Implementation of USO in Indonesia

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Evidence caused USO Reform

- Law no 36 year 1999 in telecommunications leaving monopoly to full competition,

- It is no longer fair that PT Telkom previously the sole domestic Operator alone have to do the Universal Service Obligation,

- In 2004, Government invited network Operators to bid for building public phones in some villages with state budget. It was not sustained since many did not have fund to maintain,
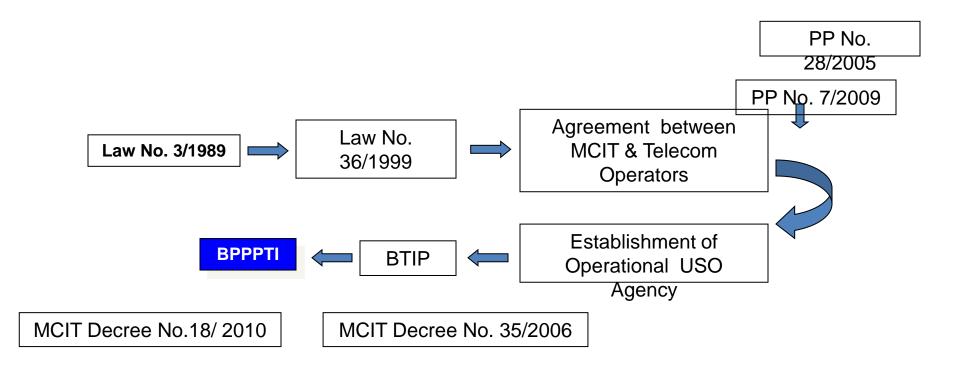
Evidence caused USO Reform (2)

- With the agreement of all Network Operators in 2005, All Operators will contribute 0.75% of their gross revenue for implementing the USO program. This was endorsed by Government Regulation no 28 year 2005, and Government take responsibility in implementing the USO programmers

- Each telecom Operator then has to pay 0.75% for USO contributions on top of 1% (from Gross Revenue) Licensing Fee that has to be paid annually which go directly to state treasury.

- By negotiation between   MCIT and MoF, the Licensing Fee was reduced to 0.5% and USO Fund increased to 1.25% to make sure that ICT could be implemented for all the people in Indonesia→ Government Regulation no 7 year 2009

USO Implementing Agency

➢ The Government established Public Service Agency (BLU) - BTIP under the Ministry of MCIT and report to both Minister of MCIT and MoF

➢ The Agency which is semi-corporate agency, a not- for-profit 'company' (under Law No 1/2004 on State Treasury, and Government Regulation no 23/2005 on Public Service Agency).

➢ In 2009, BTIP was re-name BPPPTI with a bigger task of not only building ICT in villages, but also other CIT facilities to provide cheaper cost of Internet and broadband as well to set up the eco –system to build up broadband in the country

➢ BPPPTI collects contributions under Government Regulation from all license Operators.

Public Service Agency – BLU - BPPPTI

PP No. 28/2005

PP No. 7/2009

Law No. 3/1989 → Law No. 36/1999 → Agreement between MCIT & Telecom Operators

BPPPTI ← BTIP ← Establishment of Operational USO Agency

MCIT Decree No.18/ 2010
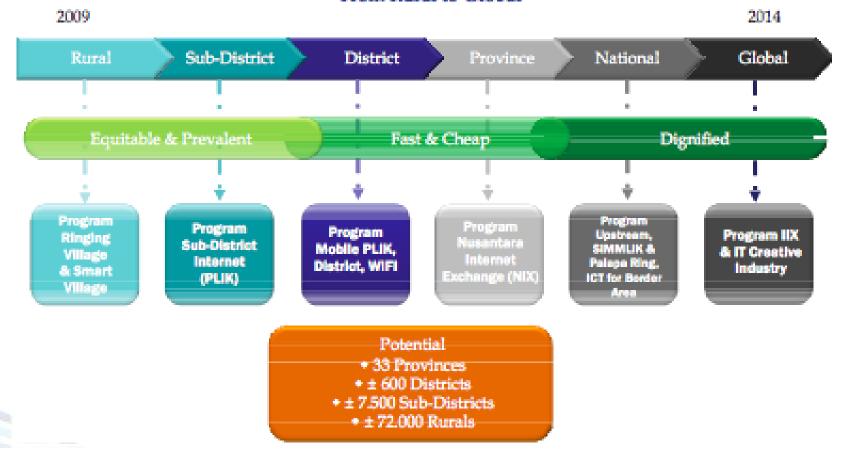
MCIT Decree No. 35/2006

REGULATORY REFORM

➤ *Earmarked* the USO fund only for the USO programs and saldo at end of the year will be carried over to the following year.

➤ Based on the **least cost subsidy** of **service-based contract**
  ➤ Asset owned/managed by the selected Operator

➤ The Contract between BPPPTI and Operator are for 5 (five) years (*multi-years*)

➤ The operations and maintenance are an integral part from the contract

➤ The operation and management risk are responsible of the Operator

➤ Obligation of Operators to guarantee the Services

➤ Guarantee sustainability ICT access and services in the area.

