

The Financing Question at WSIS and the Task Force on Financing Mechanisms for ICTD¹

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The “financing question” at the World Summit on Information Society (WSIS) *specifically* related to the proposal for a new global financing mechanism in the form of a voluntary Digital Solidarity Fund (DSF) and its role in relation to existing financing mechanisms.² However there were also *broader* questions relating to roles, policies and financing options vis-à-vis transformations in the ICT-related sectors and the growing importance of ICT for development and concerns about the so-called “digital divide”.

The ICTD sector is in transition in more ways than one. The telecommunications, IT, media and entertainment/cultural sectors have seen, and continue to see, major disruptions in their ability to operate according to “business as usual” and secure a return on past investments. This is due to technology-related transformations which have led to increased convergence, a dramatic decline in costs and the emergence of new options to provide connectivity to ICT for development services, especially for people in rural areas.

Concurrently traditional models of financing and public and private sector roles were being questioned in the context of trade-related agreements, a rethinking of priority areas of development cooperation, and the emergence of new actors. Since the late 1990s, there was a focus in many quarters on securing a greater role for the private sector in areas that had hitherto been regarded as the domain and responsibility of the public sector. The private sector was seen as being suited to capitalize on the technological dynamism of the ICT

¹ These views are personal views of the author and do not necessarily represent the views of the United Nations Development Programme.

² This was proposed by President Wade of Senegal and has since been launched as a foundation under Geneva Law.

sector and bringing in much needed investment resources, where competition and a conducive policy environment existed.

However, the public sector has a role to play in supporting the development of content and network development in poorly served areas, in part through the formulation and implementation of national e-strategies.

Also intersecting with these transformations was the growing use of ICT for development, albeit if uneven in scope and subject to skepticism from various quarters. For those of us active in the field, there was visible evidence that even in situations where the cost of ICT was high and access relatively limited, ICT could offer solutions that saved time and facilitated greater access to services, markets, and governments and was used by stakeholders for a variety of purposes.

And while the transformative potential of ICT was yet to be broadly grasped, it had become increasingly clear to all stakeholders that development in the digital age is very different and challenges and opportunities needed to be more forcefully addressed. Many representatives from developing countries at WSIS were saying that they had effectively missed out on the “new” Industrial Revolution, and that they wanted to ensure that they were able to proactively respond to this development opportunity.

The issues at stake for financing and development go beyond bridging the “digital divide”. The fundamental issue is a global recognition of ICT’s development potential and, conversely, of the social and economic costs arising from not fully exploiting this potential: whether this is a lack of access by rural and poorly served regions to emerging investment and trade opportunities; the ineffective use of public resources that occurs when opportunities for low-cost delivery of public services are not exploited; or the inability to share knowledge, experiences and learning in diverse fields across the global network.

It is in this context that the WSIS was seen as providing an opportune moment to take stock of the effectiveness of current financing mechanisms and approaches in addressing challenges and facilitating the building of an inclusive and development-rich information society.

Approach to the Finance Question in the Context of WSIS

As the space to consider these issues in the context of the formal preparatory process leading up to the WSIS-Geneva Summit was for all practical purposes quite limited, the assignment was given to an independent Task Force on Financial Mechanisms that was to be

setup under the auspices of the United Nations Secretary General.³ More specifically, the remit of the Task Force was to undertake a review of “their [‘existing financial mechanisms’] adequacy in meeting the challenges of ICT for development”, so that “based on the conclusion of the review, improvements and innovations of financing mechanisms will be considered including the effectiveness, the feasibility and the creation of a voluntary Digital Solidarity Fund, as mentioned in the Declaration of Principles.”⁴

The Work of the Task Force on Financial Mechanisms for ICTD

The Task Force was facilitated by UNDP in collaboration with the World Bank and the United Nations Department of Economic and Social Affairs, and OECD/DAC. It was multi-stakeholder in nature and drew on expertise from developing countries, from “innovators” in capacity development and other areas, from development finance institutions and agencies, as well as private sector, civil society and international organizations.

There was a short period of time to bring together disparate data, to consider complicated issues, and to work within a framework that recognized that there were competing demands being made on available development resources. As my background is in development banking/financing and ICTD, I was anxious to get a good diagnostic of the situation and to have the report facilitate an evidence-based dialogue, not only in WSIS, but also in the development institutions and private sector.

The background questions informing the work of the Task Force included the following: Was there a need for development financing institutions and development cooperation agencies to reconsider their recent policies on infrastructure-related financing that had resulted in sharp declines in resources allocated to ICT infrastructure and network access or had these policies been vindicated by the growing involvement of the private sector? Was the shift to mainstreaming of ICTD effective? Was it in turn catalyzing investments in infrastructure and access or was mainstreaming being hindered by the lack of adequate infrastructural foundations? What financing mechanisms and modalities have been effective in addressing the needs of under-served areas? What is the role of community-owned and -based organizations? What new types of instruments are needed to support emerging innovative entrepreneurs and actors?

The report provides a number of strong findings, and highlights various options and recommendations for the improvement and innovation of existing mechanisms. To the Task

³ See <http://www.itu.int/wsis/tffm/index.html>

⁴ See WSIS Plan of Action, page 12 at http://www.itu.int/dms_pub/itu-s/md/03/wsis/doc/S03-WSIS-DOC-0005!!PDF-E.pdf

Force members it became clear that a *range of mechanisms* was needed to effectively address the financing of ICTD, and that the proposed Digital Solidarity Fund could be seen as playing a complementary role. The report found that developing countries faced a number of challenges in accessing a number of existing mechanisms. It highlighted the importance of specifying the role of ICT in national development strategies, including poverty reduction strategies and PRSPs. As far as the question of *adequacy* of existing mechanisms, its findings indicated that there are a number of areas in which current approaches to ICTD financing had not devoted sufficient attention to date. In many instances, the Task Force found that the means were at hand to bring about dramatic change for currently underserved areas and populations. In other instances, there were critical gaps that required new forms of concerted attention particularly in the context of regional backbone issues in Africa and special situations such as those faced by small island states. The report attempted to be forward-looking in considering approaches that could leverage newly emerging technologies and the contributions of different stakeholders.

In summary, the report of the Task Force was able to facilitate dialogue and contribute to advancing agreement on the DSF in the context of the recent Prepcom in the lead up to WSIS-Tunis. More generally, I hope that it serves to bring attention to the wide range of issues that need to be addressed if the much needed financing is to be mobilized, and if such financing modalities are to be effective in ensuring high development impact.