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ERIA Study to Further Improve the ASEAN Economic Community Scorecard: the Philippines

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List of Acronyms

AO	Administrative Order
AEC	ASEAN Economic Community
AFTA	ASEAN Free Trade Agreement
AFAS	ASEAN Free Trade Agreement on Services
ASW	ASEAN Single Window
APEC	Asia Pacific Economic Cooperation
ADB	Asian Development Bank
ASEAN	Association of Southeast Asian Nation
ASEZA	Aurora Special Economic Zone Authority
ATRIG	Authority to Release Imported Goods
ABMS	Automated bonds management system
ACOS	Automated Customs Operations Systems
AEDS	Automated export documentation system
AICTS	Automated import cargo transfer system
ASYCUDA++	Automated System for Customs Data
BSP	Bangko Sentral ng Pilipinas
BCDA	Bases Conversion and Development Authority
BOI	Board of Investments
BIMP-EAGA	Brunei Darussalam, Indonesia, Malaysia, Philippines – East ASEAN Growth Area
BOT	Build-Operate-Transfer
BAI	Bureau of Animal Industry
BOC	Bureau of Customs
BI	Bureau of Immigration
BIR	Bureau of Internal Revenue
BPI	Bureau of Plant Industry
BPS	Bureau of Product Services
BPO	Business Process Outsourcing
BRIC	Brazil, Russia, India and China
CEZA	Cagayan Economic Zone Authority
CPA	Cebu Ports Authority
CDA	Clark Development Authority
CDC	Clark Development Corporation
CFZ	Clark Freeport Zone
CPRS	Client Profiles Registration System
CEPT	Common Effective Preferential Tariff
CKDs	Completely Knocked Down vehicles
CEPA	Comprehensive Economic Partnership Agreement
CIQS	Customs-immigration-quarantine-security agencies
DAR	Department of Agrarian Reform
DENR	Department of Environment and Natural Resources
DOF	Department of Finance
DFA	Department of Foreign Affairs
DPWH	Department of Public Works and Highways
DOTC	Department of Transportation and Communications
DMIA	Diosdado Macapagal International Airport
EDB	Economic Development Board of Singapore
EPA	Economic Partnership Agreement
ERIA	Economic Research Institute for ASEAN and East Asia
EEC	Entry Encoding Center
eFPS	Electronic filling and payment system

e2m	Electronic to Mobile
e-IPS	Electronic import permit system
e-TAPS	Electronic transit admission permit system
E-ACTS	Enhanced automated cargo transfer system
EU	European Union
EO	Executive Order
ED	Export declaration
EPS	Export Processing Systems
EPZs	Export processing zones
FIDA	Fiber Industry Development Authority
FDA	Food and Drug Administration
FDI	Foreign Direct Investment
FIA	Foreign Investment Act
FIAS	Foreign Investment Advisory Service
FINL	Foreign Investment Negative List
FTA	Free Trade Agreeement
FCL	Full container load
GSP	General System of Preferences
GDP	Gross Domestic Product
GNI	Gross National Income
HCPTI	Harbour Centre Port Terminal, Inc
HS	Harmonized system
IRR	Implementing rules and regulations
IAS	Imports and Assessment System
ICC	Import commodity clearance
ITH	Income tax holiday
IPAs	Independent Port Authorities
ICT	Information and communications technology
IT	Information Technology
ISO	International Organization for Standardization
IMF	Integrated Monetary Fund
IRI	International roughness index
IPA	Investment Promotion Agency
IPP	Investment Priorities Plan
JICA	Japan International Cooperation Agency
JPEPA	Japan-Philippines Economic Partnership Agreement
JV	Joint Venture
LLDA	Laguna Lake Development Authority
LTFRB	Land Transport Franchising and Regulatory Board
LTO	Land Transportation Office
LCL	Less than container load
LRTA	Light Rail Transit Authority
LGUs	Local Government Units
MNTC	North Tollway Company
MARINA	Maritime Industry Authority
MTDP	Medium Term Development Plan
MPIC	Metro Pacific Investments Corporation
MNCs	Multinational Corporations
NCR	National Capital Region
NEDA	National Economic and Development Authority
NERBAC	National Economic Research and Business Action Center
NFA	National Food Authority
NMIS	National Meat Inspection Service
NSW	National Single Window
NAIA	Ninoy Aquino International Airport

NGOs	Non-government organizations
NLEX	North Luzon Expressway
OBUs	Offshore banking units
OIC	Omnibus Investments Code
OSAC	One Stop Action Center
OSEDC	One-Stop Shop Export Documentation Center
OSS	One Stop Shop
OSDSS	Operations Support and Decision Support Systems
OECD	Organization for Economic Cooperation and Development
OGAs	Other government agencies
PASS5	Payment Application System version 5
PRC	Peoples' Republic of China
PCG	Philippine Coast Guard
PCA	Philippine Coconut Authority
PEZA	Philippine Economic Zone Authority
PIDS	Philippine Institute for Development Studies
PIPA	Philippine Investments Promotions Administration
PIPP	Philippine Investments Promotions Plan
PNCC	Philippine National Construction Corporation
PNR	Philippine National Railways
PPA	Philippine Ports Authority
PRA	Philippine Retirement Authority
PIA	Phividec Industrial Authority
R3	Radial Road 3
RMLS	Raw materials liquidation system
RHQs	Regional headquarters
ROHQ	Regional operating headquarters
RBIARMM	Regional Board of Investments of Autonomous Region in Muslim Mindanao
RA	Republic Act
RKC	Revised Kyoto Convention
RORO	Road-Roll-on-Roll-off
RRTS	Road-Roll-on-Roll-off (RORO) Terminal System
SPS	Sanitary and phytosanitary measures
SEC	Securities and Exchange Commission
SEIPI	Semiconductor and Electronics Industries in the Phils. Inc.
SAD	Single Administrative Document
SEA	Southeast Asia
SLEX	South Luzon Expressway
SMEs	Small and medium-sized enterprises
SC	Steering Committee
SIAP	Strategic investors aftercare program
SRNH	Strong Republic Nautical Highway System
SCTEX	Subic-Clark-Tarlac expressway
SBF	Subic Bay Freeport
SBFZ	Subic Bay Freeport Zone
SBMA	Subic Bay Metropolitan Authority
SRA	Sugar Regulatory Administration
TWG	Technical Working Group
TAFS	trade automation and facilitation system
TRB	Toll Regulatory Board
TQM	Total Quality Management
TEUs	Twenty-foot equivalent unit

UK	United Kingdom
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
US	United States
USAID	United States Agency for International Development
VASP	Value-Added Service Providers
VOIP	voice–operated internet protocol
WCO	World Customs Organization
WTO	World Trade Organization
ZEZA	Zamboanga Economic Zone Authority

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ABSTRACT

Within the context of the ASEAN Economic Community (AEC) Scorecard mechanism developed by the ASEAN Secretariat to monitor the implementation of the AEC Blueprint, the study focuses on the current state, performance and impact of investment liberalization and facilitation, trade facilitation, and transport and logistics services regulatory regime. The analysis was based on survey questionnaires, interviews and focus group discussions complemented by secondary data provided by national and international agencies.

The study shows that after more than two decades of pursuing market-oriented reforms such as liberalization, deregulation and privatization; there exists a large gap between policy and practice; coordination among government agencies has remained ineffective; governance has been weak; poor infrastructure continues to hamper efficient business operations; and many processes such as registration and applications for permits and licenses have remained complex, problematic, and costly. Many complementary policies and institutions that are necessary to support the reforms and generate supply-side responses leading to employment and growth are missing.

If market reforms are to have their intended effects, “behind the border” complementary policies that define the business environment must be addressed, including investment in human capital, infrastructure, and the quality of governance in the country. To move forward, the Philippines should substantially increase infrastructure investment spending and strengthen its weak institutional and regulatory environment. These are necessary to enable us to deepen our integration within the ASEAN region and the global community and take advantage of the opportunities offered by the rising trend of economic integration in the region.

Keywords: investment facilitation, investment promotion agencies, trade facilitation, national single window, ports, road transport, logistics

Chapter 1. The Philippine Development Experience

1.1. The Openness Model of Economic Development

Compared with other economies in East Asia, the Philippines' economic growth record has been disappointing. While the region's middle and high income economies experienced at least two per cent average growth of real per capital Gross Domestic Product (GDP) during the past 50 years, the Philippines recorded only a 1.9 per cent average (Table 1.1). As a result, the Philippines was not even described as a "high-performing economy" by the World Bank in its 1993 study of the East Asian Miracle while Thailand, Malaysia and Indonesia were included in this select group.

Table 1.1: Annual Average Growth Rate of Real Per Capita GDP, 1950-2006 (in %)

Period	Hongkong, China	Indonesia	Korea	Malaysia	Philippines	Singapore	Taipei, China	Thailand
1951-1960	9.2	4.0	5.1	3.6	3.3	5.4	7.6	5.7
1961-1970	7.1	2.0	5.8	3.4	1.8	7.4	9.6	4.8
1971-1980	6.8	5.3	5.4	5.3	3.1	7.1	9.3	4.3
1981-1990	5.4	4.3	7.7	3.2	-0.6	5	8.2	6.3
1991-2000	3.0	2.9	5.2	4.6	0.9	4.7	5.5	2.4
2001-2006	4.0	3.3	4.2	2.7	2.7	3.2	3.4	4.0
Average growth rate for 56 years	5.9	3.6	5.6	3.8	1.9	5.5	7.3	4.6

Source: Asian Development Bank (2007)

Mainstream economists attribute this situation largely to economic protectionism and the import-substitution policy that were followed after World War II up to the 1970s. Protection of selected sectors led to the misallocation of the country's resources, i.e. sectors in which the Philippines did not have a comparative advantage benefited from this policy stance. Moreover, the lack of competition removed the incentive of protected firms to become innovative and adopt modern technology. This resulted in monopolistic firms producing poor quality goods and services at relatively high cost, the burden of which was passed on to the Filipino consumer.

In response to this analysis, the Philippines—like many other developing countries—adopted the "openness model". The general thrust of the reforms was closer global economic integration underpinned by liberalization, deregulation and privatization. At the same time—similar again to other developing countries—the Philippines adopted measures to strengthen the supply capacity of its economy with a view to building competitive industries which would be the main beneficiaries of increased access to world markets. More attention was given to macroeconomic stability and exchange rate movements; appropriate sequencing of liberalization of the trade, financial and capital-account regimes, supported by prudential regulation and financial sector reform; strengthening domestic institutional capacity; and attracting foreign direct investment (UNCTAD 2004).

1.2. The Philippine Experience

From being a predominantly protectionist, inward-looking economy in the 1940s, the Philippines embarked on a more liberal approach to trade. This reform package began modestly in the early 1970s and was interrupted by the debt crisis in 1983-85. The reform program, however, was accelerated in the late 1980s and has been the government mantra since. The trade reforms that soon followed saw substantial reduction in tariffs, improved import performance and the country's accession to WTO, which later sets the tone for the country's bilateral and regional trade initiatives.

Following the collapse of the Doha round and the impasse in most WTO initiatives, many regional and bilateral FTAs were initiated. The Philippines was compelled to be part of the initiatives, especially those that involved ASEAN. This action was considered by the government as an essential 'building block'[1] and a viable preparation for the eventual resumption of WTO negotiations and completion of its objectives. Thus began a succession of liberalization efforts that later on evolved, adopting a more regional and bilateral focus (Table 1.2).

[1] Tongzon (2005)

Table 1.2: Major Philippine Trade and Investment Policies, 1950s-present

Time Line	Policy Regime	Policy Description
Trade		
1950s-1970s	Import Substitution Phase	-Protectionist measures such as high tariffs, import quotas & other non-tariff barriers
1980s-1990s	Unilateral Trade Liberalization Period Multilateral/Regional Trade Liberalization	-Trade Reform Program (TRP) I: reduced tariff range from 70-100% to 0-50% -TRP II: reduced tariff range to 3-30% -TRP III: further tariff changes towards a 5% uniform tariff GATT-WTO (1995) AFTA-CEPT (1993)
1990s- 2000s	Trade Facilitation	-Customs reforms (since mid-1990s) -Revised Kyoto Convention (2009) -National Single Window (2010)
2000s	Regionalism/Bilateralism through Free Trade Agreements	-China-ASEAN (2004) -ASEAN-Japan (2008) -ASEAN-Korea (2006) -Japan Philippines Economic Partnership Agreement (2007) -ASEAN+3, ASEAN+6 Talks
Investment		
Pre-1990s	Restrictive Investment Policy	-Restricted foreign ownership to 40% in non-pioneer industries; 100% eligibility for foreign investment subject to Board of Investments' approval -Complicated investment incentive system
1990s-2000s	Investment Liberalization & Facilitation	-1987 Omnibus Investment Code (Board of Investments) -1991 Foreign Investment Act -Creation of other incentive giving bodies: Philippine Economic Zone Authority (1995) Subic Bay Metropolitan Authority (1992) Clark Development Corporation (1993) -Formulation of the 2010 Philippine Investment Promotion Plan (2010-2014)

Source: Aldaba (forthcoming).

The experience of the Philippines with regard to economic integration has been documented extensively (e.g. Medalla, et al. 1995; Tecson, et al. 1995; Austria 1999, 2002). While there has been some success, particularly in terms of the composition and volume of exports, the overall result has been mixed.

As seen from Table 1.1, per capita GDP growth in 2001-2006 was still below the peak reached in 1951-1960 and was also lower than that of other East Asian economies. Moreover, the "openness model" did not generate the structural transformation that it was supposed to. Data in Table 1.3 shows that the GDP share of valued added from the manufacturing sector declined between 1980 and 2008. This stands in contrast to the experience of Thailand, Malaysia and Indonesia. It should be noted that these countries faced the same external conditions as the Philippines and also adopted the openness model.

Table 1.3: Share of Manufacturing in GDP (%)

	1980	1985	1990	1995	2000	2006	2007	2008
China	43.9	37.0	35.5	40.6	40.7	43.1	43.0	42.8
Indonesia	13.5	18.1	23.0	26.6	27.7	27.5	27.0	27.3
Malaysia	21.6	19.3	22.8	24.7	29.9	29.0	27.4	25.8
Philippines	25.7	25.2	24.8	23.0	22.2	22.9	22.0	22.6
Thailand	21.5	21.9	24.9	28.7	33.6	35.1	35.6	37.6
Viet Nam	16.1	16.4	12.3	15.0	18.6	21.2	21.3	21.1

Source: UN Statistics Division. [http://unstats.un.org/unsd/snaama/dnltransfer.asp?fID=16 ; accessed, 23 Nov 2009]

Trade could play a critical role in supporting rapid growth in incomes and reducing poverty, especially when accompanied by foreign direct investment (FDI). This has been the common experience for the more successful countries in Southeast Asia, notably Vietnam, Thailand and Malaysia. (Balboa and Medalla, 2006) Unfortunately, an anemic response to the policy reforms started in the 1980s is also reflected in the Philippine trade and investment performance.

For almost three decades, the Philippines generally experienced increase in total trade value, from less than US$ 10 billion in 1985 to around US$ 106 billion then declined in 2009 as a result of the global financial crunch. Trade balance, however, is often unfavorable, with imports surpassing exports except in 1999-2000 (Table 1.4).

In comparison to the performance of other Southeast Asian countries, the country's export growth is relatively lower. Table 1.5 shows Malaysia, Thailand and even Vietnam grew by leaps and bounds, highlighting the Philippines snail-paced economic growth.

Table 1.4: Philippine Foreign Trade

(F.O.B. value in million U.S. dollars)

Year	Total Trade	Exports	Growth of Exports (%)	Imports	Growth of Imports (%)	Balance of Trade Favorable (Unfavorable)
1980	13,515	5,788		7,727		
1985	9,740	4,629	-14.1	5,111	-15.8	-482
1990	20,392	8,186	4.7	12,206	17.2	-4,020
1995	43,985	17,447	29.4	26,538	24.4	-9,090
1996	52,969	20,543	17.7	32,427	22.2	-11,884
1997	61,162	25,228	22.8	35,934	10.8	-10,706
1998	59,157	29,497	16.9	29,660	-17.5	-163
1999	65,779	35,037	18.8	30,741	3.6	4,294
2000	72,569	38,078	8.7	34,491	12.2	3,587
2001	65,207	32,150	-15.6	33,057	-4.2	-907
2002	74,445	35,208	9.5	39,237	18.7	-4,028
2003	76,702	36,231	2.9	40,471	3.1	-4,239
2004	83,720	39,681	9.5	44,039	8.8	-4,359
2005	88,673	41,255	4.0	47,418	7.7	-6,164
2006	99,184	47,410	14.9	51,774	9.2	-4,364
2007	105,980	50,466	6.4	55,514	7.2	-5,048
2008	105,824	49,078	-2.8	56,746	2.2	-7,669
2009	81,527	38,436	-21.7	43,092	-24.1	-4,656

Notes:

1. Details may not add up to totals due to rounding.
2. Exports include domestic exports and re-exports.

Source: National Statistics Office

Table 1.5: Export Growth among ASEAN Countries

(in Percent)

	Indonesia	Malaysia	Philippines	Thailand	Vietnam
1990	15.9	17.4	4.7	14.2	23.5
1991	13.5	18.6	8.0	23.0	-13.2
1992	16.6	9.7	11.1	13.6	23.7
1993	8.4	17.0	15.8	13.5	15.7
1994	8.8	27.0	18.5	21.6	35.8
1995	13.4	20.2	29.4	23.6	34.4
1996	9.7	6.5	17.7	0.4	33.2
1997	7.3	12.1	22.8	27.9	26.6
1998	-8.6	29.7	16.9	24.4	1.9
1999	-0.4	12.2	18.8	-1.4	23.3
2000	27.7	16.1	8.7	25.2	25.5
2001	-9.3	-10.4	-15.6	4.0	3.8
2002	1.5	6.9	9.5	1.4	11.2
2003	9.4	11.3	2.9	13.7	20.6
2004	11.5	21.0	9.5	16.5	31.4
2005	22.9	10.9	4.0	14.6	22.5
2006	19.0	12.9	15.6	17.0	22.7
2007	14.0	9.6	6.4	18.2	21.9
2008	18.3	13.1	-2.5	15.9	29.1
2009	-14.4	-21.1	-22.3	-13.9	-8.9

Source: ADB Key Indicators 2009, ADB Outlook 2010

While exports comprise a significant component of the country's GDP, this has declined in recent years from a high of 50 per cent in 2000 to 24 per cent in 2009. Table 1.6 provides the comparative exports and imports ratio to GDP among selected Asian countries.

Table 1.6: Exports and Imports of Selected Asian Countries (as % of GDP)

Export/GDP (at current prices) Ratio	1990	1995	2000	2005	2006	2007	2008
Indonesia	22.4	22.5	37.6	30.0	27.6	26.4	26.8
Malaysia	66.9	83.2	104.7	102.2	102.5	94.6	89.8
Philippines	18.5	23.5	50.2	41.7	40.3	35.0	29.5
Thailand	27.0	33.6	56.3	62.6	63.0	61.7	64.3
Vietnam	37.1	26.3	46.5	61.3	65.4	68.4	69.2
China	15.9	20.4	20.8	34.1	36.5	36.0	33.0
Japan	9.4	8.4	10.3	13.1	14.8	16.3	16.0
Korea	24.6	24.2	32.3	33.7	34.2	35.4	45.4
Import/GDP (at current prices) Ratio							
Indonesia	19.1	20.1	20.3	20.2	16.8	17.2	25.3
Malaysia	66.4	87.4	87.4	83.1	83.7	78.9	70.6
Philippines	29.4	38.4	44.5	50.1	46.0	40.3	36.2
Thailand	38.7	42.1	50.7	67.0	63.0	57.3	65.3
Vietnam	42.5	39.3	50.2	69.5	73.7	88.4	89.0
China	13.7	18.1	18.8	29.5	29.8	28.3	26.2
Japan	7.7	6.4	8.1	11.4	13.3	14.2	15.6
Korea	26.5	26.1	30.1	30.9	32.5	34.0	46.8

Source of basic data: ADB Key Indicators 2009

In terms of export structure, the country took a dramatic shift when it embarked on a progressive export promotion program. Traditional exports such as agro-based products (coconut, sugar, abaca, fruits and vegetables), forest products, mineral products, petroleum product used to dominate approximately 80-90 per cent of total Philippine exports in the 1970s. It took a sizeable drop in export share to less than 10 per cent in 2000. This fall in export share coincided with the rapid rise of non-traditional exports like electronics, garments and other industrial manufactures which accounted for 90 per cent in 2000 (from almost 7 per cent in the 1970s). Table 1.7 presents the Philippine export structure from 1970 to 2009.

Despite the notable performance of the Philippine products in the world market, over the years, however, the Philippine export base has become less diversified. The country's exports are concentrated in at least three product groups: electronics and other electronics, garments and textiles, and machinery and transport equipment which account for 82 per cent of total exports in 2000 (refer to Table 1.7). These goods are considerably dependent on imported inputs and have weak backward and/or upward linkages with the rest of the manufacturing sectors (Duenas-Caparas, 2007). In addition, since exports have become less diversified, the Philippines is vulnerable to crisis situations in export destination countries just like what happened during the 2008 global recession where the electronics sector was badly affected.

Table 1.7: Structure of Philippine Exports									
Percent Share									
Commodity Group	**1970**	**1975**	**1980**	**1985**	**1990**	**1995**	**2000**	**2005**	**2009 p/**
Agro-based Products	44.4	55.8	35.1	25.4	17.0	12.0	4.3	4.9	5.5
Forest Products	26.2	9.8	7.3	4.3	1.2	0.2	0.1	0.1	0.1
Mineral Products	20.4	15.9	20.3	12.3	8.8	5.1	1.7	2.0	3.8
Petroleum Products	1.6	1.6	1.6	2.0	1.9	1.0	1.1	1.4	0.8
Manufactures	6.8	15.9	34.5	54.8	69.7	79.5	90.2	89.6	87.4
of which:									
Electronics and Other electroni	0.0	2.0	11.6	22.8	24.0	42.5	72.9	69.1	61.5
Garments & Textiles	0.6	5.3	10.0	14.3	22.8	15.9	7.4	6.2	4.4
Machinery & Transport Equipme	0.1	0.4	0.8	0.6	1.8	4.2	1.9	4.5	4.9
Other Manufactures*	0.6	1.0	1.2	1.1	1.4	2.2	2.5	2.1	2.3

* Processed Foods, Chemicals and other Miscellaneous Manufactures, also includes Special Transactions and re-exports

Source: BSP Selected Key Economic Indicators

The past 30 years also marked the shift of trade direction from Europe and America to Asia (Table 1.8). In 2005, 61 per cent of Philippine exports are headed to Asia, while 59 per cent of Philippine imports originated from Asia. It is significant to note that intraregional trade among ASEAN countries are increasing as shown in Table 1.8. Although Japan and US are still the country's biggest trading partners, their shares has been declining over the years.

Table 1.8: Philippine Trade by Continent								
	Philippine Exports by Destination (% Share to Total Exports)							
Country	**1975**	**1980**	**1985**	**1990**	**1995**	**2000**	**2005**	**2009 p/**
NORTH AMERICA	28.9	27.4	35.7	37.8	36.7	31.5	18.9	18.7
USA (Inc. Hawaii & Alaska)	28.9	27.4	35.7	37.8	35.3	29.8	18.0	17.7
EUROPE	16.6	20.3	14.3	17.9	18.0	18.4	17.3	21.0
ASIA	45.2	41.5	38.5	34.8	41.3	48.1	61.1	56.4
ASEAN	2.7	6.6	11.5	7.1	13.6	15.7	17.3	15.2
Japan	37.7	26.5	18.9	19.7	15.7	14.7	17.5	16.2
OCEANIA	1.4	1.8	2.1	1.3	1.0	0.9	1.3	1.7
MIDDLE EAST	2.2	2.0	1.5	1.6	1.3	0.5	0.7	1.2
OTHERS	5.6	7.0	7.9	6.6	1.7	0.7	0.7	1.1
Country	***Philippine Imports by Origin (% Share to Total Imports)***							
	1975	**1980**	**1985**	**1990**	**1995**	**2000**	**2005**	**2009 p/**
NORTH AMERICA	21.8	23.1	25.1	19.4	19.5	19.3	19.7	12.5
USA (Inc. Hawaii & Alaska)	21.8	23.1	25.1	19.4	18.4	18.6	19.2	11.9
EUROPE	12.5	11.0	8.6	11.5	13.3	10.8	9.5	9.3
ASIA	37.4	34.2	42.7	40.2	52.9	55.4	59.2	65.5
ASEAN	5.0	7.0	14.8	9.7	11.9	15.5	18.7	25.3
Japan	27.9	19.8	14.4	18.3	22.6	18.9	17.0	12.4
OCEANIA	4.6	3.8	3.6	3.7	3.7	3.0	2.0	3.0
MIDDLE EAST	17.5	21.1	12.4	11.5	8.5	10.5	8.2	7.6
OTHERS	6.2	6.8	7.5	13.7	2.1	1.0	1.4	2.1

Source: BSP Selected Key Economic Indicators

In terms of investments, the Philippines can be characterized as an economy with declining investments. It also failed to attract significant amount of foreign investments compared to its neighboring countries.

Although the Philippine economy experienced moderate growth in recent years, domestic investments continue to decline. Table 1.9 shows the drop of Gross Domestic Investment as percent of GDP from a high of 24.8 per cent in 1997 to a low of 14.5 per cent in 2006. It slightly rebounded in 2007-2008 but declined again in 2009 as a result of the global financial crunch. This is relatively low as compared to other ASEAN countries. According to Aldaba (2010) some of the reasons for such downtrend were attributed to high costs of doing business, poor quality of key infrastructure services, a fragile and underdeveloped financial system, and strong perceptions of contracting and regulatory uncertainty. The private sector has time and again identified corruption and macroeconomic instability as two major impediments to a good investment climate in the Philippines. Costs of electricity and security issues are also important factors (Aldaba, 2010).

Table 1.9: Gross Domestic Investment (% of GDP)

	Indonesia	Korea	Malaysia	Philippines	Thailand
1990	30.7	37.5	32.4	24.2	41.4
1991	32.0	39.7	37.8	20.2	42.8
1992	32.4	37.3	35.4	21.3	40.0
1993	29.5	35.7	39.2	24.0	40.0
1994	31.1	37.0	41.2	24.1	40.3
1995	31.9	37.7	43.6	22.5	42.1
1996	30.7	38.9	41.5	24.0	41.8
1997	31.8	36.0	43.0	24.8	33.7
1998	16.8	25.0	26.7	20.3	20.4
1999	11.4	29.1	22.4	18.8	20.5
2000	22.2	31.0	26.9	21.2	22.8
2001	22.0	29.3	24.4	19.0	24.1
2002	21.4	29.1	24.8	17.7	23.8
2003	25.6	30.0	22.8	16.8	24.9
2004	24.1	30.4	23.0	16.7	26.8
2005	25.1	29.7	20.0	14.6	31.4
2006	25.4	29.9	20.5	14.5	28.3
2007	24.9	29.4	21.7	15.4	26.4
2008	27.8	31.2	19.1	15.2	28.9
2009	31.0	25.9	14.0	14.0	21.9

Source: ADB, Asian Development Outlook 2010

Aside from local investments experiencing a down trend, the country has also not fared well in terms of foreign direct investments. Table 1.10 and Table 1.12 present the Philippine FDI performance in terms of values (in Million US$) and the ratio of FDI to GDP from 1995 to the year 2009. FDI inflows revealed an erratic pattern, with highest value almost reaching US$ 3 billion in 2006-2007. In terms ratio to GDP, FDI reached to 3.5 per cent in 1998 and dropped to as low as 0.3 per cent in 2001 (refer to Table 1.12).

Also, Table 1.10 compares FDI inflows to the Philippines with flows to ASEAN6 countries from mid-1970s up to 2009 *(Graphical presentation of this table is Figure 2.6 of Chapter 2)*. The huge differences are evident with the country lagging behind its neighbours in Southeast Asia. FDI figures of Vietnam even overtaking the Philippines: US$ 1.8 billion compared to

US$ 1.5 billion dollars in 1995, US$ 6.7 billion relative to US$3 billion in 2007. Vietnam's FDI inflows gained more than double in contrast to that of the Philippines particularly in recent years (2007-2009).

Table 1.10: FDI Inflows to ASEAN6
in Million US$

	Indonesia	Malaysia	Philippines	Singapore	Thailand	Viet Nam
1975	1,292	350	114	292	86	_
1980	180	934	114	1,236	189	2
1985	308	695	105	1,047	160	(0)
1990	1,092	2,611	550	5,575	2,575	180
1995	4,419	5,815	1,459	11,535	2,070	1,780
1996	6,245	7,297	1,520	9,682	2,338	1,803
1997	4,729	6,323	1,249	13,753	3,882	2,587
1998	(207)	2,714	1,752	7,314	7,492	1,700
1999	(1,838)	3,895	1,247	16,578	6,091	1,484
2000	(4,495)	3,788	2,240	16,484	3,349	1,289
2001	(2,926)	554	195	15,621	5,061	1,300
2002	232	3,203	1,542	7,200	3,335	1,200
2003	(507)	2,473	491	11,664	5,235	1,450
2004	1,896	4,624	688	19,828	5,862	1,610
2005	8,337	3,967	1,854	13,930	8,048	2,021
2006	4,914	6,060	2,921	27,680	9,460	2,400
2007	6,928	8,538	2,916	35,778	11,355	6,739
2008	9,318	7,318	1,544	10,912	8,544	8,050
2009	4,877	1,381	1,948	16,809	5,949	4,500

Source: UNCTAD, World Investment Report 2010

This scenario is also reflected in ASEAN countries' cumulative FDI inflows as presented in Table 1.11 (Graphical presentation of this table is Figure 2.7 of Chapter 2). Although, the Philippines registered higher FDI stock figure in 1990 compared to Vietnam, Vietnam surpassed the Philippines total of US$ 18.2 billion (2000) and US$ 23.6 billion (2009). FDI stock of Vietnam reached US$ 20.6 billion in 2000 and further soared to US$ 52.8 in 2009.

Table 1.11: FDI Inward Stock in ASEAN6 (in Million US$)

	1990	2000	2008	2009
Indonesia	8,732	25,060	67,044	72,841
Malaysia	10,318	52,747	73,262	74,643
Philippines	4,528	18,156	21,470	23,559
Singapore	30,468	110,570	326,142	343,599
Thailand	8,242	29,915	104,850	99,000
Viet Nam	1,650	20,596	48,325	52,825

Source: UNCTAD, World Investment Report 2010

In terms of FDI to GDP ratio, the Philippines again fared badly among these countries, except for Indonesia. Table 1.12 shows the ASEAN6 FDI as percentage to GDP *(Graphical presentation of this table is Figure 2.8 of Chapter 2).* In 1995, the Philippines ratio indicates 2 per cent as compared to Malaysia's ratio of almost 5 per cent and Vietnam's almost 9 per cent. Although, the Philippine FDI to GDP ratio increased to 3.5 per cent in 1998, it posted less than 1 percent in 2008.

Table 1.12: FDI Performance of ASEAN6(% of GDP)

	Indonesia	Malaysia	Philippines	Singapore	Thailand	Viet Nam
1995	2.2	4.7	2.0	13.7	1.2	8.6
1996	2.7	5.0	1.8	10.5	1.3	9.7
1997	2.2	5.1	1.5	14.3	2.6	8.3
1998	-0.3	3.0	3.5	8.9	6.5	6.1
1999	-1.3	4.9	1.6	20.1	5.0	4.9
2000	-2.8	4.0	3.0	17.8	2.7	4.2
2001	-1.9	0.6	0.3	18.2	4.4	4.0
2002	0.1	3.2	2.0	8.2	2.6	4.0
2003	-0.3	2.2	0.6	12.5	3.7	3.7
2004	0.7	3.7	0.8	18.2	3.6	3.5
2005	2.9	2.9	1.9	11.6	4.6	3.8
2006	1.3	3.9	2.5	20.9	4.6	3.9
2007	1.6	4.6	2.0	21.4	4.6	9.5
2008	1.8	3.3	0.9	5.6	3.1	8.9
2009	0.9	0.7	1.2	9.2	2.3	4.7

Source: Data for 1995-2004 were taken from Aldaba 2010 (p.13), updates for 2005-2009 were computed using FDI inflows from WIR2010 and GDP figures from http://www.aseansec.org/18135.htm (date accessed July 22, 2010)

Other indicators of FDI performance including FDI by sector and by sources are further discussed in Chapter 2.

The Philippines has lagged behind in many competitiveness indicators. The latest World Bank report on ease of doing business ranks the Philippines 144th out of 183 economies (Table 1.13). Only Cambodia and Lao PDR rank below the Philippines.

Table 1.13: Index of Ease of Doing Business

Economy	2010 Rank Out of 183
Singapore	1
Thailand	12
Malaysia	23
China	89
Viet Nam	93
Brunei	96

Indonesia	122
Philippines	144
Cambodia	145
Lao PDR	167
Source: World Bank Doing Business Report 2010.	

The Philippines is therefore in a relatively unique position wherein a whole range of policies were implemented without much success. Austria (2002) argues that "the fundamental policy issue for the government is not one of more or less trade liberalization, but how best to extract from the country's participation in the global trading system the elements that will promote economic growth and development…The key is in upgrading the existing pattern of production and trade in such a way that more of the productive activities generating trade are done at home."

In this context, the present study reviews possible supply-side constraints that have prevented Philippine-based firms from fully benefiting from the openness model of development. The study is partly based on responses from the private sector firms and their evaluation of specific policies. Chapter 2 deals with the area of investment facilitation and liberalization. Meanwhile, Chapter 3 looks at trade facilitation issues, particularly the recently implemented National Single Window. Finally Chapter 4 assesses liberalization in the services sector and the regulatory environment in the areas of port, road transport and logistics services.

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Chapter 2. Investment Liberalization and Facilitation

Chapter 2 aims to examine the state of investment liberalization and facilitation in the Philippines. A survey-interview of four government investment promotion agencies (IPAs) and 30 companies was conducted to gather information on their experiences. It is divided into five parts: part 1 looks at the FDI liberalization policy of the government. Part 2 discusses the investment promotion and facilitation initiatives. Part 3 assesses the FDI performance of the country. Part 4 presents the survey results and part 5 summarizes the findings and implications of the study.

2.1 Liberalization of Philippine Foreign Direct Investment Policy

Beginning in the 1990s, Philippine foreign direct investment policy has changed considerably from a restrictive and complicated regulatory system towards a more open one (see Table 1). Given the need to expand exports and the potential economic contribution of FDI through the transfer of knowledge and experience, the Philippines adopted more open and flexible policies toward FDI. This was carried out simultaneously with the country's market-oriented reforms in the 1990s. In June 1991, the country accelerated the FDI liberalization process through the legislation of Republic Act 7042 or the Foreign Investment Act (FIA).

The FIA liberalized the existing regulations by allowing foreign equity participation up to 100% in all areas not specified in the Foreign Investment Negative List (or FINL, which originally consisted of three component lists: A, B, and C)[2]. Prior to this, 100% eligibility for foreign investment was subject to the approval of the Board of Investments. The FIA was expected to provide transparency by disclosing in advance, through the FINL, the areas where foreign investment is allowed or restricted. It also reduced the bureaucratic discretion arising from the need to obtain prior government approval whenever foreign participation exceeded 40%.

Over time, the negative list has been reduced significantly. In March 1996, RA 7042 was amended through the legislation of RA 8179 which further liberalized foreign investments allowing greater foreign participation in areas that were previously restricted. This abolished List C which limited foreign ownership in "adequately served" sectors. Currently, the FIA has two component lists (A and B) covering sectors where foreign investment is restricted below 100% under the Constitution or those with restrictions mandated under various laws.

In the mid-1990s, Republic Act 7721 (1994 Foreign Bank Liberalization) allowed the establishment of ten new foreign banks in the Philippines. With the legislation of Republic Act 8791 (General Banking Law) in 2000, a seven-year window was provided allowing foreign banks to own up to 100 percent of one locally-incorporated commercial or thrift bank (with no obligation to divest later).

In March 2000, Republic Act 8762 (Retail Trade Liberalization Law) allowed foreign investors to enter the retail business and 100% ownership as long as they put up a minimum of US$7.5 million equity[3]. A lower minimum capitalization threshold of US$250,000 is allowed

[2]List A: consists of areas reserved for Filipino nationals by virtue of the Constitution or specific legislations like mass media, cooperatives or small-scale mining.
List B: consists of areas reserved for Filipino nationals by virtue of defense, risk to health and moral, and protection of small and medium scale industries.
List C: consists of areas in which there already exists an adequate number of establishments to serve the needs of the economy and further foreign investments are no longer necessary.

[3] Singapore and Hong Kong have no minimum capital requirement while Thailand sets it at US$250,000.

to foreigners seeking full ownership of firms engaged in high-end or luxury products. R.A. 8762 also allowed foreign companies to engage in rice and corn trade.

Table 2.1A: Chronology of FDI Policy Reforms and Major Legislations

Year	Legislation	Description
1987	Omnibus Investment Code	• simplified and consolidated previous investment laws
1991	Foreign Investment Act [RA 7042]	• liberalized existing regulations & allowed foreign equity participation up to 100% in all areas not specified in the Foreign Investment Negative List
1992	Bases Conversion and Development Act (RA 7227)	• created the Bases Conversion and Development Authority (BCDA) and the Subic Bay Metropolitan Authority (SBMA) to adopt, prepare and implement a comprehensive development program for the conversion of the Clark and Subic military reservations into special economic zones
1993	Executive Order 8	• established the Clark Development Corporation (CDC), as the implementing arm of the BCDA for the Clark Special Economic Zone
1994	Foreign Bank Liberalization	• allowed the establishment of ten new foreign banks
1995	Special Economic Zone Act [RA 7916]	• created the Philippine Economic Zone Authority (PEZA) to manage and operate government-owned zones and administer incentives to special economic zones
1996	Republic Act 8179	• further liberalized foreign investments & allowed greater foreign participation in areas that were previously restricted
2000	Retail Trade Liberalization Act [RA 8762]	• allowed foreign investors to enter the retail business and own them 100% as long as they put up a minimum of US$7.5 million equity
2000	General Banking Law [RA 8791]	• allowed foreign banks to own up to 100% of one locally-incorporated commercial or thrift bank during a 7-year window
2005	Supreme Court Decision	• the Supreme Court revoked the incentives for Clark Special Economic Zone under RA 7227, stating that RA 7227 did not grant privileges to locators operating in Clark
2006	Presidential Proclamation 1035	• declared the Clark Special Economic Zone as a PEZA Special Economic Zone
2007	Amendment to RA 7227 [RA 9399]	• provided a one time tax amnesty on all applicable tax and duty liabilities incurred by the zone enterprises
2007	Amendment to RA 7227 [RA 9400]	• restored the fiscal incentives and privileges enjoyed by the affected zones

Source: Aldaba (2009)

To develop international financial center operations in the Philippines and facilitate the flow of international capital into the country, foreign banks have been allowed to establish offshore banking units (OBUs). OBUs are subject to virtually no exchange control on their offshore operations and are not subject to tax on income they source from outside the

Philippines. Only income from foreign currency transactions with local banks, including branches of foreign banks that are authorised by the *Bangko Sentral ng Pilipinas* to transact business with OBUs and Philippine residents is subject to a final tax of 10%. Non-residents are exempt from income tax on income they derive from transactions with OBUs.

Incentives have also been offered to multinationals that establish regional headquarters (RHQ) or a regional operating headquarters (ROHQ) in the Philippines. Both RHQs and ROHQs are entitled to the following incentives: exemption from all taxes, fees, or charges imposed by a local government unit except real property tax on land improvements and equipment; tax and duty free importation of training materials and equipment; and direct importation of new motor vehicles, subject to the payment of the corresponding taxes and duties.

While substantial progress has been made in liberalizing the country's FDI policy, certain significant barriers to FDI entry still remain (see Table 2.1B). The sectors with foreign ownership restriction include mass media (no foreign equity), land ownership (foreign ownership is limited to 40%), natural resources, firms that supply to government-owned corporations or agencies (40%), public utilities (40%), and Build-Operate-Transfer (BOT) projects (40%). Constitutional change is necessary to remove these barriers.

Table 2.1B: Remaining FDI Barriers

List A	**Sector**
No foreign Equity	1. Mass Media except recording 2. Practice of all professions 3. Retail trade enterprises with paid-up capital of less than US$2,500,000 4. Cooperatives 5. Private Security 6. Small-scale Mining 7. Utilization of Marine Resources in archipelagic waters, territorial sea, and exclusive economic zone as well as small- scale utilization of natural resources in rivers, lakes, bays, and lagoons 8. Ownership, operation and management of cockpits 9. Manufacture, repair, stockpiling and/or distribution of nuclear weapons 10. Manufacture, repair, stockpiling and/or distribution of biological, chemical and radiological weapons and anti-personnel mines 11. Manufacture of firecrackers and other pyrotechnic devices
Up to 20% Foreign equity	12. Private radio communications network
Up to 25% foreign equity	13. Private recruitment, whether for local or overseas employment 14. Contracts for the construction and repair of locally-funded public works 15. Contracts for the construction of defense-related structures
Up to 30%	16. Advertising
Up to 40%	17. Exploration, development and utilization of natural resources 18. Ownership of private lands 19. Operation and management of public utilities 20. Ownership/establishment and administration of educational institutions 21. Culture, production, milling, processing, trading excepting retailing, of rice and corn and acquiring, by barter, purchase or otherwise, rice and corn and the by-products 22. Contracts for the supply of materials, goods and commodities to government- owned or controlled corporation, company, agency or municipal corporation 23. Project Proponent and Facility Operator of a BOT project requiring a public utilities franchise 24. Operation of deep sea commercial fishing vessels 25. Adjustment Companies 26. Ownership of condominium units where the common areas in the condominium project are co-owned by the owners of the separate units or owned by a corporation
Up to 60%	27. Financing companies regulated by the Securities and Exchange Commission (SEC) 28. Investment houses regulated by the SEC
List B	
Up to 40%	1. Manufacture, repair, storage, and/or distribution of products and/or

	ingredients requiring Philippine National Police (PNP) clearance: 2. Manufacture, repair, storage and/or distribution of products requiring Department of National Defense (DND) clearance: 3. Manufacture and distribution of dangerous drugs 4. Sauna and steam bathhouses, massage clinics and other like activities regulated by law because of risks posed to public health and morals 5. All forms of gambling, except those covered by investment agreements with PAGCOR and operating within PEZA zones 6. Domestic market enterprises with paid-in equity capital of less than the equivalent of US$200,000 7. Domestic market enterprises which involve advanced technology or employ at least fifty (50) direct employees with paid-in-equity capital of less than the equivalent of US$100,000

Source: Executive Order 858 (8th Regular Foreign Investment Negative List, Feb. 5, 2010)

The 8th Foreign Investment Negative List which was issued in February 2010 did not differ substantially from the previous List (7th issued in December 2006). The recent List allowed entry of foreign investors in the local gaming sector provided they are covered by investment agreements with the Philippine Amusement and Gaming Corporation (PAGCOR) and are situated within zones administered by the PEZA.

Urata and Ando (2010) calculated FDI restrictiveness indices based on the FDI policy of ASEAN countries covering foreign ownership or market access, national treatment, screening and approval procedure, board of directors and management composition, movement of investors, and performance requirement. Their results showed that with an overall score of 0.237, the Philippines is generally considered as relatively open. However, the country received a score of 0.257 for market access and 0.279 for national treatment indicating the presence of FDI restrictions in these areas. Barriers are particularly high in the services sector consisting of professional, scientific, and technical activities, transportation and storage, real estate activities, public administration and defence, compulsory social security, and education. Some barriers are also present in the agriculture, forestry and fishing, mining and quarrying, as well as in administrative and support activities. The study also found restrictions on board of directors and management composition as rather severe for the Philippines. The country also imposes performance requirements with export requirements being imposed to receive incentives.

2.2 Investment Promotion and Facilitation

2.2.1. Investment Promotion Agencies

As the Philippines shifted its orientation from import-substitution towards export promotion, the country implemented trade and investment liberalization and pursued changes in its overall investment and investment incentive policies. Incentives along with simplified registration procedures have become the centerpiece of the country's investment promotion strategy. Fiscal and non-fiscal incentives have been conferred to preferred activities under the Omnibus Investments Code (OIC) and export-oriented enterprises in economic zones. The Board of Investments (BOI) offers incentives to firms located outside economic or free port zones. The major economic zones are supervised by the Philippine Economic Zone Authority (PEZA), Subic Bay Metropolitan Authority (SBMA), and Clark Development Authority (CDA).

The Board of Investments (BOI), the country's lead agency tasked with investment promotion, administers the incentives under the OIC including the registration and monitoring of enterprises. Every year, the BOI identifies preferred activities in its Investment Priorities Plan (IPP). If the areas of investment are not listed in the IPP, enterprises may still be entitled to incentives, provided: (i)at least 50% of production is for exports, for Filipino-owned enterprises; and (ii)at least 70% of production is for export, for majority foreign-owned enterprises (more than 40% of foreign equity). In 1987, a new Omnibus Investments Code was legislated which simplified and consolidated previous investment laws. It also established a One Stop Action Center (OSAC) and streamlined the approval process.

To promote export-oriented investment, several other legislations containing investment incentive packages to outward-oriented FDI were legislated. The most important are RA 7227 known as the Bases Conversion and Development Act of 1992 and RA 7916 or the Special Economic Zone Act of 1995. RA 7227 created two separate administrative bodies, the Bases Conversion and Development Authority (BCDA) and the Subic Bay Metropolitan Authority (SBMA), tasked with adopting, preparing and implementing a comprehensive development program for the conversion of the Clark and Subic military reservations into special economic zones. The BCDA is mandated to oversee and implement the conversion and development of Clark and other military stations; while the SBMA is mandated to oversee the implementation of the development programs of the Subic Bay Naval Station and surrounding communities. BCDA administered zones cover Clark, John Hay Special Economic Zone, Poro Point Freeport Zone, and Bataan Technology Park.

Republic Act 7916 created the Philippine Economic Zone Authority (PEZA) to manage and operate government-owned zones and administer incentives to special economic zones. RA 7916 allowed greater private sector participation in zone development and management and allowed zone developers to supply utilities to tenants by treating them as indirect exporters. Activities permitted within the economic zones have also been expanded.

The Philippine Medium Term Development Plan (MTPDP) 2004-2010 recognizes the importance of investment promotion and facilitation in attracting investment to the country. The Plan focuses on competitive incentive packages for selected sectors covering information technology and IT-enabled services, automotive, electronics, mining, healthcare and wellness, tourism, shipbuilding, fashion garments, jewelry, and agribusiness. It also directs efforts to further simplify registration procedures through the reduction of documentary requirements, processing times, steps and fees and issuances of various certifications and the implementation of a nationwide on-line registration and monitoring of investments.

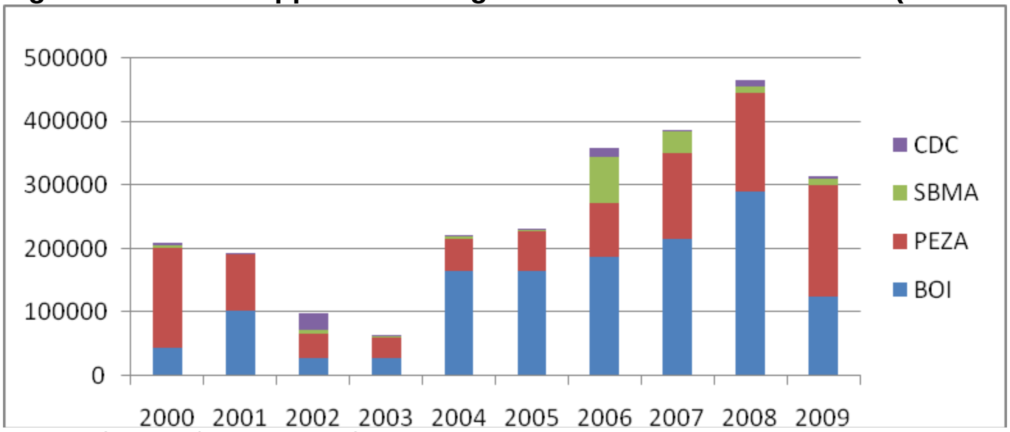
In line with the investment objectives and strategies of the MTPDP, the country's major IPAs have been initiating measures to apply international best practices and streamline business procedures. In 2008, BOI reorganized its structure to focus more on investment promotion by providing information assistance and investment facilitation of investors' transactions, investment advice, investment matching and business linkages services. BOI's OSAC was transformed into the National Economic Research and Business Action Center (NERBAC) which gathers together under one roof representatives from various government agencies to answer investor queries and process investors' business registration. BOI also created the Investments Aftercare Department to encourage investors to locate and retain their investments by providing assistance to address investors' issues and concerns after they have set up their business in the country.

PEZA has a one-stop and non-stop shop operating 24/7. It issues building and occupancy permits as well as import and export permits. Special non-immigrant visa processing is done in PEZA along with other required processes such as issuance of environmental clearance. PEZA locators are exempted from local government business permits. The Clark Development Authority (CDA) also has a One Stop Action Center (OSAC) that facilitates evaluation and approval of investment projects within a 30-day period.

Figure 2.1a presents the total approved domestic and foreign investments for the four agencies from 2000 to 2009. Total approved investments increased to P464.2 billion in 2008 from P231 billion in 2005. In 2009, the total dropped to P314 billion. On the average, for the period 2000-2009 BOI leads as it accounted for 53 percent of the total while PEZA registered a share of 38 percent. SBMA and CDA cornered 6 and 3 percent of the total, respectively.

