

Country Name	Project for Elaboration of Industrial Promotion Plans using Value Chain Analysis		
Republic of the Philippines			

I. Project Outline

Background	<p>The Philippines refocused on promoting manufacturing and foreign direct investment (FDI). At the same time, with the arrival of the wave of “China+1” and robust economic growth, a volume of FDI increased and the growth rate of the manufacturing sector exceeded the world average and ASEAN average. The share of the manufacturing sector in GDP also had increased slightly for that time.</p> <p>However, the Philippines still faced challenges in the manufacturing sector. For instance, the Philippines’ automotive industry which accounted for 4% of total GDP, produced only 300 kinds of parts out of 30,000 parts needed to assemble cars. In the electronics industry which accounted for 40% of total exports, only assembling process was domestically carried out and the most value-adding processes at much earlier stages had yet to be internalized in the country. In addition, the acceleration of regional integration through the Association of South East Asian Nations (ASEAN) Economic Community (AEC) brought ASEAN countries fierce global competition by reducing tariff and eliminating non-tariff barriers. As one of the results of the regional economic integration, regional value/supply chains were became more “multilayered” and the transaction volume of intermediate goods, not only finished products, was being escalated.</p> <p>In this context, the analysis on the global value/supply chains (GVCs) and surrounding circumstances in target industries became important for effective policy intervention by policy makers. From this perspective, the Department of Trade and Industry of the Philippines (DTI) requested to the government of Japan technical cooperation aiming at elaborating industrial promotion plans using GVC analysis with focus on how to integrate and deepen Philippine participation in GVCs, and to build capacity of those who were keys to policymaking through the process of preparing industrial promotion plans.</p>										
Objectives of the Project	<p>This project aims to identify segments in the automotive industry needed to be strengthened and constraints against the industrial developments through the GVC analysis and to formulate an automotive industrial promotion plan with the cooperation and agreement of public and private stakeholders, thereby contributing to 1) increase in foreign and domestic investments, 2) employment creation, and 3) enhancement of the SMEs’ linkage with the GVC of the automotive industry.</p> <p>1. Expected Goals through the proposed plan¹: (1) Foreign and domestic investment, (2) employment and (3) Micro, Small and Medium Enterprises (MSME) linkage with the GVC in the target industries are increased by policy implementation by DTI in cooperation with stakeholders from the private sector and relevant government organizations.</p>										
Activities of the Project	<p>1. Project site: Office of DTI in Manila</p> <p>2. Main activities:</p> <p><Phase 1></p> <p>(1) Review stakeholders and set up Joint Coordinating Committee and GVC analysis Working Group</p> <p>(2) Draft training program for counterpart personnel</p> <p>(3) Review and analyze economic and industry statistics necessary for GVC analysis of the target industries</p> <p>(4) Review and analyze strategies and operations of private companies in the target industries</p> <p>(5) Review and analyze industry policies of the target industries in relevant countries and their roles in GVCs</p> <p>(6) Review and analyze Philippine industry policies and surrounding circumstances of the target industries</p> <p>(7) Review and analyze human resource development situation for the target industries</p> <p>(8) Conduct study tours in relevant countries</p> <p>(9) Draft Industrial Promotion Plans with concrete action plans based on the above analysis</p> <p><Phase 2></p> <p>(1) Review stakeholders and set up thematic Working Groups based on draft Industrial Promotion Plan with concrete action plans</p> <p>(2) Conduct study tours in relevant countries</p> <p>(3) Elaborate each action with building consensus with stakeholders</p> <p>(4) Implement some actions as pilot activities if necessary</p> <p>(5) Finalize Industrial Promotion Plans with concrete action plans</p> <p>(6) Hold seminars to share the result of the project</p> <p>3. Inputs (to carry out above activities)</p> <table><tr><td>Japanese Side</td><td>Philippines Side</td></tr><tr><td>1) Mission members: 7 persons</td><td>1) Staff allocated: 3 persons</td></tr><tr><td>2) Trainees received: 19 persons</td><td>2) Land and facility: Office space, machinery, equipment, instruments, vehicles, tools, spare parts, and so on</td></tr><tr><td>3) Training in the third country: 18 persons (Thailand and India)</td><td></td></tr></table>			Japanese Side	Philippines Side	1) Mission members: 7 persons	1) Staff allocated: 3 persons	2) Trainees received: 19 persons	2) Land and facility: Office space, machinery, equipment, instruments, vehicles, tools, spare parts, and so on	3) Training in the third country: 18 persons (Thailand and India)	
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Project Period	(ex-ante) May 2016 – April 2018 (24 months) (actual) September 2016 – June	Project Cost (Japanese side only)	(ex-ante) 360 million yen, (actual) 349 million yen								

¹ The degree of achievement of expected goals is not to be assessed in principle at the time of ex-post evaluation, since it is defined as the medium-to-long-term goals which will be attained as a result of crystallizing the proposed plan (“output” of the project).

