding the customs clearance process, please refer to the Entry Lodgement and Cargo Clearance Process document by the Bureau of Customs (www.customs.gov.ph/wp-content/uploads/2016/10/Entry-Lodgement-and-Cargo-Clearance-Process.pdf)

V. Logistic Support

A. Infrastructure Conditions (e.g. major airports/ports/highways)[10,11,12,13,14]

Due to the many islands and mountainous areas, the Philippines, historically, has had weak logistics and transportation infrastructure. This was exacerbated by the government's continual underinvestment over many decades. However, under President Duterte, the Philippine government has created the Build, Build, Build programme, which aims to improve infrastructure, develop industries, and increase the productive capacity of the economy. Under this plan, the government will spend around PHP 8.4 trillion on infrastructure from 2017-2022 (around USD 160 billion).

Airports

The Philippines has a total of 85 airports, of which 11 are international airports, 33 are principle domestic airports, and 41 are community level airports. The busiest airports in the Philippines are the Ninoy Aquino International Airport (MNL) in Manila, Mactan-Cebu International Airport (CEB) in Cebu, and the Francisco Bangoy International Airport (DVO) in Davao City.

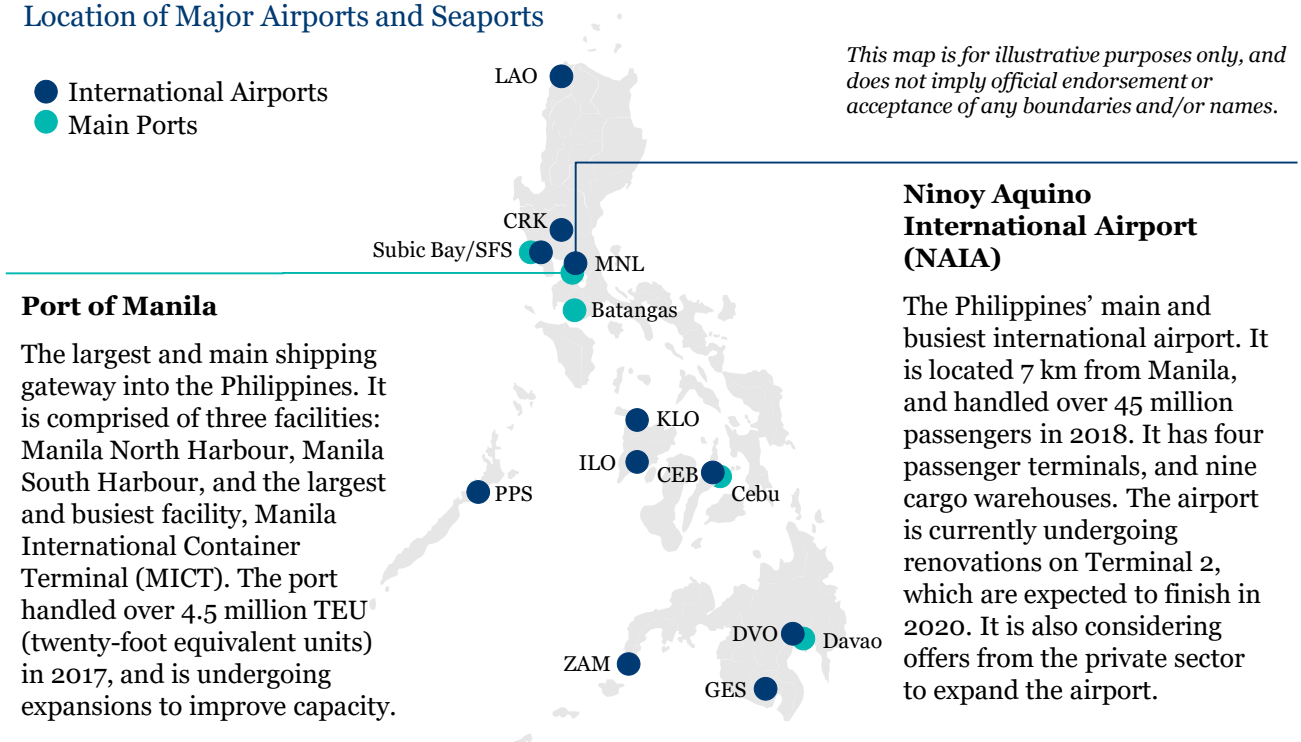
All three of the busiest airports in the Philippines, as well as many other major airports in the country, are currently planning expansions or renovations through public private partnerships (PPP) projects to ease traffic, modernise the facilities, and upgrade the handling capacity.

Seaports

As an island nation, the Philippines are heavily dependent on ports for trade. The main ports in the country include Manila, Subic Bay, Batangas, Davao, and Cebu. Most public ports are managed under the government-owned Philippine Ports Authority, except Cebu.

For transportation between islands, the Philippines has developed the Philippine Nautical Highway System. Under this system, land vehicles can use the "roll-on/roll-off" ferries to cross between islands. The nautical highway is 919 km in length, and has greatly improved connectivity between the islands since it opened in 2003.

Location of Major Airports and Seaports



This map is for illustrative purposes only, and does not imply official endorsement or acceptance of any boundaries and/or names.

Port of Manila

The largest and main shipping gateway into the Philippines. It is comprised of three facilities: Manila North Harbour, Manila South Harbour, and the largest and busiest facility, Manila International Container Terminal (MICT). The port handled over 4.5 million TEU (twenty-foot equivalent units) in 2017, and is undergoing expansions to improve capacity.

Ninoy Aquino International Airport (NAIA)

The Philippines' main and busiest international airport. It is located 7 km from Manila, and handled over 45 million passengers in 2018. It has four passenger terminals, and nine cargo warehouses. The airport is currently undergoing renovations on Terminal 2, which are expected to finish in 2020. It is also considering offers from the private sector to expand the airport.

Highways

The road network in the Philippines is 217,000 km long, with over 80% being paved roads. The highway network spans over 32,000 km, with major highways such as the Pan-Philippine Highway connecting the four islands of Luzon, Samar, Leyte, and Mindanao, and the ro-ro system connecting the road systems of the many islands of the Philippines. The expressway network spans 420 km in length as of 2015, and is planned to be extended to 995 km around 2030. The six expressways are currently all on the largest island of Luzon, and are centred around the capital of Manila.

Railways

The railway system in the Philippines is 79 km long, but is currently used only as passenger transport serving Manila and the province of Laguna, also on Luzon. The system is comprised of the two lines of the Manila Light Rail Transit System, the Manila Metro Rail Transit System, and the Metro South Commuter Line.

There are plans to revive the cargo rail service between the MICT and the inland container terminal at Laguna, as well as a connection between Subic and Clark funded with assistance from Mainland China.

B. Key Logistics Hubs[15]

Currently, most of the logistics infrastructure in the Philippines are concentrated around Manila on the island of Luzon (which has also historically received more infrastructure funding than the other islands). On a national level, the country's infrastructure still lags behind many of its Southeast Asian peers, but the Philippine government aims to upgrade the country's infrastructure through the Build, Build, Build programme. The government plans to spend around PHP 8.4 trillion (around USD 160 billion) on infrastructure projects from 2017-2022. This will increase infrastructure spending from 5.4% of GDP in 2017 to 7.3% in 2022, the highest infrastructure budget allocation in Philippine history.

Major projects include the Mactan-Cebu International Airport upgrade project, Metro Manila subway, the Subic-Clark Railway, the Luzon Spine Expressway Network, the Mindanao Growth Corridors project, and the Mindanao Road Development network. All these projects aim to reduce the high cost of transportation and provide modern logistics infrastructure.

For more information about the Build, Build, Build programme, please refer to the official website (www.build.gov.ph)

C. Logistics Information Tractability and Transparency[16]

The Philippines has a relatively poor logistics performance as compared to the other ASEAN countries. In the 2018 World Bank's Logistics Performance Index (LPI), the Philippines was ranked 60th out of 160 countries for the overall LPI, an increase from the 2016 result (ranked 71st out of 160). The Philippines ranked sixth amongst the ASEAN countries.

On a granular level, the LPI score is made up of six elements: (1) Customs; (2) Infrastructure; (3) International shipments; (4) Logistics competence; (5) Tracking and tracing; and (6) Timeliness. The Philippines ranked relatively better in international shipments (37th), but scored poorly in Customs (85th) and Timeliness (100th).

Source:

[1] *Trade Map, International Trade Centre*

[2] *The World Factbook: Philippines, Central Intelligence Agency*

[3] *Philippines, The Observatory of Economic Complexity*

[4] *Net FDI, Bureau of Trade and Industrial Policy Research, Dec 2018*

[5] *The Philippines in the Electronics & Electrical Global Value Chain, Department of Trade & Industry, 2017*

[6] *The Philippine Motor Vehicle Industry, Philippines Board of Investments, July 2017*

[7] *Procurement Service official website*

[8] *Philippines – Import Requirements and Documentation, Export.gov, Nov 2018*

[9] *Entry Lodgement and Cargo Clearance Process, Bureau of Customs*

[10] *Manila (Philippines), Lloyd's List, Aug 2018*

[11] *Manila International Airport Authority official website*

[12] *DOTr to OK tycoons' proposal to rehab, expand Naia, Inquirer.net, May 2019*

[13] *DOTr to revive Manila-Laguna cargo rail project, Manila Standard, Oct 2018*

[14] *Subic-Clark railway construction begins 2019, BusinessWorld, Jun 2018*

[15] *Build, Build, Build official website*

[16] *Logistics Performance Index, The World Bank, 2018*

7. Infrastructure

Executive Summary

Infrastructure deficiency is considered one of the key constraints to the Philippines' economic growth. In recent years, the Philippine government has been increasing investments in infrastructure projects to enhance the country's competitiveness.

Industrial estates offer manufacturing facilities and infrastructure to foreign investors. There are currently 74 operating Philippine Economic Zone Authority (PEZA)-managed industrial estates in the country and various incentives have been put in place to attract foreign investments. Most of these industrial estates are located on the main island of Luzon.

The Build, Build, Build programme includes over 60 large-scale priority infrastructure projects. Private funding, public private partnerships (PPP) and Official Development Assistance (ODA) from other countries are utilised to fund the infrastructure projects in the country.

7. Infrastructure

I. List of Major Industrial Estates and Geographical Locations

A. Availability of Infrastructure, Associated Cost of Usage, and Options for the Major Industrial Estates[1,2,3]

Industrial estates, also known as Manufacturing Special Economic Zones (SEZs), are regulated under the Special Economic Zone Act of 1995, like other types of SEZs. The most prominent SEZ administrative agency is the Philippine Economic Zone Authority (PEZA), which manages over 90% of the SEZs in the country. Among the SEZs managed by the PEZA, there are 74 operating industrial estates which cover a total gross area of around 39,770 hectares, while another 28 industrial estates are being developed.

In the Philippines, industrial estates can be developed and operated by private enterprises and/or investment promotions agencies. However most of the industrial estates are developed by private developers. There is also a long history of joint development of industrial estates between local and foreign companies. A Philippine developer giant, Ayala Land Inc., teamed up with the Japanese company Mitsubishi, to develop the first industrial park in the country. Ayala Land is also planning to build the country's first Sino-Philippine industrial park in Pampanga.

Industrial estates are equipped with relatively established infrastructure and logistics facilities, as well as tax incentives and assistance in employment and import/export. Thus, many foreign investors consider industrial estates as their main destinations for setting up a manufacturing base in the Philippines.

Support and Incentives

All industrial estates are equipped with relatively established infrastructure and logistics facilities, as well as tax incentives and assistance in employment and import/export.

Utilities

Industrial park operators and developers are required to provide basic infrastructure and utilities, such as lights and power systems, water supply and distribution systems, sewerage and drainage systems, pollution control devices, communications facilities, and community facilities for the tenants. Some of the industrial estates will also offer pre-built standard factory buildings.

Transportation

All industrial estates are connected by paved road networks. Most of them are clustered near major cities like Manila and Quezon City, and therefore benefit from privileged access to established transportation links and hubs such as railways, ports, and airports.

Government Incentives

Industrial estates benefit from the support of the government in terms of both tax and non-tax incentives. Key tax and non-tax incentives granted to companies in industrial estates are provided as follows:

- Tax incentives: tax holidays, reduced corporate income tax, zero value added tax, as well as tax allowances in import of production input etc.; and
- Non-tax incentives: tenants in the industrial estates enjoy simplified import and export procedures. They are provided with assistance in arranging employment visas for their foreign workers.

For further details of incentives regarding industrial estates, please refer to section 9 of this report.

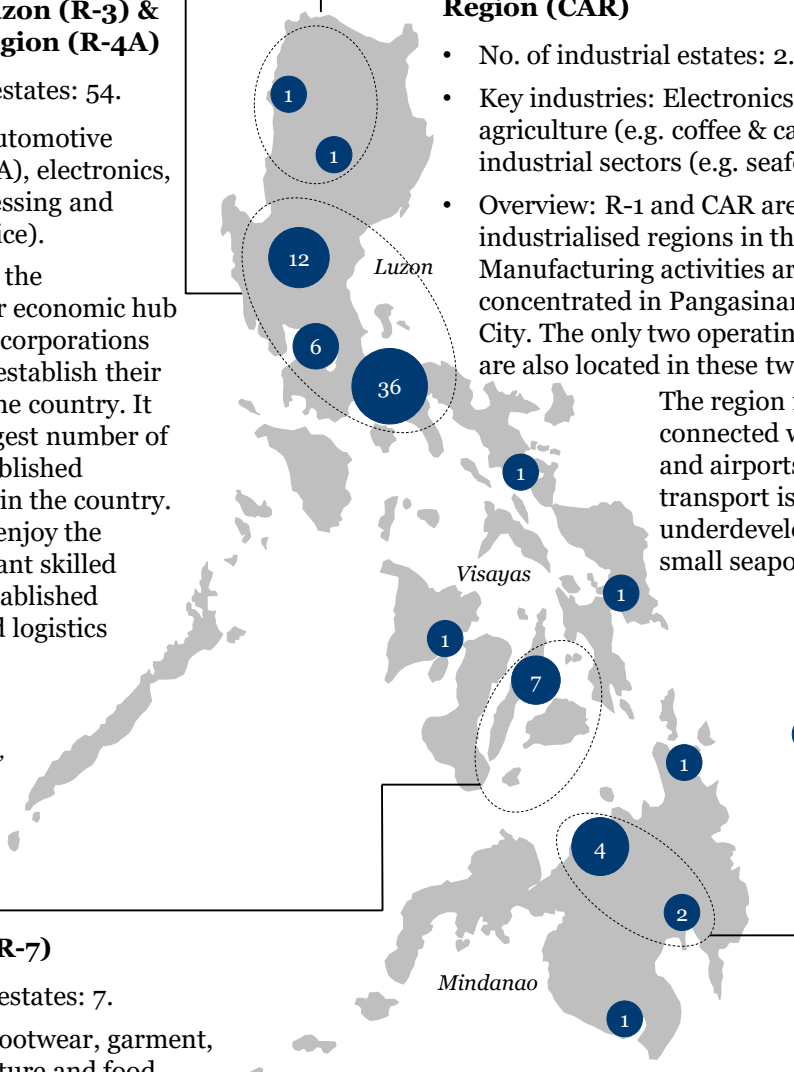
Industrial Estates' Locations and Regional Implications[4]

The Philippines is divided into 15 administrative regions. Each region has its own focused industries. The map below introduces the administrative regions where the key industrial estates are located in.

