OPPORTUNITIES FOR FOREIGN DIRECT INVESTMENTS IN THE PHILIPPINES

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INVESTMENTS ASSISTANCE GROUP
BOARD OF INVESTMENTS

Presentation Outline

I. 0-10 Point Agenda of Duterte Administration or DuterteNomics
II. Investment Climate
   - Favorable Macroeconomic Indicators
   - The Philippine Advantage
III. Business Opportunities
   - 2017 Investment Priorities Plan
   - PH Sectors for Investment Promotion to Thailand
   - Other Areas for Investments
III. Investment Incentives and Government Support
IV. Doing Business in the Philippines
V. Investment Facilitation Services

0-10 Point Agenda of Duterte Administration or DuterteNomics

1. Continue and maintain current macroeconomic policies, including fiscal, monetary and trade policies.
2. Institute progressive tax reform and more effective tax collection, indexing taxes to inflation.
3. Increase competitiveness and the ease of doing business. This effort will draw upon successful models used to attract business to local cities.
4. Accelerate annual infrastructure spending to account for 5 percent of GDP, with Public-Private Partnerships playing a key role.

0 to 10-point Socio-Economic Agenda:

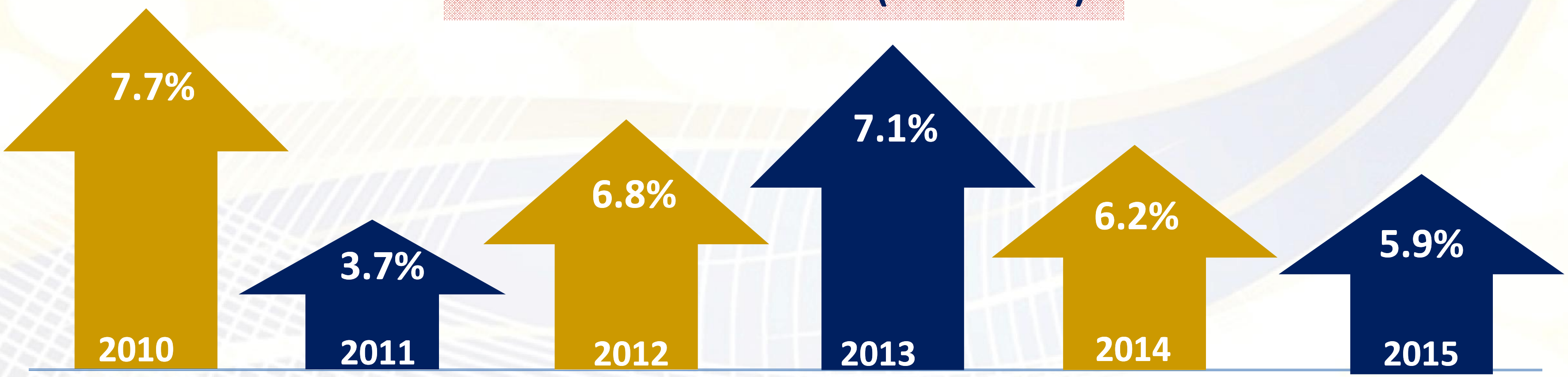
5. Promote rural and value chain development toward increasing agricultural and rural enterprise productivity and rural tourism.
6. Ensure security and land tenure to encourage investment and address bottlenecks in land management and titling agencies.
7. Invest in human capital development, including health and education systems, and match skills and training to meet the demand of businesses and the private sector.
8. Promote science, technology and the creative arts to enhance innovation and creative capacity toward self-sustaining , inclusive development.
9. Improve social protection programs, including the government's Conditional Cash Transfer Program, to protect the poor against instability and economic shocks.
10. Strengthen implementation of the Responsible Parenthood and Reproductive Health Law to enable especially poor couples to make informed choices in financial and family planning.

