CHAPTER V
DECENTRALIZATION AND REGIONAL INDUSTRIAL DEVELOPMENT IN THE PHILIPPINES

by

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I. INTRODUCTION

Like other Asian countries during the post-World War II period, the Philippine government started to modernize the country through industrialization which was perceived as the faster and more assured way of developing further the national economic. The industry sector, especially manufacturing, proved most effective in generating employment opportunities as compared to the agriculture sector which fluctuates with the weather conditions, and is not very responsive to the needs to increase productivity and generate employment due to the limited arable lands in the country.

Modernization of the Philippines through industrialization succeeded in the early stage of the postwar era as indicated by the 15.5 percent share of Gross Domestic Product captured by the manufacturing sector in the 1950s. This rapid growth was attained through the import-substituting industrialization policy which provided strong protection to the domestic industry through a high tariff rate, an import quota system and an artificially appreciated local currency fixed at 2 pesos to a dollar even during the war years.

However, factors like narrow market and concentration of industry in the national capital areas made it difficult for the import substituting industrialization to succeed. Import substitution thrived on centralization because: (1) consumer goods industries were favored far more than intermediate and capital goods industries, (2) the consumer good industries used a huge percentage of imported inputs, (3) the overwhelming market was in Manila, and (4) for both reasons (2) and (3), most of the import substitution industry was located in Manila.

To solve the problem, the government initiated the export-oriented industrialization policy in the late '60s to look for more expanded interna-

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tional market, with the subsequent intention of dispersing the industry to the regions.

This paper focuses its attention to industrial dispersal which is one of the major policies closely related to regional development because the industrial dispersal policy will further effectively activate regional development. It will also look into the decentralization policy under the Aquino Administration which takes a different approach toward regional development by calling on the people's participation while avoiding the strong leadership of the central government.

2. DISPERSAL OF INDUSTRIES AND REGIONAL DEVELOPMENT

2-1. Need for Regional Industrial Development

2-1-1. *Population and Poverty Incidence*

The Philippines consists of more than 7,000 islands, belonging to three major groups, namely: Luzon, Visayas and Mindanao. It has a land area of approximately 300,000 sq. km. roughly 141 thousand sq. km. of which are in Luzon, 57 thousand sq. km. in the Visayas and 102 sq. km. thousand in Mindanao. The country is divided into four (4) administrative-planning regions. Among the regions, Region II (Cagayan Valley), Region IV (Southern Tagalog) and Region XI (Southern Mindanao) have the largest areas.

The country's population was estimated at approximately 60.7 million in 1990 (Table 1). The National Capital Region (NCR) or Metropolitan Manila Area has close to 7.9 million inhabitants or more than 13 percent of the national population. On the other hand, it has only 0.2 percent of the national land area. Consequently, its population density of more than 12,000 per sq. km. is more than 61 times the population density of the country as a whole. The two regions around the NCR, Region III (Central Luzon) and Region IV also registered the largest population count at 6.2 million and 8.3 million, respectively. Population density is lowest in Region II, Revion IV and Region VIII (Eastern Visayas), followed by Regions IX, X, XI, XII (Western, Northern, Southern and Central Mindanao regions), most of which have large land areas.

Needless to say, the concentration of the population in the urban area has created various types of economic and social problems.

From the viewpoint of the people's quality of life, the disparity between the urban and rural in terms of incidence of poverty is apparent. The share of families under the poverty line amounts to 44.1 percent for the NCR while Region V (Bicol), Region VI (Western Visayas), Region VII (Central Visayas) and Region VIII show a high rate of poverty at around 70 percent for each region (Table 2). In addition, in these regions, the disparity between urban and rural within the region is also obvious, especially in

Table 1
Population and Land Area (1990)

		Population (thousands)	%	Land Area (sq. km.)	%	Density (persons/ sq. km.)	National Average
PHILIPPINES		60.685	100.0	300,000.0	100.0	202.3	1.0
NCR - Metro Manila		7.929	13.1	636.0	0.2	12,467.0	61.6
CAR		1.146	1.9	18,293.6	6.1	62.6	0.3
I.	Ilocos Region	3.551	5.9	12,840.2	4.3	276.6	1.4
II.	Cagayan Valley	2.341	3.9	26,837.6	8.9	87.2	0.4
III.	Central Luzon	6.199	10.2	18,230.8	6.1	340.0	1.7
IV.	Southern Tagalog	8.266	13.6	46,924.2	15.7	176.2	0.9
V.	Bicol Region	3.910	6.4	17,632.5	5.9	221.7	1.1
VI.	Western Visayas	5.392	8.9	20,223.2	6.7	266.6	1.3
VII.	Central Visayas	4.593	7.6	14,951.4	5.0	307.2	1.5
VIII.	Eastern Visayas	3.055	5.0	21,432.7	7.1	142.5	0.7
IX.	Western Mindanao	3.159	5.2	18,730.1	6.2	168.7	0.8
X.	Northern Mindanao	3.510	5.8	28,327.7	9.4	123.9	0.6
XI.	Southern Mindanao	4.457	7.3	31,692.8	10.6	140.6	0.7
XII.	Central Mindanao	3.171	5.2	23,303.2	7.8	136.0	0.7

Source: National Statistical Coordination Board.
1992 Philippines Statistical Yearbook.

Table 2
Regional Poverty Threshold: 1985

REGION	TOTAL		URBAN		RURAL		Disparity bet Urban and Rural
	Total Poverty Threshold (in P)*	Incidence of Poverty (in %)**	Total Poverty Threshold (in P)*	Incidence of Poverty (in P)**(A)	Total Poverty Threshold (in P)*	Incidence of Poverty (in %)**(B)	% (B) - (A)
Philippines	2,382	59.3	3,021	52.1	2,066	63.7	11.6
NCR - Metro Manila	3,282	44.1	3,282	44.1	-	-	-
I. Ilocos Region	2,374	52.3	3,093	56.2	2,139	51.1	-5.1
II. Cagayan Valley	2,194	54.6	2,897	48.6	2,092	55.6	7.0
III. Central Luzon	2,550	44.4	3,153	45.2	2,104	43.8	-1.4
IV. Southern Tagalog	2,471	55.9	3,048	50.6	2,174	59.1	8.5
V. Bicol Region	2,148	73.2	2,625	62.3	2,047	76.0	13.7
VI. Western Visayas	2,449	73.1	3,069	65.0	2,249	76.2	11.2
VII. Central Visayas	1,982	68.8	2,426	58.9	1,819	73.4	14.5
VIII. Eastern Visayas	2,016	70.4	2,733	70.1	1,822	70.5	0.4
IX. Western Mindanao	2,118	65.3	2,650	61.6	2,025	66.0	4.4
X. Northern Mindanao	2,262	66.2	2,952	65.7	2,022	66.3	0.6
XI. Southern Mindanao	2,388	61.7	2,988	59.6	2,079	62.8	3.2
XII. Central Mindanao	2,233	65.2	2,624	56.8	2,161	67.0	10.2

* monthly income required to satisfy 100 percent of nutritional requirements & other needs of a family of 6.
** out of the total number of families, the proportion of families that fall below the poverty line in 1985.

Source: Medium-Term Philippine Development Plan 1987-1992.

Regions V, VI and VII in where it reached 13.7 percent, 11.2 percent and 14.5 percent, respectively.

2-1-2. *Economic Development Indicators*

The government's inactivity in promoting industrial dispersal is indicated by the share of gross value added in the manufacturing sector in the NCR at 44.7 percent in 1980 which almost remained unchanged for ten years, dipping further to 41.2 percent in 1990 (Table 3). This trend of unchanged pattern of concentration of the industries can also be gleaned from other indicators as shown in Table 4. The share of the large manufacturing establishments with more than ten workers or sale of one million pesos in NCR in 1987 was 57.3 percent in terms of the number of establishments, 55.1 percent in number of persons working, and 44.8 percent in terms of value of products. Again, except for a slight reduction in the value of output, the concentration of the industry in the NCR has not changed although various policies for more balanced regional distribution of the industries in the country have been operative since the early sixties. Among the major instruments utilized especially by the Marcos government to intensify the role of government in regional development[1] are: (a) investment incentives as fiscal incentives; (b) development of industrial estates and export processing zones; and (c) industrial dispersal policy. The last was continued by the Aquino administration.

2-2. Investment Incentives Scheme

2-2-1. *Nature of Incentives*

As mentioned earlier, the industrial development policy started in the late '60s was initiated by the government sector. It was inevitable for the Marcos Administration which declared Martial Law in 1972 to take this policy since (1) the neighboring Asian countries have already started the export-oriented industrialization policy, and (2) the country faced the expiration of the Laurel-Langley Agreement in 1974 which prompted the need to expand economic relations with the neighbouring industrialized countries like Japan to promote foreign investments.

In 1967, the Investment Incentives Act (IIA) or Republic Act 5186 was enacted as a law and hailed as a milestone in industrial policy in stimulating economic activities which are preferred from the standpoint of the development plan. To implement the law, the Board of Investments (BOI) was immediately organized to administer the system of incentives.

[1]The government thrust for regional industrial development is reflected in the regional planning. See NEDA's "Regional Development: Issues and Strategies on Industry," *Regional Planning Studies* Series No. 2, 1981, p. 81.

Table 3
Gross Value Added in Manufacturing, By Region
Percent Distribution, 1980-1990 (Constant Rates, 1985)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
PHILIPPINES	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
NCR - Metro Manila	44.7	44.4	43.8	45.0	44.0	42.3	41.7	41.3	41.5	42.4	41.2
I. Ilocos	1.6	1.6	1.7	1.8	2.0	1.9	2.0	2.0	2.0	2.1	2.0
II. Cagayan Valley	0.6	0.6	0.6	0.6	0.6	0.5	0.6	0.6	0.6	0.6	0.6
III. Central Luzon	9.2	9.2	9.5	9.0	9.6	10.7	10.7	11.2	11.4	10.5	11.7
IV. Southern Tagalog	17.1	16.9	17.2	15.9	15.9	16.7	16.7	17.3	17.9	18.4	18.5
V. Bicol Region	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
VI. Western Visayas	5.8	6.1	6.1	6.1	5.4	5.6	5.5	5.3	5.0	4.8	4.7
VII. Central Visayas	4.9	5.1	5.1	5.3	5.8	5.4	5.6	5.6	5.3	5.4	5.4
VIII. Eastern Visayas	1.1	1.1	1.1	1.3	2.5	2.5	2.3	2.3	2.6	2.6	2.6
IX. Western Mindanao	1.2	1.3	1.3	1.3	1.1	1.2	1.2	1.2	1.1	1.1	1.2
X. Northern Mindanao	5.2	5.1	4.9	5.0	4.4	4.5	4.7	4.5	4.3	4.2	4.1
XI. Southern Mindanao	5.2	5.2	5.1	4.9	5.1	5.1	5.3	5.2	4.9	4.7	4.6
XII. Central Mindanao	3.3	3.3	3.5	3.7	3.5	3.5	3.5	3.4	3.3	3.2	3.2

Source: National Statistical Coordination Board.