	2019(34 months)		
Implementing Agency	Industry Development Group, Department of Trade and Industry (DTI) Board of Investment (BOI)		
Cooperation Agency in Japan	Nomura Research Institute, Ltd, IMG Inc.		

II. Result of the Evaluation

1 Relevance/Coherence
<p>[Relevance]</p> <p><Consistency with the Development Policy of the Philippines at the Time of Ex-Ante Evaluation ></p> <p>The project was consistent with the development policy of the Philippines at the time of ex-ante evaluation. In the “Philippine Development Plan” (2011-2016), the goal of “inclusive growth” of the economy was to expand job creation to be inclusive of the poor and to reduce poverty, and one of the strategies to achieve this goal was to promote the manufacturing sector and increase its competitiveness. In order to promote the manufacturing industries, DTI developed industry roadmaps for each sector of the manufacturing industries, with the support of private sector industry associations, and integrated these roadmaps to develop Manufacturing Industry Roadmap (MIR) for the manufacturing industry as a whole, and launched Manufacturing Resurgence Program (MRP) in 2013. In June 2015, through the issuance of Executive Order 182, the Comprehensive Automotive Resurgence Strategy (CARS) was announced for the automotive industry, and a scheme was introduced to provide fiscal incentives with a total subsidy of 27 billion pesos (about 70 billion yen) from the government to private companies if they locally produce 200,000 units of their enrolled car model under the program within six years. However, no particular findings were confirmed regarding the relevance of the project implementation to the extent that it would give suggestions to other JICA projects.</p> <p><Consistency with the Development Needs of the Philippines at the Time of Ex-Ante Evaluation ></p> <p>The project was consistent with the development needs of the Philippines at the time of ex-ante evaluation. The development needs of the project at the time of ex-ante evaluation are described in the "Background" section above. With the domestic internalization of higher adding-value processes in the automotive industry and the multilayering of GVCs due to accelerated regional integration, analysis was essential for effective policy intervention. Although the implementation of the project was based on the needs, no particular findings were confirmed regarding the relevance of the project implementation to the extent that it would give suggestions to other JICA projects.</p> <p><Appropriateness of Project Design/Approach></p> <p>The project design/approach was appropriate. No problem attributed to the project design/approach was confirmed.</p> <p><Evaluation Result></p> <p>In light of the above, the relevance of the project is ③².</p>
<p>[Coherence]</p> <p><Consistency with Japan’s ODA Policy at the Time of Ex-Ante Evaluation></p> <p>The project was consistent with the Japan’s ODA policy to the Philippines at the time of ex-ante evaluation. The “Country Assistance Policy for the Republic of the Philippines” (April 2012) raised “sustainable economic growth through the promotion of investment” as one of the priority areas. The project was also consistent with “Industrial Cooperation Plan” agreed between Ministry of Economy, Trade and Industry of Japan and DTI in 2015.</p> <p><Collaboration/Coordination with JICA’s other interventions></p> <p>Any collaboration/coordination between the project and JICA’s other intervention was not clearly planned at the time of ex-ante evaluation (or during the project period).</p> <p><Cooperation with other institutions/ Coordination with international framework></p> <p>The cooperation/coordination with Advancing Philippine Competitiveness Project (COMPETE) implemented by USAID was planned at the time of ex-ante evaluation (or during the project period) and implemented as planned, and the positive effect was confirmed at the time of ex-post evaluation. The COMPETE enhanced the content of 10 industry roadmaps, including automotive and electronic components, as well as performing an inter-industry linkage analysis and a GVC analysis. The project was planned to utilize the GVC analysis conducted by USAID under the COMPETE. The methodology and workflow of the GVC analysis was set through discussions between the JICA Expert Team and DTI/BOI as well as through consultation with other relevant stakeholders including consultants from the COMPETE. In designing the methodology, two items were taken into consideration: 1) the use of analysis results by USAID/COMPETE as a basis for the Project’s GVC analysis and elaboration of the analysis and 2) the GVC analysis works as a capacity development activity for DTI/BOI and other relevant stakeholders.</p> <p>Therefore, although the project was consistent with Japan's ODA policy, the internal coherence (cooperation/coordination with other JICA projects and supports including synergy and interconnection) could not be confirmed, and the external coherence (cooperation with organizations outside JICA and coordination with international frameworks, and so forth) were neither confirmed beyond the expectation.</p> <p><Evaluation Result></p> <p>In light of the above, the coherence of the project is ③.</p>
<p>[Evaluation Result of Relevance/Coherence]</p> <p>In the light above, the relevance/coherence of the project is ③.</p>
2 Effectiveness/Impact
<p>Since the project is Development Planning Project, the effectiveness/impact will be evaluated by the following 4 criteria; <Status of Achievement for the Objectives at the Time of Project Completion>, <Utilization Status of the Proposed Plan at the Time of Ex-post Evaluation>, <Status of Achievement for Expected Goals through the Proposed Plan at the Time of Ex-post Evaluation>, and <Other Impacts at the Time of Ex-post Evaluation>. The proposed plan has been partially utilized and some expected goals have been achieved as planned, while other goals have been achieved partially or not verified. Therefore, the effectiveness/impact of the project is ②.</p> <p><Status of Achievement for the Objectives at the Time of Project Completion></p>

