



Effective regulation: A ‘*Stimulus Plan*’ for growth in the ICT Sector

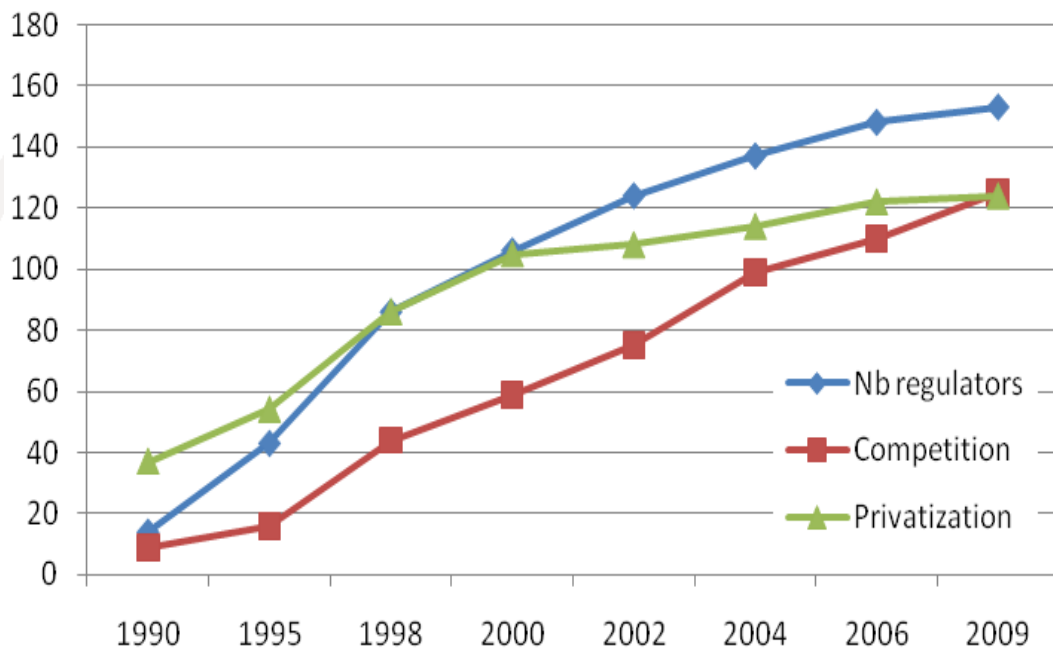
International Scientific Conference
“Current regulatory issues in the area of
telecommunications and radio frequency resource usage”
Kyiv, 18 May 2010

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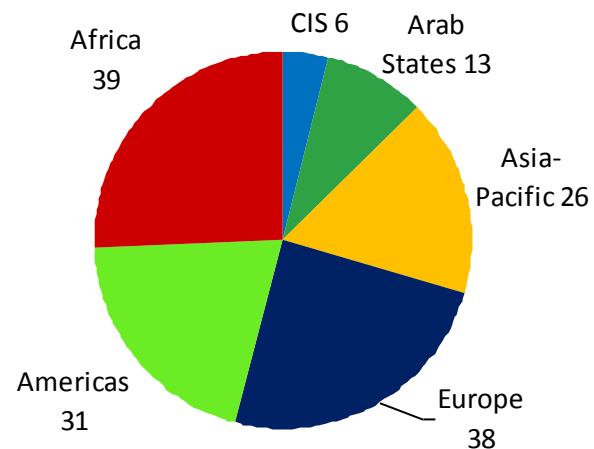
Setting the regulatory scene

