



A4AI-MYANMAR UNIVERSAL SERVICE FUND WORKSHOP

27 July 2015, 8:30-16:00
Conference Hall, MICT Park
Yangon, Myanmar

Summary Report of Event

At the launch of the Alliance for Affordable Internet (A4AI)'s activities in Myanmar on the 26th of March 2015, the participants of the A4AI Multi-stakeholder Forum agreed to work together to achieve the country's goal of providing open, ubiquitous access to the Internet in all regions at an affordable cost of less than 5% of average monthly income. Although mobile penetration has multiplied since 2013 after the launch of service by two private operators, Ooredoo and Telenor, the subscription to mobile and fixed line broadband is yet to become popular among the citizens.

At present, Myanmar witnesses close to 40% tele-density, less than half of its target of connecting over 90% of the population to the Internet by 2020. Of this 90% target population, more than 50% are expected to have access to high-speed internet services of at least 7.2Mbps. This ambitious target becomes much more challenging as the nation aspires to at the same time build its broadband ecosystem in order to develop, from scratch, a number of socially impactful *and* affordable services.

Stakeholders present at the first forum on 26th March clearly recognised the need for further policy and regulatory reforms to achieve the above target. They prioritised the following four themes for their collaborative work:

- Establishment of Universal Service and Access Fund
- Infrastructure deployment and sharing
- Reforms in taxation and tariffs
- Evidence-based decision-making through data collection, research and analysis

Workshop on Universal Service and Access Fund (USAF)

On the 27th of July 2015, A4AI organised a workshop on the topic of "establishing a multi-stakeholder-based USAF" key experts from Pakistan and Sri Lanka joining the event. The objective of the workshop was to raise awareness of the concept of USAF as one of the many strategies for



achieving universal access. The workshop also served as a platform for sharing knowledge on the best practices and lessons learned from the experience of other USAFs globally.

Ms. Sonia Jorge, Executive Director of A4AI, provided an overview of the event and welcomed the participants. She was joined by U Khun Oo, the President of the Myanmar Computer Federation (MCF) who also welcomed the participants and expressed his gratitude to A4AI, its partners and coalition members in Myanmar for their active engagement.

Overview Presentation on Universal Service and Access Fund

Mr. B. Shadrach, Asia Coordinator for A4AI, gave an overview presentation on USAF, highlighting the following issues that were identified in the recent report¹ published by A4AI:

- Mechanism for establishing the Fund
- Mechanism for operating and managing the Fund
- Mechanism for contributors' collection and disbursement
- Mechanism for Fund effectiveness and diligent oversight

He also highlighted the need for strengthening the human resource capacity for effective USAF management, especially in the form of appropriate and trained personnel with adequate capacity to strategically plan and adhere to internal operating procedures. He called for the need for providing autonomy and independence to the Fund administrators so as to help them develop systems for allocating fund resources without government interference. He further noted the importance of the Administrator's ability to avail adequate technical resources, support and cooperation from the ICT industry and also from the government agencies and other line ministries. Mr. Shadrach also called for the following action lines as critical to Myanmar's goal of universal access:

- USAF as one of the many solutions in the broadband era for achieving universal access
- USAF as means to promote cooperation and shared responsibility among the actors of the ICT sector
- USAF as an opportunity to channel funding for closing digital gaps and for stimulating demand

Universal Service Fund of Pakistan: Its Evolution and Success Story

Mr. Parvez Ifthikar, former head of Pakistan's Universal Service Fund, described the chain of events that led to the creation and administration of the Fund in Pakistan. He explained the rationale for

¹ Townsend, David (2015). Universal Access and Service Funds in the broadband era: the collective investment imperative. A4AI, Washington. 2015. http://a4ai.org/wp-content/uploads/2015/03/A4AI-USAFs-2015_Final-v.2.pdf



the organisation, which was created as a not-for-profit company registered under the Companies Act of Pakistan, rather than as a government body. He also described the history behind the establishment of the Fund, including Pakistani parliamentary support to amend the Telecom Act in 2004 and embrace the USF concept. While mentioning the initial technical assistance from the World Bank, Mr. Ifthikar iterated the need for adapting the concept to the local context, rather than religiously following the World Bank's template. While explaining the critical factors behind the success story of Pakistan's USF, Mr. Ifthikar highlighted the following factors:

- Continuous stakeholder consultations held in all regions, among multi-stakeholders and multi-sectoral actors in Pakistan
- Capturing early learning for further modification in the approach and in conceptualising projects for implementation
- Appointing technical auditors to monitor progress against milestones
- Focusing on the backhaul, challenges due to power shortage and the need to build the user base
- Creating awareness of the benefits of ICTs and preparing the market through broadband access centres such as telecentres
- Incorporating social inclusion objectives such as working with PWDs
- Looking at ways to offer OPEX subsidies beyond what was offered to ease CAPEX
- Need for systems that support and enhance total transparency

Mr. Ifthikar also highlighted the typical challenges facing the implementation process, especially from the operators who are often not too keen to move into geographies that will not be profitable and whose focus in the early days is more on reaching their targets in highly populated locales rather than remote areas. He called for the Myanmar stakeholders not to repeat the mistakes of other nations by not having clear rules for the subsidy programs. He recommended that stakeholders not simply adapt the government's procurement rules for procuring services from the operators and other stakeholders for service-oriented USAF projects. Since members of Parliament are often unfamiliar with the key objectives of the Fund, he mentioned the need for designing an awareness program targeting key policymakers in the country. Finally, Mr. Ifthikar recommended designing the Fund on the basis of public demand and needs, rather than the compulsions of the supply side.

Experiences of Universal Service Funds in Sri Lanka and the rest of Asia

Dr. Rohan Samarajiva, former Director General of Telecommunications in Sri Lanka who also initiated a public access program through the Sri Lankan post offices two decades ago, shared his views on USAFs. He classified the USAF evolution into three stages: the first generation being a cross-subsidy program that addressed mandatory service obligation of providing rural access; the second



generation being one that aligned itself to market reforms (such as the ones in Colombia, Peru and Chile in the mid-1990s); and the third one that focused on developing an Internet ecosystem with key focus areas of infrastructure development, content and application development, skilling the user-base, affordability in terms of internet access and the usage devices, and emphasis on the reliability of service offerings. He presented his analysis of USF establishment and their effectiveness in nations such as India, Malaysia, Australia, and Indonesia, concluding that the Malaysian experience was the most positive and market-friendly.

Dr. Samarajiva highlighted the differences of levies on operators in India (5%), Malaysia (6%), Nepal (2%), Pakistan (1.5% of adjusted revenue), and Sri Lanka (USD 0.03 per minute on international calls terminated in the country). While touching upon the models of efficiency, he pointed out the differences between Pakistan's model of the USF being managed by a quasi-independent agency and the ones in India, Malaysia, Nepal, and Sri Lanka being managed by public sector bodies. In conclusion, Dr. Samarajiva noted the need for market reforms preceding the establishment of a USAF and the need to look at alternatives to the typical USAF revenue generation model. He referred to the Chilean model that supported the Fund through general taxes as a favourable example, while recommending a one-off subsidy on CAPEX rather than perpetual OPEX subsidies. For Myanmar, he presented the need for strengthening the backhaul and the use of renewable energy to operate towers in rural areas. Dr. Samarajiva called for establishing an independent special purpose vehicle (SPV) that would distribute and sunset the fund over a period of time.

What makes a Universal Service and Access Fund Successful?

Mr. Ifthikar gave another detailed presentation focusing generally on the prerequisites for the establishment of a successful USAF.

Referring to a recent GSMA study² that highlighted many failed USF projects, Mr. Ifthikar mentioned that the role and the involvement of a country's top leadership towards promoting USF is a critical element for achieving success. He highlighted other critical success factors including:

- Conducive policy laid out clearly after thorough multi-stakeholder based consultations, and requirements for the policy to be measured for its effectiveness and for further updating/adapting.
- Supportive legislation that is flexible enough to allow room for changes to levies and procurement processes and one that is open rather than restrictive.
- Transparent governance that involves public and private stakeholders and one that is open and representative of all stakeholders' interests.

