SOUTH ASIA: FORMULATING SERVICES SECTOR POLICIES FOR DEVELOPMENT 
A POLICY PERSPECTIVE

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Foreword

The Development Papers Series of the United Nations ESCAP South and South-West Asia Office (UNESCAP-SSWA) promotes and disseminates policy-relevant research on the development challenges facing South and South-West Asia. It features policy research conducted at UNESCAP-SSWA as well as by outside experts from within the region and beyond. The objective is to foster an informed debate on development policy challenges facing the sub-region and sharing of development experiences and best practices.

This paper prepared by Prachi Agarwal during the period of her internship at the UNESCAP-SSWA Office, provides an overview of policies formulated and implemented by eight countries in South Asia’s to foster trade in Services, notably modern services that are typically traded over the internet. Services sector has supported economic dynamism of the region besides playing a pivotal role in trade. Some of the policies evolved to promote services include skill development programs, increased ICT penetration, innovation, and R&D. Besides these initiatives, liberalized FDI regimes, and other outreach programs like trade fairs and brand promotion have helped in export promotion. South Asian countries are already pioneers in IT/ITeS, travel, medical tourism and transport services. The governments have also devised targeted policies for these strategic sectors. A snapshot of sectoral and targeted polices has been presented in this paper including some of the best practices in the region.

We hope that insights and policy lessons drawn in this paper will be useful for designing a strategy for implementation by South Asia of successful policies to develop and promote trade in services through targeted initiatives. The best practices highlighted in this paper will also help countries to recognize their niche area of comparative advantage in exports of modern services and reap greater benefits of service-led growth. These practices can help South Asia replicate its success in exports of IT/IT-enabled services to other modern services such as professional, medical and financial services as well.

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South Asia: Formulating Services Sector Policies for Development
A Policy Perspective

Prachi Agarwal

Abstract
This paper analyses the current development in trade in services in South Asia. South Asia’s language heritage, strong traditions of higher education, computer savvy diaspora and embrace of modern telecom infrastructure, have all contributed to services being a large part of the region’s GDP, with an increasing contribution to their export baskets. Countries in South Asia have formulated aggressive policies to promote the development of trade in services, with a focus on Information Technology and Communication, Professional services, Tourism and Travel, and Healthcare services. It was found that each country in the region has targeted specific niche markets to develop and to increase global exports and outreach. While some countries have formulated “Vision Documents” for their economy, others have devised specialized programs for “Priority Sectors”. This study divides the general policy themes under specific categories: (i) Skill development programs, (ii) nation-wide connectivity and digitization plans, (iii) initiatives to boost technology and entrepreneurship, with a focus on start-ups and intellectual property rights (IPRs), (iv) and export and brand promotion policies. This paper then highlights the best practices in the region and provides recommendations to develop a more competitive services sector. This research was undertaken to obtain an in-depth analysis of current policy making to promote the development of services for domestic and trade purposes, as well as assessing the impact of these policy tools. Such findings were primarily based on desk-based research from publicly available information sources combined with discussions with key stakeholders as well as an informed interpretation of the findings.

JEL code(s): F13, F14, L88, N75, Z38
Keywords: IT industry, South Asia, Trade in services, Trade policy

1 Prachi Agarwal is a Doctoral researcher at the Center for Economic Studies and Planning at Jawaharlal Nehru University, New Delhi. This working paper was developed during an internship at the United Nations-ESCAP, New Delhi. This study relies on data and information which is publicly available, as well as discussions with key stakeholders in the public and private sectors. Data and information from multiple sources have been reviewed during this study, including UNCTAD and World Bank databases for the empirical analysis and various reports published by national governments and international organizations. The author benefited from inputs and suggestions provided by Dr. Rupa Chanda, Dr. Nagesh Kumar, Dr. Rajan Ratna and Joseph George. Guillaume Derrien’s unwavering support and contributions are gratefully acknowledged.
1. Introduction

Since the turn of the century, contribution of services sector to economy has grown ‘leaps and bounds’ and this sector now plays a pivotal role both in developed and developing countries, fuelled by the current wave of technology and innovation. Service-led growth has mushroomed all over South Asia and has enabled countries in the region to grow at exponential rates. Services were traditionally assumed to be driven by domestic demand, but technology and the internet have fostered trade in services between countries. For example, the Information Technology boom owes its success to cross-border trade in services. Such services no longer require the geographical proximity of the consumer and the seller. These new types of services have been termed as modern services. The share of modern services has increased in the past few years, as countries expand the use of Information and Communication Technology (ICT). Services are now also increasingly embedded in goods trade. Countries are now realizing that services play a much larger role in their economies than previously thought. The prevalence of global value chains has also expanded the role of services in economic growth.

South-Asian countries perform well on trade in services. India and Sri Lanka are Information Technology (IT) hubs; Maldives, Bhutan and Nepal are attractive tourism destinations. Bangladesh and Pakistan are latecomers but are catching up by focusing on the low-end of the IT sector. India is shifting towards higher value-added services, focusing on the upcoming fourth industrial revolution. Nonetheless, the importance of services differs across South Asia. Maldives, on one hand, is heavily dependent on exports of services, with Tourism accounting for 90% of total exports. On the contrary, in Bangladesh and Pakistan, services make up only 15% (on average) of their exports. These two countries however employ a greater share of their population in the services sector as opposed to India and Sri Lanka, where services make up 40% of the export baskets. Section 1 highlights the main trends in services growth in South Asia and analyses the regional patterns that emerge.

The future of the service sector will depend on the policies formulated by national governments in these countries. Section 2 draws attention to the specific policies that exist in South-Asian countries to spearhead growth in the domestic service industry and to promote exports from the sector. It then highlights some common trends in policymaking and analyses how these countries compare to their neighbours. The last section underlines the best practices in the region and emphasizes their role in shaping the trajectory of the successful cases. It also prescribes some policy measures that countries should follow to embrace the rising tradability of the service industry.
2. Recent Trends in Services Sector: An Overview

The period between 2001 and 2011 was a high growth rate period in terms of gross domestic product (GDP) for all the countries in the region\(^2\). The period from 2006-2011 was favourable for growth in India, Bhutan, Bangladesh, Nepal and Sri Lanka, while the economy of Afghanistan, Maldives and Pakistan witnessed their maximum growth in 2001-2006. By contrast, GDP growth slowed over the period 2011-2016 for all the South Asian countries. Bangladesh, Maldives and Pakistan are the only countries in the region that recorded an average annual GDP growth above 5% in the period.

South Asia’s language heritage, strong traditions of higher education, computer savvy diaspora and embracement of modern telecom infrastructure, are one of the key factors explaining why services\(^3\) account for a large part of the region’s GDP. In India, services share of total value added (TVA) has been rising and has hovered around 50% since 2012 (Figure 1). Contribution of total services to TVA has also increased across most South Asian countries, with an exception of Maldives. In Maldives, the average services contribution to GDP is above 80% since the 1980s, because of the country’s large exports of tourism-related services. The highest share of services in TVA is indeed in Maldives (82%, 2016), followed by Sri Lanka (62%, 2016). The period of 2009-2010 witnessed a massive state-led project through public investment in non-tradable services in the region.

![Figure 1: Services as a % of TVA](http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx)
As per the trend in South Asia, the share of services in TVA is well above 50% in Bangladesh, Pakistan, and India as well. The service sector in Pakistan has grown due to the development of the financial and insurance sectors. The better performance can also be attributed to the pursuance of accommodative policies adopted by the State Bank of Pakistan (Ahmed and Ahsan, 2011).  

Despite the high value addition, India employs one of the lowest per cent of workers (as a per cent of total employment) in services sector. This is mainly because 80 per cent of services sector employment in India is informal and is left out in the data collection process. On the other hand, Maldives employs 70% of its workforce in services sector, mainly in travel and tourism. The lowest share of services employment is in Nepal at less than 20%. In Sri Lanka, services employment jumped from 30% to 47% of total employment between 1991 and 2017, while in India, it rose from 21% to 38%. This came with a falling share of agriculture and manufacturing sectors in total employment, from 77% in 1997 to 66% in 2017 (Figure 2 and 3).

Pakistan was the only country in our study that employed a smaller proportion of workers in the services sector between 1997 and 2017. In charts 2 and 3, it can be seen that between 1997 and 2017, employment in services in Pakistan fell from 38% to 34%. Productivity in services has also increased among South Asian economies (Figure 4 and 5). Indeed, TVA by services has risen faster than employment share. In India, manufacturing, services and primary sector activities started off at similar levels of productivity in the 1980s. In the 1990s, manufacturing productivity rose the fastest, but modern services sectors, IT and IT enabled Services (ITeS), overtook manufacturing in 2000-2001 and have grown exponentially since then (KLEMS Database).

Figure 2: Sectoral employment (% of total employment) (modeled ILO estimate)

Source: World Development Indicators, World Bank
Data accessed at http://databank.worldbank.org/data/source/world-development-indicators#selectedDimension_DBList on 24/04/2018

5 Maldives has been left out from Figure 4 due to its very large value of 80%. Other countries in South Asia fall under 50% cap.
Figure 3: Employment in services (% of total employment) (modeled ILO estimate)

Source: World Development Indicators, World Bank
Data accessed at http://databank.worldbank.org/data/source/world-development-indicators#selectedDimension_DBList on 24/04/2018

Figure 4: Productivity in Services (2016)

Source: World Development Indicators, World Bank
Data accessed at http://databank.worldbank.org/data/source/world-development-indicators#selectedDimension_DBList on 24/04/2018
Trade in Services: South Asia

While Maldives, India and Sri Lanka run a trade surplus in services, Pakistan, Bhutan and Bangladesh have a deficit. India’s trade surplus has grown from US $1.6 billion in 2000 to US $76 billion in 2016. Sri Lanka is running a small trade surplus since 2012, while Nepal’s trade balance has turned positive since 2015. With the exception of India,6 Maldives is the only country in the region that has maintained a positive services trade balance due to the sheer volume of tourism exports, that accounts for over 90% of total exports (Figure 6 and 7).

The share for services in total trade in Maldives has grown from around 65% in 2005 to 92% in 2016, the highest in the region. The contribution of services to growth in Nepal has more than doubled in the last ten years from 30% to over 60% in 2016. One plausible explanation could be that in April 2009, the Nepalese government introduced a new trade policy7 that for the first time ever, recognized the importance of services in the policy framework. For Pakistan, services occupy a very small proportion of exports (close to 20% only) due to a lack of infrastructure and facilitative mechanism for service exporters. Transport services and professional services – such as IT, Accounting and Engineering – account for a majority of Pakistani service exports (Figure 12 and 13). The dynamisms of these two sectors led to a rise in share of services between 2005-2010 but

---

6 India has a large surplus in services and has been deliberately excluded from Figure 7 as the large positive figures skew the axis
7 National Trade Policy 2009 and 2016 have been discussed in the next section of the paper
these trends reversed in the period 2010-2016. However, services imports declined at a faster rate than exports, leading to a decrease in the trade deficit between 2008-2012. The fastest growing share of services in exports occurred in Sri Lanka. One possible reason for this growth could be the thrust provided by the Tourism, Transport and Telecom department in the country. In 2008, the Parliament declared these sectors as ‘Strategic Development Projects’ that provided tax exemptions to all incoming foreign investments in these sectors (Athukorala, 2012). Services exports also grew at a tremendous rate of 25 per cent per annum in the period 2009-2013, possibly due to the introduction of a battery of incentives by the Government of Sri Lanka in 2009. These have been elaborated on in the following sections.

**Figure 6: Services Trade Balance**

<table>
<thead>
<tr>
<th>Year</th>
<th>Afghanistan</th>
<th>Bangladesh</th>
<th>Bhutan</th>
<th>Maldives</th>
<th>Nepal</th>
<th>Pakistan</th>
<th>Sri Lanka</th>
<th>India</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>-2</td>
<td>-3</td>
<td>-4</td>
<td>-5</td>
<td>-6</td>
<td>-7</td>
<td>-8</td>
<td>-9</td>
</tr>
<tr>
<td>2012</td>
<td>-1</td>
<td>-2</td>
<td>-3</td>
<td>-4</td>
<td>-5</td>
<td>-6</td>
<td>-7</td>
<td>-8</td>
</tr>
<tr>
<td>2015</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
</tbody>
</table>

Source: Self-computed by the author with Data from UN Comtrade
Data accessed at: [https://comtrade.un.org/data/](https://comtrade.un.org/data/) on 7/5/2018

**Figure 7: Share of services in Total exports (%)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Afghanistan</th>
<th>Bangladesh</th>
<th>Bhutan</th>
<th>Maldives</th>
<th>Nepal</th>
<th>Pakistan</th>
<th>Sri Lanka</th>
<th>India</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>10</td>
<td>20</td>
<td>30</td>
<td>40</td>
<td>50</td>
<td>60</td>
<td>70</td>
<td>80</td>
</tr>
<tr>
<td>2010</td>
<td>30</td>
<td>40</td>
<td>50</td>
<td>60</td>
<td>70</td>
<td>80</td>
<td>90</td>
<td>100</td>
</tr>
<tr>
<td>2016</td>
<td>40</td>
<td>50</td>
<td>60</td>
<td>70</td>
<td>80</td>
<td>90</td>
<td>100</td>
<td>110</td>
</tr>
</tbody>
</table>

Source: Self-computed by the author with Data from UN Comtrade
Data accessed at: [https://comtrade.un.org/data/](https://comtrade.un.org/data/) on 7/5/2018
Following the pattern of share of services in total exports, the contribution of services exports and imports display a similar trend (Figure 8). In India, service exports contributed about 8% to GDP, however in other developing countries in the region, the share of services exports in GDP remained at very low at 2-3% in the period 2008-2015. It is known that both Bangladesh and Pakistan’s economy is dependent on merchandise exports. Among the Least Developed Countries (LDCs), Maldives was the only country in the region with high contribution to GDP, with a peak in 2014, where 81 per cent of GDP could be explained by services exports alone due to the country’s high dependence on tourism. However, in the rest of the LDCs, the contribution remained around 5-7% of GDP in the time period 2008-2015.

Figure 8: Services Exports (contribution to GDP %)

Source: Trade data accessed from UN Comtrade on 2018/5/7 and GDP data from World Development Indicators, 2018/4/24
Note: Maldives is plotted on the right axis, while others on left.

Pakistan and Bhutan only export about 5% of total services produced in their economies; Bangladesh and India have the highest shares – about 20% of total production. This share has however declined consistently between 2008-2015 for India. This can be traced to higher domestic demand of services, larger proportion of non-tradable and low international demand after the 2008 crisis. Bangladesh and Afghanistan’s services exports also suffered as a result of the global financial crisis.
In the period 2005-2016, services exports grew the fastest at 22% (Table 1) in Maldives, followed by Sri Lanka, India, Nepal and Bhutan, all at around 10-11 per cent. The slowest growth rate in South Asia’s services has been in Pakistan, only 3% in this period. This coincides with the declining share of services exports in TVA, as well as with the stagnant share of services in the export basket in the period 2005-2016 (Figure 7, 8, and 9). In contrast, India’s services sector exports grew at 10% between 2005-2016, despite a rising share of domestic consumption of services. Nepal on the other hand, experienced growth in the share of services in total exports,
while hitting its peak growth in the period 2005-2009, with a compound growth rate (CAGR) of 14% (Table 1). Post the financial crisis of 2008, services exports picked up in all South Asia, but are still below their pre-crisis peaks in Maldives, Nepal and India. However, the region faced a blow to its exports in the period 2013-2016, with Pakistan being hit the worst.

