

April 20, 2008

Dear Secretary Favila,

We understand that the 2008 Investment Priority Plan has been finalized by the DTI/BOI and approved by the Cabinet.

We learnt initially of the 2008 IPP industry composition from a newspaper report quoting Under Secretary Elmer Hernandez. When we raised the issue with you in our late February meeting you informed us that the press had reported a preliminary list and that private sector consultations would take place in various parts of the country before the IPP was finalized.

Unfortunately, the foreign business community was not invited to these consultations, although FDI is a major share of the annual new investment in the Philippines and foreign investments could be raised substantially if the various barriers and disincentives to FDI could be removed. In this context, it would have been desirable if we had been consulted.

Mr. Secretary, we have asked to be consulted in previous meetings. Had we been invited to provide comments on the 2008 IPP, we might have raised the following points:

1. We feel the list approved by the Cabinet is not specific enough. If we are to use the IPP as a tool for investment promotion, we should be target oriented, highlighting the specific sectors the government wishes to be developed by providing investment incentives:
 - a. for instance in 'agriculture and agri-business', the emphasis should have been on the development of agro-industrial estates, bringing together the farming community and the food processors;
 - b. in infrastructure, the emphasis should have been on transportation (sea, land and air) and energy;
 - c. in tourism, we would have appreciated the inclusion of medical and retirement zones;
 - d. engineered products, in our view, need to be specified; and
 - e. strategic investments should have been specifically identified so that investors can be guided to the strategic requirements of the country.
2. We also do not see the BPO sector which still needs a great amount of support if the Philippines is to capture the target of 10% of the world business outsourcing and offshoring market by 2010.
3. In the process of looking at attracting investments into targeted sectors, it would have made sense to look at the 'negative list' (E.O. 584) and see which sectors can be opened up administratively to attract more investments. For instance

- a. practice of professions—a selective opening of the restrictions and encouragement to establish practices for architecture, engineering, medicine and medical technology, geology (to name a few) could help address the needs of the new Philippine industry sectors such as medical travel and retirement, mining and creative industries; as we have previously advocated an omnibus bill to open up the professions restricted to Philippine nationals should be introduced in Congress.
- b. in order to create more competition, it could have been of interest to lower the entry barrier to the retail trade.

This list could be much longer if we add the constitutional limitations but it is unlikely that these restrictions will be liberalized anytime soon.

Although we recognize that the 2008 IPP has been finalized we would still be interested in meeting with you and Under Secretary Hernandez to obtain more precise guidance regarding how the 2008 IPP will be interpreted.

At the same time, we wish to put on record to be included in the discussions leading to the 2009 IPP.

We also note that the Sixth Regular Foreign Investment Negative List will expire in November 2008. Despite our correspondence with NEDA and DTI suggesting a study of how to further liberalize the Negative List, we are not aware of any action taken. Accordingly, we would like to recommend that DTI organize a meeting soon to explore what action might be taken to remove some of the restrictions on the current Negative List,

We look forward to your response.

With kind regards,