Regulatory trends, 1990-2009

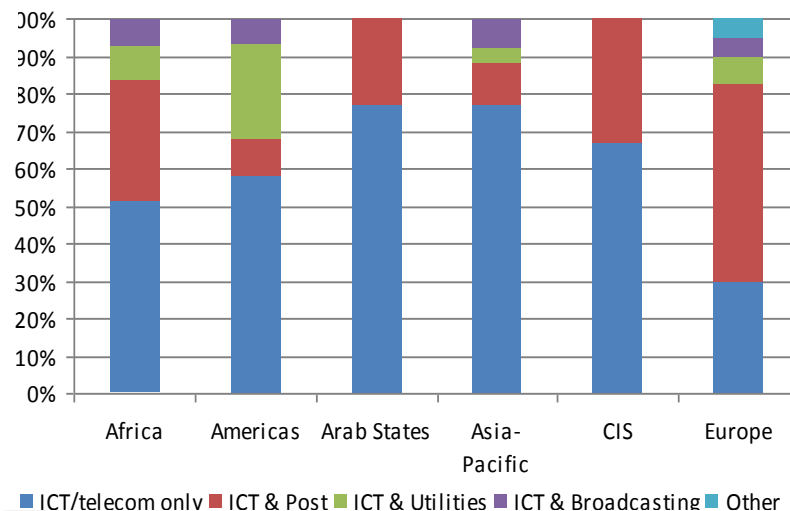


Source: ITU World Telecommunication Regulatory Database.

