



ITU Telecommunication Development Bureau (BDT)

Report on the Regional Economic and Financial Forum of Telecommunications/ ICT for Africa

Sao Tomé and Príncipe, 2-3 February 2015

I. Introduction

The International Telecommunication Union (ITU) Regional Economic and Financial Forum of Telecommunication/ ICT for Africa, organized by the Telecommunication Development Bureau (BDT), in collaboration with the Conseil d'Administration de l'Autoridade Geral de Regulação de Sao Tomé e Príncipe (AGER) was held 2-3 February 2015.

The Forum was followed by the meeting of Study Group 3 Regional Group for Africa (SG3RG-AFR) organized by the Telecommunication Standardization Bureau (TSB) with 72 participants from 21 countries including regional organizations such as African Telecommunications Union (ATU), Union Economique et Monétaire Ouest Africaine, Associação de Reguladores de Comunicações e Telecomunicações, Ecole Supérieure Multinationales des Télécommunications, BISTP, Sociedade Gestora de Sistema de Pagamentos Automatico, UNITEL STP, African First Bank, BGFI Bank, and Ecobank Sao Tomé e Príncipe.

The complete list of participants and all the presentations are available at:

www.itu.int/en/ITU-D/Regulatory-Market/Pages/Events2014/Sao%20Tom%C3%A9/Home.aspx

Opening ceremony

The opening ceremony was presided over by Mr. Orlando Fernandes, Prsident du Conseil d'Administration de l'Autoridade Geral de Regulao de Sao Tom e Prncipe AGER who delivered a welcome address, followed by a statement by Mr. Aboss Akue-Kpakpo, Chairman SG3RG-AFR, and Mr. Jean-Jacques Massima, International Telecommunication Union (ITU) Representative

Mr. Afonso Varela, Ministro da Presidencia e dos Assuntos Parlamentares, Sao Tom e Prncipe gave the key note speech stressing the importance of the Forum as a platform for countries to share experience and learn best practices. The Government of Republic of Sao Tom e Prncipe has placed ICTs as one of the most important tool for economic and in 2004 adopted legal and institutional reforms; introducing more competition; the separation of policy and regulatory functions and subsequently the accession to the cable system submarine /CAB2 - Central African Backbone in 2012. These have led to accelerated

growth of the ICT sector with improved penetration and a reduction of broadband tariffs. The country's focus now is on meeting international commitment for analogue to digital switchover in June 2015, and the extension of backbone network in an effort to achieve universal access and digital inclusion. He concluded by calling upon the meeting to come up with practical frameworks to further address the challenges for small island nations like Sao Tome and approaches for enhancing access and usage of ICTs in order to capitalise fully the potentials of the digital world.

II. Summary of the discussions

The Forum was chaired by Mr. Deolindo Costa Boa Esperança, Administrateur d'AGER.

Session 1: Mobile Money (MM) Service oversight by telecommunications regulators

Ms. Lara Srivastava, ITU-T Study Group 3 Advisor (Economic and Policy Issues), set the stage for the first session of the Forum, on mobile money, by underlining the importance of financial inclusion as a driver for economic growth and equality worldwide. She mentioned that there are 2.5 billion people around the world without a bank account (mostly poor people, and mostly women). Not surprisingly, such low levels of financial inclusion are a big barrier to socio-economic development, and exacerbate poverty and wider social exclusion. She went on to note that although 59% people in the developing world don't have access to a bank account, many of them have access to a mobile phone. There is a mobile revolution going on with the developing world (representing 78% of the world's penetration). The mobile opportunity to bank the unbanked cannot be understated. Simply put, if people can't go to the bank, the bank can go to them. Facilitating greater financial inclusion means fostering individual empowerment, but also family and community empowerment. Fewer people will fall into poverty and more will move out quickly, when we exploit the synergies between digital and financial connectivity.

