

A SYSTEMIC VISION FOR FINANCING THE INFORMATION SOCIETY AS A GLOBAL PUBLIC GOOD

Fernando Prada

Introduction

The main objective of this study is to present **financing strategies for information societies** using the conceptual framework of global public goods (GPGs), adopting a **systemic** perspective on financing. For more information about the concepts outlined here and for a detailed explanation of why this conceptual framework is applicable to information societies we suggest consulting the paper "*Mechanisms for financing the information from a perspective of global public goods*"¹.

In this paper we use the conceptual framework of the information society analysed as a GPG, which was developed by Sagasti and Bezanson in 2004². This conceptual framework has the advantage of allowing the diverse elements which make up the BPG — in this case information societies — to be recognized, and to be separated into those which constitute its **nucleus**, with public characteristics of **non-rivalry** and **non-exclusion** in consumption and which generate opportunities to improve the welfare of the agents in question through collective action; and those which constitute complementary activities , which do not have these characteristics.

The components of the global public good

In various forums in the international community, concern has been expressed about the effects of the gap in access and in knowledge in the countries of the South, and about the need to find **additional financing**, with criteria of solidarity, which will, in a reasonable time, allow the whole population of the world to accede to the benefits of the information society. This perspective of the information society is made up of three elements:

- (i) A first public global component which is in the domain of the global and the regimes (including the information which flows freely on the Internet, standards for connectivity, regimes for governance).
- (ii) A second component that is more geographically localised, and in which there is a high degree of rivalry in consumption is to be found in the domain of the networks , and this has an effect in the local or national ambit through agreements and contracts (often called the information technology market, it includes connectivity infrastructure and related services, and the development, design and use of the technologies for transmitting information and for increasing productivity).

1 Available on line at <http://wsispapers.choike.org/>

2 Sagasti, Francisco and Keith Bezanson, 2001, *Financing and Providing Global Public Goods: Expectations and Prospects*, Institute of Development Studies, Sussex, United Kingdom-Ministry for Foreign Affairs of Sweden, Stockholm.

- (iii) A more localised component in the national or local ambit , and one which exhibits a high degree of exclusion as regards benefits (aptitudes to accede to the information flow, the capacity to generate knowledge and content, the educational level of the population be able to take advantage of the benefits of the information society, the capacity to adapt content to the ambit of production and to generating increases in productivity).

In this way the GPG focus means that we can recommend that the efforts of the international community should be concentrated on consolidating a system that is suitable for providing this good. To declare that a good is a GPG is only the first step towards providing it, and the negotiations to generate this system of provision can be enriched through adopting a systemic perspective such as the one we are presenting here.

What should be done?

Within the system of provision, each component has its own challenges and the negotiation processes are under way, but there are good arguments why the representatives of civil society should recommend to governments and to the different actors in the negotiations that they should adopt a **systemic perspective** (considering all the components), so as to avoid arguments and partial solutions to the question of the information society. Therefore we suggest that the strategy for providing and financing the information society should have five elements.

- a) **To create and consolidate the mechanisms needed to make it possible to internalise the externalities with special emphasis on the infrastructure sector.**

Densely populated urban areas have been the main recipients of the explosion in the use of information and communication technologies (ICTs) in developing countries, and this trend should continue as far as possible. However, there is a wide range of instruments to strengthen regulatory capacities so as to avoid excessive dependence on certain types of technology on the one hand, and to strengthen current consumer patterns on the other. This is probably more operative the greater capacity a country has to mobilize domestic resources (higher incomes). However, the international community could focus financial resources and technical cooperation (mainly that of the United Nations programmes) on strengthening these capacities in the countries that are less able to mobilise resources.

- b) **To take advantage of the range of financial mechanisms that are offered by the different sources of finance in accordance with national development strategies, and to adapt these mechanisms to the needs of each country and of each component of the information society.**

In this sense, we believe that insertion in the information society should take place on terms which each country decides for itself. Middle and middle to high income countries could press for fixed term investment programmes (10 years) through framework agreements with the IMF, proposing projects with a high social return as regards connectivity and financed with private capital resources, and thus have great freedom to be able to decide which insertion strategies are best, and depend less on loans from multilateral and bilateral institutions. On the other hand, low-income countries could include more ambitious proposals for programmes involving

investment in connectivity in their Poverty Reduction Strategy Programmes (PRSP) to accede to higher levels of debt reduction or to exchange debt for investment.

