



World Bank

Supporting Digital Transformation

MPTC-Digital Government Policy Workshop

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Digital is a key driver of economic development in East Asia & Pacific

Digital economy in East Asia

- Southeast Asia's internet economy is set to double to \$363 billion by 2025. Bigger than previous forecast of \$300 billion.
- E-commerce, travel, media, transport and food are driving the region's digital growth. Online spending rising 49% in 2021 to \$174 billion.
- Online shopping is predicted to reach \$234 billion in 2025.



Jobs

- With services being a main driver of job creation, countries in EAP are eager to tap into a services-led growth model with digital underpinnings.
- Digital infrastructure, skills and human capacity, gender equity, and policies fostering firm formalization, can help ensure that employment growth is sustainable and inclusive.

Shift to service economy

- Opportunities exist for many EAP countries to switch manufacturing to value-added services industries through domestic and intern. digital business models, including in Indonesia, Malaysia, Philippines, and Vietnam.
- Risks exist and need to be mitigated, though, including supply chain dependency / disruption, platform monopolies ("winner takes all"), and cyber risks.

Economic diversification

- The past few decades have seen a shift of employment, output, and trade shares from agriculture and manufacturing toward services industries – the "servicefication" of the economy through "global value chains" (GVC).
- This trend is seeing a new and powerful dimension added to it through the digitization of the economy. Understanding the opportunities early-on can open up opportunities for diversification and growth.

The WB digital agenda has evolved accordingly to include a focus on new technologies, new policy issues and the integration of digital into sustainability

Today, of the world's 10 largest companies by market capitalization, **six are technology companies.**



Digital economy is expected to reach **25%** of the world's GDP in less than a decade.

In 2016, the global Digital Economy was worth **\$11.5 trillion**, **15.5%** of the world's GDP.



90% of all digital data has been created in the last 2 years.

Big Data

38% of CIOs stated that big data analytics were their top 2020 IT initiative.

Industry 4.0

The global market of Industry 4.0 is expected to surpass **300 bln.** By 2023

IoT

40 bln. internet-connected devices will accompany 5 billion internet users by 2025.

Cloud Computing

Around **50%** of all corporate data is stored in the cloud as of 2020

Artificial Intelligence

AI has the potential to deliver additional global economic activity of around **\$13 trln.** by 2030

Gig Economy

By 2025, online talent platforms could increase worldwide employment by 72 million full-time-equivalent positions

East Asia & Pacific context

- East Asia and Pacific economies are at very diverse stages of (digital) development, but all governments are increasingly pursuing this agenda, particularly in light of the pandemic
- **Digitalization of Government services** is gaining prominence on the agenda
- *Pacific Islands subregion*: improving connectivity, generally low digital adoption and awareness, weak legal protections
- *Lower income ASEAN*: emerging e-commerce, digital financial services, rural digital divide, variable legal protections
- *Middle income ASEAN*: digital becoming a centrepiece of medium term development strategies
- World Bank Group actively engaged on digital development, including investment, throughout the region



The Digital Economy in Southeast Asia

Strengthening the Foundations for Future Growth



WITH SUPPORT FROM:



An initial WB regional study launched in 2019 highlighted how Southeast Asia's digital economy has been expanding rapidly on the back of improved connectivity and can accelerate if the following key constraints can be addressed by the region's policymakers.

Connectivity

- Affordable broadband internet access is a prerequisite and a physical underpinning to the digital economy

Payments

- Access to safe and secure digital payment services provide the opportunity to engage in electronic transactions either as consumers or entrepreneurs, domestically or overseas

Digital skills

- In a digitally-driven economy, skills needs range from basic digital and data literacy, to specialized skills to harness the productivity benefits of digital innovation.

Logistics

- The expansion of the digital economy highlights the importance of a developed and cost-effective logistics sector given the higher demand for delivery of goods, especially at low values, both within and across borders.

Digital policy and regulation

- Cross cutting policies and regulations shape the digital economy, including those which relate to: cross-border data flows, data privacy, cybersecurity, consumer protection, electronic transactions and e-commerce laws and taxation.