There are, however, a number of barriers to overcome, e.g. lack of interoperability, lack of ICT standards, lack of harmonized enabling frameworks. Therefore, it is vital to foster dialogue between the ICT and financial industries. Lara informed the group that in 2014, the ITU-T partnered with the Bill and Melinda Gates Foundation to set up a Focus Group on Digital Financial Services. The mission of the Focus group is to develop a standardization roadmap for digital financial services. The second meeting of the group will be held in Washington DC from 21-22 April 2015. It is open to everyone and delegates are encouraged to participate. The speaker concluded by a call to empower the future, our future, by bringing it to millions of people worldwide and making poverty a matter of history.

Mr. Abdul Musoke- UCC, Uganda followed with a presentation titled-"Mobile Money (MM); Should National Regulatory Authorities be concerned?" He underscored the significance MM in Sub-Saharan Africa citing East Africa where MM Accounts outnumber deposit accounts and commercial banks and MM agents outnumber the traditional bank access points. The service has become a mainstream service for the African MNO but NRAs have remained indecisive due to a general lack of consensus on what Mobile Money is; jurisdiction concerns and limited international precedent for comparable benchmarks. This inactivity has led to public angst faced with increasing fraud, high charges and poor quality services.

Mr. Musoke explored fundamentals in NRAs and Central Bank co- regulation framework and highlighted the key issues for consideration in case of an MoU between the two regulatory entities. For an independent telecommunications regulatory solution, Mr. Musoke proposed that NRA could consider assessing the wholesale markets that are central in the MM eco system and impose additional obligations on the SMP operators. He concluded his presentation by highlighting the need to develop indicators and monitoring indices for MM and for NRA to define, with urgency, frameworks for MM regulation.

Panel Discussions;

Ms. Nancy Murove, NetOne, Zimbabwe provided an overview of Mobile Money services from a perspective of a mobile service operator with the “OneWallet” service provided by NetOne Zimbabwe’s. She noted that high unbanked population in the country and the added complimentary services that enable payments for utility bills (electricity, water, school fees, and medicals) is spurring the demand for MM services. Launched in 2013, NetOne has grown its subscriber base to over 1 million with agents accessible throughout the country. She called for increased dialogue at both national and international level to ensure the sustainability, security and confidence of Mobile money services and urged for increased partnerships and interoperability at regional level.

Mr. Saliou Touré, Sonatel, Senegal shared the experience of an MNO, Orange Senegal in the MM space, noting that with a bank rate of 20% and a mobile penetration of 80%, Orange Senegal’s MM solution is supporting financial inclusion in the country. The product offers a range of services, from payments (invoices, products and services savings) to transfer services (domestic and intra-regional: Mali, Senegal, Cote d'Ivoire) with over 4000 distribution points throughout the country. He outlined the eco-system and regulatory environment of mobile money services in the country including the safety nets that have been adopted to ensure the security and reliability of the product.

Mr. Frederick Asumanu, National Communications Authority of Ghana provided an overview of the MM market in Ghana noting that the country is in the process of developing guidelines to be adopted in 2015. The process has been consultative with participation from the both the financial and telecommunication industries. He called for more effort at regional and international level to review the challenges of MM namely, security, transparency in pricing, jurisdictions, interoperability with a view to develop standards that can be adopted for NRAs. He concluded by expressing Ghana’s support for the ITU-T partnership with the Bill and Melinda Gates Foundation on Digital Financial Inclusion and called for the region’s participation to the focus group that has been set-up.

Emerging issues from the forum discussion

The forum noted the need for more dialogue and a coordinated approach for MM services at a regional level and called upon the ITU to support the establishment of such a platform.

Session 2: Relevant market definition and identification of operators with significant market power (SMP)

Introducing the session, **Dr. Raynold Mfungahema, TCRA, Tanzania** provided Tanzania's experience in market and competition assessment, the outcome of the first study carried out in 2010 which identified nine (9) relevant markets in Tanzania telecommunications sector of which four (4) of the identified markets were retail and five (5) in the whole sale market. The second study conducted in 2014 identified ten (10) relevant markets and remedies for operators with Significant Market Powers. The list has been gazetted to become law for implementation. In conclusion, Dr. Mfungahema stressed that there is still a need to regulate mobile and fixed termination rates, ensure open and fair access to national broadband infrastructure facilities and the emerging mobile money market.

