



Regional Business Environment Overview - East & Southern Region Tops Africa Table

For the first time, BMI has created a business environment ranking exclusively for the African telecoms industry. The table below compares 21 markets across the continent in terms of the opportunities and risks that they present to outside investors, based upon their economic and political stability, their market maturity, growth potential, competitive landscape and regulatory profile. The rationale for creating such a ranking is clear; with investor interest in Africa steadily growing, this table provides a quick snapshot of which markets provide the lowest levels of risk, in terms of returns on investment and the likelihood of investments being threatened by economic, political or regulatory changes.

One factor that sets our Africa rankings apart from BMI's business environment tables for other regions is that this ranking focuses exclusively on the mobile sector. This is because the mobile segment has attracted by far the greatest investor interest in Africa. The fixed-line sector remains underdeveloped, with penetration rates in the majority of markets under 3%. As the mobile sector continues to grow, fixed-line accounts for an ever-decreasing proportion of telecoms revenues in the region. Likewise, the broadband sector also plays a marginal role, although this is likely to change in the medium-term, particularly if operators invest in new wireless technologies such as WiMAX that do not require the expansion or upgrade of current fixed-line infrastructure.

Subscriber growth potential is the consideration that has been most influential in attracting investors to Africa. With a population of almost 700mn and mobile penetration rates in most countries of less than 20%, the continent offers enormous opportunities for growth and expansion. This is illustrated by the fact that more than half of the countries in our ranking achieved the maximum score of 8 for growth potential. This indicator is closely linked to the market maturity category, which rates the level of mobile market development in terms of current penetration rate. As a general rule, more developed markets present lower opportunities for future growth. For example, Algeria has been one of the fastest growing mobile markets in the world over the last couple of years, but with penetration now approaching 70%, growth is slowing down. Likewise, Gabon and Botswana enjoy some of the highest mobile penetration rates in sub-Saharan Africa, but as a result, they are unlikely to experience the same levels of growth as their neighbours over the next five years.

However, growth potential alone is not always enough to attract investors to African markets. An important consideration is the competitive environment, which assesses the degree of FDI permitted, the level of state ownership of telecoms assets and plans for future liberalisation. For example, Mozambique and Angola both receive low scores in this category as their incumbent operators, which are both also active in the wireless sector, remain fully state owned. With just one other mobile operator in each market and no plans for any immediate privatisation, outside investors have few opportunities to benefit from strong growth in these two countries. At the opposite end of the spectrum, Tanzania currently has four mobile operators offering commercial services, all of which are privately owned. Neighbouring Uganda has three operators, with a further two licences recently awarded to new entrants.

This leads us nicely to the licensing category. Uganda and Tanzania's liberal approach to licensing has encouraged the development of competition in their respective mobile markets. Both countries, along with Botswana have recently moved towards service and technology neutral licensing, allowing operators to provide a range of different services (fixed-line, mobile, wireless internet etc), using whichever technology they choose. All three countries also have independent regulators, meaning that there is minimal government intervention in the running of the telecoms sector. The opposite situation is evident in Mali, where there is no independent regulator and all decisions are taken by the state, which also owns the incumbent operator and its mobile unit.

In terms of our final rankings, a handful of East and Southern African markets dominate the top five places, along with Egypt. As mentioned above, Uganda, Tanzania and Botswana, along with regional economic powerhouse South Africa, all enjoy liberalised markets with high levels of FDI, high growth potential and independent regulators. South Africa tops our table thanks in large part to its high scores for economic and political risk, combined with a mature market and high levels of competition. However, it is let down slightly by its regulatory performance, as illustrated by delays in allocating spectrum to the country's second national operator. North Africa, namely Egypt, Algeria and Morocco, also feature highly with good scores across all categories, although the more mature nature of their mobile markets means that future growth will not match the rates seen in

sub-Saharan Africa (with the exception of Egypt).

