



## PAGE 3: B. ABOUT YOU

**Q1: Respondent details**

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**Q2: Country or Customs territory**

- MULTILATERAL OR REGIONAL DEVELOPMENT BANK

**Q3: Organization**

Public sector

## PAGE 4: C. ABOUT YOUR CASE STORY

**Q4: Title of case story**

Towards E-Development in Asia and the Pacific

**Q5: Case story focus**

E-commerce development and efforts to bridge the "digital divide".

**Q6: Case story abstract**

This study aims to explore how ICT can be harnessed as an enabling tool to enhance the impact of ADB's overarching goal of reducing poverty in the Asia and Pacific region. The paper lays the groundwork for immediate thinking within DMCs and ADB on how to move quickly and credibly in developing ICT applications and promoting their extensive use. The strategic approach to ICT recognizes that ADB's financial and human resources are limited, thus its ICT development assistance must be selective, and encourage regional cooperation and networking to enhance local efforts at development and promote private sector participation in ICT development.

".... what is remarkable is the positive social impact of digital technology in the hands of the poor: new thinking is unleashed and new business models created that could be appropriate for poor countries, as entrepreneurial skills of the poor are stimulated and catalyzed "

**Q7: Who provided funding?**

Multilateral organization

**Q8: Project/Programme type**

Regional

**Q9: Your text case story**

One of the most persistent criticisms of open markets and free trade is that they increase the gap between developed and developing countries. The rapid emergence of the Internet economy is giving this argument new impetus. Many fear that the Internet will worsen the gap between rich and poor countries. The inequality debate has taken a new turn with an increasing focus on the digital divide, the gap between "information rich" and "information poor" countries.

Information and communication technology (ICT) is widely recognized as a potentially powerful tool in the fight against world poverty, with the capacity to provide developing countries with an unprecedented opportunity to meet vital development goals such as poverty reduction, basic health care, and education, far more effectively than before. Countries that succeed in harnessing the potential of ICT can look forward to greatly accelerating economic growth, dramatically improving human welfare, and fostering good governance practices.

The Asian Development Bank (ADB) recognizes that ICT is a powerful force in shaping the social and economic development of the Asia and Pacific region. ADB must help its developing member countries (DMCs) benefit from the new opportunities created by ICT.

DMCs should use gains from ICT to accelerate social and economic development, improve governance, and generally support the fight against poverty. This study explores how ICT can be harnessed to support ADB's poverty reduction strategy.

The countries that will succeed in bridging the digital divide by harnessing the potential of ICT can look forward to enhancing economic growth, and improving human welfare and good governance practices. The Asian Development Bank (ADB) is committed to helping bridge the growing digital divide and reap digital dividends within and across its developing member countries (DMCs), in line with the G8's Okinawa Charter on Global Information Society. Gains from ICT should be used in the DMCs to accelerate social and economic development, improve governance, and generally support the fight against poverty.

ICT is thought to impact economic growth in the same way as other major inventions, but evidence relating to ICT's impact on the economy, although accumulating rapidly, is still incomplete. ICT and the Internet provide the means for a sweeping reorganization of business, from on-line procurement of inputs to more decentralization and outsourcing, and can boost efficiency and productivity in manufacturing and the distribution sector. By increasing rapid access to information, ICT helps make markets work more efficiently, by allowing consumers to seek the lowest price, and firms to get quotes from more suppliers. It also reduces transaction costs and barriers to entry. Farmers can, for instance, get instant information on weather, prices and crop conditions in other regions. Manufacturers can track changes in demand more closely via direct links to electronic scanners in shops.

In developed countries, ICT and the Internet have helped globalize production and capital markets and speed up innovation by reducing the time for designing new products, through powerful computers that make it easier and cheaper to process large amounts of data. This is not generally the case for developing countries, where the cost of computers and telecommunications remain generally high, because of insufficient liberalization and deregulation of markets, and years of chronic underinvestment. The private sector can play a lead role in ICT development but remains sceptical about the profitability of ICT investment in rural areas, especially in least-developed countries. More progressive and innovative policies and a determined leadership are required to enable the full potential of ICT to work for the benefit of developing countries.