Panel discussions

Ms. Adelaide de Assunção Fahe, AGER, Sao Tomé and Príncipe opened the panel discussions highlighting the process adopted by AGER in determining relevant markets and designation of dominant operators following the liberalization of the market. This process now forms the basis for all economic regulatory interventions in the country. She cautioned that while the market assessment processes in Europe have served as a benchmark for African countries, the absence of competition authorities and the required competences; Africa needs to contextualized the processes and adopt appropriate obligations applicable to the regulatory remedies that they intend to address.

Mr. Andrew Nyirenda, Malawi Communication Regulatory Authority provided an overview of the telecommunication sector noting that the country has just concluded their first Market assessment exercise with support from the ITU-D. Thirteen markets were identified of which five are relevant to Malawi. A number of remedies have been proposed such as the lowering of fixed and mobile termination rates, spectrum reallocation and removal of entry barriers in mobile market and open access and pricing transparency at wholesale level for SMP operators. He highlighted the need for enhanced market surveillance tools and institutional capacity development to ensure the effective implementation of the outcomes of the study.

Mr. Abdul Musoke, Uganda Communications Commission contribution focused on the practical issues and challenges faced by regulators in conducting market assessment studies; These range from institutional apathy, limited competencies and resources as well as inadequate legal frameworks as evidenced in Uganda following a market assessment study of 2014. He noted that new markets have emerged in Africa such as the wholesale dark fiber and passive tower market, the mobile money market among others. He urged delegates to start considering analyzing additional factors such as the impact of regional and international players; brand strength and multi-sector presence, issues that are increasingly impacting competition at domestic level. A platform for dialogue needs to be facilitated at regional and international for a detailed review of such concerns.

Ms. Josephine Adou, ATCI, Côte d'Ivoire highlighted the change brought about by the new regulatory environment of telecommunications sector adopted in 2012 which aimed at promoting robust and dynamic competition with specific provisions on interconnection and market assessment. A subsequent market study conducted in 2013 identified 15 markets 11 of which are relevant to the Ivorian market. These form the basis for economic regulation in the country.

Emerging issues from the discussions

The need to strengthen the institutional, legal and technical capacity of NRAs in competition and market assessment the adoption of regional frameworks and guidelines with a call to ITU-D to support this process.

Session 3: UNIVERSAL SERVICE AND ACCESS FOR BROADBAND - Situational analysis and best practices

The session was led by the ITU expert, **Dr. Thomas Senaji**, starting with an outline of the situation analysis and current progress made in Africa, barriers and opportunities on US. He noted the significant efforts being made by African countries in the development of broadband for universal access and service delivery but significant resource constraints and other challenges - regulatory, legislative and institutional remain. Dr. Senaji made a projection of future developments of universal broadband in Sub-sahara Africa and proposed some recommendations on international best-practices including a review of studies conducted by ITU on UA. He urged participants to continue responding to ITU's surveys on national broadband plans for evidence based interventions in these areas.

Panel Discussions

Mr. Mamadou Pathé Barry, Ministère des Postes, Télécommunications et NTI, Guinea presented the broadband universal access policies and strategies adopted by Guinea in 2010; the legal and regulatory structural developments adopted in 2005, the countries approaches to universal services and levies imposed. In 2014, the Government commissioning a 4000km National fiber optic Backbone Project and created of a National Backbone Management Team. These developments have resulted in a reduction in the cost of internet access, improvements in quality of services and number of users.

Mr. Rui da Trindade Seca, AGER, Sao Tomé and Príncipe shared the country's experience and definitions of universal access adopted following a study commissioned by ARCTEL in 2004. In 2013, a decree was passed which led for the creation of universal access fund under the custodian of the Regulatory Authority. This process has enhanced the acceleration of ICTs in the country.

