

MANUFACTURING INDUSTRY ROADMAP

ADDRESSING THE JOBS CHALLENGE TOWARD INCLUSIVE GROWTH

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BOARD OF INVESTMENTS

Romulo Hall, NEDA sa Makati Building

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OUTLINE

A. State of the Manufacturing Industry

1. Manufacturing in Southeast Asia
2. Manufacturing in the Philippines

B. Manufacturing Resurgence Program (MRP)

1. 2011-2016 PDP Midterm Update
2. Strategic Actions in the Manufacturing Industry Roadmap (MIR)
3. Updates on MRP Projects and Programs

A. STATE OF THE MANUFACTURING INDUSTRY

Manufacturing in Southeast Asia

Today's Leading Manufacturers in ASEAN and key industries



Singapore



Electronics



Medical Products



Machinery



Malaysia



Electronics



Chemicals



Machinery



Thailand



Automobiles



Electronics



Apparel

Emerging Manufacturing Nations and key industries



Vietnam



Agribusiness



Apparel



Machinery



Indonesia



Electronics



Agribusiness



Chemicals



Philippines



Electronics



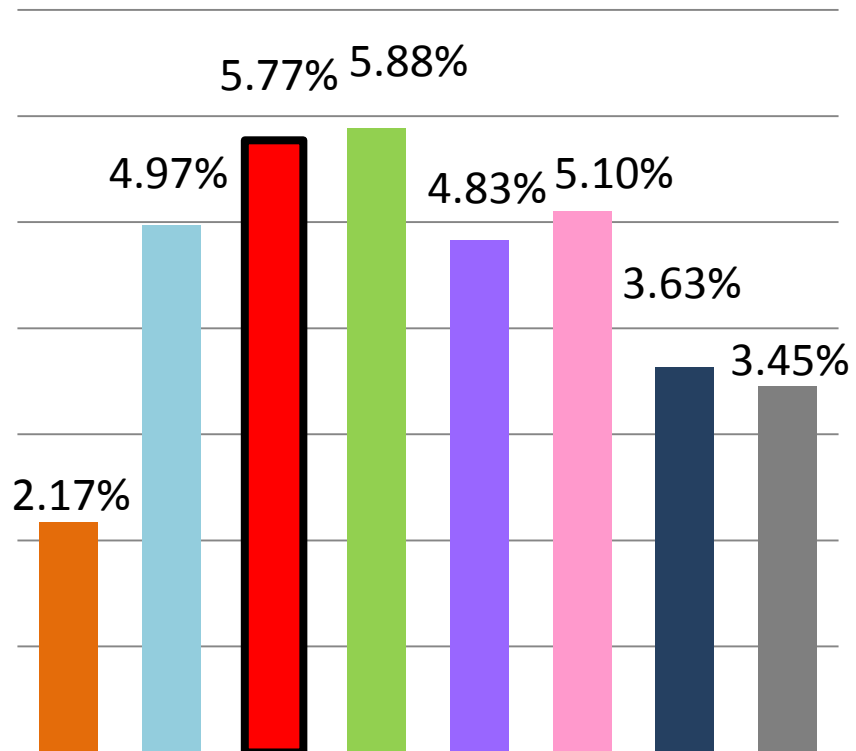
Apparel



Food

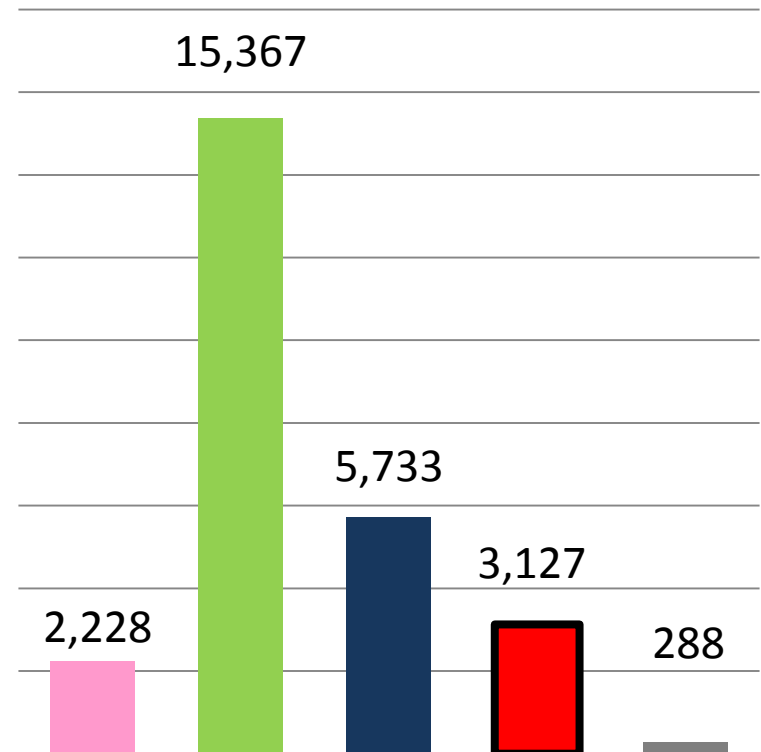
Manufacturing in Southeast Asia

MANUFACTURING GROWTH RATE, 2010-2013



World ASEAN Philippines
Indonesia Vietnam

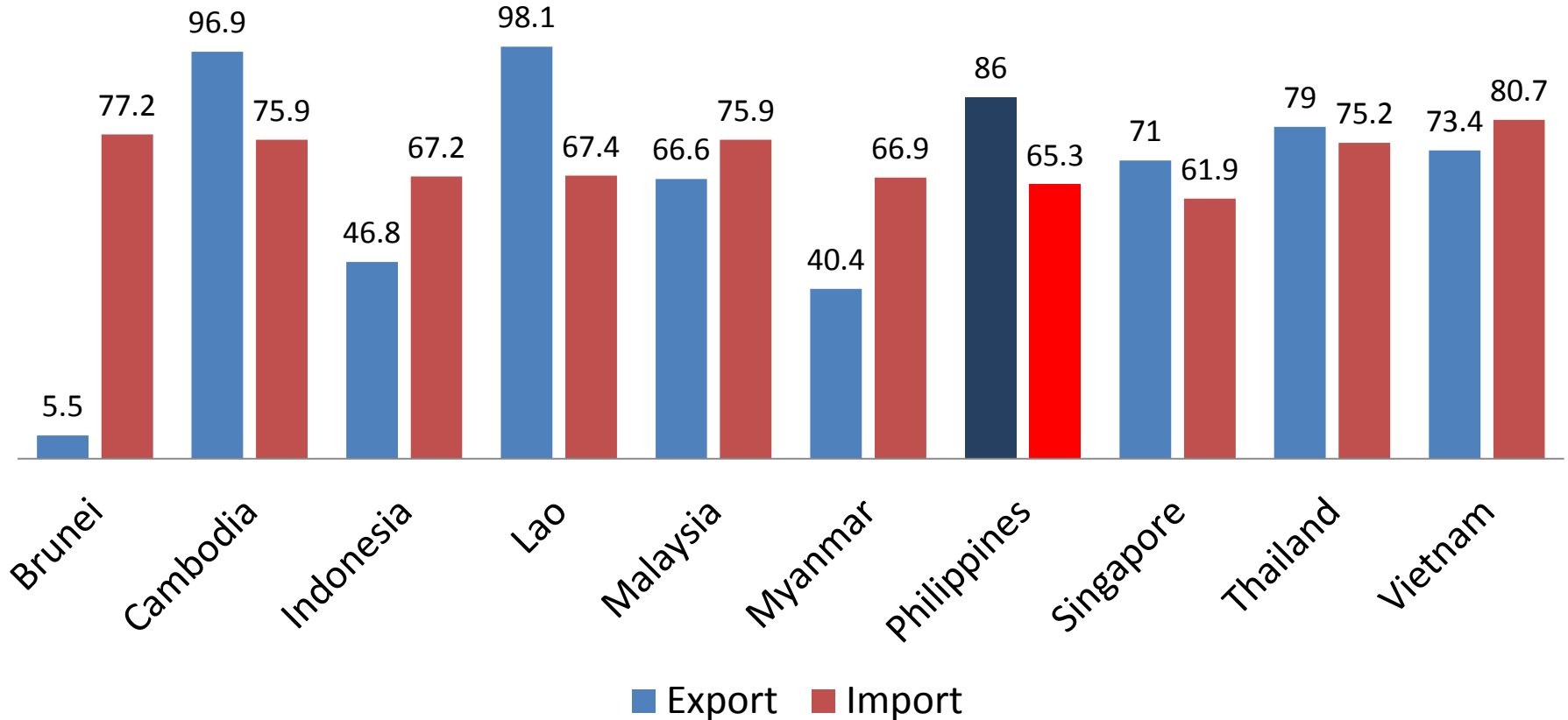
NUMBER OF EMPLOYED IN MANUFACTURING, 2012



Malaysia Indonesia
Thailand Singapore

Manufacturing in Southeast Asia

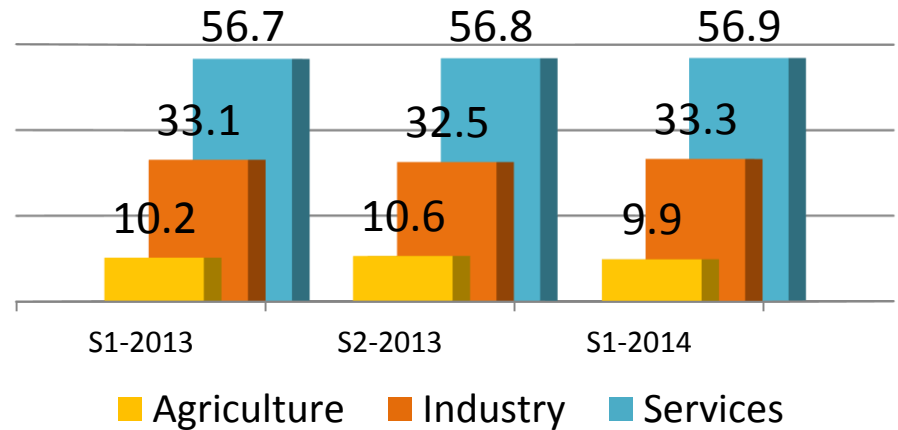
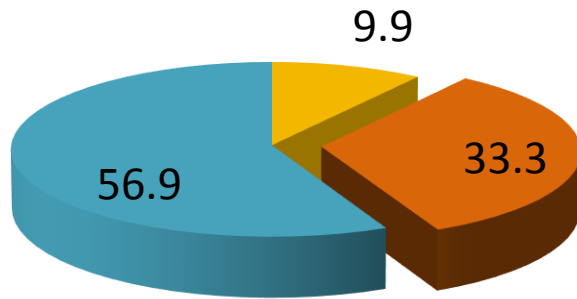
EXPORT & IMPORT SHARE OF MANUFACTURING SECTOR, 2012



