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**SOUTH ASIA REGIONAL (SAR) COLLABORATION ON IT ENABLED SERVICES**

***14 July 2009, 8:00 AM – 10:15 AM EST***

**GDLN Session Minutes**

**Panel Attendance:** Simon Bell (SASFP), Manju Haththotuwa (SASFP), Anil Srivastava (Capital Technology Information Services, Inc.), Juan Blazquez Ancin (SARDE), Philippe Dongier (CITPO), Nagy Hanna (International e-Development Strategist), Mr. Greg Chen (CGAP), Jim Rosenberg (CGAP)

**Also in Attendance:** Sara Al Rowais (SASFP), Sandra Sargent (CITPO), John Speakman (SASFP), Satyan Harve, Vikram Purohit (Booz Allen Hamilton), Thyra A. Riley (SASFP), Cecile Niang (SASFP), Krishna Pidatala (GICT), Ai Chin Wee (SASDA), Michael Wong (SASFP), Siou Chew Kuek (GICT), Mohan Kharbanda, and Rubayi Srivastava

**Opening Remarks & Introductions**

*Juan Blazquez Ancin*: Welcomed participants from Washington, DC; Colombo, Sri Lanka; Dhaka, Bangladesh; Islamabad, Lahore, and Karachi, Pakistan; Kabul, Afghanistan; Kathmandu, Nepal; and New Delhi, India. He also set the stage for the videoconference.

*Simon Bell*: Identified that IT enabled services have been rapidly growing and is increasingly becoming a large part of South Asian economies. He then raised the question on whether regional cooperation can play a part in enhancing the ICT Sector and ability to compete globally. In closing he introduced the Washington DC Panel – Juan Blazquez Ancin, Simon Bell, Philippe Dongier, and Manju Haththotuwa

**Keynote Remarks**

*Philippe Dongier*: Affirmed that IT enabled services is not a new topic but continues to gain importance globally. The potential ahead is considerable. Long-term trends with globalization have intensified competition; consequently new strategies have emerged. The current economic crisis calls for strengthening of pressure for efficiency by looking at ITES as part of the solution.

Humanity and cooperation is demanding attention on the production supply line, where location becomes less important. ITES is 25% of the services industry globally. Given the trend of learning – it is now part of growing proportions of global services. 10-15% of this industry is produced internationally.He asked the questions on whether this potential is available to large economies only? Does scalability have challenges in order to be competitive? What criteria are needed to do so?Small countries are interested but do they have the capacity to be competitive? He brought attention to the current players to illustrate that small countries can and have been successful, such as Mauritius, Malta, and Morocco. Some of the facts include:

* Growth of the industry in the small to medium size economies in proportion has been larger than the best know ITES success in India;
* There is a need to place emphasize on skills already availability to the industry;
* He cited from a speech by the President of India, Shrimati Pratibha Devisingh Patil, on 4 June 2009, where she said over 50 percent of the (Indian) population is below 25 years of age and is their greatest strategic resource. The challenge is to invest in their education, employability and employment. India has the capacity to contribute to a fourth of the global work force if it invests in skill development of its youth.
* In addressing the World Bank’s participation, Mr. Dongier mentioned that the Bank can provide support for this winning strategy to build on the strengths of the region to have continued growth in services.

The emerging lessons are in the partnerships between industry and education institutions and public and private sector employability through partnerships. In closing he stated that we must keep up with the fast moving and changing trends and identify constraints and adapt policies accordingly to be in step with the needs of the global and domestic economies.

**Introduction by Country Facilitators** *(a complete list of participants has yet to be added - awaiting country rosters)*

*Sri Lanka:* Reshan Devapura (COO-ICTA), Ranjith Fernando (Chairman, SLASSCOM), and *participants* from WNS

*Pakistan*: Jehan Ara (P@SHA) – Karachi *participants* (Systems Lmtd.); Lahore: Abbas Ali Khan (Abacus Consulting), *participants* from Islamabad: OA (?) Technologies.

*Nepal*: Manohar K. Bhattarai (High level Commission for IT), *representatives from* the Gov. of Nepal; Hridaya Raj Bajracharya, Naresh Prasad Shrestha (?) and Rajan Parajuli (NREN).

*India* – New Delhi: Sangeeta Gupta – VP NASSCOM, Saurabh Srivastava – CA, past chairman of NASSCOM, Neil Shastri and Dr Saumya Sindhwani from Hewett Assoc. and Ahmdebad: Rama Krishnan, Dev. Computing.

*Bangladesh* –

*Afghanistan* – Zareeg Barzai (sp?), Ministry of Econ, Communication, and IT, and others.

**Areas for Regional Collaboration in IT Enabled Services**

Manju Haththotuwa: Highlighted the recently published Report on Regional Collaboration on IT Enabled Services: Smart Strategies for Jobs & Growth in South Asia.