Investment Climate:

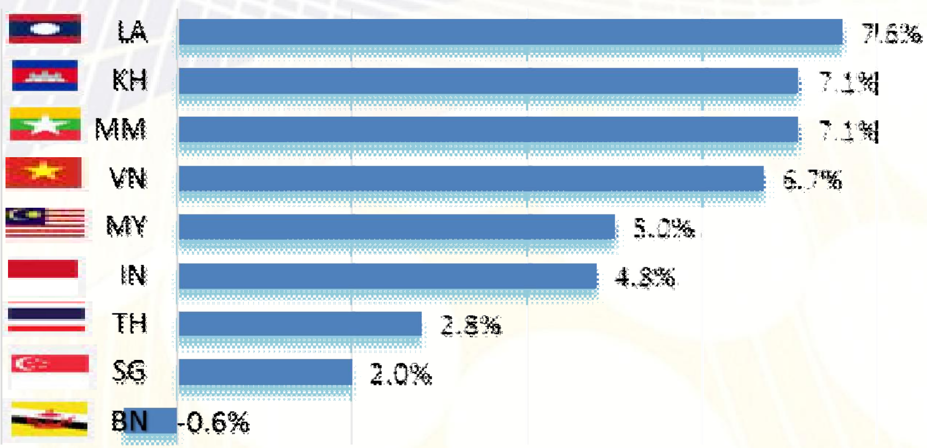
Favorable MacroEconomic Indicators

Sustained Economic Growth

PH GDP Growth Rates (2010-2015)



2015 GDP Growth Rate of ASEAN Economies



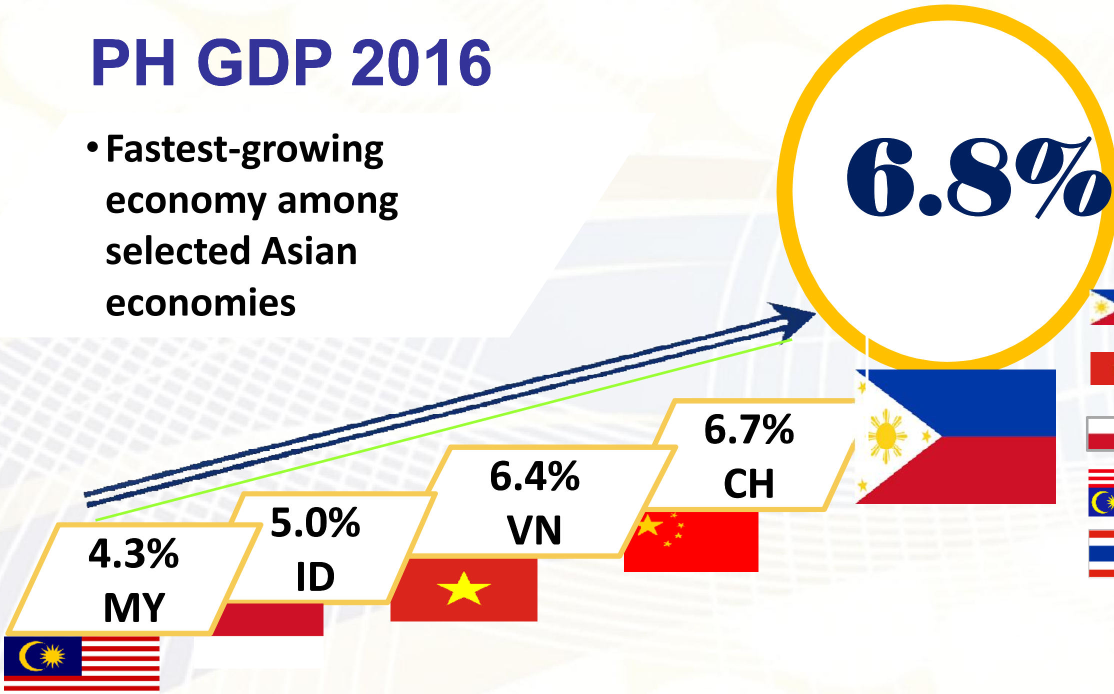
PH Inflation Rates (2010-2015)