Digital Development Programs in East Asia & Pacific

- Areas of focus: digital foundations (connectivity, data, enabling environment, cybersecurity, skills)
- Mongolia Smart Government I; II under preparation
- Indonesia Digital Identification Project
- Philippines Digital Transformation
 - Projects envisage potential investments in digital infrastructure and support for digital economy enabling policy reforms
- Pacific Regional Connectivity Projects
- Digital Economy/Govt advisory in Vietnam, Lao PDR
- Collaboration with other development partners





Digital Foundations

Connectivity

- Submarine cables
- Middle and last connectivity
- Usage and demand side stimulation
- Affordability
- Coverage, inclusion and quality

Data Infrastructure

- Cloud and data centers
- Data analytics and processing
- Digital platforms and digitization
- Digital literacy and skills

Climate change and resilience

- Digital solutions for mitigation
- Adaptation and economic resilience
- Disaster response

Regulation and enabling environment

- Competition
- Cybersecurity
- Data protection
- Institutional capacity building
- Environmental protection

Private sector

- Improving the investment climate
- Innovative business models
- Mobilizing private sector investment

Driving Digital Transformation

- Deeper integration of digital into government
- Productivity growth through digital technologies
- Greater inclusion through digital



Current WB Projects in East Asia & Pacific focus on connectivity, data infrastructure, regulation, resilience and sustainability, digital government, digital ID



	\$m	Connectivity	Data infrastructure	Regulation, market reform	Digital government	Digital safeguards	Digital ID	Resilience and sustainability
Samoa Connectivity	17.5	✓	✓	✓		✓	✓	✓
Tonga Digital Government	4.6		✓		✓		✓	✓
Tuvalu Telecommunications	29.0		✓	✓				✓
Kiribati Connectivity	20.0	✓	✓	✓				✓
FSM Connectivity (Phase I)	63.7	✓	✓	✓				✓
Digital FSM (Phase II)	30.8	✓			✓	✓		✓
Digital RMI	37.5	✓		✓	✓	✓	✓	✓
Mongolia	19.4		✓	✓	✓	✓	✓	✓



Planned: Mongolia Smart Government II Project



- **Third project (US\$40 m) in a series of investments**
- **Focuses on digital transformation and sustainability**
- **Project scope**
 - Improved resilience to emergencies
 - Reduced GHG emissions from digital infrastructure
 - More useable and efficient public services to citizens and businesses
 - Support growth of digital economy → economic competitiveness and diversification
- **Objectives**
 - To improve the quality and efficiency of online public services to citizens and businesses, and to increase digital skills and digital-enabled jobs.

Project components

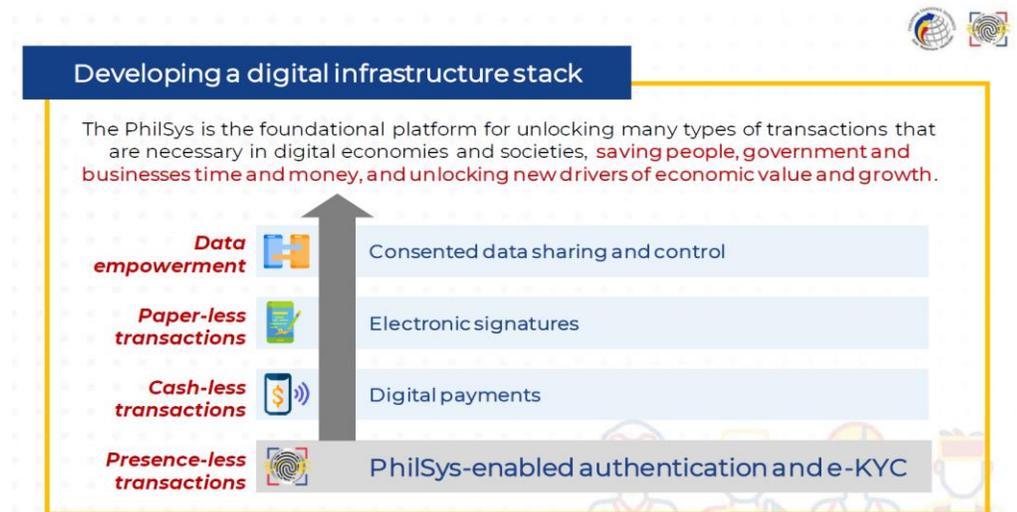
1. Enabling environment for digital
2. Digital government
3. Digital economy