- c) A constant and sustained pressure to install financial mechanisms that are specifically geared to the information society (global taxes, or the limited version of the "International Finance Facility" (IFF so as to widen financial options and complement resources for developing countries.**

In spite of initial opposition from developed countries, there are good arguments for the GPG perspective that affirm that the benefits of investing in the information society would be felt by the whole world. This would yield advantages that include the transmission of information and also support for social and educational programmes, so it would be worthwhile structuring financial options for the big push in investment in developing countries.

- d) Countries should be able to take advantage of the implicit division of labour that there is among different sources of finance.**

At higher income levels there could be greater emphasis on private sources which seek a certain level of profit in their operations, while for lower income countries the emphasis could be on softer sources of finance or donations. Likewise, the division of labour also applies to the components involved. At higher income levels, the emphasis is on the contribution to activities in the global ambit (participation in the setting of standards, technical support to other countries, greater investment in research and development to create options that are more economical and more suitable for developing countries), while in lower income countries there is a more urgent need for finance to remedy shortcomings in infrastructure and capacity. The table below shows the strategic options available depending on the kind of country in question and the components of the information society.

- e) The strategy should complement shortcomings in the national or local ambit.**

It is clear that there are divisions not only between different countries but also within individual countries. The idea of complementing weaknesses consists in recognizing these differences in a country's population and implementing the most suitable strategies within the framework of the country's national priorities. In this way, countries with greater capacity for mobilising resources would be able to initiate programmes with support from softer financial sources (bilateral and from foundations) on a very small scale and geared to experimentation so that they could be replicated with domestic resources on a larger scale. Besides this, countries with less capacity to mobilise resources could initiate programmes financed by multilateral loans (and eventually supported by resources from capital markets, through investment funds) for the most profitable layers of connectivity.

Strategic options for financing the information society

		Components of the “information society” global public goods		
		Global domain	Infrastructure	Capacities
Kinds of countries (by income)	Middle high	<p><u>Main challenge.</u> Participation in designing standards, governance and technical assistance to other developing countries (best practices)</p> <p><u>Instruments.</u> Technical cooperation, counselling of private enterprises, support funds for participation (NGOs)</p>	<p><u>Main challenge.</u> Mobilisation of resources from the private sector and expansion of domestic investment</p> <p><u>Instruments.</u> Universal access funds with mobilisation schemes for foreign and domestic resources, with high participation of capital markets</p>	<p><u>Main challenge.</u> Creation of connectivity options more suitable for developing countries (investment in R&D)</p> <p><u>Instruments.</u> Sectoral financing for focalised education programmes (multilateral)</p>
	Middle	<p><u>Main challenge.</u> Support for adopting standards, participation in their design</p> <p><u>Instruments.</u> Long term loans to strengthen regulatory schemes (multilateral)</p>	<p><u>Main challenge.</u> Minimise private investment risks and provide stable long term investment funds</p> <p><u>Instruments.</u> Lowering of investment ceilings (IMF), guarantees against risks (multilaterals), universal access funds</p>	<p><u>Main challenge.</u> Investment in education for better insertion of the poorest population sectors</p> <p><u>Instruments.</u> Sectoral financing for education (multilateral), focalised donations for intervention</p>
	Low	<p><u>Main challenge.</u> Support for adopting standards and for creating content (inclusion of the population)</p> <p><u>Instruments.</u> Technical cooperation, donations to strengthen regulatory capacities (bilateral)</p>	<p><u>Main challenge.</u> Support for the creation and maintenance of infrastructure (big push to cover sunken costs)</p> <p><u>Instruments.</u> SRI investment funds, guarantees (bilateral and from foundations), long term concessional loans and donations (multilateral banks)</p>	<p><u>Main challenge.</u> Programmes to create capacities and to prevent brain drain</p> <p><u>Instruments.</u> Combination of resources for fiscal support (bilateral, multilateral, private foundations) to strengthen education systems</p>