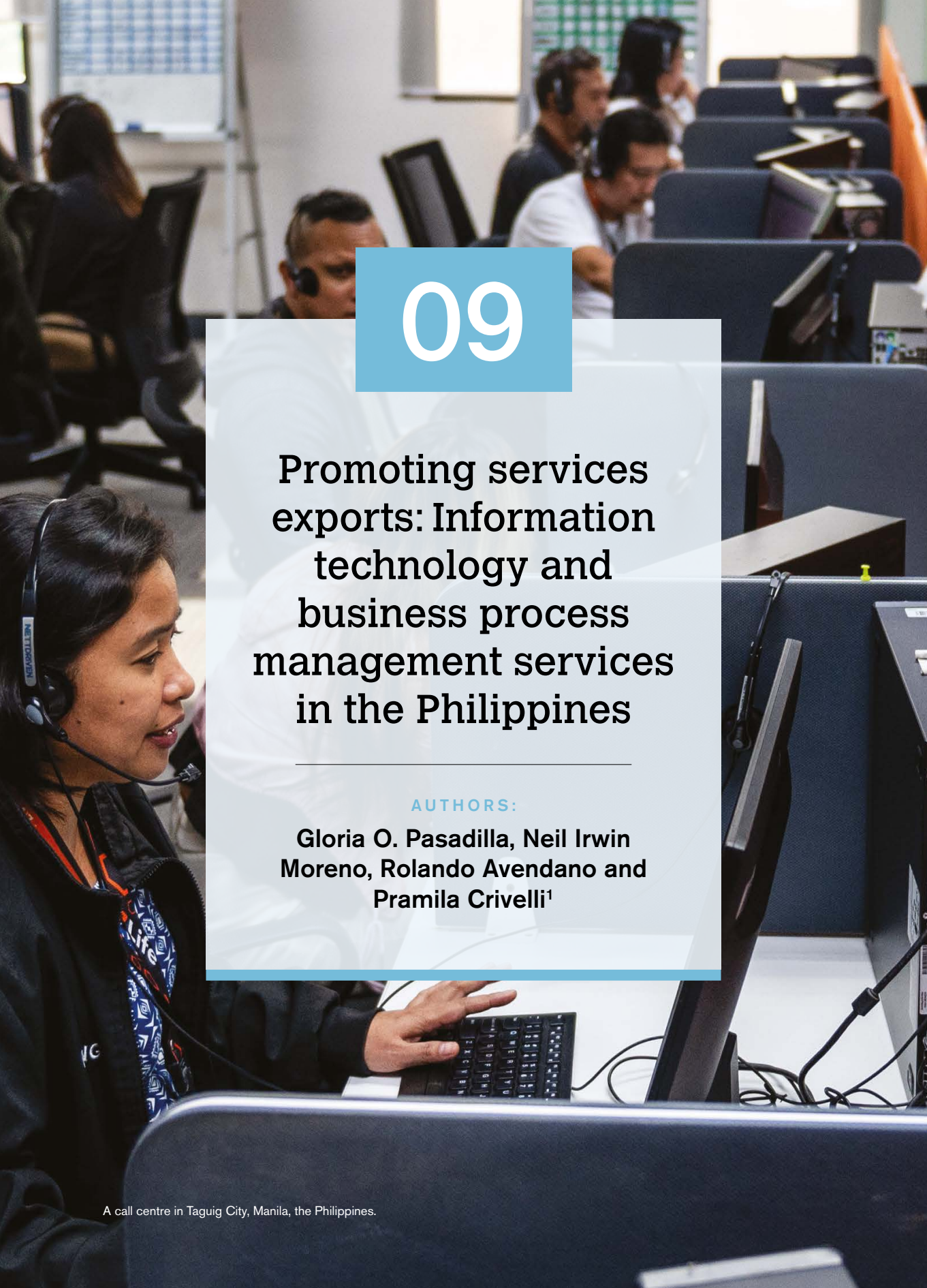




09

Promoting services exports: Information technology and business process management services in the Philippines

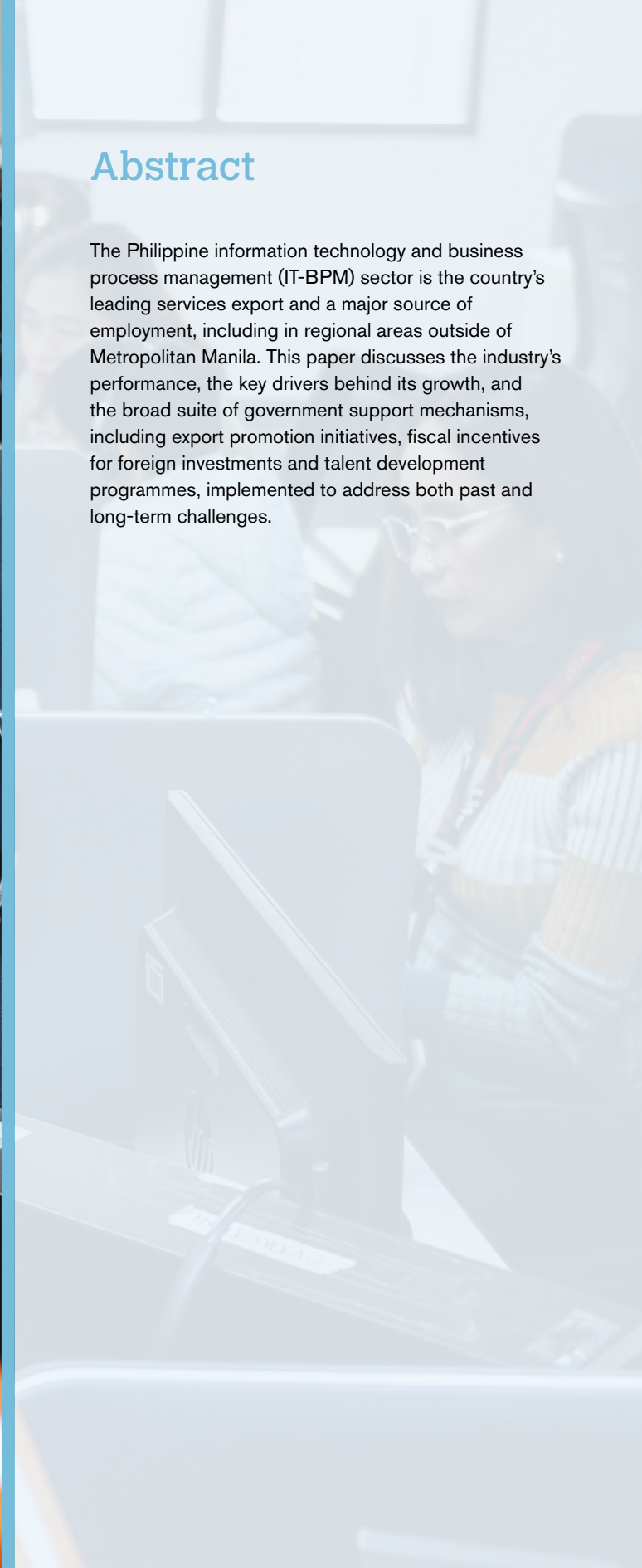
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Abstract

The Philippine information technology and business process management (IT-BPM) sector is the country's leading services export and a major source of employment, including in regional areas outside of Metropolitan Manila. This paper discusses the industry's performance, the key drivers behind its growth, and the broad suite of government support mechanisms, including export promotion initiatives, fiscal incentives for foreign investments and talent development programmes, implemented to address both past and long-term challenges.



Key points

Main elements of the Philippines' export promotion strategy:

- The growth in the export of the Philippines' information technology and business process management (IT-BPM) industry has been mostly due to foreign direct investment (FDI) as well as various government support measures, including export promotion, fiscal and investment incentives, and industry-aligned talent development initiatives.

Main achievements and impacts:

- These government interventions, namely export promotion strategies, tax and investment incentives, and industry-driven skills development initiatives, have helped attract significant investments and generate substantial employment. The Philippines is now considered the world's "call centre capital," and ranks second only to India in global services offshoring.

Challenges:

- Ongoing challenges include the need to continuously upskill the labour force, further streamline business procedures and focus on low-end business process outsourcing

(BPO) activities. Targeting BPO activities with higher value added remains a priority for the Philippines in the medium term.

Good practices:

- Good practices include: aligning technical and vocational training with global qualifications standards; developing a national skills framework to guide skills training; involving industry stakeholders in needs assessment and training; and exposing local service providers to international markets via participation in trade fairs, conferences and digital industry events.

Looking ahead:

- Export promotion activities for services share many features with those for goods, such as business matchmaking and support for participation in international events. However, the nature of participation differs: goods exporters display physical products, while services exporters often present digital proofs of concept (e.g., games or software) in finished or unfinished forms, service portfolios, or client references. Looking forward, export promotion activities should incorporate other modalities for presenting or advertising services industries.

Introduction

The services sector has emerged as a cornerstone of the Philippine economy, significantly contributing to growth, employment and foreign investment over the past four decades. With its increasing share of gross domestic product (GDP) even during global disruptions such as the COVID-19 pandemic, the sector has proven resilient. Within services, the IT-BPM industry stands out for its contribution to export earnings, employment and regional development.

The Philippines has emerged as a global IT-BPM hub, second only to India in terms of workforce size and services delivery capabilities. The industry covers a wide range of activities – from customer support and financial services to software development and knowledge process

outsourcing – delivered through digitally enabled platforms. Its success is underpinned by a young, English-proficient labour force, cost competitiveness and strong cultural affinity with Western markets.

Despite its growth, the industry faces challenges in infrastructure, talent upgrading and regulatory efficiency. Addressing these will be key to sustaining its growth and competitiveness (ADB, 2022; WTO, 2021).

This case study provides an analysis of the IT-BPM sector's contribution to the Philippines' exports, employment and investment, and discusses the government-led strategies, including export promotion, fiscal incentives and workforce development that have supported its growth.

