

**UNIVERSAL SERVICE PROVISION FUND**  
**ANNUAL REPORT**  
**2011**



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## CHAIRMAN STATEMENT



**Mrs Omobola Johnson**  
Hon. Minister of Information & Communications  
Chairman, USP Board

I am delighted to present what will be my first statement to you as Chairman of the Universal Service Provision Board, having joined at a time of such exciting opportunities for the Fund and for the ICT Industry as a whole. The Board was established by Section 115 of the Nigerian Communications Act (NCA) 2003 with the mandate to supervise and provide broad policy directions for the management of the USP Fund.

The USP Board has been working on a number of initiatives that will reduce the digital divide within the country and ensure that no Nigerian is excluded from the benefits of ICTs, irrespective of geographical location, gender or income levels. However, this objective has been fraught with challenges that have consistently presented the nation on the lower rankings of major international ICT indices.

We are not unaware of these challenges and we believe that the poor ranking of Nigeria in the global competitiveness index (GCI) underscores the magnitude of the task in implementation of the vision 20:2020. The challenge for the nation is to improve significantly her ratings in all spheres. These include building of a knowledge based work force; refocusing the existing institutions to be more result driven; ensuring access and

affordability of Internet and Telecommunication facilities nationwide; and developing a world-class infrastructure and info-structure fundamental to the sustenance of a Knowledge- based Economy and bridging the knowledge and digital divide across all dimensions.

The USP Board is working hard through the engagement of stakeholders, ICT Industry, NGOs, Civil Society, Local Communities and the general public to develop a Five (5) year strategic Management Plan (2013-2017) that will shape the direction of the USPF in the years to come.

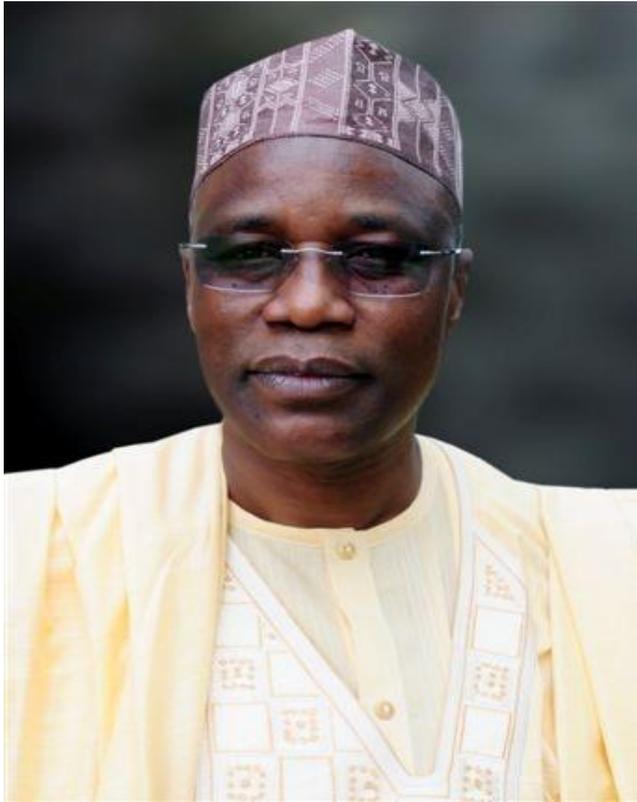
We have, under the 2011 budget, engaged consultants to assess the impact of completed projects on the social, economic and human development indices in communities that have benefited from the projects. The study is expected to provide reliable evidence of diverse impacts of USPF projects on beneficiaries. The outcome of the study is also expected to guide and assist in current strategic planning as well as justify allocations of funds expended on the projects.

We therefore call on the private sector, stakeholders and the public to help drive the development of the ICT industry in Nigeria by increased participation of Nigerian companies in the ICT industry and the attraction of investments from, and collaborations with international organizations in the area of ICT.

Thank you.

