

Task Force on Financing Mechanisms

29 November 2004

UNDP Headquarters, New York, USA
Unofficial Report on Proceedings
Rik Panganiban, Conference of NGOs

INTRODUCTION

The Task Force on Financing Mechanisms had its final meeting at UNDP headquarters on 29 November 2004. The following is an unofficial report on the proceedings and should not be considered minutes or an official record of the meeting or its outcomes.

The morning meeting began with a welcome by the Administrator of UNDP Mr. Mark Malloch Brown, followed by reports from the Secretariat on the draft report, from Charles Geiger on the WSIS process, and from Sarbuland Khan on the recent UN ICT Task Force meeting. The afternoon was spent discussing the substance of the report, particularly access and content and applications issues. The meeting concluded with discussing the process forward for the Task Force.

WSIS PROCESS

Charles Geiger of the WSIS secretariat gave a state of play report on the WSIS. He noted that the Group of Friends of the Chair would ideally like to receive even a draft of the report of the TFFM for its meeting from 16-17 December. He clarified the status of the Digital Solidarity Fund as not being created by the WSIS but created in conjunction with the Summit, since it emerged from the parallel WSIS Cities Summit which occurred in Lyon in December 2003.

Mr. Geiger also noted that Prepcom II in February would decide on the format and structure of the Tunis Summit. In general he felt that the Tunisian host country is planning on a similar format to the Geneva Summit, with a main official summit and several parallel or side-events happening around the same time. However he noted that because of security considerations, all participants at the side events would have to have badges, i.e. some form of accreditation, to attend.

DISCUSSION OF REPORT OF TFFM

The text of the draft report was presented to the Task Force by the UNDP secretariat,

including a set of proposed findings. The final report will have to be transmitted to the UN Secretary General by mid-December in order to give his office time to transmit it to the WSIS secretariat by the end of December. So this meeting was the last time the entire Task Force was going to be able to comment on the report as a group, although written submissions would still be accepted into early December.

The Task Force agreed that the report would not have recommendations since that is beyond the mandate of the Task Force but would issue findings and options for governments to consider in the official WSIS process. Among the main findings are: Since the 1990s, the private sector has dominated ICT finance and has produced immense sector growth in the developing world. Attracting investment in ICT depends upon an enabling policy environment ensuring open entry, fair competition and market-oriented regulation. MDBs and international donors have reduced direct financing of ICT infrastructure, shifting resources to policy reforms and mainstream ICTD initiatives. Since 2000 FDI has decreased significantly. Future ICT investment in developing countries will depend on further policy reforms, domestic financial mechanisms and multi-stakeholder partnerships. Key segments of ICT facilities in developing countries will remain unattractive to pure private sector investment. Regional cooperation and PPP can be critical for addressing infrastructure gaps. Universal Service / Access Fund mechanisms are emerging as a global standard practice to reduce access gaps. Coordination of the myriad initiatives being financed by various donors is lacking. Current financing of capacity building in public sector is lacking

ACCESS AND FINANCING ISSUES

There was a discussion in the afternoon access to ICT infrastructure as a financing issue. One member noted that the goal was to capitalize on the rapid growth of ICTs to ensure more equitable distribution of those technologies, geographically and across social strata. Another member noted that access does not spread evenly, but usually begins in large cities and slowly expands out to smaller and smaller communities. One member noted that the rapid growth in GSM in the developing world needed to be examined closely to see what lessons can be learned for other ICTs. One answer is that the infrastructure costs for GSM are less than for more =93wired=94 technologies like broadband. Also entrepreneurs are able to get a quicker return on investment and there are no entrenched incumbents that might prevent progress.

On capacity building, it was noted that there was need for more policy advice for developing countries. Another member commented that there was much expertise in the South, and that South-south cooperation would be beneficial as well as North-South capacity building.

There was the suggestion of a virtual financing facility by Willie Currie of APC. He noted that such a facility could enable financing of the backbone as a global public good by coordinating better the activities of existing funds as well as providing policy advice and capacity-building. Currie also suggested that given the success of many Universal Access Funds at the national level, a Global Universal Access Fund should be considered as an option.

There were no major agreement on recommendations in this area, however among the general conclusions it was agreed that there needed to be more funding for the backbone. It was noted that FDI (foreign direct investment) was not as important as local investment and south-south investment. One member commented that we can not conclude the inadequacy of existing funding mechanisms since existing mechanisms are not being fully exploited.

There was much discussion about the role of the public sector. Among the comments were that the public sector steps in where the market fails or where market gaps appear. Another comment was that the key role of the public sector is to reduce access costs to increase entry and competition among private sector actors. There was general agreement that the government should avoid becoming a state provider of access, i.e. similar to giant national public telecoms, and instead deregulate and liberalize the ICT sector to encourage competition.

CONTENT AND APPLICATIONS ISSUES

The afternoon discussion moved on the content and applications issues related to financing. In general it was agreed that these issues can not be separated from access issues, and that they were synergistically related. I.e. content spurs demand for access and access is a pre-requisite for content being created.

Several members shared their experiences in Azerbaijan, Egypt, Somoa and Estonia on developing content and enabling access. Several emphasized that government can play a proactive role by encouraging local content in local languages and keeping the cost of access as low as possible.

Beyond national strategies, the Task Force discussed international measures to support local content and e-services like e-government. There was the suggestion that a mixed funding strategy could be coordinated, i.e. combining World Bank funding for policy reform with a grant to develop local content and funding to develop e-services like telecenters.

There was a discussion of the cost of content as an important factor. I.e. who pays?

And is content a global public good ? A number of examples were given, such as medical journals being made available online for free and MIT making its course curricula available on the web. This evolved into a discussion on open source software, where there was disagreement on what the Task Force could recommend. Several members favored a technology-neutral stance. Others noted that value of different governments, national to municipal, cooperating in purchasing together the same software package to save costs and duplication of effort.

DIGITAL SOLIDARITY FUND

There was a discussion on the relationship of the Digital Solidarity Fund to the TFFM. It was reported that the DSF was incorporated as a foundation under Swiss law and has received some support from municipalities and other donors. There will be some mention of the DSF in the report of the TFFM, but will be short of an endorsement or a recommendation.

RIK PANGANIBAN Communications Coordinator
Conference of NGOs in Consultative Relationship with the United Nations =

(CONGO)

web: <http://www.ngocongo.org>

email: rik.panganiban@ngocongo.org

mobile: (+1) 917-710-5524