

THE FUNDING OF UNIVERSAL ACCESS

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The funding of the information society: and what about the State?

The issue of funding is at the hub of the preparations for the second phase of the World Summit on the Information Society (WSIS) to take place in Tunis in November 2005. The central elements of this debate are the definition of the protagonists and the most appropriate solutions to attain the objectives proclaimed in Geneva in the year 2003. Is it to be the private sector, seen as a miraculous solution to the digital divide, or public-private partnerships – the new obsessions of the decision-makers – or local stakeholders (microfinance, local communities) whose importance has been confirmed by the reports of the Task-force on Financial Mechanisms – TTFM? This search for new solutions, no doubt a positive one, has the disadvantage of forgetting one essential stakeholder: the State, which has traditionally taken the leader role in telecommunications, now plays a very secondary role because of the changes that have taken place over the past twenty years.

From the omnipotent State to the market model

Technological progress has developed a new commercial vision of goods linked to information and to communication, leading up to the privatization of the telecommunication sector in the United States in eighties. The giants arising from this development have seen international markets open up before them, benefiting from their governments' pressure in this respect. As from the nineties therefore, generalized privatization of the old State monopolies has emerged as a balance together with the liberalization of the sector on a world scale.

Both the International Monetary Fund (IMF) and the World Bank (WB) have played a decisive role in this process, given that in many countries development has strictly conditioned its support in communication affairs to the reforms undertaken in this sector. The incorporation of the telecommunication sector to the rules of the World Trade Organization (WTO), has both accompanied and precipitated the process. Thus, the first liberalization commitments of these sectors came into force in 1995 with the General Agreement on Trade Services (GATS). In this context, in February 1997, the Agreement on Basic Telecommunications Services (IV GATS Protocol) was signed by 69 governments and a Reference Document¹ was prepared, establishing the definitions and principles to be applied in regulation on a national level (safeguarding of competition, interconnection rules, the right to impose obligations for universal access, transparency requisites, independence of the sector's regulation). Presently telecommunications are still on the WTO Agenda, in the framework of negotiations on services, opened in January 2000.

¹ See http://www.wto.org/spanish/tratop_s/serv_s/telecom_s/telecom_history_s.htm

Scant swing margin for the State

Over the past twenty years, the telecommunication sector has been radically transformed. From a monopolistic scheme in state hands supplying a public service, it has taken on a commercial rationale in which numerous operators wage ferocious competition. The rules that applied to the sector which was of exclusive State responsibility, are now established in the framework of an international organization, the WTO! From being an all-powerful decision maker, the State has seen its scope increasingly reduced. Cees Hamelink puts it well «*The international governance system for communication operated during the past hundred years mainly to coordinate national policies that were independently shaped by sovereign governments. Today's global governance system to a large extent determines supra-nationally the space that national governments have for independent policymaking*².»

The new rules established on an international level have signed the death sentence of instruments traditionally used by the State to establish universal access, based on, for example, tax redistribution. However, in spite of the limitations pointed out, it would be false to affirm that the State no longer has any available swing margin. New mechanisms have appeared: universal service obligations included in the concessions and licenses granted to operators, taxes on asymmetric interconnections favouring rural operators and, particularly, universal access funds. They all have in common the fact of being neutral from the standpoint of competition and therefore, compatible with WTO rules.

Two elements of this evolution should be highlighted. In the first place the disappearance of international solidarity on which the system of tax redistribution was based, in favour of the reassignment of resources on a national level by these new mechanisms. Secondly, the radical transformation suffered by the idea of public service. Public service is only considered as a part of the final delivery, independently of the status of the actor providing it. This new perception certainly has implications for financing. It is no longer public telecommunication companies that are financing the extension of their networks thanks to the benefits obtained from international communications, but rather – and what a paradox! – State subventions to private companies that commit themselves to guarantee these deliveries.

What should be done?

Turning back would seem to be impossible in the present context. It would also be false to ignore the important progress made over the past few years in the struggle against the digital divide, thanks at least partially to the implementation of some new solutions (private investment, public-private partnerships, etc.). However, in this economic climate, it is necessary to:

a) Reassign a more important role to the State

Private investment is not enough to ensure universal access, particularly in rural and isolated areas. The same applies to the creation of local contents or appropriate applications to promote development, to promote open and democratic media, etc.

2 HAMELINK, Cees J., « The global information society: visions, people and power», in: Swiss Yearbook of Development Policy 2003, *Information Society and International Cooperation: development.com*, iuéd, Geneva, November 2003.

There is nothing new in this affirmation in fact, this situation has been amply recognized, even at official level.

What is now needed is the demonstration of a real political will to remedy the situation. Thus the State's right (even its duty) to intervene to cover these divides must be clearly reaffirmed by those participating in the Summit.

With regard to the new mechanisms to enable the State to fulfil its mission, these must be part of a careful follow-up and an assessment at international level. Their implementation must be promoted and supported by the international community, supporting in particular the generation of capability at the level of regulation mechanisms in the developing countries.

b) Return to true international solidarity

The reduction of the digital divide is, in itself, a global public good and consequently, its funding must be ensured supportively by the entire international community. The participants in the Summit must thus strongly reaffirm the importance of international solidarity for the construction of the information society. In order to go beyond simple declarations of intent and to put into effect this solidarity, complementary mechanisms to those already installed at local and international level must be implemented.