***Mrs Omobola Johnson***

## SECRETARY STATEMENT



**Abdullahi I. Maikano**

Secretary, Universal Service Provision Fund

In our drive to achieve the mission and mandate of the Universal Service Provision Fund, the Secretariat has continued to implement programmes and projects that are beneficial to the people in line with the USPF Strategic Management Plan 2007-2011.

Through the Public-Private-People-Partnership framework, the Secretariat of USPF continues to promote the provision of basic, affordable ICT infrastructure, services and collaborations with entrepreneurs to create jobs through the use ICT services,

networks and applications.

Some of the programmes and projects implemented during year 2011 to address the universal service principles of Availability, Accessibility and Affordability include:

- Community Communications Centres (CCC) – To promote access to basic telephony, internet and broadband services in unserved and underserved communities as well as serve as a platform for ICT skill acquisitions to the rural dwellers. A total of Twenty-Eight (28) CCCs were completed in this year.

- Base Transceiver Station (BTS) – A subsidy based intervention to extend mobile telephony coverage to unserved and underserved communities. The USPF subsidized the build-out of 40 Base Transceiver Stations (BTS) during the year.
- Provision of ICT Tools (Computers, Broadband Internet, Content) to Secondary schools and Tertiary under the School Access Project (SAP) and Tertiary Institutions Access Project respectively. Two hundred and Eighteen (218) institutions benefitted from this initiative.

The Strategic Management Plan 2007–2011 terminated at the end of 2011. Consequently, the USP Board and Secretariat is developing the next Strategic Management Plan 2013–2017 that will guide the operations of the Fund over the next five years. In order to ensure that experiences and lessons learned are utilised in the crafting of the new Strategic Plan 2013-2017, several activities which include the conduct of impact assessment of USPF Projects, benchmark study tours, industry consultations and Board and Management retreat are planned for implementation in the last quarter 2011 and first half of 2012.

In the new SMP, the USPF will be focusing on promoting the expansion and deployment of Broadband connectivity to stimulate socio-economic development of the country.

As we facilitate the deployment of ICT infrastructure and services to unserved and underserved areas in Nigeria, we continue to seek the support and collaboration of all stakeholders.

Thank you.

**Abdullahi I. Maikano**

## **ABOUT THE USPF**

The Universal Service Provision Fund (USPF) was established by the Federal Government of Nigeria to facilitate the achievement of national policy goals for universal access and universal service to information and communication technologies (ICTs) in rural, un-served and under-served areas in Nigeria.

The Nigerian Communications Act (NCA) No 19 of 2003, Part IV detail the Universal Service Provision (USP) in Nigeria. Section 115 of the Act established the Universal Service Provision Board with the mandate to supervise and provide broad policy directions for the management of the USP Fund. Section 118 of the Act established the USP Secretariat and states that it shall reside in the Nigerian Communications Commission (NCC) and shall be responsible for the day-to-day administration of the Universal Service Provision. Pursuant to its mandate, the USP Fund started operation in August 2006 and has embarked on various projects to realize its objectives.

### **Mandates of the USPF**

The USPF is committed to creating and ensuring Nigerians at all locations irrespective of status and location have access to quality and affordable ICT services. In line with Chapter VII, Part IV of the Nigerian Communications Act 2003, the Federal Government of Nigeria established a Universal Service Provision Fund (USPF) to 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 community (“Universal Service Provision” (USP)).

### **Vision**

ICT access for all

## **Mission**

To achieve universal access, universal coverage and universal service through a public-private partnership framework that stimulates economic and social development, private sector investment and market-based provision of basic affordable and quality ICT infrastructure and services to unserved and underserved areas, communities and populations.

## **Core Values**

Our activities are predicated on the values of:

- Professionalism
- Integrity
- Innovation
- Commitment

## **USP PLEDGE**

- The activities of the USPF is encapsulated in the Declarations of Principles of the World Summit on Information Society (WSIS)<sup>i</sup> which states that *“Everyone everywhere should have the opportunity to participate and no one should be excluded from the benefits the information society offers”*.

