

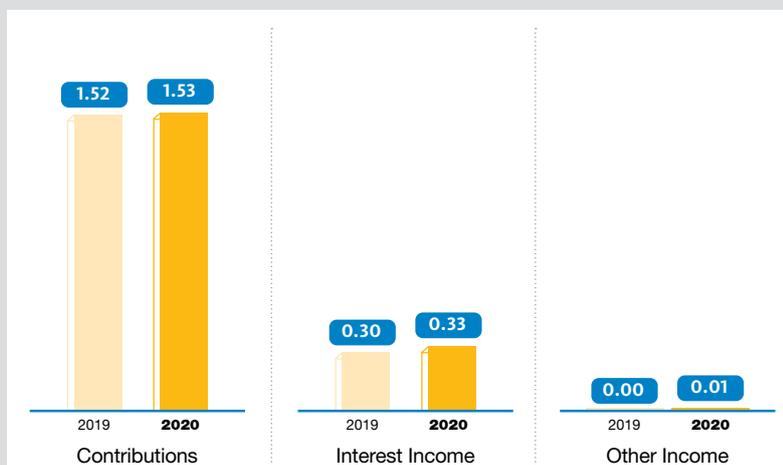
# USP Fund

**The COVID-19 pandemic which started as a health crisis in early of 2020 had quickly evolved into a global economic crisis. It has led to an increment flow in digital technologies usage due to people adjusting to a new normal centred on digitalisation and Internet connectivity, especially during the nationwide Movement Control Orders (MCO). Our digital activities have increased, leading to new demands on existing connectivity. The fixed and mobile networks that enable our digital lifestyles have proven critical during this crisis no longer depended upon by certain segments of the society, but by everyone.**

On 29 August 2020, a national plan, Jalanan Digital Negara Plan (JENDELA) was launched by the YAB Prime Minister in efforts to strengthen the level of connectivity, quality of communication services and coverage especially in the rural and underserved areas.

The Universal Service Provision Fund (USP Fund), established under section 204 of the Communications and Multimedia Act 1998, is under the stewardship of the Commission and aims to bridge the digital divide by providing telecommunications and digital communication services to areas that lack telecommunications access. The USP fund addresses the digital divide through the expansion of 4G coverage and improving both fixed and mobile broadband quality, all the while laying the foundation for the coming 5G network.

As per the USP Regulation, it is mandatory for telecommunications services companies recording a net revenue of more than RM2 million for the year of assessment to contribute 6% of its weighted revenue to the USP Fund.



Income (RM'BIL)

## INCOME

For the year ending 31 December 2020, USP Fund generated a total income of RM1.83 billion. It comprised contribution by the licensees amounting to RM1.52 billion, interest income of RM0.30 billion and other income of RM0.01 billion. The marginal decrease in total income (as compared to 2019) was mainly due to the drop in interest income attributed to lower interest rates in line with the reduction of 1.0% in Overnight Policy Rates (OPR) set by *Bank Negara Malaysia* (BNM) to assist the economy recovery.

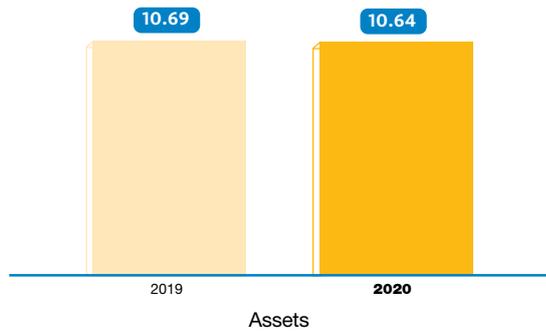
## EXPENDITURE

The main expenditure of the USP Fund is attributed to claims by the Designated Universal Service Providers (DUSPs) which relates to cost of USP projects, comprising both capital and operating expenditures. A total amount of RM0.88 billion was recognised as expense for claims made by DUSPs for the implementation of USP projects as compared to RM1.72 billion in 2019. The decrease of RM0.84 billion or 49% was attributed to the reduction in claims made by DUSPs. They are mostly affected by the various challenges brought about by the implementation of MCO in 2020.

## SURPLUS AFTER TAX, REPRESENTING TOTAL RECOGNISED GAINS

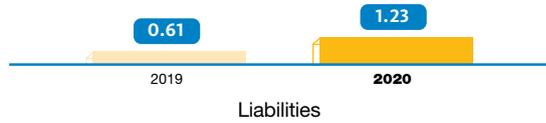
The USP Fund recorded a surplus after tax, representing total recognised gains of RM0.68 billion in 2020, an increase of RM0.58 billion as compared to 2019. This was mainly due to the reduction in claims made by DUSPs during the year.

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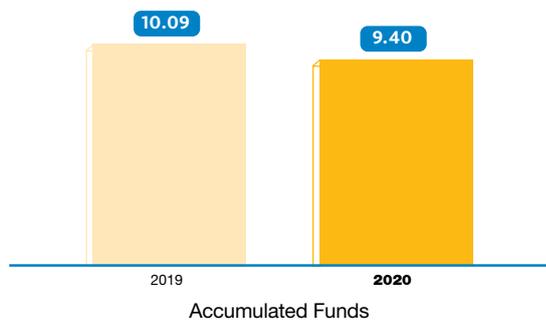
### ASSETS

For the year 2020, there was a marginal increase in total assets, RM10.69 billion as compared to RM10.64 billion in 2019. The main components of total assets are Other Investments amounting to RM9.43 billion, Contributions and Other Receivables of RM0.79 billion and Cash and Cash Equivalents of RM0.47 billion. The Commission maintained a robust collection procedure to minimise credit risk. This had resulted in a significant reduction in Contributions and Other Receivables by RM0.85 billion or 52% from RM1.64 billion to RM0.79 billion at end of 2020.



### LIABILITIES

The total liabilities of RM0.61 billion were mainly for USP Project Claims payable which has reduced significantly by RM0.71 billion or 59% from RM1.20 billion in 2019 to RM0.49 billion as at end of 2020. This was due to the implementation of system enhancement and process improvement during the year which enable the USP project claims to be disbursed expeditiously.



### ACCUMULATED FUNDS

The Accumulated Funds as at end of 2020 stood at RM10.09 billion, an increase of RM0.69 billion or 7% as compared to 2019 mainly due to the surplus after tax of RM0.68 billion. The USP's project funding requirements are continually being monitored to ensure sufficient availability of funds for the implementation of on-going projects and future projects initiatives under the JENDELA program. A total of RM9.05 billion has been committed in 2020, RM4.42 billion for on-going projects and the balance of RM4.63 billion for JENDELA Phase 1 project.

Statement of Financial Position (RM'BIL)



### JENDELA is a comprehensive digital infrastructure plan towards greater digital connectivity for Malaysia.

The implementation of projects under the JENDELA is phased to cover the period starting from 2020 until 2025. A total of RM7.40 billion to be funded via the USP Fund have been identified for JENDELA Phase 1. This includes 1,661 new sites nationwide to be deployed to enhance the nationwide coverage of 4G with estimated allocation of RM4.63 billion being committed in 2020, paving way to accelerate the 5G roll out which, is targeted in Q4 2021.