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> " One whole chapter of the *Medium-Term Philippine Development Plan 2001 to 2004* is devoted to how information and communications technology can be the main instrument to combat poverty and bridge the digital divide in the country."
>
> —*Government official, Philippines*

> " The government has a tendency to encourage/woo multinationals and foreign IT companies at the cost of ignoring local IT companies."
>
> —*IT company executive, Philippines*

Enthusiasm within the Philippines for the economic potential of ICTs became evident in 1994 with the nation's formulation of the National Information Technology Plan. The plan laid the foundation for an overall strategy to spur national competitiveness through adoption and use of ICTs. Over the past few years, the Philippines has become a major East Asian hub for multinational ICT companies and a primary hardware exporter. The Filipinos have become global leaders in the use of Short Messaging Service (SMS). The Government of the Philippines has taken some aggressive initial steps in the right direction, and has shown its commitment to ICTs by efficiently passing important ICT laws and creating several ICT parks. Nonetheless, substantial challenges remain to achieve more sustained ICT development. The Philippines ranks fifty-eighth overall in Readiness for the Networked World.

One of the most pressing barriers lies in the telecommunications sector. Although the Philippine government was quite advanced in liberalizing its telecommunications market as early as 1995, these efforts have not translated to low prices. Significant investment in telecommunications infrastructure during the 1990s was not accompanied by efficient allocation of resources. There has also been a lack of leadership in telecommunications regulation (Ranking in Effect of Telecommunications Competition: 36). In the Philippines, more than 50 percent of the installed fixed lines remain unused.[1] At the same time, there has been dramatic growth in mobile telephony. The number of cellular telephone subscribers now far exceeds the number of fixed-line subscribers.

Use of the Internet has grown rapidly in the Philippines. Internet cafés have become very popular in the cities. In addition to online banking and stock trading, the Internet has had an impact on political participation in the Philippines, through increasing online political discussions and petitions. However, low levels of PC penetration, low incomes, a precarious economic situation, and relatively high Internet fees have stifled diffusion of the Internet to a wider portion of the population.

Built on the strength of the national ICT skill base, low labor costs, competence in English, and very favorable support from the government, a sizeable ICT industry has been created in the Philippines. Software, semiconductors, and microelectronics represent a major portion of the Philippines's total export revenues.[2] However, challenges to the software industry include a high level of brain drain of the ICT labor force (Ranking in IT Brain Drain: 67), the expensive and inefficient electricity supply, lack of financing options, and a high software piracy rate.

E-commerce is beginning to develop in the Philippines (Ranking in e-Commerce micro-index: 37). B2B e-commerce marketplaces have emerged in the agricultural and other sectors, and there is a growing demand for e-commerce solutions, driven mainly by foreign multinational companies. Many B2C e-commerce sites that provide online shopping and tourism services are becoming popular, although online payment is not yet common.

One strength of the Philippines is its highly educated population (Ranking in Social Capital micro-index: 48); the country's literacy rate exceeds 94 percent.[3] Recognizing the importance of education, the government's national ICT strategy has placed heavy emphasis on enhancing the education system with ICTs and creating an ICT-skilled workforce (Ranking in Quality of IT Education: 31).

## Key Facts

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|---|---|
| Population | 76,500,000 |
| Rural population (% of total population) 1999 | 42.32 % |
| GDP per capita (PPP) | US$3,956 |
| Global Competitiveness Index Ranking, 2001–2002 | 48 |
| UNDP Human Development Index Ranking, 2001 (adjusted to GITR sample) | 51 |
| Main telephone lines per 100 inhabitants | 3.92 |
| Telephone faults per 100 main telephone lines | 5.20 |
| Internet hosts per 10,000 inhabitants | 2.54 |
| Personal computers per 100 inhabitants | 1.93 |
| Piracy rate | 61.00 % |
| Percent of PCs connected to Internet | 1.31 % |
| Internet users per host | 102.84 |
| Internet users per 100 inhabitants | 2.61 |
| Cell phone subscribers per 100 inhabitants | 8.23 |
| Average monthly cost for 20 hours of Internet access | US$16.45 |

**RANK**

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|---|---|
| **Networked Readiness Index** | **58** |
| **Network Use component index** | **63** |
| **Enabling Factors component index** | **53** |
| ■ **Network Access** | **49** |
| Information Infrastructure | 52 |
| Hardware, Software, and Support | 46 |
| ■ **Network Policy** | **47** |
| Business and Economic Environment | 47 |
| ICT Policy | 47 |
| ■ **Networked Society** | **52** |
| Networked Learning | 36 |
| ICT Opportunities | 71 |
| Social Capital | 48 |
| ■ **Networked Economy** | **55** |
| e-Commerce | 37 |
| e-Government | 57 |
| General Infrastructure | 71 |