

Financing telecommunication development

Preamble: When developing markets overtake developed markets

"There are still areas of potential growth in the developed world, notably for new services such as broadband or value-added data services. But this largely consists of selling more value to *existing users*.

In the developing world, the emphasis for the moment at least is on selling to *new users*, and therefore broadening the size of the market.

Thus the imperative for service operators based in the developed world is to look for new opportunities outside their home markets, either through acquisition, joint ventures or new start-ups."¹

Purpose of the study

The BDT initiative

BDT is participating in efforts aimed at narrowing the digital divide. To that end, one of the specific solutions being considered is to have key projects financed by the private sector which has greater resources at its disposal than do the governments of developing countries.

This solution centres on a win-win partnership with the private sector:

- On the one hand, as suggested in the preamble, potential investors would be called upon to open up new channels of commercial financing and thus diversify their sources of profits in the face of the crisis now gripping the telecommunication sector worldwide.² They would carry out financing operations that would produce a return over the long term, strengthen their positions and gain experience in developing countries' growth markets. These private sector players would commit themselves to transferring the technology needed, taking into account service quality improvement and local economic performance in pursuing their objectives.
- In addition, the flow of private sector capital into a country would spur the growth of the telecommunication market and thus bring benefits to both the government and the people. Governments would commit themselves to protecting these investments and ensuring that they remain viable.
- Moreover, in order for needs to be better defined, the private sector and government authorities would work jointly with civil society organizations (CSOs), lenders and development agencies currently active in the country. All of these various bodies would join together in a partnership on terms proposed and negotiated by them.

¹ From *World Telecommunication Development Report*, ITU, 2002 (page 70).

² The annual growth rate in emerging markets is 12 per cent, against only 4 per cent in developed markets. Source: Worldwide Telecoms Revenue Forecasts and Analysis, 2002-2007.

Albania, Chad, Cameroon and Bolivia are the countries willing to join BDT in this experimental initiative and play an active role in it. Consequently, it becomes necessary to identify what resources these countries possess that can be utilized to move forward with a partnership project.

The case studies for the above-mentioned countries focused on the following areas:

- analysis of the macroeconomic, sectoral and regulatory environments;
- identification of needs and projects currently under way, where possible;
- proposal of projects based on the country's priority needs;
- identification of the government's expectations from, and commitments to, ITU;
- development of a mechanism for exchanging information with potential partners;
- description of the various kinds of partnerships that are possible between partner institutions and government authorities.

Outputs

On this basis, the following has been assessed:

- countries' macroeconomic performances and their prospects for the future, to be presented to investors;
- the evolution of the telecommunication sector, and factors which could have a bearing on the trends identified;
- the market's potential and the teledensity targets that could be achieved as a result of the BDT initiative.

Constraints

The analyses and recommendations emerging from this study have been drawn up on the basis either of government indicators or from information gathered in the course of interviews. Before any action plan can be adopted, the data on which that action plan is based must first be updated and validated.

Despite our intentions, it has often not been possible in this initial phase of the study to identify the technical and functional needs that could be met as a result of carrying out a telecommunication development project that has been formally drawn up and validated at an official level, and for which the corresponding cost estimates have been developed.

In these circumstances, it has not been possible to obtain the views of potential partners regarding the specific terms of their involvement in any partnership.

This has made it necessary to limit the study to a theoretical approach focusing on the value of the telecommunication market, without it being possible at this stage to develop precise cost estimates for projects to increase teledensity levels.

Regulatory agencies' requirements for assistance and capacity building have been transmitted to BDT for consideration as they have been received.

Context of the study

This study is intended as a review of the main issues to be considered in connection with the investment decision-making process. It is addressed primarily to potential financial partners wishing to invest in the telecommunication sector, that is, private sector players at the local, subregional and international levels.
