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ON STATISTICS**

03-05 OCTOBER 2022



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Integrating Investment Statistics of the Philippine Economic Zone Authority for Better Investment Promotions and Strategies



Aleem Siddiqui M. Guiapal

OIC Deputy Director General for Finance and Administration
and Group Manager – Promotions & Public Relations Group (PPRG)

Philippine Economic Zone Authority (PEZA)

Session Topic:
Crowne Plaza Galleria Manila
8:30 – 10:00 AM, 04 October 2022



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Scope of Presentation

- **Chapter I: Introduction**
- **Chapter II: Review of Related Literature**
- **Chapter III: Methodology**
- **Chapter IV: Discussion of the Study**
- **Chapter V: Conclusion and Recommendation**



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I. Introduction

Philippine Economic Zone Authority (PEZA) is one of the leading Investment Promotion agencies of the government that promotes the establishment of economic zones in the Philippines for foreign investments. PEZA is also the Philippine government agency tasked to extend assistance, register, grant incentives to and facilitate the business operations of investors in export-oriented manufacturing and service facilities inside selected areas throughout the country proclaimed by the President of the Philippines as PEZA Special Economic Zones.

Attached agency to the Department of Trade and Industry (DTI), PEZA is the top export-oriented investment promotion agency (IPA) in the country created by virtue of the Republic Act No. 7916 or The Special Economic Zones Act of 1995.

KEYWORDS: *PEZA, investment promotions, ecozones, monitoring*



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PEZA PERFORMANCE (1995-2021)

Investments

P 4.058
Trillion

Exports

\$ 965.943
Billion USD

Employment

1.7 million
Workers directly employed

IN 2021, PEZA CONTRIBUTED TO:



16% of the
Philippines' GDP



59.05% of the
Philippines' Exports of
Commodities and Goods



56.44%
of service exports

Source: BSP & PSA



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420 Ecozones
Nationwide

77

Manufacturing

300

IT Parks and Centers

3

Medical Tourism

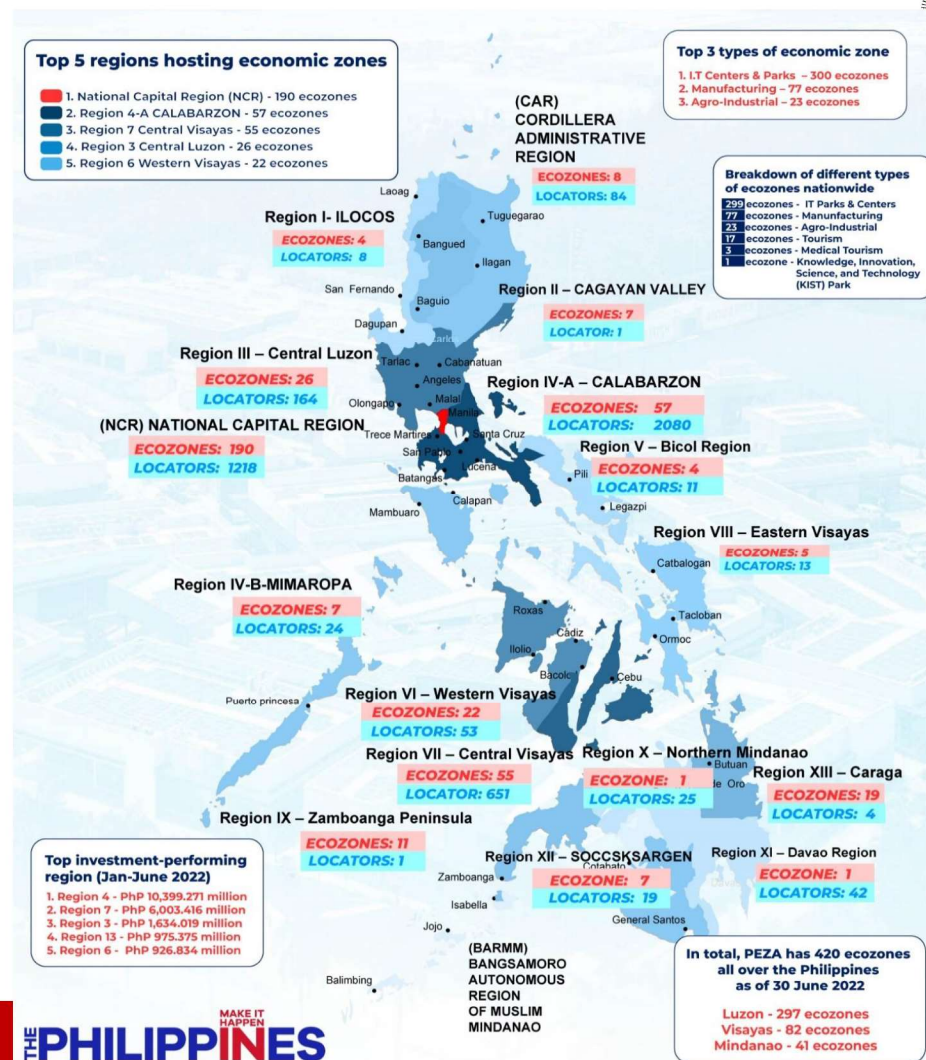
23

**Agro-Industrial
Parks**

17

Tourism

4,354 Locator Companies Nationwide



Philippine
Statistics Authority



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Background of the Study

Investment statistics in PEZA in the present situation is admittedly **limited as it covers only data on approved investments** which is classified by foreign and domestic investments' share, by industry, and by region/nationality. In addition, data on exports generated and employment are likewise being released per quarter and annually release. How much of these approved projects were realized is not available, such that approved vs. realized could not be matched.

The IACIS made a breakthrough in this endeavor with the approval of the Integrated Investment Statistical Framework (IISF) in July 2022 upon which all investment statistics reporting agencies, PEZA included, will comply and follow the guidelines stipulated in the said framework to achieve a common goal of having better and comprehensive statistics on investments in the country.

Guided by this framework, the proponent of this particular piece of study paper would argue to **start the integration of its own investment data** within its own jurisdiction incorporating the necessary reporting and monitoring system as maybe required by the investment data authorities, in this case, the PSA and soon with the FIRB. Hence, this humble work we offer to the target audience.



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Statement of the Problem

The research aims to respond to the main question,

“How does PEZA monitor its investment statistics?”

More specifically, the study seeks to answer the following questions:

1. What are the current investment statistics policies, processes and monitoring system in PEZA?
2. What are the key investment data issues being faced by PEZA?
3. How will PEZA address these pressing data issues in order to have better Investment Promotions and Strategies?

Objectives of the Study

As this study seeks to analyze PEZA's investment monitoring and statistical processes, it specifically aims:

1. To **illustrate the current PEZA's flowchart of attracting investments, reporting investments, and dissemination of investment data.** It includes mapping out of the roles of different PEZA units in the process as well as delineation of approved (committed) investments and actual (realized) investments;
2. To **identify key data issues** that will be addressed in PEZA's investment statistics; and
3. To **propose solutions** to be undertaken by PEZA in order to improve investment statistics for monitoring and evaluation of performance.



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Significance of the Study

The study presents significance how the government particularly investment promotion agencies (IPAs) can improve the overall investment monitoring practices and processes of the country given the crucial role investments play in the country's economic growth and development.



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Chapter II: Review of Related Literature

A. National Investment Data Monitoring and Reporting

- **Philippine Statistics Authority (PSA)**
- **Bangko Sentral ng Pilipinas (BSP)**
- **Securities and Exchange Commission (SEC)**
- **Department of Trade and Industry (DTI)**

B. Approved Investments vis-à-vis Actual Investments

C. Other Key Data Issues



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Definition of Terms

- Actual Investments
- Approved Foreign Direct Investments
- Foreign Direct Investments
- Investment Promotion Agency
- Registered Business Enterprise
- Special Economic Zone
- Tax incentives
- Foreign Investment Flows



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III. Methodology

RESEARCH DESIGN

- To answer the problem, the research will be done using the qualitative research method. As such, descriptive analysis of the available data and information available online and onsite within PEZA will be conducted.

