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Development Assistance Committee

Financing ICTs for Development Efforts of DAC Members

Review of Recent Trends of ODA
and its Contribution



OECD 

Report to the UN Task Force on Financial Mechanisms
for ICT for Development (TFFM)

2005



Development Assistance Committee (DAC)

Financing ICTs for Development – Efforts of DAC Members

Review of Recent Trends of ODA and its Contribution

*Report to the UN Task Force on Financial Mechanisms for
ICT for Development (TFFM)*

The views expressed in this paper are those of the DAC Secretariat and not necessarily those of DAC Members.

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Any comments or queries regarding this paper should be addressed to <dac.contact@oecd.org>.

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FOREWORD

As a follow-up to the World Summit on the Information Society (WSIS) Geneva 2003 and lead up to WSIS Tunis 2005, the UN Secretary General asked UNDP to facilitate the work of the Task Force on Financial Mechanisms (TFFM). According to the WSIS Plan of Action, the TFFM is to undertake a thorough review of the "adequacy of the existing financial mechanisms" in meeting the challenges of "information and communication technologies for development"(ICTD).

In this regard, UNDP asked the Development Assistance Committee (DAC) to prepare an analytical report on DAC Members' financing ICTD activities which would build on the existing work "Donor ICT Strategies Matrix." (available at www.oecd.org/dac/ict) In response to the request, updated and additional information was compiled by the Development Co-operation Directorate (DCD). The report was prepared by Mr. Ichiro Tambo, DCD's Adviser on Science and Technology, with the assistance of two consultants Ms Susanne Hesselbarth and Mr. Benoit D'Ansembourg.

The report consists of a policy-oriented analysis of donor support for ICTD, with particular attention to recent trends in bilateral Official Development Assistance (ODA) commitments for ICT infrastructure as well as other donor ICT assistance. It also includes abundance of statistical charts, highlights and annexes which give detailed background information and data.

Since there is relatively little work in this field, I hope, beyond its initial audience in aid agencies, the report will provide a comprehensive picture of DAC Members' financing ICTD activities and serve as background document for the TFFM and further inter-governmental negotiations in the preparatory process of WSIS Tunis 2005.

I thank all the DAC Members who provided their first-hand information and contributed to the production of this report.



Richard Manning
Chair, Development Assistance Committee (DAC)
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Abbreviations

| | |
|-------|---|
| CRS | Creditor Reporting System |
| DAC | Development Assistance Committee |
| EC | European Commission |
| ICT | Information and Communication Technology |
| ICTD | ICTs for Development |
| LAC | Latin America and the Caribbean |
| MENA | Middle East and North Africa |
| MDGs | Millennium Development Goals |
| ODA | Official Development Assistance |
| OECD | Organisation for Economic Co-operation and Development |
| PPIAF | Public Private Infrastructure Advisory Facility |
| PRSPs | Poverty Reduction Strategy Papers |
| PSD | Private-Sector Development |
| SSA | Sub-Saharan Africa |
| TFFM | UN Task Force on Financial Mechanisms for ICT for Development |
| WSIS | World Summit on the Information Society |

NB: Unless indicated otherwise, all dollar values expressed in this document are US dollars.

Executive Summary

The transformation of business and social activities that Information and Communication Technologies (ICTs) have brought about in the developed world is now seen to offer potentially huge benefits also to the developing world.

The World Summit on the Information Society in Geneva in December 2003 called for the setting-up of a Task Force to examine how best to mobilise the financial resources that can extend the benefits of ICTs for development, studying whether existing financial mechanisms can be expanded and extended, or innovative ones devised to overcome current limitations.

Although the private sector has led the investments for building ICT infrastructure, operating ICT networks and delivering ICT services over the last decades and provided the bulk of financial resources, public sector funding and Official Development Assistance (ODA) play an important role in creating an enabling policy environment, channelling resources towards less commercially attractive regions as well as towards the poor, and supporting innovative financing mechanisms for ICTs for development.

Donor support for ICTs for development as well as overall ODA show clear trends in recent years. After the decline in the volume of ODA observed in the 1990's, the aid flows have recovered in recent years and reached their highest level of US\$ 61 billion in 2003. However, ODA has fallen substantially as a percentage of donor countries' GNI over the past two decades, from 0.35% to 0.25%.

Parallel to the fall in overall aid flows, ODA commitments for ICT infrastructure have declined strongly from US\$1.2 billion in 1990 to US\$194 million in 2002. The rationale for most donors to withdraw from the provision of ICT infrastructure was linked to the expectation of an increasingly strong role of the private sector. However, donor assistance to ICT infrastructure is by no means the entire picture of the role of ODA in ICTs for development. Most donors are engaged in bilateral ICT-specific programmes and contribute to international multi-donor initiatives for ICTs, and at the same time many also have integrated ICT components in their development programmes which are not reflected in the trends on commitments for ICT infrastructure.

The renewed commitment of bilateral donors for ICTs for development, as documented by the OECD-DAC Donor ICT Strategies Matrix, suggests that the decline in bilateral ODA financing for ICT infrastructure has at least offset by the increase in ICT-related flows included in other development programmes.

Future orientations and challenges for ICTs for development as recognised by governments and donors in their ICT strategies and policies highlight the importance of the regulatory environment and policy frameworks for attracting the private sector investment for ICTs for development. New forms of multi-donor partnerships are appearing not only as a joint financing mechanism but also as a platform for exchange of experiences and learning among donor institutions.

I. Introduction

Over the past decade or so, the dramatic revolutions in Information and Communication Technologies (ICTs) have deeply transformed international commerce, social interaction, political relations and development issues. Today, the role of electronic communications as a tool and conduit for promoting development and opportunity is increasingly indispensable, and the scope and impact of initiatives demonstrating the value of ICTs to achieving key global aspirations such as the UN's Millennium Development Goals (MDGs) are multiplying daily.

But ICTs offer far more promise for development than they have achieved to date. In spite of immense progress in expanding the reach of basic and new ICT services and applications in developing countries, the majority of the world's population still does not have access to telephone service, computers or the Internet; even broadcast signals are virtually unknown to millions. The challenges raised by these continuing gaps in access to ICTs and to the opportunities that they can foster, and particularly the overriding questions of financing ICTs for development, are a key focus of the development community, and are a major concern of the World Summit on the Information Society (WSIS). In this context, the WSIS-Geneva December 2003 recommended that a Task Force be set up to study the issues surrounding existing ICT financial mechanisms, and consider whether recommendations for new strategic approaches should be considered.

The WSIS, the first phase of which was concluded in Geneva in 2003, recommended that "while all existing financial mechanisms should be fully exploited to make available the benefits of information and communication technologies, a thorough review of their adequacy in meeting the challenges of ICT for development should be completed by the end of December 2004".¹

The basic issues to be addressed by the Task Force focus on how financial resources can be most effectively mobilised to help harness the potential of ICTs to promote development throughout the world.

Objective of the Study and Structure of the Report

The objective of this study – as a collective contribution from the Development Assistance Committee (DAC) Members of the Organisation for Economic Co-operation and Development (OECD) to the discussions of the UN Task Force on Financial Mechanisms for ICT for Development (TFFM) – is to present an overview of trends in current donor practices and the development of bilateral donors' portfolios for ICT infrastructure. The study furthermore seeks to analyse the rationale of the donors and other stakeholders to withdraw from the ICT infrastructure support in the 1990s and shift to integrating ICT components into development assistance projects and programmes. Preliminary findings were presented and discussed at the first workshop of the TFFM on 4–5 October 2004 in New York. The comments provided have been taken into account in this report.

The report is organised in four chapters. The first chapter provides the background for the core issues to be discussed in the study. The second looks at the global trends in aid flows. Donor support for ICTs, in particular with regard to recent trends in bilateral ODA commitments for ICT infrastructure as well as the respective financing instruments are described and analysed in the third chapter. The fourth presents selected donor portfolios and strategies for ICTD.

¹ WSIS Plan of Action: www.itu.int/wsis/docs/geneva/official/poa.html

Concept of ICT Infrastructure

The OECD Creditor Reporting System (CRS) sector classification contains the following broad categories:

- social infrastructure and services (covering the sectors of education, health, population, water, government and civil society);
- economic infrastructure and services (covering transport, communications, energy, banking and finance, business services);
- production (covering agriculture, forestry, fishing, industry, mining, construction, trade, tourism);
- multisector/cross-cutting (covering general environmental protection, women in development, other multisector including urban and rural development);
- non-sector allocable (for contributions not susceptible to allocation by sector such as balance of payments support, actions relating to debt, emergency assistance and internal transactions in the donor country).

The concept of infrastructure used throughout this paper is based on the types of economic infrastructure relevant for reducing poverty, i.e., including, energy, transport, information and communication technologies, irrigation, water supply and sanitation as well as the infrastructure components of rural and urban development. The concept of infrastructure used here does not include social infrastructure such as schools, health centres and shelters.

In this report, ICT infrastructure means “communications infrastructure” as classified in the OECD/DAC document “Reporting Directives for the Creditor Reporting System” (www.oecd.org/dac/stats/crs/directives). It is composed of three categories of activities:

- **communication policy and administration management** – communications sector policy, planning and programmes; institution capacity building and advice, including postal services development; unspecified communications activities;
- **telecommunications** – telephone networks, telecommunication satellites, earth stations;
- **radio/television/print media** – radio and TV links; equipment; newspapers; printing and publishing.

Data Sources

The data used for the analysis are primarily taken from the OECD/DAC CRS and DAC ODA databases and complemented with information from the OECD DAC Donor ICT Strategies Matrix. It is useful to highlight the specific characteristics of the data to take into account any limitations in the interpretation of the statistical results.

The DAC data relate to activities that have the types of economic infrastructure described above as their main purpose. This implies some approximation as the data fail to capture aid to infrastructure extended within multisector programmes (e.g., integrated ICT components). Aid delivered through non-governmental organisations may also be excluded, since it is not always sector-coded in as much detail as project and programme aid. Data on the purpose of aid are collected on commitments on a calendar-year basis.

The DAC data cover both bilateral and multilateral aid to economic infrastructure. For DAC countries, CRS data on total aid commitments for infrastructure are available in disaggregated form – by sectors, regions and types of ODA from 1990 onwards. The CRS Aid Activity database is estimated to cover 85–90% of DAC countries’ bilateral ODA for the sector in 1990–95. From 1996 on the data are close to complete.

Box 1

DAC Statistics and CRS Database

In DAC statistics (and in most members' internal reporting systems) each activity can be assigned only one purpose code. This is to avoid double-counting when summing-up activities in different ways. For activities cutting across several sectors, either a multi-sector code or the code corresponding to the largest component of the activity is used.

The method of assigning a single-purpose code is usually taken to imply that DAC statistics underestimate aid allocated for a specific purpose. This is true if members generally use multisector codes for multisector projects. On the other hand, overestimation can occur in cases where the normal practice is to select the code of the largest component of the activity. In general, the method is not likely to bias analyses of trends and orders of magnitude. To improve the accuracy of data on the sectoral breakdown of aid, some members have decided to report aid activities by their individual components.

Donors report the face value of the activity at the date a grant or loan agreement is signed with the recipient. Total commitments per year comprise new undertakings entered into in the year in question (regardless of when disbursements are expected) and additions to agreements made in earlier years. (Cancellations and reductions of earlier years' agreements are not taken into account.)

In data analysis average data are used to even out the lumpiness of commitments and thereby to increase the statistical significance of the analysis. Average commitments per year are usually calculated over two or three years. Analyses of trends in aid over longer periods are based on constant \$ so as to take account of inflation and exchange-rate variations.

An explanation of how data reported in current \$ are converted to constant \$ is given in the CRS User's Guide (see <http://www.oecd.org/dac/stats/crs/crsguide>).

Commitments measure donors' intentions and thereby permit monitoring the targeting of resources to specific purposes and recipient countries. Commitments fluctuate as aid policies change, reflecting donors' responses to political upheavals or international recommendations in the field of development co-operation. Disbursement data show the realisation of donors' intentions and the implementation of policies, allowing donors' actual performance to be assessed.

- A commitment is a firm written obligation by a government or official agency, backed by the appropriation or availability of the necessary funds, to provide resources of a specified amount under specified financial terms and conditions and for specified purposes for the benefit of the recipient country.
- A disbursement is the placement of resources at the disposal of a recipient country (or agency, or in the case of internal development-related expenditures, the outlay of funds by the official sector).

While disbursement data collection has been part of the CRS since its inception, DAC members have had difficulty providing the requested data for all aid activities. Loans have been well covered with the exception of a few members. In contrast, for grants reporting has been incomplete with the exception of a few members. It is only recently that the situation has started to change. Thanks to improved databases and data processing tools, it has become technically feasible for DAC members to report detailed accounting records on large numbers of individual activities. Twenty DAC countries reported disbursement data to the CRS for 2002, covering 90% of total bilateral ODA disbursements in that year.

Box 2

Notes on the Key Statistical Terms**OFFICIAL DEVELOPMENT ASSISTANCE (ODA):**

grants or loans to countries and territories on Part I of the DAC List of Aid Recipients (developing countries) that are:

- undertaken by the official sector;
- with the promotion of economic development and welfare as the main objective;
- at concessional financial terms (if a loan, with a grant element of at least 25%).

In addition to financial flows, technical co-operation is included in aid. Grants, loans and credits for military purposes are excluded.

OTHER OFFICIAL FLOWS (OOF):

Transactions by the official sector with countries on the DAC List of Aid Recipients which do not meet the conditions for eligibility as official development assistance or official aid, either because they are not primarily aimed at development, or because they have a grant element of less than 25%.

PRIVATE FLOWS:

Consist of flows at market terms financed out of private-sector resources (i.e., changes in holdings of private long-term assets held by residents of the reporting country) and private grants (i.e., grants by non-governmental organisations, net of subsidies received from the official sector). In presentations focusing on the receipts of recipient countries, flows at market terms are shown as follows:

- **direct investment** – investment made to acquire or add to a lasting interest in an enterprise in a country on the DAC List of Aid Recipients. “Lasting interest” implies a long-term relationship where the direct investor has a significant influence on the management of the enterprise, reflected by ownership of at least 10% of the shares, or equivalent voting power or other means of control. In practice it is recorded as the change in the net worth of a subsidiary in a recipient country to the parent company, as shown in the books of the latter.
- **international bank lending** – net lending to countries on the DAC List of Aid Recipients by banks in OECD countries. Loans from central monetary authorities are excluded. Guaranteed bank loans and bonds are included under other private or bond lending (see below) in these presentations.
- **bond lending** – net completed international bonds issued by countries on the DAC List of Aid Recipients.
- **other private** – mainly reported holdings of equities issued by firms in aid recipient countries.

DAC LIST OF AID RECIPIENTS:

For statistical purposes, the DAC uses a List of Aid Recipients which it revises every three years. From 1 January 2000, Part I of the List is presented in the following categories (the word “countries” includes territories):

- **LDCs:** Least Developed Countries. Group established by the United Nations. To be classified as an LDC, countries must fall below thresholds established for income, economic diversification and social development. The DAC List is updated immediately to reflect any change in the LDC group.
- **Other LICs:** Other Low-Income Countries. Includes all non-LDC countries with per capita GNP \$760 or less in 1998 (World Bank Atlas basis).
- **LMICs:** Lower Middle-Income Countries, i.e., with GNP per capita (Atlas basis) between \$761 and \$3,030 in 1998. LDCs which are also LMICs are only shown as LDCs – not as LMICs.
- **UMICs:** Upper Middle-Income Countries, i.e., with GNP per capita (Atlas basis) between \$3,031 and \$9,360 in 1998.
- **HICs:** High-Income Countries, i.e., with GNP per capita (Atlas basis) more than \$9,360 in 1998.

Part II of the List comprises “Countries in Transition”. These comprise i) more advanced central and eastern European countries and New Independent States of the former Soviet Union; and ii) more advanced developing countries.

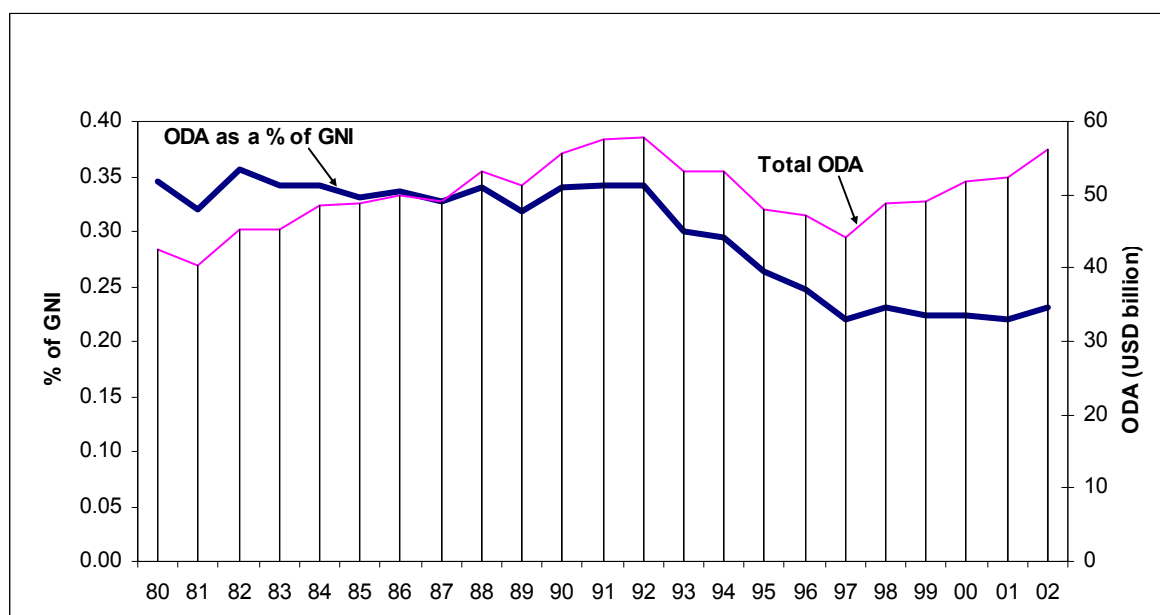
Source: Extract from 2003 Development Co-operation Report (ISBN 92-64-01961-8).

II. TRENDS IN AID FLOWS²

This chapter analyses the evolution of aid flows to developing countries, and more specifically recent trends in the volume and allocation of DAC members' aid. It attempts to isolate the factors that determine the size of their efforts, and to assess the impact of policy ideas in shaping their development co-operation programmes.

The last two years have been a turning point in the evolution of aid flows to developing countries (see also 2003 ODA Statistical Tables in Annex 1). After maintaining a steady course through the 1980s, aid fell sharply after the end of the Cold War and of superpower rivalry in the Third World. By 1997, and in three of the subsequent four years, it was at an all-time low of 0.22% of donors' combined national income. But in 2001–2 the trend reversed (Chart 2.1). By 2002, there was a 7% real increase, and if current plans are met, similar annual increases are likely up to 2006.

Chart 2.1 DAC Members' Total Net ODA at 2001 prices as a share of GNI, 1980–2002



II.1 The overall flow picture

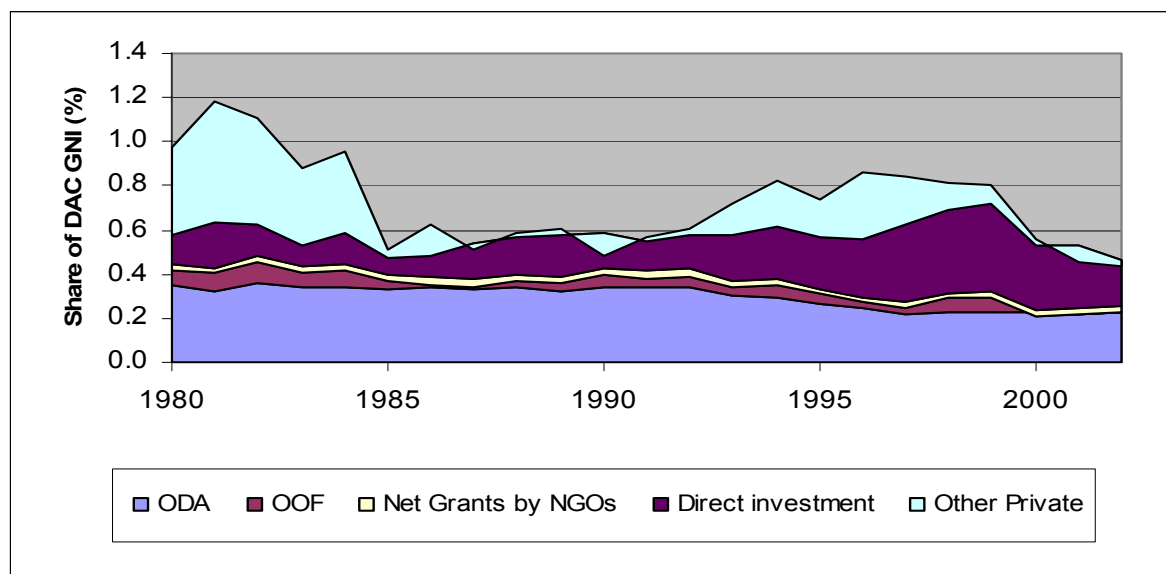
Official development assistance (ODA) consists of donors' grants and soft (i.e., low-interest) loans to developing countries. With the possible exception of workers' remittances,³ it is the least volatile component of capital flows to developing countries, since it expresses government programmes for development that are largely independent of the individual decisions of economic actors.

² This chapter is adapted from Chapter 2 of the OECD's 2003 *Development Co-operation Report* (ISBN 92-64-01961-8).

³ Workers' remittances, along with official transfer payments to individuals, have traditionally been regarded as primarily financing consumption in developing countries, and have therefore not been counted within DAC statistics on resource flows for development. However, a recent study (D. Ratha, "Workers' Remittances: An Important and Stable Source of Development Finance", *Global Development Finance*, World Bank, 2003, pp. 157–75) suggests that improved policies and relaxed foreign-exchange controls may have encouraged recipients to use remittances for investment. Ratha estimates workers' remittances to developing countries at \$72 billion in 2001, but acknowledges formidable data problems (*ibid.*, pp. 171–72).

Chart 2.2 shows the evolution of ODA over the past 20 years, in the context of other resource flows for development. The categories are those used in DAC statistics. They include grants and loans with a maturity of more than one year, excluding interest payments, military credits and transfer payments to individuals.

Chart 2.2 DAC Members' Resource Flows to Developing Countries, 1980–2002



Note: Net OOF flows were negative in 2000–2, and other private flows were negative in 1987, 1990, 2001 and 2002.

Source: OECD

The sharp fall in private flows from the early 1980s reflects the collapse in international bank lending following Mexico's announcement in 1982 that it was unable to meet its debt-service obligations. The 1990s saw a revival in private investment in developing countries. Although total private flows have not regained their figures of the early 1980s as a share of DAC members' GNI, the composition of these flows suggests they may be of more durable benefit. Direct investment, though not maintaining the peaks reached in the late 1990s, is becoming a much more significant element of private flows, reflecting longer-term confidence in developing countries' growth prospects. By contrast, bank lending, which adds to debt burdens, has been much lower than 20 years ago, and there is some evidence that the financial viability of the investments it funds is being more carefully scrutinised.

Many factors contributed to the 1990s trend of rising private flows and falling ODA. As already mentioned, the end of superpower rivalry reduced the political incentives to aid-giving from the early 90s. Aid was thus particularly vulnerable to cuts at a time when recession had reduced government revenue and most countries were introducing stringent fiscal-consolidation programmes. There was also reduced need for aid in some rapidly advancing economies in Asia and Latin America, while flows to strife-torn countries in central and west Africa fell sharply as it became impossible to deliver effective aid there.

Private flows rose through the 1990s as interest rates fell, increasing the profitability of investment. Excessive lending led to debt-sustainability problems in east Asia, Russia, and other emerging economies from 1998, but the effects have been less severe than in 1982, since several of the major destination countries for private investment – including China and India – were little affected.

DAC and non-DAC donors

Twenty years ago, non-DAC donors were giving almost half as much aid as DAC countries combined. While political attention focused on aid from the Soviet bloc, this was actually rather modest, being heavily concentrated in a few client states dotted throughout the developing world. Soviet-bloc aid rarely exceeded one-tenth of DAC ODA. More important was the effort of the Arab countries as they recycled the petrodollars gained from the oil price spikes of 1974 and 1979. Much of this was done through the banking system, but Arab aid also rose sharply to about a third of DAC ODA in the late 70s and early 80s. It was concentrated in Muslim countries, but was also instrumental in setting up the International Fund for Agricultural Development, the only significant United Nations fund for providing ODA loans.

The early 1990s saw the collapse of the Soviet bloc and its aid efforts, and a sharp curtailment of Arab aid as oil prices continued to fall from their earlier peaks. By the late 1990s, DAC countries were providing roughly 95% of all known ODA flows.

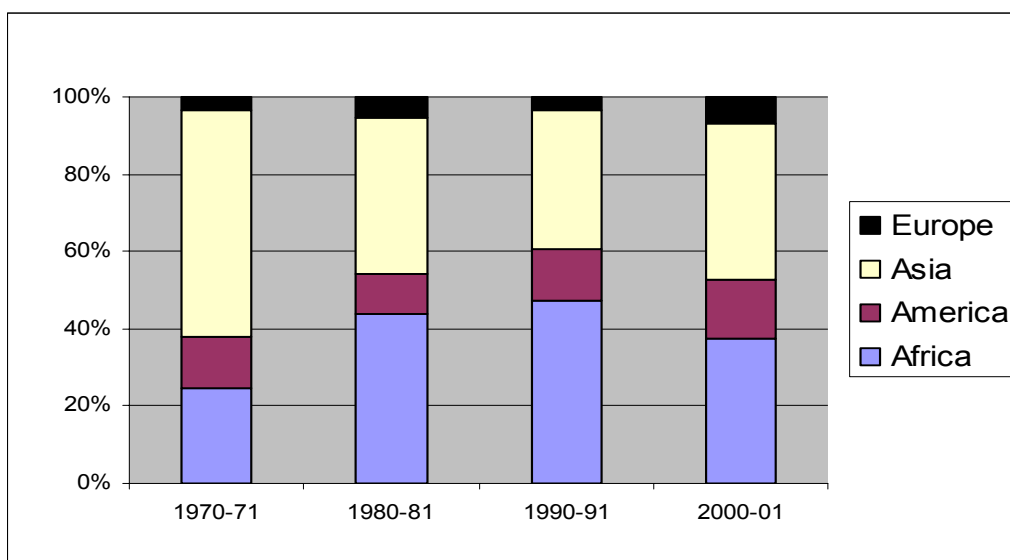
These figures may be somewhat misleading in suggesting a sharp contraction in the diversity of aid donors. Two factors mitigate this trend. One is the rise in the number of DAC members, from eighteen in the early 1980s to 23 today. The other is the increase in a number of smaller aid programmes by individual mostly middle-income countries. These include one founder member of the OECD – Turkey; most of the new OECD members – the Czech Republic, Hungary, Korea, Mexico, Poland, the Slovak Republic; and several non-OECD members, including China, Chinese Taipei, India and Israel. Iceland, a high-income OECD member, also has a small development co-operation programme. In addition, several non-OECD countries in central and eastern Europe, including Russia, are now starting to develop or revive their development co-operation efforts.

II.2 Structure of Aid Flows

Aid by region and income group

Although total ODA fell substantially up to 2001, the picture varies by recipient region (Chart 2.3) After the 1970s, Asia saw a major drop in ODA as its need for aid declined, whereas Africa's share increased rapidly. Aid to Latin America retained its relatively minor share. Then, in the late 1990s, a series of financial crises in middle-income countries partly reversed the trends, with disbursements to Asia and Latin America rising again at Africa's expense.

