

Key Policy Messages

USF Workshop of 22-23 June 2022

Background

During the four hours online USF workshop, out of 70 registered participants from Asia-Pacific countries and international entities and organizations, only 44 participants attended the meeting (see the List of Participants¹ and 12 persons returned evaluation reports²).

This document highlights the key messages and policy recommendations from 8 plenary sessions and three breakout groups, which were focused on support from the USF to digital infrastructure connectivity, PPP on broadband infrastructure development, and the use and impact of universal service funds, respectively.

The overall benefits that modernized USF can create under the enabling policy environment, the challenges, and offer to share the progress and tools on how to succeed in creating the targeted impact from universal service obligations (USO) mechanisms and tools are summarised here.

Key Highlights

1. Lessons learned from national case studies highlighted the followings:

- USOF Cambodia is still in the early stages of its development and going through a formative period. The vision of the AP-IS can be realized in Cambodia and ASEAN and can be fulfilled, supported by adequate resources and sustainable funding mechanisms.
- The case of Japan highlighted the following policy messages:
 - To promote broadband service and bridge the digital divide, Japan conducts role-sharing between the central government, local governments, and the private sector and provides budgetary support for rural/remote areas. The central government has supported installation projects by local governments.

¹ LoP accessed here <https://www.unescap.org/sites/default/d8files/event-documents/Doc6f-ListofParticipantsUSFworkshop.pdf>

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- One of the main reasons for the challenges in maintaining and developing wired broadband is the concern about the maintenance sustainability of the area after the development.
 - To ensure ICT infrastructure, it is important to establish a subsidy (fund) system by including certain broadband services as universal services and impose obligations on the universal telecom service suppliers.
 - Fund for Broadband Services should support maintenance costs of wired broadband services in unprofitable areas (limited to businesses with deficits). It should also support maintenance costs of wired broadband services after newly developing uncovered areas.
- The ICT infrastructure improvement in rural areas of Kazakhstan has good results, as the government committed resources. USF is still a new concept for Kazakhstan and, perhaps, for Central Asia, which remains mostly limited to a theoretical concept. On the positive side, the Kazakhstan government launched a de-monopolization policy, so in this light USFs can be seen as a possibility.
 - To reduce the disparity in internet connectivity and telephone services, Russia has been running USF programme analog since 2005 with a huge number of telecom providers investing a percentage of their annual income into the fund. While The COVID-19 pandemic brought a lot of people online, the USF contributions decreased since some operators have gone out of business.
 - Bhutan's government is continuing the Rural Communication Project, a dedicated unit to deploy USF to rural services, as Bhutan's rural areas are left out, compared to the good data and call services in its urban areas.
 - Funds from USF used to install ICT infrastructure hold a different local designation in Sri Lanka. Regarding the COVID-19 crisis, the people who came online were predominantly representatives of marginalized groups. The case of ensuring the effective performance of universal service schemes in Sri Lanka, as well as Pakistan and India, highlighted the following:
 - The performance of USFs can be assessed by if the funds collected are being disbursed (utilized) and if the objectives defined for each universal service scheme are met.
 - To design good USFs, the meeting recommended to:
 - i. not tax current telecom consumers but take from another source
 - ii. not to depress demand but disburse promptly
 - iii. ensure transparency, a necessary condition for external pressure

- iv. create SPV to manage the fund, with strong stakeholder participation
- v. sunset the organization/levy percentage; at least require periodic reauthorization

2. Lessons learned from the white paper report on Next Generation Universal Service toward Ubiquitous Broadband Ecosystems in ASEAN (USO 2.0):

- USFs is a primary policy and funding mechanism for promoting universal service objectives.
- Some of the specific types of shortcomings identified by USF critics. For a USF to be most productive in meeting Universal Service goals, and overcoming some of the criticisms, it must effectively define and implement each component, including Strategic Plan, Project Design, Award, Implementation, etc.
- To Support the build-out of telecommunications and ICT infrastructure and networks, and those that provide retail telecom services for unserved and underserved areas and populations, it is important to backbone network infrastructure and mobile telephone networks and services.
- . The Differences between USO 1.0 and USO 2.0 include:
 - USO 1.0 were all about telecoms, which involved only the Ministry of telecommunications and the Ministry of ICT. However, USO 2.0 increased collaboration within government (among the different education, health, finance, etc. ministries), local government, and the private sector. In this light, USO 2.0 is more inclusive. More consumers can be served by the applications developed by different ministries.
 - USO 2.0 focuses more on private-public partnerships. Previously, USO 1.0 was all about the private sector contributing to the funds.
 - Thirdly, USO 1.0 focused more on telephone lines. But USO 2.0 puts more emphasis on broadband services.

3. Lessons learned from international entities and organizations' case studies:

- ITU: with the differentiated impact of USO on Fixed Broadband Adoption, the digital divide is still astonishing. To address the socio-economic challenges, ITU Smart Villages and Smart Islands programmes are launched, with emphasis on vulnerable populations. The School Mapping study is also designed to investigate the digital divide in E-learning in Thailand.

- It is important to provide a high-quality Whole-of-Government approach to digital transformation at community level.
 - It must be flexible and scalable based on the size and needs of the village or island.
 - Multi-sectoral nature of the programme can increase sustainability in the medium to long term.
- The Work Bank: the different means of intervention on USFs, as one of the tools to reach the objective of universal access to digital services, include Investment Project Financing (IPF), Targeted support through Operations, Development Policy Operation (DPO), and Analytics.
 - It is of vital significance to improve the operation of USF including transparency and accountability.
 - Alternative options such as a “play or pay” scheme where operators take coverage obligations or reduce prices (social tariffs) instead of USF contributions could be considered
 - USF could fund programs to pull demand such as schools connectivity and public access hotspots
 - Capacity building and programs to allow for productive use of the internet is another option to boost uptake and use
 - It is important to support reforms in governance and efficiency through DPOs
- USAID: Universal Service Experiences from USAID’s Global Broadband and Innovations (GBI) project highlighted the lessons:
 - Pulling in the right team and benchmarking with other regional network executions were the keys to the creation of a strong public-private partnership
 - Ensure that political and bureaucratic processes were considered and incorporated into the project plan and design of technical assistance. Similar interventions in the future should also provide capacity building to duty bearer’s staff
 - Design and implementation of Universal Services Funds (USF) projects should take into account a sequential procedure for building a development model.

Key Recommendations for USF use by USF workshop :

1. USF program managers should adopt transparency and accountability measures to ensure that USF funds are utilized in a timely manner that aligns with other ICT investments.
2. In addition to providing basic broadband ICT coverage, USF program managers should also consider demand side investments to ensure broader participation in the digital economy, including the new technologies capabilities such as IoT, digital skills, and e-commerce.
3. Due emphasis should be put on resilience, especially to hazards. In this case, ESCAP's e-Resilience monitoring tool on the website will be of great significance.
4. Cybersecurity deserves substantial attention, considering massive risks which are constantly increasing, and the entitlement of village communities to this crucial issue.
5. To facilitate incentives for the operators to participate in the PPP, the following elements should be taken into consideration:
 - Geographical conditions of rural and remote areas
 - Quality and robustness of networks
 - Mandated infrastructure sharing
 - Mandated tariffs
6. Use USO funding as an incentive for greater competition and more access for different parties, especially share access to towers built using USO funding.
7. Find a way to work with ITU and other international organizations to construct a modernized system to make sure that we have the right level of data and infrastructures to ensure the effective implementation of USO funding.