TRADITION OF INQUIRY AND DATA-GENERATION METHOD

- To support the findings and provide better context and applicability of the proposed framework, Key Informant Interviews will be conducted with selected technical personnel and managers and high-level officers of PEZA identified.

Chapter IV: Data Analysis and Interpretation

- Organizational Structure of PEZA

<https://www.peza.gov.ph/organizational-chart>



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Chapter IV: Data Analysis and Interpretation

- The key informants or interview participants have **outlined the process** of PEZA in its investment statistics beginning from the **registration of investment** activities or projects towards the **reporting of generated total of investments** that can be on a monthly, quarterly, or annual basis.
- RBEs transact to different PEZA units depending on their concerns and/or requests.
- Mostly, in terms of **registration of activities and/or validation of entitlement to incentives**, companies transact with the PEZA Operations Group (i.e., Enterprise Regulations Division or ERD, Enterprise Services Division or ESD, Incentives Management Division or IMD).
- For **ecozone development**, clients transact with the Enterprise Development Department or EDD.



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Chapter IV: Data Analysis and Interpretation

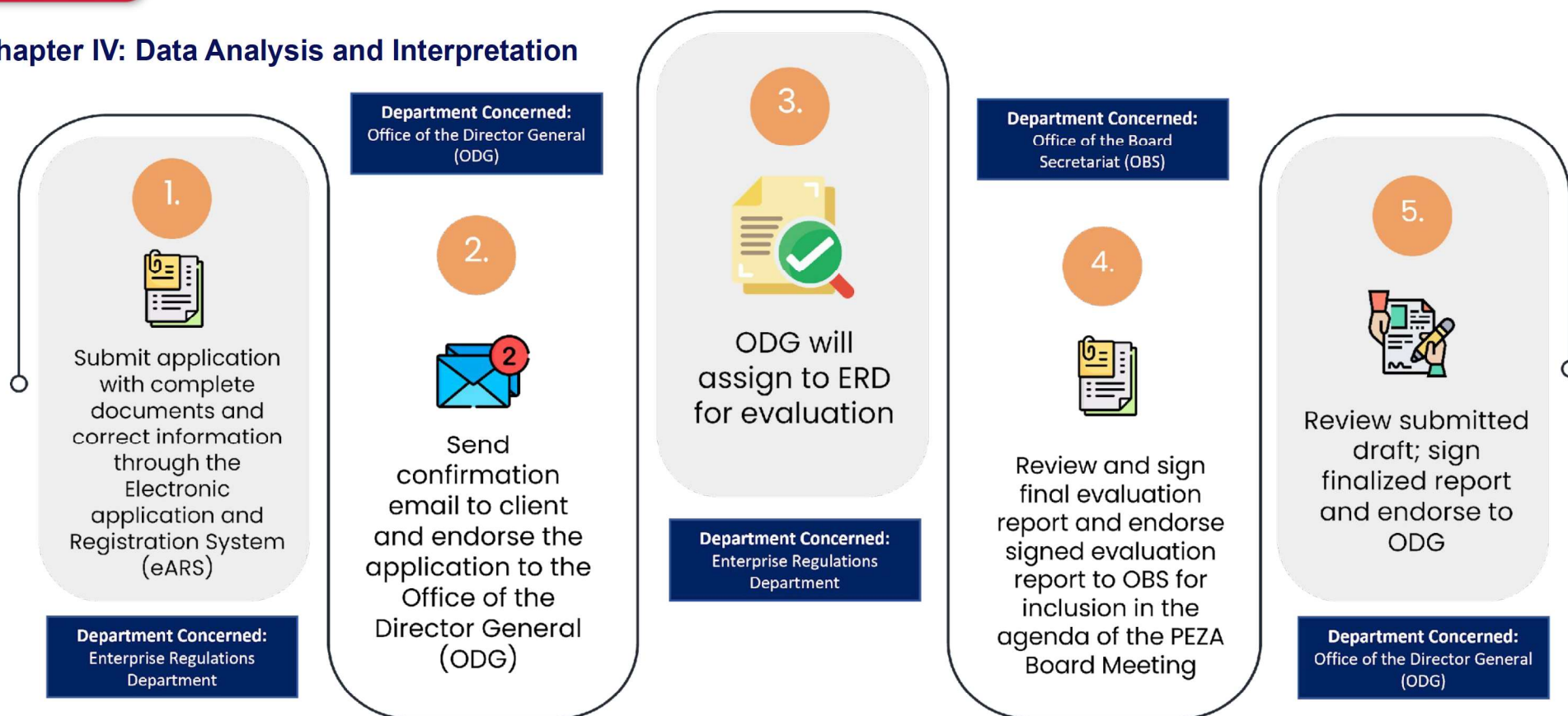


Figure 1. Collection and Reporting of Investment Data from a Potential Locator's/Enterprise's Application to Its First Year of Operation