Chart 2.3 Share in Net DAC Bilateral ODA by Recipient Region, 1970–71 to 2000–1

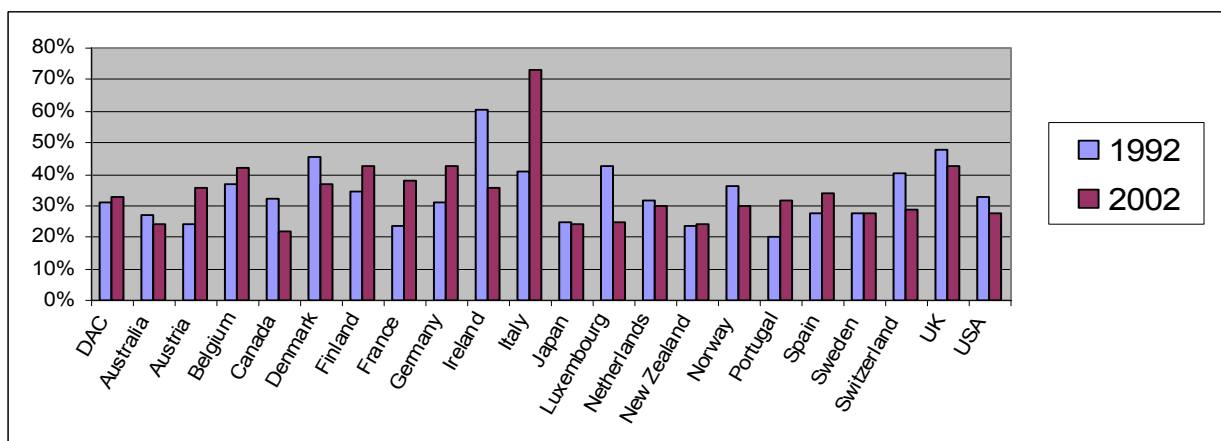


The 1990s also saw the first aid programmes to former Soviet-bloc states in eastern and central Europe. These have differed markedly from traditional development assistance, and are not counted within ODA. They have concentrated on debt-relief and technical help to smooth the transition to a market economy. There has been little change through the 1990s in the shares of ODA accounted for by the various income groupings of countries. Roughly 30% of aid goes to each of the three main groups: the least developed countries (total population 660 million), the other low-income countries (including China and India; total population 3 billion), and the lower-middle income countries (650 million). Flows to upper-middle income and high-income countries combined have not exceeded 10% of net ODA for the last 20 years.

Multilateral share of ODA

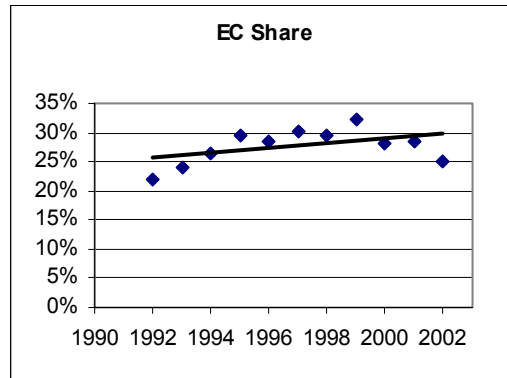
Chart 2.4 compares donors’ shares of multilateral assistance in 1992 and 2002. In general, shifts in the multilateral shares of aid are mainly an indirect result of decisions affecting donors’ bilateral programmes. Multilateral aid itself varies only slowly because donors’ contributions to each multilateral-agency replenishment are typically linked to their respective national income. But decisions to boost or curtail the overall volume of aid are quickly reflected in a donor’s bilateral programme, and this affects the balance between their bilateral and multilateral aid.

Chart 2.4 DAC Members’ ODA Shares to Multilateral Agencies, 1992 and 2002



Charts 2.5–2.8 show that, although the overall share of multilateral aid in DAC members' programmes has remained constant at about 30%, there have been substantial shifts within the total. Aid delivered through EC agencies⁴ and the UN has increased steadily, while payments to IDA and the regional development banks have declined as they have been able to fund an increasing share of their lending from repayments.

Chart 2.5 Share of Multilateral ODA to the EC



Source: OECD

Chart 2.6 Share of Multilateral ODA to the UN

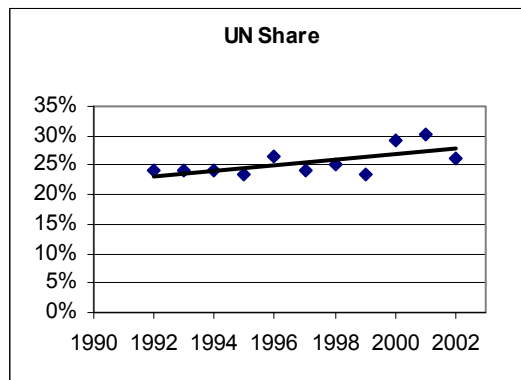
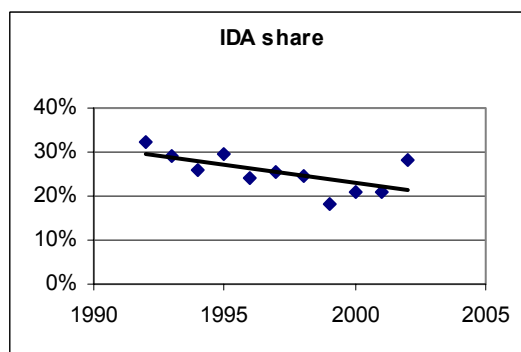
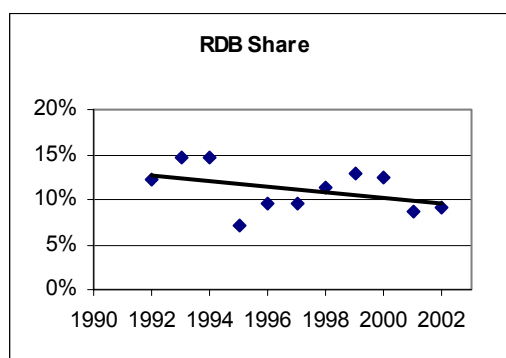


Chart 2.7 Share of Multilateral ODA to IDA

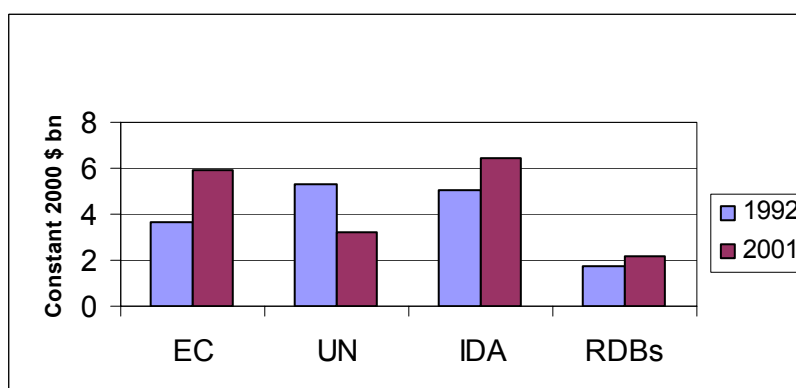


⁴ EC aid is classified as multilateral in DAC statistics. The Commission is a full member of the DAC.

Chart 2.8 Share of Multilateral ODA to RDBs

A somewhat different picture emerges if we consider the outflows of multilateral agencies. Chart 2.9 shows the change in gross concessional disbursements from the core resources of the EC, UN, IDA and regional development banks between 1992 and 2001. EC outflows have increased substantially. UN outflows have fallen, although this trend has been partly offset by increases in supplementary funding directed to specific purposes. The Chart also shows the importance of reflows in maintaining and even increasing IDA disbursements, over a period when donors' new subscriptions of capital to IDA have fallen. Regional development banks' concessional lending has risen slightly.

**Chart 2.9 Gross Concessional Disbursements by Multilateral Agencies
in 1992 and 2001**



Source: OECD

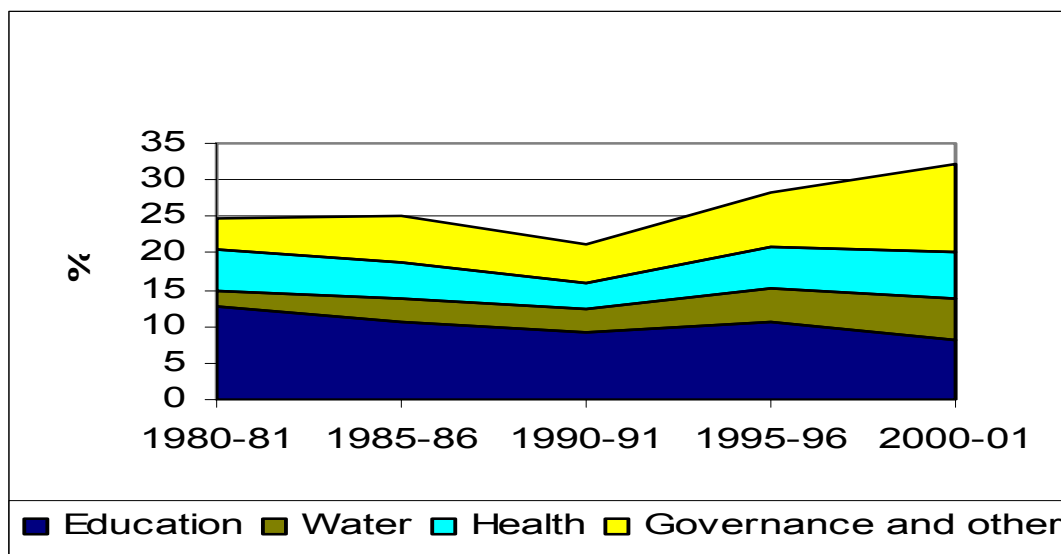
Aid by Sector

Charts 2.10–2.13 show trends in the sectoral allocation of aid over the past twenty years. The increasing overall share of the social sectors (Chart 2.10) reflects the policy focus on these aspects of development that emerged in the late 1970s. In particular, the International Conference on Primary Health Care held at Alma-Ata in 1978 declared the goal of health for all by the year 2000, and the International Drinking Water Supply and Sanitation Decade, inaugurated in 1981, aimed at safe drinking water and appropriate sanitation for all by 1990. These initiatives stimulated major campaigns of childhood immunisation and rural water supply through the 1980s and early 1990s, which made significant contributions to reduced infant mortality. Even so, the goals set were far from being met. This was particularly the case for water supply, where renewed aid effort is apparent in the last few years.

Within both the education and health sectors, there has been a trend towards funding primary services. Thus, while total aid to education has fallen slightly, the share of basic

education within the total rose from around 15% in 1996 to nearly 25% in 2001. Similarly, aid to basic health services has now risen to over half of total aid to health.

Chart 2.10 Share of the Social Sectors in DAC Members' Bilateral ODA, 1980–2001

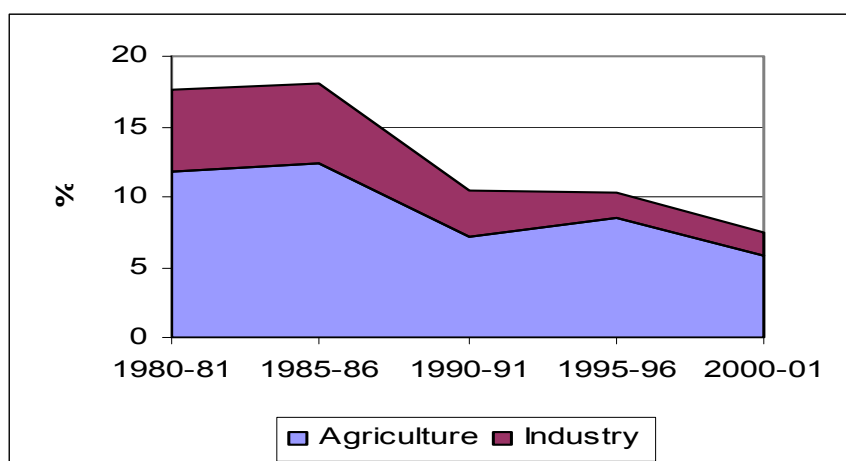


Particularly striking is the increase in aid to governance and other social programmes through the 1990s. This covers a wide variety of activities ranging from human-rights promotion and election-monitoring, through community development and government functions such as taxation, to the developmental aspects of drug-control programmes.

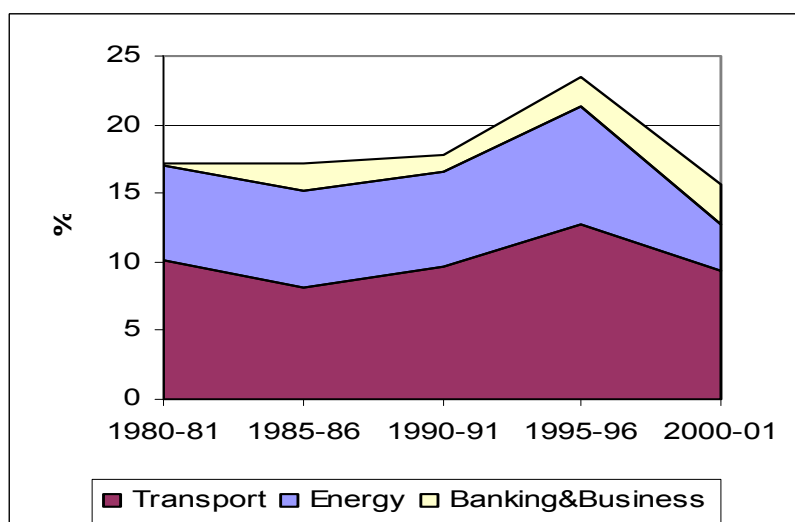
The trend towards aid to the governance sector reflects both historical and intellectual developments. The stagnation and fall of communism in eastern Europe stimulated reflection on the role of market transparency and well-functioning institutions in facilitating balanced economic expansion. Then in 1992–95, humanitarian emergencies in Rwanda, Somalia and Yugoslavia showed how failure to manage ethnic tension could tear nations apart and set back development by many years. Academic and OECD work has also stressed the governance factor.

Moving to the production sectors, the fall in aid to agriculture (Chart 2.11) is a matter of increasing policy concern. The sector had been a major area of aid activity in the 1970s, with the expansion of the Consultative Group for International Agricultural Research and the establishment of the International Fund for Agricultural Development. But by the early 1980s, the perceived failure of some large-scale integrated rural-development projects had dented enthusiasm. Progressive increases in world grain production and steadily falling prices may also have helped to obscure the fact that 15% of the world's population was still malnourished in the mid-1990s. The emphasis on the social sectors may also have played a role, food production having been excluded from the definition of Basic Social Services developed in the run-up to the World Summit on Social Development held in Copenhagen in 1995.

Aid to industry has also fallen since the restrictions on the use of tied aid credits under the 1987 DAC Guiding Principles for Associated Financing and especially the so-called Helsinki package of 1991. The package aimed to prevent aid being applied to projects that could attract commercial financing. Globally at least, the surge in private foreign direct investment during the 1990s has no doubt compensated many times over for the reduction in the use of aid funds for industrial development.

Chart 2.11 Share of Production Sectors in DAC Members' Bilateral ODA, 1980–2001

The fall in aid to the energy sector (Chart 2.12) is something of a puzzle. As with aid to industry, the Helsinki package restrictions may have played a role, although the fall does not occur until some years after the package.

Chart 2.12 Share of Infrastructure Sectors in DAC Members' Bilateral ODA, 1980–2001

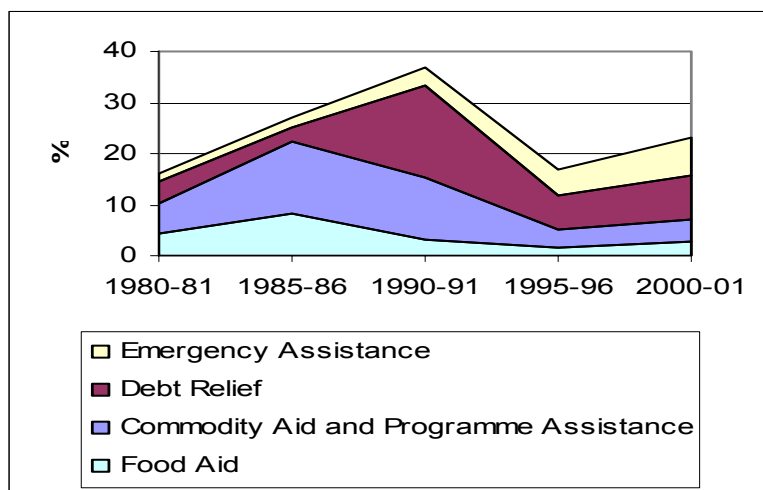
Turning to non-sector aid (Chart 2.13), the 1985–86 spike in commodity assistance and programme aid⁵ reflects the peak in structural-adjustment assistance as well as a surge in commodity aid, especially by the United States. Food aid was also at a high point in the mid-1980s, both in support of development projects and as famine relief, especially in the Horn of Africa.

The rise in emergency aid during the 1990s reflects the increased number of humanitarian crises, especially in eastern Europe and Africa. In general, these “complex humanitarian emergencies” have required considerably more aid funds than even the largest natural calamities, with the limited exception of Hurricane Mitch, which devastated large areas of Central America in 1998.

⁵ General programme aid mainly consists of budget and balance of payments support. It does not include sector programme aid, which is counted against the sector concerned.

Debt relief was unusually high in 1990–91 when the United States forgave billions of dollars of Egyptian military debt at the time of the Gulf War.

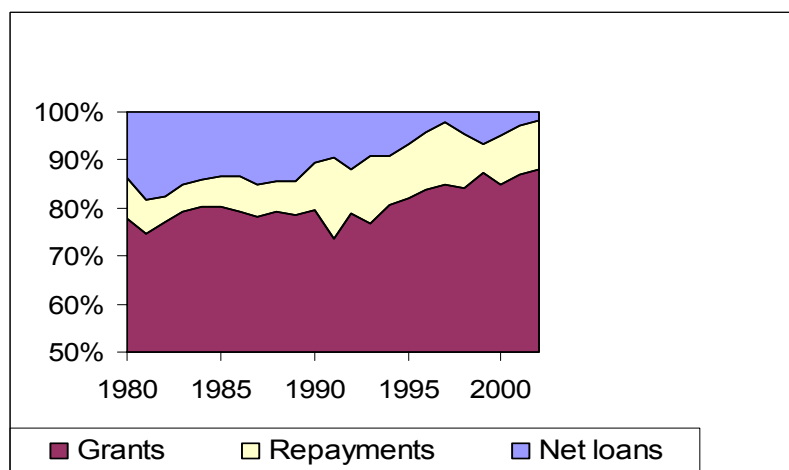
Chart 2.13 Share of Non-Sector Aid in DAC Members' Bilateral ODA, 1980–2001



II.3 Trends in forms of aid delivery

Several long-term trends are apparent in the forms in which aid is given. First, the grant share has increased (Chart 2.14). This has been a focus of attention in the DAC since its inception. In the 1960s and '70s, a series of recommendations on the terms of aid successively increased the target “grant element” of total ODA. The grant element is a measure of the overall “softness” of aid, having regard to both the share of grants and the concessionality of any aid loans.

Chart 2.14 Structure of Gross ODA, 1980–2002

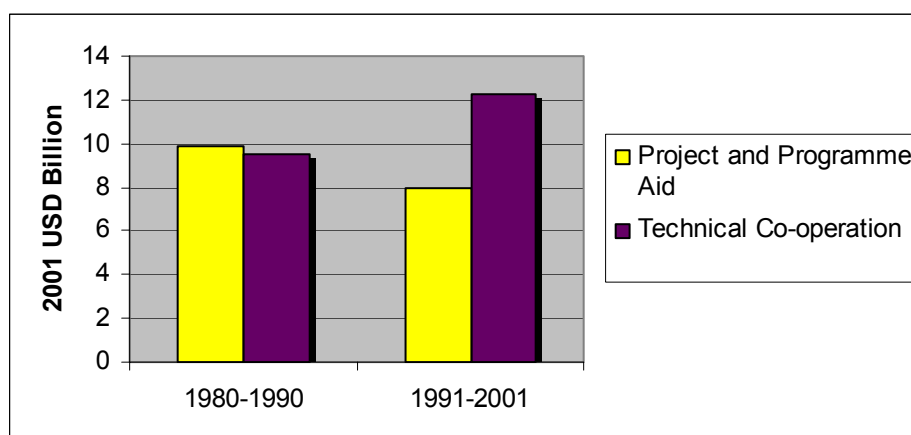


Several DAC members curtailed or abolished their ODA lending programmes in the 1980s or 1990s in response to concerns that they were increasing the debt burdens of recipients already facing falling prices for their commodity exports or other external “shocks”. Lending is therefore heavily concentrated among a few donors. In 2002, Japan alone lent \$5 billion of the total of \$7 billion in DAC members' total new ODA development lending, while Germany (\$0.6 billion) and France (\$0.6 billion) accounted for most of the rest. Among other DAC members, only Spain gave more than 5% of its total gross ODA in the form of new development loans.

A second tendency in forms of aid is towards reduced tying of aid commitments to procurement of goods and services in the donor country. This is largely the result of a conscious effort by DAC members, who have agreed progressive restrictions on the use of tied aid since the 1970s. Excluding technical co-operation, untied aid is estimated to have risen from nearly 60% of DAC donors' bilateral commitments in the early 1980s to an average of over 80% in recent years. Although there are some problems of data comparability, they do not invalidate the overall trend. Progress towards further untying is likely to continue since DAC members agreed that all their financial aid to least developed countries would be untied from the beginning of 2002.

A third major trend in forms of aid delivery is the shift away from projects and programme aid and towards technical co-operation (Chart 2.15). This is linked to the increasing share of the social sectors in total ODA, since contributions to those sectors (e.g., education, health and governance) are generally in the form of technical co-operation inputs such as experts, teachers, training programmes and associated equipment.

Chart 2.15 DAC Members' Average Annual Net Flows of Project and Programme Aid and Technical Co-operation, 1980–2001



But the shift from capital projects to technical co-operation also reflects deeper changes in the development financing architecture. Middle-income countries have increasingly been able to raise private financing for infrastructure projects, particularly in the context of widespread privatisation of their public utilities. In poorer countries, there is still some bilateral aid lending for infrastructure, but the task has passed largely to multilateral development banks.

Whether the increase in the share of technical co-operation should count as an improvement in overall aid quality is hard to assess in the absence of firm information on its effectiveness. Clearly, transferring skills and knowledge is fundamental to capacity development, and individual examples of technical co-operation may well have exceptionally high returns. On the other hand, critics have charged that technical co-operation expenditure has often focused on high-cost expatriate consultants, and can tend to capture local expertise for use in aid projects, rather than enhance overall capacity. The DAC Network on Governance is currently undertaking case studies to try to identify the factors underpinning successful capacity development, including the role of technical co-operation.

Aid is Back

The last two years have seen a modest but noticeable revival of confidence and enterprise in the aid effort. The focus on poverty reduction has sharpened, development goals have been clarified, and new forms of partnership and shared responsibility are evolving. Some of the pessimism about development prospects that characterised the 1980s and 1990s has given way to a realisation that, though many challenges remain, the overall development record is quite impressive. Each decade has shown progress in relieving poverty – whether it is measured by income or by access to services.

Although the contribution of aid to this process is difficult to isolate, there is an increasing realisation that the poorest countries can advance only with a combination of sound policies and effective assistance. Studies by the World Bank and by DAC members suggest that the quality and effectiveness of aid is improving, and there are clear signs that aid volume, which had been falling, has turned around.

Box 3

The Monterrey Consensus and Efforts of DAC Members

(Adapted from OECD's 2003 Development Co-operation Report (ISBN 92-64-01961-8) and draft 2004 Development Co-operation Report)

The Monterrey Consensus, adopted at the International Conference on Financing for Development in March 2002, built on the Millennium Declaration. It laid out a new framework of mutual accountability by reaffirming developing countries' full acceptance of their responsibility for their own development, while stressing the critical importance of support from the developed countries.

Domestic resources will remain the primary driving force for development. Governments of developing countries and countries in transition need to redouble their efforts to increase the resources spent on development and ensure that they are used effectively. To this end, many developing countries will need to improve their structures of governance and public administration. However, as the High-Level Panel on Financing for Development, led by the former President of Mexico Ernesto Zedillo, concluded, even assuming developing countries adopt sound policies and maximise use of domestic resources, at least \$50 billion a year in additional aid is likely to be needed to meet the Millennium Development Goals (MDGs).

As the authors of *Shaping the 21st Century* (www.oecd.org/dataoecd/23/25/2508761.pdf) recognised, aid can by no means be regarded as a tool which can achieve the goals on its own. It can only complement the efforts of people and governments of the developing countries themselves and requires also the support of a broader set of pro-development policies in the economic, political and environmental areas. However, as they also stated, "Effective international support can make a real difference in achieving these goals".

Table 1.1 Simulation of ODA Prospects for 2006

| Country | Net ODA in 2003 (US\$ m) | | Commitment/ Announcement/ Assumption | Year to be attained | Net ODA in 2006 (in millions of 2003 US\$) | | Real change in ODA in 2006 compared with 2003 (at 2003 prices and exchange rates) ¹ | | |
|----------------------------|--------------------------|-----------------|--------------------------------------|--|--|---------------|--|---------------|------------|
| | ODA/GNI in 2003 | ODA/GNI in 2006 | | | (US\$ m) | Per cent | | | |
| Austria | 505 | 0.20% | | 0.33% | 2006 | 877 | 0.33% | 372 | 74% |
| Belgium ² | 1 853 | 0.60% | | 0.7% | 2010 | 2 099 | 0.64% | 245 | 13% |
| Denmark | 1 748 | 0.84% | | >0.7% | n.a. | 1 838 | 0.83% | 89 | 5% |
| Finland ² | 558 | 0.35% | | 0.44% | 2007 | 706 | 0.41% | 148 | 26% |
| France ² | 7 253 | 0.41% | | 0.5% (0.7% by 2012) | 2007 | 8 908 | 0.48% | 1 655 | 23% |
| Germany | 6 784 | 0.28% | | 0.33% | 2006 | 8 381 | 0.33% | 1 597 | 24% |
| Greece | 362 | 0.21% | | 0.33% | 2006 | 642 | 0.33% | 280 | 77% |
| Ireland ² | 504 | 0.39% | | 0.7% | 2007 | 821 | 0.61% | 318 | 63% |
| Italy | 2 433 | 0.17% | | 0.33% | 2006 | 5 092 | 0.33% | 2 659 | 109% |
| Luxembourg | 194 | 0.81% | | 1% | 2005 | 255 | 1.00% | 61 | 31% |
| Netherlands | 3 981 | 0.80% | | 0.8% | Already | 4 240 | 0.80% | 259 | 7% |
| Portugal | 320 | 0.22% | | 0.33% | 2006 | 510 | 0.33% | 190 | 59% |
| Spain | 1 961 | 0.23% | | 0.5% (with 0.33% in 2006) | 2008 | 2 940 | 0.33% | 979 | 50% |
| Sweden | 2 400 | 0.79% | | Long term goal 1% (at least 0.87% in 2006) | | 2 789 | 0.87% | 389 | 16% |
| United Kingdom | 6 282 | 0.34% | | 0.47% | 2007-08 | 8 242 | 0.42% | 1 960 | 31% |
| EU Members, Total | 37 139 | 0.35% | | 0.39% | 2006 | 48 338 | 0.43% | 11 199 | 30% |
| Australia ³ | 1 219 | 0.25% | | 0.26% | 2003-04 | 1 360 | 0.26% | 142 | 12% |
| Canada | 2 031 | 0.24% | | 8% annual increase | to 2010 | 2 558 | 0.27% | 527 | 26% |
| Japan | 8 880 | 0.20% | | 2001-2003 av. level (US\$ 9.5bn) | in 2006 | 9 500 | 0.20% | 620 | 7% |
| New Zealand | 165 | 0.23% | | Future level is under review | | 202 | 0.26% | 37 | 22% |
| Norway | 2 042 | 0.92% | | 1% | 2005 | 2 359 | 1.00% | 317 | 16% |
| Switzerland ² | 1 299 | 0.39% | | 0.4% | 2010 | 1 359 | 0.38% | 60 | 5% |
| United States ⁵ | 16 254 | 0.15% | | See footnote 5 | | 20 894 | 0.17% | 4 640 | 29% |
| DAC Members, Total | 69 029 | 0.25% | | | | 86 571 | 0.29% | 17 542 | 25% |

¹ Assumes average real growth in GNI of 2% p.a. [3% for Canada, 4% for Greece, and 2.75% for UK] from 2003 to 2006.

