

Part III
SPECIFIC GUIDELINES TO THE NATIONAL AND REGIONAL LIST

I. NATIONAL LIST

A. EXPORT ACTIVITIES*

1. Manufacture / production of non-traditional products

This covers the manufacturing/production of non-traditional export products with capability to export at least 50% of its output, if Filipino-owned, or at least 70%, if foreign-owned.

2. Export Trading

This covers selling of non-traditional export products abroad. Export traders may be entitled to the ITH incentive only on their income derived from the following:

- a) Export of new products, i.e., those which have not been exported in excess of US\$100,000 in any of the two (2) years preceding the filing of the application for registration, or
- b) Export to new markets, i.e., to a country where there has been no recorded import of a specific export product from the Philippines in any of the two (2) years preceding the filing of the application for registration.

To be eligible for a pioneer status, an export trader must comply with the following:

- a) Export at least US\$10 million annually;
- b) Source at least fifty per cent (50%) of its exports from small and medium enterprises (SMEs); and,
- c) Assist the SMEs by providing any of the following: financing, raw materials, components, equipment, or technology.

3. Services

This covers services rendered to international clients or clients abroad such as knowledge, information, technology and systems and/or application or installment thereof in the project sites. This also includes services rendered to international airlines and shipping lines (shipchandling).

Shipchandling involves retail and supply of food provisions and service for technical, cabin, deck, engine, which may include training and/or manning, and victuals deliveries involving ship suppliers from major ports in other countries.

Eligible enterprises shall qualify as a service exporter catering to international shipping lines provided that revenues are paid in foreign currency.

For service exporters, to be eligible for pioneer status, an enterprise must comply with any of the following:

- a) It must engage in an activity that is new in the country; or,
- b) It will effect the export of locally developed systems and technology.

4. Support to Exporters

This covers the following:

- a) services comprising a portion of the process involving the manufacture of final

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- products;
- b) sub-assembly of parts/components of the final export product;
- c) fabrication of parts/components of the final export products wherein the raw materials are provided by the direct exporter;
- d) product testing and inspection; and,
- e) repair, maintenance and calibration of machinery and equipment used by export – oriented companies utilizing high – technology processes.

Product testing and inspection shall cover activities that will verify Philippine products' compliance with national and international standards. Registered enterprises engaged in product testing and inspection shall comply with ISO/IEC Guide 25 (Requirements for the Competence Testing and Calibration Laboratories) and shall be accredited with the Bureau of Product Standards within the first year of registration.

Repair and maintenance shall cover activities which will ensure the proper operation of machinery and equipment and may include the provision of spare parts and sub – assemblies necessary for the repair.

Registered enterprises considered as support to exporters must render at least fifty per cent (50%) of its services, if Filipino – owned, or seventy per cent (70%) of its services, if foreign – owned, to exporters registered with the Board of Investments (BOI), Philippine Economic Zone Authority (PEZA), or other economic zones.

For registered enterprises engaged in the repair, maintenance and calibration of machinery, at least fifty per cent (50%), in case of Filipino-owned, or at least seventy per cent (70%), in case of foreign-owned, of the income should be generated from the servicing of export – oriented firms registered with PEZA or other economic zones.

B. MANDATORY INCLUSION

1. Industrial Tree Plantation under P.D. 705

This covers the establishment of forest tree plantations which include timber and non-timber species such as rubber, bamboo, rattan, etc. (excluding fruit trees) for commercial and industrial purposes.

New project refers to the development of any public or private land to plantation of timber and non-timber producing species to supply the raw material requirements of forest-based industries. It also includes plantation with existing tree crops which have not yet reached commercial harvest.

Tree plantation in public lands must have been approved under the following:

- a) Socialized Industrial Forest Management Agreement (SIFMA);
- b) Industrial Forest Management Agreement (IFMA);
- c) Private Forest Development Agreement (PEDA); and,
- d) Community-Based Forest Management Agreement (CBFMA)

2. Iron and Steel under R.A. 7103*

This covers the following:

- a) Primary steel products in the form of refined iron ore, ingots, slabs or blooms/billets.
- b) Intermediate steel products such as plates, hot-rolled or cold-rolled flat products (for GI sheets, deep drawing applications, automotive and appliance) or their equivalents (e.g. tin mill black plates for tinplates); or bars/rods which are plain surface long

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products in round or non-round shapes and in straight lengths or coiled, the types of which are not currently produced in the Philippines, for use in drawing, extrusion or forging.

- c) Manufacture or processing of products primarily for the direct use of enterprises engaged in the activities referred to in a & b above.

3. Exploration, Mining, Quarrying and Processing of Minerals Under R.A. 7942*

This covers the following:

a) Exploration of mineral resources

- Projects are qualified for pioneer status.
- Projects must have approved exploration permit either through a mineral agreement or Financial or Technical Assistance Agreement (FTAA) under E.O. 279, series of 1987 or under R.A. 7942.

b) Mining, quarrying and processing of minerals except those involving riverbed operations, cave mining and beach mining.

- All processing projects must locate outside Metro Manila.
- Mining or quarrying integrated with mineral processing shall be entitled to full incentives.
- Processing activity without mining or quarrying shall be entitled to full incentives.
- Mining and processing of aggregates is not entitled to ITH.
- All marble processing projects, whether or not integrated with mining and quarrying must export at least fifty per cent (50%) of production, if Filipino-owned, or at least seventy per cent (70%), if foreign-owned.
- Projects with approved FTAA's or mineral processing projects of foreign-owned corporations under R.A. 7942 are qualified for pioneer status with ITH limited to four (4) years. If the projects comply with Art. 17, Title 1 of E.O. 226, as amended, or located in less developed areas, these shall be granted full incentives.

4. Publication or Printing of Books or Textbooks Under R.A. 8047*

This covers the following activities:

- a) Publication of books
b) Publication of textbooks
c) Printing of books or textbooks

Book is defined as a printed non-periodical publication of at least forty-eight (48) pages, exclusive of cover pages, published in the country and made available to the public. Textbook is defined as a book, which is an exposition of generally accepted principles in one subject, intended primarily as a basis of instruction in a classroom or pupil-book-teacher situation.

