

WSIS THEMATIC MEETING ON
“ECONOMIC AND SOCIAL IMPLICATIONS OF ICT”
ANTIGUA, GUATEMALA, 17-19 JANUARY 2005

REPORT

The WSIS Thematic Meeting on the “Economic and Social Implications of ICT”, organized jointly by the International Labour Organization, the International Trade Centre, the Organization for Economic Co-operation and Development, and the United Nations Conference on Trade and Development, and hosted by the Government of Guatemala, took place on 17 - 19 January 2005 in Antigua, Guatemala.

Over 300 participants from 39 countries attended the meeting, including representatives from governments, NGOs, the business community, academia and international organizations. An official opening took place in the evening of 17 January, with the presence of H.E. Mr. Manuel Eduardo Castillo Arroyo, the Guatemala Minister of Communications, Infrastructure and Accommodation, H.E. Mr. Montasser Ouaili, the Tunisia Minister of Communications, Technology and Transport; and H.E. Ambassador Janis Karklins (Latvia), the President of the WSIS Preparatory Committee.

The meeting addressed the impact of ICTs on economic performance and trade competitiveness of developing countries; explored policies and best practices to enable enterprises – and particularly SMEs – to rise their productivity and competitiveness through the use of ICTs; reviewed strategies to integrate SMEs into national and international supply chains using modern communication technologies; and examined the impact of the enterprises’ structural changes on local, national and international labour markets, identifying strategies to ease the transition.

The attached conclusions of the meeting provide practical suggestions on policies and programmes that can help countries to utilise ICTs for effective poverty alleviation through the growth of economically sustainable enterprises and the quality employment they generate. This will provide an opportunity for policy makers to integrate ICTs into the broader MDG agenda.

This report will be submitted to the second Preparatory Committee of the WSIS (PrepCom2), which will take place from 17 - 25 February 2005 in Geneva, Switzerland.

WSIS THEMATIC MEETING ON
“ECONOMIC AND SOCIAL IMPLICATIONS OF ICT”
ANTIGUA, GUATEMALA, 17-19 JANUARY 2005

CONCLUSIONS

The second phase of the World Summit on the Information Society will take place in Tunis on 16 – 18 November 2005. The WSIS Geneva Plan of Action requests all stakeholders to promote development-oriented information and communication technology (ICT) applications for all. In particular, it calls for action to encourage the use of ICTs by SMEs to foster innovation, to realise gains in productivity, to reduce transaction costs and to fight poverty. This Thematic Meeting aimed to identify concrete policies and strategies ensuring that the adoption of ICTs will, in fact, lead to economic growth and poverty alleviation. Given the complexity and cross-cutting nature of ICTs, the formulation and implementation of national ICT strategies requires an inclusive approach as far as all stakeholders are concerned. The “availability of the benefits of ICTs” is explicitly part of one of the MDGs, but ICTs can contribute as an enabling factor to every one of the other MDGs too.

ICTs offer developing economies enormous opportunities to boost their economic growth. By enabling innovation, facilitating product development, enhancing efficiency and productivity of enterprises, facilitating trade and expanding market reach, ICTs allow firms to reach new customers in a competitive manner. These technologies also create new opportunities to export ICT-enabled services and develop local content. ICTs can lead to greater levels of productive and well remunerated employment in competitive enterprises resulting in lower levels of poverty. ICTs are instrumental in providing opportunities for migrants to become involved in the development process of their countries of origin and for diasporas to be important intermediaries between their countries of origin and of destination, and contribute significantly to economic and social development.

ICTs present the developing world with enormous challenges, too. While ICTs leverage existing endowments and well targeted and well designed policies on the implementation of ICTs can contribute towards the reduction of existing socio-economic divides, as tools, the effectiveness of these technologies is closely attuned to the capacity of their users – both individuals and enterprises. With this perspective, the main challenges faced by policy makers are to enhance the capacity of firms and individuals – when returns to investment justify it – in setting up and using ICTs, ensuring a policy environment conducive to investment in and adoption of ICTs and assisting the labour force to adapt to technological change.

ICTs potentially generate significant structural change that challenges social policy and labour market policy. If the information economy is to be embraced by all stakeholders then all parties, including workers, should be convinced that it is a positive-sum game – preferably a win-win game. Social dialogue should be a prerequisite, not an afterthought. Full participation of the stakeholders, including business organizations and entrepreneurs is needed in formulating approaches.

As the largest sources of employment, particular attention should be given to SMEs. They face particular difficulties in exploiting the benefits of new technologies. As is the case with all technologies, small businesses are slower than large ones to adopt ICTs. ICTs are no panacea. Commercial considerations and returns on investments continue to be the main drivers in adoption of new technologies. Results from developed country studies evaluating the impact of ICTs on firm productivity have demonstrated that complementary investments in human capital (i.e. skills), new business strategies and processes and new organizational structures are necessary in order for companies to reap higher benefits from the adoption of ICTs.

