A global coalition
working to
make broadband
affordable for all

ALLIANCE FOR AFFORDABLE INTERNET

2018

Affordability Report

www.a4ai.org

Executive Summary

This year marks the fifth annual edition of the A4AI Affordability Report. In these five years, we've seen issues around internet access and affordability step into the spotlight, and have seen a growing number of countries acknowledge the need to put digital strategies at the heart of their plans for development and economic growth.

Despite this progress, the past five years have also seen a serious slowdown in the rate at which people are coming online. Based on trends using ITU internet use data, last year's Affordability Report predicted that we would achieve 50% global internet penetration by the end of 2017; a downturn in the growth of internet access and use means that we now don't expect to reach that milestone until mid-2019.

Inability to afford a basic internet connection remains one of the most significant — and solvable — barriers to access. **Around the world, over two billion people live in a country where just 1GB of mobile data is unaffordable.**[1] This issue is particularly acute in low- and middle-income countries, where 1GB of data costs over 5% of what people earn in a month — a price that is well over the affordable threshold of 1GB of data priced at 2% or less of average income.

The 2018 Affordability Report examines how the policies to accelerate access to affordable internet have progressed these past five years across 61 low- and middle-income countries, and where they stand today. Our research finds that while policies continue to improve on the whole, the pace of policy change remains far too sluggish and incremental to effect the change needed to enable affordable access for the billions still offline.

KEY FINDINGS

Policy progress is slowing. Despite increasing recognition of the critical relationship between online access and economic growth, the pace of policy change to drive internet prices down marked its slowest improvement to date, with policy scores increasing by just 1% since last year.

For the first time ever, global average policy scores went down. While policies on the whole improved marginally, we saw scores backslide across measures of (1) the regulatory environment and (2) policies around universal and public access. The latter is particularly concerning given that our research shows public access policies to be strongly correlated with reduced broadband prices.

Infrastructure is faltering. Over the past few years, progress on the drivers of affordability has been pushed primarily by improvements in access policies. Policies to expand and further develop infrastructure have stagnated — a point that is reinforced by costs that remain stubbornly high for internet providers and consumers alike.

Island archipelago nations face particular challenges in providing affordable internet. New analysis on the industry costs incurred in the provision of internet service shows that the cost to provide one subscriber with mobile broadband data for a year in an island archipelago nation like the Philippines is nearly five times the cost to do the same in a coastal nation like Nigeria.

1 Calculated by using 2017 population estimates from the World Bank of countries covered in this study and including 1.3 billion in China.

To stand a chance at closing the digital divide and enabling affordable access opportunities for the billions around the globe still offline, we need governments — supported by private sector players and civil society — to **prioritise the time and resources needed to build the policies, practices and infrastructure to drive down internet costs**. This report lays out specific recommendations for filling policy gaps and accelerating needed progress, including to:

1 Develop cost reduction strategies that are rooted in an understanding of a country's unique geographic challenges.

Updating or building new infrastructure is an important step in enabling more affordable connectivity opportunities for the unconnected. New infrastructure policy and financing must be rooted in an understanding of a country's unique geographic challenges, and how they impact the various industry cost components. Governments, development institutions, multilaterals and others can work, for example, to support regional initiatives to lower international transit costs and interconnection rates for landlocked countries, to offer interest-free loans to small island nations to access submarine cables, or to encourage sub-regional partnerships to access submarine cables and other needed infrastructure.

2 Develop or update national broadband plans that contain concrete and realistic targets and timelines.

Research shows that countries with a broadband policy that clearly outlines goals and strategies for increasing internet penetration tend to have higher rates of broadband adoption. The most effective broadband policies provide the public and private sectors with clear guidance and a roadmap to sector development, and will support regulatory certainty by laying out plans and time-bound targets to support network development, expand internet access and address market gaps that might otherwise be neglected.

3 Establish and implement effective Universal Service & Access Funds.

Universal Service & Access Funds (USAFs) are intended to expand opportunities for connectivity to all, and offer an untapped opportunity for working to connect those at the margins of society, or those that might not otherwise be able to afford to connect. Funds can be used, for example, to finance infrastructure development in underserved areas and among marginalised population groups, or to widen opportunities for individual access through end-user data and device subsidies. More specifically, USAFs can be used to reduce the digital gender gap within countries as a step towards ensuring universal access.

4 Commit to effective spectrum allocation processes.

Emphasis should be on transparent, accountable, timely, and efficient allocation of spectrum for existing internet service providers (ISPs) who serve various market segments, as well as to non-traditional ISPs, such as community networks.