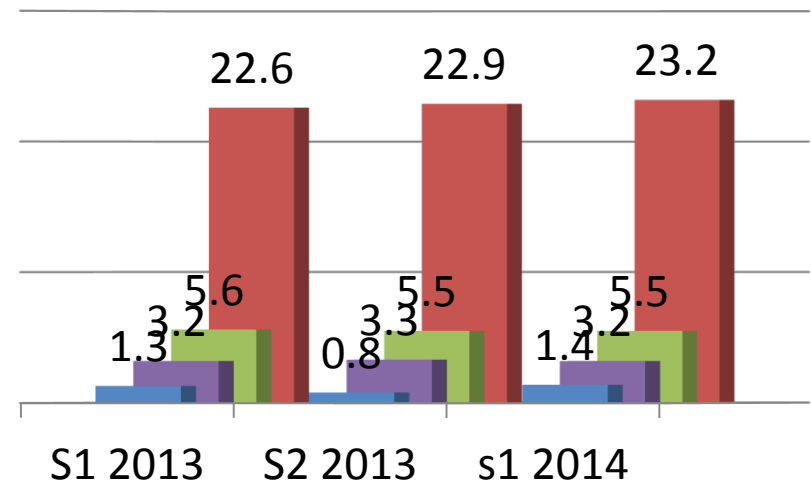
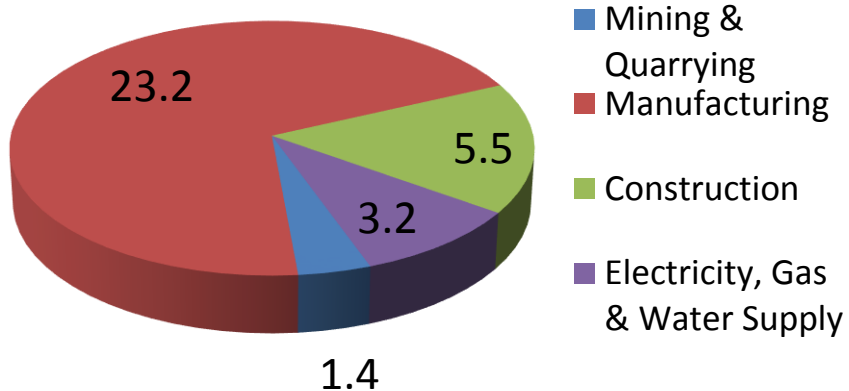
Manufacturing in the Philippines

Share to Gross Domestic Product

% Share to GDP
1st Semester, 2014



Industry Subsectors' % Share to GDP
1st Semester, 2014



Manufacturing in the Philippines

Contribution to Total Employment

Sectors with highest contribution to total employment in 2013

Sector	Ave Share to Total Employment, in %
Agriculture, hunting, and forestry	27.4
Wholesale and retail trade; repair of motor vehicles and motorcycles	18.7
Manufacturing	8.3
Transportation and storage	7.2
Construction	6.3
Other service activities	5.8
Public administration and defense; compulsory social security	5.2
Accommodation and food service activities	4.2

Summary of Performance of the Manufacturing Sector in the Philippines

Indicator	Statistics		Remarks
Total no. of manufacturing establishments with total employment of 20 and over (2012 CPBI)	7,313		57% higher than in 2010
PH manufacturing GVA growth rate compared to ASEAN and World average growth rate	Ph – 5.77% ASEAN – 4.97% World – 2.17%		Grew faster than ASEAN and 2 times the global ave
Year-on-year share to total GDP	2009 – 21% 2010 – 22% 2011 – 22.41%	2012 – 22.11% 2013 – 22.75%	Increasing
Growth rate (2014)	Q1 – 6.9% Q2 – 10.8% S1 – 8.8%		Driven by growth of publishing & printing – 51.5% fabricated metal products - 49.4% machinery and equipment - 47%
Employment in 2013	3.1 million people employed		1.2% higher than in 2012

Indicator	Statistics	Contributor	
Average capacity utilization	June 2014 – 83.4% June 2013 – 83.1%	petroleum products – 88.9% basic metals – 88.4% non-metallic mineral products – 86.2% machinery except electrical – 84.6% food manufacturing – 84.5 % electrical machinery – 84.5%	chemical products – 83.9% paper and paper products – 82.8% rubber and plastic products – 82.4% publishing and printing – 81.9% wood and wood products – 81.4%
Volume of Production Index (VoPI)	Grew by 13.3%	printing – 153.8% leather products – 40.5% fabricated metal products – 39.8% machinery except electrical – 26.7% furniture and fixtures – 26.7%	basic metals – 24.4% transport equipment – 19.8% Textiles – 15.4% food manufacturing – 13.1%
Value of Production Index (VaPI)	Grew by 10.1%	printing – 153.8% leather products – 44.4% fabricated metal products – 35.2% food manufacturing – 18.6% textiles – 18.0%	transport equipment – 17.9% basic metals – 17.9% machinery except electrical – 15.4% beverages – 13.8%
Volume of Net Sales Index (VoNSI)	Grew by 11.1%	printing – 147.2% fabricated metal products – 52.9% Textiles – 36.8% furniture and fixtures – 34.3% transport equipment – 31.6%	basic metals – 30.9% petroleum products – 24.1% leather products – 17.0% machinery except electrical – 15.0%
Value of Net Sales Index (VaNSI)	Increased by 7.9%	printing – 147.2% fabricated metal products – 47.9% textiles – 39.9% transport equipment – 29.6%	petroleum products – 26.4% basic metals – 24.0% leather products – 20.2%