Services sector and the economy

The services sector spans a broad range of industries – from retail, hospitality, education, healthcare, transportation to high-value, ICT-enabled services such as finance, insurance, communications and BPO. Since the 1980s, services have been the main driver of economic growth in the Philippines. In 1997, services contributed less than 50 per cent to GDP; by 2015, the share rose to 58.8 per cent, increasing further to 60.7 per cent in 2020, and reaching 62.9 per cent in 2024. This share is comparable to that of the Republic of Korea and higher than that of China. Over the same period, the share represented by agriculture and industry declined to 8.0 per cent and 29.1 per cent of GDP, respectively. In the first quarter of 2025, services accounted for 3.9 percentage points of the total 5.4 per cent GDP growth.

across Southeast Asia, where urbanization and the growth of transport and information technology (IT) sectors have drawn large numbers of workers into service-related occupations (ASEAN, 2021). Within services, the largest share of employment is in administrative and support services activities, followed by wholesale and retail trade.

Investment

FDI inflows to the Philippines have increasingly targeted the services sector. According to data from the Central Bank of the Philippines (BSP), the majority of net FDI is concentrated in manufacturing and services. Within services, financial services received the highest average share (13 per cent) of FDI between 2011 and 2024, followed by real estate activities (11 per cent) and information and communications technology (ICT) (7 per cent).² However, FDI in services remains volatile, subject to fluctuations from large one-off transactions or divestments. For instance, the financial sector experienced net outflows of US\$ 90 million in 2023 and US\$ 125 million in 2024, as some foreign investors scaled

Employment

As of early 2025, 62 per cent of employed Filipinos worked in services, compared to 20 per cent in agriculture and 18 per cent in industry (PSA, 2025). This shift mirrors broader trends

investments back or repatriated funds. Similarly, telecommunications FDI surged with the entry of a new market player but remained flat in other years.

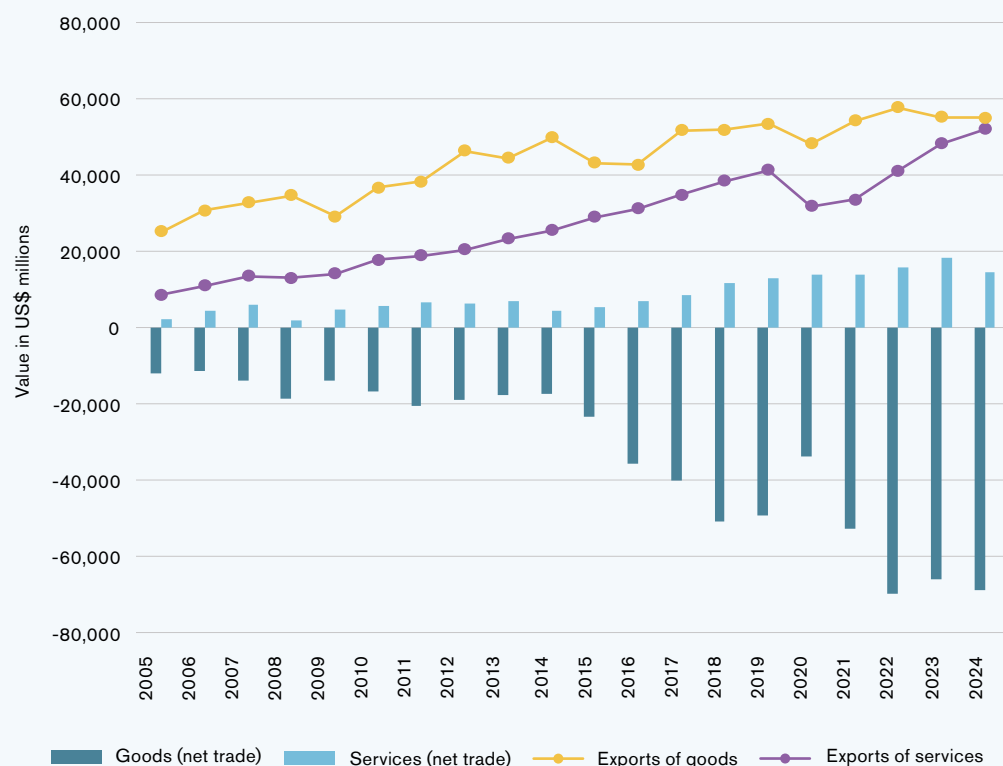
Trade

Except for the pandemic-induced disruption in 2020, the Philippines' commercial services exports (balance of payments statistics) have grown steadily over the past two decades, posting a compound annual growth rate of 10 per cent. In 2024, services exports reached US\$ 52 billion, almost equalling merchandise exports at US\$ 55 billion. Furthermore, the services trade balance has consistently been in surplus, in contrast to the persistent deficit in merchandise trade (see Figure 9.1).

Structure of services exports by mode of supply

According to World Trade Organization (WTO) estimates, the bulk of the Philippines' services exports are delivered via Mode 1. In 2022, Mode 1 accounted for 64 per cent of total services exports (US\$ 49 billion) (see Table 9.1). The share of services provided to foreign consumers visiting the Philippines (Mode 2) also rose to 21.5 per cent. Exports delivered by Philippine businesses operating abroad (Mode 3) held steady at 11.5 per cent. Mode 4 (temporary movement of Philippine services providers) declined sharply, from 14 per cent in 2015 to just 3 per cent in 2022, largely due to travel restrictions.

Figure 9.1. Philippines: Merchandise and services trade (US\$ million), 2005–2024



Source: Drawn up by the authors based on BSP balance of payments data.

Table 9.1. Share of services exports by mode of supply (%)

Mode	2015	2016	2017	2018	2019	2020	2021	2022
Mode 1	58.9	53.5	50.8	49.0	48.0	67.5	68.4	64.2
Mode 2	16.2	22.2	26.4	28.2	30.1	16.5	15.1	21.5
Mode 3	10.7	11.2	10.8	11.4	10.5	13.1	13.5	11.5
Mode 4	14.2	13.2	12.0	11.5	11.3	3.0	3.0	2.8
Total services exports (US\$ million)	34,265	36,832	41,126	45,402	48,209	38,636	41,117	48,860

Source: WTO Trade in Services by Mode of Supply (TiSMOS).

Structure of services exports by sector

Philippine services export data from the central bank underscore the country's dependence on business and ICT-enabled services exports which reflect strong global demand for IT-BPM activities. In 2024, "other business services" accounted for 50 per cent of total commercial services exports (approximately US\$ 25 billion). "Other business services" include a diverse range of technical, professional and research and development (R&D) services, although nearly all fall under the "technical, trade-related, or other business services" category. "Telecommunications,

computer and information services" contributed 17 per cent of exports, followed by "Travel services" at 16 per cent (see Table 9.2).

"Manufacturing services on physical inputs owned by others" and "Transport services" contributed a combined 15 per cent.

Together, "Telecommunications, computer and information services" and "Other business services" make up the core of the Philippine IT-BPM industry,³ accounting for 67 per cent of the total services exports in 2024. The next section delves more deeply into the development and government support of the IT-BPM industry, given its central role in services export performance and employment creation.

The IT-BPM sector: growth and performance

Overview of the IT-BPM industry

The global IT-BPM offshoring industry plays a crucial role in supporting business operations and technological needs across industries. It spans a broad range of services, including customer relationship management (CRM), finance and accounting outsourcing, human resource outsourcing, legal process outsourcing, software development, animation and game development, and knowledge process outsourcing (KPO). In 2005, the global IT-BPM market was valued

at approximately US\$ 55–65 billion. In 2023, it was estimated to be worth US\$ 300 billion and forecast to expand to US\$ 480 billion by 2033.⁴ The key drivers are the accelerating digital transformation, increasing use of digital platforms, hybrid work models and shortage of talent in the developed world.

In the Philippines, the Philippine Statistics Authority (PSA) defines IT-BPM as encompassing selected subcategories of the PSIC under Sections J (Information and Communication) and

Table 9.2. Exports of commercial services by sector (% share)

Sector	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Transport	6.6	6.1	7.0	6.7	6.6	4.6	4.4	6.0	6.6	6.3
Insurance and pension services	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Travel	16.7	15.3	18.3	19.0	22.1	7.1	3.2	9.2	16.5	15.8
Telecommunications, computer and information services	11.1	15.1	14.6	14.8	14.3	17.0	18.1	17.0	16.7	17.3
Other business services	56.2	52.5	48.8	47.6	45.5	58.8	60.0	54.7	49.5	50.1
Manufacturing services on physical inputs owned by others	7.1	8.3	9.4	10.0	9.5	10.9	12.2	10.9	8.7	8.3
Miscellaneous services	2.0	2.2	1.6	1.5	1.4	1.1	1.2	1.4	1.3	1.5
Total services (billion PHP, constant 2018 prices)	1,717	1,897	2,210	2,437	2,548	1,900	1,947	2,348	2,674	2,886

Source: Bangko Sentral ng Pilipinas (Central Bank of the Philippines).

Note: PHP=Philippine peso.

N (Administrative and Support Service Activities), as detailed in Annex 1. The sector provides integrated ICT-based labour services and the necessary infrastructure to support or manage business functions. Examples of these services include financial transaction processing, payroll, human resources (HR) management, logistics, production scheduling and customer support services such as call centres and help desks. Specialized services such as outsourced legal or engineering functions in specific industries like energy and chemicals are also included (PSA, 2024).