As our lives move ever more into the digital space, access to the internet becomes an increasingly basic need, and a critical prerequisite for effective participation in society. There has often been an assumption that market forces will, on their own, lead to everyone, everywhere being able to afford to come online, but, as we have seen over the past five years, affordable access is not a given outcome. Connecting the last billions, including those living in hard-to-reach places, will require targeted policy interventions aimed at tackling their unique barriers to access.

The chronic failure to prioritise broadband policy has led to slowing growth, missed internet penetration targets, and a growing gulf between the world's online and offline populations. The longer we wait, the more urgent it becomes to take action to close this digital divide, and enable access opportunities for the billions that continue to be shut out from the digital revolution. Policymakers must take an active role in charting the course toward a strong policy and regulatory environment, setting broadband strategy, investing in universal and public access, facilitating infrastructure sharing, and managing spectrum. We hope our next report will document a shift toward positive action, change, and affordable access for all.

2018 Affordability Drivers Index Rankings[6]

COUNTRY	ACCESS SUB-INDEX SCORE	INFRASTRUCTURE SUB-INDEX SCORE	ADI SCORE 2018	RANK 2018
Malaysia	95.59	60.08	82.44	1
Colombia	83.38	66.02	79.12	2
Peru	80.71	63.20	76.21	3
Costa Rica	86.20	57.14	75.91	4
Mexico	76.05	63.30	73.80	5
Turkey	75.26	55.67	69.33	6
Argentina	71.99	58.20	68.94	7
India	71.49	56.59	67.83	8
Thailand	77.50	50.36	67.71	9
Dominican Rep.	71.35	54.10	66.44	10
Ecuador	71.45	53.18	66.00	11
Mauritius	76.66	45.75	64.83	12
Brazil	68.13	53.58	64.46	13
Morocco	69.84	48.72	62.79	14
Pakistan	65.74	52.39	62.56	15
Indonesia	73.42	43.88	62.12	16
Jamaica	65.41	48.32	60.23	17
Nigeria	65.13	44.72	58.17	18
South Africa	66.81	43.00	58.16	19
Ghana	62.64	47.03	58.08	20
Jordan	61.76	47.26	57.73	21
Botswana	64.62	43.84	57.44	22
Tunisia	60.20	47.05	56.80	23
Sri Lanka	62.30	43.20	55.87	24
Viet Nam	58.65	46.03	55.44	25
Côte d'Ivoire	64.48	39.79	55.22	26
Senegal	55.67	47.64	54.71	27
Rwanda	58.61	43.85	54.26	28
Benin	54.13	46.92	53.51	29
Myanmar	48.45	52.48	53.46	30

6 Note that the 2018 ADI uses a revised methodology (see Annex) and is not directly comparable with those of previous years. Scores are out of 100.

COUNTRY	ACCESS SUB-INDEX SCORE	INFRASTRUCTURE SUB-INDEX SCORE	ADI SCORE 2018	RANK 2018
Philippines	55.15	43.04	52.00	31
Bolivia	52.65	43.88	51.12	32
Egypt	55.13	40.89	50.85	33
Honduras	51.30	43.70	50.31	34
Tanzania	52.68	42.13	50.21	35
Uganda	54.83	39.61	50.01	36
Kenya	48.92	45.48	50.00	37
Cambodia	52.75	39.70	48.96	38
Nepal	47.05	43.43	47.92	39
China	47.18	42.16	47.31	40
Bangladesh	46.82	41.84	46.95	41
Venezuela	50.74	36.63	46.27	42
Mozambique	46.50	38.89	45.22	43
Namibia	38.73	43.49	43.54	44
Mali	39.21	40.41	42.17	45
Zambia	44.90	33.88	41.72	46
Guatemala	43.21	33.68	40.72	47
Gambia	44.61	31.98	40.56	48
Burkina Faso	40.10	35.46	40.01	49
Cameroon	35.03	39.11	39.27	50
Kazakhstan	49.84	22.17	38.14	51
Zimbabwe	44.05	21.86	34.91	52
Sudan	41.51	24.18	34.79	53
Malawi	36.78	27.71	34.15	54
Nicaragua	35.07	26.86	32.80	55
Liberia	22.07	17.69	21.06	56
Sierra Leone	19.38	11.13	16.16	57
Congo, DR	16.17	9.76	13.73	58
Haiti	9.11	15.59	13.08	59
Ethiopia	10.64	3.68	7.58	60
Yemen	0.00	0.00	0.00	61

A global coalition working to make broadband affordable for all

ALLIANCE FOR AFFORDABLE INTERNET

Alliance for Affordable Internet | 1110 Vermont Ave NW, Suite 500, Washington DC 20005, USA

www.a4ai.org | Twitter: @a4a_Internet

WORLD WIDE WEB FOUNDATION