

A world map with a dark blue background and orange and red landmasses. A complex network of white lines is overlaid on the map, representing global telecommunications or data connections.

# Maximizing the Potential of Universal Service Funds (USFs) Through Successful Administration And Management

*ITU/BDT Regional Economic and Financial Forum of Telecommunications  
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# Overview of Presentation

1. Snapshot of Universal Service Study
2. Main Challenges Faced by Universal Service Funds
3. Key Factors in Administering and Managing Universal Service Funds

# Areas Addressed by the USF Study



## Universal Service Study

- Global study of 69 countries where USFs are currently in existence or in final planning stages
  - reviewed existing regulatory frameworks that govern or will govern these USFs
  - analyzed challenges and restrictions of some existing USFs
  - examined success factors and best practices of the USFs with regards to administration and management

# Main Challenges Faced by USFs Today

Many of the challenges are due to rapid changes and technology evolution.

Vision – Policy – Legal Framework

- Lack of overall strategy/ policy
- Weak/ inflexible legal and regulatory framework
- Structural deficiencies

- Managerial, operational and capacity challenges
- Lack of correlation between monies collected and UAS demand
- Deficiencies in or lack of underlying infrastructure and facilities
- Inefficient or non-transparent accountability and project allocation process
- Challenging local conditions and related security issues

- Minimal oversight and governance
- Lack of available or appropriate resources and knowledge

Governance – Administration – Accountability



# Managing and Administrating USFs

1. Well-articulated policy
2. Well-defined legal and regulatory framework
3. Managed by independent body
4. Delineation of responsibilities
5. Defined and measurable objectives
6. Objective project allocation process
7. Innovation and incorporate incentives
8. Transparency and accountability
9. Long term sustainability
10. Digital inclusion responsiveness
11. Consultation with stakeholders
12. Working with other funding sources