India remains the leading exporter in South Asia for all service subcategories – both in volume and value terms. India and Pakistan’s main exports in the period 2008-2016 were Information Computers and Telecommunication services, Other Business Services\(^8\), Travel and Transport (Figure 10 and 11). While overall service exports have decreased for Pakistan in the 2008-16 period, they have increased in India, Sri Lanka, Bangladesh and Bhutan. In 2008, Sri Lanka’s exports comprised largely of Transport services and Travel. However, the share of Transport service shrunk in Sri Lanka as well as in the region as a whole, owing to the decline in global freight charges.\(^9\) By 2016, the composition of services exports had changed in favour of Travel services. Similarly, for Pakistan, Transport sector’s export share in early 2000s has lost out to Telecom, Computer and Information service exports in 2016. This partly reflects the extensive efforts made by the Government of Pakistan to establish its foothold in the Information Technology-Business process management (IT-BPM) sector. Similar efforts have also been made in Bangladesh through the Export Policy 2012-2015. The policy recognized ITeS and Tourism as high-priority sectors and aimed to strengthen efforts to establish an IT Village for exports of software services. The ICT Business Council was also set up in 2003 to enable a competitive position for Bangladesh in the global market.\(^10\) The construction services sector dominated Afghanistan’s service export basket in 2008, most of which was overtaken by ICT services in 2016. However, the absolute value of exports reduced to one-third of its value from US $ 1238 million to only US $ 430 million between 2008 and 2016.

\(^8\) Other services include Professional services like architectural accounting and auditing, creative services, R&D, etc.
\(^9\) \url{http://unctad.org/en/PublicationChapters/rmt2017ch3_en.pdf}
\(^10\) These policies have been highlighted in the next section on Policy making to promote exports of services.
The new wave of technology-driven transformation occurring in the cross-border delivery of services allows feasibility of trade in many services categories through IT platforms (broadly may
be called “modern services”\textsuperscript{11}. Trade in modern services do not require the physical proximity of the consumer and supplier for an exchange to take place and are typically traded through mode 1.\textsuperscript{12} They broadly include ICT services, Financial services, Insurance and Pension services and other Business services. Many barriers that exist in ‘physical’ trade can thus be circumvented. India’s modern services exports (Figure 12) made up 74.8\% of total exports in 2008 and 71.5\% in 2016, making it a leader in the region. However, the share of modern services was much lower – around 30\% - in Afghanistan, Pakistan and Bangladesh. It was the lowest in Bhutan at 2.8\% only. It is widely acknowledged that South Asia is a pioneer in the Telecommunication, Computer and Information sector. As per Figure 13, South Asia occupies over 50\% of the share of ICT service exports in Asia and about 12\% in the World. Though South Asia’s share of ICT exports in Asia has declined from its peak in 2010 at 53\%, to just over 40\% in 2016, it has maintained its share in global ICT exports over the same period.

\textbf{Figure 12: Modern services (\% of total services exports)}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{modern_services.png}
\end{figure}

\textit{Source: UNCTAD database}

\textit{Data accessed at: http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx on 2/5/2018}

\textsuperscript{11} Modern services include ICT, other business services, financial services, insurance and pension services

\textsuperscript{12} Services can be traded through four modes, namely, mode1: cross-border trade, mode 2: consumption abroad, mode 3: commercial presence and mode 4: presence of natural persons. In some cases, mode 1 data may be overestimated due to the categorization of remittances under mode 1 rather than mode 4.
Figure 13: South Asian performance in ICT Services

Source: UNCTAD database
Data accessed at: http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx on 2/5/2018

Figure 14: ICT services exports in South Asia

Source: UNCTAD database
Data accessed at: http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx on 2/5/2018

Figure 14 shows the overall trend of rising ICT service exports from South Asia between 2008 and 2016. Within the region, India tops the table with a 96% share in the period 2008-2016, with a very low contribution from the rest of South Asia. However, the shares of Pakistan, Bangladesh and Sri Lanka have increased in this period, possibly due to the aggressive polices launched by their respective governments. These have been highlighted in the next section.
ICT services exports in India accounts for an average of 35% of total services exports and is valued at US $55,000 million (Figure 16). India exported the largest value of modern services to the world (US $112,472 million in 2016) among other countries in the region. If we include financial services, insurance and pension services and other business services, the share of modern services in the Indian services export basket rises to an average of 70% in the period 2005-2016. By contrast, the share of Traditional services (mainly Construction, Transport and Travel) is only 24%. In terms of Modern Services, data on Afghanistan, Bangladesh, India, Pakistan and Sri Lanka is available between 2012-2015. Figure 15 depicts the CAGR of modern services exports from the South Asian region. Except for Afghanistan (-20%), all countries displayed a positive growth rate, with Bangladesh and Pakistan being the fastest. The composition of service exports in Pakistan is presented in Figure 17 below. Pakistan’s IT exports are about $600 million, which is very low as compared to other countries such as India ($49.5 billion), China ($15.4 billion) and Malaysia ($2 billion) (Source: UNCTAD Handbook of Statistics, 2014). Pakistan can benefit from offshoring and outsourcing industry as being done by the leading destinations. Furthermore, Pakistan’s computer hardware industry requires more attention to make it a vibrant sub-sector of the overall IT industry. 13

Figure 15: CAGR (2012-2015) Modern Services Exports

Source: UNCTAD stats
Data accessed at: http://unctadstat.unctad.org/wds/TableView/tableView.aspx on 2/5/2018

13 11th Five Year Plan, Government of Pakistan
Figure 16: India Services Exports

Source: UNCTAD stats
Data accessed at: [http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx](http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx) on 2/5/2018

Figure 17: Pakistan Services Exports

Source: UNCTAD stats
Data accessed at: [http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx](http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx) on 2/5/2018
Figure 18: Services Imports (contribution to GDP %)

Source: Trade data accessed from UN Comtrade on 2018/5/7 and GDP data from World Development Indicators, 2018/4/24
Data accessed at: http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx on 2/5/2018

Figure 19: Services Imports in South Asia (2016)

Source: UNCTAD stats
Data accessed at: http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx on 2/5/2018
In terms of contribution to GDP by imports of services, the story is quite similar to that of exports. According to Figure 18, with the exception of tourism-dependent members Maldives and Bhutan, the shares remained stagnant around 5 per cent for the remaining six countries in the region over the period 2008-2015. Maldives topped the list with shares touching 22 per cent since 2014. As a region, South Asia mainly imports Transport, Other Business Services and Travel services, with India dominating in terms of their value. Service imports for India have been unsteady in the period 2009-2016. While they grew in 2009-2011, they fell thereafter until 2013, and experienced a slight improvement in 2014-2016, with Transport and modern services making the largest share. According to Figure 19. Transport Services made up almost 45% of service imports in South Asia in 2016, while Other Business Services held the second largest share of about 25%. With the exception of Bhutan, Transport services appear to be very important in the import basket of South Asian countries, especially for Afghanistan (approximately 80 per cent), Sri Lanka (about 60 per cent) and India (40 per cent). The area under the category of ‘Other Business Services’ widens around India and Pakistan, while the share of Travel services is the greatest for Bhutan and Sri Lanka. Bhutan also imports Construction services that could be attributed to its liberal Foreign Direct Investment (FDI) policies in the sector.

In terms of inwards FDI, India has been the preferred destination in South Asia since 1995 (Figure 20). In 2016, almost 92 per cent of all inflow of FDI in the region was received by India, of which, 55.76 per cent was in the services sector in the period April 2000 to June 3017 and 54.26 per cent in 2016-2017 alone. 14 Bangladesh’s inward FDI was particularly concentrated in Banking and Telecom sectors (Figure 21). The increased share of Banking Services could be a result of the adoption of policies by the government to regulate and monitor the sector in the form of human resource policy, monetary policy and a crackdown on money laundering. The implementation of these policies helped raise the competitiveness of Bangladeshi banks, thus instilling trust in foreign investors. These structural reforms could also have encouraged FDI inflows in the insurance sector. Following Bangladesh’s liberal FDI policy in large-scale construction projects, the sector attracted investment between 2012-2017. In Pakistan the share of services inward FDI increased from 32 % to 79% in the period 2008-2018 (Figure 22). While construction, financial and business services attracted the largest share of inward FDI, IT services and Telecommunications witnessed severe disinvestment in the period 2008-2013 15. This decline can be attributed to the internal crisis including law and order situations along with the external financial crisis that led to a rise in uncertainty and risk aversion.

14 Classification of services in India as per the Reserve Bank of India and Department of Industrial Policy and Promotion is different from that by EBOPS 2015. The numbers for India may thus vary and may not be comparable directly with other countries in the region. More details at: http://dipp.nic.in/sites/default/files/FDI_Factsheet_June2017_2_0.pdf
15 http://boi.gov.pk/ForeignInvestmentinPakistan.aspx
In general, inward FDI in South Asia grew fivefold between 2005 and 2016. Though Nepal attracted a very small share of foreign investment as compared to its neighbours, its value has increased, possibly because the Nepalese government implemented a liberal FDI policy (under the Industrial Policy 2010 and through the Board of Investment Act of 2011). Its main investors are India and China.16

**Figure 20: Share of inward FDI in South Asia**

![Graph showing share of inward FDI in South Asia]

*Source: UNCTAD stats*

Data accessed at: [http://unctadstat.unctad.org/wds/TableView/tableView.aspx](http://unctadstat.unctad.org/wds/TableView/tableView.aspx) on 9/5/2018

**Figure 21: Bangladesh Inward FDI in Services Sector**

![Graph showing Bangladesh inward FDI in services sector]

*Source: Board of Investment; Bangladesh | Bangladesh Bank*

Data accessed at: [https://www.bb.org.bd/econdata/fdi.pdf](https://www.bb.org.bd/econdata/fdi.pdf)

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16 International Trade Center, Services at a Glance: Nepal, 2013
Figure 22: Share of Services in FDI inflows, Pakistan

Source: Investment Support and Promotion Agency of Pakistan
Data accessed at: http://boi.gov.pk/ForeignInvestmentinPakistan.aspx on 11/05/2018

Competitiveness of Services in South Asia

Balassa (1965, 1983) introduced the concept of Revealed Comparative Advantage (RCA) as the actual export flows ‘reveal’ the country’s strong sectors. It is also called the Balassa index and can be computed as:

\[ B_{ij}^A = \frac{\text{share of industry } j \text{ in country } A \text{ exports}}{\text{share of industry } j \text{ in reference country exports}} \]  

(Eq. 1)

If \( B_{ij}^A > 1 \), country A is said to have a revealed comparative advantage in industry j, since this industry is more important for country A‘s exports than for the exports of the world.

According to Figure 23, most countries in South Asia except for Bangladesh, Bhutan and Pakistan, display a revealed comparative advantage in total services. Bangladesh stands out because of its

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17 Despite the widespread use of the Revealed comparative advantage index in trade literature, it has various drawbacks. Since RCA is based on the only past export values, it cannot predict the future trends. Gnidchenko & Salnikov (2015) noted that a competitiveness index should take into account total trade. However, RCA is an incomplete index as it only takes into account the exports of a country. Moreover, it judges the relative importance of an industry for a country vis-à-vis the world; but a country can have comparative advantage even though it occupies a small share of the export basket. RCA is also sensitive to number of exported goods, if a country exports only a few products, their share in the export basket will be high as compared to a country that diversifies. Additionally, it does not take into account non-price factors: (Sanidas & Shin, 2010). Utkulu and Seymen (2004) note that government interventions like export subsidies, import restrictions, other protectionist policies can distort export patterns, and the misreport the “revealed” comparative advantage.
large exports of ready-made-garments that make up 80% of its exports basket. Similarly, Pakistan mainly exports Cotton and other garments. As a result, services occupy only 10% of exports in Bangladesh and 18% in Pakistan (2016). By contrast, Maldives services make up over 90% of its exports, led by Tourism. These numbers are reflected in figure 27, as Maldives had an RCA of 7.5 in 2014, as compared to 0.78 for Bangladesh. Sri Lanka and Nepal are the only two countries experiencing an increasing RCA in services. As discussed earlier, the governments of Nepal and Sri Lanka have implemented dynamic policies that target the growth of services exports in their respective countries. Services have come to play an important role in their export baskets, as they have doubled in value and contribution to exports since the turn of the century.

**Figure 23: Revealed Comparative Advantage in Services (2008-2016)**

The South Asian countries are riding the large IT wave by providing a conducive environment and attracting large companies to set up their operations. India is ‘leading the pack’ since the early 1990s due to the availability of skilled English-speaking youth that was ready to work on low wages. This helped establish India as a hub in South Asia for business process outsourcing and other backend IT enabled services. Given this advantageous opposition, a high revealed comparative advantage is natural (Table 3). With the rise in regulation of the Professional services sectors such as accounting, architecture and legal services (by their respective regulatory authorities) and continued adherence to international standards, Indian professionals have gained competitiveness and recognition in the global market. As a result, India has become an exporter of these services in the past 10 years. Sri Lanka has also been competitive since the turn of the century and had developed its niche in ICT services from early 2000. To support the vibrant sector, industry leaders in Sri Lanka came together in 2008 to form Sri Lanka Association of Software and Service Companies (SLASSCOM) to further promote ICT and BPM services. Other countries, namely Bangladesh and Pakistan are the new entrants to the sector. Bangladesh realized the common heritage it shares with India in terms of an English speaking, skilled- low-wage labour force. This
enabled it to tap the benefits of exporting ICT services. The government developed aggressive policies to attract IT jobs from India.

With the wave of the Fourth Industrial revolution on the way, India focuses more on new jobs in quantum computing, AI, robotics, biotechnology and Internet of Things. This, coupled with India’s relatively more expensive labour wages, has caused the country to lose its low-end jobs to Bangladesh and Pakistan. Freelance workers in Bangladesh and Pakistan have already carved their niche in software and web designing as well as creative services. They are also ranked very high on the Online Labour’s Index\(^{18}\) that quantifies the growth of freelancers in countries across the world. The Internet has created a global market for digitally delivered freelance work, which is currently growing rapidly. The software development and technology category are dominated by workers from the Indian subcontinent, who command a 55 per cent market share. Bangladesh and Pakistan, along with India are among the top ten providers of online services. While Bangladesh is concerned more about sales and marketing support, Pakistan's Business Process Outsourcing, (BPO) sector in creative and multimedia services has grown rapidly over the past few years.

\(^{18}\) Developed by: Kässi, O. & Lehdonvirta, V. (2016) [Online Labour Index: Measuring the Online Gig Economy for Policy and Research](http://ilabour.oii.ox.ac.uk/where-are-online-workers-located-the-international-division-of-digital-gig-work/)
Table 2: Revealed Comparative Advantage in services (Balassa Methodology, UNCTAD)

<table>
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<tr>
<th></th>
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</table>

Source: Prepared by the author, based on Balassa Index methodology. Data accessed at: http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx on 15/05/2018

Note: Afghanistan has been left out of the calculations due to the paucity of data. Similarly, Construction and Financial Services have also been left out.
Moreover, Transport services play a very important role in the export basket of Pakistan and Sri Lanka given their strategic location in the region\(^\text{19}^\text{19}\). Nepal on the other hand, is a net exporter of travel services and has seen a large inflow of tourists since 2006, as a result of greater domestic stability and safety measures to assist the travellers. Along with ICT services, the government of Nepal has chosen tourism as a priority sector in its trade policy. The impact of such policies is showing in its increasing exports. Likewise, The Royal Government of Bhutan has also implemented programs to attract foreign tourists in the country. These two countries have boosted exports in travel services (Table 2), but Maldives continues to top the table.