Application for registration shall be endorsed by the National Book Development Board (NBDB).

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5. Refining, Storage, Marketing and Distribution of Petroleum Products under R.A. 8479

This covers the following:

a) Refinery

This refers to oil refining, oil processing and oil movements and storage within the refinery, defined as follows:

- Oil refining refers to and covers the activity of manufacturing locally petroleum products through distillation, conversion and treatment of crude oil and other naturally occurring petroleum hydrocarbons.
- Oil processing refers to and covers the activity of manufacturing locally petroleum products with or without the use of the distillation process.
- Oil movement and storage cover receiving/discharging and storing petroleum within the refinery intended for refining and/or processing and eventual distribution purposes.

The applicant must submit an endorsement form from the Department of Energy (DOE) certifying that the applicant is either a natural or juridical person with new investments. New investments are investments put up or incurred upon the effectivity of the Rules and Regulations Implementing R.A. 8479 on March 13, 1998.

Investments in oil refining and/or oil processing shall include expansion, modification and rehabilitation in a refinery, resulting in an increase in existing volume of production, and/or improvement in the quality of petroleum products in conformance with the Philippine National Standards (PNS), the Clean Air Act, and other applicable laws and regulation.

Investments in oil movement and storage shall include expansion, modification and rehabilitation of facilities in the refinery resulting in an increase in existing capacity for storage, handling and distribution in the refinery.

Availment of ITH incentive shall be based on new investments made. New investments should account for at least 20% of the total investments (inclusive of equipment and plant facilities at acquisition cost) or a minimum of US \$2 million, whichever is lower.

For retooling activities, the rate of exemption for ITH incentive shall be based either (1) on the increase in production capacity or (2) on the additional investments made resulting to product improvement without any increase in production capacity.

The rate of ITH exemption for retooling activities resulting to product improvement without increase in production capacity shall be computed as follows:

$$\text{ITH rate of exemption (\%)} = \frac{\text{New investment (in US\$)}}{\text{Total Investments (existing + new) relative to the concerned plant (in US\$)}} \times 100$$

The US\$ value of investments made shall be determined using the foreign exchange rate at the time investment was made reckoned from relevant BOI registration or at the time the decision to construct was made, if the earlier investment is not registered with BOI, as proven by a Board resolution of the company which would be submitted upon application.

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For retooling activities resulting to increased production capacity, the general policies for expansion projects shall apply.

If retooling activity resulted to both increase in production and product improvement, the company may choose which parameter it would want to use in pro-rating its ITH incentive.

b) Storage

This refers to the business of receiving/discharging and storing petroleum crude and/or products of others for compensation or profit. This shall include fuels transshipment or terminalling (pertains to the last point prior to distribution).

c) Distribution

This refers to bunkering and fuels shipping and transport. Fuels shipping and transport cover shipping and transport through land such as tank trucks, lorries and pipeline and water tankers, and barges for the fuels to get to the points or areas where they are needed. Bunkering covers the activity of selling fuel for direct use by a vessel, usually for water and air transport, through a smaller transport vessel. Distribution projects are limited to those utilizing brand new equipment.

d) Marketing

This covers the following:

- Retailing of petroleum products

This refers to selling of petroleum products or fuels in retail generally directed to the end users, through dispensing pumps in gasoline stations or in packaged containers such as drums for the liquid fuels or metal cylinders for LPG. This includes the establishment and operation of gasoline stations and LPG retailing.

For gasoline retailing stations, except those locating in Less Developed Areas (LDAs) listed in this IPP, the applicant shall be required to invest a minimum capital equivalent to Two Hundred Thousand (US \$200,000) Dollars per station, excluding land, or such amount as may be determined jointly by BOI and DOE for augmentation purposes, as the need arises; Provided, that foreign retailers shall comply with the requirements provided under RA 8762, otherwise known as the Retail Trade Liberalization Law, and its implementing rules and regulations.

- Fuels bulk marketing

Fuels bulk marketing covers the selling of petroleum products or fuels in wholesale through tank trucks, lorries, tankers, barges or pipelines, which may be sourced from one's own storage facilities. Investment shall include underground tanks and other equipment intended for fuels retailing through outlets such as gasoline stations and LPG outlets.

- LPG refilling and marketing

A combination of storage, distribution and marketing activities may also be eligible for registration. For storage, marketing and distribution, only investments of new industry participants may be entitled to incentives. The applicant shall submit an endorsement from the Department of Energy certifying that the applicant is a new industry participant

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with new investments.

DOE certification on actual new investments of the registered enterprise shall be required in the application for incentives availment, except on the availment of the three percent (3%) duty and zero percent (0%) Value Added Tax (VAT) on imported capital equipment.

6. Ecological Solid Waste Management

This covers activities on environmental quality improvements as provided for under R.A. 9003 (Ecological Solid Waste Management Act) such as, but not limited to, materials recovery facility, recycling and composting.

Application for registration shall be endorsed by the National Solid Waste Management Commission (NSWMC).

C. SUPPORT TO GOVERNMENT PROGRAMS

1. Agricultural/fishery production, processing and services*

- a) Production of agricultural crops, livestock and poultry, commercial fishing and aquaculture

This covers the following:

- Commercial production (i.e., planting, breeding, growing, raising, harvesting and primary processing) of agricultural crops (food crops, industrial crops, feed crops, fiber crops including abaca, ornamental plants, etc. including tobacco and those considered as traditional crops), livestock (pigs, cattle, goats, etc.) and poultry (chicken, ducks, etc.);
- Commercial fishing; and
- Commercial production/culture of aquatic species (fish, crustaceans, mollusks, seaweed, etc.) Production activities may go up to primary processing of the produce.

