09

Expanding Economic Opportunities in Industry and Service through *Trabaho at Negosyo*

Chapter 9

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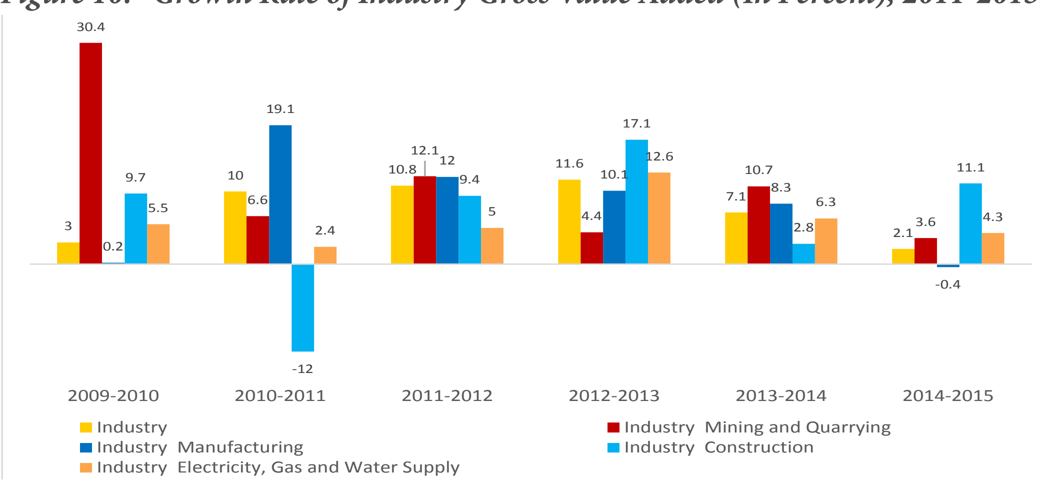
Expanding economic opportunities in industry and services (I&S) is critical to laying down the foundation for inclusive growth, high-trust society, and a globally competitive and resilient knowledge economy. Accordingly, increased access to economic opportunities for micro, small, and medium enterprises (MSMEs), cooperatives, and overseas Filipinos (OFs) is also crucial if more business activities are to be created to reduce inequality and poverty. This also takes into consideration factors related to the current and potential comparative advantage, environmental protection and biodiversity conservation, low carbon growth, disaster and climate resilient industries, and gender equality.

Assessment in Industry

The share of the industry sector to the The share of the industry sector to the gross regional domestic product (GRDP) has increased from 32.2 percent in 2011 to 33.9 percent in 2015. In terms of contribution to total gross value added (GVA) in the industry sector, the manufacturing sector contributed the highest share at 23.7 percent but suffered a decline in 2014-2015 due to extreme dry weather conduction since most of its inputs are agriculture-based. The construction sector posted the highest growth at 11.1.

The region's Industry sector contributed an annual average growth of 33 percent to the region's GRDP from 2011-2015 with growth mainly coming from the construction and manufacturing subsectors.

Figure 10: Growth Rate of Industry Gross Value Added (In Percent), 2011-2015



Source of data: PSA XII

Investments, MSMEs and Exports

Regional investments posted fluctuating trends with a high level at P8.62 billion in 2013. Investments took a steep decline at P4.492 billion in 2014 but recovered to P7.650 billion in 2015.

Micro-, Small- and Medium-Enterprises (MSMEs)

The micro, small and medium enterprises (MSMEs) in the region had undertaken bold steps towards sustainable and inclusive growth through the implementation of national programs/ projects such as the SME Roving Academy (SMERA), Negosyo Centers, Comprehensive Agrarian Reform Program (CARP) and Share Services Facilities (SSF), Bottom-Up Budgeting (BuB) and the locally conceptualized projects such as Treasures of Region 12 Trade Fair. These are paired with the delivery of other business development services such as business consultancies, financing facilitation and product development, benefitting 4,376 MSMEs in the region and generating a total of 18,827 jobs in 2015. These development interventions were made possible through the support and strengthened partnership with national government agencies (NGAs) and civil society organizations (CSOs).

Exports

Regional exports experienced fluctuations by posting a high level of US$1,039.38 million in 2011 but later settling at US$796.65 in 2015. Exports in the region remain less diversified as processed fruits posted the highest contribution to the region's total exports, with canned pineapple overtaking canned tuna as the top exported commodity in the region. Crude coconut oil was posted as the third largest export revenue earner.