Mr. Filipe Batista, Chairman ARCTEL informed the participants on the on-going project with the ITU and ARCTEL to compile experiences of success and challenges in implementing the universal service and "universalisation" projects in the CPLP community (Portuguese Speaking Countries). The project shall contribute to identifying and sharing "best practices" and to identifying solutions for the future within the member countries on Universal Service. He cautioned that approaches to universal access should

not only focus on infrastructure deployment and access but also on how ICTs can be used to improve quality of life and its interface in the spheres of life such as health, education, delivery of services among others. Focus should also be geared towards improving the ICT skills for a greater digital inclusiveness especially in developing economies where ICT skills remain low. At a later stage the aim of the work is to redefine the concept of Universal Service focusing on empowering users and enable them to better use ICT in order to promote social, cultural and economic development.

Session 4: PRICE REGULATION OF UNBUNDLED SERVICES; Fixed and mobile broadband/NGN regulation and licensing regime in Africa – BEST PRACTICE

The session was led **Mr. Pedro Seixas**, Portugal an ITU Expert. He noted that affordability and accessibility of broadband services are largely determined by the prices that are charged for those services. The regulation of prices instead of forbearance is a very tempting prospect for policy-makers and regulators who want to increase the adoption and use of broadband services at the earliest time. He noted that Unbundling has been adopted in some countries and abandoned in others. Price intervention in broadband markets is a risky proposition and can potentially damage the long-term development of those markets namely private investment in the infrastructures necessary to offer broadband services. He reviewed the alternative options of intervention in the market and gave an analysis of the outcomes. This followed by discussions of the application of such policies in the African countries.

Pedro concluded with a caution to Members to study carefully each country specific characteristics (even in a context of regional harmonization), Promote sustainable competition mindful of the need for continued investment in the sector; safeguard consumers/citizens benefits and start developing capacity for ex post regulation. He urged NRAs to refrain from regulating if not necessary but adopt innovative solutions; cooperation, dialogue and infrastructure sharing options, Co-investment among others.

Session 5: INTERNATIONAL MOBILE ROAMING IN THE REGION

Ms. Josephine Adou, ATCI, Côte d'Ivoire set the stage for the session starting by defining the concepts and evolution of roaming in Africa and Europe. Josephine identified some of the interventions in Europe and Africa to curb the high cost of costing; Recommendation D98 which set - Obligation of transparency; consumer protection measures; promotion of competition; and Regulatory interventions; ITU-T guideline on international roaming. Despite the said efforts, roaming charges have remained high; leading to a switch to OTT services and threatening the revenues of operators in the region. She concluded the presentation with a number of recommendations including a call for a coordinated approach to address the high cost of roaming and the development of the required infrastructure to support the service.

Panel discussions

In his intervention, **Mr Lukas Mukoma Musembi, Communication Authority, Kenya** observed that retail prices for international roaming charges (voice, sms and data) have remained significantly high; the prices for these services are significantly higher than the underlying costs for the provision of their provision. From a Regional Integration perspective, high Roaming rates had been identified as imposing barriers to the trade in services within the East Africa region and against the Regional Integration momentum where the focus has been on eradicating tariff and non-tariff barriers to the flow of goods and services within member states. In cognizance of these issues, the East African region, following a resolution by Heads of States adopted guidelines on the maximum per minute charges (price cap) for the retail price as well as for the wholesale price (IOT); an initiative dubbed One Network-Area. Although the implementation of the initiatives is not complete, the preliminary findings show positive results in the region.

Mr Leweng Mphahlele, ICASA, South defined the process adopted in the SADC region to lower roaming charges and increase transparency, a process which started in 2008. A number of assessment studies on the cost to provision of roaming services as well as impact of roaming regulation had been conducted which led to the adoption of guidelines on Transparency in Roaming Tariff. In 2014, the Region decided and agreed on regulatory intervention for both wholesale and retail tariff using the glide paths provided for the next six years. The implementation of the glide path is premised on the willingness and commitment of member states given the inapt legislations at national and regional level.

