Strategic Investment Priority Plan (SIPP)

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DTI-BOI
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Strategic Investment Priority Plan (SIPP)

- Represents the country’s investment plan containing not only the list of priority industries but also investment promotion and facilitation activities for all IPAs
- BOI in coordination with the FIRB, IPAs, other government agencies administering tax incentives, & private sector shall formulate the SIPP
- Define the coverage of the tiers and provide the conditions for qualifying the activities
- May contain recommendations for non-fiscal support to:
  - create high-skilled jobs to grow local pool of entrepreneurs that can supply to domestic & global value chains
  - Increase sophistication of products & services that are produced domestically
  - Expand domestic supply & reduce dependence on imports
  - Attract significant foreign direct investments
- Validity: 3 years subject to review & amendment every 3 years
Priority projects included in the Philippine Development Plan taking the following into account:

- Substantial amount of investments
- Considerable generation of employment especially towards less developed areas
- Considerable amount of net exports
- Use of modern, advance, or new technology
- Processes & innovations that will lead towards the attainment of the SDG which shall include adoption of adequate environmental protection systems & sustainability strategies
- Addressing missing links in the supply or value chain, moving up the production ladder
- Promotion of market competitiveness
- Enhancement of capabilities to produce increasingly sophisticated goods & services
- Contribution to food security & increase incomes in agriculture & fishery sectors
- Services & activities that can promote regional and global operations in the country

Scope & coverage of location & industry tiers

Terms & conditions on the grant of enhanced deductions
Inclusive Innovation Industrial Strategy (i^3S)

- Embrace Industry 4.0
  - Use and adapt new technologies
  - Simplification of processes, automation
  - Power, logistics, infrastructure
  - Upgrade education curricula
  - Skills training programs
  - Improve digital skills

- Upskill/Reskill Workforce
  - Prepare SMEs for Industry 4.0
  - Build startup ecosystem
  - Link manufacturing with agriculture & services
  - Participation in global value chains
  - Promote research commercialization
  - Creation of new products, services, business models

- Ease Of Doing Business
  - Participation in global value chains
  - Promote research commercialization
  - Creation of new products, services, business models

- Innovative SMEs & Startups
  - Prepare SMEs for Industry 4.0
  - Build startup ecosystem
  - Link manufacturing with agriculture & services
  - Participation in global value chains
  - Promote research commercialization
  - Creation of new products, services, business models

- Integrate Production Systems
  - Use and adapt new technologies
  - Simplification of processes, automation
  - Power, logistics, infrastructure
  - Upgrade education curricula
  - Skills training programs
  - Improve digital skills
15 PRIORITY INDUSTRIES FOR DOMESTIC AND EXPORT MARKETS

MANUFACTURING; AGRICULTURE, FISHERY, FORESTRY; SERVICES, PUBLIC UTILITIES; NEW TECHNOLOGIES, INNOVATION

Electrical & Electronics
IT BPM
Agri-business
Transport, Logistics, Tourism
Creative
Auto & Auto Parts
Tool & Die, Iron & Steel
Shipbuilding, RORO
Innovation, R&D
Tourism
Aerospace Parts
Chemicals
Furniture, Garments
Environment, Climate Change
Digital Technology
Updated PDP 2017-2022

- Auto & auto parts
- Chemicals
- Agribusiness
- Furniture, garments
- Creative industry
- Iron & steel, tool & die
- Electronic & electrical
- Shipbuilding & ship repair
- Aerospace & aircraft maintenance
- Construction
- Transport & logistics
- Tourism
- IT-BPM
- E-commerce & digital economy
- Climate change products, mobility solutions, health, education, & smart cities

- Philippine i3s increase competitiveness, innovativeness, resilience of industry
- i3s strengthen the linkages of agriculture, industry, services through innovation; deepen forward & backward linkages across these sectors & induce GVC participation
Industry Tiers

Tier 1
• High potential for job creation
• Sectors with market failures resulting in under provision of goods & services
• Value creation through innovation, upgrading, moving up the value chain
• Essential support to sectors critical to industrial development
• Emerging owing to potential comparative advantage

Tier 2
• Activities that produce supplies, parts & components, & intermediate services that are not locally produced but are critical to industrial development & import substituting activities

Tier 3
• R&D
• Generation of new knowledge & IP registered or licensed in PH
• Commercialization of patents, industrial designs, copyrights, & utility models
• Highly technical manufacturing
• Critical to structural transformation of the economy

Critical activities: (i) industries to be identified by NEDA to be crucial to national development; (ii) SCIT of 5% tax rate based on gross income earned, in lieu of all national & local taxes
PERIOD OF AVAILMENT: Location and industry tier

