The Philippine ICT Industry
Contributions to Inclusive Growth

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Outline

• Motivation
• The Philippine ICT Industry
• Economic Contributions of the ICT Industry
• Policy Directions
Definition

Information and Communications Technology is defined as

“the totality of electronic means to collect, store, process and present information to end-users in support of their activities. It consists, among others, of computer systems, office systems, and consumer electronics, as well as networked information infrastructure, the components of which include the telephone system, the Internet, fax machines, and computers.”

Executive Order No. 269 (s. 2004)
Definition

- ICT Industry: “Industries engaged in the production and distribution of goods and services intended to inform, educate and/or entertain humans through mass communication media. Also included are industries engaged in the production, publishing and/or the distribution of content (information, cultural and entertainment products), where content corresponds to an organized message intended for human beings.”

- Products and Services produced by the ICT industry:
  - Hardware
  - Software
  - Contents
  - There is convergence among the 3 in many instances.
Trends

• ICT grown at exponential rate in the last two decades
• Impact on various facets of the society e.g., business, government, education, etc.
• Role of ICT has evolved to offer applications in various areas unimaginable to benefit from ICT say, twenty years ago
• World expenditure on ICT increased by 86% from 1991 to 2001.
  – At US$ 2,414 billion in 2001
  – 7.6% of World GDP in 2001
• 50% of World expenditures in ICT in 2002 spent by two of the most ICT-mature countries, USA and Japan, (WITSA, 2002).
Trends

- Philippine Economy: very aggressive growth path recently
- Growth coming mostly from the service sector, dominated by the ICT industry
- Sustainability that will also stimulate growth in other sectors?
- In 2012, a forum among the stakeholders agreed in consensus that the ICT industry is capable of generating total revenue of US$50 billion in 2016 (Manila Bulletin, 2012)
  - This will yield tremendous impact on the economy if indeed realized!
ICT Industry Segments

- Broadcast Media
- Computer Hardware
- Semiconductors and Electronics
- ICT Enabled Creative Services
- IT Services
- IT and Business Process Management (IT-BPM)
- Software and Applications
- Telecommunications
ICT and Economic Growth

• ICT Industry is emerging to be one of the major drivers of growth (if not key driver already) of the Philippine economy
• Are episodes of fast growth of Philippine economy sustainable?
• Can this be sustained through the ICT Industry?
• Need to understand the ICT industry
  – intervention measures to secure sustainability of the sector
  – intervention measures to stimulate growth in other sectors (multiplier effects).
ICT, Middle Income Trap, Inclusive Growth

- ASEAN integration in 2015 vs. middle income trap
- Malaysia, Indonesia, Philippines and Thailand are threatened to be likely to fall into the trap
- South Korea: successfully leaped over the middle-income trap, innovation is the key strategy
- Research and development resulting to innovation is a unanimous recommendation to avoid the middle-income trap
- Recent Philippine experience of high growth episode is not accompanied by expansion of employment complicates the matter for the country
- Two strategies can be considered: production of high-value products, and; innovation and value-adding in the service sector.
ICT, Middle Income Trap, Inclusive Growth

• Research and development can be the principal investment that should catapult progress towards implementation of these strategies.
  – Complemented with investments in human capital, promotion and packaging of technology, and forging collaborations between and among stakeholders.

• ICT, research and development, innovation, and efficiency are intended to provide the backbone towards sustainable and inclusive economic growth in the Philippines.

• The government, industry, and academe should work collaboratively, benefiting from the promises and potentials of ICT.

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ICT, Middle Income Trap, Inclusive Growth

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ICT Industry in the Philippines

- **2011:** 202,794 Formal Establishments
  5,071,791 Employees

<table>
<thead>
<tr>
<th></th>
<th>Core ICT Group</th>
<th>Support/Peripheral ICT Group</th>
<th>Non-ICT Group</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Number of Establishments</strong></td>
<td>11,163 (5.5%)</td>
<td>5,586 (2.8%)</td>
<td>186,045 (91.7%)</td>
</tr>
<tr>
<td><strong>Total Employment</strong></td>
<td>810,815 (16.0%)</td>
<td>105,100 (2.1%)</td>
<td>4,155,876 (81.9%)</td>
</tr>
<tr>
<td><strong>Employment per Establishment</strong></td>
<td>72</td>
<td>18</td>
<td>22</td>
</tr>
</tbody>
</table>

Source: List of Establishments, National Statistics Office

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ICT Industry in the Philippines

• Of the 5.5% Establishments
  – 1.28% in ICT Enabled Services
  – 1.24% in Broadcast Media
  – 1.06% in Computer Hardware

• Of the 16% Total Employment
  – 7.25% in IT-BPM
  – 2.80% in Electronics and Semiconductors
  – 2.06% in Computer Hardware

Source: Top 25,000 Corporations 2011, Securities and Exchange Commission (SEC)
Contributions of the ICT Industry

