PRIMER ON UNIVERSAL SERVICE

The purpose of this short document is to give a brief introduction to Universal Service. This is in context of the Ministry of Transport and Communications (MOTC) of Myanmar developing a Universal Service strategy, planning to establish a Universal Service Fund (USF) and implementing pilot projects in 2017/2018.

What is Universal Service for telecommunications services?

Universal Service is a policy goal that intends to ensure that all people in a country have access and are able to use telecommunications services, in particular for people living in rural and remote parts of the country and poorer households. This also includes persons with disabilities. A universal service policy defines a minimum set of telecom services, both for voice services and broadband Internet, which all people should have access to. This also means that these defined telecom services are affordable. The following diagram shows the key elements of what Universal Service means under the categories of availability, accessibility, affordability and ability:

Issue	Basic meaning	Specification
Availability	All inhabitants have service available	Coverage of inhabited geographic territory • Region /area • Locality size (e.g., towns, villages, settlements with varying number of inhabitants)
Accessibility	All inhabitants can access the service	• Gender • Race, tribe, religion • Ability /disability
Affordability	All inhabitants can afford to pay	• Access device (e.g., mobile phone) • Cost of calls & services • Minimum “basket” below a certain national limit (e.g., 3% of family income)
Ability	All inhabitants have the basic ability to use telecom services	With increasing focus on the broadband Internet, user capabilities become important • Awareness of services and their benefits • Ability to use computers & devices • Ability to navigate the Internet & use ICT services

Why is a Universal Service Policy needed?

In the past, typically the government owned operator had a monopoly and the government could direct the operator to serve commercially unviable areas of the country. Once a market

liberalizes, and allows other competitive operators to enter the market, this is not possible any longer. Even though commercial operators have a long-term interest in serving a all parts of the country, and competition drives network expansion, there will be areas that the commercial operators will not serve or at least it will take a long time. Therefore the government needs to develop a Universal Service policy or strategy to ensure that these areas and population groups will also be served. Universal Service ultimately benefits economic and social cohesion, integration and a country's socio-economic growth.

Universal Service in the new Law

The new Telecommunications Law from 2013 gives the MOTC the option to establish a Universal Service Fund (USF), and then instruct the Postal and Telecommunications Department (PTD) to develop programmes and projects for the construction of basic telecommunications infrastructure and to extend telecommunication services in the underserved areas of the country.

The general objective of the Universal Service strategy is to enable every citizen of Myanmar, including those who live in rural and remote parts of the countryside, to have the opportunity of accessing telecommunications services. The focus will initially be on addressing communities, areas or target services where an initial one-time "smart" subsidy is sufficient to incentivize a commercial provider to commence services and to continue providing them commercially in the long term.

Universal Service policies and Universal Service Funds are internationally wide-spread practices and there are over 90 USFs internationally. So Myanmar can build on that experience, but tailor its own universal service policy to local circumstances and needs.

How is it financed?

Currently the main operators have an obligation to pay a small percentage of their relevant revenue annually into the USF. It is important that all relevant telecom players equally and proportionally share in the obligation for Universal Service. In other countries, the USF also receives contributions from the Government, and may also receive funding from international or bilateral development agencies or donors. Further, some USF's also receive parts of spectrum auction proceeds.

What type of programs and projects get financed by the USF?

Typically, the majority of funds are focussed on closing the telecom service gaps – meaning the funds get spend on telecom infrastructure network expansion into areas which do not have service at all or inadequate service. With the emergence of the Internet, it is also important to build capacity to use and benefit from broadband Internet services. Many USFs therefore finance school connectivity programs, and other capacity building programs. Sometimes USF programs include connectivity targets for rural institutions such as hospitals. A small proportion gets also spend on helping people with disabilities to access telecom services, as well as local content development aimed to be useful for rural people.

There are a few things that are important with the latter programs:

- Schools or institutions need to be made ready for broadband Internet connectivity (e.g., power, capacity, computers, teachers, ICT curriculum, etc.). The USF cannot do all of that, so the responsible Ministries need to play an important role too.