Another index to measure competitiveness of a country is the Global Competitiveness Index (GCI) developed by The World Economic Forum. The Report for 2017-2018 shows that, of all the 12 pillars used for computation of the GCI, India performs poorly vis-a-vis other South Asian countries in macroeconomic environment (third of out the 8 countries studied), health and primary education (fourth) and technology readiness (ninth). However, it outperforms other countries in the region in terms of Market Size, Business sophistication, innovation, institutions, infrastructure, and financial market development.

For pillars relevant to the services industry (Figure 24), India still needs to work hard on adoption of technology and to increase the use of ICT by people. However, it leads in the innovation index. In the rest of South Asia, Bhutan performed well on higher education and training index, Pakistan performed poorly on all indices, except for the innovation index, where it performed at par with the regional average. The Government of Pakistan has introduced various programs to aid young entrepreneurs and innovators in the form of incubation centers, easier access to venture capital to address this issue. It still needs to develop technology parks, like in India and Bangladesh to climb the ranks in the South Asian region.

\(^\text{19}\) There is scope for intra-regional trade in transport services, but this discussion is beyond the scope of the paper.
India ranks just above the South Asian average on Pillar 9 (technological readiness) owing to the nation-wide programs launched by the Government of India in the form of Digital India. According to Figure 25, India ranks poorly in ICT use index, in terms of fixed broadband Internet subscriptions (measured per 100) and mobile broadband subscriptions (measured per 100). Table 3 shows Maldives has the largest Internet penetration, followed by Bhutan that has a good approach towards ICT and innovation and has managed to digitally connect its people. The National Broadband Masterplan project – that concluded in 2014 - connects the country through fibre optics. Various community centres have also been established across the country to provide Internet connection to all. Additionally Bhutan has supported the development of incubation center across the country to help entrepreneurs try their innovation at financially sustainable cost for six months. There is an e-incubation centre to connect people in remote areas. However, other LDCs in the region, Nepal, Afghanistan and Bangladesh have only a 20% user base.

The International Telecommunications Union (ITU) releases the ICT Development index ranking, to measure the level and evolution over time of the ICT sector within countries and the experience of those countries relative to others. It is based on Access to telephone, mobile, computer and bandwidth by households, Use of internet, broadband network and skill levels in terms of years of schooling, and secondary and tertiary education enrolment. South Asian economies’ ranks in 2017 can be seen above in Table 4. Except for Maldives, all countries perform poorly on the ranking.
Figure 25 shows nonetheless that India performs well in technological adoption index based on availability of latest technology, firm level technology absorption and FDI technology transfer due to the large amounts of investment it has attracted in the IT sector. Several multinational companies have flocked to India to set up their operations, and this has created spill over effects for the entire economy. Every year, A. T. Kearney comes out with the Global Services Location Index (GSLI) based on financial attractiveness, the level of skill, availability of workers and of a more conducive business environment. India leads the AT Kearney GSLI in 2017. This means India is a top country for services industry in the world. Sri Lanka comes in at the 11th position, while Bangladesh and Pakistan have stayed in the top thirty for a few years now. Given Bangladesh’s policies to promote the IT and BPO sector, the ranking is likely to improve in the coming years.

<table>
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<tr>
<th>Country</th>
<th>Afghanistan</th>
<th>Bangladesh</th>
<th>Bhutan</th>
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<td></td>
<td>30 (28)</td>
<td>11 (14)</td>
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</table>

Source: ITU and A. T. Kearney 2017 | all number are ranks, *Numbers in brackets are the rank for year 2016.
Note: ICT Development Index includes 156 countries, while A.T. Kearney index included 55 countries in 2017
[https://www.atkearney.com/documents/20152/793366/The+Widening+Impact+of+Automation.pdf/42b06cf4-e5f9-d8ec-a30c-a82dd26d4953](https://www.atkearney.com/documents/20152/793366/The+Widening+Impact+of+Automation.pdf/42b06cf4-e5f9-d8ec-a30c-a82dd26d4953) on 21/05/2018

### 3. Policy Making: A Comparative Analysis

Traditionally, countries shift from agriculture to manufacturing and ultimately make the shift to services sectors. However, in South Asia, the structure of production has been unique. Many countries made the leap from agriculture to services directly. This was complemented and facilitated by the rich language heritage that enabled the countries to make this shift and reap its benefits. Further, given that services already contribute close to 50 per cent of GDP in South Asia, the countries recognized the pivotal role services play in their respective economies. Following this, they formulated umbrella vision goals to fast track the development of the service sector, while they also identified the services sector, they were the most competitive in and designed policies to promote their exports. Annex 1 lists the policy-making authorities in different sectors in the countries of South Asia, while the next two sections highlight some important horizontal and vertical policies used by the countries to develop trade in services.

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3.1. Horizontals: Thematic Policies

The discussion that follows provides examples from the various policy themes that illustrate the efforts made by South Asian countries to support the development of the services sector. The themes have been emerged as common policy areas among these countries to promote domestic production and international trade in services sectors in the region. This section also highlights best across the thematic policy areas. The Transport sector is a very important component of trade in the region, especially in Pakistan, Sri Lanka and Maldives and India. However, it is beyond the scope of this paper, and has been deliberately excluded to focus on the growth of other relevant sectors in the region. In-depth analysis of policymaking to promote the growth and exports of services from South Asia displays general trends, with focus on IT and Communications, Travel and Tourism, and Health Services sectors. For this reason, this policy review is centred on these sectors only.

i) Skill Development

Skill training is of paramount importance in the development of an economy. With the paradigm shift in the nature of jobs available and increasing prevalence of technology led-development, countries need to educate their young population by providing new skills. Such efforts not only increase productivity of the incoming labour force but also upgrade the skill set of those currently employed. Skill Development promotes the idea of inclusivity and helps make those employed in the informal sector more equipped to enter the formal services sector. Countries in South Asia understand their low-wage advantage and have pursued robust policies to skill their population in the form of technical and vocational training (TVET). They offer courses and scholarships related to technology, hospitality and innovation, promoting higher education and ensuring greater access to formal education, on-the-job training modules, open online courseware to learn new skills and upgrade to the next generation of technology. To reap benefits from their natural advantage, all countries in South Asia have formulated policies targeting skill development. While some are directed towards a certain services sector, others are umbrella programs, encompassing the entire economy.

The ICT is a very attractive sector for young entrepreneurs that need to be groomed for producing high-value innovative products and services. The ICT education and training can work as a catalyst by providing highly paid jobs and employment to the youth, thus alleviating poverty and improving socio-economic conditions of individuals as well as communities. The spill over effect from this sector facilitates improvement of productivity and efficiency in all development sectors of the economy. With a few exceptions in the regions, the ICT industry is still in its nascent stage and lacks skilled personnel to cater to the growing needs of this vibrant sector. The governments of Afghanistan and Bhutan\(^2\) have recognized this need for ICT infrastructure and have developed skill development strategies.

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\(^2\) The Government of Islamic Republic of Afghanistan (GoIRA) and The Royal Government of Bhutan, respectively
The Government of Afghanistan aims to facilitate the creation of a large pool of 20,000 highly skilled knowledge workers with the necessary IT skills for both domestic and global needs in the near future. It also promotes certification and accreditation of IT software literacy levels across the academic and training spheres and intends to establish a model pilot IT University in Kabul as a PPP to promote IT skills in the field of creativity, engineering, business and human development. To supplement this effort, the National IT skills development fund was created to ensure that all foreign IT companies operating in Afghanistan contribute 2% of their profits/income towards IT skills literacy and scholarships.24

The Department of Human Resource (HDR) in Bhutan intervened in the labour market in 2006 with the Skill Training Program (STP)25 geared towards addressing the mismatch in the labour market through skill training. Most of the training is provided in association with the private training providers with financial support from the government (Ministry of Finance). The 10th STP was implemented with support from the Government of India, World Bank and UNDP, and targets Hospitality and construction sectors. Further, the HRD (Human Resource Development) report26 commits to focus on skill development of individuals in ICT, Tourism and Financial Services sectors. Bhutan has scope to develop the ITeS sector due to the availability of a young population. With focus on telemarketing and customer support services, universities in the country offer courses in information management systems. The report emphasizes on the role Technical Training Institutes (TTIs) can play with short term and pre-service courses before employment. The HRD report suggests the need to introduce new courses in IT and Telecom.

The Tourism sector, on the other hand27 meets its demands from different certificate programs that exist under the Tourism Council of Bhutan. It has a training unit that conducts certificate courses. The Hotel Tourism Management and Training Institute (HTMTI) is the main institute for providing education at diploma and degree level. The mission of the National HRD policy is to create and enhance competencies of individuals through strengthening of the existing HRD institutions and promoting the required world-class HRD institutions to help the country achieve its strategic goals, increase employability and provide decent employment to people.

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24 IT Industry Development Policy 2015-2020, Ministry of Communication and IT, GIROA
27 It is one of the biggest contributors to the GDP and is managed by the TCB
Box 1: Digital Bangladesh 2021

The program aims to double/triple the yearly supply of IT graduates, by specially encouraging students from non-metropolitans through specialized loans and scholarships for IT education. It also promotes the development of a ‘women labor pool’ for the sector, and explore the low-cost advantage vis-a-viz other South Asian neighbors by enhanced publicity of its IT workers.


Bangladesh already possesses a large pool of English-speaking, certified IT graduates. Their continuous efforts in the form of compulsory ICT learning compulsory from 6th grade in schools, universities courses in IT-related subjects, and 300 training centres for graphic design, DTP, website designing, engineering drawing have ensured the smooth growth of the sector. The Digital Bangladesh 2021 program also has elements for skill development, so as to increase employability of the masses.

As discussed above, Afghanistan, Bangladesh and Bhutan have specific IT sector skill development programs, others like India, Nepal and Pakistan address training and skilling in their national policy agendas. The Government of India has launched the Skill India initiative to boost the sector; Pakistan has launched the Vision 2025 that focuses on creation of entrepreneurial eco-system to promote tech-entrepreneurship and to exploit the existing academic and TVET system. It also focuses on increasing software exports and outsourcing and establishing centres of excellence – also to act as regulatory bodies – for enhancing training and skills of the IT professionals to design curriculum as per requirement of the software industry and international standards.

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28 Global IT vendor certificates e.g. from Microsoft, Cisco Oracle, Sun
29 For more information: http://www.msde.gov.in/nationalskillmission.html
Box 2: Skill India

The campaign was launched in 2015 with the aim of skilling 500 million Indian by 2022. It was spearheaded by the MSDE and includes institutional training, infrastructural development, and convergence of skill base across states. It has been launched to empower the youth of the country with skill sets, to make them more employable and productive at their jobs. Skill India offers courses across 40 sectors in the country, recognized by both the industry and the government under the National Skill Qualification Framework. It also includes sub-programs such as SANKALP (Skill Acquisition and Knowledge Awareness for Livelihood Promotion Program), National Skill Development Mission, Pradhan Mantri Kaushal Vikas Yojana (PMKVY), Skill Loan scheme and Rural India Skill. Under PMKVY, the Government pays the entire training and assessment fees.

Source: https://skillindia.nsdcindia.org/

Box 3: Sector Skill Councils, India

The Ministry of Skill Development and Entrepreneurship (MSDE) has also set up SSCs to promote skill development in strategic sectors of the economy. The SSC for IT sector is under The National Association of Software and Services Companies (NASSCOM), while that of Telecom is handled by the Confederation of Industries of India (CII). With 38 SSCs to date, the mission is to develop a workforce of 3.3 million workers by 2022. They are developed to train and certify trainees to help reduce the skill gap in India.

Source: https://www.nsdcindia.org/sector-skill-councils

The TVET Vision 2025 addresses some of the Skill Development issues that may hinder the development of services sector and restrict the sectoral exports. Digital Pakistan policy 2017 was also established at the same time, detail of which can be found below. Similar to the Indian experience, Pakistan also set up Sector Skills Councils recently in 2018 to support Vision 2025. Some are highlighted in Table 5.

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31 The Digital Pakistan program 2017 matches its priorities with UN’s Sustainable Development Goals 2030. Goals 1, 3, 4, 5, 8, 9, 10, 11 and 12 have been addressed in the policy.
32 SSCs were established under the Ministry of Skill Development and Entrepreneurship. http://www.skilldevelopment.gov.in/ssc.html
The case of Nepal stands out, as remittances play a major role in maintaining balance of payments. To enhance the contribution of this component, policy making in Nepal witnessed a shift from unskilled to semi-skilled and skilled professionals, with the aim of increasing mode 4 of services delivery. This policy would help enhance the competitiveness of the Nepalese professionals and enable them to secure jobs in the international market, plus adding to remittances.

Table 5: TVET VISION 2025, Pakistan

<table>
<thead>
<tr>
<th>Component</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developing National Vocational Qualification Framework (NVQF)</td>
</tr>
<tr>
<td>Devising modes of assessment for Recognition of Prior Learning (RPL)</td>
</tr>
<tr>
<td>Establishing Vocational Guidance and Job Placement (VGJP) centers</td>
</tr>
<tr>
<td>Accrediting TVET institutions and qualification awarding bodies</td>
</tr>
<tr>
<td>Establishing National Skills Information System</td>
</tr>
<tr>
<td>Innovative Training for Youth</td>
</tr>
<tr>
<td>37,512 Youth trained under Fanmi Maharat Program. 115,585 youth trained Hunarmand Pakistan Program</td>
</tr>
<tr>
<td>25,000 youth being trained under PM Youth Program</td>
</tr>
</tbody>
</table>

**Digital Pakistan Policy 2017**

- Initiate programs to train young graduates, freelancers and professionals on market intensive skills through both class room and virtual training sessions.
- Design and develop customized programs with a special focus on ICT for Girls programs and initiatives. Initiate ‘ICT for Girls’ programs across the country for training in software skills. Establish Women Empowerment Centres and IT Labs to train young girls in highly sellable IT skills (computing, coding, and communication) through collaboration with private sector.

Source:

ii) Digitization, ICT Use and Connectivity

With the growing role played by technology in all economies across the world, South Asian countries have invested heavily in efforts to digitize and connect the people with the world and their government. Nation-wide campaigns and programs have supported this trend. For example, the initiatives such as Digital Bangladesh, Digital India, Digital Pakistan and E-Sri Lanka have strong potential to help South Asia compete with developed regions in terms of ICT access and use.

The World Economic Forum Global Competitive Index 2017-2018 ranks countries based on availability of Technology and ICT usage (sub-index 9). The table below highlights the components of this sub-index. While India and Pakistan each score 4.5/7.0 on technological
adoption sub-index, they have failed to translate this into usage by their population. Bhutan and Sri Lanka score the highest on ICT use sub-index, with the highest percentage of individuals using Internet, and fixed broadband Internet subscriptions per 100 persons. This ranking for Asian countries mirrors the ICT Development Index created by the ITU.

<table>
<thead>
<tr>
<th>Table 6: Sub-Index 9- Technology and ICT Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series</td>
</tr>
<tr>
<td>9.01 Availability of latest technologies, 1-7 (best)</td>
</tr>
<tr>
<td>9.02 Firm-level technology absorption, 1-7 (best)</td>
</tr>
<tr>
<td>9.03 FDI and technology transfer, 1-7 (best)</td>
</tr>
<tr>
<td>A. Technological adoption</td>
</tr>
<tr>
<td>9.04 Individuals using Internet, %</td>
</tr>
<tr>
<td>9.05 Fixed broadband Internet subscriptions/100 p</td>
</tr>
<tr>
<td>9.06 Int’l Internet bandwidth, kb/s per user</td>
</tr>
<tr>
<td>9.07 Mobile broadband subscriptions/100 p</td>
</tr>
<tr>
<td>B. ICT use</td>
</tr>
</tbody>
</table>


The ICT readiness index by ITU places India in the top 5 most dynamic countries in Asia-Pacific for the period 2016-2017.33 While India has climbed 4 ranks in the index period, from 138 to 134 globally, and 26 to 22 in Asia-Pacific, Sri Lanka, ranked highest in South Asia. By contrast, Bangladesh and Pakistan remain the worst performers in South Asia, after Afghanistan. This has motivated them to launch nation-wide projects to increase access to ICT and use of ICT by the people.

