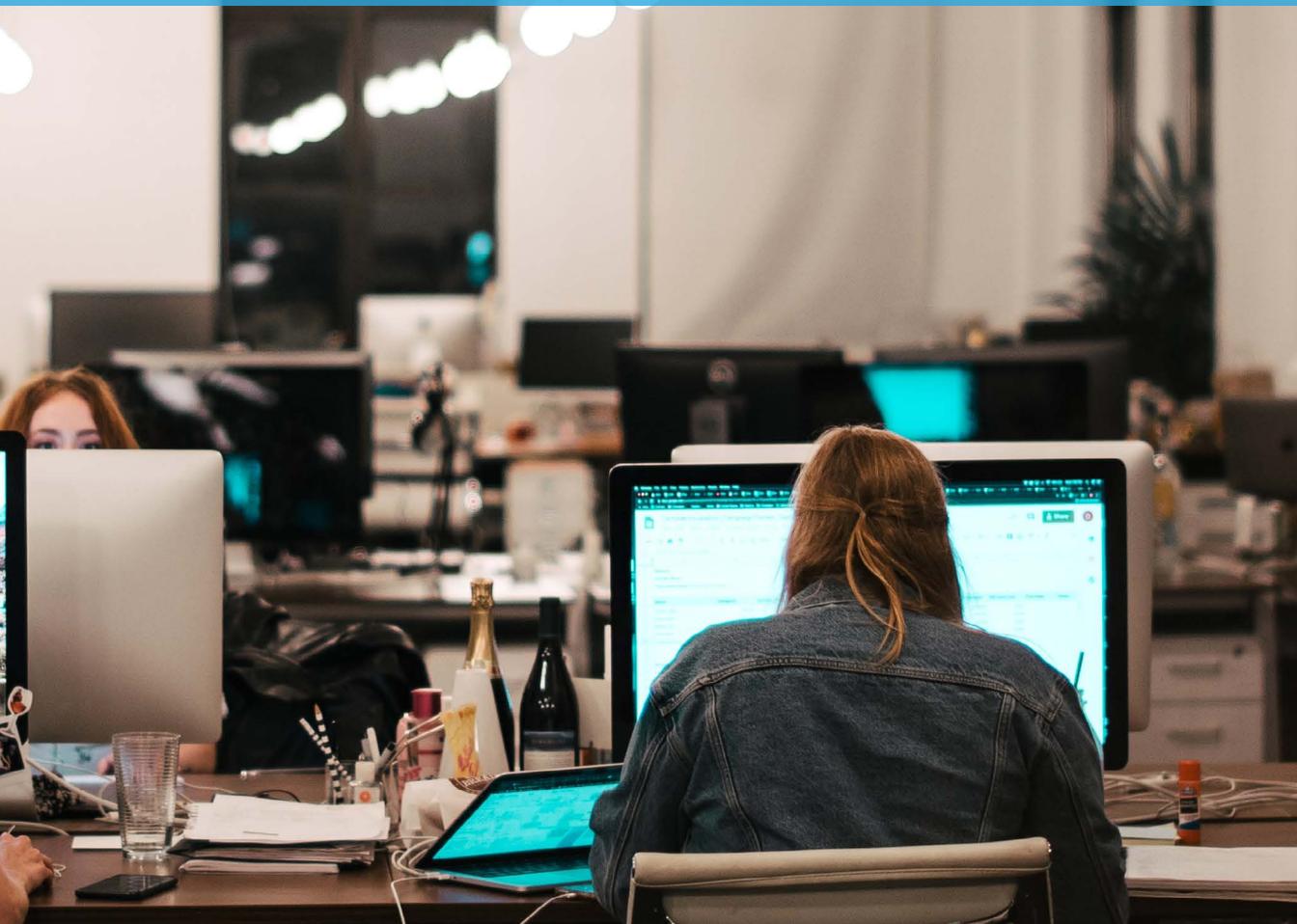


ICT-BPM-KPM ADVOCACY PAPER 2021



ABOUT ECCP

The **European Chamber of Commerce of the Philippines (ECCP)** is a service-oriented organization whose main goal is to foster close economic ties and business relations between the Philippines and Europe. The ECCP does this by providing a wide range of consultancy services and by creating linkages between companies, organizations, and individuals with existing or potential business interests in Europe and the Philippines. It is also at the forefront of pro-business, pro-growth advocacy in the Philippines, representing European business interests for increased market access and trade facilitation, at the highest level of Philippine political discussions.

The ECCP sees itself as the stepping stone for Europeans into the Philippine market and for Filipinos into the European market.



ICT-BPM-KPM ADVOCACY PAPER 2021



EUROPEAN CHAMBER OF COMMERCE OF THE PHILIPPINES
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Positions expressed in the advocacy papers are the result of the activities of the Sector Committees working under the ECCP.

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We would also like to acknowledge the support of our committee members.

METHODOLOGY

The 2021 edition of the ECCP Advocacy Papers features issues and recommendations formed after extensive discussions between members of the ECCP sector committees, dialogues and meetings with representatives from the Philippine Government, and other stakeholders. The ECCP has also taken into consideration the information gathered from organizing different events, participating in numerous hearings and committee meetings in both chambers of the Philippine Congress, as well as in private sector consultations held by several government agencies.

Further, the recommendations provided in each paper were primarily based on the discussions during the quarterly sector committee meetings. In close cooperation with the sector committee leaders and members, the ECCP Advocacy Team thoroughly analyzed every issue and advocacy recommendation to ensure that they are in line with European business interests and priorities. Once the Advocacy Team has finalized the first draft of each sector paper, it was then circulated to the Committee members and other stakeholders for consultation and subsequently, gathered inputs to be included in the final draft of the papers.

The assessment of the status of each recommendation included in 2019 Advocacy Papers were examined under the following criteria:

Completed/Substantial Progress: Recommended action has either been completed or there has been significant progress towards the realization of the recommendation.

Some Progress: Movement towards realizing the recommendation has been made, but substantial work still needs to be done to fully achieve and complete the proposed measure.

No Progress/Retrogression: Minimal progress or no movement towards attaining the recommended reforms were done, or the status of the issue has worsened and has evolved to an even bigger bottleneck for European businesses.

MESSAGE FROM THE ECCP PRESIDENT

On behalf of the European Chamber of Commerce of the Philippines (ECCP), I am pleased to present the 2021 ECCP Advocacy Papers. This year's edition features an overview of the current business regulatory landscape in the Philippines as well as industry-specific challenges of the 22 sector committees of the Chamber. More importantly, the paper puts forward constructive policy recommendations for strengthening European-Philippine economic relations and opening up a new decade of growth opportunities as the theme of this year's Summit suggests.

Indeed, the past year has been a period unlike any other with the ongoing health crisis testing the resilience of most organizations and redefining the way we do business. Our advocacy work has also stepped up in organizing virtual discussions and actively engaging key stakeholders including policymakers to raise awareness on issues that matter the most to our members as well as push for reforms that will support our community during this period of uncertainty.

Understandably, the past 20 months have seen a shift of policy priorities from the Philippine government by focusing more on pandemic response and providing social safety nets to the affected and vulnerable. Nevertheless, we have witnessed promising developments on the economic front that will help restore business confidence and boost the country's position as a competitive destination for trade and investments including those from Europe. Among these include the signing of the landmark Corporate Recovery and Tax Incentives for Enterprises Act, the Financial Institutions Strategic Transfer Act, and the inking of the world's largest trade bloc known as the Regional Comprehensive Economic Partnership, of which the Philippines is a party. In addition, the Philippines' improved ranking of 90th in 2020 from 124th in 2019 of the World Bank's Doing Business report demonstrates the global community's relative trust in the country's business environment.

