Key Regulation Issues in Telecoms in Africa

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Overview

- Context
- What has a decade of telecoms reforms achieved in terms of
  - Reforms
  - Standard telecoms performance outcomes
- What are the regulatory policy implications?
- Some concluding comments

Context

- Telecom reform wave of the 1990s aimed at promoting expansion in coverage and subsequently affordability …
- Technological revolution seeming to make all changes easy
- Some political commitments to promote access and usage of Internet
- Low profile of underlying regulatory issues in the media and in policy circles (lack of commitment…)

Sub-Saharan Africa is lagging behind….

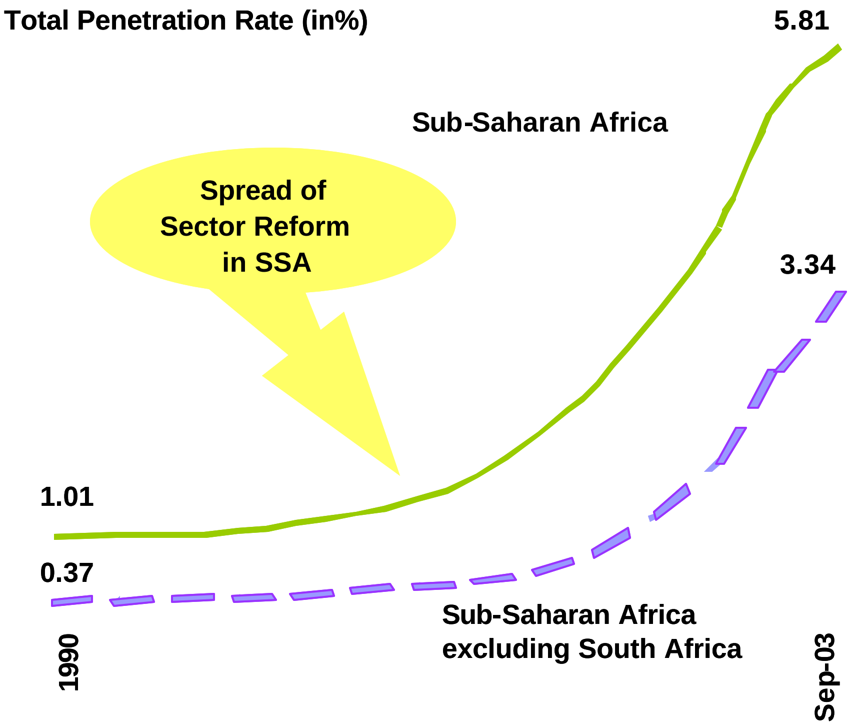
	Total Penetration (in%)			Internet 2002		
	2002	1995	CARG 95-02	Estimated Internet Users per 10.000 inhab.	Internet hosts per 10.000 inhab.	Number of PC per 100 inhab.
WORLD AVERAGE	36.5	13.78	15%	981.79	235.91	9.26
SSA AVERAGE	5.26	1.25	23%	93.04	3.48	1.05
SSA AVERAGE Exc. SA	2.69	0.48	28%	50.66	0.58	0.68

Note: (a) 2001 Data for Mainline in Liberia and Mayotte, (b) 2001 Data for Mobile in Liberia for 2002.

