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Session II: Approaches to Digital Development Strategies

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Connectivity + Policy Complements → Digital Dividends

Recent WBG work has shown that digital development strategies need to be broader than mere ICT strategies. They need to target a number of key complements:

- Infrastructure that allows widespread connectivity
- Regulatory frameworks that promote competition and entry
- Skills that help workers leverage technology to become more productive
- Institutions that are accountable and capable

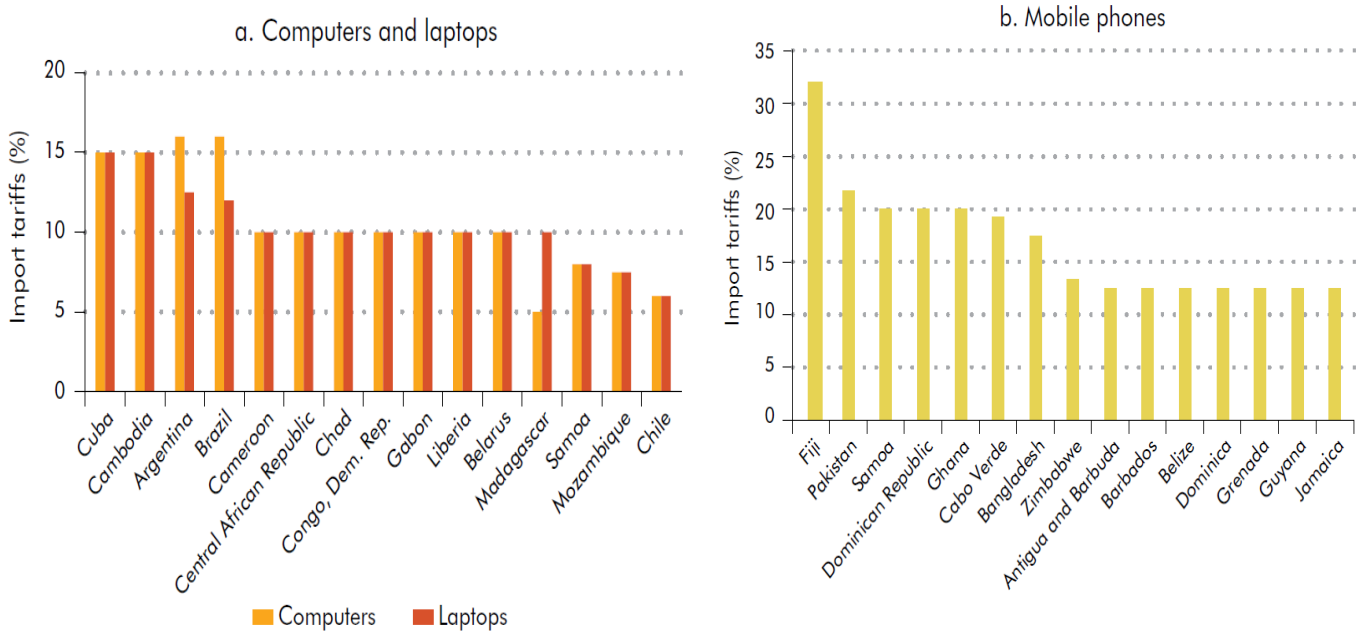
Digital technologies add two important dimensions:

- They amplify the impact of good (and bad) policies → Failure to reform means falling further behind
- While not a short-cut to development, they can be an accelerator by raising the quality of policy complements

Digital technologies hold benefits as well as risks, which trade policy alone cannot fully address or mitigate

A role for trade policy? Barriers to technology products can be removed, autonomously or via reciprocal negotiations (ITA) to promote productivity-enhancing ICT adoption and diffusion

Digital products are taxed as luxury goods in some countries



SOURCE: *WITS 2014*

What role for trade policy?

Reducing trade costs is usually a good place to start, and the ITA has done a good job at the border even as market access barriers remain of some significance in non-signatories. And NTMs remain challenging everywhere, alerting us to the challenge of tackling behind the border barriers in ICT-related goods and services markets.

Much remains to be done in better understanding, measuring and rank-ordering measures that raise trade costs in services and in proposing means of progressively reducing or eliminating them. For that, market access negotiations will be needed.

Should WTO Members contemplate a services complement to the ITA? Can they not delimit an EGA-type perimeter of ICT-related services to which differentiated liberalization formulas could be applied by mode of supply and development level?

GATS Article XIX offers a ready-made anchor though which to address many of the most commercially meaningful issues in digital governance to which credible development provisions, implementation modalities and Aid for Trade complements would need to be added.

The TFA precedent

The Trade Facilitation Agreement (TFA) could inspire efforts at embedding innovative development dimensions into any future WTO digital compact.

What did the TFA teach us?

- **That a negotiating mandate in the age of Aid for Trade triggers a very strong development finance response**. TF-related funding by the WBG alone stood at USD 400 million in 2004. It reached USD 7 billion last year, an 18-fold increase.
- **That not all countries are on the same implementation page**, and that some treaty provisions should kick in once capacity has been durably built. Implementation must thus be tied to credibly monitored metrics of e-readiness.
- **That the private sector needs to be crowded-in** if the scale of needed funding is to be realized. This is arguably easier in the digital realm given the sector's strong, private-sector led, vibrancy, resulting in TRTA and FDI multiplier effects.

Meanwhile, the e-enabling reform process is proceeding

A considerable amount of capacity strengthening is already occurring in developing countries, targeting both hard and soft elements of the e-enabling environment.