We at the Chamber strive to make the most of these exciting developments in the years to come. The 2021 ECCP Advocacy Papers is our contribution to addressing some of the remaining challenges to helpfully realize the potential of our bilateral ties and economic prospects. I would like to thank our Committee leaders, member companies, and the team behind our flagship publication. Moreover, the European business community continues to stand at the forefront of these crucial issues, which when addressed, will further support our shared goals towards inclusive and sustainable recovery. As such, we remain committed to working with the Philippines in navigating this new decade of growth opportunities.

Mr. Lars Wittig
ECCP President



MESSAGE FROM THE EU AMBASSADOR

I congratulate the European Chamber of Commerce of the Philippines (ECCP) for the 2021 edition of their Advocacy Papers.

These papers offer useful food for thought and action at a crucial time.

At present, the global economy is poised to show its most robust post-recession recovery. In the EU, recovery is underway following a massive vaccination campaign and an ambitious recovery plan decided collectively by EU leaders in 2020. In the EU, today, more than 70% of adults are vaccinated, resulting in improved business and consumer confidence.

Vaccination is the way to pull through collectively from a health crisis of this proportion. It should not stop there. At present, the EU is first and most urgent priority is to speed up global vaccination to ensure that access to vaccines becomes equitable worldwide.

While the European Union has focused on tempering the spread of the virus and its impact on lives and the economy, the EU has remained crucial in the global effort to strengthen the multilateral trading system, fight protectionism and ensure that global trade remains unhampered.

This strategy has reaped fruits. It is anticipated that 19 EU Member States will revert to pre-pandemic growth levels in 2021 and the remainder will follow in 2022. In the last quarter, growth in the Euro area outpaced both the US and China.

Next Generation EU and the seven years multi-annual budget will invest in both short-term recovery and long-term prosperity. It will support innovative policies and will set Europe on a path to a sustainable resilient recovery. One-third of this €1800 billion budget will finance the European Green Deal, which will be the EU's lifeline out of the COVID 19 crisis. This Green Deal will transform the EU into a modern, resource-efficient competitive economy.

The EU and the Philippines have established a relationship characterized by a shared goal of peace and prosperity for our peoples. In terms of commercial relations, we have seen steady growth in the bilateral trade in goods between the EU and the Philippines over the last years. However, EU-PH trade today is far from its full potential. Likewise, the Philippines needs to attract a greater portion of EU investments in ASEAN.

Let us continue to work together to achieve a sustainable and resilient recovery for our economies. I welcome these advocacy papers as a useful contribution in our pursuit of creating a level playing field and opportunities for industries and sectors to be able to participate; provide more choices to our consumers, and promote a sustainable approach to trade.

H.E. Luc Véron
Ambassador
Delegation of the European Union to the Philippines



MESSAGE FROM THE PRESIDENT OF THE REPUBLIC OF THE PHILIPPINES

My warmest greetings to the **European Chamber of Commerce of the Philippines (ECCP)** as it organizes the **2021 European-Philippine Business Summit**.

This event is an opportune time to explore and pursue various programs and strategies that will enable the business community to overcome the adverse effects of the COVID-19 pandemic on our economy.

The government is one with you in this goal as it has shown in its commitment to advance free trade and to restore confidence in the Philippine economy through our landmark Tax Reform Law and the ratification of the Regional Comprehensive Economic Partnership, of which the Philippines is a party.

I hope that you will remain steadfast in promoting and attracting trade and investments to the country, especially from Europe. Together, let us revitalize our industries and boost our productivity under the new normal.

May you have a successful summit.

Rodrigo Roa Duterte

President of The Republic of the Philippines



MESSAGE FROM THE DEPARTMENT OF TRADE AND INDUSTRY

The presence of the European Chamber of Commerce in the Philippines (ECCP) in the country is a testament to the relationship between our economies evident in the current levels of trade and investments. In 2020, Europe ranked as the Philippines' 5th trading partner, with total bilateral trade amounting to US\$13.06 billion. And as we secure the collective development of both our nations, the Department of Trade and Industry (DTI) continues to rely on the steadfast efforts of ECCP in facilitating market access and in creating a level playing field for both European and Filipino companies

Together with the holding of the **2021 European-Philippine Business Summit (EPBS)**, the launch of the **2021 ECCP Advocacy Papers** not only reflects the continued partnership of both nations that has flourished and strengthened throughout the years, but is also the fruit of the hard work and commitment of the men and women behind the successes of your organization.

Despite the challenges of the pandemic, the Philippines remains a conducive place to do business and is still considered an emerging economy for investment. This can be attributed to our strong economic fundamentals and is a result of landmark policies and programs of the Duterte administration to create an enabling business environment in the country.

Among these initiatives is the consistent pursuit of game-changing reforms such as the **Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act** and the **Financial Institutions Strategic Transfer (FIST) Act**, which are expected to bring in more investments and ensure the stability of our financial system to accelerate the country's quick and sustainable economic recovery. The Philippines is also part of the **Regional Comprehensive Economic Partnership (RCEP) Agreement**, which is intended to strengthen regional economic integration and increase economic resiliency through enhancing market access for goods, services, and investment. All of these, together with the review of other economic restrictions, have the common goal of attracting more investments that will create more jobs in the country.

As the Philippine economic situation continues to improve, this year's theme, **Amidst the Crisis: A New Decade of Growth Opportunities**, sets the tone for our continued partnership. We are counting on the private sector to harness the potential of our revitalization as we embark on pursuits that will ensure the inclusive and sustainable development of our nations. Ultimately, our goal is to make your investments in the country as profitable as possible, which will secure the development of our economies, provide better opportunities for employment, and empower our citizens to become productive members of society as we take on the greater effort of nation-building to create a better quality of life for all Filipinos.

Congratulations and *mabuhay po kayo!*

Hon. Ramon Lopez

Secretary

Department of Trade And Industry



MESSAGE FROM THE HOUSE OF REPRESENTATIVES

Our warmest felicitations to the European Chamber of Commerce of the Philippines, ECCP President Lars Wittig, ECCP Vice Presidents Amal Makhoulfi and Kavita Hans, distinguished officers and members, on the launching of the 2021 edition of ECCP Advocacy Papers.

They say that the darkest nights produce the brightest stars. We convene today at a time of great uncertainty brought about by a global pandemic. As Speaker of the House of Representatives of the Philippines, I would like to express my deep appreciation to the European Chamber of Commerce in the Philippines and the ECCP Advocacy Committees in producing the 2021 ECCP Advocacy Papers, covering the most significant areas in development policy, from agriculture, the environment and water, to education, health care, and human capital, and of recent import, defense and disaster response, and renewable and energy efficiency. These papers are vital inputs to policy formulation, can serve to enhance Philippine development road maps, and be our springboard for continued discussion and engagement between the ECCP and our government in forging sustainable means of collaboration.



On the part of the House of Representatives, we intend to move towards a more resilient, more inclusive, and more sustainable post-pandemic economy with reforms which seek the following: one, to liberalize foreign investments into the country; two, to promote greater competition in key industries; three, to enhance governance in key infrastructure agencies; and four, to remove restrictions on foreign equity, thereby making economic policies more attuned to the realities in both local and international landscapes.