**Key Factors**

# 1. Well-articulated policy

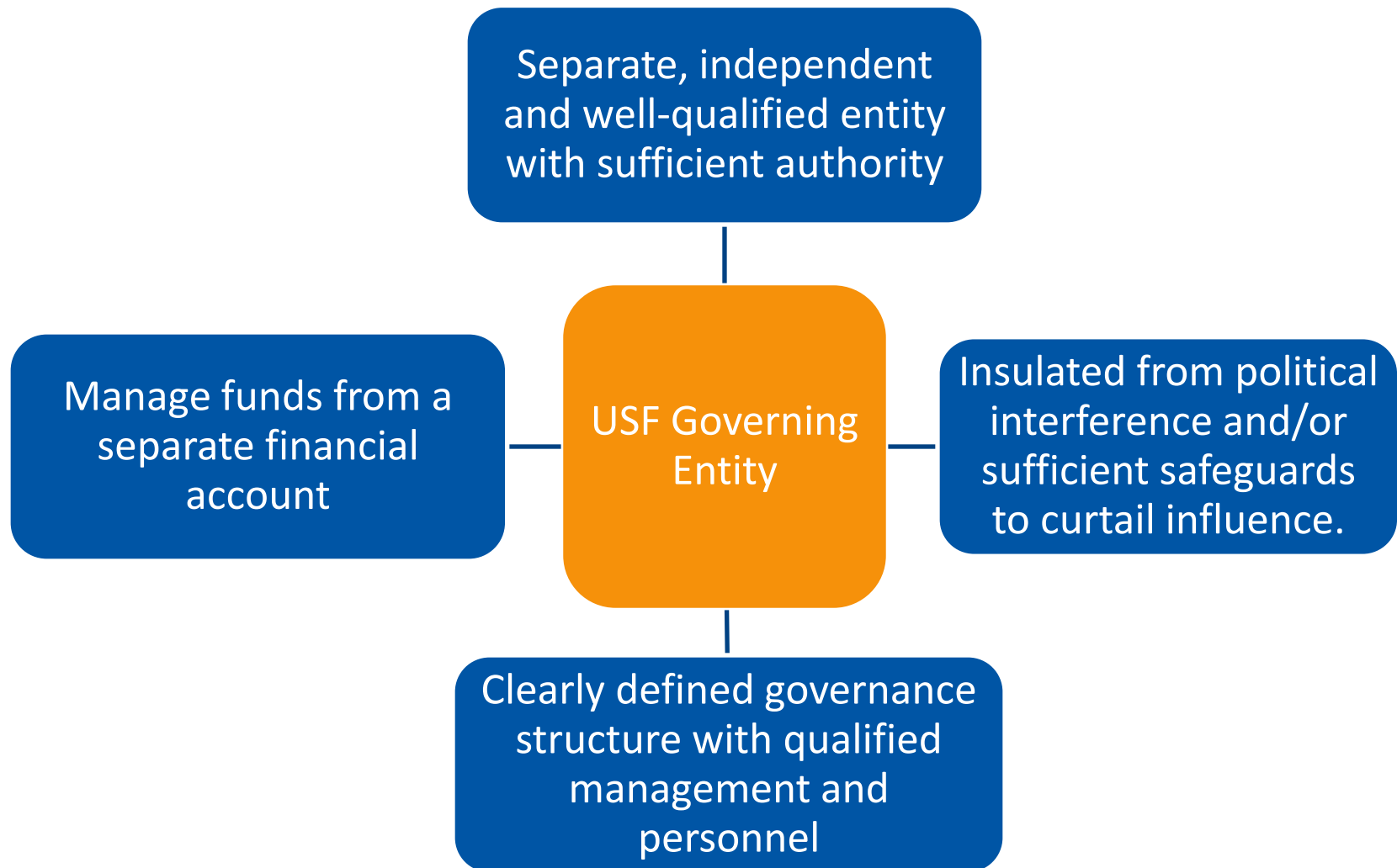


- Clear and flexible definition of what is universal service.
- Articulate a high level vision/policy for the USF.
- Policy should take into account defined geographic, economic and societal sectors (e.g., Malaysia).
- Incorporate easily modifiable and evolving strategy.

## 2. Well-defined legal and regulatory framework

- Highly flexible and allow for policy, structural and operational changes (e.g., Colombia).
- Technology and service flexible (neutral) that will permit, amongst others, broadband deployment (e.g., Peru).
- Allow USF to be used for targeted ancillary/complementary ICT related activities (e.g., Pakistan).
- Permit easy adjustment of USF levies – typically downward (in consultation with stakeholders) to match the funding mechanism to assessed need.
- Provide for periodic review and adjustment of the overall USF vision, policy and administrative mechanisms.

### 3. Managed by independent body





## 4. Delineation of responsibilities

Who does what?

- Clearly set forth roles and responsibilities of fund administrator, executive staff, and any board of directors or management committee.
- Define participation of external stakeholders, including industry participants.
- Precisely delineate roles between the USF and other government agencies/departments (e.g., Peru).

## 5. Defined and measurable fund objectives

- USF policy and rules should --
  - address how levies are calculated and collected, and identify the types of projects for which funds may be allocated;
  - include detailed coverage and service targets tied to a timeframe;
  - have measurement parameters to allow milestones and achievements (or lack thereof) to be tracked and demonstrated;
  - provide for measurements and results reporting to be in a format that facilitates independent verification;
  - be subject to public consultation;
  - be presented via easily accessible information sites/media; and
  - provide for annual review of objectives versus performance and adjust as necessary (e.g., Colombia and Peru).

## 6. Objective allocation of funds

- Those who contribute to a USF should also be permitted, where feasible, to bid and/or apply for projects financed by the USF.
- Tenders should be technology-neutral to give all interested parties an equal chance.
- Bid announcements should be well-publicized.
- The fund administrator must establish clear, non-discriminatory criteria for evaluating project proposals. There should be an adequate number of qualified and interested bidders.
- Where pre-qualification is warranted, the criteria should ensure that bidders can meet specific project requirements, but should not exclude potentially qualified parties.

