

ASEAN ICT DIALOGUE:

**Empowering Economies, Communities, and Innovation
Through the ASEAN ICT Master Plan 2015
October 24-25, 2011 Manila Peninsula Hotel**

Incentives for ICT

Dir. Nestor P. Arcansalin

**Board of Investments – Department of Trade and Industry
Philippines**





ASEAN ICT MASTER PLAN

6 Strategic Thrusts – 3 Pillars, 3 Foundations

❖ Pillars:

- Economic transformation
- People engagement and empowerment
- Innovation

❖ Foundations:

- Infrastructure development
- Human capital development
- Bridging the digital divide

**Establish legal basis to grant incentives
(Enabling Law, Policy, Executive Order, etc.)**

INVESTMENT PRIORITIES PLAN

PREFERRED ACTIVITIES

I. Regular List

1. Agriculture/Agribusiness and Fishery
2. **Creative Industries**
3. **Knowledge-Based Services**
4. Ship Building
5. Mass Housing
6. Energy
7. **Infrastructure**
8. **Research and Development**
9. **Green Projects**
10. Motor Vehicles
11. Tourism
12. Strategic Projects
13. **PPP Projects**
14. Disaster Prevention, Mitigation & Recovery

**National Digital
Strategy**

*

**National ICT
Roadmap**

*

**National ICT
Master Plan**

*

**National
Development Plan**

II. Export Activities



PRIORITY INVESTMENTS

❖ Knowledge-based Services

BPO, IT and IT-enabled Services

- Contact Center
- Business/Knowledge Processing
- Software Development
- Animation
- Data Transcription
- Engineering Design
- Game Development
- Procurement and Sourcing
- ICT support Services



PRIORITY INVESTMENTS

❖ Infrastructure

Establishment of new telecommunications infrastructure as endorsed by a National Telecommunications Commission

❖ Research and Development

- Centers of Excellence
- Training/Learning Institutions

❖ PPP Projects

Projects under the PPP program of the Government

INCENTIVES

- 1. Income Tax Holiday**
- 2. Special tax rate (5%) on gross income (after the lapse of ITH)**
- 3. Tax and duty exemption on imported capital equipment**
- 4. Exemption from input VAT on allowable local purchase of goods and services (e.g., communication charges)**
- 5. Unrestricted use of consigned equipment**
- 6. Employment of foreign nationals**
- 7. Special visa for foreign investors, consultants, experts**








EXAMPLE OF SUCCESS

Industry that grew and keeps on growing, leveraging on a conducive ICT environment and by enjoying incentives:

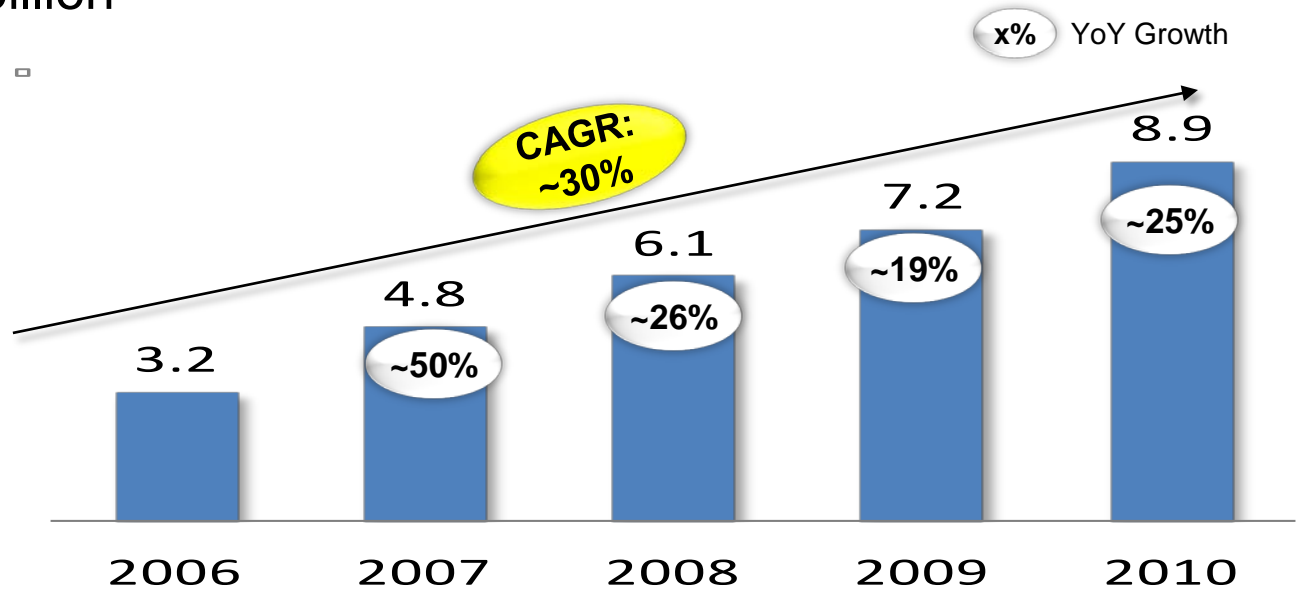
IT/BPO Industry

The Philippines is already advanced in providing digital services in IT/Business Process Outsourcing.

	SCALE OF OPERATIONS	SERVICE OFFERINGS	KEY PLAYERS
CONTACT CENTER	5,000 to 20,000+	<p>Outbound (telemarketing, advisories, sales verification, credit & collection, loyalty program benefits, reactivation/ reinstatement of accounts, customer services, order entry)</p> <p>Inbound (inquiries, technical, transcription complaints, customer service, support, support, sales, marketing, billing)</p> <p>Languages Supported English, Tagalog, Spanish, French, Korean, Mandarin, Portuguese, Taiwanese, German, Vietnamese, Japanese, Cantonese, Bahasa, Thai, Russian, Arabic and Scandic</p>	
IT AND SOFTWARE DEVELOPMENT	300 to 15,000+	<ul style="list-style-type: none"> ❖ Applications development and maintenance ❖ IT operations and infrastructure ❖ Software product development ❖ Business analysis, project management, education 	
BACK OFFICE AND OTHER PROCESSES	500 to 10,000+	<ul style="list-style-type: none"> ❖ Finance & Accounting ❖ Human Resource ❖ Legal outsourcing ❖ Business analytics ❖ Market research and analysis ❖ Procurement ❖ Publishing ❖ Other back office processes 	
CREATIVE SERVICES	50+	<ul style="list-style-type: none"> ❖ 2D/3D animation ❖ Flash animation, Web design, graphics and art design ❖ Interactive game dev (PC gaming and console games) ❖ e-learning (Medical/educational) 	
ENGINEERING SERVICES & R & D	300+	<ul style="list-style-type: none"> ❖ Civil engineering & Architectural ❖ Printed circuit design, wireless devices & display technology ❖ Electronic components ❖ CAD/CAM ❖ Mobile applications 	

Growth

Philippine IT-BPO industry size 2006-2010; US\$ billion



# FTEs (~'000)	2006	2007	2008	2009	2010
	240	300	370	440	530

Global share ¹	2006	2007	2008	2009	2010
	5%	6%	6%	7%	8%

FTEs = full-time employees,

¹ Philippines IT-BPO market as percentage of global offshore services market, in revenue terms



Available Quality Human Resources

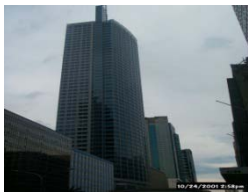
- ❖ Highly educated
 - 94.6% literacy rate, 70% fluency in English
- ❖ English proficient
- ❖ Strongly customer service oriented
- ❖ Excellent in the practice of professions
- ❖ Highly trainable and with fast learning curve
- ❖ Adaptable to universal cultures
- ❖ High level of commitment and loyalty