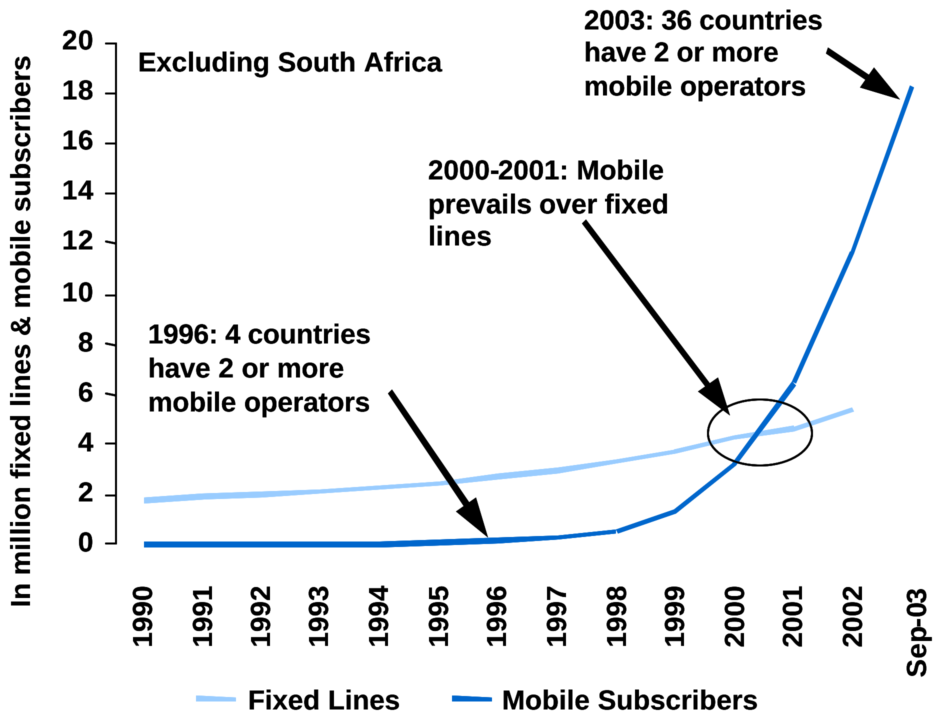
Source: WB Analysis based on ITU World Telecommunications Indicators Database

Overall teledensity has jumped in SSA

Overall Penetration Has Passed the 5% Milestone in the Region



Liberalization Has Fuelled the Mobile Market Growth



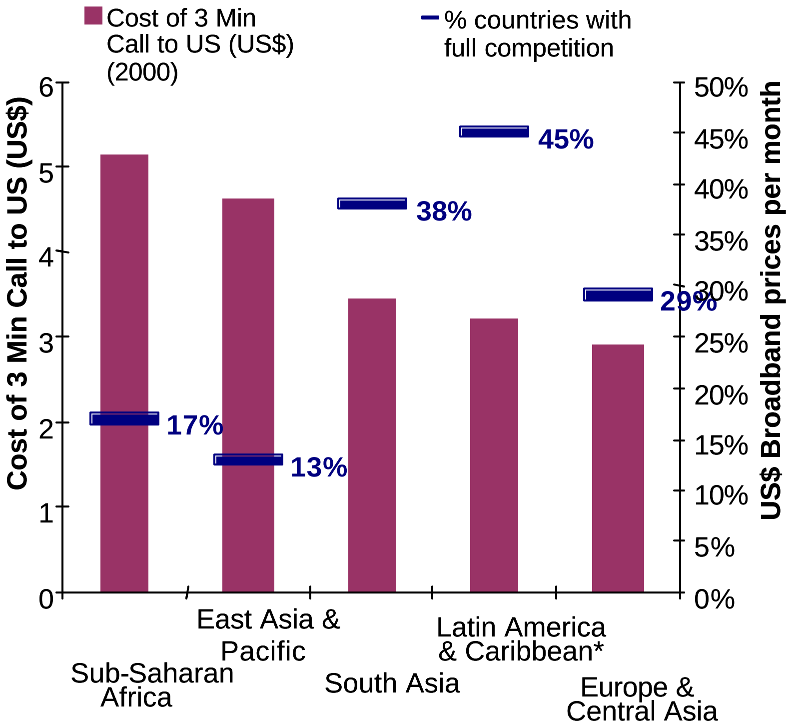
Source: WBG Analysis based on ITU World Telecommunications Indicators Database, ITU World Telecommunication Regulatory Database, WDI and Middle East and Africa Wireless Analyst for 2003 Data on Mobile.

Situation remains uneven…

- In 2002, whereas total penetration was 5.26% in SSA (GNI/cap: US$450) and 2.69% excluding South Africa, it was 5.19% in India (GNI/cap: US$480), 7.18% in Viet Nam (GNI/cap: US$430), 14.16% in Mongolia (GNI/cap: US$440);
- 20 out of 48 countries had a total telephone penetration below 2.5% in 2003;
- 40 out of 48 SSA countries had a penetration rate below the 1995 world average penetration rate (13.78%) in 2003;
- Internet user penetration stands at 93 per 10,000 people for Sub-Saharan Africa against 982 for the world.