Digital Bangladesh 2021 (DB21) was developed under the 7th five-year plan (FY 2016-FY 2020) and envisions a country with all the facilities of modern technology. DB21 aims to achieve 90% tele-density by 2021 and works in line with the Bangladesh Research and Education Network (BdREN) to connect and collaborate with other countries in Asia-Pacific, Europe and North America. It is an inclusive vision that encompasses all citizens of Bangladesh and focuses on the

disadvantaged groups. By 2020, high Internet speed facilitating ICT induced service delivery; human development and employment opportunities are capable of accelerating the GDP growth. The sources of this additional growth are directly attributable to the IT/ITeS industry and indirectly through service delivery reforms, which will allow citizens to be more productive.\textsuperscript{34}

Pakistan pledged to perform better in the next few years through the Digital Pakistan 2017 initiative. This program concentrates on emerging areas of mobile application development, responsive web applications, big data analytics, Internet of things (IoT) and cloud computing. The aim is to leverage existing competencies in the Pakistani IT industry to improve its export potential and promote digitization and automation of existing hospitals so as to develop a network across the country that can provide health services.

**Box 4: Regional Connectivity in South Asia: Regional Information Highway Network**

A Regional Information Highway Network was established among 4 South Asian nations, Bangladesh, Nepal, Bhutan and India through South Asian Sub Regional Economic Cooperation (SASEC) to ensure broadband information communication, exchange information related knowledge and offer access to ICT in inaccessible areas. High-speed fiber optic cable network is expected to become ubiquitous by 2017, after the completion of the project “Installation of Wireless Broadband network for Digital Bangladesh (4G, LTE)”.

*Source: https://www.adb.org/sites/default/files/linked-documents/47341-001-sd-01.pdf*

Meanwhile in India, the Annual Budget of 2018 has stressed the importance of the growing digital ecosystem in India. It has set forth a commitment to invest in research, training, and skilling in robotics, artificial intelligence, data analysis, quantum communication and Internet of things (IOTs). Within the Government of India’s ‘Digital India’ program, several initiatives have been taken to enable the digital empowerment of the society.\textsuperscript{35}

\textsuperscript{34} http://unctad.org/meetings/en/contribution/dtl_eWeek2018c03-bangladesh_en.pdf

Box 5: Digital India Initiative

The program was launched in 2015 as a flagship program of the Government of India to transform the country into a digitally empowered society and knowledge economy. It is an umbrella program that weaves together many Government ministries and departments to provide the much-needed thrust to ICT growth in the economy. It caters to the pillars of Digital India: e-Governance, Public Internet Access program, Universal Access to Mobile Connectivity, IT for jobs and Information for All. The implementation of the program has been through the establishment and expansion of core ICT infrastructure. The mission has successfully initiated many projects which include the National Digital Literacy Mission, e-kranti mission, Wi-Fi hotspots, among others. For more information: http://digitalindia.gov.in/content/programme-pillars.

Source: http://digitalindia.gov.in/content/programme-pillars.

For instance, Aadhaar Identification Program now covers 90% of the Indian population, with increasing service delivery of government programs through e-governance platforms. Further, the Bharat Broadband Network Ltd. Initiative aims to provide high-speed broadband connectivity to 2,47,864 villages. Internet penetration is thus expanding, with 456 million internet users in India in December 2017, up by 17% from December 2016. The number of users is estimated to have reached 478 million by mid-2018.

Sri Lanka is already the best performer in the region and continues to make efforts to integrate ICT in its economy. Numerous government agencies and industry stakeholders, as well as development partners have recognized the potential for the growth of the ICT-BPM sector. Through the ICT Agency, Sri Lanka works on development aspects of the ICT sector by increasing accessibility and facilitating communication in rural communities. The Information and Communication Technology Agency (ICTA) is also working towards a digitally inclusive Sri Lanka by 2018 through the e-Sri Lanka program as sponsored by the World Bank. It aims to improve access to ICT in the country to improve economic and social development. The Ministry of Telecommunication and Digital Infrastructure is working on a Road Map 2017-20 to provide new scenarios and development of the telecommunications sector. This Ministry is tasked with formulating and implementing national policy on telecommunications and digital infrastructure and strives to strengthen private sector partnerships, upgrade telecommunications services, and minimize regional disparity.

36 “Mobile Internet in India 2017” Report: IAMAI and KANTAR-IMRB
37 Three main government agencies are responsible for the promotion of the industry: Information and Communication Technology Agency (ICTA), The Export Development Board (EDB) and the Board of Investment (BOI).
39 Trade policy Review: Sri Lanka WT/TPR/S/347/Rev. 1
iii) Innovation, Start-ups, R&D, Technology

The 12th sub-index on the World Economic Forum’s (WEF) Global Competitive Index 2017-2018 is based on Innovation (Figure 26) 40. India tops the South Asian region, with Sri Lanka close behind. India ranks in the top 10 in the world for government procurement of advanced technology, and in the top 30 in the world for University-industry collaboration and company spending on Research and Development (R&D). India is emerging as a major R&D hub in IT and electronics and accounted for 40% of the global R&D in engineering services. A recent initiative launched by the government, the Atal Innovation Mission works to promote innovation in India.

Box 6: Atal Innovation Mission

- Aims to transform the innovation and entrepreneurship landscape in the country
- More than 500 Tinkering labs have been set up in across the country to facilitate the holistic development of students
- Other initiatives include incubation centers
- Innovation Index Framework to track promising innovations in the country and the newly launches Festival of Innovation for reinforcing the inclusive nature of the innovation ecosystem.

Source: https://niti.gov.in/content/atal-innovation-mission-aim

Sri Lanka ranks second in the region. Industry leaders in Sri Lanka came together in 2008 to establish SLASSCOM41, as a private sector industry body, with a mission to promote exports of ICT and BPM services. SLASSCOM acts as a catalyst for growth of the IT and BPM industry in Sri Lanka by facilitating trade and business, propagation of education and employment, encouraging R&D, and by supporting the creation of a progressive national policy framework. A similar counterpart that exists in India since 1998 is NASSCOM42. It is an industry-led body that promotes the IT-BPM sector apart from partnering with Skill India and SSCs to meet the growing demand from the technology-led industry.


41 The objective is “to act as a catalyst of growth for the Sri Lankan knowledge and innovation sector by brand building and marketing to win global businesses, while developing industry capacity and capability to deliver world class excellence” More information at: https://www.slasscom.lk/

42 NASSCOM is focused on building the architecture integral to the development of the IT BPM sector through policy advocacy, and help in setting up the strategic direction for the sector to unleash its potential and dominate newer frontiers. More information at: http://www.nasscom.in/
Given Sri Lanka’s strength in accounting, law, medicine, etc., the Government of Sri Lanka recognized the need to shift focus from pure IT/BPO services to broader “knowledge services” and called for a coordinated international branding campaign to promote the visibility of the sector. In 2013/2014, ICTA supported SLASSCOM in developing a comprehensive vision and strategy for the sector. This resulted in setting up ‘Vision 2022’ (see Box) with a target to earn $5 billion in export revenue by 2022. “Sri Lanka IT-BPM Destination” campaign also focused on promoting Sri Lanka as a hidden gem for software product engineering and financial services outsourcing.

**Box 7: Vision 2022, SLASSCOM**

SLASSCOM proposed a three-tier progressive approach to become centers of excellence in both IT and BPM by the year 2022. BPM industry needs to evolve from being general captive/outsourced business process management and contact centers to a more specialized finance and accounting outsourcing destination, leading to higher value-added sophisticated accounting services and financial analytics and becoming the center for knowledge process outsourcing in specialized areas.

**Box 8: Start-Up Programs in Bangladesh, Sri Lanka & India**

<table>
<thead>
<tr>
<th>Startup Bangladesh</th>
<th>Startup Sri Lanka</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Catapult the young generation of entrepreneurs to the next level</td>
<td>• Started in 2010 and already funded 30 startups</td>
</tr>
<tr>
<td>• Accelerate the pace of innovation</td>
<td>• Local government and NGO to facilitate networking and knowledge sharing (meetups, hackathons), mentorship</td>
</tr>
<tr>
<td>• Create an accelerator through iDEA (Innovation, Design and Entrepreneurship Academy) accompanying ecosystem of young minds, investors, mentors with co-working spaces</td>
<td>• High speed internet and office spaces in incubators set up by the ICT Agency, IT-BPM parks</td>
</tr>
<tr>
<td>• Actively collaborations with Non-resident Bangladeshis (NRBs) to stimulate innovation</td>
<td>• Prominent Incubators: Spiralation, Xeleration, Venture Engine, Lankan Angel Network, MIT Global Startup Labs.</td>
</tr>
</tbody>
</table>

**Startup India**

- Launched in 2016 to build a strong eco-system for nurturing innovation and Startups in the country that will drive sustainable economic growth and generate large-scale employment opportunities.
- The government has also established a panel of patent, design and trademark facilitators to assist in filing of IP application by the startups under the Startups Intellectual Property Protection scheme.
- The Finance Act of 2016 has also made provisions for tax exemptions for 3 years under the scheme “Fund of funds for startups “to invest in the startups.
- The government has set up Research Parks to propel successful innovation through incubation and joint Research and Development (R&D) efforts between academia and industry.

*Source: https://www.startupindia.gov.in/status.php*

Startup Sri Lanka was established under the same campaign in 2010 to promote young entrepreneurship in the sector. Startup India and Startup Bangladesh are two other such initiatives in South Asia. Startup Bangladesh was started under the ICT division. Government of Bangladesh has also created a fund (the Fund) under iDEA project to provide financial support to entrepreneurs; it is committed to fostering innovation and entrepreneurship through a process that is equitable, transparent and accountable.

The Indian start-up ecosystem has seen significant activity in terms of the growth in the number of start-ups, funding and emerging unicorns. Government initiatives like Startup India, Digital
India and tax breaks, and government support being provided to start-ups will help Indian start-up ecosystem to power the competitiveness of India globally. 43

Access to capital is one of the main issues that requires special attention for growth of start-ups. The Digital Bangladesh Vision 21 aims at greater access to finance for start-ups in the form of venture capital funds, to IT enterprises through special working capital, and long-term funding. DB2144 also works in collaboration with development partners to build High-tech Parks with complete facilities such as co-working spaces in areas in and around Dhaka, while drawing lessons from the Kaliakoir High-tech Park.

Moreover, in Pakistan, the 11th five-year plan, chapter 26 on IT has three main objectives: (i) encourage establishment of software development companies in smaller cities45; (ii) encourage local companies to produce software based on international standards for local and international markets; and (iii) attract FDI and transfer of technology through pioneering MNCs in the IT and mobile manufacturing departments. The Pakistan Innovation Foundation46 aims to inspire and energize the youth to find innovative solutions to Pakistan’s development challenges through innovation. The Digital Pakistan Policy 2017 also aims to establish state-of-the-art technology parks47 and National Technology Incubation Centres across the country to help start-ups find support and funding48.

iv) Export Promotion
Countries in South Asia have recognized the important role services play in their export baskets and the possibilities of services-led growth. In Afghanistan, the Export Promotion Agency of Afghanistan (EPAA), a division of the Ministry of Commerce and Industry aims to promote Afghani exports in the world and assist in implementation of trade policies. An overall policy for export promotion of goods and services was implemented under the assistance program and a National Export Strategy (NES) was developed with consultations from the private sector. For Bhutan, the Gross National Happiness (GNH) System issues an overarching policy. According to it, a trade policy can be approved if it improves living standards and does not damage noneconomic factors. Trade authorities aim to achieve a harmonious balance between economic gains (well-being) and the spiritual factor. This is because the GNH indices are more oriented toward spiritual, emotional, and cultural values. Active trade policy can be one of the most effective tools in improving the GNH. Although Bhutan has limitations in international trade, there is a room for joining the global supply chain and expanding trade. Active trade policy can be a basis for improving business climate in services including ecotourism.

43 Read more here: http://www.tholons.com/TholonsTop100/pdf/Tholons%20Top%20100%20-%202017%20v.7.pdf
44 DB21 is an acronym devised by the author for ease of writing, and stands for Digital Bangladesh 2021.
45 Other than Karachi, Lahore and Islamabad
46 http://pif.org.pk/Initiatives
47 STPs will house accelerators and incubation centers
48 By providing enabling environment for companies to set up venture capital funds and other support mechanisms
Tourism continues to be the most important sector in Maldives, followed by transport, real estate and financial services. Maldives has a fairly liberal regime in most service sectors. In the following sections, the policy directives for Maldives have been derived from the Trade Policy Review conducted by the World Trade Organization (WTO) in 2016.\footnote{https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S009-DP.aspx?language=E&CatalogueIdList=228903,226887,226886,91181,108670,101904,4717,103289&CurrentCatalogueIdIndex=0&FullTextHash=&HasEnglishRecord=True&HasFrenchRecord=True&HasSpanishRecord=True} Nepal on the other hand is currently engaged in a transformation process moving its economy away from predominantly agricultural sector to services and industrial sectors. The contribution of the services sector has been gradually increasing over the years. Its share reached 50.1% of GDP in 2010/11, which was 45.9% in 2004/05.\footnote{Nepal’s new trade policy was released in 2015. However, no English version of the document is available for interpretation.} Nepal’s Trade Policy of 2009\footnote{http://trtapakistan.org/wp-content/uploads/2015/04/Services-Exports-Strategy-With-Acknowledgments-1.pdf} highlights the need for protection of intellectual property rights and promotion of export of services. Under the trade policy of 2009, priority was accorded to develop competent human resources to expand export of services. Responsibility for trade policy formulation and implementation lies with the Ministry of Commerce and Supplies (MoCS), in coordination with other ministries and trade-related bodies, and the National Planning Commission, and the Central Bank (Nepal Rastra Bank). The Nepal Trade Integration Strategy (NTIS) 2016 supports the mainstreaming of trade into national development plans and ensures effective coordination among different stakeholders.

Overall, it was found that Export Promotion Policies in the region typically target three distinct areas: (i) identification of specific sectors to be promoted; (ii) Development of supporting infrastructure to facilitate exports and (iii) Other promotional events and support policies.

(i) National trade policies in South Asia have identified key services sectors that they choose to promote.

The most common sectors that have been targeted are IT services and Professional services sectors. For example, in Pakistan, the sub-sector that has the most potential to grow is Professional services (IT, accounting, engineering, etc.)\footnote{Digital Pakistan Policy 2017}. Pakistan’s strategy on export promotion also focuses on moving up the global IT value chain through innovative product development while exploring new markets where BPO jobs can be created.\footnote{Pakistan’s strategy on export promotion also focuses on moving up the global IT value chain through innovative product development while exploring new markets where BPO jobs can be created.} In recent decades, Pakistan has witnessed a modal shift from Model 1 to mode 4 due to the technological progress in the supply of services. The Strategic Policy Framework (2015-2018), along with the efforts from the Ministry of Commerce and Trade and Development Agency of Pakistan has supported the promotion of the services sector in the country. These policies emphasise the placement of Intellectual Property Organization–Pakistan
(IPO-P) in the Ministry of Commerce to promote innovation and create marketable and exportable IP products and services.

