Comments on e-Conomy SEA 2020

Dr. Celia M. Reyes, PIDS President
e-Conomy Southeast Asia 2020
Regional Cooperation and Integration Policy Open Dialogue
Friday, 27 November 2020 | 10:00 – 11:30 am (Manila)

Source of raw graphics: https://eshare.net/at-the-forefront-of-the-digital-transformation
Main takeaways: Philippines

**Flight to Digital**
37% of all digital service consumers were new, with 95% of users intending to continue their behavior post pandemic.

**New Frontiers**
HealthTech and EdTech experienced impressive adoption rates during the pandemic.

**Cautiously Optimistic**
From the goal of “blitzscaling” in prior years to more sustainable, profitable growth.

**Resilience in Times of Crisis**
E-Commerce has driven significant growth, which has largely offset declines in Travel and Transport, among others.

**Online with a Purpose**
8 out of 10 users view technology as very useful during the pandemic.

**On the Path to Profitability**
Platforms are now refocusing on their core business and are addressing consumers’ broad range of needs through partnerships.

**What’s Ahead**
This year’s seismic consumer and ecosystem shifts has advanced the Internet sector.

- Source: E-Conomy SEA 2020
Key indicators of digital adoption in the Philippines (as of January 2020)

**TOTAL POPULATION**

- **INTERNET USERS**
  - Users: 73.0 million
  - Penetration rate: 67%
  - Increase: +1.5 million (+1.4%)
    - Jan 2020 vs. Jan 2019

- **MOBILE PHONE CONNECTIONS**
  - Connections: 173.2 million
  - Penetration rate: 159% of the population
  - Increase: +38.0 million (+28.0%)
    - Jan 2020 vs. Jan 2019

- **ACTIVE SOCIAL MEDIA USERS**
  - Users: 73.0 million
  - Penetration rate: 67%
  - Increase: +5.8 million (+8.6%)
    - Jan 2020 vs. Jan 2019

Source: Philippine Digital Economy Report 2020
ASEAN: Percentage of households with internet, 2019

Singapore: 98.4%
Malaysia: 90.1%
Thailand: 74.6%
Indonesia: 66.2%
Brunei Darussalam: 53.6%
Viet Nam: 47.1%
Cambodia: 41.0%
Lao PDR: 24.5%
Philippines: 17.7%

Source: ITU ICT Eye (ICT DATA PORTAL) – International Telecommunication Union
ASEAN: Percentage of households with computer, 2019

Singapore: 88.8%
Malaysia: 71.3%
Brunei Darussalam: 64.0%
Viet Nam: 25.8%
Philippines: 23.8%
Indonesia: 18.8%
Thailand: 15.9%
Cambodia: 13.3%
Lao PDR: 13.2%

Source: ITU ICT Eye (ICT DATA PORTAL) – International Telecommunication Union
Digital divide: The poor have less access to opportunities that accompany digital technologies

There is a **digital divide** wherein the bottom 40 percent of households in the country consistently have lower access to television, radio, mobile phones, and computer.

If the existing digital divide is left unaddressed, this might worsen the marginalization of already disadvantaged groups and widen educational gaps in the country (particularly on remote learning arrangements due to COVID-19).

### Income decile

<table>
<thead>
<tr>
<th>Income decile</th>
<th>Number of households</th>
<th>Television</th>
<th>Radio</th>
<th>Computer</th>
<th>Mobile phone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poorest</td>
<td>2,475,274</td>
<td>51.28</td>
<td>33.62</td>
<td>1.37</td>
<td>73.42</td>
</tr>
<tr>
<td>2nd</td>
<td>2,474,182</td>
<td>66.00</td>
<td>35.30</td>
<td>3.07</td>
<td>81.22</td>
</tr>
<tr>
<td>3rd</td>
<td>2,474,910</td>
<td>73.79</td>
<td>36.94</td>
<td>5.10</td>
<td>84.79</td>
</tr>
<tr>
<td>4th</td>
<td>2,474,570</td>
<td>79.84</td>
<td>38.78</td>
<td>7.90</td>
<td>87.64</td>
</tr>
<tr>
<td>5th</td>
<td>2,474,662</td>
<td>84.34</td>
<td>40.27</td>
<td>10.53</td>
<td>88.69</td>
</tr>
<tr>
<td>6th</td>
<td>2,474,915</td>
<td>87.62</td>
<td>41.04</td>
<td>16.18</td>
<td>89.71</td>
</tr>
<tr>
<td>7th</td>
<td>2,474,557</td>
<td>90.69</td>
<td>42.87</td>
<td>23.00</td>
<td>91.50</td>
</tr>
<tr>
<td>8th</td>
<td>2,474,778</td>
<td>92.36</td>
<td>43.09</td>
<td>32.13</td>
<td>93.06</td>
</tr>
<tr>
<td>9th</td>
<td>2,475,122</td>
<td>94.32</td>
<td>44.02</td>
<td>44.55</td>
<td>94.88</td>
</tr>
<tr>
<td>Richest</td>
<td>2,474,204</td>
<td>96.56</td>
<td>44.13</td>
<td>62.76</td>
<td>96.08</td>
</tr>
<tr>
<td>All households</td>
<td>24,747,174</td>
<td>81.68</td>
<td>40.01</td>
<td>20.66</td>
<td>88.10</td>
</tr>
</tbody>
</table>