Table 4

Comparative Statistics for Large Manufacturing Establishments by Region

		Number of Establishments				Number of Persons Working				Value of Output (M Pesos)			
		1983		1987		1983		1987		1983		1987	
			%		%		%		%		%		%
	PHILIPPINES	5733	(100.0)	5000	(100.0)	700895	(100.0)	675206	(100.0)	163957	(100.0)	297940	(100.0)
NCR –	Metro Manila	2788	(48.6)	2863	(57.3)	388657	(55.5)	371931	(55.1)	80033	(48.8)	13334	(44.8)
I.	Ilocos	150	(2.6)	122	(2.4)	10442	(1.5)	11317	(1.7)	1266	(0.8)	6499	(2.2)
II.	Cagayan Valley	114	(2.0)	80	(1.6)	10808	(1.5)	6658	(1.0)	612	(0.4)	1027	(0.3)
III.	Central Luzon	449	(7.8)	356	(7.1)	49923	(7.1)	49372	(7.3)	18457	(11.3)	25149	(8.4)
IV.	Southern Tagalog	675	(11.8)	473	(9.5)	81836	(11.7)	86097	(12.8)	35238	(21.5)	63727	(21.4)
V.	Bicol Region	166	(2.9)	103	(2.1)	5438	(0.8)	3193	(0.5)	3451	(0.2)	581	(0.2)
VI.	Western Visayas	268	(4.7)	183	(3.7)	30560	(4.4)	24007	(3.6)	5270	(3.2)	8305	(2.8)
VII.	Central Visayas	446	(7.8)	351	(7.0)	39467	(5.6)	44135	(6.5)	6961	(4.2)	14893	(5.0)
VIII.	Eastern Visayas	59	(1.0)	42	(0.8)	2966	(0.4)	4745	(0.7)	481	(0.3)	10695	(3.6)
IX.	Western Mindanao	94	(1.6)	67	(0.1)	7400	(1.1)	7272	(1.0)	1059	(0.6)	3243	(1.1)
X.	Northern Mindanao	190	(3.3)	141	(2.8)	24949	(3.6)	20029	(3.0)	4966	(3.0)	9009	(3.0)
XI.	Southern Mindanao	243	(4.2)	205	(4.1)	32888	(4.7)	33555	(5.0)	4543	(2.8)	10881	(3.6)
XII.	Central Mindanao	101	(1.7)	74	(1.5)	15561	(2.1)	12895	(1.8)	4526	(2.9)	10597	(3.6)

Note: Large establishments are those with an average of ten (10) or more workers which were engaged in manufacturing activities as defined in the 1977 Philippine Standard Industrial Classification of all Economic Activities, or with average monthly sales/receipts of 1 M Pesos or more regardless of employment.

Sources: *1983 Census of Establishments* (Manufacturing), National Census and Statistics Office; *1987 Annual Survey of Establishments (Manufacturing)*, National Statistics Office.

In 1970, another bill, the Export Incentives Act (EIA or RA 6135), was introduced to complement IIA as an instrument for the export-promotion drive. Annually, the BOI prepares the Investment Priorities Plan (IPP) and the Export Priorities Plan (EPP) which list preferred areas of investment in which incentives can be acquired by registering with the BOI.

Originally, the IIA did not include the regional dispersal of industry as one of the criteria in the preparation of the IPP and in the evaluation of projects by the BOI. The major criteria used were economic viability, aggregate employment effects and foreign exchange savings.

The IIA was amended in response to the regional development objective in the national plan. However, in spite of this amendment, no new specific measures were instituted to effect this additional objective.

In 1973, the EIA was also amended and two extra incentives were provided to put more force to industrial dispersal. These were: (1) the deduction in taxable income of an amount equal to the total cost of direct labor and local raw materials used in the production of exports for the first five years after registration, and (2) the deduction from income taxes payable of an amount equal to the cost and maintenance of necessary infrastructure work.

In 1979, a special law was enacted to promote the development of depressed areas. This was the Investment Promotion Act for Less Developed Areas (BP 44), under which all BOI-registered enterprises located in less developed areas designated by the BOI could avail themselves of all incentives previously granted only to pioneer enterprises with exception of exemption from the payment of sales tax.

Under the Aquino administration, the Omnibus Investment Code issued in 1987 by Executive Order (EO) No. 226, attempted to promote the dispersal of the industry by giving incentives to the registered firms located in a less developed area. However, this provision is only to be merged with the incentives available under BP 44, with those provided for in the 1973 Export Incentive Act. EO 226 categorizes less developed areas as in the list prepared by the BOI after consultation with the National Economic and Development Authority (NEDA) and other appropriate government agencies based on low per capita gross domestic product, low level of investments, and high rate of unemployment, among others (Article 40).

EO 226 further describes that an enterprise in a less developed area registered with the BOI, whether proposed or an expansion of an existing venture, shall be entitled to the incentives provided for a pioneer registered enterprise under its law of registration (Article 40a). However, under the 1991 Investment Priorities Plan, the privilege shall not be extended to firms engaged in mining, forestry and processing of minerals and forest products since they would naturally be located in areas near their sources of raw materials.

EO 226 also prepares incentives necessary for the major infrastructure and public facilities to the registered enterprises. The registered firm may deduct from its taxable income an amount equivalent to 100 percent of necessary and major infrastructure works it may undertake with the prior approval of the BOI in consultation with other government agencies concerned. However, there is the condition that the total infrastructure works shall, upon completion, be transferred to the Philippine government and, further, that any amount not deducted for a particular year may be carried over for deduction for subsequent years not exceeding 10 years from the commercial operation (Article 40a). In addition to the above-mentioned, the rate of incentive for labor expenses is doubled.

2-2-2. *Less Developed Areas*

A working committee composed of staffs from the Department of Trade and Industry (DTI) Regional and Domestic Group (RDG), BOI and NEDA was requested to study and review the listing of depressed provinces of the country based on the criteria set in EO 226. Due to lack of data, proxy indicators were adopted as rough estimates of certain criteria for which data are not available and cannot be relied upon for the purpose of the study. Statistical information was gathered at the provincial level. The study covered all 73 provinces. As indicated in Table 5, a series of iterations was made using several variations of weight factors where 15 percent each is assigned to average family income, number of manufacturing establishments, and to level of employment, and 55 percent to level of infrastructure development—these provided the bases for determining the list of depressed areas delineated on provincial boundary basis.

At 50 percent cut-off, 36 provinces were proposed to be included as depressed areas. In addition, 11 other provinces not included in the list of depressed areas were recommended for inclusion in the list of depressed provinces, for a total of 47 provinces which were finally categorized as less developed areas under the 1991 Investment Priorities Plan (IPP). (See Table 6).

2-2-3. *Minimal Effect of Incentives on Dispersal*

Despite government encouragement, the concentration of BOI-registered corporations[2] in NCR still prevailed. For instance, 44.2 percent of the total project cost for the year 1991 (Table 7), which was worth P32.8 million was concentrated in NCR, one province of Region III (Bulacan) and three provinces of Region IV (Batangas, Cavite, Laguna).

[2]Registered corporations are firms which applied for registration with the BOI and whose projects are previously approved by BOI with some conditions. Although with time lag, the list for the registered and approved corporations is almost the same.

Table 5
Factors of Regional Development Indicators

	Factors
I. Average Family Income	.15
II. Level of Investment	
# of Manufacturing Establishments	.15
III. Level of Employment	
A. Employment rate (# employed/labor force)	.075
B. Unemployed rate (# unemployed/labor force)	.075
IV. Level of Infrastructure Development	
A. Light and Power	
1. Power rates	.0687
2. % energized	.0687
B. Road Density (km/land area)	
1. Concrete	.044
2. Asphalt	.033
3. Gravel	.022
4. Earth	.011
C. Sea Ports	
1. National	.06545
2. Municipal	.02805
D. Communication	
1. Radio	.02475
2. Telegraph	.0165
3. Telephone	.0165
4. Television	.012375
5. Translator	.012375
E. Airports	
1. Regular International	.019305
2. Alternative International	.01716
3. Trunkline	.0143
4. Secondary	.012155
5. Feeder	.00858
F. Water	
% Population served (population served/pop.)	.055
	1.000

Source: Department of Trade and Industry.

Table 6
List of Less Developed Areas under the Investment Priorities Plan

Region I
Abra*
Mountain Province*

Region II
Kalinga Apayao*
Isabela
Nueva Vizcaya*
Quirino*
Ifugao*
Batanes*

Region IV
Marinduque*
Palawan*
Aurora*
Oriental Mindoro
Romblon*
Occidental Mindoro

Region V
Sorsogon
Camarines Norte*
Catanduanes*
Masbate*

Region VI
Aklan*
Capiz
Antique

Region VII
Negros Occidental
Bohol
Siquijor*

Region VIII
Eastern Samar*
Northern Samar*
Southern Leyte*
Western Samar*

Region IX
Sulu*
Basilan*
Tawi-tawi
Zamboanga del Norte
Zamboanga del Sur

Region X
Agusan del Norte*
Agusan del Sur*
Bukidnon
Surigao del Norte
Camiguin
Misamis Occidental

Region XI
Davao del Norte*
Surigao del Sur*
Davao Oriental*

Region XII
North Cotabato*
Sultan Kudarat*
Maguindanao*
Lanao del Sur
Lanao del Norte* (excluding Iligan City)

*The province is also included among the less developed areas under BP 44.

Source: Note to the 1991 Investment Priorities Plan.

Table 7
Selected Statistics on BOI-Approved New and Expansion Projects Under E.O. 226, By Region
1991
(In Thousand Pesos)

	Number of Proj.	Project Cost	EQUITY INVESTMENTS Total	Local	Foreign	Employment Generation
Region I - ILOCOS						
BENGUET	4	711110	465391	364761	100630	1377
ILOCOS NORTE	2	538942	538942	538188	754	210
PANGASINAN	3	26089	14762	11042	3720	649
	9	1276141	1019095	913991	105104	2236
Region 2 - CAGAYAN VALLEY						
IFUGAO*	1	512	312	250	62	50
	(0)					
QUIRINO*	1	27882	17882	17882	0	163
	(0)					
REGION 2 - CAGAYAN VALLEY Total	2	28394	18194	18132	62	213
Region 3 - CENTRAL LUZON						
BATAAN	4	2601705	725139	507223	217916	592
BULACAN	47	2654559	797214	622106	175100	5509
NUEVA ECIJA	4	65777	19297	16017	3280	308
PAMPANGA	8	648239	232122	198140	33982	931
TARLAC	7	187553	75192	67926	7266	1425
ZAMBALES	1	15557	1557	1557	0	67
REGION 3 - CENTRAL LUZON Total	71	6159390	1850521	1412969	437552	8832
REGION 4 - SOUTHERN TAGALOG						
BATANGAS	26	25200918	13055705	6360415	6695290	4420
CAVITE	40	2207500	1297061	980276	316705	4742
LAGUNA	52	2719660	1673886	982092	691794	5814
OCCIDENTAL MINDORO*	1	3092	3092	618	2474	159
	(1)	(3092)				
ORIENTAL MINDORO*	1	2800	2170	1302	868	16
	(1)	(2800)				
PALAWAN*	3	279674	270227	214227	56000	222
	(3)	(279674)				
QUEZON	2	4270	4270	2790	1480	21
RIZAL	38	719658	261829	169191	92638	5068
REGION 4 - SOUTHERN TAGALOG Total	163	31137572	16568240	8710911	7857329	21262
REGION 5 - BICOL						
ALBAY	2	8309	5591	5591	0	109
CAMARINES NORTE*	1	1741284	696514	696514	0	480
	(0)					
CAMARINES SUR	2	12575	8575	8037	538	91
REGION 5 - BICOL Total	5	1762168	710680	710142	538	680

Table 7 (Continued)

	Number of Proj.	Project Cost	EQUITY INVESTMENTS Total	Local	Foreign	Employment Generation
REGION 6 - WESTERN VISAYAS						
AKLAN*	1	14000	14000	1400	0	22
	(1)	(14000)				
CAPIZ*	1	3136	3136	3136	0	182
	(1)	(3136)				
ILOILO	3	16284	11475	11475	0	443
NEGROS OCCIDENTAL	10	636792	199328	169737	29591	1400
REGION 6 - WESTERN VISAYAS Total	15	670212	227939	198348	29591	2047
REGION 7 - CENTRAL VISAYAS						
BOHOL*	1	75	50	30	20	27
	(1)	(75)				
CEBU	44	5755087	1788514	1563659	224855	4651
NEGROS ORIENTAL*	7	1800241	1014820	854081	160739	1553.
	(3)	(449661)				
REGION 7 - CENTRAL VISAYAS Total	52	7555403	2803384	2417770	305614	6231
REGION 8 - EASTERN VISAYAS						
LEYTE	3	14477772	3753000	928000	2825000	567
EASTERN SAMAR*	1	183375	45844	45844	0	211
	(0)	(0)				
REGION 8 - EASTERN VISAYAS Total	4	14661147	3798844	973844	2825000	778
REGION 9 - WESTERN MINDANAO						
ZAMBOANGA DEL SUR*	4	62542	24089	23141	948	218
	(2)	(5582)				
REGION 9 - WESTERN MINDANAO Total	4	62542	24089	23141	948	218
REGION 10 - NORTHERN MINDANAO						
AGUSAN DEL NORTE*	1	50100	50100	30060	20040	122
	(0)	(0)				
AGUSAN DEL SUR*	2	37818	10105	10105	0	196
	(1)	(6283)				
BUKIDNON*	5	225738	101234	98221	3013	417
	(2)	(173607)				
MISAMIS ORIENTAL*	9	141106	83125	41219	41906	370
	(4)	(60159)				
REGION 10 - NORTHERN MINDANAO Total	17	454762	244564	179605	64959	1105
REGION 11 - SOUTHERN MINDANAO						
DAVAO	7	508256	500591	31561	469030	2054
DAVAO DEL SUR	7	288835	108312	99901	8411	1101
DAVAO ORIENTAL*	1	4536	4536	4536	0	65
	(1)	(4536)				
SOUTH COTABATO	9	446766	221277	168099	53178	1991
SURIGAO DEL SUR*	4	905502	8000	6000	2000	155
	(0)	(0)				