153 Countries with a separate regulator, 2009



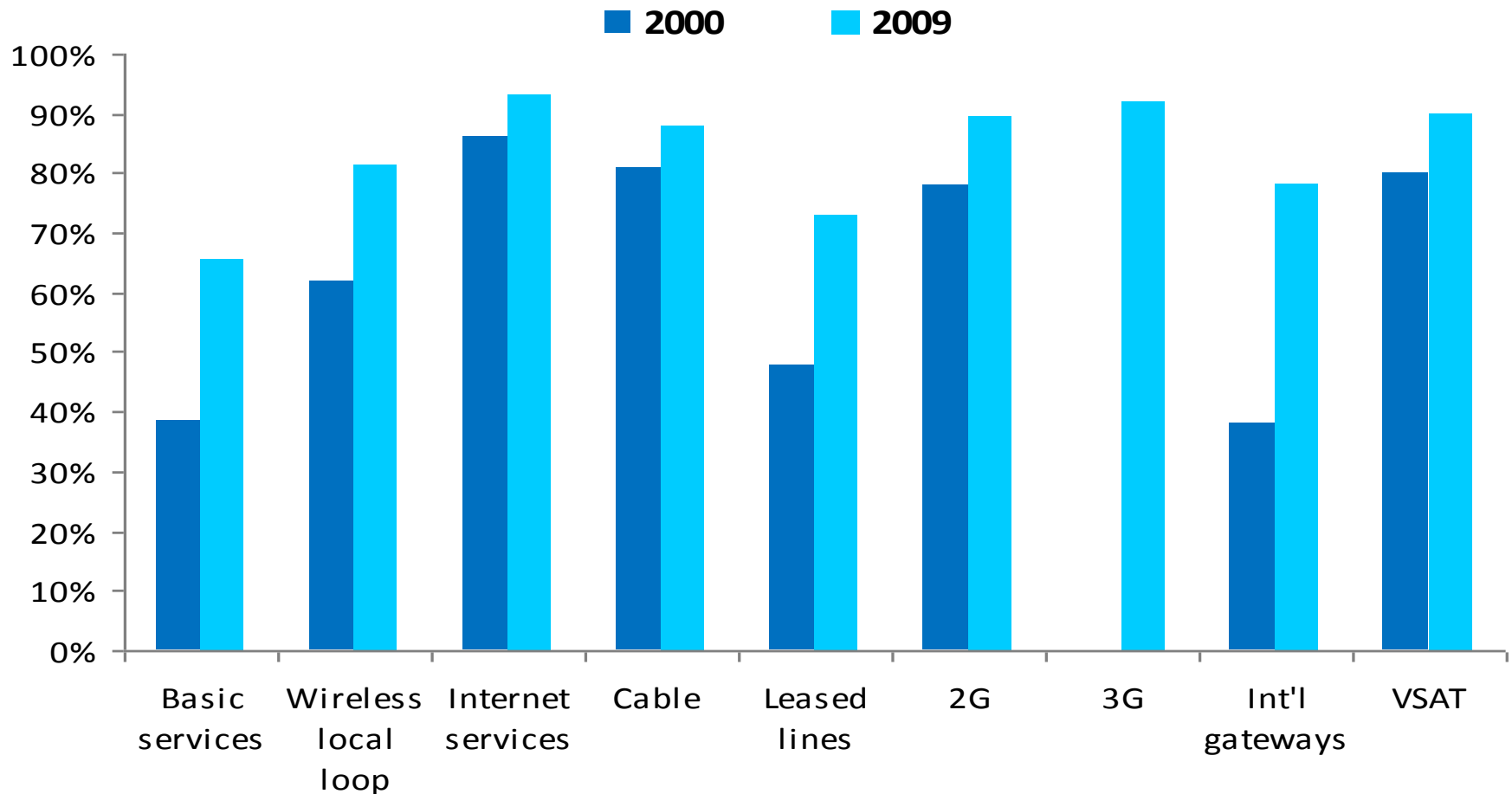
Mandate of the regulator, 2009



A competitive environment



Growth in competition, world

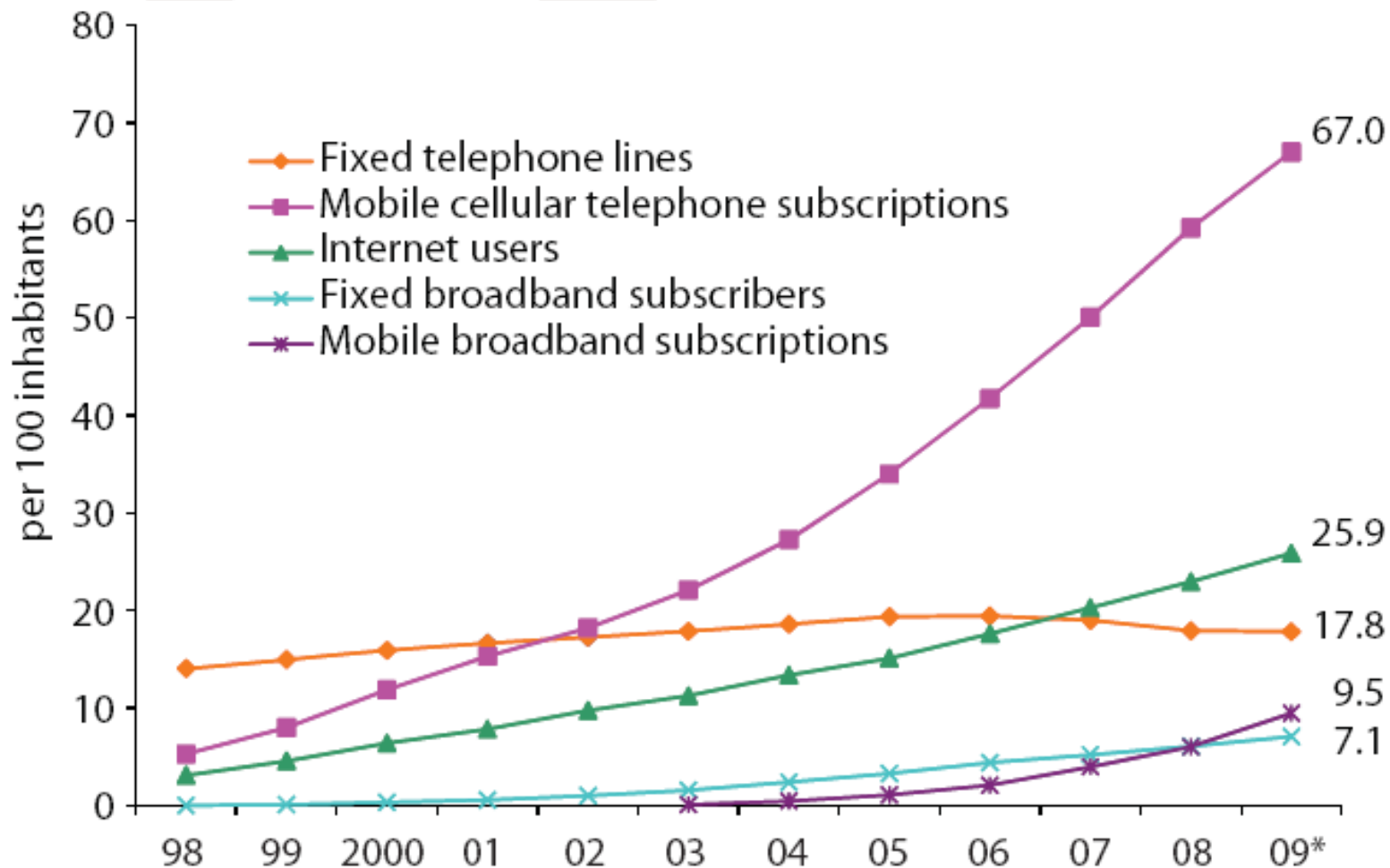


Source: ITU World Telecommunication/ICT Regulatory Database.