Figure 11: Investments and Exports, Region XII, Region XII, 2011-2015

	2011	2012	2013	2014	2015
Exports (In Million Dollars)	1,039.38	884.19	968.74	850.78	796.65
Investments (In Billion Pesos)	5.15	6.29	8.62	4.49	7.65

Source of data: DTI XII

Industry Clusters

In support of the economic zones identified in the Regional Spatial Development Framework 2015-2045, the region adopts the Industry Cluster Strategy in developing its diverse resources to increase growth in the agriculture, fishery and forest-related products. For the past years, the region focused on priority industry clusters to be developed and provided technical and financial assistance.

Food Cluster

Coffee. In 2015, Mindanao remains the top producer of coffee in the country with SOCSKSARGEN region as the top contributor to coffee production. Of the total 117,451 hectares coffee plantation area in the country, about 26,434 hectares are in Region XII.

Coffee production in the region amounted to about 26,957.82 metric tons in 2015 or 3.7 percent lower than the previous year at 28,000.20 metric tons, with the province of Sultan Kudarat as the region's top coffee producer. Production challenges include the lack of knowledge in nursery production resulting to low quality coffee seedlings and the pruning of old trees, as well as the effects of the dry spell experienced in the late quarters of 2014 to the early quarters of 2016.

Mango. Mango production decreased by 1.9 percent from 59,712.44 metric tons in 2014 to 58,595.14 metric tons in 2015. The decrease is attributed to the effects of the recent dry spell affecting the region and pest infestation. The close proximity of planting distance between mango trees also added to the rapid spread of pests. Other factors contributing to the decrease in production were crop diversification, land conversion and unpredictable weather patterns during mango fruit bearing stages.

Despite the region's mango production constraints, potential growth opportunities are being explored to address the current production deficiencies. These growth opportunities include the presence of large processing facilities in the region and nearby regions, wide areas for mango plantation and the region's proximity to neighboring ASEAN countries for increased export.

Muscovado. Muscovado production in the region experienced improvement through product enhancement by maximizing the utilization of raw materials under the DOST-Technology Application and Promotion Institute (TAPI) Manufacturing Productivity Extension (MPEX) Program. Activities under the program helped improve juice extraction efficiency, impurity elimination and reduced cooking time of the raw materials by 1.5 hours. Due to these improvements, Muscovado sales in the region increased by 75 percent. In addition to manufacturing enhancements, the observation of the zero waste advocacy utilizes muscovado by-products such as bagasse as fuel and molasses as organic fertilizer.

Fishery Cluster

Tuna production in the region remains as one of the top five (5) leading industries, just a step below processed fruits. Out of the seven (7) tuna canneries operational in the Philippines, six (6) are in General Santos City making SOCCSKSARGEN region the Philippines' top exporter of canned, frozen and other tuna related products. The region's tuna catch posted an increasing trend from 160,659 metric tons in 2011 to 258,545 metric tons in 2015. In 2015, the total export value for the fishery industry amounted to US$93,297,306.7 which include frozen milkfish, canned tuna, frozen whole tuna, pouched tuna, frozen tuna, fish meal, smoked fish, fresh tuna and frozen tuna loins.

Bangus production in the region experienced a decline between 2011 and 2015 due to the lack of expansion areas for pond construction, high cost of feeds, unhealthy fry supply, high cost of labor, unregulated ways of stocking cages, and the effects of the El Niño phenomenon. Other issues affecting the region's bangus productivity were the lack of organized groups or councils to facilitate technology and knowledge enhancement, and sharing for the bangus industry.

Table 20: Tuna Production, Region XII, 2010-2015 (in metric tons)

YEAR	MUNICIPAL		COMMERCIAL		NERITIC	OCEANIC	TOTAL
	NERITIC	OCEANIC	NERITIC	OCEANIC			
2010	1,796	4,003	8,717	185,148	10,513	189,150	199,664
2011	1,893	4,111	4,540	150,115	6,433	154,226	160,659
2012	2,145	4,586	8,005	182,860	10,150	187,446	197,595
2013	2,280	4,894	6,492	191,321	8,772	196,215	204,987
2014	2,147	5,407	7,371	228,892	9,518	234,299	243,817
2015	2,078	3,941	5,912	246,614	7,990	250,555	258,545
Average Annual Yield	2,057	4,490	6,839	197,492	8,896	201,982	210,878

Source of data: PSA XII

Coconut

The region's coconut production posted an increasing trend for the period under review. The continued growth of the coconut industry was attributed to the increase in areas planted with 100 percent dispersal and planting of targeted seedlings. The cocal area now accounts for 12 percent of the region's total land area or about 267,352.39 hectares, and is expected to expand to 315,900 hectares to attain the 15 percent cocal area target for the region. Among the cocal areas in the region, Sarangani province remains as the region's top producer.