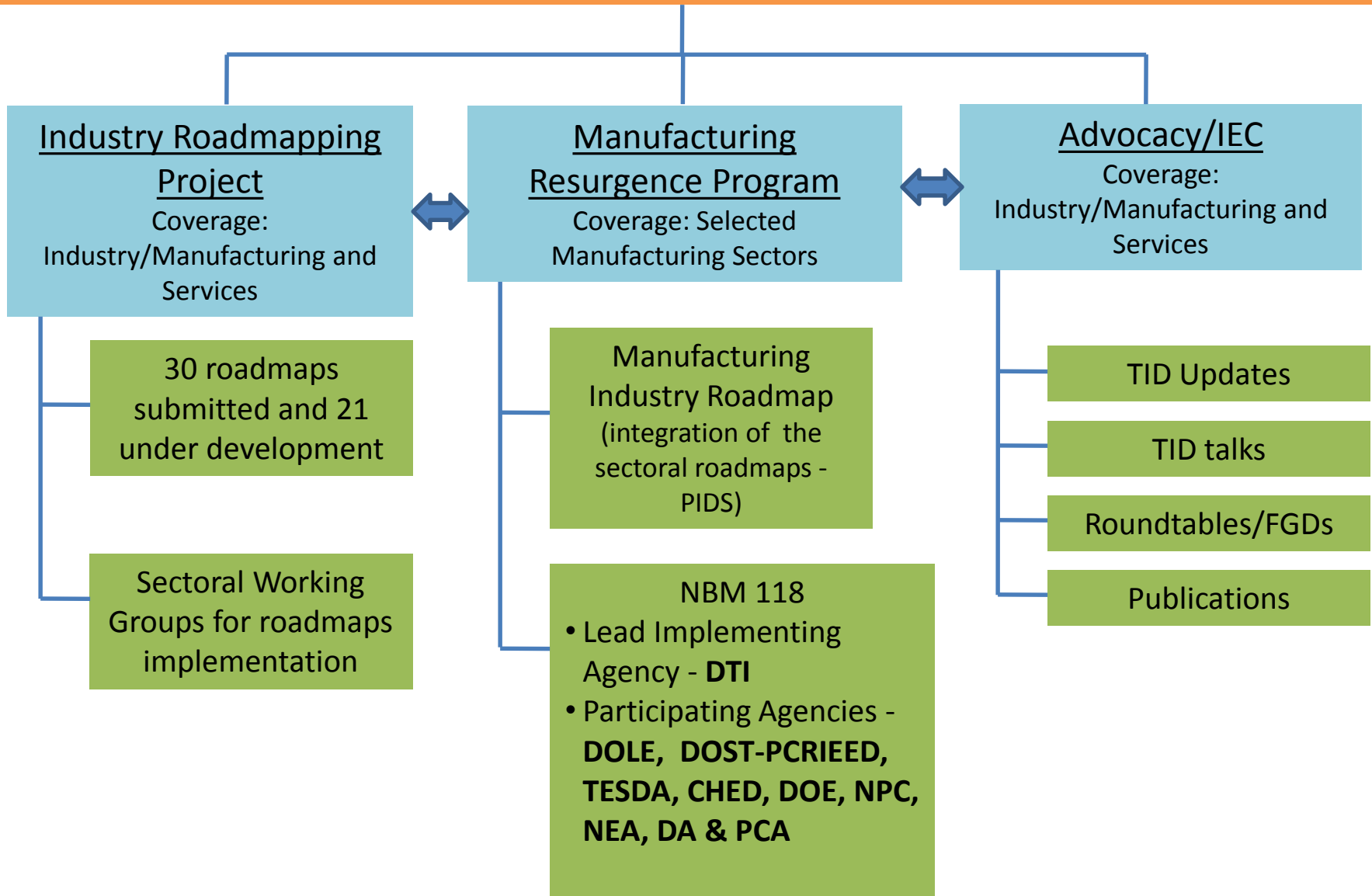
B. MANUFACTURING RESURGENCE PROGRAM

2011-2016 PDP Midterm Update

- Manufacturing was identified as one of the priority sectors of the Administration to increase the country's investments, exports and value-added
- Challenge – Untapped potential of the sector
 - Lower share of manufacturing to total GDP compared to similarly situated ASEAN countries
 - Exports still concentrated on few products/markets
 - Low employment to growth elasticity
 - Skills Mismatch
 - Low labor absorptive capacity
 - Low value addition in MSME sector
- Mandate
 - Pursue industrial policy that promotes resurgence of an internationally-competitive manufacturing sector
 - This would include revisiting the backbone sectors such as iron and steel, petrochemicals, copper and chemicals and recovering lost sectors such as apparel, footwear, motor vehicles and parts, among others
 - Formulate and implement Comprehensive National Industrial Strategy that covers manufacturing, services and agriculture
 - Implementation of the Manufacturing Resurgence Program
 - Provision of basic infra support, STI services and business development services

Industry Development Program

Coverage: Industry/Manufacturing and Services



Manufacturing Resurgence Program

MRP

- Identified priority program of the present Administration under NBM No. 118
- consists of projects and sub-programs that will enhance the competitiveness of the Manufacturing Industry
 - Lead Implementing Agency: DTI
 - Participating Agencies:
DOST, DOLE, DOLE-TESDA, CHED, DOE, DA, NPC, NEA, PCA
- Its main reference/blueprint is the Manufacturing Industry Roadmap

Roadmap for Structural Transformation

Vision: globally competitive manufacturing

Short-run:

2014-2017

-Rebuild capacity of existing industries, strengthen emerging industries, maintain competitiveness of comparative advantage industries

Medium-run:

2017-2021

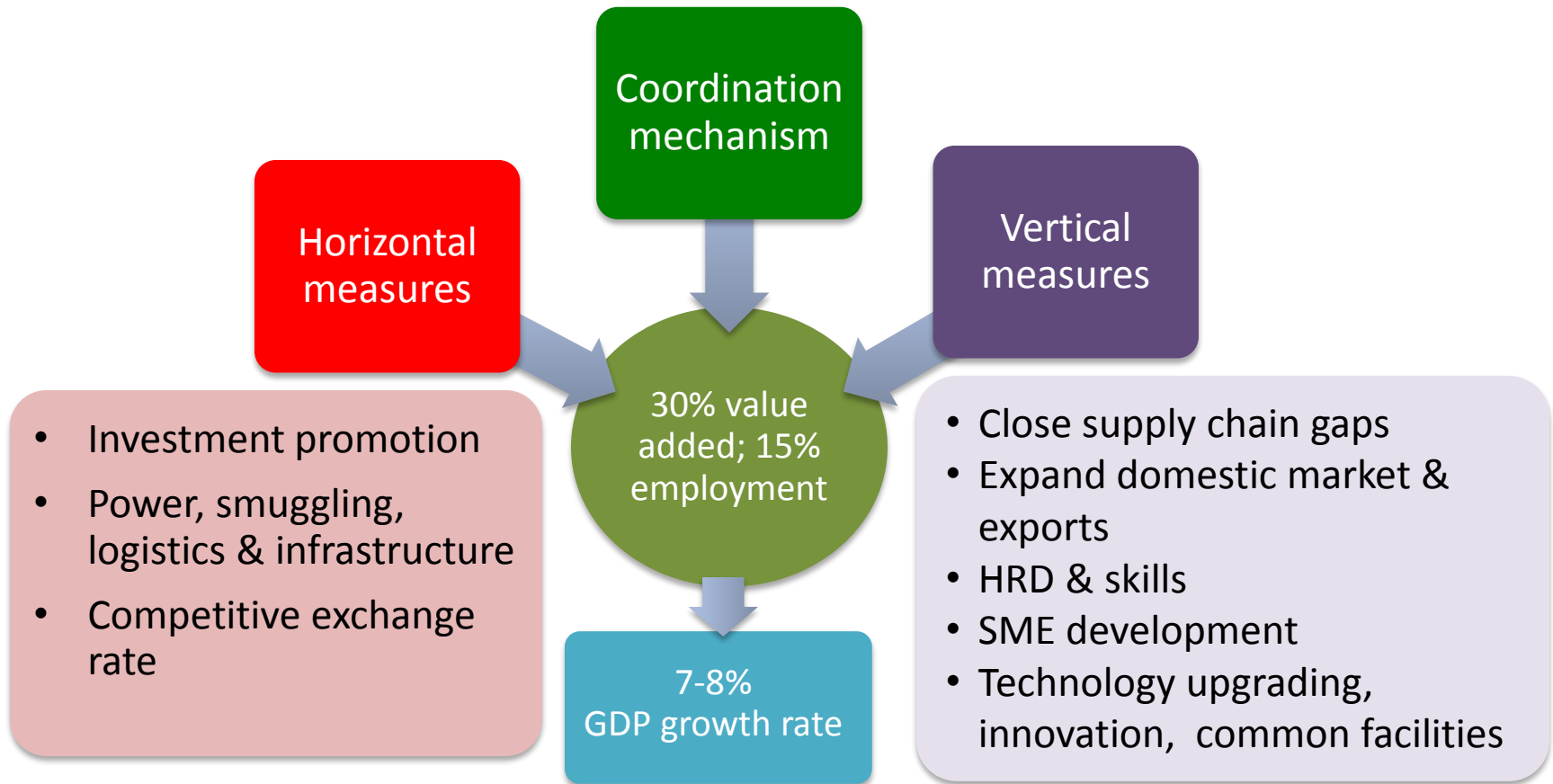
-Shift to high value added activities, investments in upstream industries
-Link & integrate industries
-SMEs & large enterprises

Long-run:

2021-2025

-Participate as hubs in regional & global production networks for auto, electronics, machinery, garments, food