## 7. Innovation and incentives

- Develop incentives for efficient deployment and/or innovation and cost-minimization where feasible.
- Develop mechanisms for operators to participate in the definition of USF projects including pay or play mechanisms (e.g., Morocco).
- Implement payment schemes tied into specific targets and milestones (e.g., Chile and Dominican Republic).
- Ensure that project monitoring procedures are in place to sustain the incentives.

## 8. Transparency and accountability

- Effectively disburse USF contributions disbursed without a substantial surplus or deficit. This generally requires conducting access gap evaluations and demographic surveys to match the amount of funds collected with project subsidies (e.g., Brazil, Chile).
- Conduct an annual reporting on performance of fund (quarterly or bi-annual would be preferable) (e.g., Colombia).
- Conduct annual public audit, independent from the government with results publicly reported and published.

## 9. Long-term sustainability

- To avoid long-term subsidization, projects should focus on sustainability to ensure that the provision of service grows after the project is completed.
- Incorporate training and other educational programs designed to ensure self-sufficiency for users, project administrators, personnel (e.g., areas such as the operation of tele-centers/Colombia).
- Factor in complementary sectors, including power supplies, backbone networks, access roads, access to water, etc. (e.g., Pakistan).
- Ensure that the development of complementary/ancillary content or applications can be addressed when and if required (e.g., Bolivia).

## 10. Digital inclusion responsiveness

- The overall concept of digital inclusion has been overlooked by many funds – little activity in the Americas.
- Incorporate into USF policies and objectives a focus on stimulating demand to promote digital literacy and use of ICTs in a variety of contexts, including education and health (e.g., Bolivia, Dominican Republic).
- Introduce specific definitions for each of the targeted segments (e.g., persons with disabilities, indigenous peoples, woman and girls, etc.) (e.g., Jamaica, Canada, United States).

# 11. Consultation with stakeholders

- Consultations bring in new ideas, promote buy-in from all players and provide transparency.
- Include outside/industry participation on the USF board or oversight committee (e.g., Argentina, Canada).
- Incorporate consistent and structured public consultation process.



## 12. Working with other funding sources

Arrangements or partnerships with IFC, World Bank, Inter-American Development Bank, ITU, non-governmental entities, etc.

Take into consideration potential partnerships or parallel approaches that may work alongside a USF (e.g., PPP)

Develop guidelines and procedures for these arrangements

- define respective roles and responsibilities
- consider potential for overlap/conflicts regarding roles is taken into account

# Regional snapshot

Americas	Countries	Total Funds
<b>Total Number of Funds Studied in the Region (16)</b>		69
<b>Funds that Permit Broadband (8)</b>	Canada, Chile, Colombia, Dominican Republic, Ecuador, Guatemala, Paraguay, United States	27
<b>Funds with High Activity (9)</b>	Canada, Chile, Colombia, Dominican Republic, Jamaica, Paraguay, Peru, United States, Venezuela	26
<b>Funds with Moderate Activity (1)</b>	Ecuador	12
<b>Funds with Low Activity (3)</b>	Argentina, Guatemala, Nicaragua	3
<b>Inactive Funds (3)</b>	Bolivia, Brazil, Mexico	18
<b>Focus on Persons with Disabilities (4)</b>	Canada, Dominican Republic, Jamaica, United States	24
<b>Connectivity of Anchor Institutions (9)</b>	Argentina, Canada, Chile, Colombia, Dominican Republic, Ecuador, Jamaica, Paraguay, United States	24
<b>Focus on Women (0)</b>	N/A	4
<b>Consistent published financial reporting (8)</b>	Brazil, Canada, Chile, Colombia, Jamaica, Paraguay, Peru, United States	17

# Elements of USF administration and management



**Thank  
you!**

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