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Proposal from Chairman of Sub-Committee

REVISED CHAPTER TWO OF THE OPERATIONAL PART

Financial mechanisms [for meeting the challenges of ICT for development]

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.

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.

New 13A. The TFFM report sets out the complexity of existing mechanisms, both private and public, which provide financing for ICTs in developing countries. It identifies areas where these could be improved and where ICTs could be given higher priority by developing countries and their development partners.

New 13B. Based on the conclusion of the review of the report, **we have considered** the improvements and innovations of financing mechanisms, including the creation of a voluntary Digital Solidarity Fund, as mentioned in the Declaration of Principles.

14. We recognise the existence of the digital divide and the challenges that this poses for many countries, which are forced to choose between many competing demands for development funds whilst having limited resources. **We recognise** the scale of the problem in bridging the digital divide, which will require adequate, sustainable and predictable investments in ICT infrastructure and services, and capacity building, and transfer of technology, over many years to come.

New 14A. We call for digital solidarity as we recognise that the issue of financing is at the core of all development discussions, and because adequate financial resources are an indispensable ingredient for alleviating poverty and securing sustainable development.

New 14B. We recognise and acknowledge the special and specific funding needs of LDCs that face numerous challenges in the ICT sector that there is strong need to focus on their special financing needs to achieve the MDGs. The WSIS process should continue to give consideration to these needs.

15. We agree that the financing of ICT for development needs to be placed in the context of the growing importance of the role of ICTs, not only as a medium of communication, but also as a development enabler, and as a tool for the achievement of the development goals of the Millennium Declaration.

16. In the past, financing of ICTs in developing countries has been closely related to public investment as well as to the business cycles of the ICT industry. Governmental mobilization, as well as a significant influx of financial resources in the ICT sector 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.

17. We note that this investment has had the greatest development impact where ICT markets have been opened, based on a sound regulatory framework, and private sector participation has been encouraged and where public policies aimed at bridging the digital divide have been implemented. We should however acknowledge that, left to itself, private sector investment has only gone to areas that are perceived as lucrative and profitable, and this has not had the desired effect of bringing inclusive development and access for everyone.

18. *[drafting group]*

19. We recognise that attracting investment in ICTs has depended crucially upon an enabling environment including good governance, including a supportive, transparent and pro-competitive policy and regulatory framework, reflecting national realities.

New 19A. **We are also aware** that a market-friendly framework needs to be accompanied by a dynamic and fair international policy environment, socially responsible business practices and due consideration to local skilled labour resources.

New 19B. This underlines that market forces alone cannot guarantee the full participation of developing countries in the global market for ICT-enabled services. Therefore, **we call for** the reinforcement of international cooperation and solidarity aimed at enabling all countries, especially developing countries and countries in transition, to develop ICT infrastructure and ICT-enabled services that are viable and competitive at national and international levels.

20. We note that, of late, the 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.

21. We recognize that, as a result of the growing importance of sustainable 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 institutions and bilateral public donors to consider also providing more financial support for regional and large-scale national ICT infrastructure projects and related capacity development. They should consider aligning their aid and partnership strategies with the priorities set by developing countries in their national development strategies including, where appropriate, their poverty reduction strategies.

New 21B. We recognise that public finance plays a crucial role in providing ICT access and services to rural areas and disadvantaged populations where markets are incomplete and inadequate.

22. Although there are many different funding mechanisms for ICTs for Development, **we note** that investment funds are often insufficient and, even when financing is available, it does not always correspond to the needs.

New 22A. We recognise that many of the principles and objectives cited in the Monterrey Consensus are directly relevant to the pursuit of adequate and appropriate financial mechanisms to promote ICT development as well and are reflected in the structure of the Digital Solidarity Agenda in the WSIS Plan of Action.

23. *[drafting group]*

24. Although financing programmes should be subject to further cross-sectoral and cross-institutional coordination and ICT development initiatives should be undertaken, both on the part of donors and recipients, **we recommend** that the central responsibility for coordination should rest with governments. Multilateral development banks must adapt their existing mechanisms, and design new ones, to provide for national and regional demands on ICT development. This should include also coordination between donor governments and business entities.

25. **We acknowledge** the following enabling conditions for access to and better utilization of financial mechanisms:

a. Creating policies and regulatory incentives aimed at universal access;
b. Identification and acknowledgement of the key role of ICTs in national development strategies, and their elaboration, when appropriate, in conjunction with e-strategies;
c. Developing institutional and implementation capacity to support the use of national universal service/access funds, and further study of these mechanisms and those aiming to mobilize domestic resources;
d. Encourage the development of locally relevant information, applications and services that will benefit developing countries and countries with economies in transition;;
e. Supporting the "scaling-up" of successful ICT-based pilot programmes;
f. Support the use of ICTs in government as a first priority and a crucial target area for ICT-based development interventions;;
g. *[deleted]*
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;
New 25k. Providing for universal and non-discriminatory access to financial mechanisms by

everyone and by all peoples;

26. We recommend improvements and innovations in existing financing mechanisms to be implemented by 200X, including:

New 26 a0: Improving financial mechanisms to make financial resources become stable, predictable and untied and sustainable;

a. Enhancing regional cooperation and creating multi-stakeholder partnerships; especially by creating incentives for building regional backbone infrastructure;

New 26a1: Providing affordable access to ICTs, by reducing Internet interconnection costs charged by backbone providers and by promoting awareness of the positive externalities generated by the use and development of free and open source software;

b. Coordinating programmes among governments and major financial players to stimulate investments in 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);

New 26d1. Urging developed countries to make concrete efforts to fulfil their international commitment under the Monterrey Consensus;

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 contributions;

New 26g. Responsibilities relative to universal service: regulatory frameworks must establish the responsibilities for universal service of all national and international telecommunication services operators, in a technology-neutral manner;

New 26h. Enhancing effective use of the debt relief mechanisms including the channeling of debt payments for ICT for development projects, through debt swapping.

27. We welcome and support the creation of the Digital Solidarity Fund (DSF), 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.

New 27B. We recommend to all stakeholders to support the work of the DSF.