Strategic Actions, Complementary Measures

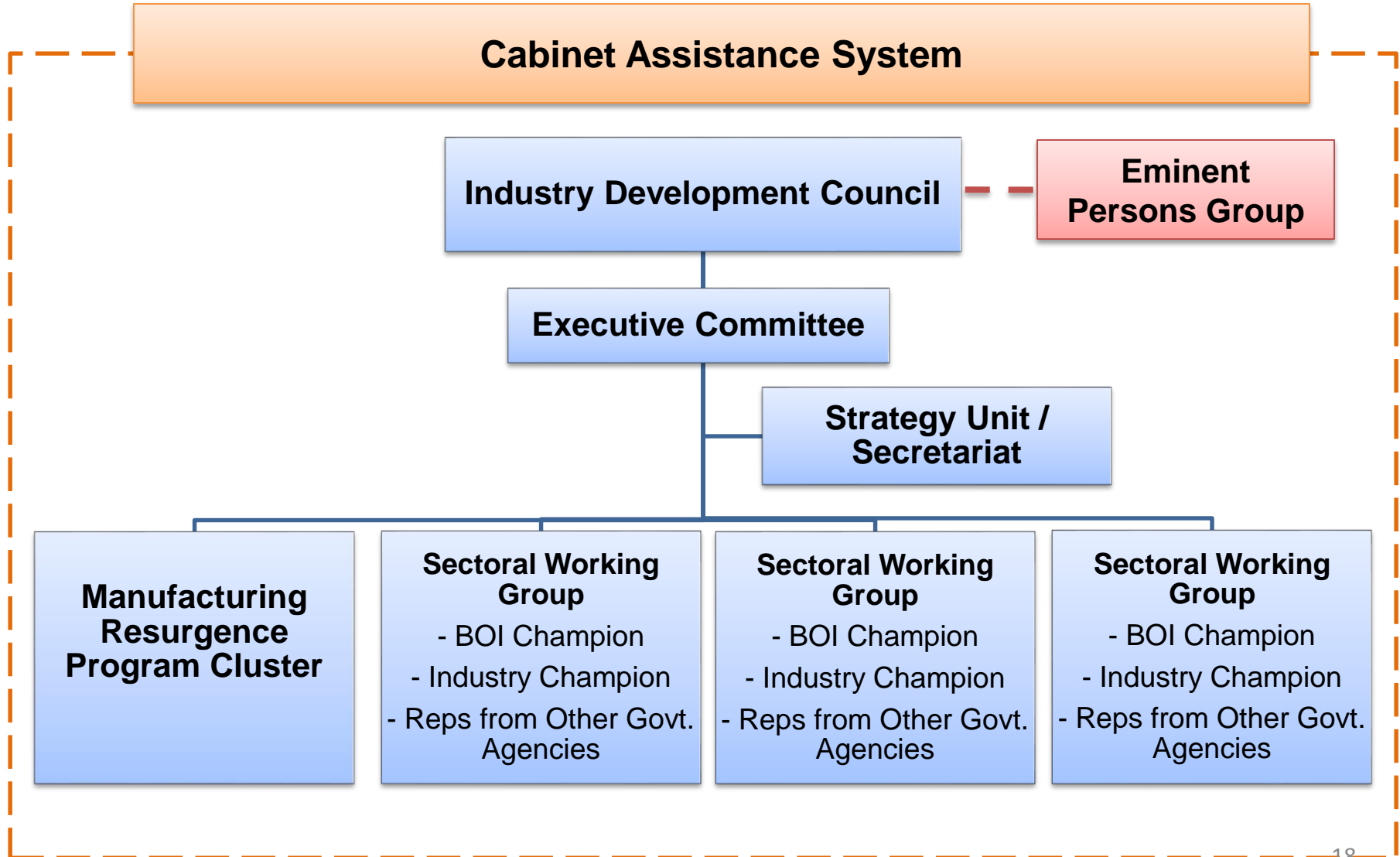


open trade regime, sustainable macro policies, sound tax policies & administration, efficient bureaucracy, secure property rights, adaptive research & patent regime, access to finance & technology for SMEs

Manufacturing Sectors Included in the Draft 2014 Investment Priorities Plan

- a. Motor Vehicle (excluding motorcycles, e-bikes and golfcarts) and motor vehicle parts and components
- b. Shipbuilding including parts and components
- c. Aerospace parts and components
- d. Chemicals
- e. Virgin paper pulp
- f. Copper wires and copper wire rods
- g. Basic iron and steel products, steel grinding balls, long steel products (billets and reinforcing steel bars), and flat hot/cold-rolled products
- h. Tool and Die

Industry Coordination Mechanism



Roadmaps Received

<u>2012</u>	
1	Automotive
2	Autoparts
3	Biodiesel
4	Cement
5	Ceramic Tiles
6	Chemical
7	Copper
8	Furniture
9	Mass Housing
10	Motorcycle
11	Petrochemicals
12	Rubber Products
13	Tool and Die

<u>2013</u>	
1	Manufacturing
2	Electric Vehicles
3	Electronics
4	Iron and Steel
5	IT-BPM
6	Metalcasting
7	Plastics
8	Pulp and Paper
9	Natural Health

<u>2014</u>	
1	Aerospace
2	Retirement
3	Shipbuilding

Roadmaps in Progress

Drafts

1	Coco Coir
2	Bamboo
3	Creative Industries
4	Jewelry
5	Gold

Under Development

1	Appliance
2	Book Publishing
3	Printing
4	Christmas Décor
5	Gifts and Housewares
6	Footwear
7	Garments and textiles
8	Health Care Services
9	IC Design
10	Services
11	Nickel

Under Development

12	Chromite
13	Manganese
14	Iron
15	Processed Fishery Products
16	Processed Meat
17	Chocolate Confectionaries
18	Condiments/Mixes
19	Processed Fruits
20	Processed Shrimp/Prawns
21	Seaweeds/Carrageenan

Trade and Industry Development (TID) Updates

- 1st TID Updates
 - Manufacturing
 - Chemicals
 - Copper
- 2nd TID Updates
 - Rubber
 - Pulp and paper
- 3rd TID Updates
 - Mass housing
 - Cement
 - Iron and steel
- 4th TID Updates
 - IT-BPM
 - Electronics
- 5th TID Updates
 - Tool and Die
 - Metalcasting
- 6th TID Updates
 - K to 12 Basic Education Program
- 7th TID Updates
 - Furniture
 - Natural Health Products
- 8th TID Updates
 - Jewelry
 - Creative Industries
- 9th TID Updates
 - Electric Vehicle
 - Aerospace

Sectoral Work

- Completing information gaps
- Identifying priorities (workplan)
 - Policies/Reforms (taxation, administrative regulations, smuggling, logistics, permits & licenses, law implementation)
 - R&D
 - HR (skills, college degrees, PhDs/Master degrees)
 - Products/Subsectors (for development - supply chain gaps and promotion)
- Coordinating inter-agency work
- Monitoring implementation projects/programs of the TWG, its members and other entities
- Evaluating/Assessing the projects/programs
- Reporting to the IDC

