

Effective Regulation: The 'Stimulus Plan' for The ICT Sector

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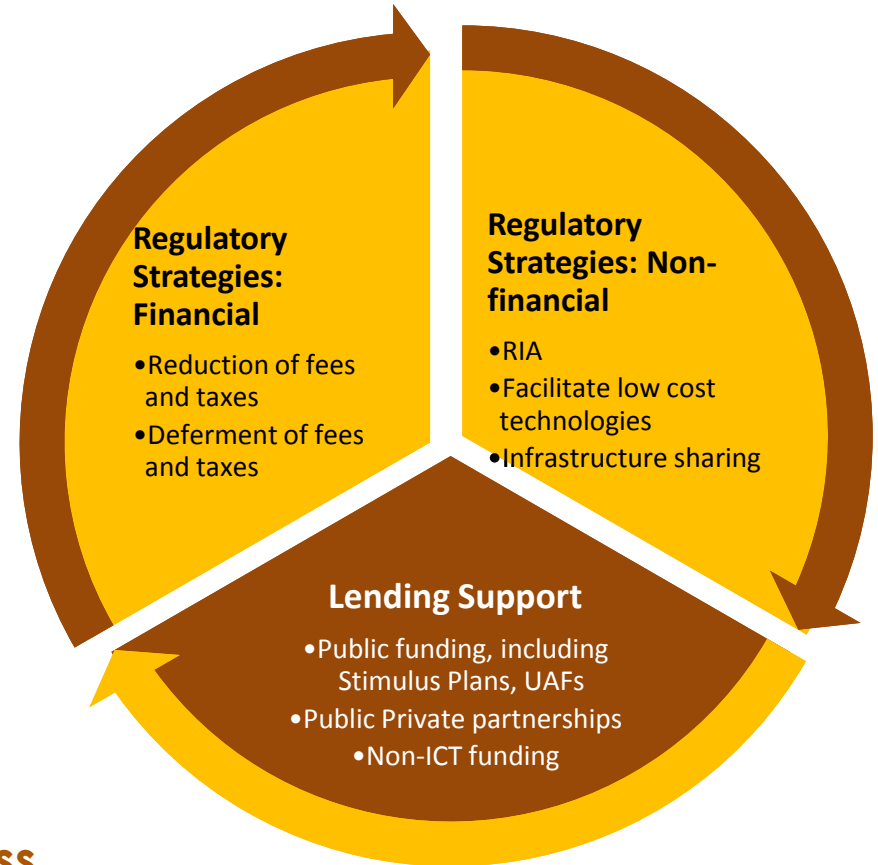
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Introduction

- Paper examines the key role of regulation in **increasing confidence, reducing risk** and **encouraging investment** in the ICT sector in light of the global financial crisis.
- Considers the impact of the economic downturn on;
 - ICT sector regulation and regulatory reform;
 - the market for ICT products and services and consumer demand, and ;
 - regulatory incentives for operators in light of the crisis.
- Examines how NRAs and policy makers can:
 - proactively address the challenges brought about by the global downturn using a two pronged approach.

Two-Pronged Approach

- Governments and National Regulatory Authorities (NRAs) can play a critical role in:
 - **Lending financial support**
 - Offering mechanisms to provide alternative financial support to potential and existing investors;
 - Making available public sector financing, including through ‘stimulus packages’;
 - Public Private Partnerships (PPPs);
 - **Lowering the costs of doing business**
 - Considering *direct financial incentives* such as lower or deferred license fees and taxes; and
 - Considering *non-financial means* such as introducing regulatory measures that promote efficiency.



Pinpointing the Crisis....

- ...not a crisis of Opportunity

-not a crisis of Regulation

- The Financial Sector crisis is worsened by ineffective financial sector regulation, leading to loss of confidence in financial markets resulting in “bail outs” and “recovery plans”;

- There is a risk that the ICT sector will interpret this as a debate between ‘too much’ and ‘too little’ regulation, as opposed to *effective* regulation.

- solid market reform agenda

- sound institutional frameworks

- grounded regulatory & policy principles

- significant international collaboration

- A crisis of Funding....