The report was compiled over the last 12 months from information from the eight nations in South Asia. A business case was developed for collaboration with the statistics in mind; it was evident that the ITES market was visibly growing. With a 20-30% growth in ITES – the report addresses the opportunity for South Asia within this market. The benefits of and recommendations for collaboration include but are not limited to the following:

* SAR Venture Fund with SAARC FUND - incentives for entrepreneurs to pursue multi-country business opportunities;
* Development of common regional standards for curricula, training, and assessment/accreditation;
* Development of shared/regional infrastructure such as telecom, data centers & real estate
* Enabling policy framework that facilitates free movement of ITES-BPO personnel in the region
* Stakeholder groups that have to work together to make this happen – Government, Institutions like P@sha and NASSCOM, and Industry
* In terms of enabling policy and joint infrastructure – what is the low-hanging fruit, ones that could be easily prioritized?

Mr. Haththotuwa recommended setting short and medium term goals to initiate and phase process with accountability and milestones. Also, utilize existing resources of the SAARC Chamber, and explore the possibilities of the existing entities institutionalizing to facilitate the process.

South Asia is the least integrated region. The rewards that lie ahead are well worth the pain. He emphasized that the agenda is owned by the region and the nations within shape it. The World Bank only modestly facilitates.

**Panel Discussions**

*Saurabh Srivastava*: Commented on the report and its conclusions and suggested ideas for ITES sector development in the SAR. The business process outsourcing [BPO] sector of ITES is a fairly new industry in India but growing rapidly – India's domestic BPO market has grown at a rate of 50 percent over the last five years and has reached $1.6 billion revenue in 2008. The growth has also occurred qualitatively with an expanding spectrum of services. ITES is a major contributor to employment and GDP (1% now) moving towards 4% of GDP in India. Mr. Srivastava cited examples of collaboration in the region that are setting new trends to strengthen the regional market, i.e. Nasscom was involved with the formation of P@SHA, and looking at further joint activities between India and Pakistan. Also, Bhutan was selected for the executive council retreat location by NASSCOM to initiate contact and build a relationship. Looking at domestic market is becoming more and more significant and may have potential to grow faster than the western market. He underlined that collaboration should address the regional market. His recommendations included:

* Venture Capital Fund: Fund examples can be found in Israel, i.e. Risk Fund/Venture Capital fund to invest in those ventures that would encourage entrepreneurial efforts.
* Knowledge-Share: It is important to share knowledge to realize what took existing industries to create them, from enabling policy to lessons learned, and to expedite the process across the region by sharing experiences.

A NASSCOM McKenzie Study revealed that the excess of the market is over USD 600 billion the only question remains on how does the South Asian region can capture it.

*Mr. Reshan Dewapura*: Responded to the proposals and focused the discussion on the role of government in facilitating regional cooperation to benefit the ITES companies in SAR. He spoke of the Sri Lankan experience of a fast growing IT-BPO industry. Support from the government in recognizing the need and earmarking goals has created an encouraging and enabling environment. Mr. Dewapura stated that any country that takes part in the sector stands to gain. He also pointed out that each nation in South Asia has unique selling points, and that we must be careful not to dilute these points in the process of collaboration.

The recommended techniques for national governments to create an enabling environment include:

* Government must start off with small steps – small scale pilots with measurable benefits that should be carefully monitored;
* Bi-Lateral tests can lead to multi-country collaborative activities;
* He placed emphasis on infrastructure and skills development to reduce costs and increase capital. South Asian markets can learn from each other to effectively collaborate in skills development;
* There is a need to re-address trade regulation where restraints and enabling actions can be learned from other nations’ actions.

*Mr. Greg Chen and Mr. Jim Rosenberg:* presented on the prospects of financial inclusion and new industry opportunities. Mr. Rosenberg talked about addressable markets and reaching the underserved market, in terms of IT. for example, Branchless Banking and the potential reach of mobile phones. There are 1 billion people worldwide who have a cell phone but not a bank account. Mobile can reduce the cost of delivering financial services by more than 50 percent. Mr. Chen followed with regional perspectives on the potential of branchless banking across the eight countries in South Asia. Examples of business models in the countries included India’s Central Bank business correspondence efforts, Pakistan’s 2nd largest mobile network operator Telenor, and Roshan mobile network in Afghanistan, among others.

*Mr. Simon Bell* added the potential that lies in the Maldives where there are more mobile phones than people. Studies on access to financial services reveal that 70-80% of South Asians do not have access to formal financial institutions. The task is bringing these two industries together.

**Software Industry Organizations Roundtable Dialogue**

*Afghanistan*: The government has not initiated the process at this time but the private sector wants a localized focus on ITES. At this time the problem is with language and localization – where industry is looking to government to enable growth of software industries.

