



Regional Economic Dialogue for Africa (RED-AFR20): Meaningful and Affordable Digital Connectivity

11-12 November 2020

Competition and Economics in the Digital Era

Pedro Seixas, ITU Expert



Digital transformation requires regulatory transformation

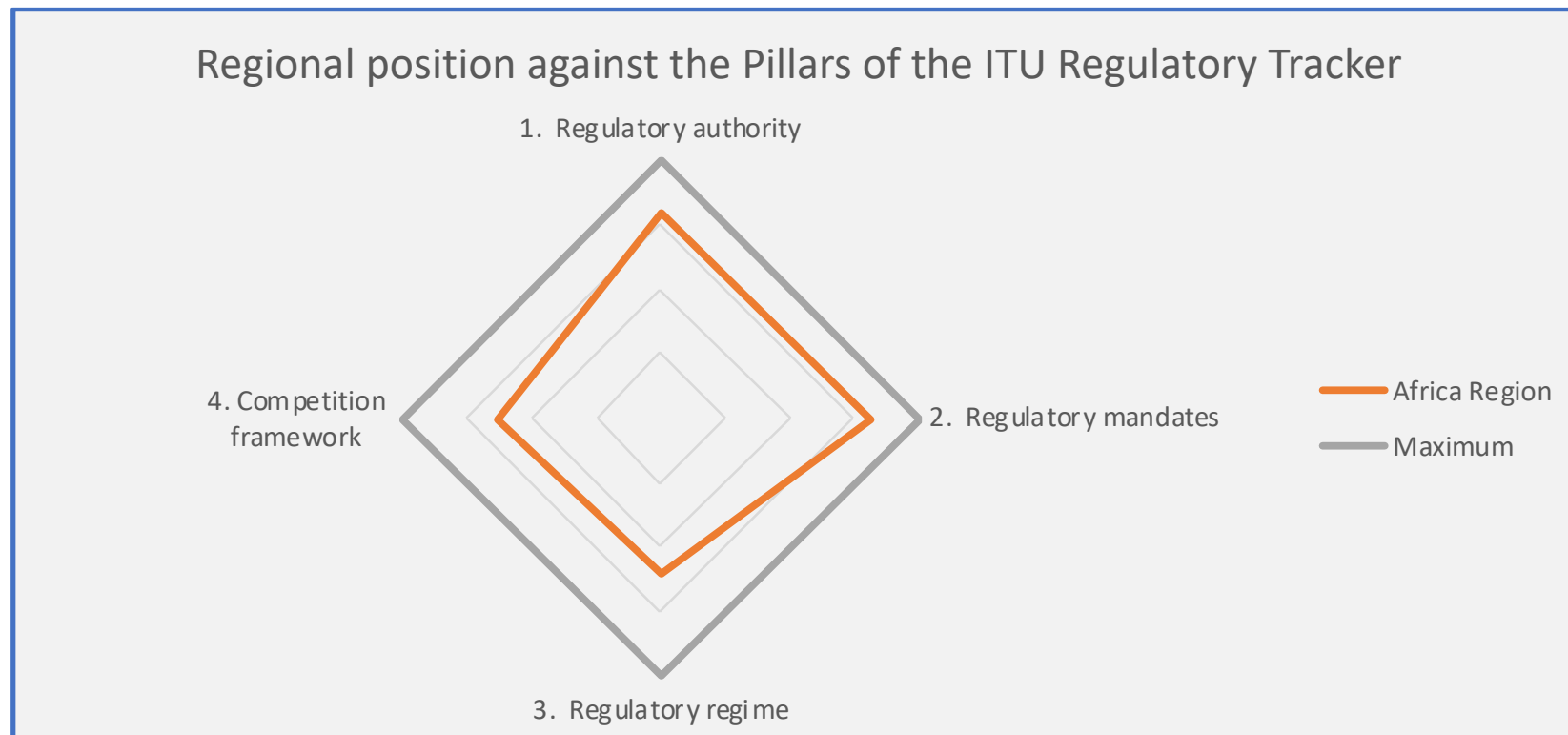
- Today's digital technologies are transforming almost every sector of the economy by presenting new business models, introducing innovative products and services – and, ultimately, changing the way countries around the world harness socioeconomic development.
- Digital technologies, and the benefits that they bring, can connect citizens to services and opportunities, and help them build a better future.
- However, for markets to function effectively, they must be accompanied by an enabling policy and regulatory environment





