

Office of the President
of the Philippines
Malacañang

MPN 13378

MEMORANDUM ORDER NO. 169

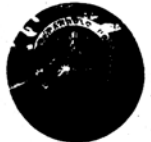
APPROVING THE 2005 INVESTMENT PRIORITIES PLAN

Pursuant to Article 29 of the Omnibus Investment Code of 1987, the attached 2005 Investment Priorities Plan (IPP) is hereby approved.

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

Done in the City of Manila, this 26th of April in the year of Our Lord, Two Thousand and Five.

Gloria Araya



By the President:

Eduardo R. Ermita

EDUARDO R. ERMITA
Executive Secretary

Part I
PRIORITY INVESTMENT AREAS

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

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

I. PREFERRED ACTIVITIES

A. Agribusiness

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

B. Healthcare and Wellness Products and Services

This covers hospital services, medical and dental services, other human health and wellness services (including services in the field of nursing care, rehabilitation and recuperation, spas), retirement villages and related services located either in identified medical zones¹ or outside Metro Manila when catering mainly to foreigners and non-residents. This also covers the manufacture of drugs and medicines in accordance with the Philippine Drug Formulary of the Department of Health (DOH), supplements limited to Vitamin A, iron and iodine for use in the Food Fortification Law, and herbal medicines.

C. Information and Communications Technology

This covers IT and IT-enabled services and ICT support services located either outside Metro Manila or in identified IT hubs.

D. Electronics

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

E. Motor Vehicle Products

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

¹ **Medical zones** are selected areas declared by the President upon the recommendation of the Board of Investments, which are developed into centers for professional health care provided by physicians and nurses, for the treatment of inpatients and diagnosis and/or therapy of outpatients, inclusive of emergency medical services, with large numbers of beds for intensive care and long-term care, facilities for surgery and childbirth, bioassay laboratories, trauma centers, children's hospitals, seniors' hospitals, and hospitals for dealing with specific medical needs. It shall include affiliation with universities for medical research and the training of medical personnel.

establishment and operation of Centers of Excellence that support the development of the motor vehicle industry.

F. Energy

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

G. Infrastructure

This covers the establishment of infrastructures such as business parks, mass housing, mass transport involving rail system, physical infrastructure such as roads and bridges, telecommunications involving at least 3rd generation cellular mobile telephone system (CMTS) and rural telephony system located in less developed areas (LDA), and logistics. Logistics covers: agricultural services involving post harvest facilities, grains-highway facilities, cold storage, blast freezing, vapor heat treatment (VHT), and ice plants in less developed areas (LDA); air and land transport; multi-modal passenger and/or cargo terminals; pipeline operations; toxic and hazardous waste (THW) management; and, water supply, treatment, and distribution. This also covers infrastructure projects under the BOT Law.

H. Tourism

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

I. Shipbuilding/Shipping

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

J. Jewelry

This covers the manufacture of fine jewelry and costume jewelry.

K. Fashion Garments

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

II. OTHER PREFERRED ACTIVITIES

This covers the following:

- A. **Other export activities** not identified under Part I (I).
- B. **Industry clusters** supporting activities under Part I (I) and (III).
- C. **Modernization activities** under Part I (I) and (III) and Part I (II) (B).

Notes to Part I (II):

- 1. **Other export activities** shall be entitled to limited incentives.
- 2. **Industry cluster** covers horizontal and vertical linkages. Horizontal and vertical-backward linkages are limited to first-tier activities only. Raw materials for vertical-forward linkages under "Agribusiness" and "Mining" should be wholly obtained.

III. MANDATORY INCLUSIONS

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

<u>LAW</u>	<u>ACTIVITY</u>
P.D. 705	Industrial Tree Plantation
R.A. 7103	Iron & Steel
R.A. 7942	Exploration, mining, quarrying, and processing of minerals
R.A. 8047	Publication or printing of books or textbooks ²
R.A. 8479	Refining, storage, marketing and distribution of petroleum products ²
R.A. 9003	Ecological Solid Waste Management ²
R.A. 9275	Clean Water Act ²
R.A. 7277	Rehabilitation, Self-Development and Self-Reliance of Disabled Persons
	Activities covered under Bilateral Agreements ²

IV. ARMM List

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

1. Export Activities

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

2. Agriculture, Food and Forestry-Based Industries

- a. Processed Food
 - Production and processing of halal meat and halal foods
 - Leguminous and other vegetable-based protein (textured, pelletized or liquid)
 - Spices processing (e.g. hot pepper, black pepper, ginger, etc.)
Note: May be integrated with plantation
 - Vegetable oils (e.g. peanut oil, rice bran oil, sunflower and soybean oil) and production of food crops
Note: Maybe integrated with post-harvest processing and other vegetables (such as tomatoes)
 - Integrated coconut processing and plantation
 - Seaweeds production and processing
 - Cassava processing and root crops
Note: Maybe integrated with plantation.
 - Fruit processing (e.g. durian, mangosteen, jackfruit, marang, banana, mango, passion guava, calamansi, and guyabano) and plantation
 - Aquaculture (Fish Production and Processing) such as, but not limited to:
 - Frozen fish
 - Chilled fish
 - Canned fish
 - Abalone
 - Crab fattening
 - Eel production

² Excluded from Industry Clusters.