May 2010



ICT Market growth, 1998-2009



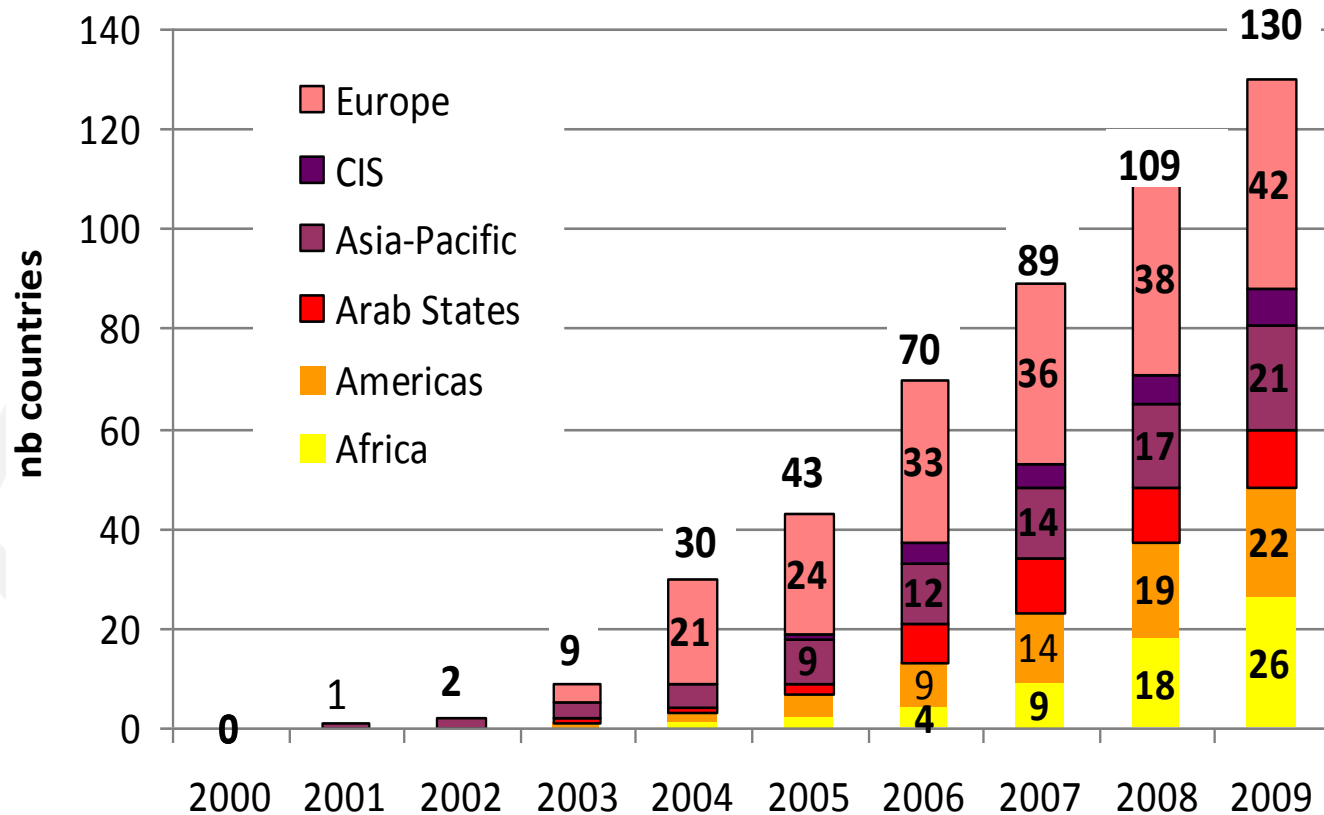
Note: *2009 data are estimates.

