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Chairperson  
Task Force on Financial Mechanisms for ICTD

AN OPEN LETTER ON APC'S CONCERNS ABOUT THE TASK FORCE ON FINANCIAL MECHANISMS' PROCESS, DRAFT FINDINGS AND CONCLUSIONS

We are writing this open letter to you as chairperson of the Task Force on Financial Mechanisms to register a number of APC's concerns about the process, draft findings and conclusions of the Task Force on Financial Mechanisms for ICTD.

We concur with the report's emphasis on the role of an enabling policy and regulatory environment as a factor affecting investment flows and the Task Force's broad assessment of existing financial mechanisms.

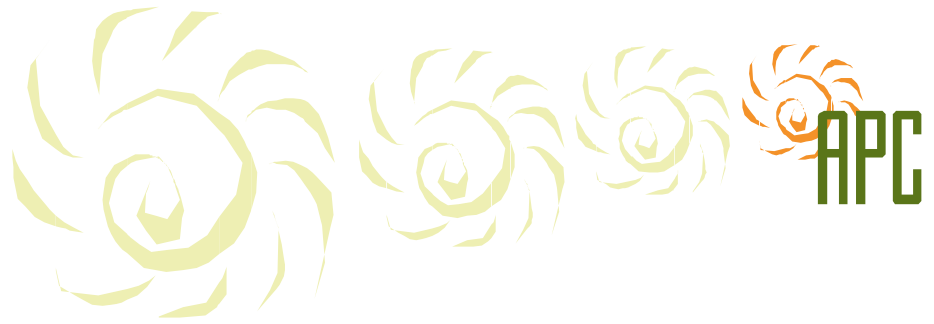
However, we wish to highlight with these concerns, our view that as a result of the hasty process, key elements of the draft findings and conclusions will not contribute to resolving the impasse on financing issues between governments during the Geneva phase of WSIS that led to the establishment of the Task Force.

**CONCERN 1: THE TASK FORCE HAD SEVERE LIMITATIONS WITH RESPECT TO TIME TO DO ITS WORK**

The Task Force had little more than two months to complete its work. It met once at the beginning of October and for the last time at the end of November 2004. As a result the finalisation of the Task Force's findings and conclusions is taking place on-line without the benefit of a face-to-face meeting. We are of the view that this severe limitation of time has prejudiced the quality of the Task Force's draft findings and created the conditions for their rejection by many member states of the United Nations when they meet for the WSIS Prepcom 2 in Geneva in February 2005.

**CONCERN 2: THERE HAS BEEN A LACK OF CLARITY AND TRANSPARENCY IN THE PROCESS OF CONVENING THE TASK FORCE**

Whilst acknowledging the severe limitation with respect to the time the Task Force has had to complete its work, there has been a general lack of clarity and transparency in several aspects of the convening and work process including:



- identification of criteria of Task Force members
- the process of selection of Task Force members
- dissemination of information about the Task Force's work
- appropriate mechanisms for ensuring meaningful consultation with and participation of relevant stakeholders, particularly civil society representatives and representatives from developing countries

### **CONCERN 3: GLOBAL AND REGIONAL BACKBONE INFRASTRUCTURE: LEVELLING THE PLAYING FIELD**

While paragraph 8 in the draft findings refers to cooperation and multi-stakeholder partnerships in addressing **infrastructure gaps**, there is no specific mention in the conclusions of how financing this can be achieved.

Many developing countries are hindered in their access to the global economy by the inadequate state of their ICT backbone infrastructure in a new global context, where the global economy runs on global information networks.

There is a compelling argument that the extension of network infrastructure in developing countries is a **global public good** that benefits everyone because of the value of network externalities. The value of the global information network increases in value as more national networks and individual users are added. It is not simply a matter of ICT access being increased within developing countries but also a matter of increased access to the markets of developing countries and of developing country access to global markets<sup>1</sup>.

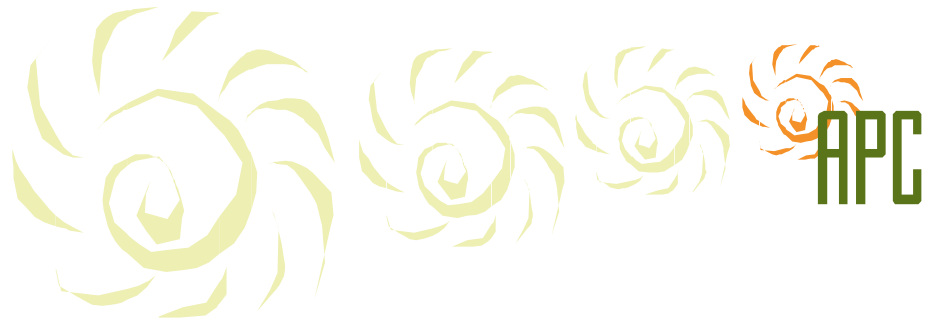
### **CONCERN 4: ONE KEY FINDING RELATING TO CAPACITY BUILDING INAPPROPRIATELY ALLOCATES SOLE RESPONSIBILITY FOR THEIR LACK OF ICT DEVELOPMENT TO DEVELOPING COUNTRIES**