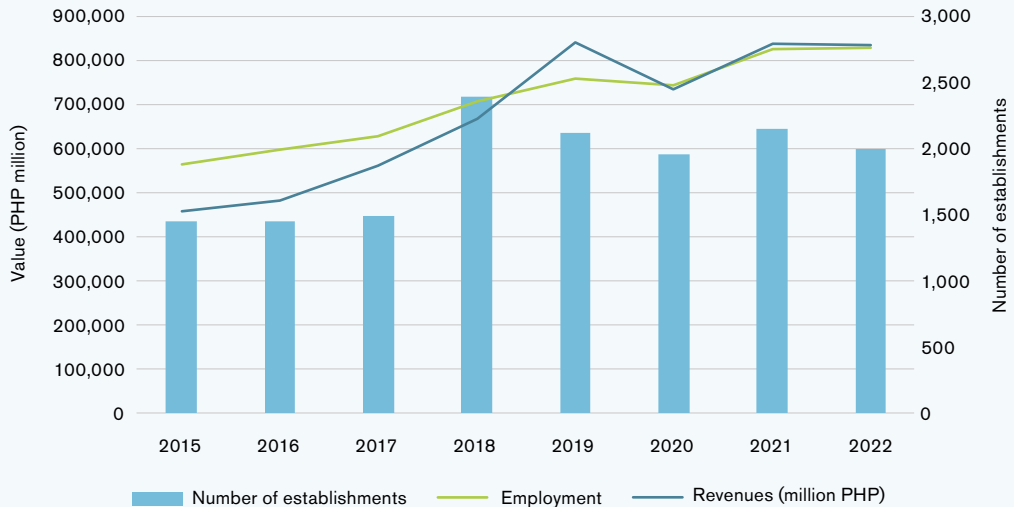
Growth and economic importance of the IT-BPM sector

The Philippines is the world's second-largest IT-BPM hub after India, accounting for approximately 16–18 per cent of the global industry workforce⁵ (IBPAP 2023). It offers a wide range of services – from customer experience and healthcare support to finance, HR and IT

services, including application development and infrastructure management. This broad portfolio positions the Philippines as a major global service delivery centre (BOI, 2023; IBPAP, 2023).

Based on the Annual Survey of Philippine Business and Industry (ASPBI) and Census of Philippines Business and Industry (CPBI), the number of IT-BPM establishments has increased since 2015, reaching 2,450 in 2018. This number declined slightly to just over 2,000 by 2022 (see Figure 9.2). Despite this dip, sectoral employment remained resilient, peaking at around 850,000 in 2022.⁶ While this represents only around 2 per cent of aggregate employment, the industry's indirect employment impact is significant, particularly in sectors such as retail, food services, real estate, transportation, healthcare and security. Estimates suggest that each IT-BPM job generates up to three additional jobs in these related industries.⁷ The sector has also supported job creation in regional areas through investments in 30 designated Digital Cities.

Figure 9.2. Key statistics of the Philippine IT-business process management sector, 2015–2022



Source: Authors' calculations based on PSA ASPBI and CPBI.

Note: PHP 1.00 (Philippine Peso) equals US\$ 0.016.

Revenues followed a similar pattern. After a brief decline in 2020 due to the pandemic, earnings rebounded, exceeding PHP 800 billion (approximately US\$ 13–14 billion) by 2021. IT-BPM services now account for over 60 per cent of the country's total services exports.

While there is no official estimate of small and medium-sized enterprises (SMEs) or women-led enterprises in the IT-BPM sector, several indicators point to the significant role that SMEs play. The IT and Business Process Association of the Philippines (IBPAP) member database shows that approximately 17 per cent of its members have fewer than 200 employees and are thus classified as SMEs. In comparison, a PSA 2019 survey reported that 99.5 per cent of all business establishments in the country are SMEs, with more than half falling into micro and small enterprise categories.

Of particular relevance, around 5 per cent of SME establishments operate in sectors that comprise

the IT-BPM industry – specifically, the information and communications, and administrative and support service activities. SMEs account for 99.5 per cent of establishments in information and communication, and 94.2 per cent in administrative and support services. The discrepancy between IBPAP and PSA figures may be explained by IBPAP's focus on export-oriented offshoring firms, which are typically larger, whereas the PSA surveys all businesses regardless of their export orientation.

Nevertheless, the data underscore the crucial and widespread presence of SMEs in the Philippines, including within the IT-BPM sector.

The IT-BPM value chain

The IT-BPM sector comprises three main pillars:

1. **Information technology outsourcing (ITO)** – includes network administration, application development, IT consulting and software R&D.

2. **Business process outsourcing (BPO)** – includes functions such as customer support, payroll, accounting and HR services.
3. **Knowledge process outsourcing (KPO)** – involves high-value tasks such as legal services, market research, and analytics that require specialized skills.

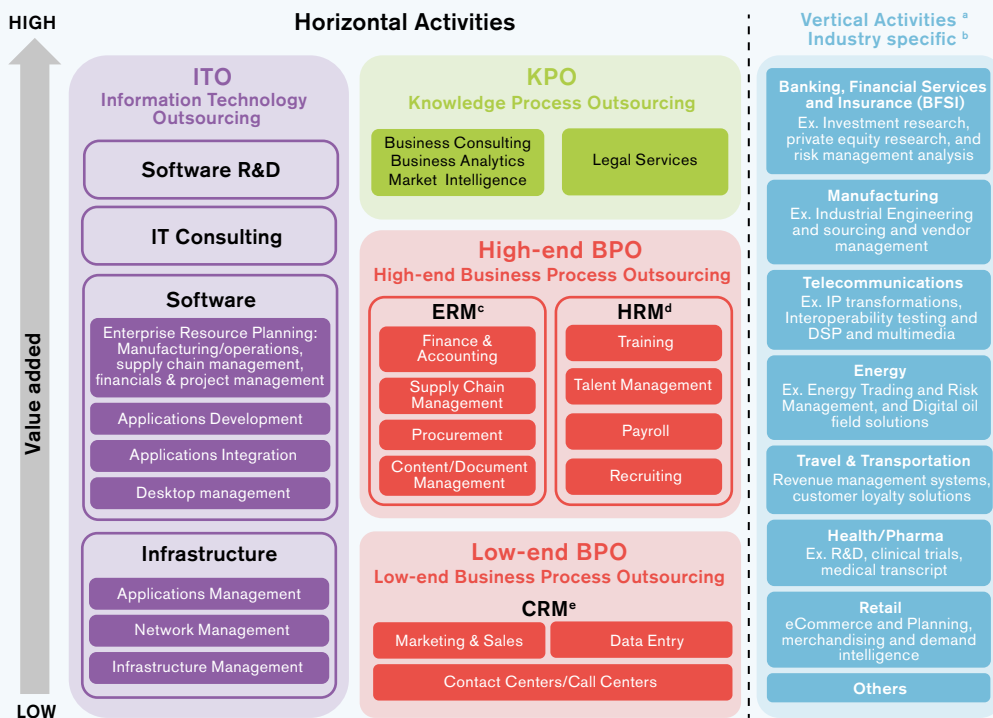
These services are divided into horizontal services, such as CRM and HR, which cut across industries; and vertical services, which are industry-specific and often involve proprietary or sensitive systems such as those in finance or healthcare.

Figure 9.3 illustrates how human capital intensity increases along the value chain, from low-skill BPO

tasks like call centres, to high-skill KPO functions such as business consulting or legal services (Gereffi and Fernandez-Stark, 2010). Likewise, within ITO, tasks range from routine application management to advanced software R&D. On the other hand, certain economic or vertical activities include a range of skill levels, from low- to high-value-added activities.

This value chain framework is used in the paper to further analyse the industry and recent shifts towards higher-value services. It also helps inform government policy and public-private training initiatives aimed at moving the workforce up the value chain (discussed in more detail below).

Figure 9.3. Offshore services value chain



Source: Gereffi and Fernandez-Stark (2010).

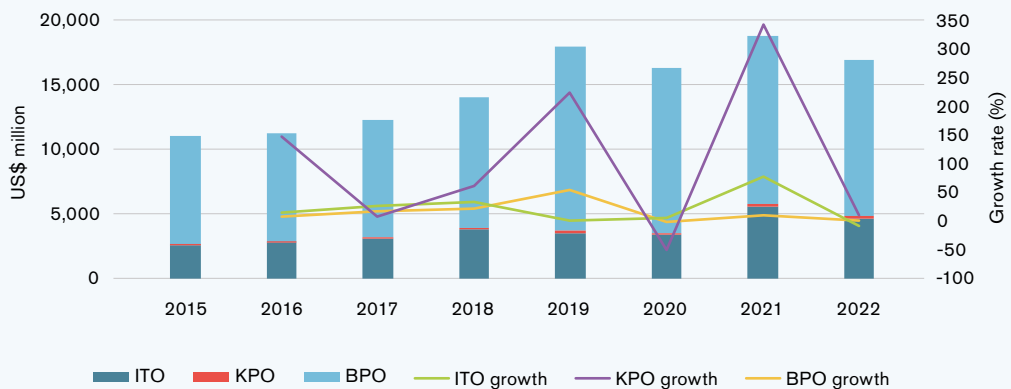
Note: a=vertical activities apply to all activities in the value chain; b=industry specific means specific sectors e.g. health, energy, etc.; c=ERM (enterprise resource management); d=HRM (human resource management); e=CRM (customer relationship management).

Subsector trends: revenues, employment and establishments

BPO remains the largest subsector in the Philippine IT-BPM industry, accounting for over 70 per cent of total revenues and 88–90 per cent of employment (see Figures 9.4 and 9.5). ITO contributes around 25 per cent of industry revenue but only about 11 per cent of employment. KPO remains a smaller segment but is rapidly evolving,

with revenues showing sharp year-on-year growth: 200 per cent in 2019 and 350 per cent in 2021. This perhaps indicates a reliance on one-off project-based work rather than stable long-term or multi-year outsourcing contracts. While volatile, the KPO segment represents a major growth opportunity, particularly if supported by investments in skills training, including curriculum development, especially in higher education (Lim, 2025).

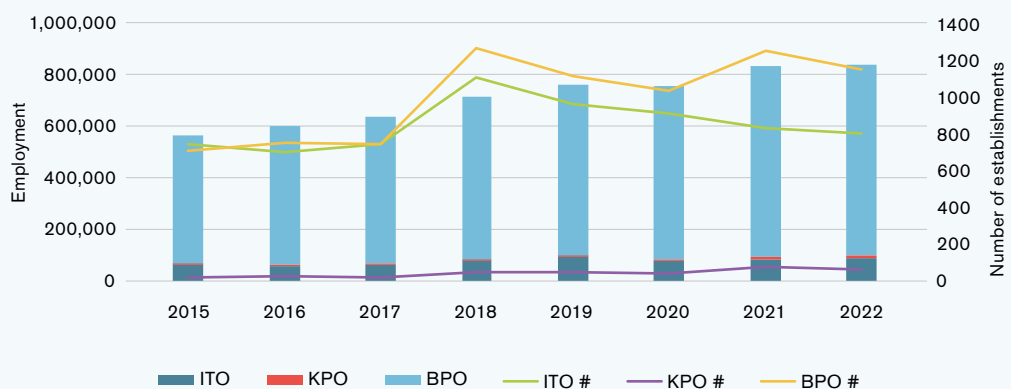
Figure 9.4. Revenues in ITO, KPO and BPO, 2015–2022



Source: Authors' calculations based on PSA and World Bank data.