## **Policy Objectives**

The major objective of the USP Fund is to ensure that public interest is attained in the provision of ICT applications and services in Nigeria. That is:

- Promote greater social equity and inclusion for the people of Nigeria; and
- Contribute to national economic, social and cultural development of Nigeria.

## **2007-2011 STRATEGIC GOALS OF THE USPF**

Section 36 of the Universal Access and Universal Service Regulation 2007, 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 SMP be reviewed from time to time. The USP Secretariat prepared a Strategic Plan for 2007 – 2011 which was approved and has been operable in the delivery of its vision of **ICT access for all**.

The approved strategic plan has 5 broad goals and some programmes within each goal. The goals and programmes are:

**Goal 1: To facilitate an Enabling Environment**

- ✓ *Consultation and Awareness Creation Programme*

**Goal 2: To promote Universal Access**

- ✓ *Facilitate community access to basic telephony, internet and broadband services.*

**Goal 3: To promote Universal Coverage**

- ✓ *Connection to the national transmission backbone infrastructure programme*

**Goal 4: To facilitate Connectivity for Development (C4D)**

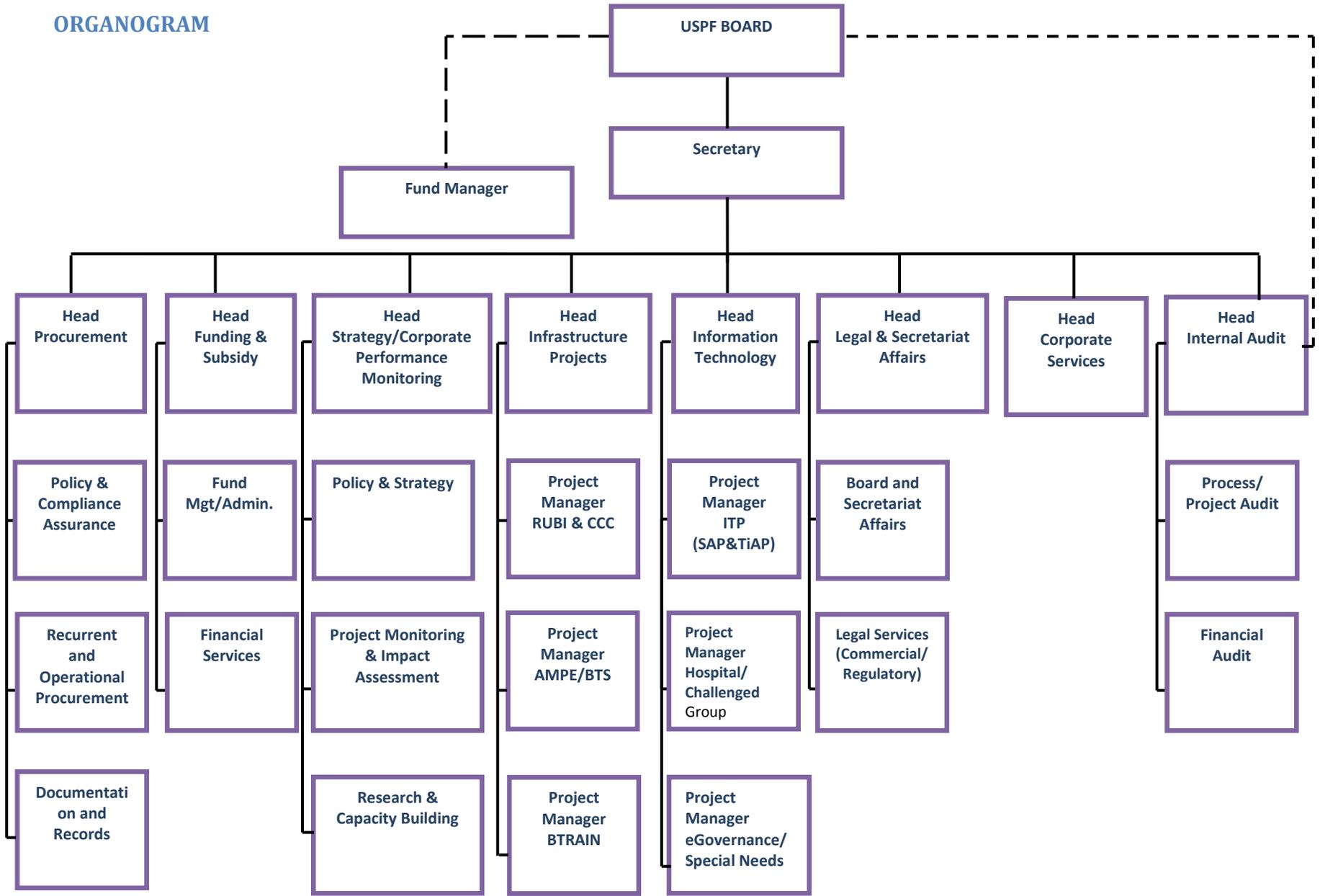
- ✓ *School Access Programme (SAP)*

**Goal 5: To enable Institutional Development**

- ✓ *USPF sustainability programme*

All the programmes and projects of the USPF are tailored towards the achievement of the strategic goals enumerated above.

# ORGANOGRAM



## **BOARD OF DIRECTORS**

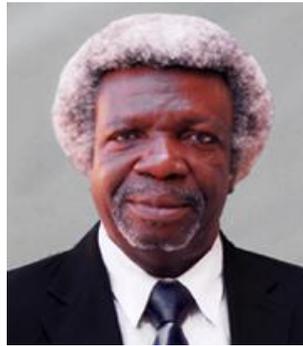
In accordance with the provisions of Section 116 of the NCA 2003, the USP Board is constituted as follows:

- |     |                              |   |
|-----|------------------------------|---|
| 1.  | Mrs. Omobola Johnson         | Chairman of USPF Board and Minister of Communication Technology   |
| 2.  | Mr. Peter Igoh               | Vice Chairman of USPF Board and Chairman of NCC                   |