Primary processing includes activities such as copra drying, sugar milling, VHT or fumigation of fruits, shelling/drying of grains, dressing of poultry, slaughter of livestock, pasteurization, drying and freezing of fish and marine, chipping and drying of rootcrops.

Existing aquaculture farm that will undertake transformation or improvement due to shift in technology and pond/farm which is idle for at least one (1) year to be rehabilitated for re-operation shall be deemed as new.

Transformation of existing aquaculture farms due to shift in technology means the conversion of the existing production area by adopting/implementing the specific aquaculture engineering designs necessary that would ensure the attainment of the maximum potential productivity attributed to the new technology.

- b) Processing of agricultural and fish products/ by-products/wastes

Processing refers to the conversion of products covered in (a) above into intermediate and finished product including their derivatives, except desiccated coconut, copra cake/meal, and crude coconut oil, and RBD coconut oil.

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c) Agribusiness Park

This refers to an area of at least 25 hectares that takes the form of an agro-industrial estate wherein the locators would be agribusiness enterprises and support service enterprises/ institutions. The Park should be large enough to cover the agricultural production areas.

A project under items 1a and 1b may adopt a purely corporate production operation or nucleus estate smallholders (NES) scheme or contract-growing scheme in the production of the agricultural product(s), or in the sourcing of agri-products as raw materials for processing. For all activities, except feed milling, a maximum thirty percent (30%) of raw materials requirement shall be allowed for importation.

Projects under 1(b) shall meet any of the following:

1. Should support backward and forward integration; or
2. Should address a lack or absence of supply; or
3. Should introduce new technology.

Only projects with a minimum investment of US \$1 million (excluding cost of land) may qualify for registration.

2. Energy Sources

This covers exploration/development of indigenous, new and renewable energy sources and technologies, including natural gas and solar and geothermal energies, and establishment of mini-hydro electric power plants. Indigenous, new and renewable energy sources mean sources of energy that are regenerative or virtually inexhaustible such as biomass, waste to energy conversion, solar, wind, geothermal, hydro, etc.

Applications for registration shall be endorsed by the Department of Energy (DOE). Projects may qualify for pioneer status if it meets either of the following:

- a) The project utilizes new technology as endorsed by the DOE and/or DOST.
- b) Project cost of at least US \$20 million.

3. Logistics

This covers the following:

- a) Land transport includes Public Utility Bus (PUBs) operations and Public Utility Articulated Buses (PUABs)

Following are the qualifications for registration:

- Buses must be brand new.
- PUB/PUAB operators must have their own terminals that can accommodate the total number of buses under their franchises.
- PUB operators must have corresponding franchises for the particular routes outside Metro Manila.
- Public Utility Articulated Buses (PUABs) operating within Metro Manila. PUABs refer to buses with the following descriptions:
 - High seating capacity of seventy (70) and above (excluding driver and conductor);
 - Gross vehicle weight of 20,000 kg and above;
 - Body make of articulated coach with entry and exit doors, emergency exits, optional separate baggage compartment and tempered glass window;

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- Fixed, regular, limited stop or express routes;
- Fares based on distance or zonal as authorized by Land Transportation Franchising and Regulatory Board (LTFRB); and,
- Running on segregated bus way systems.

Application for registration shall be accompanied by a copy of the franchise from the LTFRB.

Provincial operations with project cost of more than US \$20 million may qualify for pioneer status.

- b) Air transport operation includes passenger operation, cargo operation, passenger/cargo operation which will serve as a public utility.

Lease with option to purchase the aircraft may be allowed. Pure lease without option to purchase may be allowed provided it has a minimum lease agreement of five (5) years.

Application for registration must be endorsed by the Civil Aeronautics Board (CAB).

A registered air transport enterprise flying the missionary / developmental routes, as indicated in the Certificate of Public Convenience and Necessity (CPCN), and supportive of village enterprises or of exporters as determined by the Board may qualify for pioneer status.

- c) Inter-island shipping includes pure cargo vessel operations, passenger carrying vessel operations, Roll-On/Roll-Off Terminal System Operation (RORO) and passenger-cargo and vessel operations.

Following are the qualifications for registration:

- Only Maritime Industry Authority (MARINA) accredited Filipino owned corporation i.e., where foreign equity shall not exceed 40%, shall be eligible for registration in accordance with the nationality requirement for public utilities;
- Vessels (except RORO vessels) must have a minimum passenger limit of fifty (50);
- Vessels must not be more than fifteen (15) years old except for high – speed passenger crafts, of which age limit is ten (10) years;
- Vessels other than hi-speed crafts and tankers must be at least 500 tons gross tonnage;
- RORO vessels must be at least 250 tons gross tonnage for those serving primary routes and at least 100 tons gross tonnage for those serving the secondary, tertiary and developmental routes.
- A registered inter-island shipping enterprise plying the secondary, tertiary or developmental routes, as indicated in the Certificate of Public Convenience and Necessity (CPCN) is considered to be locating in a Less Developed area (LDA) and shall be eligible for pioneer incentives provided to projects locating in LDAs.
- A registered RORO operator/enterprise serving the secondary, tertiary or developmental routes as indicated in the Certificate of Public Convenience and Necessity (CPCN) is considered to be locating in a Less Developed area (LDA) and shall be eligible for pioneer incentives provided to projects locating in LDAs.

A BOI-registered inter-island shipping enterprise that will put up a separate facility may qualify as a new project with base figure.

Applications for registration must be endorsed by the MARINA. Vessels for tourism purposes must be endorsed by the Department of Tourism (DOT).

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All vessels must be certified as seaworthy by MARINA by obtaining an updated Class Certificate, Certificate of Compliance, and Safety Management Certificate issued by the International Association of Classification Societies (IACS).

Projects costing at least US \$20 million shall qualify for pioneer status.

- d) Natural Gas projects include land transport using Compressed Natural Gas (CNG), conversion shops, terminals with CNG refueling stations and the manufacture/assembly of Natural Gas Vehicles (NGV).

- Land transportation using CNG.

