The Improving Business Environment for Prosperity (IBEP) Program implemented by the World Bank Group aims to strengthen the design and implementation of business environment reforms in middle-income countries. IBEP is supported by the UK Prosperity Fund, whose mission is to support the inclusive economic growth needed to reduce poverty in partner countries, contributing to the UN Sustainable Development Goals.

REFORM STORY

MARCH 2021

SUPPORTING DIGITAL TRANSFORMATION IN THE PHILIPPINES

Through the support provided by the World Bank Group through the UK-funded Improving Business Environment for Prosperity (IBEP) Program, the Philippines has made significant improvements to the business environment and reduced constraints to competition, particularly in its mobile telecommunications sector. Since the passage of two regulations by the DICT and ARTA in June 2020, which was supported by the project, there has been a 50% increase in issuance of cell tower permits, resulting in an additional US$21 million in new investments.

THE CHALLENGE

The Philippines has struggled with slow telecom connectivity, relative to its regional peers, due to limited competition in the sector and burdensome processes for obtaining permits for telecom infrastructure such as towers and poles. According to the World Bank Philippine Digital Economy 2020 report, Filipino consumers experience slower download speeds and paid more than consumers in most ASEAN countries. In August 2019, the average mobile broadband speed was 16.76 Mbps, much lower than the global average of 32.01 Mbps. Furthermore, at US$6.30 per month for 500 MB of prepaid, handset-based mobile broadband, the Philippines has the fourth highest cost next to Singapore, Brunei, and Malaysia. Unfortunately, despite relatively poor service in terms of fixed broadband speed, the cost of a fixed broadband plan in the Philippines is close to the cost of similar plans in Singapore and Thailand, countries which have the fastest speeds in the region.

Efforts by the private sector to enhance digital infrastructure are hindered by regulatory constraints to market entry in the telecommunications market. Restrictions on investment and competition in the telecommunications market have made it difficult for new players to add to the digital infrastructure in the country. These restrictions include the 'public utility' designation on telecommunications which limits foreign ownership across the entire telecommunications value chain. The proliferation of permits and licenses to deploy networks in the urban and rural areas, alongside the fees imposed by several national government agencies, local government units, and private property management such as homeowners' associations, slow down the installation of new towers and stations. These regulatory issues limit the expansion of the country's digital infrastructure. For example, DICT estimates the number of towers in the country to be less than 20,000 in 2019, far below Vietnam's 70,000 and Indonesia's 90,000 towers.

> *The finalization of this policy is a significant step in addressing the nation's connectivity needs that is rendered more immediate by the pandemic. With this development, we aim to help improve, not only the internet condition, but also the state of the country's socio-economic welfare through ICT in support of the President's Balik Probinsya, Balik Pag-Asa Program, (Return to the Province, Return to Hope Program).*
>
> – Secretary Gregorio B. Honasan II, Philippine Department of Information and Communications Technology

OBJECTIVES AND APPROACH

Through the IBEP Programme supported by the UK Prosperity Fund, the World Bank Group designed and implemented a reform program in partnership with two newly created agencies, the Anti-Red Tape Authority (ARTA) and the Philippine Competition Commission (PCC), designed to promote sectoral-level reforms in major services sectors. Programmatic support focused on technical advice for ARTA's Better Regulations Office, which included the crafting its organizational structure, formulating standard operating procedures, manuals and guidelines; and providing capacity building assistance. In parallel, the program provided similar technical advisory to the PCC's Economic Office and Legal Liaison Office to support their formulation of a National Competition Policy (NPC) and to define the mechanisms in terms of tools and institutional setup through which this pro-competition reform agenda could be implemented.

In the telecom sector, ARTA and PCC worked closely with the Department of Information and Communications Technology (DICT) to promote investments in the mobile telecom sector. The project provided research and technical support to the agencies to showcase the situation in the Philippines vis-a-vis global practices in telecom regulations. The team co-organized numerous public and private online consultations with regulators in the telecommunication sectors. These workshops provided a platform for productive discussions and breakthroughs on the regulatory reforms, especially given the multiple agencies involved in the permitting process. The project team provided detailed comments on the proposed common tower policies based on global best practices - particularly on the need to allow foreign investors to participate in this new sector. The team also consolidated the permitting requirements for the construction of cell towers and provided details as to which requirements could be eliminated or merged with others.

EARLY RESULTS

The policy dialogue and technical support provided by the IBEP project led to two major legal issuances that enhanced the business environment and supported pro-competition policies in the telecom sector. On 9 June 2020, the DICT issued the Common Tower Policy that was aimed at creating a market for independent tower companies to take the lead in building and operating such passive infrastructure, allowing the mobile operators to deploy capital more efficiently. The policy provides legal clarity around the construction of shared tower facilities, allowing foreign investors to invest in this segment of the telecom sector, and is expected to improve quality of services by facilitating market entry outside the existing telecom incumbents. This reform has led to the accreditation of 32 new tower companies.

The second reform was the signing of the Joint Memorandum Circular (JMC) between the Anti Red Tape Authority, Civil Aviation Authority, Food and Drug Administration, and the Departments of ICT, Local Government, Human Settlements, Public Works, Transportation, and Health on 25 July 2020. This streamlined the process for the issuance of permits for the construction of shared passive telecommunications towers. The JMC reduced the number of permits required in the construction of shared cell towers and limits the length of approval process from around 200-250 days to 16 days.

These two issuances are expected to facilitate additional investments in cellular tower infrastructure and improve mobile internet services in the Philippines—services that are urgently needed during the COVID-19 pandemic. These twin reforms have led to the acceleration of the rollout of telecom towers nationally. Between July and December 2020, a total of 2,935 tower permits were granted, more than the 1,886 tower permits granted in 2019. This is estimated to be equivalent to an additional US$21M in new investments. The streamlined process has also led to US$11.6M in cost savings. Mobile internet speeds have also increased, as between August 2019 and December 2020, mobile internet speed went up by 16.76 percent to 22.5 megabits per second, according to Ookla.

Similar reforms are underway for the fixed broadband sector through support for the parallel permit streamlining and infrastructure sharing policies to support the laying of fiber nationwide.

ADDITIONAL RESOURCES

DICT releases guidelines for the Common Tower Policy

DICT, ARTA and Concerned agencies jointly issue

Common Tower Permit Streamlining guidelines

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