Source: ITU World Telecommunication/ICT Indicators Database



IMT-2000 Growth

Global growth in IMT-2000 countries, 2000-2009



Source: ITU World Telecommunication/ICT Indicators Database.



Impact of the financial crisis on regulation

- The crisis acted as a wake-up call on the importance of effective regulation
- The global financial crisis does not challenge what historically has been known as good regulation
- The crisis was primarily one of funding and investment
- Proactive approaches can be taken by regulators and policy makers to guard against the impact of reduced liquidity in the global markets



Lessons from the crisis

- Ineffective financial sector regulation: leading to loss of confidence in financial markets resulting in “bail outs” and “recovery plans”
- Risk: that the ICT sector will interpret this as a debate between ‘too much’ and ‘too little’ regulation, as opposed to effective regulation
- Ensuring private sector investment: Targeted regulatory intervention and State funding can play an important counter-cyclical role

A two-pronged strategy:

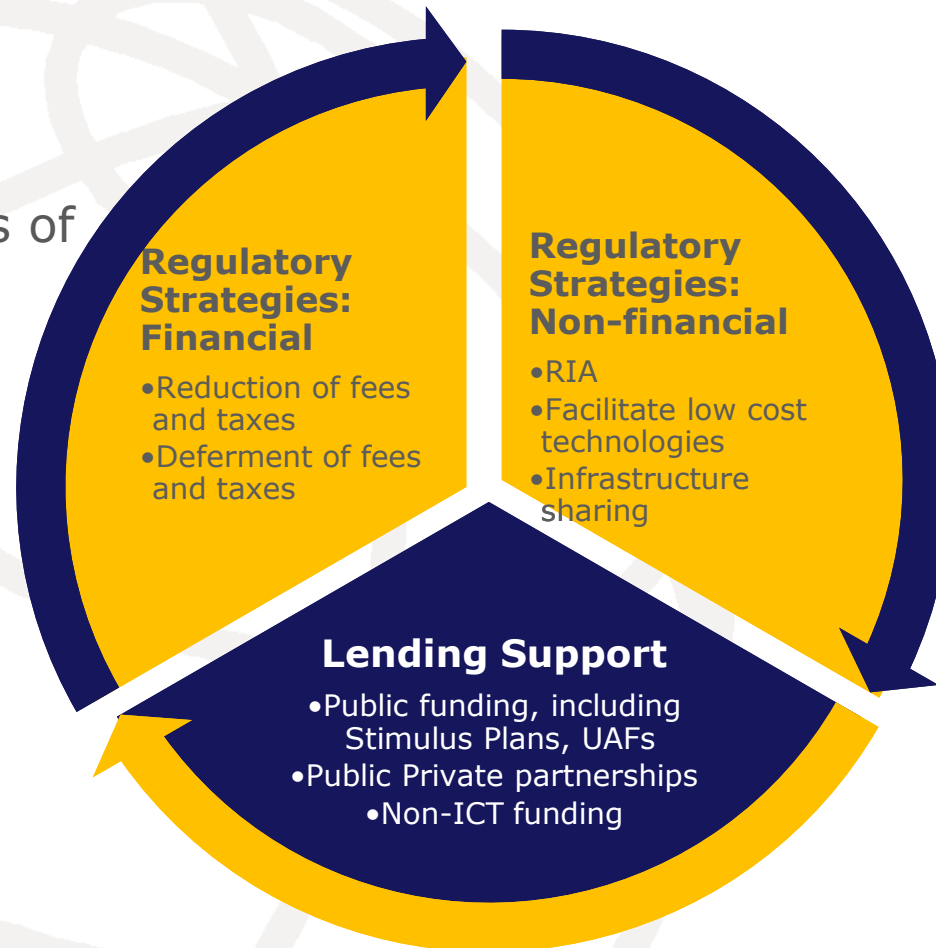
- **Governments and NRAs can lend money to the private sector through PPPs and other mechanisms**
- **Effective regulatory strategies and policies – both financial and non-financial to lower the cost of doing business**

What approach to help the ICT sector?



