

Video Conference Meeting with Bangladesh, Bhutan, India, Nepal, Pakistan, & Sri Lanka

March 10, 2010 (07:45 AM – 10:00 AM EST)

Background

Regional collaboration on ITES in the South Asia Region has the potential to keep costs down with economies of scale, leverage collective strengths, and create an enabling environment for private investment. The process in itself is rewarding such that it capitalizes on initiatives that have been undertaken by the private sector, is prioritized by public agencies, but has often been shackled in the SAR by geopolitical constraints. Collaborating on common elements of the value chain will expedite the growth of the ITES industry in a region previously partitioned, and has the potential to direct a policy framework that rewards regional collaboration.

The subject video-conference was designed to review the proposed [Concept Note](#) on Regional Collaboration in ITES, which was derived from the ideas and needs expressed by client countries in the SAR during our previous stakeholder consultation Video Conferences. The core objectives of this regional initiative are to develop knowledge partnerships, transfer best practices, enhance training and employment, promote business and industry enabling policies, and incentivize collaborative behavior in the ITES industry. Both private and public sector participants shared their collective program priorities, industry practices and lessons learned. The “Community of Practice (CoP)” proved to be successful in setting regional priorities, addressing common concerns, proposing win-win solutions, and owning the process. This dialogue will be taken further on the [Wiki](#), which will be the common discussion platform to debate, refine and determine project-level activities.

The Community of Practice

The CoP responded to the Concept Note and the discussion questions to develop programmatic aspects of the proposed Regional Collaboration on ITES in South Asia.

Q1) How can ITES become a catalyst for regional cooperation and growth, particularly for underserved regions and segments of the population?

Accomplishing the aforementioned objectives of a regional initiative in the SAR is contingent upon successfully developing and implementing a **roadmap** of prioritized and time-bound activities focusing on synergies within the SAR. These activities will be designed to incentivize collaborative behavior by building on competitive business strategies within the ITES industry. Namely, the initiative will focus on areas within the ITES value chain which offer win-win collaborative solutions; such as common training and assessment standards, joint promotion, shared infrastructure and a policy framework which allows for the pursuit of regional business opportunities. Additionally, client countries will be offered the tools to highlight niche segments and areas of growth in the ITES industry. These strategies will be designed for a global competitive market that is supply constrained, whereby experiences from more established countries within the SAR can lead the way in implementation while reducing the fear of “cannibalization” of the market. The World Bank will act as a facilitator in developing strategies that are unique to the region, and will incorporate lessons from other regions to accelerate the process.

There is tremendous potential for using ITES as a platform for regional cooperation and growth. Progress through collaboration will bring forth economic development, prosperity, and sustainability. The initiative is as timely as it has immense potential for promoting ITES development in the region, especially for smaller countries such as Bhutan, which are in their nascent stages of the developing their ITES industry. The initiative is also able to support complementary activities by development partners active in the region to increase the footprint of expected benefits such as the Asian Development Bank’s work on connecting the region with a

fiber-optic backbone. It should also be noted that ongoing and proposed World Bank projects in SAR PSD, or are related to ITES industry development, were fully incorporated in the design of this regional initiative.

A clear message from this ongoing dialogue is that building a common knowledge platform through knowledge partnerships can accommodate inclusive growth in all SAR countries, whether nascent or established. There was consensus amongst the stakeholders present on the need to prioritize standardization in training, accreditation and assessment in academic centers within the region. This combined with a favorable policy framework will allow for increased labor mobility and cross border investment in ITES. An example of how this can help even established countries within the region is India's lapse in achieving inclusive growth through ITES. ITES' contribution to export growth and job creation in India is sizeable, however, a large portion of the domestic population has hitherto not benefited in proportion to this growth and prosperity due to its concentration in primarily urban areas. Nevertheless, ITES has proven to be a tool that can enable poverty alleviation efforts for the rural populations in the SAR that need it the most, an initiative exemplified in case studies on rural BPOs from Sri Lanka, Bangladesh, and India. This is an opportunity to engage in activities of corporate social responsibility that are integral to a business venture's strategy, a stronger motivator than philanthropic arguments, with resource sharing partnerships across borders involving both government and private stakeholders.

Needs and Resource Assessment

Standardized training, accreditation, and assessment

Enabling policies built on "lessons learned"

Niche segment development targeting unique areas of growth

Shared infrastructure

Q2) What are the 3 top priority market responsive areas of collaboration we should forge in the proposed regional initiative?

Countries in the SAR are at different stages of development in their ITES industry, but a common thread amongst them is a need and desire to **develop local skill sets and standardize industry training** within the region. The growth of the industry, even in niche segments, will increase labor mobility and develop human resources within the region; increasingly to the advantage of women and youth who provide for inclusive and sustainable job creation. The training, accreditation and assessment standards that have already been accepted in foreign markets can be adapted to service the region and be more competitive in the global market. There was mutual stakeholder recognition that standardized curricula are beneficial to marketing and enhancing the quality of services needed to target export markets.

Sharing of academic knowledge bases and infrastructure prevents duplication of projects, stretching of scarce resources, and reduces the cost and time to delivery these services. Moreover, common policies, models and procedures would ease the SAR into a regional brand that would position it as the region of choice in the global market. Collaboration in these activities is two-fold: by determining the proper training and educational standards for the region each country is then subsequently able to identify niche growth segments, building on the core competencies previously identified. Addressing issues of **security and data protection**; of networks, data centers, and information, was cited as a priority avenue for cooperation. This is a strong motivator if linked to the proper training and accreditation as well as an agreement on globally accepted standards; it directly addresses problems that may arise from increased cross border investments in ITES.

