

Using ICT research to assist policy making and regulation: the case of Namibia

The three barriers to effective policy-making and regulation in developing countries are 1) inefficient operators; 2) information asymmetry between regulator and operators; and 3) regulator failing to balance the interests of consumers, competing enterprises and investors. Independent ICT research in combination with multiple communication strategies have been used to assist regulators and policy makers in making informed decisions and led to market liberalisation and legislative and regulatory reform in Namibia. A presentation on research results to the Namibian president and cabinet in 2006, private sector co-funding of research projects, over 80 newspaper articles covering research results, 21 magazine articles, six target policy briefs, radio and TV interviews, face to face consultations all helped shaping public opinion and informing policy makers and regulators. This policy brief describes how ICT research was translated into useful information and advice for policy makers and regulators by working with journalists, providing strategic information to the private sector, researching issues for the regulator and maintaining impartiality.

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3 barriers to effective policy-making and regulation

Inefficient operators; information asymmetry between regulator and operators; and regulators failing to balance the interests of consumers, competing enterprises and investors are the main barriers.

5 principles to engage in evidence based policy making and regulation

- 1) Be relevant (have good up-to-date data)
- 2) Be helpful (provide data and analysis in various ways that are relevant to the policy processes)
- 3) Be impartial
- 4) Be persistent and patient
- 5) Don't expect anything in return.

Multiple Communication Strategies

A combination of various communication channels helps shaping public opinion and provide evidence based advice to regulators and policy makers directly or to people that interact with them.

No fast and hard rules to good policy briefs

Too much or too little detail, too simple or too complex? Only interaction and engagement will give an indication of the right note to hit. Policy briefs need to be targeted to a person or a group of persons in mind.

Value of independent research

Policy makers and regulators are being lobbied from all sides. Independent and rigorous research can provide the basis for engagement and better policy making and regulation. It is important therefore that the research and communication are impartial and objective.

Introduction

Policy-making and regulation for the ICT sector is already a complex endeavour. Add to this the political economy of ICT sector reform where many vested interests are reluctant to accept the implications of restructuring, privatisation and competition, and several challenges commonly emerge. Three examined here which present barriers to effective policy-making and regulation are: inefficient operators; information asymmetry between regulator and operators; and where the role of the regulator to balance the interests of consumers, competing enterprises and investors is not being fulfilled.

Background

Good regulation seeks to balance the interests of consumers, operators and investors while promoting broader public interests. Information asymmetries between operators and regulators can have a significant influence over whether a regulator can achieve this. When major information asymmetries are present, 'hold up' threats and regulatory and political capture are likely to occur.

- 'Hold up' is a situation where either side tries to take unfair advantage of the other after an agreement is established. Once an operator has invested in network infrastructure, the regulator can hold the investor ransom by forcing price reductions. In situations where operators are the sole service provider they can demand price increases in their favour, knowing the government has no alternative supplier.
- 'Regulatory capture' is prone to occur when consumers are not well organised, and operators encounter little resistance to lobbying the regulator for concessions leading to the regulator becoming biased in their favour.
- 'Political capture' occurs when regulatory goals become distorted to serve political ends.

Often the resources available to regulators to carry out their mandate are simply inadequate in developing countries. Even if a regulator understands how strategies such as benchmarking could be employed to foster effective competition they likely lack the capacity to marshal and analyse the appropriate information and establish an appropriate regulatory framework. Creating appropriate enabling environments for expanding affordable access to ICT in developing countries is highly dependent on developing country policy makers and regulators having adequate capacity to analyse policy and regulatory issues, and adapt global experience to their local realities.

Research and analysis carried out by independent civil society actors, when combined with effective communication strategies can inform and influence policy and regulatory debates and decisions to dramatic effect. Such efforts can bring transparency to negotiations between regulators and operators with impartiality and effectively defuse 'hold up' threats thus leading to greater market efficiencies and more affordable access. In markets where consumers do not have an effective voice for their concerns independent civil society actors can also give voice to consumers interests and discourage regulatory and political capture as neither operators nor government officials wish to tempt negative publicity.

What follows is an example of how independent research and communication efforts from civil society researchers were translated into useful information and advice for policy makers and regulators, informing and influence policy and regulatory debates and decisions to dramatic effect. Such efforts demonstrate their effectiveness in shoring up the fourth governance pillar of sustainable development in the context of expanding affordable access to ICT in a developing country, significantly contributing to the achievement of economic and social sustainability objectives for telecommunications services in the process.

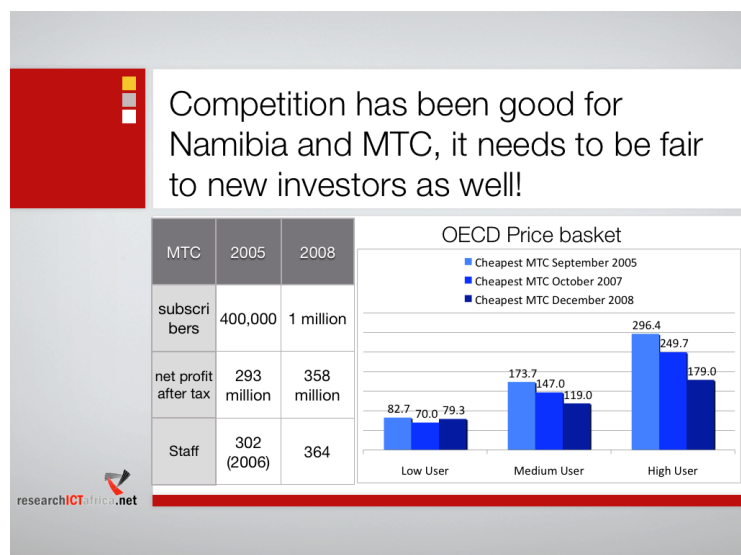
Support for Evidence-based Policy & Regulation

