Telecommunication Development Sector

Regional Preparatory Meeting for the Africa Region for WTDC-2010
Kampala, 13 - 15 July 2009

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Contact point: Name/Organization/Entity: Tomasz Janowski, United Nations University
Phone number: +853 6 6652305
Email: tj@iist.unu.edu

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Conversations on the World Financial and Economic Crisis

with Impact on ICT development in Africa

UN CONFERENCE ON FINANCIAL AND ECONOMIC CRISIS

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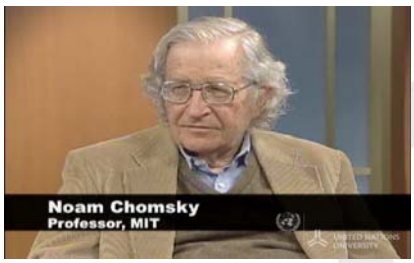
Title	United Nations Conference on the World Financial and Economic Crisis and its Impact on Development
Time	24-26 June 2009
Place	UN Headquarters, New York
Organizer	UN General Assembly
Aim	To identify emergency and long-term responses to mitigate the impact of the crisis, especially on vulnerable populations, and initiate a needed dialogue on the transformation of the international financial architecture, taking into account the needs and concerns of all Member States.

UNDERSTANDING THE CRISIS

Aim	Outlining an intellectual roadmap for the issues to be discussed at the UN Conference
Objective	To introduce some of the most important intellectual and policy voices from around the globe in order to bring clarity to the key issues at the center of the economic crisis, and explain what is at stake and what should be done to overcome the problems we face.
Producer	United Nations University, a thinktank for the UN, through its Office in New York
Participants	Over 20 experts from UN, IMF, UNU, Academia and the Industry were invited. Summaries of five conversations are presented below.

UNDERSTANDING THE CRISIS – CONVERSATION 1

Guest	Views
	The current pattern of government bailouts is typical of "state capitalism", in which the state undertakes high risk, long-term initiatives which, once mature, are undertaken by private activities. Example – Internet. Privatization of gains and socialization of losses is not new. Bretton Woods Institutions (IMF, World Bank) are about international regulations. "Financialisation" of the economy puts the public on one side and the financial sector on the other.
Theme	
How to understand the problem?	

UNDERSTANDING THE CRISIS – CONVERSATION 2

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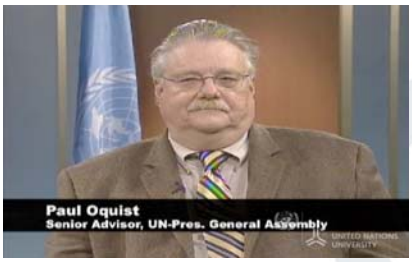
Guest	Views
	UN Conference is for G-192 (all member states) to discuss the crisis; most discussions were carried out within smaller and more powerful groups of nations – G8 and G20. The rationale is to provide voice to all countries in seeking solution to the crisis since the crisis affects all. Arguably, the poorest countries did not cause of the crisis, but had been hit the most. The world must support them. Major lines of actions include global stimulus, investment in the areas of core needs, providing global regulations and institutions, institutional reforms to Bretton Woods organizations, and innovative financial mechanisms. There is a fundamental need to establish trust and credibility with regards to international financial institutions serving beyond the interests of the big economies and carry all UN members states.
Theme	
What is the UN Conference about?	

UNDERSTANDING THE CRISIS – CONVERSATION 3

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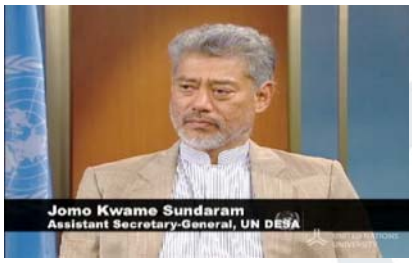
Guest	Views
	The major causes of the crisis include: non-viable system of reserves management, and financial fragility of the international financial architecture due to uneven or non-existent regulation of the global financial system and "financialization" of the economy (unbalanced relationship between finances and the rest of the economy). Strong international coordination is necessary to address the current crisis, as poor coordination is likely to result in: lower growth performance, greater volatility, greater instability, slower economic progress, etc, Bretton Woods Institutions lacks the legitimacy in terms of membership rights; 1 vote equals 1$ for Bretton Woods, while 1 vote equals 1 country for the UN system. They need reform for legitimacy and establishing a broad sense of ownership. No institution is leading the response; IMF should provide technical lead as this is not the role for UN.
Theme	
How to coordinate response to the crisis?	

