



UNIVERSAL SERVICE PROVISION FUND

OPERATIONAL AND FUND MANAGEMENT DESK ANALYSIS

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INTRODUCTION



93m

In 2000 , Nigeria had an estimated 200,000 internet users, it has has grown to 93m active internet users as at March 31, 2017 according to Internet World Stats.

With the introduction of GSM in Nigeria 2001¹, licensed operators began to roll out network around the country. The license awarded to the new companies required a certain level of investment in rural areas to ensure even penetration of service around the country.

Nigeria's telephony and internet penetration has continued to grow at rate widely acknowledged as one of the fastest in the world. In 2000 , Nigeria had an estimated 200,000 internet users, it has has grown to 93m active internet users as at March 31, 2017 according to Internet World Stats.

The growth in number of people with access to the internet has largely remained in the urban centres where mobile operators and internet service providers consider viable and profitable. Many rural communities are still not connected to the internet or GSM.

At the onset, NCC identified this challenge and took care to ensure that newly licensed operators made effort to roll out access service in towns and villages simultaneously. Operators

were mandated to extend mobile service to rural communities defined as geographical area without a telephone exchange or with a telephone exchange that has less than 500 lines².

Recognising that the condition attached to the licence may not be enough to ensure connectivity and the need to ensure connectivity for rural communities, Nigeria joined 50 other countries to sign a joint agreement on Universal Digital Access during a conference of the International Telecommunications Union. The aim was to ensure that public interest is attained in the provision of ICT applications and services in Nigeria by reinvesting part of the taxes from telecoms sector into communities that are not viable for investment by operators in Nigeria.

The Nigerian Communication Act (2003) provided for the Universal Service Provision (USP), establishing a board to supervise and guide policy direction for the management of Universal Service Provision Fund. To ensure the full implementation of the ITU joint agreement on Universal Digital Access and fulfill the Nigerian

¹<http://www.internetworldstats.com/stats1.htm>

²<http://www.ncc.gov.ng/documents/30-global-mobile-personal-communications-system-gmpcs/file>



Communication Act, Nigerian Communication Commission (NCC) established the Universal Service Provision Fund (USPF) in 2006.

The Nigerian Communication Act 2003

On the 24th November, 1992, the Federal Military Government led by General Ibrahim Babangida passed into law the NIGERIAN COMMUNICATIONS COMMISSION DECREE 1992 DECREE NO.75 ACT.⁴ The decree established the Nigerian Communication Commission with a mandate to regulate a privatised telecommunication sector in Nigeria. The mandate includes award of licences to operator, issuance of policy and directives on quality of service and competition in the sector. This was part of the liberalisation policy of the administration to encourage private sector participation and break monopolies held by inefficient State Owned Enterprises (SOEs).

The National Assembly amended the 1992 decree into NIGERIAN COMMUNICATIONS ACT, 2003 ACT No. 19 on the 8th July, 2003. The primary object of this Act is to create

and provide a regulatory framework for the Nigerian communications industry. The act sought to facilitate investments in and entry into the Nigerian market for provision and supply of communications services, equipment and facilities. Also, NCC was charged with designing, managing and implementing Universal Access Strategy and programme in accordance with Federal Government's general policy and objectives. To achieve the Universal Access Strategy, the NCA 2003 provided for the Universal Service Provision



ABOUT NIGERIA'S USPF

The Nigerian Communication Act detail the Universal Service Provision (USP), with Section 115 establishing the Universal Service Provision Board. The board was mandated to supervise the management and utilization of the Universal Service Provision Fund (USPF) and to provide broad policy direction.