For a detailed list of industrial estates in the Philippines, please refer to the Economic Zone Map (www.peza.gov.ph/index.php/economic-zones).

National Capital Region (NCR), Central Luzon (R-3) & CALABARZON Region (R-4A)

- No. of industrial estates: 54.
- Key industries: Automotive (especially in R-4A), electronics, textile, food processing and agriculture (e.g. rice).
- Overview: NCR is the Philippines' major economic hub where the largest corporations and major banks establish their headquarters in the country. It also holds the largest number of and the most established industrial estates in the country. Businesses there enjoy the benefits of abundant skilled workforce and established infrastructure and logistics network.



This map is for illustrative purposes only, and does not imply official endorsement or acceptance of any boundaries and/or names.

Ilocos (R-1) & Cordillera Administrative Region (CAR)

- No. of industrial estates: 2.
- Key industries: Electronics, mining, agriculture (e.g. coffee & cacao) and agro-industrial sectors (e.g. seafood processing).
- Overview: R-1 and CAR are among the less industrialised regions in the Philippines. Manufacturing activities are mainly concentrated in Pangasinan and the Baguio City. The only two operating industrial estates are also located in these two cities. The region is generally well-connected with road networks and airports. However sea transport is relatively underdeveloped with only one small seaport in Dagupan.

Central Visayas (R-7)

- No. of industrial estates: 7.
- Key industries: Footwear, garment, electronics, furniture and food processing.
- Overview: R-7 is one of the most developed and most densely populated regions in the Philippines. Among other provinces, Cebu is the economic and logistics centre of the region and home to all the industrial estates. Sea transport is especially established in Cebu which is the base of about 80% of the domestic shipping lines.

Northern Mindanao (R-10)

- No. of industrial estates: 6.
- Key industries: Various light to medium industries, including food processing and furniture, etc. and agriculture.
- Overview: The region's international seaport is considered one of the most efficient ones in the country. Moreover, businesses there can also benefit from reliable and relatively cheap power and water supply. R-10 is also home to the country's largest industrial park, Phividec Industrial Estate (3,000 hectares).

Foreign Direct Investment (FDI)[5]

Despite having abundant natural resource reserves and one of the largest population in the ASEAN, the Philippines has been lagging behind its peers in the ASEAN in attracting FDI, due to high power costs, poor infrastructure, and foreign ownership restrictions. In 2018, the Philippines received around USD 9.8 billion FDI across the country, a 4.5% decrease compared with 2017 (a historical high at around USD 10.3 billion). Around USD 2.3 billion of 2018 FDI is equity investment, representing a big drop of 33% compared to the previous year, mainly due to the lack of mega investments (e.g. USD 1.9 billion acquisition of power assets by the San Miguel Corporation) in 2017.

In terms of the most invested sectors, the manufacturing sector attracts the most equity FDI in terms of value, with a total of around USD 1.1 billion (around 48% of total equity investment), followed by the financial and insurance sector, and the real estate sector, both with around USD 0.3 billion (around 14.6%). Singapore and Hong Kong are key contributors of equity FDI in 2018, accounting for USD 0.9 billion and USD 0.3 billion respectively.

Cost of Usage[6,7]

Businesses and investors are typically charged with three main types of fees:

1. Cost of land and building (lease or sale, depending on the industrial estates); and
2. Utilities fee, including water, gas, electricity and telecommunications.

The land and building in industrial estates can be sold or leased, which vary from one site to another. However, foreign investors can only purchase the buildings (e.g. factories) in the industrial estates but cannot own the land. The land prices depend on factors such as location, provision of utilities, transportation links, the size and the type of land slot bought/leased (e.g. established industrial complex vs plain land), etc. NCR and R-7 have the highest cost of usage as they benefit from the proximity to the major industrial and business centres (e.g. Manila and Cebu), well-developed transportation, as well as established infrastructure within the industrial estates and in the provinces.

The PEZA provides an indicative price list of available land slots in certain industrial estates, please refer to "List of Available Industrial Lots in PEZA Economic Zones" at www.peza.gov.ph/index.php/pezadownloads/25-downloads/ecozone-development. For the details and updated prices of specific sites, please refer to the specific official website of each individual industrial park or consult with the operators of the industrial park directly.

Outlook[8,9]

Although some of the industrial estates are developed by the government, the development of industrial estates in the Philippines are mainly driven by the private sector. It is expected that the development of major infrastructure projects, and improved trade relationships with Asian and European countries will foster the investments in manufacturing and logistics projects in the Philippines over the next three years. For example, the construction of the North Luzon Expressway and South Luzon Expressway Connector Road will provide improved access to major ports and airports in Manila, as well as the two major industrial hubs in the country: the Clark-Subic corridor and CALABA. These projects are expected to attract industrial estate investments in Northern and Central Luzon.

According to the PEZA, there are 34 industrial SEZs under development. Among the SEZs, 28 of them are industrial estates (i.e. manufacturing SEZs) which secured around PHP 41 billion in total. The key industrial estates in development include the Fil-Estate Industrial Park in Southern Luzon and the Hijo SEZ in Davao. The remaining six are dedicated to agro-industrial sectors with a total investment of PHP 1.2 billion.

B. Land or Building for the Major Industrial Estates[4,7]

Availability for Foreign Ownership

Land ownership is restricted to only Filipino citizens and companies with least 60% of Filipino shareholding or board representation in the Philippines. Mainland China and Hong Kong investors interested in acquiring land in industrial estates can consider entering into long-term leases to build their own factory. Alternatively, they can purchase an existing industrial complex. However, for both options, the Mainland China and Hong Kong investors cannot own the land on which the factory is built.

For the terms and conditions of specific sites, please refer to the specific official website of each individual industrial park.

Application Procedures for Setting up Business Operations in Industrial Estates

The following application procedures apply to the PEZA-managed industrial estates only. For industrial estates managed by other investment promotion agencies, please consult with the individual investment promotion agencies.

II. Potential Infrastructure Shortfall[10,11]

In the World Economic Forum's 2018 Competitiveness Report, the Philippines was ranked 92nd out of 140 countries in quality of infrastructure, well below other Southeast Asian peers like Singapore (first) and Malaysia (32nd). The major problems of the country's infrastructure are:

- Poor road connectivity (129th);
- Poor quality of roads (88th);
- Low railroad density (87th), with only 1.6 km of railroad/km²;
- Low electrification rate (100th), with only 89.6% of population having access to electricity;
- Unsafe drinking water (101th); and
- Low penetration of fixed broadband internet (96th), with only 3.2% of population covered.

Infrastructure deficiency has been a key constraint to the Philippines' economic growth over the years, especially the logistics and transport infrastructure. One of the reasons is that the newly elected president always delay the predecessor's pet infrastructure projects by various means. In order to accelerate the development of infrastructure in the country, President Duterte assured that the previous administration's projects will continue to move ahead. Moreover, the engine of the country's infrastructure development will shift from a reliance on public private partnership (PPP) to a hybrid development model of building infrastructure with public funding and Official Development Assistance (ODA) and operating the infrastructure under PPP. Such change aims to avoid delays and achieve lower project costs.

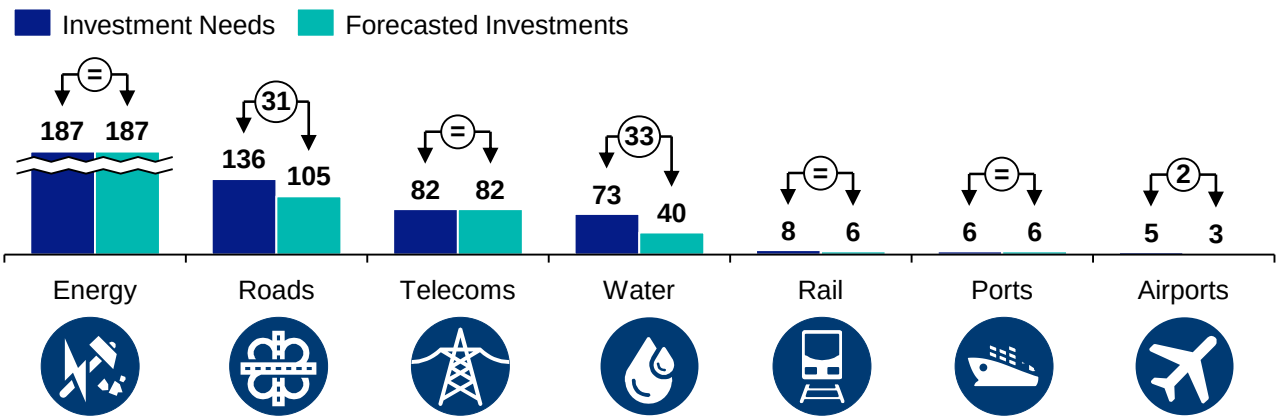
III. Latest and Upcoming Major Local Infrastructure Projects and Spending[12,13,15]

In order to address the infrastructure woes, the Philippine government will increase its infrastructure spending from around 5.4% of gross domestic product (GDP) in 2019 to as high as 7.3% by 2022. This is an unprecedented infrastructure investment in the history of the Philippines.

The major infrastructure programme endorsed by President Duterte is the PHP 8.4 trillion (around USD 160 billion) Build, Build, Build programme, which aims to usher in a golden age of infrastructure and bring in new railways, roads, bridges and airports. As of July 2019, 61 infrastructure projects are listed under the Build, Build, Build pipeline, including 24 road, highway and bridge projects, 11 rail or subway projects, and 17 airport projects, etc.

According to Global Infrastructure Outlook delivered by G20 in 2017, from 2016 to 2040, around USD 498 billion will be needed to upgrade and develop new infrastructure (see chart below for breakdown by sector). Over the period it is forecasted that the Philippines public and private sectors will invest USD 429 billion, therefore covering almost 86% of the country's needs.

Philippine's Infrastructure Investment Needs 2016-2040 per Sector (USD billion)



Transportation

Air

There are 17 airport projects under the Build, Build, Build programme. Since the major airport in Manila, Ninov Aquino International Airport (NAIA), has already reached its maximum capacity, the government aims to divert some of the air traffic from NAIA to the upgraded regional airports. Some of the key enhancement projects include equipping airports with night-rating capabilities (e.g. Cotabato Airport, Dipolog Airport and Cauayan Airport), upgrading airport operations and maintenance facilities (e.g. Davao Airport and Bacolod-Silay Airport) and airport expansion (Clark International Airport).

Ports[16,17]

The Philippine Ports Authority (PPA) has been conducting over 104 port development projects in Luzon, Visayas and Mindanao islands since 2018 and has been supervising operations improvements on six existing ports. There is only one seaport project in the Build, Build, Build programme, the Cavite Barge Gateway Terminal. The terminal, which started operating in 2018, offers annual capacity of 115,000 TEUs (twenty-foot equivalent units). The terminal is expected to reduce truck traffic in Manila by around 140,000 truck trips annually.

Rail[18]

Rail is one of the most lacking infrastructure in the Philippines. With six out of 11 rail and subway projects in the Build, Build, Build programme expected to be completed by 2022, the government is aiming to expand the national railway network from 79 km to 1,900 km. Most of the rail projects are funded through ODA (e.g. Japan ODA: Philippine National Railways (PNR) Clark Phase 1&2, PNR Los Baños and Metro Manila Subway extension; Mainland China ODA: PNR South Long Haul) and PPP (e.g. MRT Line 7).

Roads[19]

There are currently 24 road projects in the Build, Build, Build programme. The government has completed the construction and rehabilitation of over 6,000 km of roads and constructed a total of 2,680 bridges across the country (as of year end of 2018). Around half of the road and bridge projects are in Luzon. Outside Luzon, the government has planned key road projects, including the Urdaneta City Bypass Road in Pangasinan, Plaridel Bypass Road in Bulacan and Laguna Lake Highway, etc. By 2022, the government expects to complete the flagship Philippine High Standard Highway Network Program, which spans over 1,000 km across the Luzon, Cebu and Davao regions.

Utilities

Power[20]

The power sector in the Philippines is mostly privately owned and funded. Thus there is no power project in the government Build, Build, Build programme. According to the Department of Energy, the four committed and significant power projects in the country are the 150-megawatt (MW) Phase 2 of the Limay coal-fired power project, the 300-MW Masinloc coal-fired power project, the 500-MW San Buenaventura coal-fired facility and the 1,336-MW Dinginin coal-fired power project. All of them are privately funded and due for commercial commissioning by 2021. The other power projects are various renewable energy projects with marginal capacities (up to around 100-MW) or projects with regulatory or technical delays. According to industry players, if there are no new power projects, the existing and committed power facilities may not satisfy the country's electricity needs beyond 2022.