The opportunity to build a better economy is before us and should indeed, be seized. Through cooperation and collaboration, let us together bring into fulfillment a decade of renewal and growth.

Thank you.

Lord Allan Jay Q. Velasco
House Speaker District Representative Marinduque



WHERE ARE WE NOW?

THE PHILIPPINES

The Philippines prides itself in its dynamic and robust economy, transforming into one of the region's top economic performers and attracting companies to invest and expand their operations. In the last decade, the country was able to sustain an average annual growth of 6.4% between 2010-2019 from an average of 4.5% between 2000-2009.¹ Among its neighboring countries in the Association of Southeast Asian Nations (ASEAN), the Philippines was ranked 4th in terms of Gross Domestic Product (GDP) growth rate with 6.1% in 2019 (Table 1).

Table 1. ASEAN GDP Year-on-Year Growth Rates, 2019 and 2020 (% per year)

Country	2019	2019 ranking	2020	2020 ranking
Brunei Darussalam	3.9	8th	1.2	3rd
Cambodia	7.1	1st	-3.1	6th
Indonesia	5.0	5th	-2.1	5th
Lao People's Dem. Rep.	4.7	6th	-0.5	4th
Malaysia	4.3	7th	-5.6	8th
Myanmar	6.8	3rd	3.3	1st
Philippines	6.1	4th	-9.6	10th
Singapore	1.3	10th	-5.4	7th
Thailand	2.3	9th	-6.1	9th
Vietnam	7.0	2nd	2.9	2nd

Asian Development Bank. *Asian Development Outlook 2021*²

However, the onset of the unprecedented COVID-19 pandemic has resulted in a drastic decline of economic activity around the world. In the Philippines, like in many other countries, the government had to implement huge fiscal support programs and impose strict quarantine measures to mitigate the spread of the virus, which in return restricted economic activity. Specifically in the Philippines, the recessionary impacts of the pandemic contracted the GDP growth rate by 9.6% for the year 2020 (Table 1). The Philippine Statistics Authority (PSA), which has been collecting annual data since 1947, records this decline as the first annual contraction since the Asian Financial Crisis seen in 1998. It also surpassed the prior record of 7.0% contraction in 1984.³

The annual preliminary figures from the PSA show that the unemployment rate rose to 10.3% in 2020, accounting for 4.5 million unemployed Filipinos in the labor force, which is significantly higher compared to the previous year's 5.1% rate. Likewise, the country's employment rate dropped from 94.9% in 2019 to 89.7% in 2020, with the Services sector accounting for 56.9% share, followed by the Agriculture sector with 24.8%, and the Industry sector with 18.3%.⁴

Currently, unemployment rate for July 2021 is estimated at 6.9%, the lowest recorded rate since in April 2020. The country also recorded a significant increase in terms of employment rate at 93.1% for the same month.⁵

On the other hand, headline inflation rose further to 3.5% in December 2020, from 3.3% in November 2020, primarily due to the increase in the inflation of heavily-weighted food and non-alcoholic beverages at 4.8% during the month. Additionally, annual increments were higher in terms of health (2.6%); transport (8.3%); and restaurant and miscellaneous goods and services (2.5%).⁶ The Bangko Sentral ng Pilipinas (BSP) posted a slight increase in the average headline inflation for 2020 at 2.6%, but remained well within the government's target range of 2-4% for the year.⁷ Subsequently, the PSA recorded a 4.9% headline inflation rate for August 2021, from 4.0% of the previous month, which is the highest inflation recorded since January 2019. The uptrend was mainly brought about by the higher annual increment in the index of the heavily-weighted food and non-alcoholic beverages at 6.5% during the month, from 4.9% in July 2021.⁸

In the 2021 World Competitiveness Ranking compiled by the Institute for Management Development (IMD), the Philippines ranked 52nd out of 64 countries, slipping down seven spots from the previous ranking. Specifically, the report noted the country's rankings dropping in three of the factors with Economic Performance falling 13 places to 57th; Government Efficiency slipping three spots to 45th; and Business Efficiency dropping from 33rd to 37th. Meanwhile, the Infrastructure category retained its ranking at 59th.⁹

In terms of the country's Foreign Direct Investments (FDI), the BSP officially recorded USD 6.5 billion net inflows for 2020, which is a 24.6% contraction from the USD 8.7 billion net inflows in 2019. The contraction was primarily driven by the fluctuation of supply chains and business outlooks that had affected investor decisions. Majority of the equity capital placement came from Japan, the Netherlands, United States of America (USA) and Singapore wherein these capital were channeled to manufacturing, real estate and the financial and insurance industries.¹⁰

On the other hand, total FDI net inflows from January to June 2021 registered at USD 4.3 billion. Specifically, the top source country is Singapore with USD 519.88 million, followed by Japan with USD 259.85 million and USA with USD 69.87 million. Investments were channeled mainly to manufacturing, financial and insurance, and electricity, gas, steam, and air-conditioning industries.¹¹



1 World Bank. (07 April 2021). Philippines: Overview. Retrieved from <https://www.worldbank.org/en/country/philippines/overview>
 2 Asian Development Bank. (April 2021). Asian Development Outlook 2021. Retrieved from <https://data.adb.org/dataset/gdp-growth-asia-and-pacific-asian-development-outlook>
 3 Nikkei Asia. (28 January 2021). Philippines GDP shrinks 9.5% in 2020, worst since 1947. Retrieved from <https://asia.nikkei.com/Economy/Philippines-GDP-shrinks-9.5-in-2020-worst-since-1947>
 4 Philippine Statistics Authority. (08 March 2021). 2020 Annual Preliminary Estimates of Labor Force Survey. Retrieved from <https://psa.gov.ph/content/2020-annual-preliminary-estimates-labor-force-survey-lfs>

5 Philippine Statistics Authority. (07 September 2021). Unemployment Rate in July 2021 is Estimated at 6.9 percent. Retrieved from <https://psa.gov.ph/content/unemployment-rate-july-2021-estimated-69-percent>
 6 Philippine Statistics Authority. (05 January 2021). Summary Inflation Report Consumer Price Index (2012=100): December 2020. Retrieved from <https://psa.gov.ph/statistics/survey/price/summary-inflation-report-consumer-price-index-2012100-december-2020>
 7 Bangko Sentral ng Pilipinas. (2020). BSP Inflation Rate Report. Retrieved from <https://www.bsp.gov.ph/SitePages/MediaAndResearch/Inflation%20Report.aspx>
 8 Philippine Statistics Authority. (07 September 2021). Summary Inflation Report Consumer Price Index (2012=100): August 2021. Retrieved from <https://psa.gov.ph/statistics/survey/price/summary-inflation-report-consumer-price-index-2012100-august-2021>
 9 IMD World Competitiveness Center. (2021). World Competitiveness Ranking. Retrieved from <https://www.imd.org/centers/world-competitiveness-center/rankings/world-competitiveness/>
 10 Bangko Sentral ng Pilipinas. (10 March 2021). FDI Registers US\$509 Million Net Inflows in December 2020; Full-Year Level Reaches US\$6.5 Billion. Retrieved from <https://iro.ph/article/details.php?articleid=3547&catid=4>
 11 Bangko Sentral ng Pilipinas. (10 September 2021). FDI Net Inflows Up by 60.4 Percent YoY in June 2021; H1 2021 Level Reaches US\$4.3 Billion. Retrieved from <https://iro.ph/article/details.php?articleid=3547&catid=4>

