

MALACAÑANG
Manila

BY THE PRESIDENT OF THE PHILIPPINES

MEMORANDUM ORDER NO. 247

APPROVING THE 2007 INVESTMENT PRIORITIES PLAN

Pursuant to Article 29 of the Omnibus Investments Code of 1987, the attached 2007 Investment Priorities Plan (IPP) is hereby APPROVED.

Upon the effectivity hereof, all government departments, agencies, bureaus, or instrumentalities including government-owned and/or controlled corporations are hereby directed to be cognizant of the 2007 IPP and shall endeavor to adopt policies and courses of action consistent herewith.

This Memorandum Order shall take effect fifteen (15) days after its complete publication in at least one (1) newspaper of general circulation as required by Article 31 of the Omnibus Investments Code of 1987.

DONE in the City of Manila, this 13th of June in the year of Our Lord, Two Thousand and Seven.

By the President:



EDUARDO R. ERMITA
Executive Secretary



FOREWORD

The 2007 Investment Priorities Plan (IPP) shall continuously support the Administration's vision of "**Propelling the Nation to 1st World Country Status in 20 Years**". It shall remain in representing the development thrust of the government for sustained and equitable economic growth as espoused in the 10-point agenda of the Macapagal-Arroyo Administration. The IPP was prepared by the Board of Investments (BOI), as the national lead agency in promoting investments, in cooperation with concerned government agencies.

The 2007 IPP shall continue to focus on sustaining the economic momentum the country has attained while persistently pushing towards a strong, stable and sustainable republic. It shall carry on the task of fulfilling the realization of the Administration's goal of generating jobs, providing food and delivering basic services to the people.

This year's IPP contains the following list of priority areas:

The **Preferred Activities** covers the identified eleven (11) investment areas that were recommended by the concerned agencies and private sector to support their respective programs.

The **Mandatory Inclusions** covers all areas/activities where the inclusion in the IPP and/or the grant of incentives under E.O. 226 is mandated by law.

The **Export Activities** covers the manufacture of non-traditional export products and activities in support of Exporters.

The **Projects under the Retention, Expansion and Diversification (R. E. D.) Program** refers to activities of existing investors either considered as global players or engaged in strategic industries that are encouraged for retention, expansion or diversification of their operations in the country.

In general, activities under these lists shall be eligible to incentives prescribed under E.O. 226, as amended, subject to the General Policies and Specific Guidelines issued by the BOI.

This year's IPP will continue to utilize the Industry Cluster approach to enhance industrial competitiveness, promote investments in the countryside, develop micro, small and medium enterprises (MSMEs) and support the One Town, One Product (OTOP) Program as it applies to the activities listed in the IPP. The modernization of existing activities as well as the establishment and operation of Centers of Excellence and Training Institutions to support the human resources requirements of the preferred activities are also encouraged.

Finally, the **ARMM List** covers priority areas that have been independently determined by the Regional Board of Investments (RBOI) of the Autonomous Region of Muslim Mindanao (ARMM) in accordance with E.O. 458. The economic activities listed in the ARMM shall be entitled to incentives only when said activities are

undertaken within the ARMM region. However, the economic activities listed in the **Preferred Activities, Mandatory Inclusions, Export Activities, and Projects under the R. E. D. Program**, may also be undertaken within the ARMM.

The preparation and formulation of the 2007 IPP was undertaken through the concerted efforts of the IPP Inter-Agency Working Group headed by the Board of Investments (BOI), in coordination with the BOI-Autonomous Region of Muslim Mindanao (BOI-ARMM), Presidential Management Staff (PMS), the National Economic Development Authority (NEDA), the Departments of Finance (DOF), Agriculture (DA), Environment and Natural Resources (DENR), Transportation and Communications (DOTC), Tourism (DOT), Energy (DOE), Science and Technology (DOST), National Telecommunications Commissions (NTC), Housing and Urban Development Coordinating Council (HUDCC), Education (DepED), National Book Development Board (NBDB), Philippine Retirement Authority (PRA), Export Development Council (EDC), and Trade and Industry (DTI). Consultative meetings with various government agencies were held including Public Hearings attended by representatives from various sectors in Manila, Cebu, and Davao.