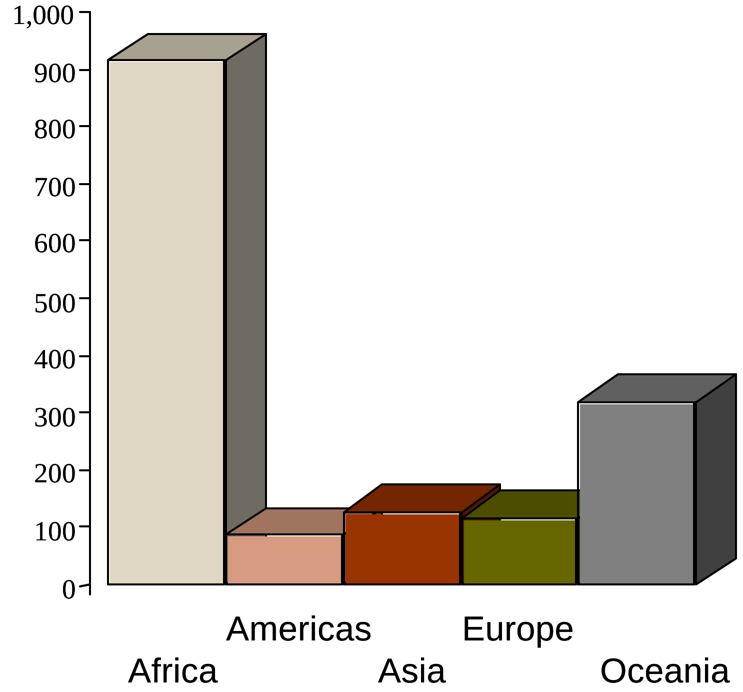
But, prices remain higher in SSA

Africa Has the Most Expensive Broadband Costs, Hindering the Development of Internet Access



