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The Philippines: Rising to the Challenge of Improving the Investment Climate

2008 Philippines Development Forum
Clark, Pampanga
26 March 2008

Secretary Peter B. Favila
Department of Trade and Industry





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Outline of Presentation

- I. What do the numbers say?
- II. Reality Check: FDI attractiveness and Philippine competitiveness
- III. Beyond survey results: What investors have to say
- IV. Improving the Philippine Investment Climate
- V. DTI Key Investment Thrusts and Strategies
- VI. National Competitiveness Council Focus Areas
- VII. The PDF Working Group on Growth and Investment Climate (WG-GIC) Strategic Thrusts

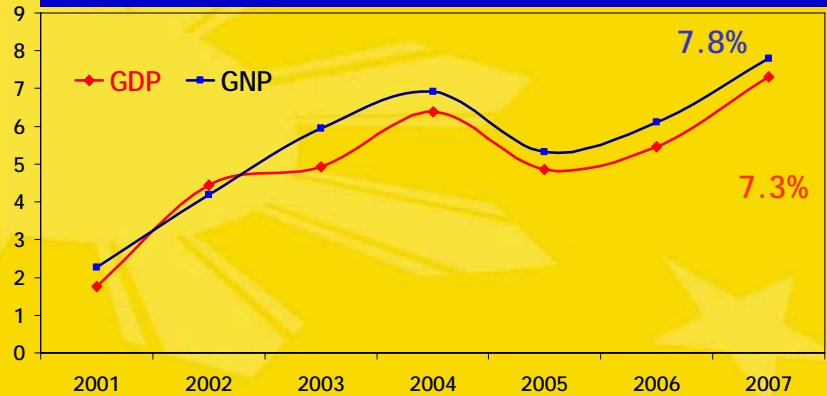


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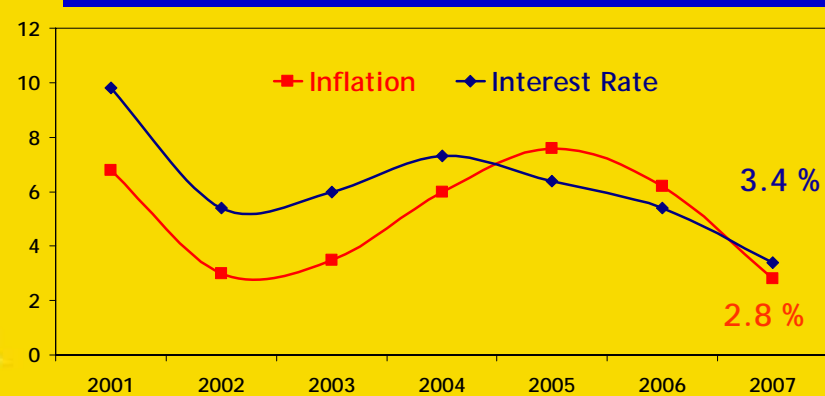


I. Key economic numbers paint a picture of a stronger economy

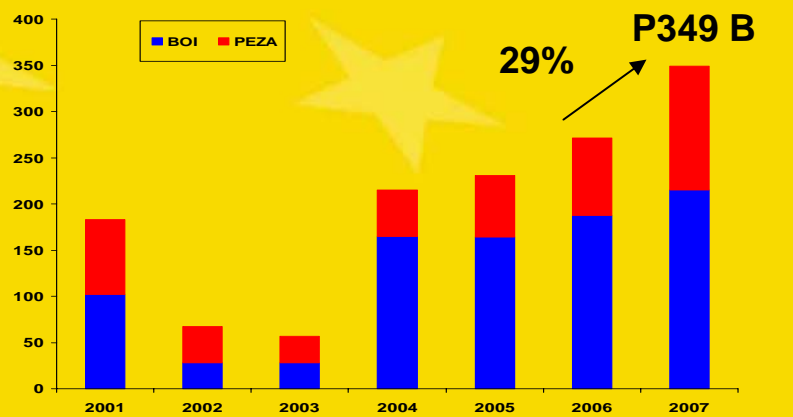
**Real GDP and GNP Growth (in %)
2001 - 2007**