| 3.  | Dr. Eugene Juwah             | Member and Executive Vice Chairman of NCC                         |
| 4.  | Mr. Okechukwu Itanyi         | Member and Executive Commissioner NCC                             |
| 5.  | Engr. I. O. Adegun           | Member and Representative of National Planning Commission         |
| 6.  | Mrs. Binta L. A. Bello       | Member and Representative of Ministry of Finance                  |
| 7.  | Engr. John O. Ayodele        | Member and Representative of Ministry of Communication Technology |
| 8.  | Mallam Isa Danburam          | Member and Representative of Private Sector                       |
| 9.  | Mrs. Charity Uwbwe Shekari   | Member and Representative of Private Sector                       |
| 10. | Barr. (Mrs.) Ngozi N.Nwankwo | Member and Representative of Private Sector                       |
| 11. | Mrs. Funmilola Lamuye        | Member and Representative of Private Sector                       |

### **Pictures of Board members in group**



*Mrs Omobola Johnson*



*Engr. Peter Egbe Igoh*



*Dr. Eugene Juwah*



*Mr. Okechukwu Itanyi*



*Mrs Binta Bello*



*Engr. I. O. Adegun*



*Engr. John Ayodele*



*Mrs. Charity Shekari*



*Barr. (Mrs) Ngozi Nwankwo*



*Mrs Olufunmilola Lamuye*



*Mr. Isah Danburam*

## **FUND MANAGERS REPORT**

The Universal Service Provision Fund (USPF) saddled with the responsibility of providing network services and application services to unserved and underserved areas or for underserved groups within the community, embarked upon various impacting projects in the year 2011 in fulfilment of their mandate. These projects include; Community Communication Centres (CCCs), Schools Access Programme (SAP), Tertiary Institutions Access Project (TIAP), Base Transceiver Stations (BTS), Co-location Infrastructure Projects (CIP) and Bottom-up Initiative. It must be noted however that most of the projects executed in the year 2011 relate to previous years' budgets. This is due to delays often times encountered in getting budget approval.