As we move further down the table, we find a mixture of countries from across the region. Some, such as Ghana and Nigeria, have excellent potential for growth but their uncertain economic situation and weak licensing regimes may deter investors. Others, such as Tunisia and Gabon, have mature markets that, along with small populations, lead to low scores for future growth. At the very bottom is Mauritania, which has a low level of market maturity yet is unlikely to experience rapid growth due to a lack on inward investment and low incomes.

TABLE: AFRICA BUSINESS ENVIRONMENT RANKING

| Country | Economics – LT Risk | Politics – LT Risk | Telecom Market Maturity | Telecom Growth Potential | Competitive Environment | Licensing/Regulation | Composite Score | Regional Rank |
|------------------|------------------------|--------------------------|-------------------------------|--------------------------------|----------------------------|----------------------|--------------------|------------------|
| South Africa | 6 | 7.5 | 7 | 5 | 9 | 5 | 39.5 | 1 |
| Uganda | 7 | 6 | 1 | 8 | 8 | 8 | 38 | 2 |
| Tanzania | 4.5 | 5.5 | 2 | 8 | 9 | 7 | 36 | 3= |
| Egypt | 6.5 | 6.5 | 3 | 8 | 7 | 5 | 36 | 3= |
| Botswana | 6 | 7.5 | 6 | 1 | 6 | 9 | 35.5 | 5 |
| Senegal | 6.5 | 6 | 3 | 7 | 7 | 5 | 34.5 | 6 |
| Algeria | 6.5 | 6.5 | 6 | 5 | 6 | 4 | 34 | 7= |
| Morocco | 6.5 | 6.5 | 5 | 5 | 6 | 5 | 34 | 7= |
| Cote d'Ivoire | 5 | 3 | 3 | 8 | 7 | 6 | 32 | 9= |
| Mauritius | 7 | 9 | 6 | 1 | 6 | 3 | 32 | 9= |
| Ghana | 4 | 6.5 | 3 | 8 | 7 | 3 | 31.5 | 11= |
| Nigeria | 4.5 | 5 | 3 | 8 | 7 | 4 | 31.5 | 11= |
| Gabon | 5 | 7 | 6 | 1 | 7 | 5 | 31 | 13 |
| Tunisia | 6 | 6.5 | 7 | 2 | 6 | 3 | 30.5 | 14= |
| Kenya | 5 | 5.5 | 3 | 8 | 5 | 4 | 30.5 | 14= |
| Mali | 7 | 8 | 2 | 6 | 6 | 1 | 30 | 16 |
| Mozambique | 4 | 8 | 2 | 8 | 4 | 3 | 29 | 17 |
| Angola | 7.5 | 4 | 3 | 8 | 4 | 2 | 28.5 | 18 |
| Cameroon | 5.5 | 4.5 | 2 | 5 | 6 | 5 | 28 | 19= |
| Sudan | 4.5 | 3.5 | 2 | 8 | 6 | 4 | 28 | 19= |
| Mauritania | 4.5 | 4.5 | 4 | 4 | 6 | 4 | 27 | 21 |

LT Economic Risk: Based on BMI Country Risk Service Long Term economic risk rating. LT Political Risk: Based on BMI Country Risk Service Long Term political risk rating. Telecom Market Maturity: Based on existing levels of mobile service penetration. Telecoms Growth Potential: Based on BMI forecasts for mobile sector growth 2006-10. Competitive Environment: Based on BMI assessment of the level of competition in a given market; the degree of FDI permitted and plans for future liberalisation. Licensing & Regulation: Based on BMI assessment of the extent to which regulation is developed in a given country, and the extent to which regulators (both government ministries and quasi-independent bodies) directly intervene in the telecoms industry. Composite Score: Unweighted total of preceding six scores. Regional Rank: Highest composite score = most attractive telecoms sector environment within the MEA region; lowest composite score = least attractive. Source: BMI Research.

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Geography: [Africa](#)

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