

BACKGROUND NOTE

Digital Dividends

One Network Area in East Africa

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One Network Area in East Africa

Background Note prepared for the
World Development Report 2016: Digital Dividends

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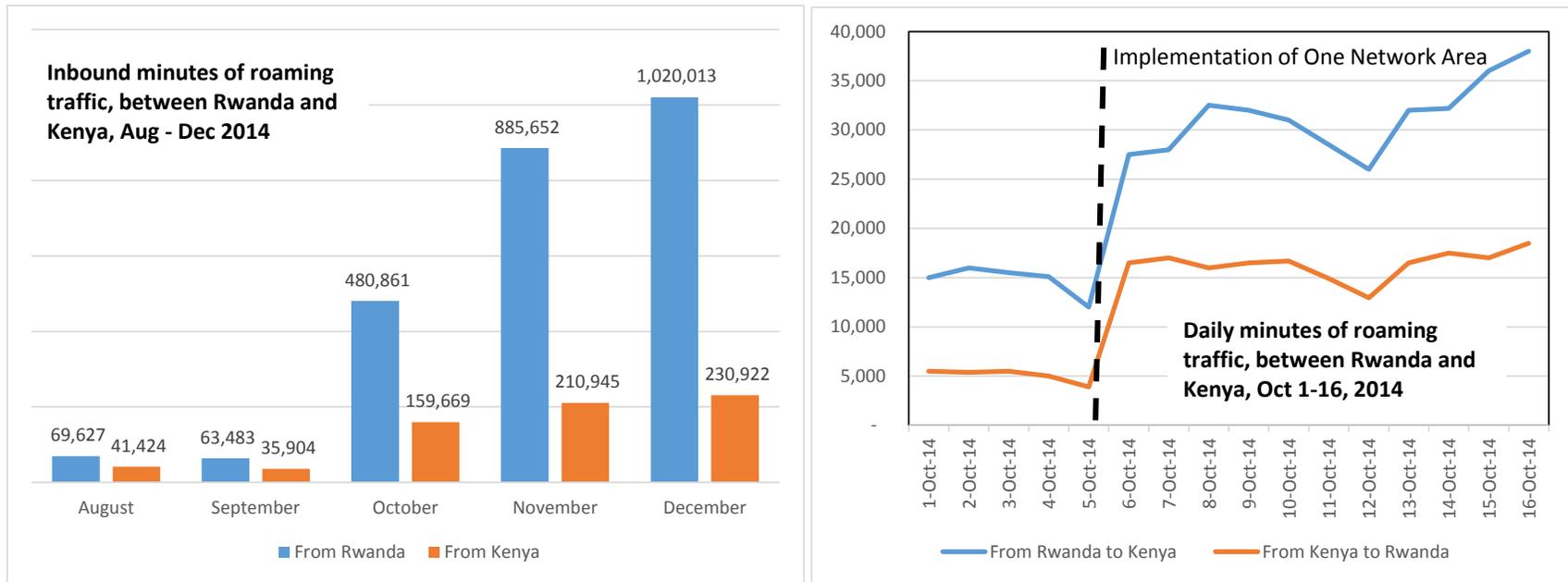
Communications networks underpin regional and global trade. This is particularly true in East Africa where mobile phones are plentiful but postal services are virtually non-existent and cross-border road and railway links are subject to the vagaries of adverse environmental conditions. It takes, for instance, between 5 and 8 days to transport goods from Mombasa, on the Kenyan coast to the South Sudan capital of Juba.¹ But high mobile roaming charges, and surcharges on incoming international traffic (SIIT), create a similar barrier for cross-border electronic communications. Recognizing this, the countries of the East African Community (EAC) made a joint commitment in 2014 to create one network area (ONA) for the five economies of the EAC (Burundi, Kenya, Rwanda, Tanzania, Uganda), with the benefits also being extended to South Sudan. Specifically, for cross-border traffic originating in those countries, rates have been capped, mobile roaming charges eliminated and SIIT abolished.

The early results have been remarkable: Inbound roaming calls to Kenya from Rwanda increased by over 950 per cent, from 63'483 minutes in September 2014 to over a million minutes by December (Figure 1). Furthermore, the main traffic increase occurred on 8th October, the same day the changes were implemented, suggesting consumers are not only price sensitive but also well-informed. In Uganda, one of the most highly taxed countries in Africa, retail roaming rates were cut from US\$0.93 to US\$0.10 per minute. It is expected that the benefits of creating the ONA will include increased trade, enhanced regional integration and reduced costs of doing business, as well as increased revenues to the operators and the governments.² Success with mobile voice traffic should also encourage operators to cut data roaming charges, perhaps without regulatory intervention.

¹ Asebe, 2012. *South Sudan logistics and trade bottlenecks*. World Bank

² Kemei, 2015. ICT regulation and increased regional/global trade. Powerpoint presentation available at: <https://www.dropbox.com/sh/yzgt0nyvy5hd26p/AAAS26caFlhiBN5hNBq6SkE0a/08%20CK.pdf?dl=0>.

Figure 1: The impact of one network area on traffic between Kenya and Rwanda



Source: WDR 2016 team, adapted from Communications Authority of Kenya (unpublished data).