UNDERSTANDING THE CRISIS – CONVERSATION 4

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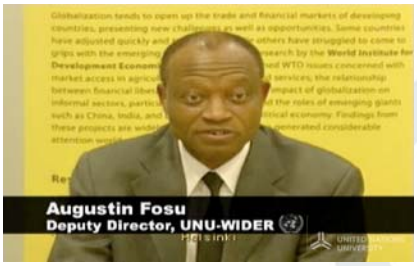
Guest	Views
	African countries were growing at about 6% and reducing poverty at about 1.5% before the crisis. After the crisis, the growth rate is projected at 1.5%. The impact will include: decreased capacity for poverty reduction, job losses, rise of social conflicts and drop in export earnings; most African countries are exporting. Structural economic issues include lack of "fiscal buffer", no international reserve buffer and limited "fiscal space". In fact, many are now running fiscal deficits. Possible policy responses include - at the domestic level: fiscal prudence, limiting debt to avoid social crisis and continuing on the path of good governance, at the international level: honoring international development agreements and continuing debt reduction.
Theme	
What is the impact of the crisis on Africa?	

UNDERSTANDING THE CRISIS – CONVERSATION 5

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Guest	Views
	Technology and innovation are major factors for economic development. However, the crisis has influenced the way risk is perceived in terms of future investments in general. Technology and R&D investment will be affected. Possible impact includes: decline in the R&D expenditure, outsourcing of R&D activities to emerging countries and possible consequent shift of the technology strength to BRICS (Brazil, Russia, India, China and South Africa). Since investment in R&D is of long term nature and it is difficult to quantify the contribution of technology and innovation to economic growth, this investment is likely to easily slip from the interest of governments. There is generally no global coordination in knowledge and technology investment - national focus, but global impact.
Theme	
What is the impact of the crisis on innovation and R&D?	

ICT AND ECONOMIC GROWTH

The production and diffusion of ICT products and services plays a central role in driving innovation, productivity and economic growth in general.

Due to the key role of ICT in economic growth, studies on the impact of financial and economic crisis on ICT development are being carried out at different levels. This event is a good example.

Clearly, the crisis many impact ICT development in various way:

- through reduction in domestic lending by banks
- through reduction in export earnings by governments and enterprises
- through reduction of flows of investments and assistance from international organizations

IMPACT OF CRISIS ON ICT DEVELOPMENT IN AFRICA

Both negative and positive impacts could result from the crisis. In fact 2008 projections indicated a possible 2.6% rise in global IT spending!

On the negative side :

Cuts in ICT budgets, particularly investment in ICT infrastructure

Shift from long-term cost saving ICT projects to short-term cost-saving measures

Lower investment in ICT human resource development in both public and private sectors

Threats to meeting WSIS targets

Impact on different segments:

Hardware is likely to be most hit, as replacements would be deferred

Cheaper software licensing models, e.g. software as service, and open source applications would be sought

Telecom services are relatively inelastic, mobile service could even grow

On the positive side:

Opportunities for ICT market expansion for outsourcing, likely to grow

Could see emergence of disruptive technologies and mainstreaming of emerging technologies (e.g. shared infrastructure and services) through innovation driven by necessity

POSSIBLE RESPONSE

We highlight below possible response by governments and international organizations to the expected impact of the crisis on ICT Development in Africa.

Possible actions by government:

Carrying out studies to understand likely impact on ICT at country level.

Adjusting ICT-related regulations and policies to address the impact

Developing capacity for converting ICT related outcomes (e.g. efficiency gains – hours saved) into concrete social and economic benefits.

Working with academia and industry towards new models for more powerful and low cost ICT infrastructures, applications and services.

Possible actions by international organizations:

Providing guidance and frameworks for countries in assessing, monitoring and responding to the impact through specific policies, strategies and regulations.

Providing continued support in the area of capacity building but focused on optimal use of IT resources (how to get more for less) and better IT management practices.

Raise awareness about the need for continued ICT-based innovation in areas like environment, and the consequences otherwise.

Thank you!

Particularly to ITU for the invitation and organization of this important event.

More information – www.unu.edu.

Tomasz Janowski
tj@iist.unu.edu