

EXISTING FINANCIAL MECHANISMS AND ISSUES AT STAKE

I have been asked to say a few words by way of a keynote, to lay the groundwork and launch this session, which is concerned with existing financial mechanisms and the issues at stake.

I come from Africa and will thus anchor my remarks on the experience we have had in Africa with financing mechanisms and the issues of concern and at stake in Africa.

My organisation, the NEPAD e-Africa Commission was set up in 2001 and charged with the task to contribute to bridging the digital divide in Africa and between Africa and the rest of the world.

Perhaps one good way to address the matter before us is for me to recount briefly the problem we had to face in tackling such a wide mandate, what we went through, and the thought process that was brought to bear, given the prevailing notions in the world of financing ICT programmes at the time.

In order to tackle bridging of the digital divide, the mandate of the e-Africa Commission was divided into ten programme areas ranging from policies and regulation, to development of infrastructure, to e-skills, e-applications, local content, special programmes for youth, gender etc....

Priority projects were identified within these programme areas and approved by African Heads of States and Governments in the areas of ICT Infrastructure, policy and regulation development, e-skills and e-applications.

The prevailing times, early in this decade were those in which the view had begun to solidify that ICT is an immensely profitable business, entirely appropriate for private sector investment, the proceeds from which should be sufficient to finance all our endeavors for bridging the digital divide.

These were the times when millions of dollars were being paid to secure licences for mobile and fixed-line operations including the privatization of the inclement monopolies in various African countries. Extension of the ICT networks into rural and remote areas would be funded by levies on profits obtained from operations in the more densely populated and lucrative areas.

The ten programmes that needed to be developed by the e-Africa Commission to address the digital divide in Africa were a mixed bag: some were clearly of interest to private sector investment, some were of a nature proper to social investment from taxation and yet others could be packaged for partnership between public and private investment.

Nevertheless, there was belief amongst those who were driving this NEPAD ICT programme that investment in the sector at large would emanate primarily from the private sector and that this private investment would generate sufficient momentum to develop all of the sector including those elements which required substantial investment in social programmes.

Those who speak after me will be able to shed light on whether this was a reasonable assumption or not.

I will thus use my remaining minutes to give three examples of NEPAD ICT projects currently in the market, seeking investment.

1. NEPAD e-Schools Initiative

This is the case of the application of ICT to teaching and learning in African primary and secondary schools. Six hundred thousand schools are involved. Investment is required in computers, equipment, software, internet connectivity, training of teachers and school managers, development and dissemination of educational content. A demo has been done in 16 countries and 100 schools, funded and executed by the private sector. A business plan has been written. Substantial sums are required to be spent over the next 10 years for roll-out in each country.

2. A broadband ICT Network linking African Countries to each other and linking Africa to the rest of the world.

The purpose of the network is to provide high capacity, reliable and affordable connection between Africa countries. A badly needed regulation regime, facilitating cross-border connections (known as the Kigali protocol) has been developed and ratified in 8 countries and efforts for accessions by more countries are ongoing. A feasibility study has been completed in one half of Africa. This part is ready for the creation of a special purpose vehicle (SPV) to raise investment and commence operations.

Investment is also possible in a company that is developing the submarine cable network along the Africa coastline known as UHURUMET.

3. e-Africa Payment Gateway(APG)

Millions of Africans live and work in the Diaspora. Millions of other Africans live and work in African countries other than their own. They often need to remit funds to their home countries. Billions of US dollars in remittances are made annually to Africa from the Diaspora. The current cost of remittance is reported to be anywhere up to 20-30% of the amount remitted. The e- Africa Payment Gateway is intended to facilitate remittances readily and securely at rates in the range of 3%, thus putting real money into the pockets of Africans.

The APG will also provide an e-commerce platform for African SME's to market their goods and services abroad without the intervention of middlemen who often exact an exorbitant share of the proceeds of the SME businesses.

The APG is registered company ready to receive investment.

The foregoing three examples are investment opportunities in projects intended to bridge the digital divide in the African ICT Sector. Can Africa expect to receive financing for such projects? If so, what kind? This in a question to be addressed by the panelists.

What issues are at stake?

1. Will the investment address the issues of poverty in the African continent and in deed help to create wealth through the ICT sector?
2. Will the investment promote African participation? Will the project make room for African capital however small and encourage and cater for African investment interests?
3. Will the project assure fair participation within Africa as between small and big countries, small and big companies, and generally assure that benefits accrue more widely, not just geographically, but also by age, gender and social class?