² GSMA (2013). Universal Service Fund Study. <http://www.gsma.com/publicpolicy/wp-content/uploads/2013/04/GSMA-USF-Main-report-final1.pdf>



- Mutual trust among stakeholders that is developed over a period of time through well-adapted processes.
- Making all information pertaining to all decisions, including the instruments and the processes used for making decisions available on a website – this could also be used as a strategy to post all the obstacles and challenges facing the Fund to elicit ideas and suggestions for improvement.
- Independent audits to further determine if and how operators are delivering on their promises.
- Monitoring and evaluating the impact of USF investment in the lives of common citizens.
- Competition as a key to success: through competition, it is possible for the regulators to prevent the creation of local and national-level monopolies. There is also a need to encourage competitive practices in infrastructure sharing, especially in rural telecom projects where often times a large percentage of dark fiber remain unutilised.
- Recognition of the challenges facing the operators and offering rewards and incentives, rather than penalties, and making broadband rollout to rural areas a mandatory condition. It is the duty of the government to ensure right of way, especially in rural areas and focus on strengthening the backhaul which alone can help business to flourish.

Finally, Mr. Ifthikar stated that the evolution of the broadband era has brought in a paradigm shift, where USAFs are key to achieving total coverage and low cost access through installing public access points where demand-driven local language services and content could be offered.

Mr. Ifthikar concluded his talk by stating that USFs' focus should no longer be in offering mere access to broadband, but bundling access with a plethora of needs-based services that can ride on the network. Thus, the business of managing USAFs is all about ecosystem development in unserved areas of any country.

Group Discussion on a Universal Service and Access Fund for Myanmar

Following the presentations, group discussions were started to further delve into issues pertaining to the establishment of a USAF in Myanmar. The stakeholders present at the meeting divided themselves into four groups to discuss the following issues:

- Universal Access Policy and how the Fund could help support such a policy
- Administrative aspects and structure of the Fund, and the kind of operations the Fund can support
- Goals for the Fund, and the kind of projects the Fund should consider
- Legislative setup, governance and the contribution clause for the Fund



Group 1: Universal Access Policy and how the Fund can support such a policy

The group's deliberations on the topic led to the following recommendations that were presented by the rapporteur of the group, Mr. Aye Kyaw Hlaing, CEO of Vision to Motion Myanmar:

- The USAF should take a "rights-based" approach from the outset.
- The main target of the Fund's intervention should be the unserved rural areas of Myanmar.
- One of the objectives of the Fund is to support broadband use to promote education in rural areas and increase digital literacy.
- Emphasis of policy Imperative should be on the quality of access rather than mere coverage.
- USAF Policy should be reviewed on a periodic basis.
- Local content development should be one of the objectives of the policy.
- Affordability and availability should be included in the policy as mandatory elements.
- Telecentres are one way to serve communities; hence, attempts should be made to connect 100% of the villages of Myanmar.
- Subscription can help sustain the Fund over a period of time.
- Gender mainstreaming should be included in the policy.

Group 2: Administrative aspects and structure of the Fund

Presented by Dr. Thant Thaw Kaung, head of the Myanmar Book Aid and Preservation Foundation, the group offered the following recommendations:

- The USAF Board should have representatives from the public as well as the private Sector. The public sector membership of the Board should attract bureaucrats from two key ministries in addition to the ones that would represent the Ministry of Communication and Information Technology.
- For non-government members of the Board, there should be attempts to identify and incorporate individuals from the country's telecom operators and the civil society groups that operate in rural areas.
- The Board should comprise 9-10 members who support and empower the CEO to lead the USAF organisation.
- The first task of the Board should be writing the USAF's rules and guidelines.
- The organisation should be set up as a not-for-profit company, mirroring the Pakistani model, with personnel leading technical, financial, legal, and administrative aspects of Fund management.
- While the employees are engaged as paid staff, the members of the board of directors should not be paid any salary or remuneration. It is advisable to keep the number of staff to a minimum, preferably below 75.



The organisation should safeguard against any monopoly and should have measures to prevent dominance of any member or particular sector on the board.