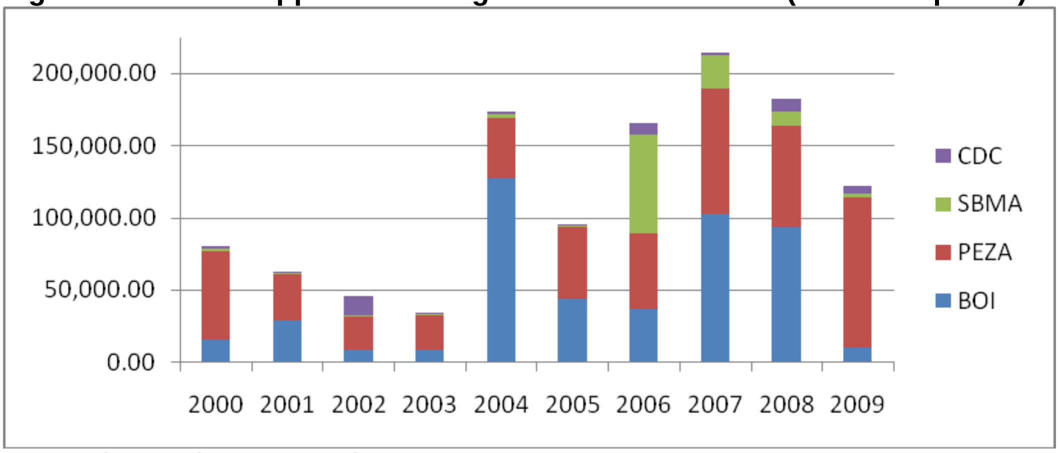
Figure 2.1b shows the approved foreign investments for the four agencies from 2000 to 2009. Total approved investments increased to P214 billion in 2007 from P174 billion in 2004. In 2008 and 2009, the total dropped to P183 billion and 122 billion, respectively. On the average, for the period 2000-2009 PEZA accounted for the bulk of the total approved FDI with a share of 46 percent. Next is BOI with a share of 40 percent while SBMA and CDA registered 10 and 4 percent of the total, respectively.

Figure 2.1a: Total Approved Foreign and Domestic Investments (in million pesos)



Source of basic data: BOI

Figure 2.1b: Total Approved Foreign Direct Investments (in million pesos)



Source of basic data: BOI

With the apparent success of PEZA, SBMA and CDA in attracting foreign direct investment flows, the government has become more aggressive in its creation of more economic zones. This includes the Cagayan Economic Zone Authority (CEZA), Phividec Industrial Authority (PIA), and Zamboanga Economic Zone Authority (ZEZA) which have been mandated to establish, maintain, and manage special economic or free port zones.

2.2.2. IPA coordination and crafting of the first Philippine investment plan

Currently, the investment promotion regime is characterized by different investment regimes administered by different government bodies. The various laws governing investment promotion and administration of investment incentives have led to a complex system and in the absence of a central body coordinating and monitoring the different investment promotion agencies, there seems to be a lack of a coherent and integrated approach in the administration and monitoring of investment incentives.

Table 2.2 shows a comparison of the major incentives provided by the different investment incentive-giving bodies. BOI-registered enterprises are allowed income tax holiday (ITH) up to eight years, tax and duty free importation of spare parts, and tax credit on raw materials. After the lapse of the income tax holiday, the regular corporate tax rate of 30% will apply to BOI enterprises. PEZA grants the most generous incentives covering income tax holiday, basic income tax rate of 5% of gross income, and tax and duty free importation of capital equipment, spare parts, and raw material inputs. Except for the income tax holiday, Clark and Subic enterprises enjoy the same incentives available to PEZA enterprises.

Table 2.2: Incentives Offered by Different IPAs in the Philippines

	IPA	BOI OIC	PEZA	SBMA	CDA
Incentives	Income	4-8 years ITH	4-8 years	No ITH	No ITH
	Others	After ITH, payment of the regular corporate tax	After ITH, special rate of 5% tax on gross income in lieu of national & local taxes	5% tax on gross income in lieu of all local & national taxes	5% tax on gross income in lieu of all local & national taxes
	Raw materials & supplies	Tax credit	Tax & duty exemption	Tax & duty exemption	Tax & duty exemption
	Breeding stocks & genetic materials	Tax exemption within 10 years from registration	Tax & duty exemption	Tax & duty exemption	Tax & duty exemption
	Capital equipment, spare parts, materials & supplies	Tax & duty exemption on spare parts (duty & tax free importation of capital equipment expired in 1997 but were restored in 2004)[4]	Tax & duty exemption	Tax & duty exemption	Tax & duty exemption

Source: Aldaba (2007)

In the absence of a single uniform legislation on the granting of investment incentives, legal issues have emerged affecting the certainty of investments in the country. In October 2004 and July 2005 the Supreme Court nullified the fiscal incentives at the four special economic zones under BCDA (Clark, John Hay, Poro Point, and Bataan) and ruled that RA 7227 granted incentives only to Subic locators (see Table 2.2). With the decision, all the affected locators would be subject to back taxes and duties. In March 2006, Presidential Proclamation 1035 was signed declaring the Clark Special Economic Zone as a PEZA Special Economic Zone. In April 2007, two legislations were passed, RA 9339 and 9400, which provided a one time tax amnesty on all applicable tax and duty liabilities incurred by the zone enterprises during the period that the incentives were rendered ineffective and restored the fiscal incentives and privileges enjoyed by the affected zones, respectively.

In recent years, several legislative bills have been filed to create a single body that will coordinate the activities of IPAs. In the 12th Congress, Senate Bill 2411 would merge BOI and PEZA to create the Philippine Investments Promotions Administration (PIPA) and

[4] Executive Order 313 (2004) restored these incentives.

rationalize the country's fiscal incentive package. Under the 13^{th} Congress, Senate Bill 1104 would also create a single body that will monitor the activities of IPAs, rationalize the investment incentive system, and craft more uniform incentives across the different IPAs. In the 14^{th} Congress, Senate Bill 1640, which would also merge BOI and PEZA to establish PIPA, remained pending.

In November 2009, the Department of Trade and Industry formed a steering committee consisting of DTI and eleven (11) IPAs[5] to formulate the first Philippine Investments Promotions Plan (PIPP). The PIPP would serve as guide to harmonize policy-making, planning and promotional strategies, programs and projects of the various IPAs. Among the steps that have been identified is the creation of a comprehensive investment portal that will integrate information on all IPAs in the country. This would combine the websites of all IPAs and list of their registered companies allowing data sharing among IPAs. Another important measure is the plan to create an interagency body to oversee the implementation and monitoring of investment programs, activities and projects. A list of target sources of investments have also been drafted along with measures to benchmark with competing countries in providing investment facilitation services.

Recently, the IPAs announced that investment efforts will target a doubling of FDI inflows in five years, i.e., by 2014. The agencies will focus on ten opportunity sectors covering agro-industry, food processing, electronics and chip manufacturing, business process outsourcing and information technology, energy, mining, logistics, aviation, shipbuilding, and tourism. Each agency will be assigned sectors where its competency lies and will adopt the same sectoral strategies applied by all IPAs. The IPAs will use the same set of information and promotional materials to eliminate confusion among prospective investors especially in terms of investment sites and procedures.

Meanwhile, the Joint Foreign Chambers sought a much higher investment target and identified similar sectors that could bring in substantial investments to the Philippines. The Foreign Chambers list covers seven big winners, high growth sectors consisting of agri-industry, business process outsourcing, creative industries, infrastructure and logistics, manufacturing, mining, and tourism (including medical travel and retirement). Recommendations on how to increase investment flows in each sector were identified. On the whole, the Foreign Chambers believe that the country has very high potential to join the group of high growth economies provided it adopts the following strategies: exploit and integrate with the world economy, maintain macroeconomic stability, increase rates of saving and investment, allow market competition to work, and instil a committed, credible and capable government (J. Forbes 2010).

2.3 FDI Performance: Trends, Patterns, Distribution and Sources

Figure 2.2 presents the inward FDI flows in the Philippines from the 1970s to 2008. FDI inflows from the 1970s to the 1980s were small and erratic, due mainly to the political and economic instability that characterized the country in these decades. As a result, it failed to take advantage of the rapid growth of Japanese FDI in the mid-1980s following the 1985

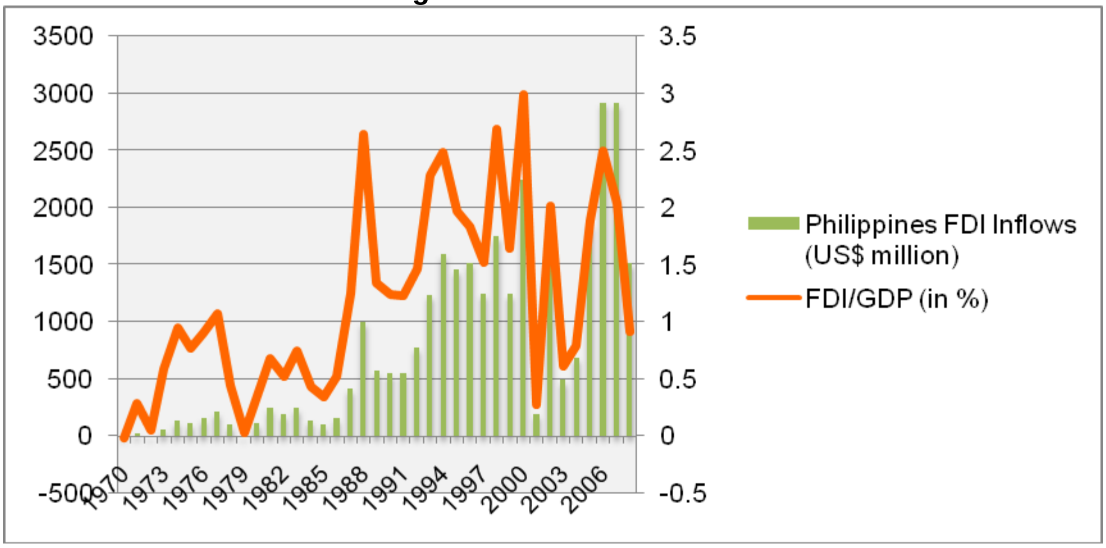
[5] BOI, Philippine Economic Zone Authority (PEZA), Clark Development Authority (CDA), Subic Bay Metropolitan Authority (SBMA), Bases Conversion Development Authority (BCDA), Philippine Retirement Authority (PRA), Cagayan Economic Zone Authority (CEZA), Zamboanga City Special Economic Zone Authority and Freeport (ZCSEZAF), Regional Board of Investments of Autonomous Region in Muslim Mindanao (RBIARMM), Phividec Industrial Authority (PRA) and Aurora Special Economic Zone Authority (ASEZA).

Plaza Accord. In the 1990s, overall FDI inflows improved substantially as well as in the 2000s. However, competition has become much fiercer especially given China's growing share. FDI as percentage of gross domestic product (GDP) reached almost 3% in 2000, and about 2.5% in 2007, however, the ratio dropped to 0.9% in 2008 primarily due to the global economic crisis.

Figure 2.3 presents a sectoral breakdown of FDI[6] for the three periods 1980-1989, 1990-1999, and 2000-2009. As Figure 3 shows, manufacturing FDI dominated total FDI inflows with its share of 46 percent during the 1980s and the 1990s. This increased to about 48 percent in the 2000s. The share of the financial sector rose from 8 percent in the 1980s to 18 percent in the 1990s but declined to about 10 percent in the recent period 2000-2009. Transport, storage and communication sector also witnessed an increase in its share from 1 percent to 17 percent between the 1980s and the 1990s, but this declined to 5 percent in the current period. The share of mining and quarrying was reduced from 34 percent in the 1980s to 4 percent in the 1990s. This went up slightly to 5 percent during the 2000s. Wholesale and retail witnessed a slight increase in share from 3 percent to 4 percent between the 1980s and the 1990s, but this was reduced to 1 percent in the 2000s.

Electricity, gas and water registered a share of 13 percent in the most recent period. Construction share also rose from less than 1 percent in the 1980s to 4 percent during the 1990s and the 2000s. Real estate, renting and business services' share went up from 6 percent in the 1980s to 7 percent in the 1990s and to 8 percent in the 2000s.

Figure 2.2: FDI Performance

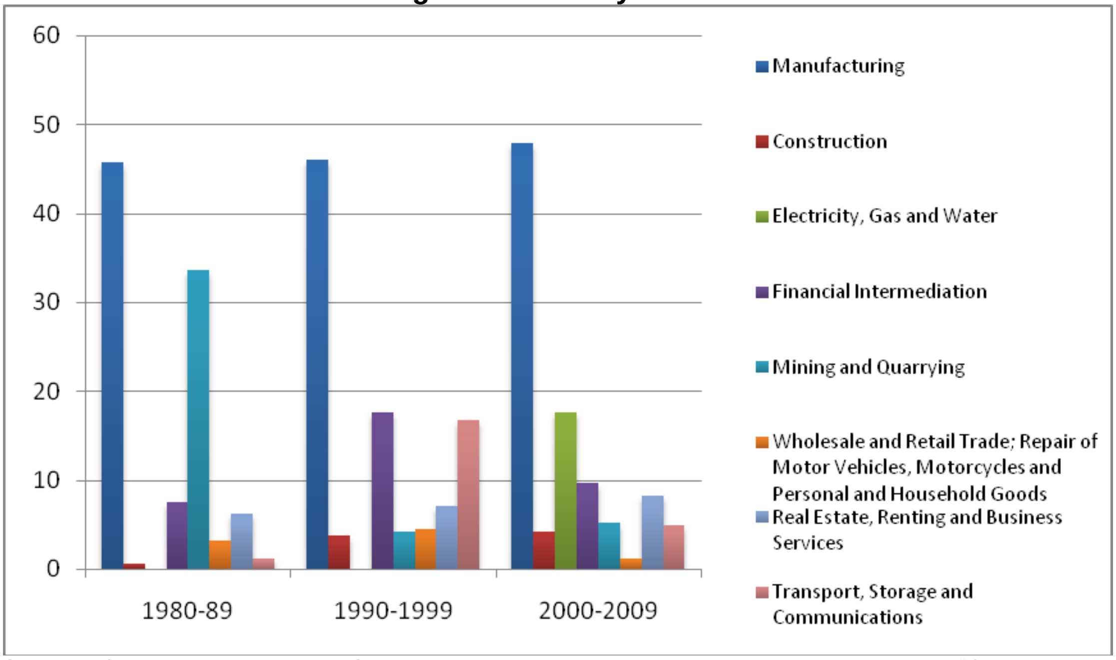


Within manufacturing, FDI inflows have been dominated by the food and beverage sector increasing substantially froma share of 27 percent in the 1990s to 57 percent during the 2000-2009 period (see Figure 2.4). The share of basic metals and chemical products which dominated manufacturing in the 1980s fell from 47 percent to 14 percent in the 1990s to 11 percent in the 2000s. The share of coke, refined petroleum, and other fuel products rose from 7 percent in the 1980s to 20 percent in the 1990s but this dropped to only 7 percent in the 2000s. Similarly; FDI inflows in machinery, apparatus and supplies and radio, tv, and communications equipment increased from zero to 21 percent between the 1980s and the 1990s but this dropped to 12 percent in the 2000s. There is also a decline in the share of transport equipment

[6] The total FDI does not include "Others, Not Elsewhere Specified" defined as non-residents' equity capital investments in non-banks sourced from the cross-border transactions survey and in local banks, no sectoral breakdown is available.

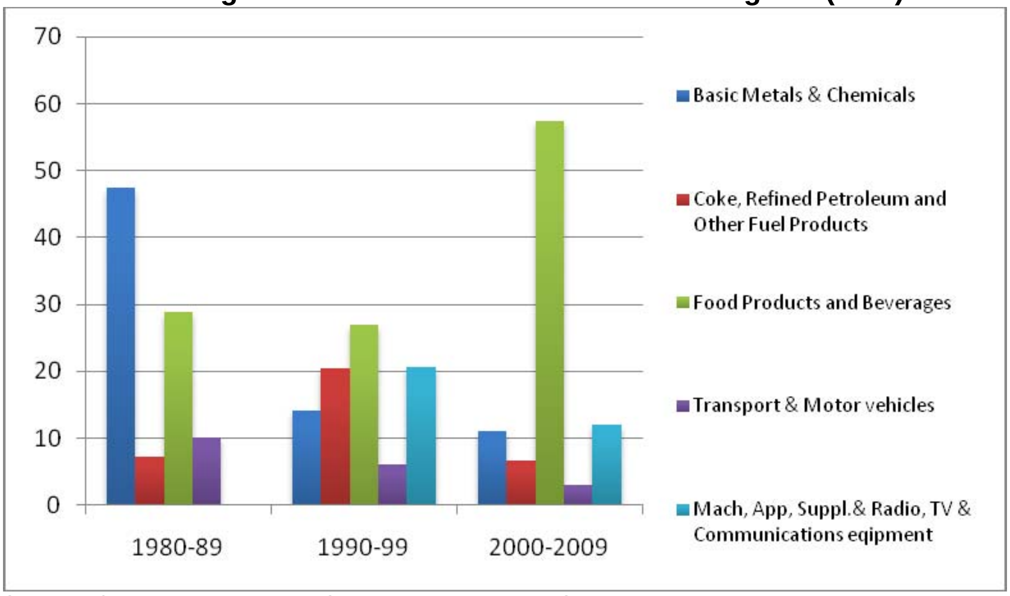
and motor vehicles from 10 percent in the 1980s to 6 percent in the 1990s to 3 percent in the 2000s.

Figure 2.3: FDI by Sector



Source of basic data: Bangko Sentral ng Pilipinas. (Note that this does not include "Others not elsewhere classified" which could not be broken down by sector).

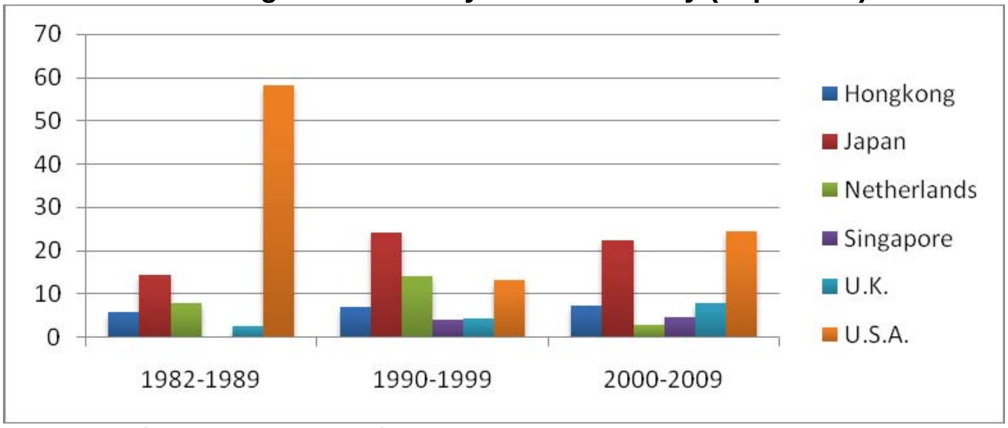
Figure 2.4: Distribution of Manufacturing FDI (in %)



Source of basic data: Bangko Sentral ng Pilipinas (BSP)

Up to the 1980s, the US was the country's largest source of FDI inflows with a cumulative share of 56 percent (see Figure 2.5). However, this dropped significantly to only 13 percent in the 1990s but increased to 24 percent in the 2000s. US dominance has been substantially diluted by the increasing presence of Japan, UK, and Singapore. Japan's share increased from 14 percent in the 1980s to 24 percent in the 1990s, although this fell to 22 percent in the 2000s. Singapore increased its share from less than one percent during the 1980s to four percent in the 1990s and to 5 percent in the recent period. The share of the Netherlands rose from seven percent to 14 percent, but declined to 5 percent in the 2000s. The share of the UK went up from 3 percent in the 1980s to 4 percent in the 1990s and to 8 percent in the present period.

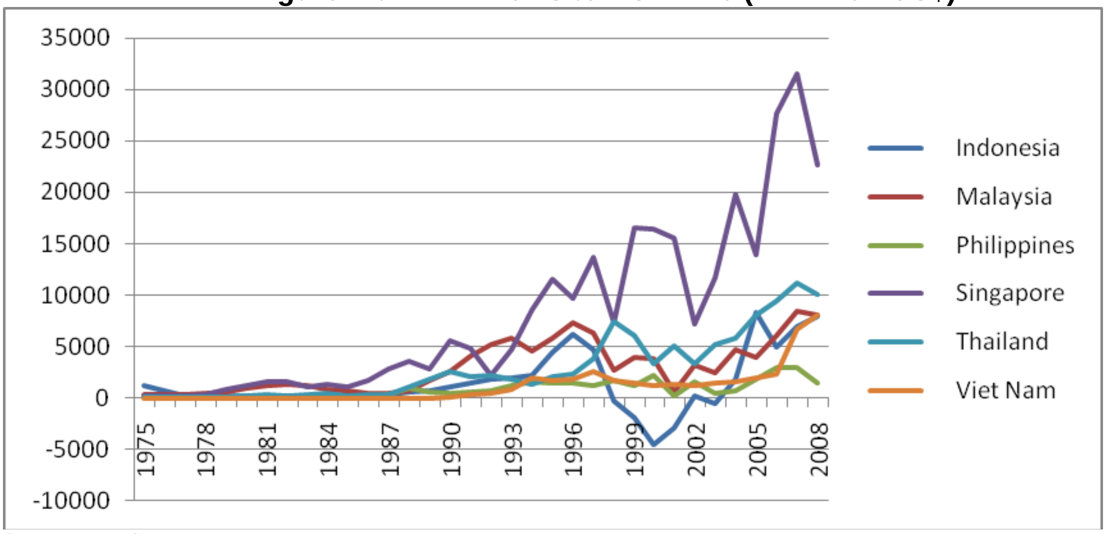
Figure 2.5: FDI by source country (in percent)



Source: Bangko Sentral ng Pilipinas (BSP).

While the investment policy reforms and opening up of more sectors to foreign investors in the past decade resulted in improvements in FDI inflows to the country, on the overall, FDI inflows to the Philippines have been limited; hence the country's performance has lagged behind its neighbors in Southeast Asia. Figure 2.6 compares FDI inflows to the Philippines with inflows to Singapore, Thailand, Malaysia, Indonesia, and Vietnam from the mid-1970s up to 2007. The figure shows that huge differences are evident in FDI inflows to the ASEAN 6 countries with the Philippines receiving the lowest level of FDI inflows particularly in the 1990s and the 2000s.

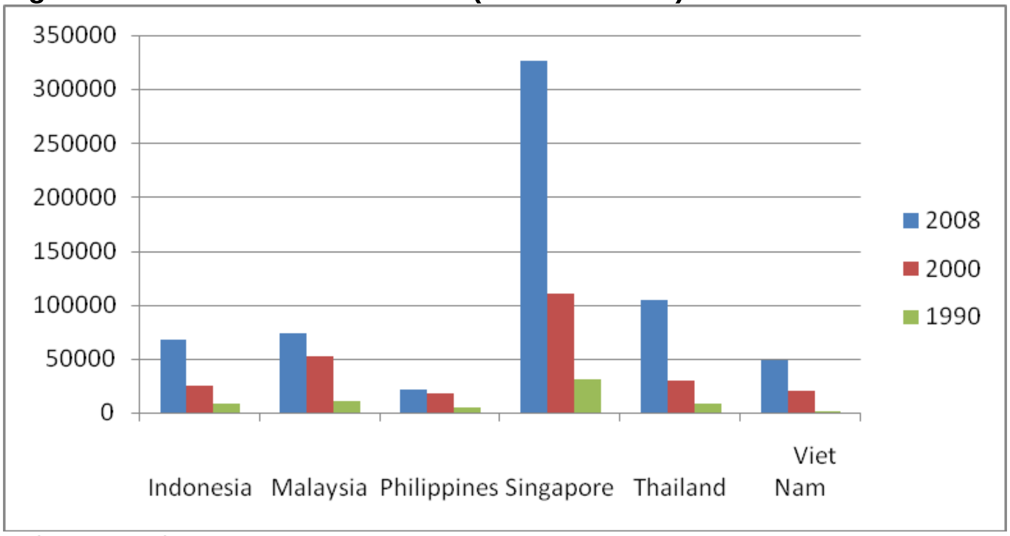
Figure 2.6: FDI Inflows to ASEAN 6 (in million US$)



Source: UNCTAD FDI Indicators (World Investment Report 2009)

Figure 2.7 presents the FDI stock in the ASEAN countries. In 1990, cumulative FDI inflows to the Philippines amounted to US$ 4.5 billion while Vietnam registered a total of US$ 1.65 billion. In 2000, Vietnam surpassed the Philippines total of US$18.2 billion as its total FDI reached US$20.6 billion. In 2008, Vietnam soared to US$48 billion while the Philippine total barely increased at US$21.5 billion.

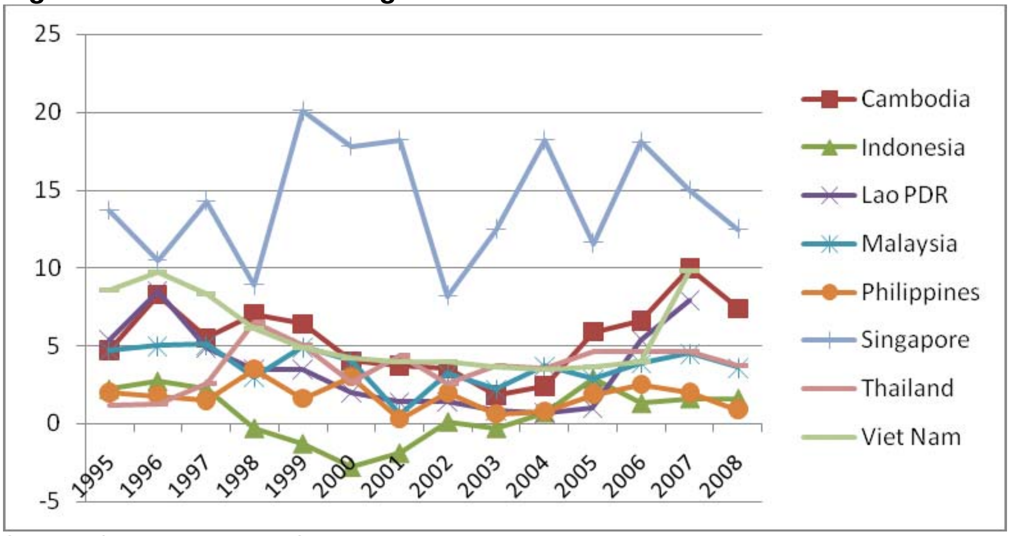
Figure 2.7: FDI Stock in ASEAN 6 (in million US$)



Source: UNCTAD FDI Indicators (World Investment Report 2008)

In terms of FDI as percentage of GDP, the Philippines along with Indonesia have been lagging in the ASEAN region. In the Philippines, the indicator showed a slight increase from 2% in 1995 to 3% in 2000 and 2.5% in 2006. Indonesia dropped substantially from 2.2% in 1995 to -2.8% but increased to 1.6% in 2007. In 2008, Singapore registered almost 13%, Cambodia 7.4%, Indonesia 1.6%, Malaysia 4%, Thailand 4%, while the Philippines posted 1%.

Figure 2.8: FDI as Percentage of GDP



Source of basic data: ADB Outlook Indicators 2009

Table 2.3 presents three sets of competitiveness indicators: growth competitiveness, macro environment, and public institutions indices along with the rankings of the Philippines and other Southeast Asian countries out of a total of 102 countries and 133 countries for the years 2004 and 2009, respectively. The macro environment index is based on macroeconomic stability, country credit risk, and wastage in government expenditures while the public institutions index is based on measures of the enforcement of contracts and law and degree of competition. The results show that the Philippines performed substantially poorly than Malaysia, Thailand, and Indonesia in 2009 and 2010. While the Philippine ranking for macroeconomic stability index improved in 2009, it worsened in 2010 along with its ranking for growth competitiveness and institution indices. On the overall, the Philippine ranking worsened from 71 (out of 133 countries) in 2009 to 87 (out of 134 countries) in 2010.

Table 2.3: Competitiveness Indicators Rankings for Selected Southeast Asian Countries

	Growth Competitiveness Index			Macro Environment Index			Public Institution Index		
	2004	2009	2010	2004	2009	2010	2004	2009	2010
Malaysia	29	21	24	27	38	42	34	30	43
Thailand	32	34	36	26	41	22	37	57	60
Philippines	66	71	87	60	53	76	85	105	113
Indonesia	72	54	54	64	52	52	76	68	58

Source: World Economic Forum, Global Competitiveness Report, 2003-2004 and 2008-2009.

Based on the World Bank's cost of doing business, Table 2.4 shows a comparison of the business costs indicators for the Philippines and its East Asian neighbors. The table reveals that in general, the Philippines along with Indonesia, performed significantly below the other East Asian countries in terms of corruption-related indicators. Between 2004 and 2009, improvements are observed for time to start a business and time to enforce a contract for the Philippines and number of start-up procedures, time to start a business and cost to register business for Indonesia. Overall, out of 183 countries, Philippine ranking worsened from 141 in 2008 to 144 in 2009.

Table 2.4: Cost of Doing Business Indicators

Country	Number of start-up procedures		Time to start a business (days)		Cost to register business (% of GNI pc)		Procedures to enforce a contract		Time to enforce a contract (days)		Rigidity of employment index: 0 (less rigid) to 100 (very rigid)	
	2004	2009	2004	2009	2004	2009	2004	2009	2004	2009	2004	2009
Philippines	15	15	60	52	25.4	28.2	37	37	862	842	29	29
PRChina	13	14	48	37	15.9	4.9	35	34	406	406	28	31
Malaysia	9	9	30	11	25.1	11.9	30	30	600	585	10	10
Hong Kong	5	3	11	6	3.4	1.8	24	24	211	280	0	0
Indonesia	12	9	151	60	131	26	39	39	570	570	40	40
S Korea	10	8	17	14	15.7	14.7	35	35	230	230	27	38
Singapore	7	3	8	3	1	0.7	21	21	120	150	0	0
Thailand	8	7	33	32	6.7	6.3	35	35	479	479	11	11
Vietnam	11	11	56	50	30.6	13.3	34	34	356	295	33	21

Source: World Bank, Doing Business 2005 and 2010 (http://www.doingbusiness.org)

Table 2.5 shows a comparison of the number of the documents needed, time, and cost to import and export in the same countries. Between 2005 and 2009, a reduction in the number of documents needed and time to export and import is evident in Hong Kong, Indonesia, South Korea and Thailand. In the Philippines, there is no change in the number of documents to import and export, although the time to export dropped from 17 in 2005 to 16 days in 2009. The same is observed in terms of time to import which fell from 18 days in 2005 to 16 days in 2009. In terms of cost to export, the Philippines has the highest cost at US$816 per container in 2009, followed by Vietnam at US$756 per container. In terms of cost to import, Vietnam registered the highest cost at US$940 per container followed by the Philippines at US$819 per container.

Table 2.5: Trading Across Borders Indicators

Country	Documents to export (number)		Time to export (days)		Cost to export (US$ per container)		Documents to import (number)		Time to import (days)		Cost to import (US$ per container)	
	2005	2009	2005	2009	2006	2009	2005	2009	2005	2009	2006	2009
Phils	8	8	17	16	800	816	8	8	18	16	800	819
PRChina	6	7	18	21	390	500	11	5	24	24	430	545
Malaysia	7	7	18	18	432	450	7	7	14	14	385	450
HK	6	4	13	6	525	625	8	4	17	5	525	583
Indonesia	7	5	25	21	546	704	9	6	30	27	675	660
S Korea	5	3	12	8	780	742	8	3	12	8	1040	742
Singapore	4	4	5	5	416	456	4	4	3	3	367	439
Thailand	9	4	24	14	848	625	12	3	22	13	1042	795
Vietnam	6	6	24	22	669	756	8	8	23	21	881	940

Source: World Bank, Doing Business 2006, 2007, and 2010 (http://www.doingbusiness.org).

Table 2.6: Utility Costs

Country	Electricity (US$/KwH)	Water (US$/cubic meter)	Sewer (US$/cubic meter)	Telecom (US$/minute to the US)	Internet (US$/mo. T1 line equiv)
PRChina	0.08	0.21	0.18	0.25	5452
Indonesia	0.07	0.59	0.80	1.00	4863
Malaysia	0.07	0.51	0.66	0.24	4388
Philippines	0.10	0.21	0.19	0.30	5452
Thailand	0.06	0.31	0.17	0.56	4283
Vietnam	0.07	0.25	-	1.30	7497

Source: MIGA and World Bank, Benchmarking FDI Competitiveness in Asia, 2004.

Table 2.7: Real Estate Costs

Country	Land acquisition costs (US$/square meter)	Building Construction Costs (US$/square meter)	Facilities Lease (US$/square meter gross/mo.)	Office Lease (US%/square meter gross/mo)
PRChina	35	97	-	25
Indonesia	66	221	7	11
Malaysia	60	282	-	12
Philippines	61	1022	5	7
Thailand	52	329	2	5
Vietnam	-	-	3	12

Source: MIGA and World Bank, Benchmarking FDI Competitiveness in Asia, 2004.

Tables 2.6 and 2.7 present infrastructure indicators measured by utility and real estate costs. Electricity and land acquisition costs in the Philippines are the highest in the region. The country is also among the highest in terms of internet and telecommunications costs as well as in facilities lease.

2.4 Analysis of Survey Results

To provide a better understanding of the issues surrounding the current investment facilitation environment in the country, a survey-interview was conducted to elicit information among government IPAs and firms (both local and foreign) located in the Philippines. The questionnaire for government IPAs focuses on the country's overall investment facilitation and promotion strategy and its implementation by IPAs along with the operation of one stop shops (OSS). For the private sector, the questionnaire highlights the factors affecting the firms' decision to invest in the country as well as their perceptions on the effectiveness of the IPA's investment facilitation and promotion tools/activities and its OSS along with investor linkages with government agencies and policy transparency.

Table 2.8 presents a summary of the survey results with the country's overall weighted score of 0.73. The Philippine scores are high in terms of presence and quality of a pro-active Investment Plan and Facilitation strategy as well as quality of the Investment Promotion Agency. Performance is modest in terms of quality of investor servicing and facilitation. Scores were relatively low for image building and promotion along with investor linkages and transparency while improvements are strongly needed for degree of barriers to investment.

Table 2.8: Investment Facilitation Overall Survey Results

	Weights	Raw Scores	Weighted Score
1. Presence and quality of a pro-active IPF	0.15	0.95	0.1425
2. Quality of the investment promotion	0.15	0.93	0.1395
3. Image building and promotion	0.10	0.69	0.069
4. Degree of barriers to investment	0.25	0.42	0.105
5. Quality of investor servicing and facilitation	0.25	0.84	0.21
6. Investor linkages and policy transparency	0.10	0.64	0.064
Sum	1.0		0.73

2.4.1. Government IPAs

2.4.1.1. Strategy

The Philippine Investment Promotion Plan (PIPP) serves as the country's investment promotion and facilitation strategic plan. It is a medium term plan covering 2010-2014 and aims to guide all IPAs in harmonizing their investment promotion to achieve a world-class brand image for the Philippines. To attract and retain more foreign and domestic investments in the country, the PIPP will pursue the following:

- Stable economic growth for the country
- Active engagement in multilateral and bilateral trade and investment agreements
- Competitive investment incentives program, simplified and harmonized investment incentives among the different IPAs
- Consolidated investment promotion efforts to target priority industries, consolidated awareness and image-building activities, focused promotion to target markets and target sectors
- Continuous implementation of a strategic investors aftercare program

In terms of the country's strengths, the PIPP highlights the membership of the Philippines in the ASEAN, quality manpower resources (highly trainable), strategic location and a liberalized business friendly environment.

In terms of weaknesses, the following were identified: stability of investment policies, perceived poor governance, and job mismatch. Other weaknesses that were mentioned were high power cost and poor infrastructure.

On the overall, the top priority sectors in the PIPP are the following:

- Exports: BPO/IT enabled services, semiconductor and electronics, garments and textiles
- Infrastructure: energy, logistics
- Mining
- Manufacturing: shipbuilding, motor vehicles
- Tourism
- Agro-industrial

For PEZA, the top sectors are BPO/IT, manufacturing, tourism, and agro-industrial sectors. For Clark, the main sectors are semi-conductor and electronics, BPO and renewable energy/tourism. For Subic, these are logistics, maritime, eco-tourism and manufacturing.

The PIPP has specific strategies to attract greenfield FDI. New investment leads are generated by identifying target companies with interest and capability to invest in the Philippines. Specific projects ready for investment/joint venture partnership are also identified for promotion to the identified companies. For privatization, the IPAs coordinate with other government agencies in-charge of privatization of government assets particularly those in the power sector. There are no strategies for mergers and acquisitions. For expansion, the PIPP directs all IPAs to be aggressive in encouraging existing companies to explore the viability of pursuing expansion. This is done through identification/targeting of existing companies, arrangement of roundtable meetings, provision of collateral materials and other relevant marketing studies, and provision of other pre-investment facilitation services for companies that have signified interest. To promote investments in expansion projects, BOI has a strategic investors aftercare program (SIAP) designed to create a high quality and trust-based working relationship between BOI and existing investors to ensure their continuous business in the country. In the case of Clark, concessional rates and administrative assistance are provided to existing locators expanding their business.

The PIPP focuses on the identified target sectors which are used as basis in determining the countries where they would be promoted. The target countries and regions are Japan and Asia, US, Germany and Europe. One of the IPAs listed China, BRIC, and Korea as its top three priority countries. Another listed Japan for manufacturing, US and Europe for BPO, and Korea and US for semi-conductor, electronics, and tourism.

In terms of foreign investment attractiveness of the Philippines in relation to other ASEAN countries, the responses of the four IPAs differed with ratings ranging from least to more. On the overall, the IPAs rated the country's attractiveness as "average".

Table 2.9a: Foreign Investment Attractiveness of the Philippines Relative to Other ASEAN Countries

	Least	Less	Average	More	Most	Mean Rating
IPA1				√		Average
IPA2				√		
IPA3			√			
IPA4	√					

For selected sectors and industries, the responses ranged from average to most. The mean response of the IPAs indicates that the "most attractive" industries are auto parts, mining, energy/electricity and BPO. The "more attractive" industries cover semi-conductor/electronics, agro-industrial, tourism, logistics, and shipbuilding.

Table 2.9b: Foreign Investment Attractiveness Relative to Other Asian Countries, By Major Sector

	Average Rating	Equivalent
Shipbuilding	3.5	~More Attractive
Semiconductor/electronics	4.25	~More Attractive
BPO	4.75	~Most Attractive
Agro-industrial	4	More attractive
Energy/electricity	5	Most attractive
Logistics	4	More attractive
Mining	5	Most attractive
Autoparts	5	Most attractive
Tourism	4	More attractive

(1 = Least Attractive; 5 = Most Attractive)

The IPAs were asked to evaluate the actual FDI inflows relative to the country's potential in attracting FDI, the results showed that on the average, the country's performance was rated as "satisfactory".

For selected industries, the IPAs indicated that the following sectors performed "very satisfactory" relative to the country's potential: auto parts, energy/electricity, semi-conductor/electronics. Meanwhile, the performance of logistics and mining was considered "satisfactory" while shipbuilding, agro-industrial and tourism were rated "low".

Table 2.10a: Evaluation of Foreign Investment Attractiveness: Actual FDI relative to Potential FDI

	Very Low	Low	Satisfactory	Very Satisfactory	Average Rating
IPA1			√		Satisfactory
IPA2				√	
IPA3			√		
IPA4		√			

Table 2.10b: Foreign investment Attractiveness Actual FDI Relative to Potential FDI, by Major Sector

	Average Rating	Equivalent
Shipbuilding	2	Low
Semiconductor/electronics	3.5	~ Very Satisfactory
BPO	3.67	~ Very Satisfactory
Agro-industrial	2	Low
Energy/electricity	4	Very Satisfactory
Logistics	2.5	~ Satisfactory
Mining	3	Satisfactory
Autoparts	4	Very Satisfactory
Tourism	2	Low

(1 = very low; 4 = very satisfactory)

2.4.1.2. Investment Promotions Agencies (IPAs)

The PIPP is implemented by more than one IPA. Currently, there are 11 IPAs with the BOI as the lead agency coordinating all the IPAs. However, in terms of the PIPP, the Steering Committee is headed by the Clark Development Authority as Chair with the BOI is Co-chair.

The IPAs have defined areas and sectoral responsibilities and coordination is done effectively. Three said that they compete with one another while one pointed out that they try to complement each other. Three IPAs noted that they differ significantly in effectiveness with each IPA having its own core area of specialization; one said that they did not differ significantly.

Table 2.11a: Coordination Among IPAs

	Responses
have defined area/sectoral responsibilities?	Yes
coordinate effectively?	Yes
compete with one another ?	Yes, except IPA3
differ significantly in effectiveness?	Yes, except IPA1

Table 2.11b: How IPA Coordination is Done

	Response
Hold frequently and regular meetings	Yes
Joint setting of strategies and targets	Yes
Review operational linkages	Yes, except IPA1

Coordination among IPAs is done through frequent and regular meetings and joint setting of strategies and targets. Responses differ in terms of review of operational linkages, three IPAs said they do but one said they do not coordinate the review of operational linkages.

Two IPAs are autonomous government agencies reporting to higher authority while the other two are agencies in ministry. Only one IPA reported that its salaries and bonuses are almost equal to the private sector. Only one IPA has overseas offices in priority countries. All develop account officers and staff into reservoirs of knowledge in particular sectors; appoint account officer in charge of a few clients; continually train and develop staff; have in-house research capacity; have freedom to allocate resources; and focus on managing regulations and incentives, except for one IPA (2) which indicated that its main focus is promotion.

Table 2.12: Affiliation of IPAs

	General Response of the 4 IPAs
wholly private	No
joint-private govt. organization	No
agency in ministry	Yes for 2 IPAs Yes, No for 2 IPAs
autonomous govt. agency reporting to higher authority	Yes for 2 IPAs Yes, No for 2 IPAs

Table 2.13: IPA Resources and Capacities

	Response of the 4 IPAs
offer salaries & bonuses almost equal or equal private sector	No, except IPA4
have overseas offices in priority countries?	No, except IPA1
develop account officers/staff into reservoirs of knowledge in particular sectors?	Yes
appoint account officer in charge of each(few) client(s)?	Yes
continually train & develop staff?	Yes
have in-house research capability?	Yes
have freedom to allocate its resources it sees fit?	Yes
focus on managing regulations and incentives?	Yes, except IPA2 focuses on promotion

The IPAs were asked to evaluate their four roles consisting of investor servicing or facilitation, image building and promotion, investor targeting or active seeking out of investors, and advocacy within government. IPA1 and IPA2 are able to achieve their ideal allocation of responsibilities. However, in the cases of IPA3 and IPA4, they devote more time than what they considered ideal in facilitation and advocacy within government; hence, their promotion and targeting time is lessened.

Table 2.14: Assessment of IPA Roles

	IPA1		IPA2		IPA3		IPA4		Average	
	actual	ideal	Actual	ideal	actual	ideal	actual	ideal	actual	ideal
Facilitation	40	40	50	50	27	25	40	35	39	38
Promotion	40	40	20	20	23	25	10	15	23	25
Targeting	20	20	20	20	23	25	10	20	18	21
Advocacy	20	20	10	10	27	25	40	30	24	21
	100	100	100	100	100	100	100	100		

The IPAs were also asked to evaluate their actual funding relative to ideal. Except for IPA3 which reported adequate ratio of actual to ideal funding, all the IPAs reported low ratio of actual to ideal funding. In terms of staffing, except for IPA1, all reported adequate ratio of actual to ideal staffing.

Lastly, the IPAs were asked to evaluate their websites based on the following: less satisfactory and needs improvement (NI), adequate and satisfactory (S), and very good to excellent (VG). In terms of information adequacy, IPAs rated their agencies as “very good” on the average. For success stories, the average response was “satisfactory”. An average rating of “satisfactory” was also obtained for the indicator on how IPA helps an investor make a project happen. Similarly, a “satisfactory” rating was also given for facilities handling on investor inquiries and concerns. For functionality, the average rating is “very good”. Individually, for all those items with “NI” and “S”, the IPAs are currently working to improve on these areas.

Table 2.15: Funding and Staffing of IPAs: Ratio of Actual to Ideal

	IPA1	IPA2	IPA3	IPA4	Avg. 4 IPAs
Ratio of actual to ideal funding	Low	Low	Adequate	Low	2.25 ~ Low
Ratio of actual to ideal staffing	Low	Adequate	Adequate	Adequate	2.75 ~ Adequate

Table 2.16: Effectiveness of IPA Website

	IPA1	IPA2	IPA3	IPA4	4 IPAs
Adequacy of information on Facts & figures on country & economy Investment laws, rules & regulations Setting up business in country Priority industries, sectors & clusters	VG	VG	VG	S	2.75 ~ VG
Success stories highlighting country’s strengths	NI	VG	S	S	S
How IPA helps an investor make a project happen	NI	VG	VG	S	2.25 ~ S
Functionality: maps, interactivity, animation, videos	NI	VG	VG	VG	2.5 ~ VG
Facilities handling of investor inquiries & concerns	NI	VG	VG	S	2.25 ~ S

(1 = Needs improvement, 2 = Satisfactory, 3 = Very Good)

2.4.1.3. One Stop Shop (OSS) and Investor Facilitation/Servicing

The government has one stop shops (OSS) that are lodged in each of the four IPAs. Except for IPA1, all OSS provide service to transmit necessary paperwork from foreign investors to other regulatory bodies. In these IPAs, the OSS is directly responsible for handling greater than 80 percent of regulatory approvals and registration procedures. Nevertheless, IPA1 regularly helps the investors in obtaining the following regulatory approvals and registrations: business license, tax concessions, work permits for foreign managers and staff, approvals to lease or purchase land, change zoning restrictions, permits from local government units and other national agencies, connections to public utilities, environmental impact assessment and finding local suppliers.

Table 2.17: OSS Responsibilities and Other Characteristics

	IPA1	IPA2	IPA3	IPA4
OSS transmit necessary paperwork from foreign investor to regulatory bodies	No	Yes	Yes	Yes
OSS is directly responsible for regulatory approvals & registration procedures	No	Yes nearly all	Yes nearly all	Yes nearly all
IPA implements a customer responsive guarantee	Yes	Yes	Yes	Yes
IPA has a hotline for registering complaints by investors	Yes	Yes	No	Yes

All IPAs implement a customer responsive guarantee; for instance, in the case of IPA1, the guaranteed response period for frontline services facilitation is 72 hours. For IPA3, business registration and permits is 14 days and for IPA4, project approval is 14 days. All IPAs have hotline numbers for registering complaints by investors, except IPA3 which noted that it has account officers who handle the queries and complaints of locators.

The most problematic procedures, permits and licenses that investors typically face in establishing a foreign business in the Philippines involve permits from Local Government Units (LGUs), environmental compliance certificate from the DENR-Mines and Geosciences Bureau, as well as visa from the Bureau of Immigration. Other problematic procedures include costly and lengthy inspection for fire clearance application, product registration from 90 to 120 days with the Food and Drug Administration, and other permits from the Department of Environment and Natural Resources.

Table 2.18: Problematic procedures & permits faced by investors in establishing business

IPA1	• Permits from Local government units (LGU), Department of Environment & Natural Resources (DENR)-Mines & Geosciences Bureau, Bureau of Immigration • Fire clearance • Food & Drug Administration (FDA) product registration
IPA2	• None, has ISO certification for all processes
IPA3	• Environmental clearance certificate
IPA4	• Building permits, tree cutting permits & environmental pollution

The same problematic procedures were identified by OSS in facilitating investors establishing a business. These covered absence of standardized operational procedures and too many documentary requirements for the issuance of permits and licenses, lack of skills and know-how among LGUs in promoting investments, and absence of advocacy information materials. Other problematic permits involved the issuance of environmental clearance certificate, building permits, tree cutting permits, and environmental pollution control.

Table 2.19: Problematic procedures & permits faced by OSS in establishing business

IPA1	• Absence of standardized operational procedures & voluminous documentary requirements for the issuance of permits & licenses • Lack of know-how & skills among LGUs in investment promotion • Lack of advocacy information materials
IPA2	• None, has ISO certification for all processes
IPA3	• Environmental clearance certificate
IPA4	• Building permits, tree cutting permits & environmental pollution control, permits for movement of goods

To address problematic procedures and investor complaints, two IPAs have departments that coordinate with other concerned government agencies. IPA1 has an investment aftercare services department that provides assistance to investors in resolving issues that must be coordinated with other government agencies. It has an established network consisting of 27 government agencies. IPA2 indicated the need for customer satisfaction survey. IPA4 has a Customer Services Department that assists locators in dealing with issues concerning other departments within the IPA as well as those concerning other government agencies. IPA3 is ISO certified and has a Total Quality Management Unit that aims to streamline procedures and eliminate red tape.

To improve their effectiveness and quality and quantity of investor facilitation services, IPA1 recommends the strengthening of the National Competitiveness Council, a public-private initiative that looks at the competitiveness issues in the country and suggests ways to mitigate these. It also suggested the creation of business assistance centers in the regions to facilitate investment promotion. These centers provide a single entry point for investors on comprehensive and highly integrated business support by pooling together government resources in one-stop express center to reduce red tape and improve efficiency in government service. IPA 2 pointed out the need to improve the image of the Philippines abroad and to seriously address corruption and governance issues.