Table 7 (Continued)

	Number of Proj.	Project Cost	EQUITY INVESTMENTS Total	Local	Foreign	Employment Generation
REGION 11 - SOUTHERN MINDANAO Total	28	2153895	842716	310097	532619	5366
NCR - METRO MANILA						
NCR - METRO MANILA	1	3611	3611	0	3611	
MANILA	8	888886	835441	545543	289890	161
CALOOCAN CITY	6	171430	67601	66725	876	565
PASAY CITY	2	64962	64962	50914	14048	828
QUEZON CITY	23	1023416	512628	427898	84730	756
LAS PIÑAS	1	5068	1250	1250	0	1674
MAKATI	9	782306	511985	422393	89592	76
MANDALUYONG	2	72027	20563	20543	20	1089
MUNTINLUPA	4	16421	5421	3453	1960	467
NAVOTAS	3	98485	54592	54592	0	167
PARAÑAQUE	8	219401	137579	83711	53868	1133
PASIG	5	181704	131696	109156	22540	74
SAN JUAN	1	8682	8682	5209	3472	100
TAGUIG	18	1006056	651119	62141	588970	3533
VALENZUELA	6	95324	29525	25533	3992	927
NCR - METRO MANILA Total	97	4637779	3036655	1879061	1157594	12108
GENERAL LOCATIONS						
SEVERAL LOCATIONS	6	2678076	1188155	717425	470730	693
SEVERAL LOCATIONS Total	6	2678076	1188155	717425	470730	693
NOT INDICATED						
NOT INDICATED	17	957763	719614	483319	236295	1569
NOT INDICATED Total	17	957763	719614	483319	236295	1569
GRAND TOTAL	490 (21)	74195244 (1002605)	33052690	18948755	14103935	63338

Note: *Less Developed Areas
( ) - means projects with incentives in Less Developed Areas

Source: Board of Investments.

The low dispersal of the industries is attributed to low incentives for investors. One study (Louis Bergen International, Inc., 1986) showed us that the net impact of BP 44 incentives on the firm's rate of return was estimated to be anywhere from zero to 3.5 percent which hardly compensates for the advantages of more developed areas, particularly NCR, over less developed areas as an investment location. It is no surprise to discover that the actual number of firms that availed of EO 226 incentives for less developed area was very limited in 1991. The twenty-one (21) manufacturing projects registered, with the project cost of one million pesos, account for 1.4 percent of the total amount registered for the year (Table 7).

2-3. Credit and Financial Incentive Scheme

Financial incentives for the firms to provide support for regional industrial development through the implementation of special credit programs mostly target, however, small-scale industries. For instance, in 1974, the Development Bank of the Philippines (DBP) went into massive financing of small- and medium-scale industries (SMIs), particularly in the rural sector. Attempting to make credit more accessible to regional industries, the government directed the DBP and the Industrial Guarantee and Loan Fund (IGLF) in 1975 to channel 60 percent of their lending to areas outside of NCR (Pante and Medalla, 1990). In 1976, the Central Bank stipulated that 75 percent of total deposits of branches of commercial and thrift banks be invested in the same areas as the branches (Deposit Retention Scheme). The DBP Program gained momentum in 1976 when the World Bank extended to it a $15-million loan for additional financing for SMIs.

There were a total of five new government programs developed in the 1970s to help finance small, medium, and regional industries, namely: the IGLF, the DBP Small- and Medium-scale Industry Lending Department (DBP-SMILE), Cottage Industry Guarantee and Loan Fund (CIGLF), Export Industry Modernization Program (EIMP), and the Venture Capital Corporation (VCC) of the National Development Corporation. If we sum up the total 1982 and 1983 lending made by these five new programs, 46 percent of their combined resources would be in the NCR, and a full 70 percent would remain in the core region. In 1983, concentration in the core region was higher than in 1982 where lending in the NCR yielded up to 55 percent and the entire core region, 81 percent.

These lending programs have not been effective in encouraging the regional dispersal of industries (Tecson, Valcarcel and Nuñez, 1989). NCR remained the major beneficiary of the special credit programs implemented by the government to promote SMIs development and, purportedly also, regional industrial dispersal. For example, between 1981 and 1987, the share of NCR in IGLF funding increased from 63 to 73 percent. In 1987, the share of IGLF lending of the core region composed of NCR and Regions III and IV reached 86.5 percent. Finally, as experienced in the mandatory requirements for lending to agriculture and agrarian reform (Agri-Agra Loan Scheme), the expected increase in credit resources in areas outside of Metro Manila did not materialize.

Following are some of the reasons contributory to the heavy concentration of special lending operations in NCR and adjoining Regions III and IV: (1) centralization of decision-making processes in the head offices of participating institutions; (2) almost exclusive reliance, particularly in the case of IGLF, on accredited commercial banks whose branches are generally located in the cities and whose head offices are usually in NCR, as conduit of funds; (3) lack of information on the availability of special credit programs, particularly in the remote regions of the country.

2-4. Zoning Regulations

Zoning is a more direct way of addressing the problem of the overconcentration of industry in a particular area. In line with the government ban on the establishment of all new plants and factories within a 50-kilometer radius of NCR effective December 1973, all new industrial projects were required to secure a location clearance from the Human Settlements Regulatory Commission (HSRC).

A comprehensive zoning ordinance which the HSRC formulated and issued served as basis for the zonal plan in Metro Manila. However, because of very weak enforcement as characterized by the liberal grant of exemptions and grace periods, the 50-kilometer ban and related zoning regulations issued by the government proved ineffective in easing the concentration of industries in NCR (Pernia, Paderanga, Hermosa, *et al.*, 1983).

On the contrary, industrial plants tended, to cluster around the periphery of Metro Manila as substantiated by about 70 percent of the locational clearances issued between August 1974 and February 1978 for locating in urban centers in Central Luzon and Southern Tagalog. About 17 percent of the clearances were in the form of exemptions under which new firms were given permits to locate their plants in Metro Manila. Thus, around half of all the locational clearances extended by the HSRC were for the core area composed of Metro Manila and Regions III and IV. Therefore, zoning was not utilized as a dispersal tool.

3. ESTABLISHMENT OF INDUSTRIAL ESTATES

The development of industrial estates (IEs) has been widely used throughout the world as an instrument to achieve industrial mobility. In some countries, it has been used to promote regional development objectives.

In the case of the Philippines, IEs are used to achieve both ends, namely: (1) to accelerate industrial development and growth in areas outside of Metro Manila through the establishment of regular IEs and Export Processing Zones (EPZs), and (2) to promote the regional dispersal of industries in order to increase employment opportunities and to achieve a balanced economic development in the rural sector.

Realizing the important role that IEs play in industrialization, the Marcos Administration programmed the development of IEs way back in the late '60s and early '70s. Five government agencies established a total of fifteen IEs. The first was the Veterans Federation of the Philippines Industrial Area established in 1967, followed by the Bataan Export Processing Zone (BEPZ) in 1972.

The Marcos government also attempted to implement a comprehensive IE development program with the formation of a Nationwide IE Program (NIEP) which was drawn up by an interagency group in 1975 and 1976 to identify potential sites for IEs in the different regions. In the latter part of the previous administration, however,

Table 8
Number and Areas of Industrial Estates, Public and Private (as of September 1991)

STATUS	PUBLIC								PRIVATE								TOTAL	
	LUZON		VISAYAS		MINDANAO		TOTAL		LUZON		VISAYAS		MINDANAO		TOTAL			
	No. of IEs	Areas	No. of IEs	Areas	No. of IEs	Areas	No. of IEs	Areas	No. of IEs	Areas	No. of IEs	Areas	No. of IEs	Areas	No. of IEs	Areas	No. of IEs	Areas
OPERATING	14	992	2	559	1	292	17	1,843	10	1,075	0	0	0	0	10	1,075	27	2,918
UNDERGOING DEVELOPMENT	1	6	0	0	1	55	2	61	13	2,599	1	40	0	0	14	2,639	16	2,700
PROPOSED	0	0	1	1,109	1	0	2	1,109	27	5,895	4	785	7	1,418	38	8,098	40	9,207
TOTAL	15	998	3	1,668	3	347	21	3,013	50	9,569	5	825	7	1,418	62	11,812	83	14,825

Source: Department of Trade and Industry.

Table 9
Public and Private IEs in the Philippines (1990)

STATUS	Number of IEs	Area (Hrs.)	Employment	Investments (US$-M)	Export (US$-M)
OPERATING:					
– EPZs	4	1,144	34,609	107	579
– OTHER IEs	23	1,774	303,405	256	692
UNDERGOING DEVELOPMENT	16	2,298	392,958	332	1,792
PROPOSED	40	9,207	1,574,397	1,330	3,591

$1.00 = P27.00

Source: Department of Trade and Industry.

the NIEP was later redrafted to the National Industrial Estates Development Program (NIEDP) which never took off.

As of September 1991, the total number of Industrial Estates (IEs)[3] which were operating counted 27 (Table 8) with a total area of 2,918 hectares. Public IEs numbered 17 with an area of 1,843 hectares including four (4) Export Processing Zones (EPZs) and one under the PHIVIDEC Industrial Authority (PIA) while private IEs numbered 10 with 1,075 hectares. However, if the 16 IEs undergoing development with a 2,700-hectare area and the 40 proposed IEs with 9,207 hectares are included, there will be a total of 83 IEs with 14,825 hectares of which the private ones comprise 79.7 percent of the area. (For the details on the 83 IEs, see Annex 2.)

The economic impact of the operating IEs' in the year 1990 counted 338 thousand employees and 363 million dollars of investments, and 1,271 million dollars of export which amounted to 15.5 percent of the total export for the year (Table 9).

The slow development of the IEs can be attributed to the previous development approach of developing only the on-site requirement and not incorporating the support infrastructure and utilities outside to be fed into the estates.

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[3]Industrial estates are large and suitable tracts of land which have been subdivided and developed primarily for the use of a community of industries and provided with roads, water supply facilities, electrical facilities, communication facilities, sewage and drainage systems, and other infrastructures. These estates are under unified and continuous management. Industrial estates may include science and technology parks. On the other hand, a *Science and Technology Park* is a knowledge-based center set up in proximity to a scientific or industrial community such as a university campus, research institute, export processing zone or industrial estate area. It provides a means of technology transfer from research laboratories to industry. Some of its features are work areas, physical plant facilities and R & D equipment. See the Revised Guidelines for the Registration Under EO 226 of Industrial Estates Including Science and Technology Centers issued on April 27, 1990.

Realizing the inadequacy of the previous IEs development program, the Aquino administration adopted a comprehensive and integrated development approach, the Regional Industrial Center Program (RICP), which will be taken up in the latter part of this paper.

3.1. Export Processing Zones

One government strategy to attract investments is the development and promotion of industrial business zones known as Export Processing Zones (EPZs). EPZs are industrial enclaves for manufacturing and export firms, separate from other customs territory and under the exclusive jurisdiction of the Export Processing Zone Authority (EPZA).