Source of basic data: Family Income and Expenditure Survey 2018
On average, Filipinos spend nearly 10 hours daily on the Internet, the highest worldwide.

Average amount of time (in hours and minutes) that Internet users aged 16 to 64 spend using the Internet each day on any device, 2019 Q3

Note: Figures represent the findings of a broad survey of internet users aged 16 to 64.
Source: GlobalWebIndex.com
Mobile and fixed broadband internet speeds in the Philippines are way below the global average.

Mobile internet connections, average download speed as of October 2020:
- **Global Average:** 39.18 Mbps
- **Philippines:** 17.83 Mbps (111 out of 139)

Fixed broadband internet connections, average download speed as of October 2020:
- **Global Average:** 87.84 Mbps
- **Philippines:** 27.07 Mbps (107 out of 176)

Source of data: Ookla, Speedtest Global Index, October 2020
Despite having below average internet speeds, internet costs in the Philippines are among the highest both in the region and globally.

Global ranking based on affordability (price as % of GNI per capita)

<table>
<thead>
<tr>
<th></th>
<th>BRN</th>
<th>KHM</th>
<th>IDN</th>
<th>LAO</th>
<th>MYS</th>
<th>MMR</th>
<th>PHL</th>
<th>SGP</th>
<th>THA</th>
<th>VNM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed broadband (out of 175)</td>
<td>7</td>
<td>135</td>
<td>113</td>
<td>128</td>
<td>33</td>
<td>140</td>
<td>101</td>
<td>9</td>
<td>91</td>
<td>92</td>
</tr>
<tr>
<td>Mobile data (out of 184)</td>
<td>26</td>
<td>88</td>
<td>39</td>
<td>117</td>
<td>48</td>
<td>68</td>
<td>103</td>
<td>17</td>
<td>78</td>
<td>66</td>
</tr>
</tbody>
</table>

Source of basic data: International Telecommunications Union (ITU), Measuring Digital Development: ICT Price Trends 2019
Despite having advanced digital technologies knocking at its door, digital transformation in the Philippines is still lagging (10th out of 11)

<table>
<thead>
<tr>
<th>Country</th>
<th>Overall Score (Rank)</th>
<th>Digital Infrastructure</th>
<th>Human Capital</th>
<th>Industry Connectivity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singapore</td>
<td>78.0 (1st)</td>
<td>82.5 (1st)</td>
<td>80.8 (1st)</td>
<td>61.9 (4th)</td>
</tr>
<tr>
<td>Japan</td>
<td>63.5 (2nd)</td>
<td>58.9 (3rd)</td>
<td>67.9 (5th)</td>
<td>73.1 (1st)</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>62.3 (3rd)</td>
<td>63.6 (2nd)</td>
<td>74.1 (3rd)</td>
<td>46.5 (5th)</td>
</tr>
<tr>
<td>South Korea</td>
<td>61.0 (4th)</td>
<td>54.3 (4th)</td>
<td>75.9 (2nd)</td>
<td>66.2 (2nd)</td>
</tr>
<tr>
<td>Taiwan</td>
<td>55.7 (5th)</td>
<td>47.6 (5th)</td>
<td>70.2 (4th)</td>
<td>65.5 (3rd)</td>
</tr>
<tr>
<td>Malaysia</td>
<td>36.9 (6th)</td>
<td>40.4 (6th)</td>
<td>44.4 (6th)</td>
<td>18.6 (8th)</td>
</tr>
<tr>
<td>Mainland China</td>
<td>36.4 (7th)</td>
<td>35.7 (8th)</td>
<td>33.6 (7th)</td>
<td>41.3 (6th)</td>
</tr>
<tr>
<td>India</td>
<td>31.0 (8th)</td>
<td>36.1 (7th)</td>
<td>22.4 (8th)</td>
<td>24.4 (7th)</td>
</tr>
<tr>
<td>Thailand</td>
<td>23.0 (9th)</td>
<td>26.4 (9th)</td>
<td>20.1 (10th)</td>
<td>16.0 (9th)</td>
</tr>
<tr>
<td>Philippines</td>
<td>12.8 (10th)</td>
<td>9.7 (11th)</td>
<td>20.4 (9th)</td>
<td>11.3 (11th)</td>
</tr>
<tr>
<td>Indonesia</td>
<td>12.2 (11th)</td>
<td>14.3 (10th)</td>
<td>6.9 (11th)</td>
<td>14.1 (10th)</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>43.0</strong></td>
<td><strong>42.7</strong></td>
<td><strong>47.0</strong></td>
<td><strong>39.9</strong></td>
</tr>
</tbody>
</table>

