LOCAL GOVERNANCE technical notes
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Identifying Different Types of Industrial Estate Development

A local government unit must carefully deliberate on the type of industrial estate development it will pursue.

Industrial Estate Development--What Type to Choose?

With the enactment of the Local Government Code in 1991, local government units (LGUs) were given more powers and bigger responsibilities for accelerating economic development and upgrading the quality of life of people in the community. As a result, LGUs have become very active in initiating industrial development in their localities.

Industrial development is often used as a strategy to achieve rural development, primarily because it is a way of creating value-added products out of traditional agricultural products and resources, resulting in more economic employment opportunities. In recent years, a significant investment shift from the National Capital Region (NCR) to the countryside was achieved as a result of the identification and establishment of growth areas to serve as industrial centers in the regions.

However, in terms of capacity, not all regions can accommodate an industry-led development. More so, if the area is still predominantly agricultural. Given this, the LGU is faced with a greater challenge to choose correctly the type of industrial activity that it will pursue.

Local governments must weigh their options carefully in deciding what type of industrial development to undertake. Will the LGU follow the CALABARZON experience where world class industrial estates or enclaves are located, developed, and managed by big private developers? What if it concentrates on micro- to small-scale processing activities undertaken by a small group of producers in the locality? Will this kind of industrial activity generate the same revenue for the LGU? These are some of the questions that the LGU should think about intently before taking the next step towards industrial development.

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Industrial Development Schemes

Why Industrial Estate (IE)? In the Philippines, industrial estate development hopes to provide the opportunity for community-based development with the goal of enhancing the living conditions of the Filipino people through employment generation.

It was during the late 1980s when investments in industrial estate development assumed a more critical role in the country's industrialization goals. To enhance the attractiveness of the Philippine economy to foreign capital, the government focused on the promotion and establishment of export processing zones and industrial parks. This was apparent in the Cabinet's approval of the Department of Trade and Industry (DTI) proposal to create the 16 Regional Industrial Centers (now called Regional Agri – Industrial Growth Centers or RGCs) on June 28, 1989.

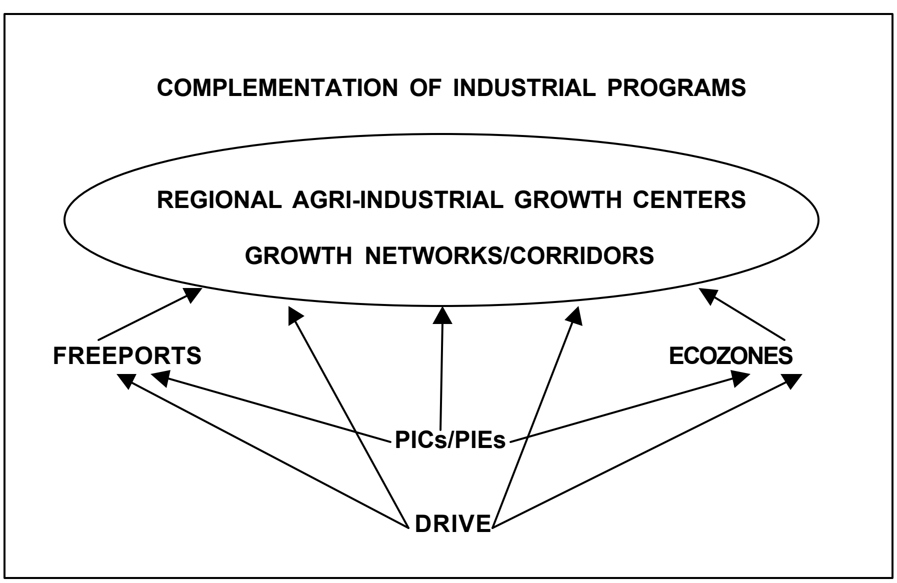
A manufacturing plant for packaging materials for export.

What is an RGC? An RGC is an area identified in a region to be provided with the full range of infrastructure and utilities needed by industries to operate on a competitive footing. The concept was replicated at the provincial level through the **Provincial Agri-Industrial Center (PIC) Program**. A PIC is an industrial estate servicing the needs of provincial growth centers and catering to small- and medium-scale enterprises largely dependent on locally available raw materials. Like the RGC, a PIC is a fenced-in type of industrial development that requires huge capital investments.

In response to the need for small-scale processing activity that will only require small investments, the **People's Industrial Enterprise (PIE)** was popularized in the countryside. The PIE is an area that caters to a number of micro- to small-scale production activities or to a group of small producers with established common facilities. Anchored on a resource-based industry, it can be undertaken in the locality by a cluster of barangays or municipalities, without the fenced-in type of industrial estate development.