Water[21,22,23]

Clean water scarcity has been a severe problem in the Philippines for years. Although there are thousands of water utilities across the country providing piped water connection, most of them are small and unregulated. Even in big cities like Manila, water shortage happens frequently. For example, around 52,000 households across Manila did not have water supply in early 2019. Thus a number of water supply and dam projects are undergoing in the country to improve the situation. Most of them are funded by ODA (e.g. Japan: JPY 300 million project in Southern Mindanao; Mainland China: New Centennial Water Source-Kaliwa Dam project) and PPP (e.g. Bulacan Bulk Water Supply Project and Baggao Water Supply Project etc.).

On the other hand, frequent typhoons causes flooding in the Philippines every year. Drainage and tide embankment projects are lined up across the country in order to prevent and/or reduce the damage of flooding.

Telecommunications[14]

While cellular phone adoption (110.4%) is relatively high in the Philippines, mobile broadband (68.6%) and fixed broadband (3.2%) adoption are not as common in the country. Only 55.5% of population has access to the internet. Since the telecommunications sector is mainly operated by private companies, the government has introduced the third telecommunications provider in 2018, MISLATEL (previously the Philippine Long-Distance Telephone Company and Globe Telecom dominated the market), in the hope of increasing market competition, service coverage and internet speed.

For the complete list of the projects in the Build, Build, Build programme, please refer to the official website (www.build.gov.ph/)

Funding Infrastructure through Public Private Partnerships (PPP)[24,25]

President Duterte's administration pledges to account 5% of GDP (i.e. around USD 9 billion in 2018) to annual infrastructure spending. Although PPP has been playing a key role in infrastructure funding in the Philippines, the government plans to shift primary infrastructure funding from PPP to public funding and ODA to ensure timely delivery and lower project costs. However, with lower borrowing costs due to the upgraded credit rating of the Philippines and a relatively friendly and mature regulatory environment (i.e. second in the Economist Intelligence Unit's ranking of Asian countries most conducive to PPP), PPP remains a significant contributor to the country's infrastructure funding. As of April 2019, a total of 58 PPP projects worth around USD 50 billion have been under implementation or in the pipeline.

IV. Availability of Natural Resources[26,27,28,29,30,31,32]

Natural Resources	Details
Natural Vegetation, Forests and Timber	• According to the United Nations' estimates, around 28% (around 8.3 million hectares) of the Philippines' land is covered by forest. • Mindanao, especially the CARAGA region, is the leading timber producer of the country (with over 0.6 million hectares of forest land). • Since deforestation was banned in 2010, the domestic production of timber is based on plantation. The annual production is around 1.3 million m^3. However the domestic production cannot satisfy the domestic demand of wood (around 2 million m^3 per year). Thus, the country needs to import logs and lumber from other countries to address the unmet needs.
Agriculture	• The agricultural sector in the Philippines accounts for roughly 10% of the GDP and involves around 25% of the total labour force in 2017. • The Central Luzon, Cagayan Valley and Negros are the key agricultural bases of the Philippines. • Common agricultural products and important agricultural exports include: rice, bananas, coconut, sugarcane, and pineapples.
Fishing/ Aquaculture	• The Philippines is one of the world's largest seafood producers and exporters. • There are over 2,400 species of marine creatures found in the country's water system, at least 65 of which have commercial value, including tilapias, crabs, tunas and pearls etc.
Livestock	• The largest outputs of livestock in the Philippines are recorded for cattle, hog and dairy. • The gross value of livestock production contributed around 17% (i.e. PHP 75.4 billion) of the country's total agricultural production in Q1 of 2019.
Water Resources	• Despite the abundant monsoon rainfall in the country, due to the vast population, the Philippines' per capita availability stands at 1,553 m^3 per year, which is well below the international "water stress" threshold and approaching the "water scarcity" threshold. • The supply of fresh water mainly concentrates in the Northern Mindanao, Davao Region and Soccsksargen.
Minerals	• There are around 21.5 billion metric tonnes of metal and 19.3 billion metric tonnes of nonmetal mineral deposits in the Philippines. • Among the metal deposits, the country is especially rich in nickel, iron and copper.
Coal, Oil and Fossil Fuels	• The Philippines has 16 sedimentary basins of oil and gas, most of which are found in Luzon, particularly in Palawan. According to the Philippine Energy Plan, the country's target production level is 78.59 million barrels by 2040. • The domestic coal production in the Philippines cannot fully satisfy the domestic coal demands, even with a surge of indigenous coal production in recent years. As of 2018, around 75.4% of domestic coal consumption was imported.
Renewable Energy	• By 2040, the Philippines targets to double the renewable energy-based installed capacity to power generation from its 2008 level of 5,300 MW. • There are currently a number of committed renewable energy projects, including a geothermal project for 31 MW capacity, solar projects for 115 MW and a hydropower project for 23 MW capacity.

Source:

[1] *Philippine Economic Zone Authority (PEZA) Official Website*

[2] *ALI plans to develop country's first Sino-PHL industrial park, BusinessWorld*

[3] *Industrial Policy in the Philippines: The role of Special Economic Zones, Philippine Economic Zone Authority (PEZA)*

[4] *Republic of the Philippines Department of Trade and Industry Official Website*

[5] *DOF: Drop in 2018 FDI inflows temporary, INQUIRER.net*

[6] *Ownership and Leasing Options, First Philippine Industrial Park*

[7] *Land Ownership and Property Acquisition in the Philippines for Foreigners and Former Filipino Citizens, Kittelson & Carpo Consulting*

[8] *Logistics Lifts Industry, Colliers Quarterly*

[9] *The strong performance of the Philippines' industrial sector invites higher levels of investment, Oxford Business Group*

[10] *The Global Competitiveness Report 2018, World Economic Forum*

[11] *Philippines' infrastructure challenge: A huge gap or a black hole, BusinessWorld*

[12] *Global Infrastructure Outlook 2017, G20*

[13] *Economic Briefing in London showcases PH economic growth, infrastructure opportunities, the Bangko Sentral ng Pilipinas (BSP)*

[14] *Philippines – Information and Communications Technology, Export.gov*

[15] *Build, Build, Build, Philippine Infrastructure Transparency Portal*

[16] *Philippines Plans to Accelerate Port Development Projects, DredgingToday.com*

[17] *Cavite Gateway Terminal, International Container Terminal Services, Inc.*

[18] *Philippines to expand railway network as key economic policy, ABS CBN News*

[19] *Over 6,000 kilometers of roads built, improved since 2016 – Villar, Manila Bulletin*

[20] *No new power projects committed amid increase in demand, Manila Bulletin*

[21] *Sustainable Capacity Building for Small Water Utilities, World Bank Group*

[22] *Japan provides ¥500 million for water and farm projects in Philippines' conflict-hit Mindanao, the Japan Times*

[23] *SMC to submit proposal for new water source project, CNN Philippines*

[24] *PH ranks 2nd in Asia list of most conducive environment for PPP, INQUIRER.net*

[25] *Shift from ODA to PPP for project funding backed, Philstar.com*

[26] *The World Factbook, CIA*

[27] *The Philippines' Wood Industry, Agriculture Monthly*

[28] *List of Natural Resources in the Philippines, USA Today*

[29] *Globefish Highlights (January 2019 ISSUE), Food and Agriculture Organization of the United Nations*

[30] *A Policy Brief on the Philippine Water Sector (September 2018), the Arangkada Philippines Project*

[31] *Performance of Philippine Agriculture, January-March 2019, Philippine Statistics Authority*

[32] *Country Nuclear Power Profiles (2018 Edition) – Philippines, International Atomic Energy Agency*

8. Types of Industries Encouraged by the Local Government

Executive Summary

Through the Investment Priorities Plan (IPP), the Philippine government defines every three years a list of activities considered essential for the country's development. Local or foreign companies engaging in these areas will be granted investment incentives.

The Foreign Investments Act (FIA) enacted in 1991 liberalised the Philippines' economy by allowing 100% foreign ownership in multiple sectors. However, the Foreign Investment Negative List (FINL) defines activities in which foreign ownership is prohibited or restricted.

8. Types of Industries Encouraged by the Local Government

I. List of Government Programmes Encouraging Specific Industries[1,2]

The Omnibus Investment Code of 1987 provides a general list of incentives that can be granted to domestic and foreign investors when they engage in specific industries. These activities are considered by the Philippine government as high priority for national development.

The 2017 Investment Priorities Plan (IPP)

Under the Omnibus Investments Code of 1987, the preferred areas of investments (which are subject to government incentives) are drafted every three years by the Board of Investment (BOI) in the IPP. The 2017 IPP, effective from 2017 until the end of 2019, tackles the theme of "Scaling Up and Dispersing Opportunities", or expanding investment opportunities to suburban regions (i.e outside of the main island of Luzon). The 10 following activities are prioritised in the 2017 IPP:


Manufacturing


Infrastructure and Logistics


Strategic Services (*Note 1*)


Innovation Drivers


Inclusive Business Models *(Note 2)*


Mass Housing


Healthcare Services


Agriculture, Fishery, and Forestry


Energy


Environment or Climate Change-related Projects

In addition, the Omnibus Investment Code separates the above-mentioned industries into pioneer or non-pioneer. The status of pioneer enterprise is awarded to companies that:

- Manufacture commodities that are not being produced in the Philippines on a commercial scale;
- Use designs, methods or production systems that are new in the Philippines;
- Engage in agricultural, forestry or mining activities that are declared by the BOI as essential to the attainment of specific national goals; or
- Produce non-conventional fuels, or manufacture equipment utilising such fuels.

For more details regarding the IPP, please refer to the relevant legal document (www.boi.gov.ph/wp-content/uploads/2018/03/2017-IPP-GP-SG-CTC.pdf).

Note 1: The strategic services include integrated circuit design; creative industries; maintenance, repair and overhaul of aircraft; charging stations for electric vehicles; industrial waste treatment; telecommunications; state-of-the-art engineering, and procurement and construction.

Note 2: Business activities of medium and larger enterprises in the agribusiness and tourism sectors that provide business opportunities to micro and small enterprises (MSEs) as part of their value chain.

II. List of Business Activities that Foreign Participation may be Prohibited or Restricted from[3]

Foreign Investments Act of 1991 (FIA) and 11th Foreign Investment Negative List (FINL)

The Foreign Investments Act of 1991 (FIA) is the main policy governing foreign investments in the country. This Act has liberalised the entry of foreign capital in the economy as it allowed foreigners to invest 100% equity in nearly all business sectors. However, certain restrictions are prescribed in Foreign Investment Negative List (FINL).

The effective 11th FINL (published in 2018) defines two lists of multiple activities for which foreign investments are limited in the Philippines:

- List A: areas where foreign ownership is prohibited or limited to a maximum of 40% by the constitution and specific laws; and
- List B: areas where foreign ownership is limited for reasons of security, defence, risk to health and morals, and protection of small and medium-sized enterprises (SMEs).

A partial list of the 11th FINL is presented below.

List A: Foreign Ownership is Limited by Mandate of the Constitution and Specific Laws

Maximum Allowed Foreign Equity	List of Prohibited or Restricted Industries
No foreign equity allowed	• Small-scale mining • Retail trade enterprises with paid-up capital below USD 2.5 million • Mass media • Utilisation of marine resources
Up to 25%	• Private recruitment • Contracts for the construction of defence related structures
Up to 30%	• Advertising
Up to 40%	• Ownership of private lands • Contracts for the construction and repair of public works • Exploration, development, and utilisation of natural resources • Contracts for the supply of goods to government-owned corporations • Operation of public utilities except power generation and the supply of electricity to the contestable market • Operations of deep sea commercial fishing vessels

List B: Foreign Ownership is Limited for Reasons of Security, Defence, Risk to Health and Morals, and Protection of Small and Medium-sized Enterprises

Maximum Allowed Foreign Equity	List of Prohibited or Restricted Industries
Up to 40%	• Domestic market enterprises with paid-in equity capital below USD 200,000 • Domestic market enterprises that involve advanced technology, or employ more than 50 employees with paid-in equity capital below USD 100,000 • Manufacture, repair, storage, and/or distribution of products and/or ingredients requiring Philippine National Police or Department of National Defence clearance • Manufacture and distribution of dangerous drugs

For the complete list, please refer to Executive Order No. 65 or visit the link below (www.officialgazette.gov.ph/downloads/2018/10oct/20181029-EO-65-RRD.pdf)

Source:

[1] The 2017 Investment Priorities Plan, The Board of Investment, 2017

[2] Doing business in the Philippines, Deloitte, April 2019

[3] The 11th Regular Foreign Investment Negative List, Official Gazette of the Republic of the Philippines, 2018

9. Key Government Incentives

Executive Summary

In the Philippines, foreign investors that qualify to register with the Board of Investment (BOI) may be eligible for fiscal and non-fiscal incentives. Generally, to qualify, foreign investors must invest in the pioneer activities which are listed in the Investment Priority Plan (IPP).

Additionally, foreign investors can also locate their manufacturing activities in tailored zones: the Manufacturing Economic Zones (EZs). These EZs are managed by the Philippine Economic Zone Authority (PEZA) which can grant various incentives to eligible investors.

Apart from the BOI and the PEZA, other Philippine authorities have the power to grant foreign investors fiscal and non-fiscal incentives.

9. Key Government Incentives

I. Eligibility on Incentive Programmes for Foreign Investments[1,2]

The Board of Investments (BOI) and the 2017 Investment Priorities Plan (IPP)

The BOI is responsible for promoting investments in the Philippines and assisting investors in their business journey in the country. Therefore, the BOI is the organisation that grants fiscal and non-fiscal incentives to local and foreign companies. However, these companies need to register their activities with the BOI to be eligible for incentives.

Qualification Criteria for BOI Incentives

To qualify for incentives, Filipino and foreign companies must fulfill different criteria. For foreign-owned businesses, or businesses with a foreign participation exceeding 40%, the criteria are the following:

- The investment is made in an activity listed in the IPP as pioneer; or
- The company is export-oriented and exports at least 70% of its output (this criteria must be fulfilled if investment is made in an activity listed in the IPP as non pioneer).

