PPIAF supports telecommunications reform and liberalization in Algeria

In late 1999 the newly appointed Algerian government indicated its interest in reforming the telecommunications sector. Poor telecommunications services provided by the state-owned incumbent had led to a shortage of supply, distorted and high prices, and inappropriate regulation. The government wanted to improve the sector's internal efficiency and strengthen its competitiveness through market liberalization, establishment of a sound regulatory framework, and promotion of private investments. The government hoped to increase penetration in rural and poor areas, lower tariffs for end users, and decrease its fiscal burden in the sector.

Thus the government of Algeria sought Public-Private Infrastructure Advisory Facility (PPIAF) support to reform the telecommunications sector through market liberalization, which would allow for the creation of a multi-operator market structure to mobilize private sector participation.

**PPIAF Support**

In early 2000 the Algerian government requested $62,000 to prepare a new telecommunications sector strategy to initiate its sector reform plan. The strategy was designed to encourage reform through the liberalization of the telecommunications sector and provide a roadmap toward reform. The activity included the drafting of a telecommunications law that would enable the entrance of national and international private investors and operators in the sector.

To build on the momentum provided by the previous activity, PPIAF supported the organization of an international investors conference, held in 2002, to present and promote Algeria's PPIAF-supported Telecommunications Sector Reform Program, highlight the government's commitment to reform, and attract international private sector interest in Algeria's mobile licenses.

**Outcomes**

As a result of PPIAF's technical assistance, in July 2000 the government adopted a Telecommunications Sector Policy Statement, which called for the gradual liberalization of the sector and contained a
detailed calendar with the sequencing of reform measures, including the privatization of the public telecommunications operator, and stated the government’s commitment to award a GSM license to a private operator in 2001. On August 5, 2000, the President of Algeria adopted a new law, Telecommunications Law No. 3/2000, which allowed for the creation of an autonomous regulator, the Postal and Telecommunications Control Authority. This enabled the emergence of a multi-operator market structure and regulatory provisions on tariffs, interconnection, and universal service.

Following the adoption of the telecommunications law, the government awarded a mobile license to Djezzy GSM (Djezzy) in July 2001. Djezzy launched services in February 2002 as the first private mobile company in Algeria, competing with state-owned incumbent Algérie Télécom (AT)’s Mobilis. Djezzy was formed by Orascom Telecom Algeria S.P.A., a consortium made up 51% by Orascom Telecom Holdings (Orascom) and 49% by local and regional investors and institutions. Orascom signed the license agreement, worth $737 million, on July 31, 2001.

In December 2003 the government awarded an additional mobile license to Wataniya Telecom Algérie (owned by Kuwaiti National Mobiles Telecommunications Co.). Wataniya won the 15-year license after placing the highest bid of $421 million. Final approval of the sale was completed in January 2004. In August 2004, Wataniya Telecom Algérie officially launched the GSM mobile network under the brand name Nedjma, committing to invest about $300 million in initial infrastructure.

In addition to the two mobile licenses, the government also chose to award a fixed-line license to Consortium Algérien de Télécommunications (CAT), under the brand name Lacom, in March 2005, worth $65 million. The license allowed CAT to build and operate national and international fixed-line networks for a period of 15 years. The new license was awarded to meet demand for basic residential telephony and to end the monopoly of state-owned AT. CAT was a joint venture between Egyptian Orascom Telecom (50%). However, CAT exited the market in 2008 citing regulatory barriers that made it impossible to compete with AT. The government has since announced that the fixed-line telecommunications sector will not be privatized, and has promised to invest $6 billion into its mobile, fixed, and fiber networks over five years until 2014.

**DONOR COORDINATION**

PPIAF technical assistance to the telecommunications sector reform was provided in conjunction with World Bank sector reform efforts and advisory services for the mobile licensing transactions, and support from the European Union and African Development Bank.

**IMPACTS**

From 2002–09 Djezzy made investment commitments in physical assets totaling $2.45 billion. By 2009 this investment program has resulted in a subscriber base of 14,618,000, making Djezzy the largest mobile provider in the country. From 2004–09 Wataniya Telecom Algérie made significant investment commitments in physical assets totaling $1.28 billion, and had 8,032,000 mobile subscribers.

Competition brought about by market liberalization has led to significant decreases in mobile tariffs for consumers. For example, since 2002 Djezzy’s prepaid connection fee has fallen over 95%, and its prepaid tariff per minute has fallen over 60%.

From 2005 to its exit from the market in 2008, CAT had made investment commitments in physical assets totaling $400 million in support of its fixed-line license and had gained around 500,000 fixed-line subscribers.

**RELATED PPIAF ACTIVITIES IN ALGERIA**

- 2000: Seminar on Private Involvement in Infrastructure Using Concession Contracts, **$68,000**
- 2000: Telecommunications Reform, **$62,000**
- 2001: Telecom Sector Investors Conference, **$35,200**