

## **Innovative Financial Mechanisms, Digital Solidarity and the “Geneva Principle”**

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The idea of “digital solidarity” emerged for the first time during a conference organized in Geneva in 1996, chaired by Mr. Alpha O. Konaré, President of Mali, and Mr. Guy-Olivier Segond, then President of the Geneva State Council, discussing new technologies for development in Africa. The proposal received further support in the “Bamako 2000” conference, one of the most important events organised by civil society on the Internet and its implications for development. The concept of “digital solidarity” was then made official in 2002, again in Bamako, by the Assembly of African States within the framework of the African Regional preparatory conference for the first phase of the World Summit on the Information Society (WSIS, Geneva, December 2003).

President Abdoulaye Wade became its spokesperson in proposing specifically the creation of a global Digital Solidarity Fund (DSF) to reduce the digital divide. However, at first, he did not manage to convince his peers to participate in the campaign. The Fund was rejected by the WSIS process. Nation States retained only the principle of digital solidarity without matching it with financial resources to reduce the digital divide!

Anticipating this setback, President Wade had made the same proposal at the first Summit of Cities and Local Authorities on the Information Society, held in Lyon just days before the Geneva Summit of Heads of States. The mayors and presidents of local and regional authorities – more sensitive by nature to the concerns of the citizens, and especially to the economic, social and cultural value of the information and communication technologies (ICTs) welcomed the Senegalese President’s initiative and decided, on the spot, to create the global Digital Solidarity Fund.

To the surprise of the Heads of States and Government representatives, the two spokespersons of the Lyon Summit, Mr. Gérard Collomb, Senator-Mayor of Lyon, and Mr. Christian Ferrazino, the Mayor of Geneva, announced the creation of the Fund during the plenary at the Geneva Summit. The following day, the press and media covering the World Summit on the Information Society reported that local authorities' mobilisation around President Wade's initiative represented its main achievement!

It was then at the Geneva Hôtel-de-Ville that the promoters of the Fund got on with the practical issues of instituting the global Digital Solidarity Fund. Six months later, the Fund was legally established in the form of a Swiss law foundation recognized of public utility and placed under the surveillance of the Swiss Confederation. Around fifteen cities and local authorities and two Nation States engaged financially to ensure the inception of activities, while the City of Geneva offered fully equipped offices.

Thanks to local authorities' determination, the global Digital Solidarity Fund was taking shape "right under national Governments' nose". The United Nations Commission created during the Geneva Summit, under the auspices of the United Nations Secretary-General – to reflect on financial mechanisms to bridge the digital divide – was invited to take note.

Reassured by the dynamism of local authorities, President Wade again stressed the importance of the Fund at the Summit of the African Union in Addis Ababa (July 2004). The member States of the African Union gave their full support to the Fund. Later on, French-speaking States endorsed the Fund in Ouagadougou, at the 10th Summit of Francophonie, and the European Council of Ministers for Economy and Finance noted, in February 2005, that the Fund "should take its place as an original and complementary instrument alongside existing financial mechanisms".

Finally, on Friday, 25 February 2005, all Members States of the United Nations meeting in Geneva for the Preparatory Committee (Prepcom) for the second phase of the World Summit on the Information Society to be held in Tunis in November 2005, unanimously endorsed the creation of the global Digital Solidarity Fund. They particularly praised the innovative financing mechanism proposed by the Fund.

Governments' consent would certainly not have been achieved if cities and local authorities had not, on their side, continued mobilising in favour of the Fund, particularly by working on its innovative financing mechanism. Compared to other proposals (Tobin Tax, President Lula's fund to combat hunger and poverty, etc.) and the reflection processes developed by the French Government (i.e. Landau Report) and by the British Chancellor of the Exchequer, Gordon Brown, the idea behind the Digital Solidarity Fund is both simple and realistic. As opposed to grand, consensual United Nations universal declarations, the Fund

relies on the support of actors willing to commit in a concrete way to the reduction of the digital divide. The Fund is voluntary and complementary. It gives priority to community actions and only responds to requests coming from non-solvent markets (bypassed by the private sector). It aims to create new employment and breathe life into the segments of society neglected by larger financial institutions.

