



Trends in  
Telecommunication  
Reform 2002  
Effective Regulation

**Chapter 8:  
Financing of the  
Regulatory  
Authority**

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*The views expressed in this presentation are those of the author and do not necessarily reflect the opinions of the ITU or its membership. The author can be contacted at [ja@htgm.com](mailto:ja@htgm.com)*

# Financing New Regulatory Agencies

- There are more than 100 New Regulatory Authorities in the World
- Sector-Specific Agencies Require Financial Support
- Two Categories of Issues
  - Practical Considerations of Administration
  - Higher-Order Issues of Power and Accountability

# Practical Considerations: Spelling It Out

- Authority to Set Budgets, Raise Revenues, Authorize Expenditures
- Mechanisms for Collecting, Accounting, and Disbursing Monies
- Mechanisms for Oversight, Auditing, Financial Accountability
- Putting It Into Legislation:
  - Establish the sources and mechanisms of funding
  - Establish the mandate for legitimate expenditures

# Example A: From South Africa's ICASA Act, 2000

## *Financing of and Accounting by the Authority:*

*15.(1) The Authority is financed from money appropriated by Parliament*

*(2) The chief executive officer contemplated in section 14(1)(a) is, in accordance with section 36 of the Public Finance Management Act, 1999 (Act No. 1 of 1999), the accounting officer of the Authority and charged with the responsibilities referred to in that Act which include, amongst others, responsibilities regarding auditing, financial control, budgetary control and reporting.*

*(3) All revenue received by the Authority in a manner other than in accordance with subsection(1) must be paid into the National Revenue Fund within 30 days after receipt of such revenue.*

## Example B: From the Uganda Communications Act of 1997

- 19.(1) The funds of the Commission shall consist of --*
- (a) money appropriated by the legislature from time to time for enabling the Commission to perform its functions;*
  - (b) license fees and money paid for services rendered by the Commission;*
  - (c) a percentage of the gross annual revenues of operators charged under Section 6;*
  - (d) money borrowed by the Commission; and*
  - (e) loans, grants, gifts or donations from government and other sources, acceptable to the Minister and the Minister responsible for Finance with the approval of Parliament.*

# Money and Power: Who Controls the Purse-Strings?

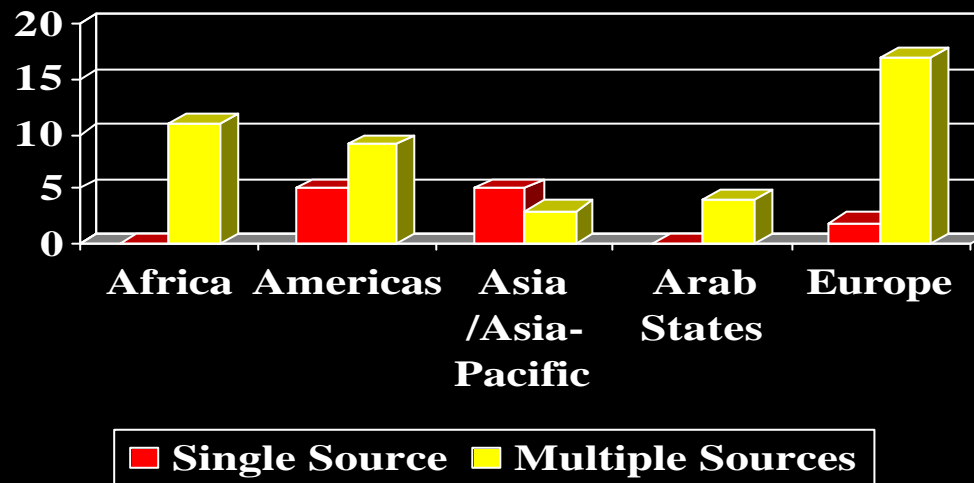
- Ultimately, Money is Power
- Money Allows Control, Influence, a Voice
- Autonomy or Bureaucratic Weakness?
- Key Vectors of Control
  - The ability to set the budget
  - The ability to raise funds
  - The ability to expend resources

# Why Is Regulatory Independence Important?

- **Financing for Effectiveness**
  - Fulfilling statutory mandates
  - Maintaining credibility
  - Avoiding regulatory capture
- **Financing for Autonomy**
  - Buying a space for the public interest
  - Insulation from partisan politics
  - Insulation from the incumbent

# Financing Mechanisms, Part 1

## Single Source v. Multiple Sources



- The Majority of Regulators Have Multiple Funding Sources
- Multiple Sources May Be Consolidated Into One Fund (e.g., Brazil)