² ODA/GNI ratio for 2006 interpolated between 2003 and year target scheduled to be attained.

³ As aid volume determined in annual budgets, assumes same ratio in forward years.

⁴ Assumes 5% nominal GNI growth and 2% inflation to 2006, and includes estimated \$4 billion expenditure from Millennium Challenge Account in 2006.

Box 3 continued

The Monterrey Conference on Financing for Development in March 2002 appears to have marked the start of a new trend in aid allocations. Following a sharp decline in ODA in real terms (and still more as a proportion of DAC Gross National Income) between 1992 and 1997, aid from DAC members had roughly stabilised as a proportion of DAC GNI at around 0.22% between 1997 and 2001, and thus returned to real growth, but at a very modest level. In 2002 itself, ODA grew in real terms by 7%, and in 2003 by a further 5%, bringing it to a level of 0.25% of DAC GNI in that year and finally surpassing the real value of aid in 1992, the previous peak year. The outturn for 2004 is not known, but there is every reason to suppose that real growth of some significance will have occurred for the third year running. The pledges made at Monterrey would imply that by 2006, DAC ODA will have reached some 0.29% of DAC GNI, or some \$87 billion in 2003 US dollars. This would represent a real increase of 40% over 2001. Table 1.1 gives the latest DAC Secretariat estimates for 2006.

This welcome prospective increase needs to be carefully qualified. First, we have yet to see whether DAC members will in fact deliver on their pledges. The latest budget decisions by the contributors which promised the largest increments of aid at Monterrey are mixed. In the USA, the Millennium Challenge Corporation has selected 16 of the world's poorest countries for assistance and as of October 2004 was evaluating proposals from 13 of them. It has also nominated a further seven countries that do not quite meet the Millennium Challenge Account criteria for assistance under the associated Threshold Programme. However, Congress seems unlikely to grant the full Administration request for FY2005. The delivery by all the then EU member states of the Barcelona commitment in 2002 to a minimum of 0.33% by 2006 is of particular significance, and most EU donors are making good progress towards this ambitious goal. Indeed, of the donors listed above, France and the UK have both announced commitments that extend their Barcelona undertakings both in amount and time scale. However, both Germany and Italy have set 2005 budgets which leave a long distance to travel in 2006. Japan remains the only large donor that has not so far been able to make firm ODA volume commitments in the wake of Monterrey.

Second, even the estimated figure for 2006 falls far short of the estimates of what it would take to reach the full range of MDGs at global, let alone regional or country level. Reports prepared in 2001 for the United Nations and for the IMF/World Bank concurred that adequate progress would require an approximate doubling of aid in real terms. This would imply a figure close to \$120 billion in 2006, or more than \$30 billion higher current projections for that year, and \$50 billion higher than actual ODA in 2003.* Preliminary projections from the forthcoming Report of the Millennium Project suggest an even higher funding gap: of the order of \$50 billion in 2003 dollars.

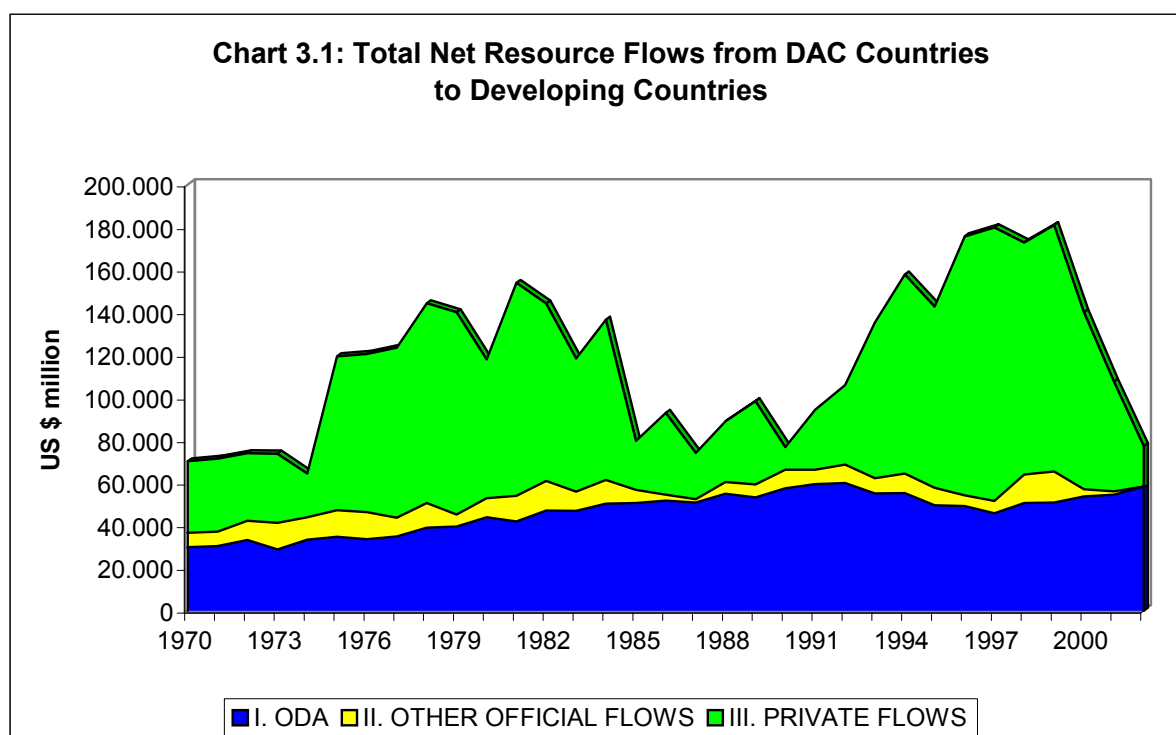
**Report of the High-Level Panel on Financing for Development* ("Zedillo Report"), United Nations, New York, 2001 and *Financing for Development*, prepared by the staffs of the World Bank and the IMF for the Development Committee, 18 September 2001. These and other estimates of the costs of meeting MDGs were reviewed on pp. 74–78 of the 2001 edition of this Report.

III. Donor Support for ICTs for Development (ICTD)

This chapter analyses the evolution of donor support for ICTs for development and highlights the different support mechanisms as well as the trend in aid flows to developing countries. After giving a general overview on donor support and strategies for ICTD, recent trends in bilateral ODA commitments for ICT infrastructure will be analysed. The third subsection describes other donor ICT assistance, including private sector development as well as multi-donor partnerships.

III.1 Donors' Strategic Orientation

The 1990s generally witnessed a trend decline in aid flows to developing countries from donors as measured by net official development assistance from countries that are members of the Development Assistance Committee (DAC) of the OECD. Between 1992 and 1997, total net aid flows from DAC member countries to developing countries and multilateral institutions fell by over 20% from \$60.9 billion (1992) to \$48.3 (1997). Aid flows recovered slightly in 1998 and 1999, but the increase reflected only temporary factors and did not signal a reversal of the trend decline in aid flows during the 1990s and into the early 2000s. However, a longer perspective shows that ODA flows from DAC countries to developing countries have been relatively stable compared to other official flows and in particular private flows (Chart 3.1 and Annex 1; see Box 2 for definitions of ODA, OOF and Private Flows).



However, in the context of the 2002 Monterrey Conference on Financing for Development, a large number of DAC members committed themselves to significant increases in their ODA volume. As a result, the real increase in ODA of 12% recorded over the last two years has reversed the declines in aid of the previous decade and on current commitments, ODA is due to rise by a further 27% by 2006. For more detailed information, see Box 3 on the Monterrey Consensus and efforts of DAC members.

OECD DAC Donor ICT Strategies Matrix

The OECD-DAC Donor ICT Strategies Matrix compiles information on the strategic orientation and policies in donor support for ICTD as well as information on funding for ICTD. The Strategies Matrix, published in February 2003 and revised in late 2003, provides a

general overview over donor support for ICTD and highlights good practices. For the Task Force on Financing Mechanisms for ICTD, a new attempt has been undertaken to review and update the data on funding volume as well as financing mechanisms and instruments for the DAC bilateral donors (Annexes 3.1 and 3.2 give detailed information).

Among the lessons learned from the detailed analysis of donor ICTs for development strategies in the context of the Matrix, the following represent the current position of donors on future strategic orientations and challenges for ICTD.

- The creation of an enabling environment to encourage investment by the private sector is generally seen as a priority for individual and groups of donors, as demonstrated by the multi-donor Public Private Infrastructure Advisory Facility (PPIAF) which facilitates to advise developing country governments on improving the enabling environment for private sector participation in infrastructure including telecommunications.
- Since many important aspects of information and communication infrastructure are cross-border in nature, they call for international, or at least regional, co-operation.
- Most donors have abandoned supporting ICT infrastructure, leaving the job to the private sector. The most effective roles for the private sector are in supporting investments to build ICT infrastructure (which tends to be very capital-intensive), operate ICT networks and to deliver ICT services. A fair and transparent regulatory and policy framework is therefore necessary to secure and promote private-sector involvement.
- Although private-sector investment exceeds ODA many times over, the policy environment in developing countries has to be right if the private sector is to be persuaded to invest.
- The development of expertise and technological innovation in developing countries cannot be left to the market alone. It is up to the government and NGOs to ensure that the poor also benefit from ICTs wherever possible. This can be done by formulating policies with stakeholders that specifically focus on the interests of the poor, by encouraging network operators to channel some of their investments towards less commercially attractive regions, by encouraging and co-financing ICT applications that will directly benefit the poor, such as information points in local community centres, and by investing in ICT applications in the public sector – for example, in education and health care.
- Projects should be built to last avoiding over-dependence on external resources. Efforts should be made to eliminate a donor mentality that does not extend support to ICT initiatives beyond the pilot stage: donors and international organisations should take a longer-term view and adopt a clearly sustainable approach to ICTs for development. At the same time donors should be aware of the fact that sustainability introduces a degree of complexity that simpler pilot-project initiatives do not show.

The summary outcome on DAC members' ICTD programmes and expenditures is included for reference in Annex 2.

Financing for ICTs for Development

Earlier exercises by the OECD DAC in collecting information had shown that it is difficult, if not impossible, to produce an overall figure for the investment DAC members have made in

ICT for development. The recent attempt to collect information for the TFFM discussion⁶ proved no more successful than earlier ones. There are a number of reasons for the scarcity of data.

- In the context of the renewed international commitment to reduce poverty, the focus of development assistance has shifted from providing technology to fostering development. Donors have consequently “mainstreamed” ICTs in their development assistance programmes in order to more effectively and efficiently achieve development goals, particularly the Millennium Development Goals (MDGs). As a result the ICT component of projects is neither separately identifiable nor quantified.
- The partial coverage and mix of multi-year commitments in the information provided to the DAC makes estimates difficult.
- Since many initiatives are built on partnerships, it is hard to reconcile specific contributions made by various partners.

Although it is impossible to identify the embedded ICT component, figures for ICT-specific projects/programmes are easier to produce – yet because the financial data are not comprehensive or compatible, the aggregate figure cannot be calculated. Some reported figures (including some non-ODA) should nonetheless be highlighted:

- Canada estimates a minimum expenditure of \$33 million per annum
- European Commission has a commitment of €250 million for multi-year ICT-specific programmes in addition to €110 million from the European Development Fund and €750 million from the European Investment Bank (1999–2003)
- France committed about €40 million (2002–5) to global programmes over and above its country programmes and other facilities
- Germany supports at present ICT applications with approximately €180 million
- Japan launched its Comprehensive Cooperation Package for bridging the “digital divide” – Japan’s commitment for ICT support, announced at the G8 Kyushu-Okinawa Summit in 2000 – which consists of non-ODA and ODA funding with a total of \$15 billion over five years (2000–5)
- Sweden spent approximately \$18 million in 2003
- the United Kingdom currently has multi-year ICT-specific programmes and projects, amounting to approximately a total of \$83 million
- the United States estimates its spending of ICTs for development at more than \$200 million in 2003, and through leveraged or matching outside resources a further \$ 240 million was mobilised.

The following section surveys ODA trends in ICT infrastructure investment, for which sound ODA statistics are available (III.2) and other donor ICT assistance, where the information comes from the research mentioned above (III.3).

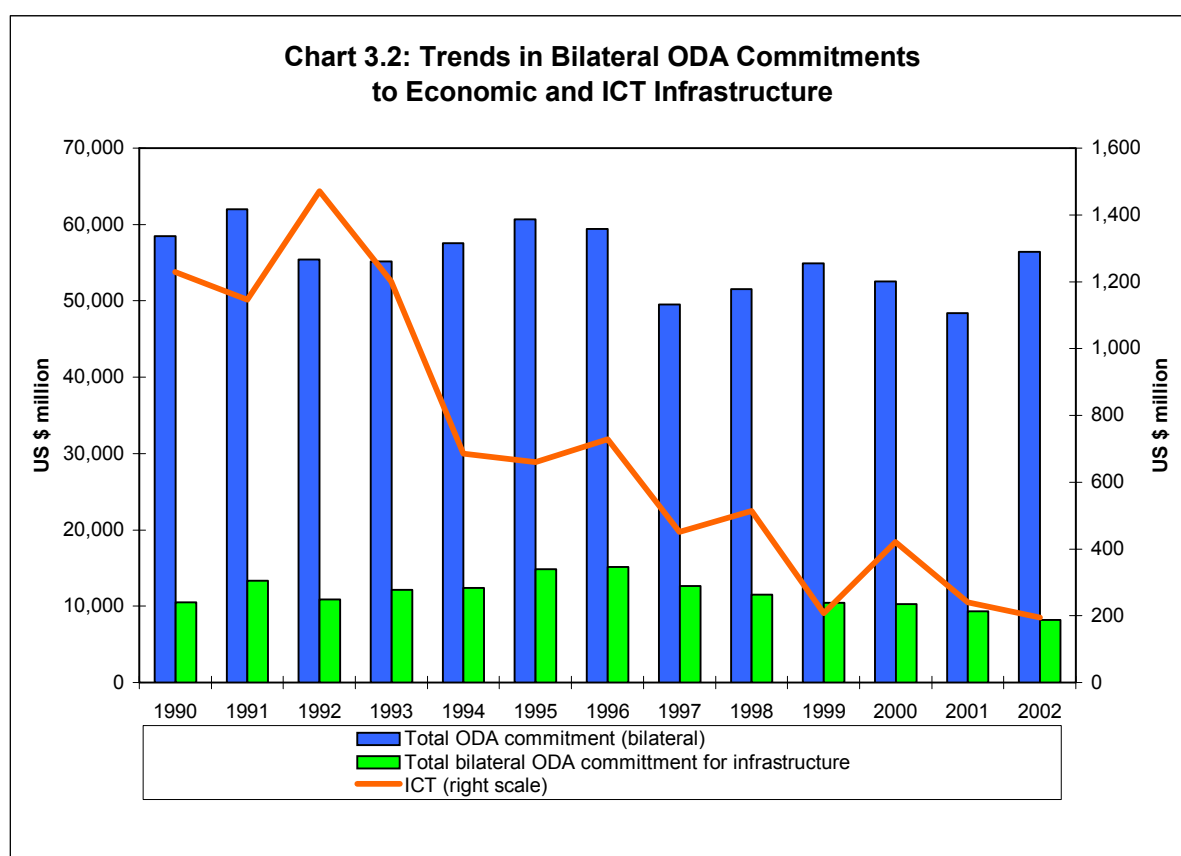
III.2 Recent Trends in Bilateral ODA Commitments for ICT Infrastructure

Development assistance for ICT infrastructure in the 1990s experienced an even stronger downward trend than aid flows in general. The following section reviews the trends in bilateral donors’ commitments to ICT infrastructure by sector and region and sheds light on the rationale behind policy changes. The analysis is based on data in the DAC database as well as the OECD Creditor Reporting System (CRS) database and covers primarily the DAC bilateral donors (see also the detailed description of data sources in chapter I).

⁶ For more information on TFFM, see Chapter I. Introduction.

In this section, ICT infrastructure means “communications infrastructure” as classified in the OECD/DAC document “Reporting Directives for the Creditor Reporting System”. It is composed of three categories of activities: **communication policy and administration management; telecommunications; radio/television/print media.**⁷

The decline in aid flows is pronounced with respect to infrastructure investments, including ICT infrastructure. Bilateral ODA commitments for economic infrastructure (energy, transport, ICTs, irrigation, water supply and sanitation as well as infrastructure components of rural and urban development) have followed an overall downward trend since 1996, declining from \$15.175 billion to \$8.174 billion in 2002. Concurrently, the relative share of infrastructure allocations in total ODA commitments fell since 1997 from 26% to 14% in 2002 (Chart 3.2). Moreover, the requirement of dealing with the Asian, Latin America and Russian financial crises in the mid- to late 1990s, and a stronger focus on social-sector investments to reduce poverty, accelerated the move of donor assistance away from economic infrastructure.

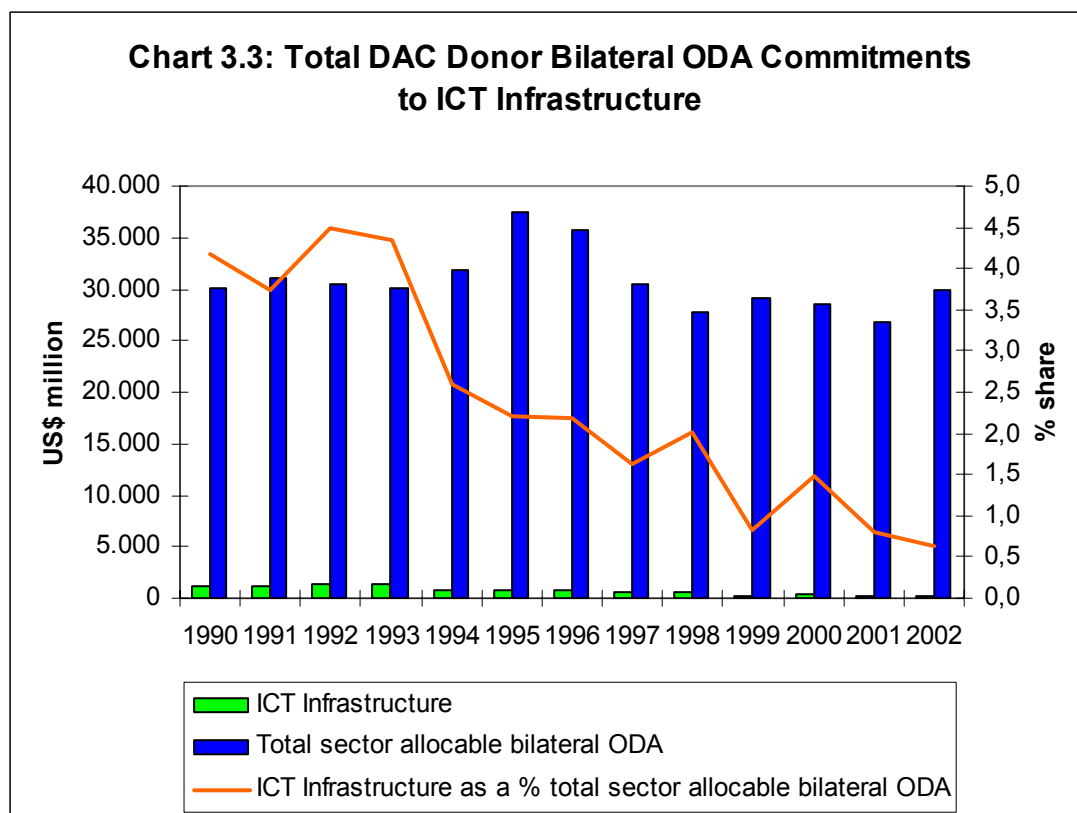


The ODA commitments for ICT infrastructure show an even more dramatic decline over the period 1990–2002. From \$1.2 billion in 1990, bilateral commitments increased slightly to around \$1.5 billion in 1992, but since then declined steadily to \$194 million in 2002. Chart 3.3 illustrates the magnitude of DAC bilateral donor commitments to the communications sector in total values and as a share of DAC countries’ total bilateral sector-allocable ODA. Over the period 1990–2002, the share of aid for the communications sector dropped from a high of 4.5% of total bilateral sector allocable ODA to a low of only 0.6% in 2002.

The rationale for the decline in commitments for infrastructure generally is also behind the dramatic decline in commitments for ICT. Given the dramatic shift of telecommunications

⁷ See p. 8 for more detailed information.

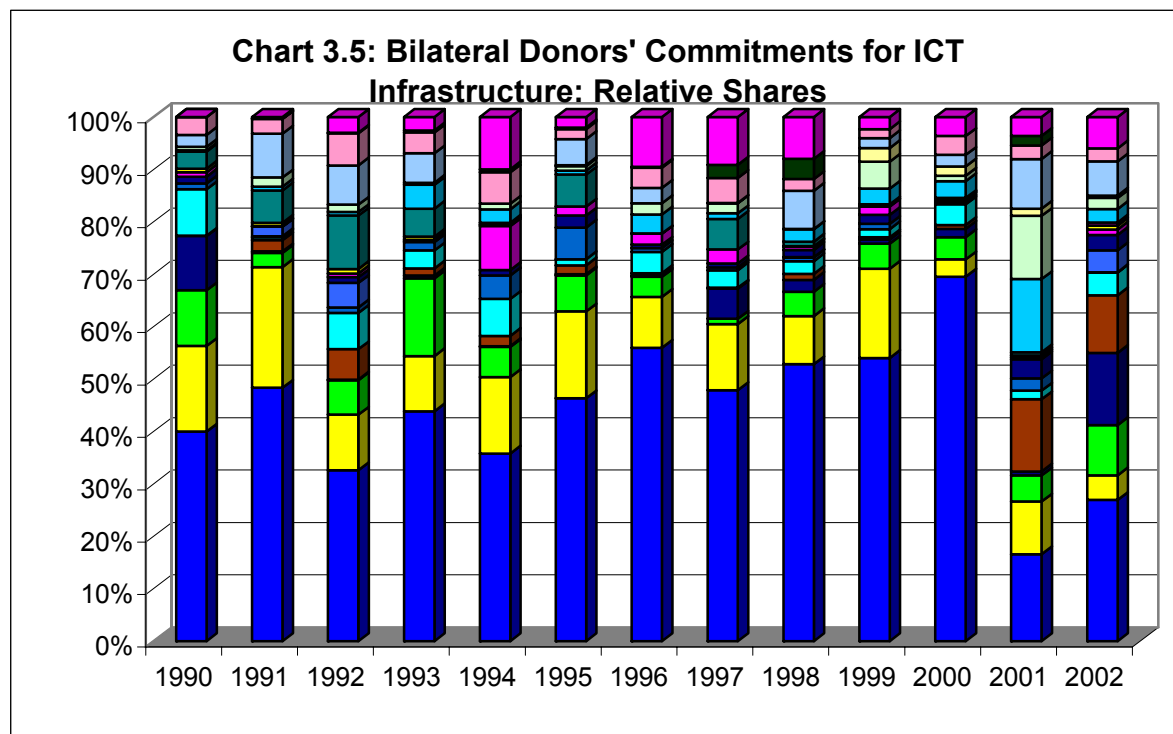
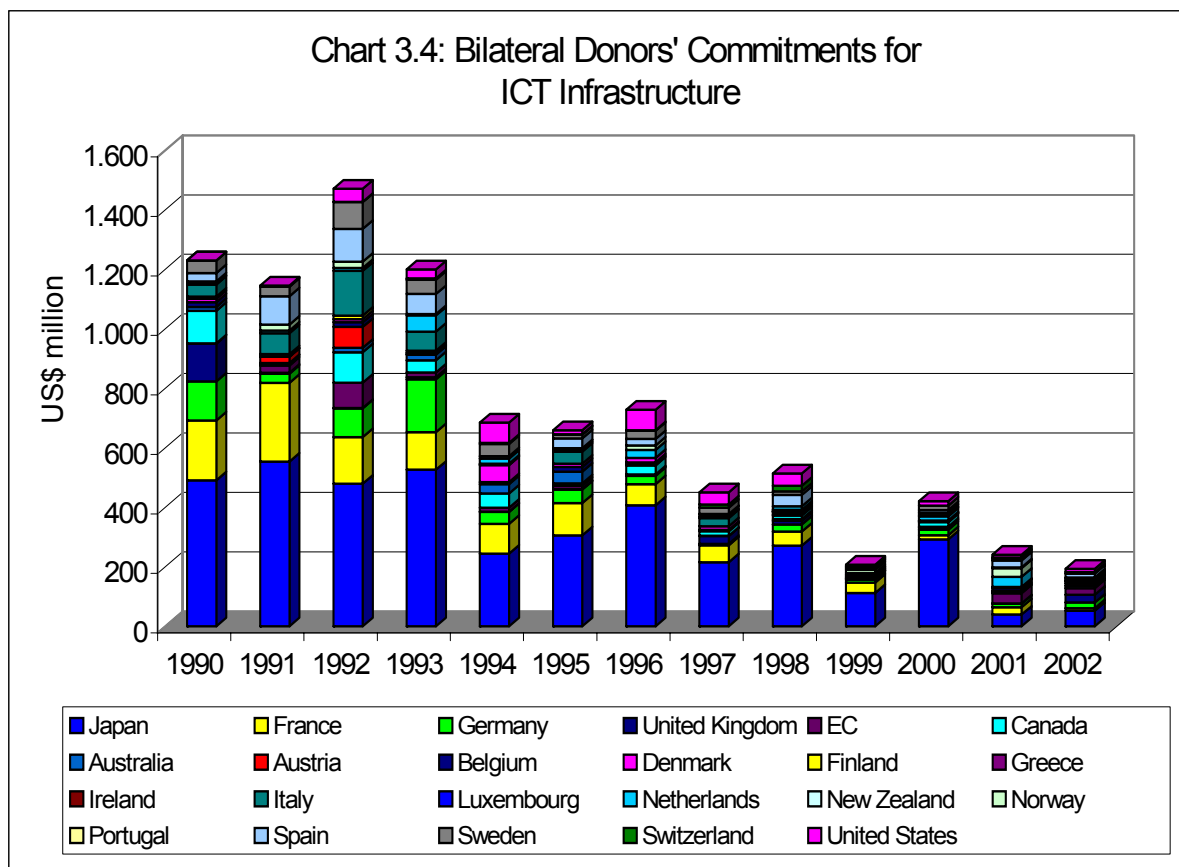
infrastructure investment in particular from public ownership to the private, market-driven model, both multilateral and bilateral donors as well as the governments in the partner countries substantially reduced their role in funding capital investments in the sector.



This declining trend in bilateral ODA commitments for ICT infrastructure has not been uniform across all bilateral donors. Chart 3.4 presents the commitments to ICT infrastructure by individual donor and shows the drastic decrease between 1990 and 2002. The strong decline in commitments for ICT infrastructure from an annual average of around \$1,200 million during 1990–93 to an average of \$500 million for 1994–98 and to \$266 million for 1999–2002 can be related back mainly to the strong reduction of a focus on infrastructure by some of the countries.

Japan, by far the largest donor over the years with a share between 30% and 68% of total allocations between 1990 and 2000, sets the downward trend. Overall commitments from Japan have declined from a high of \$550 million in 1991 to a low of \$40 million in 2001. In 2002, commitments to ICT from Japan showed a slight increase to \$52 million but were still far below their absolute volumes in the early 1990s. While in value terms the global downward trend is mainly linked to Japan, the chart shows that there were similar substantial decreases for the majority of donors. Commitments from France dropped from a high of \$264 million in 1991 to a low of \$9 million in 2002, and their relative share of total bilateral donor commitments declined from 23% to 5% over the same period. A similar trend can be observed for Germany with a decline from \$178 million in 1993 to \$19 million in 2002.