Source: BSP

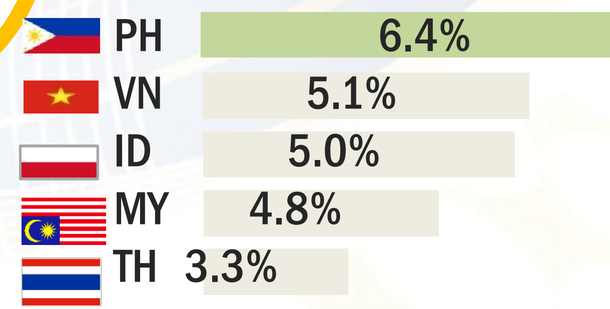
Fastest-Growing Economy in Asia

PH GDP 2016

- Fastest-growing economy among selected Asian economies



2017 Q1 GDP



PH GDP grows 6.4% in Q1 2017 - Fastest-growing economy in ASEAN

Agriculture	2.9%
Industry	8.6%
Services	6.9%

Private Consumption	7.3%
Investments (Fixed Capital)	23.5%
Government Spending	3.1%
Construction	16.8%

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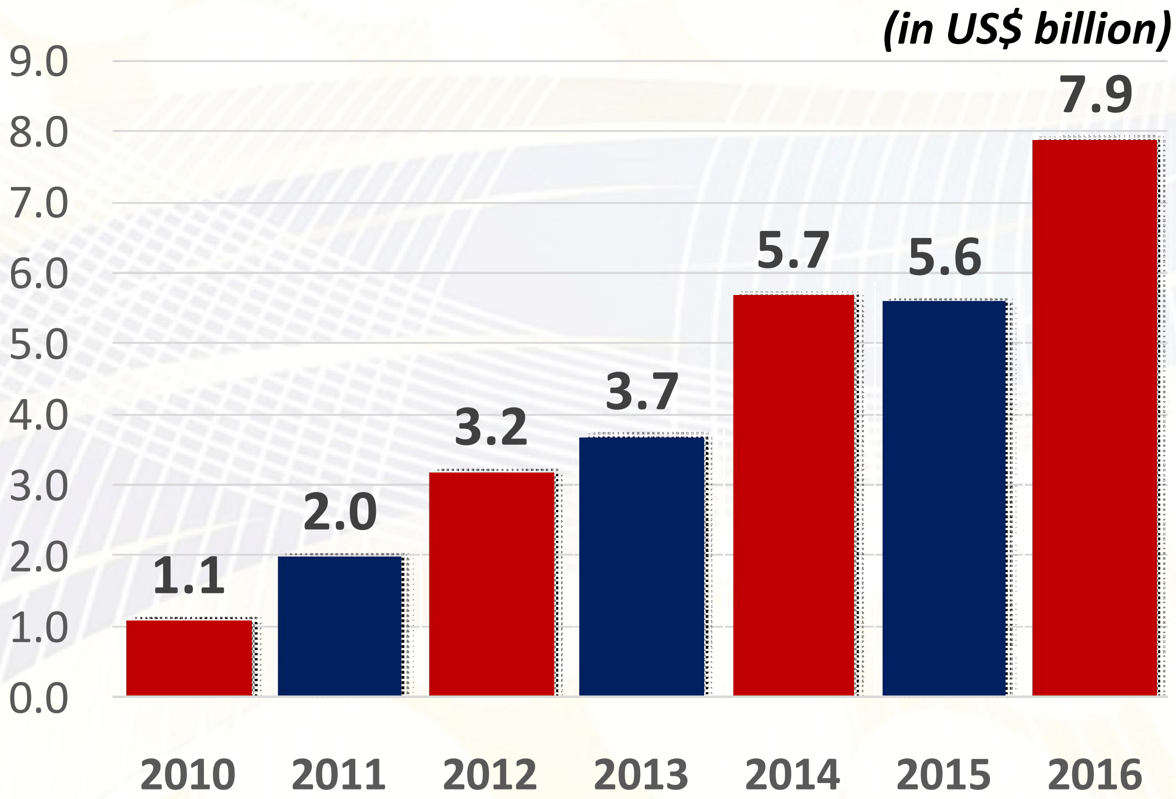
Robust Inward FDI



