

## Fostering Inclusive Growth Through ICT & Trade

Garnet V Capacity Building Workshop  
*Hotel Golden Tulip, Jaipur, India*  
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### Summary Report

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The Evian Group, an international coalition based in Switzerland of corporate, government and opinion leaders, in association with CUTS-CITEE, a think-tank dealing with issues of trade, regulation and governance, headquartered in Jaipur, India, convened the fifth Garnet Capacity Building Workshop in the Rajasthani capital in early December 2009. Participants worked on the challenge of fostering inclusive growth in India with an emphasis on ICT and international trade.<sup>1</sup>

India's accelerated growth since the tentative changes in economic policy orientation of the 1980s, followed by the full-fledged reforms and global integration of the early 1990s, has been accompanied by rapid societal change and a build-up of disparities that have become increasingly disquieting over time. In recognition that the country's development is unsustainable if it fails to include the large proportion of disenfranchised population into the growth process, the government of India has integrated "inclusive growth" as the conceptual cornerstone of its 11<sup>th</sup> Five Year Plan. The workshop tackled the inclusive potential of trade policy tools and their interaction with ICT at two levels: the benefits that can be brought to poorer communities and the ability of individuals within these communities to participate in new economic opportunities.

With participants from civil society, academia, government and business – including members of the Garnet network and a majority of delegates from India –, the workshop discussions rallied around four interconnected themes: trade policy and ICT within the inclusive agenda; inclusive growth and digital inclusion; integrating research, policy and execution to achieve real impact; and the possibilities and limits of social entrepreneurship.<sup>2</sup> The meeting concluded with a daylong brainstorming session during which young ICT entrepreneurs put forward their respective business models to group scrutiny.

One of the premises behind Garnet workshops has been that capacity building implies confidence building. Strengthening institutions for collaboration and deliberation, valuing innovations at the grassroots level, and actively engaging minds at the margins came out of the discussions as guiding principles if the inclusive objective is to be realised, capabilities enhanced and opportunities better disseminated.

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<sup>1</sup> See the paper released on the occasion of the workshop, Sophie Coughlan and Jean-Pierre Lehmann, *Inclusive Growth: the road for global prosperity and stability*, <http://www.eviangroup.org/p/1908.pdf>

<sup>2</sup> A full list of online resources on the Garnet capacity building workshop topics are available at [http://www.eviangroup.org/resources/Inclusive\\_Growth\\_ICT\\_Trade.php](http://www.eviangroup.org/resources/Inclusive_Growth_ICT_Trade.php)

## Trade policy and ICT within the inclusive agenda

India has had much to celebrate over the past two to three decades during which it has become one of the world's fastest growing economies with a global presence in business process outsourcing, telecommunications, pharmaceuticals and information technology. It also seems to have relatively well weathered the worst repercussions of the global economic crisis. There is, understandably, a growing conviction within policy, industrial and entrepreneurial circles that the future is bright and that citizen aspirations for a better life can be met.

Yet coarse statistics on poverty reduction indicate that there are huge problems related to social exclusion in the subcontinent's growth model. According to research conducted by Professor Tim Besley, a one percent rise in GDP amongst low-income countries translates on average, globally, into a reduction in poverty of -0.73. In India the figure is -0.65. In Kerala, Punjab and West Bengal the ratio is above unity, while in Rajasthan it is -0.43, in Maharashtra -0.4, and Bihar a meagre -0.3.<sup>3</sup>

To take but five distinct indicators which possibly help put the concept of inclusion in context: a girl born in India in the mid 1990s was 40 percent more likely to die between the age of 1 to 5 than a boy (Amartya Sen's missing millions); according to the World Bank 45 percent of Indian children remain underweight (jeopardising the much vaunted demographic dividend); 1/6<sup>th</sup> of the nation's districts are home to an increasingly organised Maoist insurgency movement, the Naxalites (cutting across problems of rural, caste and ethnic exclusion); India's richest states enjoy incomes 5 times superior to their lagging counterparts (regional disparities are on the rise as is the gap between skilled and unskilled workers); and 400 million citizens have no access to electricity while only 33 percent have sustained access to improved sanitation (shortfalls in domestic infrastructure and the provision of basic services).

