

## ERGO

*Analysing developments impacting business*

### GOVERNMENT RELEASES DRAFT TELECOMMUNICATIONS ACT (DIGITAL BHARAT NIDHI) RULES 2024

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On 4 July 2024, the Government of India through the Department of Telecommunications (DoT) published the draft Telecommunications Act (Digital Bharat Nidhi) Rules, 2024 (Draft Rules) in the Official Gazette. The Draft Rules, framed under the Telecommunications Act, 2023 (Telecom Act), follow the enactment of selected provisions of the Telecom Act. The Draft Rules have, at present, been published for information of all persons likely to be affected by it and will be taken into consideration after expiry of 30 days from the date of its publication in the Official Gazette. In the meantime, objections or suggestions in respect of the Draft Rules can be submitted to DoT in the prescribed manner.

#### **Background and scope**

The Digital Bharat Nidhi (DBN) seeks to replace the Universal Service Obligation Fund (USOF), which was constituted under the prevailing regime. USOF was introduced in 2002 by the Government with the fundamental objective of providing access to 'telegraph services' to people in underserved remote and rural areas at affordable prices. The Government has retained this core intention under the DBN, while also enhancing the scope in some respects like research and development in telecom services and technologies.

The Telecom Act outlines clear objectives for the utilization of the DBN, which include supporting and delivering telecom services in underserved areas, introducing new telecom technologies and services, etc. DBN will be administered by an '*administrator*' (Administrator) appointed by the Government for such purposes pursuant to the Draft Rules.

#### **Key provisions of the Draft Rules**

##### **1. Utilization of funds**

To achieve the objective of DBN, the Administrator will enter into a contract with a DBN implementer (Implementer), which is likely to be a licensed entity or Infrastructure Provider – Category I under the current regime. Funding modalities, which could be by way of bidding or nomination, will be determined on a case-by-case basis.

Interestingly, the Draft Rules emphasize targeted access to telecom services for underserved groups such as women and persons with disabilities, in addition to remote areas. Two methods for selecting DBN implementers are provided, namely, bidding for service promotion in underserved areas and an application process for R&D purposes. The administrator has the authority to nominate a DBN implementer

for executing projects and schemes under special circumstances, ensuring flexibility in achieving DBN's objectives.

## 2. **Criteria for schemes and projects**

The Draft Rules encourage startups in the telecom sector and promote sustainable and green technologies. This is part of a broader effort to support innovative and environmentally friendly solutions in telecommunications. Startups that can propose innovative technological solutions to enhance access to rural areas may find themselves well-positioned to secure funding under these provisions.

## 3. **Sharing telecom networks**

DBN implementers receiving funding must share telecommunication networks and services on an open, non-discriminatory basis. This aligns with recent recommendations from the Telecom Regulatory Authority of India advocating for the mandatory sharing of passive telecommunications infrastructure and voluntary sharing of active infrastructure.

### **Comments**

The release of these Draft Rules marks a step forward in the implementation of the Telecom Act. The emphasis on sustainable technologies and support for startups showcases a forward-thinking approach.

The Draft Rules offer potential relief to smaller industry players and startups by encouraging their participation and mandating the open, non-discriminatory sharing of telecommunication networks under DBN. This inclusive approach aims to promote ease of doing business and broad industry participation.

However, the practical implementation of the Draft Rules, especially in the capital-intensive telecom sector, will require close observation once they come into effect.

- Harsh Walia (Partner), Shobhit Chandra (Counsel) & Vanshika Lal (Associate)

For any queries please contact: [editors@khaitanco.com](mailto:editors@khaitanco.com)