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Chapter IV: Data Analysis and Interpretation

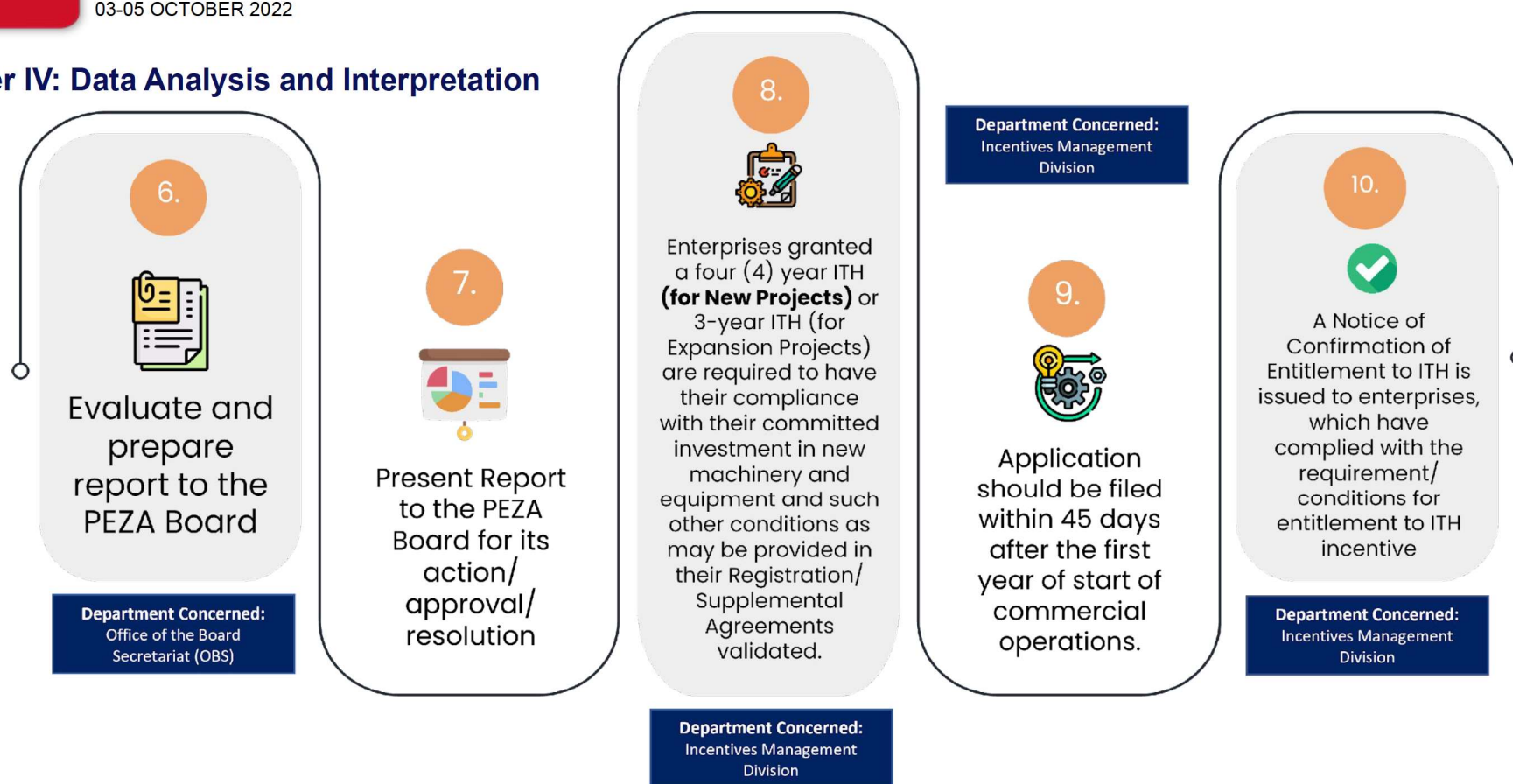


Figure 1. Collection and Reporting of Investment Data from a Potential Locator's/Enterprise's Application to Its First Year of Operation



