
Document: WSIS-II/PC-2/DOC/11-E
(Annex 1(Rev.1))
1 March 2005
Original: English

NOTE BY THE CHAIR OF THE SUBCOMMITTEE

REVISED CHAPTER TWO OF THE OPERATIONAL PART (FINANCIAL MECHANISMS)

Financial mechanisms for meeting the challenges of ICT for development

15. We thank the UN Secretary-General for his efforts in creating the Task Force on Financial Mechanisms (TFFM) and we commend the members on their report. *(Agreed)*

16. We recall that the mandate of the TFFM was to undertake a thorough review of the adequacy of existing financial mechanisms in meeting the challenges of ICT for development. *(Agreed)*

17. The TFFM report sets out the complexity of existing mechanisms, both private and public, which provide financing for ICTs in developing countries. It identifies areas where these could be improved and where ICTs could be given higher priority by developing countries and their development partners. *(Agreed)*

18. Based on the conclusion of the review of the report, we have considered the improvements and innovations of financing mechanisms, including the creation of a voluntary Digital Solidarity Fund, as mentioned in the Geneva Declaration of Principles. *(Agreed)*

19. We recognise the existence of the digital divide and the challenges that this poses for many countries, which are forced to choose between many competing objectives in their development planning and in demands for development funds whilst having limited resources. *(Agreed)*

20. We recognise the scale of the problem in bridging the digital divide, which will require adequate and sustainable investments in ICT infrastructure and services, and capacity building, *[and transfer of technology]* over many years to come.

[Chair's proposed text to replace italicized text in 20 above: We recognize the need to promote an environment conducive to transfer of technology for mutual advantage, on mutually agreed terms, and allow non-discriminatory access to appropriate required technology.]

- 21. We recognize** that the development goals of the Millennium Declaration are fundamental. The Monterrey Consensus on Financing for Development is the basis for the pursuit of adequate and appropriate financial mechanisms to promote ICT for development, in accordance with the Digital Solidarity Agenda of the Geneva Plan of Action. *(Agreed)*
- 22. We recognise and acknowledge** the special and specific funding needs of the developing world, as referred to in paragraph 16 of the Geneva Declaration of Principles*, which faces numerous challenges in the ICT sector, and that there is strong need to focus on their special financing needs to achieve the development goals of the Millennium Declaration. *(Agreed)*
- 23. We agree** that the financing of ICT for development needs to be placed in the context of the growing importance of the role of ICTs, not only as a medium of communication, but also as a development enabler, and as a tool for the achievement of the development goals of the Millennium Declaration. *(Agreed)*
- 24.** In the past, financing of ICT infrastructure in most developing countries has been based on public investment. Lately, a significant influx of investment has taken place where private sector participation has been encouraged, based on a sound regulatory framework, and where public policies aimed at bridging the digital divide have been implemented. *(Agreed)*
- 25. We are greatly encouraged** by the fact that advances in communication technology, and high-speed data networks are continuously increasing the possibilities for developing countries, and countries with economies in transition, to participate in the global market for ICT-enabled services on the basis of their comparative advantage. These emerging opportunities provide a powerful commercial basis for ICT infrastructural investment in these countries. Therefore, Governments should take action, in the framework of national development policies, in order to support an enabling and competitive environment for the necessary investment in ICT infrastructure and for the development of new services. At the same time, countries should pursue policies and measures that would not discourage, impede or prevent the continued participation of these countries in the global market for ICT-enabled services. *(Agreed)*
- 26. We take note** that the challenges for expanding the scope of useful accessible information content in the developing world are numerous, in particular, the issue of financing for various forms of content and applications requires new attention, as this area has often been overlooked by the focus on ICT infrastructure. *(Agreed)*
- 27. We recognise** that attracting investment in ICTs has depended crucially upon an enabling environment, including good governance at all levels, and a supportive, transparent and pro-competitive policy and regulatory framework, reflecting national realities. *(Agreed)*
- 28. We underline** that market forces alone cannot guarantee the full participation of developing countries in the global market for ICT-enabled services. Therefore, **we encourage**

* For reference, Paragraph 16 of the Geneva Declaration of Principles reads as follows:

We continue to pay special attention to the particular needs of people of developing countries, countries with economies in transition, Least Developed Countries, Small Island Developing States, Landlocked Developing Countries, Highly Indebted Poor Countries, countries and territories under occupation, countries recovering from conflict and countries and regions with special needs as well as to conditions that pose severe threats to development, such as natural disasters.