Industrial Crops

Oil Palm. With the recently concluded 9th National Oil Palm Congress held August of 2015 in General Santos City, the Philippine Coconut Authority (PCA), with its mandate to develop oil palm parallel to coconut, planned to set up 40 hectares of oil-palm-based modelling systems and fertilizer trials in Central and Northern Mindanao. This is in addition to the initiatives of the University of Southern Mindanao for research projects on geographic information-system-based soil suitability classification in SOCCSKSARGEN and the Autonomous Region in Muslim Mindanao.

With the continuing shortage of oil palm in the region, the Philippine Palm Oil Development Council, Inc. (PPDCI) is eying areas in Mindanao, specifically in Region XII such as Sarangani Province, South Cotabato and General Santos City. The province of Sarangani reported around 150 hectares of existing oil palm plantation and about 20,000 hectares had been surveyed suitable for oil palm planting.

The PPDCI reported that domestic supplies of oil palm in the country can only provide for 30 percent of the country's total palm oil consumption, with 70 percent being imported from other countries such as Malaysia, Indonesia and Thailand.

Rubber. The rubber industry in the region remains as one of its Industry Champions and positions itself as the second largest contributor to the rubber production, both in the region and in the Philippines. Despite the noticeable decrease in its production from 172,953.92 tons in 2014 to 126,264.18 tons in 2015, or a decrease of about 27 percent, there is an observed increase in areas planted between 2014 and 2015 from 40,916 to 60,966 hectares, respectively. There are about four (4) Rubber Integrated Farming systems established in the region.

It was recognized that there is a high market potential for rubber with the presence of a processing plant to improve the value added for rubber products. In line with the development of the rubber industry, a Rubber Congress was conducted in October of 2016 to address issues facing the region's rubber industry.

Mining

The pursuit of minerals development in the region shall be anchored on the principles of sustainable and responsible mining. With the regions vast mineral reserves, the mining industry has the potential to boost the region's economy and the country as a whole. Metallic mineral reserves, such as, gold, copper and iron are found in the Provinces of Cotabato (Pigcawayan and Magpet), Sultan Kudarat (Kalamansig, Palimbang, Bagumbayan and Columbio), South Cotabato (Tampakan, Lake Sebu and Tboli) and Sarangani (Maitum, Kiamba, Maasim and Glan). Non-metallic reserves such as limestone, sand and gravel, manganese and clay are also present in the Provinces of Sarangani, South Cotabato, Sultan Kudarat, Cotabato and General Santos City.

Issues on small-scale mining (SSM) are being addressed particularly on the use of toxic substances that impact on the environment and health. Efforts taken for environmental protection and rehabilitation focused on the strict implementation of and enforcement of government regulatory compliance towards social development of the impact areas to ensuring sustainable and responsible operations of mineral development projects The strengthening of partnerships between the Local Government Units (LGUs), private sector, academe and civil society ensures the involvement of all stakeholders in the monitoring and accountability of operating mineral development projects.

Bamboo

In June 2015, the Provincial government of South Cotabato established a bamboo hub inside the Surallah National Agricultural School in Surallah. With the establishment of the bamboo hub in Surallah, about 1000 chairs were produced and distributed to various public school in the province. The potential of bamboo as an alternative to existing lumber and wood products is seen to be more resilient to drought and continued to thrive despite heavy harvesting.

Organic Agriculture

The region's existing organic agriculture land area accounts for about 6.4 percent or 30,593.05 hectares of the country's total organic agriculture land area of 483,539.65 hectares. Crops that have been subjected to organic farming are rice, coconut, banana, corn, vegetables, coffee, cacao, root crops, and fruit trees. The region exports organic products to eight (8) international neighbors, namely, Hongkong, USA, Dubai, Macau, Japan, Europe, Holland and Italy. Local markets include Cebu, Manila, Davao and Iloilo. The region hosts seven (7) farms that had been certified as organic agriculture producers with 2,433 practitioners of the industry.