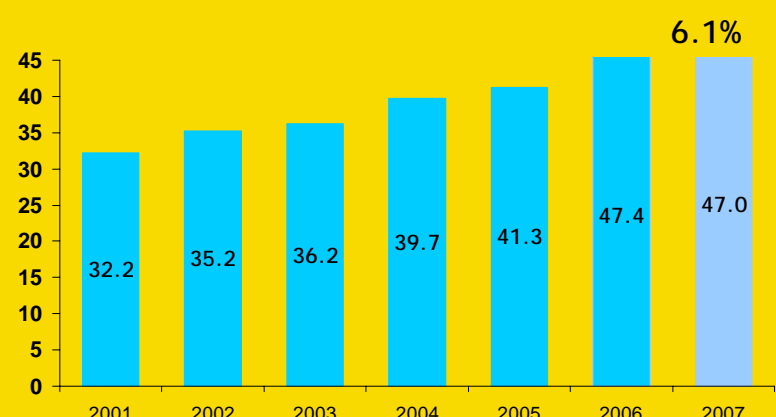
**Inflation and Interest Rates
2001 - 2007**



**BOI - PEZA Approved Investments
2001 - 2007**



**Merchandise Exports (US\$ B)
2001 - 2007**



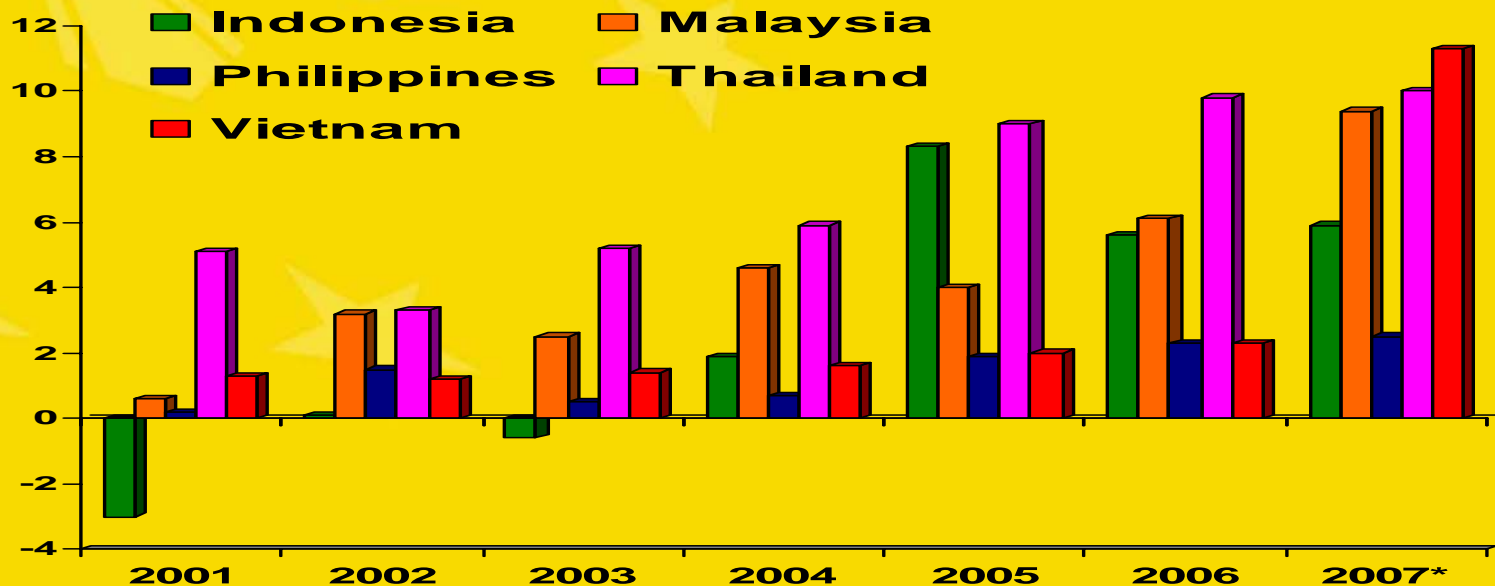


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II. Reality Check: The Philippines is not attracting comparable FDIs among Southeast Asian countries