The path to achieve these two objectives is, in particular (but not exclusively), through an especially promising mechanism: that of **universal access funds**. For the international community, this is on the one hand to encourage States to establish such funds, and on the other, to study the possibility of establishing a universal access fund on a world scale.

National universal access funds

Appearing in 1994 in Latin America, universal access funds have seen a rapid expansion as a consequence of the success they achieved in Chile, Peru and Colombia. Presently, these funds exist or are being planned in close on 60 developing countries or countries in transition. Their objective is to enable communication services in the hands of private companies to be established in rural and/or isolated regions, by granting a subvention to cover the costs and high initial investment.

Although the very recent nature of these mechanisms and the variability of the results do not enable an in depth assessment to be made, some of their aspects have proven to be very **promising**. In particular:

- The innovative and original method of granting subventions placing companies in competition through a system of inverse bids, allowing considerable savings to be made as the bidder requiring the lowest subvention is the winner. This mechanism appears on the whole to be very effective, and in general the projects have been assigned for less than half the amount available.
- The great potential of the model, that has been applied not only to projects for facilities but also to e-health projects, distant learning (e-learning), creation of contents, initiation to information technologies, etc.

- The definition of projects by a single entity, making it possible to have a vision of the whole and coherence at national level. In fact, first an assessment of needs is made, in general in collaboration with local authorities and civil society. It is on this basis that the projects are put up for bids (for example the installation of 10 telecentres in 10 medium-sized cities in the country).

What should be done?

Proven success in some of these systems shows that the model can operate. Thus it is the international community's duty to:

a) Proceed to make an assessment of existing experience

This assessment is necessary in order to establish guidelines of best practices in this matter and make recommendations to remedy the weaknesses detected in existing funds.

b) Promote the adoption of these mechanisms

For this purpose, the necessary technical assistance for installation and management must be provided, through the establishment and strengthening of the capacity of the responsible national authorities. Efforts made in this respect, particularly by the International Telecommunications Union (ITU), should be continued and stepped up.

These **recommendations** must be based on the following elements:

- Funding
Collection of fees on the sector's income should be encouraged (for example, a percentage of the benefits of all the telecommunication operators) and not the use of funds from government budgets.
The recent contributions made by bilateral and multilateral donors and by international funding agencies could be multiplied in the future. In particular, a change in IMF and WB policies is necessary. As set out in the TTFM report, their assistance is presently aimed at supporting the private sector and at establishing appropriate legislative reforms to attract investment. This support must be redirected towards infrastructure and universal access projects.
- Mission
Beyond the coordination role assigned to them in the TTFM report, it is important that universal access funds remain faithful to their primary mission: that of providing additional financial resources to fund universal access and are not limited to a better channelling of existing funds.
- Capacity-building and transparency
In some cases, problems have arisen relating to bureaucracy or to the dynamics of implementing these funds. These problems can be solved by the international community making available the necessary technical assistance. Both the ITU and international funding agencies should play a central role in this matter. South-South collaboration must be developed in order to replicate the knowledge acquired in Chile, Peru or Colombia.

In order to ensure transparency of management, national civil society must be involved in fund management and strict criteria for technological neutrality must be established.

- Broadening subventions

With some of the funds, such as in the case of South Africa, major difficulties have arisen linked to the scant service life of the projects funded. Even though in this case, poor management would also seem to be part of the failure, there are some projects that effectively do not offer any prospect of profitability, even in the long term. Although it has made the frontier to access more distant, the model as presently practiced does not provide solutions to the most excluded zones. Therefore, the possibility of a subvention that is not limited to the initial phase of the projects warrants serious study.

On the one hand, it would be advisable to favour projects proposed by local communities and civil society, which show a lower rate of failure (with a rate of profitability required by the stakeholders involved lower than that demanded by private companies).

A universal access fund on a world scale?

We have already mentioned it: it is the international community as a whole that must contribute to funding a fair and equitable information and communication society. There is no doubt that a means to achieve this international solidarity in deeds would be the implementation of a universal access fund on a world scale.

A global fund of this type would be complementary to national universal access funds and could be used to contribute to funding some broad scope projects on a national scale that have costs that are too high to be entirely covered by the local fund. They could also be used to improve regional and even continental infrastructure.

This body would take on the establishment of national regulation authorities and the development of their own capabilities for the creation and management of national universal access funds and other mechanisms aimed at promoting universal access and the use of information and communication technologies at the service of development. Follow-up and assessment by the international community of these new tools would also be entrusted to this global fund. Finally, in those countries that have not established universal access funds, it could be called to launch and directly finance these projects.

The possibility of financing a fund of this type exists and has been set out in various papers³. To follow this path is basically a matter of **political will**: beyond the speeches – is access by all to the information society what we really want to ensure?

³ In particular, see ACCUOSTO, Pablo and JOHNSON, Niki, *Financing the Information Society in the South – A Global Public Goods Perspective*, prepared for APC by the Instituto del Tercer Mundo (Uruguay), June 2004. <http://rights.apc.org/documents/financing.pdf>