M i n u t e s

Coordination Meeting on IT for Development
11:00 a.m., Thursday, 8 March, 2001
UNDP Sofia Office

AGENDA

11:00 Introductory Remarks
11:15 Introductory Overview of the Findings from the First Coordination Meeting with donors and NGOs
11:30 General Discussion
12:45 Summary and follow-up recommendations

The second coordination meeting on IT for Development was attended by representatives from the private sector working in the field of IT. It was a follow-on to the meeting that was attended by representatives of the major donors in the country and by NGOs active in the field of IT. The meeting was chaired by **Mr. Antonio Vigilante**, Resident Representative, UNDP, and **Dr. Ognian Shentov**, President, Center for the Study of Democracy. (Please see attached attendance sheet.)

INTRODUCTORY REMARKS

Mr. Vigilante outlined the goal of the second meeting as the strengthening of the public- private partnership in the field of IT with an eye toward development in the country.

Initial exploratory questions posed to the participants:

1. What is the ideal legal, legislative, regulatory framework/environment for the development of IT in the country?

2. What legislation or conditions are missing? What are the bottlenecks?

3. What is the likely scenario for Bulgaria in five years? What do you see as the current trends?

4. What can IT do for development in the country?

5. How can cooperation between private and public sectors help coordinate development?

6. Does the private sector feel any sense of social responsibility? E.g. to work in less populous areas in less lucrative fields… for the sake of development?

7. What ideas / initiatives are there for this field?

8. Is it still possible for Bulgaria to become the Balkan Tiger in IT?

9. Is investing in internet centres a sound policy, given that they only have a life span of about 10 years, and are already dying in the west? Or should money be invested to jump start the sector and to leap-frog some steps taken by other countries – e.g. loan schemes where students are the major recipients?

10. Where is the private sector investment happening? Rural or urban? This is critical for Bulgaria, for while there is not yet a huge disparity between rural and urban, there will be if nothing is done – is the private sector concerned about this?

Dr. Shentov spoke of the government's (the Ministry of Finance and the Ministry of Education) "Programme 2005" which will have a strong IT component, with $30-40 million put toward "wiring schools", and the Ministry of Transport and Communication will do a briefing in March on the IT components of the Programme.

Dr. Shentov also emphasized the role of ICT in coordinating the work of development community in Bulgaria and especially the role of Country Development Gateway as a web based platform and mechanism for knowledge-sharing, networking and collaboration.

SUMMARY OF FINDINGS FROM THE FIRST COORDINATION MEETING

Krassimir Benevski from UNDP presented the findings from the questionnaires gathered prior the first IT coordination meeting held by UNDP on 15th February 2001. Out of 39 projects in the IT area nine types of activities were covered and the findings showed that policy and legislation and telecommunications are the least covered fields and teaching, training and information dissemination are the most covered – both by number of projects and by total project budgets. Also it was found from the few questionnaires sent back prior the current meeting that the poor legislation in the country is also one of the main constraints to private business. The main findings from the first coordination meeting held by UNDP were summarized as follows:

- Clear need for an inventory of current initiatives working toward lessening the "Digital Divide"
- Clear need to establish a framework for IT development
- Identification of existing government activities and strategy such as the initiative to purchase computers for all schools in Bulgaria. (440 of the 1000 schools in the country have no computers)
- The main pillars of the National government strategy are:
  - ✓ Development and acceptance of integral law, rules and procedures which comply with European Union standards for services and work in the information society;
  - ✓ Equal rights for access to modern, effective, and qualitative telecommunications and information services, as well as equal opportunities for gaining the skills to use them;
  - ✓ Creation of a new environment for life and work with extensive use of new information and communication technologies (ICT) within the public, political, economic and cultural domains

Constan Longares from UNDP presented the final recommendations of the first meeting and they are as follows:

- A policy vision and debate on the issue is needed
- A $20-30 million national-level loan should be taken to jump-start the sector
- Plan for how to reach rural areas and overcome fear of older generation is necessary
- Ensure comprehensive training of trainers
- Develop computer loan purchasing scheme for students
- English language courses and basic instruction on how to use the Internet are imperative
- Explore the options of instituting a national number for flat rate (green number) dial-up connectivity and for local call pricing policies
- Formation of a Policy Task Force to present a policy paper to the new government while it is still in its policy formation stage.
  Potential participants: UNDP, CSD, WB, CED, USAID, BAIT, etc.