Registered PUB operators must have their own terminals that can accommodate the total number of buses under their franchises.

Application for registration must be accompanied with a copy of franchise from the LTFRB.

- Conversion shops

This covers converting, retrofitting, repairing, operating and maintaining NGVs in accordance with relevant Philippine National Standard (PNS) and procedures and shall provide warranties to stakeholders.

Only projects with a minimum investment of US \$2 million may qualify for registration.

- Terminals with CNG Refueling Stations.

This covers design, construction, installation and operation of CNG refueling station and related infrastructures and facilities in accordance with relevant Philippine National Standard (PNS) and procedures.

Projects complying with the following may qualify for pioneer status:

- Must have new facilities;
- Cater to shipping vessels or land transport or a combination of both;
- Cater to at least one (1) clientele, other than the proponent's own business interests, needing enhancement of logistical component of its operation; and
- Minimum project cost of US\$500,000.

Application for registration must be accompanied with a proof of application with the concerned regulatory agency such as but not limited to an Endorsement, a Certificate of Registration or Permit to Operate or any related document required.

- Manufacture/Assembly of NGVs

This covers establishment of new assembly facility or utilizing an existing assembly facility for the assembly/manufacture of brand new quality NGVs and related parts/components which shall involve at least the basic assembly processes, i.e. welding, painting trimmings and quality testing/inspection.

Only projects with a minimum investment of US\$ 8 million may qualify for registration.

Application for registration for all natural gas projects must be accompanied by a copy of

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the Certificate of Accreditation as a participant of the Natural Gas Vehicle Program for Public Transport (NGVPPT) issued by the DOE.

e) Container yards and passenger terminals

- Container yards

Following are the qualifications for registration:

- Must be new, expanding or modernizing;
- Caters to at least one (1) clientele, other than the proponent's own business interests; and,
- Must have a plan of ingress and egress to prevent causing or inducing traffic build-up/obstruction of thoroughfare at 24-hour operation basis (preferably certified by the appropriate DOTC/MMDA traffic management office).

The application for registration must include a proof of application with the concerned regulatory agency such as but not limited to an Endorsement, a Certificate of Registration or Permit to Operate or any related document required.

Projects costing more than US \$20 million may qualify for Pioneer status.

- Passenger Terminals

Following are the qualifications for registration:

- Must have new facilities and must provide parking, comfort rooms, ticketing and reservation systems and airconditioned waiting area;
- Caters to shipping lines or airlines and/or different land transportation systems (rail system, buses, taxis, etc.); and,
- Caters to at least one (1) clientele, other than the proponent's own business interests.

Application for registration must be accompanied by a proof of application with the concerned regulatory agency such as an Endorsement, a Certificate of Registration or Permit to Operate or any related document including the DOT endorsement for all gateways for tourism.

Projects costing more than US \$20 million may qualify for pioneer status.

f) Shipbuilding/shiprepair/shipbreaking

Shipbuilding covers the design, construction, launching and outfitting of all types of watercraft.

Ship repair includes the overhaul, repair, improvement, hull alteration, machineries, equipment, outfits and components of all types of watercraft. Ship repair projects with a minimum berthing capacity of 7,500 deadweight tons may qualify for pioneer status.

A ship breaking facility must have the capability to dismantle vessels of at least 100,000 deadweight tons to qualify for pioneer status.

Steel re-rolling and/or steel scrap supply agreement with local millers must be submitted to support the applications for ship breaking.

g) Integrated Logistics

The activity involves all inclusive, door-to-door pick-up and delivery of goods, supply

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chain management, and the loading into any carrier where the following are done: scanning, sorting, weighing, packing into containers and re-loading into any carrier of packages and bundled documents, confirmation of export documentation and completion of manifests which are then sent electronically to destination airport gateways to enable the customers to track their shipment's progress through the integrator's system over the internet – from pick-up to delivery that may include existing facilities and should have the following:

- Warehousing;
- Distribution; and,
- Transport (land, water, air)

Following are the qualifications for registration:

- The operation must cater to at least one (1) clientele, other than the proponent's own business interests; and,
- Minimum investment of US \$1 million.

Application for registration must include a proof of application with the concerned regulatory agency such as a Certificate of Registration of Permit to Operate, or any related document.

Projects costing more than US \$20 million may qualify for pioneer status.

h) Agricultural Services

This covers the following service-oriented activities or service activities rendered for a fee to agricultural producers and/or agri-processors:

- Post-Harvest Facilities such as Cold* and Dry Storage Facilities, Bulk Handling Facilities and Specialized Transport Facilities, Food and Agri-Products Terminal Market including Livestock Auction Market (which should be duly endorsed by DA and/or Bureau of Animal Industry).

Cold storage facilities may include ice plant, provided that if ice plant alone, it should be located in a LDA to qualify for registration.

- Irrigation

i) Pipeline operations

Following are the qualifications for registration:

- Application for registration on the establishment of infrastructure for transport of petroleum products, natural gas, petrochemicals, and similar products must include proof of filing of an application for Authority to Operate Pipeline System with the DOE.

For transport of natural gas/CNG, minimum investment requirement shall be US\$500,000. The transport from mother station to daughter station should be in accordance with relevant Philippine National Standards and procedures

- Upgrading of existing pipeline facility may be registered as a new project, provided that the cost of upgrading already approximates the cost of constructing a new facility, i.e. ninety per cent (90%) and above, as certified by DOE. If the cost of upgrading is less than ninety per cent (90%) of the cost of constructing new pipelines, the project may be registered as a modernization activity.

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j) Establishment of Toxic and Hazardous Waste (THW) Merchant Facilities

Merchant facility refers to an integrated and self-contained facility capable of handling a wide range of toxic and hazardous waste (THW) for processing that involves treatment, storage and disposal (TSD) facilities.

k) Testing/measuring services for industrial/institutional point sources of emission and effluent and other related environmental parameters for machineries and equipment excluding motor vehicles.