Table 2.20: How IPAs resolve problematic procedures and address investor complaints

IPA1	• Investment aftercare services • Investment Promotion Unit Network of 27 government agencies
IPA2	• Conduct survey asking locators to rate their services and corresponding satisfaction levels
IPA3	• ISO certified (quality management system) • Total quality management unit
IPA4	• Customer Service Department to coordinate with other government agencies

IPA3 recommended the drafting and implementation of a national policy agenda for investment promotion and facilitation along with increases in funding, continuous training for the staff, infrastructure improvement and benchmarking with the best IPAs such as those in Singapore and New Zealand. IPA4 suggests the development of a customer care program and an account management team that would actively personalized service by pursuing one-on-one coordination with locators. It also pointed out the need for a customer feedback system.

Table 2.21: Suggestions to improve IPAs and investor facilitation services

IPA1	• Strengthen National Competitiveness Council • Creation of business assistance centers in the regions
IPA2	• Improve the country's image • Address corruption, governance issues
IPA3	• Drafting and execution of a national policy agenda for investment promotion & facilitation • Increase in budget • Continuous training • Infrastructure improvement • Benchmarking with the best like Singapore & New Zealand
IPA4	• Customer care program & account management team • Customer feedback system

2.4.2. Private Sector

2.4.2.1. Major Characteristics of Respondent Firms

A firm survey was also carried out to obtain insights and gain better understanding of the investment and trade facilitation experiences and perceptions of firms. The survey identified not only the factors affecting the firms' decision to invest in the Philippines as well as in the ASEAN region but also looked at the different activities of government IPAs as perceived by the firms. These activities focused on the following: investment promotion and information facilitation, one stop shop (OSS) and investor facilitation, and investor linkages and policy transparency.

The survey was administered by the Philippine Institute for Development Studies from April to early June 2010 to manufacturing firms operating in the National Capital Region (Metro Manila Area), Region IVA (Laguna), and in Region 3 (Angeles City and Olongapo City). Samples were drawn from the membership list of industry associations and economic zones with top and middle managers as respondents. A total of 107 questionnaires were distributed out of which 30 firms participated (representing a response rate of 28%).

Box 2.1: Major Characteristics of Surveyed Firms (in percent)	
Industry type • Electronics: 30 • Automotive: 30 • Other Manufacturing: 40 **IPA type** • IPA 1: 20 • IPA 2: 27 • IPA 3: 30 • IPA 4: 7 • Firms registered in 2 IPAs: 7 • Firms not registered in any IPA: 10	**Employment size** • 1 to 99 workers: 38 • 100-199 workers: 14 • 200 workers and above: 48 **Firm status** • fully-owned MNCs: 30 • fully owned domestic companies: 13 • fully owned foreign companies: 40 • domestic joint ventures: 17 **Firm age** • 10 years and below: 24 • 11 to 20 years: 55

	• 21 years and above: 21

Box 2.1 presents the distribution of the surveyed firms by type of industry: 30% of the sample firms are from the electronics sector, 30% from the automotive industry and the remaining 40% are from other sectors manufacturing sectors including handicrafts, ceramics, oleochemicals, and shipbuilding/repair. About 90% of the firms are IPA-registered while the remaining 10% are not. In terms of employment size, 38% have employment ranging from 1 to 99 workers, 14% have workers from 100 to 1999 and 48% represent firms with workers numbering from 200 and up.

In terms of firm status, 30% are fully-owned MNCs, 13% are fully owned domestic companies, 40% are fully owned foreign companies, and 17% are domestic joint ventures. In terms of number of years of operation in the country, 4% are below 10 years; 55% are between 11 and 20 years; while 21% are 21 years and above.

2.4.2.2. Decision to Invest

The firms were asked to rank the different factors affecting their decision to invest in the Philippines. From a scale of 1 to 4 (1: necessary, 2: important, 3: minor, and 4: insignificant), the top 10 most necessary factors are led by investment incentives followed by transparent government policy and low tax rates and total tax liability; low incidence of labor strife; legal framework for dispute resolution; and political stability. Next are protection of intellectual property, low corruption, very good infrastructure and equal treatment of investors.

Table 2.22a: Ranking of Factors Affecting Investment Decision

Determinant	Mean	SD	Respondents
Investment incentives	1.37	0.61	30
Transparent government policy	1.47	0.51	30
Low tax rates and total tax liability	1.47	0.63	30
Low incidence of labor strife	1.57	0.50	30
Legal framework for dispute resolution	1.57	0.50	30
Political stability	1.60	0.56	30
Protection of intellectual property	1.60	0.77	30
Low corruption	1.63	0.61	30
Very good infrastructure	1.67	0.61	30
Equal treatment of investors	1.67	0.66	30
Time and cost of starting a new business	1.67	0.66	30
Low labor cost	1.70	0.60	30
High human capital	1.70	0.65	30
Effective IPA	1.77	0.73	30
Macroeconomic stability	1.83	0.65	30
Strategic location	1.90	0.88	30
Available domestic supplier	2.00	0.87	30
Robustly growing economy	2.10	0.76	30
Government support in land for plant location	2.10	0.88	30
Competitive related industries	2.23	0.77	30
Large domestic market	2.40	1.04	30

Firms were also asked to evaluate the current state of the same factors compared to three years ago from a scale of 1 to 4 (1: much worse, 2: worse, 3: same, 4: better, and 5: much better). Mostly, the firms perceived no change in the current state of the factors compared to three years ago. Note however that corruption is perceived as worse than three years ago.

Table 2.22b: Evaluation of the Current Status of Factors Affecting Investment Compared to Three Years Ago

Factor	Mean	SD	Respondents
Low incidence of labor strife	3.20	0.71	30
Equal treatment of investors	3.20	0.71	30
Strategic location	3.17	0.53	30
Very good infrastructure	3.07	0.91	30
Macroeconomic stability	3.07	0.69	30
Time and cost of starting a new business	3.07	0.58	30
Effective IPA	3.07	0.52	30
Protection of intellectual property	3.07	0.37	30
Government support for land clearance for plant location	3.03	0.49	30
Competitive related industries	3.00	0.64	30
High human capital	2.97	0.63	29
Legal framework for dispute resolution	2.97	0.50	29
Investment incentives	2.93	0.37	30
Robustly growing economy	2.93	0.70	29
Large domestic market	2.90	0.76	30
Available domestic supplier	2.86	0.83	29
Low tax liability	2.83	0.59	30
Low labor cost	2.80	0.48	30
Transparent government policy making	2.77	0.73	30
Political stability	2.73	0.83	30
Low corruption	2.07	0.83	30

With respect to the question on whether the firm expects to expand, stay the same or reduce its presence in the Philippines, most firms responded that they expect to expand their presence in three years time. In their decision to invest, access to the ASEAN market was a marginal consideration. However, the ASEAN market is a significant factor in their current operations and would be significant in their future operations.

2.4.2.3. Investment Promotion and Information Facilitation

Mostly, the firms considered the information provided by IPAs on investment laws, policies, regulations, rules and procedures as clear and understandable, complete, up to date, readily available in print/CD and accessible on line. The same holds for the information that IPAs provide on laws, policies, regulations, rules and procedures of interest to investors in setting up a business.

Table 2.23a: Evaluation of Information Provided by IPAs

IPA Information	Mean	SD	Respondents
Clear and understandable (1=Yes; 0=No)	0.81	0.40	27
Complete (1=Yes; 0=No)	0.64	0.49	25
Up to date (1=Yes; 0=No)	0.68	0.48	25
Readily available in print/CD (1=Yes; 0=No)	0.65	0.49	26
Accessible online (1=Yes; 0=No)	0.76	0.44	25

IPA Information on setting up business	Mean	SD	Respondents
Clear and understandable (1=Yes; 0=No)	0.78	0.42	27
Complete (1=Yes; 0=No)	0.60	0.50	25
Up to date (1=Yes; 0=No)	0.65	0.49	26
Readily available in print/CD (1=Yes; 0=No)	0.69	0.47	26
Accessible online (1=Yes; 0=No)	0.75	0.44	24

The firms also indicated that the IPA, in its website and brochures, provides adequate information on the country and its economy, substantive information in investment priority industries, information on area/industry clusters, success stories highlighting key aspect of country's competitiveness, and how agency helps investors make a project happen. Based on experience, the firms during the start up phase of the company, also indicated that the IPA gave satisfactory information needed by investor, responded quickly and competently, made convincing investment case for country, made follow ups on initial inquiries, facilitated contact with other government agencies, and facilitated contact with domestic private sector.

Table 2.23b: Evaluation of IPA Website

IPA Website, brochures, etc.	Average	SD	Respondents
Adequate info on the country and its economy (1=Yes; 0=No)	0.64	0.49	25
Substantive info on investment priority industries (1=Yes; 0=No)	0.58	0.50	26
Info on area/industry clusters (1=Yes; 0=No)	0.65	0.49	26
Success stories highlighting key aspect of country's competitiveness (1=Yes; 0=No)	0.64	0.49	25
How agency helps investors make a project happen (1=Yes; 0=No)	0.64	0.49	25

Table 23c: IPA Response to Firm Queries During Start-up Phase

Response to firm queries during start-up phase	Average	SD	Respondents
Give satisfactory info needed by investor (1=Yes; 0=No)	0.82	0.39	28
Respond quickly and competently (1=Yes; 0=No)	0.77	0.43	26
Make convincing investment case for country (1=Yes; 0=No)	0.69	0.47	26
Make follow-ups on initial inquiries (1=Yes; 0=No)	0.68	0.48	25
Facilitate contact w/ other govt agencies (1=Yes; 0=No)	0.58	0.50	26
Facilitate contact w/ domestic private sector (1=Yes; 0=No)	0.62	0.50	26

2.4.2.4. OSS and Investor Facilitation/Servicing

Most of the firms used IPAs when they set up their companies. However, with respect to OSS, on the average, firms did not use it during their set-up phase. Private brokerage firms were not also used by the surveyed firms. IPAs were used primarily to get fiscal incentives, get permits and licenses and help facilitate approvals from government agencies. Ranging from marginal to very effective (1: marginal, 2: moderate, 3: effective, 4: very effective) the firms rated the effectiveness of OSS in facilitating the flow of paperwork and decisions needed for foreign investment projects in the Philippines as moderate.

Table 2.24: One Stop Shop and Investor Facilitation and Servicing

Use of IPA, OSS, private brokerage firms	Mean	SD	Respondents
a. IPA (1=Yes; 0=No)	0.71	0.46	28
b. OSS (1=Yes; 0=No)	0.35	0.49	26
c. Private brokerage firm (1=Yes; 0=No)	0.08	0.28	25
Reasons for using IPA	Average	SD	Respondents
Required to get permits and licenses (1=Yes; 0=No)	0.94	0.24	18
To get fiscal incentives (1=Yes; 0=No)	1.00	0.00	18
To help facilitate approvals from government agencies (1=Yes; 0=No)	0.75	0.45	16
OSS Evaluation	Average	SD	Respondents
Effectiveness of OSS	2.41	0.87	18

In the setting up of business, the firms were asked to evaluate the processing speed of government agencies from very slow to quick (1: very slow, 2: slow, 3: alright, 4: quick). Based on the responses, firms in general considered the speed of processing of papers and approvals or permits as alright. These covered firm incorporation, tax concessions, customs duty waivers, work permits of foreign staff, social security, utilities connection, local government permits, environmental impact assessment and other permits from other government agencies. On the average, firms were assisted by IPA in obtaining customs duty waivers, work permits for foreign staff, and environmental impact assessment.

Table 2.25: Speed of Processing Of Papers, Approvals, Permits In Setting Up The Business

	Average	SD	Respondents
IPA for investment incentives	2.88	0.54	24
Firm incorporation	2.73	0.83	22
IPA/OSS Assisted (1=Yes; 0=No)	0.33	0.50	9
Tax concessions	2.67	0.64	24
IPA/OSS Assisted (1=Yes; 0=No)	0.44	0.53	9
Customs duty waivers	2.74	0.54	23
IPA/OSS Assisted (1=Yes; 0=No)	0.67	0.50	9
Work permits of foreign staff	2.96	0.55	24
IPA/OSS Assisted (1=Yes; 0=No)	0.56	0.53	9
Social security	2.96	0.37	23
IPA/OSS Assisted (1=Yes; 0=No)	0.11	0.33	9
Utilities connection	2.87	0.63	23
IPA/OSS Assisted (1=Yes; 0=No)	0.30	0.48	10
Local government permits	2.83	0.48	24
IPA/OSS Assisted (1=Yes; 0=No)	0.33	0.50	9
Forex regulations	2.86	0.48	21
IPA/OSS Assisted (1=Yes; 0=No)	0.33	0.52	6
Environmental impact assessment	2.87	0.46	23
IPA/OSS Assisted (1=Yes; 0=No)	0.78	0.44	9
Other government permits	2.76	0.66	12
IPA/OSS Assisted (1=Yes; 0=No)	0.43	0.53	7
Priv. Brokerage Firm (1=No; 2=Yes-all; 3=Yes-some)	1.29	0.81	25

The firms were also asked to evaluate the response of IPAs to company inquiries or requests for help in solving problems faced by firms with other government agencies during the course of their operation. Based on a scale from 1 to 5 (1: no, 2: seldom, 3: usually, 4: often, 5: always), on the average, the firms gave a rating of "3" (usually).

Table 2.26: How IPAs Respond to Company Inquiries or Requests

	Average	SD	Respondents
Competently	3.36	1.00	22
Expeditiously	3.23	1.02	22
Proactively	3.00	1.02	22

2.4.2.5. Investor Linkages and Policy Transparency

The firms were asked to evaluate government and its agencies effectiveness in terms of communicating any changes in investment laws, regulations and policies to firms. Based on a scale from no to always (1: no, 2: seldom, 3: usually, 4: often, 5: always), the firms gave government and its agencies an average rating of "3" (usually). These covered notifying stakeholders, ask for written comments, hold face to face consultations with narrow selection of stakeholders, and consultation with all stakeholders. The firms were also asked whether regular consultations are held based on a scale from no to frequent (1: no, 2: yes, seldom and 3: yes, frequent. The firms gave an overall rating of "2". With respect to dissemination of meeting and consultation results, the firms also gave an overall rating of "2" (yes, seldom).

Table 2.27: Evaluation of Government Agencies' Effectiveness in Communicating Policy/Regulatory Changes to Firms

	Average	SD	Respondents
Notify stakeholders	3.12	0.83	25
Ask for written comments	2.58	1.10	26
Hold face to face consultations w/ narrow collection of stakeholders	2.62	1.17	26
Consultation with stakeholders	2.72	1.17	25
Regular consultations			
Hold regular consultations	1.93	0.69	28
Results of meetings	1.70	0.74	24

The administration of registration, authorization and permit formalities in government agencies was also evaluated based on transparency, uniformity and impartiality, and speediness. On the average, firms indicated that the administration of registration, authorization and permit process is transparent and uniform and impartial but not speedy.

Table 2.28: Evaluation of Registration, Authorization, and Permit Process in Government Agencies

	Average	SD	Respondents
Transparent (1=Yes; 0=No)	0.58	0.50	26
Uniform and impartial (1=Yes; 0=No)	0.58	0.50	26
Speedy (1=Yes; 0=No)	0.46	0.51	26

The firms also evaluated the performance of the country compared to three years ago in terms of investor linkages and policy transparency indicators shown in the table. On a scale from substantially worse to substantially better (1: substantially worse, 2: marginally worse, 3: no change, 4: marginally better, 5: substantially better), the firms gave an average rating of "4" (marginally better) for availability of domestic laws, regulations, and administrative ruling including on-line access and availability of information on investment promotion and protection schemes including on-line access. For the rest of the indicators, the firms gave an overall rating of "3" (no change).

Table 2.29: Linkages and Transparency: Evaluation of Philippine Performance Compared to Three Years Ago

	Average	SD	Respondents
Availability of domestic laws, regulations, and administrative ruling, including on-line access	3.57	0.84	28
Difficulty and cost of administrative procedures to start a new	3.11	0.80	27
Availability of information regarding investment promotion and protection schemes, including on-line access	3.54	0.92	28
Availability of updated information on investment regime including mechanisms to provide investors with advance notice of proposed changes to laws, regulations and administrative procedures	3.29	0.81	28
Presence of effective mechanism/tools for obtaining comments on proposed changes to laws, regulations and administrative	3.04	0.96	28
Presence of effective mechanisms to resolve between investors and domestic authorities	3.07	0.86	28
Presence of a secure and effective system of registration and property rights for land	3.38	0.75	26
Presence of an adequate system to provide compensation in cases of expropriation	3.21	0.59	24
Degree of transparency, fairness, and objectivity of the investment process and assessment of investment proposals	3.32	0.86	28

Table 2.30 presents a summary of the problematic procedures, permits, or licenses that firms face in establishing a business in the Philippines. These include bureaucracy & too much red tape, lengthy procedures, delayed issuance of permits due to slow processing, lack of transparency in the guidelines and procedures, and corruption. The firms also cited the non-uniformity of investment incentives among government IPAs.

Table 2.30: Problematic Procedures in Establishing a Business

<table>
<tr><th>Area of concern</th><th>Government Agency</th><th>Problems and General Comments</th></tr>
<tr><td>Certification</td><td>• Department of Environment and Natural Resources (DENR)
• Bureau of Customs (BOC)</td><td rowspan="3">• Bureaucracy & too much red tape
• Lengthy procedures that take up too much time
• Too many signatories
• Too many agencies needed to secure permits
• Delayed issuance of permits due to slow processing
• Lack of transparency in the</td></tr>
<tr><td>Registration</td><td>• Bureau of Internal Revenue (BIR)
• Board of Investments (BOI)</td></tr>
<tr><td>Permits</td><td>• Local Government Units (LGU)
• Laguna Lake Development Authority (LLDA)
• Philippine Economic Zone Authority</td></tr>
</table>

	(PEZA occupancy permit)	guidelines & procedures • Corruption • Local ordinance fees, local business permits • Some requirements are impractical such as employment of full-time doctor & dentist
Visa	• Department of Foreign Affairs (DFA) • Bureau of Immigration (BI)	
Land acquisition, leasing, conversion from agricultural to industrial	• Department of Agrarian Reform (DAR)	
Incentives		• Qualification requirements to avail of incentives are difficult • Non-uniformity in investment incentives among economic zones & IPAs

Table 2.31 presents a summary of problems faced by firms in operating a business in the country. These are grouped into five covering infrastructure and logistics: high utilities' costs, poor infrastructure; tariffs and taxes: tax assessment & refund; labor: lengthy & non-transparent procedure; raw material supply and size of domestic market: lack of parts and components industries, regulatory and policy environment: bureaucracy & red tape, policy inconsistency and security and peace and order condition. Recommendations for the overall improvement of the country's investment climate include lower costs of doing business, simplify rules & policies, improve automation, more stable policy, increase collaboration between national agencies & LGUs, develop support industries, and unify investment incentives.

Table 2.31: Problems Faced by Firms in Their Operations and Some Recommendations

Area of concern	**Problems and General Comments**	**Recommendations**
Infrastructure & logistics	• High cost & unpredictability of power supply • High cost of other utilities • Congestion in Manila airport resulting in delays in shipment of goods • High cost of domestic shipping (sea)	• Address high utilities' cost & unpredictability of supply • Improve roads, airports, telecommunications services & other infrastructure • Pursue an open skies policy • Maximize use of Subic port to save trucking cost from Manila Port to Subic • Privatize facilities
Tariffs & taxes	• BIR tax assessments and refund • Slow processing of tax incentives under Japan-Philippines Economic Partnership Agreement (JPEPA) • High taxes • Confusing government charges • BOC evaluation and refund • Inconsistent tariff and non-tariff barriers	• Review tax scheme • Design capacity building programs for BOC & BIR personnel • Simplify rules & policies • Improve automation in business transactions • Pursue a level playing field • More stable policies on tax & other charges & effective

		implementation • Address corruption
Labor	• Lengthy & non-transparent process in dealing with labor issues • Minimum wages are too high to makes us competitive internationally • Competent & highly skilled workers are difficult to find	• Relax Labor Code rules on outsourcing & contractual workers • Formulate education & training reforms to match what the country needs
Raw material supply & domestic market size	• Absence of downstream industries in parts and related components • High cost of raw materials (chemicals and machineries) • Domestic market is small	• Develop support industries particularly in electronics to improve competitiveness • Lower the cost of doing business
Regulatory environment	• Corruption • Bureaucracy & red tape: too many government agencies such as Department of Finance (DOF), BOC, DENR, BIR, Securities & Exchange Commission (SEC), etc • Lack of streamlining of interrelated business procedures handled by different government agencies such as BOC, BIR, & Land Transportation Office (LTO) • Clarity & stability of regulatory environment • Lack of clarity in implementation of importation procedures by BOC • Inconsistent regulatory policies & weak enforcement (used vehicle importation) • Changes in government policies & necessary information are not effectively disseminated • Incentives among government IPAs are not unified • Lack of comprehensive effort for country promotion	• Elimination of graft & corruption • Integrity & consistency among government officials • Stable, transparent, & reliable government agencies • Consistent & stable policies needed by firms for long-term planning • Simplify rules, procedures, & polices • Automation of business processes to reduce cost • Improve efficiency in government procedures • Streamline interrelated government procedures • Arrange periodic sessions with investors on how they can help in improving investment & regulatory policies • Unify investment incentives • Provide additional incentives to investors • Adopt a more comprehensive & effective marketing program • More collaboration among national government agencies & LGUs
Investor After care	• After care program for investors is missing/weak	• Government agencies, IPAs & park administrators should be actively involved in support programs for locators
Security, peace & order	• Increasing incidence of hijacking of shipped goods	• Improve peace & order condition

The recommendations to improve the country's overall investment facilitation environment are summarized as follows:

- Speedy processing of permits
- Simplify procedures in starting a business
- Improve automation of business procedures in various government agencies
- Clear, consistent and investor friendly laws that should remain at least for 15 years except if amendments that would benefit investors and labor market
- Synchronize efforts of the national government and local government units (LGUs) in promoting the country and implementing our investment plan
- Increase collaboration among government agencies in assisting prospective investors as well as existing investors in securing necessary permits and licenses in business operations
- More effective marketing tools both in print and on-line should be made available and updated regularly
- Improve BOI's website to include updated and timely business news
- Aggressively promote that foreigners can own land under certain special arrangements
- Unify investment incentives among the IPAs

2.5 Summary and Recommendations

Through s survey of government IPAs and firms from various industries, the paper gathered the experiences, perceptions, and self-assessment of the state of investment facilitation and promotion in the Philippines. In evaluating the country's attractiveness relative to other ASEAN countries, the four major IPAs gave an overall rating of "average". In terms of specific industries, the IPAs indicate that the "most attractive" industries are auto parts, mining, energy/electricity and BPO. The "more attractive" industries cover semi-conductor/electronics, agro-industrial, tourism, logistics, and shipbuilding.

In assessing the country's actual FDI relative to potential FDI, the survey results showed a "satisfactory" rating. In terms of industries, the IPAs indicated that the following sectors performed "very satisfactory" relative to the country's potential: auto parts, energy/electricity, semi-conductor/electronics. Meanwhile, the performance of logistics and mining was considered "satisfactory" while shipbuilding, agro-industrial and tourism were rated "low".

In evaluating their actual performance vs. what they defined as ideal in terms of facilitation, image building and promotion, investor targeting, and advocacy within government; the IPAs spent about the same time as what they considered ideal in facilitation (39% vs. 38%), but more time than ideal in advocacy (24% vs. 21%) and lesser time than ideal in promotion (23 vs. 25%) and targeting (18 vs. 21%). The IPAs reported low ratio of actual to ideal funding. In terms of staffing, all reported adequate ratio of actual to ideal staffing.

All the four IPAs have one stop shops (OSS) that are directly responsible for handling more than 80 percent of regulatory approvals and registration procedures. All the IPAs implement a customer responsive guarantee and have hotline numbers for registering complaints by investors. All the IPAs have websites providing "very good" information and are working towards improving the contents of their websites to highlight success stories, how the IPA helps an investor make a project happens, and facilities handling of investor inquiries.

The firms rated the effectiveness of OSS in facilitating the flow of paperwork and decisions needed for foreign investment projects in the Philippines as “moderate”. In evaluating the processing speed of government agencies, the results showed that firms in general considered the speed of processing of papers and approvals or permits as “alright”. In terms of the response of IPAs to company inquiries or requests for help, the firms answered “usually”.

The firms were asked to evaluate government and its agencies’ effectiveness in terms of communicating any changes in investment laws, regulations and policies. The firms gave government and its agencies an average rating of “usually”. Regular consultations are held, however, dissemination of meeting and consultation results are seldom given. On the average, firms indicated that the administration of registration, authorization and permit process is transparent, uniform, and impartial but not speedy.

The IPAs indicated that the most problematic procedures that investors typically face in establishing a foreign business in the Philippines are (i) permits from Local Government Units (LGUs), (ii) environmental compliance certificate from the DENR-Mines and Geosciences Bureau, as well as (iii) visa from the Bureau of Immigration. Other problematic procedures include costly and lengthy inspection for fire clearance application, product registration from 90 to 120 days with the Food and Drug Administration, and other permits from the Department of Environment and Natural Resources.

The same problems were reiterated by their OSS in facilitating investors establishing a business: absence of standardized operational procedures and too many documentary requirements for the issuance of permits and licenses, lack of skills and know-how among LGUs in promoting investments, and absence of advocacy information materials. Other problematic permits involved the issuance of environmental clearance certificate, building permits, tree cutting permits, and environmental pollution control.

From the perspective of firms, they also noted similar issues such as bureaucracy and too much red tape, delayed and slow processing of permits. Moreover, the firms pointed out the lack of transparency in guidelines and procedures, corruption, and the non-uniformity of investment incentives given by the four IPAs.

In operating a business in the country, the firms cited high cost and unpredictability of power supply, high cost of other utilities and domestic shipping, high taxes, confusing government charges, lengthy and non-transparent process in labor disputes, lack of highly skilled workers, and absence of support in the parts and components sectors. Problems in the regulatory environment were also indicated such as policy inconsistency, lack of streamlining of interrelated government procedures handled by different agencies, and ineffective dissemination of policy changes. The lack of comprehensive effort in government to promote the country was also cited.

Amid these problems and weaknesses in the system, one bright spot that was voiced in the firm survey is the effective streamlining done by the Philippine Economic Zone Authority. To address the slow processing of environmental certificates, PEZA signed a Memorandum of Agreement (MOA) with the Department of Environment and Natural Resources allowing it to issue environmental certificates for its locators. With the MOA, PEZA has trained personnel and created its own environmental unit that handles the pre-processing of environmental clearance applications.

PEZA also has an agreement with the Bureau of Immigration which allows visa processing in PEZA within 20 to 30 days. PEZA takes care of local government clearance requirements along with revenue payments and local government fees. Note also that companies inside

PEZA are exempted from Local Government Business Permits. Building and occupancy permits are also issued by PEZA.

Regarding customs documentation, import and export permits are issued by PEZA. The issuance of import permits is already automated and electronic payment is also in place. In fact, PEZA has been the model of single window in the country. PEZA works closely not only with government agencies such as the Bureau of Customs, Bureau of Immigration but also with local government units in order to make the registration process and other documentary requirements and procedures for the operations of firm-locators as easy as possible. Registration requirements have been simplified, registration forms made simple, and approval has been made easy. There has been no reported case of graft and corruption in PEZA. As emphasized by the PEZA officials interviewed, “we always try to put ourselves in the shoes of investors and find ways on how to ease the cost of doing business”. All PEZA zones are manned by PEZA officers and staff to immediately respond to locators’ needs and concerns. Complaints and queries are always acted upon within 24 hours. PEZA is a full service agency and is on call 24/7. They also noted that their focus is always on investment promotion rather than regulation of incentives.

Given these good practices in PEZA, it is important for other IPAs to learn and adopt the “PEZA way” in dealing with issues particularly the slow processing of environmental, LGU, and other government clearances and permits. As Booz, Allen, Hamilton (2008) noted, PEZA is “very efficient, effective, and successful” (see Box 2.2). Akinci (2008) further added that PEZA’s one-stop shop reduced the cost of business in PEZA leading to an improvement in firm competitiveness. PEZA successfully combined regulation and promotion and under PEZA, the Philippines has shown dramatic improvements in investment climate.

It is also important to note that Clark and Subic have implemented measures to harmonize their customs and other business regulations. They are also coordinating to unify their rates and fees.

To improve investor facilitation services and address the above issues, the recommendations of government IPAs are summarized as follows:

- Drafting and execution of a national policy agenda for investment promotion & facilitation
- Increase in budget and continuous staff training and development
- Infrastructure improvement
- Benchmarking with Singapore & New Zealand
- Address corruption, governance issues to improve the country’s image
- Customer care program
- Creation of business assistance centers in the regions

The surveyed firms recommended the following:

- Speedy processing of permits
- Simplify procedures in starting a business
- Improve automation of business procedures in various government agencies
- Clear, consistent and investor friendly laws
- Synchronize efforts of the national government and local government units (LGUs) in promoting the country and implementing our investment plan
- Increase collaboration among government agencies in assisting prospective investors
- More effective marketing tools both in print and on-line should be made available and updated regularly

- Unify investment incentives among the IPAs

Building on these recommendations highlighted by the survey of both IPAs and firms, it is extremely important **to unify and centralize the investment promotion and facilitation efforts by all IPAs under one agency with strong leadership.** It would be much more efficient if we have a single agency implementing a standard set of policies and procedures and coordinating these with national agencies and Local Government Units[7]. It is important to establish a single mechanism to coordinate the business registration and investment promotion and facilitation policies with the national and local governments including standard procedures for granting of tax incentives and exemptions to investors. As earlier discussed, the IPAs were created by different legislations administered by different government bodies without an overall coherent and integrated investment promotion and facilitation strategy that would guide IPA activities. Each IPA individually coordinates with national agencies and LGUs. In the absence of standard procedures and processes for all IPAs, different arrangements emerged with some facing more difficulties than others.

Box 2.2: PEZA – A Best Practice Case

There are currently 225 zones under PEZA with a total of 2,289 companies and 697, 187 direct employment. They account for about 90% of the country's total manufacture exports. The law (RA 7916) mandates private development and established PEZA to regulate the zones. Most PEZA zones are now privately owned and operated.

PEZA is governed by a board of directors composed of a representative of the nine different governmental agencies involved in zone operations as well as a representative of the labor sector and businesses located in the zones. PEZA is perceived by the trading community to be a well-run public entity, responsive to their needs and intolerant of governmental abuses. An active partnership exists between its leadership and the user, and a culture of customer service permeates the organization. PEZA leadership recognizes that many countries in the region are competing for the same business, and understands that success depends on zone administration that is efficient, corruption-free, and able to provide quality infrastructure and services.

PEZA is one-stop and non-stop shop operating 24/7. It issues building and occupancy permits, export and import permits, environmental clearance certificates, and performs special non-immigrant visa processing. Over the years, PEZA concluded memoranda of agreement with other government agencies to ease and facilitate investment and business operation. Service at the zones is available 24/7 and even top officials at Head Office are on call 24/7. Electronic import permits are processed non-stop, day and night. PEZA is ISO certified and successfully complied with the quality standards of ISO 90001:2008.

Sources: Booz Allen Hamilton (2008) and PEZA website: www.peza.gov.ph

[7] LGUs in the Philippines are empowered to levy taxes such as real property and local business tax. There were cases of LGUs going after tax-exempt companies. The US$2 billion investment in a shipyard facility by Hanjin Heavy Industries was almost cancelled due to the difficulties of obtaining permits and approvals from the mayors.

For instance, while PEZA's arrangement with the DENR simplified its environmental clearance issuance process, for other IPAs difficulties are still present as indicated in the survey.[8] In the absence of a single uniform legislation on investment incentives, legal issues emerged in the past that affected the certainty of investments in some IPAs (fiscal incentives in Clark and other zones were nullified by the Supreme Court). Over time, this led to a complex system with the IPAs competing among themselves. Operating independently, it was inevitable that each would focus on promoting its own interest first.

Moreover, investment incentives have also widely differed from each other. PEZA offers income tax holiday (ITH) and a 5% income tax rate after; BOI has ITH but no 5% tax rate while both Subic and Clark have only a 5% tax rate but no ITH. As the survey results showed, most of the firms used IPAs primarily to get fiscal incentives. It is important to review the existing investment incentives towards a more comprehensive and harmonized set of incentives governing all the IPAs. IPAs cannot and should not compete on the basis of fiscal incentives, but rather differentiate themselves in terms of facilities, services, and most importantly through streamlined procedures (FIAS 2008).

There have been several legislative bills filed in recent years to create a single body that will coordinate the activities of IPAs, rationalize the investment incentive system, and craft more uniform incentives across the different IPAs. However, due to lack of political support, most of these bills have not prospered. While waiting for the legislation that would centralize investment promotion and facilitation, the creation of an inter-agency steering committee by the Department of Trade and Industry formed is a step in the right direction. The committee aims to harmonize policy-making, planning, promotional strategies, as well as the programs and projects of the various IPAs. The committee prepared the first Philippine Investments Promotions Plan (PIPP) which was launched in June 2010. Among the initiatives that have been accomplished so far is the creation of a comprehensive investment portal that linked together the different IPA websites and integrated IPA information (http//:www.investphilippines.gov.ph). This is currently being maintained by PEZA. An important plan is the forming of an interagency body to oversee the implementation and monitoring of investment programs, activities and projects. A list of target sources of investments have also been drafted along with measures to benchmark with competing countries in providing investment facilitation services. Furthermore, common investment promotion activities would be carried out focusing more on the country and on the comparative advantage of the major IPAs. These common activities would consist of delegated investment missions based on target sectors, common collateral, and common fund. IPAs would also work together in image building activities such as advertising and exhibitions.

With the creation of the PIPP Steering Committee, coordination among IPAs is done through frequent and regular meetings and joint setting of strategies and targets with the Clark Development Authority as Chair and the BOI as co-Chair. The National Competitiveness Council is proposing the creation of a high level Presidential Investment Relations and Assistance Team to coordinate investment promotion and after sales service to investors and the head will have a Cabinet rank position (Bautista 2010).

Clearly, the crafting and passing of a legislation to centralize foreign investment promotion and facilitation activities under a single agency should be prioritized. The case of Singapore's Economic Development Board (EDB) shows how a one-stop and lead agency for investment promotion has played a crucial role in Singapore's continued economic success. EDB is a statutory board and is an autonomous government agency created by

[8] There were issues of jurisdiction on environmental matters between Subic and the DENR. In a recent case, the environmental certificate issued by Subic Ecology Center to Hanjin Industries was declared as without legal basis by the appellate court's ruling in September 2008.

special legislation to implement specific socio-economic development programs. Characteristics such as a one-stop shop, pro-business quasi-public agency and sufficient resources are clearly significant factors that allowed to EDB's to effectively perform its functions. Equally important are the presence of strong government support and appropriate operational environment (see Singapore paper).

The current PIPP inter-agency committee's effort to coordinate their actions and plans is commendable. This may be viewed as a transitional arrangement while a lead agency for investment promotion and facilitation is yet to be created. To realize this, strong political will and support from the present administration would be critical.

Regarding investment liberalization, the Philippines is already considered as relatively open vis-à-vis its ASEAN neighbors. Foreign entry remains restricted in a substantial number of important economic sectors such as mass media, land ownership, natural resources, firms that supply to government-owned corporations or agencies, public utilities, and Build-Operate-Transfer (BOT) projects. Removing these barriers would entail a long and tedious process since a change in the 1987 Constitution would be required. Note that constitutional change has been a sensitive issue with a lot of sectors in society strongly opposed to it. Several attempts were made by members of the House of Representatives in the past and all these failed miserably. While limitations on foreign equity in these sectors cannot still be directly addressed, the government has to continue implementing measures to promote competition and strengthening institutional and regulatory framework particularly in public utilities.

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Chapter 3. Trade Facilitation and National Single Window

Chapter 3 aims to update the status of implementation of customs modernization and the National Single Window. It is divided into three parts: part 1 presents a situationer on the Philippines trade facilitation initiatives and its impact. Then, part 2 provides an analysis of the main issues and challenges of the implementation of the Philippine national single window. Lastly, part 3 suggests policy and practical recommendations to further achieve the objectives of trade facilitation.

3.1 Current State of Trade Facilitation Initiatives

The Philippine customs service was created by the Spanish authorities in the late 16th century to collect tariffs on goods from traders and from the Manila-Acapulco galleon trade. Considered to be among the oldest institutions of its kind in Asia, the current Bureau of Customs (BOC) was established in 1902, by virtue of Administrative Act No. 335. Since then several reorganizations and reforms were implemented to make BOC more responsive to the increasing demands of international trade (Jereos 2005). Specifically, with the country's engagement in several trade and customs arrangements, the role of customs service shifted from mere revenue collection to the three-pronged function of revenue generation, import security and trade facilitation.

Customs efficiency has become synonymous with trade facilitation since the latter in its narrowest sense, refers to the systematic rationalization of customs procedures and documents (referred to as "cross-border" transactions). Nonetheless, a broader view of trade facilitation covers all measures affecting the efficiency and costs associated with the movement of goods between buyers and sellers along the entire international supply chain (ADB 2009). In the latter, there are many other agencies involved (e.g., standards, quarantine, import clearances agencies or "behind-the-border" agencies). To the extent possible, this paper will discuss trade facilitation in both the narrow and broader sense.

3.1.1. Customs Modernization and Reforms

The Bureau of Customs, which is under the auspices of the Department of Finance (DOF), is mandated to implement an effective revenue collection, prevent and suppress smuggling and entry of prohibited imported goods, supervise and control over the entrance and clearance of vessels and aircrafts and engaged in foreign commerce, and enforce the Tariff and Customs Code of the Philippines and all other laws, rules and regulations related to tariff and customs administration (BOC 2010a).

Reforms and modernization efforts in the customs administration system date back to as early as the 1970s, with the installation of a mainframe computer system for the purpose of capturing transactions data and generating databases of customs bonds, orders of payment, and customs declarations. It was during the period of 1992 to 1998 where a genuine Customs Reform and Modernization Program was achieved (Parayno 2004). Its success has earned praises and recognition from local and foreign organizations including the World Customs Organization (WCO), the United Nations (UN), the Integrated Monetary Fund (IMF), and foreign visitors from all over the world.[9]

To replicate such achievement, continuous modernization efforts are being introduced by the current administration. BOC is also engaged in other initiatives albeit at a very early stage—

[9] A UN report stated "*the Review team was greatly impressed with the progress achieved in modernizing the cargo clearance operations*". While an UNCTAD Audit Team said that, "*among the developing countries, you rank no. 1 in computerization.*" (Maniego 1999).

including development and adoption of a customs transit system, authorized economic operators and the establishment of one-stop customs-immigration-quarantine-security agencies (CIQS) facilities at the BIMP-EAGA border crossings. There is also the National Single Window (NSW) Project, a Philippine government-wide BOC-led initiative which will be discussed in detail in Section 3.2.

3.1.1.1. Computerization of Customs Services (First Wave)

The country's first serious attempt to computerize the BOC is part of a broader Philippine revenue computerization program in 1995. The Automated System for Customs Data Management (ASYCUDA++)[10] software developed by the United Nations Conference on Trade and Development (UNCTAD) was the integrated with the Bureau's computer-based activities resulting to the Automated Customs Operations Systems (ACOS). The introduction of ACOS in the Bureau and the use of information technology in providing service to the trade community helped facilitate the flow of cargo. Starting in 1996, the BOC introduced electronic lodgment facilities, including: entry encoding system, direct traders input, data warehouse system, customs decision support system, electronic data interchange and a dedicated customs website (Maniego 1999).

It is important to note that while the reforms made extensive use of information and communications technology (ICT), computerization and modernization has been accompanied by a large number of laws and regulations issued including the abolition of mandatory physical inspection of shipments and automation of cargo clearance process. There were also other initiatives which served as stepping stones towards modernization including the introduction of pre-shipment inspection, comprehensive import supervision scheme and anti-corruption measures (Parayno 2004). Resulting business processes from computerization efforts led to a reduction of documents and procedures required as summarized in Table 3.1.

Table 3.1: Improvements from Customs Computerization

Steps/Requirements	Before Computerization	After Computerization
Required signatures	79	5
Cargo release time	6-8 days	4-6 hours for green lane, 48 hours for yellow and red lanes
Shipments examined	100%	15% physical examination (red); 15% document examination (yellow); 70% no examination (green)
Supporting documents	Payment orders, official receipts, & proof of bank payments	Thru bank payments and receipts electronically to BOC
Place of examination	Anywhere in the port	Designated examination areas
Accountable forms required	Many	Single Administrative Document (SAD)
Inward manifest forms (copies) submitted to BOC	13	3 copies in electronic format

Source: Maniego (1999).

[10] ASYCUDA++, a computerized application system that conforms to international codes and standards, is used in more than 65 countries worldwide.

Decisive factors in the success of the early BOC reforms included strong political will; sustained operational leadership and ownership of the reform by the head of customs; and private sector involvement and support, generic customs software, and analysis and selectivity (Parayno 2005). Among its weaknesses was a failure of commitment from the staff arising in part from inadequate compensation—a problem that could not be addressed because the bureau lacked authority and funding (De Wulf and Sokol (eds) 2005).

3.1.1.2. Adoption of Risk Management and the Post-entry Audit

Alongside its early computerization efforts, the BOC's Selectivity System also plays a crucial rule in trade facilitation. Such system would select and channel import entries to red, yellow and green lanes based on certain criteria. The red lane called for physical inspection of cargo; yellow, for documentary review; and green lane for speedy clearance and release of the cargo without physical inspection. In April 2000, a Super Green Lane Program was established by Executive Order No. 230. The program sought to address the public clamor of a pre-shipment inspection system that would allow immediate clearance to qualified importers (and would substitute the pre-shipment inspection of Societe Generale Surveillance which was then being phased out). Nonetheless, in four years of its operation, only about 83 companies had qualified as members and only about 67 have actively used the facility, accounting for less than 8% of total annual collections of the BOC (USAID 2005).

In April 2001, the Philippine Congress passed Republic Act No. 9135, to comply with the requirements of WTO's Transaction Value System as the basis for calculating the dutiable value of imports. The law also introduced the Post-entry Audit of import entries (WTO 2005). Post-clearance or post-entry audit is an international best practice by customs designed to facilitate trade by refocusing control from the border to the back end of the import clearance process (ADB 2009). In January 2003, a Post Entry Audit Group was created in the BOC with two divisions, namely the Trade and Industry Research Analysis Office and the Compliance Audit Office. Low skills level among the staff which required sizeable investments in human capacity training was among the identified constraint (USAID 2005).

In 2002, BOC implemented the Non-Intrusive Container System Project. This project provides for the use of x-ray machines as an alternative to actual physical inspection and aims to speed up shipment examination and cargo movement. The x-ray examination of goods takes only about 10 minutes as against 1 to 2 days for physical examination. The project was carried out in major customs collection districts and in other ports particularly those handling big volumes of containers. Currently, BOC has 28 mobile x-ray machines and 2 transportable x-ray machines, the funds of which were partly taken from container security fees collected from importers. Among the reforms envisioned includes improvement of risk criteria for selection to achieve greater impact and reexamining the container security fees to encourage compliance without imposing additional burden to importers (BOC 2009b).

3.1.1.3. Modernization of Customs Services (Second Wave)

In 2005, a computerization improvement program was proposed with 33 major components that include software upgrades such as the Automated System for Customs Data (ASYCUDA-World). ASYCUDA-World is an internet-based lodgment system of customs information that integrates all the agencies processes. The components are import and assessment system, automated export documentation system (AEDS), automated bonds management system (ABMS), raw materials liquidation system (RMLS), import and export support system, BOC Portal, exports processing system, funds monitoring system, and resource and operations management system. The ASYCUDA-World is now queued for parallel-runs and into full implementation.

Furthermore, the bureau initiated the Electronic to Mobile (e2m) Customs Project in 2005. It is an initiative supported by a P500 Million e-government Presidential budget. e2m Customs aims for the development of a dynamic and faster end-to-end cargo clearance process eventually through the use of mobile broadcasting and internet/electronic data interchange connectivity. It makes use of advanced technology including electronic signatures to provide government officials, specifically customs administrators with new tools in better implementing security, trade efficiency and fight against corruption (see Box 3.1 for the e2m Customs features). It is expected to support the implementation of the National and ASEAN Single Windows. Some major changes effected by the e2m Customs to allow import processing within 30 minutes (ASEAN target) are:

Process	e2m Customs Target Improvement
Accreditation/Registration	from paper to electronic
Manifest submission	from 5 days after arrival to 12 hours before arrival of vessel/shipment
Assessment	from self-assessment by importer to final-assessment by BOC appraiser
Lodgement	from filing at BOC to internet filing
Import Processing	from disjointed subsystems to a seamless system
Payment	from cash and checks to electronic debit only
Risk management/Selectivity	from transaction-based to account/company rating-based
Entry track-and-trace	from manual to internet or cellphone-based
Information	Online resource access through BOC website on issuances, processes, policies, guidelines and other related information

Source: BOC 2010b.

Box 3.1: Features of e2m Customs

Imports and Assessment System (IAS) is a set of application components that handles the flow of import processing – with the objective to release low-risk shipments in 30 minutes or less while at the same time prevent data manipulation. IAS has been operational at the Port of Manila, Manila International Container Port, Batangas, Limay and Mariveles and expected to be operational in all other ports by mid-2010. The sub-components and benefits of the IAS are:

• *Electronic Manifest System* covers advance submission of electronic inward cargo manifest by shipping lines twelve (12) hours before arrival of goods, thus providing adequate time for Customs personnel to profile importations, focus on suspect shipments and check importers/brokers even before the arrival of the cargo vessel. Benefits: minimized vulnerability to data manipulation, virtual pre-arrival processing for faster release, and importers declare exact weight/volume or electronic processing stops.

• *Internet Lodgment of Import Entries* via Value-Added Service Providers (VASP)[11] is implemented nationwide, where the public can file import entry declarations any time within the convenience of their homes, offices, cyber cafes or any location where internet access is available. Benefits: no need to go to the port to file import entries,

[11] Bureau of Customs (BOC) clients such as duly registered importers, exporters and their designated brokers, freight forwarders, consolidators and brokers are connected to the gateway via the accredited VASP of their choice. VASPs allow electronic transactions including: registration of BOC clients, lodgment of import or export declarations, and transmission of raw materials liquidation, surety bonds, payment and online release information (de Dios 2009).

less expenses, less vulnerable to data encoding error, the importer is made fully accountable (not the third party encoder) for the accuracy of encoded data.

• *Electronic Assessment System.* Computer-aided processing of imports allows for quick and accurate computation of duties and taxes based on the manifests that were electronically submitted. This is a one-stage process where the BOC Appraiser calculates the duties and taxes, which is electronically sent to the bank and importer for the electronic/debit transfer of payment. Benefits: simplified appraisal process, and no need for the BOC to benchmark its computations against an arbitrary computation by the importer/broker.

• *Risk Management System* helps ensure that only high-risk shipments will be subjected to examination (of documents and cargo), while facilitating the release of low-risk shipments. A European Union-funded project upgraded the Risk Management System which has been completed and incorporated into the e2m Customs. The system is also linked with the container x-ray facilities, thereby ensuring that high-risk shipments undergo scanning rather than the time-consuming 100% physical inspection of the containers. Benefits: only high-risk shipments undergo inspection and it will optimize the use of the container x-ray machines.

• *Licensing and Clearance System* in conjunction with other government agencies (under the National Single Window) is the electronic verification of licenses/ clearance/ permits to prevent their fraudulent use, or the use of spurious documents. Just like with the internet lodgment, the transacting public can apply for licenses/ clearance/ permits through the internet, anytime. Benefits: prevent the re-use, revision or fabrication of import permits; provides a reliable cancellation of import permits; and faster processing time.

• *Payment System* accepts only electronic/debit payment of duties, taxes and fees from the importer's bank account to the government account. Payment Application System version 5 (PASS 5) caters to processes are primarily based on the Business Process Design document of the Banker's Association of the Philippines. The system allows for electronic payment, integrating both cash and non-cash payments while eliminating manual handling of documents. Benefits: anti-money laundering law is leveraged with anti-smuggling; banks validate the authenticity of individuals and firms and checks their credit history; no possibility of kiting since funds are directly moved from stakeholders' accounts to the government

• *On-Line Release System* provides electronic instructions to port operators or cargo handlers and warehouses to release a shipment only after the duties and taxes have been paid and all documentary and inspection requirements are met. Benefits: insures payment of duties and taxes and other requirements are met prior to release of imports.

The IAS is a seamless integration of the above systems and therefore prevents the manipulation of data or information through every step of the import processing system. There are validation and counter-checking operations prior to the continued processing of the imports thus eliminating the opportunities for technical smuggling to happen at the ports.

Export Processing Systems (EPS) is a set of applications that handles the processing of export entries:

• *Automated Export Documentation System* to allow electronic submission of export declarations through the VASPs as with the import side. It shall be expanded to cover all exporters (economic zones, Customs Bonded Manufacturing Warehouse and regular exporters) and all export goods.

• *Automated Bonds Management System* to include the computerized aging of bonds, generation of due and demandable notices, listing of unliquidated bonds, etc. This is also intended to reduce the piling of unliquidated or due and demandable bonds.

• *Raw Materials Liquidation System* to track raw material importations as they are used in the manufacturing process and as the finished products are exported.

Additional or correct duties are then assessed as needed for the materials not used for exports.
The internet lodgment of exports is scheduled to go "live" starting in mid-2010. This process also includes auto-debit payment of export fees, automated processing and automated release.
Operations Support and Decision Support Systems (OSDSS) are the various systems that support the implementation of the Import and Export Systems. They include the enhancement of the Valuation Reference Information System (VRIS), Legal Cases Tracking, Passenger Baggage Entry and Trade Compliance, among others. The implementation of VRIS ensures uniform and appropriate valuation of goods, thus helping ensure the collection of rightful revenue. These systems are up for implementation in 2010. Benefits: Empowers BOC officials with the data and information for better informed-decision and discretion.
Client Profiles Registration System (CPRS) facilitates the process of capturing client information during the accreditation and/or registration of the various BOC stakeholders. As of November 2009, there are 9,638 accredited activated CPRS status comprised of brokers, importers, warehouse operators, shipping lines, authorized agent banks, exporters, arrastre operators, and freight forwarders. Benefits: Running list of accredited importers, brokers are posted in the BOC website in real-time; Makes counter-checking with other offices and stakeholder association more transparent; Prevents the unauthorized use of stakeholder identities.
Sources: BOC 2009a; BOC 2010a; and BOC 2010b.