<table>
<thead>
<tr>
<th>LOCATION</th>
<th>EXPORT AND CRITICAL DOMESTIC MARKET ACTIVITIES</th>
<th>DOMESTIC MARKET ACTIVITIES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>LOCATION</td>
<td>TIER I</td>
</tr>
<tr>
<td>NCR</td>
<td></td>
<td>14</td>
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<tr>
<td></td>
<td></td>
<td>(4 Years of ITH and 10 Years of ED/SCIT)</td>
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<tr>
<td>METROPOLITAN AREAS AND AREAS OUTSIDE OF AND CONTIGUOUS OR ADJACENT TO NCR</td>
<td></td>
<td>15</td>
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<tr>
<td></td>
<td></td>
<td>(5 Years of ITH and 10 Years of ED/SCIT)</td>
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<tr>
<td>ALL OTHER AREAS</td>
<td></td>
<td>16</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(6 Years of ITH and 10 Years of ED/SCIT)</td>
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</tbody>
</table>

- Export enterprise: export at least 70% of its total production or output
- Domestic market enterprise (DME): any enterprise registered with IPA other than export enterprise
- ITH: income tax holiday
- SCIT: special corporate income tax rate for export enterprise, domestic market enterprise with a minimum investment capital of P500M, & DME under the SIPP engaged in critical activities, tax rate of 5% GIE
- ED: enhanced deductions
<table>
<thead>
<tr>
<th>INDUSTRY/APTIVITY</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing Activities</td>
<td>Manufacturing activities with no or very few existing investments, using low-technology but crucial to supply and value chain operations, or repurposing or manufacture of COVID-critical products. Chemicals, Pharmaceuticals, Plastic, Paper &amp; paper products, Electronics &amp; electrical appliances, Aerospace, Minerals, Ceramics, Basic Metals, Metal products, machinery, &amp; transport, Textile, Garments, Lenses, Medical Devices, Footwear, Musical instruments, Furniture, Toys, Jewelry.</td>
</tr>
<tr>
<td>Agriculture, Forestry, and Fisheries</td>
<td>Agriculture, fishery, forestry, and agribusiness with no or very few existing investments or using low technology but crucial to supply and value chain operations: Food manufacturing, Processing of Coffee, Cacao, Coconut, Rubber, Fruits, Vegetables, other High value crops and resource-based industries.</td>
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</tbody>
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## PROPOSED SIPP ACTIVITIES – TIER I

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<th>INDUSTRY/ACTIVITY</th>
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<tr>
<td><strong>Environmental Protection and Climate</strong></td>
<td>Environment friendly activities (save energy, use of alternative energy), recycling, Renewable Energy (R.A. No. 9513), Energy Efficiency and Conservation Act (R.A. No. 11285)</td>
</tr>
<tr>
<td><strong>Support Services</strong></td>
<td>Engineering, Procurement, and Construction (EPC), Liquefied Natural Gas (LNG) Storage and regasification facilities, Motor vehicle inspection centers, scrapping and treatment, storage and disposal, Ecozones &amp; industrial parks, activities to promote global and regional operations</td>
</tr>
<tr>
<td><strong>Public Utilities and Basic Services</strong></td>
<td>Electricity, gas, water; telecommunications, waste treatment and desludging activities, transportation, housing, hospitals, medical facilities, training facilities, shipbuilding &amp; repair</td>
</tr>
<tr>
<td><strong>IT Services</strong></td>
<td>Modern voice services using omnichannel delivery, global operations linked with GVCs of MNCs</td>
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<tr>
<td><strong>Tourism</strong> (R.A. No. 9593 - Tourism)</td>
<td>Hotels, amusement parks, arts and crafts centers, convention halls, exhibition centers</td>
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<tr>
<td><strong>Emerging New Activities</strong></td>
<td>Startups and Startup enablers: incubators/accelerators</td>
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| **Industries Covered by Special Laws** | • Industrial Tree Plantation (P.D. No. 705)  
• Exploration, Mining, Quarrying and Processing of Minerals (R.A. No. 7942) (limited to capital equipment incentives)  
• Publication or Printing of Books/Textbooks (R.A. No. 8047)  
• Refining, Storage, Marketing, and Distribution of Petroleum Products (R.A. No. 8479) (Refining: Tier 2.2)  
• Rehabilitation, Self-Development and Self-Reliance of Persons with Disability (R.A. No. 7277) |