The finance mechanism proposed by local authorities is at once original, simple and effective. Called the “Geneva Principle” by President Wade, it has the remarkable advantage of widening the base of solidarity by including both public entities (local governments) and the private sector. It requests, on a voluntary basis, that public authorities and the private sector include a digital solidarity clause in all their calls for bids related to ICT, requiring the vendor who wins the market to contribute one percent of the transaction to the Digital Solidarity Fund. This trivial levy on the businesses’ profit margin offers a number of significant advantages:

- Multiplied by all involved actors, it ensures a substantial cash flow to the Fund (i.e., a European city of 500,000 inhabitants can annually generate approximately 500,000 Euros for the Fund).
- Contributions to the Fund do not represent a tax, but rather an investment, as, through the mobilization of these new resources, the Fund renders new markets solvent to investment. It widens the base of cooperative action by involving two crucial players: on one hand, the public authority (or the private business) that makes the call for bids, and, on the other hand, the vendor who provides the services. A label of “digital solidarity” is awarded to those two partners. Today, several businesses are already engaged in the process, contributing to the Fund and proving that the proposed financing mechanism is working.
- In addition, the digital solidarity percent makes it possible to find sources of financing other than the traditional resources for development. These funding sources are not sufficient to respond to developing countries’ financial needs for heavy infrastructure, but, instead, they enable a necessary and complementary response by including marginalized populations in the development of the Information Society.
- In calling for greater transparency in the development of public markets, the mechanism carries with it, in addition, a educational dimension, particularly appropriate in some countries (e.g., fight against corruption).

In this way, the involvement of local authorities in development policies also assures greater traceability of public aid, insofar as the Fund has no chance of functioning if not absolutely transparent. The mayors and presidents of local authorities – directly under the control of their constituencies – cannot commit unless they are absolutely assured that their investment leads to concrete results on the ground.

The Association Internationale des Maires Francophones (AIMF), under the impetus of its President, the Mayor of Paris, Mr. Bertrand Delanoë, and the new world organisation of cities United Cities and Local Governments (UCLG) have given their full support to the Fund and invited all their members to implement its financing mechanism. Next November, the Second Summit of Cities and Local Authorities on the Information Society will be held in Bilbao, Spain, where the widening of the DSF base will be the focus of deliberations.

The creation of the global Digital Solidarity Fund and its innovative financing mechanism represents several “firsts” in the history of the international relations.

It is the first time that an initiative brought forth by local authorities has been subsequently endorsed by Governments. More than just a rare and successful ingress of the local into the global, it is a significant turnaround of the situation, with a commitment of local communities to fully participate in international efforts for development.

It is the first time that a new financing mechanism has been created to respond to the challenges of the Millennium Declaration (raising an additional 60 billion dollars) and proven to be effective. The Tobin Tax continues to miss the mark, President Lula’s Fund, as attractive as it may seem, is having a hard time materializing, and other solidarity funds, though voted unanimously by the United Nations General Assembly, have yet to prove operational.

It is the first time that civil society and the private sector are involved, side by side with Governments, in efforts for development. The Fund also functions on a tripartite basis, equally involving in its management Governments, the private sector and civil society.

It is the first time that local authorities are engaging, in the framework of a concerted action at the global level on the development front, with their own initiative and with additional resources. The “United Cities and Local Governments” is from now on closely related to the global Digital Solidarity Fund and considers it as its “development bank”.

The global Digital Solidarity Fund was officially inaugurated in Geneva on 14 March 2005. The inaugural ceremony was co-chaired by Olusegun Obasanjo, President of Nigeria and President of the African Union, and by Mr. Guy-Olivier Segond, President of the Fund, in

the presence of the “founding father”, President Abdoulaye Wade, and other Heads of States and Government officials from around world, with the active and effective participation of local authorities, the private sector and civil society. The global Digital Solidarity Fund represents, de facto, the concrete translation of the concept of new governance, offering a concrete response to the challenges of development in the 21st Century.

Several months before the United Nations Millennium +5 Summit, the Fund is proposing a fresh perspective on available options to bridge the digital divide. In his report for the 59th Session of the General Assembly, “In larger freedom: towards development, security and human rights for all”, the Secretary-General of the United Nations underlines that “to fully utilize the potential of information and communication technology (ICT), we need to address the digital divide, including through voluntary financing mechanisms, such as the recently launched Digital Solidarity Fund”.

With Governments from around the world, with local authorities and the private sector acting on their commitments, the global Digital Solidarity Fund can effectively contribute to building a new global solidarity movement. This may prove to be the most valuable contribution of the Information Society to the Millennium Development Goals.