Planned: Philippines Digital Transformation



- **Policy and Regulatory Reforms** (creating a trustworthy enabling environment)
 - Telecommunications market liberalization
 - Data regulation (data governance framework, safeguards for data privacy and protection, ...)
 - Legal foundations for digital transactions (e-signature; e-payment;etc)
- **Digital infrastructure**
 - Fiber Networks in underserved/unserved areas
 - Expanding Cloud capacity and services
 - Greening data infrastructure
 - Cybersecurity in Critical Infrastructure
- **Digital Transformation for SMEs**
 - Digitalization of SMEs and Private sector Development





Strengthening **legal identity systems** and introducing **digital identity** to facilitate more inclusive, efficient, and digitalized service delivery

- Reducing geographic barriers for accessing services
- Unlocking innovation for digital government and private sector services
- Promoting trust in digital economy



Component 1

Increasing civil registration and national ID coverage



Component 2

Enhancing IT and building digital ID and e-KYC



Component 3

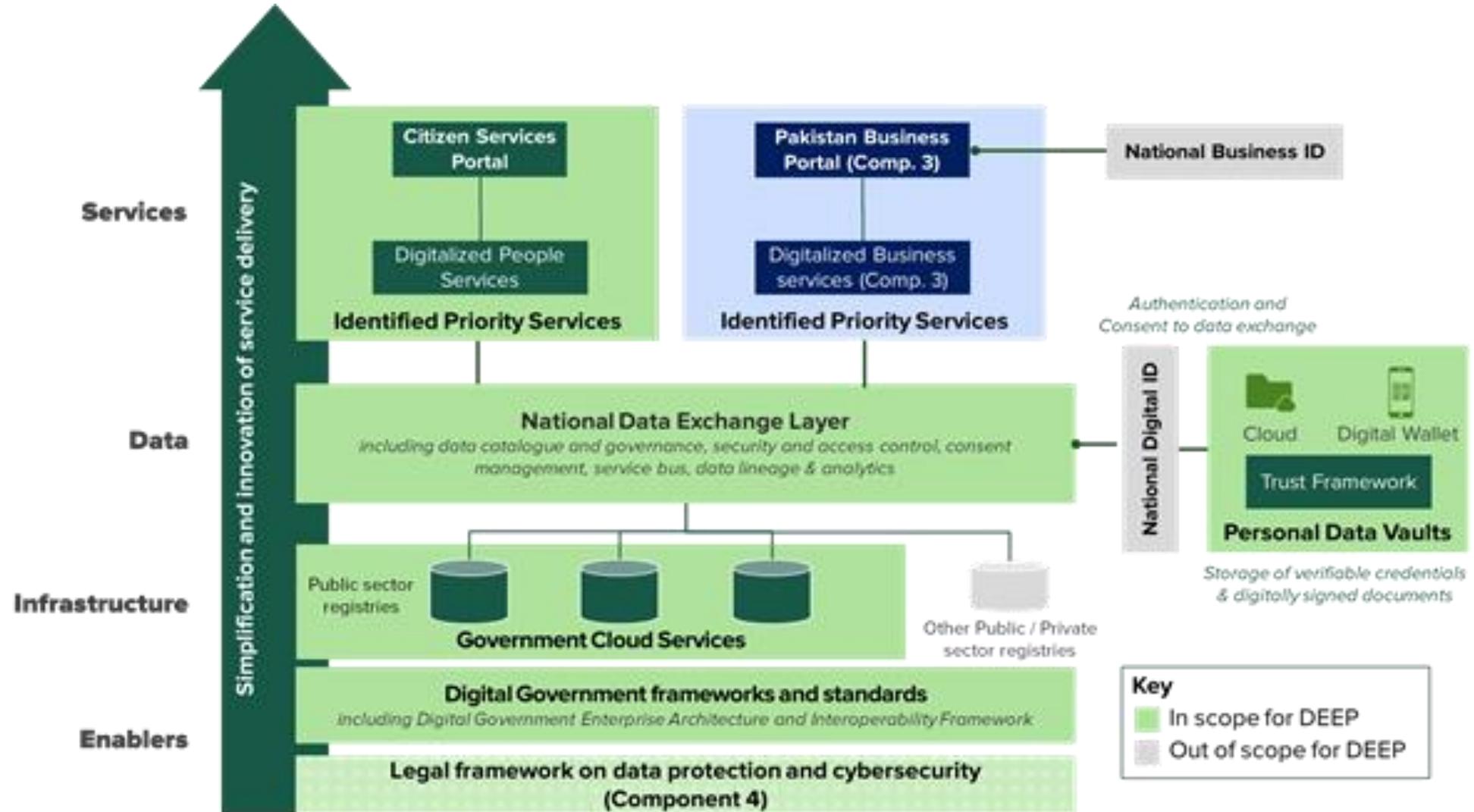
Strengthening institutional frameworks and capacity