- Squid processing
 - Carp and tilapia production and processing
 - Tropical fish production and processing
 - Shrimps/prawn
 - Lapu-lapu (Grouper) and other marine products
 - Corn flour mill (integrated with plantation)
 - Young corn production
 - Note: May include processing/canning
 - Mushrooms culture and processing
 - Sweet potato plantation and processing
 - Crocodile farming and processing
- b. Cutflower Production
- c. Pearl Culture and Processing
- d. Industrial Tree Plantation (include Mangrove, Rattan, Bamboo, etc.) and wood processing (cement wood board and fiberboard) reconstructed veneer.
- e. Shipbuilding / Ship Breaking / Ship Repair and Watercraft
- f. Abaca Pulp Production and Processing
- g. Palm Oil Plantation, Processing, Refining and Germinated Oil Palm Seeds
- h. Coffee Processing (maybe integrated with plantation)
- i. Particle Board (use of agri-based waste material such as rice straw, wood waste, etc.)
- j. Activated Carbon Manufacturing (use of coconut shell, wood based, etc.)
- k. Feeds Production (animal feeds and feeds for aquaculture)
- l. Tobacco Plantation and Processing
- m. Production of Beverage Crops, but not limited to:
- Cacao beans
 - Coffee beans (Arabica variety)
- n. Production of Plantation Crops and Other Medical Herbs/Essential Oil Plants (including flower extracts)
- o. Production of Livestock and Poultry (including Dairy products)
- Beef (including cow-calf and feedlot operations)
 - Carabao (water buffalo) production
 - Goats and sheep
 - Frozen semen and embryos
- Note: includes natural method and artificial insemination and embryo transfer technology*
- p. Bricks and Roofing Tiles Production
- q. Quality Seeds and Seedlings of Fruit Trees and Other Planting Materials Propagated Asexually or by Tissue Culture
- r. Sugar Cane Plantation, Processing and Refineries

s. Sericulture

t. Mosquito Coil Processing

3. Basic Industries

a. Pharmaceuticals

- Antibiotics
 - Penicillin
 - Streptomycin
 - Tetracycline
 - Soft gelatin capsules
- Medical Devices
 - Prosthetics
 - Diagnosis
- Other pharmaceuticals, herbal medicines

b. Textile and Textile Products

- Yarns and fabrics
- Hand-woven textiles
- Specialty fabrics
- Tire cord fabrics
- Note: Must be integrated with weaving and dipping units
- Ramie (degummed, staple fiber, combed tops, noels and slivers)
- Fish nets
- Fabrics made of indigenous raw materials
- Silk reeling

c. Fertilizers (organic and inorganic)

- Solid Waste Materials

d. Mining (Exploration and Development of Mineral Resources)

- Mining and Quarrying of Metallic and Non-Metallic Minerals (including small scale as defined under P.D. 1899, but to exclude river beds in operations)
- Processing of minerals (such as beneficiation and other metallurgical methods)

e. Cement – at least 1.0 million MTPY Capacity (clinker based)

4. Consumer Manufactures

a. Rubber Products such as:

- High pressure and hydraulic rubber hoses
- Rubber bolts
- Industrial rubber rollers
- Rubber tires

b. Leather Products

5. Infrastructure and Services

a. Public Utilities (with developmental route of the five provinces and one city of the ARMM and other adjacent Cities and Provinces)

- Common carriers (land, air and water transport facilities)
- Electric transmission/distribution
- Water supply facilities/waterways and sewerage systems
- Buses/cargo trucks

- Other specialized mass transport systems
- Power generation like Hydro Power, and Geothermal

b. Telecommunications with International Gateways

c. Tourism

- Tourism estates
 - Subject to guidelines developed jointly by the Board of Investments – ARMM and Department of Tourism (DOT)
- Tourist accommodation facilities
 - Hotels
 - Resorts
 - Other tourist accommodation facilities such as appartels, pension houses, tourist inns, and others
- Tourist transport facilities
 - Air
 - Water
 - Tourist buses and taxi/van

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

d. Industrial Service Facilities

This will cover the following activities:

- Common centers:
 - Testing and quality control laboratories
 - Training and demonstration centers
 - Tool shops and similar facilities
 - Metal working
 - ◆ Electroplating
 - ◆ Foundry
 - ◆ Forging
 - ◆ Machining
 - ◆ Heat treatment
 - ◆ Brass making
 - Furniture
 - ◆ Kiln drying
 - ◆ Treatment and processing facilities
 - Ceramics
 - ◆ Kiln
 - ◆ Glazing
 - Food Processing
 - ◆ Bottling and Canning of Water
 - ◆ Industrial Salt
 - ◆ Vapor heat treatment
 - ◆ Slaughterhouse/abattoir
 - Automotive battery plate manufacturing

Note: The following criteria must be met:

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

- Development of Retirement Villages

- Shall include health and medical facilities including amenities required by the Philippine Leisure and Retirement Authority (PLRA).
- Subject to the guidelines to be approved by BOI-ARMM in consultation with the PRA, the Department of Health (DOH), the Regional Planning and Development Office (RPDO) and other concerned agencies.

e. Petrochemical Complex

f. Industrial Gases (such as oxygen and nitrogen)

g. Miscellaneous Chemical Products

- Biotechnological/biosynthetic chemicals
- Essential oils
- Fine chemicals

6. Engineering Industries

a. Engineering Products

- Motor vehicle parts and components
- Automobile parts and assembly
- Modern offset printing

b. Electronics and Telecommunication Products

7. ARMM Priority and Tourism Areas

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

NUCLEUS	GATEWAY	SATELLITE DESTINATION
Area I - Sulu	Jolo	Sulu Province
Area II - Tawi-Tawi	Bongao	Tawi-Tawi Province
Area III - Lanao del Sur	Marawi City	Lanao del Sur Province
Area IV - Maguindanao	Cotabato City	Maguindanao Province
Area V - Basilan	Isabela	Basilan Province