COMMENTARY ON THE CREATION OF A DICT

Business groups supported this legislation in the last three Congresses and remains strongly convinced that the time has come to create a DICT for the Philippines. We are encouraged that the Philippine Development Plan supports legislation to create a DICT.[1]

We would like to share with you the principal reasons why we so strongly support the creation of a DICT.

1. **Most countries have departments or ministries in charge of communications and information technology** created for the specific purpose of emphasizing and developing these highly important sectors for their national development. According to the United Nations International Telecommunications Union (ITU) 2010-1011 study on Trends in Telecommunications Reform more than 80 percent of countries in the world have separate ICT administrative agencies. In Southeast Asia, only Cambodia, Laos, Myanmar, Timor Leste, and the Philippines did not have a DICT at the time of this report. The other six countries – Brunei, Indonesia, Malaysia, Singapore, Thailand, and Vietnam – all have a cabinet level agency for ICT.

Australia has created a **Department of Broadband Communication and the Digital Economy (DBCDE)** which manages an impressive range of activities that are featured on its website www.dbcde.gov.au/home.[2]

Pakistan established a Ministry of Information and Technology in 2002 with the mission of building Pakistan's IT competency in the 21st Century. Previously Pakistan had only an Information Technology and Telecommunications Division in its Ministry of Science and Technology. This is similar to the current arrangement in the Philippines with the Information and Communications Technology Office placed under the Department of Science and Technology. Yet Pakistan, with a per capita income of $2,800 (PPP) in 2011, much lower than the $4,100 in the Philippines, decided ten years ago to create a separate ministry to harness information technology for development.

Elsewhere in Asia, Afghanistan, China, India, Japan, Korea, and New Zealand have DICT equivalents. For example, Korea has named its agency the Ministry of Knowledge Economy. A list of Asia Pacific government ICT agencies is at Attachment 1.

Led by its **Ministry of Information and Communications Technology, Thailand** aspires to become Southeast Asia's internet leader. The Thai government bought one million tablet computers in May 2012 to distribute to students across the country. This was reportedly the largest such program in the world. The Thai government plans for free wireless connectivity and the deployment of third generation telecom networks. **Singapore's Ministry of Information, Communications and the Arts** has developed iN2015. **Malaysia's Ministry of Information, Communications and Culture** has its 2020 Vision. Both are comprehensive long term visions for national ICT development. By comparison, past plans of the Philippines has been handicapped by poor implementation which a DICT should correct.

2. The **DICT will increase the attention that the Philippine Government gives to several critical challenges**: (a) improving e-governance, (b) raising national competitiveness rankings, (c) accelerating modernization and inclusiveness of nationwide communications infrastructure, (d) enhancing security against cyberattacks, and (e) implementing digital economy solutions for important development programs.

2a. E-Governance can become a reality for Filipinos through the leadership of a DICT. When implemented broadly throughout the country, e-Governance will improve national competiveness and the efficiency of both the public and private sectors. E-Governance has powerful potential to lessen red tape and reduce opportunities for corruption, underpinning the administration's core moral value "where there is no corruption, there is no poverty."

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[1] Philippine Development Plan, Chapter 5, page 167.

[2] Another excellent website is India's Ministry of Electronics and Information Technology at www.mit.gov.in.

The Philippine population, including the diaspora, is increasingly interconnected by mobile phones and the Internet. Mobile phone penetration at 107 million units exceeds 100%, and almost half of Filipinos use the Internet. In addition to being the texting capital of the world, Filipinos are a global leader in social media with 25.3 million Facebook users.[3] The use of smart phones is fast becoming widespread, giving most Filipinos easier access to email and mobile financial transactions.

How will the public sector adapt to these changing technologies? Too many government offices depend on fax machines, are just beginning to use email, and do not process paperwork and financial transactions on-line. COA rules prevent government agencies from accepting credit cards. **A DICT would lead the public sector ahead into the digital economy** and create symbiosis between public services and the citizenry.