Taking a closer look at the relative share of bilateral ODA commitments for ICT infrastructure illustrated in Chart 3.5 highlights the role of Japan as the most important donor in infrastructure in terms of volume, followed by Germany, France and the EC.



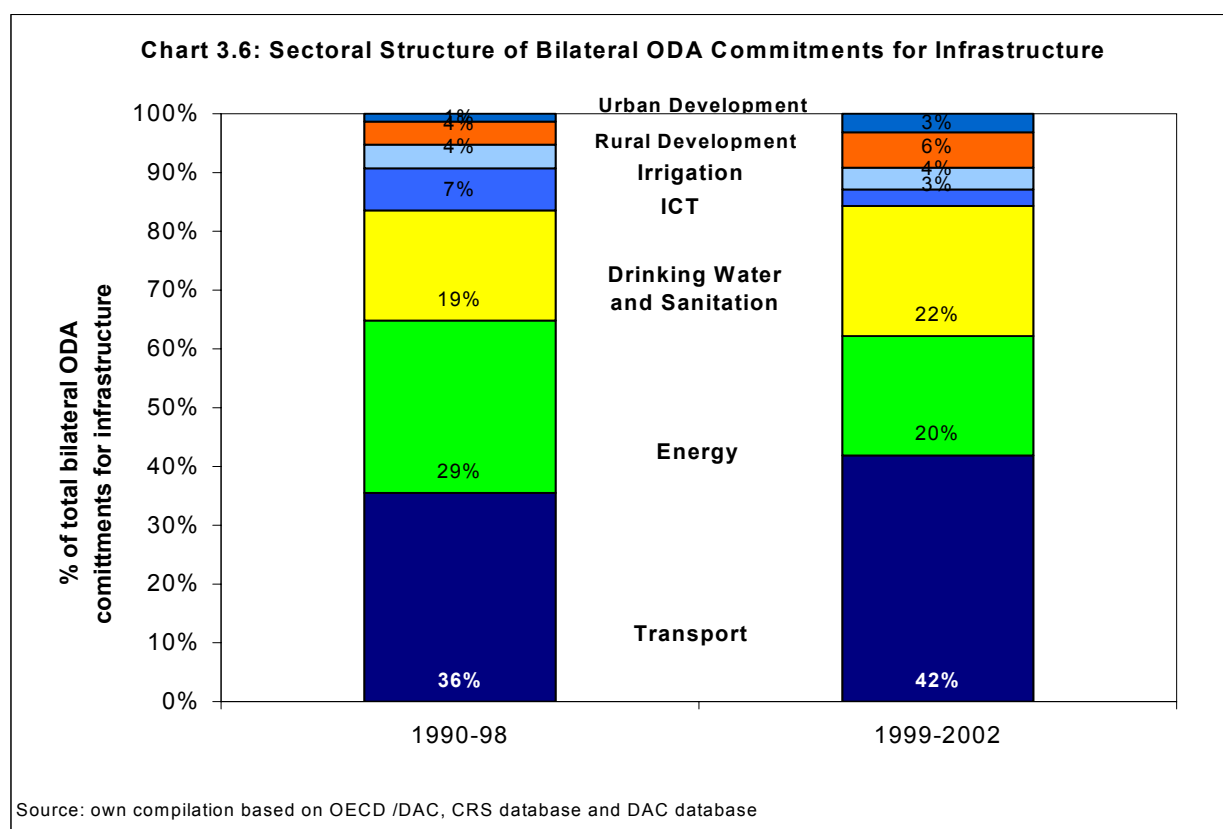
Sectoral Structure

The stronger focus on social-sector investments to reduce poverty has contributed to the decline of donor assistance for economic infrastructure. However, also within the commitments for economic infrastructure, a reorientation in focus can be observed. The

sectoral disaggregation of bilateral ODA commitment (Chart 3.6) highlights transport as the leading sector in 1990–2002, with 37% of all bilateral commitments for infrastructure. Aid flows for energy account for 27% of total commitments, followed by water and sanitation (20%) and ICT (6%). Irrigation, rural and urban development account for around 2–4% of total commitments.

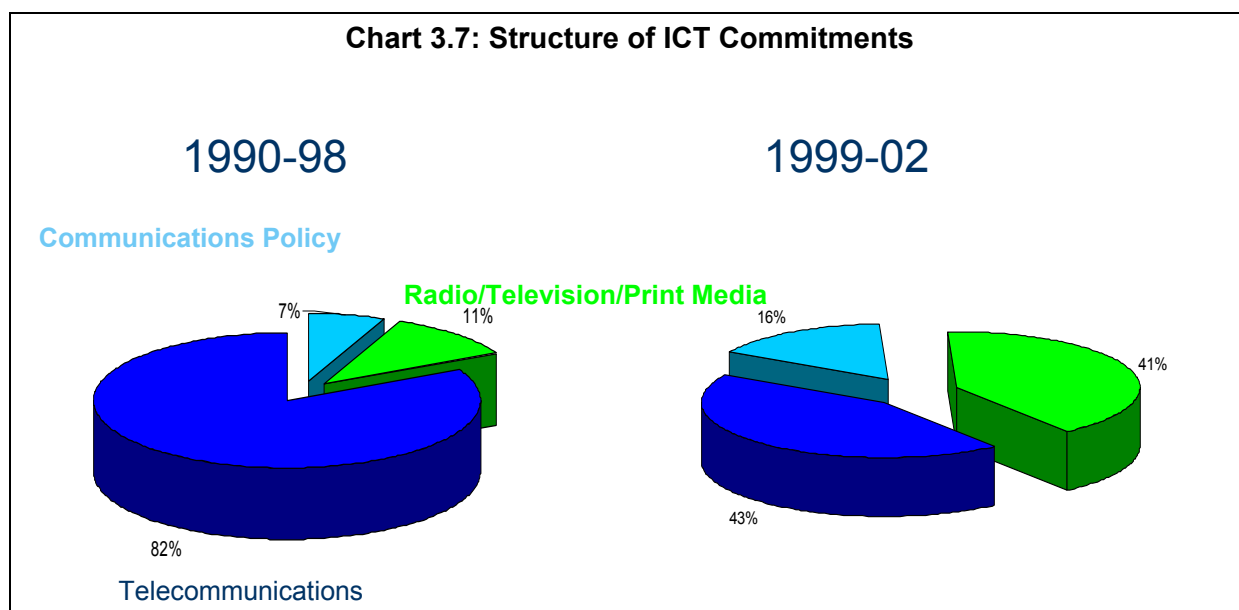
Comparing 1990–98 with 1999–2002, a shift in the sectoral focus is clearly discernible, with decreasing allocations for energy (from average of 29% to an average of 20%) and ICT (from 7% to 3%) on the one side and increasing relevance of the transport (from 36% up to 42%) and the water sector (from 19% to 22%) on the other.

Behind these figures lies a slightly different picture for the changes in focus in the individual donor portfolios. In fact, a large number of bilateral donors have moved out of transport and energy in favour of water and sanitation sector. The overall increase in relevance of the transport sector can be explained in part by a move of some donors from energy to transport and by the increase in allocations to the transport sector by other donors such as the European Commission (EC) which together counterbalanced the shift of a number of smaller donors towards water and sanitation. In this case, the assumption that multilateral institutions such as development banks or the EC would massively take up investments in the sector – which led many bilateral donors, particularly in Europe, to move out of it – proved correct.



With regard to the importance of the different activities classified under ICT infrastructure, telecommunication accounted for 82% of total commitment in 1990–98, whereas communications policy and administration management and radio/television/print media

received only smaller shares of total commitments.⁸ Yet there has been a dramatic shift towards an increased importance of radio/television/print media in recent years, their share accounting for 40% of total commitments during 1999–2002 with a parallel decline in commitments for telecommunications (Chart 3.7).

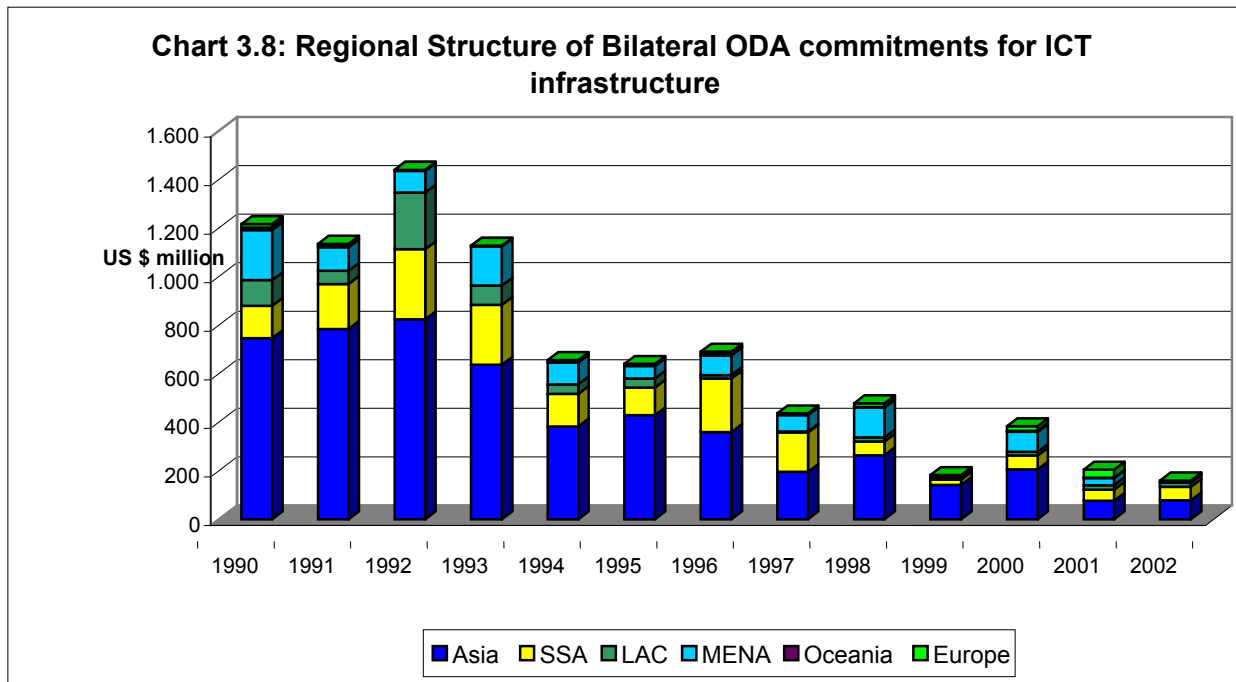


Regional Structure

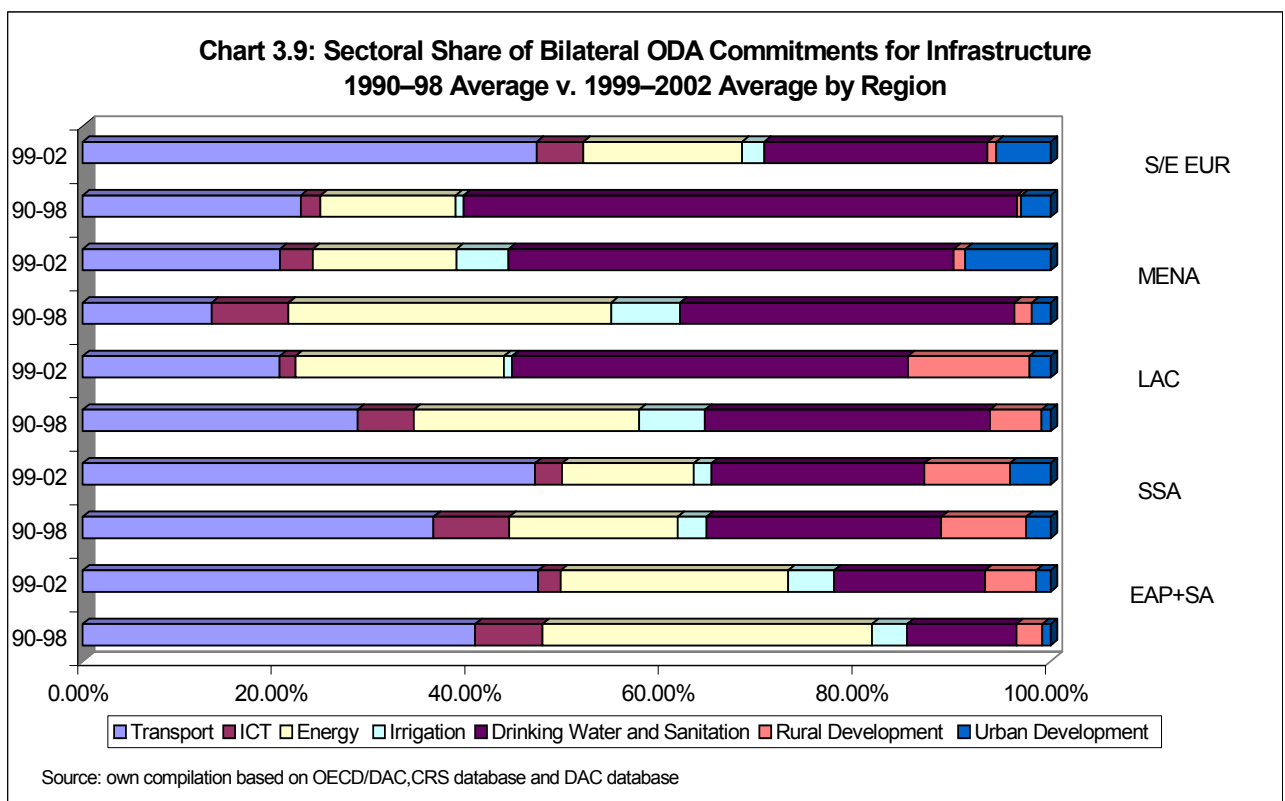
The bilateral ODA commitments for ICT infrastructure are regionally concentrated on Asia, with an average of 50% of all commitments during 1990–2002 (Chart 3.8). Second in importance is Sub-Saharan Africa with shares varying between 10% (1990) and nearly 40% (1997) over the period. Between 10% and 20% of all commitments have been allocated for the Middle East and North Africa (MENA) region, and a slightly lower share to Latin America and the Caribbean. Commitments to the Southern and Eastern European countries gained in importance over the period, but represent only a tenth of all commitments.

The sectoral disaggregation of ODA commitments for infrastructure by region reveals diverging compositions. Whereas transport infrastructure was the leading sector, with over 40% of all commitments and an increasing trend in Asia and Sub-Saharan Africa, its relative share in commitments for infrastructure in Latin America only reached an annual average of 20% during 1999–2002, down from an average of 28% during 1990–98. Both the MENA region and Europe have experienced a strong relative increase in transport allocations, from 13% to 20% and 24% to 47% respectively. Drinking water and sanitation, with an average of 46% (1999–2002) and 35% (1990–98) of all commitments, receives the largest share of ODA commitments in the MENA region as well as Latin America and the Caribbean (increase in average from 29% to 41%). It is interesting to note, that for the developing countries in southern and eastern Europe allocations for drinking water and sanitation – which accounted, on average, for 57% of total yearly allocations in 1990–98 – have been replaced by transport as the leading sector and their relative share has declined to an average 23%.

⁸ These three categories are defined on Chapter I. Introduction.

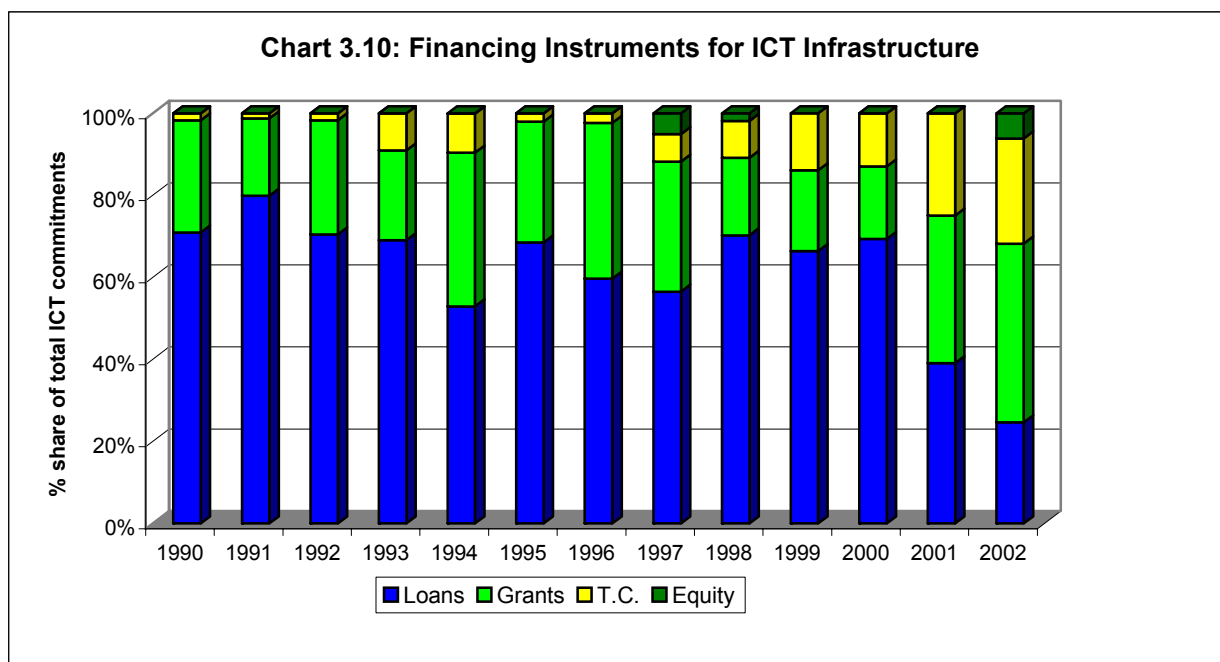


With the exception of southern and eastern Europe, where on average ICT allocations have more than doubled their share between 1990–98 (2%) to 1999–2002 (5%), all regions show the trend of decreasing allocations for ICT (Chart 3.9).



Financing Mechanisms

In terms of specific financing mechanisms, bilateral ODA commitments for ICT infrastructure in general have shifted in recent years. Chart 3.10 breaks down the bilateral ODA commitments for ICT infrastructure by type of funding, i.e., loans, grant, technical co-operation and equity. The relative importance of loan instruments has fallen considerably from an average of around 60% during the 1990s to a low of 38% in 2001 and 23% in 2002. Over the same period, grant funding has gained in relevance, nearly doubling its share of total commitments from 20% in the early 1990s to 40% in the early 2002s. Also funding for technical co-operation has increased steadily over the period. Equity has only played a minor role with small allocation in 1997 and 2002.



Box 4

ODA Financing Instruments

Grants: transfers made in cash, goods or services for which no repayment is required.

Loans: transfers for which repayment is required. Only loans with maturities of over one year are included in DAC statistics. The data record actual flows throughout the lifetime of the loans, not the grant equivalent of the loans. Data on net loan flows include deductions for repayments of principal (but not payment of interest) on earlier loans. This means that when a loan has been fully repaid, its effect on total net flows over the life of the loan is zero.

Technical Co-operation: includes both (a) grants to nationals of aid recipient countries receiving education or training at home or abroad, and (b) payments to consultants, advisers and similar personnel as well as teachers and administrators serving in recipient countries (including the cost of associated equipment). Assistance of this kind provided specifically to facilitate the implementation of a capital project is included indistinguishably among bilateral project and programme expenditures, and is omitted from technical co-operation in statistics of aggregate flows.

Equity investment: Direct financing enterprises in the country receiving aid which does not (as opposed to direct investment) imply a lasting interest in the enterprise.

III.3 Other Donor ICT Assistance

Donor assistance to ICT infrastructure is by no means the entire picture of the role of ODA in ICTs for development. Most OECD donors are engaged in bilateral ICT-specific programmes and contribute to international multi-donor initiatives for ICTs, but many also have integrated ICT components in their development programmes. The scope of individual contributions as well as the degree of involvement in ICT assistance vary considerably across bilateral donors. The following subchapter provides an overview of other donor ICT assistance based on the information gathered for the OECD-DAC Donor ICT Strategies Matrix and highlight the role of private-sector development as well as multi-donor partnerships for ICTD.

Box 5

OECD-DAC Donor ICT Strategies Matrix

To encourage information sharing and co-ordination, the OECD/DAC produced a collection/directory of information on ICTs for development strategies and programmes of 23 bilateral and 25 multilateral donors.

This Matrix presents the latest information on how bilateral and multilateral donors have “mainstreamed” information and communication technologies (ICTs) in their development-assistance programme in order to achieve development goals – particularly the Millennium Development Goals (MDGs) – more effectively and efficiently.

The CD-ROM (December 2003 version), prepared as a contribution to the first phase of the World Summit on the Information Society (WSIS), is enriched with the inclusion of a large number of strategies papers and other related documents submitted by donors.

Each donor entry has formatted information on guiding principles and objectives (including areas of application), programmes (including participation in multi-donor programmes), regional focus, scale of financing, and contact/website details.

See: www.oecd.dac/ict

A. General

According to the Matrix and related information compilation, there are three main categories of donor assistance for ICT for development:

- **Bilateral ICT-specific programmes:** These initiatives have mainly been designed to improve the flow of information and knowledge, increasing access to a range of information and communication technologies (from traditional to the most advanced) and enhancing the variety and quality of content. ICT infrastructure is the typical example. They include e-governance in Senegal (France), e-government for development initiatives (Italy), the Imfundo Partnership for IT & Education (United Kingdom, see Box 6 below), and many others.
- **Contribution to international multi-donor initiatives:** Multi-donor approaches have been created in order to pull together strengths and competencies while limiting duplication of effort as well as funding. Among the most prominent initiatives are the World Bank’s Information for Development Program (InfoDev) and Global Development Learning Network (GDLN), Development Gateway Foundation, Global Knowledge Partnership (GKP), Bellanet, and many others.
- **Mainstreaming ICTs into development programmes:** Recognizing the cross-sectoral function of ICTs and their role as a tool to reach development goals more

effectively and efficiently, donors have increasingly engaged in mainstreaming ICT components into their development assistance. Examples are the health and family planning sector programme in Vietnam supported by German financial co-operation which comprises, among other things, the establishment of a computer-based logistical management system to improve stock-keeping, order processing, and the distribution and monitoring of drug flows. Another example is the Basic Education Programme for the Pacific region supported by the European Development Fund, which contains a large e-learning component.

Box 6

The Imfundo Project

“Education holds the key to tackling poverty and extending opportunity in the developing world. The new technologies have great potential to aid the effort to spread education”

Tony Blair, Prime Minister, United Kingdom

The Imfundo* Project aims to find ways to use ICTs to improve education in developing countries, particularly in Africa. The programme is a partnership between the UK Department for International Development (DFID) and a number of private-sector companies, with the support of the Prime Minister.

The project – part of a £800 million education programme – concentrates on supporting teachers through the use of Open and Distance Learning (ODL) in teacher-training and in-service professional development, and through educational-management information systems e.g. software for time-tabling and budgeting.

Contacts with international companies indicate that there is widespread willingness to contribute to education initiatives, with a mix of motives ranging from altruism through to long-term market expansion. The Imfundo Project plays an important role in translating this goodwill into projects by matching capabilities with strategic national education development plans, enabling companies to do what they do without having to deal with bureaucracy. The mechanism for involvement is a ResourceBank, into which companies pledge goods and services. Imfundo deals with project design and monitoring and evaluation, leaving implementation to DFID country-programmes or other donors.

Experience from Imfundo and other projects is made accessible through a KnowledgeBank, which will provide a useful source of information on the use of ICTs in education.

The initiative, which started in March 2000, was launched formally in 2001 with pilot projects in Gambia and Rwanda.

Source: 2001 Development Co-operation Report, OECD (ISBN 92-64-19187-9)

* Imfundo: (im~fun~doe): the acquisition of knowledge; the process of becoming educated (from the Ndebele language, spoken in parts of Zimbabwe and South Africa). See also www.imfundo.org.

The shift away from direct financing of infrastructure has seen a greater emphasis on the mainstream role of ICTs in development programmes. Data on the magnitude of these ICT components are not readily extracted from available sources, because these elements are integrated into sector programmes in a variety of ways. Although the available data do not provide sufficient information to measure the volume of funding flowing into mainstreamed ICT components, **the renewed commitment of bilateral donors for ICTD as documented by the OECD-DAC Donor ICT Strategies Matrix (Box 5) suggests that the decline in bilateral ODA financing for ICT infrastructure has at least been in part offset by the increase in ICT related flows included in other development programmes.**

The rising prominence of ICTs in development circles generally has been accompanied by a significant number of important ICT-specific programmes and initiatives among key donors. A sampling of these programmes is included in Annex 3.

B. Private-Sector Development

The role of private-sector initiatives for ICTD, especially local ones, has increasingly been recognised and strengthened in recent years, with wide acceptance of their effectiveness in promoting effective use of ICTs, strengthening local production capacity and creating jobs. Local actors, initiatives and content should also be emphasised in ICTs for development initiatives.

Fostering the provision of ICT infrastructure and access led by the private sector requires a pro-active role from governments and donors. To extend the reach of ICTs to poor and rural populations they must create appropriate policy and regulatory frameworks, build human capacity to implement policies and programmes, and develop innovative and flexible forms of public financing to leverage private investment.

Because the private sector is instrumental, perhaps even critical, in expanding ICTs for development access and applications, and since a wave of privatisation has been seen as a reality in developing countries since the 1990s, DAC members extend their ICTs for development support, directly or indirectly, through their financing instruments (not always ODA) for private-sector development (PSD). These activities are complemented by other donor support to the building of an enabling environment, e.g., through the establishment of an effective regulatory framework and capacity building. ICT projects are anchored locally and harness local capacity, including the private sector and non-governmental organisations. In all these efforts, however, special attention should be paid to using ICTs to address the gender dimension of poverty.

One example (Box 7) highlights how a donor supports for ICTD through PSD instrument which is classified as other official flow (OOF).

Box 7

Untied Loans to Malaysia: Promoting ICT Sector through creating ICT Funds

As part of the Comprehensive Co-operation Package by the Japanese government launched at the G8 Kyushu-Okinawa Summit in 2000, the Japan Bank for International Cooperation (JBIC) extended in February 2002 an untied loan amounting to the yen equivalent of \$420 million to the Government of Malaysia. The loan is co-financed with seven private-sector financial institutions. JBIC will also provide a guarantee for the private-financed portion.

The proceeds of the loan will be used, via government-owned Malaysia Venture Capital Management Bhd (MAVCAP), to provide financing for computer software and other ICT related companies in Malaysia as they undertake projects to develop and introduce ICT-related systems.

The Government of Malaysia launched "Vision 2020", an initiative with the purpose of joining advanced countries by 2020, through "development of the nation" and "strengthening the human resource base to ensure the availability of manpower with higher levels of knowledge, technical and thinking skills". The government also unveiled its K-Economy (Knowledge-Economy) Plan to foster high value-added industries including the ICT sector. The loan will help promote the ICT sector where the government has placed priority in its economic development.

In January 2004, JBIC further extended another untied loan amounting 59 billion yen (approximately \$536 million) to the Bank Pembangunan dan Infrastruktur Malaysia Bhd (BPIMB) with a similar format. The loan will provide, via BPIMB, medium- and long-term funds to finance the country's infrastructure development in the physical-distribution services and ICT sectors.