Note: ITO=information technology outsourcing; KPO=knowledge process outsourcing; BPO=business process outsourcing.

Figure 9.5. Employment and establishments in ITO, BPO and KPO, 2015–2022



Source: Authors' calculations based on PSA and World Bank data.

Notes: ITO=information technology outsourcing; KPO=knowledge process outsourcing; BPO=business process outsourcing. ITO#, KPO# and BPO# represent number of establishments in each subsector.

Within the BPO subsector, we distinguish between low-end BPO – which includes data entry, telemarketing and basic customer services; and high-end BPO – which involves services such as accounting, payroll, medical transcription and training, requiring higher education

levels.⁸ Low-end BPO dominates the industry, contributing over 90 per cent of BPO employment and revenue. While high-end BPO remains relatively small, it is growing – albeit inconsistently – at a faster rate than low-end BPO (see Figures 9.6a and 9.6b).

Figure 9.6a. High-end vs. low-end business process outsourcing (BPO): employment

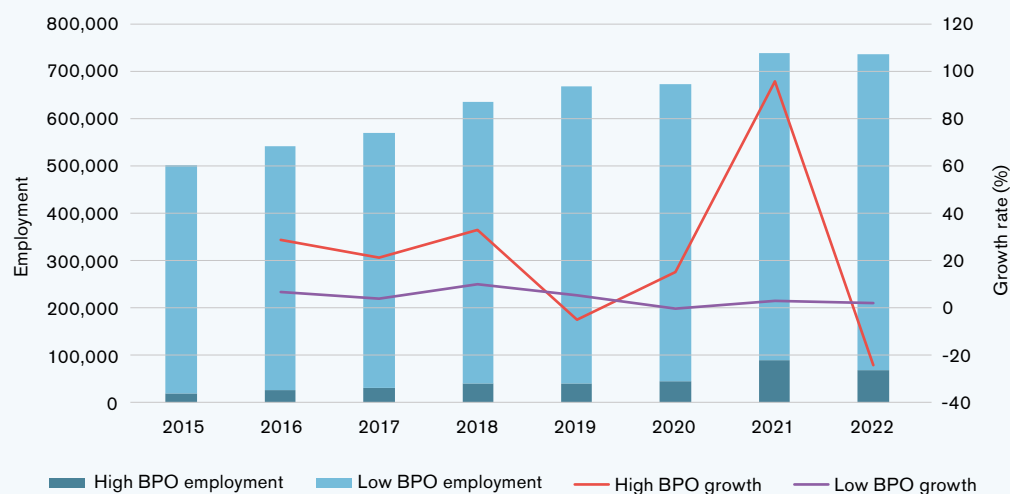
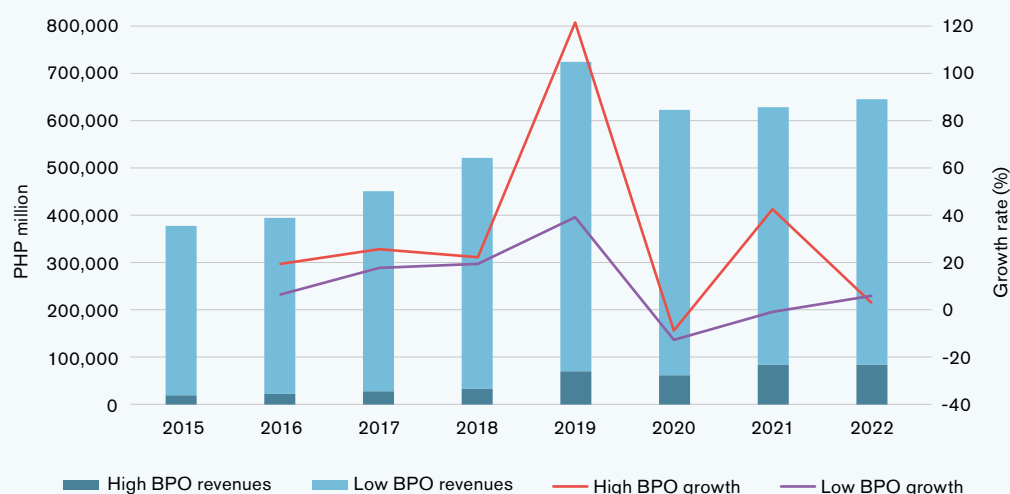


Figure 9.6b. High-end vs. low-end business process outsourcing (BPO): revenues



Source: Authors' calculations based on Philippine Statistics Authority data.

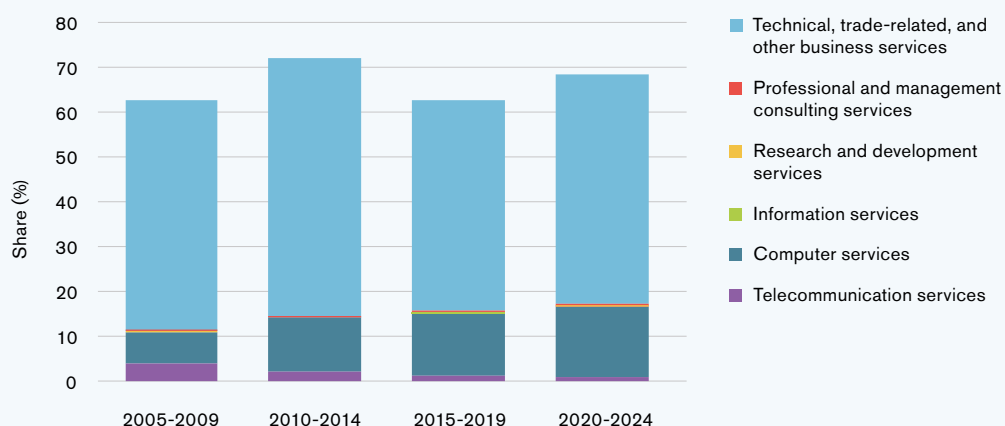
IT-BPM and Philippine services trade

IT-BPM services are classified under “computer and information services” and “other business services” in the country’s balance of payments (see Annex 2). Together, these account for 60–70 per cent of total services exports (see Figure 9.7). Within this category, “technical, trade-related, and other business services” – which include call centres – comprise the largest share but show slowing growth (see Table 9.3). “Computer

services” and KPO-related services, such as R&D and consulting, while smaller, have grown steadily. For example, computer services increased from an average of 6.9 per cent of total services exports in 2005–2009 to 15.5 per cent by the early 2020s (see Figure 9.7 and Table 9.3).

Among IT-BPM subsectors, BPO is the most export-oriented, with 45 per cent of revenues derived from exports in 2022, higher than the industry average of 39 per cent (see Table 9.4).

Figure 9.7. Share of IT-business process management in services exports, 2005–2024



Source: Authors' calculations based on Central Bank of the Philippines data.

Table 9.3. Share of IT-BPM in services exports (% of total services)

	2005-2009	2010-2014	2015-2019	2020-2024
Telecommunications, computer and information services	10.83	13.99	15.24	16.48
Telecommunication services	3.91	1.93	1.23	0.97
Computer services	6.91	12.05	13.93	15.49
Information services	0.01	0.01	0.07	0.02
Other business services	51.50	57.76	47.13	51.59
Research and development services	0.11	0.12	0.17	0.13
Professional and management consulting services	0.13	0.14	0.26	0.39
Technical, trade-related and other business services	51.25	57.50	46.70	51.07

Source: Bangko Sentral ng Pilipinas (Central Bank of the Philippines).

Table 9.4. Share of exports in total revenue (%)

	2015	2016	2017	2018	2019	2020	2021	2022
ITO	22.1	17.5	11.5	22.4	29.8	15.8	17.1	23.6
KPO	44.4	8.0	81.6	18.3	3.2	21.5	26.7	19.5
BPO	51.6	44.8	43.7	41.5	26.4	28.9	45.8	44.7
High-end BPO	46.9	47.0	27.9	45.8	42.4	28.7	43.9	43.5
Low-end BPO	51.8	44.7	44.8	41.2	24.7	28.9	46.1	44.8
Total IT-BPM	44.6	38.1	35.6	36.2	26.9	26.1	37.1	38.6

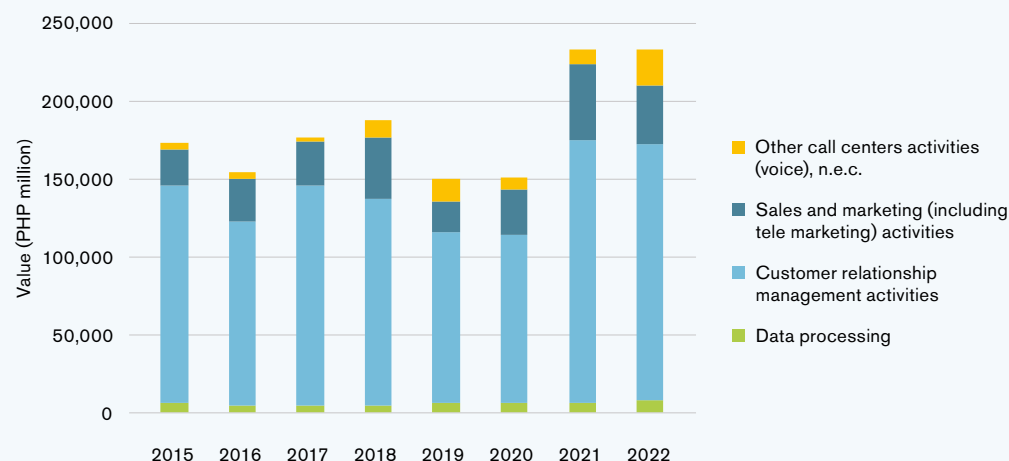
Source: PSA ASPBI, CPBI.