In sum, the **DICT would be a prime mover to achieve the Philippine Digital Strategy Vision announced in June 2012**:

"A digitally empowered, innovative, globally competitive and prosperous society where everyone has reliable, affordable and secure information access in the Philippines. A government that practices accountability and excellence to provide responsive online citizen-centered services. A thriving knowledge economy through public-private partnership."

2b. Philippine rankings in the UN E-Government Development Index are declining, as shown in the figure below that compares the Philippines to its five largest ASEAN economies. In 2003 the Philippines was ranked even higher than Singapore and first among ASEAN countries but has plunged succeeding UN indeces, so that in the latest in 2014 it is behind Singapore, Malaysia, and Vietnam.[4]

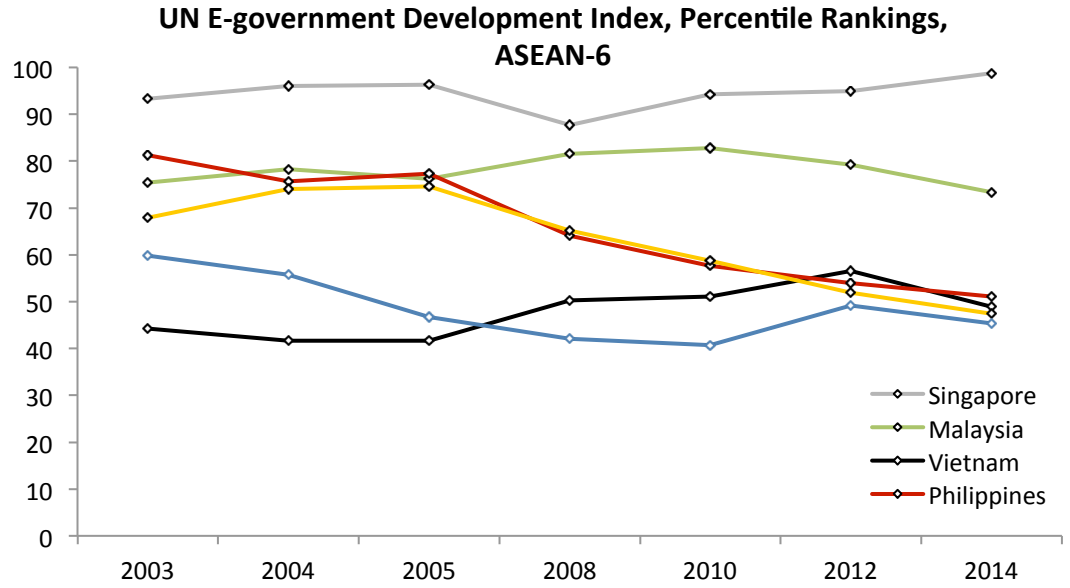
UN E-Government Development Index, 2003-2012, Five ASEAN economies

	2003	2004	2005	2008	2010	2012	2014
N	191	191	191	192	189	190	193
Indonesia	40	85	96	109	106	97	106
Malaysia	35	42	43	32	34	40	52
Philippines	7	47	41	78	66	88	95
Singapore	8	8	7	23	11	10	3
Thailand	50	50	46	76	64	92	102
Vietnam	98	112	105	90	91	83	99

Source: UN E-Government Surveys

[3] Asia-Pacific Social Media Infographics, Burson-Marstellar.

[4] Methodology. The E-Government Development Index is published by the United Nations Public Administration Network annually since 2003 and biannually since 2008. It is a composite indicator measuring the willingness and capacity of national administrations to use information and communication technology to deliver public services.