Challenges in Industry

While the industry sector has the potential for higher growth it has to address the following challenges:

- Non-processing of major agriculture products in the region and the need to intensify the linkage of agriculture and industry.
- Constraints due to restrictions like compliance to international product

standards and food safety that could impede the free flow of goods and services in the market.
- Limited financial capacities of MSMEs since they could not access, infuse and acquire technology, establish product standards and information system, comply with local and national quality standards hence there is a need to MSMEs competitiveness through technology transfer and sharing.
- Inadequate processing facilities in production sites.
- Regional exports that remain traditional and less diversified while inputs to manufacturing activities are mainly agriculture products that are vulnerable to climate change and extreme drought.
- Uncompetitive industries compared to other ASEAN countries' and the need to improve the scale efficiencies, dynamism and competitiveness of local products.
- High cost for the certification of organic agriculture products.
- Absence of champion for industry clusters in the region.

Priority Strategy in Industry

- Inclusion of Cacao as one of the priority industry clusters.
- Introduction of the shrimp industry.
- Establishment of good and resource-based processing in order to transform from traditional agriculture to more modern agribusiness.
- Establishment of organic certifying body in the region
- Regulation of small-scale mining by professionalizing operations and allowing small-scale miners access to technology and credit in the future.

Legislative Agenda in Industry

Mining
- Increase reforestation areas progressive and rehabilitation of mine-distributed sites.
- Address issues on Small Scale Mining (SSM) social license to operate.
- Improvement of social and environmental conditions in SSM areas.

Targets in Industry

Table 21: Investments and Exports Target, Regioin XII, 2017-2022

INDICATORS	2011	2012	2013	2014	2015
Investments (In Billion Pesos)	5.155.39	6.297.18	8.620.21	4.49	7.65
Exports (In Million Dollars)	1,039.38	884.19	968.74	850.78	796.65

Source of data: DTI XII

Table 22: MSMEs Accomplishments and Targets, Region XII 2017-2022

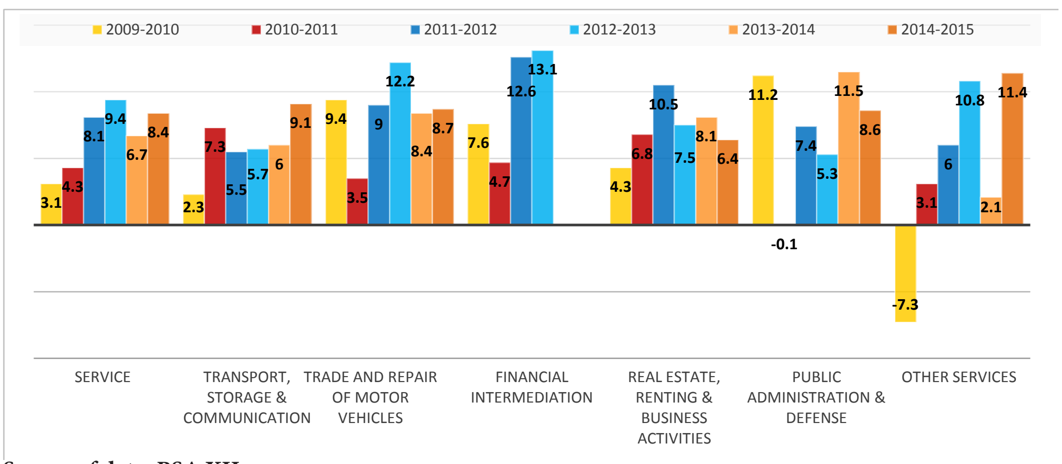
INDICATOR	TARGET					
	2017	2018	2019	2020	2021	2022
Jobs generated	23,000	25,000	27,000	29,000	31,000	33,000
Number of MSMEs assisted	4,600	4,900	5,100	5,400	5,700	6,000
Number of SSF established and maintained	160	220	280	320	360	400
Amount of MSME domestic sales (Php M)	1,530	1,700	1,870	2,040	2,210	2,340
Number of exporters assisted	26	28	30	32	34	34
Number of MSMEs who availed loans	73	88	103	118	133	148
Percent of LGUs that have adopted the streamlined BPLS	100	100	100	100	100	100