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<td>Agriculture, Forestry, and Fisheries</td>
<td>Plantations and growing of crops to support Tier 1.2 including support services like cold storage warehouse, ice plants, blast freezing, bulk handling and food irradiation, slaughtering, poultry dressing plant, nurseries, hatcheries, crop drying &amp; silo facilities; grading, packaging &amp; storage of plants, vegetables, fruits or flowers; soil preparation services and crop protection and maintenance services</td>
</tr>
<tr>
<td>Manufacturing Activities</td>
<td>Parts, components and intermediate processes to support manufacturing: Agri-fishery machinery, tools and equipment, refined petroleum products, Chemicals, Paper &amp; paper products, Electronics &amp; electrical, Aerospace, Minerals, Ceramics, Basic Metal, Metal products, machinery, &amp; transport, Textile, Garments, Lenses, Medical Devices, Footwear, Musical instruments, Furniture, Toys, Jewelry</td>
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<tr>
<td><strong>Innovation – Related Activities and Services</strong></td>
<td>Product and process innovation in agriculture, fishery, forestry, agribusiness; manufacturing, construction, mining, services, advanced manufacturing, basic &amp; supporting industries, knowledge process outsourcing, high value services, digital industries, Aerospace systems, parts and components for commercial aircraft and/or defense segment, aircraft Maintenance, Repair, Overhaul (MRO), satellites, microsatellites and parts and components</td>
</tr>
<tr>
<td><strong>Innovation and Technology Support Infrastructure and Ecosystems</strong></td>
<td>Science &amp; technology parks, centers of excellence, fabrication laboratories, data centers, innovation incubation centers, cloud service</td>
</tr>
<tr>
<td><strong>Creative Industries</strong></td>
<td>Heritage, arts, media, functional creations (based on UNCTAD definition), culinary arts</td>
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## PROPOSED SIPP ACTIVITIES – CRITICAL INDUSTRIES

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<td><strong>Electrical and Electronics</strong></td>
<td>Integrated Circuit (IC) Design, manufacturing of advanced products and processes utilizing Industry 4.0 Technologies, auto-, aerospace-, &amp; consumer electronics; batteries, electrical equipment and parts, lenses, medical devices</td>
</tr>
<tr>
<td><strong>Chemicals and Pharmaceuticals</strong></td>
<td>Petrochemicals, oleo chemicals, basic chemicals, plastics, pharmaceuticals, medicinal &amp; chemical &amp; botanical products, bio and medical</td>
</tr>
<tr>
<td><strong>Machinery and Transport</strong></td>
<td>Metal products &amp; parts; surface &amp; heat treatment; engines &amp; equipment; machinery &amp; parts, automation machinery, robots, drones; ADAS components, sensors, motors, automatic transmission, metal casting, forging &amp; machining products, electric motor powertrains, charging facilities, Electronic Vehicle (EV) assembly &amp; parts</td>
</tr>
<tr>
<td><strong>Agriculture and Agribusiness</strong></td>
<td>Biotechnology, precision farming, growing, production &amp; processing of high value crops &amp; resource-based industries, support services, cold storage &amp; cold storage transport</td>
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# Proposed SIPP Activities – Critical Industries

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<tr>
<td><strong>IT-BPM</strong></td>
<td>Engineering services outsourcing, data analytics, legal process outsourcing, health information management, animation and game development, information technology (IT) services, global-in-house, services embedded in manufacturing</td>
</tr>
<tr>
<td><strong>Research and Development</strong></td>
<td>Basic research, applied research, testing, development, commercialization</td>
</tr>
<tr>
<td><strong>Artificial Intelligence, Automation, Robotics, and Digital Technologies</strong></td>
<td>Smart home devices; self-driving cars, multimodal transportation, e-gaming; smart manufacturing, smart cities, resilient technology, audio, video, edtech, healthtech</td>
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SIPP as a Strategic Policy Tool for Industrialization

SIPP focuses on developing industries with comparative advantage, integrating production system, deepen GVC participation, enabling digital transformation

Temporary incentives for new & strategic industries to address market failures and generate multiplier effects, and would be granted based on potential of the activity to:

- generate employment; address gaps in supply/value chain; link manufacturing with agriculture and services
- generate spill-over effects to economy especially to MSMEs & integrate them in global value chains
- prepare industries for Industry 4.0, become more innovative
- promote a competitive market environment particularly in regions

Fiscal & Non-fiscal Support: regulatory & policy reforms to reduce transactions cost; ease of doing business; intensive promotion & marketing; capital & technology assess

Comprehensive package: sustain growth, industrialize, create globally competitive & innovative industries