

# **BSA REGIONAL INNOVATION FORUM**

## **Policy Incentives Helping Technology Companies Thrive**

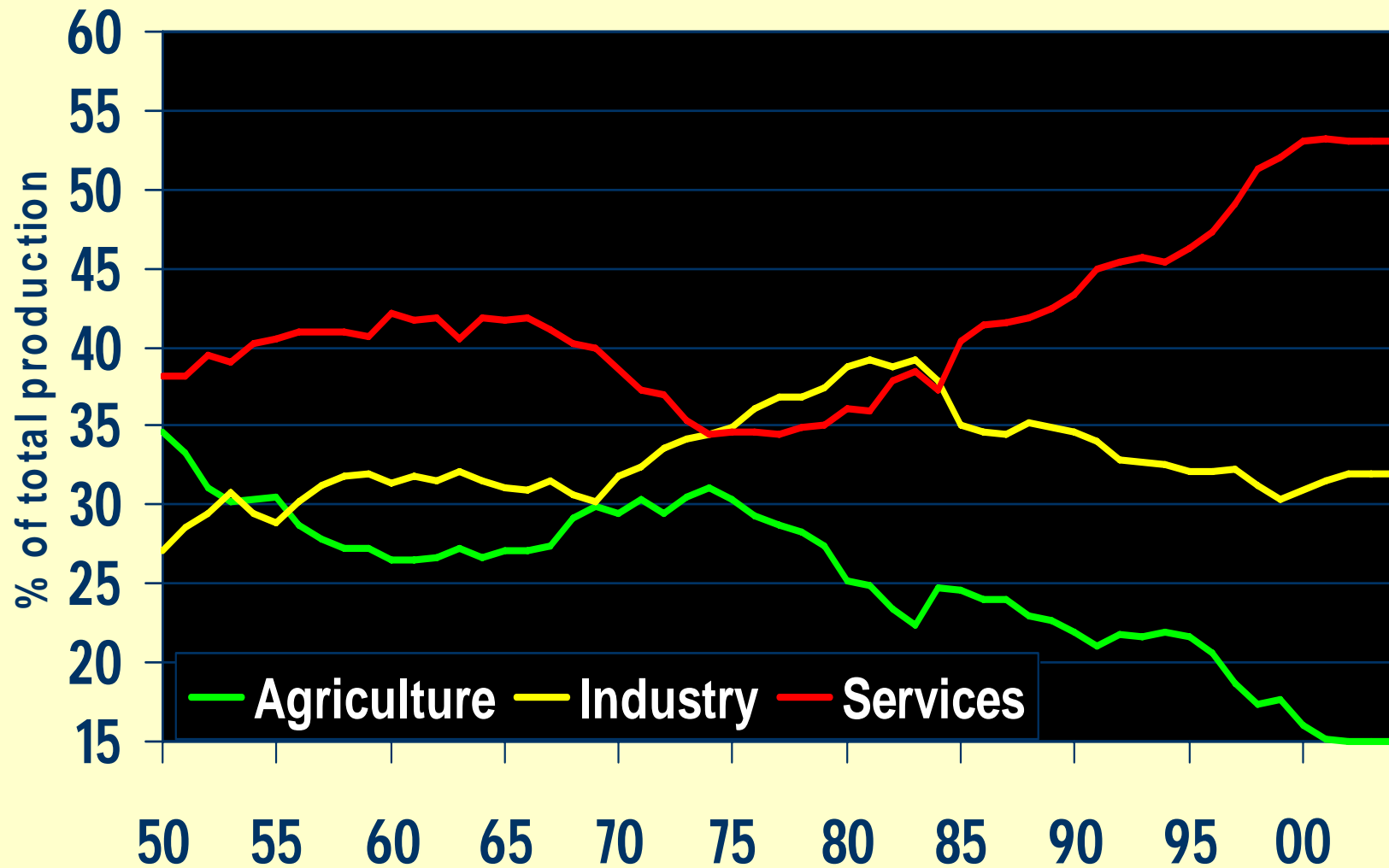
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# Background

- Domestic and global shift from manufacturing to services
  - Policy frameworks are built along manufacturing-based industries
- Focus on BPOs and contact centers
  - Growing global demand for people-centric outsourcing services
  - Immediate goals are to generate foreign exchange and employment
- Software services have yet to take off
  - Educational curriculum are de-linked from manpower-short software services industry
  - Absence of a learning ecosystem