GROWTH

40.68%

increase from 2015

Source: Bangko Sentral ng Pilipinas

Source: BSP

Steady Investment Flows

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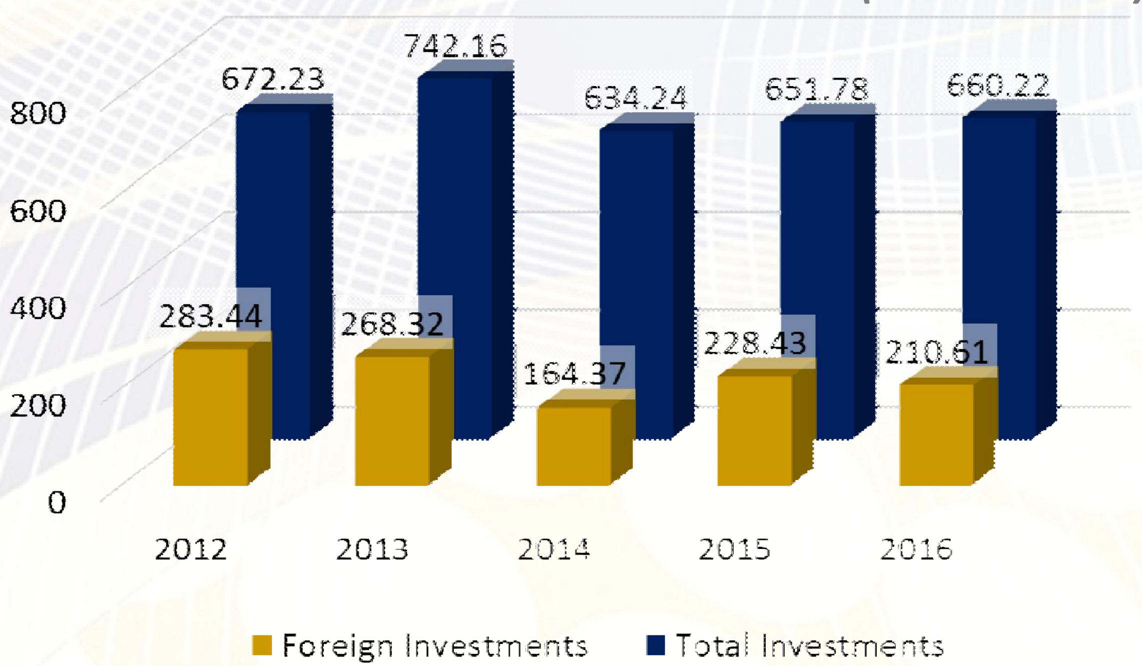
BOI & PEZA-Approved Investments 2012 - 2016

(in PhP billion)



Source: PSA

2016 BOI & PEZA TOP SECTORS (% of Total Investments)
1) Manufacturing
2) Electricity, gas, steam & air conditioning supply
3) Real Estate Activities
4) Transportation and storage
5) Accommodation and food service activities

2016 BOI & PEZA TOP SOURCES (% of Total Foreign Investments)
1) Netherlands
2) Australia
3) U.S.A.
4) Japan
5) Singapore

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Steady Export Growth

Merchandise Exports

2016: US$57.41 billion
(2.4% lower than 2015)

(electronic products as top export with almost 50.3% share of total exports)

2015: US$58.83 billion

Service Exports

2016: US$31.357 billion
(7.8% higher than 2015)

(other business services as top export with 56.7% share of total exports)

2015: US$29.065 billion

The Gross International Reserves reached **approximately US$81 billion in 2016**

Source: DTI and BSP

Improved Global Competitiveness Ranking

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DOING BUSINESS REPORT 2016 (WB/IFC)

EASE OF DOING BUSINESS RANKING

+4

103 out of 189 — 2015

99 out of 190 — 2016

ECONOMIC FREEDOM INDEX 2017 (HERITAGE FOUNDATION)

+12

70 out of 189 — 2016

58 out of 180 — 2017

GLOBAL INNOVATION INDEX 2016 (WIPO)

+1

74 out of 128 — 2016

73 out of 130 — 2017

WIR 2016 (UNCTAD)

MNES' TOP PROSPECTIVE HOST ECONOMIES FOR 2017–2019

+1

11 out of 15 — 2016

10 out of 15 — 2017

E-GOVERNMENT INDEX 2016 (UN)

