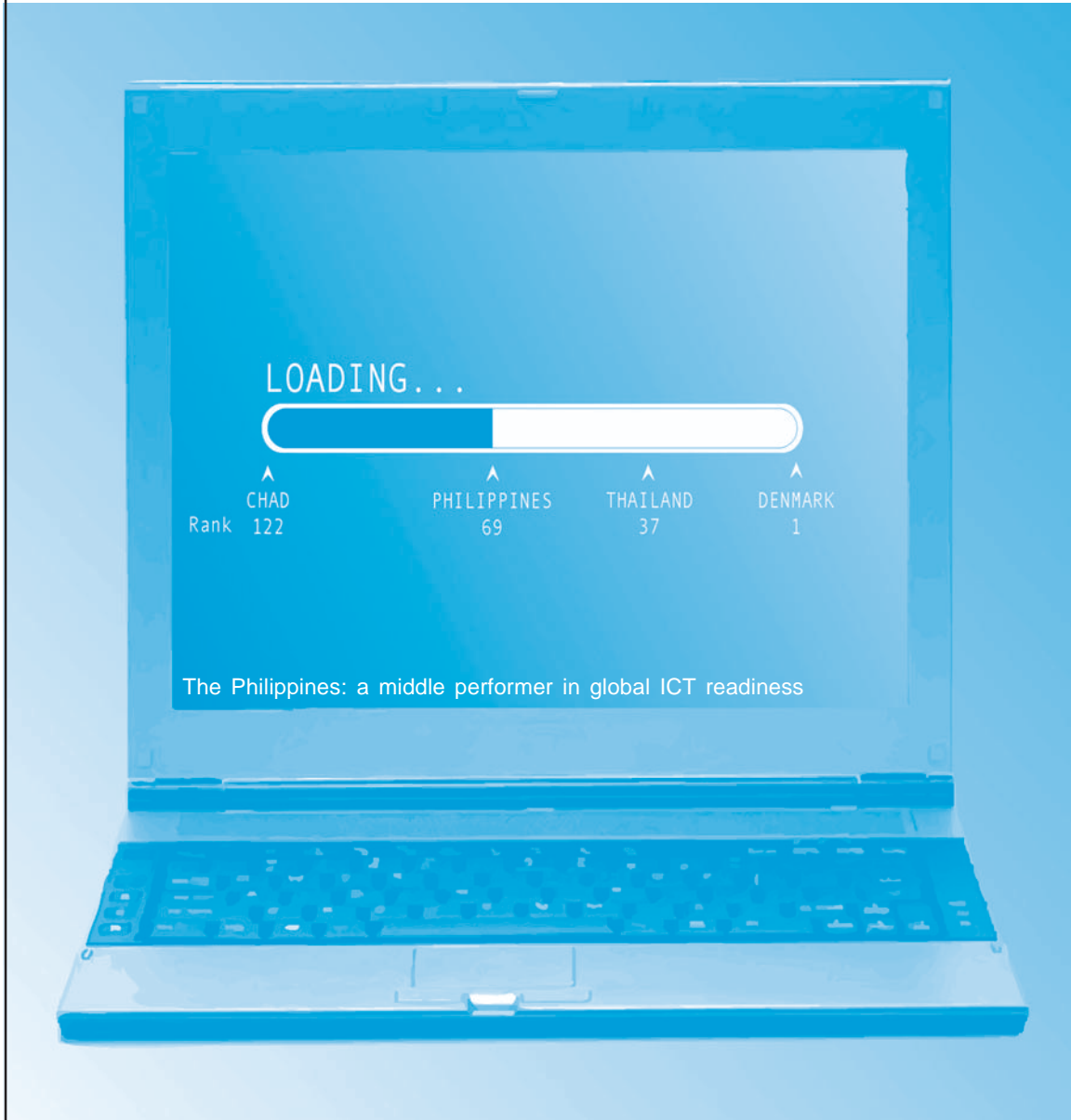


GLOBAL IT REPORT 2006-2007

SLOW CONNECTION



Source: World Economic Forum



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GLOBAL IT REPORT 2006-2007

SLOW CONNECTION

Information and communications technology (ICT) has greatly influenced people's lives and has dictated the ways of pursuing work. Regardless of distance, people could be reached anytime and anywhere. ICT has redefined the term "work". It used to be that "work" is a place where people are. Nowadays, "work" is something that people do. People can now do work and achieve productivity even at home with the use of a computer, a phone line, and an Internet connection. A service provider need not meet a customer eye-to-eye nor close a deal with an actual shake of hands. Moreover, the emergence of e-government makes it possible for citizens to get information from and transact business with government agencies. Ways of doing business have definitely transformed through the years.