the strengthening of international cooperation and solidarity aimed at enabling all countries, especially those referred to in paragraph 16 of the Geneva Declaration of Principles, to develop ICT infrastructure and ICT-enabled services that are viable and competitive at national and international levels. *(Agreed)*

29. We recognize that, in addition to the public sector, financing of ICT infrastructure by the private sector has come to play an important role in many countries and that domestic financing is being augmented by North-South flows and South-South co-operation. *(Agreed)*

30. We recognize that, as a result of the growing impact of sustainable private sector investment in infrastructure, multilateral and bilateral public donors are redirecting public resources to other development objectives, including Poverty Reduction Strategy Papers and related Programmes, policy reforms and mainstreaming of ICTs and capacity development. **We encourage** all governments to give appropriate priority to ICTs, including traditional ICTs such as broadcast radio and TV, in their national development strategies. **We also encourage** multilateral institutions as well as bilateral public donors to consider also providing more financial support for regional and large-scale national ICT infrastructure projects and related capacity development. They should consider aligning their aid and partnership strategies with the priorities set by developing countries and countries with economies in transition in their national development strategies including their poverty reduction strategies. *(Agreed)*

31. We recognise that public finance plays a crucial role in providing ICT access and services to rural areas and disadvantaged populations including those in Small Island Developing States and Landlocked Developing Countries. *(Agreed)*

32. We note that ICT-related capacity building needs represent a high priority in all developing countries and the current financing levels have not been adequate to meet the needs, although there are many different funding mechanisms supporting ICTs for Development. *(Agreed)*

33. Alt 1: **[We recognize** that there are a number of areas lacking adequate financing as well as related approaches that are more coherent and consolidated.]

Alt 2: **[We recognize** that there are a number of areas where the current approaches to ICT for development financing have devoted insufficient attention to date.]

These include:

- a. ICT capacity building programmes, materials, tools, educational funding and specialized training initiatives, especially for regulators and other public sector employees and organizations;
- b. Communications access and connectivity for ICT services and applications in remote rural areas, Small Island Developing States, Landlocked Developing Countries and other locations presenting unique technological and market challenges;
- c. Regional backbone infrastructure, regional networks, Network Access Points and related regional projects, to link networks across borders and in economically-disadvantaged regions which may require coordinated policies including legal, regulatory and financial frameworks, and seed financing and would benefit from sharing experiences and best practices;

- d. Broadband capacity to facilitate the delivery of a broader range of services and applications, promote investment and provide Internet access at affordable prices to both existing and new users;
- e. Coordinated assistance, as appropriate, for countries referred to in paragraph 16 of the Geneva Declaration of Principles, particularly Least Developed Countries and Small Island Developing States, in order to improve effectiveness and to lower transaction costs associated with the delivery of international donor support;
- f. ICT applications and content aimed at the integration of ICTs into the implementation of poverty eradication strategies and in sector programmes, particularly in health, education, agriculture and the environment;

In addition, there is a need to consider the following other issues, which are relevant to ICT for development and which have not received adequate attention:

- g. Sustainability of Information Society related projects, for example the maintenance of ICT infrastructure;
- h. Special needs of Small, Medium and Micro Enterprises (SMMEs), such as funding requirements;
- i. Local development and manufacturing of ICT applications and technologies by developing countries;
- j. Activities on ICT-related institutional reform and enhanced capacity on legal and regulatory framework;
- k. Improving organisational structures and business process change aimed at optimizing the impact and effectiveness of ICT projects and other projects with significant ICT components;
- l. Local government and initiatives based in local communities that deliver ICT services to communities in the areas such as education, health and livelihood support.

34. Recognizing that the central responsibility for coordination of public financing programmes and public ICT development initiatives rest with governments, **we recommend** that further cross-sectoral and cross-institutional coordination should be undertaken, both on the part of donors and recipients within the national framework. *(Agreed)*

35. Multilateral development banks and institutions should consider adapting their existing mechanisms, and where appropriate designing new ones, to provide for national and regional demands on ICT development. *(Agreed)*

36. We acknowledge the following prerequisites for equitable and universal accessibility to and better utilization of financial mechanisms:

- a. Creating policy and regulatory incentives aimed at universal access and the attraction of private sector investment;
- b. Identification and acknowledgement of the key role of ICTs in national development strategies, and their elaboration, when appropriate, in conjunction with e-strategies;
- c. Developing institutional and implementation capacity to support the use of national universal service/access funds, and further study of these mechanisms and those aiming to mobilize domestic resources;
- d. Encouraging the development of locally relevant information, applications and services that will benefit developing countries and countries with economies in transition;
- e. Supporting the “scaling-up” of successful ICT-based pilot programmes;

- f. Supporting the use of ICTs in government as a priority and a crucial target area for ICT-based development interventions;
- g. Building human resource and institutional capacity (knowledge) at every level for achieving Information Society objectives, especially in the public sector;
- h. Encouraging business sector entities to help jump-start wider demand for ICT services by supporting creative industries, local producers of cultural content and applications as well as small businesses;
- i. Strengthening capacities to enhance the potential of securitised funds and utilising them effectively. (*Full Para Agreed*).