3.1.1.4. Accession to the Revised Kyoto Convention

Efforts to harmonize and simplify the customs procedures have been done by the BOC even before the standards, transitory standards and recommended practices agreed upon in the WCO *International Convention on the Simplification and Harmonization of Customs Procedure*. However, these reform measures were not sustained, partly because of the absence of a holistic framework that can serve both a legally binding guidepost and framework for action to harmonizing Philippine customs procedures with the rest of the world. In June 2006, a gap analysis study[12] found that the Philippines is 55% compliant with the Revised International Convention on the Simplification and Harmonization of Customs procedures, or the Revised Kyoto Convention ("RKC", see Box 3.2) and would require legal amendment on around 16% of the RKC provisions (USAID 2007). The Philippines' instrument of accession to the RKC was signed by the President in March 2009, ratified by the Senate in February 2010. The Philippines accession instrument to the RKC was deposited in the WCO headquarters in June 2010 making the Philippines the 70th Contracting Party, and among the first ASEAN countries to accede, to this WCO instrument.

The Revised Kyoto Convention is the blueprint for modern and efficient Customs procedures in the 21st century, thereby promoting trade facilitation and customs modernization. Once implemented widely, it will provide international commerce with the predictability and efficiency that modern trade requires. The Philippines has three years to implement into national legislation mandatory reforms and within five years for transitory standards. Among the potential benefits of accession is attraction of foreign direct investments and synchronization with the objectives of national or ASEAN single window particularly through the use of single administrative document (SAD).

[12] Project entitled "Research and Advocacy Support for Trade Facilitation: Philippine Compliance with the Revised Kyoto Convention" and spearheaded by Former BOC Commissioner Guillermo Parayno, Jr.

Box 3.2: The Revised Kyoto Convention

The *International Convention on the Simplification and Harmonization of Customs procedures* (Kyoto Convention), which entered into force in 1974 was revised and updated to ensure that it meets the current demands of governments and international trade. Adopted by the WCO Council in June 1999, the Revised Kyoto Convention (RKC) became the blueprint for modern and efficient Customs procedures in the 21st century. It promotes trade facilitation and effective controls through its legal provisions that detail the application of simple yet efficient procedures. The RKC, which entered into force in February 2006, elaborates several key governing principles—chief among these are:

- *transparency and predictability of Customs actions;*
- *standardization & simplification of goods declaration and supporting documents;*
- *simplified procedures for authorized persons;*
- *maximum use of information technology;*
- *minimum necessary Customs control to ensure compliance with regulations;*
- *use of risk management and audit based controls;*
- *coordinated interventions with other border agencies;*
- *partnership with the trade.*

Source: WCO website (www.wcoomd.org).

3.1.2. Broader Trade Facilitation Initiatives

As earlier mentioned, trade facilitation is beyond cross-border or customs efficiency. Other trade-related agencies contribute to the just-in-time and cost effective movement of goods. These trade facilitation initiatives are complemented and supported by executive orders including: Executive Order No. 428 which mandated all government agencies in the Executive Department including government owned and controlled corporations to simplify rules and regulations and reduce reportorial requirements to facilitate doing business and encourage more investments in the country, Executive Order No. 554 which mandates executive department to improve the country's export competitiveness to eliminate fees, charges, imposed on export clearances, inspections, permits, certificates, and other documentation requirements; and Executive Order No. 557 which established the Anti-Red Tape Task Force. Some of the specific trade facilitation programs or projects are as follows:

3.1.2.1. One-Stop Shop Export Documentation Center (OSEDC)

In 1982, Executive Order No. 843 created a Commission on Export Procedures to review and simplify export procedures and documentation requirements and to consider setting up an export documentation center (Philexport 2007). In 1985, then Ministry of Trade (now the Department of Trade and Industry) and the Bureau of Customs signed a memorandum of agreement to establish a one-stop shop center with the objectives of eliminating causes of delays, red tapes and cumbersome export procedures, bringing under one roof representatives from different government agencies involved in export and making export documentation processing worry-free and hassle-free for exporters. OSEDC covers the Bureau of Animal Industry, BOC, Bureau of Fisheries and Aquatic Resources, Bureau of Plant Industry and National Statistics Office. In 1993, the management of OSEDC was transferred to the Philippine Exporters Confederation which was also deputized in 1996 by the BOC to process and approve export declaration and authority to load at 3 ports in Manila. Currently, OSEDC also covers issuance of non-preferential certificate of origins and commodity clearances or certificates.[13]

[13] Lifted from OSEDC Primer (2009).

3.1.2.2 Reforms and Automation in Economic Zones[14]

During the 1990s, the Philippines enacted the Special Economic Zone Act to promote trade and investment activities in the country. By 2009, there are more than 1,500 registered enterprises located in around 118 IT parks/centers and 64 manufacturing economic zones nationwide. Companies operating at economic zones or so-called export processing zones (EPZs) enjoy both fiscal and non-fiscal incentives such as income tax holidays, duty-free imports, and simplified import and export procedures. To provide fast, transparent and cost-efficient movement of goods brought into and taken out of the country through the economic zones, government agencies primarily, the BOC and the Philippine Economic Zone Authority (PEZA) introduced:

Automated import cargo transfer system (AICTS). Major components of the system include: *surety bond*– to serve as security for payment of taxes and duties due on import shipments eliminating the need for police transshipment services; *ASYCUDA transit system*– which processes and transmits information on import cargo clearing, transfer and other related customs-PEZA transactions; *electronic broadcasting*– which provides EPZ enterprises with information including status on all import cargoes attributed to them at the BOC; and *electronic import permit system*– which integrates the issuance procedures of import permits in EPZs.

Electronic import permit system (e-IPS) enables EPZ locators and IT- enabled enterprises to file application, pay processing fee through electronic modes of payment, and print system-generated import permits. The implementation of e-IPS is made through VASPs.

Automated export documentation system (AEDS). Initiated in the 1990s and implemented during the passing of Philippine E-commerce Act of 2000, the AEDS (see Figure 3.1) introduced the use of a *single administrative document* (SAD), in lieu of the existing export declarations, export tally, boatnote and other documents. In addition it features *electronic filing and processing* of electronic documents, a systems-generated "barcode" that will establish the authenticity of the printed document, and *risk management* through selective inspection at the port of loading (see Table 3.2).

Figure 3.1: Users of AEDS

Source: E-Konek Philippines.

[14] Lifted with amendments from ADB (2009).

Table 3.2: Changes in the Business Processes under AEDS

Business Process	Before AEDS	After AEDS
Export declaration (EDs)	Manual typing of EDs; 5 copies of EDs; Tally sheet & boat note	Electronic filing using ASYCUDA lodgment; Only 1 copy printed; Authority to Load in barcode
In economic zones		
Filing	Processing by customs and PEZA officers at the EPZs	Eliminated; Officers view the electronic declaration on their computers
	Inspection mandatory	Only when with derogatory Information
Gate processing	Inspection of paper documents	Scanning of barcode
Customs at the international airport		
Reprocessing	Several more signatures at NAIA	Eliminated
Issuance of authority to load at warehouse	Chief signs	Eliminated
Examination of authority to load	Trade Control Examiners review documents before allowing airline to accept shipment	Barcode scanning by airline

Sources: PEZA (www.peza.gov.ph) and E-Konek Pilipinas (2010).

Compared with manual processing, AEDS has reduced clearing time and lowered the cost of business (e.g., PEZA and customs overtime charges and filing fees) by 83% and 78%, respectively. Several similar initiatives are being introduced in other economic zones not covered by PEZA. These include trade automation and facilitation system (TAFS) implemented by the Subic Bay Metropolitan Authority (SBMA), and the electronic transit admission permit system (e-TAPS; which is like the PEZA e-IPS) and enhanced automated cargo transfer system (E-ACTS) implemented by both the SBMA and Clark Development Corporation (CDC).

Implementing better trade facilitation in moving goods in the economic zones requires reforms in the business systems, processes, and policies. The operation of trade facilitation initiatives is done "optimally" in ecozones hence contributing to its successful implementation.[15]

3.2 Philippine National Single Window Initiative

3.2.1. Mandate

The mandate of national single window emanates from ASEAN Agreements including: *Agreement to Establish and Implement the ASEAN Single Window* (ASW) signed by ASEAN Trade Ministers in December 2005, the *Protocol to Establish and Implement ASW* signed by the Finance Ministers in December 2006 and the *ASEAN Economic Community Blueprint* signed by President Gloria Arroyo in November 2007. Among the obligations of the contracting parties in these agreements is to ensure that line ministries and agencies cooperate with and provide information to lead agencies and make use of ICT in their national single windows (NSWs) to further expedite customs procedures within ASEAN. This involves setting up a single clearance channel for goods for the ASEAN-6 by 2008, and

[15] Interview with Guillermo Parayno Jr, former BOC Commissioner.

newer members by 2012. The ASEAN target is to facilitate release of imports shipment within 30 minutes.

ASW is the environment where NSWs of member countries operate and integrate while the NSW single submission, single synchronous processing and single decision-making in the processing and release of imports and exports, including applications for licenses, permits and other authorizations required prior to undertaking a trade transaction. The Government of the Philippines' vision is to have a fully operational NSW and, when available, and to fully integrate with the ASW (BOC 2010b).

To implement NSW in the Philippines, President Arroyo issued on December 27, 2005 Executive Order No. 482 which created the National Single Window Task Force for Cargo Clearance. This aims to ensure a coherent and effective formulation, coordination, implementation and monitoring of NSW. The members of the Task Force are the relevant national government agencies, which have the direct mandate to regulate internationally traded goods. The Task Force has a Steering Committee (SC) directing and ensuring the effective implementation of the Plan to Establish the NSW, and the Technical Working Group (TWG) which attends to the day to day implementation of the Plan.[16] The Bureau of Customs chairs both levels of the Task Force. The government departments and agencies involved in the cargo clearance release are mandated to cooperate with each other in order to provide the BOC with automated electronic system required for the establishment, implementation, and operation of the NSW, and eventually link with the ASW. Also, the Philippines NSW is developed in line with recognized international standards to enable interoperability while ensuring seamless integration with the NSWs of other countries and the ASW.

It is important to note that aside from the ASW Agreements, the country has enacted the E-Commerce Law of 2000 (Republic Act 8792)[17] principally to promote the universal use of electronic transactions in the government.

3.2.2. Scope

The scope for this initial project is to initiate the NSW among forty (40) government agencies, while focusing on first ten (10) of these that account for most permits and clearances, to deliver initial value to the business community and prove the concept for a wider and deeper roll out (see Appendix 3.1 for the list of 40 agencies).

3.2.3. Source of Financing

The development of the NSW is fully government funded under the Presidential e-government Fund to cover investment in infrastructure and human capital and single window maintenance and operation. More specifically, the NSW system funding covers system development, provision of facilities (hardware, software, wireless connectivity, computer tables and chairs, extension cords, printer, toners, bond paper, blackberry with unlimited communications access or load), draft agency regulation, and training for personnel (use of system and change management) is centralized. The current contract for Crown Agents Philippines to manage NSW operation runs for two years.

3.2.4. Basic NSW Process Flow

[16] An orientation and workshop planning for the Philippine NSW was conducted to discuss and formulate the National Work Plan for NSW (Clarete and Brucal 2007).

[17] It was reinforced by DTI-DOST-DBM-BSP Joint Administrative Order (AO) No. 2 (series of 2002) which laid down the implementing rules and regulations (IRR) on electronic authentication and electronic signatures.

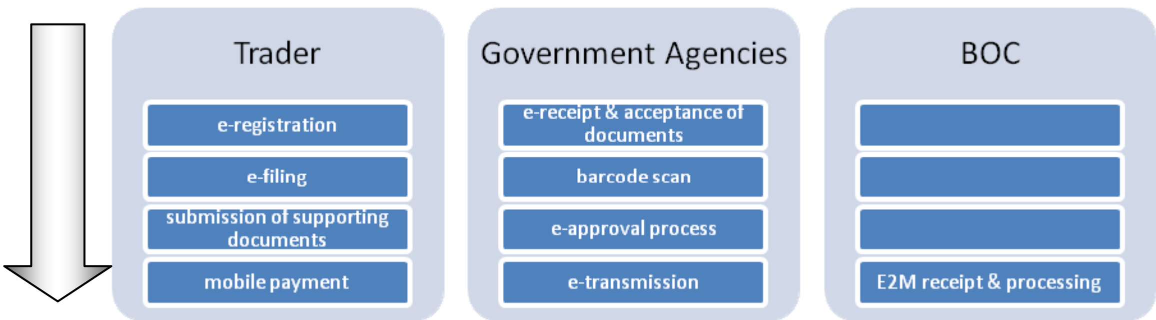
Stakeholders will interact with Philippines NSW online via a web interface and, when appropriate, directly through their mobile phone. These stakeholders will include approved BOC staff, government agency officials, the business community, their agents and relevant financial institutions (see Figure 3.2).

Figure 3.2: Philippine National Single Window System

Source: BOC 2010b.

Traders are expected to register (a one-time registration) with the NSW to enable them to submit electronically their license and permit applications. Then the registered traders will identify, select and complete all required forms based on their specific trade requirements. Afterwards, will be an electronic acknowledgement, receipt and acceptance of the submitted information. The trader's applications are transmitted to all relevant agencies. They can also make payments associated with the license/permit applications they submit. Payment via mobile phone (m-payment) will be made available to the agencies (see Figure 3.3).

Figure 3.3: NSW Basic Process Flow



Source: Arevalo (2010).

Currently, there are no changes in paper document forms as each agency will process applications according to its existing procedures. Documents may be printed for review and circulation for approvals. Such documents will be identical to existing forms, with the addition of a printed bar code to easily identify the document and treat it as a unique application. The agency, upon completion of its review, returns to the NSW to record its required response. This may include the capture of limited data and the registering of either approval or denial of the application. The document barcode can be scanned to recall the electronic entry thereby simplifying the identification of a document that has been processed. Documentation can be scanned and attached to the electronic folder for any application. The agency's decisions are to be transmitted to the trader simultaneously with its transmittal to the BOC e2m system (BOC 2010b). The basic idea is to have 2 independent but integrated systems (i.e., NSW and e2m customs) working simultaneously and start exchanging information electronically.

3.2.5. Timeline and Approach

The full functionality and automation of each of the processes required for the various stakeholders will be implemented in a phased manner. The operationalization of the National Single Window Project is segmented into two implementation phases.

3.2.5.1. Phase 1

Phase 1 targets 10 agencies identified for the NSW system implementation by mid-2010. The NSW application at the ten agencies will cover a single set of licenses, permit, or clearances per agency. It features electronic submission of application form, status of application viewable in the dash board, notification via email of application status, and final approval via electronic means. Agencies included in Phase 1 are Sugar Regulatory Administration, Bureau of Animals Industry, Bureau of Plant Industry, National Food Authority, Bureau of Internal Revenue, Bureau of Foods and Drugs, Philippine Economic Zone Authority, Bureau of Customs, Board of Investments, and Bureau of Product Standards. They were selected on the basis of the occurrences of permits and when combined account for around 70-80% of all import permits.

In March 2010, there was a soft launching of the NSW system for the ten agencies. The activities accomplished thus far includes: network connection work for Metro Manila agencies, executive briefings to department and agency heads, agency and importer system training, and onsite system support for agency users. Some agencies started to go live in as early as May 2010 and 31 agencies are targeted to go "live" by July 2010. It is useful to note that as of 20 August 2010, NSW system is up and running for 27 agencies. The implementation status of the first ten agencies in the national capital region (Manila main offices) is presented in Table 3.3 below:

Table 3.3: Status NSW Implementation in Ten Agencies

Agency	Trade Function	Status/Remarks
Bureau of Internal Revenue (BIR)	Release of release imported goods with excise duties through Application for Authority to Release Imported Goods (ATRIG)	Live (operational), at least 2 importers submit ATRIG application through the NSW in May 2010
Food & Drug Administration (FDA)	Sanitary and Phytosanitary regulations	Live
Sugar Regulatory Administration (SRA)	Monitoring of sugar supply and administration of export quotas	Live (10 registered importers, at least 1 successfully lodged application in May 2010)
National Food Authority (NFA)	Administration of rice importation	Live (at least 1 importer successfully lodged application in May 2010)
Bureau of Customs (BOC)	Enforcement of customs law and collection of import and export duties and fees	Live
Bureau of Plant Industry (BPI)	Plant protection, quarantine and inspection services	Ready (5 importers registered during pilot mode)
Bureau of Animal Industry	Animal quarantine and	Implementation on hold due

(BPI)	inspection services	to parallel implementation with another project
Bureau of Product Services (BPS)	Implementation of standards and technical regulations	Live
Bureau of Investments (BOI)	Investment incentives including tax-free importation	Live
Philippine Economic Processing Zone (PEZA)	Ecozones management and facilitation of business operations of export-oriented manufacturing	Live

Source: WTO (2005); NSW (2010) and Crown Agents (2010). Use status as of June 2010.

The second batch of agencies to implement NSW are the Bureau of Fisheries and Aquatic Resources; Bureau of Import Services; Bureau of Quarantine; Fertilizers and Pesticide Authority; National Meat Inspection Service; National Telecommunications Commission; Civil Aviation Authority of the Philippines; Bureau of Export and Trade Promotion; Dangerous Drugs Board; Firearms and Explosive Office; Philippine Drug Enforcement Agency; Bureau of Forestry; Central Bank of the Philippines; Environment Management Bureau; Maritime Industry Authority; Optical Media Board; Philippine Ozone Desk; Philippine Coconut Authority; and the Philippine National Police.

3.2.5.2. Phase 2

Phase 2 is comprised of the implementation of the network infrastructure and the full NSW system in the regional offices of the first ten agencies together with the full NSW system implementation in the other thirty (30) Metro Manila agencies. Phase 2 features electronic attachments of supporting documents, mobile-payment mobility, use of blackberry for approving officer, three-way communication via voice–operated internet protocol (VOIP) certificates, permits, and licenses are viewable on line. It is expected to be implemented also by mid-2010. Activities for the next phase are: business and technical requirement documentation, system development for NSW application, network connection work for regional offices, and system roll-out for regional offices.

This phased approach provides for continued enhancement to the initial delivery while the system is being configured for the full implementation of the 40 Metro Manila agencies with ten having regional/provincial connections.

3.2.5.3. Subsequent Phases

Subsequent phases would include:

- Full roll out of the core capabilities, proven in the initial phase, to all agencies on a nationwide basis.
- Management measurement, monitoring and analysis of performance statistics and results and development of transformation plans.
- Prioritized process improvements across agencies.
- Communication and Change Management program to promote the focus on service improvement. Overcome resistance with an understanding of the reasons and benefits of change.
- Capacity building with the enhancement of both human and technical resources. Deployment of additional hardware, provide access to more software and train users to fully utilize the resources available to them.
- Expand the functionality of the NSW for all stakeholders. As capacity develops, the NSW will be enhanced to provide additional functionality and service capabilities while integrating with additional relevant stakeholder systems.

- Project Management covering all agencies.
- ASW connectivity in line with the ASEAN Secretariat agenda. The Philippines as Chairman of the ASEAN Single Window Steering Committee is a major contributor to the ASW initiative and will play a significant role in fulfilling the potential of the regions trade initiatives (BOC 2010b).

3.3.6. Assessment of Implementation by Standard NSW Stages

In general, the Philippine NSW has completed various stages including preparatory stages, process analysis, process simplification and harmonization and single window implementation (referring to Phase 1 of NSW implementation). The immediate impact on Philippine government agencies is focused on complying with the national commitment to ASEAN to implement its NSW, while allowing the agencies to continue their current business processes without potentially disruptive change and reengineering. It is important to note that the current Philippine NSW has skipped a number of equally processes including document simplification and harmonization, national data harmonization, and cross-border exchange. The single window implementation through electronic linkage was prioritized instead.

Completion stages also vary across agencies. Some agencies have significantly complied with internal procedures ahead of other agencies. For example, the DA has completed the preparatory stage up to national data harmonization within the department itself.

In terms of process simplification and harmonization, it appears that while other agencies have done internal reforms to improve their systems others maintain their single or simple system. The DA, PEZA and BOI have introduced modernization and reduction of procedures even before the NSW was conceptualized and maintain that their current systems are already streamlined. In the case of BIR, the officer noted that they cannot yet identify the number of processes simplified or harmonized, and the number of documents simplified or standardized since per its Revenue Memorandum Order (re: BIR Implementation of the NSW), the current Authority to Release Imported Goods (ATRIG) process and approval procedure within BIR will continue “as is” specifically for monitoring purposes. In the case of FDA, NFA and SRA, these agencies responded that their existing systems are also retained with the specific modification that NSW allows online lodgment of application for their respective permits or clearances. Nonetheless, since only a selected number of firms or individuals are accredited or trained with the NSW, paper-based or manual system is implemented alongside the electronic system.

Similarly in terms of document simplification and harmonization, the agencies were allowed to keep their own data requirements and NSW system was developed for the use of various electronic forms according to the needs of the different agencies and multiple data sets for the NSW system. It is important to note however that with respect to SPS import permits, the agencies attached to DA, including BAI and BPI have standardized their forms within the agencies. The documentary requirements within the DA e-system were also reduced from 20 to 10 attachments to be accredited user of such system.

In terms of data harmonization, the implementation is still at a nascent stage across agencies. Perhaps, the most relevant is the adoption by the BOC with respect to the use of SAD that is consistent with the WCO model.

According to BOC, this “light touch” approach will encourage agencies to accept and adopt the NSW solution – as it requires little operational change – allowing agency users to become more familiar and comfortable with information technology and its role in the provision of service, while providing the basis for performance measurement and the platform for driving forward operational improvements. When the technological system would have been established and the cross-agency links and dependencies would have been deployed electronically by the NSW project, the challenge of further streamlining the NSW system, procedures and policies of each agency would be easier to pursue given a common direction already set by the technological “Trojan Horse” (BOC 2010b).

3.2.6.1. Other Government Agencies

Overall, there is a strong support to the NSW among the other government agencies (OGAs). The problems arise however during implementation due to lack of political will and information cascading within the OGAs, varying degrees of technical capacity, and priority given to the OGAs own application.

Use of ICT is already being undertaken in other government agencies similar to what has been by PEZA (see section 2.2.2). For example, the Bureau of Internal Revenue (BIR) Portal offers various e-services including tax identification number (TIN) verification, electronic filling and payment system (e-FPS), getting a TIN online (e-TIN), e-broadcasting, e-forecasting, e-substituted filing and e-registration services. The Department of Agriculture is also implementing an agency-wide computerization including the online inward foreign manifest in partnership with BOC to ensure that the agency and its attached bureaus are apprised of all imports to effectively perform their quarantine and inspection functions.

3.2.7. Indicators and Assessment of Trade Facilitation in the Philippines

3.2.7.1. Trade Enabling Index and Ease of Doing Business

Table 3.4 shows lowest ranking for the Philippines in terms of border administration compared with the rest of ASEAN-5 and PRC. It has better score in efficiency of customs administration than Indonesia and Viet Nam. Nonetheless, it has the lowest score in terms of efficiency of import/export procedures and transparency of border administrations. It appears that Viet Nam may easily overtake the ranking of the Philippines once it has improved efficiency in customs administration such as through customs modernization.

Table 3.4: Philippines’ 2010 Trade Enabling Index Compared

Indicator (*Pillars*)	**BORDER Administration (Main indicator)**		***Efficiency of Customs Administration***		***Efficiency of Import/ Export Procedures***		***Transparency of Border Administrations***	
Country	**Rank**	**Score**	**Rank**	**Score**	**Rank**	**Score**	**Rank**	**Score**
Philippines	74	3.82	56	4.25	55	4.82	119	2.4
Singapore	1	6.56	1	6.69	1	6.45	2	6.53
Thailand	41	4.61	36	4.74	14	5.81	71	3.28
Indonesia	67	3.99	67	4.0	44	5.07	88	2.89
Malaysia	44	4.57	48	4.37	29	5.37	52	3.96
Viet Nam	88	3.46	107	2.88	54	4.83	104	2.68
PRC	48	4.53	40	4.60	33	5.29	56	3.71

Source: WEF Global Trade Enabling Report 2010.

Table 3.5 compares the number of documents and time required to export and import between 2006 and 2010. Philippines has maintained the number of documents required (and at present with the most number) for trading but has slightly reduced the days for exporting and importing. It is noticeable that Thailand and Indonesia introduced significant improvements in both days of exporting and importing while PRC has improved a lot in terms of importing.

Table 3.5: Philippines' Trading Across Borders Indicators Compared

Indicator	Documents to export (number)		Documents to import (number)		Time to export (days)		Time to import (days)	
Country	**2006**	**2010**	**2006**	**2010**	**2006**	**2010**	**2006**	**2010**
Philippines	8	8	8	8	17	16	18	16
Singapore	4	4	4	4	5	5	3	3
Thailand	9	4	12	3	24	14	22	13
Indonesia	7	5	9	6	25	21	30	27
Malaysia	7	7	7	7	18	18	14	14
Viet Nam	6	6	8	8	24	22	23	21
PRC	6	7	11	5	18	21	24	5

Source: World Bank Doing Business Indicators 2010.

3.2.7.2. ERIA Customs and Cargo Clearance Survey

At least 2 freight forwarders, 2 customs brokers and 1 importer were interviewed face-to-face and 1 forwarder responded to the questionnaire via phone interview. They cater to various sizes of firms from small, large to MNCs; and sectors from electronics, auto parts, processed foods, manufacturing, consumer electronics, general merchandize, mining, garments and tiles and ceramics, food and agricultural products. In addition, a detailed interview was conducted with a value-added service provider which also plays a crucial trade facilitating role. More detailed characteristics of respondents are in Appendix 3.3. Table 3.6-3.9 presents a summary of the responses to the ERIA questionnaire on customs and cargo clearances.

In terms of lodging entries a number of respondents mentioned that even though online application is made through web, VASP or EEC, under the current e2m system and implementation of the electronic commerce law, importers still need to attach the old customs form. Hence it makes it a dual system— electronic and paper-based transactions for customs transactions.

Respondent A (customs broker) has accompanied a client importer in one of the NSW training for pilot agencies. In the case of BIR's NSW application form is lodged online. Nonetheless, the importer needs to print out the application form with corresponding barcode attach to a number of other documents (notarized and with stamps) and is expected to be filed with the BIR manually. Furthermore, there is no drop down list in phase 1 of the NSW system which might require individual or separate filing of application or permits even if all imported products may be combined together in a single application.

In most responses, payment seems to take a longer time than the preparation of documents. Respondent B explains the delays in payment because of the limited normal banking hours (9:00 AM–4:00 PM) delays confirmation of payment by importer and current e2m system does not allow for payment of taxes and duties on behalf of the importer. This could be remedied by online 24/7 payment system and other optional payments (e.g., credit cards, paypal). Respondent suggests if forwarder or brokers could be allowed to pay on behalf of the importers (utilizing credit line arrangement with importers), this would facilitate trade.

Respondents experience a variety of issues depending on their product coverage and personal knowledge or skill. Respondent A also illustrated the low preference in the use green lane. Some motor vehicles are classified under the green lane. However, they are required to pay excise taxes separately from customs duties since online payment of excise tax is not yet available. The two modes of payment (online for custom duties and check payments for excise tax) are confusing and frustrating some importers.

Another respondent also raised the similar procedure taken regardless of value of imports. There is no streamlined procedure for small value importation as opposed to high value formal entries. Respondents C and D stressed that human intervention in the current system particularly examination at the customs lodgment entails cost and delays (see Table 3.6 for details).

Table 3.6: Lodgment of Import Entries

Respondent	**Average time and mode of lodgment**			**% transactions and time**		**% of transactions, time and issues**			
	Docs	*Payment*	*Mode*	*Green Lane*	*Time*	*Yellow Lane*	*Red Lane*	*Time*	*Issues*
(a) Large Forwarder	3 hrs	4-5 hours	Web/ VASP	<10% - MNCs	Some cases longer than yellow lane	<30%	<70%	4-5 hours	Isolated cases of questioned docs, & physical inspection
(b) Large Forwarder	1 hour	6 hours	web	25%	6 hours	60%	15%	3-5 days	Multiple inspection on 5% of goods
(c) Small Forwarder	2-3 days all transactions (depending on customs broker)		EEC/ paper-based	80%	2-3 days all transactions	20%		1 week (delay of 1 month)	documents questioned, valuation issues, 10% physical inspection
(d) Broker	30 mins	2 hours	Web/ VASP	10%	5 hours	15%	75%		50% valuation issues, 80% regulated imports, and 80% physical inspection
(e) Broker	1 hour	2 days	EEC	10% - MNCs	3 days	90%	--	3-5 days	
(f) Importer	Fast depending on customs broker		EEC	--	--	--	100%	6 months for ICC	100% regulated imports

Source: Interviews with firms/individuals.

Importation in many products requires prior permit/clearances from appropriate government regulatory agencies (see Table 3.7 and Appendix 3.1 for a listing of some products). All respondents except respondent C (who uses green lane for almost all its transactions) are obliged to apply for permits/licenses from OGAs. It takes between 1-5 days to avail of OGAs permits but the application of import commodity clearance (ICC) seems to be the longest—which could reach up to six months.

ICC's are issued by DTI's Bureau of Product Services (the agency which implements and monitors programs which are aimed to maintain product standards) to importers as a document specifying compliance of imported products (products covered by mandatory standards) with applicable standards, as provided for by Republic Act 4109 and Department Administrative Order # 5, Series of 2001. Under the ICC Certification Scheme, an importer shall apply for an ICC per shipment of its product, from the BPS, before it can distribute in the market. The importer is required to submit a product sample from the shipment of the product to inspections to BPS and if the product passes all required test, then BPS issues the ICC to an importer for them to distribute the product in the market. The delay may be explained to the fact that the Regional/Provincial Directors have the delegated authority to approve the application for ICCs. The issuance of an ICC according to some importers is delayed by the absence or out of office status of the sole approving officers in each region.

Furthermore, Respondent F (importer) mentioned that while ICC is covered in the NSW system, the possibility of applying for conditional release in their imports is not covered. She suggested that conditional release be allowed for regular importers, who are also willing to post surety bonds, to facilitate trade.

Communication link and actual implementation by OGAs is also very important. In 2009, one VASP reported that a number of importers and their authorized customs brokers were unable to file customs declarations for import shipments of goods subject to excise taxes. Under the e2m Customs, importers have to secure Authority to Release Imported Goods (ATRIGs) from the BIR and indicate the mandatorily required ATRIG reference numbers in the customs declarations. BIR's failure to immediately upload into the e2m Customs database reference numbers and particulars of ATRIGs issued for import shipments to be discharged at the Port of Batangas caused customs declarations for the shipments to be rejected by the import assessment system of e2m Customs. Respondent A suggested the use of electronic documents and hard copies of licenses are kept to a minimum.

Table 3.7: Importation of Goods Subject to Specific Conditions or Restrictions with Other Government Agencies

Respondent	Processor	Sector/industry/ product	Agencies	Import clearances	Time
(a) Large Forwarder	own	auto – CKDs, seat belts motor vehicles subject to excise	BPS BOI BIR	safety standards CKDs ATRIG	3 days 5-10 days 2-3 days
(b) Large Forwarder	client firm	agricultural & fishery garments & textiles	DA BOC	quarantine customs bonded warehouse (CBW)	1 day 1 day
(c) Small Forwarder	na	--	--	--	--
(d) Broker	own	frozen meat mobile phone accessories	DA- BAI, National Meat Inspection National Telecom. Commission	quarantine technical standards	3 days 1 day
(e) Broker	own	garments & textiles	--	CBW	2 days
(f) Importer	own	glass, tiles and ceramics	Bureau of Product Standards	import commodity clearance	6 months (with delay)

Source: Interviews with firms/individuals.

In terms of exporting, Table 3.8 suggests that timing application of origin certificates is not yet a problem but this should be taken with caution as they are already using Form A (GSP) and Form D (ASEAN) for a long time. There might be new opportunities and confusion with the future use of a number of varying origin certificates from the various free trade agreements entered into by the Philippines. Getting export permits from OGAs seem to take longer time. There is also a small probability (less than 20%) of pre-shipment inspection and stolen cargo as experienced by the respondent.

Table 3.8: Exportation of Goods, Length of Time and Incidents

Respondent	Certificate of Origin	Export Permit	Declaration to Customs Release	Customs Release to Actual Loading	Pre-Shipment Inspection	Stolen Cargo
(a) Large Forwarder	30mins		Depends on shipping lines	Depends on port operators	< 20%	1% (isolated case)
(b) Large Forwarder	4 hours	4 hours	--	--	0%	0%
(c) Small Forwarder		1 wk to 1 month (DA, FDA); 1 month (DENR)	1 week	1-2 days (depending on port area)	<20%	11-25%
(d) Broker	na	--	--	--	--	--
(e) Broker	1 day	--			<20%	Zero
(f) Importer	na	--	--	--	--	--

Source: Interviews with firms/individuals.

While the respondents were introduced to the NSW system, at the time of the interview, they have yet to use and experience the NSW. Nonetheless, all gave positive perception on the NSW. The questionnaire was used instead to evaluate the impact of the e2m Customs. Except for one isolated case (worse in green lane) mentioned by respondent A, 50% respondents have reported improvement in the e2m Customs (faster) and 50% said timing is the same. Varying degrees of port infrastructure and connectivity led to delays in transmission and delays in processing. There were delays as well when the e2m system server was down and all transactions had to wait. A few also raised the issue that while the government introduced new systems, the persons handling them are the same (who may be technically challenged and still take advantage of opportunity for rent-seeking).

Table 3.9: Impact of e2m Customs System and Perception of NSW—Degree of Change (%)

Respondent	Green Lane	With Valuation issues	With classification issues	With Valuation/ Classification	Regulated Imports	Perception of NSW
(a) Large Forwarder	worse	faster	faster	faster	na	faster
(b) Large Forwarder	worse	same	same	same	--	faster
(c) Small Forwarder	faster	same	same	same	na	faster
(d) Broker	faster	na	na	na	na	faster
(e) Broker	faster	faster	faster	faster	na	faster
(f) Importer	faster	faster	faster	faster	na	faster

Source: Interviews with firms/individuals.

There is a general consensus among the respondents the NSW would prove to be beneficial particularly in speedy processing of their trade-related transactions. Currently, the processing time for exporting and importing varies across industry and products. It is noticeable that the many are still covered under yellow to red lanes. Customs administration is generally efficient but there are reports of delays and added cost due to lack of transparency and rent-seeking opportunities. There welcome the idea of NSW but they put more emphasis on the attitude and knowledge among the front-line actors from all agencies concerned. Change management is deemed very important.

Those who have attended the first batch of importers trainings or have been introduced to the NSW mention some confusion as to the idea of single processing or single document. They are keen that the regulatory agencies and other trade-related agencies be connected with the NSW as soon as possible to realize the potential of a full-blown NSW.

3.2.7.3. Survey on ICT impact on trade facilitation to SMEs

De Dios (2009) using survey among customs brokers studied the impact of the BOC's use of ICT on trade facilitation, particularly the cargo clearance procedure and client profile registration systems. The study revealed that while the web-based electronic submission shortened lodgment time (estimated from 1 day to 1 hour) it did not affect total clearance time which remained unchanged (from 1 to 2 days). Test implementation in early 2009 of the e2m Customs took 15 to 52 minutes to complete at a particular port, reckoned from the submission of the manifest by the shipping line to the release of the shipment. The study also suggests some IT-based interventions along the transaction chain to facilitate SME participation in trade: (a) complete the computerization improvement program in all ports; (b) address the constraints occurring prior to lodgment and during the lodgment-to-clearance interval; (c) implement fully a NSW.

3.2.7.4. ASEAN Single Window

At the ASEAN level, Dee (2010) provides some evidence on whether the implementation of the ASW is helping to achieve the broader objectives of the RKC on customs procedures. It found that there is little apparent variation in countries' participation in formal ASEAN efforts to improve customs clearance procedures. Differences arise in the extent to which this participation translates into better customs procedures on the ground (see Box 3).

Box 3.3: Country Comparisons of ASEAN Single Window Efforts

There is little variation in the responses to the question about the number of times data is handled or keyed in 'behind' the window, indicating that this question was too simplistic to capture some of the issues involved. Only two countries — Singapore and the Philippines have fully electronic filing of customs documentation. Similarly, there is considerable variation in the extent to which countries have set targets and used information technology to automate decision-making in their clearance and release procedures, although this variation partly reflects levels of development. Brunei, Malaysia and the Philippines do the best on this score. There is also considerable variation in the extent to which risk assessment is used in customs clearance. The Philippines and Thailand do well. Singapore's responses reflect the unwillingness of the Singapore customs authorities to reveal the existence and nature of any risk assessment criteria. Most ASEAN countries are relatively transparent about their trade regulation. Malaysia, the Philippines, Thailand and Vietnam measure clearance times, but do not make the results public. As noted above, the publication of clearance times would provide the acid test as to whether ASEAN cooperation efforts were achieving their ultimate aims.

The prevalence (%) of ASW implementation in selected members is presented below:

Country	I. National Policy			II. Regional Cooperation	Total
	Overall	National Single Window	Transparency and Due Process		
Philippines	90	92	86	100	92
Singapore	60	62	57	100	68
Thailand	81	78	86	90	83
Indonesia	78	65	100	90	80
Malaysia	83	81	86	90	84
Viet Nam	46	47	43	90	54
ASEAN (Ave)	64	63	67	91	70

Note: A score of 1 has been assigned if a streamlining or improvement measure has been implemented, and 0 if it has not, so the index is an implementation index rather than a restriction index. The figures represent the total score for each economy in the questionnaire.
Source: P. Dee (2010).

3.3 Conclusions and Recommendations

3.3.1. NSW: The Philippine Approach

3.3.1.1. Fast-track and second-best approach

The Philippines has adopted a pragmatic and unconventional approach in implementing its NSW project. Unconventional because the use of ICT is at the forefront, while the simplification and business process reengineering become a secondary priority. Deputy Commissioner Alexander Arevalo who is the chairman of the Inter-agency Task Force on the

ASW as well as the point person of BOC's custom modernization projects (e2m Customs and NSW) mentioned that the Steering Committee of NSW actually started with the discussions on "single filing, single form" as the core concept of NSW. However, harmonizing and standardizing 40 agency forms and 41 processes seem impossible (due to resistance from OGAs) at that time and would delay the country's compliance with its ASW commitment. He noted that the second best approach is to maximum benefit with minimal disruption and cost of compliance among the 40 agencies. The NSW approach taken in the Philippines has: (i) no change in data elements, (ii) no change in business process, and (iii) centralized system. As he quotes the preliminary findings of a World Bank and other international observers that such approach "might work."

3.3.1.2. Convergence with other government agencies

The success of this NSW scheme depends on the political will and motivation of the people in OGAs. It should be noted further that some OGAs have already started their own modernization efforts and automated procedures well ahead of the NSW. For instance, the Department of Agriculture has its own centralized system which includes BPI, BAI, BFAR, NFA, SRA, PCA, FIDA and NMIS. They have also pilot-tested a harmonized clearance form to be adopted by all its attached agencies. These developments have to be taken into consideration in order to create system compatibility and avoid duplication. The compatibility or difference with the NSW procedure and OGAs current systems must be explained well to avoid confusion and frustration in the potential multiple or duplicate lodging of trade-related transactions.

The phased approach to implementing the NSW program focusing first on the key agencies accounting for 70% of import permits would test the use and effectiveness of the NSW and create a demonstration effect on OGAs and rest of the stakeholders. Nonetheless, other agencies that are not prioritized may not be able to catch up fast if they are put at the bottom of the list. E-government funds may be devoted to these agencies lacking technical infrastructure as the speed and success of NSW relies on the speed of the slowest agency involved.

While the web-based application of NSW is already "live", the implementing rules or step-by-step procedure is yet to be developed and disseminated to OGAs. Among the checklist of the various concerns of OGAs are: issues on the accreditation of government or NGOs, inclusion of SPS in the list of export permits to be processed electronically, and use of harmonized system (HS) coding classification. These should be issued or addressed the soonest possible time to guide and encourage use among the various stakeholders.

3.3.1.3. Consultation-training of private stakeholders

The actual NSW interface user-friendly but still lacks basic elements that would have been captured (including digitization of import permits already in Phase 1) if more than a mere examination of import clearance forms from other government agencies had been conducted. The system should have been presented during development stage and not only during training and immediately before actual implementation. Even during the walk-through/training, importers and brokers were still reluctant, unsure, have no comments, or enthusiastic but skeptical that there would only be minimal improvement and that the NSW is just another attachment in their long list of supporting documents.

Furthermore, there are still a number of customs brokers and importers who have not registered under the Client Profile Registration System nor attended the NSW training. Only a select number of importers (2 to 10 persons/per agency/per session) have attended. The NSW should conduct mandatory training for all users including customs brokers, freight forwarders, and value-added service providers to achieve full NSW compliance.

The step-by-step procedure in the use of NSW must be disseminated to all concerned stakeholders the soonest possible time. The agencies involved or at least the members of NSW Steering Committee should immediately issue joint agencies implementing rules and regulations. Posting of the implementing rules must be done electronically and physically. Furthermore, each agency must disseminate agency-specific information (through frequently asked questions format and changes of procedures if any) to all potential users.

3.3.1.4. Sustainability and role of private sector

While the Philippines' centralized resourcing assures implementation of the NSW project for its first two years of implementation, the succeeding plans to sustain the project is unclear particularly among OGAs. As illustrated in other modernization efforts (e.g., in PEZA and DA), public-private sector partnership has contributed to its successful implementation and sustainability. The accreditation and use of value-added service providers have effectively delivered quality and real-time service as an intermediate actor between the government and the private stakeholders while covering the cost of the former system's development. The government must re-think its approach of investing huge resources and consider connecting with existing privately developed systems already in place.

3.3.1.5. Governance project

It cannot be overemphasized that ownership and leadership is the key to successful implementation of the Philippine government's NSW program. The plan must be more that beating the deadline for implementation of NSW. Long-term and serious reforms in business processes and change management are crucial. NSW project must be implemented as part of good governance and not a mere ICT project. Indicators must be developed from activities to proposed outcome of the NSW.

3.3.2. NSW compatibility with ASW

The Philippines NSW case is crucial in the design and implementation of the ASW. The required legislation to implement has been done and implementation of NSW is underway. The fast-track approach the Philippine has taken will make it the second country in the ASEAN, next only to Singapore to implement NSW and link with ASW. However, there are still a number of negotiations ongoing on the ASW. An example is the decision on the number of entries to be included in the ASW. While Singapore requires 34 data entries, Philippines proposes 15 more data elements. More agencies are involved in the ASEAN as well as their respective data elements.

The full implementation of the Philippines' NSW, if successful, may serve as model for other countries. A medium-term evaluation and progress reporting of the Philippine NSW system should be conducted (e.g., within six to 1 year from the start of its implemented) to evaluate whether it can be replicated by the respective NSWs of the rest of the ASEAN countries or adopted within the ASW.

3.3.3. Other Areas of Trade Facilitation

3.3.3.1. Data collection and access to information

It cannot be overemphasized that information/statistics to evaluate the progress of NSW and trade facilitation initiatives are important but got little attention. There are tons of documents processed every day but systematic reporting of useful data is yet to be fully developed. The use of ICT would be maximized if the components would include creation of databases. Indicators must be developed from activities to proposed outcome of the NSW to aid planning and performance evaluation.

Access to updated information is also crucial. The BOC's database on tariff classifications in not yet updated and so the potential benefits of reduced tariff rates as provided in Executive Orders or trade agreements are not readily available to importers. Even in this electronic age, there is some delay in transmission of Customs Memorandum to nationwide ports and frontline actor.

3.3.3.2. Responsive administration

Any trade facilitation system or initiatives should be adaptable to changes in legislation and developments. Informed help desks in the customs service and other agencies must be made available. More importantly, the chronic perception of corruption in government agencies must be addressed.

Effective implementation of trade facilitation initiatives and other pipeline measures must also be supported and implemented. This includes legislation to comply with the country's commitment to the Revised Kyoto Conventions, updating of some protocols for imports in some commodities, immediate implementation of Customs Transit System or multi-purpose declaration within Clark to Subic, and provision of modern facilities and port laboratories for testing and adequate technical staff.

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Chapter 4. Service Liberalization and Regulatory Environment in Ports, Roads, Transport and Logistics

Chapter 4 is organized as follows: part 1 examines the status of liberalization and the regulatory environment in transport and logistics with focus on the ports and road transport sectors. It does not include a discussion of rail freight because currently there is no rail network to support the freight services industry. The current rail system, the mass rail transits in Metro Manila are for transporting commuters in the metropolis. Part 2 reports the results of interviews of domestic firms engaged in the export business on time and logistics costs of exporting. Interviews with government regulators and industry associations and a focused group discussion among transport and logistics firms served to validate the information generated from the interviews. Part 3 identifies the main institutional and regulatory challenges affecting transport and logistics and provides some policy recommendations.

4.1. Current State of the Ports, Shipping and Road Transport Sectors

The Philippines shifted from the protectionist regime of the 1970s and moved toward trade-openness from the 1980s onwards. In the pursuit of greater foreign investment in the country, the Philippine government passed the Foreign Investment Act of 1991 (RA7042),[18] which expands the economic sectors where foreigners can invest. An important component of trade liberalization was the implementation of the tariff reform program, which was implemented in multiple phases. After the third phase, a uniform tariff rate of 5 percent would be applied on a number of manufactured goods and non-sensitive agricultural products.

With a view to compete in global markets, the Philippines also entered into multilateral and regional trading agreements such as World Trade Organization, APEC and ASEAN Free Trade Agreement. To meet the commitments made to these organizations, the Philippines has passed a number of laws and implemented several measures to complement the tariff liberalization (Austria 2001).

The efforts of the Philippine government have resulted in improvements in the country's trade performance. Austria (2001) found that the trade openness indicator (ratio of total merchandise trade imports and exports to GDP) has been increasing since 1985. Policy reforms on trade and investment have resulted in increased competitiveness of industries and productivity. However, despite these efforts the Philippines' competitiveness ranking has remained below those of the neighboring ASEAN countries.

The other side of trade liberalization is the liberalization in the service sector. Pasadilla (2003) underscores the importance of services liberalization because of the inherent linkages between the services sector and manufacturing and agricultural sectors. She viewed inefficient services as a prohibitive tax on the national economy and opined that economic costs incurred due to inefficient service sector is much greater than the cost from protectionism in the goods sector.

As one of the members of the ASEAN, the Philippines is a signatory to the ASEAN Free Trade Agreement on Services (AFAS). Looking at the regional level (AFAS), the progress of liberalization in the services sector has been slow. Nikomborirak (2005) and Nikomborirak

[18] The Foreign Investment Act liberalized foreign investment by allowing foreign equity participation of up to 100% in all economic areas except those mentioned in the foreign Investment negative list for reasons of national security, defense, risk to health and morals and protection of smaller businesses.

and Stephenson 2001 observed the slow liberalization of the services sector based on the marginal commitments made by the member countries.

This slow progress in services liberalization provides a backdrop to the establishment of the ASEAN Economic Community Blueprint, which aims to establish a single market for the ASEAN. The single market is comprised of 5 core elements, one of which is free flow of services.[19] The goal of the ASEAN is that by 2015 "there will be substantially no restriction to ASEAN services suppliers in providing services and in establishing companies across national borders within the region, subject to domestic regulations." (ASEAN Economic Community Blueprint p. 10)

Recent literature on the growth and development experience has documented the critical role played by efficient transport and logistics in trade facilitation. Globalization and trade liberalization have opened new and bigger markets for exporting countries, which have been able to address both border (e.g., tariffs) and behind border issues (e.g., transport and logistics). Those new opportunities in the global markets necessitate an intensified focus on making transport and logistics much more efficient. Trading is about providing efficient interconnectivity for diverse producers and consumers to meet their production and consumption goals, respectively, at the lowest cost possible.

The country's geographic configuration logically makes maritime transport one of the most important means of moving people and goods within the country. Shipping facilitates 98% of domestic inter-island trade amounting to about 80 million tons of cargoes every year, including agri-fishery products. It also facilitates the movement of over 40 million Filipinos and foreign tourists within the country (ADB 2010). Maritime services, however, should be considered in the context of a total logistics package that aims to link production with markets. Ports should be able a much wider maritime network in the region but their efficiency could be hamstrung by poor road and rail infrastructure Ports, roads and rail infrastructure should complement each other to facilitate more efficient transport of goods and people.