² ④ : very high, ③ : high, ② : moderately low, ① : low

All outputs of the project except for a few were achieved at the time of project completion including position of the Philippine industries in the GVC became clear as a result of analysis of the target industries (Output 1), Industrial Promotion Plans with concrete action plans for the target industries were formulated with a consensus among the relevant stakeholders (Output 2), and some action plans of the formulated Industrial Promotion Plans were implemented (Output 3).

<Utilization Status of the Proposed Plan at the Time of Ex-post Evaluation>

The proposed plan has been partially utilized by the time of ex-post evaluation. No specific policy to implement the Automotive Industry Promotion Plan (AIPP) was adopted by the government, although the developed Industrial Promotion Plans were aimed to be approved under the Indicator 1. However, the AIPP was used as reference by government policy makers in the formulation and implementation of policies that seek to promote the automotive industry (Indicator 1). The five action plans mentioned in Industrial Promotion Plans were mostly utilized in terms of policy formulation, given that relaxation of PEZA 70% rule did not change at the time of ex-post evaluation. The other four action plans are in line with the government direction under Philippine Development Plan 2016-2022 and AmBisyon Natin 2040, hence, a continuity of initiatives of BOI and other relevant agencies is secured. Moreover, for human resource development action plan, the Project for Enhancement of Industrial Competitiveness Through Industrial Human Resource Development and Supply & Value Chains Development (IHRD), supported by JICA, served as implementation of action plans for investment promotion, human resource development through Kaizen training, and industry-academe linkages to bridge the skills gap between industry demand and university graduates, and the local supplier development through training of trainers for the institutionalization of Kaizen in the production line.(Indicator 2).

<Status of Achievement for Expected Goals through the Proposed Plan at the Time of Ex-post Evaluation>

The expected goals through the proposed plan has been mostly achieved as planned at the time of ex-post evaluation. Foreign and domestic investments in the automotive industry increased from 2018 to 2022 (Indicator 1). The number of people employed in the automotive industry has increased significantly (Indicator 2). Therefore, Indicator 1 and 2 have been achieved as planned. Following a decline in number of MSMEs participating in the automotive industry value chain from 2018 to 2020 due in large part to the COVID-19, the number of MSME participants showed an increasing trend in 2021 and 2022 (Indicator 3). Indicator 3 has been partially achieved. Domestic parts procurement ratio in the automotive sector could not be obtained and, therefore, the expected goal cannot be verified (Indicator 4).

<Other Impacts at the Time of Ex-post Evaluation>

At the time of Ex-post evaluation, any other impacts were not observed.

<Evaluation Result>

In light of the above, the effectiveness/impact of the project is②.