Not only are the EPZs major tools for earning foreign exchange, creating employment, rural industry and trade development through their backward linkages with the domestic economy, but they are viable venues for technology transfer as well. Also, EPZs are another means to effect the dispersal of industries to the Philippine countryside.

The EPZA is the government agency that manages, operates and monitors the EPZs. It is a service-oriented government corporation created by Presidential Decree No. 66 as amended in the Republic Act passed by Congress in 1969 creating the Foreign Trade Zone. To date, EPZA administers regular and special EPZs.

3-1-1. *Regular Export Processing Zones*

There are four regular export processing zones in the country today, namely: the Bataan Export Processing Zone (BEPZ, 1600 ha., established in 1992), the Mactan Export Processing Zone (MEPZ, 119.3 ha, in 1975), the Baguio City Export Processing Zone (BCEPZ, 113.7 ha, in 1980), and the Cavite Export Processing Zone (CEPZ, 275.8 ha, 1986). Firms registered with the EPZA are entitled to all the incentives given to firms registered with the Board of Investments as covered in the IPP, the more important ones being:

– Full exemption from income taxes for six years from commercial operations for pioneer firms and four years for non-pioneer firms;

– Exemption from customs duties and advance sales tax as well as from national and local taxes on imported equipment and machinery.

The additional incentives for EPZA-registered firms are the following:

– Exemption from all local taxes, licenses, and fees except real estate taxes (2 to 3 percent on assessed value);

– Exemption from the 4 percent contractor's tax on gross receipt, whether national or local; and

– Exemption by the Societe General de Surveillance (SGS) from pre-shipment inspection under the Comprehensive Import Surveillance Scheme (CISS).

Of the eight government agencies involved in IEs' management, only EPZA and the PHIVIDEC Industrial Authority (PIA) could previously grant fiscal incentives. In October 1984, PD 1155 denied the PIA the right to grant incentives to firms occupying its estates. Rather, it was decided that BOI should become the sole arbiter of industrial, fiscal and financial incentives, and that firms located in the PHIVIDEC should draw incentives from BOI.

According to a study (Louis Bergen International, 1986), the incentives offered by EPZA have the potential of increasing the profitability of an average firm from a 10 percent rate of return to 17-26 percent. The exemption of capital equipment from duties and taxes implies an increase of 4 to 7 percentage points, while that of raw materials and supplies would have a further average impact of 3 to 9 percentage points (the latter is the incentive for the export promotion, not covered under BP 226 and provided for all the export firms regardless of their location).

It is ironic that the EPZA and PHIVIDEC incentives do not compare favorably with BOI incentives especially the case of export firms, EPZA's primary target. It is not surprising, therefore, that some EPZA firms are thinking of transferring to BOI registration and that EPZA has not attracted more projects than it has. If firms can take advantage of the agglomeration economies in the NCR and at the same time obtain greater benefits from BOI than EPZA, then EPZA location lacks a central and obvious appeal.

The lesson one learns from the EPZA-PHIVIDEC experience is that its overall incentive package consisting of low land lease/sale rates, cheap utilities, low wages, and fiscal incentives is not enough to compensate for the advantages offered by a location in the NCR.

A study using data from a sample survey of 100 local and foreign firms drawn from the top 1,000 corporations in the Philippines (Pernia and Herrin, 1987) describes that out of 34 factors that are commonly thought to influence location decision, only seven are considered as decisive by the majority of firms. These determinants are largely of the social overhead capital (SOC) type and include: (a) closeness to major customers, (b) easy road access, (c) reliable electrical power, (d) adequate telephone/telex services, (e) availability of suitable plot of land, (f) availability of suitable building, and (g) adequate space for expansion. If (a) and (b), as well as (e), (f) and (g) are combined, as seems to be the logical approach, then there are only four critical location determinants, which can be characterized as access and transport (a and b), power (c), information and communication (d), and physical plant requirements (e, f and g). It

Table 10
Export Processing Zone Authority Economic Performance
(1986 - 1990)

	1986	1987	1988	1989	1990
I. NO. OF REGISTERED FIRMS					
B E P Z*	32	31	34	27	31
B C E P Z**	10	12	12	12	12
M E P Z***	8	12	16	33	43
C E P Z****	1	4	9	38	59
TOTAL	51	59	71	110	145
II. INVESTMENTS (P M) (Project Cost of EPZs which registered this year)					
B E P Z	8.280	0.000	175.800	45.254	83.996
B C E P Z	4.950	9.000	13.000	0.000	2116.307
M E P Z	46.890	14.470	47.100	666.549	246.583
C E P Z	9.450	17.700	85.350	1334.471	453.166
TOTAL	69.570	41.170	320.750	2046.274	2900.052
III. EXPORTS (US$ M)					
B E P Z	57.600	64.739	70.600	79.838	94.252
B C E P Z	143.156	215.310	223.198	206.368	251.744
M E P Z	76.922	115.459	134.089	142.627	184.650
C E P Z		0.739	2.836	15.306	48.935
TOTAL	277.678	396.247	430.723	444.139	579.581
IV. EMPLOYMENT					
B E P Z	16,540	14,530	13,639	13,802	13,631
B C E P Z	3,583	4,081	4,412	5,114	3,489
M E P Z	3,528	4,130	5,763	9,395	11,678
C E P Z		96	528	3,294	5,811
TOTAL	23,651	22,837	24,342	31,605	34,609
V. SALARIES AND WAGES (P M)					
B E P Z	325.055	356.991	429.342	491.256	525.172
B C E P Z	72.899	119.319	194.700	241.538	268.862
M E P Z	78.654	114.261	151.393	250.159	385.405
C E P Z		1.110	5.699	43.497	118.284
TOTAL	476.608	591.681	781.134	1,026.450	1,297.723
VI. NET TRADE BALANCE (US$ M)					
B E P Z	35.563	-15.711	21.100	40.221	34.390
B C E P Z	35.178	33.621	54.698	50.275	49.288
M E P Z	58.883	-11.621	23.989	52.581	130.974
C E P Z	0.000	0.027	0.038	3.674	7.270
TOTAL	129.624	6.316	99.825	146.751	221.922

Source: Export Processing Zone Authority.

* Bataan Export Processing Zone
** Baguio City Export Processing Zone
*** Mactan Export Processing Zone
**** Cavite Export Processing Zone

may be noted that, contrary to common perception, cheap labor is generally not among the critical considerations for location although it may carry some weight for specific types of firms. Thus, the fiscal incentives for the firms do not become the final factor for a firm's decision.

For instance, a case of a firm which avoided setting up its factory within EPZ is a Japanese joint venture in Naga, Cebu which chose its location about 12 km. outside of the MEPZ to get rid of job-hopping.

At the initial stage of the enactment of the Local Government Code of 1991, the tax on business by the municipality to firms within the site of EPZs (Sec. 143) and the withdrawal of Tax Exemption Privileges (Sec. 193) are inconsistent with PD 66 which exempted EPZA-registered and export enterprises from local taxes, import fees and licenses (Sec. 18 of PD 66 as amended, now Article 78 of EO 226).

EPZA strongly insisted that these conflicts may adversely affect EPZs' operations. Consequently, rules and regulations implementing the Code finally clarified that enterprises within EPZs shall continue to enjoy tax exemption priviledges and tax incentives granted in PD 66 as amended (Article 283).

The economic performance of the export processing zone for the period 1986 to 1990, in terms of the number of registered firms, the amount of investment, exports, the number of employees, the amount of salaries and wages, and net trade balance, is shown in Table 10.

The economic impact of firms within the EPZs seemed gradually increasing as indicated by the export amount of 580 million dollars in 1990 which is almost twice as much as in 1986 and 34,609 employees which is also a 50 percent increase from 1986. However, the performance of the Bataan Export Processing Zone did not increase for this period as to the number of firms and employees, due to its inconvenient location as compared to the newly-built Cavite Export Processing Zone which is very close to the Metro Manila area.

The EPZs are also faced with fundamental problems. First, the nature of EPZ companies tend to be import-dependent, resulting form minimal backward linkages with the rest of the economy. This provides quite a narrow foundation for broad-based and self-sustaining growth, usually constituting the so-called enclave without the support industry behind it.

Second, due to lack of funds, the construction of the new EPZA was not initiated as the Medium-Term Development Plan 1987-92 does not provide for the establishment of new export processing zone/s. Thus, EPZA concentrated its efforts in just maintaining the present number of companies and attracting additional investments.[4]

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[4]See "Export Processing Zone," *Annual Report for 1990*, p.10.

The above-mentioned facts on the EPZs were reflected in the government's position in handling the issues.[5] The government clearly clarified that the facilities of the EPZs shall be opened to domestic-oriented industries preferably to those which are labor-intensive and local resource-oriented. The establishment of new EPZs shall not be allowed. In view of the existing capability, the government shall only develop public IEs where the establishment of such is warranted (i.e., by demand) and if no private developer is willing to undertake a project.

3-1-2. *Special Export Processing Zones*

A total of three Special Export Processing Zones (SEPZs) play host to firms concentrating on a specific industrial activity. The Leyte Industrial Development Special Export Processing Zone (LIDESEPZ) located in Isabel, Leyte is host to four major firms, namely: (1) the Philippine Phosphate Fertilizer Corporation (PHILPHOS) established in 1981; (2) the Philippine Associated Smelting and Refining Corporation, (PASAR) in 1982; (3) the Industrial Mineral Products in 1984; and (4) the Lepanto Consolidated Mining Corporation in 1984. PASAR is supplied with electric power by the Tongonan Geothermal Plant and provides phosphate to PHILPHOS.

The Tabangao Special Export Processing Zone (TSEPZ) situated in Tabangao, Batangas covers 94.7 hectares of land. Shell Gas Philippines which started operations at the zone in 1982, is the sole firm operating at TSEPZ with an export of 36.6 million dollars in 1989.

The Philippine Shipyard and Engineering Special Export Processing Zone (PSEPZ) established in 1982 covers a land area of 15.2 hectares in Catangas Point, Subic, Zambales. The only operating company in the area is the Philippine Shipyard and Engineering Company (Phiseco) which posted export of 10.0 million dollars in 1989.

Special Export Processing Zone status may be granted to a single export firm or to an industrial site consisting of more than one firm or a group of firms or to portions of general industrial estate areas.[6] On top of the above-mentioned SEPZs, there has been a recent increase in the number of private-based SEPZs established near Metro Manila by private developers or operators of such industry estates.

[5]See NEDA, "National Industrial Estate Program: Government Position on Industrial Dispersal in the Philippines," 1986.

[6]The criteria for plant sites of a single firm are: (1) Production must be for export; (2) Value added must be at least twenty percent; (3) The applicant firm must be located outside Metro Manila and other congested urban centers declared as such by appropriate government agencies; (4) Area - minimum of 25 hectares of contiguous area; (5) Not viable for location in the regular export processing zones; (6) The project must be viable in all aspects; and (7) Minimum project cost is 250 million pesos.

For plant site of multiple firms: (1) area - minimum of 25 hectares of contiguous area; (2) location is outside Metro Manila or government-declared congested urban centers; and (3) must possess all necessary clearances from approriate government agencies for use and development of such land for industrial purposes. (See "Criteria for Evaluation of Applications for Special Export Processing Zones and Rules and Regulations to Govern their Operation").

No firm shall be allowed to set up facilities in the special zone unless the firm is registered with EPZA as a zone export enterprise. Special zone enterprises shall be entitled to all incentives and privileges availed of by EPZA firms under Book VI of EO 226.

By applying this Special Export Processing Zone status, some private IEs like the First Cavite Industrial Estate, Laguna Techno Park, Gateway Business Park, Carmelray Industrial Park and Light Industry and Science Park of the Philippines prepared the SEPZ within their sites.[7]

However, the construction of private SEPZs hardly affected the industrial dispersal since their locations are within the vicinity of Metro Manila, although according to the BOI, these played a certain role in the decentralization of industry.

3-2. Regional Industrial Center Program

As mentioned in the previous section, some industrial estates were established near the vicinity of Metro Manila like in Bicutan, Cavite, and in Canlubang.