Examples of Fiscal Incentives for BOI-registered Enterprises

Category	Incentives
Income Tax Holiday	Companies are granted income tax holiday for: • 6 years for new projects granted pioneer status • 4 years for new non-pioneer projects • 6 years for projects located in less developed areas • 3 years for expansion and modernisation projects.
Tax and Duty Exemption	Companies are entitled to exemption from customs duties and national internal revenue taxes on imported equipment, spare parts and accessories.
Capital Equipment Duty Rates Reduction	For a period of 5 years, companies may import machinery, equipment, spare parts and accessories at a 0% duty rate
Tax Credits	Tax credits available for raw materials, supplies and semi-manufactured exports products.

Examples of Non-fiscal Incentives for BOI-registered Enterprises

A registered company can enjoy non-fiscal incentives such as:

- The permission to employ foreign nationals;
- Simplified customs procedures for importation of equipment, spare parts, raw materials, and supplies and exports of processed products;
- Permission to import consigned equipment for a 10-year period; and
- The privilege to operate a bonded manufacturing or trading warehouse.

For the full list of investment incentives offered by the BOI, please refer to the BOI's website (www.boiown.gov.ph/db-main-final/db-investor-incentives/), or consult a legal advisor.

II. Scope of Special Economic Zone Schemes and Geographical Location[3,4]

The Philippine Economic Zone Authority (PEZA)

The PEZA is a government agency in charge of promoting investments and granting incentives to businesses operating in PEZA Economic Zones. In addition, the PEZA registers, assists and facilitates companies' operations in these export oriented zones.

Only businesses engaged in specific activities will be able to register with the PEZA and therefore be granted incentives. A list of eligible activities in provided below.

Eligible Activities for PEZA Registration and Incentives

Export Manufacturing

Agro-industrial Export Manufacturing

Agro-industrial Biofuel Manufacturing

Logistics and Warehousing Services

Information Technology Service Export

Economic Zone Development and Operation

Facilities Providers

Utilities

Tourism

Medical Tourism

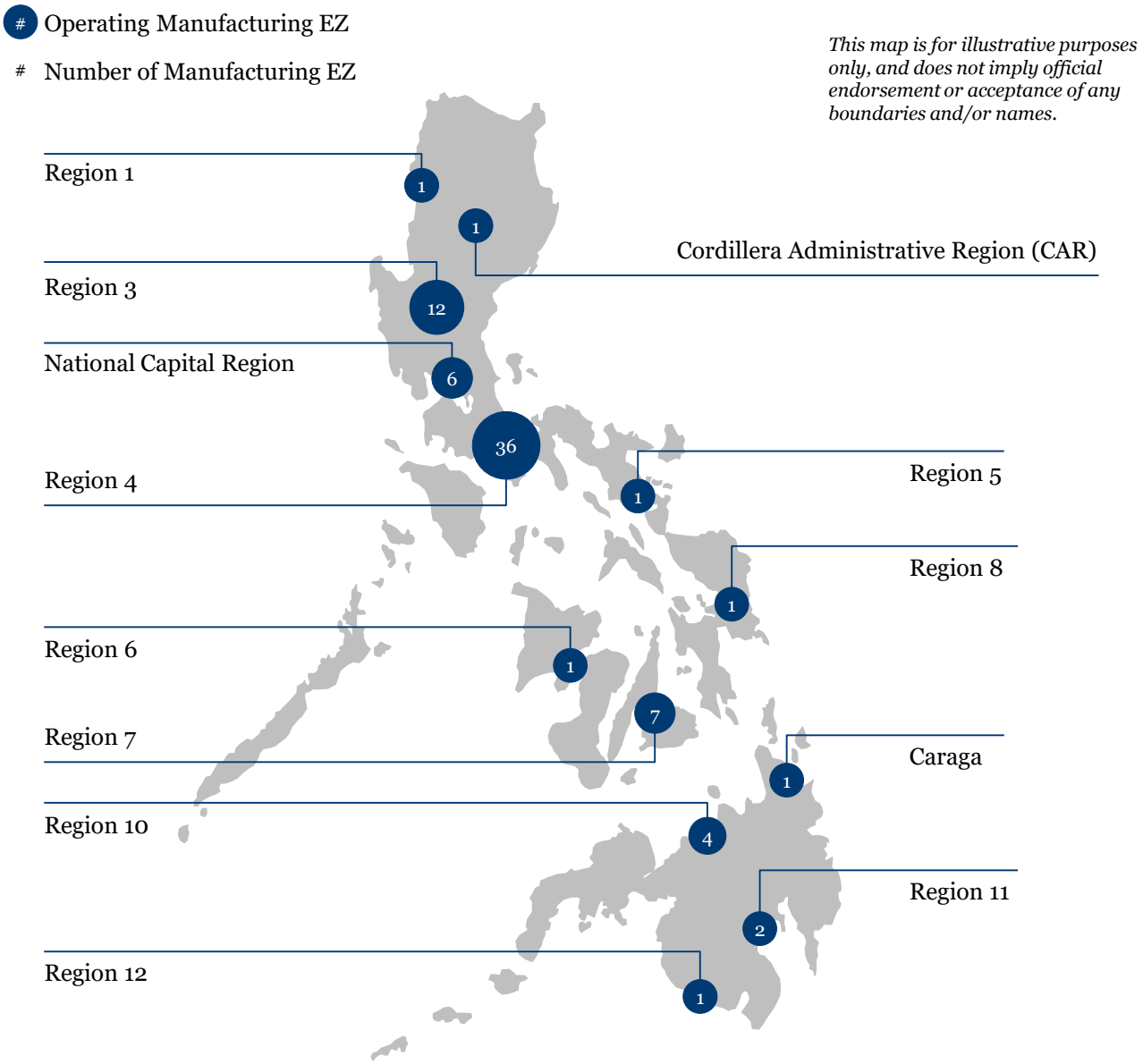
For additional details regarding the registration process with PEZA or eligible activities, please visit PEZA homepage (www.peza.gov.ph/index.php/eligible-activities-incentives/eligible-activities)

Economic Zones (EZs)

As per the official PEZA website, there are currently 379 operating EZs and 139 under development in the Philippines. In the country, there are five different types of EZs, each targeting a specific sector. Among the 379 operating EZs, 69% are Information Technology Parks (total of 262), 20% are Manufacturing EZs (74), 6% are Agro-Industrial EZs (22), 5% are Tourism EZs (19) and the rest are Medical Tourism Parks (2).

When considering operating manufacturing EZs only, more than 70% are located in and around Manila (i.e. Region 3, Region 4 and the National Capital Region).

Location of Operating Manufacturing EZs



Please refer to Appendix 2 for a complete list of locations for all the EZs.

Incentives for PEZA Registered Economic Zone Enterprises

The PEZA grants fiscal and non-fiscal incentives to businesses registered with the Authority. However, these incentives vary according to the type of EZ in which the company is located. The incentives that a business operating in a Manufacturing EZ can receive are detailed below.

Fiscal Incentives in Manufacturing Economic Zones

Category	Incentives
Income Tax Holiday (ITH)	100% corporate income tax exemption for: • 6 years for pioneer project • 4 years for non-pioneer project
Special Tax	After the ITH: 5% special tax on gross income and exemption from all national and local taxes.
Tax and Import Duty Exemption	Tax exemption and duty free importation of capital equipment, raw materials, spare parts, and machineries.
Reduced VAT	Possible 0% value added tax for local purchases.
Tax and fee exemption	• Exemption from wharfage dues and export tax, imports or fees • Payment exemption on various local imports, fees, licenses or taxes • Exemption from expanded withholding tax

Non-fiscal Incentives Manufacturing Economic Zones

Companies will be granted the following incentives:

- Simplified import and export procedures;
- Permission to hire foreign nationals in supervisory, technical or advisory positions;
- Special non-immigrant visa with multiple entry privileges granted to investors, employees in supervisory, technical or advisory position and their relatives.

For additional details and the full list of incentives provided, please refer to the PEZA homepage (www.peza.gov.ph/index.php/eligible-activities-incentives/non-fiscal-incentives).

III. Other Government Support Funding Schemes, Including Both Local and Foreign Investments[5,6]

Except for the BOI and PEZA, other government bodies and agencies can grant incentives to investors. A few examples are listed below. However, for more details please visit the BOI homepage (www.boiown.gov.ph/db-main-final/db-investor-incentives/).

Other Special Economic Zones Established

The following Authorities offer companies fiscal and non-fiscal incentives similar to those available for PEZA-registered enterprises:

- Zamboanga City Special Economic Zone Authority (ZCSEZA) manages a Special Economic Zone and a Freeport where import of machinery and other goods are exempt from local and national tariffs;
- Cagayan Economic Zone Authority (CEZA) manages the Cagayan SEZ and Freeport which are industrial and commercial zones opened to foreign investors;
- Aurora Economic Special Economic Zone Authority (ASEZA) also known as the Aurora Pacific Economic Zone, is designed to be a gateway to the Pacific;
- PHIVIDEC Industrial Authority (PIA), is a government body that manages a 3,000 hectare industrial estate in Misamis Oriental.

Science Park of the Philippines (SPPI)

Any company located within the Light Industry and Science Parks facilities developed by the SPPI, can qualify to register with the BOI and therefore may be entitled to the fiscal and non-fiscal incentives mentioned previously. Please refer to section 5 of this report for more details.

Source:

[1] *Republic of the Philippines Board of Investments*

[2] *More value for you business-Investment incentives in the Philippines, PwC, 2015*

[3] *The Special Economic Zone Act of 1995, The Congress of the Philippines, 1995*

[4] *The Philippine Economic Zone Authority*

[5] *Investment Incentive in the Philippines, PwC, 2015*

[6] *Science Park of the Philippines, Inc.*

10. Environmental Requirements

Executive Summary

In Philippines, the Department of Environment and Natural Resource (DENR) is the main body responsible for management and administration of environmental policy and standards as well as the enforcement of law. Philippine Environmental Policy and Philippine Environment Code are the primary environmental laws in Philippines. Any foreign businesses wishing to invest or do business in Philippines must abide by the Law.

Factories in Philippines may encounter environmental hurdles or problems, such as historical pollution, and license requirements.

There are environmental organisations and agencies in Philippines that can provide relevant environmental supporting services to those companies requiring assistance.

10. Environmental Requirements

I. Environmental Laws and Regulations in Philippines[1]

The Department of Environment and Natural Resource (DENR) is the primary regulatory body responsible for the conservation, management, development, and proper use of the country's environment and natural resources, as well as the licensing and regulation of all natural resources as may be provided for by law.

The Philippine's Environmental Policy is enunciated in Presidential Decree No.1151 (1977) which aims to formulate an intensive, integrated program of environmental protection that will bring about a concerted effort towards the protection of the entire spectrum of the environment. The Decree also established the environmental impact assessment system.

A. The Main Environmental Protection Administrations in Philippines

Department of Environment and Natural Resource (DENR)[2]

The responsibilities and main duties of the DENR are as follows:

- Assure the availability and sustainability of the country's natural resources through judicious use and systematic restoration or replacement, whenever possible;
- Increase the productivity of natural resources in order to meet the demands for forest, mineral, and land resources if a growing population;
- Enhance the contribution of natural resources for achieving national economic and social development;
- Promote equitable access to natural resources by the different sectors of the population; and
- Conserve specific terrestrial and marine areas representative of the Philippine natural and cultural heritage for present and future generations.

Environmental Management Bureau (EMB)[3]

Environmental Management Bureau (EMB) is one of the frontline functional departments of DENR, with the mission to protect, restore and enhance environmental quality towards good public health, environmental integrity and economic viability. The EMB takes responsibility for management of environmental problems and implementation of Environmental Impact Assessment System.

B. The Main Environmental Legislation in Philippines

Presidential Decree No. 1151 Philippine Environmental Policy[1]

Presidential Decree No. 1151 (1977) is the fundamental environmental policy of Philippine to clarify that every individual shall be responsible in contributing to the preservation and enhancement of the Philippine environment. As provided for in section 4 of the decree, all agencies of the national government, including government-owned or controlled corporations, as well as private corporations, firms and entities, shall prepare a detailed statement on significant environmental effects.

Presidential Decree No. 1152 Philippine Environment Code[4]

Presidential Decree No. 1152 (1977), or the Philippine Environment Code, provides a comprehensive program of environmental protection and management. The Code established specific environment management policies and prescribes environmental standards on: air quality; water quality management; land-use management; natural resources management and conservation; conservation and utilization of surface and ground waters; and waste management.

Presidential Decree No. 1586 on Establishing an Environmental Impact Statement System (Revised in 2014)[5,6]

The Philippine Environmental Impact Statement System (PEISS) was established under Presidential Decree No.1586 and is currently being implemented through its implementing rules and regulations.

The Decree introduced the concepts of Environmentally Critical Projects (ECP) and projects within Environmentally Critical Areas (ECA), and required no person, partnership or corporation shall undertake or operate any such declared ECP or project within an ECA without first securing an Environmental Compliance Certificate (ECC).

ECC is an environmental compliance document issued by the EMB certifying that the proponent has complied with all the requirements of the PEISS. The Certificate of Non-Coverage (CNC) is the other environmental compliance document issued by the EMB certifying that a project is not covered by the PEISS and is not required to secure an ECC.

Environmentally Critical Projects (ECP)[7]

ECPs refer to the projects with significant potential to cause negative environmental impacts, which are grouped into four main categories, namely: (i) heavy industries, (ii) resource extractive industries, (iii) infrastructure projects, and (iv) golf courses.

Environmentally Critical Areas (ECA)[7]

An area is considered an ECA if it exhibits any of the following characteristics:

- Areas declared by law as national parks, watershed reserves, wildlife preserves, and sanctuaries;
- Areas set aside as aesthetic, potential tourist spots;
- Areas which constitute the habitat for any endangered or threatened species of indigenous Philippine wildlife;
- Areas of unique historic, archeological, geological, or scientific interests;
- Areas which are traditionally occupied by cultural communities or tribes;
- Areas frequently visited and or hard-hit by natural calamities (geologic hazards, floods, typhoons, volcanic activity, etc.);
- Areas with critical slopes;
- Areas classified as prime agricultural lands;
- Recharged areas of aquifers;
- Water bodies;
- Mangrove areas; and
- Coral reefs.