At the European level, FDI net inflows registered at USD 38.42 million with Germany accounting for USD 29.02 million, followed by the United Kingdom (USD 4.52 million), Sweden (USD 3.88 million), France (USD 1.99 million), and Luxembourg (USD 1.66 million).¹²

The total external trade of the country in terms of goods was recorded at USD 155.03 billion in the year 2020, which is lower by 15.1% compared to the USD 182.52 billion recorded during 2019. Among the major trading partners are the People's Republic of China, Japan, and the USA.¹³ The European Union (EU) followed as the fourth largest trading partner, accounting for 8.4% of the country's total trade in 2020. Meanwhile, as for the Philippines' bilateral trade with the EU member countries, Germany ranked as the top trading partner.¹⁴ Likewise, in 2019, Germany ranked as the highest trading partner with a total trade of USD 5.55 billion or 31.5 percent of EU's total trade, followed by the Netherlands, France, the United Kingdom, and Italy.¹⁵

Over the past years, the Philippines was able to maintain its credit ranking at 'BBB' with a stable outlook from various agencies. However, the recent negative outlook from Fitch reflects the increasing risks to the credit profile from the impact of the pandemic and its aftermath.¹⁶ The table below shows the latest ratings from various agencies:

Table 2. Philippine Credit Ratings

Date	Agency	Rating
July 2020	Moody's	Baa2 Stable
May 2021	Standard & Poor	BBB Positive
July 2021	Fitch	BBB Negative

Source: Moody's, Standard and Poor, Fitch

Without a doubt, the adverse impacts of the global crisis hampered the country's long-term notable gains. However, recent reports also show a promising growth forecast for the country as global recovery sustains its momentum. Particularly, the country posted a strong rebound in the second quarter of 2021 with a GDP growth of 11.8% compared to the -16.9% rate of the same period last year. Categorically, the main contributors are manufacturing (22.3%); construction (25.7%); and wholesale and retail trade; repair of motor vehicles and motorcycles (5.4%). Among the major economic sectors, Industry and Services posted positive growths of 20.8% and 9.6%, respectively.¹⁷ GDP growth is also expected to increase at 4.5% in 2021 and 5.5% in 2022; while inflation rates are forecasted at 4.1% in 2021 and 3.5% in 2022.¹⁸ However, the country continues to be vulnerable given the emergence of new variants of the virus and hiccups on the vaccine rollout. With this, substantial reforms on key economic policies, ease of doing business, investment on digital infrastructure, and strengthening the public health system have a pivotal role for the country to address the adverse impacts caused by the pandemic as well as boost economic recovery and competitiveness.

Billion. Retrieved from <https://www.bsp.gov.ph/SitePages/MediaAndResearch/MediaDisp.aspx?ItemID=5926>

¹² Bangko Sentral ng Pilipinas. (n.d.) Net Foreign Investment Flows. Retrieved from <https://www.bsp.gov.ph/statistics/external/Table%2010.pdf>

¹³ Philippine Statistics Authority. (August 2021). 2020 Foreign Trade Statistics of the Philippines. Retrieved from https://psa.gov.ph/sites/default/files/2020%20FTS%20Publication_signed-compressed.pdf

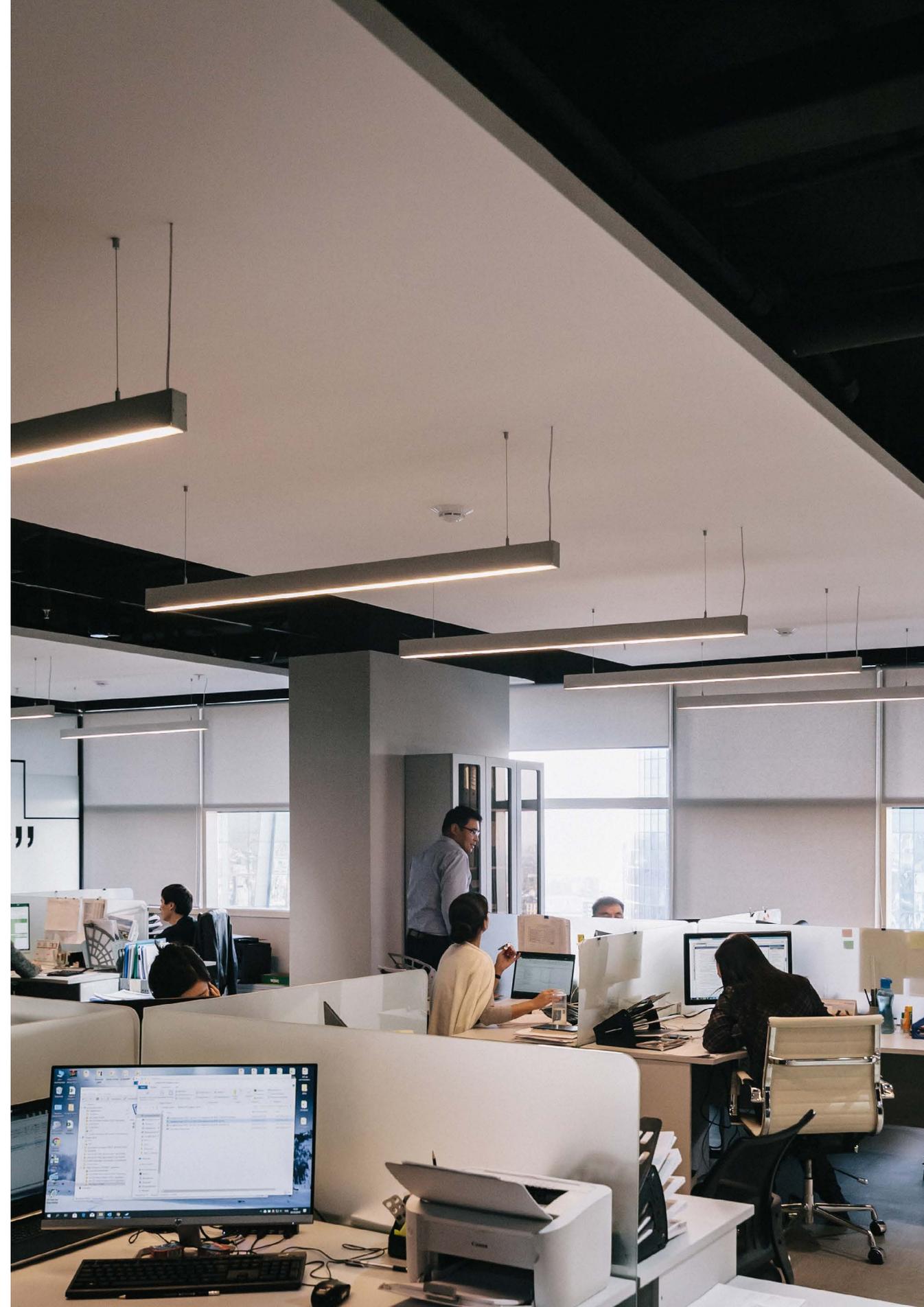
¹⁴ European Commission. (2021). Countries and Regions: The Philippines. Retrieved from <https://ec.europa.eu/trade/policy/countries-and-regions/countries/philippines/>