These types of industrial estates led to the marketing and promotion of groups of provinces and areas instead of individual estates. Their grouping gave birth to the concept of **Growth Network and Corridor.** For two or more neighboring provinces or regions linked together, a Growth Network or Corridor type of development is perceived to optimize the use of their resources. Some examples include the CALABARZON, NORTHQUAD, and the Cagayan-Iligan Corridor.

Recently, LGUs are testing out a smaller type of industrial activity called **Developing Rural Industry and Village Enterprise Program or DRIVE.** It involves the development of village-level enterprises, usually small or micro businesses with capital of P15 million or less. The goal of rural industries and village enterprises is to link up with large and long-term projects to effect full economies of scale.



Types of Industrial Estate Development

What are your choices? In terms of management, there are two types of industrial estate being managed and developed in the country today: the government-led export processing zones and the private sector-initiated industrial estates like those located in the CALABARZON area and other parts of the country. Through forward and backward linkages, both types create ancillary industries even outside the estate, making it a major revenue-generating activity for LGUs.

Under the Board of Investments (BOI) Executive Order 226 on registration guidelines, the types of industrial estates that can enjoy incentives are as follows:

- **Industrial Estate (IE)** refers to a tract of land subdivided and developed according to a comprehensive plan under a unified continuous management, with provisions for basic infrastructure and utilities, with or without pre-built standard factory buildings and community of industries.
- **Science and Technology Park (STP)** is a knowledge-based center set up near a scientific or industrial community (like a university, campus, research institute, export processing zone, or industrial estate). It facilitates technology transfer from research laboratories to industries.
- **Technology Incubation Center** aims to stimulate the creation of new technology-intensive firms.
- **Science and Technology Center** is a central venue for a mass-based science promotion and education. It's purpose is to increase people's awareness and understanding of the impact of science and technology on society through the facilitation of nonformal, experimental learning of science concepts and its applications using indigenous resources.

What is so special about the Ecozone? In the Special Economic Zone Act of 1995 or RA 7916, which provides the framework for the rationalization of economic zones in the Philippines, IEs are defined within the context of the Special Economic Zone or Ecozone.

An Ecozone refers to a selected area which is either highly developed or has the potential to be developed into an agri-industrial, tourist, recreational, commercial, banking, investment, and financial center whose bounds are fixed or delimited by Presidential proclamations.

An Ecozone may contain all or any of the following: IE, Export Processing Zone (EPZ), Free Trade Zone, and Tourist Recreational Center.

- **Free Trade Zone (FTZ)** refers to an isolated policed area adjacent to a port of entry and/or airport where imported goods may be unloaded for immediate transshipment. Goods may also be stored, repacked, sorted, or mixed in an FTZ. However, movement of these imported goods from the free trade zone to a non-free trade area in the country shall be subject to customs and internal revenue rules and regulations.
- **Tourist and Recreational Center (T&RC)** is an area within an Ecozone where tourist accommodation facilities such as hotels, apartelles, tourist inns, pension houses, resorts, sports, or recreational facilities are provided to render tourism services for both local and foreign tourists, travelers, and investors in accordance with the guidelines issued by the Philippine Economic Zone Authority (PEZA).

The most popular type of IE to LGUs are the **Export Processing Zones (EPZs).** An EPZ is a specialized industrial estate located physically or administratively outside the customs territory primarily oriented to export production. Enterprises located in export processing zones are allowed to import capital equipment and raw materials free from duties, taxes, and other import restrictions. Even before the enactment of RA 7916, the government had started the operations of four export processing zones under the Export Processing Zone Authority (EPZA): Baguio City EPZ, Bataan EPZ, Cavite EPZ, and Mactan EPZ.