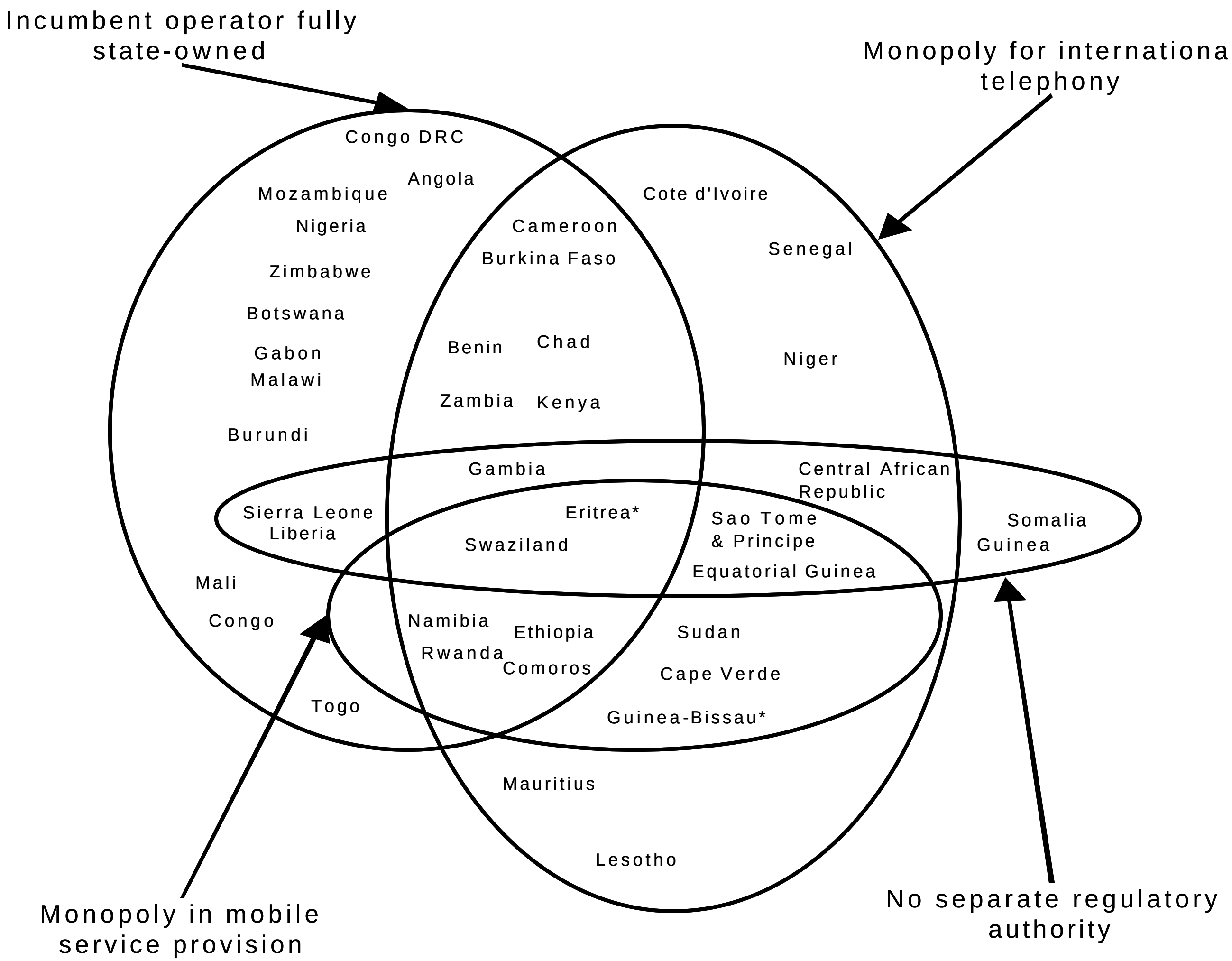
Notes: (a) Prices as of July 2003; (b) ITU calculation for Africa is based on a limited number of countries due to scarcity of data. *Source:* Based on data from Birth of Broadband, September 2003, ITU

Lack of Competition Leads to High Prices for International Calls in Sub-Saharan Africa