What Have We Done So Far

Date (2013)	Meeting	Accomplishment
April 18	Trade and Industry Development (TID) Cluster Meeting	Dr. Aldaba presented the draft Manufacturing Industry Roadmap (MIR) and provided update on the Industry Roadmapping Project
May 21	Consultative Meeting with Academe and TID Cluster Participating Agencies	The academe and the TID Cluster participating agencies reviewed and enhanced the MIR
May 23	2 nd TID Cluster Meeting	Discussed the budget proposals and projects and programs of participating agencies
May 29	Technical Budget Hearing for MRP	BOI presented the identified project components of the MRP along with the proposed budget per program
May 31	BOI submitted the consolidated BP 201-D and Annex C for both Manufacturing Revival and Industry Development Programs to the DBM	
June 21	DBM approved PhP60 M of the proposed budget for Industry Development Program	

What Have We Done So Far

Date (2014)	Meeting	Accomplishment
Mar 14	1 st MRP Cluster Meeting	The participating agencies presented the updates on their respective programs/projects and approved the MIR as the blueprint of the MRP as well as the Work Plan for 2014.
May 16	2 nd MRP Cluster Meeting	The participating agencies provided updates, specifically, on the geographical distribution of their projects, and issues that hampers the implementation of the same

Next Step

Sept 26	3 rd MRP Cluster Meeting	To discuss the matters that need to be elevated to the Industry Development Council either for approval/endorsement or for information
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Updates on Projects and Programs

Action 1. Close Supply/Value chain gaps

Project	Responsible Unit	Status
Program on Technological Support for the Upgrading of the Local Cacao and Cocoa Industry	DOST	<ul style="list-style-type: none">• Completed flavor profiles of cacao bean samples obtained from Tiaong and Davao for microbial augmentation and development of quality indicators for cacao fermentation and processing• Assembled Multi-Commodity Solar Tunnel Dryer and the flatbed dryer for Fermented Cacao Beans are for installment already at CocoaPhil, Davao City• Fabricated roaster and desheller of cocoa beans equipment are in on-going functional and performance testing

Updates on Projects and Programs

Action 1. Close Supply/Value chain gaps

Project	Responsible Unit	Status
Development of Value Propositions/Project Proposals for identified value chain gap <ul style="list-style-type: none">– Copper wire rod facility– Textile weaving and spinning facility– Chemicals (Chlor-Alkali Plants)	DTI-BOI	Finalizing arrangements for the conduct of VP workshops for the selected sectors
Development of the IC Design Roadmap	DTI-BOI	Finalized identification of expert to do the roadmap
Development of food processing roadmaps	DTI-BOI	On-going
Raw material plantation for the furniture industry	DTI-BOI	Coordinating with DENR-FMB

Updates on Projects and Programs

Action 2. Domestic market base expansion

Project	Responsible Unit	Status
Demand stimulation policy initiatives <ul style="list-style-type: none">– Vessel refueling– Motor vehicle retirement– Facilitation of PUV registration– Buy Philippine made movement	DTI-BOI	On-going discussions in the sectoral working groups
Conduct of reverse trade fairs for core industries <ul style="list-style-type: none">– Mass housing	DTI-BOI	On-going discussions with SHDA and construction material suppliers

Updates on Projects and Programs

Action 3. HRD & Skills Trainings

Project	Responsible Unit	Status
– Amendment of the Labor Code of the Philippines	DOLE	<ul style="list-style-type: none">• Completed and presented to DOLE Secretary the New Labor Code• Identified 13 legislative priorities for the 16th Congress• The Tripartite Industrial Peace Council (TIPC) approved the following bills: (1) Apprenticeship bill, (2) PESO bill, (3) Bill on Occupational Health and Safety in the Construction Industry, (4) Voluntary Compliance with Labor Laws bill, (5) Bill on Appeals of the NLRC Decision to the Supreme Court
The Philippine Institute of Integrated Circuits	DOST	The training course has evolved into three tracks as follows 1) full-custom digital track (2) full custom analog; 3) semi-custom digital track

Updates on Projects and Programs

Action 3. HRD & Skills Trainings

Project	Responsible Unit	Status
<ul style="list-style-type: none"> – Labor Law Compliance and Incentivizing System – Single Entry Approach (SEnA) 	DOLE	<p><u>Labor Law Compliance and Incentivizing System (LLCIS)</u></p> <ul style="list-style-type: none"> • 457 - LLC Officers designated by DOLE Secretary • 15 - batches of trainings conducted (495 attended) • 4,281 - assessed establishments • 13,034 - encoded establishments in the LLCIS- Management Information System (2,090 assessed) <p><u>Incentivizing Compliance Program</u></p> <ul style="list-style-type: none"> • 7 - establishments awarded with Tripartite Certificate of Compliance with Labor Standard • Polishing the AO on the Criteria and Mechanics for the Secretary/Presidential Award (shortlisted 9 establishments) <p><u>Single Entry Approach</u></p> <ul style="list-style-type: none"> • 11,114 – requests for assistance (8,364 – settled) • 12,050 – workers benefitted (Php 297M – monetary benefits)

Updates on Projects and Programs

Action 3. HRD & Skills Trainings

Project	Responsible Unit	Status
Industry Trainings	TESDA	<p><u>2013</u></p> <ul style="list-style-type: none"> • 1,816,954 persons - provided with institution-based and community-based trainings • 77,439 - enrolled in apprenticeship program • 125,696 - provided with scholarship • 973,693 - awarded with competency certification • 210,159 - certified workers <ul style="list-style-type: none"> – Conducted industry consultations with chemicals, logistics and electronics sectors to know the skills requirement – Prioritised qualifications for training regulation devt – Developing training regulations (TR) where 50 of the 246 TESDA Promulgated TR are under the Manufacturing
HR gap analysis	DTI-BOI, DOLE, TESDA, CHED	<ul style="list-style-type: none"> • On-going identification of specific higher degree courses and skills requirements of the industries through the sectoral working groups • Signed MOA with TESDA on training for the chemicals