The USPF will consider, design and determine a system which shall promote the widespread availability and usage of network services and applications services throughout Nigeria by encouraging the installation of network facilities and the provision for network services and applications services to institutions and in unserved, underserved areas or for underserved groups within the community⁵

In 2006, the fund was set up with a secretariat at the Nigerian Communication Commission as stipulated by the NCA Act 2003. The organization has identified ICT cluster gaps in Nigeria effectively showing the spaces left in Nigeria as regards digital inclusion. Below is a screenshot of the ICT telephony gap showing effective gap in far North East/West Nigeria. It

is also evident that there is a huge ICT gap in Zamfara, Adamawa, Kebbi and Taraba. Relative high coverage exists in Southern Nigeria effectively showing how high literacy incentivises access to telephony and ICT.⁶

³http://resources.lawscopeonline.com/LFN/NIGERIAN_COMMUNICATIONS_COMMISSION_DEGREE_1992_DEGREE_NO.75_ACT_CAP. N97_L.F.N. 2004 .htm

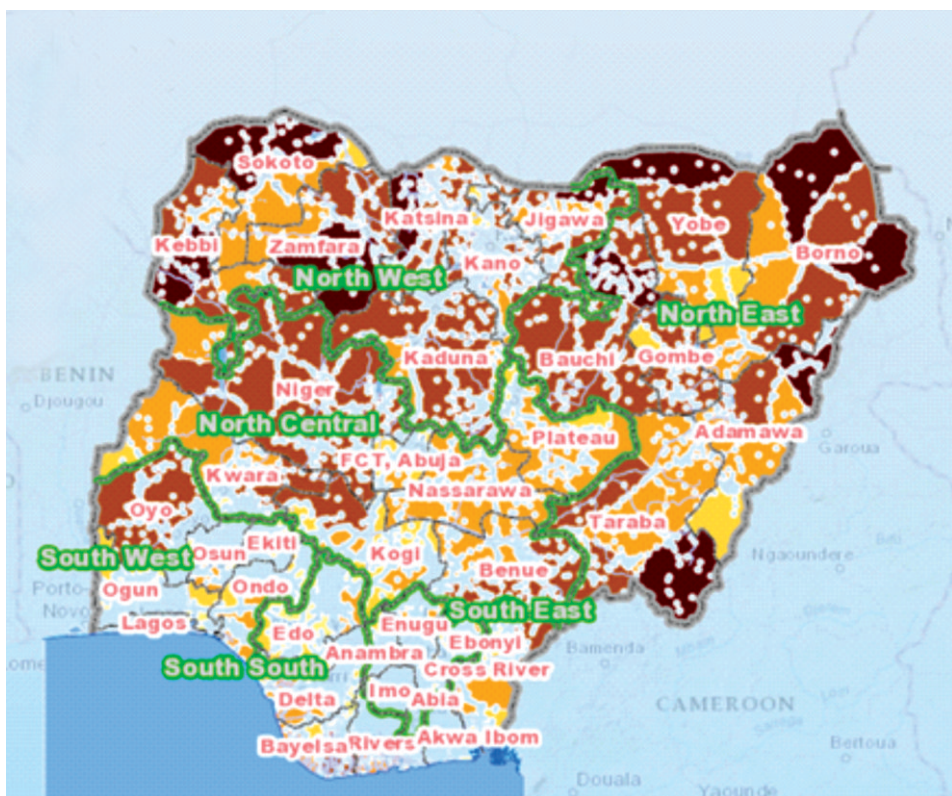
⁴<http://www.ncc.gov.ng/data/html/NCA2003.html?m=1>

⁵PART IV - UNIVERSAL SERVICE PROVISION <http://www.ncc.gov.ng/data/html/NCA2003.html?m=1>

⁶<https://uspf.maps.arcgis.com/apps/PanelsLegend/index.html?appid=7e7a6c071db84040abc3e2aebca9427f>



CLUSTERS OF ICT/TELEPHONY GAP IN NIGERIA, 2015



■ A total of 207 clusters were established and grounded according to population density

■ Note: The uncoloured are the served areas

■ The estimate population of people living in these clusters is about 33.7 million. each cluster polygon has also been appended with basic characteristics such as major towns, occupation, institutions, vegetation type etc.