Regional position in the ITU ICT Regulatory Tracker

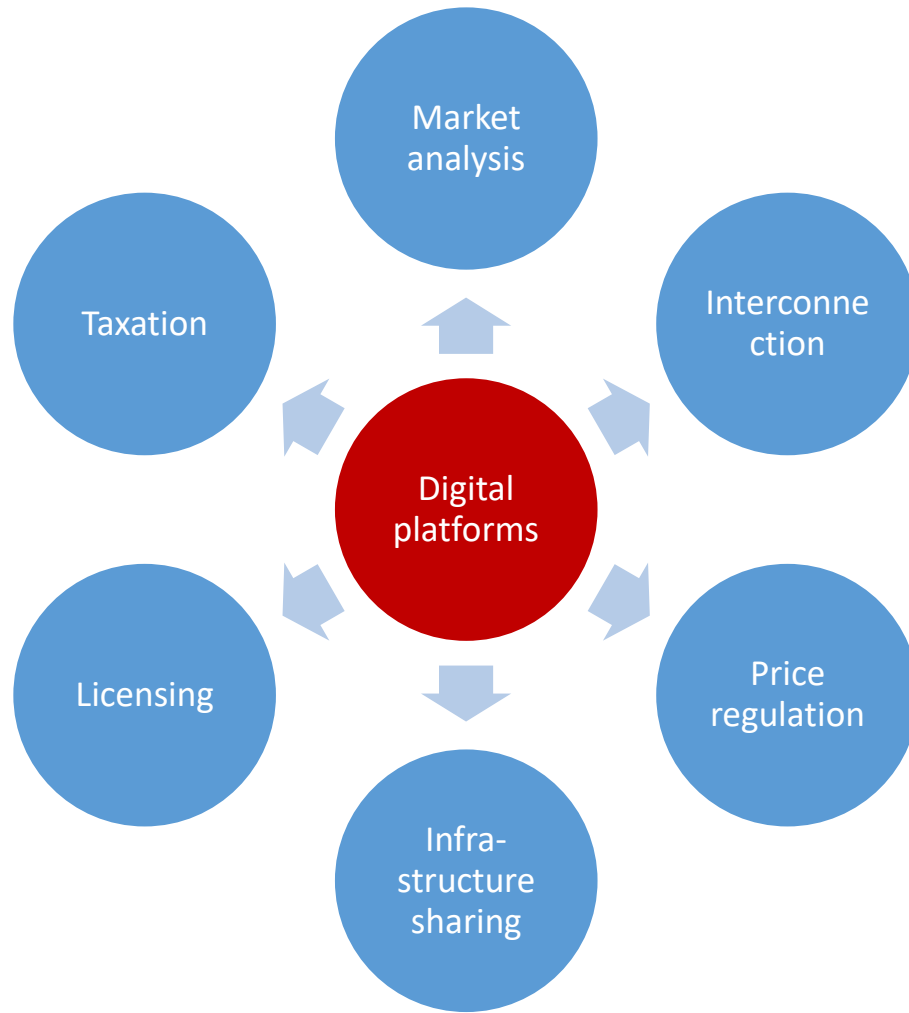
- In Africa there has been good progress on **Regulatory authority** and **Regulatory mandates**.
- More work to do on the **Regulatory regime** and **Competition framework**.
- Analysis for individual countries will be published in an upcoming ITU report on “ICT Competition Policy and Regulation in the Arab-Africa Regions”



Source: ITU ICT Regulatory Tracker



Components of regulatory transformation in the digital economy



Digital platforms (OTTs) disrupt traditional regulation and demand new approaches



See Chapter 2 of the Digital Regulation Handbook:
<https://digitalregulation.org>



Market analysis

- Digital platforms are borderless: too large and too wide to regulate;
- Market concentration is excessive: competition is so limited that there are de facto monopolies;
- Consumer data funds the system in non-transparent and potentially harmful ways;
- Digital platforms are not making a consistent and proportionate contribution to the national infrastructure that they depend upon.
- For ex-post regulation to be effective, countries need to establish and adequately resource separate competition authorities (or assign equivalent powers to the NRA).