+24

95 out of 193 — 2015

71 out of 193 — 2016

CORRUPTION IN ASIA REPORT 2016 (PERC)

+2

12 out of 16 — 2014

10 out of 16 — 2016

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Credit Ratings

Agency	Rating	Rating
Fitch Ratings	**BBB-** Outlook: Positive *September 2015*	**BBB-** Outlook: Positive *April 2016*
Standard & Poor's	**BBB** Outlook: Stable *April 2015*	**BBB** Outlook: Stable *September 2016*
Moody's Investors Service	**Baa2** Outlook: Stable *December 2015*	**Baa2** Outlook: Stable *October 2016*
Rating & Investment Information, Inc.	**BBB** Outlook: Stable *July 2015*	**BBB** Outlook: Stable *November 2016*
Japan Credit Rating Agency, Ltd.	**BBB+** Outlook: Stable *July 2015*	**BBB+** Outlook: Stable *August 2016*
NICE Investors Service Co., Ltd.	**BBB-** Outlook: Positive *September 2014*	**BBB** Outlook: Stable *January 2016*

Investment Climate:

The Philippine Advantage

PH in Demographic Sweet Spot

Filipinos are younger compared to the rest of the world.

The median age in the Philippines is 23.1 years old.
This is equivalent to the age of someone who recently graduated from college.

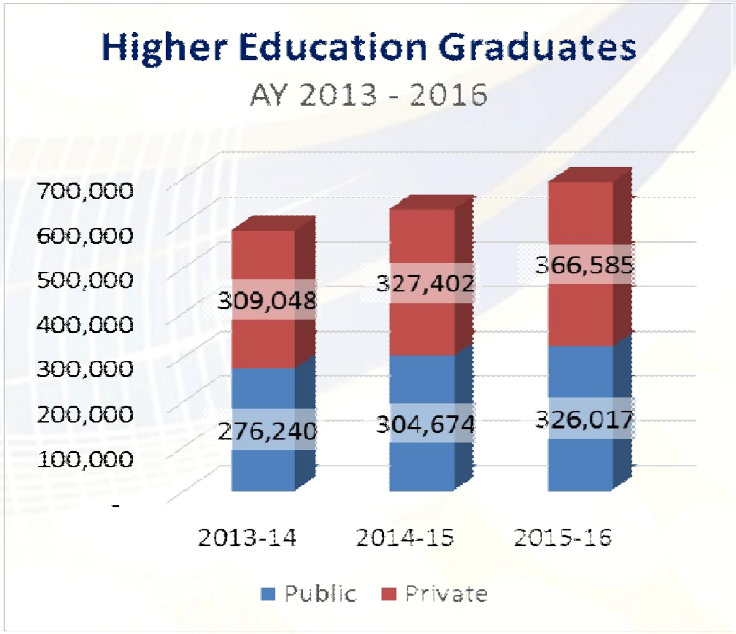
15.1	UGANDA
15.2	NIGER
16.4	MALI
23.1	PHILIPPINES
34.7	THAILAND
28.2	VIETNAM
45.4	JAPAN
30.2	UAE
37.1	USA

23.1
years old

Rich Talent Pool

*We produced **over 690,000 college graduates in AY 2015-2016** across a wide range of disciplines.*

Breakdown of Graduates by Discipline (AY 2015-16)	
Sciences	7,687
Maritime	29,957
Medicine and Health Related	60,113
Engineering and Technology	68,126
Agriculture, Forestry, Veterinary Medicine	15,218
Education	116,305
IT Related	86,538
Mathematics	3,016
Architectural and Town Planning	3,123
Others	302,519
TOTAL GRADUATES	**692,602**



Our workforce is:

- Highly educated and English Proficient
- Strongly customer-oriented
- Highly trainable with fast learning curve
- Adaptable to universal cultures
- High level of commitment and loyalty

Source: CHED

Critical Market Access

The country's location is a **critical entry point** to over 600 million people in the ASEAN Market and a natural gateway to the East- Asian economies.