The Government of India, through the Department of Commerce\(^5\), released a list of “Champion Service Sectors” in May 2018. The programme targets 12 sectors with the aim of promoting their development and realizing their potential. Each relevant ministry/department is required to implement the Action Plans for these sectors.\(^4\) This initiative will enhance the competitiveness of India's service sectors through the implementation of focused and monitored Action Plans, thereby promoting GDP growth, creating more jobs and promoting exports to global markets. Given the services sector in India has immense employment potential, the proposal will enhance the competitiveness of India's service sectors through the implementation of targeted and monitored Action Plans, thereby creating jobs in the country.

**Table 7: Champion Sectors- India**

<table>
<thead>
<tr>
<th>Legal Services</th>
<th>Construction and Related Engineering Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT &amp; IT enabled Services (IT &amp; ITeS)</td>
<td>Communication Services</td>
</tr>
<tr>
<td>Tourism and Hospitality Services</td>
<td>Environmental Services</td>
</tr>
<tr>
<td>Medical Value Travel</td>
<td>Audio Visual Services</td>
</tr>
<tr>
<td>Transport and Logistics Services</td>
<td>Education Services</td>
</tr>
<tr>
<td>Accounting and Finance Services</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Department of Commerce*

Other examples of export promotion include the Export Policy (2015-2018) of Bangladesh. This policy highlights the need to increase the stake of ICT services in the export basket, and recognized software and ITeS as High Priority Sectors (along with the Tourism sector); Similarly, Afghanistan’s National Development Strategy identifies the ICT sector as a strategic sector; In Maldives, ICT have also been declared as a strategic sector, along with financial services; In Nepal, the NTIS 2016\(^5\) has identified services (skilled and semi-skilled professionals at various categories; IT and BPO; and financial (including leisure, business, education, and medical) as priority sectors. Since various ministries are involved in the promotion of these services, the Nepalese government has made special provisions to coordinate stakeholders.

(ii) **To supplement growth of the services sector, South Asian countries have developed supporting physical and digital infrastructures (Internet penetration, technology parks) and provided fiscal incentives – among other things. India, Nepal, Maldives and Pakistan have set**

\(^5\) India Department of Commerce, held wide stakeholder consultation to coordinate the preparation of draft of initial sectoral reform plans for several services sectors and, subsequently the action plan.

\(^4\) A dedicated fund of Rs. 5000 crores has been proposed to support initiatives for sectoral Action Plans of the Champion Sectors. More details here: [http://www.gesindia.in/champion-sectors.htm](http://www.gesindia.in/champion-sectors.htm)

up Special Economic Zones (SEZs) and Technology parks that offer unique benefits to investors and entrepreneurs.

For example, the SEZ Policy in India announced in April 2000 specifically demarcated duty-free enclave\(^{56}\) and Software Technology Parks (STPs)\(^{57}\) for the promotion of software exports from India. A new Services division was also set up under the Directorate General of Foreign Trade, Ministry of Commerce to examine EXIM policies and procedures in services and to improve the availability of data in the sector. The Foreign Trade Policy 2015-2020 proposed the “Services Exports from India Scheme (SEIS)” under which, exports of notified services\(^{58}\) from India will be encouraged and maximized through a reward of the Duty Credit Scrip\(^{59}\). Only Modes 1 and 2 will be applicable. The eligible service providers should have minimum net free foreign exchange earnings of US$ 15,000 in the preceding financial year. The scheme provides rewards\(^{60}\) of up to 5% of annual Net Forex earnings.

Nepal established the SEZs and Export Promotion Zones (EPZs) for the promotion of exports. These two programmes aim at increasing the role of the Private sector in development, establishing and operating special economic zones and export processing zones. More than half of Aid for Trade to Nepal is directed towards economic infrastructure (transport and storage, communications, energy supply and generation) while the remainder is allocated to building productive capacity (business and other services, banking and financial services, agriculture, forestry, fishing, industry, and tourism).

In Maldives, strategic sectors under the SEZ law are granted tax and non-tax incentives for large scale investments, and benefit from flexible procedures for foreign employment. In Pakistan, the Pakistan Software Export Board (PSEB) aims to plan, develop and establish software Technology Parks, to fast track development of IT industry for export markets, and double exports in the coming years. To facilitate this process, tax exemptions have been granted on exports of IT services.\(^{61}\)

(iii) **Trade policies emphasize the role that human resource development can play to generate employment and enhance the competitiveness of services sector in a country.** **Efforts across South Asian countries have also been made to increase the strategic cooperation between different stakeholders to strengthen the services sector.**

\(^{56}\) Shall be deemed to be foreign territory (out of Customs jurisdiction) for trade operations and duties and tariffs

\(^{57}\) Set up in 1991 under the Ministry for Electronics and Information Technology

\(^{58}\) Services under this scheme include Business services, communication services, construction and related services, education services, environmental services, health services, social services, tourism and travel services, and transportation services.

\(^{59}\) They are freely transferable and usable for the payment of customs duty, excise duty and service tax. Policy documents can be accessed at: [http://dgft.gov.in/exim/2000/pn/pn15/pnf0315.pdf](http://dgft.gov.in/exim/2000/pn/pn15/pnf0315.pdf)

\(^{60}\) [http://www.pseb.org.pk/](http://www.pseb.org.pk/)

The Services Export Promotion Council (SEPC)\textsuperscript{62} of India was set up by the Ministry of Commerce & Industry, in 2006 as an advisory body\textsuperscript{63} to act as a liaison between the government and the professional services industry. It promotes activities abroad, through overseas trade fairs and also encourages observance of international standards. Members of the SEPC can avail the benefits under the SEIS. An annual flagship global event called Global Exhibition for Services (GES)\textsuperscript{64} is organised to promote trade in services, enhance strategic cooperation and strengthen multilateral relationships between all stakeholders. The GES has been very successful in showcasing India’s strengths in services sectors.

Box 9: Focal Points for Nepal’s Trade Policy

Under the National Trade Policy of Nepal 2009, priority was accorded to develop competent human resources to expand export of services – particularly the movement of natural persons (Mode 4 in accordance with provisions of the WTO and Regional Trading Agreements). The Trade Promotion Institute – an independent body – was established to play an effective role in market promotion. Promotional programs in services trade were also launched – after identifying thrust areas of trade in services – to increase income and employment opportunities. Procedural simplification in services exports was made through the creation of institutional mechanism and through an increased role of the private sector; Furthermore, diplomatic missions abroad were activated to serve as trade intelligence to increase the access of services in international markets for Nepalese companies. Focal Points have been designated and assigned with specific roles and responsibilities to ensure a high level of progress. The Focal Points will coordinate with other agencies involved (Government, private sector and Development Partners) while implementing respective actionable recommendations of the Strategy. They have been identified in Figure 27.

\textsuperscript{62} \url{http://www.servicesepc.org/about-sepc/}
\textsuperscript{63} The SEPC actively contributes to the formulation of policies and acts as an interface between the Services Industry and the Government.
\textsuperscript{64} \url{http://www.gesindia.in/services-industry.htm}
The National Steering Committee was set up to ensure compliance with the policy objectives laid out in the *NTIS 2016*. It supports the mainstreaming of trade into national development plans and ensures effective coordination among different stakeholders.

v) Outreach Policies- FDI Promotion, Brand Promotion and International Engagements

Brand promotion is one of the policy tools adopted by various governments. The role of this policy is to improve the image of the country through trade fairs and promotional activities. They sometimes reach out to the diaspora abroad to help with this activity. Countries also implement ‘open’ policies to attract foreign investors in strategic sectors and reap the benefits of FDI inflows. In general, South Asian economies are open to FDI in all sectors, but some sectors of national importance remain protected. That said, some issues still exist in the form of prior approvals and delays, Forex constraints, land acquisition problems, multiple licensing, protection of indigenous skills, and other bureaucratic processes. In order to meet international standards, countries have also committed to the General Agreement on Trade in Services (GATS) framework. In addition, few countries have signed Trade agreements with specific chapters on services and investments to extend their outreach overseas.

In Afghanistan, the government promotes ‘*Made in Afghanistan*’ to support all domestically produced software and technologies in the neighbouring regions and globally to help the private IT sector grow in foreign IT markets. They also support the participation of the domestic IT Industry in international IT fairs, exhibitions, conferences, meetings, promotional events, multilateral and bilateral negotiations and country-level delegations. The 7th five-year plan of Bangladesh, along with the Digital Bangladesh 21 promotes country branding, with help from the Non-resident Bangladeshis to promote the IT/ITeS sector abroad.

In India, SEPC is responsible for facilitating the services exporters, promoting the efforts of Indian service exporting community through many promotional activities such as buyer-seller meets (BSM), overseas trade fairs/exhibitions, and India pavilion/information booths in selected overseas exhibitions. The SEPC projects India’s image abroad as a reliable supplier of high-quality services. The Council also encourages and monitors the observance of international standards and specifications by exporters and keeps abreast of the trends and opportunities in international markets for services.65

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65 Set up in 2006, SEPC now has a strong membership base of more than 3000 members from the 14 service sectors, which come under its purview. Members of SEPC can avail of benefits of the SEIS and other Schemes of Ministry of Commerce and Industry, Government of India. http://www.servicesepc.org/about-sepc
In Sri Lanka, the ICT-BPM Sector was marketed around the globe through key characteristics such as extremely low costs, English-speaking population, sophisticated technical skills, a business environment and infrastructure superior to most low-cost countries, and recognition as one of the safest, lowest-risk emerging markets both in terms of personal safety and business security.\(^{66}\) They have also recognized the need to adopt policy reforms that strengthen the country’s competitiveness as an economic hub in the region with key value addition in financial; services, IT services, digitization of the economy, tourism industry and other transport related services.

The movement of skilled persons through mode 4 is very important in South Asia as they have an extensive diaspora in the developed countries. This is a massive source of remittances. But recently, SA countries have begun to reach out to incentivize the return of overseas nationals to their homeland. The government of Afghanistan strategized a ‘Reach out’ to Afghan diaspora abroad to invest in and contribute to the development of the domestic IT Industry through joint business and foreign company partnerships. Non-Resident Nepalese are encouraged to make efforts to invest in the private sector in Nepal, especially in the ICT sector. A special Non- Resident Nepalese visa is also available if NRNs wish to conduct business in Nepal\(^{67}\). Pakistan is using the diaspora abroad to insert Pakistani IT entrepreneurs into global IT value chains.

Domestic regulations must be met with equal international policies and efforts to ensure that a growing service sector also leads to greater trade opportunities and market access. Pakistan was a founding member of the WTO and has liberalized 6 service sectors under the GATS. It also signed Preferential Trade Agreements with China and Malaysia with provisions for services liberalization in 11 sectors and 87 sub-sectors. The Trade and Investment Agreement with the United States and support for Trade in Services Agreement (TiSA) have helped Pakistan explore international options. Sri Lanka has made commitments under the GATS to liberalise 3 main sectors – ‘banking, insurance and other financial services’, telecommunication services and travel-tourism related services. Moreover, with Afghanistan’s recent accession to the WTO, significant opportunities may allow the country to meet international standards and develop new competitive practices that would attract foreign investments. Efforts have also been made by India to expand market access abroad through comprehensive economic partnership agreements in important markets. Indeed, India has signed many Bilateral Trade Agreements in services in the form of Free Trade Agreements, and Comprehensive Economic Partnership and Cooperation Agreements. Given the importance of services for India’s competitiveness in the global economy, most of the recent agreements that India has signed include a separate chapter on services and investment-related matters. Examples include the India ASEAN Agreement on Trade in Services and Investment signed in 2014 and the SAARC Agreement on Trade in Services (SATIS) signed in 2010. Nepal

\(^{66}\) PwC report on ICT/BPM sector for Sri Lanka, 2017
\(^{67}\) This visa is for a period of 10 years. Other benefits include permission to invest in Nepal in Forex, non-declaration of the source of amount invested, ability to purchase land, non-taxed initial income, and remittances up to Rs. 1,500,000 to their Nepalese relatives (citizens) without tax
has also signed the SATIS in 2010; since 2004, they participate in the BIMSTEC Free Trade Area Framework Agreement that covers goods, services and investment. Details of these agreements can be found in table below.

<table>
<thead>
<tr>
<th>Agreement</th>
<th>Date Signed</th>
<th>Services provision</th>
<th>Targeted Sectors</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAFTA</td>
<td>2004</td>
<td>Article 8: Provisions for simplification of procedures for business visas</td>
<td></td>
</tr>
<tr>
<td>India- Singapore CECA</td>
<td>2005</td>
<td>Market access for service providers</td>
<td>Telecom services</td>
</tr>
<tr>
<td>India- Korea CEPA</td>
<td>2009</td>
<td>Provisions on movement of natural persons, market access</td>
<td>Financial services and Telecommunication</td>
</tr>
<tr>
<td>Japan- India CEPA</td>
<td>2011</td>
<td>Provisions on movement of natural persons, market access</td>
<td>Financial services, Transport and Telecommunication</td>
</tr>
<tr>
<td>Malaysia- India CECA</td>
<td>2011</td>
<td>Provisions on movement of natural persons, market access</td>
<td>Financial services</td>
</tr>
<tr>
<td>Malaysia- Pakistan Closer Economic Partnership Agreement</td>
<td>2007</td>
<td>Facilitation of movement of investors and personnel, subject to immigration laws, relating to entry, stay and work</td>
<td></td>
</tr>
<tr>
<td>SAARC Agreement on Trade in Services (SATIS)</td>
<td>2010</td>
<td>Market access, National Treatment and Mutual Recognition agreement to facilitate movement of peoples, special considerations for LDCs in the region (including Bhutan)</td>
<td></td>
</tr>
<tr>
<td>India- ASEAN Services and Investment Agreement</td>
<td>2014</td>
<td>To be ratified</td>
<td></td>
</tr>
</tbody>
</table>

Source: Author’s compilation based on information presented in chapters on services in trade agreement texts

Economists tend to favour the free flow of capital across national borders because it allows investors to seek out the highest rate of return. Feldstein (2000)\(^{68}\) and Razin & Sadka (2007)\(^{69}\) note that:

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FDI allows the transfer of technology—particularly in the form of new varieties of capital inputs—that cannot be achieved through financial investments or trade in goods and services. FDI can also promote competition in the domestic input market.

Recipients of FDI often gain employee training during operating the new businesses, which contributes to human capital development in the host country.

Global integration of capital markets can contribute to the spread of best practices in corporate governance.

In general, South Asian countries have fairly open FDI policies to allow foreign investment that will enable them to reap the aforementioned benefits. Across the region, most service sectors are open and allow 100% foreign ownership, although major restrictions on land ownership and bureaucratic delays persist.

In Afghanistan, Nepal, Bangladesh, Pakistan and Sri Lanka, all services sectors are open to foreign investment and ownership, except a few that are indicated in the negative or prohibited list. However, in Bangladesh, special approval is required in the financial services, telecommunication and transport services, even though they are open to FDI. In general, infrastructural, construction, health, education and tourism-related services are the most open in the region, while financial, telecommunication, broadcasting and transport services are the most restrictive. In some cases, the government may use only partial national treatment to promote local industries. Similarly, in Nepal, some sectors are reserved for national investors to promote local small entrepreneurs with indigenous skills. Moreover, in Afghanistan and Bangladesh, foreign investors are urged to partner with local service providers to ease the process of setting up. This is, however, applicable to only the IT sector in Afghanistan.

