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# **Sector sessions**

## ***ICT / Telecommunications***

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# Overview

- ❑ ICT and development: economics
- ❑ Imports of telecommunication services (mode 3 imports)
- ❑ Exports of IT enabled services (mode 1 exports)

# ICT and development

- ❑ ICTs lead to faster growth and better performance at firm and household level.
- ❑ Enable better sharing of information, reduction of transaction costs, increased flexibility and new supply options (e.g. farmers and agriculture prices, or JIT management).
- ❑ Micro and Macro evidence on ICT and growth xxx

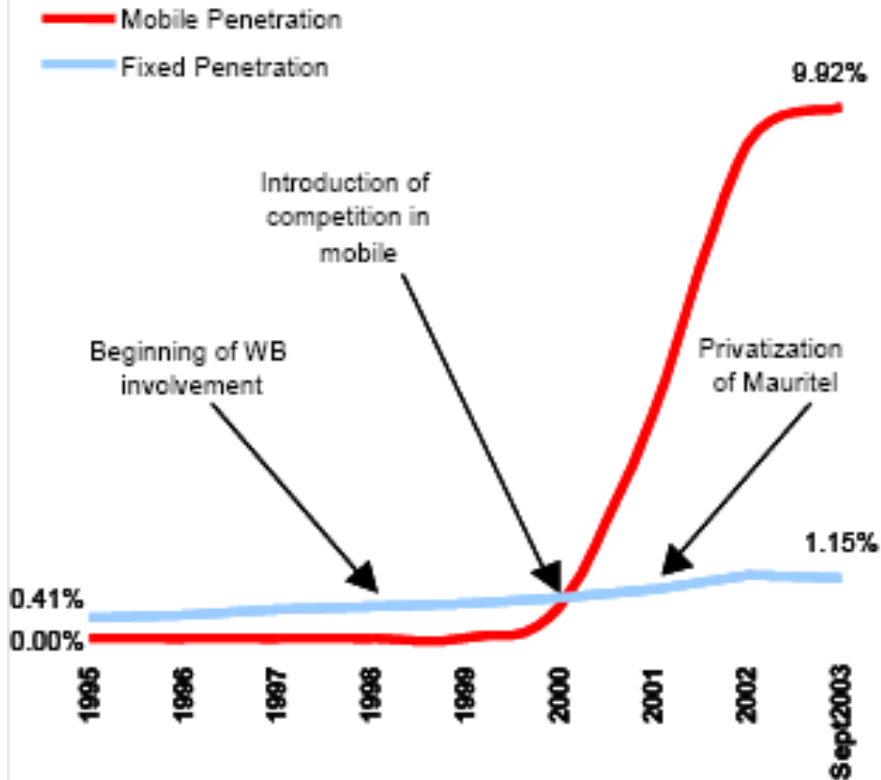
# Telecommunication services

Regulatory reform involves:

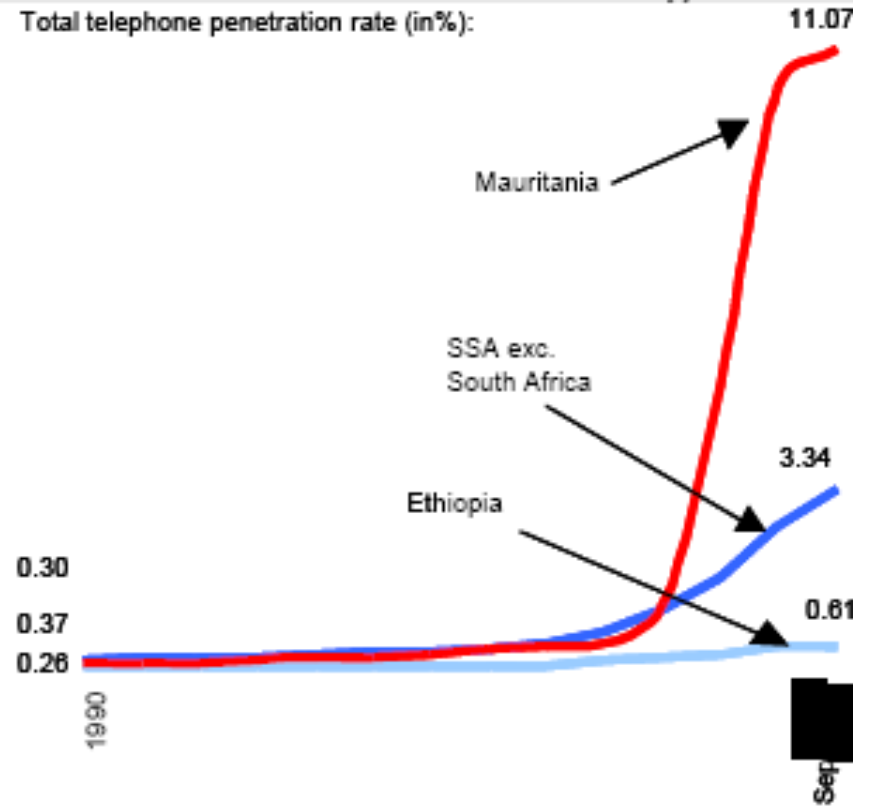
- ❑ Market liberalisation (e.g. pricing) and competition (Africa lags behind in some segments);
- ❑ Private sector participation (has picked up world wide – USD 80bn over 1990-2006 in terms of privatisation revenues)
- ❑ Introducing effective regulation (depends on a good regulator)
- ❑ Trade liberalisation : many successful cases (ITU)