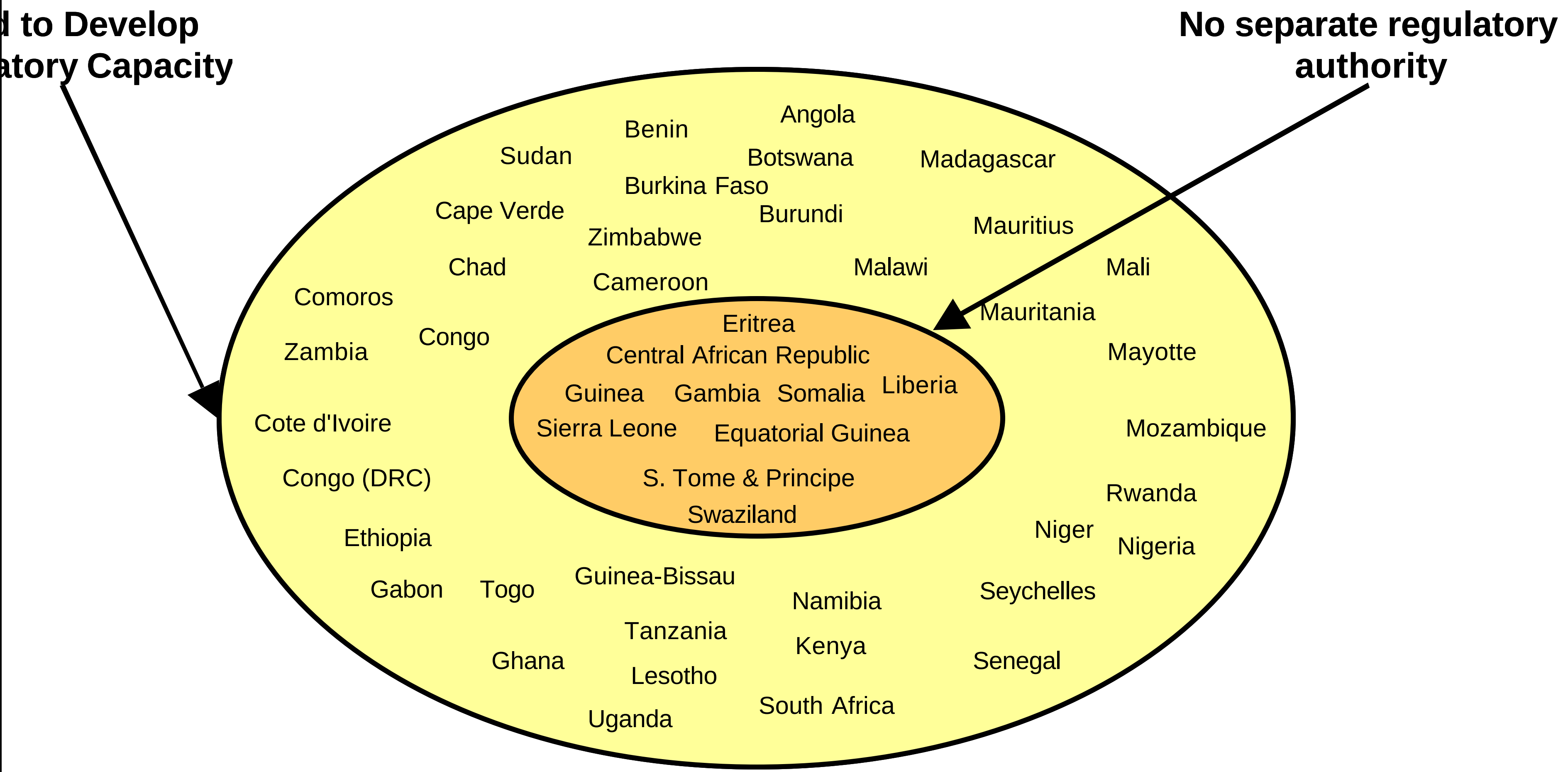
:* LAC data are for 1999.
There are no countries in the MENA region with full competition.
Source: Competition in International Voice Communications,. World Bank, 2003, based on World Development Indicators, citing International Telecommunications Union data.