The country is likewise placed at the **crossroads of international shipping and airlines.**

Within Asia, the Philippines is reachable **within 3 to 4 hours by plane.**

Infrastructure Development

ECONOMIC ZONES and IPAs

- 18 IPAs
- 73 Manufacturing EcoZones
- 243 IT Parks and Centers
- 21 Agro-Industrial EcoZones
- 19 Tourism EcoZones
- 2 Medical Tourism Zones

*as of 31 October 2016

PPP and other Infrastructure Projects (in the pipeline)

- NAIA Expressway Project (Phase II)
- LRT Line 1 Cavite Extension
- Daang Hari-SLEX Link Road
- Cavite-Laguna Expressway
- Bulacan Bulk Water Supply
- Southwest Integrated Transport System

Other Infra Projects under implementation

- MRT Line 7
- Metro Manila Skyway Stage 3

Projects under Procurement

- New Bohol Airport Operations, Maintenance and Development
- Road Transport IT Infra (Phase II)

Sources: PEZA and PPP Center

Business Opportunities:

2017 Investment Priorities Plan

2017 Investment Priorities Plan

A. Preferred Activities

1. ALL QUALIFIED MANUFACTURING ACTIVITIES INCLUDING AGRO-PROCESSING
2. AGRICULTURE, FISHERY AND FORESTRY
3. STRATEGIC SERVICES
   a. IC Design
   b. Creative Industries/Knowledge-Based Services
   c. Maintenance, Repair, and Overhaul (MRO) of aircraft
   d. Charging/Refueling Stations for Alternative Energy Vehicles
   e. Industrial Waste Treatment
   f. Telecommunications
   g. State-of-the-art Engineering, Procurement & Construction
4. HEALTHCARE SERVICES INCLUDING DRUG REHABILITATION CENTERS
5. MASS HOUSING
6. INFRASTRUCTURE & LOGISTICS INCLUDING LGU-PPPs
7. INNOVATION DRIVERS
8. INCLUSIVE BUSINESS MODELS
9. ENVIRONMENT OR CLIMATE CHANGE-RELATED PROJECTS
10. ENERGY

2017 Investment Priorities Plan

B. Export Activities

- Manufacture of export products
- Services exports
- Activities in support of exporters

C. Special Laws

- Industrial Tree Plantation (PD 705)
- Mining (RA 7942) (limited to capital equipment incentive)
- Publication or Printing of Books/Textbooks (RA 8047)
- Refining, Storage, Marketing and Distribution of Petroleum Products (RA 8479)
- Rehabilitation, Self-Development and Self-Reliance of Persons with Disability (RA 7277)
- Renewable Energy (RA 9513)
- Tourism (RA 9593)

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Business Opportunities:

Priority Sectors for Investment Promotion to Thailand

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Priority Sectors for Investment Promotion to Thailand

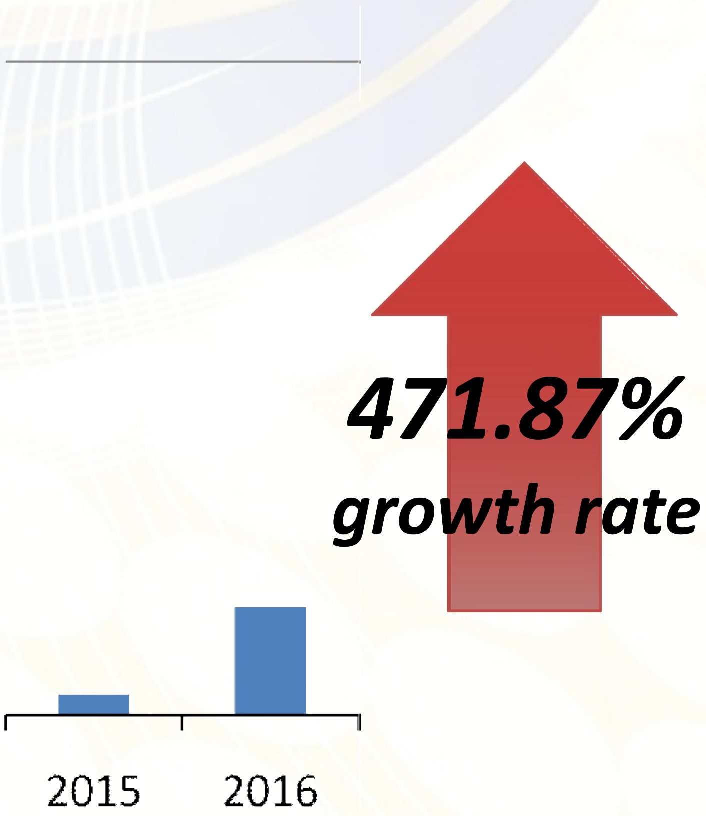
- Infrastructure Finance and Construction
- Food Processing for Export to Global Markets (Including production partnerships)
- Food packaging
- Manufacturing (European and Japanese GVC)