Component 4

Strengthening utilization and protection of data

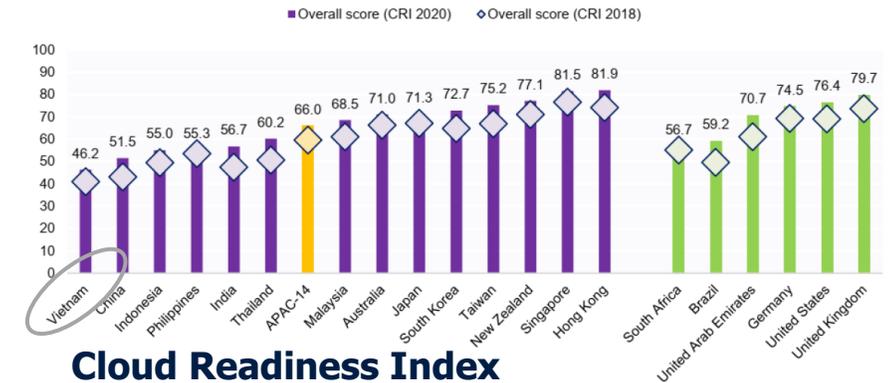
Planned: Pakistan Digital Economy Enhancement-Digital Government Component



Ongoing: Digital Vietnam Technical Assistance



- Accelerating digitalization of the economy: key priority for the government.
- But...Vietnam currently underperforms in several foundational pillars of the digital economy.
- TA:
 - Focus on overall digital strategy for the country
 - Identifying key investment priorities in digital
 - Data infrastructure
 - Regulation and governance
 - Digitalization of firms
 - Digital skills



Cloud Readiness Index (CRI)