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Chapter IV: Data Analysis and Interpretation 3-STAGES IN THE DECLARATION AND OPERATIONALIZATION OF AN ECOZONE



Figure 7. Stages in the declaration and operationalization of economic zones



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Chapter IV: Data Analysis and Interpretation

	TYPE OF REPORT	DESCRIPTION
MONTHLY	Economic Zone Monthly Performance Report (EZMPR)	<p>PEZA monitors the performance of all registered enterprises inside SEZs through the EZMPR. The report contains the officer's details, employment data, salaries, sales, imports, local purchases, power utilization data, and labor concerns.</p> <p>Indicators included in the EZMPR are investments, employment, and exports.</p>
	Monthly Summary Report of Local Sales (For Information Technology (IT) Companies only)	<p>Before IT Companies can render local sales of IT services, they must secure a Letter of Authority (LOA) issued by PEZA's head office. Local sales for domestic markets must be covered by a monthly summary report.</p>
	Labor Situationer Marketing Report	<p>PEZA will monitor your organization to address problems relating to labor management in your PEZA-registered enterprise. This form contains all concerns regarding your workforce and its current state.</p>

Table 3. PEZA Reportorial Requirements



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Chapter IV: Data Analysis and Interpretation

	TYPE OF REPORT	DESCRIPTION
QUARTERLY	Quarterly ITR	As part of PEZA's reportorial guidelines, companies are required to submit their Quarterly ITR and proof of payment with the Bureau of Internal Revenue (and Local Government Unit, if applicable). Enterprises report their income, expenses, and other tax details to BIR.
	Annual ITR	Enterprises must file the Annual ITR together with the breakdown or schedule of sales per activity, other income earned outside of operations, and their data on revenues and taxes paid for the fiscal year.
ANNUALLY	Annual report on Actual Operations	This document summarizes the yearly operations of business owners and their registered activities with PEZA. It includes the details of an enterprise's import data, production and sales, labor data, fuel usage, and domestic data.