GENERAL DISCUSSION

A correction was made on the previous meeting that the number of secondary schools in Bulgaria is in fact 3,200 and that the "computerisation" of the schools involves the placement of 6 PCs and one server per school.

BOTTLENECKS AND OTHER ISSUES IDENTIFIED

- A gap between the image of the Balkan Tiger and the reality was identified.

- The emigration of young people (the Brain Drain) where Bulgaria is becoming an IT training ground for companies in W. Europe and North America was reiterated numerous times. It is necessary to address the issue of why young people are leaving.

- There is a need to study modern methods of education, for computer classes alone will not resolve the IT problem. The focus should not be purely on education, as this could worsen the problem, by turning Bulgaria into even more of a brain factory – with the worst case scenario being that in three years, the population of Bulgaria could dwindle to 3 million, all under 16 or over 60.

- Further investment is imperative in the area of teleconnections and telecom infrastructure on a larger scale to improve connection and understanding.

- Need to "think policy". This is a huge challenge, particularly for business associations

- International investment is needed for small businesses – need to develop legislative initiatives with support from UNDP, WB, USAID.

- There is little seed capital in Bulgaria, particularly to promote start-ups, and thereby exacerbating the emigration issue.

- Computerisation programme of the government is inadequate – it should be undertaken on a larger scale.

PROPOSALS AND INITIATIVES

- The computer loan scheme should not be only for students, but rather should benefit the entire population.

- Cisco currently has 60 regional and local private academies in Bulgaria.

- Need to ensure that knowledge gained in trainings is shared.

- An initiative currently underway by Trade Industry Investment Management – REMCO involves the development of a cyberport combined with a golf course (with the support of PGA). This and other endeavours have proven that success is contingent on cooperation/coordination between the public and private sectors.

- A pilot initiative by BAEF – www.jobtiger.bg is a job list site of opportunities in small regions, which targets people who have not previously used the internet. The theory is that by creating content on the web that is useful for Bulgarians, more will be brought online. Future plans include the placement of internet kiosks in each labour office country-wide (27) which houses job opportunity lists and information. There is room in this proposal for public-private partnership, and it is necessary to stem the brain drain.

- Hewlett Packard is involved in the Junior Achievement Programme in Bulgaria which aims to improve business knowledge and practical education of Bulgarian students through high schools, and the use of business mentors. Participants in the meeting were invited to volunteer to address classes on business practices, etc. This too could give students a purpose to use the internet, by creating a better environment for young people to stay, improve their own knowledge and identify their place here. It needs to be supported by more organisations and indeed, by the Ministry of Education.

- On Intellectual Property Rights (IPR) Microsoft is partnering with BAIT to work toward better protection of companies developing intellectual property products.

- On education, MS offers special prices for hardware and implementation software, and is educating teachers (training the trainers). MS would like to see more initiative from the

Ministry of Education in terms of training programs, etc. Believes that the government should gather best practices.

- MS is willing to financially support the computer loan/leasing scheme, and has seen it done in other countries. Support to Provider's Credit would be contingent on the flexibility of the partners and banks.

- There is a military programme being developed by an NGO set up by British Aerospace to retrain demobilised soldiers and to bring back young people who had left the country. As the image abroad of Bulgaria is weak, there is a definite need to promote Bulgaria in the press, on the internet, etc.

- Internet centres are to be established in 50 Chitalishte country-wide, with Bulgarian web content identified for users, and perhaps CDRoms of information – to make up for the lack of new books in the libraries.

- A USAID pilot scheme is being put forward on the local level, with public-private partnership. The most successful schemes are based on the local level, and on local creative thinking. Telecentres for training and awareness are potentially sustainable as entrepreneurial bodies. Education remains the most necessary, with students and teachers as the initial target groups, and then moving on to adults who remain wary of the new technologies.

- A WB initiative – Bulgarian Development Gateway (a project, sponsored by the infoDev Program at the World Bank), aims at establishing a virtual community of government, civil society, and private sector organizations with common interest in promoting competitive markets and democracy in a business-friendly environment, empowering local development community to use the internet as a low-cost tool for knowledge-sharing, networking and collaboration, assisting this community by providing links to ideas and good practices, information about development activities and trends, funding and commercial opportunities, and to increasing global access to locally-generated development knowledge.