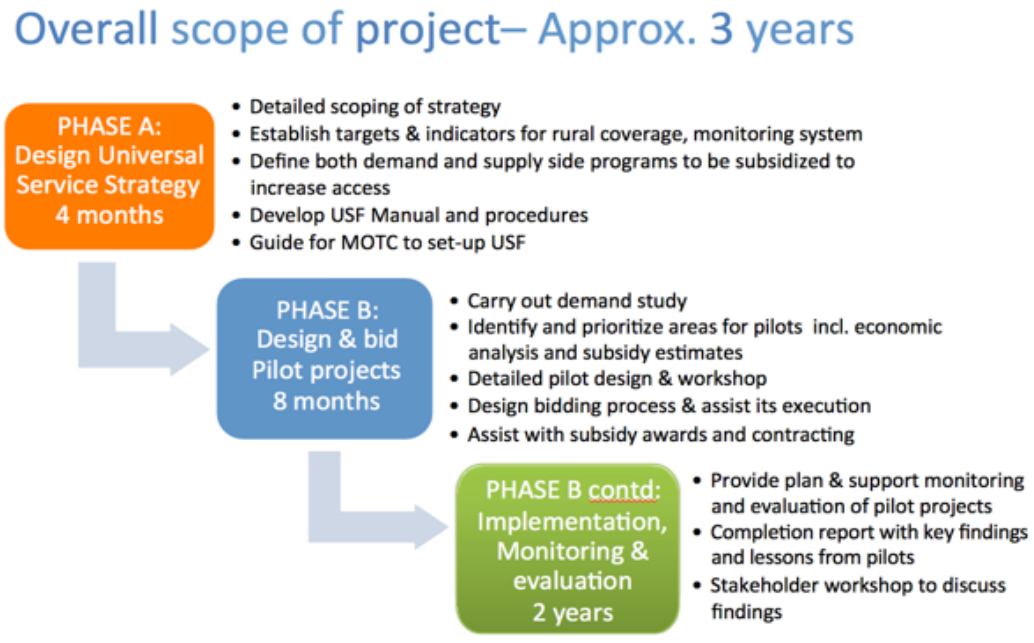
- Programs/ projects need to be designed to be sustainable.
- The USF has a very specific focus and every project needs to be well justified.

How does it work and who implements the projects?

Best practice of USFs is that the money gets distributed in a transparent, open and fair manner. The USF also has the duty to maximize the value of their funds. The best way to accomplish that is through public competitive tenders and a smart subsidy approach. Competitive tenders allow that the best suited operators with the best proposal gets to implement a certain project. But the unserved areas are also divided into separate regions, allowing several operators to win a USF contract. Further, the USF does not provide 100% of the money needed to cover an unserved areas, but only so much to allow an operator to have a normal return on investment. So the operator might get 50% or 70% and invests his own money in addition. The operator will own the network and has the obligation to provide services. Also school connectivity projects, content or disability projects get implemented similarly – the best operator or the best organization gets selected through a competitive tender to implement the program.

What is the process of developing the Universal service strategy, and design and implement the pilot projects?

There is an extensive Terms of Reference for the development of the Universal Service strategy, but key elements are shown in the following diagram:



Why is there a consultation?

Success factors for developing and implementing a Universal service strategy include the following:

- Participation and support from key stakeholders (e.g., industry, government and civil society); and

- A well-tailored universal service strategy, that takes into consideration the unique situation and circumstances of the country, the rural areas and the rural people.

Therefore, MOTC and PTD will consult with the above listed stakeholders at every critical junction of developing the Universal Service strategy, designing the projects, their implementation and then their monitoring and evaluation.

Some initial questions and inputs

MOTC is interested to receive input to the development of the Universal Service strategy, and here are some initial questions:

- What will be the unique challenges for Universal Service in rural areas in Myanmar?
- What will be important elements needed for success?
- How will it be possible to serve regions that are still not yet at peace?
- Are there existing projects in the areas of rural connectivity, information and communications technology (ICT) capacity building and similar initiatives, that have useful experiences and lessons for the Universal Service strategy?
- What is needed to ensure that the USF is well-managed and efficiently run?

Who is Intelecon?

Intelecon Research and Consultancy Limited of Canada has been selected by the MOTC through a competitive tender to assist MOTC. The main objective of this assignment is to provide support to MOTC for the design of Myanmar's Universal Service strategy and for its implementation in a number of pilot areas to demonstrate and accelerate the development of rural telecommunications (voice and internet) infrastructure and services in locations that are unlikely to attract sufficient private investment. The project started in September and is to last for 3 years. Intelecon has a team of eight experts on this assignment and has worked for the past 17 years in rural telecommunications and universal service, and has assisted over 20 developing countries to develop Universal Service policies and assist in program and project implementation, and monitoring and evaluation.

Contact:

Sonja Oestmann
soestmann@inteleconresearch.com

Andrew Dymond
adymond@inteleconresearch.com