Development assistance acts as a key catalyst for private investment in connectivity, since large-scale infrastructure projects require the involvement of both the public and private sectors, including investments in infrastructure as well as reforms in the regulatory environment. Properly sequenced reforms and seed capital from official donors can help mobilize needed private capital.

Examples of recent WBG interventions:

- **Hardware:** the laying of an East Africa Submarine Cable System connecting the east coast of Africa (from South Africa to Sudan) to Asia and Western Europe through USD 664 million in PPP financing. These investments resulted in a 90% drop in wholesale capacity prices in East Africa, and enabled 12 million new internet users in Kenya alone. Similar approaches are underway in other parts of Africa, bringing together the public and private sectors in infrastructure investment while also supporting the regulatory reforms necessary for a competitive environment in ICT services.

- **Software**: Technical assistance for telecoms regulatory reforms in Myanmar resulting in a transparent licensing system for selected bidders/investors. USD 31.5 million of WBG technical assistance paved the way for over USD 1 billion of FDI in telecoms. Market opening led to a dramatic reduction in the price of SIM cards, from USD 300 in 2012 to USD 1.50 in 2015.

Examples of recent WBG e-enabling interventions: Comoros

In **the Comoros**, the WBG has been working with the Government on the fourth phase of the Regional Communications Infrastructure Program (RCIP-4), a US$22m program which runs from 2013-2018.

On the investment side, IDA contributed US$12m towards a regional cable running from the Comoros to Mayotte and eventually to Madagascar. The WBG is also contributing to further developing national connectivity with projects to support a campus network for the national university and links to all 69 mayoral offices on the islands, so as to strengthen e-governance.

On the business climate side, WBG support helped extricate the government from two earlier non-performing exclusive licenses (VocalPad and Twama Telecom), in developing a new Communications Law (passed on 25 Dec 2014) and facilitating the entry (through a competitive selection process) of a second licensee, Telma. It received a license in Dec 2015 and started offering services in Dec 2016. It has subsequently taken about a quarter of the voice market and greatly expanded the data market, bringing down prices.

Examples of recent WBG e-enabling interventions: Malawi

In **Malawi**, the WBG has worked on both business environment and connectivity issues:

On the investment side, the WBG used US$10m to pre-purchase internet capacity on behalf of the Government. This transaction bought a new player, SIMBAnet, in to the market. The Bank has subsequently invested in some 1’000 km of new fibre optic cable and introduced two new international routes for transit.

On the business climate side, WBG support focused on the passage of the 2016 Communications Act and of an e-Transactions Act.

Measuring the impact of reforms: headline numbers from Malawi

1. Costs

The cost of internet connectivity has been reduced by two-thirds over the last 2 years; the price of international capacity has dropped by 63% and internet wholesale prices by 90% since 2011.

2**. Connectivity**

Malawi has one of the best coverage rates with mobile communications networks covering more than 85% of the country. Telecommunications penetration rates have also risen significantly, from 2.63% to about 27% in the same period, largely due to an increase in the use of mobile phones.

Use of Internet by the population in Malawi improved from 0.07 percent in 2005 to 17 percent in 2011.

As of 2012, there was a total of 2,112 km of fiber optic cable in the country, concentrated in urban areas. Through various initiatives, the GoM has provided a total of 51 tele-centers that are currently operating in rural areas, providing access to ICT equipment and Internet services to the general public.

At the time of financial closure of the WBG project in 2013, the GoM had made savings in excess of US$ 100 Million on the provision of commodity internet and virtual private network services.

EXAMPLE OF IBRD – IFC WORK: RED COMPARTIDA

Red Compartida is a wholesale carrier neutral wireless open access network in Mexico.
Goal: to break market concentration, lower prices and improve broadband connectivity.

The project consists of the design, construction and operation of a nationwide independent wholesale mobile broadband network to provide IP connectivity services to mobile network operators, mobile virtual network operators and mobile services providers on behalf of the federal telecommunications agency for a period of 20 years, extendable for another 20 years. The project was awarded to a consortium as a result of an international tender process.

Role of the IBRD

IBRD was contracted by the regulatory policy unit of the telecommunications regulator of Mexico in the years preceding the launch of the tender process for a technical assistance project to conduct analysis on regulatory aspects of the reform to assure the independence of the wholesale network operation and to maximize population coverage.

Role of the IFC

IFC committed to an equity investment of US$25million and the AMC-managed China Mexico Fund committed to invest US$175 million, as part of the Consortium's total equity commitment of US$750 million. The Project investment is expected to exceed US$7 billion over the life of the project.

Yet evidence of domestic policy dissonance remains pervasive

The verticality of policy making, especially marked in services, means that various government agencies are often unaware or ill-informed of what is being done elsewhere.

This can create policy dissonance between capitals and Geneva. Absent (clear enough) instructions from capitals, Geneva often displays a marked preference for precaution and the preservation of the *status quo*.

Such dissonance in turn recalls the importance for key development agendas such as digital governance to be informed by economy-wide policy-making.

It also highlights the importance of directing Aid for Trade funding at strengthening the dual architecture of :

- inter-agency coordination and information sharing, and
- external stakeholder consultations better able (through effective public-private dialogue mechanisms) to reveal private sector needs, capacities and negotiating interests.

A final observation

Efforts directed at unilateral e-enabling reforms will of course continue – they typically define the norm in services markets.

But the question is whether a WTO negotiating anchor can help mobilize greater donor and private sector response all along the digital value chain, including in transport infrastructure and logistics, as we know all too well that “clicks need bricks and pavement”.

The TFA experience suggests that the answer to the above is strongly affirmative.

Thank you

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