Source: JBIC (www.jbic.go.jp)

Other examples for donor support for private sector development are:

- **Denmark** – an information technology joint-venture business start-up in Uganda through its PSD programme
- **EC** – in addition to financing telecom projects, the European Investment Bank (EIB) has supported small and medium-scale enterprise (SME) projects investing the adoption of computer technologies or providing ICT services
- **France** – the subsidiary of Agence française de Développement (Afd), the Société de Promotion et de Participation pour la Coopération Economique (Proparco) has a current exposure of €70 million in the ICT sector
- **Japan** – the Japan Bank for International Cooperation (JBIC) provides untied loans to create local sector finance funds, including ICT funds (see Box 7 above)
- **Netherlands** – FMO, the Netherlands Development Finance Company, has been active in the telecom market in roughly 20 countries and works closely with local partners; the majority of the funding consists of loans to mobile operators
- **Norway** – the Norwegian Investment Fund for Development Countries (NORFUND) formerly the industrial and commercial facilities of the Norwegian Development Co-operation, extended grants, loans and guarantees to GrameenPhone Ltd. in Bangladesh for the support of Village Phone Programmes (a grant of \$5 million and a loan of \$7.5 million; see also Box 8).
- **Sweden** – Sida, the Swedish development agency, promotes the PSD through donor support of risk mitigation and guarantees. In this regard, Sida has over the years developed a specific financing mechanism called GuarantCo., which is a financial entity to facilitate the provision of infrastructure and its services through sub-sovereign financing without the necessity of sovereign guarantee, though it has not yet specifically been applied in any ICT project.
- **Switzerland** – the State Secretariat for Economic Affairs (SECO) participates in Swiss and international risk-capital funds for ICT activities, and provides financial support for the Swiss Organisation for Facilitating Investments (SOFI) in favour of SMEs
- **United Kingdom** – the 100% DFID-owned Commonwealth Development Corporation (CDC) is a substantial investor in technology companies in developing countries. In 2003, CDC investments in the telecoms, media and technology sector accounted to some £111 million (approximately \$200 million), about 10% of the CDC total portfolio. Major investments include Celtel, Digicel and GrameenPhone.
- **United States** – many collaborations with the US private sector are made possible by funds from the Global Development Alliance (GDA), a programme initiated by the USAID. The GDA facilitates agreements among stakeholders that maximise benefit of USAID assistance dollars. These alliances bring new resources, ideas, technologies and partners to bear on ICT problems in developing countries.

Box 8

Supporting Grameen Village Phones -- Example: Complexity of Financing --

GrameenPhone is a joint-venture telecom company set up in Bangladesh by Grameen Bank – with capital from the Norwegian company Telenor and loans from international financial institutions – to provide mobile telephony to its subscribers. Its “Village Phone Programme” provides a remarkable example of how innovative private-sector initiatives can work to stimulate development even in conditions of considerable poverty.

Since 1997 the Village Phone Programme has provided some 45,000 telephones to 39,000 villages in Bangladesh, bringing access to the telephone networks to some 70 million people (as of end 2003).

The formula is simple: a subscriber – usually a woman, hence the label “Village Phone lady” – borrows around \$350 from Grameen Bank which she repays by selling phone services to her fellow villagers who, usually for the first time, can enjoy the economic and social benefits of telecommunication contact with the outside world.

The overall partnership structure of GrameenPhone Ltd is included in Annexes 4 and 5. Its financing structure is multi-dimensional and mixed with a variety of available existing instruments, from domestic financing through foreign direct investment (FDI) to ODA grants.

The Village Phone programme is managed by the Grameen Telecom and financially supported by the Grameen Bank’s microfinance (**domestic private resource**). Grameen Telecom itself is supported logistically and service-wise by the Bank’s community network and family organisations.

GrameenPhone extends tariff discount to Village Phone operators through Grameen Telecom (**in-company cross-subsidy and corporate social-responsibility funding**).

Behind the scenes, at the initial pilot-stage back in 1997–99, donors such as CIDA and NORAD (**grants and technical co-operation**) helped field-testing of the business model and conducted a study of its socio-economic impact in collaboration with universities, NGOs and other local organisations. The majority shareholder of GrameenPhone, Telenor, provided research funding (private grants) as well.

Moreover, many organisations – among them the IDRC, World Bank (InfoDev), Development Gateway Foundation, UNDP/Markle and PlanET Finance – disseminate information on this programme to enhance international visibility as well as to promote its replication (**with a variety of grants**). One example of the replication effort is the MTN villagePhone in Uganda, jointly created by MTN Uganda and Grameen Foundation USA. The financial resources of the Grameen Foundation USA were provided by grants and loans from the World Bank.

Grameen Telecom manages the programme and participates in GrameenPhone as equity investor (35%). This participation was initially funded by the Soros Foundation under its “Open Society Initiative” (**finance through international foundation**) and recently it was refinanced by the local bank (**domestic finance**) with a guarantee from the Soros Foundation.

GrameenPhone Ltd, a mobile phone operator in the programme, is a joint-venture company, set up by Telenor, Grameem Telecom, Marubeni and Gonofone with initial equity capital of \$51 million (**FDI**). Its capital structure is presented below in Table 1.

Initial debt financing of \$60 million was provided by the World Bank’s International Finance Corporation (IFC), Asian Development Bank (ADB), UK Commonwealth Development Corporation (CDC) and Norway (NORAD/NORFUND).

GrameenPhone is leasing from the government (Bangladesh Railways) with commercial terms through the international tender process, the 1,800 km fiber-optic network facility as a backbone infrastructure. This fiber-optic network was initially built in the 1980s with funding from Norway (**it is not known whether this was ODA or OOF**).

Source: “GrameenPhone Revisited: Investors Reaching Out to the Poor”, OECD/DAC [DCD/DAC/POVNET(2004)8/REV1]

Table 1 – GrameenPhone Capital Structure, 2002

US\$ 136 Million

A. Share Capital \$ 56 Million

- **EQUITY (ORDINARY SHARE): \$ 51 MILLION**
 - Telenor
 - Grameen Telecom
 - Marubeni
 - Gonofone Development Corp.
- **EQUITY (PREFERENCE SHARE): \$ 5 MILLION**
 - International Finance Corporation (IFC)
 - Asian Development Bank (ADB)
 - Commonwealth Development Corporation (CDC)

B. Total Debt Financing: \$ 80 Million

- **LOAN FROM SENIOR LENDERS: \$ 60 MILLION**
 - IFC
 - ADB
 - CDC
 - Norwegian Agency for Development Co-operation (NORAD)
- **LOAN FROM SHAREHOLDERS: \$ 20 MILLION**
 - Telenor (\$ 18 Million)
 - Marubeni (\$ 2 Million)

Source: GrameenPhone Ltd., Annual Report 2002.

C. Multi-Donor initiatives and partnerships

Multi-donor initiatives provide important assistance to ICTD through a variety of approaches and financing instruments. New forms of **multi-stakeholder partnership** – linking governments, the private sector, NGOs and international organisations in informal co-operation – can bring flexibility and creativity to the ICT-for-development effort. But they require clarity about objectives and outcomes and their relationship to formal initiatives and institutions.

Public-private partnerships (PPPs) play a key role in harnessing ICTs for development, given the scale of the resources required. ICTs can have a catalytic role in fostering growth in a variety of sectors of the economy. Encouraging growth in the ICT sector – as well as ICT-led growth in other sectors – requires a proper enabling environment, balancing risk and regulation, and new forms of partnership.

At the same time, donors and developing countries must do more to share information and co-ordinate efforts, with a particular focus on evaluation, and learning from both successes and failures. Donors should focus on competing for impact, not for volume. Best-practice examples should focus not simply on which projects have succeeded but on the factors that were critical for success, including demand, cost, capacity and content. It is time to move beyond experimentation to a more rigorous, co-ordinated, results-oriented approach to ICTs that will make them a more effective tool for sustained growth and poverty reduction.

The OECD has been playing a major role in sharing the experiences of its Member countries with the "new economy", providing a forum to develop action plans, set benchmarks and monitor progress, and co-ordinating donor programmes, with more use of ICTs within them to reduce inefficiencies. Jointly with the UN and the World Bank, the OECD DAC has so far organised two Global Forums: the first, in March 2001, examined the role of ICTs in helping achieve shared development goals and co-operation in bridging the "digital divide"; and the second, in March 2003, aimed, among other things, to integrate ICTs in donor programmes

in support of countries' own development plans and address the policy challenges and opportunities of ICTs for development.⁹

The rationale for the establishment of these multi-stakeholder initiatives thus lies not only in the joint financing of ICTD initiatives but also in providing a platform for exchange of experiences and learning among donor institutions. Given the fast advance in technology in the ICT sector, learning and sharing of experience is a critical factor in success and the scaling-up of pilot experiences to broad-based assistance for development requires co-ordination and co-operation between the different stakeholders. Some of the important multi-donor initiatives are described below (and Annex 4 gives a more detailed description).

The **Public Private Infrastructure Advisory Facility (PPIAF)** is a multi-donor facility that works with the central and municipal governments of developing countries to improve the enabling environment for private-sector involvement in infrastructure services. The PPIAF currently has fourteen contributing donors and undertakes a broad range of activities, including the development of legislation and regulatory systems, sector-reform strategies, the training of regulators and assistance with facilitating transactions. The telecommunications sector accounts for about 11% of PPIAF expenditure.

In 2002, the DFID (United Kingdom), SECO (Switzerland), Sida (Sweden) and DGIS (The Netherlands) formed the **Private Infrastructure Development Group (PIDG)** with the aim of mobilising private investment in infrastructure for growth and the elimination of poverty. The World Bank has also subsequently joined the PIDG.

The **Building Communications Opportunities (BCO) Alliance** is the follow-up to the Building Digital Opportunities (BDO) programme. Five bilateral agency partners and five others support the BCO. The former include the Canadian International Development Agency (CIDA), the UK Department for International Development (DFID), the Dutch Directorate-General for International Co-operation (DGIS), the Danish Ministry of Foreign Affairs (DMFA) and the Swiss Agency for Development and Co-operation (SDC). Other partners are: the Association for Progressive Communication (APC), Bellanet, IICD, OneWorld International (OWI) and Panos.

The BCO Alliance, like the BDO Programme, is not a legal entity; rather, it is a framework by which donors and other stakeholders can coordinate their work more effectively and realise useful partnerships. Frequent consultation and learning will strengthen co-ordination and limit duplication of content and activities as well as funding. In the previous BDO Programme, the transparency of funding relationships between the donors and the NGO partners was not optimal. As part of the BCO Alliance, more concerted effort will be made between the donors to coordinate funding flows among the NGO partners. Joint financing of some organisations and activities will likely be the result. Legal relationships between NGOs and donors remain bilateral. There will be no "pooling" of donor funds through the BCO Alliance, as it is not a legal entity.

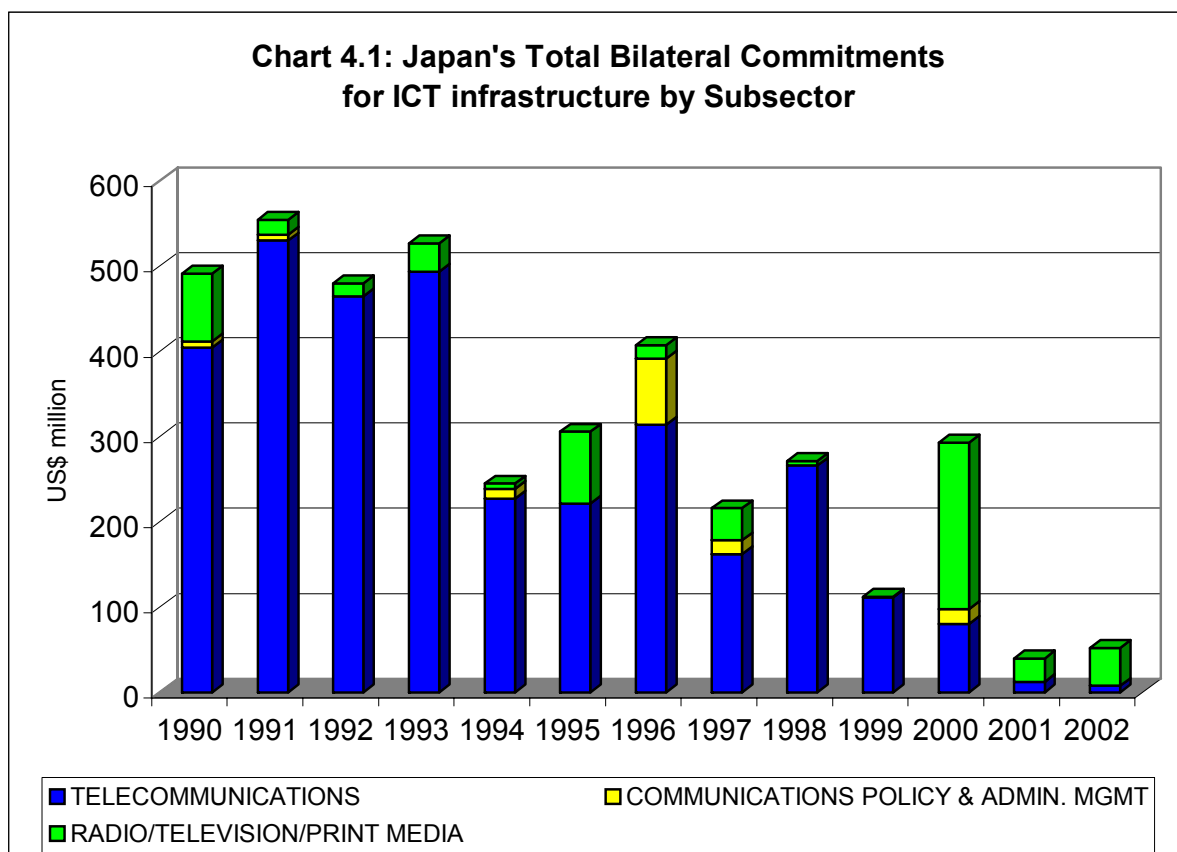
⁹ For more information, see www.oecd.org/dac/ict.

IV. Selected Donor Portfolios and Strategies for ICTD

The OECD-DAC Donor ICT Strategies Matrix, together with the update undertaken for the Task Force on Financing Mechanisms for ICTD TFFM, provides valuable information on strategic orientation, funding volumes and financing mechanisms and instruments of the DAC bilateral donors working in ICTs for development. To enrich the picture drawn on donor support for ICTD and on recent trend in aid flows in the preceding chapters, selected donor profiles will be presented in this chapter, combining information from the Matrix with data analysis based on the OECD-DAC and CRS database. Japan, France, Germany, the United Kingdom and the United States have been selected for a more in depth presentation since in terms of funding volume they have been the largest donors over the 1990s and into the 2000s.

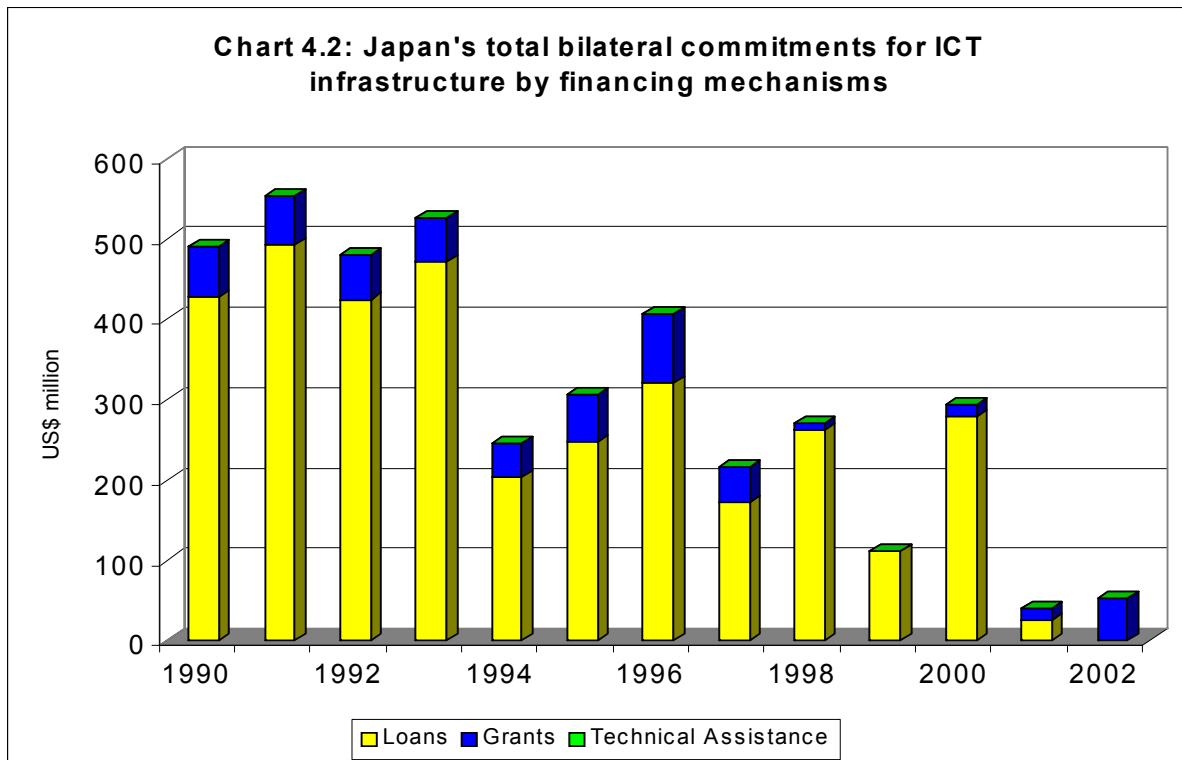
Japan

Overall commitments from Japan have declined from a high of \$550 million in 1991 to a low of \$40 million in 2001. In 2002, commitments to ICT from Japan show a slight increase to \$52 million, but are still far below their absolute volumes early 1990s.

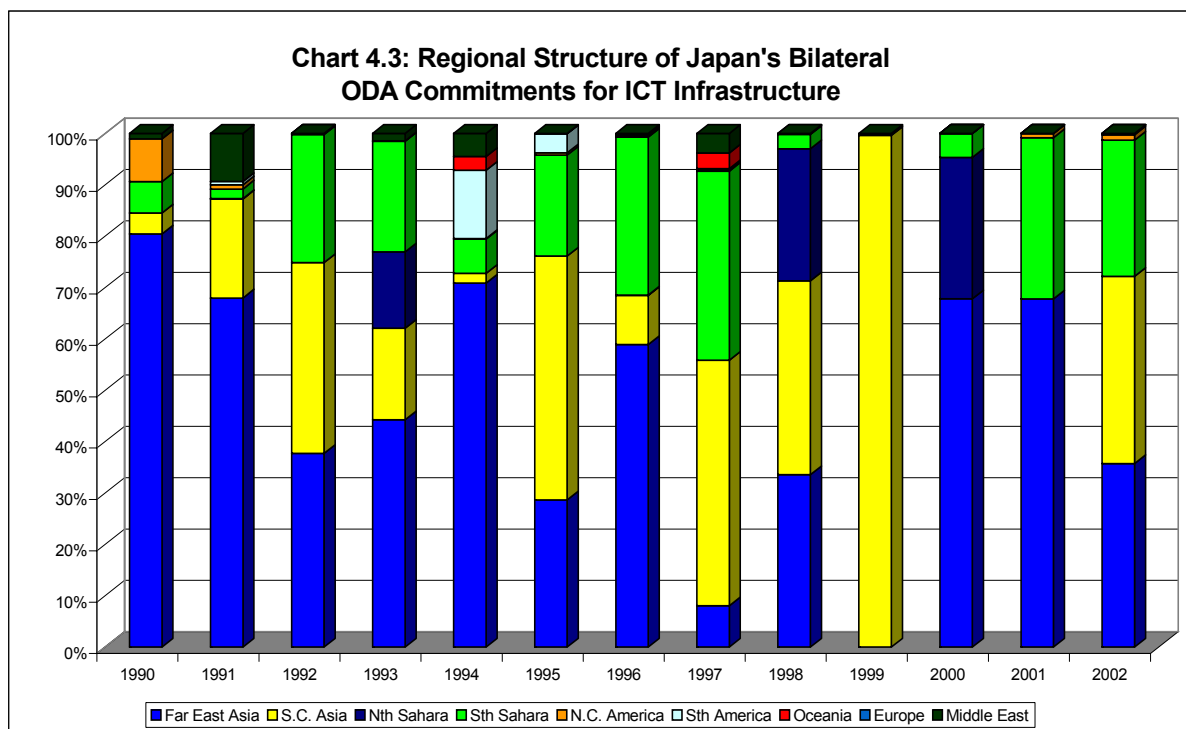


Aid flows have primarily focused on the telecommunications sector in support of building infrastructure for the more prevalent use of ICTs. The financial support for telecommunications projects will continue to be part of Japan's strategic approach in the countries and regions where private financing is difficult to obtain. In addition, since ICTs can be used in a broad range of sectors, JBIC has planned to conduct studies on how ICTs may be used in various sectors, including poverty-reduction, education, public healthcare and the environment. In the context of making development assistance more effective and efficient, JBIC also plans to conduct a study on how information systems may strengthen the organisational capacity of project implementing agencies (e.g. local Agriculture Development Bank).

Chart 4.2 shows that assistance for ICT infrastructure has mainly been extended through loans, grant-financing playing only a minor role (with the exception of 2002, where only commitments for grant were recorded).



The regional structure of Japanese commitments for ICT infrastructure (Chart 4.3) clearly highlights the predominance of allocations for Asia, accounting for between 55% and 100% of total allocations. Sub-Saharan Africa is the third-largest recipient region of aid flows, with a relative share of up to 35% of total commitments.



At the G8 Kyushu-Okinawa Summit in July 2000, Japan presented a Comprehensive Co-operation Package for bridging the “digital divide”, consisting of non-ODA (Other Official Flows) and ODA public funding with a total of \$15 billion over five years. The plan is implemented through existing co-operation schemes by non-ODA and ODA public funding. No special framework will be set up for ICT co-operation. Recipient countries must follow the regular procedure for requesting funds. The Comprehensive Co-operation Package is implemented through a number of programmes including (for assistance provided up to March 2004):

- **Grant Aid for IT**¹⁰ projects: 26 billion yen for the construction of telecommunication infrastructure, facilities for remote education, etc.
- **Loan Aid for IT** projects: 96 billion yen for the construction of telecommunication infrastructure, facilities for remote education, etc.
- **JICA-NET**: 2.3 billion yen for the establishment and operation of ICT centres in developing countries and Japan for human-resources development.

Noteworthy aid disbursement made the JBIC in FY2003¹¹ include:

- Maritime Telecommunication System Development Project (IV): The Loan amounting to 5,567 million Yen was newly committed for improving and modernizing the maritime telecommunication system in order to secure the safety of life and property at sea and efficient sea transport by setting up 37 onshore telecommunication stations in total along the Indonesian Coast.
- Broadcasting Infrastructure Improvement Project: The loans amounting to 20,202 million Yen in total in rural five provinces and one city was newly committed for helping human resource development in China through broadcasting services that make use of Japanese technology.

In addition to bilateral support programmes, Japan contributed \$7 million to the UNDP ICT Trust Fund, among others.

The recent data on disbursement of the Comprehensive Co-operation Package (ODA + OOF) have been:

- FY2003 – \$1,163 million (ODA alone \$352 million)
- FY2002 – \$2,235 million (ODA alone \$295 million)
- FY2001 – ODA alone \$404 million (OOF unknown).

France

French assistance for ICTs for Development (ICTD) has experienced a steady decline over the 1990s, starting in 1991 from a high of \$265 million and falling to \$9 million in 2002. The commitments for ICTD stem from different institutions within French development co-operation.

From 1990 to 2003, the group *Agence française de Développement* (AfD) contributed more than €416 million to ICT projects, representing a total project cost of €3 billion. No complete overview can be provided for the ICT components “mainstreamed” in other sectors. AfD supported telecommunication projects from the early 1970s until the mid-1990s, when it decided to suspend the financing of this sector (with the exception of rural projects). But

¹⁰ Japan prefers to use “IT” rather than “ICTs” for Information and Communication Technologies.

¹¹ The Japanese fiscal year begins on 1 April.

since 2003 the agency is in the process of reviewing its strategy in infrastructure development and the use of ICT in other sectors such as health, education, and support and modernising of the private sector. The *Société de Promotion et de Participation pour la Coopération Economique (Proparco)*, a subsidiary of the AfD, has a current exposure of €70 million; its total contribution since 1997 amounts to €122 millions (included in the €416 million mentioned above).

The ICT-for-development strategy of General Department for International Co-operation and Development (GDCID) comprises two main axes and a participation in multilateral ICTD programmes. The ICT-for-development strategy targets both the integration of developing countries in the Information Society by improving access, increasing ICT skills, promoting local contents and supporting the implementation of a legal framework. It also promotes research via ICT and supports the application of ICT in education, good governance, economic growth, health, sustainable development and rural development.

French assistance for ICTD has also included contributions to multilateral programmes. Through the Agence intergouvernementale de la Francophonie approximately €3 million was provided in 2004 on ICT in addition to €1 million for the Francophone Information Highway Fund (Fonds Francophone des Inforoutes) (FFI). To promote and support university co-operation, approximately €6.8 million was allocated in 2004 to the Agence Universitaire de la Francophonie (AUF). Furthermore, French development co-operation provides support for ICTD to the UN ICT Task Force (www.unicttaskforce.org) (€60,000), the UNESCO Information for All programme (www.unesco.org/webworld/ifap) (€60,000), the WTC/UNCTAD e-commerce programme (www.intracen.org), UNECA's Africa Information Society Initiative (AISI) (www.uneca.org/aisi), to a project to support to the telecommunication sector in co-ordination with UNDP Afghanistan as well as to the Organisation of Eastern Caribbean States (OECS) www.oecs.org. Global expenditures are estimated at approximately €40 million (2002–5) – excluding experts working on ICT projects in international organisations and technical assistance in countries.

Germany

Within its bilateral development co-operation the German government provides promotional loans or grants in the framework of financial co-operation between Germany and developing countries. Germany's involvement in promoting ICT for development started in 1961 when it supported Pakistan's telecommunications system. The total amount Germany has made available since 1961 for ICT within its development co-operation adds up to approx. \$1 billion. In 1990–2002 the total aid flows for ICT infrastructure followed the same dramatic downward trend as for the majority of bilateral donors. Total bilateral commitments increased from \$131 million in 1990 to \$178 million in 1993, but from 1994 onwards they have remained low, at around \$30 million, with a decreasing trend. To date, the German government has financed more than 150 projects in telecommunication and radio communication, mainly in Africa, Asia and Central America. Examples include public broadcasting (Mali, Rwanda, Niger, Indonesia, Burkina Faso), provision of public switching and transmission networks as basic ICT infrastructure (Egypt, Afghanistan, Cambodia, China, Lesotho, El Salvador, Nicaragua) and rural telephony (Lao, Namibia, Zimbabwe, Mongolia). The predominant conceptual approach of German development co-operation sees ICT applications as a cross-sectoral function. At present Germany supports such ICT applications in developing countries with an amount of approx. €180 million – a figure which excludes the numerous projects of financial and technical co-operation of which ICT applications are a part without having been recorded separately.

The strategic thrust of support to the ICT sector in developing countries has changed over the past few years. The focus used to be on programmes for the improvement of

telecommunications infrastructure, but now ICTs are used in all focal areas of German development co-operation as an enabler to reach overarching development goals. Support programmes such as policy-based support and technical assistance on regulation, privatisation, competition, instruments that encourage private-sector investment, provide guarantee facilities for private investments in ICTs and smart subsidies where the market will not reach the appropriate degree of universal access are in general part of the German policy dialogue on development co-operation with its partner countries. In this framework the relevance of ICT-related aspects (e.g., the importance of telecommunication networks for attracting foreign direct investment) will be debated as the occasion requires.

Although there is a clear focus on the cross-cutting function of ICT, German development co-operation continues to support individual programmes to improve access to ICTs services. A special emphasis is put on rural areas where market failure impedes a rapid improvement in connectivity.

United Kingdom

DFID has allocated a total of approximately £40 million (approx. \$72 million) to a number of information and communication for development (ICD) programmes and projects. The main programmes include: Catalysing Access to ICTs in Africa (CATIA) a £9 million three-year programme of DFID carried out in close collaboration with other donors and players (started in November 03); Imfundo Partnerships for IT & Education, a £7 million programme over five years (18 months left); the multi-donor Building Digital Opportunities (BDO) ended in April 2004 and has been succeeded by the Building Communications Opportunities (BCO) Alliance (£8 million, 2004-2007); ICD Seed Fund (£3 million); the Open Knowledge Network (OKN), a £1.5 million programme over three years (started in November 03). In addition to these projects and programmes already in contract, DFID has firmly committed another £6 million on different programmes/projects, among them the PPIAF, the Emerging Africa Infrastructure Fund as well as Imfundo (see subchapter III.3 and Box 6).