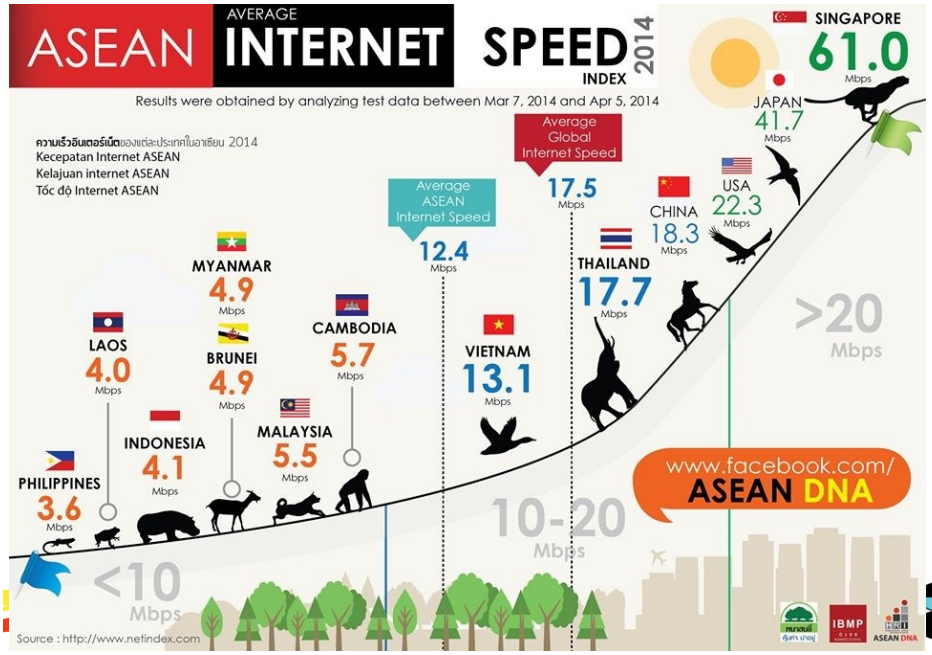


Sources: UN E-Government Survey and authors' calculations

In the 2014 World Competitiveness Yearbook of the IMD the Philippines fell two places from 38th in 2013 to 42nd of 60 countries ranked. The Philippines was low-ranked among 13 Asia Pacific economies included in the survey. Of 20 factors rated in the survey's Competitiveness Landscape, the five lowest for the Philippine ranking were: International Trade 55, Productivity and Efficiency 55, Basic Infrastructure 56, Scientific Infrastructure 58, and Education 57, all near the bottom position of the 59 countries covered in the Yearbook. All five factors can be improved through programs that would be prioritized by a DICT.

2c. The DICT can accelerate modernization and inclusiveness of the nationwide communications infrastructure by leading programs to build an inclusive broadband network connecting all parts of the country to the digital economy. The most progressive countries in the global digital economy have placed high priority on the development of broadband infrastructure. The Republic of **Korea** is well-known for having the best high-speed network in the world. **Australia** has a budget of A$2.7 billion to modernize its broadband. The **United States** has the goal of providing high-speed wireless service to 98% of all Americans by 2016. Demand for mobile data in the US is now doubling roughly every year.

Smartphones use 30 times more data than the feature phones they replace. The first generation of Apple and Google, and Facebook are now in use in the Philippines. Who is in charge of assuring adequate spectrum for the next generation? Broadband speeds are currently much too slow and expensive. **The Philippines cannot create an inclusive digital economy for its citizens without faster, more extensive, and more inclusive broadband connectivity.** (see below DOST/ICTO chart on internet speed)



2d. A DICT can increase awareness of the threat of cyberattacks and enhance national digital security. A spokesman for Facebook said the Facebook thwarts 600,000 attempts each day to hack into user accounts. Indonesian Minister of Communications and Information Technology Tifatul Sembiring said there were 1.5 million attacks daily on websites in his country in 2011.

Chinese hackers are believed to attack American computer systems daily looking for defense and business secrets. An excerpt from a press report by a senior correspondent of the New York Times underlines the seriousness of the cybersecurity challenge.