Without the enabling environment, many developing countries, especially the least developed ones, will account for a smaller fraction of the global digital economy, as the vast majority of economic activity related to ICT will continue to be concentrated in the industrialized world. Concerns for these disparities between industrialized and developing countries, especially with respect to people's access and use of telecommunications and the Internet (Figure), have started a worldwide debate about the existence of the digital divide and the dire consequences for poor countries if it is not addressed in time. The digital divide may serve to widen the economic divide between developed (advanced) and developing countries with possible repercussions for the future stability of the international community.

Many examples of successful ICT applications for development have been documented in governance, education, public health, and environmental and natural resource management. Some developing countries have been creating new ways to dramatically help the poor. For example, in India, one third of its software workers were tapped in programs aimed to eliminate poverty. The government of Andhra Pradesh, one of the less developed states of India, has pursued an aggressive strategy to promote the pervasive use of ICT, especially in modernizing governance systems through E-government over the last few years. Farmers in Bangladesh are using cellular phones to bypass intermediaries and get better prices for their products. In Jordan, a nongovernment organization (NGO) reported an increase in village wealth through use of solar energy and Internet facilities for health, education, and communication. In Shanghai, People's Republic of China, Project Hope created a paediatric hospital to bring high-technology solutions to thousands of health professionals, and in some countries in Africa, village artisans are using web sites to sell their wares in Paris. In Peru, more than 1,000 telecenters or *cabinas publicas* were successfully developed as instruments for E-commerce, creating jobs and small businesses, and teaching Internet access to people who have no telephone or computer.

The Asian Development Bank-supported Grameenphone Telecommunications Project<sup>1</sup> in Bangladesh proves that

connectivity results in increased productivity. This is one concrete example of a success story. Grameen Bank has microlending operations in 35,000 villages through 1,100 branches and 12,000 workers. Typically, a woman borrows \$100– \$200 without collateral from Grameen Bank to purchase a cow and produce milk. This process allows the poorest of the poor to stand on their feet. An enterprising Bangladeshi, when he approached the Grameen Bank, substituted a cellular phone as the object of business instead of a cow. A woman could borrow, say \$200 from the bank; purchase a handset; and sell telephone services by going door-to-door to villagers, thereby making a living and thus paying off her loan. In 2 years' time, he managed to establish a partnership called Grameen Phone Limited, and run a very successful commercial operation providing cellular services in both urban and rural Bangladesh. The average daily earning of \$2 by phone operators is an indication of the phone's utility. However, more interesting is the anecdotal evidence of how people living in villages with phones began thinking of doing things differently after the phones arrived, showing the multiplier effect of the technology. For example, one lady thought of raising a large number of chickens, a business she was afraid to pursue for fear of not being able to call a veterinarian on time if the chickens developed a disease. Another man reported his plan to cultivate bananas on a large scale, because he is now able to obtain market prices on time to make the correct shipping decisions. One woman contacted the doctor on time to save her child, who was running a high fever. The migrant workers throughout the world with roots in Bangladeshi villages can now call home to know how their families are doing, and if the money they are sending is indeed reaching its destination. This success story cites many examples, but what is remarkable is the positive social impact of this digital technology in the hands of the poor: new thinking is unleashed and new business models created that could be appropriate for poor countries, as entrepreneurial skills of the poor are stimulated and catalyzed (<http://www.grameenphone.com>).

These examples show how diverse and powerful ICT can be—enabling the most sophisticated access to information to very basic applications.

However, the digital opportunity can only be fully realized if developing country governments take enlightened and decisive action on ICT development.

#### ICT development in Asia and the Pacific

A preliminary comparative analysis of the ICT environment in some selected DMCs shows the great disparity in their ICT preparedness. Some countries have the necessary policies and legislative framework already in place, but very slow implementation progress; others have formulated their policies but are still awaiting adoption; some have IT or ICT plans that are not implemented. The following table shows an example of the E-business-readiness ranking of selected countries/areas in the Asia and Pacific region. Some have already reached a similar stage or have outpaced advanced countries, whereas others are lagging behind, mainly because of insufficient infrastructure.