• According to the Top 25,000 Corporations List of the Securities and Exchange Commission (SEC):
  – 2,514 Companies are in ICT
  – Accounting for
    • 10.1% of Establishments
    • 15.64% of Sales
    • 16.78% of Profit
    • 8.65% of Assets
    • 7.58% of Liabilities
    • 10.57% of Equities
## Contributions of the ICT Industry

<table>
<thead>
<tr>
<th>Segment</th>
<th>Establishments (%)</th>
<th>Employment (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008</td>
<td>2009</td>
</tr>
<tr>
<td>Broadcast Media</td>
<td>1.61</td>
<td>1.53</td>
</tr>
<tr>
<td>Computer Hardware</td>
<td>0.86</td>
<td>0.91</td>
</tr>
<tr>
<td>Electronics &amp; Semiconductors</td>
<td>0.25</td>
<td>0.24</td>
</tr>
<tr>
<td>ICT Enabled Services</td>
<td>1.90</td>
<td>1.86</td>
</tr>
<tr>
<td>IT-BPM</td>
<td>0.24</td>
<td>0.39</td>
</tr>
<tr>
<td>Information Services</td>
<td>0.12</td>
<td>0.08</td>
</tr>
<tr>
<td>Software &amp; Applications</td>
<td>0.29</td>
<td>0.33</td>
</tr>
<tr>
<td>Telecommunication</td>
<td>0.24</td>
<td>0.20</td>
</tr>
<tr>
<td><strong>Total ICT</strong></td>
<td><strong>5.49</strong></td>
<td><strong>5.53</strong></td>
</tr>
<tr>
<td><strong>Total Philippines</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Annual Survey of Philippine Business and Industries, NSO

*big establishments, i.e. with 20 or more employees

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The Philippine ICT Industry

**Economic Contributions of the ICT Industry**

**Policy Directions**
## Contributions of the ICT Industry

<table>
<thead>
<tr>
<th>Segment</th>
<th>Compensation (%)</th>
<th>Revenue (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008</td>
<td>2009</td>
</tr>
<tr>
<td>Broadcast Media</td>
<td>1.19</td>
<td>1.43</td>
</tr>
<tr>
<td>Computer Hardware</td>
<td>1.69</td>
<td>1.90</td>
</tr>
<tr>
<td>Electronics &amp; Semiconductors</td>
<td>4.45</td>
<td>3.47</td>
</tr>
<tr>
<td>ICT Enabled Services</td>
<td>0.60</td>
<td>0.66</td>
</tr>
<tr>
<td>IT-BPM</td>
<td>8.65</td>
<td>8.34</td>
</tr>
<tr>
<td>Information Services</td>
<td>0.64</td>
<td>1.03</td>
</tr>
<tr>
<td>Software &amp; Applications</td>
<td>2.00</td>
<td>1.95</td>
</tr>
<tr>
<td>Telecommunication</td>
<td>3.45</td>
<td>3.53</td>
</tr>
<tr>
<td><strong>Total ICT</strong></td>
<td><strong>22.67</strong></td>
<td><strong>22.32</strong></td>
</tr>
<tr>
<td><strong>Total Philippines</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

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## Contributions of the ICT Industry

<table>
<thead>
<tr>
<th>Segment</th>
<th>Value Added (%)</th>
<th>Gross Added Assets (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008</td>
<td>2009</td>
</tr>
<tr>
<td>Broadcast Media</td>
<td>1.03</td>
<td>0.86</td>
</tr>
<tr>
<td>Computer Hardware</td>
<td>1.70</td>
<td>1.62</td>
</tr>
<tr>
<td>Electronics &amp; Semiconductors</td>
<td>4.03</td>
<td>6.20</td>
</tr>
<tr>
<td>ICT Enabled Services</td>
<td>0.33</td>
<td>0.34</td>
</tr>
<tr>
<td>IT-BPM</td>
<td>3.49</td>
<td>2.62</td>
</tr>
<tr>
<td>Information Services</td>
<td>0.28</td>
<td>0.35</td>
</tr>
<tr>
<td>Software &amp; Applications</td>
<td>0.83</td>
<td>0.70</td>
</tr>
<tr>
<td>Telecommunication</td>
<td>8.10</td>
<td>4.60</td>
</tr>
<tr>
<td><strong>Total ICT</strong></td>
<td><strong>20.29</strong></td>
<td><strong>15.72</strong></td>
</tr>
<tr>
<td><strong>Total Philippines</strong></td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Annual Survey of Philippine Business and Industries, NSO

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# Contributions of the ICT Industry