During the period under review, we carried out the following functions:

1. Delivering monthly and quarterly financial reports to the Secretariat showing details of Total Revenue, Total Expenditure, Net Income, Total Assets and Net Assets (among other things) for the financial year under review. The sources of income to the fund were NCC Contributions, Investment Income, Interest on Current Accounts and Tender Fees. Monthly Bank Reconciliations were carried out as at when due and reports made available to the Secretariat.
2. In the course of the year, a comprehensive review was conducted on the Financial/Banking Sector and a report was made available to the Secretariat based on its findings.
3. Involvement in Audit Process – The Fund Managers worked with the External Auditors, Messer's SIAO during the audit of the year 2010 Accounts.
4. Day-to-day maintenance of Accounts and Financial Records – We have continuously and consistently maintained up-to-date record of the Fund's Accounts and Financial Records. This has enabled real-time access to Funds Financial Records.

**BGL Asset Management**

## MAJOR EVENTS OF THE UNIVERSAL SERVICE PROVISION SECRETARIAT IN 2011

The following are major highlights and achievements recorded by the Universal Service Provision Secretariat during the year (2011).

### School Access Project (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.

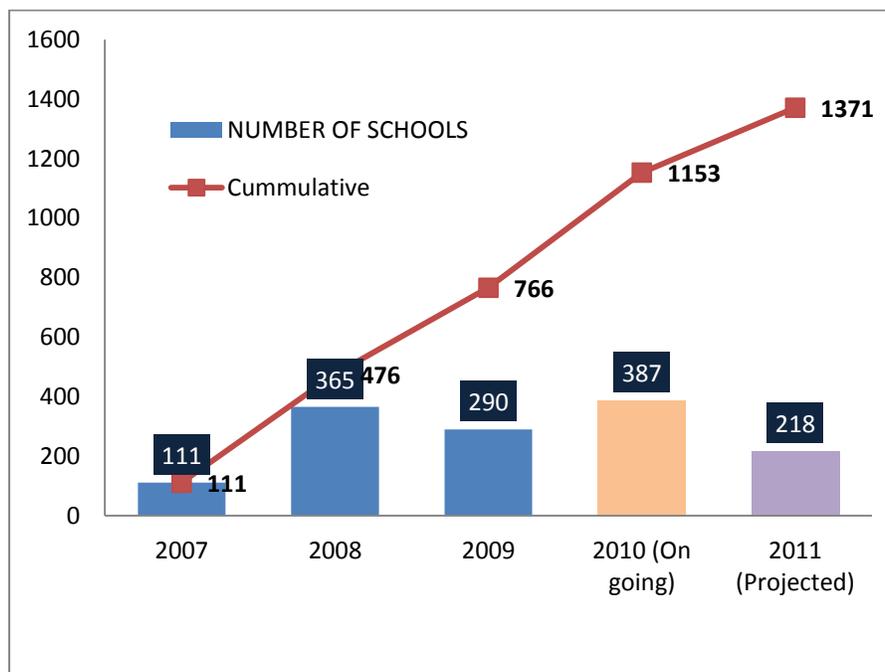


Figure 1: Trends and Number of Schools under SAP as at 2011

### **Tertiary Institutions Access Project (TiAP)**

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).



