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A Response to "A Dialogue on ICTs, Human Development, Growth and Poverty Reduction"

Essay by William H. Melody, September 11, 2009 in response to A Dialogue on ICTs, Human Development, Growth, and Poverty Reduction

1. Revisiting a Cardinal Principle of Reform

Of the five main stories in the Report – universal access, economic and social services, openness, human development and capable access – the overarching story, significantly influencing all the others, is openness. In the Report it is seen (correctly, in my view) as the necessary - indeed the essential - although clearly not sufficient condition for progress in the other stories. Although openness issues have been central to telecom reform and ICT convergence from the start, it is timely for the Report to highlight a reassessment of openness based on past experience and future opportunities.

2. Market Openings

To date, openness in telecom reform has been a gradually opening door, where changes in policy and regulation have been selectively "liberalizing" limited market access opportunities for new groups of players against the resistance of established players (led by incumbent national operators). As more players have been let in to markets, they have increased the resistance to further liberalization, testing the commitment and strength of policy and regulation to open the access door further. We have now reached a point where the forces of resistance in many developed and developing countries may be getting stronger than the forces pushing for an expansion of openness. In many countries, the market shares of dominant operators have begun to increase, after a long period of decline, and continue to reflect significant market power. They are even resisting openness policies for the expenditure of universal access funds in areas they don't serve. [i] The extent and direction of further openness is very much an "open" question.

3. Participation in the Telecom Reform Process

A separate level of openness relates to the opportunities for participation in the reform process by interests other than those government and industry players with powerful vested interests. A major thrust of LIRNE.NET research and training activity over the past decade on telecom reform, including its World Dialogue on Regulation Project (WDR), has been directed to opening key policy and regulatory issues to "informed public discourse" with participation by consumer and public interest groups and other NGOs. [ii] In most developing countries, openness at this level is at a very early stage and in great need of strengthening in all its dimensions, not only legal and procedural rights, but also capabilities, access to information and resources.

4. Innovation For, With and By the Poor

The vast majority of the substantial innovation that has characterized the opening of telecom markets has come from outside the industry. The primary, if not quite exclusive focus has been on technological innovation directed to serve developed country markets which have then been taken to developing country markets. In more recent years some technological adaptations been

made to fit the particular circumstances of the poor in developing countries, suggesting there may be greater technological responsiveness in the future. [iii] This is driven significantly by innovation in business models associated with market liberalization in the mobile sector and the "discovery" of the possibility of viable markets at the bottom of the pyramid (BoP). But the greatest impact by far in stimulating mobile growth among the poor has come from innovation made possible by the openness provided to users to shape the services to their needs and circumstances. Prepaid mobile was made possible by modest technological development and a permissive business model, but the unanticipated explosion in growth in developing countries has been driven by the innovation of the users adapting this service option to their poor circumstances.

This contrasts with the dominant model for stimulating ICT development in poor regions which has focused on technological injections supported by temporary financing from donors without a sustainable business model and with little or no openness in supporting user participation in shaping service flexibility, applications, payment arrangements or user options. As a result most projects have been unsustainable, as the Telecentre experience has demonstrated. It is timely to reassess and the roles for telecentres.

5. Universal Access and Universal Service Funds (USF)

The drive toward universal access has been a centrally driven top-down process expanding national networks to cover larger geographic areas and cover more people. With a few exceptions, incumbent national monopolies have not pushed network development very far in any country. Where fixed networks have been extended, it has been by other operators, often local. More recently, mobile operators have extended coverage far beyond fixed networks, and with continued technological improvements in technology and experimental business models, these will be extended further. Additional investment provided by universal service funds and other sources can help provide even greater coverage.

However, these initiatives cannot come close to reaching the billion-plus people at the BoP as this model of development is highly constrained, restricting opportunities to participate in adapting policies, technologies, business models and usage design. Innovations in local-oriented technologies, such as WiFi networks using unlicensed common spectrum, provided by technically assisted local entrepreneurs employing micro-finance, and permitting user shaped services and applications, are excluded from the conventional model by policy and practice at almost every level. Greater openness and its implications should be a high priority for future universal access and USF allocation programs. [iv]

Toward an Action Agenda

A coherent and comprehensive action agenda can be fashioned around a renewed focus on the principle of openness in each of the areas summarized above. Though the door may be partially open, major barriers to further opening exist alongside significant pressures to retreat on some openness issues. An important part of the agenda should be a critical performance review of past experience, which can serve as a foundation for expanding openness opportunities. Surprising little in-depth assessment of past experience has been undertaken. For the future, universal access opportunities will not be limited to mobile voice, but will include both Internet-enhanced mobile networks attempting to reach down to the BoP, and local internet-led networks reaching up and out of the BoP (some with VoIP). Significant influential factors will be the availability of new service applications, the role of anchor tenants in enabling sustainable BoP connections, and the potential benefits of the "Internet of Things" at the BoP.

[i] The US provides a recent example with the Obama broadband infrastructure subsidy program. The major telecom operators argued against the subsidy program and chose not to participate in it.

[ii] See for example, Mahan, A and Melody, W., (eds). 2007 Diversifying Participation in Network Development, Montevideo: LIRNE.NET.
[iii] Siochru, S. and Girard, B. 2005. Community-based Networks and Innovative Technologies: New Models to Serve and Empower the Poor. UNDP.
[iv] Mahan, A. and Melody, W. 2009 “Network development: wireless applications for the next billion users”, in info, Vol.11, No. 2.

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