¹⁵ Philippine Statistics Authority. (28 April 2020). Highlights of the 2019 Annual Report on International Merchandise Trade Statistics of the Philippines. Retrieved from <https://psa.gov.ph/content/highlights-2019-annual-report-international-merchandise-trade-statistics-philippines>

¹⁶ FitchRatings. (12 July 2021). Fitch Revises Philippines' Outlook to Negative; Affirms at 'BBB'. Retrieved from <https://www.fitchratings.com/research/sovereigns/fitch-revises-philippines-outlook-to-negative-affirms-at-bbb-12-07-2021>

¹⁷ Philippine Statistics Authority. (10 August 2021). GDP posted double digit growth of 11.8 percent in the second quarter of 2021, the highest since fourth quarter of 1988. Retrieved from <https://psa.gov.ph/national-accounts>

¹⁸ Asian Development Bank. (n.d.). Economic indicators for the Philippines. Retrieved from <https://www.adb.org/countries/philippines/economy>



ICT-BPM-KPM ADVOCACY PAPER 2021

INTRODUCTION

In a rapidly evolving business and technological landscape, the digital economy has emerged as a key determinant towards higher economic growth. Undeniably, the use of digital technologies around the world, such as digital payments, e-commerce, telehealth, and remote learning, has helped citizens, businesses, and the government cope with quarantine restrictions, ensure business continuity, and deliver services amidst the prevailing COVID-19 pandemic.

In the Philippines, information and communications technology, business process management (BPM), and knowledge process management (KPM) remain the key components of the country's digital economy. To put it into context, the information technology and business process management (IT-BPM) sector continues to thrive as it managed to post flat growth even in these unprecedented times. In 2020, the IT-BPM sector hired 23,000 new full-time employees which is 1.8 percent higher than 2019, bringing the total industry employment to 1.32 million. Industry revenue also slightly grew to USD 26.7 billion or 1.4 percent higher than 2019. The IT and Business Process Association of the Philippines (IBPAP) also said in a statement that while the hospitality and travel sectors were affected by the pandemic, verticals like healthcare, e-commerce and retail, banking, finance and administration, and insurance flourished enough to help propel the industry's headcount and revenue growth. The industry-wide survey conducted by IBPAP also shows that 87 percent of IT-BPM companies are expecting to see between 5 and 15 percent growth in 2021, with the other 13 percent anticipating flat growth.¹

Additionally, the business process outsourcing (BPO) sector in the country remains one of its fastest-growing industries. Despite being faced by the pandemic, the sector grew by around 1.8 percent in terms of headcount and 1.4 percent in terms of revenue. It is also notable that the growth rate for the sector is expected to grow between 5 to 6.5 percent in 2021.² Undeniably, the BPO industry opened up multiple job opportunities to many individuals, which filled the gap between the number of job seekers and post vacancies.

Notably, most countries around the world advance in the digitalization transformation, incentivizing companies to move towards digital business models and investing in information and communications technology (ICT) development and digital skills. Among the Association of Southeast Asian Nations (ASEAN) countries, Singapore ranks 6th on ICT adoption and digital skills. In the digital legal framework category, Singapore and Malaysia rank 3rd and 5th, respectively.³

With the Fourth Industrial Revolution (4IR) shaping the economy today, it is only necessary for the country to invest more in digital and logistics infrastructure and involve all stakeholders in doing so. However, the recessionary impacts of the pandemic undeniably hinders the full potential of the digital economy as a driver for economic growth. In this regard, this paper presents the recommendations of the ECCP to address the issues revolving around the sector especially on developing a competitive incentives regime, improving broadband connectivity, and upskilling the workforce.

¹ Cahiles-Magkilat, B. (23 April 2021). PH IT BPM posts flat growth in 2020. Retrieved from <https://mb.com.ph/2021/04/23/ph-itbpm-posts-flat-growth-in-2020/>

² Aning, J. (27 May 2021). BPO industry grows despite pandemic. Philippine Daily Inquirer. Retrieved from <https://business.inquirer.net/323694/bpo-industry-grows-despite-pandemic>

³ World Economic Forum. (2020). The Global Competitiveness Report. Retrieved from http://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2020.pdf

RECENT REFORMS AND INDUSTRY DEVELOPMENTS

On 26 March 2021, President Rodrigo R. Duterte signed into law **Republic Act (RA) No. 11534** or the **Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act**.⁴ Previously named the Corporate Income Tax, and Incentives Rationalization Act (CITIRA) bill, the CREATE Act which has gone through several revisions, reduces the financial burden on foreign and domestic companies through various tax incentives to counter the impacts of the pandemic to the economy. It slashes the country's current Corporate Income Tax (CIT) from 30 to 25 percent; for domestic companies with a taxable income of PHP5 million and below, and with total assets of not more than PHP100 million, their CIT will be cut from 30 to 20 percent. With this, the law will further boost the growing BPO industry particularly in innovation.

Senate Bill (SB) No. 2094⁵, substituting several Senate bills and taking into consideration **House Bill (HB) No. 78**, was filed in March 2021 to amend the **Public Service Act**. Under the bill, telecommunications is excluded from the definition of "public utility" and reclassified as a "public service", thus effectively lifting it from foreign equity caps.

Bills on **Open Access in Data Transmission** filed in the upper and lower houses aim to improve the country's digital infrastructure and address internet infrastructure gaps by bringing in more players to the broadband sector. The lower house approved **HB No. 8910**⁶ in March 2021 in substitution of **HB No. 57, 4109, 5341, and 8383**, and was recently approved on third reading. Meanwhile, the proposed legislation is filed as **SB No. 45 and 911** in the upper house.

Senate Bill No. 1591, otherwise known as the **Internet Transactions Act**, seeks to protect consumers and merchants engaged in internet transactions. The bill is designed to create an environment founded on trust among consumers and merchants, as a means to increase the number of e-commerce participants, and ultimately achieve sustainable growth.⁷

Another priority bill of the 18th Congress is the **Roll-Over Internet Act** which seeks to mandate and institutionalize the roll-over data allocation scheme, requiring internet service providers (ISPs) to roll-over unused internet bandwidth of its clients, thus ensuring that the internet data paid for by internet users can still be used until it is fully consumed. The proposed legislation is filed as **HB No. 9057** which passed on third and final reading in the lower house; and **SB No. 1880 and 2246**.

Additionally, the proposed **Satellite-Based Technologies Promotion Act** or **HB No.9070**⁸ seeks to deregulate access to satellite-based services and technologies to make it more accessible and inclusive. The bill aims to allow internet service providers (ISPs) and value-added services (VAS) providers to own and operate their own network using satellite technology without the need of a franchise and a provisional authority of Certificate of Public Convenience and Necessity (CPCN) from the National Telecommunications Commission (NTC).