Legend	
Light Yellow	2, 526 - 50,000
Yellow	50,001 - 100,000
Orange	100,001 - 200,000
Brown	200,001 - 500,000
Dark Brown	500,001 - 905,626



FUNDING USPF

To fund USPF, the Nigerian Communication Act 2003 states as follows:

The USP Fund shall comprise funds derived from but not limited to the following sources -

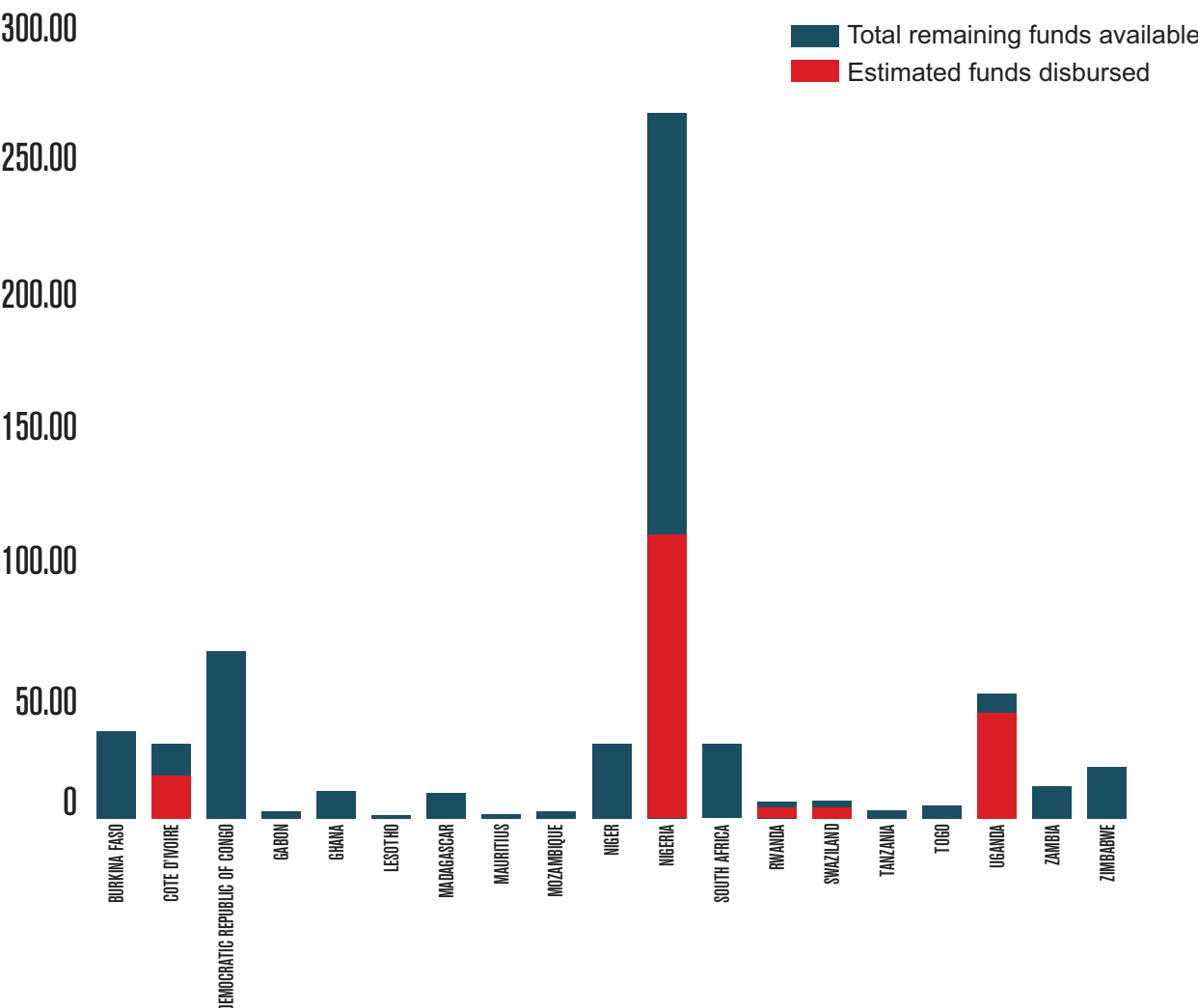
- a. such monies as may be specifically appropriated to the USP Fund from time to time by the National Assembly;
- b. contributions from the Commission based on a portion of the annual levies paid to the Commission by licensees ; and
- c. gifts, loans, aids, and such other assets that may from time to time specifically accrue to the USP Fund.