SSF – Shared Service Facility
Source of data: DTI XI

Assessment in Service

The service sector contributed the highest share to total GRDP in 2015. Its share has increased from 37.2 percent in 2011 to 39.5 percent in 2015. Almost all subsectors under the service sector posted positive growths from 2011 to 2015. Of the classified subsectors, the transport, storage and communication posted the highest growth in 2014-2015 at 9.1 percent. This subsector mainly provide logistics support to agriculture and industry value chain. Activities in the service sector shall continue to drive the region's economic growth.

Figure 12: Service Gross Value Added by Subsector, Region XII, 2009-2015



Source of data: PSA XII

Tourism Industry

A market-product analysis recommended prioritizing nine tourism products towards enriching the tourist experience and boosting product diversification. The tourism products include the following: Cultural Tourism; Nature based Tourism; Sun and Beach Tourism; Leisure and Entertainment tourism; Meetings, Incentives, Conventions and Exhibitions/Events (MICE) Tourism; Health, Wellness, and Retirement Tourism; Cruise and Nautical Tourism; Diving and Marine Sports Tourism; Agriculture, and Education Tourism.

Table 23: Visitor Arrivals by Type, Region XII, 2012-2015

TOURIST ARRIVAL	2013	2014	2015	2016
Overnight Tourist	345,328	717,596	939,369	1,033,876
Domestic	333,307	692,982	904,641	988,485
Foreign	12,021	24,614	34,728	45,391
Day Tourist	471,980	1,858,809	2,209,559	2,720,460
Total (overnight/ day)	817,308	2,576,405	3,148,928	3,754,336

Source of data: DOT XII

Priority activities undertaken by the tourism sector to enhance the region's tourism experience included the formulation of tourism plans of the various LGUs, development of new tourism products, and enhancement of existing tourism products, promotion and marketing of existing tourism products, capacitating tourism stakeholders and accreditation of tourism related establishments.

Table 24: Hotel Occupancy Rates, Region XII, 2012-2015

AREA/LGU	2013	2014	2015	2016
Cotabato City	33.69	51.07	63.97	66.25
Cotabato Province	48.12	32.57	20.46	21.16
General Santos City	58.96	35.46	40.08	40.24
Koronadal City	48.39	30.45	38.92	-
Kidapawan City	-	-	47.97	57.65
Sarangani	21.3	20.9	47.57	42.22
South Cotabato	70.21	23.91	27.71	22.75
Sultan Kudarat	-	-	23.95	22.18
Tacurong City	32.57	34.61	25.66	28.92

Source of data: DOT XII

Table 25: Number of DOT XII Accredited Establishments, Region XII, 2011-2015

YEAR	2011	2012	2013	2014	2015
Region XII	5	8	31	62	72

Source of data: DOT XII

Information Communication and Technology- Business Processing and Outsourcing (ICT-BPO)

A market-product analysis recommended prioritizing nine tourism products towards enriching the tourist experience and boosting product diversification. The tourism products include the following: Cultural Tourism; Nature based Tourism; Sun and Beach Tourism; Leisure and Entertainment tourism; Meetings, Incentives, Conventions and Exhibitions/Events (MICE) Tourism; Health, Wellness, and Retirement Tourism; Cruise and Nautical Tourism; Diving and Marine Sports Tourism; Agriculture, and Education Tourism.

Cooperatives Development

Cooperatives development in the region posted positive growth in terms of its investments from a meager P98.0 million in 2013 to P182.0 million in 2015. The number of registered cooperatives, however, experienced a decline. A contributory factory to the strengthening of the cooperative development in the region was pre-membership education seminars for new members in partnership with local government units that enabled new cooperatives to be prepared for operation.