In terms of specific export activities, low-end BPO – CRM and telemarketing activities – are the top earners. In high-end BPO, finance and accounting activities and administrative support activities (mostly back-office work) lead. Medical transcription is overshadowed by other BPOs such as online placement or publishing outsourcing and document processes activities. In

ITO, computer programming and other IT services dominate exports. Animation and gaming, priority IT-BPM sectors for the Philippines, have relatively negligible export figures as of last survey, but are expected to grow. Finally, in KPO, legal services and engineering outsourcing are emerging areas of strength. Details of export earnings by sector and activity are presented in Figures 9.8a–9.8d.

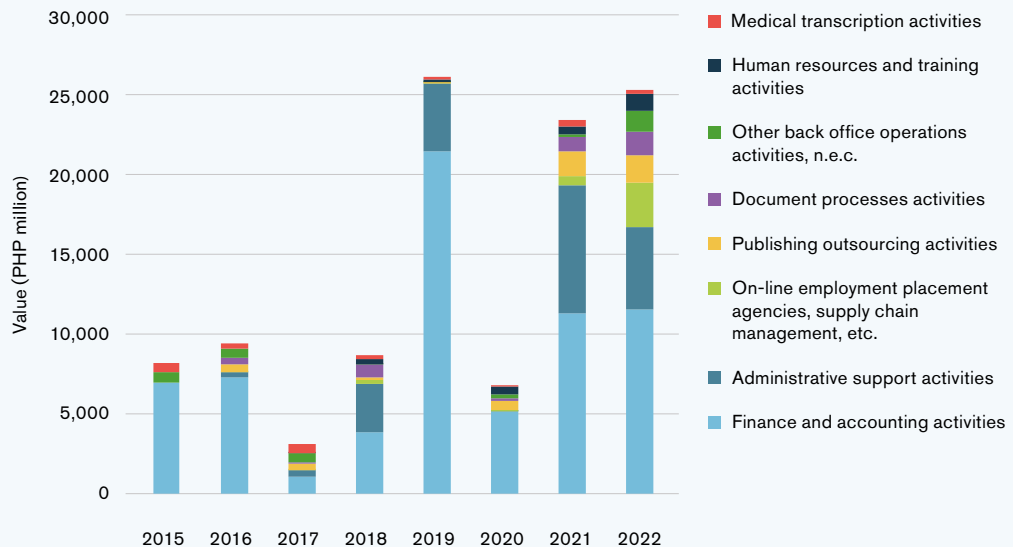
Figures 9.8a–9.8d. Export earnings by subsector and activity, 2015–2022

Figure 9.8a. Low-end business process outsourcing exports



Source: Authors' calculations based on Philippine Statistics Authority survey data.

Figure 9.8b. High-end business process outsourcing exports



Source: Authors' calculations based on Philippine Statistics Authority survey data.

Figure 9.8c. Information technology outsourcing exports

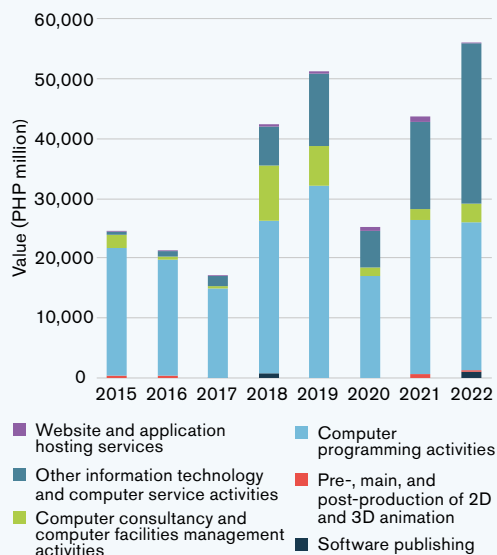
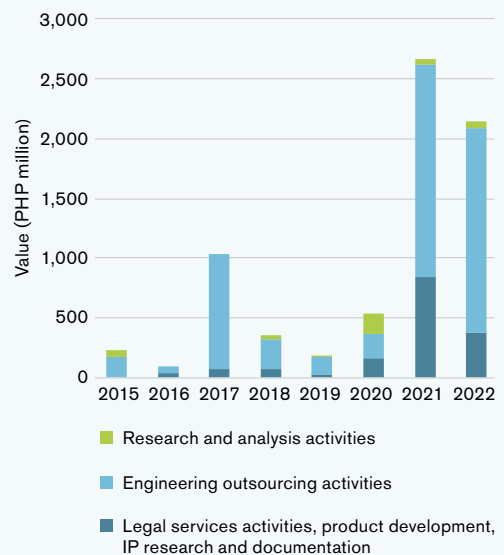


Figure 9.8d. Knowledge process outsourcing exports



Source: Authors' calculations based on Philippine Statistics Authority survey data.

Summary

The IT-BPM sector is a critical driver of the Philippine economy, yet its full potential is still unfolding. Voice-based (e.g., call centres), low-end BPO continues to dominate, particularly in terms of exports. However, non-voice and higher-value services – such as finance, accounting and engineering outsourcing – are

showing promising growth. Emerging sectors like animation, gaming and broader creative industries remain underexploited but offer significant opportunities. With targeted skills development and strategic policy support, the Philippines has the potential to move further up the IT-BPM value chain – unlocking higher revenues, generating more jobs and enhancing resilience in a rapidly digitalizing global economy.

Comparative advantages and challenges in IT-BPM

The IT-BPM sector in the Philippines began with basic encoding services in the 1980s and has since evolved into a key driver of job creation and foreign exchange earnings, generating revenues that now rival remittances from overseas Filipino workers. Today, the industry delivers a broad array of services beyond traditional call centre operations.

While the academic literature typically categorizes the industry into BPO, ITO and KPO, the industry itself identifies five main subsectors: contact centres, IT and software development, animation and game development, global in-house centres (or global shared services), and healthcare information management. Of the global BPO market, the Philippines commands a 10–15 per cent market share.⁹

Comparative advantage: young talent and language proficiency

The sector's primary growth driver is the large pool of young, skilled and cost-competitive labour. The country ranks consistently high in literacy and English language proficiency (see Table 9.5) – key assets for voice-based services and knowledge outsourcing. These factors, along with its cultural affinity with Western markets – particularly the United States¹⁰ – have enabled the Philippines to become the global leader in call centre services, overtaking India as the “call centre capital of the world.” Global companies such as J.P. Morgan

and Citibank have established major service centres in the country.

Beyond contact centres, the Philippines is expanding its presence in high-value services such as healthcare information management and has a rapidly growing creative sector, particularly in animation and gaming.

India remains the Philippines' primary competitor in IT-BPM, particularly in non-voice services such as IT support, software development, and analytics where it has a clear edge; lower operating costs, especially in second-tier cities, and a larger talent pool for technical roles.

While India holds a distinct advantage in complex IT functions, the Philippines retains its lead in voice-based services due to accent neutrality, cultural compatibility and stronger English communication skills. The Philippines is actively working to expand into non-voice and higher-value services, including healthcare information management, data analytics and financial services – sectors in which India is currently more advanced.

Infrastructure, governance and business environment

The sustained growth of the BPO sector in the Philippines hinges on continued access to affordable, skilled labour and reliable digital infrastructure. While various initiatives are

Table 9.5. Literacy rate and English proficiency (selected Asian economies)

Economy	Literacy rate (% of population aged 15+)	EF English Proficiency Index Rank
Philippines	98	22
Brunei Darussalam	98	-
Cambodia	84	111
Indonesia	96	80
Lao PDR	88	-
Malaysia	96	26
Myanmar	89	93
Singapore	98	3
Thailand	91	106
Viet Nam	96	63
India	77	69

Source: EF Education First (2024), World Bank (2024), PwC (2025), Sudan, et al. (2010).

being implemented to equip graduates with both technical and soft skills – particularly in high-demand fields such as IT-BPM – challenges persist, particularly in governance, infrastructure and overall ease of doing business as discussed below.

Infrastructure challenges

One of the key concerns for the sector is the high cost of electricity, especially for energy-intensive operations such as 24/7 BPOs and data centres. The Philippines has among the highest industrial electricity rates in Southeast Asia, at US\$ 0.139 per kilowatt-hour, which undermines its competitiveness (see Table 9.6).

Internet connectivity – a critical requirement for digitally driven sectors – is generally reliable in urban areas. Telecommunications operators have deployed more than 1.6 million kilometres nationwide of fibre optic cables. This expansion has been complemented by the government's National Fiber Backbone programme, which extends high-capacity connectivity to underserved regions.

However, broadband affordability remains a major weakness. Business internet in India, for example, costs only US\$ 8 per month, compared to the Philippines' average of US\$ 30. Thailand, which has a robust digital infrastructure, offers rates nearly half that of the Philippines.

This high cost is largely attributed to a historically uncompetitive telecommunications market, characterized by limited infrastructure sharing and a shortage of third-party providers. Although recent reforms – such as the entry of a third telecom operator and the Common Tower Policy¹¹ – have been introduced to improve competition, reductions in user costs have been slow to materialize.

In terms of commercial space, the Philippines offers ample supply through IT parks and dedicated business centres. However, average office rental rates stand at US\$ 581 per square metre per year, placing it in the mid-to-high range compared to its Association of Southeast Asian Nations (ASEAN) peers. Delhi National Capital Region has slightly lower rental rates, and even lower costs are observed in cities outside the capital.

Table 9.6. Average utility and office rental costs

Economy	Electricity cost (US\$/kWh, 2025)	Internet cost (US\$/month, 2025)	Office rent (US\$/sqm/year)
Philippines	0.139	30.00	581
Brunei Darussalam	0.045	29.13	-
Cambodia	0.150	18.00	-
Indonesia	0.062	26.00	646
Lao PDR	0.033	8.25	-
Malaysia	0.099	27.00	323
Myanmar	0.060	5.00	-
Singapore	0.195	36.00	1,259
Thailand	0.092	17.00	495
Viet Nam	0.068	9.00	829
India	0.08	8.00	525 ^{a/}

^{a/} Delhi National Capital Region.

Source: Philippine Department of Energy (DOE), cable.co.uk (2024), www.jll.com (Jones Lang Lasalle Inc.), Statista, worldpopulationreview.com, Knight Frank.