To overcome the problems met by the previous government efforts like inadequate facilities and support services, lack of community involvement, and no active involvement from the private sector, the Aquino administration explored a new policy called the Regional Industrial Center (RIC) Program Approach composed of comprehensive integrated programs.

3-2-1. *Brief History*

In February 1988, the Department of Trade and Industry first proposed to the Cabinet the idea of providing full integrated infrastructure support to identified Regional Industrial Centers (RICs). The objectives of the RICs are: to promote industrial dispersal to the regions outside Metro Manila; to accelerate growth of less developed regions; and to utilize land and other physical resources consistent with the overall industrial and regional development thrusts of employment generation, poverty alleviation and equitable distribution of wealth.

In May and August 1988, a framework was formulated to conduct an in-depth study to formulate the criteria for the parameters in identifying the location of the RICs and the development plans for each center.

In August 1988, DTI Department Order 81 was issued creating the RICs Task Force in all regions to be chaired by the DTI Regional Director and composed of

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[7]See "JCCIPI (Japanese Chamber of Commerce and Industry of the Philippines)," *Monthly Review*, No. 80 (Nov-Dec. 1991).

representatives from national and local government agencies and the private sector concerned with the development and implementation of the RIC Program.

In June 1989, DTI's proposal for the establishment of 16 RICs to operationalize the regional dispersal of industries was approved by the Cabinet. These are:

Region I	–	San Fernando (La Union) (*operating)
CAR	–	Baguio City EPZ*
Region II	–	Cauayan (Isabela)
Region III	–	Bataan EPZ*
Region IV	–	Cavite EPZ*/Batangas City
Region V	–	Legaspi City
Region VI	–	Pavia (Iloilo)
Region VII	–	Mactan EPZ*
Region VIII	–	Tacloban City
Region IX	–	Zamboanga City
Region X	–	PHIVIDEC Industrial Estates*
Region XI	–	Davao City/General Santos City
Region XII	–	Iligan City/Parang (Maguindanao)

3-2-2. *Preferred Industries*

The determination of preferred industries for each region was based on the availability of indigenous resources which serve as raw materials in processing/manufacturing activities. These industries allow for backward/forward linkages especially in the development, maintenance and preservation of raw material sources and the provision of these processed/semi-processed products to other industries.

As a venue for accelerated rural agro-industrialization, the RICs will be involved in agro-processing activities in predominantly agricultural areas where raw materials are abundant.

3-2-3. *RIC Site Selection*

In selecting the RICs sites, the following criteria were considered: proximity to markets, ports, raw materials, social services and amenities, population, labor availability, land availability and cost, peace and order situation, zoning expansion areas and extent of infrastructure development.

Efforts have been geared toward people-oriented industrialization where implementation and social factors have been considered. Specific sites were selected based on the absence of the potential social problems particularly in the areas of land conversion, land acquisition and relocation of affected families. Majority of the sites have been declared for industrial use in town plans/zoning ordinances and subsequently approved by the Housing and Land Use Regulatory Board (HLURB) prior to the enactment of the Comprehensive Agrarian Reform Law (CARP) on 15 June 1988.

3-2-4. *Land Conversion/Land Acquisition/Relocation Problems*

The issues on land conversion, acquisition and relocation were revived as new government policies under the Aquino administration to further promote agrarian reform, and decentralization. The Comprehensive Agrarian Reform Law (CARL) in 1988 set the framework for the Comprehensive Agrarian Program (CARP). Under CARL, the criteria for conversion of land are: (1) after lapse of five years from its award, (2) land ceases to be economically feasible and sound for agricultural purpose, (3) locality has become urbanized, (4) the land will have greater economic value for residential, commercial or industrial purposes (Sec. 65). However, there have been different viewpoints with respect to land use. The conflict has, to a certain extent, been caused by the fact that different government agencies lack coordinated planning of land use. For example, more equal distribution of land is the main concern of the Department of Agrarian Reform (DAR) while the Department of Agriculture (DA) is concerned with food security and as such views land as an input for the production of cash crop, food crops, etc. On the other hand, the Department of Trade and Industry (DTI) looks at land use in terms of foreign trade promotion, regional dispersal of industries and, more importantly, employment generation through the construction of the industrial estates under a RIC-like scheme as mentioned earlier.

The dispute between DTI and DA/DAR is a classic one, unlike the case of Pavia in Iloilo. Govenor, a landowner, wishes to promote land conversion. However, the Provincial Officers sympathize with DA/DAR and insist that the RIC cannot cover the irrigated land.

Many problems arise from the seemingly insufficient existing criteria for conversion guidelines. For one, Department of Justice (DOJ) Opinion No. 44 in 1990 rules that the authority of DAR to approve the conversion can be exercised only from the date of effectivity of the CARL, i.e., June 15, 1990. According to this ruling, all lands classified as nonagricultural in Town Plans approved by HLURB before the date can be detrimental to DAR. In fact, given this ruling, DAR will have no control over the lands classified as nonagricultural in 62 percent of the cases of the municipalities within the country except to ensure that beneficiaries, if any, are compensated (NEDA, CMPS & F/Scott & Furphy, 1992). Examples of these are the PHIVIDEC Industrial Estates in Misamis Oriental (Region 10), the Espina Estates in General Santos City (Region 12), and the First Cavite Industrial Estate in Langkaan, Dasmariñas, Cavite (Region 4), which were declared for industrial use during the Marcos administration.

At present, matters related to the socioeconomic development of the affected families are being addressed, like distribution of industrial lot, provision of facilities and amenities, livelihood opportunities, educational, health and social services.

DAR Administrative Order (AO) No. 1 series of 1991 provides another important set of guidelines. This AO sets the criteria for converting agricultural to nonagricultural uses particularly: (1) the lapse of five years from its award; (2) highly urbanized; (3) non-productive for agriculture; and (4) penalty clauses. However, these criteria have vague definitions of the conditions for land conversion to the industrial estates.

Moreover, other issues and problems have arisen as the Local Government Code of 1991 took effect on January 1, 1992. The Local Government Units (LGUs) are authorized by the Code to reclassify lands. However, final authority to convert the agricultural land for other uses lies with DAR. On the other hand, with the empowered enlistment of peoples' participation in the development policy, the role of NGOs is increasing. Therefore, the land conversion issue has both political as well as socio-economic dimensions.

4. DECENTRALIZATION OF GOVERNMENT SERVICES

4-1. Decentralization Under the Marcos Regime

The matter of the regional dispersal of the industries is related to the classical issue on the role of the government in economic development.

At the initial stage of the adoption of the industrial dispersal policy in the late 1960s under the Marcos administration, there was the common understanding that the attainment of structural change in industrial development depends to a large extent on the government initiative, especially in the area of industrial dispersal. This kind of approach to industrial development was deeply reflected in the government policy to initiate or be a key promoter in the sector.

Moreover, the substantiation of the national policy of dispersal and decentralization of not only industrial activities but also socioeconomic infrastructure and service outside of Metro Manila required a more vigorous dispersal incentive scheme.

The typical measure adopted by the Marcos administration is the most direct in the dispersal of the industries. We refer to the zoning regulations which, as mentioned earlier, prohibit the setting up of new plants within a 50-kilometer radius of Metro Manila.

4-2. Decentralization under the Aquino Administration

The Aquino administration's strategy in the regional dispersal of industries described in the Medium-Term Philippine Development Plan 1987-1992[8] consists of

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[8] The specific agencies covered for the devolution are: Department of Education, Culture and Sports (DECS), Department of Environment and Natural Resources (DENR), Department of Health (DOH), Department of Public Works and Highways (DPWH), Department of Social Welfare and Development (DSWD), Department of Transportation and Communication (DOTC), and Department of Agriculture (DA).

the resource approach and the facility-roviding approach.

The resource approach gives emphasis to labor-intensive rural-based industries consistent with the region's natural and human resources. Specifically, development of micro, cottage, small and medium resource-oriented and agro-based type of industries shall be supported.

The facility-providing Approach focuses on the promotion of rural credit, the selective decentralization of government services and the provision of better or more reliable industrial support services.

However, the industrial policy under the Aquino administration was quite different from that of the previous government as regards approach to issues. The role of the private sector is recognized as the prioritized initiator for the industrial development. However, the more unique feature of the Aquino administration's policy is decentralization which has a judicial framework in the 1991 Local Government Code.

4-3. The 1991 Local Government Code and Regional Industrial Development

The enactment of the Local Government Code of 1991 (RA 7160), coupled with the Rules and Regulations implementing the Code (AO 270), is expected to play a vital role in the decentralization policy. According to the explanation by the Department of Interior and Local Government (DILG), the Department of Trade and Industry (DTI) is not included in the seven specific agencies[9] covered by the Code for the devolution of the power and authority from the national government to the LGUs. However, exemption of the DTI from the devolution of some of its functions from the Code does not mean that the decentralization policy in industry is to be implemented outside of the framework of the Code, that is under the direct control of the national government.

On the contrary, with the enactment of the 1991 Local Government Code, the functions of the facilities to be utilized for the regional industrial development are

[9] As regards the dispersal of industries to the regions, the Medium Term Development Plan has indicated that:

> The dispersal of industries to the regions shall be pursued to create employment and income opportunities in the countryside and to slow down rural out-migration. Towards this end, emphasis shall be given to labor-intensive, rural-based industries that are consistent with the region's natural and human resources. Specifically, the development of micro, cottage, small and medium resource-oriented and agro-based types of industries shall be supported. Areas with critical needs to absorb the unemployed or displaced workers in agriculture will receive attention. However, due consideration shall be given to the existing and potential industrial base of the area, its agricultural linkages and the sensitivity of the local economy to external influences, while meeting the minimum requirements for efficiency.
>
> Efforts in industrial dispersal shall focus on the promotion of rural credit, the selective decentralization of government services to facilitate administrative processes and procedures, and the provision of better and more reliable industrial support services such as infrastructure, access to markets and technology, product development and skills upgrading (Medium-Term Philippine Development Plan, 1987-1992, p.62).

further extended. This section sheds light on the financial scheme of the Code, specially the Local Government Bond.

4-3-1. *LGU Bond and Regional Development*

Issued in 1975, Presidential Decree (PD) 752 or the Decree on Credit Financing for Local Governments governed the conduct and management of credit transactions and borrowing of provinces, cities and municipalities. Due to the regulatory nature of PD 752 which did not constrain the LGUs from borrowing from private banks, the LGUs still preferred to borrow from the GFIs and later on from the Municipal Development Fund (MDF). It was estimated that the procedure for approval and funding of projects took as much as three years to undertake because of the lengthy and time-consuming administrative and documentation requirements (Syracuse University, 1981).

In the Local Government Code of 1991, local government units are political subdivisions of the national government and exercise greater political and corporate powers, functions and responsibilities as vested upon then by the Code.

With respect to credit financing, the 1991 Code expressly provides that "it shall be the basic policy that any local government unit may create indebtedness and avail of credit facilities to finance local infrastructure and other socio-economic development projects in accordance with the approved local development plan and public investment program" (Section 296).

The LGUs are also empowered to avail themselves of credit lines from government or private banks and lending institutions and to utilize any credit finance investment to raise funds for local projects without the need to secure prior approval from the Department of Finance.

Among the credit financing to LGUs, there are six (6) major ones, namely, (1) loan credit; (2) deferred payment; (3) bonds and other long-term securities; (4) interlocal government loans, grants and subsidies; (5) loan from funds secured by the National Government; and (6) financing, construction, maintenance, operation and management of the infrastructure projects by the private sector, through the build-operate-and-transfer (BOT) scheme.

From the viewpoint of regional industrial development, financial facilities of bonds and other long-term securities, and financing to the infrastructure project through the BOT scheme can be effectively utilized. However, in this section, the paper focuses its attention to the bond issue, because it has the potential as a device for local government units to effectively utilize their resources.

Under PD 752, there has been a very successful case of flotation of local bond by the provincial government of Cebu. The development of Cebu is attributed to the promotion of its export and tourism industry. However, the rapid growth of the export industry is accelerated by the inflow of foreign direct investment. As a consequence of the expansion of Cebu's economy, lack of infrastructure in the urban areas became apparent, that is, the shortage in industrial estates, electric power, water, as well as roads.