FDI Inflows (in US\$ Billions)
2001 - 2007*



* Preliminary data

Source: UNCTAD



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III. Beyond the numbers and survey results:

What investors have to say

“ RP is well-placed to ride out the global storm.” - Frederick Neumann, Economist, Asia-Pacific, HSBC (citing fiscal consolidation, low inflation rate, stable exchange rate, resulting in a stable macroecon environment)

“ Well-educated, English-speaking labor force is still a competitive advantage.” - Sameer Goel, Director, Global Markets Research, Deutsche Bank

“ Increased in savings rate has been more pronounced in recent years .” - Thomas Byrne, Senior VP, Moody’s Investors Service (w/c has recently upgraded RP’s credit rating from positive to stable)

“ Large balance of payment & high level of GIR; overall a positive current account position.” - Reza Baqir, Country Resident Rep, IMF

- Nestle: talent availability and cost efficiency
- Texas Instruments: strong government support, commitment to further improve business environment



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Beyond the numbers and survey results:

Attracted “beyond the usual” kind of investments

- ***High value investments (billion US dollar investments)***
e.g., Texas Instruments, Hanjin Heavy Industries
- ***High end, highly specialized investments***
e.g., Knowledge Process Outsourcing (KPO), highly specialized vehicles, high end electronic products
- ***High employment generating investments***
e.g., IT and IT-enabled services companies
(>10,000 employees per company)
- ***High impact investments***
e.g., energy, mining, infrastructure



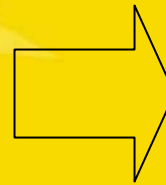
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IV. Improving the Philippine investment climate

Strengthening Macroeconomic Environment

- Stabilizing the economy and promoting growth thru fiscal and financial strength
- Job generation & global competitiveness
- Social development and direct anti-poverty measures
- Decentralizing development
- Good governance & national harmony



2008 Targets

- 6.3 - 7 % GDP growth rate
- 3 - 5 % inflation rate
- Balanced budget by 2008
- 12% BOI-PEZA investment growth
- 8% export growth



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Improving the Philippine investment climate

Infrastructure

- Comprehensive & Integrated Infrastructure Program (CIIP) 2007-2010 amounting to PhP2.03 trillion in support of the Super Regions Framework

Updated CIIP 2007 - 2010 (in PhP Billion)

NG	1,090.00
GOCCs	641.83
LGUs	115.40
GFIIs	26.95
Total Government	1,874.18
Private Sector	641.83
Others	128.18
TOTAL	2,025.12



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Improving the Philippine investment climate

Good Governance

Curbing Corruption

- *169% Increase in the number of convictions in anti-graft court from 2006 to 2007*
- *PhP 3 B anti-corruption fund*
- *Procurement Transparency Group*
- *Anti-Red Tape Task Force*



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V. DTI Key Investment Thrusts and Strategies

- 1. Pursue higher quality investments (growth boosting, employment creating)**
- 2. Investments will be sector-focused and company-directed**
- 3. Continue policy reforms to improve investment climate and reduce cost of doing business**
- 4. Promote investments in infrastructure under the Super Regions Framework**
- 5. Strategic Investment Aftercare Program (SIAP)**



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DTI Key Investment Thrusts and Strategies

Priority Sectors

- **Offshoring and Outsourcing (O&O)**
- **Infrastructure**
- **Tourism, including Health & Wellness**
- **Mining**
- **Agribusiness**



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National Competitiveness Council Focus Areas

- *Competitive Human Resources*
- *Efficient public and private sector management*
- *Effective access to financing*
- *Improved transaction costs and flows*
- *Seamless infrastructure network*
- *Energy cost-competitiveness and self - sufficiency*



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PDF Working Group on Growth and Investment Climate Strategic Thrusts

- 1. Accelerate and widen investments**
- 2. Expand trade**
- 3. Strengthen institutions and governance**
- 4. Provide adequate financing support**
- 5. Raise quality and productivity through innovation and technology**
- 6. Address infrastructure bottlenecks**



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