Liberalizing Telecommunications in Mauritania

A relative latecomer to telecommunication reform, Mauritania, a low-income country of 2.5 million inhabitants on the Western edge of the Sahara, embarked on an ambitious telecommunication reform in 1998. At that time, this largely desert nation had one of the lowest penetrations of telephony in the world (less than five telephone lines per thousand inhabitants). The immediate reform objectives were to ensure rapid improvement of telecommunications service availability through (a) opening the sector to competition; and (b) privatization of the state-owned telecommunications operator in Mauritania. Launched within an overall program of macroeconomic and structural reforms assisted by the World Bank, the telecommunications reform agenda faced several risks and constraints: (a) a virtual lack of institutional capacity and experience in privatization and regulation of utilities in a competitive framework; (b) the country's lack of name recognition, and poor investor perception of country risk and commercial attractiveness; and (c) with the onset of the East Asian financial crisis and increasing indebtedness of major European telecommunications operators in 2000, a highly challenging environment for attracting new capital into high-risk emerging market telecommunications sectors.

Impact on the ground

Within twenty-four months of its inception, the reform program attained private investment results which far exceeded expectations and generated immediate tangible effects on service availability as well as powerful knock-on effects on other reforms.

- Rapid and broad-based competition within a transparent regulatory framework: By September 2000, the government had opened up the sector to competition, notably including lifting the exclusivity on international telecommunications service prior to privatizing the state-owned operator. A well-structured regulatory framework was put in place governing issues of interconnection, frequency management, and licensing. The newly-established regulator established a web site on its regulatory practices which is regarded as a model among regulatory agencies in Africa.
- Record levels of private investment: International tenders launched within Mauritania's reform process established new records in the Africa region for private investment in new telecommunications licenses. Proceeds of $28 million was received for the first mobile license issued through competitive tender in May 2000 (a record on a population and income-adjusted basis). Privatization proceeds of $48 million (equivalent to $4,065/telephone access line, well above the world average of $2,500 and the previous regional record) were...
received in April 2001 for the newly-licensed and privatized main operator. At the same time, both new operators immediately pursued an aggressive investment and roll-out program, generating in total an equivalent of about 10 percent of GDP in new sector investment within two years of the reform program.

- Rapid rollout and service extension: Within four months of rollout of two competing mobile telecommunications networks, the number of mobile telephones exceeded the number of fixed line, thus doubling service availability in a record time. Moreover, with aggressive service obligations featuring in all licenses, all major arteries linking the urban centers where 70 percent of the population resides, are being rapidly covered with telecommunication services.

- Creating the institutional framework for utility privatization and regulation: Against an institutional vacuum which existed at the onset of the telecommunications reform program, a tried and tested institutional framework has now been established to enable privatization and modern regulatory practice to be extended to all utility sectors. The telecommunications reform led to the creation of a well functioning multi-utility regulatory body. Moreover, infrastructure reforms have become clearly featured in the poverty reduction strategy which has a focus on harnessing information and communications technologies for the poor based on new telecommunications and other infrastructure.

Lessons learned

- Up-front client participation in codification, adaptation, and testing of global knowledge on policy, regulation and privatization: Early in the reform process, Bank staff codified existing knowledge on reforms into an easy-to-understand 280-action timetable, using project management software. By jointly reviewing in a continuous manner with Bank staff the detailed content, sequencing and timing of the reform actions, given specific country circumstances, Mauritanian counterparts achieved a broad understanding and ownership of the reform process at an early stage. At the same time, a “learning approach” was taken so that the program could be adjusted to new circumstances and information, given the uncertainties surrounding market response, particularly to the bidding of new licenses, and to the scope and timing of the removal of exclusivity on service provision. A rigorously planned study tour to two Latin American countries helped prepare the regulatory body for the key decisions in the reform process.

- Continuous strengthening of teamwork and communications between Bank Group and clients speeded decision-making on critical issues: By actively drawing upon staff from Bank Group units across headquarters, country office, regional units, central units, and IFC, and ensuring that they complemented rather than competed with each other, the Bank Group was able to play a highly effective, timely and focused advisory role in the reform process which the client recognized as critical to success. The intensive up-front work on building client ownership paid off with a high level of trust that enabled rapid decision making on many policy issues cutting across different Ministries.

- Unambiguous commitment to tough reforms and an ambitious timetable: Once the stakes and reform process was well understood, Mauritanian policymakers adopted an ambitious time-table of reforms which showed only occasional and minor slippages. Throughout the process, an active communications campaign was maintained to clearly explain the logic and process of decision-making, particularly to outside investors unfamiliar with the country. Bank recommendations on investment promotion, rapid tariff re-balancing, technical regulation and other issues were rapidly adopted once the rationale had been fully explained.

- Consistency and transparency of the regulatory framework and bidding process significantly enhanced investor confidence: Both the mobile license and privatization transactions were widely praised by the investor community as an exceptional example of transparency, consistency, and fair treatment of all bidders. The web site of the regulatory authority was actively used to disseminate regulatory and tender documents and announce decisions at various bidding stages. When each transaction was closed, it remained fully consistent with all terms and conditions of the tender as well as with the announced policy and regulatory framework, a factor which has significantly boosted investor confidence in the country.