The New Normal is Digital: A Digitalization Agenda for the Philippines

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As a black swan event, the COVID-19 pandemic has become as an asymmetric shock: an event that started small but later resulted in dire and widespread effects on the global economy. Renowned author, Fareed Zakaria, referred this phenomenon as the "**great paralysis**" to describe the impact of the closures and stringent control measures. On the other hand, it has also ushered the "**great reset**" or an opportunity to reexamine previous views and assumptions[1] thus opening opportunities for digitalization. For individuals and organizations, it has shown that digital technologies can transform the way we work, learn, and maintain relationships. While for governments, it underscored the need to have a coherent digitalization strategy that will lead to resilient societies.

As a strategy, digitalization can be seen as an enabler of inclusion and transformation. Defined as "*the use of digital technologies to change an organization's business model, including creating new or improved ways of delivering services, and improving the quality of what is delivered*", this concept also underscores the role of digital technologies in ushering transformation of societies and economies[2]. An example of this is how the pandemic had ushered the use of digital platforms for online shopping, digital payment, and virtual work arrangements. These technology-enabled innovations allowed for continuous economic activity and fostered social cohesion. Furthermore, new practices in distance learning and telehealth have allowed economies to avoid the severe effects on productivity and wellbeing, thus allowing essential interactions to continue without the risk of infection.

However, digitalization is not a panacea for all problems. In fact, its promises and benefits can also open an insidious box of ills and challenges. Threats like cyberattacks and malware proliferation remains a pressing security concern. In addition, the spread of disinformation during public health emergencies are well documented. These threats were intended to sow mistrust and undermine the credibility of actors[3] as well as intensify social discord and weaken institutions[4].

The Philippines is not immune from these adverse effects. Challenges in its overall pandemic response have resulted in an alarming 9.6% contraction of the country's GDP, its highest since the Second

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[1] (WEF, 2020)
[2] (UNDP, 2019)
[3] (Pfannestiel & Cook, 2020)
[4] (Gamberini, 2020)

World War[5]. According to the National Economic Development Authority, weaker consumption, and lower productivity due to school closures and low investments will result in a staggering PhP 41 trillion output loss over a 40-year period[6]. On the pandemic's specific impact, an Asian Development Bank (ADB) study revealed that 61.7% of microenterprises had no revenue in March 2020 due to business closures. This was followed by small firms (49.1%) and medium-sized firms (35.8%). Moreover, MSMEs that operated during the lockdown had a sharp drop in revenue, with 26.5% of micro, 40.8% of small, and 41.0% of medium-sized firms having more than a 30% revenue decrease[7]. This situation persisted throughout the period of nationwide lockdowns. On its effect on education, another study showed that only 55% of public-school students and 26% of public schools have access to the internet[8]. It also underscored the need to develop new skills through its technical-vocational programs to better prepare Filipinos to transition to new jobs in a post pandemic environment[9]. On the country's public health response, the inability of the Department of Health (DOH) to utilize its public health data and its hospital command center was even acknowledged by its own officials[10]. In addition, WHO Philippine representative, Dr. Rabindra Abeyasinhe, stressed the importance of a strong data governance regime and cited the weakness of the country in this regard[11].

Table 1 provides a summary of the challenges encountered by the Philippines due to the pandemic.

Table 1: Areas of concern for the country's digitalization agenda

Areas of Concern	Pandemic Impact and Challenges
Government Transformation and Public Health Response	o Government services are siloed, with little instances for data sharing and interoperability. o COVID-19 exposed problems in data collection and aggregation especially in testing and contact tracing. o Lack of a fully functional integrated hospital management system o Fragmented digital response: Presence of many independent systems that are not integrated o Limited private sector participation in the country's digital response
Micro, Small, Medium-scale Enterprises (MSMEs)	o Stringent lockdowns highlighted inability of MSMEs to use digital technologies to link its supply chain with its retail operations. This is due to cost and literacy issues. o Most MSMEs are dependent on social media for marketing and selling of products and services.

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[5] (Reuters, 2021)
[6] (Bordey, 2021)
[7] (Shinozaki and Rao, 2021)
[8] (Business World, 2021)
[9] (ADB, 2021)
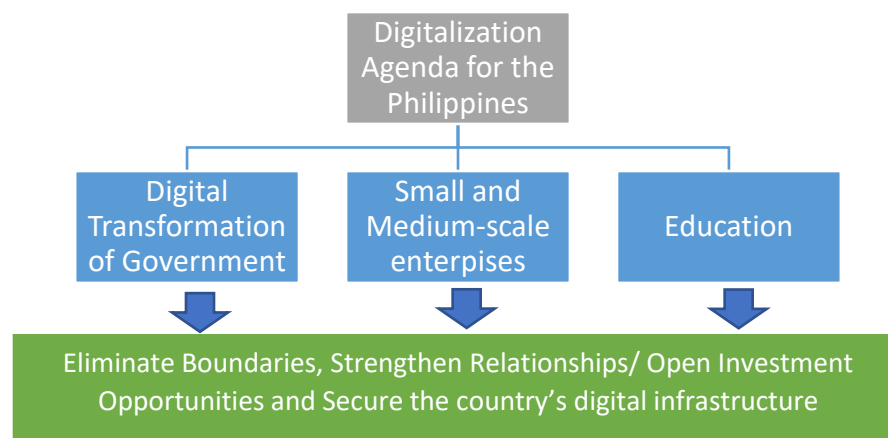[10] (Gonzales, 2021)
[11] (Rodjel, 2021)

	o Majority of Filipinos remain unbanked. This is significant since this will affect the ability of entrepreneurs to use digital transactions.
Education	o The pandemic revealed the difficulty in accessing digital technologies for learning due to its cost, literacy, and bandwidth issues. o There is low awareness and use of alternative education programs.

