

REGULATORY MEASURES TO PROMOTE THE GROWTH OF MOBILE SUBSCRIBERS IN AFRICA

Introduction

Africa is currently at the threshold of reforms in the development of its telecommunications regulatory structures. Legislative and policy frameworks are being evolved in several countries as the basis of regulation of the emerging and fast developing sector, in order to provide an enabling environment to encourage investment and provision of new and innovative services.

It is now axiomatic to speak of regulation in many important sectors of the economy. However, the telecommunications industry is one of the fastest growing sectors of the world economy today and provides an important infrastructure for other sectors of the economy or “infrastructure of infrastructures” as it is commonly called.

The rationale for regulations involve far-reaching and multi-disciplinary issues and should be based upon a well defined set of objectives which typically includes infrastructure development, efficiency improvement, quality and functionality improvement, encouragement of competition and promotion of the general socio-economic well being.

Regulatory functions cover virtually every aspect of telecommunications network and service provision including tariff, technical standards, allocation of scarce

resources, fair competition and inter-operator issues such as interconnectivity. Regulation underlines the basis of the perceived responsibility of the state to create and harness the investment and socio-economic environment for sustainable development.

The state of telecoms Development in Africa and the Revolution in Mobile Services

In the last four years most African countries, nay developing countries, have embraced the revolution propelled by the provision of Mobile Services. The growth of these services, where competitive operators have been licensed, has been geometric. For instance in Nigeria over I million lines are rolled out every year since 2001.

It is also note worthy that developing countries are now taking the lead in worldwide telecommunications growth (mostly in Asia). For instance, ITU reported in October 2003 that three out of four new phone users connected each year, in the last four years, live in the developing world, and that growth in mobile is currently generated mostly in developing countries.

However, despite the progress made in the last four years, the level of telecom penetration in Africa clearly shows that the challenges remain enormous. Africa still has the lowest teledensity of all regions of the world.

Africa as a region can experience the same growth rate Asian region if more and more African countries truly open up their market for competition.

Institutional Framework for Growth

In order to optimize and accelerate growth in telecoms sector in Africa, attention must be paid to key issues that affect investment flow such as: *sound economic and fiscal policies; minimum investment risk; investment protection; ease of repatriation of dividends, profits and fees; improved support infrastructures; minimum bureaucratic interference; stability of government and government policies etc.*

Africa must evolve institutional frameworks that must address these issues. These include:

- Replacement of monopolies with competition
- No restriction to private sector participation e.g. the amendment to the NCC Decree 75 of 1992 in 1998 which removes such restriction
- Separation of operating entities from regulators and policy makers.
- Divestiture of government interest from telecoms businesses through privatization of government owned enterprises.
- Full liberalization of the sector

Need for Regulation

The above scenario underscores the rationale for regulation. Without rules no game can be played fairly. There is thus the need for sensible set of rules. A strong and independent regulator becomes a prerequisite to enforce rules and regulations.

The current trend in Telecommunications services delivery globally requires transparent regulatory structures, administered by an independent National Regulatory Agency (NRA) and which draws its legitimacy from the provisions of National Laws.

The role of the NRA should therefore include:

- Promotion of market liberalization;
- Licensing of competitive operators;
- Introduction and enforcement of transparent regulatory processes;
- Protection of new entrants from dominant operators;
- Protection of consumer rights and interests;
- Encouraging new services.

Key factors for growth promotion

1. Licensing

- Licensing criteria must be well articulated and publicly available.
- Terms and conditions of individual licence must be investor friendly and also ensure consumer rights.
- Licensing Process must be transparent and timely
- Exclusivity for optimum number of mobile operators
- Prevention of anti-competitive conduct by dominant operators

2. Interconnection

- The regulatory environment should be such that new entrants should be guaranteed seamless interconnection with the incumbents e.g. in

Mali, Mozambique and Gambia, mobile operators were denied interconnection by incumbents.

- Regulatory institutions must be strong enough to be able to enforce interconnection.
- Interconnection must be on non-discriminatory basis with respect to technical standard and specifications, rates and quality.
- Interconnection must be ensured on a timely, transparent and reasonable manner;
- Interconnecting parties must have access to quick and independent dispute resolution process.

3. Import duty rebate and fiscal incentives

- Telecom infrastructure are highly capital intensive. Duty rates, therefore, must be such that will encourage massive importation of telecoms equipment and systems.
- Countries should therefore reduce quite substantially or completely remove duty rates on imports of telecom goods.
- Government should depend on other sources of revenue such as company tax, value added tax and other taxes rather than import duty on telecoms infrastructure that could limit expansion which Africa badly needs.
- Simplification of procedures for importation of telecommunications equipment and development of related software.
- granting of pioneer status to qualified investors.
- Incentives to encourage local manufacture

4. Other Regulatory measures

- Most major investors around the world especially financial institutions take the independence of the NRA's very seriously because it is seen as a guarantee for regulatory consistency.
- Technology Neutrality must be maintained
- Level playing ground for all operators
- Allocation of scarce resources such as frequency, numbering plan and rights of way must be objective, timely, transparent and non-discriminatory.
- NRA must be fair and firm in the enforcement of rules and regulations.

5. Human capacity Building

Africa countries must take human capacity development very seriously. There must be conscious efforts for skill development intervention through training and re-training of technical and managerial personnel.

It is also time Africa stopped losing its best brains to other regions of the world. Africans rank among the top professionals worldwide active in the ICT sector in several developed countries and interestingly, some of them are now being employed by new Africa-based multinational companies operating in those countries that have opened their markets. Establishing a good investment climate will provide the platform for some form of repatriation of the knowledge of African ICT professionals who are excelling overseas.

Conclusion

Despite progress brought about by sector reforms in some countries in Africa, a lot of scope for growth still exists in several countries where competitive operators have not been licensed. All African countries must liberalize their telecom markets, license competitive operators and introduce adequate incentives to attract private sector investment to tap on the immense potential for mobile voice and data services that exist in the continent.

This of course must be backed by a well articulated National Sector Policy, enactment of good Enabling Laws and the establishment of strong, well trained and independent National Regulatory Authority.

Thank you.

Engr E.C.A. Ndukwe OFR, FNSE, FNIM
Chief Executive
Nigerian communications Commission.