Telecoms operators in Nigeria are mandated to contribute 2.5% of net operating revenue to the Nigerian Communications Commission (NCC). When the funds was established in 2006, it received a 40% share of the annual operating fees assessed by the Nigerian Communications Commission (NCC) on operators. The funding has largely come from NCC and fund appropriated by the National Assembly. Information about how much USPF have received since inception is not readily available and detail of funding sources

Nigeria still leads Africa in funding for Universal Service Provision as shown in diagram below:



USF ACTIVITY: FUNDS DISBURSED AND AVAILABLE



Sources: derivations from annual reports, reports from funds web sites, operator reports, etc.



THE USPF STRATEGIC MANAGEMENT PLAN 2013 - 2017

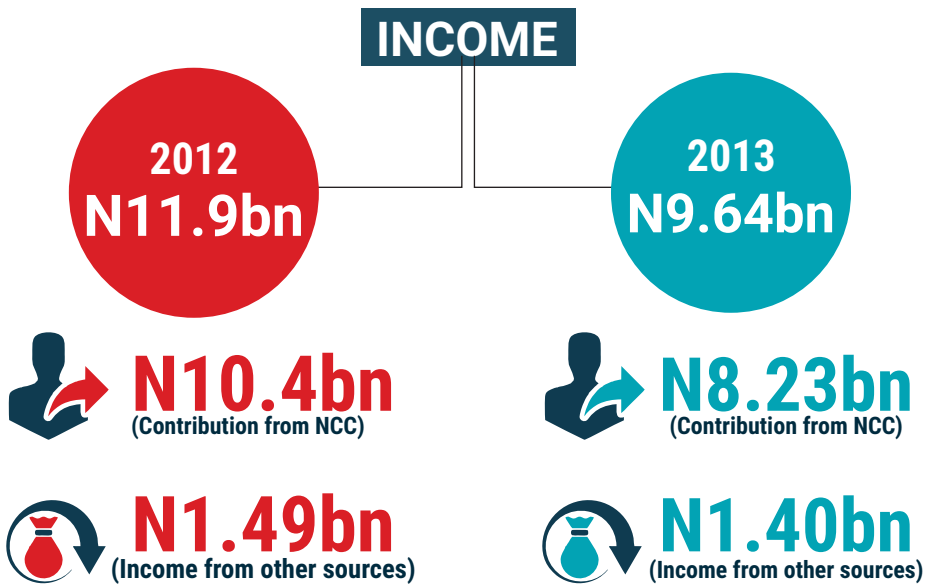
USPF only has two annual reports present on its website and for the purposes of this research, we present the figures below:

2012 Annual Report

In 2012, the USP Secretariat had an actual expenditure of N12,938,995,274 as against the N9,9225,123,121 spent in 2011. In

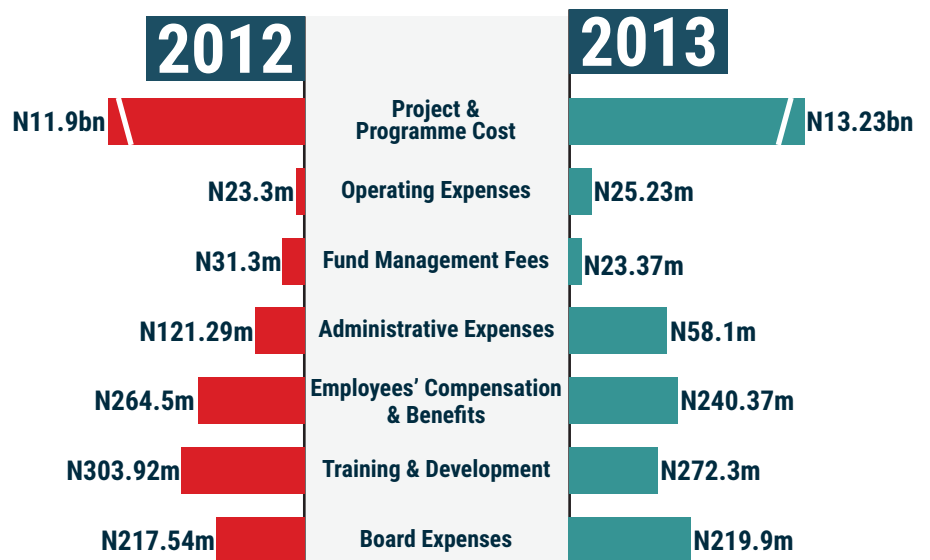
the same year, the secretariat generated an income of N11,903,518,629 as against the N10,697,707,156 realised in the preceding year. USPF recorded a N1.03bn deficit in 2012 and an excess of N772.5m in 2011.

