Jorge Martínez Morando
Vice-Rapporteur for ITU-D Q4/1
Partner at Axon Partners Group

Contribution from Axon Partners Group

Subject: Regulatory best practices to close the digital gap

Among the relevant topics for the 21st Global Symposium of Regulators, in the context of the Best Practice Guidelines, one of the key aspects is "Inducing new, effective and agile financing mechanisms to digital infrastructure, access and use".

Even if a lot of work has been already done to narrow the digital gap in terms of digital infrastructure, there are still a relevant number of human beings that are not reached by digital services, especially by very high-capacity networks. According to my experience, many countries are struggling in two fronts, where I believe these Best Practice Guidelines should focus its attention, namely:

- Funding
- Optimising the use of such funds

Let's dig into these two topics.

Funding

Of course, the starting point to close the gap is to get sufficient funds. In a nutshell, there are three main sources (that can be combined):

- National telecom markets: A relevant number of countries have relied on the telecom operators to raise the funds to connect the unconnected. It may be in the form of a tax/fee or a universal service fund that is fed by main operators based on their market share. However, there is a limit where the telecom operators can reach. In countries with very low ARPU, the contributions that operators can sustain will not be enough to close completely the gap. Due to the positive impact that connecting those areas brings to the society, new sources of funding may be explored.
- Public funds: This is an obvious solution to the challenges of operators' financing. Governments and international organisations have already funded in one way or another the development of telecommunication networks in remote areas. For instance, the European Regional Development Fund, together with Member States' governments, has been a relevant source of telecommunications universalisation in Europe. Still governments' treasury is not limitless and other priorities are typically in the game.
- Private funds: This option is less obvious. If the market and the government are not able to fund the extension of the digital infrastructure to certain areas, what is in it for other private players to invest in such infrastructure? Recent experiences show us that corporates, especially in the digital ecosystem domain, are promoting initiatives to provide access to the internet in remote areas when the right regulatory conditions are met. One of these examples is *Internet para Todos* (https://ipt.pe/), brought together by Telefonica and Facebook to cover rural areas in Perú. Someone could argue that digital players have other incentives to increase the Internet footprint, but, still, it would be a very relevant help to increase digital infrastructure reach.

Optimising the use of such funds

Managing to get the funds is not easy, but sometimes seems more difficult to spend them and, especially, to spend them efficiently. I have seen cases of countries that are not able to spend already available funds that wait for years untouched without any impact. The main challenges to spend the funds (efficiently) are:

- Measuring the investment required: This is especially relevant in cases of universal funds are paid as a compensation to an operator with a universal service obligation or where universal service projects

should be tendered. Calculate the required investment and operational costs of networks in delimited geographical areas is not an easy task. You cannot rely on average numbers. Instead, you need complex geographic and topographic analytic skills. Failing to do this may end up with over/infra compensating one of the market players, null tenders due to lack of proposals or overspending.

- Define the right model for each area: Even if an area is not currently covered or not currently covered with certain quality of service, it does not mean that it will not be covered by the market itself. On the other hand, areas that the market will not reach may just need some additional financial help to cover the investments, while others will not be profitable even to cover the operational costs. Each area will need a proper funding model (e.g. subsidy, loan, universal service obligations, or even no support at all). It is crucial for policy makers and regulators to properly identify such areas and to decide the right mix of different options to satisfy their needs. I have seen cases in which governments end up funding networks in areas that would be profitable in any case.

- Define the proper regulation that supports the selected models: As expected, regulation around the digital gap is not straight forward and depend a lot on the particular model and funding source. There are implications regarding levels of quality of service, how compensations, if any, are calculated, design of the projects' tendering conditions, define the rules for the participation of new parties beyond existing operators (e.g. digital players), etc.

How can the Best Practice Guidelines help Member States?

In my view, there are a number of areas where these Guidelines can be of help:

1. Providing use cases and identify international best practices about the approaches followed by different countries to close the gap in all the aspects described above.
2. Providing the know-how required to manage the entire process to close the gap, which includes:
   a. Analysing the current situation, measure the gap and understanding the funds required.
   b. Designing a proper strategy with the right mix of models and approaches to close the gap.
   c. Finding the funds required in the cases or areas where the national sources (i.e. markets and government) are not enough.
   d. Defining the regulations required to support the models selected in the strategy.
   e. Running the strategy: monitoring the provision of services, launching projects' tenders, assigning projects, etc.

