A Response to "A Dialogue on ICTs, Human Development, Growth and Poverty Reduction"

Michael Spence

There has been great progress in identifying important services (informational and financial and other) that affect the ability of the poor and indeed large parts of developing country populations to conduct transactions at reasonable cost and to start and run businesses. That said there is evidence that this progress is far from complete.

The role of ICT in expanding the opportunity set and lowering costs as predicted in 2003 has in fact turned out to be very large. The progress in the implementation of safe savings channels, secure and low cost transfer of funds, microfinance borrowing and more has been impressive. It is also fairly clear that mobile phone and data technology has formed the infrastructure underpinning for much of this.

That said there is a long way to go. Costs need to come down and service provision needs to expand. There is extensive evidence that financing for poorer people continues to have a high cost as evidenced by the high rates of return on investments that do get made.

I do not have much of a sense of the progress on ICT regulatory reform and look forward in the meeting to being updated on that. At the last meeting, there was a sense that the influence of the regulated monopoly era and the mindsets that went with it was still in place. The notion that ICT infrastructure and the maintenance of a stable accessible network created huge positive externalities was not sufficiently widespread. I assume this has changed. And expect that there is still wide variability across countries and jurisdictions in this respect.

The Commission on Growth and Development identified a number of key ingredients in the successful sustained growth experiences of the past 30 years. Leveraging the global economies knowledge to enable catch-up growth was one. A second was high levels of saving and investment. A third was a pattern of and a focus on inclusiveness. There are others but I pick these three as they are all closely related to ICT investment, infrastructure and services. Here I just comment briefly.

It is clear that public sector investment is too low on a widespread basis and there are reasons for that. ICT infrastructure is undoubtedly negatively influenced, but mobile technology has dampened the negative impact. Safe savings channels are crucial and still not universally available. China focused on this early on in the post 1978 period and it paid substantial dividends in the form of financing a high rate of public and private investment.
Knowledge transfer is at the heart of sustained high growth. This requires education and then access. It is a work in progress. My impression from the research we reviewed is that there are substantial education quality problems in many countries (advanced and developing) and that these adversely affect the learning and growth potential.

The dimensions of inclusiveness are many. But they surely include access to services: government services, financial services of a variety of kinds, informational services, and legal services. Without these, a commitment to inclusiveness has little content. ICT is not the whole story but it is an important part of it.

I conclude by simply reporting what the members of the Commission believed about inclusiveness. It is that it is an inherent part of successful sustained growth strategies. Without it, the risk of derailing the growth process through a variety of economic, political and other channels is very high. The evidence tends to support this view. It is consistent with the observation that income inequality tends to rise for a period of time during growth, and that too has to be managed.

I am looking forward to the Forum 2 discussion and to learning about the progress and challenges from those of you who have been closely involved in the reform process.

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