Regulatory environment and tax policy

The Philippines has made progress in improving its corporate tax environment. Through the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act and the CREATE MORE Act, the corporate income tax rate was reduced from 25 per cent to 20 per cent, putting it on par with Viet Nam and Thailand. However, the rate remains higher than Singapore's 17 per cent and lower than India's 35 per cent (for foreign firms) (see Table 9.7). Favourable tax environments are one of the factors that helps attract regional headquarters and IT-BPM investments. From the Philippine perspective, it is also a way to mitigate other disadvantages that the country is still trying to address, such as poor infrastructure.

In terms of business climate, the Philippines underperforms in the World Bank's B-READY indicators, particularly in Pillar 2 (Public Services) and Pillar 3 (Operational Efficiency).¹² These

dimensions reflect common investor complaints around starting a business, obtaining construction permits, paying taxes and enforcing contracts.

Nevertheless, the government has undertaken several reforms to improve competitiveness. Laws such as the Retail Trade Liberalization Act, Foreign Investments Act, the Public-Private Partnership Code, and the Public Service Act have liberalized key service sectors, including telecommunications, to promote competition. Moreover, one-stop shops have been established in special economic zones (SEZs) to simplify procedures for investors – similar to practices in India's SEZs and Software Technology Parks.

Strategic incentives for priority sectors

The Philippine government continues to provide strong support for strategic industries through targeted incentives. Under the 2025–2028 Strategic Investment Priority Plan (SIPP) of the Board of Investments (BOI), the IT-BPM sector is identified as a priority industry alongside

Table 9.7. Governance and business environment indicators

Economy	Corporate tax rate (%)	B-READY Pillar 1: Regulatory Framework (World Bank score)	B-READY Pillar 2: Public Services (WB score)	B-READY Pillar 3: Operational Efficiency (WB score)
Philippines	20 ^{a/}	70.78	50.80	57.95
Cambodia	20	62.83	39.14	60.66
Indonesia	22	63.93	63.44	61.31
Malaysia	24	-	-	-
Singapore	17	72.46	70.40	87.33
Thailand	20	-	-	-
Viet Nam	20	66.77	53.41	72.48
India	35 ^{a/}	-	-	-

Source: World Bank (2024), PwC (2025).

Notes:

^{a/}For the Philippines, the 20 per cent rate took effect in 2024 (down from 25 per cent). India's rate is for foreign companies; domestic companies pay between 25 per cent and 30 per cent, depending on turnover. India is not yet ranked in the B-READY Index.

renewable energy, advanced manufacturing, healthcare, education, agriculture and logistics.

Investors in these sectors are eligible for a wide range of fiscal and non-fiscal incentives, including income tax holidays, special corporate income tax rates, enhanced deductions of certain expenditures (e.g., for training), duty-free importation of capital

equipment, and VAT exemptions (discussed in the next section). Combined with the country's competitive labour profile and improving policy environment, these incentives aim to further position the Philippines as a competitive global hub for IT-BPM, especially in high-value, non-voice segments where the country seeks a stronger foothold.

Promotion of IT-BPM exports

FDI incentives and fiscal benefits

Foreign direct investment from multinational corporations (MNCs) establishing call centres or back office operations has been a key driver of the Philippine IT-BPM industry's growth. These MNCs were attracted not only by a large pool of affordable and skilled labour but also by generous fiscal incentives provided to encourage strategic investments. These incentives are administered by the BOI and other investment promotion agencies (IPAs), such as the Philippine Economic Zone Authority (PEZA). Incentives and fiscal benefits

remain a critical component of the government's IT-BPM promotion effort.

Beyond incentive-granting institutions, several other government bodies contribute to the sector's development. The Department of Education (DepEd), the Technical Education and Skills Development Authority (TESDA), and the Commission on Higher Education (CHED) lead workforce upskilling efforts. The Department of Trade and Industry (DTI) and its attached agencies, such as the Export Marketing Bureau (EMB), provides crucial help

in marketing, investment facilitation and other policy support. The Department of Information and Communications Technology (DICT) develops policies and digital infrastructure, and the Department of Science and Technology (DOST) supports research, innovation, and incubation (see Table 9.8). The Department of Economy, Planning and Development (DepDEV, formerly the National Economic and Development Authority) guides national development planning and integrates IT-BPM growth into broader national development strategies. Local governments also play a crucial role in implementing programmes and enabling local ecosystems.

The IBPAP is the industry's main coordinating and advocacy body. It represents over 400 member companies and collaborates with six sector-specific associations: the Animation Council of the Philippines, Inc., Global In-House Center Council Philippines, Contact Center Association of the Philippines, Game Developers Association of the Philippines, Healthcare Information Management Association of the Philippines, and the Philippine Software Industry Association. It works closely with government to shape policy, co-develop training and education courses tailored to industry needs, and crafts and implements industry road maps. For instance, it

launched the Digital Cities 2025 initiative with the DICT to expand IT-BPM hubs beyond the major urban centres such as Metropolitan Manila and Cebu.

Income tax holidays, special tax rates and enhanced deductions

IT-BPM projects registered with BOI, PEZA or other IPAs may be eligible for an income tax holiday (ITH) ranging from four to seven years, depending on market orientation (export or domestic), project type and location. Technology-driven and innovation-intensive projects classified as Tier III projects under the 2025–2028 SIPP receive the most generous terms, with longer ITH periods offered to firms located outside Metropolitan Manila and other urban centres.

After the ITH period, companies can choose between:

- A 5 per cent Special Corporate Income Tax (SCIT) on gross revenues; or
- The Enhanced Deductions Regime (EDR), allowing expanded tax deductions for specific business expenses.

Details of incentive options under the CREATE MORE Act are listed in Table 9.9.

Table 9.8. Key government institutions empowering the IT-BPM industry

Department	Role in IT-BPM
DTI, BOI, PEZA, EMB	Investment promotion, incentives, export support (marketing, business matching, networking)
DICT	Digital infrastructure, policy, talent development
DOST	R&D funding, tech incubation, advanced training
TESDA, DepEd, CHED	Skills training, technical and higher education, certifications, on-the-job training, curriculum development
DepDEV	Integration into national development strategy
Local government units (LGUs) and public-private partnerships	Local economic integration and ecosystem development

Source: Elaborated by the authors.

Table 9.9. Incentive options under the CREATE MORE Act (2024)

Options	Registered export enterprises (REEs)	Domestic market enterprises (DMEs)	High-value projects (FIRB-approved)
Option 1	ITH 4-7 years + SCIT or EDR (10 years)	ITH 4-7 years + EDR (10 years)	ITH 4-7 years + SCIT/EDR (20 years)
Option 2	Immediate SCIT/EDR (14 to 17 years)	Immediate EDR (14-17 years)	SCIT/EDR (24-27 years)

Source: CREATE MORE Act Implementing Rules and Regulations (Government of the Philippines).

Note: ITH=income tax holiday; SCIT=Special Corporate Income Tax; EDR=Enhanced Deductions Regime; FIRB=Fiscal Incentives Review Board.

The duration of incentive entitlement varies by project classification, activity type and location, and is subject to approval by the respective IPAs or, in the case of high-value investments, by the Fiscal Incentives Review Board (FIRB). As a priority sector under the SIPP, some IT-BPM projects may qualify for the maximum allowable duration of incentives for Tier III investments.

Enhanced deductions for REEs and DMEs

Registered enterprises can deduct additional expenses beyond the standard allowable ones under the tax code which include:

- 10 per cent additional depreciation on buildings; 20 per cent for machinery/equipment
- 50 per cent additional deduction on labour expenses
- 100 per cent additional deduction on R&D and training expenses
- 50 per cent additional deduction on domestic input costs and export promotion
- 100 per cent additional deduction on power expenses
- Enhanced Net Operating Loss Carryover – losses during the first three years may be carried over and deducted within five consecutive years following either the ITH period or the year of the loss (for firms electing EDR).

Customs and VAT incentives

BOI- or PEZA-registered export enterprises or domestic enterprises engaged in specific priority

projects are exempt from customs duties on imported capital equipment, raw materials and other operational inputs not sufficiently available locally. They also benefit from VAT zero-rating on local purchases related to registered activities. While REEs enjoy VAT exemptions, DMEs remain subject to the standard 12 per cent VAT on their purchases. Local sales by REEs, DMEs or High-Value Domestic Market Enterprises, however, are subject to 12 per cent VAT. To address delays in VAT refunds, Revenue Regulation No. 3-2023 simplifies the process, eliminating the need for prior approval and improving compliance efficiency (Santos, 2023). Additionally, the Philippines has Double Taxation Avoidance Agreements with 44 economies, providing tax certainty and minimizing withholding tax liabilities for foreign investors.

Evaluating the impact of incentives

While incentives under CREATE and the CREATE MORE Act are now competitive within ASEAN, their effectiveness remains unclear. Some reports show an increase in FDI approvals and job commitments, but studies have yet to isolate whether incentives alone drive these outcomes. Past research suggests that fiscal incentives alone are insufficient unless accompanied by improvements in infrastructure, labour quality and regulatory efficiency.¹³ Still, in light of the Philippines' relatively higher non-tax costs, improved fiscal incentives serve as a second-best tool for attracting investments.

Streamlined regulatory processes

To improve the ease of doing business, the government passed the Ease of Doing Business Act in 2018 to entice entrepreneurs to open businesses by expediting transactions such as for permits and licences and holding government officials accountable for graft and corruption. Similarly, the revised Joint Venture Guidelines (2023) were designed to enhance competition for joint venture projects between the government and the private sector and strengthen checks and balances to ensure the technical and financial viability of government projects. In this context, PEZA and Bureau of Internal Revenue have streamlined registration and tax compliance through one-stop shops and simplified filing systems. Regulatory flexibility was also introduced in response to the shift to remote work during the COVID pandemic. In particular, the government allowed IT-BPM firms to transfer registration from PEZA (which is location-bound) to BOI to maintain incentives while enabling remote operations.¹⁴

Further addressing this need for flexibility, the CREATE MORE Act now legally allows up to 50 per cent work from home arrangements for ecozone-registered IT-BPM firms without forfeiting fiscal benefits (Olarde, 2024). Besides eliminating the need for firms to transfer registrations from PEZA to BOI, the adjustment supports modern work models while retaining the country's competitiveness.