"In March (2012), the White House invited all the members of the Senate to a classified simulation simulation…demonstrating what might happen if a dedicated hacker - or an enemy state - decided to turn off the lights in New York City. In the simulation, a worker for the power company clicked on what he thought was an e-mail from a friend; that "spear phishing" attack started a cascade of calamities in which the cyber-invader made his way into the computer systems that run New York's electrical grid. The city was plunged into darkness; no one could find the problem, much less fix it. Chaos, and deaths followed.[5]

Are our energy, banking, defense, telecommunication, and other critical economic sectors secure from an attack by a sophisticated hostile state?

2e. A DICT can encourage implementations of digital economy programs for national development. A brief enumeration of potential projects includes:

--modernized broadband and wireless communications;
--distance education connecting far-flung schools to the nation and globe;
--disaster and climate change warnings;
--telemedicine in support of universal health care;
--precision farming giving the agricultural sector real-time support;
--combating cybercrime, a weakness in our information systems;
--strengthening and securing the bureaucracy's ICT system;
--safeguarding data privacy; and

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5 David Sanger, "U.S. weighs cyberwarfare policy" International Herald Tribune, June 4, 2012

--enabling MSMEs to be more efficient and to focus on core business.

3. **The DICT Act will assure that permanent priority is given to enabling the Philippine digital economy.** The previous and current administrative structures – the Information Technology and eCommerce Council (ITECC), the Commission on Information and Communications Technology (CICT), and DOST/Information and Communication Technology Office (ICTO) - were created by three presidents using administrative and executive orders. The DICT Act will be difficult for a future administration to change as the consent of the Congress will be required. Thus the creation of the DICT can become an important piece of the legacy of the Aquino Administration and positively benefit future generations of Filipinos.

We have heard **three arguments made against the DICT** (1) that another department will require a larger budget, (2) that there are already enough departments, and (3) the purpose of the DITC is to promote investment in the BPO sector, which DTI has and can continue to do adequately.

1. The DICT will bring together and focus disparate agencies and units with ICT-related mandates that are already budgeted without adding another layer to the bureaucracy. It will absorb the functions of the Information and Communications Technology Office, the National Computer Center, the Telecommunications Office, and units of the DOTC dealing with communications. The DOTC will be renamed the Department of Transportation. The Philippine Postal Corporation and the National Telecommunications Commission will become agencies attached to the DITC for coordination. All of these agencies are currently budgeted. The DICT Act combines them for administrative efficiency but is not expected to require additional appropriations.

2. We do not know whether there are enough departments, but we do know a DICT is badly needed.

There is hardly a part of society and the economy that is not touched by ICT, either directly or indirectly. ICT is cross-cutting and an enabling tool. It is as critical a form of infrastructure as electricity (DOE), public works (DPWH), transportation (DOTC), and water, for which a new agency has been recommended.

3. The argument that the purpose of the DITC is to promote investment in the BPO sector misses the huge range of the potential of the digital economy for the Philippines. The DITC will have a mandate to advance the entire Philippines more rapidly into the modern and efficient world of communications using the Internet and computers. Section 2 of the Senate bill "Statement of Policy" eloquently describes 16 functions of the DICT. While development of the ICT-enabled services sector is one of the functions, the lengthy list of other important policy functions belies the foregoing argument. The DTI has been promoting the fast-growing BPO sector very professionally and should continue to do so in coordination with a DITC.[6]

Technology and innovation are the engines of growth, and a DICT can bridge the huge digital divide in this country. Absence of a DICT will continue to hamper national competitiveness and growth.

For the reasons cited above, we strongly and support the enactment of the DICT Act in the 16th Congress.

Attachment:

1. List of Asia Pacific government ICT agencies.

[6] The BPO sector contributed 4.7% of GDP in 2011 with a workforce of 525,000 and generated 1.3 million indirect jobs. Growing above 20% a year, the sector is expected to employ 1.3 million Filipinos by 2016 with revenues of $25 billion and 8.6% of GDP.