37. We recommend improvements and innovations in existing financing mechanisms, including:

- a. Improving financial mechanisms to make financial resources become adequate, more predictable, preferably untied, and sustainable;
- b. Enhancing regional cooperation and creating multi-stakeholder partnerships, especially by creating incentives for building regional backbone infrastructure;
- c. Providing affordable access to ICTs, by the following measures:
 - i. Reducing international Internet costs charged by backbone providers, supporting, *inter alia*, the creation and development of regional ICT backbones and Internet Exchange Points to reduce interconnection cost and broaden network access;
 - ii. Encouraging ITU to continue the study of the question of the International Internet Connectivity (IIC) as an urgent matter to develop appropriate Recommendations;

(*Note: See Annex*)

- d. Coordinating programmes among governments and major financial players to mitigate investment risks and transaction costs for operators entering less attractive rural and low income market segments;
- e. Helping to accelerate the development of domestic financial instruments including by supporting local microfinance instruments, ICT business incubators, public credit instruments, reverse auction mechanisms, networking initiatives based on local communities, digital solidarity and other innovations;
- f. [Accelerating the pace of financing of ICT infrastructure by promoting North-South flows and South-South cooperation] / [*Improving the ability to access existing financing facilities for ICT infrastructure and services and promoting North-South flows and South-South cooperation*];
- g. [Providing the financial support]/[Establishment of a “virtual” financing facility] to leverage multiple sources in support of programmes oriented to digital inclusion and identified investment objectives in key areas notably broadband, rural and regional projects, and development of local language content, capacity building, [and creative industries;]/[entertainment enterprises, training software, regional Web Portals, media broadcasts based in local communities and motion picture DVDs;]
- h. [Enabling developing countries to be increasingly able to generate funds and new financial instruments including trust funds and seed capital adapted to their economies;]
- i. Urging all countries to make concrete efforts to fulfil their commitments under the Monterrey Consensus;
- j. [Development of [a]/[an innovative] “rapid response” policy and regulatory support mechanism to intervene in support of [short-term] ICT sector policy initiatives;]
- k. Encouraging increased voluntary contributions;

- l.** Establishing responsibilities relative to universal service: regulatory frameworks must establish the responsibilities for universal service of all national and international telecommunication/ICT services operators[, in a technology-neutral manner];
- m.** Making, as appropriate, effective use of debt relief mechanisms as outlined in the Geneva Plan of Action, including *inter alia* debt cancellation and debt swapping, that may be used for financing ICT for development projects, including those within the framework of poverty reduction strategies.

[Alternative proposal for 37g. *[Multilateral, regional and bilateral development organizations should consider the utility of creating a virtual forum for sharing of information by all stakeholders on potential projects and on sources of financing;]*

Alternative proposal for 37j *[Multilateral, regional and bilateral development organizations should consider cooperating to enhance their capacity to provide rapid support to developing countries that request assistance with respect to ICT policies;]*

38. We welcome the **Digital Solidarity Fund (DSF)** established in Geneva as an innovative financial mechanism of a voluntary nature open to interested stakeholders with the objective of transforming the digital divide into digital opportunities for the developing world by focusing mainly on specific and urgent needs at the local level and seeking new voluntary sources of “solidarity” finance. The DSF will complement existing mechanisms for funding the Information Society, which should continue to be fully utilized to fund the growth of new ICT infrastructure and services. *(Agreed)*

Annex

During discussions at PrepCom-2, it did not prove possible to reach consensus on the following issue, on which discussion is deferred until PrepCom-3

[Option 1: Proposed by Brazil, Cuba, India and Holy See: Promoting awareness of the positive externalities generated by the development and use of free and open source software].

[Option 2: Promoting awareness of possibilities generated by different software models including proprietary, free and open source software.]

[Option 3: Promoting the development and use of open source and proprietary software with low total cost of ownership and effective interoperability, while improving awareness of all available options.]

[Option 4: Promoting awareness of the possibilities generated by different software models and the competitive impact that free and open software has had on proprietary software systems that has resulted in a wide range of a cost effective solutions for consumers].