The comparative breakdown can be found below:





EXPENDITURE



EXCESS EXPENDITURE



N1.03bn

In 2012, the fund earned was N11.9bn and the amount spent was N12.9bn



N4.42bn

In 2013, the fund earned was N9.6bn and the amount spent was N14.06bn



USPF PROJECTS

Projects of Universal Service Provision
(From 2011 Annual Report)

School Access Programs (SAP)

The Schools Access Project (SAP) is aimed at achieving Connectivity for Development (C4D) goal in line with the mandate of the Fund to promote the connection of government schools to broadband Internet. Under the Schools Access Project, selected schools and institutions are provided with 100 Classmate Personal Computers, Printer and other accessories with high speed internet connectivity. In order to ensure the sustainability of the project and maintenance of the hardware, schools are encouraged to share these facilities with surrounding communities on a commercial basis where convenient. The Secretariat in its 2011 budget made provision for additional 218 government schools across the country.

Tertiary Institution Access Project

The Tertiary Institutions Access Project (TiAP) is aimed at facilitating connectivity to broadband Internet

with speed of up to 1Mbps in selected tertiary institutions. Each institution that benefited from the project received a total of 100 computers, 100 sets of Chairs and Tables, 2 printers with network facilities, and fire walls with broadband Internet connectivity.

The implementation of TiAP started in 2008 with 133 tertiary institutions across the country. In 2010, the Secretariat in liaison with the relevant committee of the USPF Board made provision for additional 11 institutions which were not covered in previous years. As at 2011, a total of 204 tertiary institutions have benefited from the Tertiary Institutions Access Project (TiAP)

Virtual Learning Centre in Public Libraries (e-Library)

The e-Library project is expected to provide a platform for online real time searchable portal for displaying library documents and educational database. This is to ensure that users have unlimited access to wealth of knowledge, educational materials, developmental issues on a wide range of subjects globally. It is envisaged that



this will enhance local capacity development in the ICT industry by encouraging innovation amongst users to develop Nigerian versions of the various educational platforms in future and also add value to the use of ICT.

Under the 2010 budget, contracts have been awarded for the implementation of seventy four (74) e-libraries across the country (that is, two libraries in each state of the federation and the FCT). However, due to delays in budget approval, implementation commenced in 2011 and is currently ongoing.

Provision for ICT for the Challenged Group (ICT for All)

The main objective of the project is to provide information on the various needs of the challenged citizen and how ICT tools can improve their wellbeing. The project is also expected to provide a platform for providing information on supportive technologies required to meet the needs of the challenged groups. Part of the deliverable of the project is the creation of an information database on various institutions and organizations that provides ICT Services to the group in the country. The consultancy to conduct a preliminary study on the needs and limitations of the challenged group in the use of ICT was awarded in 2011.

Accelerated Mobile Phone Expansion-Base Transceiver Station (AMPE-BTS)

The Base Transceiver Station project is a subsidy based intervention of the Fund for the construction of BTS infrastructure in unserved and underserved locations within the country by the mobile telephone operators for provision of telephony services. This is pertinent since the spread of telephony and other ICT services are concentrated in the urban areas for commercial viability reasons. The project is expected to take telephony and other ICT services to rural and semi-urban locations to bridge the digital divide. A total of 27 BTS sites were awarded in 2010, while 40 sites (including those awarded earlier) were completed in 2011.

Accelerated Mobile Phone Expansion-Co-Location Infrastructure Projects (AMPECIP)

The Co-location Infrastructure Project (CIP) is an intervention conceived to ensure the spread of telephone and other ICT services to rural and semi-urban locations. Since the cost of deploying telecommunications services is largely influenced by the cost of telecommunications infrastructure such as shelter, towers/mast, fencing, security,



generators etc., the concept of shareable telecommunications infrastructure is expected to alleviate this problem and facilitate rapid network roll-out with affordable services. Co-location Infrastructure Services Providers (proponents) are expected to build sharable infrastructure sites for mobile telephone operators to deploy their services with subsidy provided by the USPF. Contracts for fifty (50) CIP sites were awarded in 2010 by USPF and none was awarded in 2011. As at 2011, only four (4) CIP sites were completed.