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Philippines</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value Added</td>
<td>2.5060</td>
<td>3.5387</td>
<td>2.6855</td>
</tr>
<tr>
<td>Revenue</td>
<td>8.4656</td>
<td>9.1918</td>
<td>8.7312</td>
</tr>
<tr>
<td>GA Assets</td>
<td>0.3039</td>
<td>0.2886</td>
<td>0.2765</td>
</tr>
<tr>
<td><strong>ICT Industry</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value Added</td>
<td>0.4962</td>
<td>0.6117</td>
<td>0.5248</td>
</tr>
<tr>
<td>Revenue</td>
<td>1.3197</td>
<td>1.4082</td>
<td>1.7725</td>
</tr>
<tr>
<td>GA Assets</td>
<td>0.0865</td>
<td>0.0804</td>
<td>0.0869</td>
</tr>
</tbody>
</table>

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Source: Annual Survey of Philippine Business and Industries, NSO
Contributions of ICT Industry

• Revenue of ICT Industry in 2010: 1.7725T

• At 1$=45P=> $39.39B in 2010

• At 3.925% Growth in 2011=> $40.93B
• At 6.575% Growth in 2012=> $43.62B
• At 4% Growth in 2013=> $45.37B
• At 4% Growth in 2014=> $47.18B
• At 4% Growth in 2015=> $49.07B

• At 4% Growth in 2016=> $51.03B
Is Inclusive Growth Feasible?

• Is inclusive growth feasible?
• Can the Philippines avoid the middle income trap and transcend to a high income country?
  – Analysing on the model manifested by the ICT industry, there is no doubt that these questions can be answered by YES.
• The ICT industry is capable of generating growth with accompanying expansion of employment opportunities.
• Investments on human resource development are needed to arrest the looming threat on the quality of the workforce.
• Investments on human resource development should go beyond basic education.
Is Inclusive Growth Feasible?

• Innovation through research either on ICT per se, or using ICT, can be considered as the new growth strategy that will provide a safety net for the country against falling into the middle income trap.
Policy Directions
Promote the ICT Industry

• Package ICT products and services in the pursuit of advocacy efforts to inform the stakeholders (producers and consumers) of the potential role of ICT in their activities.

• Market matching is crucial to introduce the consumers to the producers of ICT product and services.

• Market expansion of ICT need to be identified and developed.
  – Market does not only cover business-leaning markets but also the social concerns needing the spill-over effect from the mainstream ICT. In this case, rural areas should be considered.
Support and Stimulate Research and Development

- Research and development is not the sole responsibility of the main stakeholders (industry, academe, and government).
- Promote collaboration among these stakeholders.
- The industry can provide stimulus on research topics, which the academe implements, while both industry and government can contribute in funding.
- Government can serve as a conduit for a more organized and integrative research agenda for the ICT sector.
- Spill-over effect to other sectors: production efficiency
Investments in Human Resource Development

• There is a need for investments in human resource development that goes beyond basic education.
• The K-12 program should be bridged at higher education level through state-of-the-art curriculum that is adaptive to the dynamic evolution of knowledge specifically in the ICT.
• Capacity building for the teachers should also be considered.
• More details presented in another Session (Higher Education).
Collaboration with the Philippine Statistical System

• The 2012 Census of Establishments can provide the benchmark on the state of the ICT industry.

• This study provides initial inputs which can help in gathering national data and issuing official statistics on the contribution of the ICT industry to the Philippine economy
  – Need to institutionalizing the process to generate such information
Focus on Small and Medium Enterprises

• Many of the firms in the ICT industry are large, esp those in IT-BPM and in Semiconductors and Electronics.
• Small and medium enterprises (SME) are potential drivers of the next level of growth in the economy.
• Many SMEs may not have yet realized optimal growth due to limited access to their market or that potential expansion of their market has not yet been achieved.
• Advocacy of ICT will empower the SMEs to enable market access and market development.
• Also major beneficiaries of innovation resulting from collaborative research and development.
Institution to Support the ICT Industry

• Government must ensure that an agency exists to coordinate, plan, and implement programs and projects as well as to formulate policies as needed to support the ICT industry, including efforts on R&D.

• This same agency needs to forge an agreement with key institutions within the Philippine Statistical System (PSS) to coordinate the extraction and tabulation of statistics pertaining to the ICT industry from the main data systems from surveys, censuses, and administrative reports.
  – Clarify the roles between policy-making and program implementation/execution
  – Strengthen function to harmonize and align, as well as institutionalize, surveys and other data generating activities
Acknowledgements

Contributions from: ICT Industry Associations

1. ACPI
2. CCAP
3. COCOPEA
4. COMDDAP
5. EAIPI
6. GDAP
7. HIMOAP
8. IBPAP
9. IECEP
10. IGDA-Manila Chapter
11. IMMAP
12. ITAP
13. ITESAP
14. KBP
15. MAP
16. NICP
17. PAPTELCO
18. PARI
19. PCS
20. PETEF
21. PhilCall
22. PICCA
23. PCCI
24. PSIA
25. PSITE
26. SEIPI

and ICT-enabled Creative sector professionals
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