

**Addendum 1 to
Document WSIS-II/PC-2/DOC/3-E
10 February 2005
Original: English**

Proposal by the President of the PrepCom of the Tunis Phase

**ALTERNATIVE DRAFT TEXT FOR CHAPTER TWO OF THE
OPERATIONAL PART**

Idea	Draft text	Sources
Chapter two	Financial mechanisms [for meeting the challenges of ICT for development]	
TFFM mandate	<p>12. We thank the UN Secretary-General for his efforts in creating the Task Force on Financial Mechanisms (TFFM) and we commend them on their report.</p> <p>13. We recall that the mandate of the TFFM was to undertake a thorough review of the adequacy of existing financial mechanisms in meeting the challenges of ICT for development.</p>	G/OS Geneva PoA, para 27, D2 f)
Scale of the problem	<p>14. We recognise the existence of the digital divide and the dilemma that this poses for many countries, which are forced to choose between many competing demands for development funds. We recognise the scale of the problem in bridging the digital divide, which will require huge investments in ICT infrastructure and services, and capacity building, over many years to come.</p> <p>15. We agree that the financing of ICT for development needs to be placed in the context of the growing importance of the role assigned to ICTs, not only as a medium of communication, but also as a development enabler, and as a tool for the achievement of the development goals of the Millennium Declaration.</p>	TFFM Back-ground Findings 2, 4/G
Effectiveness of existing financial mechanisms	16. In the past, financing of ICTs in developing countries has been closely related to the business cycles of the ICT industry. A significant influx of financial resources in the ICT sector, as well as governmental mobilization, in many developing countries has had visible results: in less than 15 years, more than a billion people have gained access to telephones (fixed and mobile), and to a lesser extent to computers, the Internet and other means of sharing information.	TFFM Findings 1, 6/G

<p>17. We note that this investment has had the greatest development impact where ICT markets have been opened and private sector participation has been encouraged and where public policies aimed at bridging the digital divide have been implemented.</p>	<p>Findings 3/G</p>
<p>[18. We are greatly encouraged by the fact that advances in communication technology, and high-speed data networks, have made it possible for developing countries, and countries in transition, to participate in the global market for information-technology-enabled services on the basis of their comparative advantage. These emerging opportunities provide a powerful commercial basis for ICT infrastructural investment in these countries. It is imperative, therefore, that no action be taken by any country that could discourage, impede or prevent the participation of these countries in the global market for information-technology-enabled services.]</p>	<p>G</p>
<p>19. We recognise that attracting investment in ICTs has depended crucially upon a supportive enabling environment for business and an ICT policy and regulatory environment that encompasses [open entry,] fair competition and market-friendly regulation.</p>	<p>Findings 3-5/G</p>
<p>19 Alt: We recognise that attracting investment in ICTs has depended crucially upon a supportive, transparent and pro-competitive policy and regulatory framework.</p>	<p>Findings 3-5/G</p>
<p>20. We note that the vast majority of financing of ICT infrastructure and services has come from the private sector and that North-South flows are increasingly being augmented by South-South co-operation and domestic financing.</p>	<p>Findings 5-7/G</p>
<p>21. We recognize that, as a result of the growing importance of private sector investment in infrastructure, multilateral and bilateral public donors are redirecting public resources to policy reforms and other development needs, including the mainstreaming of ICTs in the development sectors. . Nevertheless, we encourage multilateral and bilateral public donors to consider also providing more financial support for regional ICT infrastructure projects. They should consider aligning their aid and partnership strategies with the priorities of developing countries' poverty reduction and/or other national development strategies.</p>	<p>Findings 7, 8, 9, 12/G</p>
<p>22. Although there are many different funding mechanisms for ICTs for Development, we note that there is sometimes a shortage of investment funds and/or a mismatch between needs and available funding.</p>	<p>Findings 6- 11/G/OS</p>