Source: The Economist Intelligence Unit: The Asian Digital Transformation Index 2018
Challenges in the Philippine digital infrastructure

- **Outdated Regulatory Policies**
  - **1931 Radio Control Law** – oversees the regulation of radio stations and radio communications
  - **1936 Public Service Act** – looks at how a regulator supervises an industry
  - **Public Telecommunications Policy Act of 1995**

- **Lack of Competition / Barriers to Entry**
  - New players may need to access a current telecommunications facility, as a [congressional franchise or provisional authority](#) is required to build and operate networks
  - Companies on emerging internet technologies need to be 60% Filipino owned – [restriction on foreign ownership](#)
  - Market is dominated by only a few players
Mission:
To embed the pursuit of service-orientation, procedural efficiency, and behavioral transformation into the very fabric of government operations.

This will be achieved by building upon the learnings and successes of its initial e-Government programs towards the next level of sophistication in the areas of technology, process and procedural interoperability, data harmonization and standardization, service delivery and support capabilities, and transparent governance.

**Digital transformation as a national strategy**

1. Bring cohesion to the various automation and technology infrastructure development programs of the government.

2. Rationalize the need for all software automation and infrastructure development initiatives across government to converge into a standards-based framework.

3. Promote opportunities for acculturation and re-habituation (mindset formation) to affect the way government executives and employees think and how they view their services.

Source: Department of Information and Communications Technology, Philippine Digital Transformation Strategy 2022
## Digital transformation: Launched and ongoing initiatives of the government

<table>
<thead>
<tr>
<th>Use of digital technology in government processes</th>
<th>Issuing a digital ID</th>
<th>Digital payments for government transactions</th>
<th>Learning opportunities using digital modalities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Examples of ongoing initiatives, which have started to digitize processes:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ Bureau of Customs – six information systems</td>
<td>Philippine Identification Systems (PhilSys) Act of 2018, a national ID will be issued using a biometric recognition and privacy-by-design technologies – allows for easier verification</td>
<td>▪ Providing citizens and firms the option to pay taxes and receive salaries digitally can reduce the time people spend traveling and promote social distancing</td>
<td>Multi-modality remote learning using non-face-to-face means such as TV, radio and cellphones allows flexibility and equitable access to high quality education</td>
</tr>
<tr>
<td>▪ International Trade – National Single Window</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ DTI and Securities and Exchange Commission – online business registration systems, Integrated Business Permits and Licensing System (iBPLS) project</td>
<td></td>
<td>▪ Pantawid beneficiaries with cash cards were able to receive digital payments during the pandemic</td>
<td></td>
</tr>
</tbody>
</table>

Source: Philippine Digital Economy Report 2020
Thank you

WEBSITE: www.pids.gov.ph

FACEBOOK: facebook.com/PIDS.PH

TWITTER: twitter.com/PIDS_PH
Contraction in Transport & Food and Travel were offset by growth in e-commerce and media.

Investment in the internet sector:

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Deals</th>
<th>Deal Value (in Million USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>30</td>
<td>58</td>
</tr>
<tr>
<td>2017</td>
<td>44</td>
<td>47</td>
</tr>
<tr>
<td>2018</td>
<td>57</td>
<td>310</td>
</tr>
<tr>
<td>2019</td>
<td>72</td>
<td>221</td>
</tr>
</tbody>
</table>

Internet e-Conomy Stands resilient at USD 7.5B (in 2020)

Gross Merchandise Value per sector (in Billion USD):