Reliable Infra Support

Presence of dedicated IT Parks/Buildings right in the center of Business Districts



Eastwood City Cyberpark
Quezon City



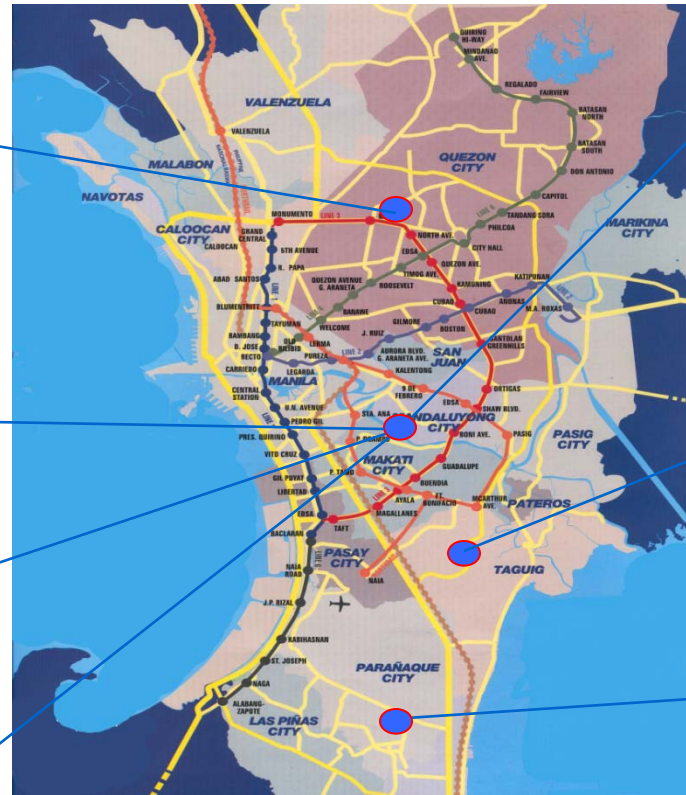
PBCOM Tower
Makati City



Bonifacio Technology
Center, Taguig City



RBC Plaza,
Makati City