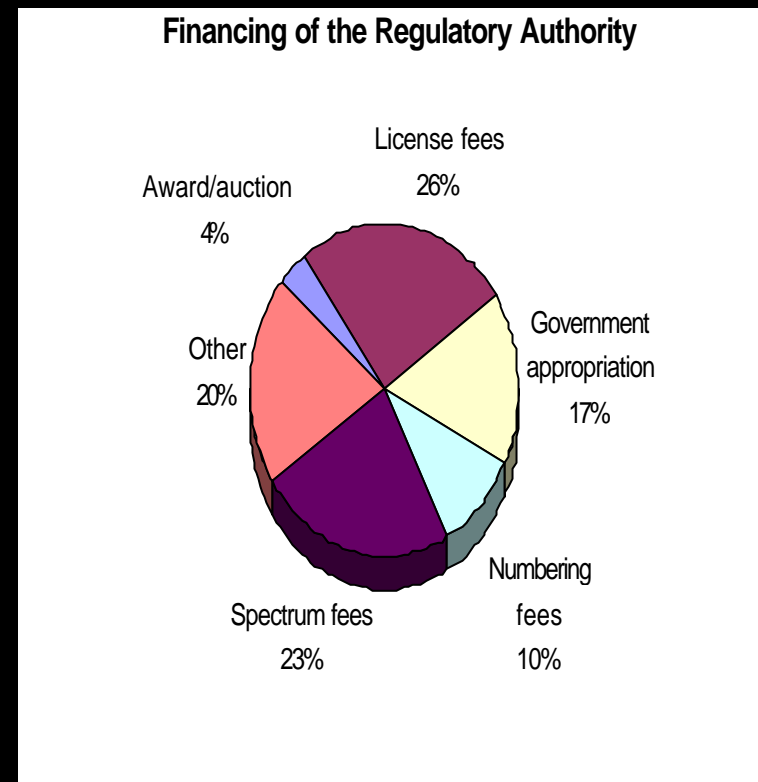
# Financing Mechanisms, Part 2

- The List:
  - Government Appropriations
  - Nonrecurring License Fees
  - Recurring License (Regulatory) Fees
  - Resource Fees
    - Spectrum Fees
    - Numbering Fees
  - Equipment Type Approval Fees
  - Fines or Enforcement Levies
  - Grants, Loans, Donations
  - Income from Securities and Other Assets

# Financing Mechanisms, Part 3

## Distribution of Funding Sources

- License, Spectrum and Numbering Fees are a Majority
- Sources Are Predominantly Industry Itself, Not General Public



# Financing Mechanisms, Part 4

- Funding Sources Represent Liberalizing Markets
- Governments Tapping New Market Entry
  - License fees—new providers
  - Numbering fees—new technologies and services
  - Growing Emphasis on Mobile Services
- Balancing Revenue Needs v. Burdening Operators

# Setting the Budget

- Regulatory Autonomy
- Ministerial or Legislative Budget Authority
- Hybrid Systems
- Auditing or Accounting Oversight

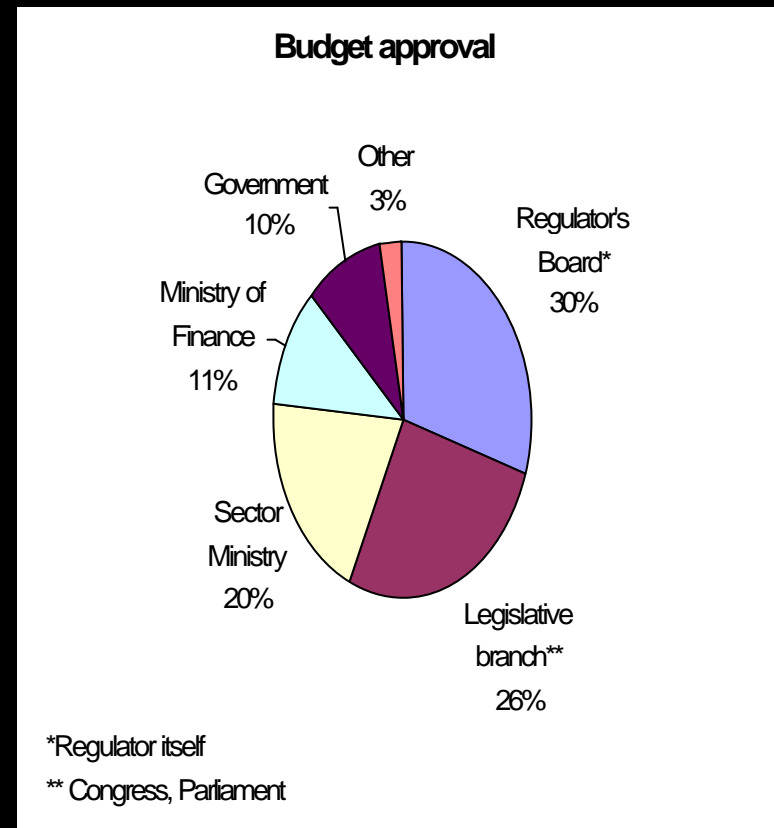
Example C: Budget Authority outlined in the law creating Jordan's Telecommunications Regulatory Commission

*ARTICLE 19*

- a. The Commission shall have its independent budget, which, with its final accounts, shall be approved by the Board, subject to approval by the Council of Ministers.*
- b. The Commission's fiscal year shall start on the first of the month of January and shall end on the thirty-first of the month of December of the same year.*
- c. Subject to approval by the Council of Ministers, the Board shall appoint a chartered auditor to audit the Commission's accounts. Such auditor shall submit his report to the Board to be submitted by it to the Council of Ministers.*
- d. Surpluses realized by the Commission shall accrue to the State treasury.*

# Budget Approval, Percentages

- A Minority of Authorities Have Complete Budget Autonomy
- Ministerial and Legislative Oversight Most Often Required



# Conclusions

- A Well-Financed Regulator is a Strong Regulator
- Governments Are Providing Multiple Funding Tools
- Delegating Financial Management, Not Financial Control
- Liberalization Makes Fundraising Easier
- Tapping the Industry Does Not Mean Going for the Jugular

# Issues for Discussion

- What Are Auctions Doing to the Industry?
- Are Regulators Operating Efficiently?
- Should More Funding Be Dedicated to Policy Goals (e.g., Universal Access)?
- How Can Governments Guard Against Mismanagement and Corruption?