Special provisions have also been made in Bhutan’s FDI policy. For example, all foreign ownership is in the PPP mode, that is, after a fixed period of time, all foreign owned businesses are transferred back to the royal government. Investors also need to meet the minimum fixed investment, and all liberalized sectors have been marked as priority sectors by the government (more details have been provided in the Annex of this paper). Other restrictive regulations include restriction on foreign ownership of land in Sri Lanka, except for residential purposes; re-approval process in case of re-investment in Nepal, and special approval for Technology-led investments in Pakistan. While the setting up process is streamlined and easy in Afghanistan, Bhutan and Pakistan, setting up in Bangladesh, and India can be troublesome, owing to numerous laws, regulations, rules, special conditions, local laws, lengthy registration processes and requirement of multiple certificates from different authorities. Bureaucratic delays are common: the World Bank’s “Investing Across Borders” report[^70] estimates that it takes 6 procedures and 65 days to establish a foreign-owned LLC in Sri Lanka.

On the positive side, special provisions have been made by some countries to assist the foreign investors and increase the ease of doing business. For example, in Bhutan, foreign investors are permitted to buy foreign exchange from the Royal Monetary Authority, borrow from abroad (subject to ECB laws) and can raise loans from national institutions like other national investors. In Sri Lanka, foreign investors are allowed to operate in the Special economic zone (SEZs) and reap the national benefits, while in Pakistan, the Board of Investment supports linkages between the foreign investors and universities to skill the students for future jobs in international companies. Though all countries have recently eased the process of obtaining visas for personnel related to the FDI, the case of Pakistan stands out as it already grants a 5-year visa to 69 countries with ease. Additionally, to promote Pakistan as a favourable FDI destination, they have integrated FDI policy in the national Digital Pakistan 2017 program, to attract FDI in the e-commerce sector. More details about the FDI policies can be found in the Annex to this paper.

### 3.2. Verticals: Some Sectors in Focus

In the region of South Asia, the common trend has been to promote the Information, Computers and Telecommunication and the Tourism sector. The region occupies a share of over 50% in Asian ICT exports, and over 10% of the world ICT exports. All countries in the region have vertical policies to develop the ICT sector and to raise its competitiveness against its neighbours. Additionally, Bhutan, India, Maldives, Nepal and Sri Lanka have a directed policy to promote exports of the tourism sector, by making their national territories attractive to travellers and by investing in the hotels and hospitality segments. Another popular sector that is coming up in export promotion is professional services. India, Pakistan and Sri Lanka aim to enhance exports of professional services of accountants, lawyers, doctors and nurses, as well as software and creative freelancers.

#### i) Travel and Medical Tourism

Regional efforts, spearheaded by the Ministry of Public Health of Afghanistan, have been heightened to increase and strengthen regional cooperation as one of the critical cross cutting elements for health sector development and prosperity, based on mutual benefits. They aim to further harmonize standards and regulations across the region in terms of the quality of health services available, to work towards mutual recognition of professional qualification so as to allow short-term movement, extend MOUs with hospitals in the region to protect the interests of Afghani tourists traveling to other countries, especially India to avail medical services, and to encourage research in the health sector across South Asia.

India has a huge potential in wellness systems, developed through the centuries. This was done by positioning India as a centre of Ayurveda, Yoga and Naturopathy. The Ministry of Tourism has

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71 See Figure 14
issued guidelines to address the training and capacity building needs of the service providers, along with controlling the quality of services provided through accreditation\textsuperscript{73} of wellness centres in the country. India is also equipped to cater to the growing medical tourism sector by offering services typically sought by travellers, including elective procedures and complex surgeries. India holds a natural advantage with doctors and nurses that are fluent in English and internationally trained. This is complemented by top-of-the-line medical equipment and diagnostic tools. The Ministry of Tourism provides financial assistance under the MDA (Marketing Development Assistance Scheme For Promotion of Domestic Tourism) scheme, along with training courses for persons engaged in this industry.\textsuperscript{74}

Sri Lanka is also quickly becoming a hub for medical tourism after India in the region due to the availability of English-speaking, well-educated medical staff and state-of-the-art hospitals and diagnostics facilities. With increasing inbound health and medical tourists, the Government has identified wellness tourism as a key sector for investors in the National Export Strategy of Sri Lanka (2018-2022).\textsuperscript{75} The Tourism Strategic Plan (TSP) 2017-2020\textsuperscript{76} considers health and wellbeing as a niche market segment to be developed for international visitors. The Government of Sri Lanka has taken several steps\textsuperscript{77} to improve medical tourism in the country, including updating to international standards, streamlining procedures related to temporary foreign-qualified specialists, allocating funds for the establishment of a management information systems to improve information available to international patients.

The Tourism Strategic Plan 2017-2020 also focuses on mainstream tourism. Sri Lanka’s tourism sector is already the third largest sector in the country in terms of foreign exchange earned. Its importance can be attributed to the very large contribution to export earnings of 12.4\% in 2015\textsuperscript{78}. The World Economic Forum in its Travel and Tourism Competitiveness Index also ranked Sri Lanka at 61 in 2015, up from 81 in 2011\textsuperscript{79}. Tourist arrivals have doubled since 2013, with the main inflows from India, United Kingdom, China, Germany and the Maldives. The nodal ministry responsible for formulation of policies, programs and projects, as well as monitoring and evaluation of the sector is the Ministry of Tourism Development and Christian Religious Affairs. It works in tandem with the Sri Lanka Tourism Development authority, Sri Lanka Institute of Tourism and Hotel Management for training of persons for the sector, and the Sri Lanka Tourism Promotion Bureau for promoting and marketing Sri Lanka as a tourist destination. A strategic

\textsuperscript{73} National Board for Accreditation of Hospitals & Healthcare Services (NABH)
\textsuperscript{74} The guidelines issued for Wellness and Medical Tourism can be found at: \url{http://tourism.gov.in/sites/default/files/REVISED%20GUIDELINES%20FOR%20WELLNESS%20%26%20MEDICAL%20TOURISM%20AS%20ON%2020.03.2015.pdf}
\textsuperscript{75} \url{https://www.imtj.com/news/sri-lankan-government-considers-wellness-tourism-sector-strategy/}
\textsuperscript{76} \url{http://www.sltda.lk/sites/default/files/tourism-strategic-plan-2017-to-2020.pdf}
\textsuperscript{77} \url{https://www.rvo.nl/sites/default/files/2016/01/Health%20sector%20in%20Sri%20Lanka.pdf}
\textsuperscript{78} TKS, Sri Lanka Tourism Industry; In Perspective, August 2013.
tourism development process involves ensuring that visitor infrastructure, access routes, services and accommodations meet visitors’ needs across the range of targeted segments.

“By 2025, it is hoped that Sri Lanka will be identified as a place for memorable, authentic and diverse tourism experiences.” Sri Lanka’s Ministry of Economic Development issued the strategic tourism plans for 2017-2020. Some of the key objectives of this plan can be summarized:

- Increase net foreign earned through tourism to US$ 7 billion by 2020
- Attract greater FDI in the tourism sector by 2022 (fivefold increase)
- Integrate tourism into the real economy and distribute its benefits to a larger section of the society (greater inclusivity and sustainability)
- Enable employment of 600,000 Sri Lankans in tourism and supporting industries, with at least 10% women in the workforce.
- Increase daily spending per visitor to US$210

Although Bhutan is endowed with several unique merits for international tourists; tourism needs to be industrialized in the context of services sector. Limited numbers of tourists visit the country at high costs. This is consistent with the government’s tourism policy, which is to promote Bhutan as a high-end tourist destination in accordance with the tenets of GNH—that tourism must be environmentally and ecologically friendly, socially and culturally acceptable and economically viable. Similarly, the Strategic Action Plan for Tourism of Maldives under the fourth Tourism Masterplan 2013-2017 aims at managing environment and conservation issues while maintaining Maldives’ position in world markets. It also aims to make the tourism industry more inclusive by engaging more Maldivians in tourism careers; promoting sensible ways for communities to participate in tourism; promoting investment in sustainable growth and high product quality; and, efficiency in marketing and destination management.

Likewise, the Government of Nepal has also taken various measures to promote the tourism sector through the involvement of the private sector and local communities in tourism development by introducing rural tourism, homestays and local tourism festivals. This will be done by the development of international airports, promotional activities abroad to publicize and promote Nepal as a tourism destination. Moreover, Tourism Vision 2020 is aligned with these measures and aims to increase the number of tourists in Nepal to 2 million by 2020, while also providing employment to 1 million workers by 2020. As per the vision document, given the demands faced by the sector from the incoming international travellers, the government has recognized the need to educate and skill young workers in hospitality and adventure activities related areas.

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Additionally, the National Trade Integration Strategy also aims to increase interregional tourism, easily grant tourist visas to Indians and Chinese and enhance the food safety and standards of hotels and other tourist services.

ii) Information, Computers and Telecommunication

While India dominates the ICT exports from South Asia, the other countries in the region also assign importance to this sector, despite their low volume of exports. Surprisingly, every country in South Asia has a dedicated ICT promotion policy, with supporting ad hoc horizontal policies focused on skill development; export promotion and connectivity for all. These national umbrella policies facilitate the growth of the ICT sector, for domestic consumption and for the international export markets. ICT has two components, Informational Technology (IT/BPM/ITeS) and Telecommunication (broadband connectivity/mobile subscription/mobile internet services).

Given the rising importance of ICT in Afghanistan’s export basket in recent years, the Afghan mobile telecommunications market has grown vigorously in recent years, with significant progress in adopting mobile technology to build a national fibre-optic backbone that connects most provinces and neighbouring countries. This gives Afghanistan an opportunity to leapfrog to the most advanced technology in the sector. There is no capital restriction by nationality in Afghanistan, and the government, along with the domestic and the foreign private sector have invested about US$1.7 billion in the network between 2001 and 2011. Afghanistan’s National Telecommunications Policy aims to establish a level playing field for fair, transparent and market-based competition. The Ministry of Communications & IT (MCIT) supervises the overall ICT sector and develops the national sector development strategy. In the 2008 Afghanistan National Development Strategy (ANDS), the MCIT identified ICT as an important strategic sector through which to make affordable information and communication services available to everyone. The IT industry Development Policy (2015-2020) was formulated after open consultations with relevant stakeholders. The Policy vision for the IT industry’s development in Afghanistan is captured by the statement:

“To exploit the potential of Islamic Republic of Afghanistan’s present ICT and Telecoms infrastructure by developing a sustainable National IT and ITeS that will generate job opportunities and create national wealth and prosperity for Afghan citizens within the next five years.”

The Government of Bangladesh initiated similar efforts through the Export Policy 2012-2015. The policy recognized ITeS as a high priority sector. Much earlier, the ICT Business Promotion Council was set up in 2003 under the auspices of the Ministry of Commerce with the aim of

84 Quoted from: http://tech.af/pdf/resources/Resources_uRVdGVb3.pdf
85 http://www.bpc.org.bd/iBpc_objective.php
South Asia: Formulating Service Sector Policies for Development
A Policy Perspective
July 2019

achieving competency in local and global context as well as to help the industry in building capacities in human resources, knowledge acquiring, quality and productivity improvements, market promotion, and acquiring technology. Continued work by the council, along with the Digital Bangladesh 2021 program is enabling the country to establish a competitive position in the global market (See the next section for more details).

Similar to Bangladesh, in 2008, the Sri Lankan Parliament declared the Telecom sector as a “Strategic Development Project”. Following this move, Sri Lanka’s telecommunication sector continued to experience significant progression, mainly due to the growth in the mobile telephone subsector, which has also contributed to economic progress in the country. The sector has attracted a significant amount of FDI that led to its technological advancement. In India, the National Telecom Policy 2018 aims to attract an investment equivalent to USD 60 billion in the telecommunications sector by 2020 and USD 100 billion by 2022.

**Box 10: National Telecom Policy 2018 (Department of Telecom, India)**

<table>
<thead>
<tr>
<th>The Government has proposed the NTP 2018 and seeks to spur the socio-economic development with connectivity for all through assured quality of service, facilitating development of infrastructure and services for new technologies including 5G and IoT (while paving the way for the Fourth Industrial Revolution, Industry 4.0), encouraging innovation, and developing a large pool of digitally skilled manpower.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Objective:</strong> Leapfrogging India into the top-50 nations in the ICT Development Index (IDI), released by ITU every year, by 2022; to attract an investment equivalent to USD 60 billion in communication sector by 2020 and USD 100 billion by 2022; to become net positive in international trade of communication systems and services by 2022; and to create 2 million additional jobs in ICT sector by 2022.</td>
</tr>
<tr>
<td><strong>Key Policies:</strong> Rationalize the taxes and levies on ICT equipment, infrastructure and services, simplify the One Nation- One License concept for services, increase international cooperation. Develop data centers involving legal, cyber and data security connectivity, build physical infrastructure for communication networks through the role of local and state governments, power, and tackle human capital relating issues with cooperation with Ministry of Human Resource and Development, as well as data analytics, cloud computing, and homegrown digital platforms and applications. Also, setup Special Technology Zones (STZs) for experimental products, technology innovation and development of required infrastructure for R&amp;D.</td>
</tr>
</tbody>
</table>

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86 Although there are a few foreign participants, the national telecom operator, Sri Lanka Telecom, in which most shares are owned by the State, remains a significant market player in telecom services.
While in the Telecommunication sector of Maldives, National Broadband Policy 2014-2018 was issued in February 2014 and provided for an 18-month timeline for universal broadband access. The ICT sector has been declared as a strategic priority under the SEZ law. This grants special tax and non-tax incentives for large-scale investment projects of above US$150m. Some of these incentives include exemption from business profit tax, Goods and Services Tax (GST), flexible procedures for foreign employment, and right to 100% ownership.

Telecom is also one of the biggest contributors to Nepal’s growth in the last ten years. Moreover, Nepal’s ICT sector has been growing rapidly and has emerged as an important trading item in Nepal’s portfolio. Nepal has already created a niche market in medical analysis and reporting to meet the increasing needs of the global health industry. The Government has initiated various efforts including formulation of policies, enactment of the Electronic Transactions Act, establishing an IT park and promoting human resources in ICT. In addition, initiatives taken by the private sector including non-resident Nepalese (NRN) are encouraging. Ability to develop world-class human resources along with necessary infrastructure and establishing linkages with the market will go a long way in promoting ICT based trade. The NTIS 2016 calls for increased investment in the IT BPO sector, increased supply of skilled personnel for the sector, lower the cost of bandwidth, strengthening the legal and regulatory framework and privacy protection, and development of IT parks. More details about Nepal’s ICT sector can be found in Annex 3.