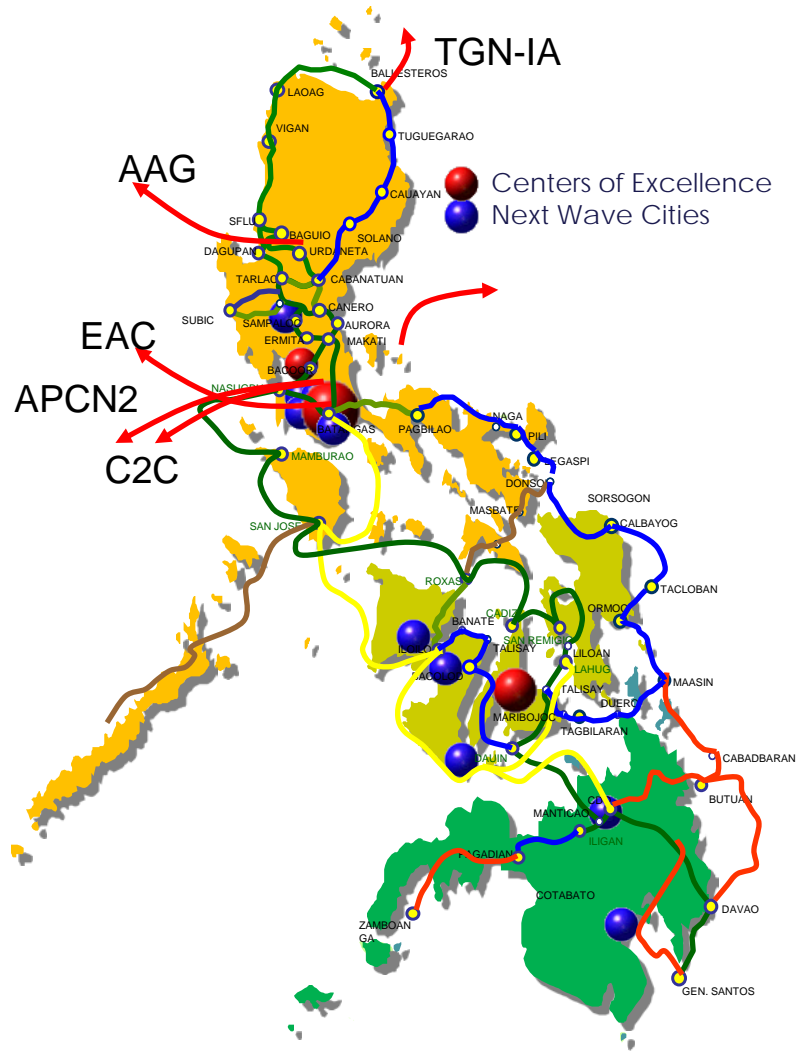
METRO MANILA



CONVERGYS
Data Center & IT Services

Reliable Infra Support

Nationwide Fiber Optic Backbone Network



Cable Landing Stations

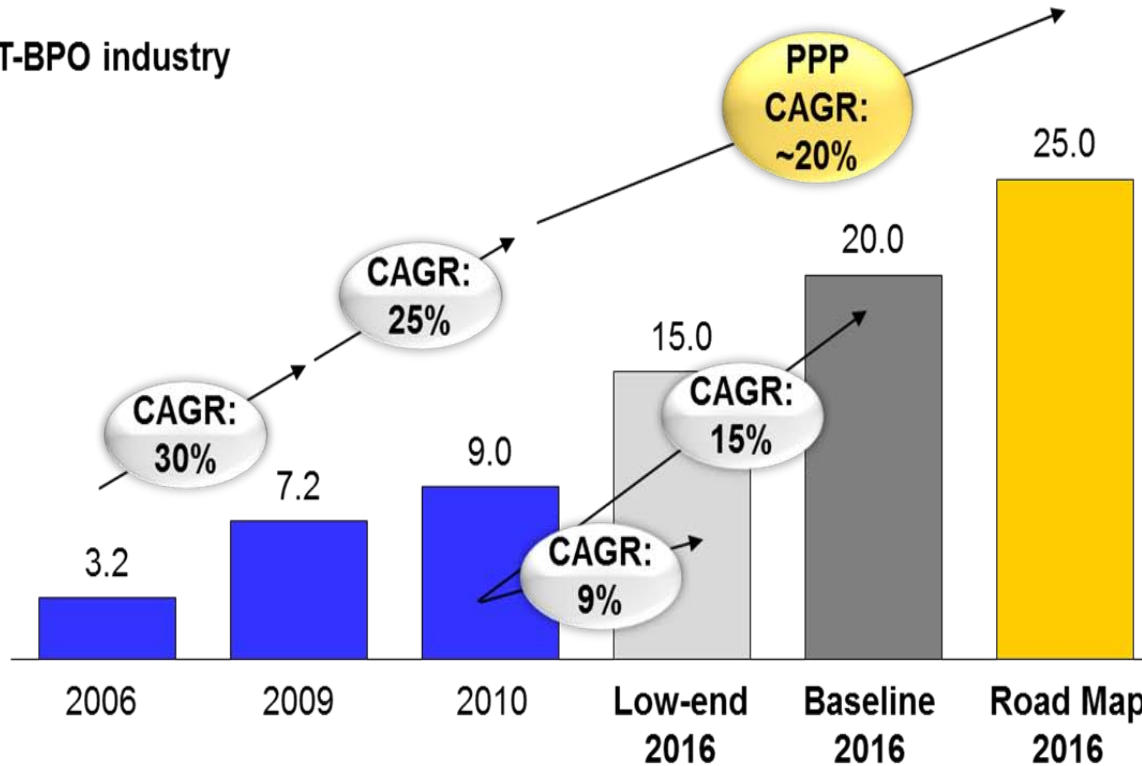
1. Nasugbu, Batangas
2. Ballesteros, Cagayan
3. Daet, Legaspi
4. La Union