Other Regulations Against Pollutions

Philippines has issued environmental laws on details of pollution control and waste management, etc.

Philippine Clean Air Act (1999)[8]

Known as the Philippine Clean Air Act of 1999, Republic Act No. 8749 (1999) sets forth the air pollution clearance and permits design, pollutants standard from stationary sources and vehicles. The Rules provide for various kinds of fines and penalties for the three categories of violations of the provisions of the Clean Air Act, the imprisonment could vary between six months to one day.

Ecological Solid Waste Management Act (2000)[9]

Republic Act No. 9003, or Ecological Solid Waste Management Act of 2000, stresses that "if specifically designated, the operator is considered to have primary responsibility for compliance; however, this does not relieve the owner of the duty to take all reasonable steps to assure compliance with these standards and any assigned conditions. When the title to a disposal is transferred to another person, the new owner shall be notified by the previous owner of the existence of these standards and of the conditions assigned to assure compliance."

Philippine Clean Water Act (2004)[10]

Republic Act No. 9275, known as Philippine Clean Water Act of 2004, applies to water quality management in all water bodies. According to article 5 of the act, anyone who commits prohibited acts such as discharging untreated wastewater into any water body will be fined for every day of violation.

Failure to undertake clean-up operations willfully shall be punished by fine and imprisonment of not less than two years and not more than four years. Failure or refusal to clean up which results in serious injury or loss of life or lead to irreversible water contamination shall be punished with fine and imprisonment of not less than 6 years and 1 day and not more than 12 years. In cases of gross violation, fine will be imposed for each day of violation. Criminal charges may also be filed.

A detailed list of environmental laws and regulations in Philippines can be found in Appendix 3.

C. Main Environmental Related Joint Announcements and Statements which HK and Mainland China Have Issued with Philippines

China and the Association of Southeast Asian Nations (ASEAN) have made a series of statements and plans to further enhance the environmental cooperation, such as Joint Statement of China and ASEAN Leaders on Sustainable Development, China-ASEAN Environmental Protection Cooperation Strategy 2016-2020 and so on.

Details of the statements are listed in the following table:

Main Environmental-Related Joint Announcements and Statements[11,12]

Statements	Impact	Detail
Joint Statement of China and ASEAN Leaders on Sustainable Development	Encourage cooperation in conservation of biodiversity and the environment, in clean production, and in awareness of environmental.	Clause 6 & 8
China-ASEAN Environmental Protection Cooperation Strategy 2016-2020	Establish the China-ASEAN Environmental Protection Cooperation Centre to enhance environmental cooperation. It also improves the sharing of knowledge and experiences, and encourages factories to comply with the environmental laws and regulations.	Clause 45, 47, 53, 54

D. The Main Environmental Permits in Philippines

Philippines has enacted laws and announced numerous environmental regulations, specifying which environmental permits are required.

Water Discharge Permit[13]

To maintain the quality of water bodies, all factories are required to secure a Discharge Permit from DENR, The Discharge Permit shall not be issued if the wastewater effluent does not pass the standards set by law, and failure to pass the standards can lead to the closure of the establishment.

Philippine Environmental Impact Statement System (PEISS)[6]

According to the PEISS, the projects can be classified into four categories based on their location and types, which have different compliance requirements. The details are listed in the following table:

Category	Description	Compliance Type	Application Documents
A	ECPs	ECC	• Environmental Impact Statement (EIS)
B	Non-ECPs located in ECAs	ECC	• Initial Environmental Examination Report (IEER) ; or • Initial Environmental Examination Checklist (IEEC)
C	Projects intended to directly enhance environmental quality or address existing environmental problems not falling under Category A or B.	CNC	• Project Description Report (PDR)
D	Projects unlikely to cause adverse environmental impacts	CNC	-

II. Environmental Situations in the Philippines

A. Hurdles or Problems Encountered and Resolutions

Before Land Acquisition	Pre-construction Period	Operation Period
Historical Pollution Issues	**License Requirements**	**Environmental Pollution Issues**
Environmental Due Diligence (EDD) checks for existing soil and groundwater pollution, which can help investors avoid liability for historical pollution	• EIS/IEE/CNC • Water Discharge Permit	Each industry has different characteristics of pollutants, and will require appropriate monitoring and environmental protection equipment

Before Land Acquisition: Historical Pollution Issues

Soil and groundwater of the targeted land may have been polluted by previous land users. Companies may be liable for historical pollution, or be negatively impacted in the future, if such issues are not identified or the responsibilities are not clarified.

Resolutions

Environmental Due Diligence (EDD)

EDD can help by systematically identifying the environmental risks and responsibilities before investment or expansion of the site. An EDD will typically take around two months to complete, but may not be required for every project.

The processes are as follows:

- Supporting agency selection: There are no license requirements from local environmental departments on third party agencies providing EDD services. Companies may hire a capable third party service to conduct an EDD where necessary.
- Phase I Environmental Site Assessment: The EDD provider will conduct a limited environmental, health and safety compliance assessment supporting the due diligence for the industrial transaction.
- Phase II Environmental Site Assessment: Based on the results from Phase I, the EDD provider will conduct the actual sampling, monitoring or testing of the soil, air, groundwater, and building materials, in order to evaluate the potential presence of contaminants in the scope.
- Results: The EDD provider will identify significant potential environmental risks in a report.

EDD Case

SLP Environmental Consultants was appointed to conduct Phase I Environmental Site Assessment for an operational sport equipment manufacturing facility located in Bataan Special Economic Zone, Philippines. The client was considering the acquisition of the site, and EDD was conducted as part of the overall transaction due diligence process. The primary objective of the study was to determine if soil and groundwater contamination was potentially present at the subject property as a consequence of historic and current activities on and or within the environs of the subject property.

For a list of organisations/agencies providing EDD services in Philippines, please refer to Section 10.III.A.

Pre-construction Period: Environmental Impact Statement (EIS)[14]

According to the DENR Administrative Order No. 2003-30 (DAO 2003-30), the proponent of ECPs (Category A) are required to submit an EIS to obtain ECC, which is a comprehensive study of the significant impacts of a project on the environment.

Resolutions

EIS

According to the DAO 2003-30, only accredited individuals, offices, or organisations are allowed to prepare EIS documents.

EIS Process:

- Supporting agency selection: Hiring an accredited consulting company to prepare an EIS (or do this by the proponents' accredited technical staff).
- Submission: Submitting the EIS to the Central Office of EMB, which then forwards it to the Environmental Impact Assessment Review Committee (EIARC) for evaluation.
- Approval: The EMB Director reviews final recommendation of EIARC, and approves or denies the ECC. Typically the whole processing time will be 120 working days.

Pre-construction Period: Initial Environmental Examination (IEE)[14,15]

According to the DENR Administrative Order No. 2003-30 (DAO 2003-30), the proponent of projects located in ECAs (Category B) are required to submit an IEER or IEEC to obtain ECC, which is a document similar to an EIS, but with reduced details and depth of assessment and discussion.

Resolutions

IEE

According to the DAO 2003-30, only accredited individuals, offices, or organisations are allowed to prepare IEE documents.

IEE Process:

- Screening: An IEEC is applicable for prescribed projects with certain types and limits to obtain ECC, otherwise an IEER is required.
- Supporting agency selection: Hiring an accredited consulting company to prepare an IEE document (or do this by the proponents' accredited technical staff).
- Submission: Submitting the IEEC or IEER to the Regional Office of EMB (or online).
- Approval: The DENR Regional Executive Director (RED) determines whether the project IEE may further require an EIS, if not, the RED will approve or deny the ECC. Typically the whole processing time will be 30 working days for IEEC, and 60 working days for IEER (For online application, the processing time will be within 7 days after receipt if complete).

Types of projects with IEEC requirements for the key industries can be found in Appendix 4.

Pre-construction Period: Certificate of Non-Coverage (CNC)[16]

According to the DENR Administrative Order No. 2003-30 (DAO 2003-30), the projects under Category C and Category D may secure a CNC.

Resolutions

CNC

The project proponents could submit an application form to the EMB (or online) to obtain a CNC.

CNC Process

- Submission: Proponents of Category C projects should submit the application form and a PDR to the EBM Regional Office, while the proponents of Category D shall not be required with a PDR and can submit the application form online (The CNC online application website: http://cnconline.emb.gov.ph/projectchecker/).
- Approval: The EMB Regional Office typically takes 15 working days to process and approve the application, while it will take shorter days to get the approve online.

EIS/IEE Case

According to the requirements of PEISS, a 300-MW Circulating Fluidized Bed coal-fired power project located in Barangay Binugao, Davao City was required with an EIS to obtain ECC. The Apercu company was appointed to prepare the EIS for this thermal power plant project. Baseline studies conducted include geologic surveys, extensive flora and fauna surveys, freshwater and marine ecology surveys, etc. Data on soil, water, air and noise were also gathered, as well as socio-economic and health data from Davao City. The ECC for the project was obtained in September 2011.

For a list of organisations/agencies providing EIS/IEE supporting services in Philippines, please refer to Section 10.III.B.

Pre-construction Period: Water Discharge Permit[13,17]

The businesses that discharge wastewater into sewage or wastewater treatment facilities must apply for a Water Discharge Permit and renew it annually.

Resolutions

Water Discharge Permit

- For areas around the Laguna Lake Region, the Discharge Permit should be secured from Laguna Lake Development Authority (LLDA).
- For areas outside Laguna Lake region, the Discharge Permit should be secured from DENR.
- The process typically takes 20 working days.

Operation Period: Environmental Pollution Problems

During the operation period, company may face environmental pollution problems resulting from non-compliant environmental management or equipment failure:

- Wastewater: Excessive pollutants in wastewater causing soil or groundwater pollution;
- Air emissions: Industrial exhaust emissions that are not in compliance, causing air pollution;
- Hazardous waste disposal: Non-compliant disposal of hazardous wastes leading to soil or groundwater contamination, resulting in subsequent penalties; and
- Noise pollution: Noise pollution caused by the operation of machinery and equipment.

Resolutions

Environmental Monitoring

The EMB is mainly responsible for the control of environmental pollution problems. In the case of such problems, the following measures can be taken:

- Hiring third party service providers to conduct regular monitoring or to help with disposal of hazardous waste;
- Enhancing environmental awareness of related workers;
- Improving relevant equipment in use; and
- Optimising the manufacturing process.

For a list of organisations/agencies providing environmental monitoring, waste disposal/recycle services and other related services in Philippines, please refer to Section 10.III.C & D.

B. Study on the Key Manufacturing Industries in which HK/Mainland China Companies Have Invested in Philippines

Potential Environmental Issues[a]	Electronics	Garment & Clothing	Watches & Jewelry	Toys & Games	Hi-tech[b]
Historical Soil Pollution or Groundwater Pollution	✓	✓	✓	✓	✓
Lack of Relevant Environmental Related Licenses	✓	✓	✓	✓	✓
Wastewater Causing Soil or Groundwater Pollution	✓	✓	✓	✓	✓
Industrial Exhaust Emissions Causing Air Pollution	✓	✓	✓	—	—
Disposal of Hazardous Wastes Leading to Soil or Groundwater Contamination	✓	✓	—	✓	—
Noise Pollution Caused by the Operation of Machinery and Equipment	✓	✓	✓	✓	—

✓ indicates that the factory may face the environmental issues in the industry.

"—" indicates that the factory is less likely to face the environmental issues in the industry.

Note:

a. *"Environmental issue" indicates any environment related problems factories may have faced during the pre-approval period, construction period and operation period.*

b. *Hi-tech in this table mainly includes industries producing electronic components, and components and accessories used for new power generators and renewable generators, etc.*

C. Comparison of Industrial Effluent/Emission Standard between Philippines and China

Please refer below legend for the symbols list out in the comparison tables within this section.

In Philippines, most of the wastewater from the main industrial zones are discharged into class C water body, such as First Philippine Industrial Park, Light Industry & Science Park, Carmelray Industrial Park and so on. As a result, for the Philippines standards, the values in the table refer to the limit of effluent discharged into class C water body. The class C water body is the water sources for fishery, recreation (boating, fishing, ect.), and agriculture.

For the China standards (except for electronic industry and textile industry), values in brackets refer to the limit of effluent discharged into water supply resources and fishery water areas, and the values outside the brackets refer to the limit of effluent discharged into industrial water area, landscape water area, and agricultural water area. For the electronic and textile industry in China, values are the limitation of effluent discharged into environment directly.

"↓" indicates the requirement of China is stricter than Philippines.

"↑" indicates the requirement of Philippines is stricter than China.

"=" indicates the requirement of China is the same as Philippines.

"-" indicates there is no requirement in the standard.

"N/A" indicates that there is no comparison available due to the lack of a standard from one country.

The following tables list out the common pollutants in various industries. For a complete list, please refer to the Notes section below each table for relevant standards.

All standards listed below are applicable to factories in industrial areas. There are no official specialised requirements/standards for non-industrial areas in Philippines at the moment, i,e. residential areas. If there are plans to build or operate factories in such area, a business should confirm with local environmental department whether specific regional requirements exist.

Besides, for the purposes of streamlining compliance and enforcement of General Effluent Standards, the standards regulated significant parameters for the specific industries, please refer to the Philippine Standard Industrial Classification (PSIC), and find the significant parameters for the industries according to the PSIC codes.