Status of Achievement of Utilization Status of the Proposed Plan and Expected Goals through the Proposed Plan

Aim	Indicators	Results	Source											
(Utilization Status of the Proposed Plan) Industrial Promotion Plans with concrete action plans of the target industries are incorporated into Manufacturing Industry Roadmap (MIR).	Indicator 1 Industrial Promotion Plans are approved by the government.	Status of Utilization: Not approved (Ex-post Evaluation) No specific policy to implement the AIPP was adopted by the government. However, the Plan was used as reference by government policy makers in the formulation and implementation of policies that seek to promote the automotive industry such as the RA 11534 (CREATE Act of 2021), EO 182 (extension of CARS Program), EVIDA Law of 2022and Industry 4.0 Roadmap.	DTI/BOI											
	Indicator 2 Action plans are implemented in accordance with Industrial Promotion Plans.	Status of Utilization: Mostly Utilized were implemented. (Ex-post Evaluation) Under the five action plans mentioned in Industrial Promotion Plans, the following policies and initiatives have been implemented and undertaken respectively by the government. <div>List of Action Plans<table><tr><th>Name</th><th>Commencement Year</th></tr><tr><td>Policy formulation: except for relaxing PEZA 70% rule, industry promotion related policies and law were either crafted or implemented namely, CREATE, extension of CARS program, EVIDA Act of 2022, Industry 4.0 Roadmap,</td><td>2019</td></tr><tr><td>Investment promotion: Planning of Phil Investment Mission to Japan 2023 under IHRD project</td><td>2019</td></tr><tr><td>Local supplier development: continuity of Kaizen training by both private companies and relevant gov't agencies</td><td>2019</td></tr><tr><td>Industrial human resources development: implementation and planning of IHRD project which continued kaizen training, and industry-academe-linkages to bridge the skills gap between industry demand and university graduate.</td><td>2019</td></tr><tr><td>Infrastructure development: Under PDP</td><td>2016</td></tr></table></div>	Name	Commencement Year	Policy formulation: except for relaxing PEZA 70% rule, industry promotion related policies and law were either crafted or implemented namely, CREATE, extension of CARS program, EVIDA Act of 2022, Industry 4.0 Roadmap,	2019	Investment promotion: Planning of Phil Investment Mission to Japan 2023 under IHRD project	2019	Local supplier development: continuity of Kaizen training by both private companies and relevant gov't agencies	2019	Industrial human resources development: implementation and planning of IHRD project which continued kaizen training, and industry-academe-linkages to bridge the skills gap between industry demand and university graduate.	2019	Infrastructure development: Under PDP	2016
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		2016-2022, and AmBisyon Natin 2040, infrastructure development is included in the government’s priority agenda.						
(Expected Goals through the Proposed Plan) Foreign and domestic investment, employment and MSME linkage with the GVC in the target industries are increased by policy implementation by DTI in cooperation with stakeholders from the private sector and relevant government organizations.	Indicator 1 Foreign and domestic investment in the target sectors increases.	Status of Achievement: Achieved as planned (Ex-post Evaluation) Foreign investments in the automotive industry fluctuated from 2018 to 2022. After a significant drop in 2019, foreign investments in the automotive industry rebounded strongly in 2022. Domestic investments have been declining from 2018 to 2020. In 2021 and 2022, however, domestic investments dramatically increased. Amount of Foreign and Domestic Investment in Automotive Industry (Unit: PHP Million)				DTI/BOI		
			2018	2019	2020		2021	2022
		Foreign Investment	1,845.29	380.11	-		227.63	2,193.59
		Domestic Investment	1,736.97	233.39	187.37		8,465.53	46,085.64
Indicator 2 Employment in the target sector increases.	Status of Achievement: Achieved as planned (Ex-post Evaluation) The significant increase in number of people employed in the automotive industry is largely a result of the rising investments in the automotive industry. This is also closely linked to the government policies and initiatives that are favorable to the growth of the automotive industry. Employment in Automobile Industry (Unit: Person)				DTI/BOI			
		2018	2019	2020		2021	2022	
	No. of Employment	124	625	123		362	12,034	
Indicator 3 No. of MSME participated in the GVC increase.	Status of Achievement: Partially achieved (Ex-post Evaluation) Following a decline in number of MSMEs participating in the automotive industry value chain from 2018 to 2020 due in large part to the COVID-19, the number of MSME participants showed an increasing trend in 2021 and 2022. No. of MSME Participated in the GVC (Unit: No.)				DTI/BOI			
		2018	2019	2020		2021	2022	
	No. of MSME	16	10	3		9	14	
Indicator 4 Domestic parts procurement ratio in the target sector increase.	Status of Achievement: Not Verified (Ex-post Evaluation) No data is available.				N/A			

3 Efficiency

The project cost was within the plan/as planned (the ratio against the plan: 97%) and the project period exceeded the plan (the ratio against the plan: 142%). The Project was extended to accommodate the time necessary to conduct monitoring activities of pilot activities, reflect monitoring results into the Automotive Industry Promotion Plan's action plans, and continue to provide ad-hoc policy consultancy services to the Philippine Government. The Record of Discussion was amended accordingly in July 2018.