In the *2007 Global IT Report* released by the World Economic Forum together with the Information for Development Program of the World Bank and INSEAD, virtual connection and transaction are very much alive especially in highly developed countries such as Denmark. In 2007, Denmark reached the apex of its upward trend since 2003, displacing the United States, as the world's ICT leader.

Denmark tops all countries in almost all the survey categories: No.1 in regulatory and political environment, No.2 in government readiness, No.3 in individual usage, No.5 in government usage, and No.6 in individual readiness. In the top 10 most ICT competitive countries, Denmark is joined by Sweden, Singapore, Finland, Switzerland, Netherlands, United States of America, Iceland, United Kingdom, and Norway.

But where is the Philippines in this global competitiveness ranking? Evidently, the country still needs a lot of catching up to do with regards to adapting and diffusing the promises of technology. Among 122 countries surveyed and considered in the 2007 Report, the Philippines ranked No.69 which belongs to the 43.4% percentile. This means that in terms of Networked Readiness Index (NRI), the measurement of countries' competitiveness in ICT, the Philippines is only a middle performer.

To arrive at the NRI, the Global IT Report considered three major parameters namely Environment, Readiness, and Usage. Each of these components could be further classified into Government, Business, or Individual sub-components where 67 variables are used to measure a country's performance. Some of the variables considered include basic infrastructure, quality of education, and government efficiency and effectiveness.

ENVIRONMENT COMPONENT INDEX

The Environment Component Index measures how conducive an economy is for technology promotion and innovation. It considers 28 variables on Market, Political and Regulatory, and Infrastructure Environments. Of these three major pillars, the Environment pillar is the country's best where the Philippines ranks No.61 among 122 countries.

In 2006, the Philippines ranked No.73 in Environment Component Index out of 115 economies, but this year, the country jumped to No.61 among 122 countries due to the double-digit rank improvements from all the 3 sub-components. Compared to 2006, Market Environment is up by 22 notches to No.47, Political and Regulatory Environment has improved by 8 notches to No.59, while the Infrastructure Environment leapt by 9 notches to No.85.

NETWORKED READINESS OF THE PHILIPPINES

Ranking among 122 economies in 2007 Global IT Report

Rank	Component
61	Environment refers to the conduciveness an economy for technology promotion and innovation
70	Usage refers to the country's actual adaptation and utilization of ICT
77	Readiness refers to the capacity and preparedness of a country towards technology

Source: World Economic Forum

The Philippines boasts of its *high-tech exports* variable that ranks No.5 on this category worldwide. Although the data used in the Report is still from 2004, the outstanding performance should not be strange at all because electronic chips comprise about 60% of the country's exports through the years. Beating the Philippines in *high-tech exports* are Singapore, Taiwan, Malaysia, and Malta.

Looking closely at other specific variables, the Philippines posted the strongest growth in a year in *technological readiness* and *electricity production*. The country's *technological readiness*, which captures the openness of the Filipino market to imbibe technology in their daily lives, shot up 13 notches to reach No.63 from No.76. However, Indonesia ranked better in *technological readiness* by grabbing the No.49 position.

On the other hand, the Philippines' *electricity production* ranking ascended to No.84 from No.98 in 2006. Although power generation got better, low power cost was not assured. The Philippines which has one of the most costly electricity rates in Asia must double its effort to privatize the entire power industry and nationalize power rates in its effort to bring down prices.

Among the variables in the Environment Component Index, the worst ranking is obtained in *burden of government regulation* at No.106, followed by *effectiveness of law-making bodies* at No.100. Other factors with double-digit downturns are *financial market sophistication*, *number of procedures required to start a business*, and *laws relating to ICT*.