Needless to say, the financing for these infrastructure construction should be covered not only by foreign sources, but also domestic sources. The latter will be a vital concern of the local government.

In the case of the Cebu provincial government, the budget depended on real estate tax, supported by internal revenue and loan. However, it was necessary to expand the allocation for economic development and administrative expenses. Therefore, the provincial government planned to utilize the land owned by the provincial government bonds with the land as collateral. Thus, this led to the introduction of the self-effort development policy.

The Cebu government sold 44 hectares of the Club Filipino de Cebu Golf Course at a price of P1,213 per square meter. Total revenue reached to P419.3 million in 1989 with the sale of the property resulting to a net surplus of P500 million in 1989.

For the issuance of the local government bond, the provincial government first estimated the total amount for the construction of the main road, provincial road, resource management based community development and construction of municipal road. As the resource from the taxable income is limited to the real estate tax and so on, the provincial government determined that it needed an additional P1 billion.

The provincial government, which estimated the price increase of real estates, established the Cebu Property Ventures and Development Corporation (CPVD) in August 1990 with a total subscription of equity of P1 billion of which 75 percent is owned by the provincial government and 25 percent by Ayala Land Incorporated (ALI). The provincial government paid up its share in kind with 236,973 square meters of land of the former Lahug Airport and three other properties. On the other hand, ALI paid up its share in cash. Afterwards, CPVD sold out P300 million of Cebu Equity Bond Units (CEBUs) for a period of three years and with an interest rate of 16 percent. For the remaining P700 million, the CPVD is scheduled to sell stock shares owned by the provincial government through the stock exchange market by 1993.

The flotation of the CEBUs is done in accordance with Presidential Decree No. 752 and approved by the President upon recommendation of the Secretary of Finance after consultation with the Monetary Board of the Central Bank of the Philippines and the National Economic and Development Authority (NEDA).

Contrary to the regulatory aspect of PD 752, the Local Government Code of 1991 provides that "the provinces, cities and municipalities are hereby authorized to issue bonds, securities and so on, subject to the rules and regulations of the Central Bank of the Philippines (Sec. 293), without the need to get the approval of the National Government." This manner of expanding public funds will motivate othe local governments to consider the issue of the local government bond as one of the effective facilities for financing a project.[10]

4-3-2. *Decentralization of the BOI Services*

In line with the provisions of the Omnibus Investments Code of 1987 authorizing the BOI to delegate its regional offices to receive and process applications, the Board initiated the first decentralization process in October 1988 in Region VII (Central Visayas) on the premise that among the regions, Region VII has the highest number of registered firms, being the center of economic activities outside Metro Manila. Consequently, a BOI extension office was set up in Cebu City with a BOI Technical Staff assigned to assist the DTI Region VII Office in carrying out the following services:

- Acceptance and evaluation of registration under Book I of the Omnibus Investment Code of 1987;
- Application of incentive availments such as income tax holiday, importation of capital equipment, tax credit on raw materials and application to operate Bonded Marketing Warehouse (BMW); and
- Application of foreign nationals on the issuance of certificates and endorsements required by BOI.

To date, five extension offices are in operation (Table 11).

To firm up the organizational structure of the extension offices, the Board of Investments has allotted from existing plantilla at least supervisory and technical position (s) in each of the five existing offices.

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[10]Under the 1991 Local Government Code, the Local Government Units (LGUs) are given broad powers to issue bonds and other long-term securities without the limitations and conditionalities set forth in Sec. 6 of PD 752. The only limitation is that the issuance of LGU bonds shall be subject to the rules and regulations of the Central Bank (CB) and the Securities and Exchange Commission (SEC).

Unlike in PD 752 where bond flotation of LGUs shall not be more than 0.5% of the total assessed value of taxable property within the territorial jurisdiction of LGUs, they can now issue any amount of bonds any time subject to CB and SEC rules and regulations.

One of the conditions in the issuance of LGU bonds under PD 752 is that the terms and conditions like redemption period, level of interest rates, mode of payment, etc. are to be determined by the Secretary of Finance and the Monetary Board. Now, it is the Sanggunian concerned that sets the terms and conditions of the bonds and the purpose for which the proposed indebtedness is to be incurred.

One important feature of LGU bonds which is deleted in the new LGC is the exemption of bonds from all taxes. The attractiveness of LGU bonds will be enhanced if the tax-exemption feature is restored.

Another deleted but important feature is the guarantee extended by the national government on both the principal and interest of LGU bonds. Certainly, the guarantee of the national government is necessary to improve the saleability of LGU bonds.

Table 11
BOI Extension Office Accomplishment 1990

	Opened	No. of Applications	Total Proj. Cost (Mil. P)	Projected Labor Generation
Legaspi City (Region V)	July 1990	2	12.10	
Iloilo (Region VI)	October 1990	7	0.42	
Cebu (Region VII)	October 1988	42	2179.92	3,864
Cagayan de Oro (Region X)	September 1989	2	5.64	
Davao City (Region XI)	August 1989	11	75.24	541

Source: The Board of Investments.

Although this decentralization of services has a symbolic meaning, those who receive the services from the extension office raised the complaint that without the decentralization of the final approval of the Board, that policy cannot be implemented.

However, the government is hesitant to give the approval to the extension offices and to decentralize the Investment Priorities Plan (IPP). But actually, this is not the issue because most big companies have their head offices in the Metro Manila area. The decentralization policy of the BOI activities is basically one of deconcentralization, which is the delegation of power, authority and responsibility from central to regional/sub-regional agencies of the central government. This is not devolution which transfers power, authority and responsibility from central to local entities.

4-3-3. *Decentralization of Other DTI Services*

Besides the decentralization of some of the BOI services to the extension offices, the DTI agencies which categorize their jobs in terms of division of labor have already finished their decentralization programs.

The Bureau of Trademarks and Technology Transfer (BTTT) has already transferred the patents and trademark applications to the regional offices.

(For other offices or agencies under DTI, see Annex 3.)

5. CONCLUSION AND RECOMMENDATIONS

The dispersal of industries has already been initiated by the government since the 1960s mainly through the establishment of export processing zones. This was followed by the granting of BOI incentives to firms which invested in the less developed areas, as well as a credit scheme to promote small- and medium-scale industries for regional development. Although the industrial development dispersal policy has been continued up to now, the impact of the policy is minimal. Contrary to the objectives of the dispersal policy, some industrial estates like the Calabarzon project areas developed by the private sector are adjacent to the Metro Manila Area. This trend gave rise to some criticisms from the business sectors in other regions pointing to the Calabarzon project as just an expansion of Metro Manila IEs.

However, under the Aquino administration, regional industrial development, through the decentralization policies, was introduced. Among the decentralization policies, the Regional Industry Center (RIC) forms the nucleus of the industrial development policy. For further regional industrial development, industrial estates for small-scale industries in the regions, especially as assisted by foreign investment, should be encouraged because these will be very appropriate for their domestic resource-oriented approach as well as the technology transfer.

In terms of potential development of the regional industry, flotation of Local Government Bonds is expected to play a certain and assured role with the support of the private sector. In this regard, the performance of the macro economy will directly affect the success or failure of the decentralization, since the private sector will be influenced by the financial market handling the local government bonds.

The decentralization policy is promising since it invites the participation of the private sector, including the NGOs. This makes it unique because it encourages voluntary participation in people-oriented development programs. This stands to be one of the major legacies of economic democratization policy pursured under the Aquino administration.

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Annex 1

COMPARISON BETWEEN THE MARCOS AND AQUINO ADMINISTRATION'S EFFORTS ON DECENTRALIZATION

MARCOS ADMINISTRATION

I. NATIONAL GOVERNMENT'S PROGRAM FOR DECENTRALIZATION

Efforts toward delegating administrative and substantive authorities to regional offices by the past administration were embodied in the issuance of LOIs No. 448: *Strengthening the Administrative Capacity for Regional Operations; No. 895: Further Strengthening the Administrative Capacity for Regional Operations;* and No. 1324: *Delegation of Administrative and Substantive Authorities to the Regional Directors.*

The above mentioned Presidential instructions mandated the delegation of a common set of administrative powers and prerogatives to all agency regional offices.

II. MTI's EFFORTS TOWARDS DECENTRALIZATION

- **Establishment of Regional Offices**

Services and program of the Ministry of Trade and Industry were brought closer to the grassroot level through the setting-up of Trade and Industry Assistance Centers (TIACs) in the regions. However, even if the Ministry was enjoined to delegate as much authority to its Regional Offices (ROs), extension offices under each TIAC exercised very limited substantive authority. Furthermore, there were only twelve (12) TIACs established nationwide with the Head Office also performing ROs functions for the NCR.

- **Structuring of ROs as Assistance Centers for Trade and Industry**

Under each TIAC, there were three (3) functionally distinct and Independent bureaus:

AQUINO ADMINISTRATION

I. NATIONAL GOVERNMENT'S PROGRAM FOR DECENTRALIZATION

Decentralization, as one of the key operating words of the present administration, is being given special attention.

An Executive Order on the delegation of authority to agency regional offices has been drafted reiterating the noble intentions and objectives of LOIs 448, 895 and 1324.

Departments and agencies of the National Government are directed to comply with Presidential directives. In addition, measures have been taken to ensure full operationalization of the Administration's decentralization program.

Regional operations, via the reorganization of various departments and agencies, were strengthened and a system of direct releases of funds to regional offices was established to effect delegation of additional administrative and substantive authority to regional offices.

II. DTI's EFFORTS TOWARDS DECENTRALIZATION

- **Establishment of Regional and Provincial Offices**

The DTI 1987 reorganization witnessed the complete regionalization of DTI operations through the organization of thirteen (13) regional and seventy-three (73) provincial offices all over the country. DTI stopped being a Makati oriented office. As line operating units, ROs are mandated to implement the Department's policies, plans, programs in their respective administrative jurisdiction.

- **Structuring of Regional Offices as "Small DTI's"**

DTI Regional Offices are now structured to become effective delivery arms in the field. DTI

1. Small Business Advisory Center (SBAC) - served as extension office of the Bureau of Small and Medium Industries (DSMI).

2. Product Standard Agency (PSA)

3. Bureau of Domestic Trade (BDT)

Not included in the TIAC umbrella was the NACIDA regional office.

As independent units, each of the ROs concentrated on delivering the services of their respective Head Offices. SBAC promoted, developed and assisted SMIs, BDT focused on consumer assistance and trade regulation with emphasis on domestic wholesale and retail sectors, PSA promoted product standards and quality management, while NACIDA extended its program and services to cottage industries.

integrated the regional offices of its line bureaus and NACIDA into one DTI structure with provincial extension offices capable of providing integrated trade and industry services. The structure established is divided into four major functions.

1. Trade Development
   In addition to Domestic Trade Development, modules of work on International Trade Development have been conducted.
2. Industry and Investment Development
3. Institutional Development
4. Finance and Administrative Services

Likewise, the services of the regional offices were expeanded to include new modules of work such as productivity improvement, technology and product development.

Futhermore, ROs are now able to focus on all trade and industry needs of provinces under their jurisdiction. With the objective of upgrading their delivery of service to clients, they are now able to identify Head Office functions that are better and needed to be serviced at regional/provincial level.

o **Delegation of a minimum set of administrative authorities to ROs**

Not all authorities listed in the Presidential instructions were fully delegated. Notably, agency extension offices were headed only by personnel with division chief level positions, thus, limiting the extent of their authorities.

o **Delegation of additional administrative authorities to Regional Directors.**

Each Regional Office (RO) is headed by a Regional Director, to whom the authority to exercise the Secretary's adjudicatory functions as provided for in Section of Trade and Industry under E.O. 913, S. 1983, subject to condition and limitations set by the Secretary has been devolved. Together with previously performed authorities of regional offices, the following have been added:

1. Preparation and approval of appointment below division chief level.
2. Procurement of supplies and other minor equipment.
3. All financial services: budgetary advice and service (budget monitoring and reporting), accounting performance.

o **Delegation of limited substantive authorities to ROs**

The past structure allowed only for BSMI, BDT, PSA, and NACIDA authorities to be delegated at regional level. The ROs of these head agencies exercised the following major functions:

o **Decentralization of more substantive authorities**

With the objective of servicing a substantial number of agency clients at regional level, functions/service/programs were/are continually being decentralized. Previously decentralized programs are maintained and widened in scope,

1. Domestic trade promotion and trade regulations - i.e. processing of business name registration (renewal); acceptance of all applications for original business name registration; accreditation of service and repair shops and business licenses; mediation of complaints on business name registration; consumer group organization; resolution of consumer complaints; and coordination of market encounters.