- Applications for industrial emission testing projects shall be endorsed by the appropriate government agency.
- Applicants shall adopt a world-class technology for industrial emission testing projects as certified by DOST. DOST certification should be submitted upon BOI application.
- Application for registration involving several locations filed simultaneously shall be registered on a per site basis.

To be eligible for pioneer status, applicants should satisfy Article 17 of E.O. 226.

4. Drugs and Medicines*

This covers the manufacture of essential drugs (listed in the current Philippine National Drug Formulary of the Department of Health), herbal medicines and supplements, vaccines for animal diseases (listed under the Bureau of Animal Industry (BAI) – Department of Agriculture Administrative Order No. 12, Series of 1992) and active substances of these drugs.

Application for registration shall be endorsed by the Bureau of Food and Drugs (BFAD) or the BAI, whichever is applicable.

5. Engineered Products

This covers the following:

- a) Manufacture of machinery and equipment, and/or their parts and components, including assembly of basic components of facilities for new and renewable energy sources;
- b) Manufacture of parts and components of motor vehicles;
- c) Preparation of designs of machinery and equipment and/or their parts and components; and,
- d) Manufacture of motor vehicles. Projects complying with either of the following may qualify for pioneer status:
 - At least US\$20 million new investments which may include acquisition of existing assets or facilities.
 - Exports at least 1,000 units per annum of completely-built-up (CBU) motor vehicles.

6. Information and Communications Technology***

This covers the following:

- a) ICT services: software development (system software, middleware, application software, application systems).

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- b) ICT – enabled services: business process outsourcing (BPO) refers to business lines that can be transformed and delivered through the means of ICT infrastructure. These include: customer contact centers, engineering and design, animation and content creation, distance learning, market research, travel services, finance and accounting services, human resource services and other administrative services (e.g., purchasing).

For foreign entities (more than 40% foreign-owned), at least 70% of total services rendered must be exported. Filipino-owned entities, however, must export at least 50% of total services rendered.

Entities primarily serving the domestic must comply to the existing international standards for specific services rendered, in terms of equipment, tools and processes.

- c) ICT Support Activities: pure research and development center and services, educational and training institutions for ICT, incubation centers for ICT projects, community access facilities.

Information and Communication Technology (ICT) Learning Institutions refer to the establishment and operation of training institution/center specializing in developing skills for the information and communication technology sector utilizing state-of-the-art facilities. To qualify for registration, project shall be endorsed by either the Technical Education and Skills Development Authority (TESDA) or Commission on Higher Education (CHED) or any other appropriate government agencies or endorsed by the recognized industry associations in the field of training.

The project to be registered must provide training laboratories utilizing state-of-the-art personal computers (should be the latest model in the market) and with reliable means of connection to the Internet. The ratio of PC to number of students must be 1:1 per class and the ratio of trainer to trainees should not be more than 1:16 per class.

Prior to availment of incentives, firm shall submit proof that its curriculum has been endorsed by either TESDA or CHED or any other appropriate government agencies or recognized industry associations in the field of training.

Community Access Facilities refer to activities that will provide facilities for mass-based use of internet/e-commerce. These include internet cafés, kiosks, multipurpose communication telecenters, etc. which must be located outside Metro Manila, Metro Cebu and Davao.

Following are the qualifications for registration:

- a) Utilizes a network that provides reliability of access;
- b) There is a roll-out plan covering various areas of the country;
- c) Support the programs of the Local Government Units (LGUs) aimed at complying with Government On-line; and,
- d) Assists/partners with schools/educational institutions in promoting E-commerce and in augmenting the lack of sufficient computer facilities.

If the registered project will provide access to unserved municipalities as identified by the Department of Transportation and Communications (DOTC), the firm shall be granted pioneer incentives.

For ICT Learning Institutions and Community Access Facility: Projects that fail to comply with the minimum conditions set on investment cost and technical requirements for pioneer status shall be downgraded to non-pioneer.

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Projects that fail to comply with the minimum conditions set on technical requirements for non-pioneer status shall be required to refund the incentives availed.

To be eligible for pioneer status, all ICT activities must comply with any of the following requirements:

- a. Utilizes new or untried technology;
- b. Introduces a major innovation in software development; and
- c. Project cost should be at least US\$2 million.

7. Infrastructure*

This covers the establishment of physical infrastructure, e.g., roads, bridges, and telecommunication facilities, including those under the BOT Law. Projects undertaken under joint venture agreement between the private sector and government entity concerned may be registered, provided, the following conditions are met:

- a) The Philippine investor-partner in joint venture has a legislative franchise covering the infrastructure applicable; and,
- b) The infrastructure project has been declared a priority program of the national government.

“Telecommunications Projects” refer to the establishment and operation of the following telecommunication systems:

- a) Local exchange service (to include public calling offices/Alternative Communications Program)
- b) International gateway facilities
- c) Any type of broadband service or infrastructure
- d) Telecommunications projects involving satellites such as:
 - Inter-exchange service
 - Global mobile personal communications
 - Trunk radio service
 - International satellite communicationsFor international satellite communication facilities, existing infrastructure may qualify as new project provided that any of the following is met:
 - a) There will be substantial upgrade of capability (technical/technology) to be provided by original proponent or new investors
 - b) Venture capital infusion of joint venture partner
 - c) Ratio of new investments over existing facilities is at least 90%

For multi – media operation, it must cover areas in line with the country’s program for regional development.

“Power generation” projects that may qualify for registration are:

- a) Those using new and renewable energy sources (biomass, waste to energy conversion, solar, wind, geothermal, hydro, etc.) and energy sources (Liquefied Natural Gas, Natural Gas, etc.)
- b) Power Generation Projects under the proposed privatization of the National Power Corporation (NPC) and National Transmission Corporation (TRANSCO) shall be limited to new facilities only.

Application for registration must include the following documents:

- a) Certification from the Department of Energy (DOE);
- b) Endorsement from the Environmental Management Bureau (EMB);

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- c) Certificate of Compliance from the Energy Regulatory Commission (ERC) under the Electric Power Industry Reform Act; and,
- d) Copy of power supply contract.