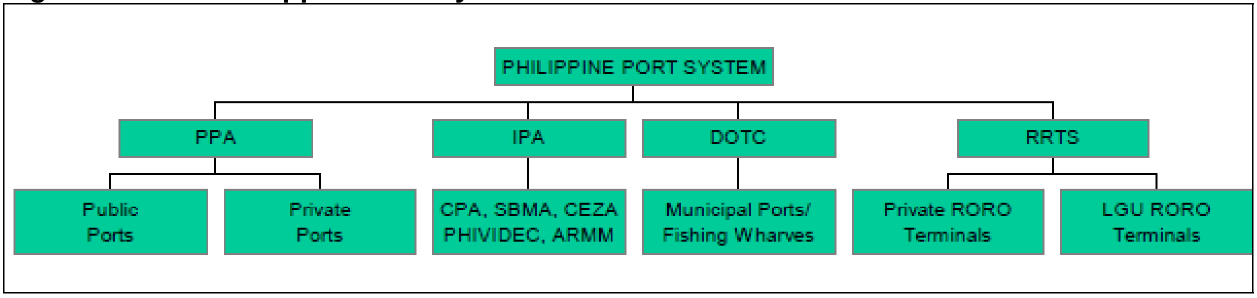
4.1.1. Ports and Shipping

The Philippine Port System has four major categories – the ports under the Philippine Ports Authority (PPA), ports under the jurisdiction of independent port authorities IPA), public ports devolved to local government units (LGUs) and the ports within the Road-Roll-on-Roll-off (RORO) Terminal System (RRTS) (**See Figure 4.1)**.

The PPA directly manages 114 ports, of which 21 are base ports while 93 are terminal ports (JICA 2005). The PPA Ports System comprises the largest portion of the Philippine port system. Other major ports under management by independent port authorities are the Cebu Ports (1 base port and 41 outports) under the Cebu Port Authority and the Subic Port under the SBMA. The Subic Port, Cebu Port and Manila North Harbour are three key ports in the Philippine Port System. The following subsections will provide a brief description of these ports.

[19] The other components are free flow of goods, free flow of investment, freer flow of capital and free flow of skilled labor.

Figure 4.1: The Philippine Port System



Source: Llanto, Basilio and Basilio (2005)

4.1.1.1. Manila North Harbour

The Manila North Harbour, part of the PPA Port System is one of the busiest ports in the country. Despite the huge volume of port business taking place in this port,it is saddled with inefficient infrastructure and operations as other regional ports. For instance, the North Harbour uses forklifts instead of gantry cranes to load and unload containerized cargo because reconfiguring the port for gantry crane operations will reduce berth space of the already congested port, which also caters to a large volume of modified RORO vessels. The high level of berth occupancy at the port necessitated the assignment of specific berths to shipping lines with accompanying exclusive wharf handling services. These wharf/cargo handling companies are granted only short-term leases, which do not provide incentives to invest in the modernization of their operations.

Table 4.1: North Harbour Ports Statistics

PASSENGER TRAFFIC (in millions)	**2004**	**2005**	**2006**	**2007**	**2008**
Domestic	2.540	1.770	1.358	--	--
CONTAINER TRAFFIC (in TEUs)	**2004**	**2005**	**2006**	**2007**	**2008**
Domestic	14.777	13.188	13.746	15.502	14.549
International	1.444	3.001	2,957	2.749	2.149
Trans-shipment	0.104	0.003	0.020	--	--
SHIPPING TRAFFIC	**2004**	**2005**	**2006**	**2007**	**2008**
Domestic	6,026	4,932	5,054	--	--
International	266	471	505	--	--
SERVICE TIME (No. of days per vessel)	**2004**	**2005**	**2006**		
Domestic	2.47	2.79	2.79	--	--
International	4.18	3.90	3.56	--	--

Source: PPA

Due to lack of PPA funds for rehabilitation and expansion, privatization was considered the key to improving port efficiency at Manila Harbour. In 2009, the PPA's attempt to privatize the Manila North Harbour resulted to the awarding of a 25-year contract to modernize and operate the facility. This was granted to the joint venture company formed by Metro Pacific Investments Corporation (MPIC) and Harbour Centre Port Terminal, Inc. (HCPTI). The plan for modernization included the dredging of the harbor to accommodate larger ships, installation of modern cranes and construction of wider depots.

Regulation of the privatized port, however, still remains with the PPA. Moreover, PPA reserved the right to approve/disapprove any changes in the composition and percentage of investments of the joint venture company. The facility was turned over in April 2010 but the planned modernization has yet to commence due to emerging issues on the composition of the joint venture company.

4.1.1.2. Subic Port

The Subic Bay Freeport Zone is being developed as a major international logistics hub. Located 10 kilometers north of Manila, the Subic port plays a key role in this vision because of its strategic location and modern infrastructure. The Subic Bay Freeport has a total of 15 operational piers, which service all kinds of ocean-going vehicles. For cargo handling, there are a number of cranes with varying capacities for efficient cargo handling available to service different tonnage of cargo.[20]

A private sector partner was sought to implement major rehabilitation and expansion of the Subic Port facilities. The Harbour Center Port Terminal Incorporated would develop an existing naval supply depot in the area to provide warehouses, cold storage, a food terminal, and an oil depot.

4.1.1.3. Cebu Port

This international port is located on the east coast of the Island of Cebu, facing the Island of Mactan, within the jurisdiction of the Cebu Port Authority. Aside from the main port, there are 12 other private terminals within the Cebu Harbour. This harbor is strategically located in the center of the Visayas group of islands providing the important link among the islands of Bohol, Negros and Leyte. The Cebu Port is also a key component of the RORO Terminal System.

The performance of the Cebu port in terms of foreign container and shipping traffic from 2004 to 2006 has slightly improved from 2005 to 2006 after a slight decrease from 2004 to 2005. For the Domestic, container and shipping traffic, the trend has is decreasing from 2005 to 2006 (Table 4.2).

Table 4.2:
Cebu Ports Statistics

PASSENGER TRAFFIC (in millions)	**2004**	**2005**	**2006**
Domestic	14.472	15.011	13.179
CONTAINER TRAFFIC (in TEUs)			
Domestic	311,282	317,319	279,442
Foreign	120,282	128,803	146,459
SHIPPING TRAFFIC			
Domestic	85,181	79,687	67,293
Foreign	793	714	768

Source: CPA

[20] The portal crane at SBMA can handle 20-25 tons of cargo while the JIB cranes at the Subic Shipyard has a capacity of 80 tons. There are other JIB cranes with smaller capacity (15 tons) at the E-1 and E-2 quays. Finally, there is a gantry crane at Sattler pier that can handle cargo of more than 39.5 tons.

4.1.1.4. The Strong Republic Nautical Highway System (SRNH)

The SRNH aims to encourage inter-island travel, tourism, commerce and trade. It combines roads, ports and shipping routes to create a highway through the sea using RORO ferry terminals and vessels to bridge key islands. The SRNH is divided into 3 main routes – west, central and eastern. Thus far, the highway has a total of 22 links through 41 ports, with additional 14 links through 18 ports on the pipeline (PPA Website 2010).

The Domestic Shipping Development Act of 2004 (RA 9295) recognizes that shipping is vital to the country's economic development. RA 9295 acknowledges that the Philippines needs a strong, competitive domestic merchant fleet that, among others, will:

- Bridge islands with safe, reliable, efficient, adequate and economic passenger and cargo service;
- Facilitate the dispersal of industry and economic activity towards regional communities through regular, reliable and efficient shipping services; and
- Ensure growth in exports by providing necessary, competitive and economical domestic sea linkages.

The reforms under RA 9295 essentially promote deregulation of the shipping industry and encourage effective competition, free enterprise and market driven rates. Ultimately, one of the envisioned outcomes – a healthy, competitive investment and operating environment – is necessary for increased private sector investments in the sector. Efficiency of services, lower costs and widened service networks, in turn, are expected to impact on local industries' competitiveness vis-à-vis other regions as well as against other players in international trade.

4.1.1.5. Performance of Philippine Ports

Considering the archipelagic configuration of the Philippines, an efficient maritime transport system combined with a complementary road network is necessary to ensure both economic integration and growth of the country. Nautical highways connecting the main islands to peripheral islands are also necessary to decongest urban centers as well as achieve inclusive growth. Ports play a critical role in travel and trade within the country, especially in the southern regions where islands are more widely separated by waters and waterways and where roads and bridges are less developed.

Efficient port infrastructure and shipping services are also necessary to enable local suppliers to access international markets. International demand has, in fact, increased pressure on the Philippine government to provide more integrated port infrastructure with reduced cost of services.

Table 4.3 compares the duration and cost of handling goods for export or for import by Philippine ports with other ASEAN/Asian countries. Relative to other Asian countries, the Philippines has one of the longest duration for port and terminal handling: 4 days for imports and 3 days for exports. For imports, the country is second only to Indonesia, which takes 6 days for ports and terminal handling. In terms of cost the Philippines is second to Vietnam in terms of cost of port and terminal handling for both imports and exports at 270 US$. The relatively high cost of port and terminal handling and the relatively long duration for terminal handling have serious implications to the cost of doing business in the country. The importance of cutting short the number of days for port and terminal handling is underscored by the experience of some exporting firms interviewed for this paper. They put a premium to speed (shorter duration) over cost (**Box 4.1**).

Box 4.1: Speed over cost in terms of handling of services

The theory of supply chain management says that the transport of goods is evaluated in terms of the duration of transporting the goods to the factory, the cost it would take for these goods to be transported and the reliability of the service that would ensure that the goods are delivered in good condition at the expected time. According to the theory, the order of importance for these three criteria would be cost first, followed by speed and finally reliability.

Based on our interviews, for supply chain practitioners, the order is different in practice. A business would be willing to pay for additional cost for much speedier (less time) transport. This would mean that the order of preference in actual business practice would be speed first, followed by cost and finally reliability. The rationale behind the importance of speed rests on the fact that delays would imply costs in terms of warehousing, which would entail larger additional cost. Delays would also imply that production would be delayed resulting to greater opportunity cost.

Table 4.3: Duration and Cost of Ports and Terminal Handling for Selected SEA Countries, 2010

Country	Imports		Exports	
	Duration (Days)	Cost (US$)	Duration (Days)	Cost (US$)
China	2	80	2	85
Indonesia	6	165	2	165
Malaysia	3	135	2	135
Philippines	4	270	3	270
Thailand	2	200	3	85
Singapore	1	180	1	180
Vietnam	4	431	3	369

Source: Cost of Doing Business, 2010

While the private sector has already been involved in the provision of shipping services, there are now more opportunities for the private sector to engage in ports development and management. The privatization of ports is partly due to fiscal constraints faced by the government but it is also because to become competitive, the country's main ports servicing international trade have to improve operational efficiencies. It will be difficult to tackle the tough challenge posed by benchmarks set by other regional ports without public-private sector partnership.

4.1.1.6. Status of Liberalization

Philippa Dee refers to the study by McGuire, Schuele and Smith (2000) which points out restrictions that affect shipping services. For a number of Latin American, European and APEC member countries these restrictions include, among others:

- Registration requirements for the granting of right to fly the national flag. Apart from seaworthiness which is a legitimate requirement, other stringent and requirements can prevent entry of new firms.
- Anti-competitive provisions in private sector agreements/associations, which automatically exclude new players.
- Some bilateral agreements restrict the supply of services, allocation of cargo and even the use of port facilities.

For the ASEAN, the number of restrictions to maritime services has been decreasing. Dee (2010) finds that a "growing number of ASEAN economies have 'open' ship registries, which means that local ship registration is no longer tightly tied to local ownership of the shipping company. This leaves cabotage restrictions, along with inadequate and aging infrastructure, as the main impediments to economic performance in shipping services." (Dee 2010 p. 22)

Using a survey instrument, Dee (2010) has constructed a scorecard, which evaluates the status of liberalization of maritime services in the ASEAN. The survey takes into account the barriers to trade in maritime services, and also regulatory policies, which can be also be seen as restrictions to liberalization of maritime services. The questionnaire has 5 major categories:

- Commercial presence
- Cross-border trade in shipping services
- Limitations on the movement of intra-corporate transferees
- Ownership restrictions
- Regulatory regime

Based on the results of the survey, the study found that:

- ASEAN countries have taken a liberal approach to cargo sharing arrangements
- There are country to country variations in terms of cross-border provision of maritime services
- Restrictions on ownership are slightly more prevalent
- In terms of regulations that are anti-competitive, the Philippines together with Cambodia, Indonesia, Myanmar and Singapore retains discriminatory licensing conditions on foreign suppliers of maritime services.

Related to the last finding is the issue of liberalization of the cabotage of the Philippines. Cabotage is the principle embedded in a country's laws or regulations that reserves the privilege/right of inter-port navigating and trading within the national territory, only to domestic-owned vessels. Three sections[21] of the Tariff and Customs Code of the Philippines cover the implementation of cabotage in the country. Currently, cabotage prevents foreign firms to compete with domestic shipping firms in providing shipping services because they are only allowed to directly transport passengers or cargo to designated international ports like Manila International Container Port, Manila South Harbor, Batangas, Limay and Davao.

There have been calls to lift the cabotage in the Philippines. Advocates invoke economic benefits as a result of lifting the country's cabotage. Businessmen from Mindanao and exporters from different parts of the country are among those who are calling for the lifting of the country's cabotage (Sio 2002). Through the lifting of the country's cabotage, foreign shipping vessels would be allowed to transport goods and passengers from non-international ports in the country to various destinations (local and foreign). This will create more competition in shipping services resulting in a decline in the cost of shipping. Because of the possibility of more new players and competition in the shipping industry, it is expected that the shipping costs would go down. Other benefits of the lifting of the country's cabotage include the possible benefits to domestic tourism, the increase in port revenues and the improvement of the cost-efficiency of exporters. The competition among domestic and foreign shipping firms is also seen to lead to a more efficient and better quality shipping industry in the country.

[21] Section 810, 902 and 903 limits the right to coastwise trading to vessels that have a certificate of Philippine registry. Section 903 specifies that this license should be renewed annually. The law defines coastwise trading as the transport of goods or passengers from one port to another whereupon the said goods or passengers are loaded in one port and unloaded at the other port.

On the other side of the debate are the local shipping firms who claim that lifting the cabotage would result to the demise of the local shipping industry. They recall the experience of Indonesia that liberalized its shipping industry and is now suffering the loss of its local shipping industry.

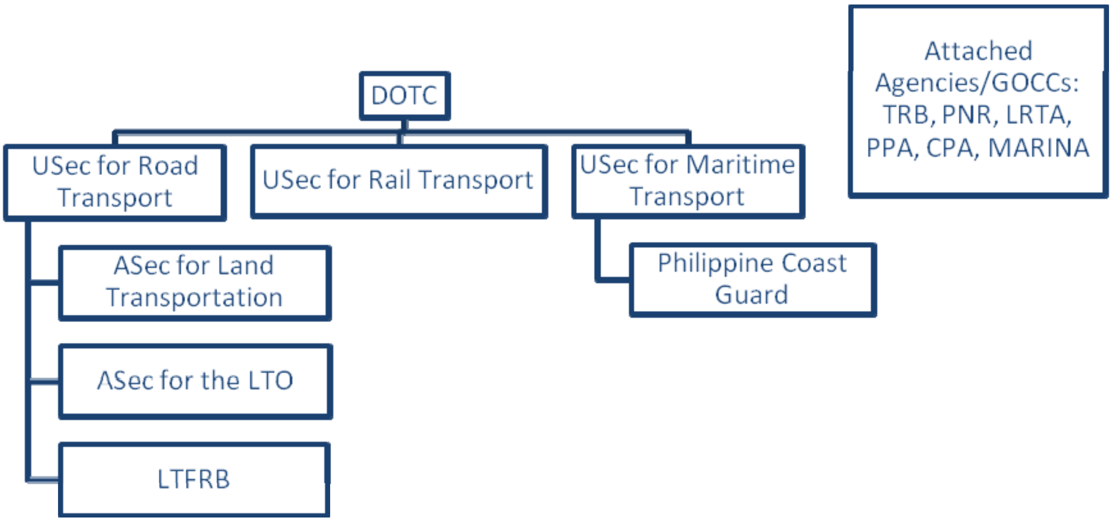
According to the 2003 Situation Report of the domestic shipping industry of the Philippines (MARINA 2003), there is a need to further study and analyze the possible effects of lifting country's cabotage. Whether the lifting of the country's cabotage would indeed result to lower shipping rates given that the foreign firms will be in the same playing field as local shipping firms and they would face the same constraints and obstacles to competitiveness is one of the research areas that needs to be intensively explored.

4.1.1.7. Regulatory Environment

The Department of Transportation and Communications (DOTC) has primary oversight functions over the country's transport and logistics. Executive Order (EO) 125 amended by EO 125-A, issued on 30 January 1987 and 13 April 1987, respectively, mandates the DOTC to become the "primary policy, planning, programming, coordinating, implementing, regulating and administrative entity of the Executive Branch of the government in the promotion, development and regulation of dependable and coordinated networks of transportation and communication systems as well as in the fast, safe, efficient and reliable postal, transportation and communications services".

Separate undersecretaries are assigned for Road Transport, Rail Transport and Maritime Transport. Key regulatory agencies in these three sectors are either line offices or attached agencies to the DOTC (*See Figure 4.2)*. An assistant secretary post for Land Transport was created separate from the assistant secretary positions for the Land Transportation Office (LTO), the Land Transport Franchising and Regulatory Board (LTFRB) and the Philippine Coast Guard (PCG). The Maritime Industry Authority (MARINA), Philippine Ports Authority (PPA), Cebu Ports Authority (CPA) Philippine National Railways (PNR), and Light Rail Transit Authority (LRTA) are attached corporations/agencies.

Figure 4.2:
DOTC and Key Attached Agencies in Transport and Logistics



This structure allows DOTC to be represented in the transport sector regulatory boards such as the LTFRB, TRB, LRTA Board and MARINA for coordination of policies, plans and projects.

Other agencies involved in the sector, which are not directly attached to DOTC, are the Department of Public Works and Highways (DPWH) and Independent Port Authorities.

For some reason, policy makers have decided to cut up the regulation of the ports and the shipping industry among several entities. The DOTC confines its regulatory powers to municipal ports and fishing wharves while the PPA continues to regulate the ports which it owns and/or operates. Independent Port Authorities, which are local government units (LGUs) or government-owned and/or controlled corporations, regulate ports within their areas of jurisdiction (**Table 4.4).**

Table 4.4 :
Agencies Involved in the Development and Regulation of Ports and the Shipping Industry

AGENCY	FUNCTION	MANDATE
Department of Transportation and Communications (DOTC)	The DOTC is the main oversight and planning agency for the transport sector; The DOTC regulates municipal ports and fishing wharves.	EO 125 AND EO 125-A (1987) transformed the DOTC into its current structure
Philippine Ports Authority (PPA)	The PPA, a GOCC attached to the DOTC, is the ports developer, operator and	PD 505 (1974), as amended by PD 857 created the PPA to develop and operate

Table 4.4 : Agencies Involved in the Development and Regulation of Ports and the Shipping Industry		
AGENCY	**FUNCTION**	**MANDATE**
	regulator of majority of the Philippine Port System. It exercises regulatory functions over public and private ports within its jurisdiction, which include: *Public Ports* - Sets and collects port charges - Approves increases in cargo handling rates and receives percentage of domestic (10%) and foreign (20%) cargo handling revenues - Awards contracts to private terminal operators *Private Ports* - Issues permits to construct and operate - Approves increases in cargo handling rates and port charges; - Collects percentage shares from port charges (50%)	seaports and vested it with regulatory powers.
Independent Port Authorities (IPAs)	These are agencies/LGUs which are mandated to develop, operate and regulate ports within their jurisdiction (e.g., Cebu Ports Authority to regulate Cebu Ports, Subic Bay Metropolitan Authority to regulate ports in the Subic Bay Freeport Zone, etc.) Decentralizes control of PPA to create more competition and to allow greater control of ports .	Generally, special economic zones and Autonomous regions have the autonomy to build, operate and self-regulate their infrastructure and utilities.
Maritime Industries Authority (MARINA)	The MARINA, an agency attached to DOTC, develops and formulates plans, policies, programs, projects, standards, specifications and guidelines aimed to	Created by PD474; Mandate expanded by EO 1`25 and EO 125-A; Current structure provided by RA 9295

Table 4.4 : *Agencies Involved in the Development and Regulation of Ports and the Shipping Industry*		
AGENCY	**FUNCTION**	**MANDATE**
	promote and develop the maritime industry, regulate shipping enterprises and protect national security.	
Philippine Coast Guard (PCG)	The PCG is a line agency directly under the DOTC Undersecretary for Maritime Transport, which is tasked to ensure maritime safety.	

Sources: Agency Mandates, JICA 2005, Llanto, et. Al. 2005 and Llanto, et al. 2007

The PPA is independent in that it sets and collects its own revenues. In fact, the PPA is even required to declare 50% of its net income as dividends to government. This financial pressure to increase its net income as well as its dual role as operator and regulator of public ports within its system creates a potential area of regulatory conflict.

On the other hand, politicians successfully lobbied for the creation of Independent Port Authorities (Cebu, Subic), which are self-regulated.

MARINA is the main regulator for shipping services. While it does not have conflicting roles like the PPA, MARINA's dependence on congressional budget allocation for its continued operations reduces its effectiveness and independence as a regulator.

The fragmentation of the regulatory power of government together with the conflict of interest arising from port ownership and regulation of ports by the same governmental entity gives rise to inefficiency and the lack of competitiveness of Philippine ports (see **Box 4.2**). Another risk is the lack of policy coordination, which makes it very difficult to adopt an integrated approach to roads-airports-ports connectivity that will help provide a seamless and efficient transport system for the country.

Box 4.2. Addressing the inconsistent roles in Philippine water transport agencies

The observations made by this paper about the conflict-of-interest situations in ports regulations have already been observed by other studies (see Llanto, Basilio, Basilio 2005). The study by Llanto et al. (2005) observed that the conflicting roles played by the PPA have resulted to inefficiency and lack of competition.

The PPA which is also a port owner has the right to issue permits to private companies to construct and operate private ports for commercial purposes. There is a disincentive for the PPA not to approve private companies' application to construct ports if it threatens the revenue of PPA owned ports.

Thus, there is an urgent need for reforms that would in effect address the abovementioned problems. In fact, the Philippine government in the updated Medium Term Philippine Development plan has intended to address the dual role of water transport agencies. According to the MTPDP, "Port regulatory functions will be transferred to an independent regulator (or regulators), which shall have jurisdiction over all ports. The separation of the operator and regulator functions of water transport agencies will eliminate conflict of interest in the sector, in turn promoting competition and better quality services."

It is however unfortunate that despite being acknowledged as a major requirement for promoting competition and improvement of services, the plan has not been truly implemented.

4.1.2. Road and Road Freight Services

4.1.2.1. National Roads Network

Table 4.5 below summarizes the total road network of the country as of 2007. Roads in the Philippines are classified into 5 different categories: national, provincial, city, municipal and barangay. National Roads are the main thoroughfare that interconnect the entire country. The road administrator for national roads is the National Government, specifically the Department of Public Works and Highways (DPWH). Provincial Roads connect municipal roads together. Because the provincial roads are under the administrative power of the provincial government, it is the provincial government that is in charge of the maintenance of these roads. City Roads are the roads designated by the city council to be part of city roads. Like the provincial roads, the city government is in charge of the operation and maintenance of these city roads. Municipal Roads refer to those within the poblacion area of a certain municipality. Barangay roads include all rural roads located either outside the urban area of city or outside industrial, commercial or residential subdivisions which act as feeder farm-to-market roads, and which are not classified as national, provincial, city or municipal roads.

Table 4.5: Length of National Roads by Classification, Type and Condition (As of December 31, 2007)

Region	Current Length	Road Classification				Surface Type				Road Condition				
		N-S	E-W	Other Roads	Secondary	Concrete	Asphalt	Gravel	Earth	Good	Fair	Poor	Bad	No Assessment
CAR	1,845.85	-	329.20	331.99	1,184.66	553.93	105.07	1,173.50	13.34	371.69	826.55	345.98	294.11	7.53
NCR	1,031.79	72.70	-	15.61	943.48	713.32	318.47	-	-	-	-	-	-	1,031.79
Region I	1,609.60	421.21	30.15	408.21	750.03	880.80	568.26	139.37	21.17	339.87	550.80	283.46	378.12	57.34
Region II	1,764.98	472.05	305.62	114.58	872.73	907.60	319.33	537.27	0.77	326.41	693.94	300.10	426.98	17.54
Region III	2,031.61	323.12	257.23	446.72	1,004.54	986.82	784.57	260.22	-	399.20	549.38	391.14	652.37	39.52
Region IV-A	2,404.50	268.60	300.45	501.58	1,333.86	947.72	1,115.28	341.11	0.39	1,048.95	682.28	279.43	315.57	78.25
Region IV-B	2,185.39	239.72	17.68	1,034.55	893.45	685.11	323.17	1,176.30	0.81	417.51	821.40	555.85	281.42	109.21
Region V	2,197.00	397.91	202.27	473.55	1,123.27	905.00	682.14	609.85	-	402.88	645.00	388.84	536.59	223.69
Region VI	2,880.06	592.40	440.94	438.26	1,408.46	1,216.74	959.56	700.17	3.58	542.13	970.87	639.15	726.77	1.14
Region VII	2,036.50	256.44	173.02	950.87	656.17	892.13	853.05	271.99	19.34	757.44	635.38	272.54	280.82	90.32
Region VIII	2,372.63	395.25	351.04	660.48	965.85	1,637.49	291.71	426.94	16.49	272.74	764.02	412.58	631.97	291.31
Region IX	1,218.01	323.76	114.73	415.92	363.60	543.61	292.34	382.06	-	282.51	515.25	262.41	149.95	7.90
Region X	1,682.22	620.70	202.83	288.47	570.23	729.27	440.34	512.61	-	328.58	611.84	354.86	386.16	0.78
Region XI	1,447.23	328.63	-	457.33	661.27	662.32	247.46	537.45	-	418.97	593.93	176.78	257.20	0.36
Region XII	1,303.91	208.98	125.19	454.90	514.83	558.30	255.98	489.51	0.11	236.04	574.72	305.18	187.76	0.21
Region XIII	1,358.44	312.18	114.69	367.65	563.93	557.59	71.85	729.00	-	276.92	415.30	356.49	309.59	0.14
Total	29,369.70	5,233.63	2,965.05	7,360.66	13,810.36	13,377.76	7,628.59	8,287.35	76.00	6,421.85	9,850.67	5,324.79	5,815.39	925.22

Source: DPWH Website

About 50 percent of Philippine roads are considered in good or fair condition, which compares rather poorly with other Asian countries. This has large negative impacts on attempts to link producers to global markets. The poor quality of national roads linking domestic producers to international airports and international ports increases travel time and vehicle operating costs per kilometer, especially of freight forwarders. The Department of Public Works and Highways found that average vehicle operating costs doubled between 1999 and 2003[22]. This translates to even higher transaction costs for domestic producers exporting to global markets.

The World Bank estimated that a 1 percent improvement in the international roughness index (IRI) for national roads would yield a 4 percent reduction in vehicle operating costs, translating to 13 billion pesos a year (based on 1999 estimates)[23].

Table 4.6 below provides comparative information on road kilometers and conditions in Asian countries.

Table 4.6: Road kilometers and conditions in Asian countries

Country	Road km per sq km	Road km per capita	% of roads paved	% of roads in good condition	% of roads in good or fair condition
Philippines	671	2.45	20	18	50
China	201	1.44	81	n.a	n.a
India	1138	1.49	47	n.a	n.a
Indonesia	203	0.98	58	n.a	n.a
Japan	3230	9.21	78	n.a	n.a
Korea	1016	2.09	87	87	100
Malaysia	300	3.97	81	78	98
Pakistan	335	1.70	65	88	100
Thailand	112	0.90	98	98	100
Vietnam	287	2.70	19	n.a	n.a.

Source: World Bank Road Network Databank, World Bank Database on Infrastructure (Policy Research Paper 3643, June 2005).

[22] Department of Public Works and Highways, "DPWH-PMO Feasibility Study," 2003.
[23] Better Roads Philippines, World Bank, 1999.

4.1.2.2. Toll Roads

The toll road facilities in the Philippines are generally constructed, operated and maintained by the private sector through build-operate-transfer (BOT) contracts with the government entity, which holds the congressional franchise to develop a particular toll road.

The South Luzon Expressway (SLEX) or Radial Road 3 (R3), connects Metro Manila to the growing provinces of Southern Luzon island. The SLEX is actually a combination of two expressways – the Manila Skyway system and the South Luzon Tollway. SLEX will soon be connected to another expressway in Batangas province which upon completion will create an efficient road-port connection from Metro Manila to an international gateway, the Batangas Port. It is noted that foreign investors such as the Malaysian company, MTD Capital Berhad have invested in SLEX and other expressways. The Manila North Tollway Company (MNTC) operates the North Luzon Expressway (NLEX) that connects Metro Manila to the growing provinces in Central Luzon. The newest addition to the tollway system is the Subic-Clark-Tarlac expressway (SCTEX) that connects the NLEX to Clark export zone in Pampanga and Subic Freeport Zone in Zambales.

4.1.2.3. Regulatory Environment

Road transport regulation has the same conflict of interest situation and a fragmented regulatory approach as that in ports and shipping. For example, the Department of Transportation and Communications is both the regulator and operator of Metro Manila Light Rail Transit 3; the Light Rail Transit Authority is both regulator and operator of Light Rail Transit 1 in Manila. Public land transportation routes and rates are regulated by the LTFRB while the LTO ensures safety of land transport users and commuters. Overlaps in operation, ownership and regulation give rise to higher transaction costs and low quality service for commuters, shippers and freight forwarders.

The roles of key agencies in the regulation of roads and road-freight are summarized in **Table 4.7** below:

Table 4.7:
Agencies Involved in the Development and Regulation of Road and Road Freight

AGENCY	FUNCTION	MANDATE
Department of Transportation and Communications (DOTC)	The DOTC is the main oversight and planning agency for the road sector through the Undersecretary for Road Transport.	EO 125 AND EO 125-A (1987) transformed the DOTC into its current structure
Department of Public Works and Highways (DPWH)	The DPWH undertakes planning, design, construction and maintenance of national non-toll roads and bridges.	AO2 (1974) expanded the Bureau of Public Highways under the Ministry of Public Works, Transportation and Communications into the Ministry of Public Highways; EO710 (1981) merged the Ministries of Public Works and Highways; EO124 (1987) reorganized into current set-up of DPWH
Toll Regulatory Board (TRB)	Attached to the DOTC;	PD 1112 Established the

Table 4.7: Agencies Involved in the Development and Regulation of Road and Road Freight		
AGENCY	**FUNCTION**	**MANDATE**
	Issues administrative license for toll operations; enters into contract with toll operators; regulates toll rates for all toll facilities	TRB, chaired by NEDA with DPWH, and DOF as members EO 686 attached the TRB to the DOTC; included DOTC and Private Sector representative as members
Land Transportation Franchising and Regulatory Board (LTFRB)	The LTFRB, under the DOTC, regulates public land transportation operators, including determining the routes of service for viable services as well as the corresponding reasonable fares/rates. The LTFRB exercises quasi-judicial functions in the conduct of investigations and hearings regarding violations of public service laws on land transportation and its rules and regulations.	EO 202 created the LTFRB under the DOTC
Land Transportation Office (LTO)	The LTO, under the DOTC, issues and enforces policies and regulations that ensure the viability of land transport and the safety of transport users. This includes the inspection and registration of motor vehicles, issuance of licenses and permits and adjudication of traffic cases, among others.	EO 1011 (1985) established the Land Transportation Commission EO 125 & 125-A (1987) created the LTO and LTFRB
Local Government Units (LGUs)	Undertakes the development of local road networks within their jurisdiction.	The Local Government Code of 1991 devolved the planning, construction and maintenance of local roads to the LGUs.

Likewise giving rise to unnecessary transaction costs is the diffused responsibility over planning, development, operation and maintenance of the roads and transport around the country, which rests with different national government agencies. The local government units (LGUs) have been mandated by the Local Government Code to plan, construct and maintain local roads. Ideally, the layout of local roads should support the national roads system, favoring the development of roads to connect farms to markets as well as to service denser populations. However, prioritization in the construction and maintenance of local roads is often perceived to be politicized, resulting to inefficient and badly-maintained roads. It is not uncommon to come across dirt roads in a section of a town that generally enjoys a well-paved local road network.

Moreover, the quality of local roads varies across the nation. Not all local roads appear to follow international construction standards. The width, material and availability of flood control and drainage management structures along local roads have not been standardized. Many LGUs appear to lack good drainage and flood control systems. The lack of transparency and standardization in local roads planning, development and construction is a major constraint to the development of an efficient local road network.

The Department of Public Works and Highways holds responsibility over the planning, development, construction and maintenance of national non-toll roads. The design and construction of national roads generally follow international standards. However, poor maintenance due to lack of funds and inefficient use of available funds degrade the national road network system.

Toll facilities are under the purview of the Toll Regulatory Board (TRB). The TRB supervises, and monitors the construction, operation and maintenance of toll facilities and regulates the collection of toll fees as well as the rates that are charged for the use of those facilities.

The TRB has been mandated by EO 686 to enter into contract for the construction, operation and maintenance of toll facilities and grants the necessary administrative franchise to operate and maintain the facility. It enters into contract to facilitate issuance of administrative franchise and approval of rate setting methodology.

The PNCC has been granted the congressional franchise for the development and operation of the North and South Luzon Expressways. PNCC's congressional franchise for SLEX expired in 2009. PNCC is currently appealing for the extension of its franchise.

The Land Transport Franchising and Regulatory Board (LTFRB), under the DOTC, prescribes and regulates the routes of service, reasonable fares, rates and other related charges related to public land transportation services. It has quasi-judicial functions with respect to resolving franchise disputes and enforcing public service laws on land transportation.

The Land Transportation Office, which is also under the DOTC, ensures the safety of road users. This entails the issuance of licenses and permits, enforcement of land transportation rules and regulations formulated by the LTFRB and the adjudication of traffic cases.

4.2. Scorecard for Road Freight Services, Time, and Logistics Cost

In this section of the paper, we compute a scorecard for road freight services.[24] The qualitative responses for most of the questions are encoded as either 0 if the restrictions do NOT apply or 1 if the restrictions apply. The results of the survey are presented in the following table.

Following Dee (2010) to obtain a restrictiveness score for a broad restriction category, the scores for each section under that category are added which implies that each section has been given equal weight. Thus, the overall restrictiveness scores for broad categories reflect the total number of restrictions under such the broad category. To normalize the scores for a group, the totals that were calculated are divided by the maximum possible restrictiveness score for that group. This gives a final restrictiveness score expressed as a percentage, where a score of 75 per cent means that three-quarters of the restrictions that could potentially apply to that category of trade do in fact apply.

For questions on regulation focusing on trip permits and operation, the nominal results are encoded. Because a score closer to 1 would imply a more restrictive policy, the maximum allowable equity is encoded in the scorecard as 1-equity to reflect the rate of restriction to foreign firms. Because of the variety of respondents the answers are based on survey results of verified responses and common answers among respondents.

Table 4.8: Results of the Survey of Road Freight Services

	Rating
I. Entry	
1. Policy restrictions on entry of new road firms	
Domestic	0
Foreign	1
2. Are foreign-invested road transport companies required to establish locally through a particular legal form of establishment	
Subsidiaries	1
Branches	1
Representative Offices	1
3. On Joint ventures:	

[24] The questionnaire on Road Freight Services covers the conditions of competition in the sector, notably policy restrictions on entry; restrictions on ownership, private and foreign; and regulation, including licensing conditions. The questionnaire asks whether there are restrictions on entry of road freight services, whether domestically-owned of foreign invested. In case there are restrictions to entry for foreign firms, the questionnaire tries to identify the reasons for the restrictions. The questionnaire also asks questions about restrictions on the legal forms of establishment like joint ventures, subsidiaries or branches and representative offices. The questionnaire also inquires about restrictions on cross boarder supply of road transport services. Also, residency or nationality requirements or quotas of personnel are asked as part of the restrictions on the movement of intra-corporate transferees of foreign invested companies.

Under ownership restrictions, the questionnaire asks whether there are maximum limits on the equity participation of either private domestic or foreign shareholders in locally established maritime companies.

On regulation, the questionnaire begins by inquiring whether the sector regulator is institutionally independent (i.e. regulator is not part of the ministry and is not linked to the operating entity). Questions on licensing conditions for new entrants are asked. These are followed by questions on license allocation, trip permits and other operating restrictions. Finally, questions on pricing regulations are asked.

	Are foreign-invested road transport companies prohibited in establishing joint ventures?	0
	Are foreign-invested road transport companies required to establish as a joint venture?	1
	Are there equity limits to joint ventures?* Rating expressed as (1-percentage of equity limit)	.6
II.	**Cross border trade**	*
III.	**Restrictions on the movement of intra-corporate transferees of foreign-invested companies**	**1****
IV.	**Ownership**	
1.	Domestic private ownership in the provision of services allowed?	
	Existing Firms (Rating is 1-Maximum private equity permitted)	0
	New Firms (Rating is 1-Maximum private equity permitted)	0
2.	Is foreign ownership in the provision of service allowed?	
	Existing Firms (Rating is 1-Maximum private equity permitted)	.6
	New Firms (Rating is 1-Maximum private equity permitted)	.6
V.	**Regulation**	
1.	Is the regulator an institutionally independent agency?	.5***
2.	License conditions that new entrants must fulfill	
	Payment of license fee	1
	Presentation of detailed business plan	1
	Minimum capital	1
	Tax declaration	1
	Bank references	1
	Deposit of a cash bond	1
	Experience in the service	.5
	Information on the service performed during the past X years	.5
	Certificates assessing conformity with safety and/or quality assurance	1
	Enrolment in a professional trade register	1
	Proof of qualification of staff members	0
	Majority domestic ownership	1
3.	Do the license conditions for foreign-invested providers who establish locally differ from those above (tick whichever applies)?	****
4.	License applications	
	First come, first served basis?	0
	Competitive bidding?	0
	Discretionary decision by the issuing body?	0
	License validity restricted to specified time?	1
	License validity restricted to specified region?	1
	Does the license grant exclusive (ie monopoly) rights?	0
5.	Trip permits	
	No. of separate trip permits	1
	How long does it take to acquire them (days)?	
	Total cost of fees involved	
	Seriousness of Unofficial payments (3-Very Serious, 2-serious, 1-minor, 0-does not happen)	3
6.	Are there limitations on vehicles used, routes or type of service to be operated, and/or places to load/unload?	1
7.	Pricing regulations	
	Are retail prices regulated by the government?	0
	Does the government provide pricing guidelines to road transport?	0

Are professional bodies or representatives of trade or commercial interests involved in specifying or enforcing pricing guidelines?	0
Are labour unions involved in specifying or enforcing pricing guidelines or regulations?	0

*Answers to cross border trade are conflicting and unclear

There are a number of items where the responses would vary among government agencies and private firms. Again, this could point to a regulation problem where information is not readily available to both existing firms and those who are planning to invest (**Box 4.3**). As explained in Footnote number 7, the scores for aggregates are calculated as frequencies (see **Table 4.8**).

Box 4.3: Lack of access to Information as limiting regulation

The survey responses point to the importance of access to information in regulating road freight transport. Policies and operating procedures should be clearly understood by all stakeholders—regulators, private firms in this type of business, police who direct traffic. The information should be accessible to all. Interviewed firms note that information is not readily available and this is costly in terms of time and actual financial cost to current operators and new entrants or applicants to this type of business.

Based on the focused-group discussions with a number of freight forwarders in the Philippines, the problem of lack of access to information is very costly. A large firm that has been in the business for the last 15 years revealed that application and approval for a franchise for new trucks (for the purpose of expanding the current fleet of the freight firm) take more than 12 to 14 months to get. Apart from the usual bureaucratic inefficiency the firm discovered that a reason for the delay is the lack of coordination, among other things, on information regarding requirements, fees, etc. among government agencies involved in giving the franchise.

Another piece of anecdotal evidence on the harm done by lack of access to simple information is about experience of freight forwarders with some local government units. It has been experienced by some freight firms that their trucks would be stopped, towed and impounded by provincial authorities because they were transporting “unusually large” cargo. The firms claimed that they have the necessary papers clearing the load of the trucks and have made the required fees for the permit to transport. It turned out that national government agencies and local governments do not have a common information system that can be accessed for checking on permits to transport, related documents and fees paid. This has resulted to large transaction costs in terms of delays of the transport and at times, even deterioration of the quality of the cargo. This problem could have been easily solved if the information on the permits and others is readily available to local government areas traversed by transport and logistics firms.

Source: Focused group discussion, Subic Freeport, June 9, 2010

The summary of results reveals that the regulatory environment restricted the liberalization of freight transport service. This is clearly seen in policies of entry and regulation (**Table 4.9**).

Table 4.9: Summary of the score card results for road freight services

Categories	Frequency
I. Policies on Entry	0.80
II. Cross border trade	No value
III. Restrictions on the movement of intra-corporate transferees	1.00
IV. Ownership	0.30
Domestic	0.00
Foreign	0.60
V. Regulation	0.58

The low value on ownership from **Table 4.9** could be misconstrued as contradictory to the policy on entry. However, closer analysis of the results would show that the low figure is the result of calculating the frequency as a straight line average of the responses in Table 8 pertaining to Ownership, without distinguishing foreign and local ownership. By distinguishing between domestic and foreign ownership, the table now shows that foreign ownership has a relatively high rating in terms of restrictiveness consistent with that of policies on entry.

To be exact, the main restriction on entry is the “local ownership clause” which prevents foreign firms from establishing businesses in the country without some other legal form of establishment like subsidiary, branches or representative offices. They are also allowed to establish joint-ventures but only with a maximum of 40% equity. **Table 4.10** presents the restrictions for transport and logistics service.

Table 4.10: Various restrictions in the transport sector

Transport Sector	**Restrictions on Ownership**	**Restrictions on Personnel and Operatons**	**Other restrictions**
Maritime Transport	Port, Waterway Operations: Commercial presence of foreign firms is allowed through joint venture with 40% foreign equity Other maritime transport services: 100% foreign equity is allowed	• All Philippine Registered ships must be manned by Filipino National Crew • For specialised vessels used in international passenger and freight transport, aliens may be employed as supernumeraries only for a period of six months • The CEO and COOs of shipping companies shall be citizens and permanent residents of the Philippines. • At least two of the principal officers	• For maintenance and repair of vessels, any repairs, conversion or drydocking of Philippine-owned or registered vessels are required to be done at domestic repair yards registered with the Maritime Industry Authority (MARINA)

		shall have at least 5 years experience in ship management, shipping operations and/or chartering; • Any change of principal officers shall be approved by MARINA.	
Road Transport	Establishment through joint-venture is allowed with 40% foreign equity limit.	• Qualified aliens may hold technical positions only for the first 5 years of operation of the enterprise. • Each employed alien should have two Filipino understudies.	For maintenance and repair of road transport equipment: operation is limited only to Filipino citizens or to corporations organized under Philippine law with at least 60% of capital belonging to Filipino citizens.
Freight Forwarding by Sea	Establishment through joint-venture is allowed with 40% of foreign equity limit. For international freight forwarding by sea: 100% foreign capital is allowed if paid-in equity capital is not less than $200,000.	Secondary permits, licenses or registration/accreditation must be secured from agencies concerned prior to operation of a business enterprise.	
Source: Requirements for International Trade in Services: Philippines (2009)			

Other possible sources of entry restrictions would be the documentary requirements for new CPC. New entrants in logistics and road freight transport have to contend with a number of documentary requirements (see Appendix 6) some of which would compel the applicant to submit a different set of documents. Bank certifications, tax declarations and even the certificate of business name would have their own set of requirements. This confounding list of requirements already discourages possible entrants into the industry.

4.2.1. Results of Logistics Time and Cost Survey

To further examine the situation in logistics services in the country, a logistics time and cost survey was conducted among exporting firms to generate detailed information on costs. The survey provided vital information on the current status and/or importance of regulatory reforms or the lack thereof, including outstanding issues based on the experiences of exporting firms. A questionnaire prepared beforehand by ERIA was used to interview firms on the time and logistics costs that they face when exporting their products. The following reports the results of the interviews.

The respondent firms are from 3 sectors: the automotive sector, semiconductor and electronics sector, and the textile sector. Because of time and budget constraints, at least 8 firms were interviewed for the logistics time and cost survey (**Table 4.11**).

Table 4.11: Number of Respondent Firms per Sector

Sector	***Number of Firms***
Automotive	3
Semiconductor and Electronics	3
Textile	2

4.2.1.1. Automotive Sector

For the automotive sector, two of the firms interviewed are fully owned multinational companies, and one is a joint venture firm (**Table 4.12**). These are established firms, in operation as early as the late 80s, with regular employees ranging from 600 to 1,600. Two are located in special economic zones in Laguna, while the other one is situated in Clark free port zone. All firms make use of both the 20 ft. and 40 ft. full container load (FCL), while only 2 firms use less than container load (LCL). Firm 1 exports 25 40-ft. containers daily, while Firms 2 and 3 export an average of 15 40-ft. containers on a weekly basis. Apparently, Firm 1 is the farthest from its export embarkation point since it has to bring its export cargo from Clark (Pampanga) to the Manila North Harbor and the Ninoy Aquino International Airport (NAIA). The irony is that its factory is only 5 minutes away from the Diosdado Macapagal International Airport (DMIA) and the Subic Bay port is much nearer than the Manila port. These facilities, however, cannot accommodate the needs of these export firms due to the limited number of shipping companies and airlines operating there. All firms answered 'no' when asked if they have ever experienced unofficial solicitation.

Table 4.12: Characteristics of respondent firms in the automotive sector

Automotive	***Firm 1***	***Firm 2***	***Firm 3***
Location of factory	Clark	Laguna	Laguna
Legal Status of the Company	Fully Owned Multinational	Fully Owned Multinational	Foreign-domestic Joint Venture Firm
Number of Regular Employees	1600	617	1,306
Years of firm operation in the country	12	12	22
Frequency of exporting	Daily	Weekly	Weekly
Export embarkation point	Seaport, Airport	Seaport	Seaport, Airport
Distance from factory, in kms	90	52	50
Container Load	20 ft FCL, 40 ft FCL	20 ft FCL, 40 ft FCL, LCL, RORO	20 ft FCL, 40 ft FCL, LCL
Average Lot Per Transportation	25 containers per shipping (40 ft)	14 containers per shipping (40 ft)	15 containers per shipping (40 ft)
Mode of transportation from factory to embarkation point	Truck	Truck	Truck
Unofficial Solicitation	No	No	No

4.2.1.2. Semiconductor and Electronics Sector

Firms in the semiconductor and electronics sector are from 3 different locations (**Table 4.13**). Firm 1, being located in Subic, is the farthest from its export embarkation point which is NAIA, followed by Firm 2 which is situated in Clark, then Firm 3 which is in Laguna. Firm 1 exports 0.5 tons on a monthly basis using less than container load. Firms 2 and 3 on the other hand transport their products thru air and loose cargo on a weekly and daily basis respectively. Firm 2 exports an average of 1 ton per shipping, and for Firm 3 an average of 3 tons.

Firm 1 is a fully owned multinational company while Firms 2 and 3 are fully owned foreign companies. All firms report no unofficial solicitation.

Table 4.13: Characteristics of respondent firms in the semiconductor and electronics sector.

Semiconductor and Electronics	***Firm 1***	***Firm 2***	***Firm 3***
Location of factory	Subic	Clark	Laguna
Legal Status of the Company	Fully Owned Multinational	Fully Owned Foreign	Fully Owned Foreign
Number of Regular Employees	8	298	6554
Years of firm operation in the country	11	12	22
Frequency of exporting	Monthly	Weekly (3x)	Daily
Export embarkation point	Airport	Airport	Airport
Distance from factory, in kms	150	90	55
Container Load	LCL	Air and loose cargoes	Air and loose cargoes
Average Lot Per Transportation	0.5 ton/shipping	1 ton/shipping	3 tons/shipping
Mode of transportation from factory to embarkation point	Truck	Truck	Truck
Unofficial Soliciation	No	No	No

4.2.1.3. Textile Sector

The two firms in this sector are fully owned domestic companies, one being in operation for 33 years with 110 regular employees and the other established only 6 years ago and with 41 regular employees (**Table 4.14**). Both firms utilize ports within their area and ship their export products weekly using 40-ft. full load containers. On the average, Firm 1 ships 10 tons per shipping and 25 tons for Firm 2.

Table 4.14: Characteristics of respondent firms in the textile sector.

Textile	***Firm 1***	***Firm 2***
Location of factory	Manila	Subic
Legal Status of the Company	Fully Owned Domestic	Fully Owned Domestic
Number of Regular Employees	110	41
Years of firm operation in the country	33	6

Frequency of exporting	Weekly	Weekly
Export embarkation point	Seaport	Seaport
Distance from factory, in kms	35	10
Container Load	40 ft FCL	40 ft FCL
Average Lot Per Transportation	10 tons/shipping or 1 container/shipping	25 tons/shipping or 1 container/shipping
Mode of transportation from factory to embarkation point	Truck	Truck
Unofficial Solicitation	No Answer	No Answer

4.2.2. Logistics Time and Cost

4.2.2.1. Automotive Sector

Firms 2 and 3 hire outside providers for all activities or transactions related to the exporting of their products. Firm 1, on the other hand, subcontract only the transportation of its cargo to port/airport, port and shipping activities, and customs formalities. They do the examination, packing and loading of products on their own. While time spent on each activity varies depending on the type product, one aspect that we can focus on is the time spent on transport from factory to port/airport since this usually is the most costly. As discussed above, Firm 1 being located in Clark is the farthest from NAIA and the Manila North Harbor, thus having the longest time and largest cost in the transport to port/airport category. Lead time for Firm 1 is 3 hours, double than that of Firm 2 which is 1.5 hours. Transport cost of Firm 1 (US$436.4) is 3 times the cost of Firm 3 (US$152.8) and is almost 5 times of Firm 2 (US$98) (**Table 4.15**).

Another observation is the very cheap packing cost of Firm 1 which is only US$4.4 as compared to the whopping US$344 for Firm 2 and US$108.3 for Firm 3. This discrepancy is primarily because of the type and size of the product being exported. Because of the very high cost of packing for Firm 2, total costs for Firms 1 and 2 are almost the same. However, if we compare Firm 1 and Firm 3, Firm 1's total costs are almost twice that of Firm 3, despite the US$100 difference in packing costs between them.