Infrastructure Integration of the Connected Indonesia :
USO Program – from Village to the World

GOVERNMENT STRATEGIC PLAN 2010-2014
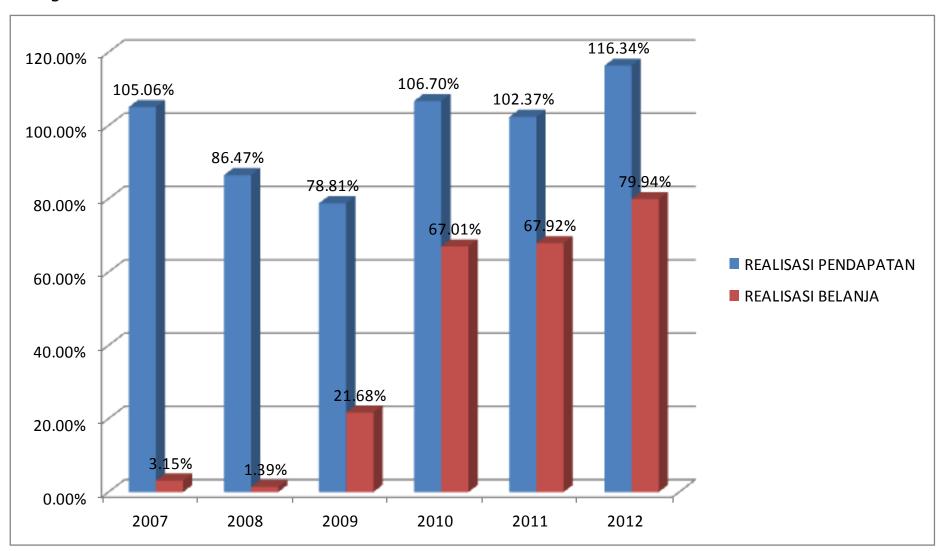
Ministerial Degree no 2 year 2010

Indicator	Unit	2010	2011	2012	2013	2014
Optical Fiber Network	% Province Capital connected	10%	30%	50%	70%	100%
Broadband Network	% District Capital connected	25%	30%	50%	60%	75%
Regional Internet Exchange	% Province Capital connected	10%	30%	50%	80%	100%
International Internet Exchange	% Province capitals installed	10%	30%	50%	80%	100%
Radio for Community	No of Villages covered	15	76	200	350	500
Telecommunication Access	% villages with telephony access	100%	100%	100%	100%	100%
Internet Access	% villages with internet access	5%	20%	40%	60%	80%

PROGRESS OF THE USO PROGRAM

No	PROGRAM		PROGRESS
1	Ringing Village	Public Phone in every Villages	99%
2	Smart Village	Village with Internet	1,430 villages
3	PLIK	Internet Centre in every sub-district	100%
4	M-PLIK	4-5 Mobile Internet Centres to Districs.	
5	NIX	Domestic Internet Exchange in every Province	In Progress, 8 copleted
6	IIX	International Internet Exchange	4 Provinces Capital
7	WiFi Kabupaten	Free WiFi for every Municipalities	In Progress
8	PLIK Sentra Produktif	Internet Centre for SME	
9	TELINFO TUNTAS	ICT Coverage in Border and Outer Islands	286 BTS
10	Palapa Ring	Connection FO to 51 Kabupaten capitals , which wil not be built by Operator	Preparation Tender Document

INCOME AND DISBURSMENT FROM 2007 -20012

Budget Realisation   EoY : 2007 s.d 2012

CHALLENGES (1)

Implementation problems of USO programs facing many Challenges :

1. Technicaly
   - hardware spesifications (power consumption)
   - lack of electricity, limited bandwidth
   - competency for open source

2. Operation and Maintenance
   - poor of maintenance
   - Un-appropriate location
   - lack empowering of society
   - less of using USO facilities

CHALLENGES (2)

3. Monitoring and Evaluation

   - Difficulties to monitor due to nation wide location of USO
     programs
   - The existing monitoring not comprehensif and can not
     solved the problems
   - Most of local government did not do any action due to :
       a. No budget alocation
       b. Lack of coordination and information concerning USO
          Programs

4. Institution and Human Resources
   Lack of competency in the BPPPTI and birocracy procedure
   in the present set up of BPPPTI

THE BUREAUCRACY OF PROCEDURE

- These funds are considered as Non-Tax-Revenue and registered as National Budget, Consequently, the planning of the Fund's revenue and its expenditure has to be implemented under the Law No 1/2004 on State Treasury.

- Each Year BPPPTI submitted proposed plans for use of the funds, after approval of the Advisory Board Member and the MCIT   to the Ministry of Finance, then to the Parliament for approval each year.

- BPPPTI each year has to be Audited by Government Internal Auditor as well as Independent Public Auditor

FUTURE OF THE BPPPTI

- ITU Broadband Commission urge that all countries should include Broadband in their Universal Access/ Service Definition, therefore BPPPTI task is getting bigger and more strategic

- The USO Implementing Agency in Indonesia is still an embryo, which has not enough competency and legitimacy.

- The Advisory Board Committee could be consists of competence and from different background, but not representing directly the industry that contribute the fund

- As the fund is part of non-tax Government Revenue, the procedure is complex, and the Industry has no legal authority to control.

CONCLUSION

a. USO is an entry programs to introducing ICT services for people in rural area.

b. Utilizing of USO facilities can be indicator of broadband services demand in rural area.

c. Strengthening the Institution and empowering people is the key point for preparing the readiness of society for broadband applications.

Thank You

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