Mini-hydroelectric plants with a capacity equivalent to or less than 10,000 kilowatts should register with the Department of Energy (DOE) under RA 7165 (Mini-hydroelectric Power Incentives Act).

For “power transmission” projects, application for registration must include a Certificate of Compliance from the Energy Regulatory Commission (ERC) under the Electric Power Industry Reform Act (EPIRA).

Infrastructure projects with cost in excess of US \$20 million shall be classified as pioneer.

All income derived from government guarantee shall not be entitled to ITH.

8. Mass housing projects including development and fabrication of housing components**

This covers the following as defined by Housing and Land Use Regulatory Board (HLURB):

a) Development of mass housing projects

- Socialized housing – a housing program or project covering houses and lots or homelots undertaken by the government or private sector for the underprivileged and homeless citizens.
- Low cost or economic housing – a housing project for low and middle income groups substantially constructed by the private sector as a business venture.

Land development components for housing sites must contain provisions for road system, drainage system, water supply system, power system, sewage system in conformity with the minimum design standards for B.P. 220 and P.D. 957, and provisions for amenities and utilities.

Following are the qualifications for registration:

- Nationality requirement:
Open to both Filipino and joint venture enterprises at 60:40 local-foreign ownership ratios, subject to the following limitations:
 - The Philippine Constitution of 1987 prohibiting alien or alien-owned corporations from owning land; and,
 - R.A. 7652 and P.D. 471 limit lease of land to fifty (50) years, renewable for another twenty (25) years, unless, a law amending this limitation is enacted.
- New mass housing project. Socialized, Low-cost/Economic or MRH housing projects that have already been in existence and have generated sales from housing packages are not qualified for registration under E.O. 226.
- Socialized housing projects or low-cost/economic Housing Project as determined by Housing and Land Urban Development Coordinating Council (HUDCC).
- Mass housing projects shall have minimum twenty (20) livable dwelling units in a single site.
- Mass housing project shall conform with the design standards set forth in the Rules and Standards to Implement B.P. 220, P.D. 957 and other related laws.
- Mass Housing projects must utilize new and innovative methodology/system whereby the quantity of materials used must account for at least 50% of the direct cost per housing unit.

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- Mass housing projects should have satisfied the required permits for the housing project of concerned agencies.
- Mass housing projects must be located in areas zoned and classified for residential use/purposes in conformity with the approved Comprehensive Land Use Plan and Zoning of the concerned Local Government Unit (LGU). The project must be outside Metro Manila.

Pioneer status may be granted to projects using new and innovative methodology/system in the construction of housing/building units, and which also includes new technology for land development. The production of housing units shall be limited to the use of locally produced and available non-traditional materials and/or building technology as certified and endorsed by the Accreditation of Indigenous Technologies for Housing (AITECH – Inter-agency Committee headed by HUDCC with National Housing Authority (NHA) as the secretariat).

New and innovative housing technologies shall refer to any of the following:

- New production processes of housing components/materials;
- New construction systems/methodology; or,
- New technologies, systems, materials and designs that will effectively bring down the cost of constructing housing packages.

Application for registration shall be accompanied by the overall development plan approved by the HLURB.

b) Manufacture of Housing Components

This covers the manufacture of major mass housing components using new and environment-friendly materials or technology. These include roof/framing systems, partition systems, flooring systems, door/window systems, finishing/ceiling systems, and plumbing/sewerage systems.

Following are the qualifications for registration:

- Products, other than steel-based, should conform to the Modular Coordination System (MCS) of the Construction Industry Authority of the Philippines (CIAP).
- The volume of production to be sold to socialized and/or low-cost housing projects shall account for at least seventy per cent (70%) of the total sales volume.

For purposes of ITH availment, the BOI shall request the HUDCC (Special Projects Group) to validate the performance of the registered firm as to its compliance with its commitment to sell a volume of production for socialized and/or low-cost housing projects. The HUDCC shall act within thirty (30) working days upon the receipt of the said request.

Separate endorsements from the HUDCC and the DOST are required. If necessary, the proposed product shall be required to undergo evaluation by the HUDCC under the Accreditation of Innovative Housing Technologies (AITECH) system.

If in any year of commercial operation, the registered enterprise's volume of sale to socialized and/or low-cost housing projects accounts for less than seventy percent (70%) of the total sales volume, the registration shall be automatically cancelled subject to refund of incentives availed of.

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9. Research & Development, including Bio-Technology*

This covers both in-house R&D activities, including biotechnology projects of any manufacturing/producing firm and the commercial R&D activities of private firms and research institution. Commercialization of biotechnology R&D shall be covered under C.13 (New projects and bio-technology projects with a minimum project cost of US\$2 Million not commercially undertaken in the Philippines as of 31 December 2001).

R&D activities should be located within the premises of the applicant firm's manufacturing/production facility. Research institutions may be located near industrial estates or export processing zones, in academic campuses or agricultural/industrial areas.

Application for registration shall be endorsed by the Department of Science and Technology (DOST), Department of Agriculture (DA) or the relevant agency concerned.

10. Social Services*

This covers the following:

a) Educational Training Institutions

These cover those specializing in developing skills for the manufacturing, agriculture, fishery, mining, tourism, infrastructure and service (including the training of maintenance personnel, seafarers complying with international standards and the development of environmental/sustainable disciplines – i.e., pollution control officers/managers, environmental management auditors) sectors.