With the 18<sup>th</sup> and 21<sup>st</sup> century rubbing shoulders in contemporary democratic India it is not surprising that the nation's engagement with the forces of globalisation has continuously been tested ever since the implementation of market reforms and gradual liberalisation of the early 1990s. Although urbanisation is fast progressing, India remains a predominantly rural society characterised by low, albeit increasing, rates of growth and productivity in agriculture. A large part of the stated objective of sustaining growth by promoting social inclusion will be geared at improving rural incomes and, in the words of Montek Singh, Deputy Chairman of the Planning Commission, maintaining a strong consensus for weak reform.

As has been evident in India's stance in WTO negotiations, inclusive growth policies to reduce inequalities and solidify this broad consensus will be prioritised over fast-track liberalisation. Most workshop participants, not all, adopted the position in their deliberations that well calibrated international trade – through the access it provides to ideas, inputs and technology – should not be seen as part of the problem but as part of the solution. The onus is on getting trade policy right: putting in place rules, norms and principles that offer justice and opportunities, while demonstrating the manner in which it interacts with other changes in the policy process – ICT in the context of the workshop – in striving for inclusive growth. It was suggested that ICT could help in the formulation of an inclusive trade development policy and that within

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<sup>3</sup> <https://www.imf.org/external/np/apd/seminars/2003/newdelhi/besley.pdf>

the public policy domain it could assist in making market interactions more data driven.

The other factor to take into account is that India is still moving towards domestic integration in creating an internal single market. Given the fragmented nature of India's economic space, and the fact that 90 percent of India's labour force is employed in the informal sector, international trade must be seen as a continuum of domestic transactions in which ICT's enabling role resides in connecting the entire economy first domestically, then internationally.

India has one of the fastest growing mobile penetration rates in the world. It is currently home to an astonishing ten million new mobile telephone subscriptions on a monthly basis at ever decreasing costs. Fixed and mobile internet users, on the other hand, are estimated at less than 100 million, which is one of the lowest population weighted rates in the world. The next stage, indeed one that is high on the political and economic agenda, will be investment in mobile communication networks and the dissemination of broadband and internet access to the masses through 3G+ technology, which could circumvent long-standing infrastructural shortfalls.

The commercial success of India's wireless industry is impressive. It has brought about something of an information and social revolution in which connectivity is seen as a key enabler. Middlemen who capture rents through information control are losing out. Although the digital divide is very far from having been breached, it was argued at the workshop that mobile phones have contributed to a certain breakdown in social hierarchies, which is an important phenomenon in itself when one considers the enduring social structures of accumulation that have constrained deprived people's access to assets and markets. The question nevertheless remains the extent to which wireless technology is indeed enhancing the capacities of India and its population to tackle some of the tougher challenges related to health, education, poverty, security and the environment, and whether digital inclusion is leading to inclusive growth.

### **Inclusive growth and digital inclusion**

It is hard to avoid looking at the bottom of the pyramid when assessing India's economic and social dynamics. The workshop essentially tackled the inclusive potential of ICT at two levels: the benefits that can be brought to poorer communities and the capacity of individuals within these communities to participate in new economic opportunities. Participants attempted to look at the impact of rising teledensity on welfare and growth, assess how this impact could be maximised, and identify priority areas.

Both bottom-up initiatives (HoneyBee, Hole-in-the-Wall, mKrishi) and top-down policies (Unique Identification Scheme<sup>4</sup>, National Rural Employment Guarantee Act, Right to Information Act<sup>5</sup>) were discussed. If we look at the priorities set out by the United Nations and Vodafone Technology Partnership pertaining to the social potential of wireless technology, namely telecommunication systems for disaster relief, health data systems, tracking environmental change, and fostering the

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<sup>4</sup> <http://uidai.gov.in/>

<sup>5</sup> <http://righttoinformation.gov.in/>

innovative use of ICT for economic development, the focus of the workshop was primarily on the fourth.