TA Themes



Data infrastructure to support the digital economy



Enabling environment for digital transformation



Data driven government

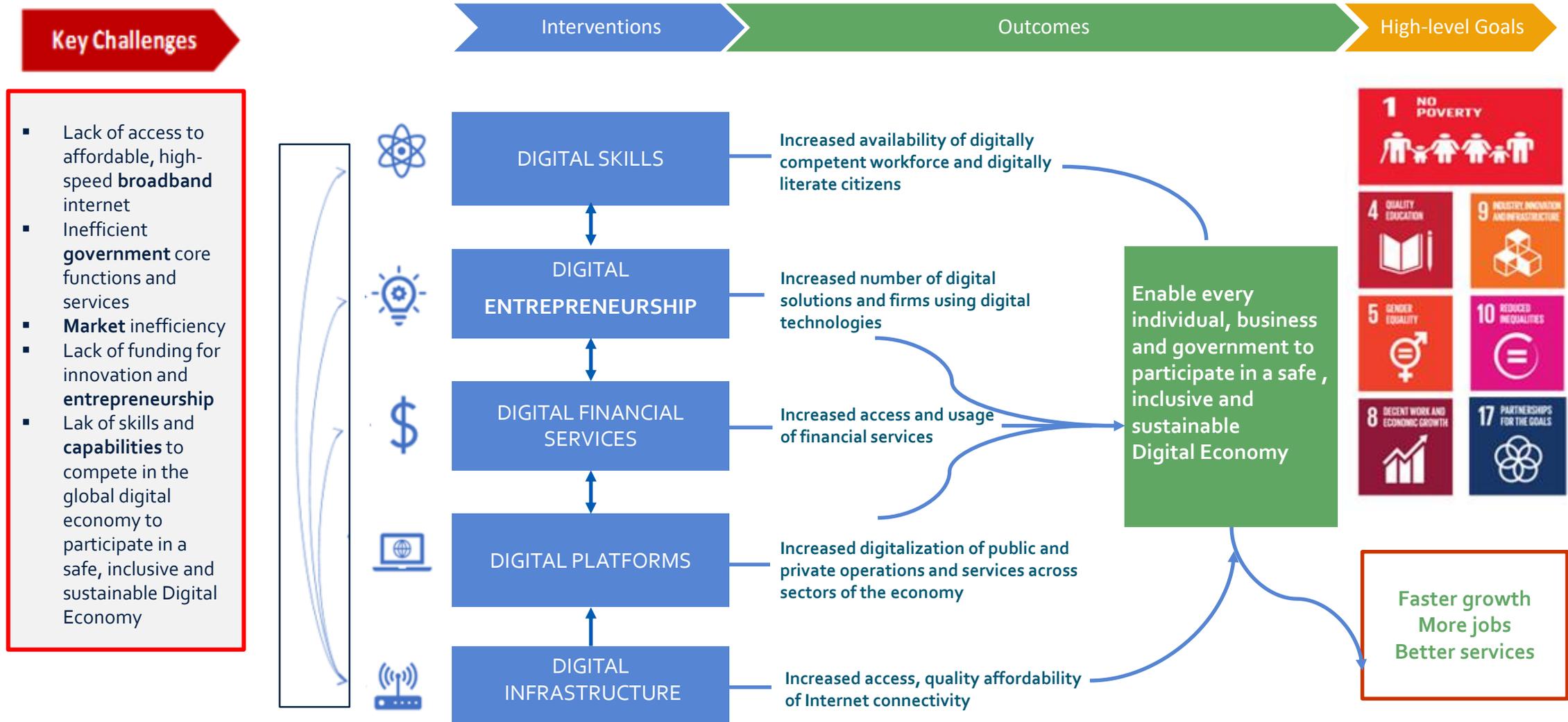


Digital skills and capabilities



Digital innovation and technology adoption

Enabling Digital Economy through Digital Transformation: *from Concept to Implementation*



This is reflected in the WBG approach to digital development – an ecosystem built on strong foundations