2. Standard promotion - i.e. plant/universities testing facilities assessment; factory and product assessment; enforcement of standards, product monitoring and market sampling; inspection, verification and gathering of evidence against standard violators.

3. Small and medium industries development - i.e. administration of field oriented programs for the entrepreneur; provision of free technical services; assistance in processing loan applications; management consultancy; technical consultancy and organizational development; organization of entrepreneurship seminars; and promotional and marketing assistance through NACIDA's regional display centers.

o **Very few agencies with decentralized functions**

Only four (4) head agencies decentralized their functions, to wit:

1. Bureau of Small and Medium Industries

2. Bureau of Domestic Trade

3. Product Standards Agency

4. National Cottage Industry Development Authority

Programs of other agencies were extended to the regions through coordination with SBAC, BDT, or NACIDA.

while a new set of functions/programs is developed.

Initial efforts at decentralization included issuance of business name registration which now includes both original and renewal applications; expanding standardization functions to standards development; formation of Regional Standards Councils; and quota allocation for coffee exports.

Other functions have been decentralized to selected regions prioritized on regional basis and capability of ROs, and are slowly being introduced to other regions. To name a few, price monitoring of construction materials initially decentralized to Regions 7 and 11; and issuance of business license targetted to be performed by all regions by 15th of November 1988.

A more ambitious but very welcome undertaking is the extension of BOI functions to regions which will expand the ROs responsibility to more than acceptance of BOI applications.

To date, there are still quite a number of proposed functions of other staff and service bureaus and even of attached agencies being studied for decentralization.

o **Enjoining all DTI agencies to decentralize their frontline service/functions**

DTI agencies with functions that can be decentralized are encouraged to do so if ROs have the capacity. Improvement of fontline services is being done through either deregulation and/or decentralization. To date, there are eight (8) agencies which have decentralized of their functions:

1. Bureau of Product Standards

2. Bureau of Small and Medium Business Development

3. Bureau of Trade Regulation and Consumer Protection

4. Bureau of Domestic Trade Promotion

5. International Coffee Organization-Certifying Agency

6. Board of Investments

7. Construction Industry Authority of the Philippines

8. Center for Labor Relations Assistance

At least two (2) have pending proposals, namely;

1. Bureau of Patents, Trademarks and Technology Transfer

2. Philippine Shipper's Council

- **No mechnism set-up to check on the status of decentralization**

- **Creation of a committee to check on status of decentralization**

Committed to improving its services to the people, the DTI formed a Committee on Public Service whose primary function is to monitor developments in the Department's front-line services and efficiency of decentralization. A periodic tracking on the status of decentralization of various agencies will be conducted.

Through the Committee, programs for decentralization will be ensured of operationalization, continuation and improvement vis-a-vis developments in each region.

Source: Department of Trade and Industry.

Annex 2
A. Operating Public Industrial Estates
(As of September 1991)

REGION	INDUSTRIAL ESTATES	AREA
LUZON - 14		
CAR	BAGUIO CITY EXPORT PROCESSING ZONE Loakan Road, Baguio City	66.00
Region III		
• Bataan	BATAAN EXPORT PROCESSING ZONE Mariveles, Bataan	1,600.00
• Bulacan	SAPANG PALAY INDUSTRIAL ESTATE Sapang Palay, Sn. Jose del Monte, Bulacan	19.60
• Pampanga	ANGELES LIVELIHOOD VILLAGE Bo. Pulung Cacutud, Angeles City, Pampanga	33.70
Region IV		
• Cavite	CAVITE EXPORT PROCESSING ZONE Rosario, Cavite	275.00
	DASMARIÑAS INDUSTRIAL ESTATE Bagong Bayan, Dasmariñas, Cavite	12.80
	GEN. MARIANO ALVAREZ INDUSTRIAL ESTATE Gen. Mariano Alvarez, Cavite	9.80
	PEOPLE'S TECHNOLOGY COMPLEX Bo. Maduya, Carmona, Cavite	52.00
	CARMONA CAVITE INDUSTRIAL ESTATE Carmona, Cavite	
	IMUS INFORMAL INDUSTRIAL ESTATE Imus, Cavite	45.00
NCR	AFP-RSBS INDUSTRIAL PARK Taguig, Metro Manila	10.00
	AGRO-INDUSTRIAL COMMERCIAL ESTATE Taguig, Metro Manila	120.00
	DAGAT-DAGATAN COMMERCIAL & INDUSTRIAL ESTATE Dagat-dagatan, Navotas	29.50
	VET. FEDERATION OF THE PHILS. INDUSTRIAL AREA Bo. Superhighway, Taguig	50.00
VISAYAS - 2		
Region VII	MACTAN EXPORT PROCESSING ZONE Mactan, Cebu	119.00
Region VIII	LEYTE INDUSTRIAL DEVELOPMENT ESTATE Isabela, Leyte	425.00
MINDANAO - 1		
Region X	PHIVIDEC INDUSTRIAL ESTATE IN MISAMIS OR. Tagoloan & Villanueva, Misamis Oriental	3,000.00

Annex 2 (Continued)

B. Operating Private Industrial Estates
(As of September 1991)

REGION	INDUSTRIAL ESTATES	AREA
LUZON - 10		
Region III		
• Bulacan	MEYCAUAYAN INDUSTRIAL SUBDIVISION Meycauayan, Bulacan	
• Tarlac	LUISITA INDUSTRIAL PARK San Miguel, Tarlac, Tarlac	99.89
• Zambales	SUBIC SPECIAL EXPORT PROCESSING ZONE Cabangan Pt., Subic, Zambales	56.73
Region IV		
• Cavite	ANABU I and II INDUSTRIAL CENTER Anabu I and II, Imus, Cavite	200.00
	GATEWAY BUSINESS PARK Amadeo Rd., Brgy. Jalavera, Gen. Trias Cavite	164.00
	NEW CAVITE INDUSTRIAL CITY Bo. Buenavista, Gen. Trias, Cavite	53.58
• Laguna	CANLUBANG INDUSTRIAL PARK Canlubang, Laguna	768.00
	LIGHT INDUSTRY AND SCIENCE PARK OF THE PHILS. Bo. Diezmo, Cabuyao, Laguna	33.40
• Rizal	BAGONG NAYON II, MINI INDUSTRIAL Bagong Nayon II, Antipolo, Rizal	0.42
• Batangas	TABANGAO EXPORT PROCESSING ZONE Tabangao Area, Bo. Libtong, Batangas City	86.00

Annex 2 (Continued)

C. Public Industrial Estates Undergoing Development
(As of September 1991)

REGION	INDUSTRIAL ESTATES	AREA
LUZON - 1		
Region NCR	BAGONG SILANG INDUSTRIAL ESTATE Bagong Silang, Caloocan, Metro Manila	5.80
MINDANAO - 1 Region X	CAGAYAN DE ORO INDUSTRIAL ESTATE Makabalan, Puntod, Cagayan de Oro, Mis. Or.	9.60

D. Private Industrial Estates Undergoing Development
(As of September 1991)

REGION	INDUSTRIAL ESTATES	AREA
LUZON - 13 Region III		
• Bulacan	FIRST BULACAN INDUSTRIAL CITY Bo. Tikay, Malolos, Bulacan	23.00
• Pampanga	FLORIDABLANCA INDUSTRIAL PARK Brgy. Consuelo & Apalit, Floridablanca, Pamp.	
	HOLY ANGEL INDUSTRIAL ESTATE Telebastagan, San Fernando, Pampanga	52.00
	PAMPANGA INDUSTRIAL ESTATE Calibut, Bacolor, Pampanga	58.00
• Tarlac	ECOLOGY VILLAGE Sapang Maragul, Tarlac, Tarlac	50.00
• Zambales	PHILIPPINE SHIPYARD AND ENGINEERING CORP. Cabangan Pt., Subic, Zambales	
Region IV		
• Batangas	SHELL GAS PHILIPPINES, INC. Tabangao, Batangas City	
• Cavite	FIRST CAVITE INDUSTRIAL ESTATE Bo. Langkaan, Dasmariñas, Cavite	28.41
	FIRST CITYLAND HEAVY INDUSTRIAL CENTER Dasmariñas, Cavite	

Annex 2 (Continued)

D. Private Industrial Estates Undergoing Development
(As of September 1991)

REGION	INDUSTRIAL ESTATES	AREA
• Laguna	CARMELRAY INDUSTRIAL PARK Canlubang, Laguna	1,600.00
	LAGUNA INTERNATIONAL INDUSTRIAL PARK Brgy. Canado & Mamplasan, Biñan, Laguna	
	LAGUNA TECHNOPARK Biñan and Sta. Rosa, Laguna	220.60
Region V • Camarines Sur	CAMARINES SUR INDUSTRIAL PARK Kadlan, Pili, Camarines Sur	200.00
VISAYAS - 1 Region VII	DURANO COMPLEX Dungo-an, Danao City	40.00

E. Proposed Public Industrial Estate
(As of September 1991)

REGION	INDUSTRIAL ESTATES	AREA
MINDANAO - 1		
Region X	KAUSWAGAN SITES AND SERVICES PHASE II Cagayan de Oro City, Misamis Oriental	5.80

Source: Department of Trade and Industry.

F. Proposed Private Industrial Estates
(As of September 1991)

REGION	INDUSTRIAL ESTATES	AREA
LUZON - 27		
Region I	BACNOTAN REGIONAL INDUSTRIAL CENTER Bacnotan, La Union	1,098.00
Region II	STA. ANA REGIONAL INDUSTRIAL CENTER Sta. Ana, Cagayan	

Annex 2 (Continued)

REGION	INDUSTRIAL ESTATES	AREA
	CAUAYAN REGIONAL INDUSTRIAL CENTER Brgy. Tagaran, Cauayan, Isabela	100.00
Region III		
• Bataan	HERMOSA AGRO-INDUSTRIAL ESTATE Hermosa, Bataan	116.00
• Pampanga	F.K. INDUSTRIAL COMPLEX, INC. Del Rosario, San Fernando, Pampanga	
	TIMOG INDUSTRIAL PARK Timog, Angeles City, Pampanga	12.00
	TIMOG SILANGAN INDUSTRIAL PARK Telebastagan, San Fernando, Pampanga	39.00
• Nueva Ecija	CABANATUAN CITY INDUSTRIAL ESTATE Bakod Bayan, Cabanatuan City	68.00
Region IV		
• Batangas	BATANGAS INDUSTRIAL ESTATE Manghinao, Bauan, Batangas	350.00
	BATANGAS REGIONAL INDUSTRIAL CENTER Brgy. Tabangao, Batangas City	700.00
• Cavite	AJINOMOTO INDUSTRIAL ESTATE Capipiza, Tanza, Cavite	100.00
	DON BOSCO INDUSTRIAL ESTATE Cabuco, Trece Martirez, Cavite	200.00
	EASTERN SILANG INDUSTRIAL CENTER Carmen, Hukay, Luming & Tartaria, Silang	300.00
	MANGGAHAN INDUSTRIAL ESTATE Manggahan, Gen. Trias, Cavite	200.00
	PASONG BUWAYA-TANZANG LUMA INDUSTRIAL CENTER Pasong Buwaya, Tanzang Luma, Imus, Cavite	800.00
	SAHUD-ULAN TRES CRUZES INDUSTRIAL CENTER Sahud-Ulan & Tres Cruzes, Tanza, Cavite	300.00
	TIMALAN INDUSTRIAL ESTATE Timalan, Naic, Cavite	200.00
	TRECE MARTIREZ SPECIAL INDUSTRIAL CENTER Huga Perez, Kabezas, Trece Martirez, Cavite	500.00
• Rizal	PINUGAY, INDUSTRIAL ESTATE Pinugay, Tanay, Rizal	
	SAN MATEO INDUSTRIAL ESTATE Doronilla Estate, San Mateo, Rizal	200.00
Region V		
• Albay	ALBAY PROVINCIAL INDUSTRIAL CENTER Nasisi, Ligao, Albay	60.00
	BICOL REGIONAL INDUSTRIAL CENTER Lamba, Legaspi City	100.00
• Camarines	CAMARINES NORTE PROVINCIAL INDUSTRIAL CENTER	27.00