Attractive Incentives

INCENTIVE	BOI (Executive Order No. 226, as amended)	PEZA (Republic Act No. 7916, as amended)	CDC / SBMA (Republic Act No. 7227 – Bases Conversion Dev't Authority)
Income Tax Holiday (ITH)	4 – 6 years (max of 8 years)		Exempted from all local and national taxes - value-added taxes, franchise taxes, excise and ad valorem taxes)
ITH Bonus	3 years provided the firm meets certain conditions		
Special Tax Rate of 5% on Gross Income	Special Tax Rate of 5% on Gross Income		
Importation of Capital Equipment, Spare Parts and Supplies	0% duty-free	Tax and Duty-Free	
Wharfage Dues and Export Tax, Duty, Impost and Fees	Exempted		None
Simplification of Customs Procedures	Available		
Employment of Foreign Nationals	<ul style="list-style-type: none"> ▪ Foreign nationals may be employed in supervisory, technical or advisory positions within 5 years from a project's registration, extendible for limited periods. The positions of president, general manager, and treasurer or their equivalents, of foreign-owned registered firms may be retained by foreign nationals for a longer period. ▪ Foreign employees may bring with them their spouses and unmarried children under 21 years of age. 		

Industry Roadmap 2016

Philippines IT-BPO industry
US\$ billion



% of GDP	2.7%	4.5%	4.8%	6.0%	7.0%	9.0%
Direct employment	240K	440K	530K	680K	900K	1.3M

- Impact of IT-BPO industry growth is tremendous
- Continued push on current industry efforts critical
- Public-private partnership can change trajectory

Source: BPAP data, Everest analysis, World Bank and IMF projections

Reaching Road Map Targets (HE)

Industry

- ❖ Dramatically increase quality and quantity of talent pool by catalyzing the education and training sector
 - Industry recognized standards
 - Industry accreditation
- ❖ Position IT-BPO as a career of choice
- ❖ Aggressively promote IT-BPO proposition in new service lines and geographies, e.g.,
 - F&A, Healthcare, IT
 - UK and APAC
- ❖ Next Wave Cities – Development of Tier 2 & 3 locations

Government

- ❖ Enable industry growth through legislation and policy changes
 - Greater autonomy in curriculum design and other education interventions
 - Flexibility in labor markets
 - Enact data privacy and anti-cyber crime laws
 - Continuation of current incentives
- ❖ Allocate resources for critical talent and marketing initiatives
 - Continue training scholarships
- ❖ Domestic and international marketing



Human Capital Development

Public – Private Partnerships

- ❖ **Service Science Management and Engineering (2008)**
- ❖ **Earn As You Learn Program (2009)**
- ❖ **Philippines as the Global Leader in Multilingual BPO (2011)**

Public – Private Partnerships

- ❖ **National Competency Assessment**
- ❖ **Advanced English Pre-Employment Training Program (AdEPT)**
- ❖ **Expanded Learning on IT Services (ELITES) Teacher Training**

Next Wave Cities

← Increasing Location Attractiveness

Centers of Excellence	Top 10 Next Wave Cities	Cities in Waiting	Aspirants
Manila-NCR Cebu Clark	Davao Santa Rosa Bacolod Iloilo Metro Cavite Lipa Cagayan de Oro Malolos Baguio Dumaguete	Cabanatuan Cainta Dagupan General Santos Legaspi Naga Rizal South Bulacan Subic Tuguegarao Urdaneta	Balanga La Union Tagbilaran Tarlac

Absorptive Capacity

- Potential IT-BPO support
 - Super cities >15,000
 - Large cities = 10,000–15,000
 - Mid-sized cities = 5,000–10,000
 - 20+ cities = <5,000 each
- Eases concerns on rental costs, talent availability, salaries

Thank you