Thailand Investments in the Philippines

Comparative of Major Recipients of Thailand Investment Commitments, 2015 vs 2016

(in Million US$)

INDUSTRY CLASSIFICATION	2015	2016
Manufacturing	0.0002	53.521
Transportation and storage	0.0002	.4554
Financial and insurance activities	0.00	.0783
Accommodation and food service activities	9.493	0.00
Information and communication	.3714	0.00
Total IPA-Approved Investments from Thailand	**9.87**	**54.06**



Thai Companies in the Philippines

Firm Name	Project Description
Electricity Generating (EGCO) PLC	Independent Power Producer
Siam Cement Group	International trading; paper, tiles and bathroom fixtures manufacturing
Chareon Pokphand Foods Phils Corp	Aquaculture Business Unit – Aqua feed mill, demonstration farms, hatchery; swine – hog breeding and slaughter hogs; poultry – integrated broiler production
PTT Thailand Group	Gasoline stations, petroleum business (depot, LPG storage, distribution)
Toyota - Thai Corporation	Integrated engineering and design company
Patkol Public Co., Ltd.	Largest engineering and contracting company in refrigeration and food processing machineries in ASEAN
Index Living Mall (Phils.) Inc.	Wholesale of furniture, fixtures, home accessories, décor and other related products; a joint venture between Index Living Mall of Thailand and SM Corporation
Supalai Philippines, Inc.	Office building rental
Univanich Palm Oil PCL	Palm oil crushing mill
Indorama Packaging Phils., Inc.	PET bottle manufacturing
Tha Thai Olympic Fibre-cement Co., Ltd.	Fiber-cement products
The Erawan Group PLC	Real estate

Philippines' GSP+ Status with EU

Grant of GSP+ Status to the PH by EU

- Approved in December 2014.
- Provides duty free entry to the EU for some of the most important PH exports including fruit and foodstuffs, coconut oil, footwear, fish and textiles.

Benefits

- The PH now has leverage for businesses with agricultural and manufacturing facilities who wish to enter the EU market.
- PH's total exports to EU is expected to grow by 12%, creating additional 267,000 jobs.

Market Opportunities

- Industrial investments in sectors with zero tariffs under GSP+
- These include established Filipino exports that are labour intensive such as pineapple juice, garments, preserved fruits, tuna, fruit jams and jellies, and footwear.

Business Opportunities:

Other Areas for Investments

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Other Areas for Investments

Special Investor's Resident Visa (SIRV)

- Encourages small investments in the Philippines from foreign nationals
- Grant of multiple indefinite visa for as long as investment subsists
- $75,000 investment in viable economic activities pursuant to Book V of the Omnibus Code of 1987

Retail Trade Liberalization Act of 2000 (RA 8762)

- Category B – with minimum paid-up capital of $2,500,000.00
- Category D – with $250,000.00 paid up capital per store; specializing in high-end or luxury products; can be wholly owned by foreigners

Bank Liberalization Law (RA 10641)

- Allows foreign ownership up to 100% of domestic banks
- Capital requirements:
  - Locally Incorporated Subsidiaries - equal to that prescribed by the Monetary Board for domestic banks of the same category
  - Foreign Bank Branches - permanently assigned capital of not less than the U.S. dollar equivalent of two hundred ten million pesos (P210,000,000.00)

Business Opportunities:

Investment Incentives & Government Support

Competitive Investment Incentives

INCENTIVE	Board of Investments (BOI) (Executive Order No. 226, as amended)	Philippine Economic Zone Authority (PEZA) (Republic Act No. 7916, as amended)
Income Tax Holiday (ITH)	4 – 6 years (max of 8 years)	
ITH Bonus	3 years provided the firm meets certain conditions	
Special Tax Rate of 5% on Gross Income	None	Special Tax Rate of 5% on Gross Income
Importation of Capital Equipment, Spare Parts and Supplies	0% Duty	Tax and Duty-Free
Importation of Raw Materials & Supplies used in Export	Tax Credit	Tax & Duty-Free
Value Added Tax	Zero Rating for Exports	0%
Employment of Foreign Nationals	Special Non-Immigrant Working Visa within 5 years from project's registration including spouse and unmarried children under 21 years of age	

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Other Government Support

Sectoral Roadmaps

National Human Resource Development Roadmap

Common Support/ Service Facilities

Technical Skills Training

Doing Business :

- Entry Options
- Foreign Ownership
- Business Process
- Basic Rights & Guarantees
- Investor's Lease Act

Business Structures / Options for Entry

- Domestic Corporation
- Subsidiary
- Branch
- Representative Office
- RHQ / ROHQ

Foreign Ownership

Without Incentives (Foreign Investment Act of 1991)

Domestic Market

- Up to 100% Foreign Equity (except in activities listed in the FINL)
- US$200,000 equity requirement (can be lowered to US$100,000 if activity involves advance technology or employs 50 direct employees)

Export Market

- Up to 100% Foreign Equity
- Minimum 60% Export Requirement

Foreign Ownership

With Incentives (BOI EO 226)

Domestic Market

Sectors must be listed in the current Investment Priorities Plan (IPP)

- Up to 40% Foreign Equity or
- Up to 100% Foreign Equity (pioneer status)

Export Market

- Up to 100% Foreign Equity
- Minimum 70% Export Requirement

Basic Rights & Guarantees of a Foreign Investor (Under Chapter 3 Title 2 of E.O. No. 226)

- Protection of Investment
- Repatriation of Investments
- Remittance of Earnings
- Foreign Loans and Contracts
- Freedom from Expropriation
- Requisition of Investment (in the event of war or national emergency)

Investor Lease Act (RA 7652)

- Long term lease on private lands for a period of **50 years** renewable for another **25 years**;
- Use of leased area that is reasonably required solely for investment such as establishment of industrial estate, factories, assembly or processing plants, agro-industrial, tourism, etc.
- Leasehold right may not be sold, transferred, assigned and/or sub-lease without prior BOI Board approval except when made to a Philippine national;
- Termination of lease agreement in case of :
  - Failure to initiate the investment project within three (3) years from signing of the lease agreement;
  - Withdrawal of the approved investment without Board approval; and
  - Use of the leased premises other than that authorized by the Board

Investment Facilitation Services

Investment Assistance Services

Frontline Services

Pre-Investment Facilitation / Investment Counseling (CBRD)

Aftercare Services

Post-Investment Facilitation (ASD)

Pre Investment Services

CBRD – Programs and Activities

1. Provides counseling/assistance/information to both local and foreign investors on relevant laws and procedures relative to doing business in the Philippines through emails, walk-in clients and phone inquiries.
2. Facilitation of pre-investment related transactions.
3. Investment Data Banking - Maintains and updates database on cost of doing business.
4. Conduct investment briefing/counseling seminar for DTI and LGU Frontliners on how to do business in the Philippines.

After Care Services

ASD – Programs and Activities

1. Strategic Investors Aftercare Program (SIAP)
2. Investment Promotion Unit – Network (IPU-Net)
3. Memorandum of Agreements (MOAs) with Government Agencies
4. BOI – One Window Network (BOI-OWN)
5. Awareness Seminar to Strengthen Investors and Stakeholders (ASSIST)
6. Coordination with the Investment Ombudsman (IO) Team
7. Networking with Foreign and Domestic Chambers of Commerce & other Business Groups

International Investments Promotion Service (IIPS)
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