*India*: National Association of Software and Service Companies (NASSCOM) added the need for security in the information-share process. *Additional notes needed here.*

*Nepal*: The banks in Nepal are risk averse. There is a desire to emulate NASSCOM’s efficiency model. Though the potential is there we must decipher what the elements of growth are and also consider cyber law and security aspects. Nepal underscored that regional collaboration needs to be a well thought out strategy. Constraint of the lack of sufficient infrastructure affects the capacity of Nepal in competitively entering the ITES market. From the perspective of education there is a need for regional collaboration for infrastructure and investment in human capital.

*Simon Bell:* Re-iterated the three M countries (Malta, Mauritius, and Morocco) for opportunities that may lie ahead for Bhutan. In niche markets opportunities need to be identified and captured.

*Pakistan*: Pakistan has a large population of 170 million with 60% young. They recognize the need in developing their skills and providing education to benefit from ITES. Currently there are 90 million mobile phone users and a growing export industry. Pakistan moved on to functional BPO in areas of finance and telecom. Due to the economic crisis, there has been more concentration this year in domestic ITES public services. Like other countries Pakistan is interested in working with companies within the region – i.e. MOUs with Bangladesh and India. Pakistani participants stressed that though private sector initiatives exist there is a need to enhance political actions to create an enabling environment. Stumbling blocks remain such as visa, labor transferability issues, and trade restrictions. Pakistan has legislations such as the ePayments act and Branchless Banking guidelines, and an electronic crime ordinance. If the trade policy can be addressed then collaboration can happen. The region can tap into domestic markets and the international markets together. Another opportunity is using IT to develop disaster recovery centers on other country sites. Though a deal effort is going into business collaboration, there is some concern on whether enough is being done between trade associations and advocate groups. Associations have to make the best of the opportunities at hand. Lastly, Pak-India can create a good model for SARC Regional collaboration, especially as a trend has emerged of businesses moving away from the country. Support from the region will help fill the existing capacity for private sector in ITES, especially as the talent is already there.

*Sri Lanka*: As it emerges from the ‘saddest 30 years’ they are excited about taking on this opportunity that has immense potential. Proposed activities include:

* Marketing of the region together – i.e. holding a prestigious annual event at one of the capital cities each year. An offer to host the first event was put on the table.
* Availability of skill is a constraint – Sri Lanka is concentrating on reforming the education system and opening up India exams to Sri Lanka
* Knowledge-Sharing – policy makers in each country can learn that the role of government and how it can be dynamic
* Institutional relationship – to explore further avenues of cooperation.

*Nagy Hanna:* Observed that there has been a lot of progress since the study began, and it now has to be owned by the countries to review and challenge them to find effective ways of collaboration. He further emphasized there is a need to begin to concentrate on local markets for the domestic population and industries, and that the enthusiasm by the countries has been encouraging. He suggested that on shoring is a good way of sharing knowledge and resources. It is most important that some of the smaller countries begin to define their own niches – definition is part of the development of industry and engaged in each area – determining strengths and goals. A country has to discover it and also define it.

He summed up the lack of government involvement in creating an enabling environment and adjusting trade barriers accordingly, and saw little progress in those efforts. Mr. Hanna also identified the need for the larger companies to be involved and help leverage change.

*Satyan Harve:* Returned attention to Mr. Haththotuwa’s highlights on the regional stance in the ITES-BPO. At the end of the day an enabling body needs to be able to facilitate this. He speculated the World Bank can act as a facilitator, create a framework that is region-wide, and help translate some best practices from western markets. He also cited Saurabh Srivastava’s point about the hinterland of India and that other countries can become a part of that, i.e. Joint business promotions has to be owned by the region.

*Cecile Niang*: Commented on the status of Bhutan. A lot of learning can happen from a regional collaboration perspective. Smaller countries can benefit in employment and financial growth from regional collaboration, giving them a stronger incentive to do so. We see dual partnerships between India which can be a pilot. The role of government in getting private sector investors involves changing policy to enable private sector.

* Fighting restraints – convertibility of rupee, regulatory issues, and lendee terms and acquisitions.
* Investment promotions by governments jointly with private sector where a number of opportunities have risen, i.e. NASSCOM activities such as the Industry Linkage Program.
* Hoping innovations can be showcased by Bhutan on the next round.

*Sandra Sargent*: Commented that the business process outsourcing is very much a new paradigm of the global economy. The issue of partnerships is no longer subject to discussion – it is necessary. The two critical reasons being:

* Competition is moving from national level to company level globally; and
* With the global economy IT services and business process out-sourcing will be most in demand.

**Country Roundtable Dialogue**

*Afghanistan: is* working with government entities to help create and shape IT law and encourage private sector growth.

*Simon Bell:* Remarked that Afghanistan is unique and shared knowledge and resources within the region can help leapfrog ITES further.