Electronics (Part 1/5)

Water and air pollutants are the main pollutants in the electronics industry. The following table compares the effluent and emission standards of Philippines and China:

Industry	Major Types of Pollution	Pollutants		Limits		Comparison
				Philippines[a]	Mainland China[b]	
Electronics	Water Pollutants mg/L (Except pH)	pH		6.0-9.5	6.0-9.0	↓
		Total suspended solids		100	50	↓
		COD		100	80	↓
		BOD		50[c]	-	N/A
		Mercury		0.004	-	N/A
		Ammonia as NH_3-N	Special electronic materials	0.5	10/20[d]	↑/↑
			Electrical units		5	↑
			Printed circuit boards		20	↑
			Semiconductor devices		10	↑
			Display device and photoelectron components		5	↑

Electronics (Part 2/5)

Industry	Major Types of Pollution	Pollutants		Limits		Comparison
				Philippines[a]	Mainland China[b]	
Electronics	Water Pollutants mg/L (Except pH)	Ammonia as NH_3-N	Electron terminals products	0.5	5	↑
		Total nitrogen	Special electronic materials	-	20/30[d]	N/A
			Electrical units		15	N/A
			Printed circuit boards		30	N/A
			Semiconductor devices		15	N/A
			Display device and photoelectron components		15	N/A
			Electron terminals products		15	N/A
		Total phosphorus	Special electronic materials	-	0.5/1.0[d]	N/A
			Electrical units		0.5	N/A
			Printed circuit boards		1.0	N/A
			Semiconductor devices		1.0	N/A
			Display device and photoelectron components		0.5	N/A
			Electron terminals products		0.5	N/A
		Sulfide	Special electronic materials	-	-	N/A
			Electrical units		-	N/A
			Printed circuit boards		1.0	N/A
			Semiconductor devices		1.0	N/A
			Display device and photoelectron components		-	N/A
			Electron terminals products		-	N/A
		Sulfate		550	-	N/A
		Copper	Special electronic materials	-	0.5	N/A
			Electrical units		0.5	N/A
			Printed circuit boards		0.5	N/A
			Semiconductor devices		0.5	N/A
			Display device and photoelectron components		0.5	N/A
			Electron terminals products		-	N/A
		Copper as dissolved copper		0.04	-	N/A
		Zinc	Special electronic materials	4.0	1.5	↓
			Electrical units		-	N/A
			Printed circuit boards		-	N/A
			Semiconductor devices		1.5	↓

Electronics (Part 3/5)

Industry	Major Types of Pollution	Pollutants		Limits		Comparison
				Philippines[a]	Mainland China[b]	
Electronics	Water Pollutants mg/L (Except pH)	Zinc	Display device and photoelectron component	4.0	1.5	↓
			Electron terminals products		-	N/A
		Cadmium	Special electronic materials	0.01	0.05	↑
			Electrical units		-	N/A
			Printed circuit boards		-	N/A
			Semiconductor devices		0.05	↑
			Display device and photoelectron components		-	N/A
			Electron terminals products		-	N/A
		Total chromium	Special electronic materials	-	1.0	N/A
			Electrical units		-	N/A
			Printed circuit boards		-	N/A
			Semiconductor devices		0.5	N/A
			Display device and photoelectron components		-	N/A
			Electron terminals products		-	N/A
		Chromium as hexavalent chromium	Special electronic materials	0.02	0.2	↑
			Electrical units		-	N/A
			Printed circuit boards		-	N/A
			Semiconductor devices		0.1	↑
			Display device and photoelectron components		-	N/A
			Electron terminals products		-	N/A
		Arsenic	Special electronic materials	0.04	0.3	↑
			Electrical units		0.3	↑
			Printed circuit boards		-	N/A
			Semiconductor devices		0.2	↑
			Display device and photoelectron components		0.2	↑
			Electron terminals products		-	N/A

Electronics (Part 4/5)

Industry	Major Types of Pollution	Pollutants		Limits		Comparison
				Philippines[a]	Mainland China[b]	
Electronics	Water Pollutants mg/L (Except pH)	Lead	Special electronic materials	0.1	0.2	↑
			Electrical units		0.1	=
			Printed circuit boards		-	N/A
			Semiconductor devices		0.2	↑
			Display device and photoelectron components		0.2	↑
			Electron terminals products		-	N/A
		Nickel	Special electronic materials	1.0	0.5	↓
			Electrical units		0.5	↓
			Printed circuit boards		0.5	↓
			Semiconductor devices		0.5	↓
			Display device and photoelectron components		0.5	↓
			Electron terminals products		-	N/A
		Cyanide	Special electronic materials	-	0.2	N/A
			Electrical units		0.2	N/A
			Printed circuit boards		0.2	N/A
			Semiconductor devices		0.2	N/A
			Display device and photoelectron components		0.2	N/A
			Electron terminals products		-	N/A
		Cyanide as free cyanide		0.2	-	N/A
		Silver	Special electronic materials	-	0.3	N/A
			Electrical units		0.3	N/A
			Printed circuit boards		0.3	N/A
			Semiconductor devices		0.3	N/A
			Display device and photoelectron components		0.3	N/A
			Electron terminals products		-	N/A

Electronics (Part 5/5)

Industry	Major Types of Pollution	Pollutants		Limits		Comparison
				Philippines[a]	Mainland China[b]	
Electronics	Water Pollutants mg/L (Except pH)	Manganese		2	-	N/A
		Fluoride	Special electronic materials	2	10	↑
			Electrical units		10	↑
			Printed circuit boards		10	↑
			Semiconductor devices		10	↑
			Display device and photoelectron components		10	↑
			Electron terminals products		-	N/A
		Petroleum		-	3.0	N/A
		Oil and grease		5.0	-	N/A
		Selenium		0.04	-	N/A
		Boron		3	-	N/A
		Iron		7.5	-	N/A
		Barium		6	-	N/A
		Trichloroethylene		9	-	N/A
		Phenol & phenolic substances[e]		0.5	-	N/A
		Chloride		450	-	N/A
	Air Pollutants mg/m^3	TVOC		-	150	N/A
		NMHC		-	100	N/A
	Noise Emission dB (A)	Noise limits for boundary of industrial enterprise		-	Daytime 65 Night 55	N/A
		Noise limits for light industrial areas		Daytime 70 Night 60	-	N/A
		Noise limits for heavy industrial areas		Daytime 75 Night 65	-	N/A
	Hazardous Waste	Hazardous wastes are required to be disposed by a qualified third party. For more hazardous waste information, please refer to II.A of this section.				

Note:

a. *Philippines Standards: General Effluent Standards[18], Pollution From Stationary Sources[8], and Environmental Quality Standards for Noise in General Areas[19].*

b. *China Standards: Emission Standard of Pollutants for Electrical Industry[20], and Emission Standard for Industrial Enterprises Noise at Boundary[21].*

c. *The limit value of BOD in wastewater discharged in the table applies to establishments with influent BOD less than 3,000 mg/L. For establishments with influent BOD on the range of 3,000-6500 mg/L (6500 not included), the limit value of BOD in wastewater discharged is 100 mg/L. For establishments with influent BOD on the range of 6,500-10,000 mg/L (10,000 not included), the limit value of BOD in wastewater discharged is 200 mg/L. For establishments with influent BOD on the range of 10,000-30,000 mg/L, the limit value of BOD in wastewater discharged is 600 mg/L. For establishments with influent BOD greater than 30,000 mg/L, the limit value of BOD in wastewater discharged is 900 mg/L.*

d. *The value applies to manufacturers who run aluminum electrolytic capacitors electrode foil .*

e. *Phenols include 2-chlorophenol, 2, 4-dischlorophenol, and 2,4,6-trichlorophenol.*

Garment & Clothing (Part 1/2)

Water pollutants and air pollutants are the main pollutants from wool scouring, printing and dyeing, degumming and washing processes in the garment & clothing industry. The following table compares the effluent and emission standards between Philippines and China:

Industry	Major Types of Pollution	Pollutants	Limits		Comparison
			Philippines[a]	Mainland China[b]	
Garment & Clothing	Water Pollutants mg/L (Except pH, temperature and colour)	pH	6.0-9.5	6.0-9.0	↓
		COD	100	80	↓
		BOD	50[c]	20	↓
		Colour[d]	150	50	N/A
		Temperature[e]	3	-	N/A
		Ammonia as NH_3-N	0.5	10	↑
		Total nitrogen	-	15	N/A
		Total phosphorus	-	0.5	N/A
		Chlorine dioxide	-	0.5	N/A
		AOX	-	12	N/A
		Sulfide	-	0.5	N/A
		Sulfate	550	-	N/A
		Aniline	-	Not be detected	N/A
		Chromium as hexavalent chromium	0.02	Not be detected	↓
		Trichloroethylene	9	-	N/A
		Copper as dissolved copper	0.04	-	N/A
		Phenol & phenolic substances[f]	0.5	-	N/A
		Oil and grease	5.0	-	N/A
		Cyanide as free cyanide	0.2	-	N/A
		Surfactants (MBAS)	15	-	N/A
	Air Pollutants mg/m^3	NMHC	-	120	N/A
	Noise Emission dB (A)	Noise limits for boundary of industrial enterprise	-	Daytime 65 Night 55	N/A
		Noise limits for light industrial areas	Daytime 70 Night 60	-	N/A
		Noise limits for heavy industrial areas	Daytime 75 Night 65	-	N/A
	Hazardous Waste	Hazardous wastes are required to be disposed by a qualified third party. For more hazardous waste information, please refer to II.A of this section.			

Garment & Clothing (Part 2/2)

Note:

a. *Philippines Standards: General Effluent Standards[18], Pollution From Stationary Sources[8], and Environmental Quality Standards for Noise in General Areas[19].*
b. *China Standards: Discharge Standard for Water Pollutants in Textile Dyeing and Finishing Industry[22], Integrated Emission Standard of Air Pollutants[23], and Emission Standard for Industrial Enterprises Noise at Boundary[21].*
c. *The limit value of BOD in wastewater discharged in the table applies to establishments with influent BOD less than 3,000 mg/L. For establishments with influent BOD on the range of 3,000-6500 mg/L (6500 not included), the limit value of BOD in wastewater discharged is 100 mg/L. For establishments with influent BOD on the range of 6,500-10,000 mg/L (10,000 not included), the limit value of BOD in wastewater discharged is 200 mg/L. For establishments with influent BOD on the range of 10,000-30,000 mg/L, the limit value of BOD in wastewater discharged is 600 mg/L. For establishments with influent BOD greater than 30,000 mg/L, the limit value of BOD in wastewater discharged is 900 mg/L.*
d. *In China, the method of measuring colour is dilution method, while in Philippines is visual comparison method. The measuring method and the unit applied in the standards of two countries are different, therefore the comparison result is marked as N/A.*
e. *General Effluent Standards values for temperature refer to the temperature difference of the background value and discharge point. Specific sampling locations shall be established based on the EMB Ambient Water and Effluent Quality Monitoring Manual. Sampling locations for temperature monitoring, established and approved by EMB, prior to this Order shall remain valid. The unit for temperature is ˚C.*
f. *Phenols include 2-chlorophenol, 2, 4-dischlorophenol, and 2,4,6-trichlorophenol.*

Watches & Jewellery

Water pollutants from washing process and air pollutants from polishing process are the main pollutants in the watches & jewellery industry. The following table compares the effluent and emission standards between Philippines and China:

Industry	Major Types of Pollution	Pollutants	Limits		Comparison
			Philippines[a]	Mainland China[b]	
Watches & Jewellery	Water Pollutants mg/L (Except pH)	pH	6.0-9.5	6.0-9.0 (6.0-9.0)	↓ (↓)
		Total suspended solids	100	150 (70)	↑ (↓)
		COD	100	150 (100)	↑ (=)
		BOD	50[c]	30 (20)	↓ (↓)
		Ammonia as NH_3-N	0.5	25 (15)	↑(↑)
		Cyanide as free cyanide	0.2	-	N/A
		Cyanide	–	0.5 (0.5)	N/A
		Chromium as hexavalent chromium	0.02	0.5 (0.5)	↑(↑)
		Petroleum	-	10 (5)	N/A
		Oil and grease	5.0	15 (10)	↑ (↑)
	Air Pollutants mg/m^3	NMHC	-	120	N/A
	Noise Emission dB (A)	Noise limits for boundary of industrial enterprise	-	Daytime 65 Night 55	N/A
		Noise limits for light industrial areas	Daytime 70 Night 60	-	N/A
		Noise limits for heavy industrial areas	Daytime 75 Night 65	-	N/A
	Hazardous Waste	Hazardous wastes are required to be disposed by a qualified third party. For more hazardous waste information, please refer to II.A of this section.			

Note:

a. *Philippines Standards: General Effluent Standards[18], Pollution From Stationary Sources[8], and Environmental Quality Standards for Noise in General Areas[19].*

b. *China Standards: Integrated Wastewater Discharge Standard[24], Integrated Emission Standard of Air Pollutants[23], and Emission Standard for Industrial Enterprises Noise at Boundary[21].*

c. *The limit value of BOD in wastewater discharged in the table applies to establishments with influent BOD less than 3,000 mg/L. For establishments with influent BOD on the range of 3,000-6500 mg/L (6500 not included), the limit value of BOD in wastewater discharged is 100 mg/L. For establishments with influent BOD on the range of 6,500-10,000 mg/L (10,000 not included), the limit value of BOD in wastewater discharged is 200 mg/L. For establishments with influent BOD on the range of 10,000-30,000 mg/L, the limit value of BOD in wastewater discharged is 600 mg/L. For establishments with influent BOD greater than 30,000 mg/L, the limit value of BOD in wastewater discharged is 900 mg/L.*

Toys & Games

Water pollutants from washing process, the air pollutants resulting from production and storage of polymers and the precursors process are the major types of pollution in the toys & games industry. The following table compares the effluent and emission standards between Philippines and China:

Industry	Major Types of Pollution	Pollutants	Limits		Comparison
			Philippines[a]	Mainland China[b]	
Toys & Games	Water Pollutants mg/L (Except pH)	pH	6.0-9.5	6.0-9.0 (6.0-9.0)	↓ (↓)
		Total suspended solids	100	150 (70)	↑ (↓)
		COD	100	150 (100)	↑ (=)
		BOD	50[c]	30 (20)	↓ (↓)
		Ammonia as NH_3-N	0.5	25 (15)	↑(↑)
		Sulfide	-	1.0 (1.0)	N/A
		Sulfate	550	-	N/A
		Phenol & phenolic substances[d]	0.5	-	N/A
		Volatile phenols	-	0.5 (0.5)	N/A
		Petroleum	-	10 (5)	N/A
		Oil and grease	5.0	15 (10)	↑ (↑)
		Cyanide as free cyanide	0.2	-	N/A
		Cyanide	–	0.5 (0.5)	N/A
	Air Pollutants mg/m^3	NMHC	-	120	N/A
	Noise Emission dB (A)	Noise limits for boundary of industrial enterprise	-	Daytime 65 Night 55	N/A
		Noise limits for light industrial areas	Daytime 70 Night 60	-	N/A
		Noise limits for heavy industrial areas	Daytime 75 Night 65	-	N/A
	Hazardous Waste	Hazardous wastes are required to be disposed by a qualified third party. For more hazardous waste information, please refer to II.A of this section.			