Following are the requirements for registration:

- The curriculum must be approved by either the Technical Education and Skills Development Authority (TESDA) or Commission on Higher Education (CHED) or the appropriate government agencies, and endorsed by the recognized industry association.
- Educational institutions other than those established by religious groups and mission boards, shall be owned solely by citizens of the Philippines or by corporations or associations whose capital is at least sixty per cent (60%) owned by such citizens. [Sec. 4(2) Art. XIV of the Constitution.]
- The registered education/training institutions must provide training laboratories and laboratory scale manufacturing equipment. An endorsement from the DOST regarding acquisition of these equipment is required.
- In-house training facilities of industrial plants may be registered provided no more than thirty per cent (30%) of trainees shall come from within.
- Operation of an institution which will offer higher skills training / education on short or long term programs leading to degree or non-degree courses may also be registered.

b) Health Services

This covers hospitals, diagnostic centers, therapy centers, occupational safety and health centers, clinical laboratories, ambulatory health care facilities, facilities for mentally-ill patients and other health services as determined by the BOI in consultation with the Department of Health and other government agencies concerned. Establishment of clinics intended solely for mere individual practice of medical profession will not qualify for registration.

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Following are the qualifications for expansion projects:

- Effectively increase the existing capacity by more than twenty-five per cent (25%) in terms of number of beds, if applicable; or,
- Provide for an increase in the scope of services that may be measured in terms of additional equipment/facilities.

Application for registration shall be endorsed by any of the following concerned agency:

- Department of Health (DOH);
- Department of Labor and Employment (DOLE);
- Department of Social Welfare and Development (DSWD); and/or,
- Other concerned agencies.

c) Social Welfare Services

This covers day care centers, senior citizens centers, centers for disabled and handicapped, trauma/crisis centers, rehabilitation centers for youth offenders in selected areas, out-of-school youths centers, and other social welfare services as determined by the BOI in consultation with DSWD and other government agencies concerned.

Following are the qualifications for registration:

- The project should be endorsed by the DSWD or other government agencies concerned; and
- The project must comply with the specific conditions and regulation being imposed by the authorized government agency.

Projects under BOT Scheme shall be subject to the following additional requirements to qualify for BOI incentives:

- Endorsement of the application for registration by appropriate government entity (DSWD, Local Government Units, any authorized government agency or government-owned corporations).
- Copy of the BOT agreement

Only projects costing more than US \$100,000 may qualify for registration.

11. Tourism-Related Activities as Endorsed by the Department of Tourism

This covers the following:

a) Tourist Accommodation Facilities

This refers to hotels, apartels, tourist inns, pension houses, and resorts. Resorts may also include special interest activities (that may or may not have accommodation facilities) such as but not limited to theme parks, conventions and exhibition/trade display centers, eco-tourism projects and those involving environmentally-sound tourism activities in a given eco-system/specific locality.

New and expanding tourist accommodation facilities may be granted pioneer status if they meet the following:

- Hotels
In Less Developed Area: US\$ 50,000/room but not less than US\$ 5 Million/project
Elsewhere: US\$100,000/room (excluding MM)

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To qualify for registration under non-pioneer status: (1) the project cost must be at least US\$ 20,000/room to exclude cost of land; (2) must have the facilities that would entitle it to a standard class hotel in accordance with DOT classification.

- Resorts
In Less Developed Area: US\$ 5.0 Million/project
Elsewhere: US\$10.0 Million/project (excluding MM)

Income from golf courses will not be entitled to ITH, if applicable.

Application for registration shall be endorsed by the Department of Tourism.

b) Tourism Estates

This refers to large tracts of land with defined boundaries in any of the destination areas in the country, suitable for development into an integrated complex with prescribed carrying capacities of tourist facilities and activities such as but not limited to accommodation, food and recreational centers and commercial outlets, and provided with roads, water supply facilities, power distribution facilities, drainage and sewerage systems and other necessary infrastructure. Estates should not be less than fifty (50) hectares to qualify for registration. Estates in an island less than fifty (50) hectares may also be registered provided the whole area is developed into a tourism estate.

Tourism estates with a minimum area of one hundred (100) hectares may qualify for pioneer status.

c) Tourist buses

Following are the requirements for registration:

- Accredited by the Department of Tourism (DOT).
- Buses must be brand new and suited to local conditions.

Application should be accompanied by a proof of filing an application with the Land Transportation Franchising and Regulatory Board (LTFRB).

d) Historico-cultural Heritage Projects

This covers the conservation, preservation or restoration of national sites, properties, or audio-visual materials as categorized and defined under the BOI guidelines for historico-cultural heritage projects. Projects involving the operation of historico-cultural heritage projects will not qualify for registration.

The following may qualify for registration:

- Sole or single-proprietorships, partnerships or corporations involved or engaged in undertaking the conservation and preservation, restoration or maintenance of historico-cultural heritage that includes (i) National Shrines, (ii) National Monuments, and (iii) National Landmarks.
- Sole or single-proprietorships, partnerships or corporations involved or engaged in undertaking the conservation and preservation, restoration or maintenance of historico-cultural heritage that includes (i) classified historical sites/properties, and (ii) local historical sites/properties classified, identified, and listed in the National Registry of Historic Structures.
- Sole or single-proprietorships, partnerships or corporations involved or engaged in undertaking the conservation and preservation, restoration or maintenance of

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historico-cultural heritage that includes (i) national cultural properties and (ii) national cultural treasures.

- Sole or single-proprietorships, partnerships or corporations engaged in producing historical/cultural and documentary films and/or audio-visual films.

Applicant firm must comply with the 60% Filipino-40% foreign ownership requirement. If more than 40% foreign-owned, project must qualify for pioneer status. Pioneer status may be granted to historico-cultural heritage projects with a minimum project cost of US \$100,000 for residential-type, and US \$200,000 for structural building.

Application for registration shall be endorsed by the National Historical Institute (NHI)/ National Museum (NM), and Department of Tourism for adaptive use for tourism activities.

e) Agri / Eco Tourism Projects

These cover those involving working farms/eco tourism sites where the working environment forms part of the tourism project. These may include attractions, activities, services and amenities as well as cultural resources of the area intended to promote an appreciation of local culture, heritage and traditions through personal contact with local people. Agri and Eco tourism projects may or may not have accommodation facilities. Working farms/eco-tourism site must be located outside Metro Manila.