This is one of the major constraints faced by Philippine exporters: the lack of alternative airports or shipping ports to take their cargo for export since the international gateway for exports is Manila. The farther the seaport or airport from their factory, the higher the costs and time spent for transporting their cargo**.** The irony, however, is that there is the alternative gateways of Subic Port and Clark's Diosdado Macapagal Airport but export firms still bring their export cargo to Manila. The government has to look at this situation more closely to find out why the facilities Subic and Clark have not been maximized by potential users (**Box 4.4**).

Table 4.15: Logistics Time and Cost, Automotive Sector.

Automotive	**Outside Provider**			**Time (in hours)**			**Cost (in US $)**		
	Firm 1	*Firm 2*	*Firm 3*	*Firm 1*	*Firm 2*	*Firm 3*	*Firm 1*	*Firm 2*	*Firm 3*
Examination	No	Yes	Yes	3.3		1.0	4.4		8.7

Packing	No	Yes	Yes	3.3		2.0	4.4	344.0	108.3
Loading	No	Yes	Yes	1.5		1.0	9.8		6.5
Transport to Port/ Airport	Yes	Yes	Yes	3.0	1.5	2.0	436.4	98.0	152.8
Customs Clearance	Yes	Yes	Yes	0.5	1.5	0.3	27.3	65.0	32.7
Port and Cargo handling, warehousing and rel. acts.	Yes	Yes	Yes			0.3	81.8	55.0	26.2
							564.1	***562.0***	***335.3***

4.2.2.2. Semiconductor and Electronics Sector

The firms provided very limited information on cost of exporting (**Table 4.16**). Firm 2 reported that their clients are the ones who arrange for everything (except for the packing), i.e. paying the freight forwarders that would load and transport the products from factory to airport, and sometimes even prepare customs clearance and other requirements. That's why they really are not familiar with the logistics costs since all they have to do is prepare their product on the scheduled date for pick up by forwarders hired by their client. Firm 1 said it takes them US$200 of logistics time and cost but did not provide a breakdown of the cost. However, it can be assumed that the bulk of this cost goes to the transport to port/airport category since Firm 1, which is located in Subic, takes its cargo exports to Ninoy Aquino International Airport (NAIA) in Manila.

Box 4.4: Cargo Capabilities of Philippine Ports

A number of ports in the Philippines are not able to handle all types of cargo. In a study of conducted among Philippine ASEAN network ports, the PDP Australia found that a number of ports in the Philippines are not able to handle all types of cargo. For instance among the 3 ASEAN network ports located in Luzon: Manila, Subic Bay and Batangas, only the Manila port is able to handle all 5 types of cargo. For the Mindanao ports, most of the ports are not able to handle dry bulk and liquid bulk cargo. The two ports from the Visayas are able to handle all 5 types of cargo. Because of the limited capacity in handling cargo, most of the firms choose to bring their cargo to the Manila port rather than to other ports resulting to the over congestion of the Manila Ports.

Port	Cargo Functions				
	Container	Dry Bulk	Liquid Bulk	Gen. Cargo	Passengers
Manila	✓	✓	✓	✓	✓
Subic Bay	✓		✓	✓	
Batangas	✓			✓	✓
Cebu	✓	✓	✓	✓	✓
Iloilo	✓	✓	✓	✓	✓
Davao	✓			✓	✓
Gen. Santos	✓			✓	✓
Cagayan de Oro	✓			✓	✓
Zamboanga	✓			✓	✓
Adapted from PDP Australia					

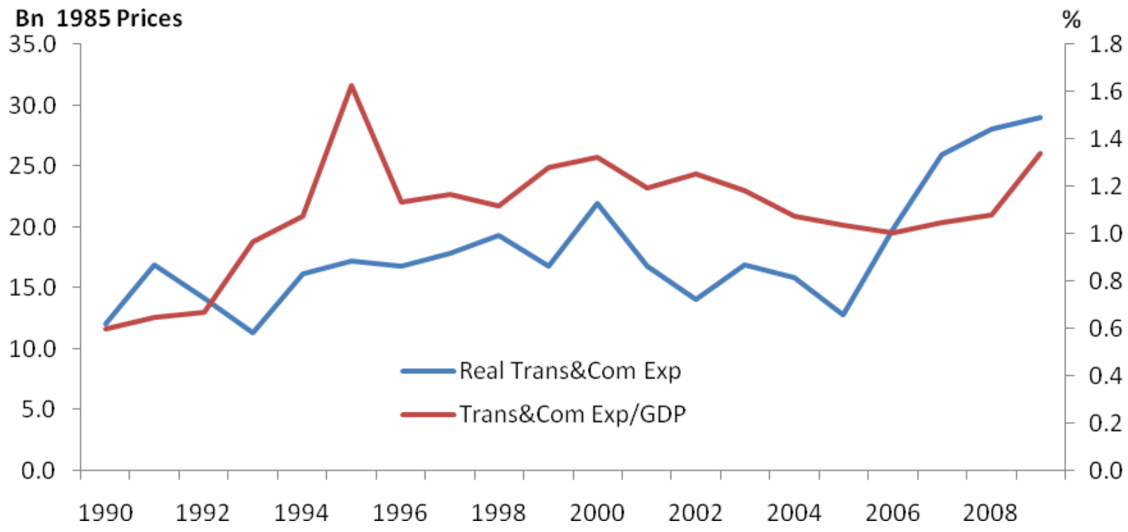
To illustrate the congestion in Metro Manila ports, Llanto et al. (2005) citing the figures presented by Romero (2004) mentioned that in 2003, 100 percent of containerized cargo pass through Metro Manila ports. In terms of foreign break-bulk cargo, the market share of Metro Manila ports is as follows: 90 percent of steel, 100 percent of logs/lumber, 50 percent of grain and about 42 percent of others. Apart from catering to foreign cargo, the ports in Metro Manila also have 100 percent market share of bottled cargo and gypsum. These figures begs the question why other ports are not utilized to decongest the ports in Metro manila? Llanto et al. (2005) provides a possible explanation in that other ports like Subic Bay Free Port and Batangas Port would not compete with PPA ports in Metro Manila because the terminal operators of Metro Manila ports also are terminal operators of Subic Bay Free Port or cargo handling operator in the port of Batangas. This underscores the problem of Philippine ports that has resulted to limited competition.

Other issues affecting the over congestion of Metro Manila ports would be in terms of unreliability of other alternative ports. Based on the focused-group discussion conducted, the logistics firms in Subic would prefer sending their cargo to Manila as the port of disembarkation because the cranes in SBMA port are only 50 percent operational and they would rather pay the cost of bringing the cargo to Manila than end up in Subic where their cargo cannot be loaded because of a malfunctioning crane. They also raised the issue of too complex documentation requirements discouraging vessels to call in the Port of Subic.

Box 4.5 Trends in Transportation and Communication Spending in the Philippine

The Philippines needs to boost its infrastructure spending given that the total spending on infrastructure has been fluctuating since 1990s. Data from the Asian Development Bank show that the real spending in transportation and communication have stagnated during the years 1994 to 1996, registering a slight positive trend from 1996 to 2000 and then declining steadily from 2000 to 2005. From 2005 the transportation and communication expenditures have sharply increased with real transportation and communication expenditures amounting to about 27 Billion Pesos (1985=100) in 2009. Despite the recent increase in Philippine government expenditures on transportation and communication in the last five years, this only reflects a modest 1.3 percent of GDP.

Figure 1. Trends in Philippine Transportation and Communication Expenditure



On the other hand, other ASEAN countries (Singapore, Thailand) with better transportation and communications services report that at the time when they were improving and upgrading their transportation and communications sector, they were investing as much as 2 to 3 percent of GDP in that sector.

These numbers emphasize the need for a major increase in infrastructure development spending for the country in order to improve the performance of the transport industry including the major ports and other vital trade institutions. The recent Medium Term Philippine Development Plan (MTPDP) underscores the importance of investing in infrastructure especially vital institutions like marine and air ports.

Table 4.16: Logistics Time and Cost, Semiconductor and Electronics Sector.

Semiconductor and Electronics	Outside Provider			Time (in hours)			Cost (in US $)		
	Firm 1	*Firm 2*	*Firm 3*	*Firm 1*	*Firm 2*	*Firm 3*	*Firm 1*	*Firm 2*	*Firm 3*
Examination		Yes		1.0	0.5	3.0			
Packing		No		1.0	0.5	8.0			
Loading		Yes		1.0	0.5				
Transport to Port/ Airport		Yes		3.0	1.5	2.0	200.0		
Customs Clearance		Yes		1.0	0.5	1.0			
Port and Cargo handling, warehousing and rel. acts.		Yes		3.0	0.5				
							200.0		

4.2.2.3. Textile Sector

This sector has perhaps the most ideal location in the sense that it has the shortest lead time and lowest cost for exporting. This is mainly because these firms are able to utilize the ports nearest to them (**Table 4.17**). Firm 1 which is located in Parañaque transports its cargo to the Manila Harbor in less than 2 hours. Firm 2 which is situated in the SBFZ brings its shipment to the port of Subic in 45 minutes. As shown below, the average logistics cost for this sector is only US$184.

If we compare the transport cost from Subic to NAIA of Firm 1-Semiconductor and Electronics Sector (US$200) and that of Firm 2-Textile from Subic to Port of Subic (US$83), we can see how much transport costs could fall if the exporting firms are near their international gateways. Although these firms are not comparable because semiconductor and electronics firms rely more on air transport for shipping out export cargo rather than on ocean-going vessels, still one can glean an insight from this situation. Firm 1, which is located in Subic could have used the much nearer Diosdado Macapagal International Airport in Clark, Pampanga rather than go all the way to NAIA in Manila.

Table 4.17: Logistics Time and Cost, Textile Sector.

Textile	Outside Provider		Time (in hours)		Cost (in US $)	
	Firm 1	*Firm 2*	*Firm 1*	*Firm 2*	*Firm 1*	*Firm 2*
Examination						21.8
Packing	Yes	No	2.0			
Loading	Yes		2.0	2.0		
Transport to Port/ Airport	No	Yes	2.0	0.8	185.0	82.9
Customs Clearance	No		0.3	0.5		
Port and Cargo handling, warehousing and rel. acts.	No		0.3	3.0		77.6
					185.0	***182.4***

4.2.3. Common concerns of exporting firms

4.2.3.1 Decreasing number of establishments that provide logistics services.

Based on interviews with DOTC and LTFRB, among all the transportation sectors, only the freight haulers, trucks and trucks-for-hire are not subject to a franchise moratorium. There must be a perceived lack of supply of freight services. In 1998, there are about 1914 establishments engaged in road freight transport. This has drastically decreased to 621 in 2006 **(Table 4.18**).

This decreasing trend in the number of logistics firms provides a motivation to reduce the restrictiveness of the road freight sector (as presented by the earlier section). The decreasing number of firms providing local services could imply that the domestic logistics firms are not able to find efficient and productive means to stay in the market. Thus, even with the exemption in the franchise moratorium, the available number of logistics services is declining. It is now important for the government to rethink the restrictions on entry of foreign logistics firms especially since the low number of logistics firms would imply less competition and inefficient service.

According to firm interviews the reduction in the number of firms providing logistic and freight services especially to ports and airports has resulted to longer lead and waiting time for them. Firms noted the wide differences in quality of logistics and freight service firms and the users would rather wait for those that can provide better service and faster access to ports and airports.

4.2.3.2. Low quality of truck and freight services

Aside from the reduced availability of transport/freight services, another issue raised by firms is the low quality of truck and freight services because of the dependence on aged and second-hand transport equipment, many of them discarded by other countries such as Japan but which were imported by domestic firms. This information is corroborated by the Logistic Performance Survey 2010, which reported on the perceived low quality of service available to export firms. **Table 4.19** presents the perception of firm respondents in an evaluation survey of the quality of the transport/freight service that they have received as high or very high.

Table 4.18: Number of Transport, Storage and Communications Establishments by Industry, 1998, 2003 and 2006

Industry	1998	2003	2006
Air Transport	22	15	15
Bus Line Operation	747	686	281
Transport via railways			3
Transport via pipelines			
Operation of freight transport by Road	1914	1842	621
Other land transport operation	530	434	126
Postal and telecommunication services	1344	1272	667
Supporting and auxillary transport activities; Activities of travel agencies	3981	3909	2451

Water Transport	1291	1118	187
Grand Total	**9829**	**9276**	**4351**
Source: Survey of Establishments			

Table 4.19: Competence and Quality of Services

Evaluate the competence and quality of service delivered by the following in your country of work	Percent of respondents answering high/very high
	Philippines
Road	25%
Rail	0%
Air transport	25%
Maritime transport	0%
Warehousing/transloading and distribution	25%
Freight forwarders	50%
Customs agencies	0%
Quality/standards inspection agencies	0%
Health/SPS agencies	0%
Customs brokers	25%
Trade and transport associations	25%
Consignees or shippers	0%

Source: World Bank Logistics Performance Indicators 2010

50 percent of the respondents evaluated the freight forwarders in the country as highly/very highly competent. For other services, only 1 out of 4 respondents perceive that the services they receive are of high quality. This issue compounds the first because it limits the choice of the exporting firms to poor quality logistics service providers.

The results of the scorecard in the earlier section which points to a highly restricted sector in terms of entry of new foreign firms provides further explanation for the poor quality of logistics service providers. The restriction in entry of foreign logistics firms creates an environment where the established domestic freight forwarders have no incentive to provide better services. Without foreign competition, the firms are confident that industries needing freight and logistics services would have no recourse but obtain their services.

It is also important to note that in **Table 4.19**, the perception on road quality is also low, with only 25 percent of respondents actually saying that the road quality is high/very high. Low road quality is a major obstacle to efficient road freight delivery services.

4.2.3.3. Lack of coordination and common understanding of guidelines

Respondent firms complain about the lack of coordination among government agencies and lack of a common understanding on guidelines. It has been a common experience among firms that documentation clearance obtained from one office is not accepted or would be found lacking in other government offices.

4.3. Conclusions and Recommendations

The earlier discussions have shown that the problems of the Philippine ports sector are in the areas of infrastructure development and regulation. There is a need for a "big bang" in infrastructure spending that would address the main problems of infrastructure development contributing to the poor state and performance of ports in the country. The Manila North Harbor, one of the busiest ports in the country, has very inefficient infrastructure that badly needs rehabilitation and modernization. Improvement in port operation is in order because port congestion, long queue of trucks, unavailability of containers, insufficient container depot in addition to the problems with the road condition and metropolitan traffic undermine the competitiveness of Philippine exports. Almost all exports have to pass through or have to be flown or shipped from Manila.

Together with boosting the level of infrastructure spending for Philippine ports, the government also has to review and streamline the regulatory frameworks for shipping and road transport by removing the conflict-of-interest situation of an agency that owns and at the same time regulate the operation. The independence of regulatory bodies will help ensure a more competitive market and upholding of consumer welfare.

There are some ports that are in good and even excellent condition but have been underutilized or even not used at all. A very good example is the Subic Bay Port. Firms situated both in the Subic Bay Freeport Zone (SBFZ) and the Clark Freeport Zone (CFZ) strongly suggests that the Subic Bay Port be utilized so that they would have an alternative to the Manila North Harbor. This would dramatically reduce lead time and transportation costs. There are currently only 2 shipping companies in Subic and so most of the firms inside SBF have no choice but to take their cargo to Manila Harbor, even though there is a shipping port within their area. The irony is that the country has an excellent port and shipping facilities in Subic but the export cargo of Subic and Clark Freeport Zone firms are shipped from Manila.

There is a need to invest in port and shipping facilities but much more than this is the need to introduce modern ports operation in the country. A good first step is the interest shown by the private sector in modernizing Philippine ports not only by way of investments in port facilities but also through the introduction of a modern port management system.

Another recommendation is to allow other international airlines to land and pick cargo business from the Diosdado Macapagal International Airport (DMIA) in Clark, Pampanga. This will give exporters from SBFZ and CFZ a less costly option for shipping out their exports, e.g., shorter travel time, more-on-time exports, avoiding the congestion in NAIA and heavy Manila traffic. This will translate to big savings in terms of lead time and transport costs. Aside from that, the opening of DMIA and Subic Bay Port to international airlines and shipping companies, respectively, will also answer the security problems faced by cargo trucks such as hi-jacking, towing and impounding despite having proper permits which usually happens in Metro Manila and provinces along the way going to NAIA and Manila Harbor.

The focus group discussion brought out a serious problem with government agencies that are still in using manual procedures and processes in contrast to other countries' automated operations, e.g., manual filling forms or documents, manual processing of applications and approvals. One of the freight forwarding companies complained that it took them 14 months to get a franchise for a single vehicle that they were adding to their existing fleet! The suggestion was to standardize the documentation requirements, introduce automation and consolidate application and approval processes into a single government agency. To those that already use the automated or online documentation processes, the problem is the lack of synchronization of the systems of concerned agencies/offices (i.e., BOC and CDC in Clark). There is also need for a clear and common understanding of guidelines and policies, a simplification and reduction of export documentation requirements in addition to the automation of processes that will bring down transaction costs.

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Chapter 5. Conclusions and Recommendations: Way Forward

In the last two decades, the Philippines has implemented substantial market-oriented reforms covering liberalization, privatization, and deregulation in both the manufacturing and services sectors. Economic growth, however, has been characterized by a boom-bust cycle which placed the Philippines significantly behind its neighbors. While the Philippine industrial sector was rated second in Asia to that of Japan in the early 1950s, today the country is ranked close to the least successful economic performers. The reform process which started in the early 1980s was bumpy with many stops and starts due to domestic, natural, and external crises. It was also characterized by policy reversals due to the successful resistance to economic change by some powerful domestic interest groups with strong political clout.

The shift from import substitution to a more open economy requires not only changes in laws and policies but also efficient institutions and good infrastructure that will support growth and the new economic environment. While the Philippines has done a lot of market-oriented reforms; much remains to be done in terms of creating efficient institutions and regulatory mechanisms (Aldaba, 2005). As the foregoing chapters on investment facilitation, trade facilitation, and transport and logistics services illustrate; there exists a large gap between policy and practice; coordination among government agencies has remained ineffective; governance has been weak; poor infrastructure continues to hamper efficient business operations; and many processes such as registration and applications for permits and licenses remained complex, problematic, and costly. It is important to note, however, that one government institution, the Philippine Economic Zone Authority, has made a strong impact due to its efficient operation and management.

On the overall, Philippine experience has shown that economic reforms are not enough, good infrastructure and efficient institutions are necessary to support the new economic environment. To effectively implement these reforms, it should substantially increase investment spending and strengthen its weak institutional and regulatory environment. Many complementary policies and institutions that are necessary to support the reforms and generate supply-side responses leading to employment and growth are missing. If market reforms are to have their intended effects, “behind the border” complementary policies that define the business environment must be addressed including investment in human capital, infrastructure, and the quality of governance in the country (ibid). Note, however, that Constitutional restrictions still limit foreign participation to 40% in sectors such as public utilities, Build-Operate-Transfer (BOT) projects, and similar private sector-led infrastructure arrangements.

All these pose a great challenge to the new Aquino Administration. In view of the deepening regional economic integration via the implementation of country’s commitments to the AEC Blueprint, the paper puts forward policy recommendations which are necessary in order to reduce the gap between policy and implementation, improve the investment climate, and boost the country’s competitiveness to enable us to catch up with our neighbors. The Aquino government should make full use of its popularity and wide support from broad sectors in society to carry out these badly needed institutional and regulatory reforms together with huge infrastructure spending in the following areas:

Investment Liberalization and Facilitation

1. Unify and centralize the investment promotion and facilitation efforts by all IPAs under one agency with strong leadership. The IPAs were created by different legislations administered by different government bodies without an overall coherent and integrated investment promotion and facilitation strategy that would guide IPA activities. Each IPA

individually coordinates with national agencies and LGUs. In the absence of standard procedures and processes for all IPAs, different arrangements emerged with some IPAs facing more difficulties than others. It is important to establish a single mechanism to coordinate the business registration and investment promotion and facilitation policies with the national and local governments including standard procedures for granting of tax incentives and exemptions to investors. The case of Singapore's Economic Development Board (EDB) shows how a one-stop and lead agency for investment promotion has played a crucial role in Singapore's continued economic success. The crafting and passing of a legislation to centralize investment promotion and facilitation activities under a single agency should therefore be prioritized.

2. Strengthen the current efforts of the PIPP inter-agency committee to coordinate the various IPAs' actions and plans. This may be viewed as a transitional arrangement while a lead agency for investment promotion and facilitation is yet to be created. IPAs should synchronize their efforts in promoting the country, image-building activities, providing after sales service to investors and implementing the country's investment plan. They should update information regularly and make these easily available on-line. To be effective, IPAs should have sufficient resources.

3. Other IPAs in the country should learn and adopt the "PEZA way" in dealing with operational issues such as slow processing of permits and other clearances required by national agencies and local government units. As several studies showed, PEZA has successfully combined regulation and promotion. Its one-stop shop is very efficient and effective and has reduced the cost of doing business leading to increased competitiveness of firms.

4. To improve the operational environment and investment climate, IPAs should closely collaborate with national agencies and local government units particularly in the following areas:

- Automation of business procedures in national government agencies, procedures and guidelines should be transparent
- Streamlining interrelated procedures handled by different national government agencies
- Implementing clear and consistent policies, any policy changes should be communicated effectively
- Providing assistance to prospective investors as well as in promoting the country

5. Review the Constitutional limitations on foreign equity particularly the 60-40 rule. While this cannot still be directly addressed, the government has to continue implementing measures to promote competition and strengthening institutional and regulatory framework especially in public utilities. An increase in infrastructure investment (power & logistics in particular) is crucial in reducing the cost of doing business in the country.

National Single Window and Trade Facilitation

The Philippines has adopted a pragmatic and unconventional approach in implementing its National Single Window (NSW) project. The creation of the Philippine NSW portal which utilizes existing forms and procedures among the 40 government agencies aims to achieve maximum benefit with minimal disruption and cost of compliance.

As the NSW is at its early stage of implementation, some key recommendations *at the national level* are as follows:

1. There have been significant achievements toward the modernization and reform of the Bureau of Customs (BOC) from computerization of customs services to adoption of risk management and post-entry audit. There were also automation and harmonization efforts in other government agencies (OGAs), well ahead or at the same time as the NSW initiative, aimed to facilitate trade. It is important that the efforts of the BOC and these OGAs (e.g., Department of Agriculture, Philippine Economic Zone Authority [PEZA]) be aligned with and contribute to the implementation of NSW. NSW system should to the extent possible, target systems compatibility and avoid multiple lodging of trade-related transactions which could defeat the very purpose of NSW. Follow-up technical consultation in terms of the procedure and specific data requirements or forms of agencies (e.g., Department of Trade and Industry [DTI]'s conditional release) could be considered in the NSW enhancement.

2. While other agencies have achieved modernization and computerization, some are still lagging behind. Indeed, in some cases, there is a need to get full or stronger commitment of the agencies to get them on board the NSW. In this regard, one cannot overemphasize the need for information and education campaign. In addition, as the success of NSW relies on the speed of the slowest agency involved, e-government funds must be allocated to the agencies lacking physical infrastructure as well as technical staff. The experience of the other agencies (e.g., first wave of customs modernization efforts, DTI's one-stop shop export documentation center, or PEZA's electronic permit and automated export documentation systems) which combined the use of information and communications technology (ICT) and implementation of business process reforms could serve well as benchmark of good practices.

3. The step-by-step procedure in the use of NSW must be disseminated to all concerned stakeholders the soonest possible time. The agencies involved or at least the members of NSW Steering Committee should immediately issue joint agencies implementing rules and regulations. Posting of the implementing rules must be done electronically and physically. Furthermore, each agency must disseminate agency-specific information (through frequently asked questions format and changes of procedures if any) to all potential users.

4. Mandatory free training for all users including customs brokers, freight forwarders, and small traders must be conducted to achieve full NSW compliance. The partially implemented NSW and user trainings have reached only the priority agencies and a limited number of importers. A majority of customs brokers, importers and exporters have not registered under the Client Profile Registration System nor attended NSW training.

5. While the Philippines' centralized funding of NSW assures implementation of this project for its first two years of implementation, the succeeding plans to sustain the project is unclear particularly among the rest of OGAs. The government must consider public-private sector partnership for financial sustainability. The use of value-added service providers (VASPs) has effectively delivered quality and real-time service in some agencies. The government must re-think its approach of investing huge resources and consider connecting with existing privately developed systems already in place.

6. Indicators must be developed from activities to proposed outcome of the NSW to aid planning and performance evaluation. While information or statistics to evaluate the progress of NSW and trade facilitation initiatives are considered important, they are less prioritized. The tons of documents processed everyday are not systematically reported nor the access to up-to-date information made available. The use of ICT or NSW would be maximized if the components would include creation of databases.

For instance, even with the BOC's e2m Customs System, the database on tariff classifications is not readily available to importers or even to the frontline actors. Furthermore, data on the use of preferential tariff rates for evaluation of regional agreements such as the ASEAN FTAs is not systematically collected or reported.

7. Ownership and leadership is the key to successful implementation of the Philippine government's NSW program. The plan must be more that beating the deadline to comply with the ASEAN Single Window (ASW) commitments and towards long-term and serious reforms in business processes and change management. NSW project must be implemented as part of good governance and not a mere ICT project.

8. The NSW system or any trade facilitation initiatives should be adaptable to changes in legislation and developments. Effective implementation of trade facilitation initiatives and other pipeline measures must also be supported and implemented. This includes legislation to comply with the country's commitment to the Revised Kyoto Conventions, updating of some protocols for imports in some commodities, adoption of a Customs Transit System, implementation of a single, multi-purpose declaration within Clark to Subic Freeport Zones, and provision of modern facilities, port testing laboratories and adequate technical staff. At the very least, well-informed help desk officers in the customs service and other agencies must be designated and continuously trained.

At the regional level, the Philippine NSW approach is crucial in the design and implementation of the ASW. More agencies are involved in the ASEAN as well as their respective data elements. The full implementation of the Philippines' NSW, if successful, may serve as model for other countries. A medium-term evaluation and progress reporting of the Philippine NSW system should be conducted (e.g., within six to 1 year from the start of its implemented) to evaluate whether it can be replicated by the respective NSWs of the rest of the ASEAN countries or adopted within the ASW.

Transport and Logistics

In order for the Philippines to maximize the benefits of globalization and trade liberalization, it needs to address not only border issues but also and more importantly behind border issues. New opportunities in the global markets require an intensified focus on improving the efficiency of transport and logistics services.

The following policy recommendations are hereby presented to further improve the state of transport and logistics services in the country:

1. Improve port infrastructure and modernize port operation through efficient public-private partnership.

2. Remove conflict-of-interest situation of a regulatory agency, which owns certain infrastructure, e.g., ports in the case of PPA, and at the same time regulates port operation. Ensure the independence of regulatory agencies to ensure a more competitive market and upholding of consumer welfare.

3. Allow international airlines to land and pick up cargo business from the Diosdado Macapagal International Airport (DMIA) in Clark, Pampanga to give exporters from Subic Bay Freeport Zone and Clark Freeport Zone a less costly option for shipping out their exports, e.g., shorter travel time, more-on-time exports, avoiding the congestion in NAIA and heavy Manila traffic.

4. Improve the efficiency of concerned regulatory agencies and government departments involved in trade, e.g., Land Transportation Office, Bureau of Customs, by modernizing and streamlining operations through the use of information and communications technology (ICT).

5. Provide a clear and common understanding among concerned regulatory agencies and government departments of guidelines and policies, a simplification and reduction of export documentation requirements in addition to the automation of processes to bring down transaction costs.

6. Review the cabotage policy in light of the need for more competitive transport and logistics in the country.

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Aldaba, Rafaelita M. 2005. "Impact of market reforms on competition, structure, and performance of the Philippine economy", PIDS Discussion Paper 2005-24, Philippine Institute for Development Studies, Makati City.
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Appendix 2.1: Results of Investment Promotion and Facilitations Survey with Private Firms

Code No.	Type of Products	No. of Regular Employees	Years of Firm Operation in the Country	**Company Status** (1=FullyOwnedMNC;2=FullyOwnedDomestic;3=FullyOwnedForeign;4=Foreign-domestic JV)
1	Semiconductor Assembly & Test	7500	25	1
2	Automotive parts, power tools	60	15	1
3	Wooden gates, doors and windows	131	10	4
4	Electronic, Mechanic, components for Automotive applications	600	20	1
5	Ceramics	16	15	4
6	Philippine Handicrafts Home décor/gifts	40	42	2
7	Semiconductor products and LED	350	12	3
8	Passenger Radial Tires, Rubber	1600	12	1
9	IC Products	300	14	3
10	Semiconductor bonding tools	38; 33 (contractual)	20	1
11	Building materials (cement, concrete, others)	1500 (approx)	>25	
12	Wood products	250	9	3
13	Autoparts	1382	12	1
14	automotive products	515	15	4
15	sensors & other related products	133	9	3
16	ship repair	198	5	3
17	Door Lock Manufacturing	380	12	1
18	Waste Containment Products	50	3	3
19	Gastight Storage System for dry agricultural commodities	49	5	3
20	Motor Vehicles, Automotive Parts	1000	21	4
21	Wheels	35	37	3 - australian
22	Semiconductor devices	500	22	2
23	mag wheels	200	14	3
24	semi conductor	80	13	3
25	tank cleaning equipment	84	12yrs and 10mos	3
26	Digital AC Servo Drives	8	11	1
27	motor vehicles	600+	12	1
28	oleochemicals (fatty acids, fatty alcohol, sulfated alcohols, refined glycerine)	no answer	no answer	2
29	Repair/refurbishing of mobile phone handsets and mobile phone circuit boards	50	11months	3
30	Exhaust System For Auto	100	25	2

A1. Factors that Influence Decision to Invest in the Phils.

1=Necessary; 2=Important; 3=Minor; 4=Insignificant

Code No.	Low labor cost	High human capital	Very good infrastructure	Robustly growing economy	Macroeconomic stability	Large domestic market	Availabe domestic supplier	Competitive related industries	Political stability	Low corruption	Low incidence of labor strife	Govt support in land for plant location	Strategic location	Investment incentives	Transparent govt policy	Legal framework for dispute resolution	Equal treatment of investors	Time and cost of starting a new business	Low tax rates and total tax liability	Effective IPA	Protection of intellectual property
1	3	2	2	4	2	4	2	4	1	2	2	3	4	2	1	1	1	2	3	3	1
2	2	2	1	2	2	2	2	2	2	1	2	2	2	1	1	1	1	2	2	3	2
3	1	1	1	1	1	3	3	3	1	1	1	1	1	1	1	1	1	1	1	1	1
4	2	2	1	3	1	1	1	2	2	1	1	3	1	1	2	2	2	3	1	1	1
5	2	3	3	2	2	2	4	3	1	2	2	3	3	3	2	2	2	3	2	2	2
6	1	2	3	3	3	4	1	1	2	2	2	3	3	1	1	2	4	2	1	1	3
7	1	1	2	2	2	1	2	2	2	3	2	1	1	1	2	2	2	2	1	1	1
8	2	1	1	2	2	3	2	2	2	2	2	1	1	1	1	2	2	1	1	2	2
9	1	1	2	3	3	4	1	2	1	1	1	2	1	1	1	1	1	1	1	2	1
10	1	1	2	2	2	2	2	3	2	2	1	2	2	1	1	1	1	1	1	1	1
11	3	2	1	1	1	1	3	2	1	1	2	2	2	3	1	1	1	3	3	3	2
12	1	1	2	1	1	4	4	3	3	1	2	1	1	2	2	1	1	1	2	3	1
13	2	2	2	2	1	3	2	2	1	1	1	2	1	1	1	1	2	1	2	1	1
14	2	2	2	2	2	2	1	2	1	3	1	1	2	1	1	1	1	1	1	1	1
15	2	1	2	3	3	4	2	3	2	2	1	3	2	1	2	2	2	2	1	2	2
16	2	1	2	2	2	2	2	2	1	1	1	1	2	1	1	1	1	1	2	2	1
17	2	2	2	2	2	2	2	3	2	1	2	3	3	2	2	2	2	2	2	2	2
18	2	2	2	2	2	3	3	3	2	2	2	2	2	2	2	2	1	2	2	2	2
19	2	2	1	2	2	2	2	2	2	2	2	2	2	2	1	2	2	2	1	1	1
20	2	1	1	2	1	2	1	1	2	2	2	3	2	1	1	1	1	1	1	1	1
21	2	1	1	1	1	1	1	2	1	1	1	4	4	2	1	1	2	1	1	1	1
22	1	2	2	3	2	4	3	3	2	2	1	3	2	1	2	2	2	2	1	2	3
23	2	2	2	1	1	1	1	1	1	1	1	1	1	1	1	2	2	1	1	1	1
24	1	3	1	3	3	2	2	2	1	2	1	2	2	2	2	2	2	2	1	2	3
25	1	2	1	2	2	2	2	2	1	1	1	1	1	1	1	1	2	1	1	2	1
26	2	1	2	2	2	3	3	3	2	1	2	2	1	1	2	2	2	2	1	2	1
27	1	1	1	1	1	1	1	2	1	2	2	3	2	1	2	2	2	1	1	3	3
28	1	3	2	2	2	2	1	1	2	2	2	2	2	1	2	2	1	2	2	1	1
29	2	2	1	2	2	2	2	1	2	2	2	1	1	1	2	2	2	2	2	2	2
30	2	2	2	3	2	3	2	3	2	2	2	3	3	1	2	2	2	2	2	2	3

Code No.	A2. Perception of the state of the following factors: 1=MuchWorse; 2=Worse; 3=Same; 4=Better; 5=MuchBetter																				
	Low labor cost	High human capital	Very good infrastructure	Robustly growing economy	Macroeconomic stability	Large domestic market	Availabe domestic supplier	Competitive related industries	Political stability	Low corruption	Low incidence of labor strife	Strategic location	Investment incentives	Govt support for land clearance for plant sitting	Transparent govt policy making	Legal framework for dispute resolution	Equal treatment of investors	Time and cost of starting a new business	Low tax liability	Effective IPA	Protection of intellectual property
1	2	2	2	3	3	1	1	2	3	2	3	3	3	3	2	2	2	3	3	3	3
2	3	3	3	3	3	3	3	2	2	2	3	3	3	2	2	2	2	2	2	2	2
3	4	4	3	3	3	3	3	3	3	3	3	3	3	3	3	3	4	2	2	3	3
4	3	3	4	4	4	3	4	4	3	4	4	3	3	4	3	3	3	3	3	4	3
5	2	3	3	3	3	3	3	3	2	2	3	3	3	3	3	3	3	3	3	3	3
6	3	3	3	3	3	3	2	2	3	3	3	3	3	3	3	3	3	4	3	3	3
7	2	3	4	2	3	4	4	3	2	1	3	3	2	2	3	3	3	3	3	3	3
8	3	4	4	3	4	4	4	4	3	3	4	4	3	3	3	3	4	3	3	4	3
9	3	3	1	4	4	4	3	3	4	1	4	3	3	3	2	3	3	3	3	3	3
10	3	3	4	2	2	1	2	2	2	1	1	3	3	3	3	3	3	3	3	3	3
11	3	3	3	2	2	3	3	3	2	2	3	3	2	3	1	2	2	3	3	3	3
12	3	3	4	3	3	3	3	4	2	1	3	5	3	3	2	3	3	3	2	2	3
13	3	3	4	3	3	4	4	3	2	1	4	4	3	3	3	4	4	3	3	3	3
14	3	3	3	4	4	4	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3
15	3	3	4	3	3	3	2	3	3	2	3	3	3	3	3	3	3	3	2	3	3
16	3		3		3	3		3	2	2	3	3	3	3	3	3	3	3	3	3	3
17	3	3	3	3	3	3	2	3	2	2	3	3	3	3	3	3	3	3	3	3	3
18	3	3	3	3	3	3	2	3	2	2	3	3	3	3	3	3	3	3	3	3	3
19	2	2	3	2	3	3	3	3	2	1	3	3	2	3	2		3	3	2	3	3
20	3	4	4	4	4	3	3	3	3	2	3	3	3	3	4	4	5	4	3	4	3
21	3	3	1	2	2	3	1	5	1	1	3	3	3	3	1	3	3	3	3	3	3
22	2	3	3	3	3	3	4	3	3	3	4	3	3	3	3	3	3	3	3	3	3
23	2	2	2	2	2	2	3	3	3	1	2	3	3	3	2	2	3	2	1	2	3
24	3	3	3	3	3	3	3	3	3	3	3	2	3	3	3	3	3	3	3	3	3
25	3	3	3	2	2	2	3	3	4	3	5	4	3	5	4	3	5	5	4	3	4
26	3	3	3	4	4	3	4	3	3	3	3	3	3	3	3	3	3	3	3	3	3
27	3	4	4	3	4	2	2	3	5	2	4	3	4	3	4	4	4	3	3	4	4
28	2	1	1	2	2	2	3	2	4	2	3	3	3	3	3	3	4	3	4	4	4
29	3	3	3	3	3	3	3	3	3	2	3	3	3	3	3	3	3	3	3	3	3
30	3	3	4	4	4	3	3	3	3	2	4	4	3	3	3	3	3	4	3	3	3

Code No.	A3. Expectation in 3 years time	A4. Access to the ASEAN market as a consideration in the decisio	A5. ASEAN market as a factor in current operations or business plans for the future	B. Investment Promotion and Info Facilitation	B1. On the information that the IPA provides on <u>Investment</u> laws, policies, regulations, rules, and procedures						B2. On the information that the IPA provides on laws, policies, regulations, rules, and procedures of interest to investors in <u>setting up a business</u>					
	1=Expand; 2=StaytheSame; 3=Reduce	1=Yes,significant; 2=Yes, marginal; 3=No	1=No,currentops; 2=Yes,sigcurrentops; 3=Yes,margcurrentops; 4=No,futureops; 5=Yes,sigfutureops; 6=Yes,margfutureops	Name of IPA	Based on experience(=1) or perception(=2)	Clear and understandable (1=Yes; 0=No)	Complete (1=Yes; 0=No)	Up to date (1=Yes; 0=No)	Readily available in print/CD (1=Yes; 0=No)	Accessible online (1=Yes; 0=No)	Based on experience(=1) or perception(=2)	Clear and understandable (1=Yes; 0=No)	Complete (1=Yes; 0=No)	Up to date (1=Yes; 0=No)	Readily available in print/CD (1=Yes; 0=No)	Accessible online (1=Yes; 0=No)
1	2	2	3, 6	IPA2		1	1	1	1	0		1	1	1	1	0
2	1	3	1, 6	IPA2	1	1	1	1	1	1		0	1	1	1	1
3	1	1	1, 4	IPA2		1	0	1	0	1		1	0	0	0	0
4	1	1	2, 5	IPA2		1	1	1	1	1		1	1	1	1	1
5	2	3	3	IPA1	1	0	0	0	1	1	1	0	0	0	1	1
6	2	3	1,4	Not familiar with IPA												
7	1	1	2	IPA4		1	1	1	1	1		1	1	1	1	1
8	1	1	2, 5	IPA4		1	1	1	1			1	1	1	1	
9	1	1	2	IPA2		0	0	0	0	0		0	0	0	0	0
10	1	1	3; 5	IPA1												
11	2	2	3; 6	Not familiar with IPA												
12	2	3	1	IPA3		1	0	0	0	0		1	0	1	1	1
13	1	1	2	IPA2		1	1	1	1	1		1	1	1	1	1
14	1	2	3, 5	IPA1		0	0	1	1	1		1	0	0	1	1
15	1	3	1,4	IPA3		1	1	0	0	0		0	0	0	0	0
16	1	1	2,5	IPA3		1	1	1	1	1		1	1	1	1	1
17	1	1	5	IPA3		1			1			1		0	1	
18	1	2	5	IPA3		1	1	1	1	1		1	1	1	1	1
19	1	2	2	IPA3		0	0	0	0	1		0	0	0	0	1
20	1	1	2,5	IPA1	1	1	1	1	0	1	1	1	1	1	0	1

Code No.	A3. Expectation in 3 years time	A4. Access to the ASEAN market as a consideration in the decisio	A5. ASEAN market as a factor in current operations or business plans for the future	B. Investment Promotion and Info Facilitation	B1. On the information that the IPA provides on <u>Investment</u> laws, policies, regulations, rules, and procedures						B2. On the information that the IPA provides on laws, policies, regulations, rules, and procedures of interest to investors in <u>setting up a business</u>					
	1=Expand; 2=StaytheSame; 3=Reduce	1=Yes,significant; 2=Yes, marginal; 3=No	1=No,currentops; 2=Yes,sigcurrentops; 3=Yes,margcurrentops; 4=No,futureops; 5=Yes,sigfutureops; 6=Yes,margfutureops	Name of IPA	Based on experience(=1) or perception(=2)	Clear and understandable (1=Yes; 0=No)	Complete (1=Yes; 0=No)	Up to date (1=Yes; 0=No)	Readily available in print/CD (1=Yes; 0=No)	Accessible online (1=Yes; 0=No)	Based on experience(=1) or perception(=2)	Clear and understandable (1=Yes; 0=No)	Complete (1=Yes; 0=No)	Up to date (1=Yes; 0=No)	Readily available in print/CD (1=Yes; 0=No)	Accessible online (1=Yes; 0=No)
21	3	1	2	not IPA registered		0	0	0	0	0		0	0	0	0	0
22	2	3	3	IPA2	1	1	0	1	0	1	1	1	0	1	0	1
23	2	1	3	IPA1		1	0	0	0	0		1	0	0	0	0
24	2	1	2,5	IPA3		1	1	1	1	1		1	1	1	1	1
25	1	1	2	IPA3		1	1	0	1	1		1	1	1	1	1
26	2	2	3,6	IPA3		1	1	1	1	1		1	1	1	1	1
27	2	1	2,5	IPA1,IPA2		1	1	1	1	1		1	1	1	1	1
28	2	1	2, 5	IPA1,IPA2		1	1	1	1	1		1	1	1	1	1
29	1	1	2	IPA2		1	1	1	1	1		1	1	1	1	1
30	no answer	no answer	1,4	1		1				1		1				

Code No.	B3. On what IPA website, brochures, etc. provide the public and investors						B4. On response of IPA to inquiries during company's start up phase						
	Based on experience(=1) or perception(=2)	Adequate info on the country and its economy (1=Yes; 0=No)	Substantive info on investment priority industries (1=Yes; 0=No)	Info on area/industry clusters (1=Yes; 0=No)	Success stories highlighting key aspect of country's competitiveness (1=Yes; 0=No)	How agency helps investors make a project happen (1=Yes; 0=No)	Based on experience(=1) or perception(=2)	Give satisfactory info needed by investor (1=Yes; 0=No)	Respond quickly and competently (1=Yes; 0=No)	Make convincing investment case for country (1=Yes; 0=No)	Make follow-ups on initial inquiries (1=Yes; 0=No)	Facilitate contact w/ other govt agencies (1=Yes; 0=No)	Facilitate contact w/ domestic private sector (1=Yes; 0=No)
1		0	0	1	0	0		1	1	0	1	0	1
2	1	1	1	1	1	1	1	1	1	1	1	0	0
3		1	0	0	0	0		0	0	0	0	0	0
4		1	1	1	1	1		1	1	1	1	1	1
5	1	1	0	1	1	0	1	0	0	0	1	0	0
6													
7		1	1	1	1	1		1	1	1	1	1	1
8		1	1	1	1	1		1	1	1	1	1	1
9		0	0	0	0	0		0	0	0	0	0	0
10								1					
11													
12		0	0	0	1	1		1	1	1	1	1	1
13		1	0	0	1	1		1	1	1	1	1	1
14		0	1	1	0	0		1	0	0	0	0	0
15		0	0	0	0	0		1	1	1	0	0	0
16		1	1	1	1	1		1	1	1	1	1	1
17				1				1	1		1	1	1
18		1	1	1	1	1		1	1	1	1	1	1
19		1	1	1	0	1		0	1	1		1	1
20	1	1	1	0	1	1	1	1	1	1	1	1	1
21		0	0	0	0	0		0	0	0	0	0	0
22	1	0	0	1	1	1	1	1	1	0	0	0	0
23		0	0	0	0	0		1	0	0	0	0	0
24		1	1	1	1	1		1	1	1	1	1	1
25		1	1	1	1	1		1	1	1	1	1	1
26		1	1	1	1	1		1	1	1	1	1	1
27		0	0	0	0	0		1	1	1	1	1	1
28		1	1	1	1	1		1	1	1	0	0	0
29		1	1	1	1	1		1	1	1	1	1	1
30			1					1		1			

Code No.	C1. Services used in setting up the firm: a. IPA (1=Yes; 0=No)	b. OSS (1=Yes; 0=No)	c. Private brokerage firm (1=Yes; 0=No)	C2. If YES for IPA, reasons for using IPA: Required to get permits and licenses (1=Yes; 0=No)	To get fiscal incentives (1=Yes; 0=No)	To help facilitate approvals from govt agencies (1=Yes; 0=No)	If NO for IPA, reasons:	If NO for OSS, reasons:	C3. Effectiveness of OSS: Based on experience (=1) or perception (=2)	Rate (1=Marginal; 2=Moderate; 3=Effective; 4=EveryEffective)
1	1	1	0				NA	NA		3
2	1	0	0	1	1	0			1	2
3	0	0	0	NA	NA	NA	not available at that time	not available at that time		NA
4	1	1	0	1	1	1				3
5	1	1	0	1	1	1				1
6										
7	1			1	1	1				2
8	1	0	0	1	1	0				3
9	0	0	0				Presence not known and felt			1
10	1				1					
11	0	0	0							
12	1	1	1	1	1	1				2,3
13	1	1	0	1	1	1				4
14	1	0	0	1	1	1		other available sources/access to information/assistance		2
15	1	0	0	1	1	0		we think, not yet available at that time		NA
16	1	1	0	1	1	1				3
17	1	1	no answer	1	no answer	no answer				2
18	0	0	0	NA	NA	NA		no OSS		no answer

Code No.	C1. Services used in setting up the firm a. IPA (1=Yes; 0=No)	b. OSS (1=Yes; 0=No)	c. Private brokerage firm (1=Yes; 0=No)	C2. If YES for IPA, reasons for using IPA Required to get permits and licenses (1=Yes; 0=No)	To get fiscal incentives (1=Yes; 0=No)	To help facilitate approvals from govt agencies (1=Yes; 0=No)	If NO for IPA, reasons:	If NO for OSS, reasons:	C3. Effectiveness of OSS Based on experience (=1) or perception (=2)	Rate (1=Marginal; 2=Moderate; 3=Effective; 4=EveryEffective)
19	0	0	0	na	na	na	people who handled this no longer connected to the company			2
20	1	0	1	1	1	1				
21	the firm was set up 1973, he has no idea						No idea			
22	1	0	0	0	1	0	NA	not available yet at that time	no answer	no answer
23	0	0	0	NA	NA	NA				1
24	1	0	0	1	1	1		don't know why not		
25	0	0	0	NA			president of the company chose to get a competent employee to work on the pre-operating that includes setting up of the business	only now we have known this faciltity when having a close interaction with our IPA		3
26	1	1	0	1	1	1				3
27	1	1	0	1	1	no answer				3
28	1	0	0	1	1	1	NA	no available OSS - have not heard any in the Philippines yet		3
29	1	0	0	1	1	1				NA
30	0	0	0				our site is outside IPA area			

C4. Speed of processing of papers, approvals, permits in setting up the business

1=Very Slow; 2=Slow; 3=Alright; 4=Quick

Code No.	Based on experience(=1) or perception(=2)	IPAf or investment incentives	Firm incorporation	IPA/ OSS Assisted (1=Yes; 0=No)	Tax concessions	IPA/ OSS Assisted (1=Yes; 0=No)	Customs duty waivers	IPA/ OSS Assisted (1=Yes; 0=No)	Work permits of foreign staff	IPA/ OSS Assisted (1=Yes; 0=No)	Social security	IPA/ OSS Assisted (1=Yes; 0=No)	Utilities connection	IPA/ OSS Assisted (1=Yes; 0=No)	Local govt permits	IPA/ OSS Assisted (1=Yes; 0=No)	Forex regulations	IPA/ OSS Assisted (1=Yes; 0=No)	Envi. Impact assessment	IPA/ OSS Assisted (1=Yes; 0=No)	Other govt permits (pls. specify agency)	Rate (Other govt permits)	IPA/ OSS Assisted (1=Yes; 0=No)	**Assisted by private investment brokerage firm** 1=No; 2=Yes-all; 3=Yes-some	Specify if Yes-some
1		2	2		2		4		4		3		1		3		3		3			3		1	
2		2	3	0	3	0	3	0	3	0	3	0	3	0	2	0	3	0	3	0		2	0	1	NA
3		no answer																							
4		3	3	0	3	1	3	1	3	0	3	0	3	1	3	0	3	0	3	1		3	0	1	
5	1	2	3		3		2		2		2		2		2		1		3			3		1	
6																									
7		3	3	1	3	1	3	1	3	1	3	1	3	1	3	1	3	1	3	1		no answer	no answer	1	
8		3	3	0	3	1	3	1	3	1	3	0	3	1	3	1	3		3	1	DOF, DOLE	3	1	3	tax concessions, custom duty waiver
9		3	3	NA	2	NA	2	NA	2	NA	3	NA	2	NA	3	NA	3	NA	3	NA	environmental compliance certificate	3	NA	1	
10																									