The Research ICT Africa (RIA) household survey on e-Access & Usage of 2004 opened the door to write an ICT Column for the Insight magazine, Namibia's top monthly current affairs magazine. The ICT column became a tool for discussing pertinent issues in the ICT sector. The household survey data of 2004 together with the supply side analyses of the RIA sector performance reviews for Botswana, South Africa and Namibia of 2006 also enabled the benchmarking of Namibia against Botswana and South Africa. In a presentation to Cabinet by RIA on behalf of the Namibian Communications Commission (NCC) in March 2006 this benchmarking convinced Namibia's government to open the telecommunication sector to competition and start the telecommunication sector reform process in earnest. The presentation to Cabinet recommended the opening up of the market, the creation of an independent regulator, a single ministry responsible for the entire ICT sector and a universal service fund. A second mobile licence was subsequently issued in the following month and the stalled legal reform process was re-started. RIA had by then established itself as neutral and credible research organisations.

Communication Strategy

Research results were communicated through various channels, from academic research reports, glossy books, articles in magazines, contributions to quarterly economic reviews, policy briefs, media interviews, parliamentary training sessions and presentations at workshops. The combination of communication channels has been the secret of the success, though the 4-8 page policy brief with 5 key messages on the front page seem to reach the widest audience. Each policy brief was covered by the main Namibian newspapers and mostly on the front page. Timing for the release of policy briefs is important. Providing five key messages on the front page of the policy brief improves the accuracy of reporting by the media. Newspaper articles often only quote from these five key messages. A further important point is to be helpful to journalists and develop a constructive relationship, assisting in breaking down complex topics and jargon. It helps to think like a journalist when compiling a policy brief for media release. What information do I need to write a good story? Being clear about the recipient's needs is critical for getting the message across.

Slide 1: Interconnection presentation to Minister for ICTs, 13 May 2009



The ICT column in the Insight magazine served the purpose of starting the discussion about pertinent issues, issues of importance to the regulator and the private sector. Price comparisons between Namibia, Botswana and South Africa based on OECD price basket methodology that was published in the Insight magazine in 2005 led to the mobile monopolist stating that their costs were too high to reduce prices, due to the low population density. The Namibia sector performance review of 2006, then proved MTC wrong based on a

financial ratio analysis. Returns on equity around 50% clearly demonstrated that retail prices could be brought down and that costs could not be as high as claimed. The 2007 e-access & usage household survey also demonstrated the price sensitivity of Namibians and that the lower prices would lead to more usage. The accumulated research then led to one of the main arguments for the need for an interconnection study on the grounds that competition is not bad but in fact good, not only for Namibia, but also for the incumbent monopolist, increasing the efficiency addressed in the background paper.

RIA was awarded the Interconnection Benchmarking Study tender in January 2009, precisely because of its research track record and impartiality. When the study was complete it was put on the webpage of the regulator to increase the transparency of the regulatory process. This led to it being picked up by the media and the private sector in South Africa. The subsequent press coverage, public seminars, parliamentary training courses, TV and radio interviews might have started a process that will bring termination rates down in South Africa as well.

The background section discussed the effect of inefficient operators, asymmetry of information and the role of the regulator. All three aspects can be demonstrated for the case of Namibia.

Inefficient operator: MTC gained efficiency through competition, which led to lower prices, more employment, higher subscriber numbers and more usage. MTC initially argued that all that was not possible. Issuing a second mobile licence and the implied competitive pressure changed their choices in technology, (MTC moved immediately to 3G instead of first rolling out EDGE), design of new products and approach to customer service. That all might have happened anyway eventually, competition however made those changes urgent.

Asymmetry of Information: The regulator had to take MTC's word at face value that their costs were too high to reduce retail prices. The NCC was also not able to assess the cost of termination. The regulatory capacity and legal powers were not sufficient to overcome the information asymmetry between operators and regulator but some legal intervention was possible in terms of the licences granted to operators. Benchmarking prices and costs helped to overcome this information asymmetry to some extent. Fairer competition that results from cost based termination rates is likely to reduce prices and increase access and usage again for Namibia. This will contribute to economic growth and employment generation. The research hence allowed the regulator to balance consumer interests and return on investment of operators.

Role of the regulator: The independent research conducted by RIA over the years provided the regulator with the data to convince Government to open up the market and pass a new telecommunications act. It also provided the tools to resolve interconnection disputes and regulate retail tariffs. Reducing termination rate was an important step to balance consumer interest and protect the new entrant from anti-competitive behaviour of the incumbent.

Conclusion

Most of the sector outcomes strived for have been met in Namibia. Five years of independent quantitative and qualitative research have contributed to better decision-making by policy makers and regulators and delivered the tools to analyse the sector performance and resolve interconnection disputes. Feeding research into policy and regulatory processes is a complex task. It requires establishing credibility and ensuring impartiality. It also requires a combination of communication strategies that break down research into useful information for various players in the sector. Benchmarking countries, whether retail prices, cost of termination or regulatory environment perception has proven to be useful to overcome information asymmetry and strengthen the role of the regulator.

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