*India*: Different industry bodies are doing what they can do within the region. It probably is a good idea to see what kind of a body can be set-up that would facilitate this process – NASSCOM can play another role of knowledge-share, etc. The existing multiple bodies would not be able place this on their prime agenda to create a facilitating body for collaboration.

*Nepal*: Supports the idea of setting up an outfit overseas. Also, the countries should explore prospect of existing regional institutions such as SAARC where mechanisms are already in place.

*Pakistan* : The industry needs to leverage SAARC but we should not be looking at integrating with them because of past issues, initiatives that have not moved anywhere over the years. Keep them separate but yet leverage on them. Participants are interested in moving quickly perhaps to some small specifics to start with, rather than waiting for the vision to take place. Agree with conference that colleagues from Sri Lanka suggested and support the idea of locating them in different capital cities. A recommendation was made to further research industry organizations to recruit them in the process.

*Simon Bell*: Though we all unfortunately share the skepticism about SAARC’s ability to move forward, we have an opportunity here to mobilize by using their declarations to move forward as a region.

*Sri Lanka:* This region has become a global center of excellence, by learning and sharing models new ones can emerge out of the ITES sector. Re-emphasized that regional conference would be a great place to start. They also suggested creating a grant to help companies take some of these steps. WNS consultants proposed 1) collaborate on emergency response, 2) Sharing clients and learning from existing models, and 3) in terms of educational needs look at a more structured mechanism to see if we can have an equalization fund and grow the niche markets.

Participants from *Islamabad, Pakistan* recommended that until an independent group is established, the countries can get nominees to build a focus/task group to begin collaborative activities. The intermediary group will help get information, strengths, and opportunities and begin communication. They further requested that we involve a client perspective from western part of the world. The process can begin with approaching a few individual companies that are already working in multi-country situations for cost/benefit/standards management.

*India*: Agreed with Pakistani proposition to not necessarily use SAARC as facilitators, but instead develop a new enabling body while leveraging SAARC for public sector support. NASSCOM is having its annual conference in February, which would be a good platform to move forward in the initial phase.

**Closing Remarks**

*Simon Bell:* Recaptured the themes from the videoconference and asked that we do not underestimate the challenge of getting regional cooperation to work in South Asia. The Indian story is ITES did well despite limiting government strategy; this need not be evidence of transferability to other countries. ITES can provide the win-wins we are looking for and associations like NASSCOM will play a key role in this process. We have a huge addressable market where the potential has only been partially realized. Successful ventures require cooperation from academia, industry, institutions, and government, the last of which is probably most difficult. Some consensus has been reached on developing regional and domestic markets. The CGAP presentation demonstrated the immense potential in financial services. Consensus has also been reached on the need to develop regional standards in education and training. Simultaneously attention must be given to pulling in Best Practices on Data Security. Mr. Bell also highlighted the offers from NASSCOM and Sri Lanka to incorporate regional efforts into conferences. Furthermore, he invited comments on how the Bank can be an effective facilitator, and what regional expectations and desires are outside of developing a capital funding mechanism. Consideration must also be given on possible funding for a regional body and the interim focus group can develop many of the logistics for the future. It is evident from that the whole is greater than the sum of the parts.

**Follow-up and Next Steps**

*Manju Haththotuwa:* Stated that this is one of many other events which will help the dialogue go forward.Presently the countries are in their individual silos, and see each other as competition. Identifying and investing in the individual niche markets will enhance a regional gain.Collaboration has already begun to happen in the private sector – encouraging infrastructure sharing – whereas business imperatives do transcend political road blocks.

The framework and design of the SAARC Chamber may be beneficial in an umbrella role. Venture funds will be researched further. A collaborative platform, such as the wiki, will advance the dialogue towards collaborative actions. Case studies can be drawn from the domestic markets to evaluate challenges in replication. Finally, he proposed that the next Nasscom conference in February or June possibly make Regional Collaboration its theme.

*Anil Srivastava:* Expressedappreciation of the experience and the moment to see where collaboration has come today from the struggle in the past. We can use ICT as a fabric to bring about cooperationand re-visit off shoring. Because ICT has grown economically and become a greater marketIT is needed as a driving engine as much as any western industry. For example, the knowledge capital in the financial sector in Sri Lanka can be a huge resource and allow for talent management regionally. Bi-lateral efforts such as Indo-Pak can initiate and pilot multi-lateral actions.Examples of the Bank’s role in the study on ICT in South Asia should take a regional approach, and draw from lessons from Muhammad Yunus and Medical informatics which is part of $900 billion Obama fund inclusive of global medical storage*.* Immense expertise within the region can share a web2.0 platform/portal for open source.

*Manju Haththotuwa:* Proposed thatthe participants utilize the report as a starting point and look at the areas of interest and on how to extend them.

*All participants were thanked and the meeting was closed at 10:15am EST by Mr. Simon Bell.*