United States

The principal aid arm of the United States government continues to support a wide range of ICT-related projects.

In a 2003 survey of **USAID** programmes, 95% of the more than 80 USAID Missions worldwide reported one or more ICT activities in their portfolio, comprising 351 separate ICT for development activities worldwide. The total estimated spending on these activities in Fiscal Year 2002–3 was \$200 million in USAID's own funds, combined with \$240 million in outside contributions. See <http://www.dec.org/partners/ict/ICTsearch.cfm> for the full inventory of USAID's ICT activities.¹²

Some 30% of these activities concentrated on the ICT sector directly, including:

- promoting pro-competitive ICT policy and regulatory reform
- fostering ICT access, especially for under-served populations
- developing institutional and individual ICT capacity

The remaining 70% involves demonstrating innovative ICT applications (particularly in the democracy and governance, education, economic growth, natural resources management, and health sectors). In the USAID strategy, ICTD has become an important USAID cross-cutting theme.

¹² USAID, Bureau for Economic Growth, Agriculture and Trade, "Information and Communication Technology for Development: USAID's Worldwide Program", May 2004.

Major USAID ICT programmes include:

- **Last Mile Initiative** was launched in April 2004 to spur increases in productivity and transform the develop prospects in rural areas presently underserved by the world's major voice and data telecommunications networks. www.usaid.gov Keyword: Last Mile Initiative (see box below).
- **Digital Freedom Initiative** of the Bush Administration has placed volunteers in businesses and community centres to provide small businesses and entrepreneurs with ICT skills and knowledge. www.dfi.gov
- **Leland Initiative** has helped to establish Internet gateways and national Internet connectivity in ten African countries, allowing two million Africans, with emphasis on rural, poor, ethnical minorities, and women, to obtain Internet access. www.usaid.gov/leland/index.html (see box below)
- **NetTel@Africa** has developed a comprehensive curriculum for training IT policy and regulatory officials and has developed a growing network of more than 20 higher education institutions in the USA and Africa offering joint degrees in this area. www.nettelafrika.org
- Digital Opportunity through Technology and Communications (**DOT-COM**) **Alliance** has developed a partnership between USAID and more than 75 partners, each with specialised expertise in using ICT for development www.dot-com-alliance.org
- **US Telecommunications Training Institute** has leveraged more than \$45 million from the private sector from USAID's \$10 million investment in order to provide policy and regulatory courses to worldwide trainees. www.ustti.org
- **Telecom Leadership Program** has allowed USAID and the State Department to provide expertise from US federal agencies in support of numerous ICT regional workshops, training programmes and international conferences. www.state.gov/e/eb/cip
- **Cybersecurity Workshops** have been conducted in collaboration with the US Departments of Justice and State to promote international and regional co-operation in combating cybercrime. www.abanet.org/abapubs/books/54500301
- **Cisco Networking Academies** have been established in partnership with USAID to expand workforce training for ICT technicians in 32 countries with over 5000 students enrolled—25 percent are women. cisco.netacad.net
- **IT Mentors Alliances** have been established in partnership with USAID for IT business associations to ensure they have the capacity to actively and effectively engage policy-makers. www.witsa.org

Box 9

Focusing on the field – The U.S. experience in Mali

Building on the vision provided by the “Africa Leland Initiative”, the United States Government has launched pilot projects for the use of Internet technology for development in 22 countries of Africa. Among the first was that of Mali, for which the national Internet gateway, its framework legislation and regulations, and a range of technical assistance and training have been funded since 1996 by the Leland team and the USAID mission in Bamako.

The Washington-based Leland team played the role of initiator and resource link for Internet technology and the USAID mission sought to adapt the technology as a development tool to the specific field conditions found in Mali. The Mali mission created a small “Communication for Development” team around the concept of “accelerating development by making information accessible through innovative communication techniques and appropriate tools”. As USAID evolved its thinking along these lines, it quickly made the logical next link from Internet to the far more widespread communication tool of rural radio and moved to integrate both technologies across the USAID portfolio, which included objectives in economic growth, health, education and democracy.

Mali, one of the poorest countries in the world, has responded enthusiastically to the development opportunities offered by international Internet access. USAID’s ability to harness this demand depended on its strong local capacity within the mission. Effective use of new communication technology required an understanding of local realities and the targeting of support for (frequently small) activities that supported the concept of “accelerating development”. This also has permitted the resources of Leland and USAID to be flexibly shaped around the evolving needs of local development, rather than upstream supply-side considerations. Specific attention, from the beginning, to the sustainability of this effort caused the local team to avoid unduly expensive hardware or construction, and to emphasise local organisational structures and partnerships that are sensitive to issues of recurrent cost and sustainability. The rural radio link is opening up use of the information highway to the majority of Malians living in rural areas without electricity and other modern infrastructure. USAID now believes that, within five years, an astonishing 95% of Malians will have access to a local radio station broadcasting in their local language.

Source: OECD

Annex1 - ODA Statistical Tables (1-5)

Table 1. DAC Members' Net Official Development Assistance in 2003

| | 2003 | | 2002 | | Percent change 2002 to 2003 in real terms ^a |
|------------------------|-------------------------------|--------------|-------------------------------|--------------|--|
| | ODA USD million current | ODA/GNI % | ODA USD million current | ODA/GNI % | |
| Australia | 1 219 | 0.25 | 989 | 0.26 | 0.4 |
| Austria | 505 | 0.20 | 520 | 0.26 | -20.5 |
| Belgium | 1 853 | 0.60 | 1 072 | 0.43 | 40.7 |
| Canada | 2 031 | 0.24 | 2 004 | 0.28 | -12.7 |
| Denmark | 1 748 | 0.84 | 1 643 | 0.96 | -12.8 |
| Finland | 558 | 0.35 | 462 | 0.35 | 0.3 |
| France | 7 253 | 0.41 | 5 486 | 0.38 | 8.7 |
| Germany | 6 784 | 0.28 | 5 324 | 0.27 | 5.3 |
| Greece | 362 | 0.21 | 276 | 0.21 | 5.7 |
| Ireland | 504 | 0.39 | 398 | 0.40 | 3.8 |
| Italy | 2 433 | 0.17 | 2 332 | 0.20 | -15.3 |
| Japan | 8 880 | 0.20 | 9 283 | 0.23 | -9.2 |
| Luxembourg | 194 | 0.81 | 147 | 0.77 | 8.4 |
| Netherlands | 3 981 | 0.80 | 3 338 | 0.81 | -3.2 |
| New Zealand | 165 | 0.23 | 122 | 0.22 | 6.9 |
| Norway | 2 042 | 0.92 | 1 696 | 0.89 | 4.6 |
| Portugal | 320 | 0.22 | 323 | 0.27 | -19.4 |
| Spain | 1 961 | 0.23 | 1 712 | 0.26 | -7.8 |
| Sweden | 2 400 | 0.79 | 2 012 | 0.84 | -2.8 |
| Switzerland | 1 299 | 0.39 | 939 | 0.32 | 19.7 |
| United Kingdom | 6 282 | 0.34 | 4 924 | 0.31 | 14.0 |
| United States | 16 254 | 0.15 | 13 290 | 0.13 | 20.4 |
| TOTAL DAC | 69 029 | 0.25 | 58 292 | 0.23 | 4.8 |
| Average Country Effort | | 0.41 | | 0.41 | |
| <i>Memo Items:</i> | | | | | |
| EC | 7 173 | | 5 448 | | 7.7 |
| EU countries combined | 37 139 | 0.35 | 29 969 | 0.35 | 3.0 |
| G7 countries | 49 917 | 0.21 | 42 644 | 0.20 | 6.3 |

a) Taking account of both inflation and exchange rate movements.

Table 2. The Total Net Flow of Long-Term Financial Resources from DAC Countries to Developing Countries and Multilateral Organisations by Type of Flow

| | USD million | | | | | | |
|--|----------------------|----------------------|----------------|----------------|----------------|---------------|----------------|
| | 1987-1988 average | 1992-1993 average | 1999 | 2000 | 2001 | 2002 | 2003 |
| I. Official Development Assistance | 43 834 | 58 318 | 53 233 | 53 749 | 52 435 | 58 292 | 69 029 |
| 1. Bilateral grants and grant-like flows | 23 479 | 34 133 | 33 931 | 33 040 | 33 522 | 39 813 | 50 965 |
| of which: Technical co-operation | 9 043 | 13 279 | 13 036 | 12 767 | 13 602 | 15 452 | 18 366 |
| Developmental food aid (a) | 1 745 | 1 723 | 1 045 | 1 180 | 1 007 | 1 086 | 1 196 |
| Emergency & distress relief (a) | 704 | 2 918 | 4 414 | 3 574 | 3 276 | 3 869 | 5 874 |
| Debt forgiveness | 240 | 2 849 | 2 277 | 2 045 | 2 514 | 4 534 | 8 338 |
| Administrative costs | 1 541 | 2 503 | 3 049 | 3 083 | 2 964 | 3 027 | 3 524 |
| 2. Bilateral loans | 6 956 | 6 756 | 3 912 | 3 024 | 1 602 | 939 | -1 153 |
| 3. Contributions to multilateral institutions | 13 399 | 18 364 | 15 390 | 17 685 | 17 311 | 17 540 | 19 217 |
| of which: UN (b) | 3 251 | 4 425 | 3 654 | 5 185 | 5 233 | 4 634 | 4 705 |
| EC (b) | 2 275 | 4 207 | 5 017 | 4 950 | 4 946 | 5 695 | 6 834 |
| IDA (b) | 4 762 | 5 636 | 2 834 | 3 672 | 3 599 | 3 279 | 3 120 |
| Regional development banks (b) | 1 897 | 2 450 | 1 860 | 2 187 | 1 491 | 1 813 | 1 734 |
| II. Other Official Flows | 3 022 | 8 567 | 15 589 | -4 326 | -1 589 | -45 | -1 127 |
| 1. Bilateral | 3 181 | 7 646 | 14 640 | -4 303 | -797 | 2 401 | -1 597 |
| 2. Multilateral | -159 | 922 | 949 | -23 | -792 | -2 446 | 470 |
| III. Private Flows at market terms | 21 491 | 49 803 | 115 999 | 78 128 | 49 745 | 6 252 | 30 481 |
| 1. Direct investment | 21 202 | 33 309 | 94 314 | 71 729 | 66 041 | 36 286 | 36 660 |
| 2. Bilateral portfolio investment | 319 | 18 396 | 25 575 | 2 416 | -14 946 | -26 902 | -6 611 |
| 3. Multilateral portfolio investment | 2 033 | -2 297 | -5 786 | -3 369 | -4 086 | -3 146 | 635 |
| 4. Export credits | -2 064 | 396 | 1 896 | 7 352 | 2 736 | 14 | -203 |
| IV. Net grants by NGOs | 4 123 | 5 848 | 6 715 | 6 934 | 7 289 | 8 765 | 10 162 |
| TOTAL NET FLOWS | 72 470 | 122 539 | 191 536 | 134 485 | 107 881 | 73 263 | 108 545 |
| Total net flows at 2002 prices and exchange rates (c) | 87 226 | 119 083 | 182 612 | 134 043 | 112 019 | 73 263 | 95 956 |

a) Emergency food aid included with developmental food aid up to and including 1995.

b) Grants and capital subscriptions, does not include concessional lending to multilateral agencies.

c) Deflated by the total DAC deflator.

Source of private flows: DAC Members' reporting to the annual DAC Questionnaire on total official and private flows.

Table 3. The Total Net Flow of Financial Resources from DAC Countries to Developing Countries and Multilateral Organisations

| | USD million | | | | | | 2003 |
|------------------|-------------------|--------------------------------|----------------|----------------|----------------|---------------|----------------|
| | 1987-1988 average | 1992-1993 average ^a | 1999 | 2000 | 2001 | 2002 | |
| Australia | 2 252 | 3 123 | 2 159 | 1 961 | 1 290 | 834 | 3 010 |
| Austria | 275 | 580 | 2 040 | 1 135 | 836 | 1 910 | 1 445 |
| Belgium | 736 | 1 460 | 5 528 | 2 281 | 304 | 1 337 | 1 221 |
| Canada | 2 933 | 4 720 | 6 992 | 6 483 | 1 538 | 2 044 | 4 949 |
| Denmark | 790 | 1 501 | 1 992 | 2 176 | 2 645 | 1 577 | 1 896 |
| Finland | 667 | 553 | 858 | 1 087 | 1 334 | - 180 | - 44 |
| France | 6 252 | 10 867 | 9 160 | 5 557 | 16 327 | 4 729 | 6 936 |
| Germany | 10 327 | 12 143 | 20 006 | 12 331 | 6 345 | 7 207 | 3 709 |
| Greece | .. | .. | 195 | 229 | 202 | 322 | 403 |
| Ireland | 67 | 142 | 251 | 740 | 735 | 1 469 | 2 334 |
| Italy | 3 552 | 4 299 | 11 337 | 10 846 | - 189 | 1 399 | 4 218 |
| Japan | 18 745 | 16 016 | 17 633 | 11 423 | 13 714 | 4 659 | 6 335 |
| Luxembourg | 18 | 48 | 124 | 129 | 144 | 148 | 201 |
| Netherlands | 2 946 | 4 472 | 7 985 | 6 947 | -3 432 | -1 487 | 12 167 |
| New Zealand | 132 | 111 | 163 | 142 | 139 | 164 | 208 |
| Norway | 909 | 1 328 | 2 060 | 1 437 | 1 485 | 2 279 | 3 306 |
| Portugal | 62 | 325 | 2 457 | 4 622 | 1 775 | 171 | 1 145 |
| Spain | 265 | 1 481 | 29 029 | 23 471 | 11 523 | 8 171 | 6 667 |
| Sweden | 2 048 | 2 758 | 2 892 | 3 952 | 3 077 | 2 232 | 1 255 |
| Switzerland | - 58 | 3 362 | 3 241 | 2 054 | - 158 | 2 234 | 3 684 |
| United Kingdom | 3 891 | 8 322 | 15 299 | 10 230 | 9 627 | 7 634 | 5 705 |
| United States | 15 663 | 45 864 | 50 138 | 25 252 | 38 618 | 24 410 | 37 795 |
| TOTAL DAC | 72 471 | 122 539 | 191 536 | 134 485 | 107 880 | 73 263 | 108 545 |
| <i>of which:</i> | | | | | | | |
| EU Members | 31 896 | 48 951 | 109 152 | 85 732 | 51 254 | 36 640 | 49 257 |

a) Including debt forgiveness of non-ODA claims in 1992, except for total DAC.

**Table 4. Net Official Development Assistance from
DAC Countries to Developing Countries and Multilateral Organisations**

Net disbursements at current prices and exchange rates

| | USD million | | | | | | |
|------------------|--------------------|-----------------------------------|---------------|---------------|---------------|---------------|---------------|
| | 1987-88 average | 1992-1993 average ^a | 1999 | 2000 | 2001 | 2002 | 2003 |
| Australia | 864 | 984 | 982 | 987 | 873 | 989 | 1 219 |
| Austria | 251 | 205 | 492 | 440 | 633 | 520 | 505 |
| Belgium | 644 | 840 | 760 | 820 | 867 | 1 072 | 1 853 |
| Canada | 2 116 | 2 457 | 1 706 | 1 744 | 1 533 | 2 004 | 2 031 |
| Denmark | 890 | 1 366 | 1 733 | 1 664 | 1 634 | 1 643 | 1 748 |
| Finland | 520 | 499 | 416 | 371 | 389 | 462 | 558 |
| France | 5 356 | 8 093 | 5 639 | 4 105 | 4 198 | 5 486 | 7 253 |
| Germany | 4 561 | 7 269 | 5 515 | 5 030 | 4 990 | 5 324 | 6 784 |
| Greece | .. | .. | 194 | 226 | 202 | 276 | 362 |
| Ireland | 54 | 76 | 245 | 234 | 287 | 398 | 504 |
| Italy | 2 904 | 3 583 | 1 806 | 1 376 | 1 627 | 2 332 | 2 433 |
| Japan | 8 238 | 11 205 | 12 163 | 13 508 | 9 847 | 9 283 | 8 880 |
| Luxembourg | 16 | 44 | 119 | 123 | 139 | 147 | 194 |
| Netherlands | 2 163 | 2 639 | 3 134 | 3 135 | 3 172 | 3 338 | 3 981 |
| New Zealand | 95 | 97 | 134 | 113 | 112 | 122 | 165 |
| Norway | 938 | 1 144 | 1 370 | 1 264 | 1 346 | 1 696 | 2 042 |
| Portugal | 62 | 264 | 276 | 271 | 268 | 323 | 320 |
| Spain | 240 | 1 411 | 1 363 | 1 195 | 1 737 | 1 712 | 1 961 |
| Sweden | 1 454 | 2 114 | 1 630 | 1 799 | 1 666 | 2 012 | 2 400 |
| Switzerland | 582 | 966 | 984 | 890 | 908 | 939 | 1 299 |
| United Kingdom | 2 258 | 3 082 | 3 426 | 4 501 | 4 579 | 4 924 | 6 282 |
| United States | 9 628 | 10 916 | 9 145 | 9 955 | 11 429 | 13 290 | 16 254 |
| TOTAL DAC | 43 834 | 58 318 | 53 233 | 53 749 | 52 435 | 58 292 | 69 029 |
| <i>of which:</i> | | | | | | | |
| EU Members | 21 374 | 31 483 | 26 750 | 25 289 | 26 388 | 29 969 | 37 139 |

a) Including debt forgiveness of non-ODA claims in 1992, except for total DAC.

Table 5. The Net Flow of Private Capital ^a from DAC Countries to Developing Countries and Multilateral Organisations

Net disbursements at current prices and exchange rates

| | USD million | | | | | | 2003 |
|------------------|-------------------|-------------------|----------------|---------------|---------------|--------------|---------------|
| | 1987-1988 average | 1992-1993 average | 1999 | 2000 | 2001 | 2002 | |
| Australia | 1 350 | 1 784 | 410 | 252 | 151 | - 433 | 1 374 |
| Austria | - 30 | 62 | 1 334 | 560 | 279 | 1 369 | 824 |
| Belgium | - 307 | 254 | 4 765 | 1 394 | - 712 | 86 | -1 752 |
| Canada | 468 | 1 569 | 4 484 | 4 621 | - 12 | 188 | 2 711 |
| Denmark | - 11 | 142 | 410 | 482 | 998 | - 63 | 106 |
| Finland | 119 | - 53 | 296 | 709 | 932 | - 656 | - 622 |
| France | - 424 | 2 078 | 3 524 | 1 439 | 12 168 | -1 392 | -3 123 |
| Germany | 3 724 | 2 865 | 13 678 | 6 911 | 1 210 | -2 650 | - 519 |
| Greece | .. | .. | .. | .. | .. | 40 | 33 |
| Ireland | - 11 | 40 | .. | 416 | 347 | 986 | 1 547 |
| Italy | - 257 | - 444 | 9 484 | 9 537 | -1 903 | - 563 | 2 044 |
| Japan | 11 631 | 1 082 | -4 297 | 2 725 | 5 380 | - 573 | - 731 |
| Luxembourg | .. | .. | .. | .. | .. | .. | .. |
| Netherlands | 603 | 1 473 | 4 581 | 3 469 | -6 886 | -5 310 | 7 766 |
| New Zealand | 28 | .. | 16 | 17 | 16 | 17 | 21 |
| Norway | - 81 | 53 | 522 | - 5 | - 71 | 131 | 1 264 |
| Portugal | .. | 32 | 2 074 | 4 273 | 1 503 | - 150 | 823 |
| Spain | 25 | .. | 27 655 | 22 272 | 9 640 | 6 404 | 4 633 |
| Sweden | 480 | 510 | 1 192 | 2 127 | 1 394 | 199 | -1 153 |
| Switzerland | - 722 | 2 241 | 2 236 | 997 | -1 252 | 1 089 | 2 104 |
| United Kingdom | 1 109 | 4 582 | 11 416 | 5 265 | 4 699 | 2 360 | -1 016 |
| United States | 3 799 | 31 536 | 32 218 | 10 666 | 21 864 | 5 173 | 14 147 |
| TOTAL DAC | 21 491 | 49 803 | 115 999 | 78 128 | 49 745 | 6 252 | 30 481 |
| <i>of which:</i> | | | | | | | |
| EU Members | 5 018 | 11 540 | 80 410 | 58 855 | 23 669 | 659 | 9 591 |

a) Excluding grants by NGOs.

Annex 2
Donor ICTs for Development Programmes and Expenditures --
Summary Table (as of September 2004)

| Donor | Bilateral ICT-specific programmes | Contribution to international, multi-donor initiatives | Integration of ICT into development programmes | Scale of Funding |
|------------------|--|--|---|---|
| Australia | Virtual Colombo Plan | <ul style="list-style-type: none"> ▶ World Bank Knowledge Initiative ▶ World Bank Development Gateway initiative ▶ Global Development Learning Network | Integration of ICTs within the objectives and activities of its broader official aid programme to meet the objectives of reducing poverty and promoting growth, peace and stability | US\$121.3 Million over 5 years |
| Austria | No specific programme but some investment in the telecommunication sector. | | In the future, the Austrian Development Co-operation intends to integrate, where feasible, ICTs in every new project/programme of development co-operation. | |
| Belgium | Belgium does not have co-operation programmes (government-to-government) in these sub-sectors. | | | Approx. US\$2.6 million in 2002 |
| Canada | <p>CIDA's approach to ICT for Development is at two levels – programming and strategic institutional partnerships.</p> <p>IDRC:</p> <ul style="list-style-type: none"> ▶ Acacia ▶ Pan Asia Networking ▶ Pan Americas Networking ▶ Institute for Connectivity in the Americas ▶ Bellanet ▶ Connectivity Africa <p>Industry Canada:</p> | <p>CIDA:</p> <ul style="list-style-type: none"> ▶ <i>InfoDev</i> ▶ Development Gateway Foundation ▶ Bellanet ▶ Global Development Learning Network (GDLN) ▶ Global Knowledge Partnership ▶ International Institute for Democracy and Electoral Assistance (IIDEA) ▶ Orbicom ▶ International Institute for Sustainable | Preliminary results from this coding exercise indicate that CIDA has integrated ICTs to various extents in approximately 20 – 25 % of its bilateral projects. | <ul style="list-style-type: none"> ▶ CIDA: estimated at a minimum of US\$20 million (Fiscal Year 2000/2001) ▶ IDRC: US\$13.4 million per annum ▶ Industry Canada: US\$23.5 million for the three mentioned programmes (US\$13.4 million over five years and US\$10.1 million over three years) |

| Donor | Bilateral ICT-specific programmes | Contribution to international, multi-donor initiatives | Integration of ICT into development programmes | Scale of Funding |
|----------------------------|---|---|---|---|
| | <ul style="list-style-type: none"> ▶ Planning and co-ordinating the implementation Global e-Policy Resource Network (ePol-NET, formerly leDRN). Canadian e-Policy Resource Centre (CePRC) as a contribution to ePol-NET ▶ Connectivity Africa ▶ Open Knowledge Network (OKN) ▶ Enablis | <p>Development (IISD)</p> <ul style="list-style-type: none"> ▶ Building Communication Opportunities (BCO) <p>IDRC:</p> <ul style="list-style-type: none"> ▶ Bellanet founding member ▶ GKP ▶ DOT Force ▶ WEF | | |
| Denmark | Use of Information and Communication Technology is generally included in the Danish bilateral and multilateral development assistance. | <ul style="list-style-type: none"> ▶ Bellanet ▶ <i>InfoDev</i> ▶ Building Communication Opportunities (BCO) | Mainstreamed, not possible to designate an exact sums of funds for ICT. | |
| European Commission | <ul style="list-style-type: none"> ▶ ASI@ITC 30 MILLION ▶ EUMEDIS 65 MILLION – Start date 1999 – Duration: 8 years + New Approaches Regarding Telecommunications Policy Among Mediterranean Partners (NATP) 2.15 MILLION – Start date 1999 – Duration: 3 years ▶ @LIS Latin America 63.5 MILLION ▶ African-Caribbean-Pacific 90 MILLION (earmarked) | <ul style="list-style-type: none"> ▶ WSIS ▶ UN ICTTF ▶ WEF ▶ GKP ▶ <i>InfoDev</i> <p>EC's contributions to UN organisations and International Financial Organisations:</p> <p>2001: 1.9M € 2002: 3.5M € 2004: 1.9M €</p> | For the time being ICT components, within a mainstreamed financing scheme, are most frequently found in education and, in a second position, health projects aimed at poverty reduction. The EC does not have yet a complete inventory of projects with an ICT component. | <ul style="list-style-type: none"> ▶ ICT-specific: 250 MILLION (US\$310m) ▶ European Development Fund: 110.3 MILLION (US\$136 m) ▶ European Investment Bank (EIB): 750 MILLION (US\$931 m) from 1999 to 2003 |
| Finland | Information and communication technologies and the elements of information society policies are mainstreamed in | <p>Global level: WSIS, IFC, UNICT Task Force</p> <p>Regional level: UNECA's, and SADC's ICT activities and ITU's</p> | National level: usually integrated in other sectors, like education, governance, etc | Specific ICT projects and multilateral programmes approximately US\$ 5,7 Million in 2004 + integrated programmes. |

| Donor | Bilateral ICT-specific programmes | Contribution to international, multi-donor initiatives | Integration of ICT into development programmes | Scale of Funding |
|---------|--|---|---|---|
| | bilateral development co-operation in Finland. However, the theme is also identified as one of the focus areas in the Finnish development policy. | Asian ICT strategy study | | |
| France | <p>General Department for International Co-operation and Development:</p> <ul style="list-style-type: none"> ▶ ADEN Programme ▶ Local content support fund ▶ SIST Programme (Système d'Information Scientifique et Technique – Scientific and technical Information System) ▶ RESAFAD (Réseau Africain de Formation A Distance – African Distance Learning Network) ▶ FORCIIR (Formation continue d'information informatisées en réseau) <p>Agence Française de Développement (AfD) contributed more than € 416 million to ICT projects representing a total project cost of € 3 billion.</p> | <p>▶ Agence intergouvernementale de la francophonie</p> <ul style="list-style-type: none"> ▶ Agence Universitaire de la Francophonie (AUF) ▶ UNICT TF ▶ UNESCO Information for All programme ▶ WTC/UNCTAD e-commerce programme ▶ Africa Information Society Initiative (AIS) UNECA ▶ Project to support to the telecommunication sector in coordination with UNDP Afghanistan ▶ Organisation of Eastern Caribbean States (OECS) | <ul style="list-style-type: none"> ▶ MADSUP Programme ▶ COMETES Programme <p>AfD does not have a global image of the ICT component that is mainstreamed in other sectors</p> | <p>General Department for International Co-operation and Development (GDCID)'s global expenditures : approx. € 40 million (approx. US\$50 m) (2002 – 2005) excluding experts working on ICT projects in international Organisations and technical assistance in countries.</p> <p>AfD: more than € 416 million (US\$516 m) to ICT projects representing a total project cost of € 3 billion (US\$3.72 billion).</p> |
| Germany | ICT applications in a cross-sectional function are the predominant conceptual approach of German development co-operation. At present Germany supports such ICT applications in developing countries with an amount of approx. € 180 million. | The German Ministry for Economic Co-operation and Development (BMZ) is a founding member of the Development Gateway Foundation and has contributed € 5.4 million to its resources. Furthermore BMZ is a member of InfoDev with | The € 180 million mentioned in column 1 do not include the numerous projects of financial and technical co-operation of which ICT applications are a part without having been recorded separately. | The total amount Germany has made available since 1961 for ICT within its development co-operation adds up to approx. US\$ 1 billion. |