Alignment with high-level development goals



WBG's Two Goals

UN's Sustainable Development Goals

and WBG priorities



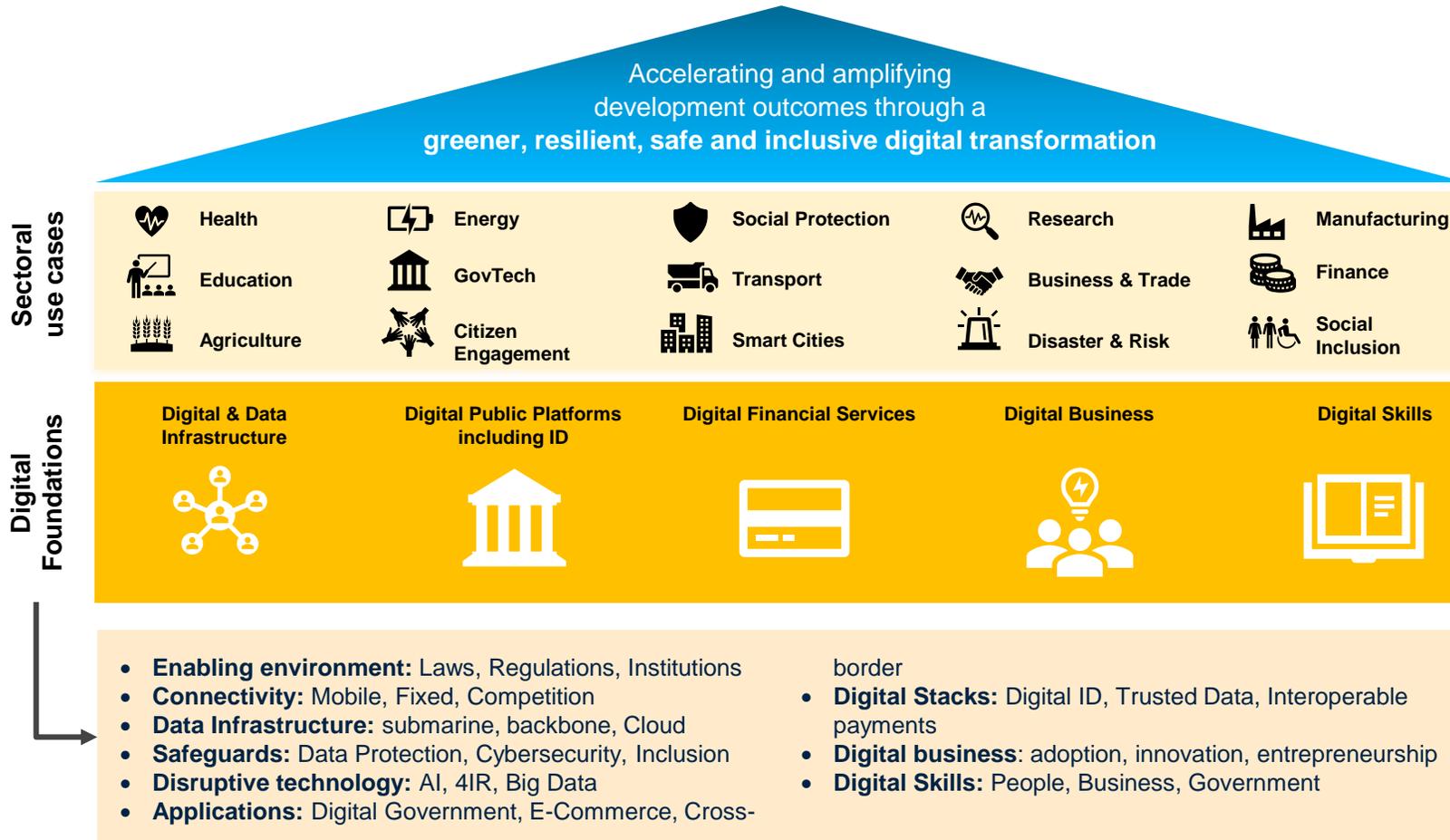
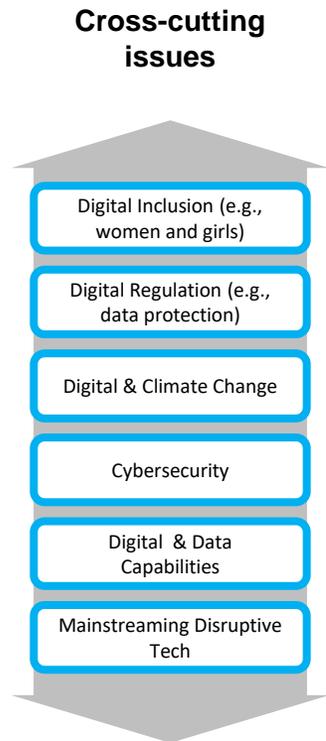
IDA19 & IDA20 commitments

FCV strategy

Gender strategy

PCM Approach

Climate Change Action Plan



Strong collaboration with IFC and MIGA



Thank you

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