*Picture 2: A digital laboratory in one of the tertiary institutions*

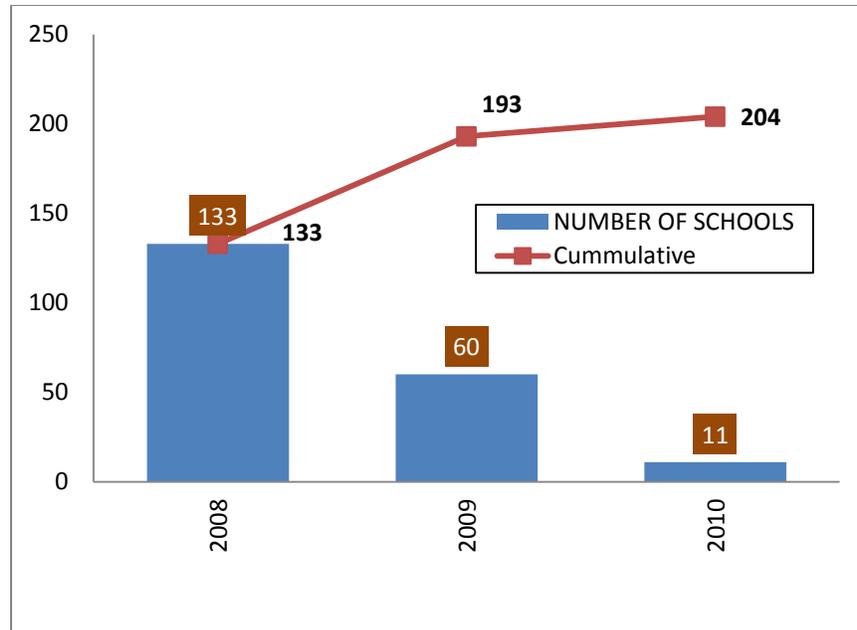


Figure 2: Trends and number of Tertiary Institutions Connected as at 2010.

### 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 of 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 un-served and under-served 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 (AMPE-CIP)**

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 Broad Band Infrastructure (RUBI)**

The Rural Broadband Initiative (RuBI) project seeks to provide a sustainable wireless broadband network in the broadband under-served or un-served 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 Broad Band 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 mega cyber 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.

## MAJOR CHALLENGES

Some of the challenges which hampers the implementation of the 2011 Annual Operation Plan of the USP Secretariat are highlighted as follows:

**a) Delay in Budget Approval and Bureaucracies in Procurement Process:**

Delay in approval of the USPF 2011 budget by the National Assembly and securing necessary approvals required, contributed immensely in slowing down the pace of project implementation process in the previous year. Late implementation of budgets and necessary approvals also hinders the ability of the Secretariat to execute projects as planned.

**b) Dearth of network infrastructures:**

Some USPF projects require existing network infrastructures such as national transmission backbone, Point of Interconnection (POI), Internet Exchange Points (IXP) to ride on for successful project implementation and deployment.

**c) Suitable real estate and public infrastructures in rural areas:**

The lack of suitable buildings in some selected schools to accommodate network infrastructures and the non-availability of adequate public infrastructure such as accessible roads continue to pose a threat to the success of ICT projects being implemented by USPF.

**d) Non-availability or inadequate public power supply:**

The cost of providing alternative power source to power network equipment has continued to drive upwards the total cost (CAPEX and OPEX) of project implementation and deployment. Power outage is more rampant and prevalent in rural areas where most of USPF projects are sited. Consequently, the high cost of running the centres/sites have become a big challenge in the sustainability of USPF projects.

**e) Environmental and Security Concerns:**

Security of lives of personnel of operating companies and network equipment is a concern that may hamper the extension of telecommunication and ICT services to some parts of the country. Civil unrest and violence in some parts of the country occasionally prevented Implementers and staff from carrying out their activities.

**f) Right of Way, Certificate of Occupancy (C of O) for land acquisition**

Other issues militating against the effective execution of USP Fund projects include: Right of way, Certificate of Occupancy (C of O) for land acquisition by Operators, Community restiveness, poor access road to rural areas, multiple regulations regarding erection of towers (LGA, State Govts. NCCA, NESREA) etc.