Rural Broadband Infrastructure (RUBI)

The Rural Broadband Initiative (RuBI) project seeks to provide a sustainable wireless broadband network in the broadband underserved or unserved area that will serve as an enabler of fast and reliable internet services catering to commercial, residential, educational, government, healthcare and other agencies and groups. This initiative of the USP Fund is expected to address the lack of a robust and resilient telecommunications infrastructure in the rural/semi-urban areas of the country to bridge the digital divide between the urban and rural areas of Nigeria. This is a new project which was awarded under the 2010 budget year but the implementation commenced in year 2011.

Bandwidth Aggregation

The need to provide the requisite bandwidth for the thousands of computers connected to the internet in the various project locations funded by the USPF made it mandatory that a solution of aggregating the supply of bandwidth to these computers be established. The project aims to create high quality, and reliable internet services to numerous USPF projects in a cost effective manner through the use of teleporting services from service providers that will provide technical and financial guarantees. As at 2011, bandwidth provision of 98 CCC sites has been aggregated to a single provider which has enabled uniform availability of service.

Community Broadband Centre (CBC)

This project is under the bottom-up initiative that is expected to provide a last mile broadband access to communities, homes, offices and schools using both fixed and wireless broadband access technologies. The project aims to provide a megacyber café with 100 computers and facilities for conference support, training, ICT equipment repair as well as wired and wireless internet. The project is already underway with some of the buildings already at the roofing stage.



Conduct of Impact Assessment of Universal Service Provision Fund Projects

The USP Secretariat in 2011 initiated a study to assess the impact of completed projects on the social, economic and human development indices in communities that have benefited from USPF projects. The study is expected to provide reliable evidence of diverse impacts of USPF projects on beneficiaries. The outcome of the study is also expected to guide and assist in strategic planning as well as to justify allocations of funds expended on the projects. The project which was awarded in October 2011 is scheduled for completion in First quarter 2012.

Development of Strategic Plan 2013-2017

The Universal Access and Universal Service Regulation 2007, Section 36 requires the USP Secretariat to prepare a Strategic Management Plan (SMP) for approval of the USP Board setting out its vision, mission and objective and incorporating its long term plans over a five year period. The Act also requires that the SMP be reviewed from time to time. Since the current Strategic Plan 2007 - 2011 elapsed at the end of 2011, the USP Secretariat initiated the process of developing SMP 2013-2017. The

new SMP is expected to be completed and become operational by the end of Second Quarter 2012.

Projects of Universal Service Provision Secretariat (From 2012 Annual Report)

Accelerated Mobile Phone Expansion-Base Transceiver Station (AMPE-BTS)

This is a continuation of the project awarded in 2010 (and previously). As at the end of 2012, a total of 59 BTS sites have been constructed while 20 sites are at various stages of completion.

Backbone Transmission (BTRAIN)

The Backbone Transmission project was conceived by the fud to facilitate the connection of rural and semi urban areas to the national transmission backbone infrastructure. The project is to address the dearth and inadequacies of fibre optic backbone network performance, quality of service, expansion of ICT access and service delivery. the project will help to harness the enormous capabilities of information and communications technology (ICT) that would assist the country meet the Millennium Development Goal(MDG) targets.

In the year 2012, Projects were



awarded for the development of 500 Kilometres of Fibre Optic Cable to be completed within 12 months. The routes to be covered in the first phase of the project were listed in a table in the 2012 annual report.

Rural Broadband Infrastructure (RUBI)

This is a continuation of the project which was awarded under the 2010 budget year but the implementation commenced in year 2011. It was expected that all the projects would have been completed and commissioned as at the end of 2013.