PETER B. FAVILA
Chairman, Board of Investments
Secretary, Department of Trade and
Industry

Part I
PRIORITY INVESTMENT AREAS

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

The grant of incentives to firms under the 2007 IPP is subject to the powers of the BOI pursuant to Article 7 paragraph 3 of EO 226, to wit:

"ART. 7 Powers and Duties of the Board. xxx

(3) Process and approve applications for registration with the Board, imposing such terms and conditions it may deem necessary to promote the objectives of this Code, including refund of incentives when appropriate, restricting availment of certain incentives not needed by the project in the determination of the Board x x x"

In general, all projects with sovereign guarantee and/or government guaranteed rate of return shall not be entitled to income tax holiday (ITH).

Industry Cluster and modernization activities as well as the establishment and operation of Training Institutions/Centers of Excellence are applicable to all listed activities except when specifically excluded.

I. PREFERRED ACTIVITIES

A. Agriculture/Agribusiness and Fishery

This covers commercial production and commercial processing of agricultural and fishery products including their by-products and wastes, feeds and organic fertilizers and establishment of post harvest facilities.

B. Information and Communications Technology (ICT) ¹

This covers contact centers, business/knowledge process outsourcing, software development, animation, data transcription, engineering design, and ICT support services.

C. Electronics ²

This covers Original Design Manufacturing (ODM), electronics manufacturing services (EMS), IC design, the manufacture of electronic products (except home appliances), and their inputs.

¹ The same ICT activities are also encouraged under Export Activities.

² The same Electronics activities including the manufacture of parts and components of electronic products and their inputs and production supplies such as molds and dies, precision tools, etc. used by the electronics industry are also encouraged under Export Activities.

D. Motor Vehicle Products

This covers the manufacture or assembly of motor vehicles under the Motor Vehicle Development Program and the production of their parts and components.

E. Energy

This covers power generation using renewable and other energy sources using environmentally-friendly technologies (except oil-fired power generating plants), power transmission, and activities using energy technologies leading to energy efficiency and conservation such as production, blending, storage, and handling of biofuels, compressed natural gas (CNG) vehicle conversion shops, and CNG refueling stations.

F. Infrastructure

This covers the development of infrastructure, logistics, transport systems, telecommunications facilities (limited only to unserved areas), low cost mass housing, and infrastructure projects under the Build-Operate-Transfer (BOT) Law.

G. Tourism ³

This covers the establishment of tourist accommodation facilities, resorts, retirement villages, and medical tourism (healthcare and wellness products and services).

H. Shipbuilding/ Shipping ⁴

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

I. Iron and Steel

This covers basic iron and steel-making facilities; production of flat hot-/cold-rolled products may be covered provided it is integrated with an upstream facility.

J. Research and Development (R&D)/Training Institutions

This covers commercial R & D activities of private firms and research institutions and in-house R & D activities of manufacturing/services firms.

This also covers establishment of Centers of Excellence and training institutions specializing in developing skills for manufacturing, agriculture, fishery, mining, tourism, infrastructure, information technology (IT), and services (including the training of maintenance personnel, complying with international standards and the development of environmental/sustainable disciplines, i.e., pollution control officers/managers, environmental auditors).

³ Industry cluster is not applicable.

⁴ The establishment and operation of Centers of Excellence is limited only to Shipbuilding.

K. Machinery and Equipment

This covers the production of machinery and equipment in support of the activities listed in the IPP.

II. MANDATORY INCLUSIONS

These cover all areas and activities, as provided for under existing laws, specifically require their inclusion in the IPP.

LAW	ACTIVITY
P.D. 705	Industrial Tree Plantation This covers the establishment of forest plantations of timber and non-timber species (excluding fruit trees) for commercial and industrial purposes.
R.A. 7942	Exploration, Mining, Quarrying, and Processing of Minerals ⁵ This covers the exploration, development and utilization of mineral resources.
R.A. 8047	Publication or Printing of Books or Textbooks ⁶ This covers the publication, printing, and re-printing of books and textbooks.
R.A. 8479	Refining, Storage, Marketing and Distribution of Petroleum Products ³ This covers refining, storage, distribution, and marketing of petroleum products.
R.A. 9003	Ecological Solid Waste Management ³ This covers the establishment of waste recycling, waste treatment, and/or waste disposal facility.
R.A. 9275	Clean Water ⁶ This covers projects that involve industrial waste water treatment and/or projects that will adopt water pollution control technology, cleaner production, and waste minimization technology.
R.A. 7277	Rehabilitation, Self-Development and Self-Reliance of Disabled Persons This covers the manufacture of technical aids and appliances for the use and/or rehabilitation of disabled persons.