Group 3: Goals for the Fund and the types of projects the Fund should consider supporting

Ms. Phyu Phyu Thi of the Myanmar ICT for Development Organisation (MIDO) summarised the discussions of the group in the following recommendations:

- Before the USAF distributes funds to implement projects, an in-depth study to analyse the demands and needs of beneficiaries is needed.
- While the Fund can support special projects, there should also be an attempt to create a network mainly for offering 'push' and 'pull' services. A network map that describes the current status of connectivity in the country should be developed to determine priority areas.
- The network map would also help to identify locations where locale-specific, demand-driven interventions can be carried out.
- The USAF should consider funding projects that develop natural language processing in Unicode formats on a priority basis.

Overall, the projects funded by USAF should enhance public and private sector collaboration and special projects to address national priority issues such as disaster management.

Group 4: Legislative setup, governance and the contribution clause

The last group to present looked into the aspects of legal and governance structure for the Fund and the timelines for establishing these structures:

- Group members were of the opinion that the market should grow first and be allowed to explore the need for the Fund in an organic manner rather than a requirement that is imposed by the government.
- A roadmap should be produced for the establishment of the Fund in the order of (a) the government creating a conducive environment for operators to fulfil their obligations and achieve their milestones, and (b) to acquire enough data on coverage across the country to inform if such a Fund is needed.
- The group members suggested a five-year timeline for collecting data and measuring the impact of current telecom market penetration.



Panel discussion on the establishment of a USAF in Myanmar

The group discussions were followed by a panel discussion moderated by Ms. Jorge. The panellists in this session included Ms. Seint Seint Aye of the Post and Telecommunications Department of the Myanmar Ministry of Communications and Information Technology; Ms. Vicky Bowman of the Myanmar Center for Responsible Business; Ms. Htaike Htaike Aung of the Myanmar ICT for Development Organisation; Mr.. Daniel Susnjar of Telenor Myanmar; Ms. Pushpa Nair of Ooredoo Myanmar; Dr. Thant Thaw Kaung of the Myanmar Book Aid and Preservation Foundation; and Professor Nwye Nwye Aung of the Myanmar Computer Federation. The following key points emerged from the panel:

- The ongoing discussions for establishing a USAF at the Posts and Telecoms Department of the Ministry based on the Telecom Act of October 2013 should incorporate the inputs of the A4AI-Myanmar Coalition.
- The internal discussions should include the voice of all stakeholders; hence, the multi-stakeholder discussions organised by A4AI should be seen as complimentary to the process.
- The targets for the USAF's rural coverage should be well informed by a network map and evidence collected from the field. Even if 100% of the geography is not covered, such a map would at least make clear which locations continue to remain uncovered.
- The USAF should follow a transparent process from the very beginning, and the plans should be published on the USAF website after every consultation held.
- There is a need to define the notion of 'Universal Access'. As an immediate priority, a green paper on Universal Access Policy should be developed and shared for comments by the citizens and the groups that represent citizens' interests.
- There are many online initiatives that spread hate and discrimination. The Fund should consider supporting projects that prevent the misuse of ICTs.
- The Fund should support local innovations such as the MESH network that was in practice in geographically challenged Chin region. There should be a supportive legal framework for promoting and recognising local innovation.
- MIDO has carried out social audits of villages before initiating any ICT-enabled intervention. Such models of carrying out social audits before establishing community telecentres could be followed throughout Myanmar before embarking upon a nation-wide telecentre project that could be funded through the USAF.
- As with telecentres, special efforts must be undertaken to build the capacity of the infomediaries who would staff these centres as 'info-entrepreneurs'.
- Complementing the establishment of new telecentres, the government should consider using the existing 6,000 public libraries as centres that stimulate and prepare the demand-side.



- Myanmar's coastal and mountainous regions are to be best covered through public access programs such as telecentres and public libraries. Attempts should be made to cover each of the 16,000 villages in Myanmar.
- USAF should prioritise supporting local language processing, local content creation and digital literacy. Since the idea of USAF-enabled access is no longer copper and pipes, a clear strategy for content development must be developed.
- Efforts should be made to widen the stakeholder base, and more people and organisations should be encouraged to join the Alliance.
- Competitive practices that demonstrate results in terms of price reduction and quality of access should be encouraged.
- Government should develop a policy for harnessing microwaves to overcome roll-out constraints.
- Government should carefully nurture a multi-stakeholder-based USAF to avoid legal litigations and confrontations among the operators as seen in other countries.