## CRITICAL SUCCESS FACTORS FOR 2012

For a successful implementation of the Universal Service Provision Fund programmes and projects, the Secretariat has identified some critical success factors that will enable it perform better in 2012:

- I. **Budget Approval for USPF:** Budget approval has a correlation with implementation. Therefore, it is pertinent to note that timely approval of budget brings about timely execution of projects under a given year period. For the USPF to deliver on its projects as contained in its mandate, it is important that its budget be approved on time.
- II. **Impact Assessment of USPF Project**  
The current impact assessment study is expected to provide reliable evidence of diverse impacts of USPF projects on beneficiaries as well as reveal areas the Fund needs to make amendments. The outcome of the study will assist in strategic planning of future USP Fund projects.
- III. **Development of Strategic Management Plan 2013-2017**  
The new Strategic Management Plan 2012-2016 is imperative for the overall success of the Secretariat. The new SMP is expected to guide the operations as well as provide policy direction for the Secretariat over the next 4 years
- IV. **Board Meetings:** One of the basic functions of the USP Board as contained in the UA and US Regulations, 2007, Specifically, Section 4, (c) empowers the Board to approve the USP programs, USP projects and the budget for all operations and expenses. Based on this, it is pertinent for the Board to meet at regular intervals to determine and approve the proposed USP Secretariat budget, programs and projects for timely implementation.
- V. **Board and Management Retreat:** In the pursuant of its vision of “ICT access for all”, the USP Fund has projects that require Board and Management evaluation at various stages. Thus, it is important to hold Board and Management retreats at regular intervals.
- VI. **Branding and Awareness Campaign:** In order to ensure that beneficiaries/stakeholders appreciate various ICT project in their various locations, It is imperative to carry out awareness campaign for stakeholders buy-in and acceptability of USPF projects to ensure sustainability.

**UNIVERSAL SERVICE PROVISION FUND  
BALANCE SHEET AS AT 31ST DECEMBER, 2011**

	2011 ₦	2010 ₦
<b>Property, Plant and Equipment</b>	<b>58,450,264</b>	66,372,436.00
 <b>Current Assets</b>		
Stock	5,751,360.00	4,546,950.00
Debtors and Prepayments	11,397,184,602.00	8,559,796,253.00
Short Term Investment	16,974,677,177.00	19,874,677,178.00
Cash & Bank	<u>2,748,047,973.00</u>	<u>2,350,008,858.00</u>
	<u>31,125,661,112.00</u>	<u>30,789,029,239.00</u>
 <b>Current Liabilities</b>		
Creditors: Amount Falling due within One Year	<u>(21,091,735,469.00)</u>	<u>(21,733,160,490.00)</u>
 <b>Net Current Assets</b>	 <u>9,825,525,643.00</u>	 <u>9,055,868,749.00</u>
 <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	 <u>9,883,975,907.00</u>	 <u>9,122,241,186.00</u>
 <b>NET ASSETS</b>	 <u>9,883,975,907.00</u>	 <u>9,122,241,186.00</u>
Financed By:		
<b>Accumulated Fund</b>	<u>9,883,975,907.00</u>	<u>9,122,241,186.00</u>
	<u>9,883,975,907.00</u>	<u>9,122,241,186.00</u>

**UNIVERSAL SERVICE PROVISION FUND**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2011**  
**INCOME AND EXPENDITURE**

	2011	2010
	N	N
<b>Income</b>		
Contribution from NCC	9,849,811,973	9,924,006,350
Other Income	847,895,183	1,403,197,585
	<u>10,697,707,156</u>	<u>11,327,203,935</u>
<b>Expenditure</b>		
Project & Programme Cost	9,031,999,612	25,139,794,413
Operating expenses	33,467,122	34,903,551
Fund Management Fees	58,530,673	81,654,520
Administrative Cost	207,148,924	73,221,749
Employees' Compensation & Benefits	237,842,229	194,484,265
Training & Development	343,031,468	170,080,537
Board Expenses	13,103,093	135,308,682
	<u>9,925,123,121</u>	<u>25,829,447,717</u>
Excess of Income over Expenditure	772,584,035	-14,502,243,782
Balance Brought Forward	<u>9,122,241,186</u>	<u>23,624,484,968</u>
Balance Carried to Balance Sheet	<u>9,894,825,221</u>	<u>9,122,241,186</u>