IMPACT STORIES

PPIAF Supports the Improvement of Telecommunications Access in Rural Mongolia

Telecommunications services were inadequate and unreliable in the majority of Mongolia's rural areas. In 2004 the government of Mongolia requested a PPIAF grant to develop a framework for universal access and design two pilot telecommunications projects to improve telecommunications access in these areas. This subsequently led to the adoption of a telecommunications universal access strategy, including the establishment of the Universal Service Obligation Fund in 2006. The two pilot projects that were designed under the PPIAF activity were successfully tendered, awarded, and implemented the same year with support from the GPOBA and World Bank. As a result, 22,315 people gained access to modern ICT services in remote rural areas, and a number of follow-up projects were funded out of the Universal Service Obligation Fund to provide mobile phone access in rural areas..

Geography has always been a challenge for Mongolia—the country is the 19th largest in terms of area and, with a population of 2.75 million, the most sparsely populated country in the world. It is also the second-largest landlocked country (after Kazakhstan), with very little arable land, and much of its area is covered by steppes, with mountains to the north and west and the Gobi Desert to the south. Furthermore, approximately 30% of the population is nomadic or semi-nomadic.

In 1998 Mongolia adopted a long-term telecommunications network development program including developing guidelines for fair competition, privatization, and promotion of foreign and private sector investment in the telecommunications sector. The Public-Private Infrastructure Advisory Facility (PPIAF) provided an initial grant in 2001 to improve the regulatory framework to promote competition in the sector and attract private investment to expand the provision of telecommunications services. This helped strengthen the environment for public-private partnerships in the telecommunications sector, which made it possible for the government to continue to implement reforms.

Services in the majority of Mongolia's rural areas, however, continued to be inadequate and unreliable. In 2004 the government of Mongolia requested a second PPIAF grant of $263,000 to support a program to improve telecommunications access to rural areas.

PPIAF SUPPORT

The PPIAF-funded work involved the development of a framework for universal access, specifically the set up a universal access fund (funded from 2% levy on operators' taxable income) and the design of two pilot projects. A field study was also undertaken to determine the usage, demand, and affordability of public telephony among herders. The study showed high demand and willingness to pay for telecommunications services among herders, as they have to travel to the next soum (district) center just to take make a call. It also investigated Internet demand and readiness among rural schools as well as options for public access, revealing that there is a keen interest among schools for Internet access and a certain level of readiness through trained teachers and personal computer ownership.

OUTCOMES

The universal service obligation fund was subsequently established in August 2006 under the Communications Regulatory Commission, and private operators were required to contribute to the fund. A World Bank-led activity later tapped a $259,400 Global Partnership on Output-Based Aid (GPOBA) grant to implement the subsidy framework developed under the PPIAF activity before operators started to contribute to the universal access fund.

The GPOBA grant was used as one-time output-based subsidies for the pilot projects that were designed with PPIAF support. The two pilots—a herder network (national) and wireless-based telephony and Internet service (in Tariat soum)—were competitively tendered and awarded in September-November 2006 based on technical and operating capacity and lowest subsidy requirement. Winning bidders took on the investments needed to expand the networks and received the subsidy only after meeting service targets. The operators are obligated to continue offering the services for five years without further subsidy.[1]

DONOR COORDINATION

The PPIAF grant laid the ground work for World Bank and GPOBA technical assistance to the Mongolia government to test-drive a universal access framework for telecommunications services through two pilot projects.

IMPACTS

The two pilot projects resulted in an increase in telecommunications access to 22,315 people in remote rural areas. The private sector invested around $143,000 to implement these pilots.[2]

Since 1999 PPIAF, a multidonor technical assistance facility, has helped developing countries use public-private partnerships to improve their infrastructure. A key focus has been upstream technical assistance to support the development of an enabling environment for such partnerships.

This series highlights how PPIAF's support has made an impact on the ground.

The experience of the pilots also illustrated the savings that the government could realize by encouraging private sector participation and undertaking a transparent, competitive tendering process. Winning bidders were able to bid well below the allowed maximum subsidy. The resulting savings were reallocated to an additional transaction for similar services in Chuluut soum, in the same province as Tariat's.

The universal service obligation fund was subsequently established in August 2006 under the Communications Regulatory Commission, and private operators were required to contribute to the fund. As of 2008, the fund had collected and spent $3.1 million to undertake a number of projects under its program on mobile phone access in rural soum centers.

RELATED PPIAF ACTIVITIES IN MONGOLIA

- 2001: Strengthening Telecommunications Regulation, **$274,000**

[1] Dymond, Andrew; Oestmann, Sonja; and McConnell, Scott. "Output-Based Aid in Mongolia," OBA Approaches, Note No. 18, February 2008. GPOBA.

[2] The estimated total capital expenditure to implement the pilots was well above $400,000. The actual cost is not known as the private sector was not required to report their actual expenditures. The subsidy awarded to the private sector telecommunications providers covered $257,335 of the capital expenditure amount and the rest was invested by private sector telecommunications providers.