Talent development in the IT-BPM industry

Talent and skills are critical to global competitiveness especially in the IT-BPM industry. From the early 2000s, the Philippine government, in partnership with the private sector, introduced programmes to address both immediate and future workforce requirements.

The IBPAP, together with TESDA, co-developed IT-BPM courses tailored for call centres and IT roles. Over time, these programmes expanded to serve other BPO and KPO subsectors. In the 2010s, the CHED launched the Service Management Programme as a higher degree track in 17 state universities and colleges. More recently, in collaboration with DOST, advanced

courses related to artificial intelligence (AI), data analytics and other tech-driven fields are being offered in higher institutions of learning to meet the evolving demands of the industry.

While there is no systematic public data on IT-BPM programme graduates and employment outcomes, the Training for Work Scholarship Program (TWSP), where TESDA appropriated PHP 500 million (approximately, US\$ 10 million) for the IT-BPM sector in 2011, provides useful insight. The report shows a 70 per cent employment rate among beneficiaries – higher than the 60 per cent average across all TWSP-funded programmes including for agri-business, tourism, health and wellness, electronics and semi-conductor sectors.¹⁵

From the outset, the government has recognized workforce development as the IT-BPM industry's backbone. Through non-formal and some formal training, skills training programmes were specifically tailored to the requirements of the sector. Today, in light of AI and automation, programmes are evolving to future-proof skills across industries.

Formal and informal training initiatives

The country's education system, comprising TESDA, CHED and DepEd, collaborates with the private sector to deliver customized training and update curricula.

TESDA accredits enterprise-based programmes, issues national certificates after assessments, and ensures alignment with global frameworks. Since 2018, the Philippine Qualifications Framework (PQF)¹⁶ has enabled TESDA certificates to be recognized internationally, raising the employability and credibility of Filipino workers.

Training programmes are designed around industry needs. TESDA's technical-vocational education and training (TVET) programmes cover customer service, IT support, software development, animation, bookkeeping and more (see Table 9.10). Many are delivered through accredited TESDA training centres, schools and enterprise partners, often with scholarships available.¹⁷ Other modules such as digital citizenship, communication skills, Microsoft Office, English as a Second Language or AI fundamentals are delivered as free online courses via the TESDA Online Program.

Table 9.10. Examples of TESDA skills training programmes for the IT-BPM sector

Programme	Key skills	Industry relevance
Contact Center Services NC II	Communication, customer handling, IT tools, English	Call centre agent roles
Computer Systems Servicing NC II	Hardware/software troubleshooting, networking	Supports IT helpdesk and infrastructure roles
Web Development NC III	HTML, CSS, JavaScript, CMS	ITO and KPO sectors
Animation NC II	Storyboarding, 2D/3D animation tools	Creative and multimedia outsourcing
Visual Graphic Design NC III	Adobe tools, layout design	Digital content and marketing
Bookkeeping NC III	Accounting, financial reporting, QuickBooks	Finance/accounting outsourcing
Programming NC IV (Java, C#, Python)	App development, debugging, database	Software development roles
Digital Literacy/Basic Computer Operation	Computer foundations	Entry-level digital roles

Source: TESDA.

Industry collaboration

TESDA partners with IBPAP and affiliated associations (e.g., Animation Council of the Philippines, Contact Center Association of the Philippines) to anticipate skills needs and train new hires. IBPAP was also financially supported to implement the Training Methodology Plus programme to upskill IT-BPM trainers.

When new skills emerge, TESDA develops training regulations with industry input. As technologies evolve, continuous updating and development of training regulations remains critical.

Table 9.11 offers examples of skills requirements gathered from the private sector, ranging from entry-level positions to highly specialized technical roles.

Table 9.11. Examples of technical job qualifications in the IT-BPM industry

Subsector	Technical jobs/skills qualifications
Animation	2D and 3D animation artist, storyboarders, digital ink and paint artist, video editor, motion graphics animators
Game development	Front-end and back-end game developer, user interface/user experience artist, game animator, digital editor
Contact centre and BPO	Customer service representative, workforce managers, computer transcriptionist, performance manager,* AI/data mining specialist,* big data project manager,* quality assurance/quality engineering and testing,* subject matter expert/(legal, engineering, architecture),* virtual assistant*
Information technology	Software developer, cloud administrator, augmented reality/virtual reality specialists, cybersecurity analysts, business analysts, researchers
Health information management services	Remote healthcare manager,* medical coding and billing,* telemedicine,* bioinformatics, medical claims representative*

Source: TESDA.

Note: * denotes high-demand roles as per TESDA (2021).

Other skills development initiatives

CHED has been updating curricula in AI, blockchain and quantum computing. It implements skills mapping and credit transfers to support lifelong learning and develops global academic linkages.

DepEd, in partnership with IBPAP, has enhanced the Work Immersion Program – a mandatory internship – for senior high school students and partnered with private firms (e.g., Canva, Khan Academy) to strengthen digital readiness.

In 2021, the DICT partnered with Microsoft to launch the DICT Workplace Learning and Development Platform – a free portal offering courses tailored to 21 digital job roles (e.g., IT support, cybersecurity, data analytics).

The DTI leads the Philippine Skills Framework which defines sector competencies and career pathways for curriculum design and HR planning. Skills frameworks for six sectors, including

animation and game development, are already in place, with frameworks for AI, call centres and data analytics underway.

The PQF, institutionalized in 2012, ensures national and ASEAN alignment of credentials – enhancing global recognition while also increasing the risk of brain drain.

The Digital Cities programme, a joint DICT-IBPAP-Leechiu Property Consultants initiative decentralizes IT-BPM growth to other regional/provincial locations dubbed as “digital cities”. As of 2023, 30 cities have been identified as digital hubs based on talent availability, ICT infrastructure, cost-effectiveness and overall business environment, generating approximately 486,000 countryside jobs.¹⁸

Other programmes by various government departments designed to future-proof the workforce are discussed in Box 9.1.

Box 9.1. Future-proofing the IT-business process management workforce: various initiatives

SPARTA (Smarter Philippines through Data Analytics, R&D, Training and Adoption) under the DOST aims to build national capacity in data science and analytics through self-paced online training. For now, the six-month SPARTA training is focused on workers in the BPO, in academia and government but plans are afoot to open it to more interested participants.

The Centre for AI Research (CAIR), established by the DTI in 2024, is a national hub for collaborative AI-powered innovation, policy support and industry-academia joint research. It enables shared AI infrastructure, joint R&D, training programmes and commercialization of AI applications across sectors.

Examples of AI collaboration through CAIR include:

- Commissioned R&D from IT-BPM firms (e.g., machine learning tools, automation, fraud detection, customer analytics).
- AI Consulting and prototyping services.
- Joint innovation labs and training programmes with multinational tech companies.
- Alignment of TESDA's AI-related programmes with industry research needs.
- Integration of AI content into DICT's reskilling platforms.
- Graduate recruitment from SPARTA into research assistantships.

In the long term, CAIR aims to build a comprehensive AI talent pipeline – from TESDA short courses to SPARTA micro-credentials to university degree programmes, research internships and startup incubation.

Source: Compiled by the authors.

Marketing and other export promotion support

While the BOI and the PEZA are primarily tasked with attracting FDI, DTI's EMB¹⁹ plays an important aftercare role. It supports both incoming investors and domestic enterprises seeking to expand into export markets.

For domestic firms – particularly those in emerging sectors such as animation, content development, and the gaming industry or healthcare information management – EMB provides crucial market information, capacity-building programmes and technical training. These include coaching on negotiation or pricing strategies, brand and project management, intellectual property protection, and marketing plan development.

EMB also facilitates the participation of Philippine businesses in international trade fairs and exhibitions. At times, the government sponsors a national pavilion where Philippine products and

services are showcased. These platforms provide vital exposure and enable business-to-business (B2B) matching and networking between local companies and foreign partners.

Furthermore, EMB organizes inbound and outbound trade missions in coordination with DTI's Philippine Trade and Investment Center, the Foreign Trade Service Corps and other foreign trade posts. These missions often involve close collaboration with exporters, industry associations and chambers of commerce to select companies best suited to join such delegations.

While it is difficult to quantify the precise impact of these networking and promotional activities, historical performance suggests their effectiveness. For instance, the growth of the IT-BPM sector in the Philippines – particularly in call centres and CRM services – since the 1990s was bolstered in part by consistent government promotion and facilitation efforts.

Promoting goods vs. services

Export promotion activities, such as trade missions, networking events, B2B matching and participation in global fairs, are generally similar for goods and services. However, the nature of exhibitions differs. For goods, actual finished products are typically displayed. For services, there may be no physical product to showcase. Instead, participants often present project concepts, prototypes, storylines, or proof-of-concept demonstrations.

A notable example is the Filipino-American animation project *Sun Chaser*, rooted in Filipino mythology and identity. Developed by Bobby Pontillas and Bernard Badion, it won the "Animation du Monde" prize at the Annecy International Animation Film Market in France in 2025, while still in its pitch phase.²⁰ This success illustrates how services can be promoted and recognized even before final production.

Other Filipino animation projects have similarly gained international recognition, both in pitch and completed forms (see Table 9.12).

Participation in global festivals like these opens the door to international collaboration, partnerships with foreign studios, and potential funding. These events also foster strategic business and government-level engagement. For example, the Philippines and France signed a Cinematographic Co-Production Agreement in May 2025, enabling Filipino and French producers to jointly develop film, TV and animation projects recognized as domestic productions in both countries.²¹

In the gaming industry,²² the Philippines now hosts the Annual Game Development Summit (GDS), an international event that convenes studios, developers and industry advocates to share insights, showcase innovations and explore collaboration. Much like Singapore's FinTech Festival, GDS boosts international visibility and supports the growth of Filipino game developers.