At the point, one may ask, "Is the Philippines ready for digitalization?" The key to better prepare the nation for this "new normal" is to have a working idea on how to operationalize the concept of digitalization. Therefore, it is crucial for the country's incoming leaders to realize the potentials of digitalization. The new administration must be able to articulate a coherent and practical agenda that can provide a clear vision as well as foster consensus among stakeholders. Moreover, the agenda should also address the problems brought by the pandemic by providing strategic policy directions and the right investments. For this purpose, I propose that a digitalization agenda be operationalized into three priority initiatives namely: (a) *Digital Transformation of Government;* (b) *A digital inclusion initiative focusing on Education and SMEs and* (c) *Ensure the protection of the country's digital infrastructure*.

The Philippines and the need for a Digitalization Agenda

An important lesson that we can learn from this pandemic is that the new normal will now be digital. Learning to live with COVID-19 seems to be inevitable. Thus, I argue that the new normal should lead to a "***great reset***": a reexamination of views and assumptions that will ultimately lead to profound changes. For the incoming Filipino leaders, it is essential to get ahead of the thinking game and provide the nation with practical options that will greatly impact its way of life. Figure 1 summarizes the proposed priority areas for the country's digitalization agenda.

Figure 1: Proposed priority areas for the Philippine Digitalization Agenda

First, the digital transformation of the public sector remains a crucial part of the puzzle. The pandemic will result in a renewed demand for online services and give rise to new expectations. This clamor will come in the form of increased access to services, efficiency, and greater transparency. Thus, investments in its digital infrastructure will be crucial in ensuring that these services are made accessible and open. Moreover, digitalization can enable governments to harness data to support its decision making and improve the coordination between national and local governments. This is true for its public health response as greater emphasis must be placed on digital technologies and its role in improving its disease surveillance and management practices. Access to telehealth services must be expanded to reach geographically dispersed communities.

For small and medium scale enterprises, rethinking of its strategic assumptions is now inevitable. Its digitalization strategy must now be based on the ability of these enterprises to embrace new business models that can maximize the advances in artificial intelligence, big data analytics, financial technologies among others. The shift in markets, adopting green technologies, and the growth in demand makes digital transformation a must to be able to compete with global players. These developments will affect the country's MSME sector.

The pandemic's adverse effects on education will be one its enduring tragedies. Factors such as low broadband penetration, high connectivity cost, and inadequate digital literacy exacerbated the existing gaps in the country's education system. The new administration must look at digital technologies and how it can enable flexible and hybrid learning practices, especially for public schools. Investments and private sector participation in this endeavor is inevitable.

Overall, the widespread adoption of these innovative practices will highlight issues on privacy, security, and inclusion. Its digitalization agenda should accommodate new regulatory frameworks to ensure that benefits from these trends are in line with the public interest. Consequently, these emerging practices will also demand for strong political leadership, an empowered private sector, and open opportunities for international cooperation[12].

Digitalization Agenda: A Way Forward

We often encounter the term "new normal" being equated to the ability of people to adjust to the new health restrictions. Nevertheless, these restrictions should now drive us to rethink our traditional

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[12] (UN-DESA, 2020a)

practices. Simply put, these limitations should lead us to think of new opportunities and accept that there is no going back to the old ways. For this, digitalization provides us with new options on how to innovate government services. Furthermore, it must also allow our public institutions to transform its transaction driven practices (viewing government as a service dispensing machine) to a citizen-centric approach. This new strategy requires our leaders and institutions to define public services according to the needs of its citizens. Described below are the issues that must be addressed by the new administration to jumpstart in digitalization initiatives.

A) The need to eliminate boundaries

The idea of digital boundaries is often equated to challenges in access to broadband services. Although this is true largely because of the low broadband penetration in the country, this is not the complete picture. Issues on device access (e.g., laptops, tablets, and smart phones) and literacy are factors that drive further marginalization. This is evident in the impact of COVID 19 on the country's public education and the MSME sectors. To address these challenges, direct subsidies for students and loans for MSMEs are policy tools that can be explored.

Equally important is the development of new policies that would encourage investments in the country's digital infrastructure. An example of this is the proposed Public Service Act, which aims to open the telecommunications industry to new players. While incentives must be given to companies that will develop the underserved areas of the country.

B) Strengthening relationships and opening investment opportunities

There is a need to redefine the relationship between national agencies and local governments. The old culture of dependence must now be replaced with the idea of active partnership and local empowerment. For instance, investments in federated networks will ensure that local governments have control over their data while national agencies will be able to avert unnecessary cost and risks in maintaining a centralized digital repository. This will also increase the demand for the use of artificial intelligence (i.e. machine learning) and data analytics. Furthermore, this approach will open opportunities for the private sector to develop new business models and digital content that can be easily integrated to the network.

C) The protection of the country's digital infrastructure remains a priority

A digitalization strategy will be incomplete without considering the aspect of security. It is important for our new leaders to realize that this issue has a multidimensional nature. On one end, it has a national security aspect, which examines threats and its impact on socioeconomic and political facets. Another part is the need to protect of critical systems, which is concern with protocols and the

required technologies to secure these systems. The Philippines is off to a good start on this regard. The Data Privacy Act provides the regulatory framework on the protection of personal data. While the Cybercrime Law offers the law enforcement response to criminal acts perpetrated through digital means. However, the paper argues that a cyber defense posture is necessary to anticipate sophisticated digital threats.

*The article is a summary of the author's chapter titled, "Digital Agenda 2022: Towards a resilient Philippines through digital transformation and inclusion" from the book titled "**Beyond the Crisis: A Strategic Agenda for the Next President**" published by the Stratbase-Albert Del Rosario Institute (2022).*

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