<p>Inadequacies of current approach</p>	<p>23. We recognize that there are a number of areas where the current approaches to ICT for Development financing have devoted insufficient attention to date. These include:</p> <ul style="list-style-type: none"> a. ICT capacity-building programmes, materials, tools, educational funding and specialized training initiatives, especially for regulators and other public sector employees and organisations; b. Communications access and connectivity for ICT services in remote rural areas, small island developing states and other locations presenting unique technological and market challenges; c. Regional backbone infrastructure to link networks across borders in economically-disadvantaged regions requiring coordinated legal, regulatory and financial frameworks and seed financing; d. Broadband capacity to facilitate the delivery of services, catalyse investment and provide Internet access at affordable prices to both existing and new users; e. Coordinated assistance for small island development states in order to lower otherwise prohibitive transaction costs in access to international donor support; f. ICT applications and content aimed at the integration of ICTs into the implementation of poverty eradication strategies and in development sector programmes, particularly in health and education. <p>24. Although central responsibility for coordination rests with governments, we recommend that greater cross-sectoral and cross-institutional coordination of financing programmes and ICT development initiatives should be undertaken, both on the part of donors and recipients.</p>	<p>C1</p> <p>C2.1</p> <p>C2.2</p> <p>C2.3</p> <p>C2.4</p> <p>C2.5/G</p> <p>C2.6/G</p> <p>C3/G</p> <p>C3.1/G</p>
<p>Preconditions</p>	<p>25. We acknowledge the following pre-conditions for the creation and better utilization of financial mechanisms:</p> <ul style="list-style-type: none"> a. Creating policy and regulatory incentives and more open access policies; b. Identification and acknowledgement of the key role of ICTs in national poverty reduction strategies, and their elaboration, when appropriate, in conjunction with e-strategies; c. Developing institutional and implementation capacity to support the use of national universal service/access funds, and further study of these mechanisms; d. Ensuring the relevance to developing countries of the information applications, services and local content delivered by ICTs; e. Supporting the “scaling-up” of successful ICT-based pilot programmes; f. Using ICTs in government as a catalyst for implementation of successful e-strategies; 	<p>G</p> <p>C1A1+2</p> <p>C1T1+2/G</p> <p>Findings 10;C1A2, C2</p> <p>Findings 13; C3.4</p> <p>Findings 14</p> <p>Findings 15</p>

	<ul style="list-style-type: none"> g. [Enabling tax, tariff, import, and business regulation policies designed to reduce risks and financial burdens for, and provide incentives to, ICT investors, start-up firms, and domestic financial resources;] h. Building human resource and institutional capacity (knowledge) at every level for achieving Information Society objectives, especially in the public sector; i. Encouraging business sector entities to help jump-start wider demand for ICT services by supporting local producers, programmers, artists and small businesses in the applications and content fields; j. Strengthening capacities to enhance the potential of securing funds and utilising them effectively; 	<p>C1A4</p> <p>Findings 16, 17;</p> <p>Findings 13; C3.4</p> <p>C3.5</p>
<p>Improvements and innovations</p>	<p>26. We recommend improvements and innovations in existing financing mechanisms, including:</p> <ul style="list-style-type: none"> a. Enhancing regional cooperation and creating multi-stakeholder partnerships; especially by creating incentives for building regional backbone infrastructure; b. Coordinating programmes among governments and major financial players to mitigate investment risks and transaction costs for operators entering less attractive rural and low income market segments; c. Helping to accelerate the development of domestic financial instruments including by supporting local microfinance instruments, ICT small business incubators, public credit instruments, franchises, reverse auction mechanisms, community networking initiatives, digital solidarity and other innovations; d. Establishment of a “virtual” financing facility to leverage multiple sources in support of identified investment objectives in key locations (notably broadband, rural and regional projects, and capacity building); e. Development of a “rapid response” policy and regulatory support mechanism to intervene in support of short-term ICT sector policy initiatives; f. Encouraging increased voluntary, consumer-based contributions. 	<p>C3</p> <p>C3.1+2</p> <p>C3.2</p> <p>C3.3</p> <p>C3.2</p> <p>C3.2</p> <p>C3.6</p>
<p>Digital Solidarity Fund</p>	<p>27. We welcome/support the creation of the Digital Solidarity Fund, as an innovative financial mechanism of a voluntary nature with the objective of transforming the digital divide into digital opportunities for the developing world by focusing mainly on specific and urgent needs at the local level and seeking new sources of “solidarity” finance. The DSF will complement existing mechanisms for funding the Information Society, which should continue to be fully utilized to fund the growth of new ICT infrastructure and services.</p>	<p>C3/G</p>