Hard empirical evidence has recently started to accumulate – mainly in developed countries – confirming that ICTs facilitate economic growth, expand trade and increase productivity. Pertinent evidence for developing countries is lacking. Further economic research is needed, but it seems that developing countries, the least-developed in particular, are less well-equipped to take advantage of the growth potential of ICTs. The policy implications gained from the knowledge acquired in developed economies should therefore be adapted to the particular situation of the developing world. ICT policy strategies should be part of broader national socio-economic development strategies. In addition, ICTs should be fully integrated into the development assistance strategies of donor countries and institutions.

The Thematic Meeting concluded that the following policies and practices to adopt ICTs effectively boost economic growth and ease the cost of transition:

Policies and Practices

Governments

- The adoption of ICTs is but one component of general economic and social development strategies. Two sets of issues are essential and should be an integral component of any ICT-related strategy:
 - A healthy business environment is fundamental for firms to thrive and benefit from ICTs. This includes an open, transparent and competitive business framework, clear independent rule of law for all firms, easy set-up and dissolution of business, transparent, simple and accessible corporate regulations and equal and stable legal treatment for national and cross border transactions. The availability of transaction facilities, trust mechanisms, logistics and transportation and access to energy and communication facilities are essential;
 - The access to skills, to know-how and to innovation support systems are also fundamental enabling factors in the adoption of ICTs;
- Product and process innovation are fundamental components of any ICT-based strategy. The role of governments in this area will depend on national circumstances;
- The potential of ICTs to facilitate and increase trade should be included in national and multilateral trade policies and negotiations;
- The introduction of ICTs requires training and retraining of the labour force. It further requires a profound review of education and training systems to

ensure that the workforce will be able to adapt to increasingly more frequent changes in work practices;

- The education in the use of ICTs as powerful information sources should be expanded to enhance the position of citizens as participative members of society and as intelligent consumers;

- Governments can use ICTs as tools to encourage and facilitate the involvement of their diasporas, and therefore to harness skills and resources available among nationals living abroad for development purposes;

- The development of entrepreneurship is an indispensable component of any ICT implementation policy. Programmes should be developed to integrate e-competence by raising awareness, transferring knowledge and building competence of entrepreneurs such that they can make rational decisions as to where and when they should utilize ICTs;

- Given the importance of SMEs as sources of employment, particular efforts should be deployed to facilitate their access to ICTs. Such efforts should include:

- The provision of business development services that assist in the design of business models, redefinition of production processes and the assessment of the most cost effective means of implementing ICTs solutions;
- Exploring effective ways of providing inexpensive access to ICTs;
- Integrating SMEs into supply chains by adopting industrial and trade policies that seek to expand both exports and local value added;
- Encouraging commercial access to reliable, low-cost connections and boosting local content. Reliability and security of the service is important to maintain customer relationships.

Social partners

- Experience has shown that the effective implementation of ICTs requires full participation of the labour force. To avoid active and passive rejection of new production processes associated with ICTs it is important to establish full dialogue with workers so that they understand and adopt new production processes. Policies that promote labour flexibility should also be adopted in a concerted manner;

- The favorable effects that ICTs can bring to the labour force can be negated by race to the bottom strategies that lower labour standards rather than improve productivity. Social partners can adopt win-win strategies that strengthen the competitiveness of enterprises and at the same time enhance the conditions of work thus contributing to the sustainable alleviation of poverty.

International organizations

- International organizations should develop their policy analysis and capacity building programmes based on practical and replicable experiences of ICT policies and actions that have led to poverty alleviation through improved competitiveness of enterprises, resulting in greater trade and better employment. Such programmes should result from policy development

dialogues that seek to render international and national development strategies coherent.

Statistical offices and Research organizations

- There is a clear need to develop mechanisms to measure the implementation of ICTs, to identify the factors that obstruct their adoption and to assess their impact on the economy. Although the Thematic meeting has shown that evidence is now accumulating that information and communication technologies can make a tangible and widely shared contribution to economic growth and social welfare, much remains to be understood about how it happens and under what conditions and how we can encourage that process. This means attention should be paid to the development of new statistical data, both through the official statistical mechanisms and from other sources. The Thematic Meeting on ICT indicators organized by the global Partnership on Measuring ICT for Development, which will take place in Geneva on 7-9 February 2005, will contribute significantly to that goal;
- In addition to further efforts to build capacity in national statistical offices, the following data need to be gathered and be made widely available:
 - Longitudinal data at the enterprise level on investments in – and use of – ICTs, the enabling resources that have led to the effective use of ICTs and, finally, the performance of these enterprises;
 - Best practices – in enterprises and in business development services – of enabling policies that have led to improved competitiveness through ICTs and of entrepreneurship strategies that have used ICTs to gain competitive edge;
 - Firm level data on changes in the patterns of occupations and skill requirements demanded of the labour force and general data on the shifts of employment patterns related to changes in production processes;
- Universities and research centres should be encouraged to expand their research on the relationships between investments in and use of ICTs, managerial practices, returns on investment, employment, productivity and the competitiveness of firms.