



Annex 3 answers

Consultation on the draft GSR-23 best practice guidelines

“Regulatory and economic incentives for an inclusive sustainable digital future”

The objective of this consultation is to explore a framework of regulatory and economic incentives to promote the deployment of ICT infrastructure, equal affordable access to digital technologies, that does not hamper capital spending and network deployment and reduces asymmetries across the digital ecosystem, while ensuring that Governments receive the financial resources needed to deliver public services.

As part of the GSR-23 consultation process, you are invited to submit your ideas, views and experiences to gsr@itu.int (maximum two pages), not later than 30 March 2023, on the following areas:

- **Defining regulatory and economic incentives to stimulate the deployment of digital infrastructure, especially in rural and isolated areas**

What are the key regulatory and economic incentives that could accelerate a sustainable digital future? How to encourage the private sector to continue to invest in rural, isolated and non-profitable areas? What could be new business opportunities and models to increase revenues, to enable better network coverage, affordable digital connectivity for sustainable development and accelerate digital transformation?

Answer:

Regulatory incentives: The Government's four-year plan is boosting rural connectivity with a plan to expand digital connectivity, which, through regulation and by making existing requirements more flexible, seeks to create incentives to break down barriers to access to telecommunications, allowing the active participation and market positioning of local retail Internet service providers (ISPs) who will commit to bring connectivity to the most remote areas of the country or those with a particularly poor quality of service.

How to encourage the private sector to continue to invest in rural, isolated and non-profitable areas? What could be new business opportunities and models to increase revenues, to enable better network coverage, affordable digital connectivity for sustainable development and accelerate digital transformation?

With the active involvement of the Ministry, conventions and agreements between different arms of the administration will be combined with both supply and demand-side incentive schemes aimed at individuals to give the small ISPs, who have traditionally provided service in remote or unpromising areas, the wherewithal to provide connectivity to isolated and hard-to-reach areas. Mechanisms are also being designed for co-investment between the State and private-sector players for the deployment of telecommunication networks including (i) neutral networks, (ii) backbones, and so on.

- **Identifying the right incentives required to ensure the introduction of emerging ICT technologies and business models**

What are the right regulatory and economic incentives and business approaches for the different players in the value chain to promote investment and increase business activities across sectors and industries, and foster demand for and use of ICTs? What is the new role of policy makers and regulators with regard to the creation and deployment of emerging technologies? How to balance fiscal policies while fostering non-discriminatory and affordable service tariffs for users?

Answer:

As regards the right regulatory and economic incentives for the different players in the value chain to promote investment and increase business activities across sectors and industries, and foster demand for and use of ICTs, we consider it important first of all to identify the existing barriers to the use of ICTs by all sectors of the economy so as to understand whether they are due to a lack of knowledge, a lack of training, a lack of economic resources to get access to the technology, or a lack of synergies between the different sectors and the ICT sector. Thus, depending on the difficulties or barriers identified, it may be possible to create tax incentives, say, or to bring about appropriation and synergies between the industries and the ICT sector so that they can identify potential savings that use of the technology can generate, for example.

Regarding the role that regulators and the makers of public policy should play in the deployment and use of emerging technologies, it is important to mention that State institutions should play a role of facilitators so as to reduce to an absolute minimum the barriers facing market players seeking to develop innovation. This implies not only setting up forums where the different participants in the value chain of the ICT sector can interact so as to reduce information asymmetries, but also to strengthen critical factors for the advancement of technology, such as transparency, a legal framework that can be adapted as technology progresses, and an ironclad protection of intellectual property rights.

Similarly, the State in its role as facilitator must also accompany the players of the ecosystem so as to keep abreast of industry developments – which tend to lead regulatory action – and intervene only when necessary.

On the other hand, as regards the balance between fiscal policy and the fostering of universal Internet service at affordable prices, it is important to bear in mind that the achievement of that goal requires the convergence of various public sector players pooling their efforts so as to maximize social welfare. In other words, State policy must ensure that every part of the government organization contributes to that end. For example, the State must make a cost-benefit analysis to determine what is most socially beneficial: eliminating the value-added tax (internationally known as sales tax) on mobile services, so as to make the service accessible to the masses, or using the money collected to subsidize demand and achieve the same objective. In this way, achieving a balance depends not only on the intention of the executive or legislative power, but also requires the efforts of the State as a whole to guarantee both that the State's fiscal sustainability is protected and that universal Internet service is available to the entire population at affordable prices; particularly if the aforementioned service will produce spillover effects and productive linkages that maximize social welfare.