Note:

a. *Philippines Standards: General Effluent Standards[18], Pollution From Stationary Sources[8], and Environmental Quality Standards for Noise in General Areas[19].*

b. *China Standards: Integrated Wastewater Discharge Standard[24], Integrated Emission Standard of Air Pollutants[23], and Emission Standard for Industrial Enterprises Noise at Boundary[21].*

c. *The limit value of BOD in wastewater discharged in the table applies to establishments with influent BOD less than 3,000 mg/L. For establishments with influent BOD on the range of 3,000-6500 mg/L (6500 not included), the limit value of BOD in wastewater discharged is 100 mg/L. For establishments with influent BOD on the range of 6,500-10,000 mg/L (10,000 not included), the limit value of BOD in wastewater discharged is 200 mg/L. For establishments with influent BOD on the range of 10,000-30,000 mg/L, the limit value of BOD in wastewater discharged is 600 mg/L. For establishments with influent BOD greater than 30,000 mg/L, the limit value of BOD in wastewater discharged is 900 mg/L.*

d. *Phenols include 2-chlorophenol, 2, 4-dischlorophenol, and 2,4,6-trichlorophenol.*

Hi-tech (Part 1/5)

Water and air pollutants from chemical cleaning process are the major type of pollution in the hi-tech industry. The following table compares the effluent and emission standards of Philippines and China:

Industry	Major Types of Pollution	Pollutants		Limits		Comparison
				Philippines[a]	Mainland China[b]	
Hi-tech	Water Pollutants mg/L (Except pH)	pH		6.0-9.5	6.0-9.0	↓
		Total suspended solids		100	50	↓
		COD		100	80	↓
		BOD		50[c]	-	N/A
		Mercury		0.004	-	N/A
		Ammonia as NH_3-N	Special electronic materials	0.5	10/20[d]	↑/↑
			Electrical units		5	↑
			Printed circuit boards		20	↑
			Semiconductor devices		10	↑
			Display device and photoelectron components		5	↑
			Electron terminals products		5	↑
		Total nitrogen	Special electronic materials	-	20/30[d]	N/A
			Electrical units		15	N/A
			Printed circuit boards		30	N/A
			Semiconductor devices		15	N/A
			Display device and photoelectron components		15	N/A
			Electron terminals products		15	N/A
		Total phosphorus	Special electronic materials	-	0.5/1.0[d]	N/A
			Electrical units		0.5	N/A
			Printed circuit boards		1.0	N/A
			Semiconductor devices		1.0	N/A
			Display device and photoelectron components		0.5	N/A
			Electron terminals products		0.5	N/A
		Sulfide	Special electronic materials	-	-	N/A
			Electrical units		-	N/A
			Printed circuit boards		1.0	N/A
			Semiconductor devices		1.0	N/A
			Display device and photoelectron components		-	N/A
			Electron terminals products		-	N/A

Hi-tech (Part 2/5)

Industry	Major Types of Pollution	Pollutants		Limits		Comparison
				Philippines[a]	Mainland China[b]	
Hi-tech	Water Pollutants mg/L (Except pH)	Sulfate		550	-	N/A
		Copper	Special electronic materials	-	0.5	N/A
			Electrical units		0.5	N/A
			Printed circuit boards		0.5	N/A
			Semiconductor devices		0.5	N/A
			Display device and photoelectron components		0.5	N/A
			Electron terminals products		-	N/A
		Copper as dissolved copper		0.04	-	N/A
		Zinc	Special electronic materials	4.0	1.5	↓
			Electrical units		-	N/A
			Printed circuit boards		-	N/A
			Semiconductor devices		1.5	↓
			Display device and photoelectron component		1.5	↓
			Electron terminals products		-	N/A
		Cadmium	Special electronic materials	0.01	0.05	↑
			Electrical units		-	N/A
			Printed circuit boards		-	N/A
			Semiconductor devices		0.05	↑
			Display device and photoelectron components		-	N/A
			Electron terminals products		-	N/A
		Total chromium	Special electronic materials	-	1.0	N/A
			Electrical units		-	N/A
			Printed circuit boards		-	N/A
			Semiconductor devices		0.5	N/A
			Display device and photoelectron components		-	N/A
			Electron terminals products		-	N/A

Hi-tech (Part 3/5)

Industry	Major Types of Pollution	Pollutants		Limits		Comparison
				Philippines[a]	Mainland China[b]	
Hi-tech	Water Pollutants mg/L (Except pH)	Chromium as hexavalent chromium	Special electronic materials	0.02	0.2	↑
			Electrical units		-	N/A
			Printed circuit boards		-	N/A
			Semiconductor devices		0.1	↑
			Display device and photoelectron components		-	N/A
			Electron terminals products		-	N/A
		Arsenic	Special electronic materials	0.04	0.3	↑
			Electrical units		0.3	↑
			Printed circuit boards		-	N/A
			Semiconductor devices		0.2	↑
			Display device and photoelectron components		0.2	↑
			Electron terminals products		-	N/A
		Lead	Special electronic materials	0.1	0.2	↑
			Electrical units		0.1	=
			Printed circuit boards		-	N/A
			Semiconductor devices		0.2	↑
			Display device and photoelectron components		0.2	↑
			Electron terminals products		-	N/A
		Nickel	Special electronic materials	1.0	0.5	↓
			Electrical units		0.5	↓
			Printed circuit boards		0.5	↓
			Semiconductor devices		0.5	↓
			Display device and photoelectron components		0.5	↓
			Electron terminals products		-	N/A

Hi-tech (Part 4/5)

Industry	Major Types of Pollution	Pollutants		Limits		Comparison
				Philippines[a]	Mainland China[b]	
Hi-tech	Water Pollutants mg/L (Except pH)	Cyanide	Special electronic materials	-	0.2	N/A
			Electrical units		0.2	N/A
			Printed circuit boards		0.2	N/A
			Semiconductor devices		0.2	N/A
			Display device and photoelectron components		0.2	N/A
			Electron terminals products		-	N/A
		Cyanide as free cyanide		0.2	-	N/A
		Silver	Special electronic materials	-	0.3	N/A
			Electrical units		0.3	N/A
			Printed circuit boards		0.3	N/A
			Semiconductor devices		0.3	N/A
			Display device and photoelectron components		0.3	N/A
			Electron terminals products		-	N/A
		Manganese		2	-	N/A
		Fluoride	Special electronic materials	2	10	↑
			Electrical units		10	↑
			Printed circuit boards		10	↑
			Semiconductor devices		10	↑
			Display device and photoelectron components		10	↑
			Electron terminals products		-	N/A
		Petroleum		-	3.0	N/A
		Oil and grease		5.0	-	N/A
		Selenium		0.04	-	N/A
		Boron		3	-	N/A
		Iron		7.5	-	N/A
		Barium		6	-	N/A
		Trichloroethylene		9	-	N/A
		Phenol & phenolic substances[e]		0.5	-	N/A
		Chloride		450	-	N/A

Hi-tech (Part 5/5)

Industry	Major Types of Pollution	Pollutants	Limits		Comparison
			Philippines[a]	Mainland China[b]	
Hi-tech	Air Pollutants mg/m^3	TVOC	-	150	N/A
		NMHC	-	100	N/A
	Noise Emission dB (A)	Noise limits for boundary of industrial enterprise	-	Daytime 65 Night 55	N/A
		Noise limits for light industrial areas	Daytime 70 Night 60	-	N/A
		Noise limits for heavy industrial areas	Daytime 75 Night 65	-	N/A
	Hazardous Waste	Hazardous wastes are required to be disposed by a qualified third party. For more hazardous waste information, please refer to II.A of this section.			

Note:

a. *Philippines Standards: General Effluent Standards[18], Pollution From Stationary Sources[8], and Environmental Quality Standards for Noise in General Areas[19].*

b. *China Standards: Emission Standard of Pollutants for Electrical Industry[20], and Emission Standard for Industrial Enterprises Noise at Boundary[21].*

c. *The limit value of BOD in wastewater discharged in the table applies to establishments with influent BOD less than 3,000 mg/L. For establishments with influent BOD on the range of 3,000-6500 mg/L (6500 not included), the limit value of BOD in wastewater discharged is 100 mg/L. For establishments with influent BOD on the range of 6,500-10,000 mg/L (10,000 not included), the limit value of BOD in wastewater discharged is 200 mg/L. For establishments with influent BOD on the range of 10,000-30,000 mg/L, the limit value of BOD in wastewater discharged is 600 mg/L. For establishments with influent BOD greater than 30,000 mg/L, the limit value of BOD in wastewater discharged is 900 mg/L.*

d. *The value applies to manufacturers who run aluminum electrolytic capacitors electrode foil .*

e. *Phenols include 2-chlorophenol, 2, 4-dischlorophenol, and 2,4,6-trichlorophenol.*

Food & Beverage, Chemicals & Plastics[19]

Food & beverage industry is one with some obvious characteristic pollutants, such as COD, TSS, and other organic substances in the wastewater. There are special standards in Mainland China focusing on targeted industries such as Discharge Standard of Water Pollutants for Sugar Industry, Discharge Standard of Water Pollutants for Meat Packing Industry, etc. In Philippines, the relevant standards for pollutants are General Effluent Standards.

Compared with other industries, chemicals & plastics industry involves more significant potential environmental risk. Mainland China has established special standards focusing on industries such as Emission Standards of Pollutants for Inorganic Chemical Industry, Emission Standard of Pollutants for Nitric Acid Industry, Emission Standard of Pollutants for Sulfuric Acid Industry, etc. In Philippines, the chemicals & plastics industry should be in compliance with the General Effluent Standards. However, for air pollutants, there are specific limits regulated in pollution from stationary sources such as NO_X for industries related manufacture of nitric acid and SO_X for industries related manufacture of sulfuric acid and so on.

General Industries (Part 1/2)

General industries refer to those industries which do not produce massive or characteristic pollutants (such as the logistics & transportation industry, furniture industry, etc.). Such industries should be in compliance with the general effluent standards available in both countries.

The following table compares the general effluent/emission standards of Philippines and Mainland China:

Industry	Major Types of Pollution	Pollutants	Limits		Comparison
			Philippines[a]	Mainland China[b]	
General Industries	Water Pollutants mg/L (Except pH)	pH	6.0-9.5	6.0-9.0 (6.0-9.0)	↓ (↓)
		Total suspended solids	100	150 (70)	↑ (↓)
		COD	100	150 (100)	↑ (=)
		BOD	50[c]	30 (20)	↓ (↓)
		Ammonia as NH_3-N	0.5	25 (15)	↑(↑)
		Sulfide	-	1.0 (1.0)	N/A
		Sulfate	550	-	N/A
		Formaldehyde	-	2.0 (1.0)	N/A
	Air Pollutants mg/m^3	NMHC	-	120	N/A
	Noise Emission dB (A)	Noise limits for boundary of industrial enterprise	-	Daytime 65 Night 55	N/A
		Noise limits for light industrial areas	Daytime 70 Night 60	-	N/A
		Noise limits for heavy industrial areas	Daytime 75 Night 65	-	N/A
	Hazardous Waste	Hazardous wastes are required to be disposed by a qualified third party. For more hazardous waste information, please refer to II.A of this section.			

General Industries (Part 2/2)

Note:

a. *Philippines Standards: General Effluent Standards[18], Pollution From Stationary Sources[8], and Environmental Quality Standards for Noise in General Areas[19].*

b. *China Standards: Integrated Wastewater Discharge Standard[24], Integrated Emission Standard of Air Pollutants[23], and Emission Standard for Industrial Enterprises Noise at Boundary[21].*

c. *The limit value of BOD in wastewater discharged in the table applies to establishments with influent BOD less than 3,000 mg/L. For establishments with influent BOD on the range of 3,000-6500 mg/L (6500 not included), the limit value of BOD in wastewater discharged is 100 mg/L. For establishments with influent BOD on the range of 6,500-10,000 mg/L (10,000 not included), the limit value of BOD in wastewater discharged is 200 mg/L. For establishments with influent BOD on the range of 10,000-30,000 mg/L, the limit value of BOD in wastewater discharged is 600 mg/L. For establishments with influent BOD greater than 30,000 mg/L, the limit value of BOD in wastewater discharged is 900 mg/L.*

III. The Main Local Supporting Organisations / Agencies in Philippines

Philippines has developed a complicated environmental management system along a relatively long history. Owners as well as operators of the factory shall carefully identify pollutants classification and application procedures accordingly.

To ensure environmental compliance and to maintain a good relationship with the public, the investor should pay attention to the environment survey, license application and must meeting the local discharge standards in design-build and operation periods.

The following tables list out the main local organisations and agencies providing relevant environmental related support services.

