World Bank: Competition key to IT growth

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Poorer countries still fall short when it comes to making full use of various available information technologies, according to a World Bank study.

In its latest report, entitled "Information and Communications for Development 2006: Global Trends and Policies," the bank found that governments in less-developed countries in particular could do much more to deregulate and open up the information-technology and telecommunications markets, which would ultimately lead to greater economic prosperity. Specifically, more competition would allow prices for access to telecommunications networks to come down and allow more people to use the system.

"Private sector competition remains the driving force in extending telecommunications access to billions of people around the world," said Katherine Sierra, the bank's vice president of infrastructure.

"Completing the transition to well-regulated and competitive service provision remains the foundation of exploiting (information and communication technologies) for development. But there is still some way to go considering, for example, that nearly half of the world's countries retain monopolies on fixed, local, and international service provision, making the costs of Internet connectivity exceedingly high and unaffordable," said Mohsen Khalil, director of the global ICT department.

There are other benefits too to opening up to competition. The bank found that between 1990 and 2003, 122 of 154 developing countries received nearly $200 billion in foreign direct investment in the telecommunications sector alone, or about 12 percent of total FDI in developing countries. Brazil was the single biggest recipient of telecommunications FDI with $51 billion, while Brazil, Russia, India and China combined attracted about 30 percent of the overall market.

Certainly, while bureaucrats and policymakers can pat themselves on the back that there are now more people in the world with access to a phone line than ever before, with more than 60 percent of the world's phone lines found in developing countries, the digital divide between rich and poor nations may actually be deepening rather than shrinking.

"Basic access is improving ... but the actual gap in technology" as richer countries use ever more sophisticated networks and products to boost their productivity and efficiency, argued Carl Dahlman, professor of international relations and information technology at Georgetown University.

The bank did not, however, list a set of priorities countries should follow as they try to bolster their IT sectors, even though there are a slew of issues to be considered including how much to invest in infrastructure, how to go about deregulating the market and what products to invest in.

Meanwhile, there are problems too that come with opening up the telecommunications sector and having a greater proportion of the population wired and going online. For one, there is the issue of security in cyberspace, which "many developing countries are often not equipped to deal with," said Michael Nelson, director of Internet technology and strategy at IBM. He also pointed out the problem of spam and subscribers in poorer countries having to pay for each e-mail they receive, only to find that 80 percent of them were unsolicited messages.

Another issue that comes with the Internet and greater information flow is how governments might actually step up efforts to clamp down on free speech. For its part, however, the bank said that it was neither taking that issue into consideration when compiling data on information technology, nor considering the issue when looking at providing loans.

Measuring the openness of societies and freedom of speech are "subjective ... and soft data does not fit" into the data compiled by the latest report, said Bruno Lanvin, senior adviser on e-strategies and one of the authors of the study. Nevertheless, he noted that in coming years, the bank should take into consideration such matters when it conducts future studies on the IT sector and development -- particularly in the case of e-government, where success in its implementation is less to do with how advanced the technology is and more to do with how much the government is committed to providing better service and allowing people to express their views directly to the authorities.

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