In Asia, Singapore<sup>11</sup> is most advanced in ICT. Reports indicate that the full support and extensive preparations spearheaded by the Government of Singapore are paying off. Singapore is ranked first in Asia and eighth in the world for E-business readiness, according to the Economist Intelligence Unit. The World Competitiveness Yearbook 2000 has ranked Singapore as first in Asia and fourth in the world in electronic commerce infrastructure, while the Boston Consulting Group has ranked Singapore seventh in total consumer on-line spending after Japan; Republic of Korea; Australia; Taipei, China; Hong Kong, China; People's Republic of China; and New Zealand.

In the Asia and Pacific region, several regional initiatives are designed to prepare countries for the information age. For example, its recently created E-ASEAN Task Force demonstrates the concern of the Association of Southeast Asian Nations (ASEAN) about ICT. The purpose is to develop a broad and comprehensive action plan for an ASEAN E-space and to develop competencies within ASEAN to compete in the global information economy through the establishment of an ASEAN information infrastructure. In developing the infrastructure, the task force will examine the physical, legal, logistical, social, and economic infrastructure needed to create the basis for ASEAN's competitiveness in the 21st century.

Similarly, the Asia-Pacific Economic Cooperation (APEC) recently launched a wide-ranging action agenda for the new economy that outlines programs that will use advances in IT to boost productivity and stimulate growth, and to extend basic services to the community. The action agenda includes ways of promoting the right policy environment and build capacity to create a framework to strengthen markets, E-commerce, and knowledge and skills development, and to provide affordable and efficient access to communications and the Internet. APEC supports the development of distance learning capacity and IT as a core competency for teaching and learning. It also strongly supports the development of IT to enable networks to extend health and medical services to a wider community and to address basic health issues.

ADB's Long-Term Strategic Framework recognizes the importance of supporting ICT to promote development and close the gap between the information-rich and information-poor. ADB is thus positioning itself to effectively assist DMCs to have "increased access to information and allow the less privileged in society, and the less-developed parts of the region to have wider options and a greater role in determining their future." Special emphasis will also be placed on regional cooperation in the context of regional sharing of knowledge and information through ICT, and learning from the experiences of other ICT key players and stakeholders.

A preliminary survey of ADB's ICT-related activities, conducted in August 2000, shows that most ADB assistance provided over the past 5 years has focused on informatics or IT and telecommunications and not specifically on ICT. This is not surprising, as ICT is a relatively recent development. Some exceptions are found in the education sector activities and in projects such as the Grameenphone Telecommunications Project in Bangladesh, the geographic information system-based approach to rural development project in the Philippines, and the technical assistance for development of the Internet for Asian law. Despite these ICT initiatives, much remains to be done in view of the rapid changes in ICT and its applications.

The strategic approach to ICT recognizes that ADB's financial and human resources are limited, thus its ICT development assistance must be selective, and encourage regional cooperation and networking to enhance local efforts at development and promote private sector participation in ICT development. The DMCs must manage their own ICT strategies and activities to achieve their development agenda. Three strategic thrusts are proposed.

1. Create and enabling environment
2. Build human resources
3. Develop ICT applications and information content

Full report of study can be accessed here: <https://www.adb.org/documents/toward-e-development-asia-and-pacific-strategic-approach-information-and-communication> and <https://www.adb.org/projects/documents/digital-economy-study-central-and-west-asia-unleashing-internet-potential>

#### **Q10: Lessons learnt**

Three strategic thrusts are proposed.

Create an enabling environment by fostering (i) the development of innovative sector policies, (ii) the strengthening of public institutions; and (iii) the development of ICT facilities and related infrastructure, and networks.

Build human resources to improve knowledge and skills, and to promote ICT-literacy and lifelong learning of citizens through E-learning and awareness programs.

Develop ICT applications and information content for ADB supported projects/activities, e.g., poverty reduction and good governance.

The proposed action plan is expected to be implemented sequentially and will initially comprise the following main activities.

- Undertake E-readiness assessment in selected DMCs following the procedures for formulating ADB's country strategy and program in a DMC.
- Integrate ICT applications in ADB's activities to improve the flow and use of information and knowledge for the effective execution of ADB-supported projects and activities.
- Promote strategic alliances and partnerships with existing ICT initiatives at national, regional, and international levels, and establish principles of effective public-private sector partnerships.
- Establish a centre for learning, information, communication, and knowledge for Asia and the Pacific to improve the dissemination and use of information and knowledge for development, as well as best practices, through ICT.