# Structural shift of the Philippine economy to services



# Coverage of the IT-Sector in the Philippines

## IT Services

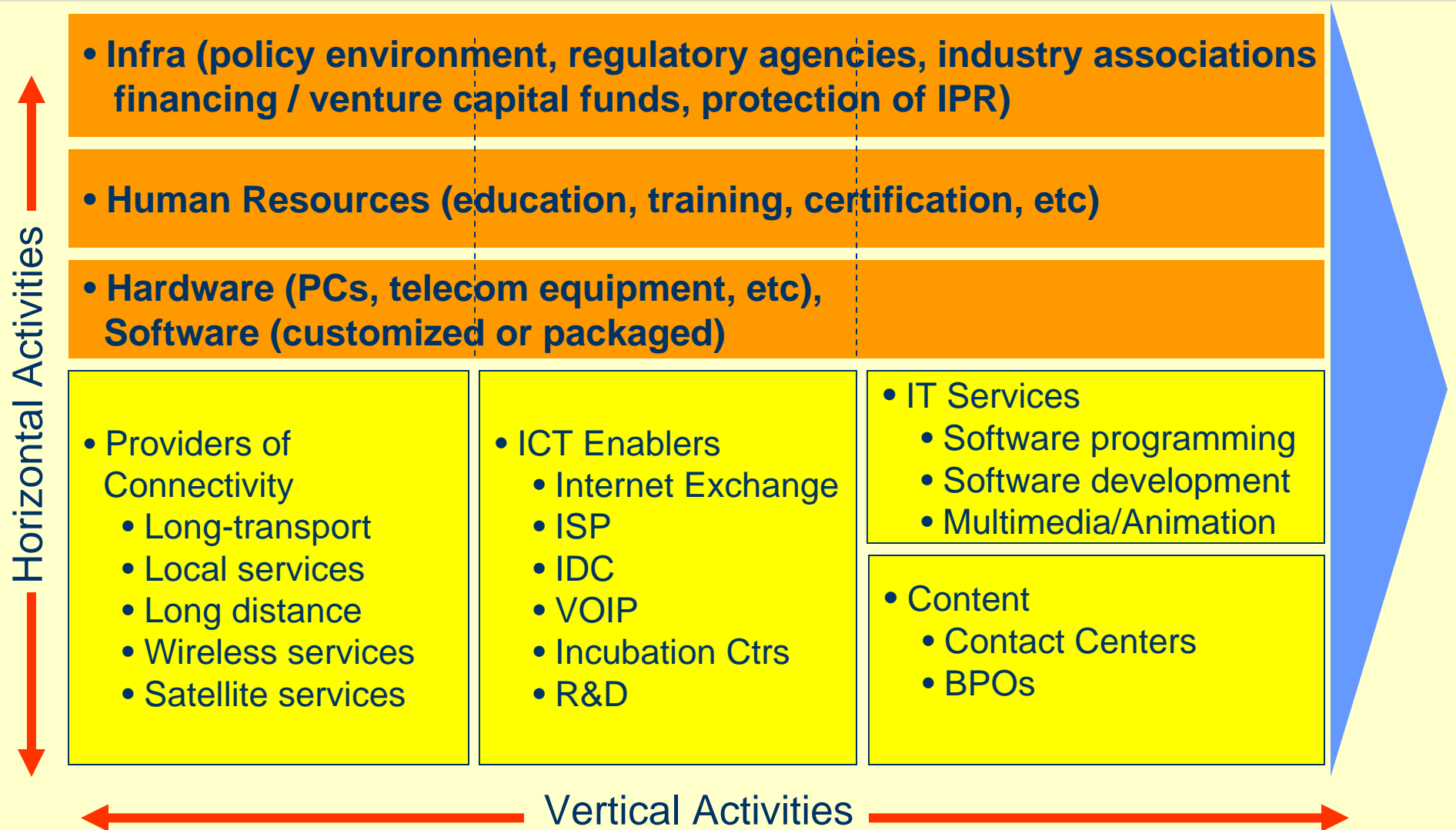
- Software development (system software, middle ware, application software/systems,
- Computer graphics/multimedia animation

## IT-Enabled Services

- Contact centers, medical/legal transcription, collection, engineering design, etc.
- BPOs (accounting, bookkeeping, auditing, financial analysis, pay-roll processing)

Present capabilities: Traditional 3GL programming work to use 4GL, JAVA, Object Oriented Design, mobile phone services, gaming, certification

# Philippine ICT Value Chain components



# Requirements of a Thriving IT Services Sector

Horizontal Activities

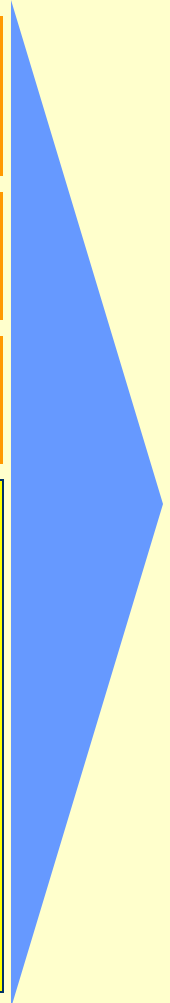
- One stop shop; venture capital funds & employee stock options; IPR protection; industry clustering; networking & representation; “learning ecosystem”; country marketing & promotion
- Matching of industry requirements & curriculum; institutionalization of certification; ample supply of qualified labor
- Competitive costs of hardware & software, accelerated depreciation

- High-speed, high capacity, low cost “infostructure”
- Redundancy

- R&D structure & culture
- Incubation centers

- Extensive subcon work by foreign companies to local SMEs

Vertical Activities



# Incentives to Help IT Service Companies Thrive

Infrastructure

Human Resource  
Training

Hardware/Software

IT Enablers  
IT Services

# Incentives to Help IT Service Companies Thrive

- Infrastructure
  - Fiscal incentives for venture capital funds and venture capital companies
  - Timing of taxation of employee stock option plan
  - Creation of IT Zones for clustering and creation of a learning eco-system
  - Government-private sector trade and promotion programs
- Human Resource Training
  - Awarding IT scholarships to top students
  - Research grants to qualified educational institutions
  - Duty free importation of donated second hand computers, software and peripherals received by schools and training institutions
  - Official recognition of institutions with status certification

# Incentives to Help IT Service Companies Thrive

- Hardware/Software
  - Zero or low import duty on computer software subject to pre-determined export-to-import multiples
  - Zero or low import duty on software license, books, magazines and periodicals on CD-ROM, and donated computers and peripherals
  - Accelerated depreciation of hardware
- IT Enablers
  - IT scholarships to top students
  - Research grants to qualified educational institutions
- IT Services
  - Incentives for local companies servicing export-oriented companies
  - Sub-contractor incentives

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