READINESS COMPONENT INDEX

The Readiness Component Index, which accounts for the capacity and preparedness of a country towards technology, is unfortunately the weakest component of the Philippines. The worst dip was registered on *government prioritization of ICT* that plunged 51 notches to No.95 in 2007. The variable, *importance of ICT to government vision of the future* slid 40 ranks to settle at No.88. These two indicators say much of the government's weakness to include ICT as a driving force for the future.

NETWORKED READINESS OF THE PHILIPPINES

Ranking among 122 economies in 2007 Global IT Report

ENVIRONMENT COMPONENT RANKING	61
Environment Component refers to the conduciveness of an economy for technology promotion and innovation	
Market environment	47
High-tech exports (2004)	5
Extent and effect of taxation (2006)	40
State of cluster development (2006)	46
Intensity of local competition (2006)	49
Technological readiness (2006)	63
US utility patents (2005)	63
Financial market sophistication (2006)	66
Freedom of the press (2006)	72
Venture capital availability (2006)	77
No. of procedures required to start a business (2006)	79
Time required to start a business (2006)	89
Burden of government regulation (2006)	106
Political and regulatory environment	59
Quality of competition in the ISP sector (2006)	31
No. of procedures to enforce a contract (2006)	34
Laws relating to ICT (2006)	53
Property rights (2006)	70
Judicial independence (2006)	76
Intellectual property protection (2006)	83
Efficiency of legal framework (2006)	84
Time to enforce a contract (2006)	86
Effectiveness of law-making bodies (2006)	100
Infrastructure environment	85
Tertiary enrollment (2004)	63
Secure Internet servers (2005)	76
Internet hosts (2004)	78
Quality of scientific research institutions (2006)	78
Electricity production (2003)	84
Availability of scientists and engineers (2006)	84
Telephone lines (2005)	98

Source: 2007 Global Information Technology Report
 Note: Years within parentheses refer to data availability

However, before adapting new technologies, it is a requisite that a country must have a strong foundation such as basic education. Looking closely at the specific indicators, the Philippines' quality of education has been slipping compared with the rest of the world. For one, the *quality of math and science education* fails miser-

NETWORKED READINESS OF THE PHILIPPINES

Ranking among 122 economies in 2007 Global IT Report

USAGE COMPONENT RANKING	70
Usage Component refers to the country's actual adaptation and utilization	
Business Usage	56
Availability of mobile telephones (2006)	36
Firm-level technology absorption (2006)	48
Extent of business Internet (2006)	51
Prevalence of foreign technology licensing (2006)	56
Capacity for innovation (2006)	63
Availability of new telephone lines (2006)	70
Government Usage	76
ICT use and government efficiency (2006)	51
Government success in ICT promotion (2006)	68
Availability of online services (2006)	68
ICT pervasiveness (2006)	96
Individual Usage	77
Internet bandwidth (2004)	65
Mobile telephone subscribers (2005)	69
Personal computers (2004)	77
Internet users (2004)	91
Broadband Internet subscribers	-

Source: 2007 Global Information Technology Report
 Note: Years within parentheses refer to data availability

ably at No.107 with only a 2.81 score where the average stands at 4.07 score (from scale of 1 to 7). Meanwhile on the *quality of educational system*, the country's 3.58 score falls short of the 3.69 average score. The *quality of public schools* only posted a 2.58 score, not even close to the 3.61 average score. Using this ranking as a basis, Zimbabwe, an African country, has better public schools than the Philippines. It now ranks No.86 in this category compared to the Philippines' No.91.

The *quality of management schools*, which fared a respectable rank at No.46, actually fell 17 notches from No.29 in 2006. On a positive light, *private company spending on research and development* stepped up ten notches higher to No.56 compared to No.66 in 2006.

Curiously, the *residential monthly telephone subscription* indicator is noticeably low at No.105. However,

this indicator is insignificant in the case of the Philippines because the popularity of mobile and wireless phones has displaced the need for a wired residential telephone service.