Code No.	C4. Speed of processing of papers, approvals, permits in setting up the business 1=Very Slow; 2=Slow; 3=Alright; 4=Quick Based on experience(=1) or perception(=2)	IPAfor investment incentives	Firm incorporation	IPA/ OSS Assisted (1=Yes; 0=No)	Tax concessions	IPA/ OSS Assisted (1=Yes; 0=No)	Customs duty waivers	IPA/ OSS Assisted (1=Yes; 0=No)	Work permits of foreign staff	IPA/ OSS Assisted (1=Yes; 0=No)	Social security	IPA/ OSS Assisted (1=Yes; 0=No)	Utilities connection	IPA/ OSS Assisted (1=Yes; 0=No)	Local govt permits	IPA/ OSS Assisted (1=Yes; 0=No)	Forex regulations	IPA/ OSS Assisted (1=Yes; 0=No)	Envi. Impact assessment	IPA/ OSS Assisted (1=Yes; 0=No)	Other govt permits (pls. specify agency)	Rate (Other govt permits)	IPA/ OSS Assisted (1=Yes; 0=No)	Assisted by private investment brokerage firm 1=No; 2=Yes-all; 3=Yes-some	Specify if Yes-some
11																									
12		3	0		3		3		3		3		4		3		3		3			no answer		3	
13		3		1	3	0	2	0	3	1		0		0	3	0	answer		3	1		3	1	1	
14		3	3		3		3		3		3		3		3		3		3			3		1	
15		3	3		1		2		3		3		3		3		3		2			no answer		1	
16		3	3		3		3		3		3		3		3		3		3			3		1	
17		3							2	0	3	0	3	0	3		no answer		3	1		no answer		1	
18		3	3		3		3		3		3		3		3		3		3			3	SBDMC Inc		
19		2	2		3		3		2		3		3		3		3		3					1	
20	1	3	NA		3		NA		4	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	1	
21		NA	2	NA	1	NA	3	NA	3	NA	3	NA	2	NA	2	NA	2	NA	2	NA	there are too many permits for exporters	1	NA	3	
22	1	3	4	0	3	0	2	1			3	0	3	0	2	0								1	
23		2	2		2		2		3		3		3		3		3		2		2			1	
24		3	3		3		3		3		3		3		3		3		3		3			1	
25		3	3	0	3	0	3	0	3	0	3		4	0	4	0	3	0	4	0	4		0	1	
26		3	3	1	3	1	3	1	3	1	3	0	3	0	3	1	3	1	3	1	3		1	1	
27		4	4		2		2		3		4		3		3		3		2					not aware	
28		3	2	0	3	0	3	1	4	1	2	0	3	0	2	0	3	0	3	1		2	0	0	
29		4	3		3		3		3		3		3		3		3		3		3			1	
30																								3	

Code No.	C5. IPA's response to inquiries or requests for help in solving problems faced by firm w/ other govt agencies				D1. On changes to investment laws, regulations and policies, the govt and its agencies:					D2. Does govt and its agencies hold regular consultations w/ stakeholders?	Results of consultations/ mtgs disseminated?	D3. Evaluation of admin. of registration, authorization and permit formalities in the govt agencies			
	Based on experience(=1) or perception(=2)	1=No; 2=Seldom; 3=usually; 4=Often; 5=Always			1=No; 2=Seldom; 3=usually; 4=Often; 5=Always										
		Competently	Expeditiously	Proactively	Based on experience(=1) or perception(=2)	Notify stakeholders	Ask for written comments	Hold face to face consultations w/ stakeholders	Consult w/ all stakeholders	1=No; 2=Yes, seldom; 3=Yes, frequent	1=No; 2=Yes, to participants; 3=Yes, to media & public	Based on experience(=1) or perception(=2)	Transparent (1=Yes; 0=No)	Uniform and impartial (1=Yes; 0=No)	Speedy (1=Yes; 0=No)
1		3	3	3		2	2	2	2	1	1		1	1	1
2	1	3	2	1	1	3	3	4	4	3	3	1	0	0	0
3										1	1				
4		1	1	1		3	3	3	3	2	2		1	1	1
5	1	2	2	1	1	3	2	2	2	2	1	1	0	0	0
6													0	0	0
7		3	3	3		3	3	3	3	2	3		1	1	1
8		4	4	3		3	2	3	2	1	1		1	1	0
9	NA					3	1	1	2	2	1		1	1	1
10															
11					2	3	2	3	2	1	1		0	0	0
12		4	3	4		3	2	3	3	2	1,2	1	0	0	0
13		4	3	3		3	2	2	2	2	2		1	1	1
14		4	4	4		5	5	5	5	2	2,3		1	1	1

Code No.	C5. IPA's response to inquiries or requests for help in solving problems faced by firm w/ other govt agencies				D1. On changes to investment laws, regulations and policies, the govt and its agencies:					D2. Does govt and its agencies hold regular consultations w/ stakeholders?	Results of consultations/ mtgs disseminated?	D3. Evaluation of admin. of registration, authorization and permit formalities in the govt agencies			
	Based on experience(=1) or perception(=2)	1=No; 2=Seldom; 3=usually; 4=Often; 5=Always			1=No; 2=Seldom; 3=usually; 4=Often; 5=Always										
		Competently	Expeditiously	Proactively	Based on experience(=1) or perception(=2)	Notify stakeholders	Ask for written comments	Hold face to face consultations w/ stakeholders	Consult w/ all stakeholders	1=No; 2=Yes, seldom; 3=Yes, frequent	1=No; 2=Yes, to participants; 3=Yes, to media & public	Based on experience(=1) or perception(=2)	Transparent (1=Yes; 0=No)	Uniform and impartial (1=Yes; 0=No)	Speedy (1=Yes; 0=No)
15		5	5	4		3	2	1	1	1	1		0	0	0
16		5	5	5		3	4	4	4	3	no answer		1	1	1
17		no answer	no answer	no answer		3	2	2	2	2	2	no answer			
18		3	3	3		4	3	3	3	3	2		1	0	0
19		2	3	3		no answer	1	1	no answer	2	no answer		0	1	0
20	1	4	4	2	1	4	4	3	4	3	2	1	1	1	1
21	NA					1	1	1	1	1	1		0	0	0
22	1	3	3	3	1	3	2	2	2	2	1	1	1	1	0
23		3	3	3		2	2	1	1	1	1		0	1	0
24		3	3	3		3	3	3	3	2	2		1	1	1
25		4	4	4		4	4	4	4	2	2		0	0	1
26		3	3	3		3	3	3	4	2	2		1	1	1
27		3	3	3		5	5	5	5	3	3		1	1	1
28		3	2	3		3	2	2	2	2	2		0	0	0
29		5	5	4		3	2	2	2	2	2		1	0	0
30										3	3				

Code No.	D4. Performance of the Philippines in diff areas, at present compared to 2 yrs ago: (scale from 1 to 5)									D5. Top 3 problematic procedures, permits, licenses in establishing your business in the Phils		
	Availability of domestic laws…	Difficulty and cost of admin procedures …	Availability of inf regarding investment promotion …	Availability of updated info on investment regime…	Presence of effective mechanism/ tools for obtaining public comments…	Presence of effective mechanism to resolve disputes…	Presence of a secure and effective system of ownership registration…	Presence of an adequate system to provide effective compensati on…	Degree of transparenc y, fairness, and objectivity …	No.1	No.2	No.3
1	3	3	3	2	1	2	3	3	3	NA (old business)	NA (old business)	NA (old business)
2	4	3	4	3	2	1	2	2	2	BIR registration	various LGU permits	
3	4	2	1	4	2	2	4	4	3			
4	4	4	4	4	4	4	4	4	4			
5	5	NA	5	3	3	3	3	3	3	IPA Registration		
6	3	4	3	3	3	3	3	3	3	tendency of having to go to too many agencies to secure all permits	length of time to get permit	
7	3	3	4	3	3	2	3	3	3	Delayed issuance of DENR certifications/permits mainly because signatory is not around		
8	3	3	3	3	3	2	3	3	3	Issue with customs on taxation of domestic sales		
9	4	3	3	3	3	3	3	3	3	bureaucracy-too much red tape	local imposition of ordinance fee	
10	4	3	4	4	4	4			3			
11	3	3	3	3	3	4	5		4	Clarity and stability of regulatory environment	Corruption	
12	4	3	3	3	3	4	4	3	4	no answer		
13	3	3	4	3	3	3	3	3	4	LLDA	Customs	
14	4	3	4	4	4	3	3	3	3	none		
15	4	2	4	2	2	3	2	3	3	none		

Code No.	D4. Performance of the Philippines in diff areas, at present compared to 2 yrs ago: (scale from 1 to 5)									D5. Top 3 problematic procedures, permits, licenses in establishing your business in the Phils		
	Availability of domestic laws…	Difficulty and cost of admin procedures …	Availability of inf regarding investment promotion …	Availability of updated info on investment regime…	Presence of effective mechanism/ tools for obtaining public comments…	Presence of effective mechanism to resolve disputes…	Presence of a secure and effective system of ownership registration…	Presence of an adequate system to provide effective compensati on…	Degree of transparenc y, fairness, and objectivity …	No.1	No.2	No.3
16	5	3	5	5	5	4	5	5	5	not so speedy	so many process	so many signatories from approving authorities
17												
18	4	3	4	3	4	3	4	3	4	refused to answer		
19	3	3	2	2	3	3	3	3	3	Securities & Exchange Commission	DFA - visa for Afghani client	bureau of immigration - processing of visa
20	4	4	4	4	3	4	4	4	5			
21	1	1	2	2	1	2	3	3	1	red tape		
22	4	4	4	3	3	3			4	Application for increase in authorized capital stock via debt-to-equity conversion	Securing Occupancy Permit with our IPA	Local business permit
23	2	3	3	3	2	3	3	3	2	transparent guidelines or procedure in setting up business		
24	3	3	3	3	3	3	3	3	3	no answer		
25	4	5	5	5	5	5	4	4	4	none: very satisfying in addressing all concerns during business set-up		
26	3	3	3	3	3	3	3	3	3	limited source of engineers		
27	4	4	4	4	4	4	4		4			
28	4	2	4	4	3	3	3	3	3	Land acquisition and or leasing, land conversion from agricultural to industrial (DAR)	Qualification reqts to avail both fiscal and non-fiscal incentives to investors	LGU interventions (political etc.)
29	4	4	4	4	3	3	4	3	4	none for our IPA (very helpful in establishing businesss)	LLDA permit	

Code No.	D6. Top 3 problems faced in operating business			D7. Suggestions for improving Philippine investment facilitation and overall investment climate				
	No.1	No.2	No.3	No.1	No.2	No.3	No.4	No.5
1	high cost & unpredictability of electrical power	lengthy & non-transparent process dealing with labor disputes	security of shipped goods; increasing incidence of hijacking	[do something about] high cost of utilities and extreme unpredictability of supply				
2	BIR tax assessments and tax refund	customs evaluation and refund	Inconsistent tariff rates and non-tariff barriers	simplified rules and policies	elimination of corruption	level playing field	consistency in policies and procedures	effective implementation of existing policies in place
3	infrastructure and technology	government taxation						
4	Getting business permit in LGU (Taguig City)			Upgrade the automation of business processes in various government agencies who deal with investors	Government intervention on various local charges on importation (ex. Sea freight local destination charges, customs warehouse charges, etc	Improve the cost of electric power	Improve the general infrastructure (i.e. roads, airport)	Relax the labor code rules on outsourcing and using contractual employees
5	Importation through BOC	BIR	Minimum wages are too high to compete internationally	Corruption has to be eliminated	Local shipping cost is too high (sea)			
6	no down stream industries of parts and other related components	weak base of competitive cost and know how in the use of machines	high overcost of operating cost, labor, power and taxes	Lower overall cost of doing business	Education and training should match what the country really needs	Create condition that would remove the thinking that only oversea employment is the goal		

Code No.	D6. Top 3 problems faced in operating business			D7. Suggestions for improving Philippine investment facilitation and overall investment climate		
	No.1	No.2	No.3	No.1	No.2	No.3
7	Inconsistent Power Supply	Not unified investment incentives among freeport zones/IPAs	Congestion in Manila airport/no open skies	Drive for continuous but less costly power supply	Unify investment incentives among freeport zones	regain government's national respect
8	Temporary labor problem			Government/IPA should be very supportive to investors even after its establishment	Review tax schemes	Improve automation in business transaction
9	corruption	red tape- bureaucracy		eliminate corruption in government		
10						
11	Clarity and stability of regulatory environment	Corruption		Stable, transparent, reliable governance		
12	govt agency bureaucracy; need to go to DENR for permit (ozonce depleting sub) BOC, customs, to many paper regd, changes in procedure, information dissemination not effective	red tape	too many govt agencies (DENR, DOF& BOC - double,reg', BIR -tax exemption easy, SEC- easy)	easier procedure	better tele communication service, etc	
13	LLDA slow - processing of permit			industrial park administrators should actively take part and support programs of its locators	Arrange periodic sessions on how they can help through updating new policies/regulations especially pertaining to investment	
14	after care program for investors			consistent and stable policies for long term planning		

Code No.	D6. Top 3 problems faced in operating business			D7. Suggestions for improving Philippine investment facilitation and overall investment climate		
	No.1	No.2	No.3	No.1	No.2	No.3
15	slow speed in evaluating application for tax incentive under Japan-Phil Treaty	few government offices which indirectly ask for BRIBERY	impractical govt standards such as requirement of full time doctor and dentist	thinking recent operational difficulty in China, Phil potential as alternative location for investors is huge, crucial factor to attract them would be integrity and consistency in govt officials.		
16	infrastructure- not adequate	security, peace and order	confusing government charges/taxes	improve infrastructure-communication, roads ect	peace and order	stable policies, tax structures & other government fees
17						
18	refused to answer			refused to answer		
19	expat visa processing	having a hard time seeking help w/ some govt agencies (such as Department of Foreign Affairs)				
20	High costs of doing business	Inconsistent regulatory policies and weak enforcement (e.g. used vehicle importation regulations)	Interrelated business processes handled by different government agencies (Bureau of Customs to Bureau of Internal Revenue to Land Transportation Office) are not streamlined	Reduce the cost of doing business (e.g. through automation of major business processes)	Implement major structural and regulatory reforms, including capacity building for regulatory personnel/staff in key regulatory agencies such as BOC, BIR, and LTO.	
21	hard to look for raw materials	high cost of electricity	high cost of chemicals, machineries	privatize facilities	to have a responsible leader	

Code No.	D6. Top 3 problems faced in operating business			D7. Suggestions for improving Philippine investment facilitation and overall investment climate		
	No.1	No.2	No.3	No.1	No.2	No.3
22	Graft and corruption in the govt	Red tape in govt	lack of local support industries esp. in the supply of raw materials	Further efficiency in govt procedures is needed	Reduction of graft and corruption	Support industries to major export contributors such as the electronics and semiconductor industry must be developed to improve the countrv's
23	labor cost	economic status	high cost of utilities and power	on time updated busines news	establishment of website by IPA	
24	no answer					
25	government agency asks for under the table money instead of helping	hard to find competent employees which required special skills	can not enjoy the very essence of "Modern Production Facilities"	Maximize the use of Subic Port to save trucking cost from Port of Manila to Subic	Advertise aggressively that in some special arrangement Foreigners can own LAND as well	.
26	none			There must be a clear, consistent & investor-friendly laws that would never be repealed in at least 15 years except if any amendment would benefit the investors and labor market.		
27	small domestic market	cost of doing business	red tape in some govt agencies like Customs/non-clarity of implementing regulations	Philippines suffers from negative perception brought about by lack of comprehensive country promotion. Effective marketing tools in print and online should be made available and updated for investors to get info readily available. Government should also frontline personnel and customer contact services to assist investors and businessmen in doing business in the country.		

Code No.	D6. Top 3 problems faced in operating business			D7. Suggestions for improving Philippine investment facilitation and overall investment climate				
	No.1	No.2	No.3	No.1	No.2	No.3	No.4	No.5
28	Market - brought by global economic crisis	High production costs	Ability to generate cash inflows to support operations	Establish more convenient procedures in starting up business in the Phils.	Synchronization of the national govt and LGU in promoting investment plan in the country. (LGUs must support the endeavor or the NG to promote investment)	Collaboration of other govt agencies in assisting prospect investor and/or existing business entity in securing necessary permits and licenses in business operations	Formulation of additional incentives both fiscal and non-fiscal to investors	Our govt to provide control of graft and corruption over its revenue-generating agencies such as BIR, BOC, PPA(ports) and other agencies
29	none			speedy processing of permit				
30								

Appendix 2.2: Results of Investment Promotion and Facilitation Survey with Government Officials and IPAs

Code No.	A1. Does the country have an IPF (strategic) plan? 1=Yes , 0= No	A2. How the country plans to attract and retain more investments in the country (describe)
IPA1	1	The Philippines continues to maintain its goal of attracting private capital in the form of foreign and local direct investments. We have embarked on several proven measures directed towards establishing an atmosphere that stimulates continuous flow of investments and deter capital flights as follows 1. ensure that the country manifests stable economic growth. Investments will only come in countries where potentials of rapid growth and development exist. 2. maintain active engagement in several multilateral and bilateral trade and investment agreements. This measure, which paved the way for our deeper integration into the world economy, opened doors for a relaxed international trade and investment regime, and standardized policies and practices in investment transactions in the country, thereby increasing our competitive advantage relative to other Asian countries. 3. provide competitive investment incentive program to promote our priority sectors. First is the liberal program of fiscal and non-fiscal incentives being offered to investors, such as tax holidays, special income tax rates, exemptions on local purchase of goods and services, employment of foreign nationals and unrestricted use of consigned equipment. Second, are the reforms introduced in the bureaucracy to allow for a more expedient and efficient facilitation of businesses in the country. 4. actively implement investment promotion and facilitation activities such as the conduct of outbound and inbound missions, investment briefings/seminars, capability-building training programs on investment promotion for LGUs, business matching, pre-investment facilitation services, policy advocacies, and provision of marketing information. 5. continuously implement the Strategic Investors Aftercare Program (SIAP), which was institutionalized to establish a strong partnership with the private sector by proactively touching base with investors and offering services ranging from issues and concerns facilitation to assistance for future investment plans that would help the company grow hand in hand with our economy. SIAP seeks to build long term relationships with key investors primarily to ensure the retention, expansion, and diversification (RED) of existing investments, particularly those investors at risk of reducing their current investment levels in the country.
IPA2	1	We shield our locators from local governments and other government agencies
IPA3	1	By harmonizing and simplifying the various government programs and policies on incentives to promote investments. A Senate bill to rationalize investment incentives was filed in the 14th Congress but was not passed. Engaging in promotion activities such as outbound missions to promote target industries. For us, these include logistics, maritime related industries, eco-tourism, and manufacturing.
IPA4	1	-consolidated investment promotion efforts to target priority sectors; consolidated awareness and image-building activities; focused promotion to target markets and target sectors

Code No.	A3A. Top 3 competitive & investment attraction strengths of the country as indicated in the IPF Plan			A3B. Top 3 competitive & investment attraction weakness of the country as indicated in the IPF Plan			A4. Top 3 priority industries or sectors in the IPF		
	Top 1	Top 2	Top 3	Top 1	Top 2	Top 3	Top 1	Top 2	Top 3
IPA1	the promotion of a single interdependent ASEAN market	quality manpower resources	strategic location				Exports (BPO/IT-Enabled Services, Electronics/Semiconductors, Garments and Textiles	Infrastructure (Energy/Power, Logistics)	Manufacturing (Shipbuilding, motor vehicles)
IPA2	human resources, we have the best and highly trainable workers			(high) power cost	infrastructure		IT-BPO	Manufacturing and agro-industry	Tourism
IPA3	infrastracture - port facilities, airport	manpower	cost of doing business	1. limited land space (but this has been addressed by an Executive Order)	2. government has failed to set a new direction for policies to be implemented particularly harmonization of different policies and incentives		Logistics	Maritime	Ecotourism and Manufacturing
IPA4	Semiconductor & Electronics (top export)	Business Process Outsourcing sector(2nd top export)	Tourism sector	stability of investment policies	perceived poor governance	job mismatch	Semiconductor & Electronics	Business Process Outsourcing	Renewable energy/Tourism

Code No.	A5. Does the IPF Strategic Plan target and have specific strategies to attract FDI in: 1 = Yes; 0 = No a) Greenfield FDI:	Briefly state strategy	b) Privatization?	Briefly state strategy	c) Mergers & Acquisitions?	Briefly state strategy	d) Expansion	Briefly state strategy
IPA1	1	Generate new investment leads by identifying target companies with interest and capabilities in the country. We also identify specific projects ready for investment/joint venture partnership for promotion to the identified companies	1	We coordinate with the Privatization and Management Office (PMO),	0	We are not directly involved in mergers and acquisitions but these are encouraged both for strategic and economies of scale reasons	1	The PIPP directs all IPAs to be aggressive in encouraging existing companies, especially big-ticket foreign companies, to explore the viability of pursuing expansion projects in the country. This is being done through identification/targeting of existing companies, arrangement of a series of roundtable meetings, provision of collateral materials and other marketing studies relevant to expansion projects, and provision of other pre-investment facilitation activities for companies that signified interest. To promote investments, we extended the Strategic Investors Aftercare Program (SIAP) to existing local and foreign companies. The SIAP extends aftercare services to existing local and foreign companies to guarantee their retention and possible expansion of their businesses in the country. It is a proactive program designed to create a high quality, trust based, working relationship with existing investors to ensure continuous business in the country.

Code No.	A5. Does the IPF Strategic Plan target and have specific strategies to attract FDI in: 1 = Yes; 0 = No							
	a) Greenfield FDI:	Briefly state strategy	b) Privatization?	Briefly state strategy	c) Mergers & Acquisitions?	Briefly state strategy	d) Expansion	Briefly state strategy
IPA2	1	focus on renewable energy, Biofuels Act provide incentives to sell in the domestic market	1	development of zones being privatized	0		1	Allow private sector to develop economic zones
IPA3	1	promoting renewable energy, we signed a wind power project with Chinese investors	1	In utilities sector, electricity has been privatized already thru distribution management agreement	0	Maybe in the near future, through Public-Private Partnership Agreements	1	No answer
IPA4	1	The Department of Trade and Industry offers extended income tax holiday and incentives to pioneering or greenfield industries	0	The Philippine Investment Promotion Plan does not have a strategy for this, but, individual IPAs have a strategy for privatization	1	Mergers and acquisition are allowed to bail out distressed locators	1	Each IPA has its own strategy for expansion. In our case, concessional rates and administrative assistance are given to existing locators expanding their business

Code No.	A6. Does the IPF Plan focus on priority coutries/region? (1=Yes; 0=No)	Top 3 Coutries or Regions								
		Country/Region 1	All Sectors? 1=Yes; 0=No	Industry/Sector	Country/Region 2	All Sectors? 1=Yes; 0=No	Industry/Sector	Country/Region 3	All Sectors? 1=Yes; 0=No	Industry/Sector
IPA1	1									
IPA2	1	Japan			Singapore, Malaysia, India			Germany		
IPA3	1	Mainland China	1		BRIC countries	1		Korea	1	
IPA4	1	Japan		Manufacturing	US/Europe		BPO	Korea/US		Semiconductor/Electronics/Tourism

Code No.	A7. Rate of the Phils. In terms of foreign investment attractiveness vs. other ASEAN countries 1=Least, 2=Less, 3=Average, 4=More, 5=Most Reference Country	Whole Country	Industry A	Rate	Industry B	Rate	Industry C	Rate	Industry D	Rate	Industry E	Rate	Industry F	Rate	Industry G	Rate	Industry H	Rate
IPA1		4	Agro Industrial	4	BPO/IT Services	5	Electronics and Semiconductors	5	Energy/Electricity	5	Logistics	4	Mining	5	Shipbuilding	4	Tourism	4
IPA2		4	Autoparts	5	BPO/IT Services	5	Electronics and Semiconductors	5										
IPA3	For Ship building, rating is relative to Korea & Japan, not	3	ShipBuilding	3	Business Process Outsourcing	5	Semiconductor, electonics	4										
IPA4	Singapore, Thailand, Viet Nam, Indonesia, Malaysia	1			Business Process Outsourcing	4	Semiconductor and Electronics	3										

Code No.	A8. Rate of Phil actual FDI inflows vs. potential FDI inflows 1=very low; 2=low; 3=satisfactory; 4=very satisfactory Based on the respondent or overall agency perception (1=respondent; 2=agency)	whole country	Industry A	Rate	Industry B	Rate	Industry C	Rate	Industry D	Rate	Industry E	Rate	Industry F	Rate	Industry G	Rate	Industry H	Rate
IPA1		3	Agro-industrial	2	BPO/IT services	4	Electronics and Semiconductors	4	Energy/Electricity	4	Logistics	2	Mining	3	Shipbuilding	2	Tourism	2
IPA2		4	Autoparts	4	BPO/IT services	4	Electronics and Semiconductors	4										
IPA3		3	Ship building	2	Logistics	3	Electronics	3										
IPA4		2			Business Process Outsourcing	3	Semiconductor and Electronics	3										

Code No.	B.9 Is the National IPF Plan implemented by one IPA or more than 1 IPAs?		If more than 1 IPA, is there a lead IPA?	Do the IPAs				How is coordination among IPAs done?					B10. Is the IPA			
	1=One; 2=One but			1=Yes; 0=No				1=Yes; 0=No								
	Answer	State Number	1=Yes; 0=No	have defined area/sectoral, etc. responsibilities	coordinate effectively	compete with one another	differ significantly in effectiveness	hold frequently and regular meetings	joint setting of strategies and targets	review of operational linkages	Others	Specify	wholly private? 1=Yes; 0=No	Joint private-govt organization? 1=Yes; 0=No	Agency in Ministry? 1=Yes; 0=No	Autonomous govt. agency reporting to higher authority? 1=Yes; 0=No
IPA1	3	11	1	1	1	1	0	1	1	0			0	0	1	0
IPA2	3	11	1	1	1	1	1	1	1	1			0	0	1	1
IPA3	3	11	1	1	1	0	1	1	1	1	1	drafting of the Philippine Investment Promotion Plan; outbound missions w/ the President thru DTI	0	0	0	1
IPA4	3	11	1	1	1	1	1	1	1	1			0	0	0	1

Code No.	B11. Does the IPA								B12. Relative weight of four IPA roles							
	Offer salaries & bonuses almost equal or equal private sector? (1=Yes; 0=No)	Have overseas offices in priority countries? (1=Yes; 0=No)	develop account officers/staff into reservoirs of knowledge in particular sectors? (1=Yes; 0=No)	appoint account officer in charge of each(few) client(s)?(1=Yes; 0=No)	continually train & develop staff? (1=Yes; 0=No)	have in-house research capability? (1=Yes;0=No)	have freedom to allocate its resources it sees fit? (1=Yes;0=No)	focus on managing regulations and incentives? (1=Yes; 0=No)	Investor servicing or facilitation		Image building & promotion		targeting/active seeking out of investors		Advocacy within government	
									Actual	Ideal	Actual	Ideal	Actual	Ideal	Actual	Ideal
IPA1	0	1	1	1	1	1	1	1	40	40	40	40	20	20	20	20
IPA2	0	0	1	1	1	1(very limited)	1	0(focus on promotions)	50	50	20	20	20	20	20	10
IPA3	0	0	1	1	1	1	1	1	27	25	23	25	23	25	27	25
IPA4	1	0	1	1	1	1	1	1	40	35	10	15	10	20	40	30

Code No.	B13. Rate the actual funding of the IPA in relation to the ideal funding consistent	B14. Rate the actual size of staffing of the IPA in relation to the ideal size	B15. Effectiveness of IPA website 1= Needs Improvement; 2= Satisfactory; 3=Very good								B16. Improvement to be done in IPA website		
	1= Very Low; 2= Low; 3= Adequate; 4= High	1= Very Low; 2= Low; 3= Adequate; 4= High	adequacy of info on facts & figures on country and economy	adequacy of info on investment laws, rules, and regulation	adequacy of info on setting up business in country	adequacy of info on priority industries /sectors and clusters	success stories highlighting country's strengths	how IPA helps and investor make a project happen	functionality: maps, interactivity, animation /videos	facilities handling of investor inquiries and concerns	Specify	Being Undertaken (1=Yes; 0=No)	Planned (When)
IPA1	2	2	3	3	3	3	1	1	1	1	We have yet to change the current static website to an enhanced and dynamic CMS-based portal. Success stories, making projects happen, online facilities handling investors' inquiries and concerns and other functionalities such as maps, interactivity, animations and videos are now on the planning stage. Due to server problem, we are currently using static webpage.	1	3rd or 4th Quarters of 2010
IPA2	4	3	3	3	3	3	3	3	3	3			
IPA3	3	3	3	3	3	3	2	3	3	3	Success stories highlighting country's strengths	1	
IPA4	2	3	2	2	2	2	2	2	3	2		1	

						If "No" at C19, does the OSS regularly help the investors on the:										
Code No.	**C17a. Does the government have OSS? (1=Yes; 0=No)**	**C17b. Is the OSS lodged in the IPA? (1=Yes; 0=No)**	**C18.Does OSS provide service to transmit necessary paperwork? (1=Yes;0=No)**	C19. Is the OSS directly responsible for providing regulatory approvals and registration procedures for establishment of foreign businesses in the host country? (1=Yes; 0=No)	Extent of OSS responsibility on the regulatory approvals and registration procedures (1=some, but not majority; 2=majority (>50%); 3=nearly all (>80%))	Obtain business license (1=Yes; 0=No)	Obtain tax concessions (1=Yes; 0 =No)	Obtain customs duty waivers (1=Yes; 0=No)	Work permit for foreign managers & staff (1=Yes; 0=No)	Approvals to purchase or lease land (1=Yes; 0=No)	Change zoning restrictions (1=Yes; 0=No)	Permits from LGU(1=Yes ; 0=No)	Permits from other national agencies(1 =Yes; 0=No)	Connections to public utilities (1=Yes; 0=No)	Environmental impact assessment (1=Yes; 0=No)	Finding local suppliers (1=Yes; 0=No)
IPA1	1	1	0	0		1	1	1	1	1	1	1	1	1	1	1
IPA2	1	1	1	1	3											
IPA3	1	1	1	1	3											
IPA4	1	1	1	1	3											

		Guaranteed response period								
Code No.	**C20. Does the IPA implement a customer responsiveness guarantee? (1=Yes; 0=No)**	All	Transaction Type 1	No. of days	Transaction Type 2	No. of days	Transaction Type 3	No. of days	Transaction Type 4	No. of days
IPA1	1		Frontline Services Facilitation	3 days	Email inquiries	.04 days	Simple Transaction on issues and concerns raised by investors	5	Complex Transaction on issues and concerns raised by investors	10
IPA2	1	24 hours (immediately)								
IPA3	1	15 days	queries from locators	5	business registration	14				
IPA4	1		Import Approvals	a few minutes	Project approvals	14				

Code No.	C21. Top 3 problematic procedures, permits or licenses that investors typically face in establishing a foreign businesses in the country			C22. Top 3 problematic procedures, permits or licenses that the OSS staff faces in facilitating investors establishing a business in the country?			C23. Does the IPA have a hotline for registering
	(1)	(2)	(3)	(1)	(2)	(3)	
IPA1	Securing permits from LGUs (building permits/barangay endorsements, Mayor's Permit) and government agancies (e.g. Environmental Compliance Certificate from Department of Environment and Natural Resources - Mines and Geosciences Bureau and visa from Bureau of Immigration	Costly and lengthy inspection on applications for Fire Clearance	Application for certificate of product registration (90-120 days) with the Food and Drug Administration	Absence of standardized operational procedures and voluminous documentary requirements for the issuance of permits/licenses	Lack of know-how/skills among LGUs in promoting investments in their respective localities	Lack of advocacy information materials	1
IPA2	none			none			1
IPA3	Environmental Clearance Certificate			Environmental Clearance Certificate			0
IPA4	Building permits	Permits of Tree cutting & environmental pollution control	permits for movement of goods	Getting compliances for issuance of building permits	Tree cutting & environmental clearance	permits for movement of goods	1

Code No.	C24 How are the problematic procedures, permits or licenses being resolved and the complaints handled? (1)	(2)	C25 Suggestions to improve further the effectiveness of the IPA and the quality and quantity of its investor facilitation services (1)	(2)	(3)	(4)	(5)
IPA1	The Investment Aftercare Services Department (IASD) assists investors in addressing certain issues and concerns that can be resolved through coordination with concerned government agency via established channels such as the Investment Promotion Unit (IPU) Network. The IPU network consists of 27 government agencies bound by a memorandum of agreement (MOA) to address investment issues and concerns promptly and effectively.		Current efforts are undertaken towards the enhancement of the National Competitiveness Council and strengthening its institutional support to further address bureaucratic red tape issues and concerns and promote good governance in government.	The National Economic Research and Business Assistance Centers (NERBACs) were set up to facilitate investment promotion in the regions and to assist Investment Promotion Units (IPUs). A parallel NERBAC office was set up which carries the functions of the "One-Stop Action Center" before. NERBACs provide a single entry point for investors on comprehensive and highly integrated business support by pooling government resources in One-Stop Express Business Center to reduce red tape and improve efficiency in government service. To date, 16 NERBAC offices are fully operational nationwide.			
IPA2	they would like to know satisfaction from their services by conducting annual surveys on customers' satisfaction level.		improve international image of the Philippines (e.g. via media)	unification of all IPAs through legislation	address corruption		
IPA3	we are ISO certified (quality management system) - zero-in on the bottlenecks, streamline processes	we have a Total quality management unit – streamline procedures, eliminate red tape	A national policy agenda for investment promotion and facilitation needs to be drafted and executed	Increase in budget	Continuous training	Infrastructure improvement	Benchmarking with the best like Singapore and New Zealand
IPA4	Customer service department assists the customers with other department's and external government agencies		Customer care program and account management team: proactive one-on-one coordination with locators for personalized service, currently being implemented; information awareness thru web and existing locators	customer feedback system			

Appendix 3.1: National Single Window Agencies (and their Regulated Products)

1. Bureau of Animal Industry (animals, meats, and by-products)
2. Bureau of Fisheries and Aquatic Resources (live fish)
3. Bureau of Forestry
4. Bureau of Import Services (used cars, motorcycles, vehicles)
5. Bureau of Plant Industry (plants and plant materials)
6. Bureau of Quarantine
7. Environment Management Bureau (logs, poles, piles)
8. Ozone Desk
9. Insurance Commission
10. Land Transportation Office
11. Maritime Industry Authority
12. National Meat Inspection Service
13. One-Stop-Shop under DOF (Mabuhay Lane)
14. Philippine Coconut Authority
15. Philippine Economic Zone Authority
16. Criminal Investigation and Detection Group
17. Intellectual Property Office
18. National Intelligence Coordination Agency
19. Bureau of Export Trade Promotion
20. Food and Drugs Administration (food and drinks)
21. Bureau of Immigration
22. Bureau of Internal Revenue
23. Bureau of Product Standards
24. Central Bank of the Philippines (gold)
25. Firearms and Explosives Office (firearms and explosives)
26. National Food Authority (rice, grains and grain by-products)
27. National Telecommunications Commission
28. Optical Media Board
29. Philippine Drug Enforcement Administration
30. Philippine Nuclear Research Institute
31. Philippine Shippers Bureau
32. Sugar Regulatory Administration (sugar and molasses)
33. Fertilizer & Pesticides Authority
34. Fiber Industry Development Administration (natural fibre, abaca, ramie)
35. Board of Investments (copper concentrates, cement and clinkers)
36. Philippine National Police
37. Dangerous Drugs Board (controlled chemicals and substances i.e. toluene, ethyl methyl ketone, acetone)
38. Air Transportation Office (aircraft)
39. Department of Health
40. Bureau of Customs

Appendix 3.2: Responses on Questionnaire for Government Officials on National Single Window (NSW)

1. **Please provide list of government agencies that are involved in export and import of goods in your country.**

First 10 Agency (To implement NSW)	Export (E)	Import (I)	Both E/I
Bureau of Internal Revenue (BIR)		Y	
Food & Drug Administration (FDA)			Y
Sugar Regulatory Administration (SRA)			Y
National Food Authority (NFA)		Y	
Bureau of Customs (BOC)			Y
Bureau of Plant Industry (BPI)			Y
Bureau of Animal Industry (BAI)			Y
Bureau of Product Services (BPS)			Y
Bureau of Investments (BOI)			Y
Philippine Economic Zone Authority (PEZA)			Y

Source: Agency responses.
Note: The NSW project aims to cover 40 agencies involved in export and import of goods in the Philippines listed in Appendix 1.

2. **Has your economy already started to develop a Single Window?**
Has started to develop

3. **Is there a committee that coordinates the planning and implementation of NSW in your country?**
Yes. National Single Task Force for Cargo Clearance

Lead Agency: Bureau of Customs

Members of Steering Committee (cabinet-level): Department of Trade and Industry, Department of Agriculture, Department of Transportation and Communication, Department of Interior and Local Government, Department of Health, Bangko Sentral ng Pilipinas, and National Economic Development Authority.

Members of Technical Working Group: Commission of Information and Communications Technology, Bureau of Internal Revenue, Tariff Commission, Philippine Ports Authority, Bureau of Plant and Industry, Bureau of Quarantine, Bureau of Food and Drugs, Bureau of Animal Industry, Bureau of Import Services, Land Transportation Office, Insurance Commission, Philippine Economic Zone Authority, Mabuhay and Non-Mabuhay Lane of the Department of Finance.

4. a. **What is the political mandate of NSW?**

Presidential specifically, Executive Order No. 482

b. **Please identify the degree of political support from various government agencies in your country listed in item 1.**

Agency	Degree of Political Support
Bureau of Internal Revenue	Strong support
Food & Drug Administration	Strong support
Sugar Regulatory Administration	Strong support
National Food Authority	Strong support
Bureau of Customs	Strong support

Bureau of Plant Industry	Strong support
Bureau of Animal Industry	Strong support
Bureau of Product Services	Strong support
Bureau of Investments	Strong support
Philippine Economic Zone Authority	Strong support

Sources: Responses made by top 10 agencies from questionnaire, interviews and FGD. Note: There is also strong support from some of the 40 agencies mentioned above.

c. Please identify the degree of support from industry

Industry	Degree of Industry Support
Foreign Chamber of Commerce	Strong
Exporters	Strong
Importers	Weak to strong support
Transport Industry Association	Weak support
Logistics Association	Weak support
Others	
VASPs (value added service providers)	Weak to strong support
Customs brokers	Weak to strong support
Meat, livestock, feeds, fisheries, fruits	Weak (No idea yet on NSW)

Note: as provided/observed by agencies.

5. In the list of agencies in item 1, please indicate which agency is or will be connected to the NSW?

Status of NSW Implementation in First Ten Agencies

Agency	Trade Function	Status/Remarks
Bureau of Internal Revenue (BIR)	Release of release imported goods with excise duties through Application for Authority to Release Imported Goods (ATRIG)	Live (operational), at least 2 importers submit ATRIG application through the NSW in May 2010
Food & Drug Administration (FDA)	Sanitary and Phytosanitary regulations	Live
Sugar Regulatory Administration (SRA)	Monitoring of sugar supply and administration of export quotas	Live (10 registered importers, at least 1 successfully lodged application in May 2010)
National Food Authority (NFA)	Administration of rice importation	Live (at least 1 importer successfully lodged application in May 2010)
Bureau of Customs (BOC)	Enforcement of customs law and collection of import and export duties and fees	Live
Bureau of Plant Industry (BPI)	Plant protection, quarantine and inspection services	Ready (5 importers registered during pilot mode)
Bureau of Animal Industry (BPI)	Animal quarantine and inspection services	Implementation on hold due to parallel implementation with another project
Bureau of Product Services BPS/DTI-NCR	Implementation of standards and technical regulations	Ready
Bureau of Investments (BOI)	Investment incentives including tax-free importation	Implementation on hold due to procedural issues
Philippine Economic Processing Zone (PEZA)	Ecozones management and facilitation of business operations of export-oriented manufacturing	Currently testing PEZA-NSW interface link

Source: WTO (2005); NSW (2010) and Crown Agents (2010).

Note: For other agencies, the target dates are:

- By 28 June 2010 for 11-16 implementing agencies (including Bureau of Fisheries and Aquatic Resources; Bureau of Import Services; Bureau of Quarantine; Fertilizers and Pesticide Authority; National Meat Inspection Service; National Telecommunications Commission; Civil Aviation Authority of the Philippines; Bureau of Export and Trade Promotion; Dangerous Drugs Board; Firearms and Explosive Office; Philippine Drug Enforcement Agency; Bureau of Forestry; Central Bank of the Philippines; Environment Management Bureau; Maritime Industry Authority; Optical Media Board; Philippine Ozone Desk; Philippine Coconut Authority; Philippine National Police)

- By 7 July 2010 for 17-23 implementing agencies; and by 12 July 2010 for 24-31 implementing agencies. Subic and Clark Free Port Zones and 32-40 agencies are to be scheduled.

Source: Crown Agents Philippines for BOC (as of 17 June 2010)

6. Please identify the existence of electronic link of agencies involved in NSW (as listed in item 5)

Please refer to answers in item 5. Dates below are indicative dates as of May 2010.

Agency	Is agency electronically linked with Customs	Is agency electronically linked with other agencies involved in NSW?	If your answer is "No" when will the agency be electronically linked with Customs or other agencies? (Please state the date)
Bureau of Customs		Yes	
Board of Investment		Yes	
Incentive Division			by June 2010
Bureau of Import Services			by June 2010
National Meat Inspection Service			by June 2010
Bureau of Product Standard		Yes	
Philippine Shippers Bureau			by June 2010
Bureau of Trade Regulation and Consumer Protection			by June 2010
Bureau of Internal Revenue		Yes	
Bureau of Food and Drugs		Yes	
Department of Health			by June 2010
Department of Environment & Natural Resources			by June 2010
Fertilizer & Pesticides Authority			by June 2010
Bureau of Animal Industry		Yes	
Bureau of Fisheries and Aquatic Resources			by June 2010
Bureau of Plant Industry		Yes	
Sugar Regulatory Authority		Yes	
National Food Authority		Yes	
Philippine Coconut Authority			by June 2010
Phil. Drug & Enforcement Administration			by June 2010
Central Bank			by June 2010
Phil. Cement Authority			by June 2010

transferred to CEMAP			
Phil. National Police			by June 2010
Phil. Nuclear Research Institute			by June 2010
Phil. Economic Zone Authority		Yes	
Land Transportation Office			by June 2010
Bureau of Quarantine			by June 2010
National Telecommunications Commission			by June 2010
Civil Aviation Authority			by June 2010
Bureau of Export Trade Promotion			by June 2010
Dangerous Drug Board			by June 2010
Firearms and Explosives Office			by June 2010
National Intelligence Coordination Agency			by June 2010
Bureau of Forestry			by June 2010
Environment Management Bureau			by June 2010
Maritime Industry Authority			by June 2010
Optical Media Board			by June 2010
Ozone Desk			by June 2010
Bureau of Immigration			by June 2010
Criminal Investigation and Detection Group			by June 2010
Fiber Industry Development Administration			by June 2010
Insurance Commission			by June 2010
Intellectual Property Office			by June 2010
One-Stop-Shop under DOF (Mabuhay Lane)			by June 2010
Philippine Shippers Bureau			by June 2010

Source: BOC response

7. How will/is the development of your Single Window be funded?

Fully government funded (Presidential e-government fund of former President Gloria Arroyo) for all activities for the first 2 years of implementation.

Note: Beyond this period, will depend on the new administration (President Benigno Aquino).

Activities	Source of Funding	Remarks
1. Single Window Development	a) Fully government funded	
a. Investment in infrastructure	a) Fully government funded	
b. Investment in human capital	a) Fully government funded	
2. Single Window Maintenance and Operation	a) Fully government funded	For first 2 years*

Source: BOC response.

8. Please identify the completion level of the following NSW implementation stages

a. Preparatory Stage (e.g. stakeholders			Completed

engagement, legal analysis)			
b. Process Analysis			Completed
c. Process Simplification & Harmonization			Completed
d. Document Simplification & Harmonization		**Underway**	
e. National Data Harmonization		**Underway**	
f. Cross Border Data Exchange		**Underway**	
g. Single Window Implementation		**Underway**	

Source: BOC response.
Notes: For NSW *per se,* all activities are underway, but stages vary across agencies. Some agencies have significantly complied with internal procedures. For example, the Department of Agriculture has **completed** (a) preparatory stage to (e) national data harmonization within the Department. On the other hand, Food and Drugs Administration answered **underway** in (a) preparatory stage and **No** for the rest of NSW stages. Other agencies noted that BOC should respond to this questionnaire item.

Philippines NSW approach adopted a "light touch" phased approach. Each agency is expected to implement internal reforms and NSW lead agency (which is the Bureau of Customs is expected to incorporate into the NSW system existing documents "as is" that each agency processes according to its existing procedures.

9. Please identify the outcomes from simplification and harmonization process by completing the following table (by agencies listed in item 5)

Agency	**Has process of simplification & harmonization been undertaken?**	**Number of processes simplified**	**Number of processes eliminated / harmonized**
BIR	No. NSW maintained the existing BIR-ATRIG approval process.	The BIR's Excise Tax Regulatory Division, is involved in the importation of excisable articles through receipt, processing and issuance of the Authority to Release Imported Goods (ATRIG) before the release of imported excisable articles from the BOC. However, as of to date, the office cannot yet identify the number of processes simplified/ eliminated/harmonized, or the number of documents simplified/ standardized since per proposed Revenue Memorandum Order (re: BIR Implementation of the NSW), the current ATRIG process and approval procedure within BIR will continue as is specifically for monitoring purposes.	
FDA	No. While electronic application is introduced same procedure.		Enables online filing for clearance
SRA	No. There is no change in SRA process.		
NFA	No. NFA only has a single process and no change has been made.	Registration of authorized importers of rice/corn with BOC and NSW system.	
BOC	Completed within	(i) electronic	actual physical

	BOC with the ASYCYDA and e2m systems.	lodgment, (ii) approval; (iii) debit payment; (iv) matching of payment and assessment; (v) release	examination of goods reduced to 20%
BPI	Completed within DA agencies only as part of the efforts to harmonize SPS import clearance from the import permits of 3 sub-agencies, namely, BPI, BAI and BFAR.	(i) manual filing for issuances of permits	While the forms are harmonized each attached agency or bureau will still follow its own internal protocol or business process. Online lodgment expected to be launched in July 2010 will eliminate manual filing to concerned DA agencies.
BAI			
BPS/DTI-NCR	Completed. DTI has own online ICC application system which will be linked to NSW.	Application for ICC and conditional release is already decentralized to DTI provincial offices.	
BOI	Completed (before NSW).	Two (2) processes were simplified in 2005 beyond the NSW project including: reduction of processing days from 10 to 3-5; and delegation of approval of applications to the Executive Director. The same simplified processes are now being incorporated into NSW (Phase 1).	1
PEZA	Completed (prior to NSW) within economic zones.	(i) import cargo transfer; (ii) import permit; and (iii) export documentation	(i) filing at EPZ; (ii) EPZ gate inspection of paper documents; (iii) reprocessing at NAIA; (iv) warehouse authority to load; (v) examination of authority to load

10. Please identify the outcomes from document simplification and standardization by completing the following table (by agencies listed in item 5)

Agency	Has document simplification and standardization undertaken?	Number of documents simplified	Number of documents standardized
BIR	No. NSW used the old BIR ATRIG form.	See agency response in item #9. NSW covers only the ATRIG permits which are bar-coded and submitted to BOC.	
FDA	Yes. New form developed to conform	Electronic application form for import clearance	

	with NSW.		
SRA	No. NSW system adopted SRA form.	Electronic form created. Documentary requirements reduced from 20 to 10 attachments.	
NFA	No. NFA only has a single form and it was adopted in NSW.	Electronic form created. Documentary requirements reduced from 20 to 10 attachments.	
BOC	Completed (within BOC's customs modernization and e2m system).	Many forms eliminated (now using Single Administrative Document, SAD)	
BPI	Completed (DA's single/standard SPS import clearance form developed)	DA reduced the documentary requirements from 20 to 10 attachments to be accredited user of DA e-system (including BPI, BAI, BFAR, NFA, SRA).	The forms are harmonized (e.g., varying import permits are harmonized in a single SPS import clearance form).
BAI			
BPS/DTI-NCR	No. NSW adopted the existing DA form.	Electronic applications and tracking of status already available within DTI system.	
BOI	No	Further simplification of documents is deemed not necessary at this time.	
PEZA	Completed (prior to NSW).	Export Declaration, tally sheets, boat note, authority to load	All related documents now filed using ASYCUDA lodgment

Notes: Among the rest of the 40 agencies, document simplification and standardization has been completed for National Meat Inspection Service and Bureau of Fisheries and Aquatic Resources.

Sources: Agency responses or websites.

11. Please identify the level of data harmonization by completing the following table (by agencies listed in item 5)

Agency	Has data harmonization undertaken?	Is the data harmonization consistent with UN/CEFACT	Is the data harmonization consistent with WCO Model
BIR	Yes for BOC e2m system	na	na
FDA	Na	na	na
SRA	na	na	na
NFA	na	na	na
BOC	Yes for BOC e2m system	Yes	Yes for SADs
BPI	Yes, simplified and harmonized SPS application forms within DA.	But DA forms comply with WTO	
BAI			
BPS/DTI-NCR	na. Consistency with international and Philippine standards.		
BOI	Underway. Harmonization being undertaken is in line with the implementation of Phase 1 of the NSW		Yes

	Project.		
PEZA	Yes	Yes	Yes for SADs

Sources: Agency responses or websites.

12. Please identify the status of readiness to NSW of all agencies listed in item 5

Are the internal systems ready to implement NSW? Yes for the first 10 agencies.

Does agency have adequate facilities (infrastructure) to implement NSW? Generally yes. DTI-NCR (which performs the import-licensing function of BPS) answered No.

