



Rules and Regulations Governing the Establishment and Administration of the Universal Service Fund

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All inquiries should be addressed to:

Bhutan InfoComm & Media Authority
Post Box No. 1072
Thimphu: Bhutan



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Chapter 1: Preliminary

1.1 Legal basis

These Rules and Regulations are issued as per Section 190 of the Information, Communications and Media Act of Bhutan 2018 ("the Act") by the Bhutan InfoComm and Media Authority ("the Authority") to determine the conditions for the establishment and administration of the Universal Service Fund.

1.2 Title and commencement

These Rules shall be called as the Rules Governing the establishment and administration of the Universal Service Fund and shall come into effect on the 1st day of Oct, 2021 corresponding to the 25th day of the 8th month of the Bhutanese Iron Ox Year.

1.3 Scope of application

These Rules and Regulations shall apply to any ICT facility or Service provider who is required to provide Universal Service by virtue of Section 192 of the Act and shall be read in conjunction with all other Codes of practice and Rules developed.

1.4 Amendment

Amendment to these Rules and Regulations shall be made according to the needs and changes in national priorities, policies and industry trends. Hence, the amendment of these Rules and regulations by way of addition, variation or repeal may be effected by the Authority as and when required.

1.5 Repeal

With the commencement of these Rules and Regulations, the Rules Governing the Establishment and Administration of the Universal Service Fund 2019 are repealed.

1.6 Interpretation

The power to interpret these Rules and Regulations shall vest with the Authority who may issue such instruction as may be necessary to give effect to and implement the provision of these Rules and Regulations.



1.7 Rules of Construction

In these Rules and Regulations, unless the context indicates otherwise, the masculine gender shall include the feminine gender and the singular shall include the plural and vice versa.

1.8 Definition

In addition to the following terms, or unless the context requires otherwise, the words and terms used in these Rules and Regulations shall have the same meaning as assigned in the Act.

Authority means the Bhutan InfoComm and Media Authority as established under the provision of the Act.

ICT means information and communications technology, which includes the full range of electronic technologies and techniques used to manage information and knowledge.

ICT Facility means any facility or apparatus that is used or is capable of being used principally for, or in connection with, the provision of ICT services, and includes a transmission facility as well as any or all of the following facilities, fixed links and cables, computer facilities; pay-phone/communication facilities; radio communication transmitter, receivers and links; satellite earth stations, towers and poles; and ducts and pits used in conjunction with other facilities as may be prescribed by the rules, unless stated, an ICT facility relates to a public ICT facility.

ICT Service means any or all of the following services: telecommunications services, such as public telephony, telegraphy, facsimile, cellular telephony, and pay-phone/communication services; broadcasting services like satellite broadcasting, broadcasting distribution (cable television), mobile satellite, subscription broadcasting, and terrestrial free-to-air television and radio broadcasting, information technology services, such as Internet service, web-casting, e-mail and any other electronic service; Internet Protocol (IP) telephony; digital library and commercial information services; network-based information and related specialised professional services provided by electronic means, public-switched data and any other similar service, and includes such other services as may be prescribed by the rules; unless otherwise stated, an ICT service relates to a public ICT service.

ICT Facility or Service provider means a person who owns, operates, manages or provides any ICT facility or services.

Implementing Agency means the licensed telecom service provider implementing the universal service programme of the Royal Government.



Chapter 2: Universal Service

2.1 Universal Service

For the purpose of these Rules, the Universal Service shall include providing accessibility to quality ICT services to every citizen of the country at an affordable rate.

2.2 Categories of universal services

The universal service shall include:

- i) Public voice telephony services together with free calls to emergency services and directory assistance,
- ii) Internet access together with free Internet access for schools and hospitals, and
- iii) Such other ICT facility or ICT service as the Government may specify through a policy directive issued by the Ministry.

2.3 Criteria for determining universal services

In addition to section 2.2, the Authority shall include the following criteria for determining the universal services:

- i) The services that are beneficial to public health or public safety, and
- ii) The services that is consistent with the public interest, convenience and necessity.



Chapter 3: The Universal Service Fund

3.1 Establishment of the Universal Service Fund

As per Sections 190 and 193 of the Act, the Universal Service Fund shall be established by the Authority to compensate any ICT facility provider or ICT service provider who is required to provide universal service to facilitate access to ICT services and facilities, especially those in remote areas.

3.2 Contribution towards the Fund

The winning bid amount collected from the Telecom Service Providers shall primarily be used as the source of the Universal Service Fund. However, if such funds are inadequate to carry out the Universal Service programme of the Royal Government of Bhutan, then the Authority shall levy the Universal Service Fund contribution from all the ICT Facility Providers and ICT service Providers.

3.3 Eligibility for Support from Universal Service Fund

Any ICT facility provider or ICT service provider is eligible for support from the USF, if the service provider has contributed towards the USF. However, the compensation shall not exceed the amount of contribution made towards USF.

3.4 Usage of the Universal Service Fund

The USF shall be used for:

- i) Universal Service programmes of the Royal Government of Bhutan as per the policy directives of the Ministry

3.5 Establishment of the USF unit

In order to manage the affairs of the fund, the Authority shall establish a unit to implement the USF programme including the planning, monitoring and enforcement of the Universal Service programme. The function of the unit shall be:

- 1) Assess the national status of ICT connectivity and accordingly develop a five-year Action plan for implementation of the Universal Service Program.
 - i) Develop annual implementation plans based on the five-year Action plan.
 - ii) Identify potential projects for support from the Universal Service Fund.