³ Industry Cluster is not applicable.

⁵ Also covers cement manufacturing, provided it is integrated with quarrying, which incentives shall be limited to those provided under E.O. 226. In general, mining projects covered by Financial and/or Technical Assistance Agreement (FTAA) are not entitled to ITH.

⁶ Industry Cluster and the establishment and operation of Centers of Excellence are not applicable.

III. EXPORT ACTIVITIES

This covers the production/manufacture of non-traditional export products and services in support of exporters as identified under the Medium-Term Philippine Development Plan (MTPDP) 2004-2010 and/or the Philippine Export Development Plan (PEDP) 2005-2007.

A. Manufacture of Export Products/Services

This covers the production/manufacture of non-traditional export products and services with export requirement of at least 50% of its output, if Filipino-owned or at least 70%, if foreign-owned.

B. Activities in Support to Exporters – this covers the following:

1. Services comprising a portion of the manufacturing process;
2. Sub-assembly/fabrication of parts/components of the final export product;
3. Manufacture of supplies directly/reasonably needed in the production of non-traditional export products;
4. Product testing and inspection; and,
5. Repair and maintenance.

IV. PROJECTS UNDER THE RETENTION, EXPANSION AND DIVERSIFICATION (R.E.D.) PROGRAM

This covers activities of existing investors either considered as global players or engaged in strategic industries that are encouraged for retention, expansion or diversification of their operations in the country.

V. ARMM LIST

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

A. Export Activities

1. Export Trader and Service Exporters
2. Support Activities for Exporters

B. Agriculture, Food And Forestry-Based Industries

1. Processed Food
 - a. Production and processing of Halal Meat and Halal foods
 - b. Leguminous and other vegetable-based protein (textured, palletized or liquid)
 - c. Spices Processing (e.g., hot pepper, black pepper, ginger, etc.)
Note: May be integrated with plantation
 - d. Vegetable Oils (e.g., peanut oil, rice bran oil, sunflower and soybean oil)

- e. Production of Food Crops
Note: Maybe integrated with post-harvest processing and other vegetables (such as tomatoes)
 - f. Integrated Coconut Processing and Plantation
 - g. Seaweeds Production and Processing
 - h. Cassava Processing and Other Root Crops
Note: Maybe integrated with plantation
 - i. Fruit Processing (e.g. durian, mangosteen, jack fruit, marang, banana, mango, passion guava, calamansi, and guyabanos) and plantation
 - j. Aquaculture (Fish Production and Processing) such as, but not limited to:
 - Frozen fish
 - Chilled fish
 - Canned fish
 - Abalone
 - Crab fattening
 - Eel production
 - Squid processing
 - Carp and tilapia production and processing
 - Tropical fish production and processing
 - Shrimps/Prawn
 - Lapu-lapu (grouper) and other marine products
 - k. Corn Flour Mill (integrated with plantation)
 - l. Young Corn Production
Note: May include processing/canning
 - m. Mushrooms Culture and Processing
 - n. Sweet Potato Plantation and Processing
 - o. Crocodile Farming and Processing
2. Cutflower Production
 3. Pearl Culture and Processing
 4. Industrial Tree Plantation (rubber, rattan, bamboo, etc.) and Wood Processing (cement wood board, fiberboard and reconstructed veneer)
 5. Shipbuilding / Ship breaking / Ship repair and Watercraft
 6. Abaca Pulp Plantation and Processing
 7. Palm Oil Plantation / Processing/ Refining and Germinated Oil Palm Seeds
 8. Coffee Processing (maybe integrated with plantation)
 9. Particle Board (use of agri-based waste material such as rice straw, wood waste, etc.)
 10. Activated Carbon Manufacturing (use of coconut shell, wood based, etc.)
 11. Feeds Production (animal feeds and feeds for aquaculture)