India and Pakistan’s main service exports in the period 2008-2016 were ICT services. The Government of Pakistan has made extensive efforts to promote the BPM sector and this can be seen in the exports data. ICT has managed to displace Transport services to become the top component in Pakistan’s exports basket. In order to increase competitiveness of Pakistan’s IT Industry in the international market, the Pakistan Software Export Board (PSEB) initiated programs for the Pakistani companies to improve software processes by adopting ISO 9000 standards, Capability Maturity Model (CMM), ISO27001, COPC, etc. India is indeed the undisputed leader in South Asia in Tech and BPM for clients for over two decades. It is emerging as the leading location for digital skills and solutions to Multinational corporations (MNC) in the region. India also has a vibrant start-up ecosystem with over 5000 start-ups. The Indian IT-I TeS industry has been successful in achieving this with wage arbitrage through a combination of high-value services and increasingly non-linear play manifested in a shift from enterprise services to enterprise solutions (NASSCOM, 2013). In India, apart from the national vertical policy in ICT, the State Governments have also formulated policies targeting the IT/ ITeS/ Software/ Telecom and Business process outsourcing-Knowledge Process Outsourcing (BPO-KPO) sectors in their economies. Across states, the focus is to increase the ease of doing business. Some of the incentives include subsidized land subject to employment generation, power at concessional rates,

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87 As a result, companies, which achieved the CMMI certification, are two CMMI Level-5, four CMMI Level-3 and eighteen CMMI Level-2. Also, 110 companies got ISO- 9000 certified, while 11 got ISO 27001.
exemptions from strikes, relaxed labour rules for employment of female contract labourers, availability of state-owned/financed infrastructure⁸⁸ and skill development programs⁹⁰. For example, Karnataka is in the forefront of IT and Bengaluru is the IT capital of India. Apart from the incentives that are common across states, the Telangana government granted reimbursement of the cost of filing Patents/ Copyrights⁹⁰ to encourage the filing of patents by companies. NASSCOM in India supports these central and state initiatives, as does SLASSCOM in Sri Lanka.

iii) Professional Services and Financial Services

Though India is a net importer of Professional services, the exports from the sector grew tremendously in the period 2008-2016. India has been able to develop a niche in these services, specifically in consultancy, accounting, legal, architectural and R&D services. Professional services in India has traditionally been highly regulated. Entry into the sector is regulated by individual institutions such as the Institute of Chartered Accountants of India, The Institute of Company Secretaries of India, and the Bar Council. Each institute prescribes a code of conduct and ethics that its members must adhere to.⁹¹ For an emerging market like India, the movement of professionals to other countries is very important. However, India still faces a restrictive immigration policy in developed countries, with stringent regulatory norms. Recently, the share of professional services in exports has risen, but the sector is yet to realize its full potential. The exports are hampered due to the lack of recognition of skills and India needs to sign MRAs with other countries to be able to promote Indian personnel. Within South Asia itself, countries must facilitate the movement of professionals through mutual recognition of skills and degrees that will help to reduce licensing gaps between the neighbours.

Sri Lanka’s financial services sector⁹² has continued to grow, with a rising share in the services exports from the sector in the period 2008-2016. This reflects an underlying initiative to take prudent regulatory measures in recent years. Several regulatory policies⁹³ were introduced in 2015 to further strengthen risk management and public confidence in the banking sector. In mid-2015, the supervisory approach for banks was improved to be more risk sensitive and proactive. Similarly, in the neighbouring islands of Maldives, the International financial services sector has

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⁸⁸ For example, to attract investment in IT/ITeS units, Telangana state government has created Information Technology Investment Regions (ITIRs) through ultra-modern planned infrastructure. Other states have invested in SEZs that are managed jointly by private sector and state agencies.
⁹⁰ The Karnataka government has developed a skill development program under PPP model to provide skills to the unemployed youth for employment in the ICT emerging cities of the state (YUVA YUGA Scheme): http://www.ictsds.karnataka.gov.in/?q=node/131
⁹² Sri Lanka’s Banking sector comprises licensed commercial banks (LCB) and licensed specialized banks (LSB); together they dominate the financial system.
⁹³ Banks were required to implement the Liquidity Coverage Ratio under Basel III Liquidity Standards, and a maximum loan-to-value ratio of 70% for loans for motor vehicles was invoked.
been declared as a strategic priority under the SEZ law to with a battery of fiscal and ownership-based incentives to enhance ease of doing business and expanding exports from the sector.

4. **Openness of Services in South Asia**

The previous section sheds light on the extensive policy framework in place to promote exports of services in South Asia. Nevertheless, these countries continue to be some of the most restricted markets in the world for services. The World Bank’s ‘Service Trade Restrictiveness Index (STRI)’ is an indicator that signals the openness or restrictiveness of a market. Zero means completely open and 100 means completely closed. Therefore, an index of 25 means virtually open but with minor restrictions, 50 means major restrictions and 75 means virtually closed with limited opportunities to enter and operate. The primary focus of the database is on policies and regulations that discriminate against foreign services or Foreign Service providers, as well as certain key aspects of the overall regulatory environment that have a significant impact on trade in services (Borchert, Gootiiz & Mattoo, 2012).

![Figure 27: Services Trade Restrictiveness Index, World Bank](http://iresearch.worldbank.org/servicetrade/default.htm# on 20/08/2018)

Figure 27 shows that in the overall context, India is the most restrictive, while Pakistan is the most open to foreign investors. Across sectors, India is again the most restrictive in all sectors, with the exception of Telecommunications. Sector-wise analysis shows that Professional services and Transportation are the most restricted in the South Asian region, while Retail services (except for

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India) is the least. Mode 4: temporary movement of persons\textsuperscript{95} is generally the most restricted in all countries. However, in India, Mode 1: cross-border trade is the most restrictive. This is due to licensing requirements of professionals providing services on a cross-border basis. Within Mode 3: commercial presence, telecom is the most restrictive in Bangladesh, while it is professional and retail in India, professional in Nepal, financial in Pakistan and transportation in Sri Lanka.

5. Scope for Regional Cooperation in Services

ESCAP (2017) report titled “Artificial Intelligence and Broadband Divide: State of ICT Connectivity in Asia and the Pacific”\textsuperscript{96} identifies key challenges in the ICT sector in the region, There is an apparent lack of technical standards across countries in the South Asia; widespread skill gap leading to inadequate skills to use ICT, pending issues related to affordability and insufficient funding and existing stringent regulations that restrict trade. It has been recommended that governments provide sufficient infrastructure and support universal education, build human capabilities and provide access to e-learning tools to ensure continuous learning and re-skilling of workforce. The target is to narrow the broadband and digital divide. Additionally, cyber-security and data protection have emerged as the top priority areas for government intervention and are an added responsibility for the future. SAARC nations must invest in supply infrastructure to provide robust broadband connectivity, thus enhance development of technology components. There exists a need for regional cooperation platforms to address common policy challenges, share experience, and promote knowledge and technology exchanges.

Regional efforts include the Asia Pacific Information Superhighway that aims to improve regional broadband connectivity through a dense web of open-access cross-border infrastructure. Moreover, SATIS can also use this initiative as an example to promote digital connectivity among SAARC countries through a dialogue between policymakers, private sector and the academia on how regional broadband connectivity could be shaped. This will not only help promote ICT development in South Asia, but also enable knowledge sharing and spillovers that will help bridge the widening digital divide in the region and ensure everyone can take advantage of the opportunities offered by ICT.

An analysis of telecommunications, Internet markets and broadband infrastructure in nine countries in the subregion (Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka) by the ESCAP Secretariat revealed a sharp disparity among the countries in terms of bandwidth availability. Such a disparity is detrimental to economic growth, social development and inclusiveness. The consumer and wholesale pricing of bandwidth is expensive and there is limited

\textsuperscript{95} Data is available for only professional services including accounting, auditing, and legal advice
availability and penetration of advanced ICT services and applications, including broadband. Both fixed and mobile broadband infrastructure in the region could be significantly expanded. With the exception of India, which enjoys excellent submarine cable-based international connectivity, the international connectivity of the rest of the countries in the region is weak. Bhutan and Nepal, the two landlocked countries in the subregion, are entirely dependent on India for international submarine connectivity.97

While South Asia has already made notable progress in in growth of IT services and has positioned itself as a major exporter and IT hub, there exists a need to increase penetration of IT services within the subregion through establishment of cross-border infrastructural links for digital connectivity. ICT can improve services in an array of sectors such as health, education, and business development services. Further, transport connectivity is the cornerstone for regional economic integration. Together, they can help bridge the digital divide and increase trade between the countries in the region by improving the prospects for services, as well as goods trade.98 While transport infrastructure and services have been improving in South Asia, there is much room for progress. When coupled with easing of visa rules and regulations, it could give rise to tourism sectors such as Medicare, cultural tourism and educational exchange programs, thus expand people-to-people networks (Kathuria, 2015).

“Governments need to liberalize rules governing the movement of peoples for the purpose of providing a service on a temporary basis. Business travel could be facilitated through effective and inexpensive visa processing facilities such as e-visas. Flexible arrangements such as temporary licensing of professionals for specific tasks or shorter periods of time would also help.”

- OECD (2017)99

This suggestion by the Organisation for Economic Co-operation and Development (OECD) (2017) above can apply to South Asia as well. With the SATIS in place, member countries also need to focus on fast-paced regulatory cooperation through increased adherence to international standards for professional service providers, by signing mutual recognition agreements, harmonizing professional qualifications, technical standards, and licensing requirements to bypass the licensing procedures and technical barriers to trade in services. Governments need to adequately market the skills of the professionals from SAARC to advertise the expertise and skill sets of lawyers, doctors, accountants and software developers to the rest of the world and promote South Asia as a single destination. SATIS could go beyond the current framework in terms of market access commitments and set provisions to facilitate information exchange, ease the norms for obtaining

98 Accessed at : https://www.unescap.org/sites/default/files/Unlocking%20the%20Potential%20of%20RECI%20in%20South%20Asia_0.pdf
health visas, and relax provisions for labour mobility under mode 4 to unlock the flow of human resources and mitigate demand-supply mismatches.

There exists a divergence in comparative advantage in the services exports across South Asian countries. This is indicative of potential opportunities to enhance intra-regional series trade by exploiting the trade complementarities in services. India specializes in ICT services, whereas, the LDCs of the region focus on traditional services like travel and transport. This diversity gives way to untapped potential for countries to sign mutually beneficial trade agreements for services within the region. For example, Sri Lanka mainly exports Travel and Transport services (section 1), while imports other commercial services. India’s services trade complements this pattern as it exports ICT and other business services, while it imports transport services. The liberalization of air services and visa facility in 2003, along with the signing of the CECA (Comprehensive Economic Cooperation Agreement) between India and Sri Lanka has boosted Sri Lankan tourism exports to India.100

6. Conclusion

The services sector is one of the most important sectors for South Asian countries. Services contribute to the overall development of these economies and play a pivotal role in trade as well. Countries have developed policies to promote domestic services, through skill development programs, increased ICT penetration, innovation, and R&D. These initiatives also feed into extensive export promotion policies, liberalized regulations for foreign investors and other outreach programs like trade fairs and brand promotion. Box 11 below attempts to rate the experience of countries. It plots the growth index of countries versus the nature of policy making in the country. The Growth index can be defined as the average performance (compared to the regional average) on CAGR of value addition in services (2000-2016), CAGR of total service exports (2008-2016), and the growth of share of services in total employment (2010-2016).101 The policy making index has been calculated based on whether countries have an active policy to target the five policy themes highlighted in the previous sections. Box 11 shows that Bangladesh, India, Pakistan and Nepal have advanced and robust policies that target all the five themes. While Bangladesh has experienced above average growth in the region, India and Nepal have grown at average rates102. Pakistan is heavily investing in the development of the services sector to address the lack of growth in the sector. It can be seen that Bhutan, Afghanistan and Maldives have performed poorly as per the growth and policy indices. The values and methodology for the indices for the 8 countries in this region are presented in the Annex.

100 Accessed at: https://www.unescap.org/sites/default/files/Unlocking%20the%20Potential%20of%20RECII%20in%20South%20Asia_0.pdf
101 These periods have been chosen based on the availability of data for all the 8 South-Asian countries.
102 Average growth means 10.9% p.a in value addition of services, 9.6% in exports of services and 1.1% in rise in share of employment in services as a share of total employment per annum.
South Asian countries are already pioneers in IT/ITeS, travel, medical tourism and transport services. The governments have also devised targeted policies for these strategic sectors. India is the undisputed leader in the export of services in the region, in terms of values and shares. However, the service sector only employs 30% of the workforce in services. In Nepal on the other hand services make up 60 per cent of exports. Of the eight countries, only India and Maldives maintained a positive trade balance in services, with the recent addition of Nepal. India mainly exports ICT and other business services. Bangladesh and Pakistan have also made tremendous progress in ICT services especially in software development and creative IT enables services. Maldives mainly exports Travel and Transport services and 70 per cent of its exports are concentrated in Travel alone. Bhutan thrives on Travel and tourism as well. However, the Royal Government of Bhutan promotes tourism, keeping in mind environmental standards. Sri Lanka and India have increased emphasis on health and medical tourism, given their competitiveness and expertise in the sector.

A snapshot of targeted policies has been presented in Table 9. It summarizes the previous section on thematic and vertical policies. The analysis of services promotion policies in South Asian countries reveals some of the best practices in the region. Most countries have made efforts to identify and declare some services sectors as strategic sectors to attract foreign investment and promote exports of services. Such strategic sectors can be offered fiscal and non-fiscal incentives, such as export credit, access to technology and finance, enabling environment for research and development and support to young entrepreneurs.

**Box 11: Mapping of Growth versus Effective Policy Making**

Source: Prepared by the author based on information presented in the paper | Policies have been collected from the information provided by national sources and texts, while the data was accessed at UNCTAD stats and World Development Indicators, World Bank.
Table 9: Snapshot of Targeted Policies for Services in South Asia

<table>
<thead>
<tr>
<th>South Asia: Regional Snapshot</th>
<th>Services Sectors</th>
<th>Telecommunication</th>
<th>Travel &amp; Tourism</th>
<th>Financial Services</th>
<th>Health Services</th>
<th>Umbrella Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy Theme</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Skill Development</td>
<td>Afghanistan, Bangladesh, Bhutan, India, Nepal, Pakistan</td>
<td>India</td>
<td>Bhutan, India, Nepal, Pakistan</td>
<td></td>
<td></td>
<td>India, Nepal, Bhutan, Pakistan</td>
</tr>
<tr>
<td>Digitization and ICT use</td>
<td>Afghanistan, Bangladesh, India, Nepal, Pakistan</td>
<td>Maldives</td>
<td>India, Pakistan, Nepal</td>
<td>Pakistan</td>
<td></td>
<td>India, Bangladesh, Sri Lanka</td>
</tr>
<tr>
<td>Tech, Innovation &amp; Start ups</td>
<td>Pakistan</td>
<td>India</td>
<td></td>
<td></td>
<td></td>
<td>Bangladesh, India, Pakistan, Sri Lanka</td>
</tr>
<tr>
<td>Export Promotion</td>
<td>India, Maldives, Nepal, Pakistan</td>
<td>Maldives, India</td>
<td>India, Nepal</td>
<td>India, Maldives</td>
<td>India</td>
<td>Afghanistan, Bangladesh, India, Nepal</td>
</tr>
<tr>
<td>FDI Policy targeting services sector</td>
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<td>Bangladesh, India</td>
<td>Bhutan, Nepal, Sri Lanka</td>
<td>Bangladesh, bhutan, India, Pakistan</td>
<td>Bhutan</td>
<td>Afghanistan, Iran, Pakistan, Sri Lanka</td>
</tr>
<tr>
<td>Outreach, International Engagements</td>
<td>Afghanistan, Bangladesh</td>
<td>Maldives, Nepal</td>
<td></td>
<td></td>
<td>India</td>
<td>India</td>
</tr>
<tr>
<td>Vision Document</td>
<td>Afghanistan, Maldives, Sri Lanka</td>
<td>Afghanistan, India, Maldives</td>
<td>Bhutan, Maldives, Nepal</td>
<td>Maldives, Pakistan, Sri Lanka</td>
<td>Pakistan</td>
<td>India, Nepal, Bhutan, Pakistan</td>
</tr>
</tbody>
</table>

Source: Prepared by the author based on information presented in the previous sections of the paper

Research shows that there is a lot of emphasis on ICT-targeted policy making by all the countries in the region. Countries could draw from the success of India and Nepal in declaring other strategic sectors. Travel, medical tourism and professional services have emerged as other promising sectors in the region. Such sectors could also have linkages with the universities and technical institutes to provide information about the industry demand of skills and to absorb the outgoing graduates in the sector. Today, the growing demands of the industry diverge from what is taught at universities and technical institutes. Countries can develop industry-led skilling programs for the industry and taught by the industry. Such efforts will reduce the employability gap that exists in the developing countries of the region. Pakistan, through its FDI policy has implemented a similar strategy that links foreign investors with the universities in the country to develop special skilling programs to improve the prospects for graduates.