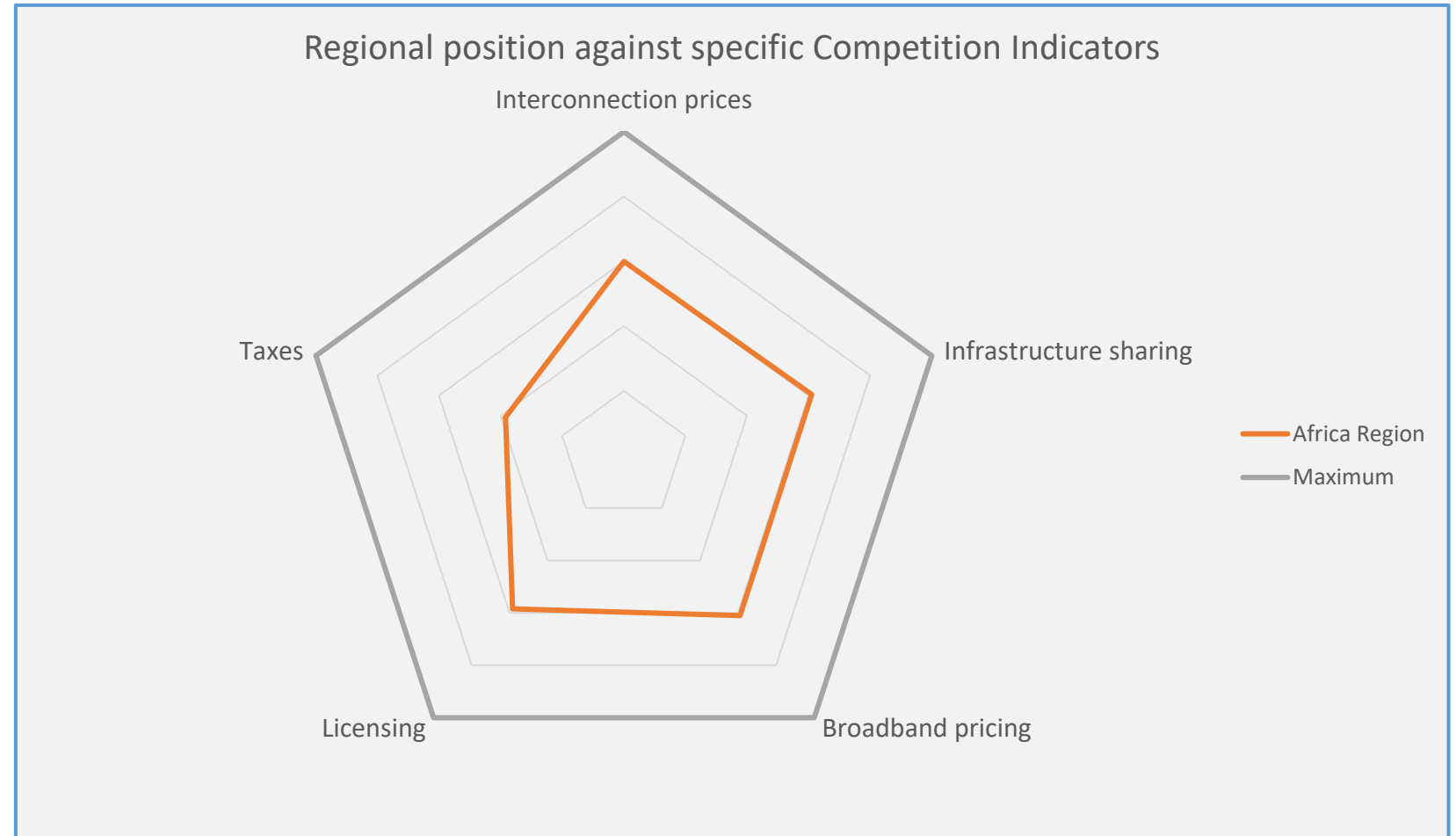
Interconnection and access

- For the entrant's build-or-buy decision to be neutral, regulated access and interconnection charges had to be cost based.
- The regulation of traditional networks will continue – although network operators may be small vis-à-vis digital platform providers, they still control access to the customer – but regulation needs to focus on infrastructure access so as to continue being relevant and effective.
- Regulators should be wary of authorizing digital platform providers to construct network infrastructure to avoid leverage dominance into the market for network access, but ways should be sought to ensure that digital platforms contribute to the costs of deploying and maintaining access infrastructure.



Regional position on specific Competition Indicators

- Room for improvement across the region on all the main competition indicators
- A particular problem in Africa of ICT taxation dampening investment incentives – the sector is expected to contribute too much to Government revenues.
- Analysis for individual countries will be published in an upcoming ITU report on “ICT Competition Policy and Regulation in the Arab-Africa Regions”



Source: ITU ICT Regulatory Database



Taxation

- In Africa the tax burden on telecommunication companies, especially mobile network operators, is often much higher than other businesses.
- Sector-specific taxes include excise taxes, higher-than-normal value-added tax (VAT), licence fees, spectrum fees, and universal service obligations.
- The rationale for these taxes is often that the network operators are better at collecting revenue which is taxable than the government is at collecting taxes directly.
- But this has the unintended consequence of reducing infrastructure investment and contributing to Internet access being unaffordable for many users.
- Sector-specific taxes should pivot towards the digital platforms (OTTs) with money raised being used to fund network deployment.



Thank You

Pedro Seixas, ITU Expert
ps@incyteconsulting.com, or
David Rogerson, ITU Expert
dar@incyteconsulting.com