Table 26: Cooperatives Development Accomplishment, Region XII, 2013-2015

INDICATOR	2013		2014		2015	
	ACTUAL	TARGET	ACTUAL	TARGET	ACTUAL	TARGET
Registered Cooperatives	71	100	47	110	43	121
Operating cooperatives	873	950	931	971	818	1,037
Cooperative Investments (PM)	98.0	33.3	207.0	34.8	182.0	36.6

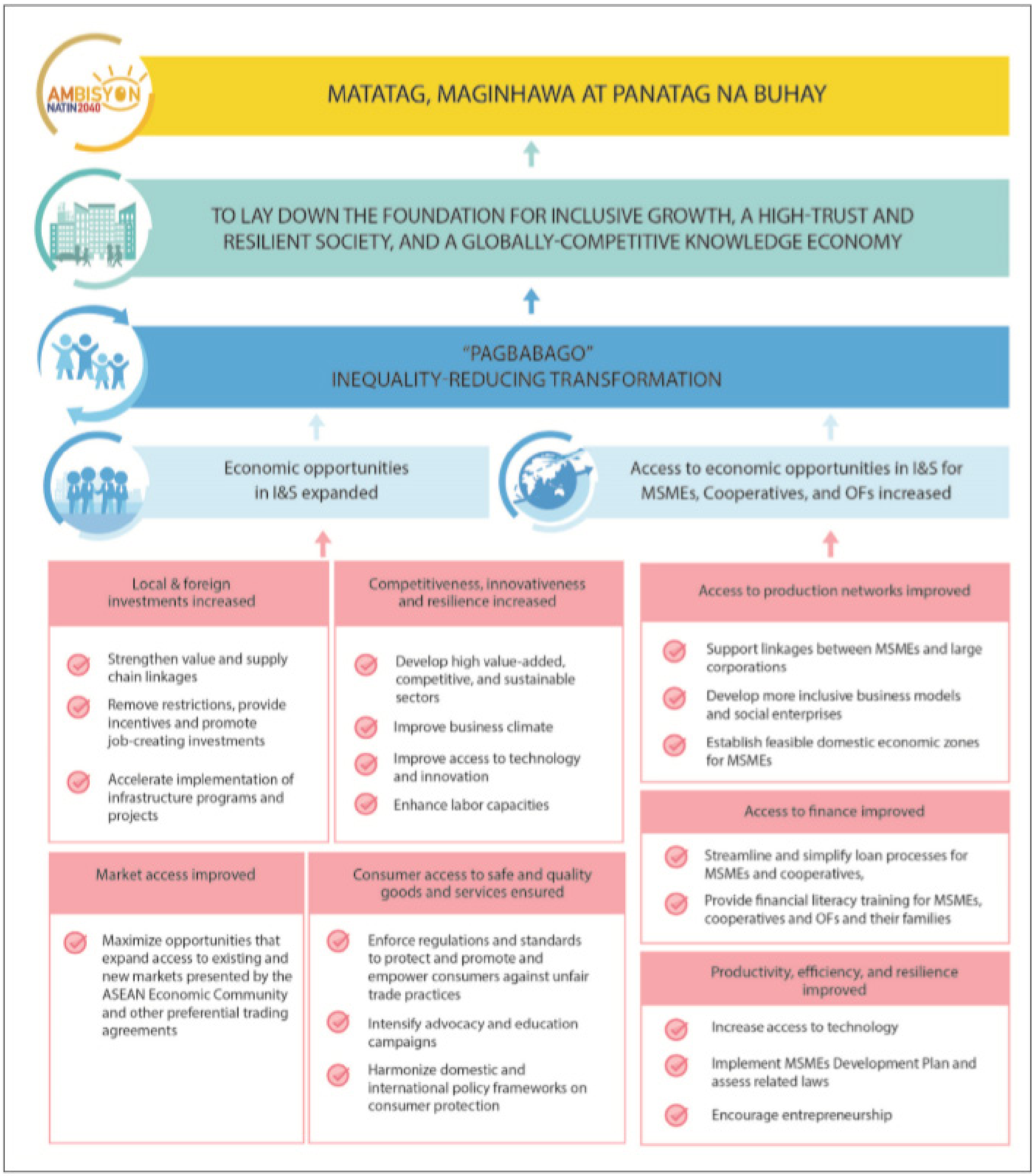
Source of data: CDA XII

Challenges

The service sector shall continue to drive the region's economic growth but shall address the following challenges:

- Need to improve competitiveness of regional services.
- Need to identify economic zones that have potential for employment generation and for local MSMEs to align local their roadmap with ASEAN economic community.
- The tourism sector is confronted by limited tourism options due to poor connectivity among tourism areas/tourist destinations/tourist facilities, limited tourism product packages and promotions, lack of capability in tourism development, lack of curated identity, limited community participation and capability in tourism development, inconsistent standards in tourism facilities and services, low awareness of the regions' tourism products/ destinations, perceived concerns of personal safety of travelers.