	Project Cost (Japanese side only, yen)	Project Period (months)
Plan (ex-ante)	360	24
Actual	349	34
Ratio (%)	97%	142%

Outputs were produced as planned.

In the light above, the efficiency of the project is ③.

4 Sustainability

<Policy Aspect>

Current policies/programs of the government are in line with the AIPP and its action plans. Relevant policies include RA 11534 (CREATE Act of 2021), RA 11697 (EVIDA Act of 2022), EO 182 (extension of CARS Program).

< Institutional/Organizational Aspect>

No specific policy to adopt the AIPP was issued by the government although promotion of automotive industry-related policies were implemented. Organizational sustainability of project effects achieved by the project is sustained as the BOI has adequate organizational structure and manpower to coordinate the implementation and promotion of automotive industry-related policies. Furthermore, based on EO 182, an inter-ministerial committee on automotive industry development has been established and the efforts of the relevant ministries to develop the automotive industry are coordinated.

<Technical Aspect>

Staff from BOI and DTI and cooperating agencies such as Metals Industry Research and Development Center under Department of Science and Technology (MIRDC-DOST) and Technical Education and Skills Development Authority (TESDA) have sustained their technical knowledge and skills to implement and promote the automotive industry-related policies. Upgrading of staff's technical knowledge and skills necessary to implement the plan is likely to be sustained in the future considering that the project implementing agencies have continuing human resource development programs.

<Financial Aspect>

BOI and DTI have continuously received annual budgetary allocation under the Annual General Appropriations Act (GAA). Other agencies involved in the implementation of the Action Plans developed under the AIPP such as the DOST, TESDA, etc. have also secured their annual budgets under the GAA.

<Environmental and Social Aspect>

No issue on environmental and social aspects has been observed, and it has not been necessary to take any countermeasures.

<Evaluation Result>

In light of the above, slight problems have been observed in terms of the institutional/organizational aspects of the implementing agency. Therefore, the sustainability of the project effects is ③.

5 Summary of the Evaluation

The project prepared the AIPP with concrete action plans. After the project completion, the proposed plan has been partially utilized. Foreign and domestic investment, and employment in the target industries are increased. With reference to sustainability, slight issues have been observed in terms of the institutional/organizational aspects of the implementing agency. With reference to efficiency, the project cost was within the plan/as planned and the project period exceeded the plan due to response to achieve results.

Considering all the above points, this project is evaluated to be satisfactory.

III. Recommendations & Lessons Learned

Recommendations for Implementing Agency:

No specific policy to adopt the AIPP was issued by the government although promotion of automotive industry-related policies were issued. As such, there is a very low level of awareness about the AIPP itself among project stakeholders. It is recommended for the Philippines government through the DTI and BOI to (i) issue a specific policy or executive order endorsing or adopting the AIPP and (ii) raise awareness of stakeholders about the AIPP for actual utilization.

Lessons Learned for JICA:

By creating thematic working groups, it can be expected to facilitate close collaboration among key stakeholders from the government, academe and the private sector not only in the process of formulating the industry plan but also in implementing the action plans necessary to realize the expected benefits from the industry plan. Technical exchange programs or benchmarking that expose industry stakeholders to good practices in other countries can be considered as effective means for building stakeholder capacity in developing industrial promotion plans.

Indicators that constitute government approval should be carefully considered by identifying the process of approval, the potentiality of approval of such outputs, and its expected impacts.

The two indicators in the "Goals to be achieved by utilizing the proposed plan" (increase in foreign/domestic investment, increase in employment in the target sector) fell significantly in 2019, the year of the project completion, due to external factors. Therefore, the data that are less sensitive to external factors also should be included as indicators.



An Automobile Factory



Locally Manufactured Vehicle