| Donor | Bilateral ICT-specific programmes | Contribution to international, multi-donor initiatives | Integration of ICT into development programmes | Scale of Funding |
|----------------|--|--|--|---|
| | <p>Today ICTs are used to support government or business modernisation programmes, or to foster projects e.g. in the fields of general or vocational education, health and society empowerment. Germany so far has abstained from the creation of specific bilateral financing mechanisms towards ICT for development.</p> | <p>annual contributions of € 0.5 million</p> | | |
| Greece | | | | <p>"HELLENIC AID" is currently processing detailed data of projects and programmes implemented in the year 2003, in order to report to the Creditor Reporting System (CRS) of the DAC.</p> |
| Ireland | <p>Delivery of support for ICT development should be in accordance with national and sectoral development priorities.</p> | <p>Member of the UN ICT Task Force</p> | <p>Most Irish Development Assistance is delivered through joint programme modalities. Funding for ICT constitutes a component of this and as such is not easily distinguishable or attributable to a single donor.</p> | |
| Italy | <ul style="list-style-type: none"> ▶ e-Government for Development Initiative ▶ e-Government in the South East Europe | <ul style="list-style-type: none"> ▶ UNDESA ▶ UNDP ▶ IDB ▶ Development Gateway Foundation | | <p>US\$16 million</p> |
| Japan | <p>The Comprehensive Co-operation Package for bridging the digital divide consists of non-ODA (Other Official Flows) and ODA public funding with a total of US\$ 15 billion over five years. The plan is implemented through existing co-operation</p> | <ul style="list-style-type: none"> ▶ UNDP ICT Trust Fund: US\$ 7 million ▶ ITU ▶ ADB ▶ InfoDev ▶ Development Gateway Foundation ▶ Global Development | | <p>Disbursement of the Comprehensive Cooperation Package (ODA + OOF):</p> <p>FY 2003 – \$1,163 million (ODA alone 352 million)</p> <p>FY 2002 – \$2,235 million (ODA alone 295 million)</p> |

| Donor | Bilateral ICT-specific programmes | Contribution to international, multi-donor initiatives | Integration of ICT into development programmes | Scale of Funding |
|--------------------|---|---|---|---|
| | <p>schemes by non-ODA and ODA public funding. No special framework will be set up for IT co-operation.</p> <p>JBIC in ODA loan operations has primarily focused on the telecommunications sector in support of building infrastructure for the more prevalent use of IT.</p> <p>The Comprehensive Co-operation Package is implemented through a number of programmes including (assistance provided to March 2004): Grant Aid for IT projects, Loan Aid for IT projects, and JICA-NET.</p> | <p>Learning Network (GDNL)</p> <ul style="list-style-type: none"> ▶ IDB ▶ EBRD ▶ APT ▶ Asia Broadband Program ▶ UNESCO | | <p>FY 2001 ODA alone – \$404 million; OOF Unknown</p> <p>N.B.: Japanese fiscal year starts 1 April and ends 31 March.</p> |
| Luxembourg | | <ul style="list-style-type: none"> ▶ <i>InfoDev</i>: US\$0.2 million ▶ Development Gateway Foundation: US\$1 million | | |
| Netherlands | <ul style="list-style-type: none"> ▶ DGIS's ICT strategy is implemented through partnerships (IICD and Hivos) ▶ Trust Fund | <ul style="list-style-type: none"> ▶ Development Gateway Foundation: €5.5 million in 2001 ▶ Netherlands Development Finance Company ▶ Building Communication Opportunities (BCO) | The mainstreamed part cannot be estimated. Projects planned and managed by embassies. | <p>US\$ 9 million in 2003 (not including 'mainstreamed' support to ICT)</p> <p>FMO's telecom contracts totalled some EUR. 160 million in 2003</p> |
| New Zealand | <ul style="list-style-type: none"> ▶ Education management information system and support to Pacific First Network ▶ Open learning initiative at Fiji School of Medicine ▶ Regional education support for ICTs through funding to | | | |

| Donor | Bilateral ICT-specific programmes | Contribution to international, multi-donor initiatives | Integration of ICT into development programmes | Scale of Funding |
|-----------------|---|---|--|---|
| | <p>Pacific Regional Initiatives for the Delivery of Basic Education (PRIDE)</p> <ul style="list-style-type: none"> ▶ Rural internet project, Solomon Islands ▶ Web-based discussion on peace and conflict issues ▶ Regional law and justice project at Emalus Campus (Vanuatu) on online law reporting | | | |
| Norway | | | | N/A |
| Portugal | <p>In the Information Society Action Plan, axis 3 – Ensuring a Universal Presence – the development of ICT co-operation is foreseen in a continuous way.</p> | <ul style="list-style-type: none"> ▶ @LIS – Alliance for the Information Society ▶ CYTED – Ibero-American Programme for Science and Technology for Development [http://www.cytel.org] ▶ Observatory for the Information Society in Portuguese-speaking countries (UNESCO) | <p>ICT activities must be integrated in planning and implementation of development projects.</p> | |
| Spain | <ul style="list-style-type: none"> ▶ CEDDET Foundation ▶ Ciberamerica ▶ Casa Asia Virtual ▶ CYTED Programme ▶ Regional Programme for Training in Economy and Agricultural and Rural Development Policies | <ul style="list-style-type: none"> ▶ Global Development Learning Network (GDLN) ▶ Food and Agriculture Organisation (FAO) ▶ Interamerican Commission on Human Rights of the Organization of American States (OEA) | <ul style="list-style-type: none"> ▶ Consulting, Technical Support and Creation of Co-operation networks for the Fishing Arrangement in the Occidental and Central Mediterranean Sea ▶ Programme on Teachers Distance Learning for Nature. | <p>Approx. US\$38 million for the 2002-2004 period.</p> |

| Donor | Bilateral ICT-specific programmes | Contribution to international, multi-donor initiatives | Integration of ICT into development programmes | Scale of Funding |
|-----------------------|--|---|--|--|
| Sweden | Sida support to explicit ICT projects was to the tune of 50 million SEK in the year 2000 which rose to 125 million SEK in 2003. (Approx. US\$17 million) | Bellanet, WSIS, UN-ICT TF, InfoDev, GKP and Eldis to the tune of 10 million SEK during 2004 (US\$1.37 million) | | Approx. US\$18 million in 2003 |
| Switzerland | <p>SDC set up an "ICT for Development" (ICT4D) Division which supports networks and organisations with a focus on:</p> <ul style="list-style-type: none"> ▶ strengthening the institutional and organisational basis for effective use of ICT ▶ strengthening the voice of developing countries and disadvantaged communities in the global policy dialogue ▶ empowering local networks and organisations and facilitating South-South co-operation through local knowledge and content | <ul style="list-style-type: none"> ▶ Building Communication Opportunities (BCO) ▶ Global Knowledge Partnership ▶ UN ICT Task Force ▶ UNESCO Community Multimedia Francophonie (ICT) ▶ Bellanet ▶ OneWorld International ▶ infoDev (seco) ▶ ITC – International Trade Centre's e-trade bridge programme (seco) | | <p>2003: CHF 9 mio (approx. US\$7 million) plus mainstreamed ICT components (programmes, projects, etc.)</p> <p>2004: CHF 7 mio (approx. US\$5.5 million) plus mainstreamed ICT components</p> |
| United Kingdom | <ul style="list-style-type: none"> ▶ CATIA ▶ Imfunido ▶ BCO ▶ ICD Seed Fund ▶ OKN | | ICT component cannot be identified | <ul style="list-style-type: none"> ▶ DFID: US\$83 million ▶ Commitments in joint efforts: approx. US\$65 million ▶ CDC: US\$200 million in 2003 |
| United States | USAID's primary investments in ICTs are made directly through its worldwide network of field missions. These investments are typically part and parcel of broader programmatic investments in such areas as health, | | According to a recent survey of current programmes, 95 percent of the more than 80 USAID Missions worldwide have one or more ICT activities in their portfolio – comprising 351 separate ICT for development activities worldwide. The total | Total estimated spending on these activities in FY 02-03 is about \$200 million in USAID funds and \$240 million in outside contributions (leveraged or matching resources). |

| Donor | Bilateral ICT-specific programmes | Contribution to international, multi-donor initiatives | Integration of ICT into development programmes | Scale of Funding |
|-------|--|--|--|------------------|
| | <p>democracy, agriculture, economic growth, and the environment. USAID in Washington plays a supporting role, offering technical advice and promoting ICT implementations in field programs.</p> | | <p>estimated spending on these activities in FY 02-03 is about \$200 million in USAID funds and \$240 million in outside contributions (leveraged or matching resources). About 30 percent of these activities focus on ICT as a sector and 70 percent on ICT as a development tool.</p> | |

Annex 3.1

Detailed Information: Donor ICTs for Development Programmes and Expenditures¹³

Australia (February 2003)

Scale: US\$121.3 million over 5 years (AUD 200 million to the Virtual Colombo Plan (VCP) over 5 years).

Canada

CIDA

Donor ICT Matrix February 2003: estimated at a minimum of US\$13.4 million (FY 2000–1).

Update August 2004: CIDA is in the process of updating its coding for ICT4D in order to derive better future information. Preliminary results from this coding exercise indicate that CIDA has integrated ICTs to various extents in approximately 20–25 % of its bilateral projects.

IDRC (Matrix February 2003)

Scale: (US)\$13.4 million per annum.

Industry Canada (Matrix February 2003)

Scale: The Canadian government is providing \$12 million (CDN) to launch Connectivity Africa to promote connectivity, increase access and support the creation of local content and applications in Africa. Connectivity Africa will be incubated at the International Development Research Centre (IDRC) for a period of three years (see the entry for IDRC). Linked to Connectivity Africa is another \$3 million (CDN) DOT Force initiative, the Open Knowledge Network (OKN), which is being developed under the chairmanship of OneWorld International, with initial support from the UK Government. Local content development is closely tied to human development, and the ultimately goal of the OKN is the empowerment of local communities. Enablis: initial \$10 Million (CDN) over five years contribution from the Government of Canada.

Denmark (October 2003)

Mainstreamed, not possible to designate an exact sum of the funds for ICT. In 2002, the Danish Development Assistance was 12.9 billion DDK (\$2,017 billion) (0.96% of GNP).

Example of the mainstreaming of ICT in Danish programme development activities:

- Support to the legal system in Uganda: Ggrant \$19 million
- Programme for good governance in Bhutan: grant \$6.7 million (first phase)
- Support to the media in Bhutan: Grant \$18.8 million
- Support to production of weekly television programme in Nicaragua: Grant \$572,000 (1999–2001)
- Sector programme support to infrastructure in Nicaragua: grant \$99.9 million
- Education and information project in Nepal: grant \$494,000 (2000–6)
- Support to the start-up of the Danish IT company Metrocomia in Uganda through the Private Sector Development (PSD) programme: grant \$467,000

¹³ Source: OECD/DAC (2004), "ICTs for Development: Financing Activities of DAC Members" [DCD(2004)20], November 2004.

The consultation report from DFID entitled *ICT for Development in the Danish MFA* identifies the following option as an effective way to take forward the ICT for poverty reduction agenda: benchmarking and policy review of the potential offered by multilateral and international financial institutions supported by the Ministry, based on its own priorities emerging from the discussion following the consultation report from the DFID, to establish how best results can be gained from funding to this sector.

The potential outlined in the report will be difficult to achieve without the introduction of additional funds.

European Commission¹⁴

Scale:

ICT-specific programmes:

- ASI@ITC €30 million
- EUMEDIS €65 million – start date 1999 – duration: eight years + New Approaches Regarding Telecommunications Policy Among Mediterranean Partners (NATP) €2.15 million – Start date 1999 – Duration: 3 years.
- @LIS Latin America €63.5 million
- African-Caribbean-Pacific €90 million (earmarked).

Mainstreamed financing scheme: for the time being ICT components, within a mainstreamed financing scheme, are most frequently found in education and, in a second position, health projects aimed at poverty reduction. For the Africa, Caribbean and Pacific (ACP) area, most of the ICT projects funded are on telecommunications regulation. The EC does not have yet a complete inventory of projects with an ICT component.

EC's contributions to UN organisations and International Financial Organisations:

- 2001: €1.9 million
- 2002: €3.5 million
- 2004: €1.9 million

European Development Fund (EDF):

The European Development Funds during the last 10 years: During the past EDFs, the contribution to the ICT sector in the Africa, Caribbean and Pacific (ACP) countries has been limited. This funding either came from National Indicative Programmes (€80.3 million), Regional Indicative programmes (€29.3 million) or the All ACP programme (559k€). This leads to a total of €110.3 million.

Grants to the telecom sector, which used to be a practice until a few years ago are now excluded in order to avoid distortion of the market.

The National Indicative Programmes (NIPs) in the 9th EDF: Only few countries have mentioned ICT as a pillar for the national development: Jamaica, Grenada, St.Kitts and Nevis and Papua New Guinea. Papua New Guinea has also mentioned ICTs for the educational sector.

The Regional Indicative Programmes (RIPs) in the ninth EDF: most Regional Indicative Programmes contain an ICT element:

- The SADC has planned a Knowledge-economy based programme of €17 million.

¹⁴ Source of information: Matrix October 2003, Meeting 3 September with Harry De-Backer, Email exchange with Jose Soler, Development DG.

- The COMESA has earmarked €23 million for a COMESA-wide e-commerce project.
- In the Pacific region an €8 million Basic Education programme that contains a large e-learning component, has been million approved.
- The Caribbean has allocated €3 million for participation in the @LIS programme.
- Under the focal sector infrastructure, CEMAC foresees the necessary regulatory actions to liberalise the telecom sector, as well as other activities in the capacity building for ICTs.
- Under the auspices of the ECOWAS/UEMOA the liberalisation of the telecom sector has started with the creation of the WATRA. Further activities are planned.
- The Commission of the Indian Ocean is working on a €10 million project which includes a substantial ICT component.

The Intra-ACP part of the ninth EDF: further to a request by the ACP Committee of Ambassadors, the Worldbank has been contracted to design a @CP-ICT programme that should aim at pump-priming activities in the ICT sector so that the results of this programme trickles down in the NIPs and the RIPs of the ACP countries and regions. Moreover, the programme should aim at mainstreaming ICTs in the more traditional sectors of development aid.

Additional support programmes:

- The EU mainly works on the basis of bilateral co-operation strategies for which overall budgets are assigned as subsidies. Support to ICT policy development and technical assistance to regulation, for example, are activities normally funded through subsidies
- Policy-based support and technical assistance on regulation: key component of ASI@ITC, ALIS and NATP
- Guarantee facilities for private investments in ICTs: matter is under discussion

The *Communication from the Commission to the Council and the European Parliament* reports that the World Bank has estimated that some € 350 billion would be needed to upgrade the telecom infrastructure in developing countries and emerging countries. It is obvious that governments of developing countries will not be able to pay this bill. It is hence for the private sector and the market to deliver the goods. As yet the involvement of the private sector is limited. At first sight one may think that this is a logical consequence of the fact that there is no prosperous consumer market to sell to. However, experience in countries like Uganda has demonstrated that telecom demands are highly price-elastic and that usage levels of mobile phone amongst all sections of the population, including the poor, increase very rapidly, once prices are brought down.

European Investment Bank (EIB) has lent support to a number of telecommunication projects in developing countries (750 million from 1999 to 2003). EIB has also supported SME-projects investing in the adoption of computer technologies or providing of ICT services.

In the course of the current year the European Investment Bank has granted loans in the telecommunication sector amounting to €314,984,563. (€9,270,314,434 for the past 5 years).¹⁵

¹⁵ List of loans: <http://www.eib.org/projects/loans/sectors/list.asp?id=6>

Finland (Update August 2004)

Scale: Specific ICT projects and multilateral programmes approximately \$ 5.7 million in 2004 + integrated programmes.

ICT-related development financing is directed at three levels: global policy level (e.g. WSIS, IFC, UN ICT Task Force), global and regional implementation (e.g. multilateral bodies like InfoDev and support to UNECA's, and SADC's ICT activities and ITU's Asian ICT strategy study) and national level (usually integrated in other sectors, like education, governance, etc.).

Information and communication technologies and the elements of information society policies are mainstreamed in bilateral development co-operation in Finland. However, the theme is also identified as one of the focus areas in the Finnish development policy. According to the policy, the focus is on a people-centered, inclusive and development-oriented information society that is based on human rights and the freedom of speech. Access to information and learning is a fundamental human right. Therefore information and communication infrastructure and services must be made available to everybody and the access to information for all must be improved.

The Ministry for Foreign Affairs is the main actor involved but partnerships between e.g. research institutions and other ministries (communication, education etc.) are also promoted.

France (August 2004)¹⁶**Financing:**

The ICT-for-development strategy of General Department for International Co-operation and Development (GDCID) comprises two main axes and a participation in multilateral ICT4D programmes:

Part 1: Axis 1 – Assisting developing countries to integrate in the Information Society**I. Improving access to ICTs****Action 1: Development of Public Internet Access Point*****Creating a network of community Internet access points: the ADEN programme***¹⁷

Amount: €6 million (2004–6).

Target countries: Priority Solidarity Zone (PSZ).

- To create and develop community Internet access points in English, French and Portuguese-speaking Sub-saharan Africa
- Training of network administrators, managers and telecentre intermediaries
- Creation of a website on public access in Africa

Colombbus Project¹⁸ (€80,000)

- Installation of eight access points for disadvantaged communities in Caracas.
- Train the ICT trainers programme.

¹⁶ Sources: update to the Matrix provided by Ms. B. Pluchon, Ministry of Foreign Affairs and meeting with Mr. J. Adam, AfD.

¹⁷ www.africaden.net

¹⁸ www.colombbus.org

Action 2: Support for the establishment of Internet Exchange Points in Sub-Saharan Africa

No amount provided.

Action 3: Foster Interconnection of Universities

Projects for interconnecting research networks in co-operation with RENATER (French Research Network)

No amount provided.

MADSUP Programme (support for higher-education institutions, setting-up of an extranet between Madagascar's six universities)

€340,000 for the ICT component (2002–5).

COMETES Programme (Coordination and Modernising of Technological Higher-education Institutions in Cameroon)

€700,000 for the ICT component (2000–5).

II. Increasing ICT skills

Train the trainers.

Participation in the AFNIC (Association française de nommage Internet en coopération) International College's FFTI Project (€80,000)¹⁹

- Introduction to network management
- Advanced training (network engineers)

Participation in the Africa Computing association (no amount provided)²⁰

- Training in server administration (Internet/Intranet) under Linux
- Training in Website creation/maintenance

III. Promotion of local contents and applications in service to development

Networking of Caribbean cultural institutions (€300,000 for 2002–5)

- Creation of a portal to promote Caribbean culture
- Supporting the process of regional integration by connecting more than forty local cultural organisations

Local content support fund (€1 million)

- Support to the production of Internet content and ICTs applications for development
- Promotion of linguistic diversity on the web (African content in English, French, Portuguese and African languages)

¹⁹ www.nic.fr

²⁰ www.africacomputing.org

Francophone Information Highway Fund²¹ (FFI) (€1 million/year)

- Support to multilateral French content production initiatives

IV. Support for the implementation of a legal framework, development of national and regional strategies, and the creation of panafrican Internet governance structures

- Support to the UNECA AISI programme (no amount provided)
- Support to AfricNIC (African Network Information Centre) (€70,000)

Part 2: Axis 2 – Using ICT to strengthen development strategies**Action 1. Promoting African scientific research via ICT**SIST Programme (Système d'Information Scientifique et Technique – Scientific and technical Information System) (€3 million)²²

- To promote the integration of African research in the international scientific networks.
- To develop tools for sharing scientific and technological information.
- To encourage African production of scientific and technological data.

Action 2. Education/continuing educationRESAFAD (Réseau Africain de Formation A Distance – African Distance Learning Network) (€3 million)²³

- To foster the use of ICTs in the education systems of ten French-speaking African countries.
- Distance learning for ICT trainers.
- Support for pilot projects involving the states and civil society.

FORCIIR (Formation continue d'information informatisées en réseau)²⁴

No amount provided

- Training of librarians and journalists in French-speaking Africa
- Distance learning for librarians organized by the Universities of Dakar, Yaoundé, Tananarive and Rabat

Action 3. Good governance and economic growthIZF (Investir en Zone Franc – Investing in the Franc area) (€800,000 for the ICT component)²⁵

- Creation of a financial information website for investors interested in the CFA Franc area
- Creation of an African association responsible for running the project
- To support sub-regional economic integration (WAEMU, CEMAC)

²¹ www.francophonie.org/fonds

²² www.sist-sciencesdev.net

²³ www.edusud.org

²⁴ www.ebad.ucad.sn/forciir

²⁵ www.izf.net

USAGE Project to support electronic administration development for egovernance in Senegal (€800,000 for 2003–6)

- Assisting to modernise the Senegalese administration
- Creation of a portal to ease administrative procedures

Action 4. Health

Telemedecine in the Colombian Amazon (no amount provided)

- Tele-expertise (satellite data transmissions, diagnostic aid, etc.)
- Creation of databases on public health policies in Amazonian countries
- Distance learning

Action 5. Sustainable development and rural development

REDEV, AGRIDOC, INTER-DEV (no amount provided)²⁶

- Creation of reference websites for rural and agricultural project managers
- Setting-up of best practice and information-sharing networks

FORINFO Programme (Formation et recherché pour l'appui au développement durable du secteur « forêt-environnement » en Afrique centrale) (€454,600 for the ICT component, 2002–6)

- Creation of ICT centres to access and share information and knowledge on forest and environment

Part 3 : Multilateral Programmes

Agence intergouvernementale de la francophonie (approx. €3 million in 2004 on ICT + 1 million for Francophone Information Highway Fund (FFI) (see above)

Agence Universitaire de la Francophonie (AUF) (approx. €6.8 million in 2004)

- Promote and support university co-operation²⁷

UN ICT Task Force²⁸ (€60,000)

UNESCO Information for All programme²⁹ (€60,000)

WTC/UNCTAD e-commerce programme³⁰

Africa Information Society Initiative (AISI) UNECA³¹

Project to support to the telecommunication sector in coordination with UNDP Afghanistan

Organisation of Eastern Caribbean States (OECS)³²

²⁶ www.redev.info; www.agridoc.com; www.interdev-net.org

²⁷ <http://universites.francophonie.org>

²⁸ www.unicttaskforce.org

²⁹ www.unesco.org/webworld/ifap

³⁰ www.intracen.org

³¹ www.uneca.org/aisi

Global expenditures : approx. €40 million (2002–5) excluding experts working on ICT projects in international organisations and technical assistance in countries.

Agence Française de Développement³³

From 1990 to 2003, the group *Agence Française de Développement* (AfD) contributed more than €416 million to ICT projects representing a total project cost of €3 billion. The bulk of the projects is located in Africa. The *Société de Promotion et de Participation pour la Coopération Economique (Proparco)*, a subsidiary of the AfD, has a current exposure of €70 million while its total contribution since 1997 amounts to €122 millions (included in the above-mentioned €416 million).

AfD supported telecommunication projects from the early 1970s until the mid-1990s where it decided to suspend financing this sector with the exception of rural projects. Since 2003, the agency is in the process of reviewing its strategy in infrastructure development and the use of ICTs in other sectors such as health, education, and support and modernising of the private sector. The new strategy is expected for end of September 2004. Proparco's support to the telecommunication sector has never been affected.

AfD does not have a global image of the ICT component that is mainstreamed in other sectors.

Germany (October 2003)

Financing: ICT applications as a cross-sectoral function are the predominant conceptual approach of German development co-operation. At present Germany supports such ICT applications in developing countries with an amount of approx. €180 million. This sum does not include the numerous projects of financial and technical co-operation of which ICT applications are a part without having been recorded separately.

The total amount Germany has made available since 1961 for ICT within its development co-operation adds up to approx. \$1 billion.

Today ICTs are used to support government or business modernisation programmes, or to foster projects (e.g.) in the fields of general or vocational education, health and society empowerment. Reliance on ICTs is frequently combined with other instruments, with ICTs typically having the purpose of making programmes more efficient and cost-effective and securing their sustainability in an effective way. In addition to the focus that has emerged on the cross-cutting function of ICTs, German development co-operation continues to support individual programs to improve access to ICT services.

The following examples give a review on German projects in support of ICTs with impacts to achieve different MDGs in developing countries:

Health and family planning sector programme, Vietnam (Financial Co-operation)

The overall goal of the programme is to help reduce fertility rates and abortion rates in Vietnam by means of increased use of contraceptives. The programme comprises, among other things, the establishment of a computer-based logistical management system to improve stock-keeping, order-processing, and the distribution and monitoring of drug flows. This system will cover both the central warehouses and the nationwide field offices.

³² www.oecs.org

³³ Source: Meeting with Mr. Jérôme Adam, Conseiller du Directeur General, Agence Française de Développement, 23 July 2004.

African Drive Project (Technical Co-operation)

This Public-Private Partnership (PPP) project has the purpose of improving training for primary and secondary school teachers by means of targeted in-service training programmes for strategically important subjects such as mathematics, science, technology, business administration, as well as HIV/AIDS prevention, relying on ICT-assisted learning processes. A pilot phase in South Africa's Northwest Province forms the basis for the envisaged dissemination of the programme beyond South Africa and SADC.

In the fields of Human Resource Co-operation Germany supports several internet-based programmes, for instance

- **Global Campus 21**, an internet-based platform for learning, training and co-operation. It is an e-learning management system that serves as a basis for all basic and advanced training activities of German development agencies.
- **SANTREN** (Southern African Network for Training and Research on the Environment) comprises some 30 educational and research institutions with 500 experts in the SADC region. Its objective is to bring together individuals, universities, enterprises, and other institutions by means of ICTs and e-learning in a financially sustainable programme of environmental research and training.

Within its bilateral development co-operation the German Government provides promotional loans or grants in the framework of Financial Co-operation between Germany and developing countries. Germany's involvement in promoting ICT for development already started in 1961 when it supported Pakistan's telecommunications system. Since then Germany has supported a number of ICT projects focussing on the provision of infrastructure and the use of modern ICT systems and applications. Up to now the German government has financed more than 150 projects in the area of telecommunication and radio communication mainly in Africa, Asia and Central America. Examples include public broadcasting (Mali, Rwanda, Niger, Indonesia, Burkina Faso), provision of public switching and transmission networks as basic ICT infrastructure (Egypt, Afghanistan, Cambodia, China, Lesotho, El Salvador, Nicaragua) and rural telephony (Lao, Namibia, Zimbabwe, Mongolia).

However, the strategic thrust of support to the ICT sector in developing countries has changed over the past few years. While the focus used to be on programmes for the improvement of telecommunications infrastructure, now ICTs are used in all focal areas of German development co-operation as an enabler to reach overarching development goals.

Support programmes such as policy-based support and technical assistance on regulation, privatisation, competition, instruments that encourage private-sector investment, provide guarantee facilities for private investments in ICTs, smart subsidies where the market will not reach the appropriate degree of universal access are in general part of the German policy dialogue on development co-operation with its partner countries. As the case arises in this framework also the relevance of ICT related aspects, e.g., the importance of telecommunication networks for attracting foreign direct investment, will be debated.

While there is a clear focus on the cross-cutting function of ICT, German development co-operation continues to support individual programmes to improve access to ICT services. A special emphasis is put on rural areas where market failure impedes a rapid improvement in connectivity.

The German Ministry for Economic Co-operation and Development (BMZ) is a founding member of the Development Gateway Foundation and has contributed €5.4 million to its resources. Furthermore BMZ is a member of InfoDev with annual contributions of €0.5 million.

With its contributions to multilateral organisations, in particular the World Bank Group, Regional Development Banks and EU Germany supports their projects and programmes in the field of ICT and development. Furthermore the German Government plays an active part in the international discussion on ICT related issues such as Internet Governance. Therefore Germany so far has abstained from the creation of specific bilateral financing mechanisms towards ICT for development.

Greece (October 2003)

Scale: Total amount: \$4 million.

“Hellenic Aid” is currently processing detailed data of projects and programmes implemented in the year 2003, in order to report to the Creditor Reporting System (CRS) of the DAC. Consequently, “ICT for Development” data for 2003 will be available by this coming October (Source: Message received from Minister Counsellor, dated 1 September).