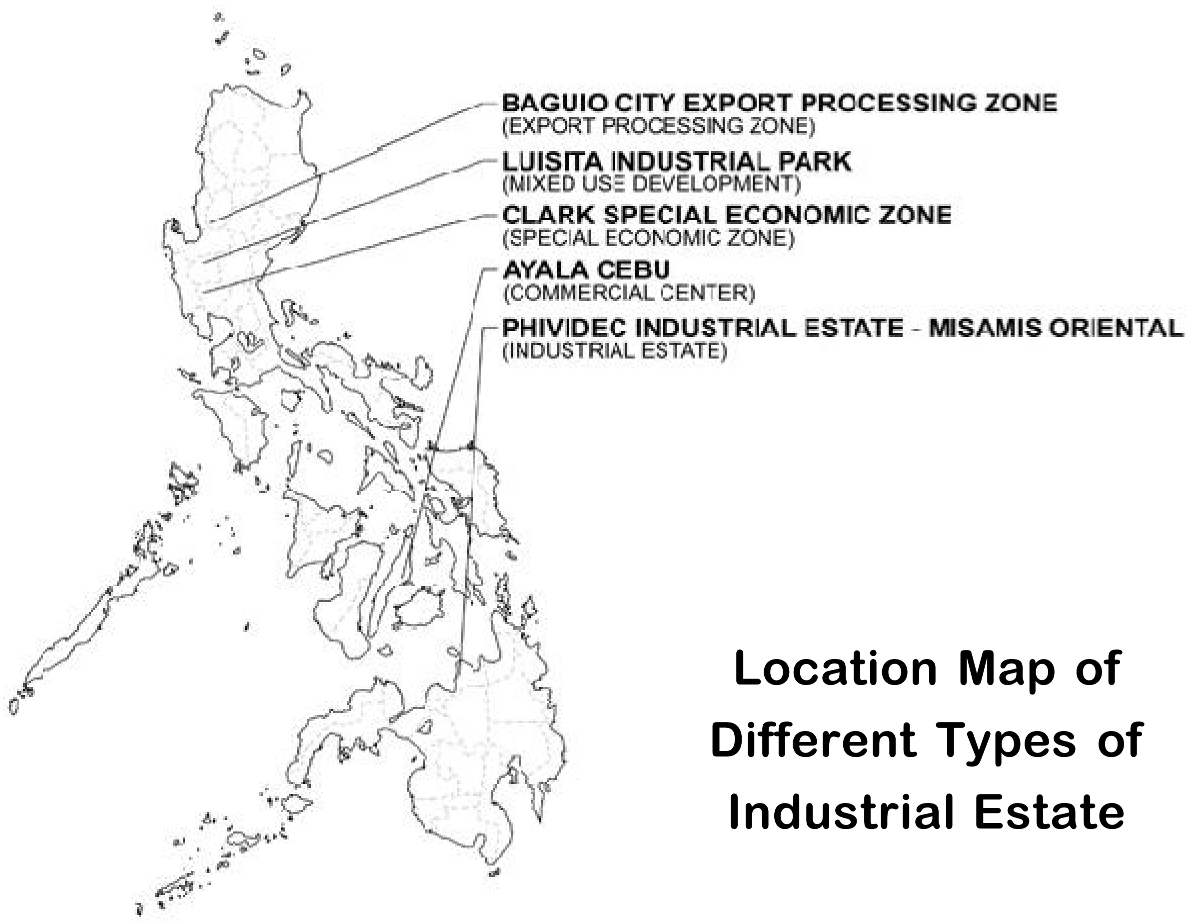
Industrial development may also involve the development of technical centers.

LGU Action Agenda

Learning Sites

The Local Government Code of 1991 or RA 7160 provides the framework for the decentralization of powers from the national government to the LGUs. Local governments can chart their own destiny and become self-reliant communities. They have choices on the type of development they want to pursue to become effective partners in national development.

Visiting existing industrial estates can be a good learning opportunity. But for such visits to be fruitful, visitors must take careful note of the peculiar condition attendant to each operational industrial estate. The success formula of LGUs differ from one another because of varied conditions existing in their respective areas.



Location Map of Different Types of Industrial Estate

What You Need to Know

- The number of Regional Growth Centers (RGCs) around the country has grown from 16 to 21 since they were first introduced in 1989. All have feasibility studies available at the Regional Offices of the Department of Trade and Industry (DTI). Call the DTI Head Office trunkline at 890-4901 up to 40 and ask for the Regional Operations Group (ROG). The ROG has all the contact numbers and persons of the DTI Regional and Provincial Offices.
- Out of 20 identified Provincial Industrial Centers (PICs) around the country, eight are considered priority PICs for development. These are Abra PIC, Region I; Benguet PIC, CAR; Nueva Ecija PIC, Region III; Catanduanes PIC, Region V; Samar PIC, Region VII; Leyte PIC, Region VII; Bukidnon PIC, Region X; and Davao del Norte PIC, Region XI. All eight have Master Plans.
- The average industrial estate takes about five years to be fully implemented. The critical factor is the availability of identified site. Sometimes, though a site has been identified, development is hampered by land consolidation and acquisition problems.
- Minimum lot area to enjoy incentives under the PEZA Law is 25 hectares.