Table 3. PEZA Reportorial Requirements



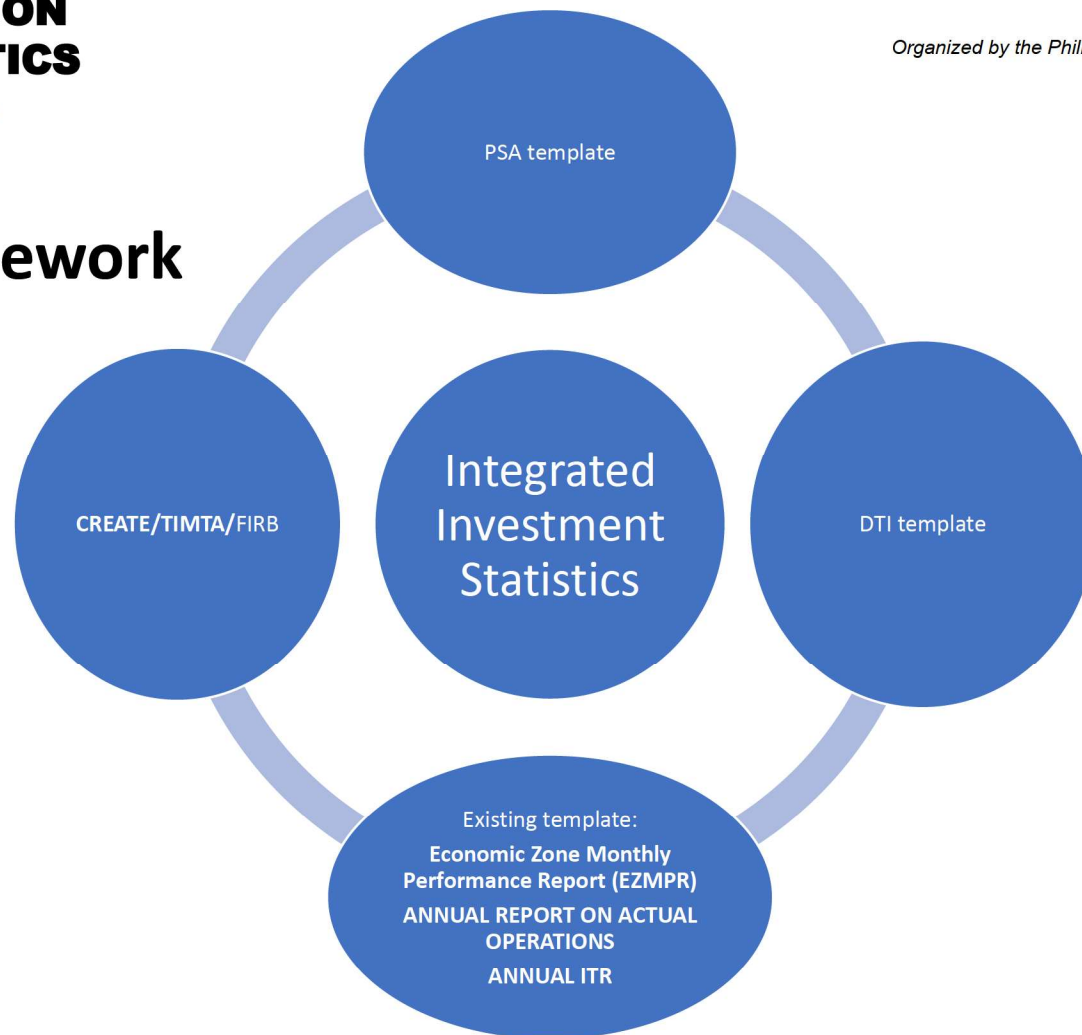
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Proposed Framework





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Conclusion

- There is **no harmonized and single system** upon which the different investment-reporting government agencies follow.
- **PEZA's investment data is gathered from the submission of reports of the PEZA business registered enterprises (RBEs) to concerned units within PEZA which shall do the consolidation before reporting to requesting agencies such as PSA, DTI, and now the Fiscal Incentives Review Board (FIRB) of DOF, under CREATE laws (RA 11534).**
- **PEZA submits its monthly reports on Approved Foreign Investments to the Office of the Secretary-Department of Trade and Industry (DTI) and on a quarterly basis, to the Philippine Statistics Authority (PSA).**
- **RBEs are required to submit various types of reports (monthly, quarterly, and annually) to PEZA for the validation of their entitlement to incentives.**



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Conclusion

- For PEZA compliance, **RBEs availing of tax incentives are required to submit the updated Annual Tax Incentive Report (ATIR) and Annual Benefits Report (ABR)** in addition to the traditional report.
- **The new reporting system introduced under the CREATE Law poses a challenge to the reporting agency** because of the daunting task needed to be performed on just one report.
- **There is a serious need to integrate the system of investment statistics of PEZA** to fulfill its innate functions and provide better strategies to attract more foreign direct investment in the country
- **This proposed integration shall take into consideration the different reportorial requirements of the requesting agencies** such as the DTI, PSA, BSP and soon to the FIRB.



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Recommendation

1. **Adopt an integrating investment statistics framework** to harmonize its internal reporting and monitoring templates.
2. **Explore and study further the existing templates both the original ones and the new system under CREATE Law** and determine which works better not only for the end users but more so with the reporting units.
3. To comply with the requirements under ease of doing business policies and be resilient to management changes in the future, **automation is one aspect to explore and establish an institutionalized mechanism of reporting and monitoring investment statistics.**
4. **Manpower empowerment and capacity building** for the workers handling the data management is of paramount importance.

Next step is to recommend to PSA and other IPAs a one stop shop data banking and reporting of investment, export and employment accessible among all other agencies that will assist in our projections as to which industry and country we can focus as a matter of priorities.



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Thank you!



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