# Benefits of regulatory reform

## The Rewards of Liberalization



## Ethiopia vis-à-vis Mauritania, The Cost of Not Reforming

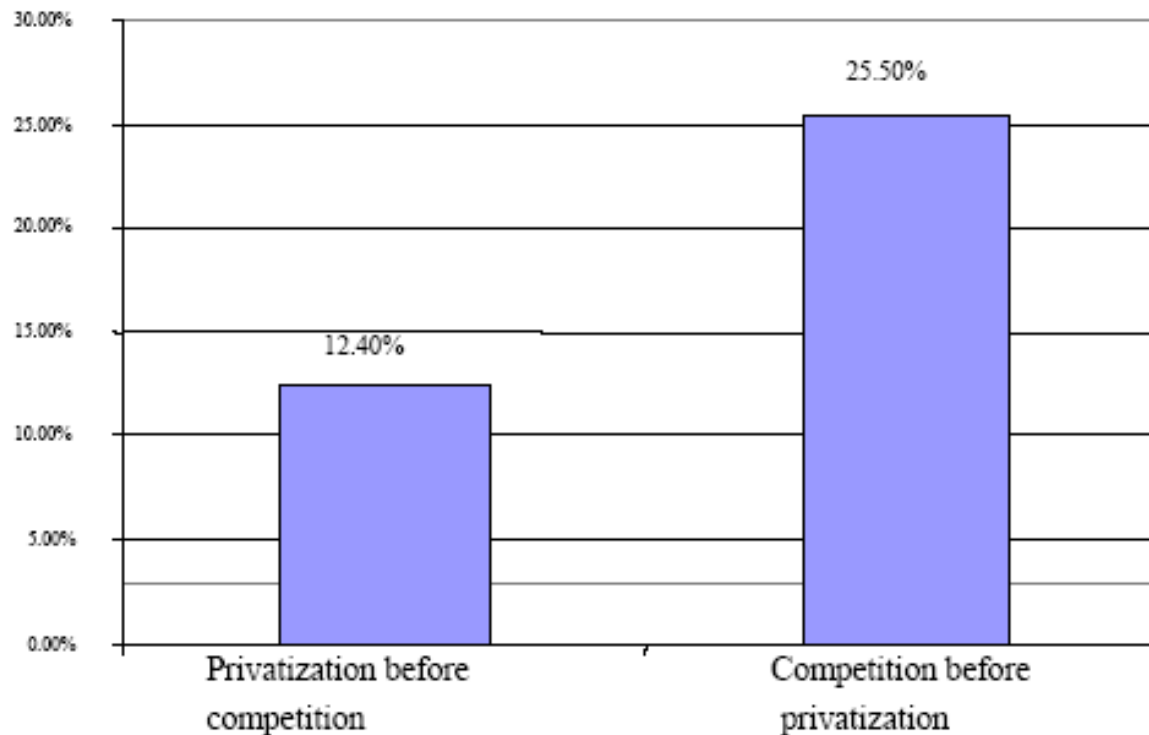


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# Benefits of trade liberalisation: role of complementary policies

- ❑ Trade liberalisation is more beneficial in the presence of complementary competition policy
  - Chile and Brazil privatisation to several foreign firms led to large improvements in the spread of ICTs,
  - In Argentina, privatisation to a single foreign firm more or less continued a situation of limited competition, and thus had less dramatic effects on the spread of ICTs.
  
- ❑ While regulation could be used to enforce access to less profitable, rural areas, a more efficient way of ensuring coverage in such areas is by providing output-based subsidies, e.g. as in Peru.

# Privatisation and competition policy: sequencing



**Cited in Hoekman and Mattoo (2008) – 86 developing countries 85-99**

# IT enabled services

- ❑ An efficient ICT sector opens up new export frontiers for developing countries.
  - Call centres and software developers from India most obvious but wide range of sectors including legal services, financial services and health services.
  - Offshoring has begun to bring large benefits to those developing countries that have good ICT frameworks, ICT associations and good quality skills.
  - In India, IT-enabled services (USD 9.5 bn in 2007) are responsible for a third of total services exports. Valued added in exports of services increased Indian GDP growth by 0.2 and 0.6 percentage points annually over the 1980s and 1990s. Poverty in Hyderabad decreased relatively fast.
  - The ITES sector in Mauritius is growing at 25% a year and employment at 7000 in 2007 tripled over 4 years.



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# IT enabled services *regulatory issues*

- ❑ Maintaining good access: reduce policy space in developed countries to engage in trade-distorting cross-border access regulation. Some US states banned offshoring to India; and the Antigua gambling case resulted in large losses in Caribbean.
- ❑ Data protection: risks of failure feared (e.g. in India) as 300 Indian IT-services companies have located to Singapore to pre-empt any adverse protectionist legislation



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## IT enabled services *complementary factors*

- ❑ Linking small service suppliers with key markets requires good marketing and links to key companies (e.g. St Lucia's St Helen's call centre), or overseas investment (e.g. India in key investor in UK);
- ❑ Appropriate skills; good and reliable telecommunications service. (E.g. Botswana: reservation tourism systems in South Africa, Barclays moved regional headquarters back to J'burg; Kenya provided some back-up services).

