Regulatory and Economic Incentives for an inclusive Sustainable Future

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Context

Access to Information and Communication Technologies (ICTs) has important implications on economic growth and sustainable development. That is why there is a global priority placed on ICTs as a catalyst for achieving sustainable development, as reflected in the United Nations Sustainable Development Goals (SDGs). The SDGs recognize ICTs as a key tool for accomplishing equitable and inclusive quality education, gender equality and innovation, inclusive and sustainable infrastructure deployment as well as strengthening global partnerships for sustainable development. A major challenge that limits access to ICTs in many countries is the availability of adequate infrastructure to facilitate the deployment of technologies. This challenge is further compounded by the fast pace of evolution of the technologies, and the changing tastes and preferences of consumers which ultimately reduce the business case for further investment in the current technologies.

Strategies for Improving Infrastructure Deployment

Up to 2022, Zambia had one of the highest corporate tax rates in the Sub-Sahara Region. At 40%, the tax burden for the telecommunication companies was significant and as a result, the sector experienced a slowdown in investment. The high tax burden limited the companies' ability to reinvest into network expansion and infrastructure deployment, especially in unserved and underserved areas, where more pro-poor programs are implemented. In order to curb these challenges, the country implemented the following fiscal incentives:

1. **Abolishment of the two-tier taxation system** and replacing it with a single corporate tax rate of 35%.
2. **Provision of tax incentives directly on the inputs** for infrastructure: reductions in customs duties; waivers on Value Added Tax (VAT) and sales tax. Specifically, reduction of customs duty on selected telecommunications equipment from between 15% and 25% to between 0% and 5%.

From regulatory perspective, Zambia like many countries has also adopted market based principles for assignment of high value spectrum. The country has in recent years assigned spectrum in the 700 MHz, 800MHz and 2600 MHz bands in line with the 5G Spectrum Roadmap to make available spectrum that can facilitate the introduction of new technologies on the market. Revenue raised from the aforementioned assignments has been channeled towards the deployment of communication towers in unserved and underserved areas.

Regulatory and Policy Considerations

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To ensure regulatory efficiency and the sustainability of investments, it is important that countries make the following considerations:

a) **Regulators should avail spectrum** that can facilitate the introduction of new technologies on the market to ultimately improve the quality of services. Further, making available Spectrum that has long propagation capabilities, has the ability to reduce the cost of deployment and accelerate coverage.

b) The design of the **assignment modalities** should have in mind the broader objective of increasing deployment of digital infrastructure as well as sustainability of the business case for operators. Introduce an infrastructure sharing framework to facilitate for more comprehensive infrastructure deployment alongside guaranteeing the business case for the operators. *Infrastructure sharing reduces duplication and cost of infrastructure for operators and this accelerates deployment.*

c) **Establish universal access and service funds (UASF)** as a strategy for collating the required resources from the industry and directing the collections towards less commercially viable localities, which often remain unserved or underserved.

d) Regulators must provide **technology neutral licensing frameworks** to allow for continuously evolving business models and technologies arising from innovation, customer responsiveness and highly competitive environments.

e) Regulators should respond to new actors in the value chain that may not be licensed entities such as providers of Over- The -Top (OTT) Applications.

f) Government's should also support the creation and deployment of emerging technologies and provide a framework that allows for such technologies to thrive, while ensuring that it also protects the interest of all the actors in the ecosystem. *This may also involve ensuring that appropriate legislation relating to aspects such as data protection and cyber security are in place.*

g) Ensure that fiscal policy balances the interest of revenue mobilization and supporting investment, as well as **stimulating uptake of ICT services**. Fiscal policy in the ICT sector is a critical input to the success and growth of operators and it often presents as an important source of revenue for the treasury given the transparency associated with **digital transactions,** as well as the growing demand for ICT services across all sectors of the economy.