The premise upon which many of the debates took place is that wireless technology potentially represents a powerful instrument for enabling India's poorest citizens to help themselves through access to education, services, and markets at lower transaction costs – a reduction in intermediary rent and market power arising from asymmetric information. This includes improved health services by allowing lower-skilled professionals to provide quality diagnostics over networks. With most households operating outside the formal financial sector, wireless broadband connectivity coupled with low transaction costs should accelerate financial inclusion by extending banking services to the poor; indeed much microfinance is technology based.

In order to ensure a faster and cleaner delivery of services and that revenues go straight to the poor (rather than the pockets of corrupt local officials coordinating National Rural Employment Guarantee programmes for example), the government has launched the ambitious creation of a universal system of online biometric cards, the Unique Identification Scheme, which is presided by Infosys co-founder Nandan Nilekani. A vibrant Right to Information movement can make use of online information to reduce various avenues for corruption and arbitrage while helping civil society hold officials accountable in terms of measuring the effectiveness of government policies.

The State use of ICT to improve and expand the delivery of services and empower citizen processes in the inclusive agenda has run in parallel, or in partnership, with private sector, entrepreneurial and social initiatives that aim to tackle deep seated problems of dependence and marginalisation. Many of these ventures have moved beyond the State in regions where there are clear failures of basic delivery (indeed it is often pointed out that ICT growth in India is a story in which the government has played a minimal role). Impressive and heartening examples of empowerment through the innovative use of low cost connectivity abound, although scale and profitability often remain a problem. Many of these developments are still operating on an experimental basis while some are starting to be rolled out on a much larger scale.

Hole-in-the-Wall was presented as an inclusive educational solution bringing computers and the internet to children in underprivileged communities.<sup>6</sup> A new initiative by Tata Consultancy Services called mKrishi, a mobile agro-advisory system that allows farmers to send queries to experts in their local languages through a mobile and receive advice or information in the local language, was also brought to the attention of participants.<sup>7</sup> And the Honey Bee Network, a civil society structure that provides incubation support to grassroots innovations (accepted by a research panel), which are then disseminated either commercially (through micro venture funds) or socially was discussed.<sup>8</sup>

One of the conclusions to be drawn from these discussions is that if digital inclusion is to be a force towards the over-arching goal of achieving sustainable growth, then the importance of innovation at the grassroots level and engaging minds at the

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<sup>6</sup> <http://www.hole-in-the-wall.com/>

<sup>7</sup> <http://www.tata.com/media/reports/inside.aspx?artid=LUrccaQDpYo=>

<sup>8</sup> <http://www.honeybee.org/>

margin – in rural, peri-urban and urban areas – cannot be overemphasised. Many ventures and ideas do not move beyond pilot schemes, suffer from lack of capital, and are economically fragile. In the eager words of one participant, the need is to go viral.

### **Integrating research, policy and execution to achieve real impact**

The rise of mobile telecommunications and the economic or social opportunities new technologies are thought to present, particularly in a developing country context, has been one of the big stories of the past decade. While the correlation between teledensity and the attendant extension of market interactions on economic growth appears to be relatively clear, the real impact in terms of social welfare, easing structural inequalities, and improving the lives of society's most vulnerable is far less straightforward. It would seem that more research is needed to move beyond the anecdotal and understand the mechanisms at work, the priority areas for socially optimal investment, and the manners in which wireless technology can be applied as an instrument that truly enables communities in need. Within the Indian inclusive growth agenda this is of particular, albeit not exclusive, relevance to rural areas.

In a paper cited at the workshop as the basis for one of the roundtable discussions on digital inclusion, the authors make the customary distinction between access provision and capabilities of access.<sup>9</sup> They identify four waves of development of an information society, which they categorise as simple access, universal service, usage, and the provision of complementary skills and assets. The manner in which usage and complementary human capital and assets can contribute to society at large and help draw the fullest gains of ICT penetration in India was the source of extensive debates. It was suggested that, at this stage, it is not obvious that wireless technology has sufficiently improved the livelihoods of the many marginal users or communities entering the digital economy; which, given the welfare-enhancing potential of these technologies, calls for a better integration of research, policy and execution so as to achieve impact where it really matters.