I hope these ideas are useful for the GSR. I remain at your disposal for any clarification you may need on these aspects.

Yours faithfully,

Jorge Martínez Morando
Vice-Rapporteur ITU-D Q4/1
Partner
jorge.martinez@axonpartnersgroup.com
T: +34 91 310 2894
Axon Partners Group
www.axonpartnersgroup.com

Álvaro Neira Rey
Principal at Axon Partners Group

Subject: The importance of Regulatory Roadmaps in the current digital ecosystem

Among the relevant topics for the 21st Global Symposium of Regulators, in the context of the Best Practice Guidelines, one of the key aspects is "Transformational leadership to unleash the power of emerging technologies and business models".

Today's digital ecosystem – comprised of digital infrastructures, platforms, applications, and ultimately users – is transforming citizens' lives and boosting every sector of the economy. However, in order to fully exploit its potential, the digital ecosystem must be accompanied by an enabling regulatory environment (see more details in one of our previous articles – Role of regulators in the digital ecosystem).

In order for a regulatory environment to succeed in the new digital era, the most fundamental initial step that regulators must take in their journey is to define an overarching master plan for a consistent and transparent implementation of regulatory actions over a certain time horizon. Such a master plan, a.k.a. Regulatory Roadmap/Agenda, must integrate a medium-term strategic perspective on the broad ICT/digital market with a view to providing a predictable playing field and helping reduce regulatory barriers and bottlenecks to innovation, economic development and investment.

At Axon, we have extensive experience in supporting regulators across multiple regions in the elaboration of Regulatory Roadmaps in order to cope with the challenges that the new digital ecosystem brings.

The main lessons learned that should be taken into consideration when elaborating Regulatory Roadmaps can be summarised in the following Decalogue:

1. Be consistent with the Regulator's strategic planning, i.e. mission and vision
2. Have a medium-term vision – it must cover a 4-5 year horizon
3. Do not forget the current context of the market – this will be the starting point to reach the 'desired' vision
4. Seek inputs and consensus with relevant stakeholders (telecom operators, digital players, governments, academia, society, etc.) – consultations, workshops or other forms of engagement are a must
5. Take the right lessons from the international practice
6. Be pragmatic – although it is a strategic document (and high-level in nature), specific regulatory initiatives and areas of work must be defined
7. Define priorities – not all regulatory actions have the same importance and/or urgency
8. Set measurable targets/metrics associated with the defined regulatory actions – progress must be tracked throughout the roadmap horizon
9. Define responsibilities among relevant stakeholders – this is particularly important in the current digital ecosystem, as it comprises many regulatory and policy agents with different visions and interests
10. Coordinate with the different areas/divisions of the Regulator for the actual implementation of the Regulatory Roadmap – planning is important, but implementation is the ultimate goal.

One of the most significant examples where the above Decalogue has been put into practice is the Instituto Federal de Telecomunicaciones (IFT), the Mexican Regulator. Earlier this year, the IFT published its Regulatory Roadmap for the 2021-2025 period (available here). This roadmap aims to facilitate the development of the digital ecosystem and contribute to the socioeconomic development of Mexico, covering aspects that range from incentivising the development, deployment and efficient use of ICT infrastructures and networks; fostering competition in the digital space; and promoting the adoption of emerging technologies and digital use cases among the society and the industry.

Axon Partners Group, in close cooperation with IFT's Strategic Planning Unit, elaborated such Regulatory Roadmap and accompanied the IFT throughout the entire process, including participation in workshops with external stakeholders and the final approval of the document by the IFT's Board.

With this Regulatory Roadmap in place, the IFT now has the necessary tools to become one of the most important international references at the forefront of digital regulation.

I hope these ideas are useful for the GSR and that could be somehow incorporated as part of the Best Practice Guidelines. I remain at your disposal for any clarification you may need on these aspects.

Yours faithfully,

Álvaro Neira Rey
Principal
alvaro.neira@axonpartnersgroup.com
T: +34 91 310 2894
Axon Partners Group
www.axonpartnersgroup.com