Uneven Implementation of sector reform

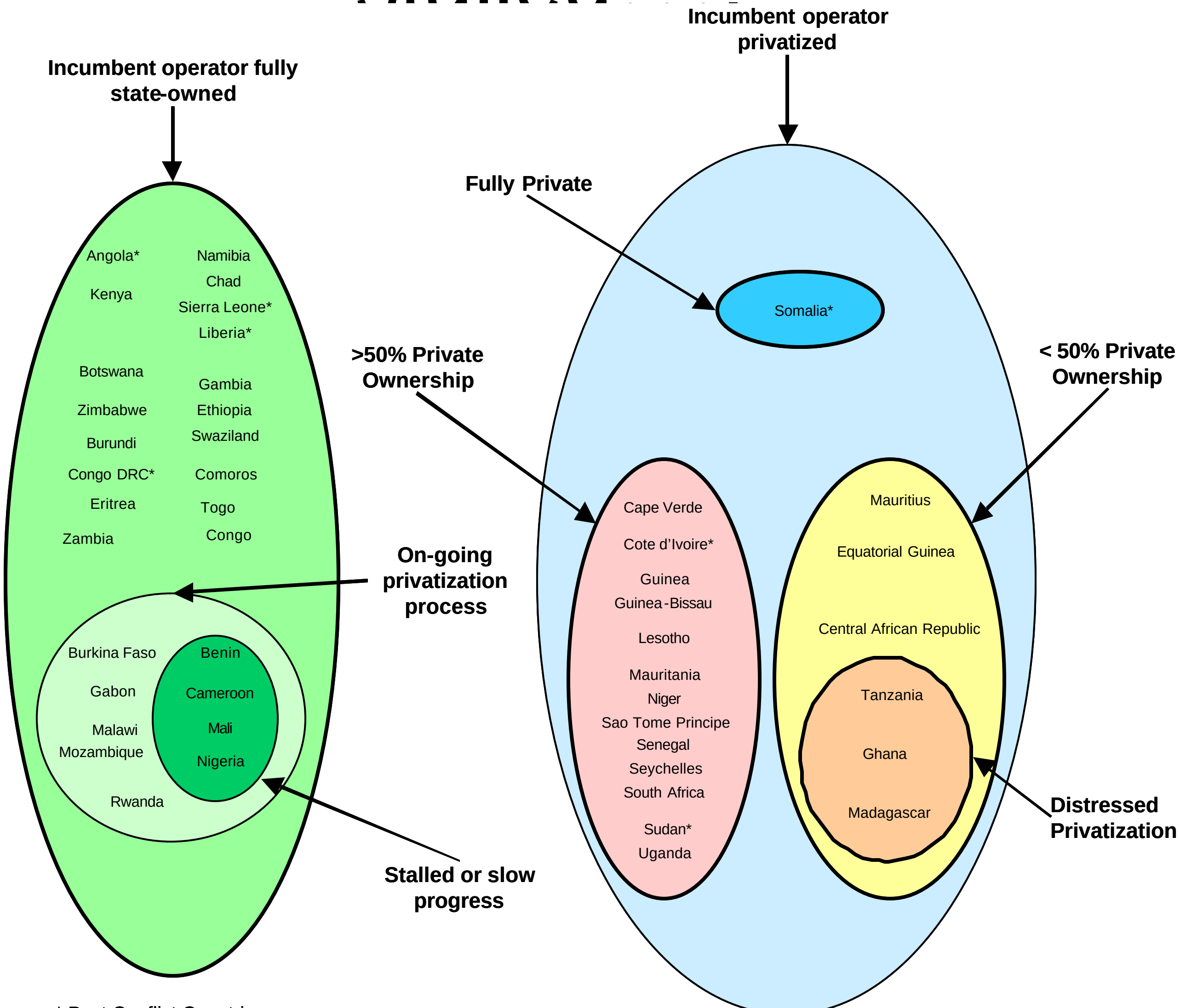


*: No mobile service offered in 2003

Excellent record in creating separate RAs



Half of ongoing privatizations are stalled



* Post-Conflict Countries

Outstanding policy issues in SSA

- Inadequacy or absence of national backbone to facilitate deployment of new services (mobile, Internet,…).
- Concentration of network infrastructure in urban areas whereas rural population represents 70% of the total population.
- Poor cross-border connectivity impeding regional trade,
- Poor access to International capacity and an over-dependence on satellite technologies.
- Inadequate regulatory capacity to manage the transition to a well-managed liberalized sector.

Other outstanding problems with telecoms regulation…

- Phone penetration remains low 1/7 of the world average
- Residential connection rates still high
- Fixed line business is outpaced by mobile and new technology
- Exclusivity periods are still long… deterring new entry
- Interconnection regulations not enforced in practice….
- Licensing (one stop process, pro-market based, competence, leadership)
- Overall, Regulators are highly contested by governments, operators and consumers….
- … Rule of law remains a long way to go….

More importantly…

- Price Regulation remains a challenge to most regulators in Africa
  - Retail services : Prepare for price reviews and promote an open participatory approach
  - Wholesale services : Interconnection remains very disputed – Develop Human and Institutional Capacity
- Devise policies to promote infrastructure based competition… little is to be expected from LLU
- Promote Universal Access … cf: smart subsidies!
- Effective management of scarce resources : Spectrum, Numbering, Share of infrastructure…
- Capacity building not yet properly addressed…

Concluding comments…

- Prepare a second wave of reforms including :
  - set clear objectives and build political consensus;
  - formulate coherent and adapted policy to meet objectives;
  - Implement further market liberalization wherever justified,
  - further disengagement from operations (sale of additional shares held by Governments);
  - **strengthen existing institutions capacity to formulate and implement policy and regulation**.
- Focus on the development of information infrastructure, with special focus on rural communities
- Expand national markets by opening borders

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