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## ARCHIVE

Vous etes ici: [Accueil](#) > [Economie & Business](#)

### Au quotidien

[Sommaire](#)  
[La Une](#)  
[Editorial](#)  
[Actualités](#)  
[Sports](#)

### Cette semaine

[l'express Nord](#)  
[l'express Est](#)  
[l'express Sud](#)  
[l'express Ouest](#)  
[Culture](#)  
[Economie & Business](#)  
[Porte-monnaie](#)  
[Apartés](#)  
[Cinéma](#)  
[Tribune](#)



### ÉCONOMIE & business

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THE DIGITAL ECONOMY

## Breeding a new cyber island vision

**Rather than wait for an elusive foreign investor to come and turn our country into a cyber island, Baljinder Sharma believes that local initiatives based upon the idea of e-governance and that of the Information and Communication Technology (ICT) incubators should be encouraged.**



The epoch-making national cyber island vision is struggling to survive beyond the installation of the cyber tower in Ebene. The promised economic prosperity and large scale employment for the youth have not materialized in the small island, grappling with a declining textile and sugar sector. The government had rolled out an ambitious three-pronged strategy that contained essentials of infrastructure, manpower training and e-governance. Task Forces and Review Committees, setup to convert the vision into reality, received personal attention from the national leadership. Popular expectations soared amidst unprecedented rhetoric to drive the country into a swashbuckling destination for intellectual pursuit and wealth creation. Three years down the line, expectations have dissolved into skepticism bordering on despair. Much touted thousands

of jobs in the cyber economy have not materialized.

The cyber island vision received precious commitment and intellectual support from the top, yet it is the implementation that has left much to desire. Meanwhile the forces of globalization and technological innovation that started bringing structural changes in the international economy have reached our shores. In their unplanned arrival, there exist both opportunities and threats.

In line with trends worldwide, manufacturing jobs would continue to disappear due to increased productivity and a shift to cheaper production locations. However, on the positive side existing wage differentials in the services sector would create millions of jobs for people in the developing countries. This new phenomenon of shifting jobs across international borders called offshoring provides tremendous opportunities for development of local enterprises and consequent job creation in emerging service sectors like back office operations and business process outsourcing.

Significant weight is provided to the availability of trained manpower, in a country analysis for investment decisions by a potential technology investor. Trained manpower is impossible to be created without the participation of the industry. Industry does not exist as yet and this makes the task of generating required manpower further complicated.

While we could continue to maintain reasonable expectations from foreign direct investment in back office and BPO operations, recently identified national strategy, to create thousands of promised jobs by leveraging on the bilingualism of our workforce and peaceful location of the island for business continuity planning for global corporations, any policy that places foreign investment central to its success is essentially inadequate.

Local initiatives therefore become not only important but fundamental to a sustainable future. Areas where government action can provide critical inputs for initial momentum can be built around certain ideas that have worked elsewhere in other countries.

The first idea involves e-governance. The small size of the country can serve as an important show case for multinational companies towards deployment of their e-governance applications. Numerous case studies have highlighted how public-private partnership has been able to deliver large scale e-governance projects with tremendous benefits to local economies.

One specific case talks of several million dollars of private sector investment in a tax collection system that reduced transaction costs by 70%, passing benefits to the end user, in the form of lower transaction rates (less than half) and reducing tax evasion to zero thereby improving tax collection by as much as 500%. All delivered at zero cost to the government. Public private partnerships have worked extremely well in areas of e-governance and certainly deserve a consideration.

### **A workable model**

E-governance projects could provide a boost to the local economy as well rub off some expertise into local firms who can then use this knowledge in other parts of Africa. Homegrown firms like DCDM and State Informatics have shown that they can successfully compete within the regional markets despite a serious constraint on resources and apparent lack of local talent. Large scale e-governance projects put for global bidding can help brand-building indirectly and communicate the national vision to a worldwide audience. E-Governance provides other spin-off benefits like increased efficiency; transparency and accountability in government functioning that improve investor perception.

The other idea involves large scale breeding of hi-tech start-up firms within and outside information technology incubators. Government could ensure the genuine availability of angel investment and venture capital. So-called venture capital investment fund from the local development bank makes a mockery of the term by insisting on collateral.

Governments worldwide provide several incentives for business startups and the role of small and medium enterprises in employment creation especially in the ICT industry has received fresh attention in the recent past (OECD 2000). Incentives work very well in certain contexts and market conditions. The challenges of firm creation are immense and success for small and medium enterprises in Mauritius is questionable in the absence of safety nets that serve to boost entrepreneurial activity in other countries.

Firm creation and business start-up can be sold as an exciting career option for budding university graduates with the right packaging of a workable model. Skeptics, who question the local spirit of entrepreneurship, may find several indicators within University campus.

Individuals acting alone or in groups are working part-time as webmasters and service providers for work available through the Internet. Their virtual work earns them far more income than their better educated and experienced colleagues. Internet connection, their lifeline, is unfortunately one of the most expensive in the world.

The ICT Incubator operating at the National Computer Board needs quick multifold replication perhaps in each town and village. Innumerable opportunities exist for willing individuals to tap into an ocean of internet jobs through World Wide Web exchanges that match buyers with sellers and broker working arrangements between service providers and clients. From such plain work as a format conversion for a document or preparing a power point presentation, qualified and creative individuals could fetch anywhere between twenty to two thousand dollars a day.

Information and communication technologies shall continue to influence our lives in the times to come. Much would depend on our approach to its impact and our ability to handle it. In a recent paper entitled "Leaders and Facilitators : The New Roles of Governments in Digital Economies", Bruno Lanvin from the World Bank argues that beyond the simple recipes of independent regulation, competition and privatization, each national economy is a special case in which identification of "best practices" combined with exploitation of specific comparative advantages, is likely to lead to differentiated strategies and approaches.

How do you turn apparent weakness of small size, limited labor pool and physical isolation into strength? Good governance, political stability and quick response to investor requirements are important strategic advantages that remain unexploited internally and unsold to international investors. Isolated efforts at training, long gestation government computerization projects and arbitrary changes to the School IT project have not served well to promote the cyber island vision to the international

community.

It might perhaps make sense to take stock of our internal strengths and leverage them towards architecting an immediate solution to our needs, rather than waiting for the elusive foreign investor to

come and turn the country into a cyber island. Foreigners did not vision the Cyber Island for Mauritius. They would not deliver it. Only Mauritius can deliver its own vision.

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Baljinder Sharma

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