Annex 2 (Continued)

REGION	INDUSTRIAL ESTATES	AREA
Norte	Talubatib, Labo, Camarines Norte	
• Camarines Sur	IRIGA CITY MINI-INDUSTRIAL ESTATE Sto. Domingo, Iriga City	27.00
• Catanduanes	CATANDUANES PROVINCIAL INDUSTRIAL CENTER Palnàb, Virac, Catanduanes	50.00
• Masbate	MASBATE PROVINCIAL INDUSTRIAL CENTER Asid, Milagros, Masbate	50.00
• Sorsogon	SORSOGON PROVINCIAL INDUSTRIAL CENTER Bugna, Bacon, Sorsogon	50.00
VISAYAS - 5		
Region VI • Iloilo	PAVIA REGIONAL AGRO-INDUSTRIAL CENTER Brgy. Mali-ao, Pavia, Iloilo	1,108.00
Region VII • Cebu	ARGAO INDUSTRIAL ZONE Binlod, Argao, Cebu MANDAUE CITY INDUSTRIAL ZONE Reclamation Area, Mandaue City DANAO CITY OPEN SPACE Danao City, Cebu	45.00
Region VIII • Leyte	EASTERN VISAYAS REGIONAL INDUSTRIAL CENTER Tacloban City, Leyte	264.89
MINDANAO - 7		
Region IX • Zamboanga	ZAMBOANGA REGIONAL INDUSTRIAL CENTER Ayala-Recodo, Zamboanga City	60.00
Region X	CUGMAN INDUSTRIAL ESTATE Cugman	45.00
Region XI • Davao	DAVAO CITY REGIONAL INDUSTRIAL CENTER Tanacan, Davao City	300.00
• Gen. Santos City	GEN. SANTOS CITY INDUSTRIAL ESTATE Hacienda Espina, Brgy. Labangal, Gen. Santos City	973.00
Region XII • Lanao del Norte	ILIGAN REGIONAL INDUSTRIAL CENTER Lanao del Norte	105.00
ARMM • Sultan Kudarat	TACURONG REGIONAL INDUSTRIAL CENTER Tacurong, Sultan Kudarat	
• Maguindanao	PARANG REGIONAL INDUSTRIAL CENTER Parang, Maguindanao	40.00

Annex 3
Local Government Code: Task List Monitoring Effort
As of November 6, 1991

Agency: Department of Trade and Industry

TASKS	Other Agencies Concerned	Completion Date	STATUS/REMARKS
I. TRANSFER OF AUTHORITY 1.1 Devolved Functions		October 30, 1991	
o Definition of functions to be devolved to the LGU's	Per DTI Decentralization Implementation Task Force, no DTI function can be devolved to the LGU's		
oo Province - "investment support services, including access to credit financing			
oo Municipality - information services which include investments and marketing information			
o Inventory of corresponding assets, personnel, equipment and records to be devolved to LGU's			
o Preparation of guidelines and procedures for the transfer of authority	COA, CSC, DOF, LGU's		
o Formulation of a schedule of transfer of authority			
1.2 Deconcentrated Functions from DTI Head Office to its RO's/PO's			
o Identification of authority to be transferred from DTI Central Office to its sub-national offices			
oo Authority to approve loans		Completed	

Annex 3 (Continued)

TASKS	Other Agencies Concerned	Completion Date	STATUS/REMARKS
a) TST Program Up to P150,000 - Provincial Fund Management Committe			
b) MEDP			
oo Authority to recommend, in accordance with existing guidelines enterprises that can register under Kalakalan 20		Completed	
oo Evaluation of BOI applications of registration	BOI		Approval of this evaluation is being done in the Head Office
oo Evaluation of application for incentives (such as tax and duty-free importation of capital equipment, tax credit on domestic capital equipment, tax credit on raw materials and supplies, tax credit on net local content and net value earned, income tax and employment of foreign nationals	BOI		Of the five (5) Extension Offices, Regions VII, X and XI are manned by personnel under BOI plantilla while regions V and VI are manned by DTI personnel Moreover, all Extension Offices are under the administrative supervision of the DTI Regional Director concerned
oo Supervision of registered firms	BOI		Original plan is to have BOI extension offices in all regions but due to budgetary constraints, only five (5) have been set up. However, there is a plan to put up an extension office in Region 1 in 1992
oo Receiving patents and trademarks application		Done	Receiving offices in six (6) regions have been set up prior to the approval of the LGC. The regional offices provided for the personnel to man this function

Annex 3 (Continued)

TASKS	Other Agencies Concerned	Completion Date	STATUS/REMARKS
		Subject to availability of funds	Three (3) more will be established per request from other regions but this will be dependent on the availability of funds. Manpower complement will likewise be provided by the regional offices.
oo Product standards enforcement		1988	
oo Factory/product assessment		1988	
oo Technical information services		1988	
oo Business name (BN) registration		Oct. 1987	Verification of BN by Head Office
oo Processing of waiver applications including their evaluation to determine reasonableness of using non-RP flag vessels		Cannot be determined	
oo Cargo Consolidation Market Survey-identify and develop a core group of potential exporters and cargoes in the regional outports for cargo consolidation networking (CARCONET) assistance project		Cannot be determined	Proposed for the regional ports of Legaspi, Davao, Zamboanga, Cebu, Iloilo, Bacolod and General Santos City
oo Coffee export documentation services to coffee exporters		1988	Cagayan de Oro and Davao RO's in said function
oo Export Assistance Network Services (EXPONET) services, e.g., – trade facilitation services to assist exporters on export-related matters/problems;		The plan is to make EXPONET services available in all the regional as well as provincial offices where-	Available in regional and provincial offices such as Bataan, Bulacan, Nueva Ecija, Pampanga, Tarlac, Zambales, Camarines Norte/Sur, Albay, Sorsogon, Negros Occidental, Zamboanga del Sur, Cagayan de Oro, Davao and Cotabato

Annex 3 (Continued)

TASKS	Other Agencies Concerned	Completion Date	STATUS/REMARKS
		ever feasible	
– export advisory (referral/info dissemination services to assist exporters in locating/getting vital trade info)		Initially targetted to be completed in 1992 but may go beyond said year	
oo One Stop Export Documentation Center (OSEDC) which brings together under one roof representatives from 10 different government agencies involved in exports to facilitate receiving applications, processing and approval of export documents		Cannot be specified as putting up of OSEDC would depend on a region's perceived need for such	Three (3) Regional Office - OSEDC's have been operating (Davao, Baguio, Iloilo) OSEDC - Cebu will be operational in January 1992. BETP is currently negotiating with the World Bank for a grant which will provide the center with equipment necessary for its operation
oo Product Monitoring		1988	Decentralized to all regional offices
oo Trade Facilitation		1988	
oo Regional/Provincial fairs, exhibits and mission		1988	
oo Program Marketing i.e., to sell the training programs of CMDF, recruitment and placement of trainees		1997	As provided for under the Regional Planning and Implementation Program of the five-year Manpower Dev't Plan for the Construction Industry Target Pilot Areas for 1992: Regions 4 & 7 while regions 10,11 & NCR and areas affected with calamities, within the 15-year period.
oo Business Licensing Real Estate Broker		Nov. 15, 1988	
– Real Estate Broker			

Annex 3 (Continued)

TASKS	Other Agencies Concerned	Completion Date	STATUS/REMARKS
– Real Estate Appraiser – Real Estate Consultant – Real Estate Salesman – Merchandise Brokers/Sub-agent – Ship Broker/Sub-agent – Fire Extinguisher – Bonded Warehouse			
oo Accreditation		1990	Decentralization of renewal only. It will be completed within the year.
– Motor Vehicles and Heavy Equipment Engine – Electronics, Electrical, Airconditioning and Refrigeration – Office Machines and Data Processing Equipment			
oo Enforcement of Trade Laws		1988	
oo Coordination of program development and implementation			Possible problems: – budgetary constraints - resistance of market to training programs
oo Counselling and litigation/ adjudication		Completed	Proposed for all regions but only four (4) of the regional offices, e.g., II, IV, X, have their own legal officers who handle said functions. Most of the RO's have difficulty in hiring full-pledged lawyers due to non-competitive rates (low compensation).
o Shippercon's Proposed Function for Decentralization to DTI RO's		Cannot be determined	The proposed function for decetralization to all regions have not been started due to budget restrictions imposed by the DBM.

Annex 3 (Continued)

TASKS	Other Agencies Concerned	Completion Date	STATUS/REMARKS
oo Technical Advisory services to individual shippers on economic such as vessel chartering, shipping and transport cost calculation, container loading and capacity estimates, packing/ packaging cargo insurance and preparation of shipping documents			
oo Promote use of C & F/CIF sale among shippers/exporters to conserve the country's foreign exchange		Cannot be determined	
oo Regular assessment and monitoring of accredited freight forwarders viability in servicing the shipping requirements of shippers/ exporters; recommended cancellation of their accreditation certificate if found violating the provisions of MOU (with BOC, MARINA and Civil Aeronautics Board) thus impairing interests of shippers		Cannot be determined	
o Identification of corresponding assets and personnel to be transferred from central to sub-national offices of DTI	PLEASE REFER TO STATUS/REMARKS COLUMN		
o Formulation of the schedule of transfer of authority, assets and personnel	PLEASE REFER TO STATUS/REMARKS COLUMN		

Annex 3 (Continued)

TASKS	Other Agencies Concerned	Completion Date	STATUS/REMARKS
1.3 Actual Transfer of Authority		June 30, 1992	
Implementation of the plan for transfer of functions, assets, personnel to LGU's			
1.4 Funding requirement for Retired and Separated Personnel			
Provisions of funds for retirement and separation benefits of DTI personnel	DBM		
1.5 Post Retirement/Separation Livelihood Enhancement Plan for separated and retired DTI personnel			
Formulation of a Livelihood Enhancement Plan for separated and retired DTI personnel			
2. NEW OPERATING METHODOLOGY	Oct. 30, 1991		
o Formulation of new operating methodology in the light of the transfer of certain functions to LGU's and deconcentration of authority to DTI sub-regional offices			
o Establishment of guidelines and standards regarding the trade promotion, investment support,	LGU's		

Annex 3 (Continued)

TASKS	Other Agencies Concerned	Completion Date	STATUS/REMARKS
credit financing and other devolved functions			
3. INSTALLATION OF MONITORING SYSTEM		Oct. 30, 1991	
o Reorientation of MIS to fit LGC mandates			
o Preparation of guidelines for the submission of monthly accomplishment reports to LGU's	LGU's		
o Formulation of guidelines for the establishment of the trade	LGU's		
4. GUIDELINES ON LGU PARTICIPATION IN NATIONAL		Oct. 30, 1991	
Formulation of guidelines on LGU participation in the planning and implementation of DTI projects/programs whether national or foreign funded	LGU's		
5. GUIDELINES ON MANDATORY CONSULTATIONS		Oct. 30, 1991	
o Preparation of guidelines for the mandatory consultations by the DTI with the LGU's regarding LGU-specific plans and programs	LGU's		

Annex 3 (Continued)

TASKS	Other Agencies Concerned	Completion Date	STATUS/REMARKS
6. LOCAL CHIEF EXECUTIVE ADMINISTRATIVE AUTHORITY OVER DTI FIELD PERSONNEL		Oct. 30, 1991	
o Formulation of guidelines over the exercise of mandatory administrative authority of the local chief executive over field personnel of the DTI	LGU's		

Source: Department of Trade and Industry