We are concerned that one of the key findings of the Task Force on capacity building assumes that the main problem in developing countries is a lack of capacity in the ICT sector to implement policy and this affects the ability of developing countries to attract finance.

While APC acknowledges that capacity building is very important, the claim that the solution to financing gaps lies primarily in capacity building grossly underestimates the social and economic challenges faced by developing countries in that it seeks to allocate responsibility to developing countries for their lack of ICT development and infrastructure.

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<sup>1</sup> Pablo Accuosto & Niki Johnson: 'Financing the Information Society in the South: A Global Public Goods Perspective' prepared for APC, June 2004



## **CONCERN 5: INSUFFICIENT REFLECTION ON MULTI-STAKEHOLDER PARTICIPATION AND INFLUENCE IN EXISTING FINANCIAL MECHANISMS**

In its review of existing financial mechanisms, the Task Force failed to evaluate existing mechanisms from the perspective of one of the WSIS priorities, multi-stakeholder participation, as outlined in Resolution 56/183 of the UN General Assembly, which set the WSIS process in motion<sup>2</sup>.

In particular we found insufficient reflection on the role of community groups and civil society in existing mechanisms.

We acknowledge the reference to multi-stakeholder partnerships in section C3 of the draft findings but it fails to address this concern.

## **CONCERN 6: THE TASK FORCE HAS NOT RECOMMENDED A NEW FINANCIAL MECHANISM FOR ICTD WHEN MANY OF THE FINDINGS POINT IN THAT DIRECTION**

The Task Force has drawn the conclusion that no new financial mechanism for ICTD is necessary. This is unfortunate and reflects the haste with which the Task Force had to reach its conclusions.

Research presented by the OECD shows that there has been a decline in ODA funding over the past decade and that while private sector investment was high during the telecom boom, it has declined since 2001.

In addition, claims in the report were made regarding the significance of domestic sources of finance for ICT without sufficient evidence being presented with respect to the availability of such sources of finance, whether the amounts are sufficient to address financing gaps and whether these resources can be relied on to be directed to under-served areas.

At the same time, the Task Force concludes that there are significant areas where financing is insufficient and that existing sources of finance are not being adequately utilised or co-ordinated.

Yet, on the basis of these conclusions it argues against the introduction of a new financial mechanism - which at the very least could help make sure that existing sources of finance are utilised more effectively and could raise additional funds for those areas which the Task Force acknowledges will not be funded by governments, the private sector or ODA.

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2 The General Assembly: Encourages effective contributions from and the active participation of all relevant United Nations bodies, in particular the Information and Communication Technologies Task Force, and encourages other intergovernmental organizations, including international and regional institutions, non-governmental organizations, civil society and the private sector to contribute to, and actively participate in, the intergovernmental preparatory process of the Summit and the Summit itself;



**It is APC's view that there is a need for a new global ICT financial mechanism that can:**

- identify the various ICT areas that require financing;
- raise finance for those areas initially through a global tax on microchips;
- explore and mobilise new, alternative sources for financing ICTD;
- leverage existing sources of finance to address ICT financing gaps more effectively;
- work with developing countries to develop a new ICT policy model appropriate to their needs which can attract financial investment and address the interests of all ICT stakeholders fairly;

We acknowledge that other global funds have had a mixed track record but that we think that what we are proposing here is more than a simple fund and has other components such as:

- coordination needed to leverage existing financial mechanisms;
- an approach towards policy environments appropriate to developing countries;
- the exploration and mobilization of new sources of financing for ICTD.

These components make this a new form of financial mechanism. We are also of the view that the governance of a global ICT financial mechanism should be structured on multi-stakeholder participation rather than a traditional UN format.

The goal of establishing a new global ICT financial mechanism should be framed in terms of creating the conditions for a sustainable global information economy based on principles of social and economic rights and justice.

Yours sincerely,

Anriette Esterhuysen  
Association For Progressive Communications (APC)  
Executive Director