Regulatory response:

- Lending financial support
- Lowering the costs of doing business





Lending Financial Support

• State funding can play an important counter-cyclical role to augment private sector investment, through:

-Public funding programmes and investments, including:

- Universal Service Funds (Uganda, Chile, Peru)
- “Stimulus packages” (EU, US, Malaysia, Portugal);
- Public Private Partnerships (Australia, Emerging Africa Infrastructure Fund)
- Loans guarantees and grants (MFIs, NGOs, MDBs, governments)

-Facilitating investments by non-traditional ICT investors

- Banks
- Electricity companies

• NRAs to monitor the implementation of the commitments arising from the various stimulus plans and recovery packages, PPPs, and alternative investments.

	Date	Stimulus Plan Approach	ICT Contribution	Total Contribution (2008 – 2010)
European Union (part of European Economic Recovery Plan) ^[ii]	Nov. 2008	<ul style="list-style-type: none"> •To speed up investment, and to reduce the impact of the economic downturn •To enhance the EUs longer term sustainable growth potential through a targeted stimulus into the EU economy. •Specific mention of broadband connection of rural areas. 	EUR 1 billion, (USD 1.4 billion)	EUR 200 billion (USD 280 billion)
Portugal	January 2009	<ul style="list-style-type: none"> •To provide a credit line to investors to rollout NGNs to boost the competitiveness of the economy. •Credit line is part of an agreement between the government, Portugal Telecom, Zon Multimedia, Sonaecom, and Oni. 	800 million Euro (USD 1.12 billion)	2.18 billion Euro (USD 1.9 billion)
Malaysia	March 2009	<ul style="list-style-type: none"> •National operator is to establish a subsidiary to facilitate and improve broadband infrastructure. •MCMC to facilitate broadband community centres and provide basic telephony services in rural areas. •The plan encourages companies to employ retrenched workers by giving them double tax incentives. •It also forms a special task force to monitor the impact of the financial crisis.^[iii] 	3 billion ringgit (USD 813 million) Additional 2.4 billion ringgit (USD 651 million) directly to MCMC	60 billion ringgit (USD 16.2 billion)
Singapore	January 2009	<ul style="list-style-type: none"> •Homes and offices to be connected to NGN (broadband) by 2013. •Structural separation of network infrastructure from operating company. Government allocated SGD 750 million to the existing company that will manage passive infrastructure on the fibre-to-home network •A separate private sector company has received a SGD 250 million (maximum) loan to support infrastructure deployment. 	SGD 1 billion (USD 650 million) Additional part of SGD 183 million for funding Intelligent Nation Masterplan ^[iv]	SGD 20.5 billion (USD 14.5 billion)
United States	February 2009	<ul style="list-style-type: none"> •Provision of grants, loans and loan guarantees based on guidelines to be developed. •The funding is to be used for (1) Rural Utilities Service (USD 2.5 billion) to provide and improve service in un-served and under-served areas (2) and Broadband Technologies Opportunities (USD 4.7 billion) to stimulate demand for broadband, improve service, provide support for public interest schemes facilitating access, and improve broadband uptake by public safety agencies. 	USD 7.2 billion	USD 789 billion