- A UN youth development initiative which is currently developing a manifesto to be presented to the President can help to focus policy makers on young people and the opportunities IT can provide.

- BAIT initiatives and ideas to improve the IT environment:

  1. The depreciation period for hardware and software is too long, and should be shortened to one year.

  2. The threshold for long-term assets is too low – if it was increased to $1000, company efficiency would rise. This is currently under discussion with the Ministry of Finance.

  3. Normally software is tax exempt, however software producers are currently punished for outsourcing aspects of their production, by not receiving VAT rebates as the result of a law passed 2-3 years ago to combat VAT drainage. This needs to be reviewed, and changed.

  4. Computer sales occurring on a large scale without VAT hinders those practising legal business. A way to avoid this is to remove the benefits of selling without tax, by subtracting the VAT from the price, for example, or making the VAT deductible, thereby requiring a receipt. This will legalize this part of the business while at the same time, not decreasing government tax revenues.

  5. IT companies could buy-out the military service of young professionals, support IT projects in the military, or create an IT civil service (i.e. IT training in schools) as an alternative to the traditional military service.

  6. The law on management of hi-tech parks needs to be reviewed – BAIT is currently working in this direction. As of now, if a company is not registered under the trade law there are too many opportunities for unfair competition.

  7. Branch associations should have access to bids to ensure they are carried out.

  8. Better security is needed at the Sofia Airport to prevent the disappearance of goods.

9. The expenses of all companies buying hardware and software should be recognized as official expenses and to be removed from the yearly accountancy balance, thereby stimulating the use of IT in the country, strengthen businesses and eventually decreasing unemployment.

10. Schools should be exempt from VAT when purchasing equipment and related services.

11. Obligatory Internet education should be introduced in all high schools.

12. Software development as well as all other IT services should be subject to VAT to stimulate the source business and entice workers to the country, instead of working abroad.

- the international cooperation between CISCO and UNDP should be noted, and this partnership should be developed on the country level as well.

- The life of computer hardware is less than five years, so computer companies should have an obligation to donate computers to students and educational institutions

- On the computer leasing scheme: Provider's credit, which would involve a revolving fund with a subsidised interest rate, perhaps companies should collaborate with the government to develop a public loan scheme.

- Internet access in libraries would bring young people back to the institutions. The distinction between internet cafes and libraries is clear.

- These centres in schools, etc. should be available for the use of non-students, in after-school hours - e.g. the older populations, as well.

- The international level cannot be ignored. Work and training visas should be granted, and overseas training should be recognised in some way either monetarily or otherwise.

- Awareness of IT is just, if not more, important than training.

- There is frustration with the Ministry of Education's high level of conservatism in the area of IT, and there must be agility in the government in its legislation formation – for what might be appropriate today may be out of date tomorrow, as often policies in this area are time-specific. The example of the green number in Madagascar is a good demonstration of this.

- The issue of a pricing policy for ISPs and connectivity must be addressed. A subsidy should be provided to jump-start the sector. Connectivity should also be subsidised, or a ceiling put on prices. Bulgaria should not follow a linear development line on this, but rather, should think about skipping some of the steps taken by other countries.

- 2 day retreat on IT for the next government should be organised, and financially supported by the private sector to ensure that IT and the issues surrounding it are well understood in the new administration, and sound policy will result.

- UNDP is in a good position to facilitate between the public and private sector, because it is regarded as an honest broker by both sides, but duplication should be avoided.

- It is evident that there is a need to consolidate the many different bodies that are currently all discussing the same thing (e.g. the Internet Society, UNDP, BIBA, ANCHAN, BAIT) should come together to make one body or policy task force group and approach the government and coherently press for legislation in this area. The common policy that will be developed by this body should encompasses both private and public sector interests, though a private sector consulting group could be set up therein.

- Papers already composed on the subject and submitted to the government include: white papers by BIBA and BAIT, and a document produced by the Internet Society. These three documents should be brought together as a starting point for the policy paper.

- Tactical draft of the policy paper should be prepared by the end of April, and presented to the political parties prior to the election to promote the inclusion of IT issues in their platforms and spark a debate on the issue.

- The completed final policy paper should be discussed with the new government.

SUMMARY AND FOLLOW-UP RECOMMENDATIONS

Nominations for participants in the policy group should be submitted by mid-week, and the group should be formed from the business community and public sector with support of UNDP.