Ireland (February 2003)

Scale: Most Irish development assistance is delivered through joint programme modalities. Funding for ICT constitutes a component of this and as such is not easily distinguishable or attributable to a single donor.

Italy (February 2003)

Scale: Total amount: \$16 million

Japan (Update September 2004)

See Chapter IV.

Luxembourg (February 2003)

Financing: \$0.2 million (*infoDev*), \$1 million (Development Gateway Foundation)

Netherlands (October 2003)

Scale: \$ 9 million in 2003 (not including “mainstreamed” support to ICT)
€11.5 million to IICD (1996–2001) + €21.5 million for (2002–6)

In 2001, a €5.5 million grant from the Netherlands for a three-year period enabled Mali to become one of the founding members of the Development Gateway Foundation.

The development of expertise and technological innovation in developing countries cannot be left to the market alone. It is up to the government and NGOs to ensure that the poor can also benefit from ICT wherever possible. This can be done by formulating policies with stakeholders that specifically focus on the interests of the poor, by encouraging network operators to channel some of their investments towards less commercially attractive regions, by encouraging and co-financing ICT applications that will directly benefit the poor, such as information points in local community centres, and by investing in ICT applications in the public sector, for example in education and health care.

During the round table conferences organised by the International Institute for Communication and Development (IICD), various stakeholders in the countries concerned – the government, enterprises and NGOs – formulate a shared policy outlook and programme of activities. Financial support for these activities is generally sought in the countries themselves and from other donor funds, to promote ownership and avoid over-dependence on a single donor. IICD does however occasionally provide targeted grants to help launch specific activities.

As a Dutch co-financing organisation, the Humanist Institute for Co-operation with Developing Countries (Hivos) receives the bulk of its funding from the development co-

operation budget. In the past, five percent of Hivos' budget was allocated to a special action programme on ICT. In 2003, almost 9% of Hivos' budget was spent on ICT-related activities. Total Hivos spending was €67 million, some 9% of which went to ICT-related activities. "ICT-related" means that the activities are a "mainstreamed" part of Hivos-funded programmes in sectors like sustainable development, microfinance, human rights, gender, etc., and only for a small part devoted to specific ICT instruments and programmes.³⁴

The mainstreamed part cannot even be estimated for two main reasons: the ICT component cannot be separated and co-operation programmes are highly decentralised with the Royal Netherlands Embassies playing the leading role. Embassies do not report back on the practical implementing procedures and the various tools (including ICT) used to achieve the projects' objectives (Discussion with Henk Molenaar, Senior Policy Advisor, 1 September 2004).

The Netherlands has set up a Trust Fund at the World Bank dedicated to ICT (operational from July 2003 to July 2006). The Netherlands has provided €1 million for the three years. It is a dedicated TF for ICT studies/consultancies/advice. It is not restricted in regions or subjects. The money is partly dedicated to Dutch companies, but is partly also open to companies from other countries. A number of projects have already been completed or are underway: e.g., rural broadband in Chili and postal telecentres study.³⁵

FMO, the Netherlands Development Finance Company, was established in 1970 as a collective undertaking of the Dutch state and business community. Both held 50% of the shares. Since the early 1990s, FMO has been active in the telecom market in roughly 20 different countries and works closely with local partners. Through its experience, FMO has extensive knowledge of the market at its disposal. FMO's current telecom portfolio contains approximately 20 investments in 18 different companies. The majority of the funding consists of loans to mobile telecom providers. Alongside this FMO does business with providers of fixed line telephony as well as cable companies. In the autumn of 2003, FMO's telecom contracts totalled some €160 million. In general the duration of FMO's telecom project is less than 8 years.³⁶

Norway (February 2003)

Project between University Grant Commission and Norwegian Partner ErgoNet to implement NORAD sponsored ICT project worth of \$1.1 million, Sri Lanka.

Spain (October 2003)

Scale: Approx. \$38 million for 2002–4.

Sweden³⁷

Sida support to explicit ICT projects was to the tune of 50 million SEK in the year 2000 which rose to 125 million SEK (approx. US\$17 million) in 2003. The countries supported include: Tanzania, Mozambique, Ethiopia, Rwanda, Namibia, Burkina Faso, Uganda, Sri Lanka, Vietnam, Laos, Bolivia and Nicaragua. In the pipeline for support are Kenya and Honduras.

Sida's most illustrative and successful project include computerization of whole universities in most of the above-mentioned countries, installation of Internet Exchanges in Bolivia, Nicaragua, Rwanda, Mozambique and Laos as well as SchoolNet Namibia. The projects in universities can also be counted as examples of mainstreaming project in the field of Research and Higher Education.

³⁴ Contact: Loe Schout l.schout@hivos.nl

³⁵ Contact: Mr. Wim Rullens, W.M.Rullens@minez.nl

³⁶ <http://www.fmo.nl/en/sectors/telecom.php>

³⁷ Source: Update September 2004 + Strategy papers available on the Matrix CD-Rom.

Sida has provided support to Sri Lanka, Rwanda, Mozambique and Tanzania to develop ICT Policy and/or creation of ICT Regulatory bodies.

Sida also supported Bellanet, WSIS, UN-ICT TF, InfoDev, GKP and Eldis to the tune of 10 million SEK (approx. US\$1.3 million) during 2004.

Sida has over the years developed a specific financing mechanism called Guarantco though it has not yet been applied in any ICT project specifically.

GuarantCo is a financial entity developed to facilitate the provision of infrastructure and infrastructure services through sub-sovereign financing without the necessity of sovereign guarantee.³⁸ (See also Annex 4).

Strategy papers

In recent years, Sida and other donors have cut back their activities in the telecommunications field. Sida finances but does not work pro-actively with telecommunications.

Special funds to stimulate innovative activities are needed for several years to come in order to speed up the integration of ICTs. In addition, special funds are also required to develop Sida's capacity to handle ICTs for development, to develop general aspects on the use of ICTs in development co-operation and to develop ICTD as a strategic area for Swedish development co-operation.

Sida's effort in linking Universities through ICTs

In order to make the investment sustainable, there is a need to develop a long-term financing model for ICT at the universities. But who will pay? Sustainability requires income generation and universities can actually also make money so co-operation with the private sector is of vital importance.

Switzerland

(Source: SDC figures update July 2004, questionnaire filled by SECO)

Swiss Agency for Development and Co-operation (SDC)

2003: CHF 9 million (approx. \$7 million) plus mainstreamed ICT components (programmes, projects, etc.)

2004: CHF 7 million (approx. \$5.5 million) plus mainstreamed ICT components

State Secretariat for Economic Affairs (SECO)

SECO's ICT activities are being implemented either bilaterally or through international organisations:

1. Participation in multi-donor Programmes:
 - *infoDev*
 - ITC – International Trade Centre's e-trade bridge programme
2. Financial participation in Swiss and international risk capital funds with activities in ICT.
3. Financing information and matchmaking activities of SOFI, the Swiss Organisation for Facilitating Investments, in favour of SMEs.

38

United Kingdom (Update September 2004)

DFID has allocated a total of approximately £40 million (approx. \$72 million) to a number of ICTD programmes and projects. The main programmes include: Catalysing Access to ICTs in Africa (CATIA) a £9 million, three-year programme of DFID carried out in close collaboration with other donors and players (started in November 2003); Imfundo Partnerships for IT & Education, a £7 million programme over five years (18 months left); the multi-donor Building Digital Opportunities (BDO) ended in April 2004 and succeeded by the Building Communications Opportunities (BCO) Alliance (£8 million, 2004–7); ICD Seed Fund (£3 million); the Open Knowledge Network (OKN), a £1.5 million programme over three years (started in November 2003). In addition to these projects and programmes already in contract, DFID has firmly committed another £6 million on different programmes/projects.

Infrastructure development

The private sector plays a crucial role in this area through direct investment, innovation and rolling out the information infrastructure. Private-sector investment exceeds ODA by many times. But the policy environment in developing countries has to be right if the private sector is to be persuaded to invest. CATIA, Imfundo and OKN are good examples of our working in close partnership with the private sector ranging from small African Internet service providers through to major phone and satellite companies. DFID is a major supporter of the multi-donor **Public Private Infrastructure Advisory Facility (PPIAF)**, which advises developing country governments on improving the enabling environment (policies, laws, regulations and institutions) for private sector participation in infrastructure including telecommunications (which accounts for about 11% of PPIAF's expenditure). (See Annex 4 for more information).

The **Emerging Africa Infrastructure Fund** – which is financed by private banks, DFIs and donors including DFID – has funded Celtel International, one of Africa's principal regional mobile phone operators.³⁹ DFID contributes to the Global Programme for Output Based Aid (GPOBA) which supports performance-based approaches to public funding delivery of basic services to the poor. Recent activities include telecommunications in Bolivia and Guatemala. (See Annex 4 for more information).

The **Commonwealth Development Corporation (CDC)**, which is 100% owned by the DFID, is a significant investor in technology companies in developing countries, providing capital on a commercial basis in countries where firms typically have difficulty accessing finance. In 2003, CDC investments in the telecommunications, media and technology (TMT) sector accounted to some £111m (approx. \$200m), about 10% of the total CDC portfolio. Significant investments include Celtel, Africa's second-largest mobile-telephone operator, in which CDC has been investing since 1998, and Digicel, an El Salvador-based operator which works throughout Central America. In 1999, CDC together with IFC and the Asian Development Bank signed a financing package agreement of \$55 million with GrameenPhone in Bangladesh (See DAC Network on Poverty Reduction document, *GrameenPhone Revisited: Investors Reaching Out to the Poor*).

For more information on DFID's financing of ICD projects and initiatives see the Joint Efforts section below.

United States⁴⁰

See Chapter IV.

³⁹ <http://www.emergingafriafund.com/stake.htm>

⁴⁰ Sources: Matrix October 2003 and USAID ICT Report, May 2004.

Ongoing Joint Efforts

Public Private Infrastructure Advisory Facility (PPIAF)

PPIAF and its related activities are described in detail in Annex 4.

Other Joint Initiatives

The following list of examples is not a comprehensive record of all joint efforts.

Global Partnership of Output Based Aid (GPOBA)⁴¹

If the poor are to receive infrastructure services, and service providers are to receive economic rates for the service provided, it will often be appropriate for services to be subsidised, at least in the early years. Such subsidies should be open and accountable. There are many advantages in providing such subsidies at the point of delivery, rather than as a subsidy at the supply end. To address these issues the World Bank, with DFID support, is implementing a programme to develop, demonstrate and disseminate output-based approaches to supporting the sustainable delivery of basic infrastructure services (including telecommunications). In order to facilitate the scaling-up of the approaches developed, the GPOBA has recently been expanded to include a “Challenge Fund” which is open to bids from organisations wishing to apply the approaches developed to specific subsidy programmes.⁴²

Building Communications Opportunities (BCO) Alliance

See page 41.

⁴¹ Source: Extracts from Public Private Partnership in Infrastructure, A Brief Overview of DFID Programmes of Support, October 2004.

⁴² See www.gpoba.org

Annex 3.2
Detailed information on donor ICTs for development programmes
and expenditures
-- France --

| Donneur | Guiding Principles / Objectives | Programmes | Application Areas | Target Regions | Funding Volume |
|--|--|---|---------------------------------------|--|---|
| Ministère des Affaires Etrangères (France) – Direction Générale de la Coopération Internationale et du Développement DATC/T | Provide access to as many users as possible Decrease individual access cost Local content development Training | ADEN (Appui au Désenclavement Numérique) – Supporting Digital Inclusion | Transversal ONG, Local communities | Priority Solidarity Zone (PSZ) countries Sub-Saharan Africa | 6 M Euros (2004-2006) |
| Ministère des Affaires Etrangères (France) – Direction Générale de la Coopération Internationale et du Développement DCT | Support economic integration Creation of a financial information website for investors interested in the CFA Franc area | IZF (Investir en zone franc) – Investing in the Franc area | Economci development | Franc area | 800 000 Euros (ICT component) |
| Ministère des Affaires Etrangères (France) – Service de Coopération et d'Action Culturelle (SCAC) Ambassade de France à Dakar, Sénégal. | Integrating ICT in administration Local applications development to serve local users | USAGE (Usagers de l'Administration sénégalaise : Guide électronique des services) | Good governance | Senegal | 800 000 Euros (2003-2006) |
| Ministère des Affaires Etrangères (France) – Service de Coopération et d'Action Culturelle (SCAC) Ambassade de France à Castrie, St Lucie | Promoting Caribbean culture Supporting regional integration | Networking of the Caribbean cultural institutions | Cultural diversity promotion | Southern Caribbean | 300 000 Euros (2002-2005) |
| Ministère des Affaires Etrangères (France) – Service de Coopération et d'Action Culturelle (SCAC) Ambassade de France à Yaoundé, Cameroun | Coordination and Modernising of Technological Higher-education Institutions | COMETES (Coordination et Modernisation des Etablissements Supérieurs au Cameroun) | Education | Cameroon | 2 M Euros (2002-2005) incl. 700 000 Euros for ICT |
| Ministère des Affaires Etrangères (France) – Service de Coopération et d'Action Culturelle (SCAC) Ambassade de France à Antananarivo, Madagascar | support for higher-education institutions, setting-up of an extranet between Madagascar's six universities | MADSUP (Appui aux Formations d'Enseignements Supérieurs à Madagascar) | - Higher-education - Research | Madagascar | 1 M Euros (2002-2005) incl. 340 000 Euros for ICT |
| Ministère des Affaires Etrangère (France)- Direction Générale de la Coopération Internationale et du Développement DCSUR | - Research and Information-sharing - Access to knowledge - Public Access | FORINFO (Formation et Recherche pour l'appui au développement durable du secteur « forêt-environnement » en Afrique centrale | - Research - Environment | Central Africa | 1 M 650 000 Euros (2002-2006) incl. 454 600 Euros for ICT |
| Ministère des Affaires Etrangères (France) – Direction Générale de la Coopération Internationale et du Développement DCSUR/RTV | Promote the integration of African research in the international scientific networks | SIST Mise en place d'un système d'information scientifique et technique – Scientific and Technical Information System | - Higher-Education - Research | PSZ countries | 3.M Euros |

Annex 4

Multi-Donor Initiatives: The Public Private Infrastructure Advisory Facility (PPIAF)⁴³

The **Public Private Infrastructure Advisory Facility (PPIAF)** is a multi-donor facility that works with developing country governments at central and municipal levels to improve the enabling environment for private sector involvement in infrastructure services. PPIAF currently has 14 contributing donors and undertakes a broad range of activities, including the development of legislation and regulatory systems, sector reform strategies, the training of regulators and assistance with facilitating transactions. The telecommunications sector accounts for about 11% of PPIAF's expenditure.

In 2002, DFID (United Kingdom), SECO (Switzerland), Sida (Sweden) and DGIS (The Netherlands) formed the **Private Infrastructure Development Group (PIDG)** with the aim of mobilising private investment in infrastructure for growth and the elimination of poverty. The World Bank has also subsequently joined the PIDG. The first project to be funded through the PIDG Trust was the EAIF, and GuarantCo, DevCo Advisory and InfraCo have since been launched, other facilities are planned.

The \$305 million **Emerging Africa Infrastructure Fund (EAIF)** was launched as the first PIDG initiative in 2002. EAIF provides long-term debt finance to pro-poor private sector funded infrastructure service projects in Sub-Saharan Africa through supporting commercially viable and developmentally sound private sector infrastructure ventures in the electricity, telecommunications, transportation and water sectors. DFID, Sida, DGIS, The Netherlands and SECO have jointly committed \$100 million, through the PIDG Trust, to the Fund as equity. The balance of the Fund's capital comprises \$85 million of subordinated debt from development finance institutions (FMO of the Netherlands, Development Bank of Southern Africa and DEG of Germany) and \$120 million of senior debt from commercial banks (Barclays Bank plc and the Standard Bank Group). EAIF has funded Celtel International, one of Africa's principal regional mobile phone operators

High up-front transaction costs, risk and poor information, are critical factors in deterring the private sector from investing in working up prospective infrastructure projects in developing countries in the manner undertaken by commercial companies in OECD countries. As a result, there is a paucity of infrastructure projects structured in a way attractive to private sector involvement. To address this in 2003, the PIDG augmented an existing project development facility operated by the World Bank Group's International Finance Corporation (IFC) to give more emphasis to the development of projects for private-sector investment in the poorer developing countries. The resulting facility has been given the name of **DevCo**. DFID committed £6.8 million over four years to launch the facility, the IFC are providing a contribution of \$0.25 million per year, and DGIS have recently allocated \$1.0 million for 2004–5.

DevCo Advisory will support the development of transactions in the poorer developing countries that bring the private sector into the provision of all types of economic infrastructure that underpin poverty reduction. This will include energy, flood protection and drainage,

⁴³ Source: Public Private Partnerships in Infrastructure, A Brief Overview of DFID Programmes of Support, DFID, October 2004.

irrigation, information and communications technologies, transport, water and sanitation and the infrastructure required for urban regeneration, including shelters.

Although DevCo can help government structure infrastructure services to be more conducive to private-sector investment and assist in attracting investors, it cannot replace the private sector developer who takes on the entrepreneurial risk of developing a project and then selling this on the market to an implementation company. Such private-sector developers have, however, all but disappeared from developing-country markets in recent years. In order to give a lead to reintroducing this entrepreneurial approach to encouraging increased investment in infrastructure, in late 2004 the PIDG launched its own **Infrastructure Development Company (InfraCo)** with a mandate to initially pilot project development in two countries in Africa and two countries in Asia. In order to help establish this company, DFID has allocated \$10 million through PIDG as an equity contribution. InfraCo was only established as an entity in August and is yet to become involved in any projects.

Lack of long-term debt finance is a major constraint to infrastructure development. The EAIF addresses this need for large, primarily hard-currency-funded, infrastructure projects. However, many infrastructure projects, particularly at the sub-sovereign level, derive most of their revenues in local currency, making hard-currency debt-funding inappropriate. In 2004 the PIDG launched **GuarantCo**, which is designed to mitigate risks for local-currency financing of infrastructure. DFID and Sida have each given an in principle commitment of USD25 million to GuarantCo, and other members of the PIDG are expected to provide co-funding. DFID is in discussion with a number of Development Finance Institutions – who are also exploring the provision of local currency guarantees – with a view to co-ordinating and possibly merging approaches.

In 2003 the PIDG, with funding support from the World Bank, established the **Technical Assistance Facility (TAF)** to assist in the building of local capacity and capability associated with private sector investment in infrastructure. Assistance is provided to both the public and private sectors in support of the planning and implementation of projects and programmes of any of the facilities or funds undertaken under the PIDG umbrella on a “challenge fund” basis.

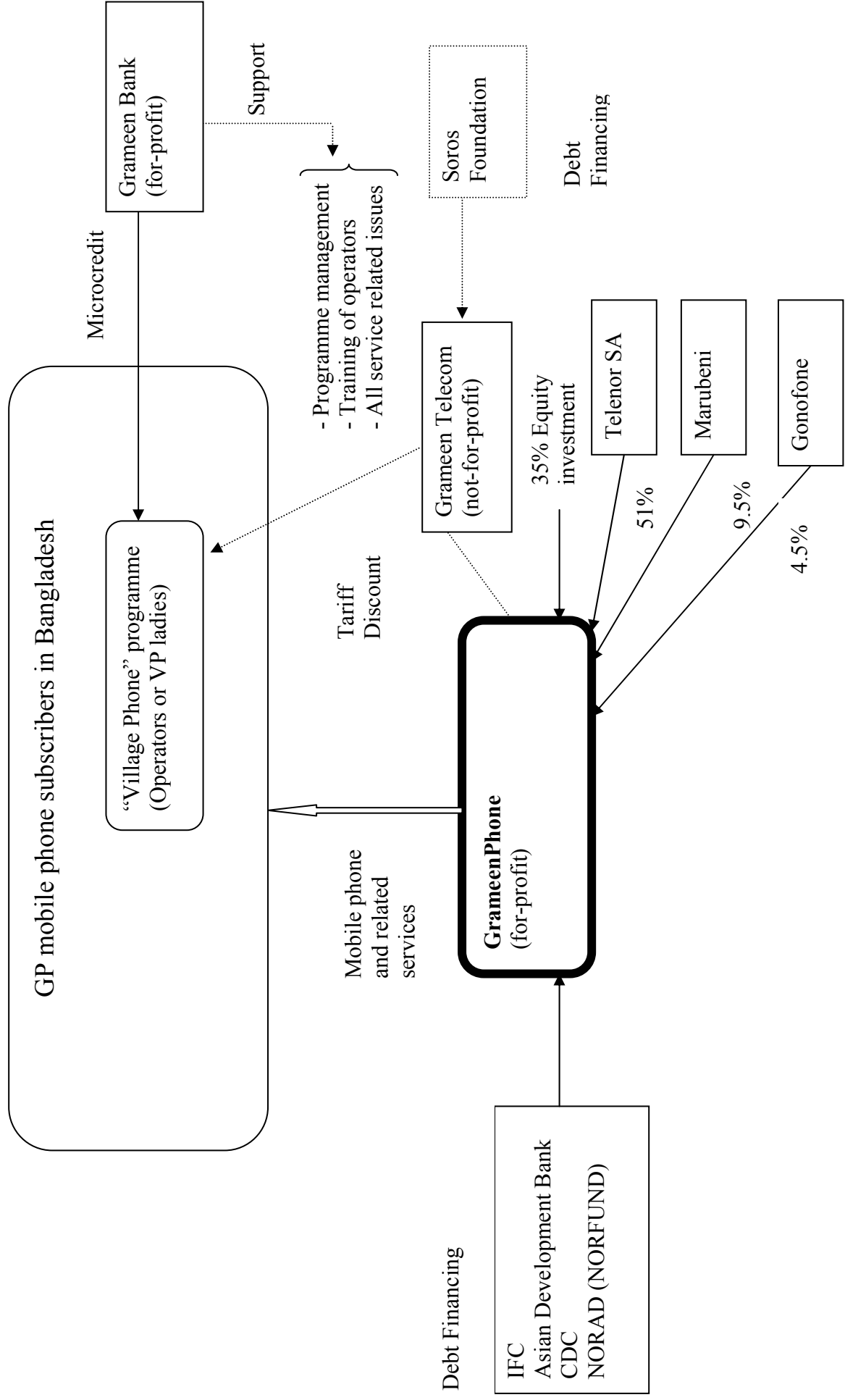
Infrastructure projects are subject to a range of risks which impact on their attractiveness to private operators and financiers. These include a number of generally uninsurable country risks such as expropriation, currency devaluation and the risk that governments will change the regulatory framework. The PIDG is investigating the need and scope for donor support to help mitigate currently uninsurable currency-devaluation risks in developing countries through the establishment of a local-currency hedging facility. The study of the potential development of the local currency facility by the PIDG is at a very early stage and it is much too soon to say whether a facility is likely to be established as a result of the work. Should one be established, however, its eligibility would most likely extend to all infrastructure sectors, not only ICT.

Although many of the middle-income countries in Asia have had significant successes in attracting private investment in infrastructure, the poorer countries have been much less successful. In 2004, the PIDG, in partnership with the Asian Development Bank, embarked on a detailed examination on how it might help alleviate constraints to private sector development in these poorer Asian countries by establishing a facility which both brings together other existing PIDG facilities under an Asian focus and builds upon these as necessary to meet other identified constraints.

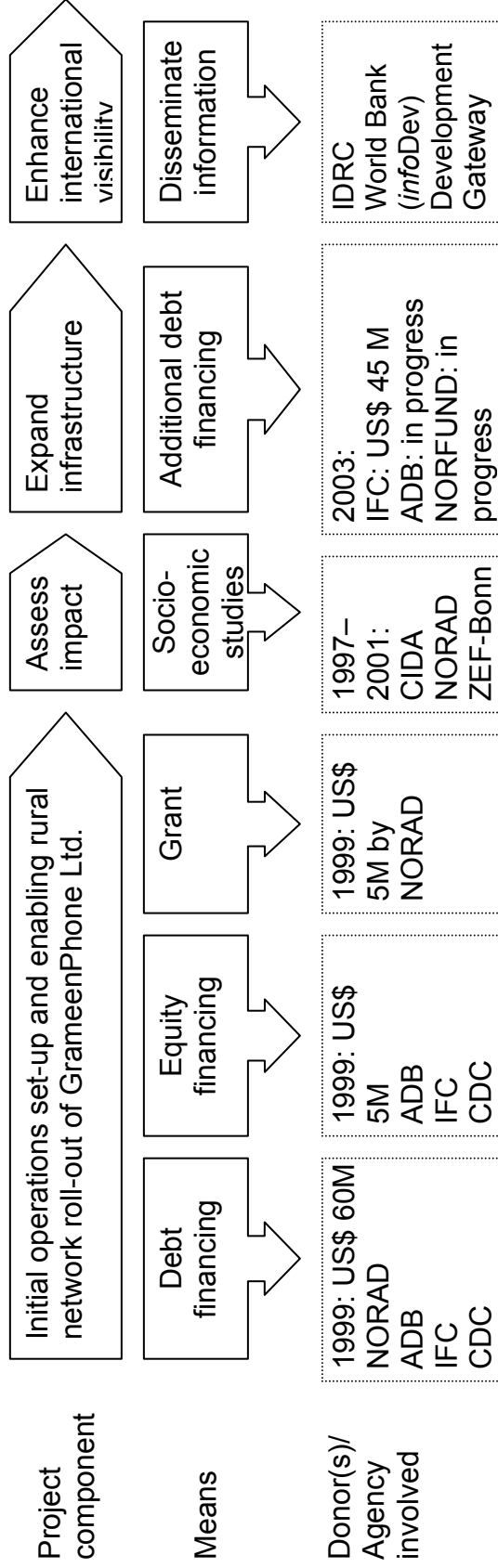
Infrastructure services for the poorer sectors of the community are frequently provided by small-scale operators (e.g. water vendors, community-level electricity providers, etc.). These

small-scale providers often experience problems in accessing financial services to enable them to launch and/or expand their activities. In order to examine whether there is a role for the PIDG in helping to address the problem, PPIAF is funding a pre-feasibility study to look in more detail at the financing needs of small-scale providers and the current gaps in meeting these. The study (still to be carried out) will also look, amongst others (electricity, water, etc.) at communication services.

Annex 5 Partnership Structure of GrameenPhone Ltd



Annex 6 Donors' Role in the Grameen Village Phone Programme



Main roles:

Donor, in particular through loan-financing, helped in the creation and development of GrameenPhone by:

- sharing the initial business risks by providing financial guarantees and advice
- supporting the social-responsibility component of the partnership's mission to ensure that client targets include the poor
- providing valuable socio-economic impact assessments which are not generally private-sector priorities.

Further considerations relating to donor participation in future similar private sector-led projects are that:

- loan conditions should remain flexible (avoiding conditions that are too constraining) to enable timely expansion and not represent an obstacle to development*
- backbone communications should be integrated in infrastructure projects such as railroads or electricity networks
- business plans should include a social dimension by covering the potential risks of serving the poor.**

*Interview with Ola Ree, Dhaka, 5 February 2004.

**Interview with professor Yunus and Ola Ree, Dhaka, 4 and 5 February 2004.

Financing ICTs for Development Efforts of DAC Members

Review of Recent Trends of ODA and its Contribution

Are Information and Communication Technologies (ICTs) transforming business and social activities in the developing world? Who provides the financing for this transformation: the private sector, civil society, public sector funding or Official Development Assistance (ODA)? Are the existing financial mechanisms adequate? This report will supply policy-oriented analysis of donor support for Information and Communication Technologies for Development, with particular attention to recent trends in bilateral ODA commitments for ICT infrastructure as well as other ICT assistance. This analysis is illustrated with an abundance of statistical charts, highlights and annexes.

The study furthermore seeks to analyse the rationale of the donors and other stakeholders to withdraw from the ICT infrastructure support in the 1990s and shift to integrating ICT components into development assistance projects and programmes.

New forms of multi-donor partnerships are appearing not only as a joint financing mechanism but also as a platform for exchange of experiences and learning among donor institutions.

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