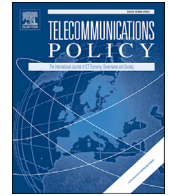


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## Universal service in Vietnam: An institutional approach

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### ABSTRACT

Applying institutional theory to look at the Program 74 (a universal service policy) in Vietnam, this paper concludes that the Vietnamese universal service policy was strongly affected by formal institutional factors (the international agreements and the directives of the Communist Party of Vietnam - CPV), in which the international agreements played a leading role and the CPV's directives played a guarantee role. The formulation and implementation of the universal service policy in Vietnam were mainly concentrated on action at levels 2 and 3 (formal and informal institutional arrangement, and formal institutional environment). The paper recommends that nations favouring a top-down approach not based on a market-oriented regime should deregulate and emphasize the role of provincial governments as well as encourage private sectors/social organizations and rural users to be more involved in the formulation and implementation of universal service policies. Moreover, the government should set up and force the contractual relations between governmental entities and telecom providers.

### 1. Introduction

Universal coverage of Internet services is a policy aim in almost any country. However, the strategies applied to achieve this goal differ from country to country especially with regard to prioritization of various policy tools. Some countries focus mainly on coverage of fiber networks, while other countries put more emphasis on demand stimulation. Also, the level and kinds of public sector involvement varies. These national differences are rooted in differences in history, markets and institutional structures (Lemstra & Melody, 2014). Vietnam provides a unique example of this. Vietnam follows the international trend of liberalization of telecom markets, but the Communist Party of Vietnam still exercises a strong influence on the telecom agenda, and the strategy applied for meeting universal service objectives. This paper applies the four-layer model of Koppenjan and Groenewegen (2005) to examine how institutional factors have shaped universal service policy in Vietnam.

The concept of universal service was initially used by Theodore Vail of the Bell System in a campaign prohibiting competition and establishing a regulated monopoly in the United States (Mueller, 1993). At that time, universal service meant the interconnection of all telephone users into a single system, not by providing basic telephone service to all users (Mueller, 1993). However, nowadays, this concept has been considerably changed and constantly expanded (Alleman, Rappoport, & Banerjee, 2010; Milne, 1998; Msimang, 2012). Universal service has been not only regarded as the provision of basic voice telephone (Garnham, 2001; Levin, 2010) at an affordable price, it is also being extended to include dial-up and broadband internet in its scope (Levin, 2010; Msimang, 2012). Furthermore, in some parts of the world broadband connection nowadays covers 100% of households (in Europe in 2013) and their next target has fastened the speed of broadband up to 30 Mbps or more for all by 2020 (European Commission, 2013).

The scope of universal service is evolving in some countries. Policies play a critical role in stimulating the development of ICTs in

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general and telecoms services in particular (Falch, 2007). The universal service policy is also a useful instrument to close the digital divide between users (low and high-income users) and areas (low and high-cost areas) in a nation (Blackman & Srivastava, 2011). According to the ITU, universal service has three fundamental characteristics: availability, accessibility, and affordability. The main target of universal service is to ensure individual accessibility to basic telecommunications services regardless of geography, gender, ethnicity, disabilities or other factors. Similarly, Laffont and Tirole (2000) posit that the objectives of universal service are redistribution towards low-income residents and provision of more potential benefits to rural areas (regional planning). They point out that universal service ‘ensures the quality of telecommunication services at affordable rates to consumers, including low-income consumers, in all regions of the nation, including rural, insular, and high-cost areas’.

To close the gap, there are various factors essential to explore. In other words, there are a wide range of ways that governments are able to pursue, such as market liberalization, promotion of competition, raising awareness of ICT benefits, improving the skill of ICT usage, and making it affordable and more attractive to users (Kelly & Rossotto, 2012). A number of authors have studied the role of the government (Falch, 2007; Gillett, Lehr, & Osorio, 2004; Lee & Chan-Olmsted, 2004; Picot & Wernick, 2007; Thai, Falch, & Williams, 2015), some have presented new models (Falch & Anyimadu, 2003; Falch & Henten, 2010; Peha, 1999), and others have identified factors influencing the adoption of internet/broadband (Chaudhuri, Flamm, & Horrigan, 2005; Choudrie & Dwivedi, 2006; Flamm & Chaudhuri, 2007; LaRose, Gregg, Strover, Straubhaar, & Carpenter, 2007; Thai, Falch, Salakpi & Von 2016). These studies implicitly or explicitly point out the way bringing more advance of ICTs for citizens.

