

“THE COMMONWEALTH TELECOMMUNICATIONS ORGANISATION (CTO) PROPOSAL”

PROPOSAL FOR A CONSENSUS SOLUTION TO THE ISSUE OF A DIGITAL SOLIDARITY FUND TO SUPPORT THE WSIS PLAN OF ACTION

The Commonwealth Telecommunications Organisation (the CTO), a sister inter-governmental treaty organisation accredited to the ITU and the WSIS, has noted with interest the discussion in the WSIS Prep Com 3 Extended about measures to bridge the digital divide. After consulting with some of its member countries, including the delegations representing Kenya, Malawi and Botswana, the CTO is of the view that proposals for a Digital Solidarity Fund could receive multi-stakeholder support if they are premised along the following lines:

1. Recognition that the multilateral development banks, namely the World Bank (IDA), the African Development Bank (AfDB), the Asian Development Bank (AsDB) and the Inter-American Development Bank (IaDB) and a number of others, provided billions of dollars in soft loans and financing for telecommunications projects in developing countries between 1960-1995.
2. Governments of developing countries, during the same period, also invested billions of dollars of public sector funds in the telecommunications sectors of their countries, mostly through then-Post and Telecommunications entities (PTTs).
3. With the advent of liberalisation and privatisation in the telecommunications sector all over the world during the 1990s, encouraged by the industrialising countries and supported by the World Bank Group and other multilateral and bilateral agencies, concessional lending for the telecommunications sector in the developing world came to a sudden halt by the mid-1990s.
4. Although during the middle to the latter part of the 1990s considerable private sector funds were invested in the telecom sector, most of these funds were invested by the major capital markets in initial public offerings (IPOs) for start-up internet-related businesses in the advanced countries. A small percentage of this private capital also was invested, mostly in new mobile telecom businesses, in some developing countries. With the dotcom bust of the late 1990s, little private sector capital has been available for investment in the developing world. This funding gap is a “capital divide” which exacerbates the digital divide and bedevils attempts to bridge the gap.
5. In the course of the WSIS Prep Com meetings, evidence has been adduced by many governments, international organisations, reputable research organisations, telecom operators and NGOs to confirm that:
 - Although the policy framework could be improved in many countries, there is now general understanding of, and support for, liberalisation, competition, independent regulation and private sector investment in the telecom sector of developing countries. Thus, by and large, the policy framework is mostly in place in most countries. The policy divide is being bridged.
 - Although the regulatory frameworks in many countries need to be strengthened, the majority of countries now accept the merits of independent regulation and have put in place regulatory bodies whose numbers have grown to the extent that they have organised, with the support of the ITU four global regulatory symposia, in order to improve upon their performances. So, the regulatory systems and processes are mostly in place or getting there. The regulatory divide is being bridged.
 - In the area of technology, many developing countries are adapting and utilizing the most modern ICT technology available from the internet to VSATs, while the growth of cellular mobile connections now outstrips growth in the industrialised world. There is progress in the bridging of the technological divide.
 - Manufacturers and suppliers of ICT products continue to find the developing world a veritable target for profitable sales and new market penetration, helping buoy up employment in many industrialised countries. The only real divide in the thirst and hunger of ICT manufactures for market in the developing countries is the limit that economic purchasing power imposes on market growth.
 - Consumers, on their part, in the developing world, including rural dwellers, have shown a near-insatiable appetite for ICT products, as long as they are affordable and accessible.
 - The only real major divide for success in universal access and rural service is the capital divide which accentuates the digital divide, as neither governments, multilateral and bilateral institutions, manufacturers, operators or the capital markets, on their own, are willing or able to undertake this massive global task by themselves. The capital divide is what the WSIS must focus on bridging.
6. In the draft Plan of Action proposed for adoption by the delegates to the WSIS, most of the responsibility for helping bridge the digital divide has been imposed on governments, with other stakeholders given much lighter and less measurable obligations. It is against this backdrop that the CTO, in consultation with a number of countries and stakeholders, wishes to support the concept of a Digital Solidarity Fund premised along the following lines:
 - a) Governments, especially governments of developing countries, must commit to make contributions into the fund, based on a formula to be agreed. Most countries now have regulators, which through licence fees and other revenues and incomes, could contribute to this fund.

- b) Multilateral and bilateral agencies which withdrew from lending to the telecommunications and ICT sector during the mid-1990s should commit to returning to the sector by supporting and contributing to the Fund on terms to be agreed.
- c) Private foundations in the ICT sector, such as the Microsoft, Cisco, Coca Cola and Soros Foundations etc, could be encouraged to invest some of the funds they already spend in the developing world in this fund.
- d) The manufacturers of ICT products, which stand to benefit most when every adult in the world can own a telephone, a computer or a TV set, should commit to contribute to the fund in their own enlightened self-interest.
- e) Other civil society organisations, such as agencies involved in refugee work, religious charities and medical relief organisations, all of whom depend on effective communications with their staff in the field, should be happy to support such a fund.
- f) The capital markets, once they have seen this level of commitment from the key stakeholders and have become apprised of the financial reward of investing in rural communications (as proven in many presentations made at WSIS) will appreciate that this business is not charity but normal risk-taking, underwritten by the combined support and knowledge of the stakeholders identified above. Financial engineers can structure suitable deals relevant to the peculiarities of particular market and regions.

In order to assure the international community that the "Digital Solidarity Fund" shall not become another international bureaucracy, the following is proposed:

There shall be established by the mandate of WSIS I a consultative group of experts representing relevant stakeholders in the WSIS to examine the structure and procedures by which a "Digital Solidarity Fund" (DSF) could be established and operated, for submission with recommendations to WSIS II in Tunis in 2006.

The members of the Consultative Group (CG) shall be the following:

- A representative of the Secretary-General of the United Nations
- A representative of the WSIS secretariat
- A representative of the ITU
- A representative each of the six continental groupings representing the governments of Europe, North America, Latin America and the Caribbean, Africa and the Middle East, the Asia region, the Pacific and Australia/New Zealand
- A representative each of the regulatory associations representing the same geographic zones
- A representative each of the four major regional development banks – the IADB, the AfDB, the AsDB, the European Bank for Reconstruction and Development (EBRD) - and the comparable Middle Eastern bank.
- A representative of the CTO, which is proposing this solution.
- Two representatives of civil society organisations and NGOs involved in the WSIS, of which at least one must be a woman
- Two representatives of the private sector involved in the WSIS, of which at least one must be a woman
- A representative of the World Bank Group
- A representative of the G8
- Two representatives of the Group of 77, of which one must be a woman.

The work of the group shall be coordinated by the WSIS secretariat.

Each member and/or his/her organisation shall pay for his/her attendance and meetings.

Meetings should be as virtual as possible and use all available ICT conferencing infrastructure.

The CTO and some of the countries and delegations it has consulted are of the view that serious consideration and commitment to the above proposal may constitute a realistic way forward and can pave the way for the eventual success of the WSIS process.

The emphasis in the work of the consultative group must be to make the DSF a true multi-stakeholder partnership, involving commitment and contributions by all parties but taking advantage of the underwriting value and guarantees provided by governments and international organizations, the banking structures and financial engineering skills of the world's multilateral banks and the equity investment of manufactures and operators to mobilise capital from the major money markets, where most global funds are located, to help bridge the digital divide.