Lowering Business' Costs

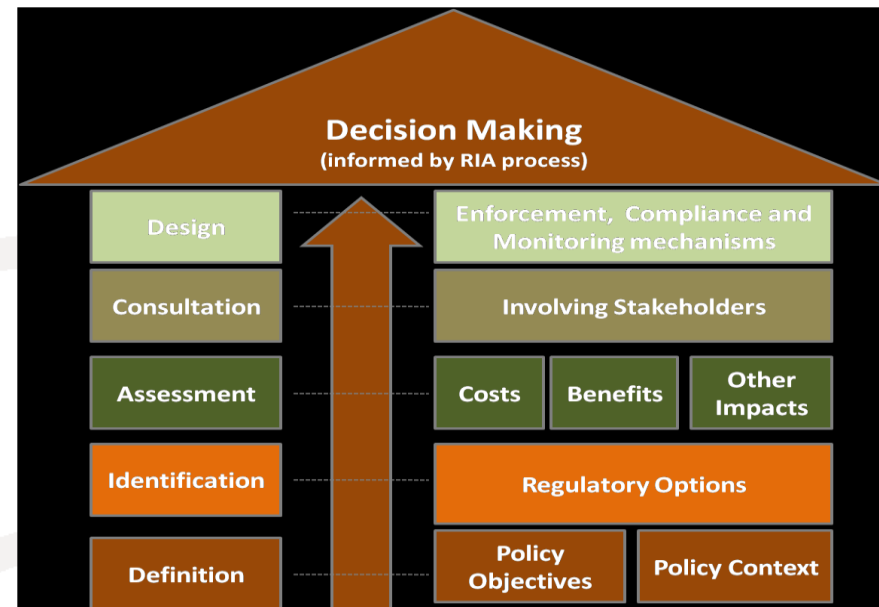
•NRAs can directly influence the *cost of regulation* through:

-Direct financial incentives

- reduction or deferment of fees & taxes (South Africa),
- Tax incentives (Kenya)

-Non-financial strategies

- Regulatory Impact Assessments
- Assignment of spectrum to deploy low cost services (WiMAX, WiFi, etc.)
- Forward looking consideration of mergers and acquisitions, and
- Facilitation of infrastructure sharing and service based competition





Investors' perspective

Good regulation has a strong positive impact on the assessment of potential telecommunications investments and investors' decisions

An investor in the ICT sector will be inclined to focus on:

- the independence of the regulator from the government;
- the transparency of the regulatory process;
- the legal processes for regulation; and whether in general the framework achieves the correct balance between sustaining a fair competitive environment (and one that encourages and stimulates investment) and
- ensuring that there is not excessive competition/over-licensing.



Attracting and facilitating investment

Policy, regulatory and institutional measures to reduce regulatory risk:

- strengthening the credibility and capacity (i.e., competency, objectivity, transparency, and accountability) of the regulator
- Improving efficiency of the regulatory process
- Increasing competition through the licensing of new entrants and reducing barriers to market entry, specifically in network deployment
- Encouraging infrastructure sharing (passive and active),
- Encouraging innovative use of spectrum to reduce costs is key (WiMAX, WiFi); and
- clarifying regulatory rules where ambiguity and uncertainty exists



New challenges for regulators

- Regulators need to seek and apply durable regulatory policies and principles that can be brought to bear on the changing market
- Such principles may include:
 - Innovation-oriented regulation, which seeks to generate market and development opportunities;
 - Trans-sector focus to ensure through the application and removal of regulation that the multiplier effect of ICT across all sectors are fully realized.
 - Integral social and economic development.



Regulation in the 21st Century

- What is effective regulation in a converged world?
- How much regulation is too much? Striking the right balance, what the legislator's point of view?
- Is self regulation (industry code of conduct) the way forward?



GSR09 Best Practice Guidelines (2)

ITU 9th Global
Symposium
for Regulators
10-12 November 2009
B e i r u t
L E B A N O N

- Governments and regulators have a key role to play in stimulating demand for ICT services and applications, in the framework of broader strategic goals, such as connecting public institutions (especially public administrations, schools, libraries and hospitals), businesses and residential users with broadband, promoting economic development, digital inclusion, social cohesion and equality of opportunity.

www.itu.int/ITU-D/treg/bestpractices.html



More Information

Events:

- **Global Symposium for Regulators 2010:**
Enabling Tomorrow's Digital World: www.itu.int/ITU-D/treg
- ITU-D Study Groups, September 2010
- ITU Plenipotentiary Conference, Veracruz, Mexico

Useful resources:

- Global Symposium for Regulators (GSR) 2009: www.itu.int/gsr09
- Trends in Telecommunication Reform 2009: Hand-on or Hands-off? www.itu.int/ITU-D/treg/publications/trends09.html
- ITU-infoDev ICT Regulation Toolkit: www.ictregulationtoolkit.org
- ITU Confronting the Crisis series of reports:
www.itu.int/osg/csd/emerging_trends/crisis/index.html
- BDT website: www.itu.int/ITU-D