Session 6: Broadband costing and pricing (International Internet connectivity, backhaul pricing and last mile) - Approaches and best practices

Mr Pedro SEIXAS, ITU Expert started the session with a presentation with an overview of the situation in Africa regarding Broadband infrastructure development covering the value chain: international connectivity, national backbones and last mile. The main problems that are still existing and preventing a faster development of broadband in the Sub-Saharan countries were also discussed as well as issues associated with the cost modelling of cable landing stations for the purpose of assessing and regulating prices of international capacity.

Panel Discussion

Mr Emery d'Alva, Compagnie Santomienne des Télécommunications (CST), Sao Tomé and Príncipe showcasing the challenges of satisfy customers with high tech in a low income market with a population of only 187,000 coupled with geographical isolation (island) . This makes the cost of ICTs high compared to other countries in the region which requires focused interventions for such economies. In 2012 with support from World Bank the Government of republic of Sao Tome embarked on the infrastructure

deployment project which connected the island to the ACE cable. Current efforts are underway to improve the national backbone. This has led to a reduction in prices by 5 folds, an increase in capacity by 50 folds and an internet penetration growth of more than 200% between 2012 and 2014.

Session 7: Panel discussion: Costing and tariffs policies in the region

Ms. Pauline Tsafak, Ministère des Postes et des Télécommunications de Cameroun

The legal framework for regulating tariffs and interconnection, the interventions carried out by the country starting with the cost modeling exercise conducted in 2009 to the current approach that is focused on regulating dominance both retail and wholesale markets for voice and data.

Mr. Vieira Sa Paulo and Mr Ovidio Cravid Daio, UNITEL-STP, Operator, Sao Tomé and Principe provided his company's experience as one of the newest entry in the market noting the positive legal and regulatory environment adopted by the Sao Tome government.

Mr. Frederick Asumanu, National Communications Authority of Ghana shared the countries experience in cost modeling for interconnection. Prior to 2006, operators were interconnecting on mutually agreed rate until 2008 when the NRA was called upon to intervene following the disagreement among player and evidence abuse of dominance. The country embarked on the LRIC interconnection cost study in 2009 which resulted in a reduction in interconnection rates improvements in competition. However, despite the reduction in rates, there were still high differentials between off-net and on-net rates. The regulator thus conducted a new in-house interconnection costing study, which became effective in December, 2014. The new approach allows for asymmetric interconnection to reduce entry barriers and enhance competition in the market.

Mr. Leweng Mphahlele, ICASA, South Africa elaborated that the rationale for regulating retail and whole sale tariffs is derived from the need to enhance competition and protect consumers from excessive pricing as prescribed in the country's communications Act. In 2011, the country embarked on an initial interconnection costing exercise based on FAC cost standard with an asymmetry of 30%. In 2013, the regulator adopted new regulations for interconnection. The initial study based on the principles of LRIC+ and an increase of asymmetry to over 50% he was challenged leading to review of the process and the costing principles. A new approach was adopted that allows for a reconciliation of bottom-up and top down, asymmetry to be based on cost drivers and applicable to only operators with less than 20% share of termination traffic. The new rate became effective 1st October 2014 with a four year glide path.

III. Closure of the Forum

The next **BDT Regional Economic and Financial Forum of Telecommunications/ ICT for Africa** together with the SG3RG-AFR meeting was proposed to be held in Côte d'Ivoire in 2016 and Zimbabwe in 2017.

The delegates warmly thanked and paid tribute to the authorities of Republic of Sao Tomé and Principe and AGER for successfully hosting the BDT Forum.

Members thanked Mr. Deolindo Costa Boa Esperança for his capable chairmanship which made it possible to complete the agenda within the time allowed and with excellent results.

Closing the discussions, Mr. Deolindo Costa Boa Esperança thanked all the presenters and especially the ITU Experts and Panelists for their high-quality presentations over the course of the two-day forum, and all the participants for their diligence and active participation in the debates, as well as the BDT Staff for the excellent organization of this very interesting Forum.

The Chairman of the SG3RG-AFR Group, during their meeting, congratulated the BDT for the organization of the Forum and requested to continue with the collaboration with the BDT, and carry on with the Forum prior to the SG3RG-AFR meetings.