A concern that links into this and was raised on a number of occasions at the workshop is that government policy is often more concerned with what it spends in the system rather than measuring the output. If we accept that part of the process that drives the underlining policy agenda is the regulation and creation of an enabling environment for business that fosters inclusive growth, then investment in ICT to assess the impact of policy, ensure a regulatory process that is not ad hoc, and allows the conduct of regulatory impact analysis should be encouraged. The link between bottom-up and top-down initiatives discussed above should be part of a systemic modeling approach that develops an ecosystem in which innovative ICT initiatives can be made sustainable and social objectives met.

One of the paradoxes of social exclusion in India is that despite democracy, successive systems of affirmative action, a buzzing civil society, and a forceful right to information movement, this does not seem to have translated into a political class particularly devoted to solving problems of collective action or the greater public good. In this context, identifying the areas for socially optimal investment in

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<sup>9</sup> Leonard Waverman and Kalyan Dasgupta, *How to Maximize the Economic Impact of Mobile Communications: The Four Waves*, in Global Information Technology Report 2008-2009, available at <http://www.insead.edu/v1/qitr/wef/main/fullreport/index.html>

education, health or infrastructure that take full advantage of the potential social value of network technology, while defining the appropriate role of government intervention and regulation that maximises social returns (partly through the creation of an environment that encourages private sector investment and decreases the cost of innovation) was identified as a policy research domain of importance.

Returning to policy and execution in rural India and the myriad ICT pilot projects that have mushroomed over the past years, some to extraordinary effect. Capabilities of access beyond provision, both in terms of financial capacities and skills (literacy and language in particular), were reemphasised as the priority focus areas in terms of improving the incomes and opportunities of the marginal users being brought into the economy. The challenge partly resides in demonstrating the value and potential returns, both social and private, of the investment. It was suggested that at the heart of the issue is the question of personalisation and localisation: the extent to which the quality of services provided to rural communities meet the needs of the end consumers (solutions that address basic community problems, information that is relevant and can be applied despite literacy or other barriers). Innovations at the user end, combined with analytics and data mining at the execution side, could help positively transform the ecosystem and information environment in which rural communities operate.

### **What are the possibilities and limits of social entrepreneurship?**

Finally, the capacity building workshop concluded with a brief roundtable on the possibilities of social entrepreneurship for inclusive growth. The penetration and social function of ICT is in large part about business models and entrepreneurial opportunities: where and how value-added services and products can be created and economically sustained. Although the distinction between entrepreneurship and social entrepreneurship can be quite blurry, the latter is chiefly characterised as the ability (and the will) to deliver systemic and endemic social change through, for example, market driven approaches to the social and economic difficulties faced by the poor. It can also be seen as a hybrid (of many forms) taking hold of the space between traditional business incentives and social sector preoccupations.

The interesting results achieved by a number of socially oriented enterprises or non-profit organisations in India has generated a belief that for-profit business models may, in certain instances, be the best way to achieve socially desirable outcomes.<sup>10</sup> Defining the metrics, values, and long-term social impact measurement of these activities seeking profits with principles remain the source of considerable debate. A lot of it depends on the type of business model that is applied and the ability to draw capital in order to achieve scale at sufficient speed. Over the coming years, India's young and technologically sharp population will experiment with different types of partnerships and business models fluctuating between the enduring strengths of India's social sector and enlightened enterprises in order to put innovative ICT applications to use for greater economic and social inclusion.

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<sup>10</sup> Some of the examples that were put forward in the discussions included 1298 Ambulance service in Mumbai, Aravind Eye Hospital, FabIndia, Ten Thousand Villages and SKS microfinance.

## **Conclusion**

One of the great issues of the coming decades will be the manner in which we reconcile the sciences (and technology) with the demands of social, environmental and political accountability. In few regions of the world will this be more acute than in India given her size, diversity, disparities and pace of change. Information technologies offer many avenues for better economic inclusion and social justice but they will also make these demands all the more vehement.

India's young urban population is currently abuzz with ideas, energy and justified hope that the future is theirs for the taking. But if India fails to bring on board the very large percentage of her population currently living in destitution with rather different perceptions of hope, then the surge of optimism based on India's rapid economic growth may prove to be a broken reed. The capacity building workshop tackled the complex linkages between trade and digital inclusion with this objective in sight. If one recommendation came out of the discussions it is that innovations at the grassroots level need to be nurtured and valued.