4 Official Gazette of the Philippines. (26 March 2021). Republic Act no. 11534. Retrieved from https://www.congress.gov.ph/legisdocs/ra_18/RA11534.pdf

5 Senate of the Philippines. (10 March 2021). Senate Bill No. 2094. Retrieved from <https://legacy.senate.gov.ph/lisdata/3464631474!.pdf>

6 House of Representatives. (05 March 2021). Committee Report No. 815. Retrieved from https://www.congress.gov.ph/legisdocs/first_18/CR00815.pdf

7 Senate of the Philippines. (09 June 2020). Senate Bill No. 1591. Retrieved from <http://legacy.senate.gov.ph/lisdata/3301729864!.pdf>

8 House of Representatives. (22 March 2021). Committee Report No. 883. Retrieved from https://www.congress.gov.ph/legisdocs/first_18/CR00883.pdf

Other developments relevant to the industry:

The Department of Information and Communications Technology (DICT) appealed to the Senate, and earlier to the House of Representatives, for an increase in its 2021 national broadband budget. Reiterating the need for a government-owned broadband network to improve internet quality, coverage and affordability, the DICT will require around Php 18 billion for the completion of the government's own broadband network through the **National Broadband Plan**.⁹

Furthermore, the DICT launched the **Technology Empowerment for Education, Employment, Entrepreneurship, and Economic Development (Tech4ED)** that provides ICT-enabled services to communities that have minimal access or no access to ICT and government services. As a national digital inclusion initiative, the Tech4ED Program caters to disadvantaged communities such as rural and urban poor, PWD's, and indigenous communities.¹⁰

Likewise, the DICT also launched **Digital Infrastructure Monitoring System: Tower Watch PH** in September 2021 to better streamline permit processing time and accelerate the rollout of connectivity infrastructure in the country. It also aims to complement the government's initiatives in addressing the slow internet speed and lack of Internet presence in isolated and disadvantaged areas due to the low number of towers, fiber backhaul, and fiber network.¹¹

As of 30 April 2021, through the **Free Internet Access in Public Places Act of 2017**, 882 free Wi-Fi sites have been installed and activated in public areas, benefitting more than 350,000 users in remote places, with limited or no access to commercial internet. The free Wi-Fi service has been advantageous, especially during the COVID-19 pandemic, to low-income communities of provinces such as Isabela, Cagayan, Benguet, Palawan, Davao del Sur, Lanao del Sur and Sorsogon.¹²

Dated 29 May 2020, the DICT issued **Department Circular (DC) No. 008, s. 2020**¹³ which provides for the guidelines on Shared Passive Telecommunications Tower Infrastructure, also referred to as the "Policy on Shared PTTIs". The issuance of the said Policy encourages the growth and development of Independent Tower Companies (ITCs) as a pioneering sector for the development of a robust ICT environment of Shared PTTIs in line with the overall objective of enhancing wireless network coverage and quality of ICT services across the entire country. It also seeks to widen the base of tower providers to fast-track the deployment of Shared PTTIs across all regions of the country, especially in the unserved and underserved areas.

Further to this, the DICT issued **DC No. 011, s. 2020**¹⁴ in June 2021 to ease the registration requirements for firms seeking to build telecommunication towers for the duration of the declared state of public health emergency due to the pandemic.

Effective 30 September 2021, mobile phone users will be able to keep their number even when they switch network providers or subscription plans, free of charge. This is in compliance with **RA No. 11202** or the **Mobile Number Portability Act**.¹⁵

9 Department of Information and Communications Technology. (09 October 2020). DICT continues call for an increased 2021 national broadband budget. Retrieved from <https://dict.gov.ph/dict-continues-call-for-an-increased-2021-national-broadband-budget/>

10 Department of Information and Communications Technology. (2021). Programs and Projects. Retrieved from <https://dict.gov.ph/programs-projects/>

11 Philippine News Agency. (09 September 2021). Tower Watch PH launched to monitor connectivity infra rollout. Retrieved from <https://www.pna.gov.ph/articles/1153068>

12 United Nations Development Programme. (22 May 2021). UNDP Statement on the Free Wi-Fi for All Project with DICT. Retrieved from <https://www.ph.undp.org/content/philippines/en/home/presscenter/pressreleases/undp-statement-on-the-free-wi-fi-for-all-project-with-dict.html>

13 Department of Information and Communications Technology. (29 May 2020). Department Circular No. 008. Retrieved from https://dict.gov.ph/wp-content/uploads/2020/06/Department_Circular_No_008_Policy_Guidelines_on_the_Co_Location.pdf

14 Department of Information and Communications Technology. (08 June 2020). Department Circular No. 011. Retrieved from https://dict.gov.ph/wp-content/uploads/2020/06/Department_Circular_NO_11_INTERIM_GUIDELINES.pdf

15 The Official Gazette. (08 Februar 2019). Republic Act No. 11202. Retrieved from <https://www.officialgazette.gov.ph/downloads/2019/02feb/20190208-RA-11202-RRD.pdf>

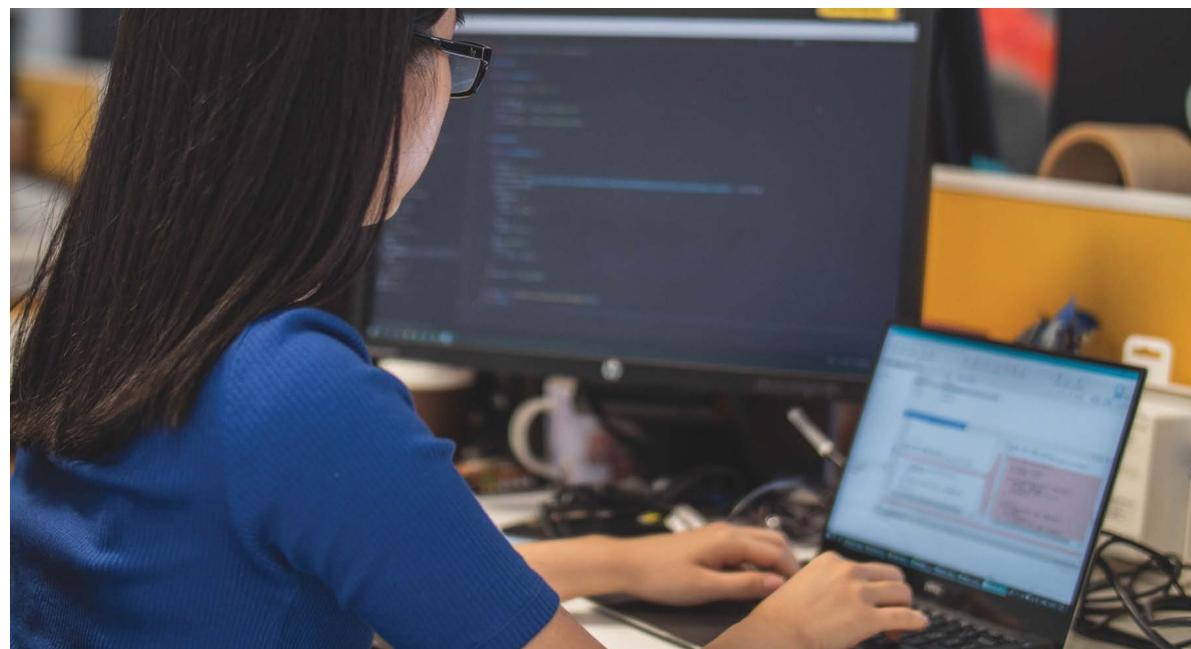
RA No. 11537, which was signed in May 2021, renewed for another 25 years the franchise granted to DITO Telecommunity Corporation as the country's third major telecommunication player, to construct, install, establish, operate, and maintain wired and/or wireless telecommunications systems.¹⁶