- iii) Liaise with Dzongkhags, Thromdes and the Local Government for coordination on the implementation of the Universal Service Program.
- iv) Develop documents and other materials for implementing Universal Service Program including bidding documents.
- v) Review and monitor periodically the performance of the Universal Service Program.
- vi) Sensitize the public on the Universal Service Program.
- vii) Assess the impact of the five-year Action plan of the Universal Service program.
- viii) Prepare annual reports and project reviews.
- ix) Any other matters concerning the universal service Fund.



Chapter 4: Implementation of the Universal Service Programme

4.1 Preparation of Universal Service Programme

The Authority shall implement the Universal Service Programme as per policy directive of the Ministry and prepare the Universal Service Programme based on the following criteria:

- i) **Sufficiency:** Whether the mechanism helps to ensure comparability of service and prices between urban and rural customers.
- ii) **Affordability:** Whether the mechanism enables providers to offer the supported services in an affordable manner.
- iii) **Competition:** Whether the mechanism minimizes distortions to competition and encourages/facilitates competition by precisely targeting support to high cost customers.
- iii) **Flexibility:** Whether the mechanism is able to encourage technology innovation.
- iv) **Protection and Advancement:** Whether the mechanism prevents degradation of the existing infrastructure and the current level of service.
- v) **Practicability:** Whether the mechanism is economically and administratively viable.
- vi) **Transparency:** Whether the mechanism is transparent and open to monitor and review.
- vii) **Cost-effectiveness:** Whether the mechanism enables objectives to be achieved at the least cost.

4.2 Allocation of the Universal Service Fund

The Fund shall be allocated on the basis of proposals made through open competitive tendering process or any other appropriate process determined by the Authority.



4.3 Proposal for Universal Service Programme

4.3.1 Any Licensed ICT or service provider shall be asked to submit the proposal for Universal Service Programme along with the bid for subsidy and related information to the Authority. The universal service subsidy application shall contain the following information:

- i) Statistics on the implementation results of universal service including the effectiveness of improvements with respect to the penetration of universal service, service quality and an analysis of the effects on society.
- ii) Net costs of various universal service categories and the requested amount of subsidy, and
- iii) Detailed cost calculations as specified by the Authority.

4.3.2 The Authority may request for further supplementary information and explanation to be submitted by the universal Service Providers.

4.4 Award of Universal Service Programme

The Authority shall compare the net universal service costs, subsidy amounts, the predicted improvements in service penetration and quality benchmarks in its assessments of the implementation plan.

4.5 Implementation of Universal Service Programme

4.5.1 All universal service providers shall implement universal service in accordance with the aforementioned implementation plans during the implementation year. If events beyond their control result in necessary changes to the implementation plan, the universal service providers shall notify the Authority for permission to make changes to the implementation plans. Once an approval has been given, these changes shall then be implemented.

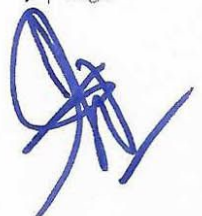
4.5.2 A universal service provider shall not unreasonably reject user applications for services within its universal service areas. Apart from the approved charges, the service providers shall not collect extra charges from the users.

4.6 Disbursement of the USF Fund

4.6.1 Utilization of the USF budget shall be as per the approval of the MoIC.

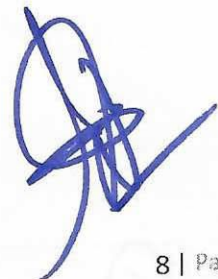
4.6.2 The fund for implementing the programme shall be released to the individual ICT facility or ICT service provider through the Department of Public Accounts, Ministry of Finance.

4.6.3 The Authority shall release the fund as per the Implementation Agreement.



4.7 Obligation of the Universal Service Provider

- 4.7.1 The Universal Service Provider shall provide reliable and affordable service.
- 4.7.2 The Universal Service Provider shall carry out periodic maintenance of the network to ensure continuity of service at all times.
- 4.7.3 The Fund shall be one time capital cost for setting up the communication services. The Universal Service Provider shall not claim any operational and maintenance cost after the initial establishment of the communication system.
- 4.7.4 The infrastructure established through the Universal Service Programme shall be owned and managed by the Implementing agency.
- 4.7.5 The Universal Service provider shall make provision for sharing of all infrastructures established under the Universal Service Programme.
- 4.7.6 The Service Provider shall adhere with the initial proposal and submit periodic progress report as well as a comprehensive completion report at the end of the programme.



Chapter 5: Monitoring and Auditing

- 5.1 The Authority shall carry out periodic monitoring to evaluate the progress of the Universal Service Programme.
- 5.2 The Authority shall assess the performance of the Fund in terms of achieving the specified policy objectives with the use of clearly articulated performance indicators.
- 5.3 The Fund utilization procedure shall be as per the existing rules and norms of the RGoB and shall be subject to auditing by the Royal Audit Authority from time to time.
- 5.4 The Authority shall submit the performance of the fund in terms of achieving the specified objectives mandated by the Ministry and submit half-yearly Financial Statements along with management and administration reports to the Ministry.