12. Tobacco Plantation and Processing
13. Production of Beverage Crops (but not limited to)
 - a. Cacao Beans
 - b. Coffee Beans (Arabica variety)
14. Production of Plantation Crops and Other Medical Herbs/Essential Oil Plants (including flower extracts)
15. Jatropha Plantation and Processing
16. Production of Livestock and Poultry (including Dairy products)
 - a. Beef (including cow-calf and feedlot operations)
 - b. Carabao (water buffalo) production
 - c. Goats and sheep
 - d. Frozen semen and embryos
Note: includes natural method and artificial insemination and embryo transfer technology
17. Bricks and Roofing Tiles Production
18. Quality seeds and seedlings of fruit trees and other planting materials propagated asexually or by tissue culture
19. Sugarcane Plantation, Processing and Refineries
20. Sericulture
21. Mosquito Coils

C. Basic Industries

1. Pharmaceuticals
 - a. Antibiotics
 - Penicillin
 - Streptomycin
 - Tetracycline
 - Soft gelatin capsules
 - b. Medical Devices
 - Prosthetics
 - Diagnostics
 - c. Other pharmaceuticals, herbal medicines
2. Textile and Textile Products
 - a. Yarns and fabrics
 - b. Hand-woven textiles
 - c. Specialty fabrics
 - d. Tire cord fabrics
Note: Must be integrated with weaving and dipping units.
 - e. Ramie (degummed, staple fiber, combed tops, noel slivers)
 - f. Fish nets

- g. Fabrics made of indigenous raw materials
 - h. Silk reeling
3. Fertilizers (organic and inorganic)
 - a. Solid waste materials
 4. Mining (Exploration and Development of Mineral Resources)
 - a. Mining and quarrying of Metallic and non-metallic minerals (including small scale as defined under P.D. 1899, but to exclude river beds mining operations)
 - b. Processing of Minerals
 5. Cement – At least 1.0 million MTPY Capacity (Clinker-based)

D. Consumer Manufactures

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

E. Infrastructure and Services

1. Public Utilities (with developmental route of the five provinces and one city of the ARMM and other adjacent cities and provinces)
 - a. Common carriers (land, air and water transport facilities)
 - b. Electric transmission/distribution
 - c. Water supply facilities/waterways and sewerage systems
 - d. Buses /Cargo trucks
 - e. Other specialized mass transport systems
 - f. Power generation like hydro power, geothermal and natural gas
2. Telecommunication with International Gateways
3. Tourism
 - a. Tourism Estate

Subject to guidelines developed jointly by the Board of Investments – ARMM and Department of Tourism (DOT)
 - b. Tourist Accommodation Facilities
 - Hotels
 - Resorts
 - Other tourist accommodation facilities such as apartel, pension houses, tourist inns, and others
 - c. Tourist Transport Facilities
 - Air

- Water
- Tourist buses and taxi/van

Note: Endorsed by the DOT

New and expansion projects may be registered

4. Industrial Service Facilities

This will cover the following activities:

a. Common Centers:

- Testing and quality control laboratories
- Training and demonstration centers
- Tool shops and similar facilities
- Metal casting
 - Foundry
 - Die casting
 - Powder
 - Metallurgy
- Metalworking
 - Die and molds
 - Electroplating
 - Forging
 - Machining
 - Heat treatment
 - Brass making
- Furniture
 - Kiln drying
 - Treatment and processing facilities
- Ceramics
 - Kiln
 - Glazing
- Food Processing
 - Bottling and canning of distilled water
 - Industrial salt
 - Vapor heat treatment
 - Slaughter house/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 & comparative advantages of the industry.

b. Development of Retirement Villages

- Shall include health and medical facilities including amenities required by the Philippine Retirement Authority (PRA).
- 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 and other concerned agencies.

5. Petrochemical Complex
6. Industrial Gases (such as oxygen and nitrogen)
7. Miscellaneous Chemical Products
 - a. Biotechnological/biosynthetic chemicals
 - b. Essential oils
 - c. Fine chemicals

F. Engineering Industries

1. Engineering Products
 - a. Motor Vehicle parts and components
 - b. Automobile parts and assembly
 - c. Modern offset printing
2. Electronics and Telecommunication Products
3. Fabrication of Construction Materials
4. Hydro Power Plant

G. ARMM Priority and Tourism Areas

Note: Listed below are potential tourist destinations, which need further exploration and evaluation for intensified promotion, 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 – Shariff Kabunsuan	Datu Odin Sinsuat	Shariff Kabunsuan Province
Area VI – Basilan	Isabela	Basilan Province