

# Greening the Philippine manufacturing industry roadmap

Department of Trade and Industry and Board of Investments, Philippines

<http://industry.gov.ph>

The manufacturing sector of the Philippines is challenged to significantly strengthen its competitiveness in order to be prepared for the challenges lying ahead. Seeing the worldwide dynamics of industrial development and the integration process of the ASEAN Economic Community, it becomes obvious that the manufacturing industry needs to successfully position itself as a globally competitive industry on domestic, regional and global markets.

Asia's economies and their businesses are increasingly becoming main drivers for Green Economic Development (GED) worldwide. It is obvious that the manufacturing industry of the Philippines is challenged to be responsive and proactive to this worldwide trend. Already today, the business community sees in the over-use of natural resources and the impacts of climate change a key challenge to do business successfully and to ensure its long-term economic growth perspective.

In a common effort, industry and government in the Philippines have launched an initiative, in which sectoral road maps have been elaborated and submitted to the Department of Trade and Industry and the Board of Investments. The so-called Road Map Process is a unique opportunity to define a well-focused stimulation and promotion for an industry driven GED that is integral part of a modernization and innovation process of the economy of the Philippines. Within the industry sectors, each company have to elaborate and implement their own strategy to unleash the specific market potential for products and service delivery.

Public policies on regulation, subsidies, incentives and information have a central role to play for the green modernization of the industry. Green investment from both the public side and the private side is an investment for immediate returns and for the future.

Worldwide experiences show that without a forceful and coordinated set of actions that removes barriers and sets favorable framework conditions, it is unlikely that even the most economically beneficial options would overcome a short-term sighted "Buy-the-Cheapest" or "Business-as-Usual" attitude. In cooperation with other government entities, the BOI and DTI should contribute to setting framework conditions and to building up capacities that support a paradigm shift towards an innovation process that results in competitiveness, good environmental performance, climate change resilience and job creation.

## Promotion of Green Economic Development (ProGED) Project

ProGED is a project of the Department of Trade and Industry (DTI) with the Federal Republic of Germany through the Deutsche

Gesellschaft für Internationale Zusammenarbeit (GIZ). It is primarily aimed at improving the competitiveness of MSMEs while coping with climate change adaptation and mitigation requirements through the adoption of environment-friendly, climate-smart, and inclusive strategies and measures.

Interventions are implemented at the operational level through the Regional and Provincial offices of DTI (to support the enterprises in greening their operations), as well as at the policy level through the Regional Operations Group (ROG), where the green perspective is integrated into the programs and projects of DTI. A Green Growth Core Group has likewise been established within ROG to steer their initiatives on greening MSMEs within the Department.

ProGED promotes a green economy strategy founded on the five pillars of mitigation, adaptation, competitiveness, green jobs, and preserving or even improving nature's capital. The project focuses initially on the tourism sector with its high potential for investment, employment, and poverty reduction due to its linkages with upstream and downstream industries in other economic sectors.

The project is implemented from 2013 to 2016, and piloted its approach in the Provinces of Cebu and Bohol. Since 2014, it has expanded to include fourteen replication provinces in seven regions, namely: Pampanga and Tarlac (Region 3) Laguna and Cavite (Region 4A), Palawan and Occidental Mindoro (Region 4B), Albay and Camarines Sur (Region 5), Negros Occidental and Capiz (Region 6), Negros Oriental and Siquijor (Region 7), and Agusan del Norte and Surigao del Norte (Region 13). Aside from tourism, additional priority sectors are taken up according to the location's competitive advantages.

In relation to its efforts to support the greening of enterprises and upon the request by DTI, ProGED also supported the Greening the Manufacturing Industry Roadmaps process, which aims at integrating green economic development elements in selected industry roadmaps and the overall manufacturing roadmap.

Started in 2014, the initiative has fielded three missions by Dr. Bernd Gutterer, an international GED consultant commissioned by GIZ to the Philippines. The first mission was held in July 2014, wherein initial consultations with various industry associations and stakeholders were conducted to assess awareness of GED concepts. The second mission was held in November 2014, wherein one-on-one discussions with six industries selected by DTI (automotive, copper, furniture, mass housing, plastics, and pulp and paper) were conducted to determine how green elements could be integrated in their respective roadmaps.

# Tax incentives for green industry in Malaysia

## Malaysian Investment Development Authority (MIDA), Malaysia

<http://www.mida.gov.my>

### Green Technology Incentive includes more qualifying activities

To strengthen the development of green technology, the Government will continue to provide incentives in the form of investment tax allowance for the purchase of green technology assets and income tax exemption for the use of green technology services and system.

The incentives which were announced in Budget 2014 will cover broader scope of green technology activities in the areas of energy, transportation, building, waste management, and supporting services activities. It also facilitates the transition of the expired (by 31 December 2015) tax incentives relating to renewable energy (RE) and energy efficiency (EE) projects under the Promotion of Investment Act (PIA), 1986.

#### A) Tax incentive for green technology project

Investment Tax Allowance (ITA) of 100% of qualifying capital expenditure incurred on a green technology project from the year of assessment 2013 (date on which the first qualifying capital expenditure incurred is not earlier than 25 October 2013) until the year of assessment 2020. The allowance can be offset against 70% of statutory income in the year of assessment. Unutilised allowances can be carried forward until they are fully absorbed.

Green technology project related to renewable energy, energy efficiency, green building, green data centre, and waste management can qualify for this tax incentive. Please refer to the Guideline for Application for Incentives and/or Expatriate Posts for Green Technology (GT) at [www.mida.gov.my](http://www.mida.gov.my) for more details on qualifying activities and eligibility criteria.

Applications received by 31 December 2020 are eligible for this incentive. Applications should be submitted to MIDA.

#### B) Tax Incentive for Green Technology Services

Income tax exemption of 100% of statutory income from the year of assessment 2013 until the year of assessment 2020.

Green technology services related to renewable energy, energy efficiency, electric vehicle (EV), green building, green data centre,

green certification and verification, and green township can qualify for this tax incentive.

Applications received by 31 December 2020 are eligible for this incentive. Applications should be submitted to MIDA.

#### C) Tax Incentive for Purchase of Green Technology Assets

Investment Tax Allowance (ITA) of 100% of qualifying capital expenditure incurred on green technology asset from the year of assessment 2013 (date on which the first qualifying capital expenditure incurred is not earlier than 25 October 2013) until the year of assessment 2020. The allowance can be offset against 70% of statutory income in the year of assessment. Unutilised allowances can be carried forward until they are fully absorbed.

### Incentives for establishment of waste eco parks (WEPs)

Waste Eco Park (WEP) aims to promote waste recycling, recovery and treatment activities by the industries and provides a sustainable solution to waste management problem. This will encourage investments in facilities and infrastructure towards holistic waste management activities. In order to promote the activities, there are incentives available for WEP Developer, WEP Manager and WEP Operator (companies operating in the WEP).

#### A) WEP developers

Applications received by MIDA from 1 January 2016 until 31 December 2020, are eligible to be considered for this incentive.

#### B) WEP managers

Applications received by MIDA from 1 January 2016 until 31 December 2020, are eligible to be considered for this incentive.

#### C) WEP operators (companies operating in WEP)

Applications received by MIDA from 1 January 2016 until 31 December 2020, are eligible to be considered for this incentive.

### Handbook for MSME Access to Alternative Sources of Finance in ASEAN

The Handbook is designed to provide practical information on the available alternative sources of loan and equity funding that are more suited to the financing needs and requirements of MSMEs in ASEAN.

For more information, contact:

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