USAGE COMPONENT INDEX

The Usage Component rates a country's actual adaptation and utilization of ICT by the citizenry, private sector, and the governing body. Of the three Usage Sub-Component Indexes, only the Individual Usage climbed up by 3 ranks. The other two sub-components namely Business Usage and Government Usage fell to No.56 and No.76, respectively.

A significant drop to No.91 (from No.77 in 2006) of *Internet users* could be attributed to the lack of personal computers in households. In the Philippines, most users are the youth who access the Internet in school or in Internet cafes. On the other hand, an area of improvement was reported in *Internet bandwidth* which hopped 13 notches to No.65 from No.78 in 2006. Nonetheless, data for both indicators need some updating.

Meanwhile, unresolved intellectual property rights issues and the prevalence of software piracy in the country caused the notable slide of *prevalence of foreign technology licensing* to No.56 from No.19 in 2006.

Other major regressions are in *government success in ICT promotion* which dropped to No.68 from No.44 in 2006, and *ICT pervasiveness* now at No.96 from No.77. Variables such as *firm-level technology absorption*, *capacity for innovation*, and *availability of online services* improved by 16, by 14, and by 13 ranks, respectively. These high-ranking variables show that much of the ICT success in the Philippines is market-driven or at least, initiated by telecom businesses.

CONCLUSION

In the Philippines, the liberalized telecommunications industry has paved the way in making technology available and affordable to the public. The government, on

NETWORKED READINESS OF THE PHILIPPINES

Ranking among 122 economies in 2007 Global IT Report

READINESS COMPONENT RANKING	77
Readiness Component refers to the capacity and preparedness of a country towards technology	
Government readiness	42
E-participation index (2005)	19
E-government readiness index (2005)	41
Gov't. procurement of advanced tech products (2006)	88
Importance of ICT to govt. vision of the future (2006)	88
Government prioritization of ICT (2006)	95
Individual readiness	80
Buyer sophistication (2006)	46
Lowest cost of broadband (2006)	54
Quality of the educational system (2006)	60
Internet access in schools (2006)	68
Cost of mobile telephone call (2004)	74
Residential telephone connection charge (2005)	77
High-speed monthly broadband subscription charge (2006)	81
Quality of public schools (2006)	91
Residential monthly telephone subscription (2005)	105
Quality of math and science education (2006)	107
Business readiness	89
Extent of staff training (2006)	35
Quality of management schools (2006)	46
Company spending on R&D (2006)	56
Local supplier quality (2006)	63
University-industry research collaboration (2006)	67
Computer, comm., and other services imports (2004)	71
Local availability of research and training (2006)	75
Business telephone connection charge (2005)	77
Business monthly telephone subscription (2005)	111

Source: 2007 Global Information Technology Report
 Note: Years within parentheses refer to data availability

one hand, deserves the credit for recognizing that telecommunications is better off when it is in the hands of the private sector—let businesses invest and take care of the infrastructure and let the market dictate the price.

Competitive pricing has led to the successful penetration of mobile phone technology and thus reached even the farthest villages of the Philippine archipelago. How-

NETWORKED READINESS OF SELECTED ASIAN ECONOMIES

The Philippines and Indonesia were the only two countries that registered improvements in their global ranking in terms of readiness for ICT

COUNTRY	2006	2007	Change
Singapore	2	3	(1)
Hong Kong SAR	11	12	(1)
Taiwan	7	13	(6)
Korea, Rep.	14	19	(5)
Malaysia	24	26	(2)
Thailand	34	37	(3)
India	40	44	(4)
China	50	59	(9)
Indonesia	68	62	6
Philippines	70	69	1
Vietnam	75	82	(7)
Pakistan	67	84	(17)
No. of countries ranked	115	122	

Source: 2002-2007 Global Information Technology Reports

ever, SMS and call services comprise just one facet of telecommunications. Other mobile phones services such as sending e-mail, downloading data, and watching TV programs via phone are still expensive for an average Filipino.

Like the Philippines, majority of South East Asian countries has not made much movement in the Global IT rankings over their 2006 position. However, what is alarming for the Philippines is not only the poor execution of its ICT strategy, but more importantly the lag and inadequacy in basic needs such as quality of public schools, electricity production, and effectiveness of law-making bodies among others.

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