- Which can be supported through targeted government and regulatory interventions

Regulatory Response: Lending Financial Support

- Hallmark of ICT sector reform - public sector made way for private participation and establishment of independent regulators globally over last 20 years.
- State funding, however, *can* play an important counter-cyclical role and can augment private sector investment, through
 - Public funding programmes and investments**, including:
 - Universal Service Funds (Uganda, Chile, Peru)
 - “Stimulus packages” (EU, US, Malaysia, Portugal);
 - Public Private Partnerships (Australia, Emerging Africa Infrastructure Fund)
 - Loans guarantees and grants (MFIs, NGOs, MDBs, governments)
 - Facilitating investments by non-traditional ICT investors**
 - Banks
 - Electricity companies
- NRA’s can play a critical role in developing **frameworks to monitor the implementation** of the commitments arising from the various stimulus plans and recovery packages, PPPs, and alternative investments.

Regulatory Response: Lowering Business' Costs

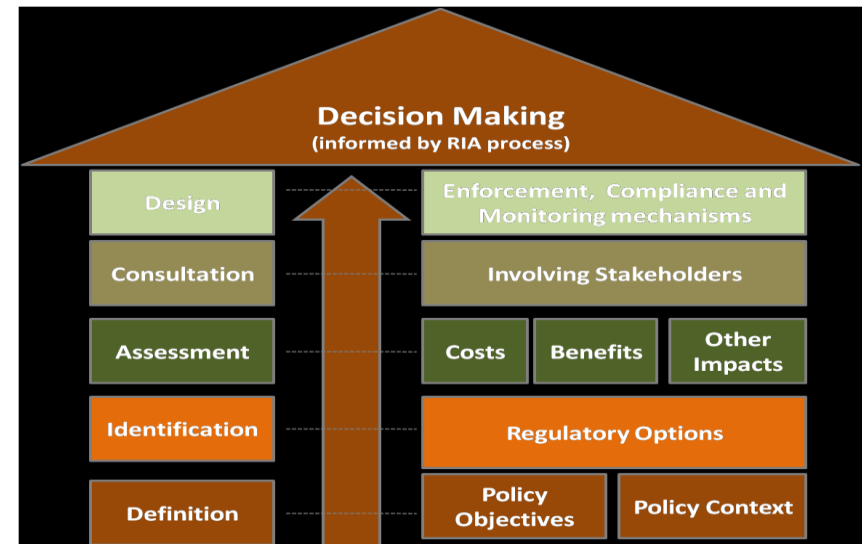
- NRAs can directly influence the *cost of regulation* through:

-Direct financial incentives

- reduction or deferment of fees & taxes (South Africa),
- tax incentives (Kenya)

-Non-financial strategies

- Regulatory Impact Assessments (Mexico, Czech Republic, Poland, Canada),
- Assignment of spectrum to deploy low cost services (WiMAX, WiFi, etc.)
- Forward looking consideration of mergers and acquisitions, and
- Facilitation of infrastructure sharing and service based competition



Conclusion: Reinforcing the Fundamentals & Reducing Regulatory Risk

•NRAs and governments can attract and facilitate investment and reduce regulatory risk by putting in place policy, regulatory and institutional measures to, amongst others:

-strengthen the **credibility and capacity** (i.e., competency, objectivity, transparency, and accountability) of the regulator;

-**Improve efficiency** of the regulatory process; (PPP, RIA)

-**Increase competition** through the licensing of new entrants and reducing barriers to market entry, specifically in network deployment (Equatorial Guinea, Iran, Gabon);

-Encourage **infrastructure sharing** (passive and active),

-Encourage **innovative use of spectrum** to reduce costs is key (WiMAX, WiFi); and

-**clarify regulatory rules** where ambiguity and uncertainty exists (EU, Tanzania)

Conclusion: Reinforcing the Fundamentals & Reducing Regulatory Risk

- The global financial crisis does not challenge what historically has been known as good regulation in the ICT sector
- Proactive approaches can be taken by regulators and policy makers to guard against the impact of reduced liquidity in the global markets
- A two-pronged strategy is required that looks at;
 - how governments and NRAs can lend money to the private sector through PPPs, Funds and other mechanisms
 - effective regulatory strategies and policies – both financial and non-financial.
- Strategies must be underpinned by **strong regulatory institutions**, and **transparent policies and procedures** – the bedrocks of effective and credible regulation



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Thank You



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