Additionally, the **proposed budget for the Department of Finance (DOF) for 2022 under new appropriations is PHP 21.24 billion**, or 32.7 percent higher than its approved appropriations this year of PHP 16 billion. The increase in the funding will be used for the modernization and digitalization programs to enhance revenue enforcement capacity. With the goal to further improve tax administration and hasten digital transformation, the DOF will provide its largest budget allocations to the Bureau of Internal Revenue (BIR) with PHP 10.9 billion, and the Bureau of Customs (BOC) with PHP 4.35 billion.¹⁷

The **Digital Cities 2025** program, previously termed Next Wave Cities, aims to drive inclusive growth in the countryside by selecting high-potential areas throughout the country and transforming them into bustling IT and Business Process Management (IT-BPM) hubs within five years. The 25 cities under the program were chosen using a scorecard that was based on a set of parameters reflecting priority areas for investors and locators: Talent Availability, Infrastructure, Cost, and Business Environment.¹⁸

Following the **Philippine e-Commerce Roadmap 2016-2020** which focused on creating foundational policies for e-commerce, the **e-Commerce Philippines 2022 Roadmap** was crafted to focus on implementing programs and projects for the use of e-commerce in government, business, and private transactions. The unaccomplished agenda from the previous roadmap is incorporated in the 2022 roadmap initiatives.¹⁹

Bills on the **Magna Carta for Business Process Outsourcing (BPO) Workers Act** have also been filed in Congress to protect the rights and promote the welfare of the employees of one of the country's largest revenue-generating industries.



¹⁶ The Official Gazette. (18 May 2021). Republic Act No. 11537. Retrieved from <https://www.officialgazette.gov.ph/downloads/2021/05may/20210518-RA-11537-RRD.pdf>

¹⁷ Nicolas, B. (15 September 2021). DOF eyes P21-B budget to boost digitalization bid. Retrieved from <https://businessmirror.com.ph/2021/09/15/dof-eyes-p21-b-budget-to-boost-digitalization-bid/>

¹⁸ Information Technology and Business Process Association Philippines. (30 June 2020). Digital Cities 2025: A Brighter Future Awaits in the Countryside. Retrieved from <https://www.ibpap.org/digital-cities-2025>

¹⁹ Department of Trade and Industry. (n.d.). E-Commerce Philippines 2022 Roadmap. Retrieved from https://ecommerce.dti.gov.ph/madali/the_need.html

ADVOCACY RECOMMENDATIONS

1. Maintain competitive incentives for ICT-BPO investments

There is no doubt that the ICT-BPM industry's resilience amidst a crisis plays a fundamental role in the recovery of the Philippine economy. As the industry was able to provide employment and deliver services given the restrictions imposed, it is crucial for the government to further boost its potential to spur economic growth and development. It is in this regard that the ECCP strongly urges the administration to keep the current regulatory framework governing the sector.

The ECCP also acknowledges the enactment of the CREATE Act which will provide incentives that are performance-based, strategically targeted, time-bound, and fully transparent. It will encourage businesses to invest in industries and sectors aligned with the Philippine development agenda; create higher-value jobs; incentivize upskilling and employee training, and promote investments in less-developed areas, and areas recovering from calamities or armed conflict.²⁰

The ECCP also supports the government's initiative, through the CREATE Act, to lower the Philippines' CIT rate to increase the country's ability to attract investments and better compete with its ASEAN counterparts. To put it into perspective, the Philippines imposed the highest tax of 30 percent, while Cambodia, Thailand, and Vietnam (20 percent), and Brunei (18.5 percent) tax returns of domestic and foreign investors below the average ASEAN rate. More notably, businesses in Singapore enjoy the lowest rate of 17 percent.²¹ In line with this, the ECCP calls for the inclusion of the IT-BPM sector in the Strategic Investment Priorities Plan (SIPP) to bring high-value, labor-intensive investments in the sector.

2. Continued improvement of broadband services

Improve internet infrastructure through the enactment of a common tower policy

While mobile network experience in the Philippines has improved significantly in terms of both Download Speed Experience and 4G Availability since the start of 2018²², the country trails behind its regional neighbors in terms of internet speed (Figure 1) and mobile data price (Table 1).

²⁰ Department of Finance. (n.d.). Package 2: Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act. Retrieved from <https://taxreform.dof.gov.ph/tax-reform-packages/p2-corporate-recovery-and-tax-incentives-for-enterprises-act/>

²¹ ASEAN Briefing. (26 July 2018). Comparing Tax Rates Across ASEAN. Retrieved from <https://www.aseanbriefing.com/news/comparing-tax-rates-across-asean/>

²² Fenwick, S.. (26 August 2020). The Philippines has seen impressive improvements in download speeds and 4G Availability over the past two years. OpenSignal. Retrieved from <https://www.opensignal.com/2020/08/26/the-philippines-has-seen-impressive-improvements-in-download-speeds-and-4g-availability-over-the-ict-bpm-kpm>

Figure 1. Mobile and Fixed Broadband Internet Speed (Mbps) in ASEAN, August 2021

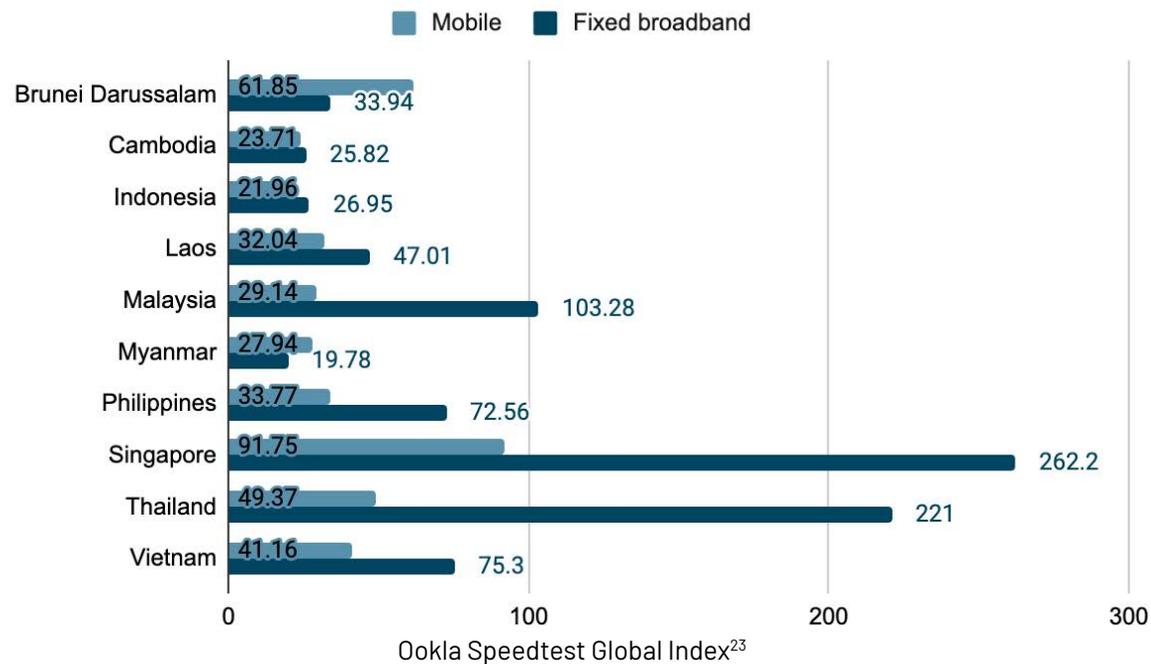


Table 1. Mobile Data Price in ASEAN, 2021

Country	Global Ranking	Average Price of 1 GB
Brunei Darussalam	116	USD 2.23
Cambodia	40	USD 0.83
Indonesia	12	USD 0.42
Laos	-	-
Myanmar	36	USD 0.78
Malaysia	46	USD 0.89
Philippines	97	USD 1.77
Singapore	60	USD 1.09
Thailand	57	USD 1.06
Vietnam	15	USD 0.49

Cable²⁴

On a positive note, based on the Ookla Speedtest Global Index, the country's mobile speed averaged 33.77

²³ Speedtest. (2021). Speedtest Global Index: Global Speeds June 2021. Retrieved from <https://www.speedtest.net/global-index>

²⁴ Cable. (2021). Worldwide mobile data pricing: The cost of 1GB of mobile data in 230 countries. Retrieved from <https://www.cable.co.uk/mobiles/worldwide-data-pricing/>

Mbps in August 2021 from 33.69 Mbps of the previous month, ranking 73rd out of 140 countries. In terms of fixed broadband, the country ranked 63rd, registering an average download speed of 72.56 Mbps from 71.17 Mbps the previous month.