Projects with lot area of at least one hundred (100) hectares shall be granted pioneer status. Pioneer status shall be granted to projects with more than forty percent (40%) foreign ownership; provided, ITH is limited to four (4) years.

Application for registration shall be endorsed by the Department of Tourism (DOT).

12. Motion Picture limited to films with historical and socio-cultural significance, and documentary films.

This covers films which have historical and socio-cultural significance.

Following are the qualifications for registration:

- a) Sole or single-proprietorships, partnerships or corporations engaged in producing historical/socio-cultural and documentary films and/or audio-visual materials.
- b) Historico/socio-cultural and documentary films or any audio-visual materials must depict a present reality on the basis of historical events, and attempt to tell true and accurate stories about real life situations and real people, respectively. The plot of films with historical and/or socio-cultural significance should revolve around Filipino values relevant to contemporary needs that will result to a more informed civic awareness.

A film project may be granted a pioneer status if it reached a total production cost of at least US \$2 million. Pre and postproduction expenses such as R&D, licenses and permits, editing, trailers, advertising and promotion may be included.

Application for registration (per project basis) shall be endorsed by the Film Development Council of the Philippines.

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13. New projects and bio-technology projects with a minimum project cost of US\$2 Million not commercially undertaken in the Philippines as of 31 December 2001

This covers the following:

- a) New manufacturing projects
- b) Commercialization of biotechnology projects

Following are the qualifications for registration:

- a) Minimum project cost of US\$2 million; and,
 - b) The activity or product has not been commercially undertaken in the Philippines as of 31 December 2001. An activity or product that satisfies any of the following general conditions shall be considered “not commercially undertaken”:
- It is to be undertaken or produced for the first time in the Philippines
 - The firm’s operations is on a pre-operating or dry/test run stage;
 - The firm is engaged in pre-selling or pre-marketing until the plant is fully operational, for purposes of the following:
 - Establishing the company in the Philippine market; or,
 - Refining the business processes and skills ahead of the operations; or,
 - Gaining a fuller insight into the dynamics of the market.

14. Printing Facility

This covers integrated printing facilities utilizing state-of-the-art technology with a minimum investment of US \$3 million.

II. REGIONAL LIST

The Regional List includes activities under the IPP, which are regional in scope and should be implemented and located in the identified regions and provinces. The eligibility to incentives under E.O. 226 shall be determined by the location of the project and subject to General and Specific Guidelines.

A. INDUSTRY CLUSTER

Industry Clustering refers to the geographical concentration of interconnecting companies, specialized suppliers, service provider, firms in elated industries and associated institutions (universities, standard agencies, and trade associations) in particular fields that compete but also cooperate.

(Note: Geographic scope can range from a single city or region to proximate cities or regions to a country or even a network of neighboring countries.)

REGION	CLUSTERS
CAR	
Abra	Bamboo
Benguet	Fruits and Vegetable Processing
Ifugao	Indigenous Textiles
Kalinga	Wood Products
Apayao	Fruits and Vegetable Processing
Mt. Province	Indigenous Textiles
Region I	
Ilocos Norte	Furniture and Handicrafts
Ilocos Sur	Furniture
La Union	Furniture

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Pangasinan	Fish Processing
Region II	
Batanes	Fish Processing
Cagayan	Wood Products
Isabela	Wood Products
Nueva Vizcaya	Fruits and Vegetable Processing
Quirino	Furniture
Region III	
Bataan	Petrochemicals
Bulacan	Jewelry
Nueva Ecija	Fruits and Vegetable Processing
Pampanga	Food Processing
Tarlac	Fruits and Vegetable Processing
Zambales	Fruits and Vegetable Processing
Region IV	
Aurora	Wood Products
Batangas	Chemicals
Cavite	Food Processing
Laguna	Gifts, Toys and Housewares
Marinduque	Indigenous Textiles
Oriental Mindoro	Gifts, Toys and Housewares
Occidental Mindoro	Seaweeds and Fish Processing
Palawan	Fish Processing
Quezon	Coconut
Romblon	Marble Products
Rizal	Gifts, Toys and Housewares
Region V	
Albay	Abaca
Camarines Norte	Chemicals
Camarines Sur	Bamboo
Sorsogon	Gifts, Toys and Housewares
Catanduanes	Abaca
Masbate	Food Processing
Region VI	
Aklan	Indigenous Textiles
Antique	Coconut
Capiz	Gifts, Toys and Housewares
Guimaras	Gifts, Toys and Housewares
Iloilo	Bamboo
Negros Occidental	Gifts, Toys and Housewares
Region VII	
Bohol	Indigenous Textiles
Cebu	Furniture
Negros Oriental	Indigenous Textiles
Siquijor	Wood Products
Region VIII	
Biliran	Gifts, Toys and Housewares
Eastern Samar	Seaweeds and Fish Processing
Leyte	Gifts, Toys and Housewares

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Northern Samar	Coconut
Samar	Fish Processing
Southern Leyte	Food Processing
Region IX	
Zamboanga Sibuguey	Rubber Products
Zamboanga del Sur	Seaweeds and Fish Processing
Zamboanga del Norte	Fish Processing
Region X	
Bukidnon	Fruits and Vegetable Processing
Camiguin	Food Processing
Lanao del Norte	Seaweeds and Fish Processing
Misamis Occidental	Fish Processing
Misamis Oriental	Fish Processing
Cagayan De Oro	Chemicals
Region XI	
Compostella Valley	Wood Products
Davao del Norte	Food Processing
Davao del Sur	Food Processing
Davao Oriental	Coconut
Region XII	
North Cotabato	Palm Oil
South Cotabato	Fish Processing
Sarangani	Fish Processing
Sultan Kudarat	Palm Oil
CARAGA	
Agusan del Norte	Food Processing
Agusan del Sur	Palm Oil
Surigao del Norte	Essential Oils
Surigao del Sur	Wood Products

This notice shall take effect immediately after its publication in a newspaper of general circulation.

(SGD) ELMER C. HERNANDEZ
 Executive Director
 Industry Development Group

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