University Inter Campus Connectivity (UnICC)

The University Inter Campus Connectivity initiative is a collaborative project between the USPF and the National University Commission (NUC) to facilitate the provision of ICT infrastructure for the National Research and Education Network (NREN) by interconnecting Medical Colleges to their respective Federal Universities and their Medical Colleges and Teaching hospitals to facilitate bi-directional communication for the purpose of sharing resources such as bandwidth, content, etc.

In the second phase of the project, relevant electronic components will be deployed in each of the benefitting

universities to enable voice, data, video and other multimedia services such as telepresence to be achieved both intra-university and inter-universities.

In 2012, a total of 16 Universities are benefitting from the first phase of the project. The list of Universities and corresponding campuses benefitting from the projects were listed in the annual report.

E-Library

A continuation of the project (from the 2011 annual report). As at 2012, 74 libraries (2 digital libraries in each of the 36 states and FCT) are being implemented. A data centre has also been provided to integrate all the access points and host a central database for all e-content (books, journals, vocational materials and magazines) from the benefitting e-libraries. The current phase of the project being implemented would be completed by the first quarter of 2013 ? Consultancy Services for Provision of ICT for E-Health in Nigeria (ICT4e-HN)

The Fund in the 2012 issued a Request for Proposals (RFP) for the engagement of a consultant for the provision of e-Health services in Nigeria. The sole aim of the consultancy services is to identify the ICT requirement and implementation



methodology that will improve healthcare service delivery in Nigeria and ultimately reduce the propensity of Nigerians from seeking medical care abroad, Bids have been received from prospective consultants and the bids are currently being evaluated (as at 2012)

Schools Access Program

A continuation of the project. As at the end of 2012, a total of 1335 schools have benefitted from the project. However, the outcome of an impact assessment of the programmes in the second 2012 revealed the need to modify the deliverables of the programme to achieve greater impact. Consequently, the existing ICT infrastructure, and knowledge in each of the beneficiary schools. Accordingly, the project was classified into three categories in the 2012 annual report.

Impact Assessment of USPF Projects

An impact evaluation of all completed projects carried out by the USP Fund was initiated in 2011. The report of the impact assessment was received during the year under review. The report, which was submitted in the second quarter 2012, served as a vital resource in the preparation of the new 2012-2017 strategic Management Plan. The study assessed the impact

of the completed projects on the social, economic and human development indices in communities that have benefited from USPF projects and provided reliable evidence of diverse impacts of USPF projects on Beneficiaries. According to the study, The socio-economic conditions of the people were impacted positively. For instance, the School Access Programme (SAP) and Tertiary Institutions Access Programme (TIAP) positively impacted on secondary and tertiary institutions by enhancing research and teaching capacity in the schools, enhancement of the learning process in the school and provision of opportunities to connect the rest of the world due to access to the internet.

Clustering of ICT Access Gaps and GIS Mapping of all USPF Projects

The Access Gap Study is an initiative that would assist USP Secretariat to identify all blind spots where there are currently no telephony signals and transport/transmission networks in the country. It will also help to identify areas that are currently underserved and unserved with respect to ICT services, Studies will be carried out not only to access the current situation, but also to predict future communications service coverage. The expected outcome of this project is the clusters of unserved areas based on identified ICT needs and the type/class of



interventions required to address these needs. The project is expected to provide a baseline on which the future achievements of the USPF can be measured. The clusters will be prioritised to ensure 100% coverage within the next 5 years.



REVIEW OF PROCUREMENT DATA

While there is no specific procurement data on the USPF site, extensive research using the Public Private Development Center tender database shows that there were tenders. However the names of the bidders and winners as well as tangible database of service delivery is not available. The following was provided:

1. Provision of equipment related to telemedicine such as High definition video conferencing equipment, multi-port enterprise standard routers and switches, power back-ups, CCTV as well as training. This was to be delivered to eight Universities namely:

- University of Nigeria, Nsukka,
- University of Agriculture, Makurdi Veterinary Teaching Hospital,
- Nigerian Defence Academy
- Federal University of Technology, Minna,
- Modibbo Adama University Yola
- Federal University of Agriculture, Abeokuta

- Federal University of Technology, Akure
- National Open University of Nigeria

2. A survey of schools to determine the state of their ICT tools for deployment of the local content software with provision of e-learning facilities as well as training for their teachers. The schools involved and their locations were not specified.