Does agency have ready personnel to implement NSW? Yes for the first 10 agencies.

NSW system including system development, provision of facilities (hardware, software, wireless connectivity, computer tables and chairs, extension cords, printer, toners, bond paper, blackberry with unlimited load), draft agency regulation, and training for personnel (use of system and change management) is centralized and with phased implementation. There is a budget for two years with the assistance of Crown Agents (e.g., helpdesk etc.) along the way.

Agency	Are the internal systems ready to implement NSW?	Does agency have adequate facilities (infrastructure) to implement NSW?	Does agency have ready personnel to implement NSW?
Bureau of Customs	Yes	Yes	Yes
Board of Investment	Yes	Yes	Yes
Incentive Division			
Bureau of Import Services			
National Meat Inspection Service	Yes	Yes	Yes
Bureau of Product Standard			
Philippine Shippers Bureau			
Bureau of Trade Regulation and Consumer Protection			
Bureau of Internal Revenue	Yes	Yes	Yes
Bureau of Food and Drugs	Yes	Yes	Yes
Department of Health			
Department of Environment & Natural Resources			
Fertilizer & Pesticides Authority	Yes	Yes	Yes
Bureau of Animal Industry	Yes	Yes	Yes
Bureau of Fisheries and Aquatic Resources	Yes	Yes	Yes
Bureau of Plant Industry	Yes	Yes	Yes
Sugar Regulatory Authority	Yes	Yes	Yes
National Food Authority	Yes	Yes	Yes
Philippine Coconut Authority			
Phil. Drug & Enforcement Administration			
Central Bank			
Phil. Cement Authority transferred to CEMAP			
Phil. National Police			

Phil. Nuclear Research Institute			
Phil. Economic Zone Authority	Yes	Yes	Yes
Land Transportation Office	Yes	Yes	Yes
Bureau of Quarantine			
National Telecommunications Commission			
Civil Aviation Authority			
Bureau of Export Trade Promotion			
Dangerous Drug Board			
Firearms and Explosives Office			
National Intelligence Coordination Agency			
Bureau of Forestry			
Environment Management Bureau			
Maritime Industry Authority			
Optical Media Board			
Ozone Desk			
Bureau of Immigration			
Criminal Investigation and Detection Group			
Fiber Industry Development Administration			
Insurance Commission			
Intellectual Property Office			
One-Stop-Shop under DOF (Mabuhay Lane)			
Philippine Shippers Bureau			

Source: BOC response as of May 2010.

13. Please provide list of ports where NSW is operational or to be implemented.

Ports	Year of Operationalization
Port of San Fernando	February 2010 – BIR only
Sub-port of Claveria	
Sub-port of Sual	
Baguio EPZA	
Port of Manila	
Harbour Centre Port Terminal	
FTI	
Postal Office	
CEPZA	
Sub-port of Masinloc	
Laguna EPZA	
Luisita EPZA (Tarlac)	
Manila International Container Port	
Ninoy Aquino Intl Airport	
Manila Domestic Airport	
Port of Batangas	March 2009 – BIR only
Sub-port of Siain	
Sub-port of Puerto Princesa	
Port of Legazpi	
Sub-port of Jose Panganiban	
Sub-port of Masbate / Tabaco	

Port of Iloilo	April 2010 – BIR only
Sub-port of Pulupandan	
Port of Cebu	
Sub-port of Mactan	
Sub-port of Dumaguete	
Sub-port of Tagbilaran	
Port of Tacloban	April 2010 – BIR only
Sub-port of Isabel	
Sub-port of Catbalogan	
Sub-port of San Jose	
Port of Surigao	
Sub-port of Bislig	
Sub-port of Nasipit	
Port of Cagayan de Oro	
Sub-port of Iligan	
Sub-port of Ozamiz	
Port of Zamboanga	
Sub-port of Jolo	
Sub-port of ZIA	
Sub-port of Tawi-Tawi	
Sub-port of Basilan	
MCT	
Port of Davao	
Sub-port of Mati	
Sub-port of Dadiangas (Sea)	
Sub-port of Dadiangas (Air)	
Sub-port of Parang	
Port of Subic	February 2010 – BIR only
Port of Clark	February 2010 – BIR only
Port of Aparri	
Sub-port of Irene	
Sub-port of Curimao	
Sub-Port of Laoag	
Port of Limay	
Sub-port of Mariveles	

Source: BOC response.

14. From list of firms utilizing NSW, please provide the following information. Please put NA if the National Single Window is not yet operational:
Data on pilot mode not yet significant.

15. Please list down below your suggestions to improve further the trade facilitation environment in the country.
Please refer to Section 4 of the text for discussions.

Appendix 3.3: Summary Responses on Customs and Cargo Clearances
Firm/Individual Characteristics

Firm/ Individual	Industry / Sector	No. and Type of Firms during previous month	Transactions	No. of employees	No. of years of Operation
(a) Large Freight Forwarder	auto parts (wiring harness) and consumer electronics	50 firms previous month plus others on retainer basis (20% small firms, 90% MNCs)	60% import-40% export; 60% PEZA	60 in customs	14
(b) Large Freight Forwarder	electronics, manufacturing, textile, automotive, food, agriculture & fisheries	6,170 firms (60% small firms, 38% large firms, 2% MNCs)	48% import; 52% export, 4% PEZA	402	9
(c) Small Freight Forwarder	mining, general commodity, agricultural, electronics, processed foods	22 firms (90% small to medium, 10% large firms)	50%import-50% export	7	2
(d) Customs Broker	consumer electronics, auto parts, frozen meat	5 firms (40% small, 60% large firms)	100% import	8	10
(e) Customs Broker	manufacturing, electronics, garments and textiles	22 firms (45% small, 45% large, 10% MNCs)	100% import	11	10
(f) Importer	glass, ceramics and tiles	n.a.	100% import	25	9
(g) Value-added service provider	Electronics	--	50% import-50% export	--	10

Appendix 3.4: Focus Group Discussion on NSW Implementation and Trade Facilitation Regime

17 June 2010, Philippine Institute for Development Studies, Makati City

Objectives of the FGD

(i) Validate and confirm specific actions and strategies that should be taken for the implementation of the National Single Window among the agencies involved in trade facilitation.

(ii) Generate suggestions from stakeholders for the improvement of the trade facilitation regime in the country.

Participants to the Focus Group Discussion

Government Agencies		**29**
1	Bureau of Animal Industry (BAI)	2
2	Bureau of Internal Revenue (BIR)	1
3	Board of Investments (BOI)	2
4	Bureau of Customs (BOC)	2
5	Bureau of Plant Industry (BPI)	2
6	Bureau of Product Standards (BPS-DTI)	1
7	Department of Trade and Industry (DTI)	2
8	FDA-Food and Drug Administration	1
9	NFA-National Food Authority	3
10	PEZA-Philippine Economic Zone Authority	2
11	SRA- Sugar Regulatory Administration	4
12	Philippine Institute for Development Studies (PIDS)	7
Private Sector		**16**
	Crown Agents	7
	Semiconductor and Electronics Industries in the Phils. Inc. (SEIPI)	4
	Ford Philippines	1
	Food Group Phils.	1
	NYK Logistics	1
	Wrigley Philippines	1
	San Miguel Corporation	1
Total no. of participants		**45**

Highlights from Focus Group Discussion

1. As a commitment to the ASEAN, then President Gloria Macapagal- Arroyo, through Executive Order 482 ordered for the development of a certain National Single Window (NSW) to simplify and fast-track transactions among different government offices in terms of trade facilitation.

2. The Philippine NSW project is spearheaded by the Bureau of Customs to include the forty (40) different government agencies directly involved in importation/exportation activities. The NSW Phase 1 is now up and working for 10 agencies with the following government offices already receiving transactions : Bureau of Internal Revenue (BIR), Food and Drugs Administration (FDA), Sugar Regulatory Administration (SRA), Bureau of Customs (BoC) and the National Food Authority (NFA).

3. On the First Phase of the NSW Project, a barcoded print-out of the actual application form should be presented at the government agency before transaction has to be made. While on Phase 2, paperless and easy transaction with all the 40 government agencies involved in trade facilitation is foreseen.

4. Since the NSW is a project of the Philippine Government, agencies involved should take ownership and lead this venture to its best. Political will is the key to success for this development plan.

5. Funding is necessary to sustain NSW. At present, it still maintains a budget amounting to P600M. An inter-agency effort is required for a smooth sailing as the success of the project is dependent on the speed of the slowest agency involved.

6. Importer/exporter knowledge to transact through NSW and how the system works using internet is important. More training and information dissemination is required. Joint agency implementing rules and regulation must be issued at soonest possible time.

7. Other countries have tried to simplify their forms and formulate a single form but it has not been proven effective. Philippine NSW did not touch the normal agency procedures nor drafted a single structure because it might interfere with the normal processes. NSW created an electronic data which is similar with the current agency format. Thus, it simplified the process by having a single submission and single application of information. his project would interconnect one agency to the other. A World Bank team has preliminary assessed that this approach might work.

8. The NSW project would be beneficial to all, any importer or exporter can comply and make transactions anywhere and everywhere in the world. This is also true with the authorizing agencies whereas, their respective directors can authorize anywhere through the help of the Blackberry handheld phones issued to them.

9. A challenge has been raised on different agencies – with the project discussed with the goal whose ideals fall into the concept of fast and reliable services. With the help of the National Single Windows' Change Management Team, a strategy workshop would be formulated to help identify potential threats and what needs to be done on the effective implementation of NSW to the agencies.

Appendix 4.1: Interview with Ms. Nida P. Quibic, Chief, MID, Land Transportation Franchising Regulatory Board on May 21,2010

I. Policy Section

A. Restrictions on entry

1. Are there policy restrictions on new entry of road transport firms?				
Sector	**Restrictions on entry by private domestic firms**	**If yes, total number of firms allowed**	**Restrictions on entry by foreign-invested firms (other than foreign equity limits- see Q. 8)**	**If yes, total number of foreign firms allowed**
Freight transport - truck	☑ **No** ☐ **Yes**	*There is no moratorium on the number of truck haulers*	☐ **No** ☑**Yes**	*Proof of citizenship limits entry for trucks for hire.*

Most applicants are from the local sector.

2. If entry is restricted, what are the reasons provided by the government?	
	Freight transport - truck
To give incumbent firms time to prepare for competition	☐ **No** ☑ **Yes**
To increase government revenue from privatization or license fees	☐ **No** ☐ **Yes**
Strategic activity reserved to the state	☐ **No** ☐ **Yes**
To protect existing truck services	☐ **No** ☑ **Yes**
No perceived economic need for new road transport firms	☐ **No** ☐ **Yes**
Other (please specify)	
Are professional bodies or representatives of trade or commercial interests involved in specifying or enforcing entry	☑ **No** ☐ **Yes**

regulations?	
Are labour unions involved in specifying or enforcing entry regulations?	☑ No ☐ Yes

3. Are foreign-invested road transport companies required to establish locally through a particular legal form of establishment? Please tick all that apply.

There has been no instance where foreign-invested road transport companies have applied. Although there have been instances wherein Filipino companies act as dummy companies of the foreign firms but this is difficult for LTFRB to detect based on the documents that are submitted.

	Subsidiaries?	**Branches?**	**Representative Offices?**
Freight transport - truck	☐ No ☐ Yes	☐ No ☐ Yes	☐ No ☐ Yes

4. Are foreign-invested road transport companies *prohibited* from establishing in a joint venture with local firms? Are they *required* to establish in a JV? Are there restrictions on JVs (eg equity limits)

There has been no experience on joint ventures for truck haulers.

	JV prohibited?	**JV required?**	**Restrictions on JVs**
Freight transport - truck	☐ No ☐ Yes	☐ No ☐ Yes	

B. Restrictions on competition via cross-border trade

5. Are there restrictions on cross border supply of road transport services? If yes, tick and describe.

Sub-sector

☐ Freight transport - truck

The closest thing to cross border road transport services would be the roll-on roll-off partnership with Malaysia/Indonesia. These are still not implemented but are still being discussed by the DOTC with the partner countries.

Is there an expiry date for such restrictions? ☐ No ☐ Yes If yes, please give date: ____________________________________

C. Restrictions on the movement of intra-corporate transferees of foreign-invested companies

Foreign invested truck hauling companies are restricted in the Philippines

6. Are there residency or nationality requirements or quotas for any of the following categories of personnel employed by locally established foreign-invested road transport services companies?	
	Minimum number/percentage of nationals/residents (please specify)
Members of the board of directors	
Executives	
Managers	
Skilled workers	
Other staff (specify):	

D. Ownership

7. Is domestic private (ie non-government) ownership in the provision of services allowed?				
Sub-sectors	**Existing firms**	**Maximum private equity permitted (%)**	**New firms**	**Maximum private equity permitted (%)**
Freight transport - truck	☐ **No** ☑ **Yes**		☐ **No** ☑ **Yes**	

8. Is foreign ownership in the provision of services allowed?				
Sub-sectors	**Existing firms**	**Maximum private equity permitted (%)**	**New firms**	**Maximum private equity permitted (%)**

Freight transport - truck	☑ **No** ☐ **Yes**		☑ **No** ☐ **Yes**	

E Regulation

9. Characteristics of the sector regulator	
Institutional status of sector regulator	**For truck operators**
Name of regulator	*LTFRB*
When was the regulator established?	*1987 by virtue of EO202*
Is the regulator an institutionally independent agency?[25]	☑ **No** ☐ **Yes**

10. What license conditions (other than a driving license and conditions relating to safety or the environment) must new domestic entrants fulfill? (tick all that apply)	
	For truck operators
Payment of license fee (indicate amount) *520 pesos per application and 70 pesos for every additional 2 units*	☐ **No** ☑ **Yes**
Presentation of detailed business plan?	☐ **No** ☑ **Yes**
Minimum capital (indicate amount) *Minimum of 50,000 pesos*	☐ **No** ☑ **Yes**
Tax declaration	☐ **No** ☑ **Yes**
Bank references	☐ **No** ☑ **Yes**
Deposit of a cash bond (indicate amount) *50,000 pesos*	☐ **No** ☑ **Yes**
Experience in the service (specify) *only for renewal*	☐ **No** ☑ **Yes**
Information on service performed during the past x years (specify) *only for renewal*	☐ **No** ☑ **Yes**
Certificates assessing conformity with safety and/or quality assurance systems *But these are under the jurisdiction of the LTO since they are the ones that inspect the vehicles*	☐ **No** ☑ **Yes**

[25] 'Institutionally independent' means that the regulator is not part of the ministry and is not linked to the operating entity (any government-operated road transport company).

Enrolment in a professional or trade register	☑ No ☐ Yes
Proof of the qualifications of the staff member(s) primarily responsible for providing the services	☑ No ☐ Yes
Majority domestic ownership	☑ No ☐ Yes
Other (specify) ***Insurance***	

11. Do the license conditions for foreign-invested providers who establish locally differ from those above (tick whichever applies)?				
	Foreign providers not allowed	**Conditions same**	**Conditions differ**	**Describe difference**
Truck operators	☑	☐	☐	

12. License allocation process (tick all that apply) ***Because there is no moratorium on truck haulers application, there is no need for license allocation.***	
	For truck operators
First come, first served basis?	☐ No ☐ Yes
Competitive bidding?	☐ No ☐ Yes
Discretionary decision by the issuing body?	☐ No ☐ Yes
Other (specify)	
Time taken to obtain license (weeks) (please state) ***at least 2 weeks since after the processing, a notice of hearing is then provided and the license will only be available about 15 days from the receipt of the notice of hearing***	
License validity restricted to specified time?	☐ No ☑ Yes, ***5 years***
License validity restricted to specified region? **Routes may be any to any point in Luzon, to any point in Visayas, to any point in Mindanao or to any point in the Philippines.**	☐ No ☑ Yes
Does the license grant exclusive (ie monopoly) rights?	☑ No ☐ Yes
If yes, please give details and indicate when rights might expire:	

13. Trip permits	For truck operators
How many separate trip permits are required for trips between the two biggest cities or from the main city to another city (please state)?	*No trip permits necessary. Just follow your line of route.*
How long does it take to acquire them (days)?	*Manila-Bicol 12 hours* *Manila-Iloilo 24 hours*
What is the total cost of fees involved?	
Indicate the seriousness of the problem of "unofficial" payments along routes during trips (please tick which applies)	☐ does not happen ☐ minor ☑ serious ☐ very serious

14. Operating restrictions (tick all that apply)	For truck operators
Are there limitations on vehicles used, routes or type of service to be operated, and/or places to load/unload? (please specify):	*LTO decides on these limitations; MMDA about the loading and unloading*
Are there other types of operating restrictions? (please specify):	

15. Pricing regulations (tick all that apply)	
	For truck operators
Are retail prices regulated by government?	☑ No ☐ Yes
Does the government provide pricing guidelines to road transport companies?	☑No ☐ Yes
Are professional bodies or representatives of trade or commercial interests involved in specifying or enforcing pricing guidelines or regulations?	☐ No ☑ Yes
Are labour unions involved in specifying or enforcing pricing guidelines or regulations?	☐ No ☐ Yes Not applicable

F Recent Changes in Policy

16. Please indicate major changes in market access policies, ownership rules, and regulation since 2004 (e.g., elimination of subsidies, simplification of licensing requirements, elimination of restrictions applied to foreign service suppliers etc.)

Policy is not friendly to stakeholders. There have been a number of changes which have made the licensing application more difficult and confusing.

Area of policy change (market access, ownership or regulation)	Year of change	Description of change

G. Recommendations

18. Please list down recommendations to improve the regulatory and operational environment in the road transport in the country:

____

____

____

Thank you very much!!!

Appendix 4.2: Interview with Engr. Roberto G. Delfin, Chief, Transport and Planning Division, Department of Transportation and Communication, on June 01, 2010

*Note: A number of questions were skipped as requested by the respondent.

I. POLICY SECTION

A. Restrictions on entry

1. Are there policy restrictions on new entry of road transport firms?				
Sector	**Restrictions on entry by private domestic firms**	**If yes, total number of firms allowed**	**Restrictions on entry by foreign-invested firms (other than foreign equity limits- see Q. 8)**	**If yes, total number of foreign firms allowed**
Freight transport - truck	☐ No ☐ Yes		☐ No ☐ Yes	

There is no moratorium on franchise applications.

2. If entry is restricted, what are the reasons provided by the government?	
	Freight transport – truck
To give incumbent firms time to prepare for competition	☐ No ☐ Yes
To increase government revenue from privatization or license fees	☐ No ☑ Yes
Strategic activity reserved to the state	☐ No ☐ Yes
To protect existing truck services	☐ No ☐ Yes
No perceived economic need for new road transport firms	☐ No ☐ Yes
Other (please specify)	
Are professional bodies or representatives of trade or commercial interests involved in specifying or enforcing entry regulations?	☐ No ☐ Yes

Are labour unions involved in specifying or enforcing entry regulations?	**☐ No ☐ Yes**

LTFRB perceives the limited supply of trucks and trucks for hire thus, there is no moratorium in the application of franchises.

3. Are foreign-invested road transport companies required to establish locally through a particular legal form of establishment? Please tick all that apply.			
	Subsidiaries?	**Branches?**	**Representative Offices?**
Freight transport – truck	**☐ No ☑ Yes**	**☐ No ☑ Yes**	**☐ No ☑ Yes**

4. Are foreign-invested road transport companies *prohibited* from establishing in a joint venture with local firms? Are they *required* to establish in a JV? Are there restrictions on JVs (eg equity limits)			
	JV prohibited?	**JV required?**	**Restrictions on JVs**
Freight transport – truck	**☐ No ☐ Yes**	**☐ No ☑ Yes**	

B. Restrictions on competition via cross-border trade

5. Are there restrictions on cross border supply of road transport services? If yes, tick and describe. **Sub-sector** **☐ Freight transport - truck** ____ **Is there an expiry date for such restrictions? ☐ No ☐ Yes If yes, please give date:** ______________________________

C. Restrictions on the movement of intra-corporate transferees of foreign-invested companies

6. Are there residency or nationality requirements or quotas for any of the following categories of personnel employed by locally established foreign-invested road transport services companies?	
	Minimum number/percentage of nationals/residents (please specify)
Members of the board of directors	
Executives	
Managers	
Skilled workers	
Other staff (specify):	

D. Ownership

7. Is domestic private (ie non-government) ownership in the provision of services allowed?				
Sub-sectors	**Existing firms**	**Maximum private equity permitted (%)**	**New firms**	**Maximum private equity permitted (%)**
Freight transport – truck	☐ No ☐ Yes		☐ No ☐ Yes	

8. Is foreign ownership in the provision of services allowed?				
Sub-sectors	**Existing firms**	**Maximum private equity permitted (%)**	**New firms**	**Maximum private equity permitted (%)**
Freight transport – truck	☐ No ☐ Yes		☐ No ☐ Yes	

E Regulation

9. Characteristics of the sector regulator	
Institutional status of sector regulator	**For truck operators**
Name of regulator	*LTFRB and LTO for implementation; DOTC for policy making*
When was the regulator established?	
Is the regulator an institutionally independent agency?[26]	☑ No ☐ Yes

10. What license conditions (other than a driving license and conditions relating to safety or the environment) must new domestic entrants fulfill? (tick all that apply) *See attached document*	
	For truck operators
Payment of license fee (indicate amount)	☐ No ☑ Yes
Presentation of detailed business plan?	☐ No ☑ Yes
Minimum capital (indicate amount)	☐ No ☐ Yes
Tax declaration	☐ No ☑ Yes
Bank references	☐ No ☑ Yes
Deposit of a cash bond (indicate amount) *Bank deposit in case of uncertainties to show that they are capable of shouldering requirements.*	☐ No ☐ Yes
Experience in the service (specify)	☐ No ☐ Yes
Information on service performed during the past x years (specify)	☐ No ☐ Yes
Certificates assessing conformity with safety and/or quality assurance systems *LTO checks on whether the vehicles are emission compliant and road worthiness;* *LTFRB is the one that releases the CPC (certificate of public convenience)*	☐ No ☐ Yes

[26] 'Institutionally independent' means that the regulator is not part of the ministry and is not linked to the operating entity (any government-operated road transport company).

Enrolment in a professional or trade register	☐ No ☐ Yes
Proof of the qualifications of the staff member(s) primarily responsible for providing the services *The burden of ensuring that the staff members are qualified rests on the firm. Of course, the staff drivers have to undergo a series of examinations in order to obtain a drivers license like spot checks, exams and drug test.*	☐ No ☐ Yes
Majority domestic ownership	☐ No ☐ Yes
Other (specify)	

11. Do the license conditions for foreign-invested providers who establish locally differ from those above (tick whichever applies)?

	Foreign providers not allowed	Conditions same	Conditions differ	Describe difference
Truck operators	☑	☐	☐	

12. License allocation process (tick all that apply)	
No moratorium so allocation is not necessary	For truck operators
First come, first served basis?	☐ No ☐ Yes
Competitive bidding?	☐ No ☐ Yes
Discretionary decision by the issuing body?	☐ No ☐ Yes
Other (specify)	
Time taken to obtain license (weeks) (please state)	
License validity restricted to specified time?	☐ No ☐ Yes
License validity restricted to specified region?	☐ No ☐ Yes
Does the license grant exclusive (ie monopoly) rights?	☐ No ☐ Yes

If yes, please give details and indicate when rights might expire:	

13. Trip permits	
	For truck operators
How many separate trip permits are required for trips between the two biggest cities or from the main city to another city (please state)?	***The CPC covers the entire Philippines except for certain CPCs that specifically mention the routes.***
How long does it take to acquire them (days)?	
What is the total cost of fees involved?	
Indicate the seriousness of the problem of "unofficial" payments along routes during trips (please tick which applies) *Operators sometimes are willing to pay unofficial payments to increase load.*	☐ **does not happen** ☐ **minor** ☑**serious** ☐ **very serious**

14. Operating restrictions (tick all that apply)	
	For truck operators
Are there limitations on vehicles used, routes or type of service to be operated, and/or places to load/unload? (please specify):	***For Metromanila, MMDA restricts the entry of trucks during specified periods to prevent traffic congestion.***
Are there other types of operating restrictions? (please specify):	***Hazardous and chemical cargo should have special markings on the truck container.***

15. Pricing regulations (tick all that apply) *I was referred to LTFRB*	
	For truck operators
Are retail prices regulated by government?	☐ No ☐ Yes
Does the government provide pricing guidelines to road transport companies?	☐ No ☐ Yes
Are professional bodies or representatives of trade or commercial interests involved in specifying or enforcing pricing guidelines or regulations?	☐ No ☐ Yes
Are labour unions involved in specifying or enforcing pricing guidelines or regulations?	☐ No ☐ Yes

F Recent Changes in Policy

16. Please indicate major changes in market access policies, ownership rules, and regulation since 2004 (e.g., elimination of subsidies, simplification of licensing requirements, elimination of restrictions applied to foreign service suppliers etc.)

Area of policy change (market access, ownership or regulation)	Year of change	Description of change

G. Recommendations

18. Please list down recommendations to improve the regulatory and operational environment in the road transport in the country:
I was referred to the DOTC/JICA study.

Thank you very much!!!

Appendix 4.3: Interview with Private Logistics Firm

I. Policy Section

A. Restrictions on entry

1. Are there policy restrictions on new entry of road transport firms?

Sector	Restrictions on entry by private domestic firms	If yes, total number of firms allowed	Restrictions on entry by foreign-invested firms (other than foreign equity limits- see Q. 8)	If yes, total number of foreign firms allowed
Freight transport - truck	■ No ☐ Yes		☐ No ■ Yes	Basically its not the limit on the firms but ownership % is the issue

2. If entry is restricted, what are the reasons provided by the government?
Actually for trucking it's a very easy industry to enter, compared of course to SEA, AIR logistics or BUS Companies – Anybody can be a trucker as long as you have founding and the franchise application

	Freight transport - truck
To give incumbent firms time to prepare for competition	■ No ☐ Yes
To increase government revenue from privatization or license fees	☐ No ■ Yes
Strategic activity reserved to the state	■ No ☐ Yes
To protect existing truck services	■ No ☐ Yes
No perceived economic need for new road transport firms	■ No ☐ Yes
Other (please specify)	

Are professional bodies or representatives of trade or commercial interests involved in specifying or enforcing entry regulations?	■ No ☐ Yes
Are labour unions involved in specifying or enforcing entry regulations?	■ No ☐ Yes

3. Are foreign-invested road transport companies required to establish locally through a particular legal form of establishment? Please tick all that apply.			
	Subsidiaries?	**Branches?**	**Representative Offices?**
Freight transport - truck	☐ No ■ Yes	☐ No ■ Yes	☐ No ■ Yes

4. Are foreign-invested road transport companies *prohibited* from establishing in a joint venture with local firms? Are they *required* to establish in a JV? Are there restrictions on JVs (eg equity limits)			
	JV prohibited?	**JV required?**	**Restrictions on JVs**
Freight transport - truck	■ No ☐ Yes	☐ No ■ Yes	**Simple ownership sharing rule**

B. Restrictions on competition via cross-border trade

5. Are there restrictions on cross border supply of road transport services? If yes, tick and describe.
Sub-sector
☐ Freight transport - truck ____
Is there an expiry date for such restrictions? ■ **No** ☐ **Yes** **If yes, please give date:** ________________________________

C. Restrictions on the movement of intra-corporate transferees of foreign-invested companies

6. Are there residency or nationality requirements or quotas for any of the following categories of personnel employed by locally established foreign-invested road transport services companies?	
NA	**Minimum number/percentage of nationals/residents (please specify)**
Members of the board of directors	
Executives	
Managers	
Skilled workers	
Other staff (specify):	

D. Ownership

7. Is domestic private (ie non-government) ownership in the provision of services allowed?				
Sub-sectors	**Existing firms**	**Maximum private equity permitted (%)**	**New firms**	**Maximum private equity permitted (%)**
Freight transport - truck	☒ **No** ☐ **Yes**		☒ **No** ☐ **Yes**	

8. Is foreign ownership in the provision of services allowed?				
Sub-sectors	**Existing firms**	**Maximum private equity permitted (%)**	**New firms**	**Maximum private equity permitted (%)**
Freight transport - truck	☐ **No** ☒ **Yes**	**40% I believe**	☐ **No** ☒ **Yes**	**same**

E Regulation

9. Characteristics of the sector regulator	
Institutional status of sector regulator	**For truck operators**

Name of regulator	**LTO**
When was the regulator established?	**NA**
Is the regulator an institutionally independent agency?[27]	☒ **No** ☐ **Yes**

10. What license conditions (other than a driving license and conditions relating to safety or the environment) must new domestic entrants fulfill? (tick all that apply)	
	For truck operators
Payment of license fee (indicate amount)	☐ **No** ☒ **Yes**
Presentation of detailed business plan?	☒ **No** ☐ **Yes**
Minimum capital (indicate amount)	☐ **No** ☒ **Yes**
Tax declaration	☐ **No** ☒ **Yes**
Bank references	☐ **No** ☒ **Yes**
Deposit of a cash bond (indicate amount)	☒ **No** ☐ **Yes**
Experience in the service (specify)	☐ **No** ☒ **Yes**
Information on service performed during the past x years (specify)	☒ **No** ☐ **Yes**
Certificates assessing conformity with safety and/or quality assurance systems	☒ **No** ☐ **Yes**
Enrolment in a professional or trade register	☐ **No** ☒ **Yes**
Proof of the qualifications of the staff member(s) primarily responsible for providing the services	☐ **No** ☐ **Yes**
Majority domestic ownership	☐ **No** ☒ **Yes**
Other (specify)	

[27] 'Institutionally independent' means that the regulator is not part of the ministry and is not linked to the operating entity (any government-operated road transport company).

11. Do the license conditions for foreign-invested providers who establish locally differ from those above (tick whichever applies)?				
	Foreign providers not allowed	Conditions same	Conditions differ	Describe difference
Truck operators	☐	■	☐	

12. License allocation process (tick all that apply)	
	For truck operators
First come, first served basis?	☐ No ■ Yes
Competitive bidding?	☐ No ■ Yes
Discretionary decision by the issuing body?	☐ No ■ Yes
Other (specify)	
Time taken to obtain license (weeks) (please state)	
License validity restricted to specified time?	☐ No ■ Yes
License validity restricted to specified region?	☐ No ■ Yes
Does the license grant exclusive (ie monopoly) rights?	☐ No ■ Yes
If yes, please give details and indicate when rights might expire:	

13. Trip permits	
	For truck operators
How many separate trip permits are required for trips between the two biggest cities or from the main city to another city (please state)?	Usually you just need a franchise to operate a specific leg
How long does it take to acquire them (days)?	1 week
What is the total cost of fees involved?	NA

Indicate the seriousness of the problem of "unofficial" payments along routes during trips (please tick which applies)	☐ **does not happen** ☐ **minor** ☐**serious** ■ **very serious**

14. Operating restrictions (tick all that apply)	
	For truck operators
Are there limitations on vehicles used, routes or type of service to be operated, and/or places to load/unload? (please specify):	**X**
Are there other types of operating restrictions? (please specify):	**X**

15. Pricing regulations (tick all that apply) **No regulation**	
	For truck operators
Are retail prices regulated by government?	■ **No** ☐ **Yes**
Does the government provide pricing guidelines to road transport companies?	■ **No** ☐ **Yes**
Are professional bodies or representatives of trade or commercial interests involved in specifying or enforcing pricing guidelines or regulations?	■ **No** ☐ **Yes**
Are labour unions involved in specifying or enforcing pricing guidelines or regulations?	■ **No** ☐ **Yes**

F Recent Changes in Policy

16. Please indicate major changes in market access policies, ownership rules, and regulation since 2004 (e.g., elimination of subsidies, simplification of licensing requirements, elimination of restrictions applied to foreign service suppliers etc.)

Area of policy change (market access, ownership or regulation)	**Year of change**	**Description of change**
NA		

G. Recommendations

18. Please list down recommendations to improve the regulatory and operational environment in the road transport in the country:
There should really be a more stricter policy and regulating body for trucking, am very familiar with the industry and it is the easiest one to enter in logistics

Thank you very much!!!

Appendix 4.4: Interview with Private-owned domestic cold chain transport

<u>I. POLICY SECTION</u>

A. Restrictions on entry

1. Are there policy restrictions on new entry of road transport firms?

Sector	Restrictions on entry by private domestic firms	If yes, total number of firms allowed	Restrictions on entry by foreign-invested firms (other than foreign equity limits- see Q. 8)	If yes, total number of foreign firms allowed
Freight transport - truck	☒ No ☐ Yes		☐ No ☒ Yes	Not Aware

2. If entry is restricted, what are the reasons provided by the government?

	Freight transport – truck
To give incumbent firms time to prepare for competition	☐ No ☒ Yes
To increase government revenue from privatization or license fees	☒ No ☐ Yes
Strategic activity reserved to the state	☒ No ☐ Yes
To protect existing truck services	☐ No ☒ Yes
No perceived economic need for new road transport firms	☒ No ☐ Yes
Other (please specify)	
Are professional bodies or representatives of trade or commercial interests involved in specifying or enforcing entry regulations?	☒ No ☐ Yes
Are labour unions involved in specifying or enforcing entry regulations?	☒ No ☐ Yes

3. Are foreign-invested road transport companies required to establish locally through a particular legal form of establishment? Please tick all that apply. I am not sure			
	Subsidiaries?	Branches?	Representative Offices?
Freight transport - truck	☐ No ☐ Yes	☐ No ☐ Yes	☐ No ☐ Yes

4. Are foreign-invested road transport companies *prohibited* from establishing in a joint venture with local firms? Are they *required* to establish in a JV? Are there restrictions on JVs (eg equity limits)			
	JV prohibited?	JV required?	Restrictions on JVs
Freight transport - truck	☐ No ☐ Yes	☐ No ☐ Yes	YES

B. Restrictions on competition via cross-border trade

5. Are there restrictions on cross border supply of road transport services? If yes, tick and describe. Sub-sector ☐ Freight transport - truck ________________Not Aware____ Is there an expiry date for such restrictions? ☐ No ☐ Yes If yes, please give date: ____

C. Restrictions on the movement of intra-corporate transferees of foreign-invested companies

6. Are there residency or nationality requirements or quotas for any of the following categories of personnel employed by locally established foreign-invested road transport services companies? YES	
	Minimum number/percentage of nationals/residents (please specify) not aware pf the details but c/o SEC or Dept of Trade
Members of the board of directors	
Executives	
Managers	
Skilled workers	
Other staff (specify):	

D. Ownership

7. Is domestic private (ie non-government) ownership in the provision of services allowed?				
Sub-sectors	Existing firms	Maximum private equity permitted (%)	New firms	Maximum private equity permitted (%)
Freight transport - truck	☐ No ☐ Yes		☐ No ☐ Yes	

8. Is foreign ownership in the provision of services allowed?

Sub-sectors	Existing firms	Maximum private equity permitted (%)	New firms	Maximum private equity permitted (%)
Freight transport - truck	☐ No ☒ Yes		☐ No ☒ Yes	

E Regulation

9. Characteristics of the sector regulator	
Institutional status of sector regulator	For truck operators
Name of regulator	Land Transportation & Franchising Regulatory Board (LTFRB)
When was the regulator established?	Not aware
Is the regulator an institutionally independent agency?[28]	☐ No ☒ Yes

10. What license conditions (other than a driving license and conditions relating to safety or the environment) must new domestic entrants fulfill? (tick all that apply)	
	For truck operators
Payment of license fee (indicate amount)	☐ No ☒ Yes
Presentation of detailed business plan?	☒ No ☐ Yes
Minimum capital (indicate amount)	☐ No ☒ Yes
Tax declaration	☒ No ☐ Yes
Bank references	☐ No ☒ Yes
Deposit of a cash bond (indicate amount)	☒ No ☐ Yes
Experience in the service (specify)	☒ No ☐ Yes
Information on service performed during the past x years	☒ No ☐ Yes

[28] 'Institutionally independent' means that the regulator is not part of the ministry and is not linked to the operating entity (any government-operated road transport company).

(specify)	
Certificates assessing conformity with safety and/or quality assurance systems	☐ No ☒ Yes
Enrolment in a professional or trade register	☐ No ☒ Yes
Proof of the qualifications of the staff member(s) primarily responsible for providing the services	☐ No ☒ Yes
Majority domestic ownership	☐ No ☒ Yes
Other (specify)	

11. Do the license conditions for foreign-invested providers who establish locally differ from those above (tick whichever applies)?

	Foreign providers not allowed	Conditions same	Conditions differ	Describe difference
Truck operators	☐	☒	☐	

12. License allocation process (tick all that apply)

	For truck operators
First come, first served basis?	☐ No ☒ Yes
Competitive bidding?	☒ No ☐ Yes
Discretionary decision by the issuing body?	☐ No ☒ Yes
Other (specify)	
Time taken to obtain license (weeks) (please state)	
License validity restricted to specified time?	☒ No ☐ Yes
License validity restricted to specified region?	☒ No ☐ Yes
Does the license grant exclusive (ie monopoly) rights?	☒ No ☐ Yes
If yes, please give details and indicate when rights might expire:	

13. Trip permits	For truck operators
How many separate trip permits are required for trips between the two biggest cities or from the main city to another city (please state)?	NA
How long does it take to acquire them (days)?	NA
What is the total cost of fees involved?	NA
Indicate the seriousness of the problem of "unofficial" payments along routes during trips (please tick which applies)	☐ does not happen ☐ minor ☐serious ■ very serious

14. Operating restrictions (tick all that apply)	For truck operators
Are there limitations on vehicles used, routes or type of service to be operated, and/or places to load/unload? (please specify):	Yes. There are places with truck ban
Are there other types of operating restrictions? (please specify):	Emission regulations

15. Pricing regulations (tick all that apply)	For truck operators
Are retail prices regulated by government? YES if for mass transport	■ No ☐ Yes
Does the government provide pricing guidelines to road transport companies?	■ No ☐ Yes
Are professional bodies or representatives of trade or commercial interests involved in specifying or enforcing pricing guidelines or regulations?	■ No ☐ Yes

Are labour unions involved in specifying or enforcing pricing guidelines or regulations?	☒ **No** ☐ **Yes**

F Recent Changes in Policy

16. Please indicate major changes in market access policies, ownership rules, and regulation since 2004 (e.g., elimination of subsidies, simplification of licensing requirements, elimination of restrictions applied to foreign service suppliers etc.)

Area of policy change (market access, ownership or regulation)	Year of change	Description of change
Cannot recall		

G. Recommendations

18. Please list down recommendations to improve the regulatory and operational environment in the road transport in the country:

a) stop the importation of used/2nd hand trucks & busses as this are 7-12 yrs old and are normally inefficient, smoke belchers and prone to road accidents.
b) govt must not allow importation of Right-Hand-drive trucks & Buses (2nd hand or bnew) since these are locally converted in "backyard manner" therefore unsafe & prone to breakdowns/accidents.
c) allow tariff-free importation of bnew trucks (dry & reefer) to haul basic commodities (food) so that transport for food will be efficient and assure minimal wastage of food due to spoilage. This will upgrade current system and will most likely reduce food distribution costs.
d) govt should allow special fuel discount to food haulers similar to the privilege given mass transport.
e) explore the potential of using solar power to run the reefer (refrigeration machine) systems of the trucks for cold chain food transport.

Thank you very much!!!

Appendix 4.5: Documentary Requirements for Franchise Application of Trucks and Trucks for Hire

The following are the requirements of the LTFRB for the application of a new Certificate of Public Convenience (CPC):

1. 4 copies of verified application
2. TIN Card
3. Valid Certificate of Business Name issued by Department of Trade and Industry except (Public Utility Jeep)
4. Certificate of Bank Deposit and Passbook (30,000/unit)
5. Certificate of Registration of proposed units with year model
6. Proof of Filipino Citizenship
7. Location map and picture with dimensions of garage with Transfer Certificate Title/Tax Declaration or Contract of lease with specific garage area.
8. Community Tax Certificate
9. 2 Copies of Passport Size (2x2) picture of applicant with specimen signature at the back.
10. Personal appearance of the petitioner

Appendix 4.6: Highlights of the Focused-Group Discussions

1. According to one of the participants one of the major issues that is very detrimental to the performance of logistics firms is related to their experience wherein they purchased 2 freight trucks with the intention of increasing their fleet. The length of time it took them to process their franchise application is 12 to 14 months resulting to the lapse of the warranty of their vehicles.

2. This observation was concurred by other participants who said that they also experienced the same thing. Applications for national franchise (from Subic to any point in the country) take too long. They also find that the different franchise applications (city franchise, provincial franchise and national franchise) confusing.

3. Another observation centers on the number of institutions managing the ports. This creates confusion as information that one institution (MARINA) obtains is not passed on to other institutions like the PPA or Coast Guard.

4. Issue on the VOM (Vessel's Operations Management System): One of the participants mentioned a complaint about the VOM which is necessary in order for their ships to move from port to port. According to the participant, they are not able to obtain a copy of VOM from MARINA so they opted to create their own set of VOM. However, because they created their own set of VOM, the procedures necessary to obtain the approval take a lot more time. They suggest that the MARINA make available a clearly defined VOM that anyone can adopt in order to facilitate the approval of the VOM.

5. Another issue that the participants share is the irregular stopping of trucks carrying huge cargo. One participant has experienced the problem of one of his trucks carrying unusually large cargo passing one of the far-flung provinces was being stopped by provincial police because of the unusual load. Even though all the necessary permits and documents are in order, the truck was detained and thus, delayed all because of the "unusual size" of the cargo. Approved licenses should be made available to all related offices to avoid such incidents.

   On a similar note, another participant shared their experience regarding irregular stopping of trucks. They shared that criminals pretending to be police officers would stop their trucks in order to pilfer the cargo. To avoid this problem, there has been an agreement with city police that they will not stop for anything even if it is official.

6. Another participant shared information about the automatic Customs Data Entry which is an online system that lessens the human intervention when processing the customs duties of their cargo. The cargo are identified by color coding scheme: green for automatically shipped out, yellow somebody has to check, red which has to under go 100% inspection by the BOC.

7. Related to the earlier discussion is the Japanese Customs Memorandum 08-2010 which requires that cargo must be inspected from the port of origin. This is a very recent development.

8. A suggestion that has been concurred by almost everyone in the discussion is regarding the documentation . They suggest that documentation requirements be simplified in order to encourage more vessels to call in the ports. They identify only two locators calling on the port of subic.

9. Another major recommendation is the improvement of the infrastructure support for logistics especially in terms of infrastructure between ports. They observe that it costs more for them to ship a container from Manila to Cebu than Manila to Los Angeles, California because of the limited infranstructure.

10. They would also like to have access to some form of fleet insurance. The participants observed that they don't have aggregate insurance but rather insurance per vehicle which is very costly.

11. Other issues that are important in terms of logistics would be power outages. They mentioned that they have purchased battery back-up systems to prevent the stoppage of work during power outages.

12. They have mentioned some labor issues because of the lack of qualified people to handle cranes and riggers. They observe that the TESDA has no infrastructure for training Filipinos on handling these heavy equipment. Also, qualified personnel has left the country for better paying jobs abroad.

13. Very minimal port usage in subic because in the first place very minimal export cargo goes to subic despit the marine terminal being improved. They pointed out that the subic bay port only has 50% operational goose crane.

Appendix 4.7: Results of Logistics Time and Cost Survey

Code No.	Type of Products	Number of Regular Employees	Years of firm operation in the country	Location of factory	Fully Owned Multinational	Fully Owned Domestic	Fully Owned Foreign	Foreign-Domestic Joint Venture	1. Export Products	2. Frequency of exporting
					1 = Yes; 0 = No					Approximately once per
1	Tires	1,600	12	Clark	1	0	0	0	Tires	Day
2	Motor Vehicles	617	12	Laguna	1	0	0	0	Built Up Units, Engine Assy, Cylinder Block, Completely Knock down Kits	Week
3	Digital AC Servo Drives (Motor controller)	8	11	Subic	1	0	0	0	Digital AC Servo Drives/ motor controller	Month
4	Lead frames, Tape Ball Grid Array Substrates, LED	298	12	Clark	0	0	1	0	Lead Frames, Tape Ball Grid Array Substrates, Rigid Ball Grid Array Substrates, Light Emitting Diode (LED)	Week (3x)
5	Semiconductor Assembly & Test "Integrated Circuit"	6554	22	Laguna	0	0	1	0	Semiconductor Assembly and Test/ Intergrated Circuits	Day
6	Garments/ Wearing apparel	110	33	Manila	0	1	0	0	Pants, shorts, skirts (men's, ladies, kids)	Week
7	Automotive assembly	1306	22	Laguna	0	0	0	1	Component parts, spare parts and sample parts for vehicles	Week
8	Cut wipers, regraded clothings	41	6	Subic	0	1	0	0	Cut wipers, mutilated wool and acrylic hosiery, regraded used clothings	Week

Code No.	3. Export embarkation port (1 = Yes; 0 = No)					4. Distance from factory of export embarkation point	5. Please indicate container load				6. Please indicate the average lot per transportation		
	Seaport	Airport	Border	Land by truck, Door to door or At border	Land by rail, Door to door or At border	in km	FCL (20 ft)	LCL	FCL(40 ft)	Others	Tons/ shipping	Cases/ shipping	containers /shipping
1	1	1	0	0	0	80	1	0	1	0			25
2	1	0	0	0	0	64	1	1	1	RORO		250	14
3	0	1	0	0	0	150	0	1	0	0	0.5		
4	0	1	0	1	0	97	0	0	0	Air and loose cargoes	1		
5	0	1	0	0	0	9	0	0	0	Air and loose cargoes	3	500	
6	1	0	0	0	0	35	0	0	1	0	10		1
7	1	1	0	0	0	50	1	0	1	0			
8	1	0	0	0	0	10	0	0	1	0	25		1

Code No.	7. Mode of Transportation from factory to embarkation point				8. Please indicate the ***average length of time*** spent on the following processes											
	Truck (1=Yes; 0=No)	Rail (1=Yes; 0=No)	Rail and Truck (1=Yes; 0=No)	Domestic (or inter-island) ship and truck	Examination	Outside provider? (Yes=1, No=0)	Packing	Outside provider? (Yes=1, No=0)	Loading	Outside provider? (Yes=1, No=0)	Transport to port/air port	Outside provider? (Yes=1, No=0)	Export Customs Formalities	Outside provider? (Yes=1, No=0)	Port and shipping activities	Outside provider? (Yes=1, No=0)
1	1	0	0	0	3.33		3.33		1.50		3.00	1	0.50	1	48.00	1
2	1	0	0	0		1		1		1	1.50	1	1.50	1		1
3	1	0	0	0	1.00		1.00		1.00		3.00		1.00		3.00	
4	1	0	0	0	0.50	1	0.50		0.50	1	1.50	1	0.50	1	0.50	1
5	1	0	0	0	3.00		8.00				2.00		1.00			
6	1	0	0	0			2.00	1	2.00	1	2.00		0.33		0.33	0
7	1	0	0	0	1.00	1	2.00	1	1.00	1	2.00	1	0.30	1	0.30	1
8	1	0	0	0					2.00		0.75		0.50		3.00	

Code No.	Estimated total time from Cargo arrival in port/airport to ship/plane			9. Please indicate the average cost spent on the following processes during the past month. Please state the ***average cost in terms of a unit load of a 20 foot container*** in order for us to be able to compare and aggregate (where necessary) responses from respondent firms (in US dollars)						Total Cost from Factory to Ship / Plane	
	Of which, waiting time	Of which, warehousing time is	Clearance from health, quarantine, technical control authorities	Examination	Packing	Loading	Transport to port/airport	Customs Clearance	Port and cargo handling	as % of the value of a full load of 20ft container	as % of the ex-factory unit price of the product
1			24	4.36	4.36	9.82	436.44	27.28	81.83	2.0	2.1
2					344.00		98.00	65.00	55.00		
3	4.00	12.00					200.0				
4	4.00	2.00									
5	1.00	1.00									
6	0.63						185.0				
7				8.70	108.30	6.50	152.8	32.70	26.20		
8	2.50			21.82			82.92		77.62		

	10. Please indicate the *average length of time* spent on the following processes (please tick off if outside provider or in-house):																
Code No.	**Examination**	**Outside provider? (Yes=1, No=0)**	**Packing**	**Outside provider? (Yes=1, No=0)**	**Loading**	**Outside provider? (Yes=1, No=0)**	**Transport to port/airport**	**Outside provider? (Yes=1, No=0)**	**Export Customs Formalities**	**Outside provider? (Yes=1, No=0)**	**Port and shipping activities, rel acts in domestic port/airport**	**Outside provider? (Yes=1, No=0)**	**Domestic shipping/ flight to export gateway port/airport**	**Outside provider? (Yes=1, No=0)**	**Port shipping rel acts in export gateway incl waiting time in transit**	**Outside provider? (Yes=1, No=0)**	**TOTAL TIME from cargo arrival in domestic port / airport to ship / place departure in export gateway**
8	0.08			0	1.50	0	0.50	1	0.33						0.63		

Code No.	12. Experienced unofficial solicitation or being asked to pay something along the way from the factory to the port / airport? Yes=1, No=0	Times per trip	Times per week/month	Average share of total solicitation cost to total transport cost	13. Suggestions to improve the logistics performance in the country
1	0				Computerizarion in documenatation; Opening more ports aside from manila port; Security
2	0				Improve port operation- address the issues at port like port congestion, long queue of trucks, unavailability of containers, container depot far from plant; Improve traffic condition.
3	0				
4	0				Some improvements on the communications and interlinking of concerned offices (CDC to BOC to VASP providers) to have clear and common understanding of some guidelines and policies regarding automation; Implement open skies- allow other airlines to avoid congestion in NAIA
5	0				Romove redunducy of export documentation process and requirement between PEZA and customs; Limit the number of signatory for the approval of export documentation
6	No answer				
7	0				
8	No answer				