Vietnam is an emerging economy with a unique political system. Vietnam has since 2005 emphasized on the provision of universal service. In 2006, Vietnam launched the “Program on the provision of public telecommunications services till 2010” (hereinafter called the Program 74). The Program 74 was implemented from 2005 to 2010, with the total budget of approximately 210 million euros. The Program achieved remarkably success, however it also revealed many unsettled issues. This paper analyses the Program 74 (it is also considered as a universal service policy in Vietnam) from an institutional perspective, with the empirical case from Vietnam. The paper is guided by the following research questions:

*Which and how institutional factors influenced the Program 74?*

*What policy lessons may be drawn for nations favouring a top-down approach similar to the one applied in Vietnam?*

The paper applies the Koppenjan and Groenewegen (2005)’s four-layer model ‘levels of institutional analysis’ to look at the universal service policy in Vietnam. This model was designed by analysing the role of institutions in the context of complex technological systems. Moreover, this model is used to evaluate secondary documents gathered from Ministry of Information and Communications of Vietnam (MIC), Vietnam Public Utility Telecommunication Service Fund (VTF), and some data from ITU and the World Bank. The authors also conducted some interviews with officials working in MIC, VTF and DICs (Departments of Information and Communications) in July 2015.

The paper is structured as follows: Section 2 presents the theoretical framework and research method, Section 3 analyses institutional layers in Vietnam, Section 4 is discussion, and eventually Section 5 provides conclusions.

## 2. Theoretical framework and research method

### 2.1. Theoretical framework

The concept of institutions is very diverse and depends on the way it is approached (King, Gurbaxani, Kraemer, Mcfarlan, & Yap, 1994; Scott, 1987). According to Scott (2005), institutional theory looks at the processes and mechanisms that form structures, rules, and routines in order to explain social behaviour. He indicates that contemporary institutional theory consists of three main approaches: Rational-choice, Normative, and Cultural-cognitive approaches. Rational-choice approach views regulatory aspects or rule systems of institutions that are created by individuals to promote or protect their own interests. The most popular form of this approach is ‘transaction cost economics’ devised by Ronald Coase and developed by Oliver E. Williamson (Scott, 2005). Normative approach refers to shared norms and values that introduce a prescriptive, evaluative, and obligatory dimension into social life. And cultural-cognitive approach emphasizes the importance of widely shared assumptions and beliefs and the construction of social identities as the underpinnings of social order (Scott, 2005).

From an economic approach, North (1990:3) defines institutions as ‘the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction’. Institutions are formed to guide human beings into interaction and to reduce uncertainty in their daily life (North, 1990, p. 6). North (1990:35) also asserts that a model of institutions has three characteristics: informal constraints, formal constraints, and enforcement. Informal constraints are codes of conducts, norms of behaviour, and conventions and are a part of culture. Formal constraints are formal rules, from constitutions, to statute and laws, to bylaws, and to individual contracts. Formal rules are created and evolved along with increasingly complex societies, and can complement and increase the effectiveness of informal constraints (North, 1990). Enforcement deals with how effectively parties are enforced to obey contracts or agreements. More importantly, North (1990:53) concludes that in order to develop an institution, we should put them together to look at. A mixture of these three factors will define the choice set and result in outcomes.

Also, looking at institutions/organizations from an economic perspective, Oliver E. Williamson emphasizes transaction cost economics - exchanges of values among individuals, and economics of property rights in the New Institutional Economics. In his research (Williamson, 1998, 2000), he illustrates the establishment of the New Institutional Economics via four layers: Level 1 - Embeddedness: Informal institutions, like: customs, traditions, norms, religion; Level 2 - Institutional environment: Formal rules of the game, like: property (polity, judiciary, bureaucracy); Level 3 - Governance: Play of the game, like: contract (aligning governance structure with transactions); Level 4 - Resource allocation and employment (prices and quantities, incentive alignment). In this model, the higher level

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