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The ubiquitous power of the cell phone Jasson Urbach

The rapid spread of cellular telephones in many African countries has been a remarkable and unexpected phenomenon particularly when one considers the high levels of poverty and social turmoil that occurs in many of these countries. Last year the *Enterprise Africa!* team visited Botswana in order to document the poverty alleviating aspects of the cellular telephone. Technology that has long been taken for granted by people in wealthy countries is making life easier, safer, and more prosperous for many, including the poor in developing countries. A result of the rapid diffusion of this technology is the creation of a vast number of jobs and enterprises, enabling many Africans to escape the poverty trap.

The most obvious benefit of cellular telephones is that they provide access to communication where none existed before. Families in remote areas, and farmers and businesses that could not afford or even obtain fixed lines, are now able to talk with loved ones, receive orders, schedule deliveries, and make appointments. Mobile phones were an immediate success, even in areas that already had access to landlines, because in addition to connectivity they offered services like itemised billing, prepaid or contract options, and other value-added services.

The greatest economic impact comes in the reduction of the costs of doing business. Better communication translates into higher productivity for large and medium-sized businesses, but it can mean a life changing difference for small businesses and businesses in remote areas. Entrepreneurs, once tied to a phone at a particular location, are now free to expand their businesses because they are always available to customers. Farmers and business people in rural areas can now receive orders on demand and schedule appointments and deliveries.

However, cellular telephones are no panacea for poverty. Like many good ideas for alleviating poverty, the expansion and effectiveness of mobile telephony in Botswana depends to a large extent on the policies adopted by the government. Botswana was granted independence from the British in 1966 and at the time was one of the ten poorest countries in the world. Gross Domestic Product (GDP) per capita was the equivalent of \$2 (approximately R14) in current US dollars, and there was very little physical infrastructure. A common anecdote used to illustrate the country's level of development is that there was only about 7 kilometres of tarred road in the entire country.

Diamonds were discovered in 1968 and the government channelled the revenue from these resources into developing both physical and social infrastructure. The government built roads and set up new electricity grids in addition to providing schools and health centres across the country. The Botswanan government continues to devote diamond revenues to development projects and has become world renowned for good governance and low levels of corruption. With the help a solid institutional foundation and one of Africa's few functioning democracies, Botswana has effectively managed to escape the so-called natural resource curse.

According to *The Wall Street Journal*, 'Botswana has Africa's oldest continuous, multiparty democratic system of government, dating back to independence in 1966'. As a result of its sound economic policies, Botswana was rated Africa's freest economy in *The Heritage Foundation/Wall Street Journal's 2006 Index of Economic Freedom*. Not surprisingly the country's market-led economy has had one of the world's highest average growth rates during the past four decades and now has a per capita GDP (PPP) of \$9,945 (about R70,000).

The positive impact that Botswana's economic policy has had on development serves as an example for the rest of Africa to follow.

The Botswana Telecommunications Authority (BTA) is considered a very successful regulator. The 1996 Act gave the agency complete independence in licensing operators and establishing and financing its own budget. Companies in the industry have recognised the BTA for its openness and consultative process in developing policy, its quick action, and its autonomy. In 1998, the BTA issued calls for tenders on two wireless network licences. Five companies submitted bids, the winning bids coming from Mascom Wireless and Vista Cellular (now Orange).

The number of cell phone subscribers jumped from zero in 1998 to 823,070 as of March 2006, reaching roughly half the population, compared to 132,034 fixed lines provided by the Botswana Telecommunications Company (a form of parastatal similar to Telkom in SA). Through its pro-market liberal policies, the Botswanan government played an important role in establishing the two multilateral service providers, which are currently fiercely competing for market share in the country.

Although Botswana's telecommunications policy supports full liberalisation, the Botswana Telecommunications Company (BTC) continues to have a *de facto* monopoly on certain segments of the market. The BTC remains the only fixed line operator and the regulations currently require the two multilateral cell phone service providers to use existing BTC infrastructure for international calls. All outgoing international calls are routed through the BTC unless the BTC is unable to provide the connection. Furthermore, the BTC receives a portion of the revenue for all incoming international calls.

For Botswana's information technology to continue its rapid development, it is imperative that the BTA remains autonomous and continues along the path of liberalisation. The telecommunications environment of Botswana has made, and continues to make, substantial progress to the benefit of all the country's people. However, the full benefit of competition will only be realised when the monopoly of the fixed line operator has been phased out and there is open entry into the telephony market.

SA, similarly, has retained its monopoly fixed-line operator and limited the number of cellular telephone licences, not allowing open competition. The burden of this regulation increases the costs of doing business as well as the living expenses of ordinary citizens and needs to be lifted as soon as possible.

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Note: Jasson's article *Development goes Wireless*, which gives a full account of the findings of the research carried out in Botswana, is published in the June 2007 issue of *Economic Affairs*, the Journal of the Institute of Economic Affairs, London.

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