Regional collaboration at a bi-lateral level in the SAR occurs within the private sector, and even at some level in the ITES industry. However, the challenge ahead is to shift towards a model based on multi-lateral arrangements; initial efforts can be directed towards deepening existing bi-lateral ties and developing new bi lateral initiatives. Stakeholders recognize that for a regional initiative to be market responsive it cannot be

justified on public/social good alone. Government incentives and provision of public good elements are crucial to the growth of the industry. The World Bank may be well positioned to provide the seed funding for such interventions. Furthermore, the **CoP** discussed the benefits of having a Regional Venture Fund (RVF). Issues considered included; the objectives, design, and contours of such a fund and also the institutional arrangements required in managing such a fund and championing the cause of regional collaboration. The inputs received will inform the final concept note for the proposed regional project.

Q3) How can the project components be refined - i.e. SAR ITES venture fund, Policy imperatives and institutional capacity building?

It was recognized that existing country programs to develop the ICT sector, such as those under the World Bank funded e-Sri Lanka initiative are material to understanding the ITES industry and how regional initiatives can be adapted to address its needs. One example given is the **ICT Capacity Building Fund (ICBF)** for Sri Lanka which has three major focus areas in capacity development: human resource development, creating an enabling environment, and industry promotion and development. In refining these components by building on SAR country experiences such as the ICBF, stakeholders stressed that institutional capacity building must be viewed as on-going, bridging all levels of the value chain. It must also extend beyond cost sharing and address quality and delivery of services. One recommended approach is a partnership among academic institutions on developing regional studies and strategies; providing an opportunity for students to be involved early in the SAR ITES collaboration efforts. Further, the proposed venture fund can be enhanced through a focus on ICT business incubation and a strong link to academia.

Furthermore, e-governance has been prioritized by most governments in the region, but the design and implementation so far has been challenging. E-Gov initiatives provide a great opportunity for outsourcing and thereby developing the local ITES industry in the process; PPP arrangements for public service delivery are an example of how this can be successful. Government is also a major user of ICT services and a captive client for the ITES industry in most developing countries including South Asia. Region stakeholders also recognize that e-infrastructure is needed to provide connectivity to inaccessible areas as a critical part of the interventions targeted towards alleviating poverty. There are lessons to be learned from neighboring countries with varying applications of infrastructure and poverty alleviation programs that can be replicated and adapted across the region.

Sub-Regional Projects & Lessons Learned

Promotional concepts such as Digital Bangladesh can be used as a pilot study in country branding efforts. Findings from a study cited from ITC Geneva 2007-08 on ITES in Bangladesh, using the value chain approach, showed:

- Initiative has to be private sector led;
- The benefits of ITES Regional cluster branding;
- The importance of thorough market research; and
- Talent development and capacity building should be prioritized.

The World Bank is currently involved with almost all SAR country's ICT initiatives. Sri Lanka has a mature and comprehensive program in place, India has one in the making, Bangladesh is developing its own Hi-Tech Park and Digital Bangladesh, Nepal and Pakistan have completed ITES Road Maps for their countries under Bank assistance and will be moving towards implementation assistance in the near future. These country specific initiatives will be complemented by the proposed regional project.

The proposed initiative must incentivize businesses to invest in regional projects. The industry should seek out success stories which can be showcased to motivate new collaborative efforts. The Royal Government of Bhutan is a prime example of the benefits a country can derive from bi-lateral cooperation, which has created the basic building blocks and enablers for a nascent ITES industry in this small landlocked country. The Indian government, NASSCOM and its prominent member companies, and the GoSL among others have played a pivotal role in Bhutan's short journey in ITES development. NASSCOM held its 2008 annual executive council retreat in Thimphu, Bhutan. The retreat attracted 20 leading CEOs of global IT companies to visit Bhutan. The visit opened up new opportunities for the country, including:

- Infosys offered to train 100 Bhutanese nationals in BPO and infrastructure services which paved the way for leading BPO companies such as GenTech to sign an MOU with the Royal Government to begin to train individuals in BPO services for the IT Park.
- Many CEOs expressed interest in Bhutan as a potential BPO and Data Center.
- ADB Regional Internet Exchange was received as a good growth strategy for cooperation.

This experience can be replicated by other countries and expanded to a multi-country collaboration.

Learning Points

Promotion of IT in developing countries is essential in progressing in education, health care and governance programs. One of the reasons for advancing collaboration has been to mitigate conflict is by having powerful commercial imperatives bridge physical borders. Grass root organizations that operate at the rural BPO end can help with inclusiveness at the bottom of the pyramid, developing ownership and empowering stakeholders; which can mitigate conflict.

Smaller nations expressed concern that knowledge from natural monopolies may not necessarily be helpful for collaboration between countries which are not on an equal footing. These nations do not want to be treated as potential markets only, but are seeking access to larger markets as participants at all levels of the value chain. BRAC University from Bangladesh emphasized the need to develop stronger linkages between academia and the industry which can also contribute to developing more market driven curricula projects training programs for their emerging talent pool. Moreover, it was suggested that Bank initiated community service projects for students could be utilized in enhancing these linkages by reaching out to the portion of the population most significant to the ITES industry.

Finally, stakeholder coordination through any organizational body must not be an obstacle towards a timely and cost effective implementation of the project. Namely, the CoP recommended utilizing existing institutions such as the SAARC Chamber, developing a virtual platform with a stakeholder committee and rotating leadership roles, or a combination of both an existing physical institution and a virtual platform.

Next Steps

The World Bank team will share the program components and design internally to ensure full support within the Bank. Upon clarification of the budget and refinement of the project components, the design will be shared with the group and other Bank officials. Feedback will be solicited from all parties involved to assure that the design is responsive to the client and the private sector. As a first step towards this, lessons learned from experiences within the SAR as well as related Bank projects and analytical studies will be shared with the CoP to further guide the consultative process.