Updates on Projects and Programs

Action 4. SME development & Innovation

Project	Responsible Unit	Status
<ul style="list-style-type: none">– SME Roving Academy– OTOP-TP Stores– Micro Enterprise Development Program– Industry Clustering	DTI-ROG	On-going
Institutionalization and Strengthening of TBI	DOST	Project Proposal Evaluated – Technical Panel Level
Program on the Development of Innovative Food Products from Local Raw Material	DOST	The Development of Plasma Technology for the Sterilization of Food Products, Packaging, and Contact Surfaces in Food Processing will commence in June
Food Safety and Quality Programs for MSMEs	DOST	Development of Dipstick Assay Formats for Detection of Salmonellae in Food and Feeds commenced last March 2014

Updates on Projects and Programs

Action 4. SME development & Innovation

Project	Responsible Unit	Status
National R&D Program for Natural Rubber Processing and Rubber Products Manufacturing	DOST	<ul style="list-style-type: none">• Completed benchmarking with Malaysian Rubber Lab and Indonesian Rubber Research Institute for the upgrading and accreditation of rubber laboratories• Bidding of equipment for integration of rubber testing services in the Regional Science and Technology Laboratory in Region 9 is on-going• Currently conducting a study to optimise and improve the processes in the production of Technically Specified Rubber (TSR) in the facilities of Zamboanga Peninsula• Conducted information gathering on sources of activated carbon and completed technical specifications of equipment needed in laboratories for compounding of rubber material for motorcycle tire manufacturing

Updates on Projects and Programs

Action 5: Other key support Measures

Project	Responsible Unit	Status
Operationalization of the IDC	DTI-BOI	<ul style="list-style-type: none">• Convened the Industry Development Council on April 4• Submitted the draft EO to OP• Sectoral Working Group meetings are regularly conducted• Euromonitor's Contract License Agreement under review of Legal Service
Development of roadmaps <ul style="list-style-type: none">– Christmas décor– Gifts and housewares– Coco coir– Ceramic Tiles Enhancement of Roadmaps <ul style="list-style-type: none">– Furniture– Jewelry	DTI-BOI	<ul style="list-style-type: none">• TOR approved for the preparation of the Christmas Décor and Gifts and Housewares roadmaps• MOA for the abovementioned sectors under review of BOI-Legal Department• TOR for coco coir and jewelry have been drafted for comments of STEs• Submitted proposal to prepare a narrative report of the ceramic tiles

Updates on Projects and Programs

Action 5: Other key support Measures

Project	Responsible Unit	Status
Mitigation of smuggling	DTI-BOI	Conducted a survey with DTI-BIS on smuggling practices – still following up on responses of relevant stakeholders
Production of AVPs on MRP and the manufacturing sectors	DTI-BOI	Started discussion with Philippine Information Agency for a MOA on the conduct of the regional conferences
Establishment of the Advance Materials Testing Laboratory (ADMATEL) Phase 2 - Operations	DOST	<ul style="list-style-type: none">• Continued testing of industry and academe samples• Improved competency of ADMATEL staff• Applied for ISO-17025 certification
STARLABS	DOST	All RSTLs will expand their services by offering two (2) new tests addressing industry needs in laboratory testing

Updates on Projects and Programs

Action 5: Other key support Measures

Project	Responsible Unit	Status
S&T Program for Responsible Mining in Mindanao	DOST	<p>Assessments and monitoring of the following are continuously being done:</p> <ul style="list-style-type: none">• Assessment of terrestrial ecosystems in selected mining environs in Mindanao• Assessment of aquatic ecosystems in selected mining environs in Mindanao• Assessment and Profiling of Artisanal and Small-scale Mining (MAP-ASM) in Key Areas in Mindanao• Contamination pathways and pollution management of mining in selected areas in Mindanao• Rehabilitation of areas affected by mining in Mindanao towards eco-restoration

Updates on Projects and Programs

Action 5: Other key support Measures

Project	Responsible Unit	Status
<ul style="list-style-type: none">– Detailed Wind Resource Assessment Project– Detailed Resource Assessment of Selected Low-Enthalpy Geothermal Areas	DOE	<ul style="list-style-type: none">• Issued implementing rules and regulations (IRR) for NEA Reform Act of 2013 or RA 10531 and continued oversight function in the Operation and Governance of the Wholesale Electricity Spot Market (WESM)• Conducted the Palawan Power Summit for preparation of Palawan Power Development Plan• DOE’s priority programs/projects for 2014:<ul style="list-style-type: none">– National Household Electrification Program– National Renewable Energy Program– Market Transformation through Introduction of Energy Efficient Electric Vehicles Project

Updates on Projects and Programs

Action 5: Other key support Measures

Project	Responsible Unit	Status
Increase power supply (Electrification/ Energy projects)	DTI-BOI, DOE, NPC, NEA	Focusing on rural electrification and barangay land enhancement program (NEA)
		2014 Programs include <ul style="list-style-type: none">• Enhanced Missionary Electrification with RE Development• Improved Watershed Management• Improved Dams Management• O&M of Undisposed Assets and IPP Contracts and Business Development (NPC)
		Investment promotion and facilitation (BOI)