Analysis of FDI data shows that most of the FDI in the region goes into services sectors. However, there still exist barriers to FDI in services, especially to mode 3: commercial presence. South Asian countries can reap substantial gains by improving the environment for foreign investors to fill the infrastructural gaps and investment shortfalls in the region. This can be done by reducing
bureaucratic delays in obtaining licenses and approvals from various government ministries and regulatory bodies, tax-based incentives to foreign investors, reforms of intellectual property rights, reduction of registration fees (especially in Sri Lanka), and incentives for technology transfer. Domestic reforms will also send confidence-building signals to the investors. Such reforms can take various approaches. Efforts to improve employability of the workers through skill upgradation to meet the growing demand of the tech industries, greater digitization of processes and increased use of ICT in the domestic economy can reduce connectivity issues, creating a vibrant environment to foster growth of startups through incubation centres, can all enable the development of an industry. These reforms act as an incentive in two ways. First, they attract companies to set up operational base in the country, making use of the available resources and second, they help the country expand exports to newer markets.

Analysis of indicative global indices for ICT access and use finds that South Asian countries rank poorly as compared to other developing countries. Some of the issues are high costs of broadband and mobile Internet services, lax data protection laws and high incidence of online frauds. These issues restrict digital inclusivity and hamper the growth of trade in services. Studies show that improved telecommunication is the backbone of digital trade, e-commerce and safe payment solutions. ICT connectivity can also be particularly important for Small and medium-sized enterprises (SMEs) as it helps them connect with distant consumers. Greater Internet penetration and usage are also associated with higher levels of trade in services, both in term of exports and imports (Choi, 2010). A WTO report (2017) points out three more benefits of increased access and use of ICT connectivity in the domestic market. First, it enhances tradability of knowledge-intensive business services by increasing profits from outsourcing services and management of global value chains; second, it facilitates data flows and knowledge transfers; third, it enables companies to exploit newer tech like cloud computing to gain competitiveness. These studies emphasize the need for improved digital connectivity. India, Bangladesh and Sri Lanka have launched nationwide digital programs to harness the potential of connectivity and digital inclusivity. Countries in the region can use these examples to formulate national programs to join the bandwagon and accept the importance of bridging the digital divide.

Along with government policies, countries need to invest in creating an enabling regulatory framework that is transparent and does not burden trade in services with a myriad of licensing procedures. Regulations also help promote effective competition in the domestic markets that can make large companies and SMEs invest in newer technologies to be more competitive in the global marketplace, with implications in innovation and job creation. There exist many services sectors in an economy, with different regulatory frameworks. Regulatory co-operation can help reduce compliance costs for SMEs and increase ease of doing business for exporters (Gonzales, 2017). National policies should identify common bottlenecks across sectors that increase trade costs and form targeted policies to curb them.
Across the South Asian region as a whole, trade in services should be opened up to increase competition, choice and improve the quality of services rendered. The commitments under SATIS need to be formalized such that countries can identify and eliminate the myriad of non-tariff barriers that exist. With the SATIS in place, member countries also need to focus on fast-paced regulatory cooperation through increased adherence to international standards for professional service providers, by signing mutual recognition agreements, harmonizing professional qualifications, technical standards, and licensing requirements to bypass the licensing procedures and technical barriers to trade in services. While South Asia has already made notable progress in growth of IT services and has positioned itself as a major exporter and IT hub, there exists a need to increase penetration of IT services within the subregion through establishment of cross-border infrastructural links for digital connectivity. The target should be to narrow the broadband and digital divides.

Three countries were chosen, Bangladesh, Nepal and Pakistan to delve deeper in the issues they face, along with some recommendations. The common trend has been a lack of focus on exports of services, shortage of trained workers due to inadequate capacity of technical institutes and absence of a Startup culture and IT infrastructure. In Nepal, it was found that most of the service sectors lack focus on international trade, as service sector policies are mostly oriented towards fulfilling domestic requirements rather than exports. In order to improve services exports, Nepal could take necessary actions for the recognition of qualifications, skills and experiences of Nepalese service providers by the importing countries; mainstream trade in services in the programs, initiate negotiations at various bilateral and multilateral forums to include the movement of ‘skilled and semi-skilled professionals under various categories’ in Mode 4; and provide relevant vocational training and orientation to semiskilled human resources going abroad for foreign employment. Similarly, in Pakistan, the majority of the domestic regulations today do not address the trade and market access issues that can have a great effect on elevating services trade. Pakistan needs to build adequate infrastructure to enable greater exports of services through incentives including exporting zones, fiscal incentives, access to modern technology, and export financing. Pakistan can also benefit from outsourcing and offshoring activities. This will enable them to climb the ranks in the Global Services Location Index by attracting multinational companies. Further, the government of Pakistan needs special FDI policies to tackle massive disinvestment in the IT and Telecom sectors. According to the current FDI framework, there is a need to relax the norms for approvals of foreign investments. Approvals are granted for a period of only 5 years, following which, foreign investors must re-apply through lengthy-cumbersome procedures. The government could allow longer-period licenses to operate in the country. Bangladesh also needs to attract greater FDI in service sectors. Moreover, despite elaborate policies to promote the ICT industry in Bangladesh, growth of exports of the ICT industry is limited due to lack of overseas marketing, low participation in trade fairs, and absence of country brand promotion.
Pakistan also faces a lack of skilled human assets due to low literacy rates and inadequate capacity of domestic training programs. Unlike the other South Asian countries, where women make up a chunk of ICT workforce, the cultural boundaries in Pakistan have restricted the entry of female due to lack of education and skills. Bangladesh also faces a shortage of skilled workers and must increase capacity of IT institutes and enhance industry–academia linkages to facilitate employment of skilled graduates. There is additionally a need to enhance the quality and reliability of supply of infrastructural services including telecommunication, transport and Internet access. The current policy framework needs an upgradation by developing IT incubators and high-tech parks, mentoring opportunities for innovators and startups; greater access to venture capital, angel funding and crowd funding. Pakistan’s Ministry of IT could develop technology parks to create a more conducive environment for innovation and learning.
## Annex 1

### Annex 1: Regulatory Authorities in South Asia

<table>
<thead>
<tr>
<th>Regulatory authorities</th>
<th>Financial (banking and non-banking)</th>
<th>Insurance and pension</th>
<th>Telecom</th>
<th>Computer and information technology</th>
<th>Transport</th>
<th>Construction and real estate</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Afghanistan</strong></td>
<td>Da Afghanistan Bank: Central Bank of Afghanistan</td>
<td>Afghanistan Insurance Authority, Ministry of Finance</td>
<td>ATRA: Telecom Regulatory Authority of Afghanistan</td>
<td>Directorate of Technology and Innovation</td>
<td>Ministry of Transport and Civil Aviation</td>
<td>Afghanistan Chamber of Commerce and Industry</td>
</tr>
<tr>
<td><strong>Bangladesh</strong></td>
<td>Bangladesh Bank: Central Bank of Bangladesh</td>
<td>Insurance Development &amp; Regulatory Authority</td>
<td>Bangladesh Telecommunication Regulatory Commission</td>
<td>ICT Division</td>
<td>Bangladesh Road Transport Authority &amp;</td>
<td>Bangladesh Association of Construction Industry</td>
</tr>
<tr>
<td><strong>Bhutan</strong></td>
<td>Royal Monetary Authority of Bhutan</td>
<td>Financial Institutions Supervision Division along with RMA</td>
<td>Ministry of Information and Communication</td>
<td>Department of IT and Telecom, Ministry of Information and Communications</td>
<td>Road Safety and Transport Authority</td>
<td></td>
</tr>
<tr>
<td><strong>India</strong></td>
<td>Reserve Bank of India</td>
<td>Insurance Regulatory and Development Authority</td>
<td>Department of Telecommunication, MOC</td>
<td>Telecom Regulatory Authority of India</td>
<td>Ministry of Electronics and Information Technology</td>
<td>Transport Authority of India</td>
</tr>
<tr>
<td><strong>Maldives</strong></td>
<td>Maldives Monetary Authority</td>
<td>Maldives Pension Administrative Office and MMA</td>
<td>Communications Authority of Maldives</td>
<td>National Centre for Information Technology</td>
<td>Maldives Transport Authority</td>
<td>Ministry of Housing, Transport and Environment</td>
</tr>
<tr>
<td><strong>Nepal</strong></td>
<td>Nepal Rashtra Bank</td>
<td>Beema Samiti (Insurance Board)</td>
<td>Nepal Telecommunications Authority</td>
<td>Ministry of Information and Communication</td>
<td>Department of Transport Management</td>
<td>National Reconstruction Authority</td>
</tr>
<tr>
<td><strong>Pakistan</strong></td>
<td>Ministry of Finance, Revenue and Economic Affairs</td>
<td>The Insurance Association of Pakistan</td>
<td>Ministry of Information Technology and Telecommunication, Pakistan Telecom Authority, Frequency Allocation Board</td>
<td>Ministry of Information Technology and Telecommunication, Pakistan Software Export Board</td>
<td>Ministry of Ports and Shipping, Ministry of Railways</td>
<td>Ministry of Housing and Works</td>
</tr>
<tr>
<td><strong>Sri Lanka</strong></td>
<td>Central Bank of Sri Lanka</td>
<td>Telecommunications Regulatory Commission of Sri Lanka</td>
<td>Sri Lanka Ministry of ICT and Telecommunication</td>
<td>Ministry of Transport</td>
<td>Ministry of Housing and Construction</td>
<td></td>
</tr>
</tbody>
</table>
Annex 2: Additional Plots

In Figure 2A, Value added in services is plotted versus Exports of services in the period 2000-2016. One of the steepest slopes is of Maldives in quadrant 3; exports in services have risen much faster than the total value addition in the sector. Maldives is closely followed by India and Sri Lanka. As it was observed in the previous sections, Maldives has expanded exports in services primarily due to the expansion of Travel and Tourism, with a rising footfall of tourists arriving in the country. In quadrant 1, if India’s growth is closely analysed, one finds that exports grew faster than value addition in the first 8 years since 2000. Though they continued to expand thereafter, their growth vis-à-vis value addition slowed down. For Sri Lanka, the opposite growth pattern is true. Exports of services grew exponentially since 2008, at a slope almost vertical to the growth in value addition. Simply put, this means a larger part of services came to be exported, without much value addition. Pakistan also witnessed majority of growth in exports over value addition in the period 2012-2016, while Bangladesh has maintained a steady slope, and the years 2015 and 2016 stand out in the data plot (quadrant 2). On the contrary, data plots for Afghanistan show a random negative growth in the said period, owing to political and civil unrest in the country.
Annex 2A: Exports of Services vs VA in Services

Source: Data from UNCTAD stats on 7/5/2018
Note: The data points represent the years 2000-2016. The axes are measured in US $ Billions.
Annex 2B: Employment vs VA in Services

Figure 2B plots value addition in services versus employment in services as a share of total employment. The focus period is 1991-2016. In theory if value addition rises faster than employment in the sector, it means the sector experiences productivity gains. This is true for Afghanistan, Nepal, Bangladesh (since 2004) and Pakistan. Bangladesh’s services sector experienced an influx of workers between 1991-2003; however, the share of services in total employment has remained constant since then, hovering around 35 per cent, with rapid value addition. This also marks the entry of Bangladesh in the competitive ranks of services exporters in the region. Pakistan gained competitiveness in services, especially transport services a few years before Bangladesh. The case for India represents well the reality of its services-led growth. The expansion of the BPO sector absorbed a large part of the population and this led to growing exports from the sector. However, over the years, India has been stuck in the production of low value-added services, and this is evident in the quadrant 1. While only 22% of the workforce was engaged in services in 1991, the share rose to close to one-third of the total workforce in 2016. Similarly,
in Sri Lanka, employment in the sector has grown rapidly, with expansion of travel and transport services.

Annex 3: Services Growth and Policy Indices
A Growth index has been calculated that consists of two parts, first, a score assigned based on CAGR in value addition in services sector, total services exports and share of services in total employment; and second, a score was assigned based on the existence of a comprehensive thematic policy.

The first part of the index was calculated as per the following steps:

1. The CAGR was computed for each country in the following ways
   a. Value addition in services in the period 2000-2016.
   b. Total service exports in the period 2008-2015, however due to the paucity of data for Afghanistan and Bhutan, the period 2000-2007 was excluded and for India, period 2015-2016 was excluded.
   c. CAGR of share of services in total employment in the period 2010-2017

2. Next, Simple regional averages were calculated for each column (last row)

3. If the national growth rate was above the regional value, a score of 1 was awarded, if below, 0.

4. These scores were added to arrive at a composite score out of 3

The data for value added and exports was collected from UNCTAD stats, while employment shares are from the World Development Indicators, World Bank. The table with the scores is presented below.

The second part of the index was the Policy-Making Index. It was calculated as per the following criteria: If a thematic policy exists in the country, a score of 1 was given, else 0. In total, five themes: Skill Development, Digitization and ICT Use, Tech and start-ups, Export Promotion, Outreach, International Engagements and FDI Policy were chosen versus the eight South Asian countries.

A simple cumulative was awarded out of a total 5. The information regarding the existence of a thematic policy was based on the text of this paper.
Annex 3: Services Growth and Policy Indices

<table>
<thead>
<tr>
<th>Country</th>
<th>cagr VA 2000-2016</th>
<th>above avg*1, below avg #0</th>
<th>CAGR Exports in services 2008-2015</th>
<th>above avg*1, below avg #0</th>
<th>cagrs share of services in total empl (2010-2017)</th>
<th>above avg*1, below avg #0</th>
<th>Cumulative score (Growth)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghanistan</td>
<td>18.43555487</td>
<td>1</td>
<td>-7.041768367</td>
<td>0</td>
<td>0.815779867</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
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<td>11.23149453</td>
<td>1</td>
<td>11.88938468</td>
<td>1</td>
<td>1.842701579</td>
<td>1</td>
<td>3</td>
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<tr>
<td>Bhutan</td>
<td>10.93258461</td>
<td>1</td>
<td>12.14682041</td>
<td>1</td>
<td>-0.12858821</td>
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<td>2</td>
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<td>India</td>
<td>11.72907481</td>
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<td>5.651001464</td>
<td>0</td>
<td>3.296362701</td>
<td>1</td>
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<td>Maldives</td>
<td>9.859823762</td>
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<tr>
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<td>Pakistan</td>
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<td>Sri Lanka</td>
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<td>1.966562329</td>
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<tr>
<td>Average</td>
<td>10.94344474</td>
<td>Average</td>
<td>5.973379</td>
<td>Average</td>
<td>1.133924303</td>
<td>Average</td>
<td>74</td>
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</table>

Source: Value Added and Exports Data- UNCTAD stats
Employment Data - World Development Indicators, World Bank
<table>
<thead>
<tr>
<th>Policy Theme</th>
<th>Skill Development</th>
<th>Digitization and ICT use</th>
<th>Tech &amp; Start ups</th>
<th>Export Promotion</th>
<th>Outreach, International Engagements &amp; FDI policy</th>
<th>Quality of Policy for Services sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghanistan</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
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<td>Bangladesh</td>
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<td>Bhutan</td>
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</table>

Source: Self-computed by the author

Note: Five themes were chosen to represent the provision of a well-rounded policy for promotion of the service sector; they have been listed in the five columns. The eight South Asian countries chosen are listed in the rows.
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