However, the lack of infrastructure prevents the country from transitioning to a digital economy. With the fast approaching rise and deployment of 5G networks, the ECCP continues to advocate for the accelerated and efficient rollout of the common tower policy to enhance competition among telco operators and tower providers, and improve ICT services especially to unserved and underserved areas.

Adopt the open access in data transmission approach

In light of the current crisis, the ECCP believes that adopting the open access in data transmission is vital in increasing fixed and mobile broadband penetration for better and inclusive internet access and service. The bill will allow all broadband industry participants, including internet service providers (ISP) and value-added service (VAS) providers to connect to the government's National Broadband Plan infrastructure.

Moving into the new normal, the country was mandated to conduct business operations online and adjust to remote learning to further prevent the spread of the pandemic. With this, the challenges and difficulties of the lack of ICT infrastructure was further highlighted. The ECCP calls on the Senate to urgently pass the bill as this will encourage competition and market entry of service providers in the data transmission industry.

Update laws and regulatory framework to promote and incentivize investment and innovations in communications and connectivity

On the most recent Foreign Direct Investment (FDI) Regulatory Restrictiveness Index²⁵ compiled by the Organization for Economic Cooperation and Development (OECD), the Philippines ranked 3rd out of 84 countries with a score of 0.37, making it the most restrictive among the ASEAN countries (Table 2).

Table 2. FDI Regulatory Restrictiveness Index, 2020

Country	Global Ranking	Score*
Brunei Darussalam	21	0.15
Cambodia	51	0.05
Indonesia	4	0.35
Laos	14	0.19
Myanmar	31	0.11
Malaysia	8	0.26
Philippines	3	0.37
Singapore	47	0.06
Thailand	5	0.27
Vietnam	25	0.13

*Score: 0 = open; 1 = closed

Organization for Economic Cooperation and Development²⁶

With this in mind, the ECCP strongly supports bills seeking to amend Commonwealth Act No. 146 or the

²⁵ FDI restrictiveness gauges the restrictiveness of a country's foreign direct investment (FDI) rules by looking at four main types of restrictions: foreign equity restrictions; discriminatory screening or approval mechanisms; restrictions on key foreign personnel and operational restrictions.

²⁶ Organization for Economic Cooperation and Development. (2020). Foreign Direct Investment Regulatory Restrictiveness Index. Retrieved from <https://data.oecd.org/fdi/fdi-restrictiveness.htm>
ICT-BPM-KPM

Public Service Act of 1936. The passage of the amendment will open the country's economy to more investments that will translate into direct and indirect jobs and higher public revenue. More notably, telecommunication will be defined as a public service, thus encouraging foreign investments to foster competition and provide better quality services at a lower cost.

3. Upskill the Philippine workforce with special focus on developing science, technology, engineering and mathematics (STEM) capabilities

One of the most valuable assets of any economy or company is its human capital – the skills, capabilities and innovation of the individuals. According to the Future of Jobs Report, skills gaps in the local labour market and inability to attract the right talent remain among the leading barriers to the adoption of new technologies.²⁷

In a study conducted by the Asian Development Bank in relation to the 4IR, it estimates lower job displacement levels in the business process outsourcing (BPO) and electronics manufacturing industries by 2030. With this, the country will have to improve its technical and vocational education to offset the expected loss of 24 percent. It is also estimated that 14.2 million more people will have to be trained further by 2030, with 14.2 million accounting from the IT-BPO industry and 7.5 million from the electronics manufacturing sector.²⁸

Currently, the future of skills development in the Philippines are indicated in the National Technical Education and Skills Development Plan (NTESDP) 2018-2022, which identifies priority industries as key employment generators. These industries include tourism, hotels and restaurants; construction; IT-BPM; transport; communication and storage; manufacturing; health, wellness and other social services; and agriculture, fisheries and forestry.

It is in this regard that the ECCP calls for the implementation of a national skills development strategy and action plan for the ICT-BPM-KPM sector with special emphasis on STEM skills. In line with the IBPAP's Roadmap 2022²⁹, we further recommend the creation of an industry-led ICT-BPM talent attraction ecosystem; the development of career progression path and skills mapping; the establishment of effective skills development avenues; the implementation of a nationwide effort to enhance English proficiency and STEM across early-stage education as well as near-hires and the existing workforce; and the continuation of initiatives to further upskill existing manpower in a specialized competency areas.



27 World Economic Forum. (20 October 2020). The Future of Jobs 2020.

28 Laforga, B. (20 January 2021). ADB sees job losses of 24% from BPO, electronics automation. Retrieved from <https://www.bworldonline.com/adb-sees-job-losses-of-24-from-bpo-electronics-automation/>

29 IT & Business Process Association Philippines. (2018). Accelerate PH: Future-Ready Roadmap 2022.

ASSESSMENT OF RECOMMENDATIONS

ISSUE	RECOMMENDATIONS	COMPLETED / SUBSTANTIAL PROGRESS	SOME PROGRESS	NO PROGRESS / RETROGRESSION
Maintaining competitive incentives for ICT-BPO investments	Keep the current business and legal framework governing the BPM industry unchanged		The CREATE Act, which replaced CITIRA, was signed by President Rodrigo R. Duterte on March 26 as Republic Act No. 11534. It is considered the most balanced of all versions of the tax package.	
Continued improvement of broadband service	Improve infrastructure and address regulatory bottlenecks		The government has recently issued the guidelines on Shared Passive Telecommunications Tower Infrastructure and eased the registration requirements for firms seeking to build telecommunication towers for the duration of the declared state of public health emergency due to the pandemic.	
	Adopt the open access in data transmission approach		Several bills were filed in the 18th Congress. The House of Representatives has recently approved the bill on third reading. However, the Senate counterpart bill remains pending in the Science and Technology Committee.	
	Update laws and regulatory framework to promote and incentivize investment and innovations in communications and connectivity		The Senate bill filed to amend the Public Service Act has been certified as urgent to boost economic growth in the country amid the prevailing COVID-19 pandemic	
Continued skills development with amplified focus on STEM capabilities	Implement a National Skills Development Strategy and Action Plan for the ICT-BPM-KPM sector with a focus on STEM skills			Several bills on the creation of the Department of Technical Education and Skills Development (DTESD) Act have been filed in the lower house, all of which are pending with the Committee on Government Reorganization.



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