3. Connection of Main Campuses of Selected Universities to their Respective Annex Campuses or Teaching Hospitals with Optic Fibre Cable. This was to be delivered to five Universities:

- University of Maiduguri UMTH
- Michael Okpara Uni. of Agric, Umudike
- Federal University Dutsinma
- Federal University Dutse Teaching Hospital
- Federal University Ekiti, Oye Campus



4. Provision of ICTs and Electronic Health Record Systems to Secondary Healthcare Facilities in Nigeria Under The E-Health Project. The Project is expected to be delivered in the country but location was not specified.

5. Provision of 45Mbps IP Connection to the Universities Data Centre with onward distribution to the University and its corresponding Teaching Hospitals.

This was to be delivered to eight Universities:

- Usmanu Danfodiyo University
- University of Jos
- Abubakar Tafawa Balewa University
- University of Port Harcourt
- Nnamdi Azikiwe University
- University of Benin
- Obafemi Awolowo University
- University of Uyo

6. Connection of Main Campuses of Selected Universities to their Respective Annex Campuses or Teaching Hospitals with Optic Fibre Cable. This was to be delivered to nine Universities:

- Federal University of Technology, Akure
 - Federal University of Technology, Minna
 - Michael Okpara Uni. of Agric., Umudike
 - Modibbo Adama University of Technology
 - Nigerian Defence Academy
 - Federal University of Agriculture, University of Agriculture, Makurdi
 - National Open University
 - University of Nigeria, Nsukka
7. Deployment of Optic Fiber Cable and provide bandwidth connectivity, install ICT devices and its peripherals such as computers, printers, computer desks/chairs, power backup etc. This was to be delivered to twelve Universities:
- Federal University Birnin Kebbi
 - Federal University Gusau, Zamfara State
 - Federal University Gashua, Yobe State
 - African University Of Science & Technology, Abuja, FCT



- Northwest University, Kano
- Kwara College Of Arabic And Islamic Studies. Kwara State
- The Polytechnic Ibadan, Oyo State
- National Open University
- Federal Polytechnic Ilaro, Ogun State
- National Institute For Construction Technology Uromi, Edo State
- School of Basic and Remedial Studies Funtua, Katsina State
- Sokoto State University, Sokoto State



KEY ISSUES WITH THE USPF

According to the GSMA 2014 Sub-Saharan USPF study⁷, "The highly competitive telecommunications market is the main reason behind the achievement of the country's current coverage levels rather than the fund initiatives. Much of the remaining addressable market is in the country's rural areas where network rollouts and operations are expensive mainly due to the poor infrastructure in place, lack of reliable electricity, security risks and unreliability of the incumbent's fixed network. Given that rural penetration in Nigeria is still low, with over 40 M inhabitants still residing in rural areas, there is a need to develop more complex incentives that will address the above factors and help to decrease operators' capital and operating expenses." We have identified the following as the key issues in the proper implementation of the Universal Service Provision Fund:

1. Sustainability of USPF Projects

The Nigerian Communication Act does not permit USPF to own or control any of its investment, it is therefore important that the fund establishes a clear sustainability for every investment. The funds can

reduce investments into projects that are not self-sustaining or that require minimal maintenance cost. As a condition, beneficiaries must show a verifiable means of sustaining the project. For example, it might be cost effective to lay fibre optics cable that provides internet access to a tertiary institution while faculty and students connect with their personal computers. However, preliminary research has proven that this is not true as USPF has provided support for rural technology and college facilities that have broken down in few years.

2. Non-specification of Projects in Annual Reports

According a presentation by the Executive officer of the Universal Service Provision Fund, the following issues were identified:

- Inadequate project Information - target communities
- Project design - scale of implementation was low
- Bulky bidding documents and lack of clarity on requirements/ expectations



3. Poor Information on tenders and Procurement

Despite the organization's boast of following procurement rules and adapting technology to its tender system, public tenders are absent on its website. This includes the new tenders and the past ones which could have effectively provided the list of projects involved.

⁷ https://www.gsma.com/publicpolicy/wp-content/uploads/2016/09/GSMA2014_Report_SubSaharanAfricaUniversalServiceFundStudy.pdf