A. EDD Services in Philippines

Agency/ Organisation	Service Coverage	Contact
PwC	• Environmental Due Diligence; • Environmental and Social Risk Management; • Environmental and Health and Safety (EHS) Regulatory Compliance Assessments; and • Independent assurance, etc.	+63 (2) 845 2728
SLP Environmental	• Environmental Due Diligence; • Technical Assistance & Advisory Services; and • Environmental & Social Impact Assessment, etc.	+ 66 (0) 2168 7016 (ASEAN headquarters)
Apercu Consultants, Inc.	• Environmental Due Diligence; • Environmental Impact Assessment (EIA); and • Environmental Performance Report and Management Plan (EPRMP), etc.	+63 (2) 929 2778
Pacific Spectrum Environmental Research and Consultancy, Inc.	• Environmental Due Diligence; • Environmental Compliance Reporting; • Environmental Monitoring and Sampling; and • Environmental Impact Assessment, etc.	+63 (2) 637 8669

B. EIA Supporting Service in Philippines

Agency/ Organisation	Service Coverage	Contact
Pacific Spectrum Environmental Research and Consultancy, Inc.	• Environmental Due Diligence; • Environmental Compliance Reporting; • Environmental Monitoring and Sampling; and • Environmental Impact Assessment Modules & Environmental Audit, etc.	+63 (2) 637 8669
Apercu Consultants, Inc.	• Environmental Due Diligence; • Environmental Impact Assessment (EIA); • Environmental Performance Report and Management Plan (EPRMP); and • Monitoring Surveys, etc.	+63 (2) 929 2778
Prism Express	• Environmental and Social Impact Assessment; • Environmental Management Advisory Services; • Solid Waste Management; and • Environmental/Compliance Audit, etc	+63 (2) 865 1223

For full list of EIA consulting company, please refer to: eia.emb.gov.ph/?page_id=481

C. Environmental Monitoring Service in Philippines

Agency/ Organisation	Service Coverage	Contact
Berkman Systems, Inc.	• Operation, Maintenance and Monitoring – Air, Water, and Noise; • Environmental Impact Assessment (EIA) Studies; • Wastewater and Sewerage Treatment Facilities; and • Environmental Management Services, etc.	+63 (2) 863 6129
Triple i Consulting, Inc.	• Self Monitoring and Compliance Reporting; • Environmental Impact Assessment; • Environmental Compliance Certificate; and • Pollution Control Cases; etc.	+63 (2) 551 9012-13
AMETEK MOCON	• On-Line Gas Chromatographs; • Hydrocarbon Analyzers; • OEM Sensors & Detectors; • Specialty & Industrial Gas Analyzers; • Toxic Gas Monitoring; and • Environmental Monitoring, etc.	+63 (2) 912 9227

D. Waste Disposal and Recycling Services in Philippines

Agency/ Organisation	Service Coverage	Contact
Tana Oy	• Landfill Operations; • Recycling of Waste Tyres; • Recycling of Municipal Solid Waste; and • Recycling of Construction and Demolition Waste, etc.	+63 (32) 520 2214
ANDRITZ HYDRO, Inc.	• WEEE And Refrigerators Recycling; • Metals Recycling and Special Processing; • Recycling of Wood Waste; and • Recycling of Organic Waste, etc.	+63 (2) 501 5093
Wacuman Incorporated	• Waste Disposal Facility; • Waste Hauling Services; • Material Recovery Facility; and • Environmental Consultancy, etc.	+63 (2) 990 2613
Cebu Megalube	• Hazardous Waste Treatment Service; • Hazardous Waste Transport Service; and • Marine Oily Waste Disposal, etc.	+63 (32) 268 3043
Genesis Water Technologies, Inc.	• Wastewater Solutions; • Process Water Solutions; • Drinking Water Solutions; and • Water Treatment Media Solutions, etc.	+63 (2) 771 1159

For a full list of Treatment, Storage, and Disposal facilities, please refer to: emb.gov.ph/wp-content/uploads/2019/05/List-of-TSD-Facilities-for-posting-April-30-2019.pdf

For a list of transporters, please refer to: emb.gov.ph/wp-content/uploads/2019/05/List-of-HW-Transporters-for-posting-April-30-2019.pdf

Source:

[1] *Presidential Decree No. 1151 Philippine Environmental Policy , 1977*

[2] *DENR Mandate, Vision and Mission, DENR 2019*

[3] *EMB Vision and Mission, Environmental Management Bureau, EMB 2019*

[4] *Presidential Decree No. 1152 Philippine Environment Code, 1977*

[5] *Presidential Decree No. 1586 on Establishing an Environmental Impact Statement System, 1978*

[6] *DENR Administrative Order No. 2003-30 on Implementing Rules and Regulations (IRR) for the Philippine Environmental Impact Statement (EIS) System, DENR 2003*

[7] *Proclamation No. 2146 Proclaiming Certain Areas And Types Of Projects As Environmentally Critical And Within The Scope Of The Environmental Impact Statement System Established Under Presidential Decree No. 1586, 1981*

[8] *Republic Act No. 8749 Philippine Clean Air Act , 1999*

[9] *Republic Act No. 9003 Ecological Solid Waste Management, 2001*

[10] *Republic Act No. 9275 Philippine Clean Water Act, 2004*

[11] *Joint Statement of China and ASEAN Leaders on Sustainable Development, 2010*

[12] *China-ASEAN Environmental Protection Cooperation Strategy 2016-2020, 2017*

[13] *Discharge Permit for Wastewater Effluent , Triple i Consulting 2012*

[14] *Requirements For Environmental Impact Assessment System, aboutphilippines.org 2019*

[15] *EMB Memorandum Circular No.2019-003 on Updated Guidelines in the Processing and Issuance of ECC for Category B Projects*

[16] *EMB Memorandum Circular No.2015-003 on Implementing of Online Processing of Certificate of Non-Coverage (CNC) Applications for Category D Projects under PEISS*

[17] *Environmental Permit, Triple i Consulting 2019*

[18] *Water Quality Guidelines and General Effluent Standards, 2016*

[19] *Environmental Quality Standards for Noise in General Areas, 1988*

[20] *Emission Standard of Pollutants for Electrical Industry,2nd Edition for Suggestion*

[21] *Emission Standard for Industrial Enterprises Noise at Boundary, 2008*

[22] *Discharge Standard for Water Pollutants in Textile Dyeing and Finishing Industry ,GB 4287-2012*

[23] *Integrated Emission Standard of Air Pollutants, GB 16297-1996*

[24] *Integrated Wastewater Discharge Standard, GB 8978-1996*

[25] *Republic Act No. 6969 Toxic Substances and Hazardous and Nuclear Wastes Control, 1990*

[26] *Republic Act No. 9483 Oil Pollution Compensation Act, 2007*

Appendix

Appendix 1

List of Foreign-owned Bank Branches and Representative Offices in the Philippines (Part 1/2)

#	Bank Type	Bank
1	Commercial Bank Branch	Bangkok Bank Public Co. Ltd.
2		Bank of America, N.A.
3		Bank of China Limited – Manila Branch
4		Citibank, N.A.
5		JP Morgan Chase Bank, N.A.
6		KEB Hana Bank – Manila Branch
7		Mega International Commercial Bank Co., Ltd.
8		MUFG Bank, Ltd.
9		Chang Hwa Commercial Bank, Ltd. – Manila Branch
10		CIMB Bank Philippines Inc.
11		Industrial and Commercial Bank of China Limited – Manila Branch
12		First Commercial Bank, Ltd., Manila Branch
13		Cathay United Bank Co., LTD. – Manila Branch
14		Shinhan Bank – Manila Branch
15		Sumitomo Mitsui Banking Corporation – Manila Branch
16		Industrial Bank of Korea Manila Branch
17		United Overseas Bank Limited, Manila Branch
18		Hua Nan Commercial Bank, Ltd. – Manila Branch
1	Representative Office	Wells Fargo Bank National Association
2		Korea Development Bank Representative Office

Appendix 1

List of Foreign-owned Bank Branches and Representative Offices in the Philippines (Part 2/2)

#	Bank Type	Bank
3	Representative Office	Credit Suisse AG Representative Office, Philippines
4		Bank of Taiwan Representative Office
5		Bank of Singapore Limited Philippine Representative Office
6		DBS Bank, Ltd.
7		Japan Bank For International Cooperation
8		Rothschild (Singapore) Limited Philippine Representative Office
9		The Bank of New York Mellon
10		Korea Eximbank Manila Representative Office
11		UBS AG Philippine Representative Office
12		The Ogaki Kyoritsu Bank, Ltd. Representative Office
13		State Bank of India

Appendix 2

Breakdown of Operating Economic Zones by Region

Region	Major City	Manufacturing	IT	Agro-Industrial	Tourism	Medical Tourism
National Capital Region (NCR)	Manilla	6	155	0	5	1
Cordillera Administrative Region (CAR)	Baguio City	1	3	0	1	0
Region 1	Pangasina, illocos Norte	1	3	0	1	0
Region 2	Isabela	0	0	1	0	0
Region 3	Bataan, Bulacan, Pampanga	12	9	0	0	0
Region 4	Batangas, Cavite, Palawan	36	14	3	4	1
Region 5	Camarines Norte	1	5	0	2	0
Region 6	San Carlos City	1	18	1	2	0
Region 7	Cebu	7	39	2	3	0
Region 8	Leyte	1	2	2	0	0
Region 9	Zamboanga Del Norte	0	0	1	0	0
Region 10	Misamis Oriental, Lanao Del Norte	4	2	3	1	0
Region 11	Davao City, Davao Del Norte	2	11	3	0	0
Region 12	General Santos City	1	1	6	0	0
Caraga	Surigao Del Norte	1	0	0	0	0

Appendix 3

The Main Environmental Laws/Regulations in Philippines

Department of Environment and Natural Resource	1	Presidential Decree No. 1152 Philippine Environment Code (1977)[4]
	2	Republic Act No. 8749 Philippine Clean Air Act (1999)[8]
	3	Republic Act No. 9275 Philippine Clean Water Act (2004)[10]
	4	Republic Act No. 6969 Toxic Substances and Hazardous and Nuclear Wastes Control (1990)[25]
	5	Republic Act No. 9483 Oil Pollution Compensation Act (2007)[26]
	6	Republic Act No. 9003 Ecological Solid Waste Management (2001)[9]

The Main Environmental Ambient Standards in Philippines

Ambient Standards	1	Water Quality Guidelines for Primary Parameters[18]
	2	Water Quality Guidelines for Secondary Parameters-Inorganics[18]
	3	Water Quality Guidelines for Secondary Parameters-Metals[18]
	4	Water Quality Guidelines for Secondary Parameters-Organics[18]
	5	National Ambient Air Quality Guideline Values[8]
	6	National Ambient Air Quality Standards for Source Specific Air Pollutants from Industrial Sources/Operations[8]

Appendix 3

The Main Environmental Effluent Standards in Philippines

Effluent Standards	1	General Effluent Standards[18]
	2	Effluent Standards for BOD Applicable to Establishments with Influent BOD of ≥ 3,000 mg/L[18]
	3	Pollution From Stationary Sources[8]
	4	Environmental Quality Standards for Noise in General Areas[20]

Appendix 4

List of Projects which are Applicable for IEEC

Industries	Type of Projects	Limits
Chemicals & Plastics	Organic Fertilizer Manufacturing (Composting) Facilities	With an annual production capacity exceeding 10,000 bags (50kg/bag)
	Plastic Recycling	None
Logistics & Transportation	Cold chain	Stationary/fixed facility used for storing agricultural products and shall be a component of Sustainable Logistics Dev't Program of Development Bank of the Philippines (DBP)
	Ro-ro terminal	Under the Sustainable Logistics Dev't Program (SLDP) of DBP with Access Roads (= or less than 10 kilometers) and Terminal Facilities (= and above 1,000 sq. m. to 10,000 sq. m. of floor area)

Glossary – Section 1 to 9 Operational Requirements

AEP	Alien Employment Permit
AFTA	ASEAN Free Trade Agreement
AHTN	ASEAN Harmonised Tariff Nomenclature
ASEAN	Association of Southeast Asian Nation
BIR	Bureau of Internal Revenue
BOI	Board Of Investment
BSTI	Business Innovation Through S&T programme
CIT	Corporate Income Tax
CMTA	Customs Modernization and Tariff Act
CRADLE	Collaborative Research and Development to Leverage Philippines Economy
DOLE	Department of Labour and Employment
DOST	Department of Science and Technology
DTI	Department of Trade and Industry
EFTA	European Free Trade Association
EZ	Economic Zones
FDI	Foreign Direct Investment
FIA	Foreign Investments Act of 1991
FINL	Foreign Investment Negative List
FTA	Free Trade Agreement
GDP	Gross Domestic Product
HDMF	Home Development Mutual Fund

HEI	High Education Institution
HNRDA	Harmonized National Research and Development Agenda
ICT	Information and Communications Technology
IP	Intellectual Property
IPP	Investment Priorities Plan
ITH	Income Tax Holiday
LISP	Light Industry and Science Park
MCIT	Minimum Corporate Income Tax
MICT	Manila International Container Terminal
MTCs	Collectively: Metropolitan Trail Courts, Municipal Trial Courts, the Municipal Trial Courts in Cities, and Municipal Circuit Trial Courts
MW	Megawatt
NHIP	National Health Insurance Program
NICER	Niche Centers in the Regions for R&D programme
NSTP	National Science Technology Plan 2002-2020
ODA	Official Development Assistance
OPC	One person corporation
PAS	Philippine Accounting Standards
PCA	Philippine Competition Act
PCC	Philippine Competition Commission
PEZA	The Philippine Economic Zone Authority
PFRS	Philippine Financial Reporting Standard
PPP	Public Private Partnerships
PS-DBM	Procurement Service of the Department of Budget and Management
R&D	Research and Development

RCEP	Regional Comprehensive Partnership
RDLead	R&D Leadership programme
RHQ	Regional or Area Headquarters
ROHQ	Regional Operating Headquarters
S&T	Science and Technology
SEC	Securities Exchange Commission
SEZ	Special Economic Zone
SPPI	Science Park of the Philippines Inc.
SSS	Social Security System
STI	Science, Technology and Innovation
VAT	Value Added Tax

Glossary – Section 10 Environmental Requirements

AOX	Absorbable Organic Halogen
ASEAN	Association of Southeast Asian Nations
BOD	Biochemical Oxygen Demand
CNC	Certificate of Non-Coverage
COD	Chemical Oxygen Demand
DAO 2003-30	DENR Administrative Order No. 2003-30
DBP	Development Bank of the Philippines
DENR	Department of Environment and Natural Resources
ECA	Environmentally Critical Areas
ECC	Environmental Compliance Certificate
ECP	Environmentally Critical Projects
EDD	Environmental Due Diligence
EIARC	Environmental Impact Assessment Review Committee
EMB	Environmental Management Bureau
IEE	Initial Environmental Examination
IEEC	Initial Environmental Examination Checklist
IEER	Initial Environmental Examination Report
NMHC	Non-methane Volatile Organic Compounds
PDR	Project Description Report
PEISS	Philippine Environmental Impact Statement System
PSIC	Philippine Standard Industrial Classification

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