Beyond promotional events, EMB and DTI also play a crucial advocacy role. They mediate with

Table 9.12. Examples of international awards won by Filipino animators

Project	Who/What it is	Nature of award/contest
Sun Chaser	Story of a child caught between two worlds, exploring his own identity. Created by Bobby Pontillas and Bernard Badion.	Winner, Animation du Monde at Annecy International Animation Film Market 2025 in France (concept phase).
Iti Mapukpukaw (The Missing)	A full-length Filipino rotoscope/traditional animation by Carl Joseph Papa/Project 8 Projects. ²³	Best Feature Film, 17th International Animation Film Festival (IAFF) (Poland). ²⁴ Best Animated Film, Asia Pacific Screen Awards.
Sulayman	A short animation film based on a Maguindanao folktale by Tuldok Animation Studios, directed by Nelson “Blog” Caliguia Jr. ²⁵	Best Animated Film, PENSACON Short Film Festival 2024; Best Traditional Animation, FantaSci (Florida) (completed short film).
IAMANNIKA	Short animation by Dan Verzosa (Tuklaw Films, De La Salle-College of Saint Benilde). ²⁶	Southeast Asia Audience Award, CRAFT International Animation Festival.

Source: Compiled by the authors.

other government agencies when regulatory issues arise that may hinder the growth of export industries.

For example, the Optical Media Board under the National Telecommunications Commission requires clearance for importing specialized equipment used in the video game industry. Due to concerns about potential misuse (e.g., for gambling), obtaining clearance can be difficult. DTI and EMB advocate on behalf of the industry to facilitate these imports.

Similarly, when jurisdictional disputes over taxation among local government units affect businesses operating in special economic zones, BOI and DTI mediate to resolve conflicts through dialogue.

In summary, promoting services exports differs in some respects from promoting goods. While goods rely on tangible products for exhibition, service exports – especially in creative industries – often depend on strong ideas, compelling pitches and early-stage concepts. What seems to yield the most impact is consistent visibility: being seen, heard and recognized both locally and globally.

Nonetheless, there are many overlapping strategies in promoting both goods and services: organizing regular trade missions and business delegations, offering market intelligence and delivering skills-building programmes (e.g., branding, negotiation, project management) remain effective tools in a comprehensive export promotion strategy.

Concluding remarks and policy recommendations

The Philippine IT-BPM sector has proven to be a dynamic and resilient driver of economic growth, employment and services exports. Its evolution from basic data encoding to a globally competitive industry offering higher-value services reflects the country's strategic positioning in the digital economy. With over 60 per cent of services exports attributed to IT-BPM activities, the sector continues

to generate significant foreign exchange earnings and is a major source of employment as well as of inclusive and regional growth through initiatives like the Digital Cities programme. Consistent with international evidence that exporters tend to be big, the IT-BPM exporting sector is mostly composed of large domestic or multinational firms, with only around 17 per cent classified as SMEs.

Together with fiscal benefits, investment incentives and other export promotion/marketing support, the Philippines' IT-BPM industry has been built on a strong foundation of workforce development, supported by government-industry collaboration. While its traditional strengths in English proficiency and cost competitiveness remain, the future of the sector depends on its ability to pivot towards advanced skills, AI-driven capabilities and globally recognized certifications.

Despite its success, the industry faces persistent challenges that could hinder its long-term competitiveness. Infrastructure costs, regulatory challenges, and emerging talent shortages, especially in high-value segments, require targeted policy interventions. The government

has responded with a suite of fiscal incentives, liberalization measures and talent development programmes, including TESDA's TVET offerings, CHED's curriculum reforms, and DTI's AI research initiatives to position its talent pool to expand into higher-value services and emerging technology domains.

The Philippines must also continue investing in digital infrastructure, streamline business processes, continue its collaboration with the industry and foster stronger linkages between industry and academia. By addressing growth constraints, leveraging its comparative advantages, and future-proofing its workforce for AI and automation, the country can solidify its role as a major global hub for IT-BPM services.

Annex 1. IT-BPM industries

PSIC code	Industry description	IT-BPM sector
IT-BPM under Section J (Information and Communication Service Activities)		
J58190	Other publishing activities	High BPO
J58200	Software publishing	ITO
J59112	Pre and main production of traditional and 2D animation	ITO
J59121	Post-production of traditional and 2D animation	ITO
J59122	Post-production of 3D animation	ITO
J59123	Pre and main production of 3D animation	ITO
J62010	Computer programming activities	ITO
J62020	Computer consultancy and computer facilities management activities	ITO
J62090	Other information technology and computer services activities	ITO
J63111	Data processing	Low BPO
J63112	Website hosting services	ITO
J63113	Application hosting services	ITO
IT-BPM under Section N (Administrative and Support Service Activities)		
N78103	Online employment placement agencies	High BPO
N82211	Customer relationship management activities	Low BPO
N82212	Sales and marketing (including telemarketing) activities	Low BPO
N82219	Other call centre activities (voice), n.e.c.	Low BPO
N82221	Finance and accounting activities	High BPO

PSIC code	Industry description	IT-BPM sector
N82222	Human resources and training activities	High BPO
N82223	Administrative support activities	High BPO
N82224	Document processes activities	High BPO
N82225	Payroll maintenance and other transaction processing activities	High BPO
N82226	Medical transcription activities	High BPO
N82227	Legal services activities	KPO
N82228	Supply chain management activities	High BPO
N82229	Other non-voice related activities, n.e.c.	High BPO
N82291	Engineering outsourcing activities	KPO
N82292	Product development activities	KPO
N82293	Publishing outsourcing activities	High BPO
N82294	Research and analysis activities	KPO
N82295	Intellectual property research and documentation activities	KPO
N82296	Security outsourcing activities	High BPO
N82299	Other back-office operations activities, n.e.c.	High BPO

Source: PSA and authors' contribution.

Note: The above PSIC classification is defined by the PSA. The classification by value chain segment (i.e., ITO, KPO, high and low BPO) is the authors' own.

Annex 2. Categories of IT-BPM services and the balance of payments

Outsourcing type	Example activities	EBOPS 2010 category
BPO (Business process outsourcing)	Call centres – HR and payroll –Data entry – Accounting services	2.2.2 – Technical, trade-related and other business services incl. payroll, accounting, call centres
ITO (Information technology outsourcing)	Software development – IT support – hosting – database management	2.1.1.1 – Computer services incl. software development, hardware support, hosting
KPO (Knowledge process outsourcing)	Market and financial analysis – legal services – R&D – engineering – business and management consulting	2.2.1.1 – Research and development services 2.2.1.2 – Business and management consulting and public relations services 2.2.2 – Technical, trade-related and other business services 2.3 – Financial services (e.g., advisory, analysis)

Source: International Monetary Fund, Balance of Payments Manual 6.

Note: EBOPS=Extended Balance of Payments Services.

Annex 3. Top 20 Philippine services export partners (2023)

Partner	Exports (US\$ billion)
United States	10.23
Hong Kong, China	4.95
China	3.68
Japan	3.43
Singapore	3.10
Germany	1.73
United Kingdom	1.71
Korea, Republic of	1.47
Switzerland	1.23
Ireland	1.15
Australia	1.11
Netherlands	1.07
Chinese Taipei	1.03
India	0.74
Thailand	0.73
France	0.67
United Arab Emirates	0.66
Canada	0.60
Saudi Arabia	0.56
Malaysia	0.46

Source: Asian Development Bank (2024).

Endnotes

- 1 The authors wish to acknowledge the research assistance of Dorothy Jean Castaneda, University of Asia and the Pacific.
- 2 ICT together with administrative support services – J (Information and Communication) and N (Administrative and Support Service Activities) Philippine Standard Industry Classifications (PSIC) – account for 8.6 per cent of FDI over the same period.
- 3 See Annex 1 and 2 for subsectors included in the IT-BPM industry. Advice and support for financial services are also included in the IT-BPM industry based on the PSIC. However, presumably based on Annex 2, their export revenues are not part of financial services as per the balance of payments manual.
- 4 <https://www.businessresearchinsights.com/market-reports/it-bpm-market-124706>.
- 5 Based on 2022 estimates of a 1.5 million headcount for the Philippines vs. 9–9.5 million global workforce (IBPAP, 2023).
- 6 Official PSA estimates of employment differ from the IBPAP headcount. In an interview with a government official, he conjectured that the PSA survey may not be able to capture the “verticals” in the IT-BPM industry, i.e., the Global In-house Centres, for multinational banks for example, which may be classified in the PSA survey under financial institutions, instead of under IT-BPM.
- 7 <https://www.gabtechglobal.com/blog/exploring-the-course-the-philippines-it-bpm-journey-to-2028>.
- 8 Annex 1 has details of the sectors within high- and low-end BPOs, as identified by the authors.
- 9 <https://www.movate.com/articles/outsourcing-bpo-services-to-the-philippines-the-global-leaders/>.
- 10 See Annex 3 for major BPO export destinations.

- 11 The Common Tower Policy is the recently introduced government policy that seeks to promote a shared, efficient and cost-effective telecom infrastructure ecosystem across the country. Under the policy, towers built by telephone companies or mobile operators should allow sharing or co-location, i.e., other telecom companies can install equipment (e.g., antennas, transmitters, radio frequency (RF) modules), ensuring open-access and non-exclusivity under transparent, fair and non-discriminatory terms.
- 12 <https://www.worldbank.org/en/businessready/economy/philippines>.
- 13 See for example, Revilla (2016).
- 14 <https://firb.gov.ph/firb-approves-transfer-of-registered-it-bpm-enterprises-to-boi-irons-out-long-standing-wfh-problem/>.
- 15 <https://www.tesda.gov.ph/Media/NewsDetail/349>.
- 16 Aligned with international standards such as the ASEAN Qualifications Reference Framework.
- 17 Scholarships are available under the Training for Work Scholarship Program (TWSP).
- 18 <https://cms-cdn.e.gov.ph/DICT/pdf/Digital-Cities-2025-Primer.pdf>.
- 19 EMB resulted from the merger of the former Bureau of Export Trade and Promotion and parts of the Center for International Trade Expositions and Missions and other trade promotion arms.
- 20 <https://www.animationmagazine.net/2025/06/disney-veteran-bobby-pontillas-details-his-fun-new-filipino-series-sun-chaser/>.
- 21 <https://www.philstar.com/entertainment/2025/12/14/2493983/co-production-pact-opens-new-era-philippines-french-film-industries>.
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