Figure 13: Strategic Framework to Expand Economic Opportunities in Industry and Services, 2017 – 2022



Priority Strategy

- Expanding product development of MSMEs.
- Providing access to finance and local markets.
- Deepening industry participation in global value chains.
- Creating the right policy framework to encourage the development of the private sector.
- Enhancing human resource capacity and improve service standards.
- Developing community based eco-tourism enterprises.
- Attracting tourism investments and

improve the business environment.

- Intensifying transport and tourism infrastructure development.
- Improving skills and services of DOT accredited tourism enterprises.
- Promoting agriculture tourism and the dive, nature, sun and beach.

Results Matrix

The region's sustained growth in the Industry and service sector accounts for the bulk of the region's Gross Regional Domestic Product (GRDP) at 36.9 percent and 40.3 percent respectively for CY 2016, making these sectors the key drivers of development in the region. The RDP 2017-2022 aims to increase local and foreign investments and enhance the competitiveness, innovativeness and resilience of its labor force. The empowerment of MSMEs, Cooperatives and Overseas Filipino Workers is among the primary strategies towards better employment generation.

Table 27: Results Matrix for Expanding Economic Opportunities in Industry and Services, Region XII, 2017 – 2022

INDICATOR	BASELINE		END OF PLAN RESULT
	YEAR	VALUE	
Societal Goal: To lay down the foundation for inclusive growth, a high-trust and resilient society, and a globally-competitive knowledge economy			
Intermediate Outcome: Inequality in economic opportunities reduced			
Sector Outcome A: Economic opportunities in Industry and Service expanded			
GVA in the industry sector improved (%)	2016	13.5	10%-10.5%
GVA in the services sector improved (%)	2016	7.4	10%-10.5%
Manufacturing GVA as a proportion of GRDP increased (%)	2016	24.5	Increasing
Employment generated from the industry increased annually (in thousands)	2016	215	Increasing
Employment generated from the service sector increased (in thousands)	2016	864	Increasing
Manufacturing employment as a proportion of total employment (%)	2016	6.3%	Increasing
Subsector Outcome: Local and foreign investments increased			
Total approved investments increased (in million pesos)	2016	20,214.0	Increasing
Subsector Outcome: Consumer access to safe and quality goods and services ensured			
Level of consumer awareness increased (%)	2016	63%	Increasing
Subsector Outcome: Productivity, efficiency, and resilience improved			
Percent of LGUs that have adopted the streamlined Business Permit and Licensing System (BPLS)	2016	100	Sustained

Source of data: DTI XII/PSA XII

Table 27: Results Matrix for Expanding Economic Opportunities in Industry and Services, Region XII, 2017 – 2022 (Continuation)

INDICATOR	BASELINE		ANNUAL PLAN TARGETS					
	YEAR	VALUE	2017	2018	2019	2020	2021	2022
Societal Goal: To lay down the foundation for inclusive growth, a high-trust and resilient society, and a globally-competitive knowledge economy								
Intermediate Outcome: Inequality in economic opportunities reduced								
Sector Outcome B: Access to economic opportunities in Industry and Service for MSMEs, cooperatives, and overseas Filipinos increased								
Jobs generated Increased	2016	21,127	23,000	25,000	27,000	29,000	31,000	33,000
Number of MSMEs assisted Increased	2016	4,852	4,600	4,900	5,100	5,400	5,700	6,000
Number of Shared Service Facility (SSF) established and maintained	2016	108	160	220	280	320	360	400
Amount of MSME domestic sales (Million Php)	2016	1,466.8	1,530	1,700	1,870	2,040	2,210	2,340
Number of exporters assisted	2016	27	26	28	30	32	34	34
Number of MSMEs who availed loans	2016	72	73	88	103	118	133	148
Registered Cooperatives Increased	2015	121	50	50	75	75	80	80
Operating cooperatives Increased	2015	1,037	870	920	995	1070	1150	1230
Cooperative Investments (P'000) Increased	2016	217.5	4,500,000	4,950,000	5,445,000	5,989,500	6,588,450	6,589,109

Source of data: DTI XII/PSA XII/ CDA XII