



Telecom Sector Liberalization & Deregulation in Pakistan: Economic and Social Benefits

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Socio-Economic Benefits of Telecom/ICT Access – An Overview

- Extensive literature on economic and social benefits of access to basic telecommunications and ICT's
- Economic Benefits
 - FDI, GDP, Government Revenues, Productivity gains, Employment generation, Consumer surplus
- Social Benefits
 - Income generation
 - Employment
 - Increase in indirect income generation capacity
 - Saving on expenditure or transaction costs
 - Efficiency in social service provision
 - Reduced gender disparity
 - Impact on poverty reduction



Liberalization & Deregulation of Telecommunication Sector of Pakistan

- Pakistan is a signatory to the Fourth Protocol to the GATS
- Fixed line and Mobile Cellular Policies approved in July 2003, Jan 2004 respectively
- Licenses issued as a result of the implementation of the policies:
 - Two new mobile cellular licenses issued
 - Existing Mobile licenses renewed
 - 14 LDI and about 83 LL Licenses Issued
 - 05 Wireless Local Loop (LL) operators have started service



Impact on Proliferation of Services

- Telecom services sector is Pakistan's fastest growing sector
- Combined teledensity figure has already reached 53.41% compared to only 4% in 2003
- Increase in number of subscribers:
 - Fixed line from 4.04 million in 2003 to 4.86 m (+2.2 m WLL subscribers) 2007
 - Cellular Mobile from 2.4 million in 2003 to 78.8 million today
- Current coverage of telecommunication services is around 70% of the population
 - intended to be increased to at least 85% within next three years
- Mobile sector exhibited growth of over 170% in 2006 & 80% in 2007 with fierce competition

Source: PTA, 2008



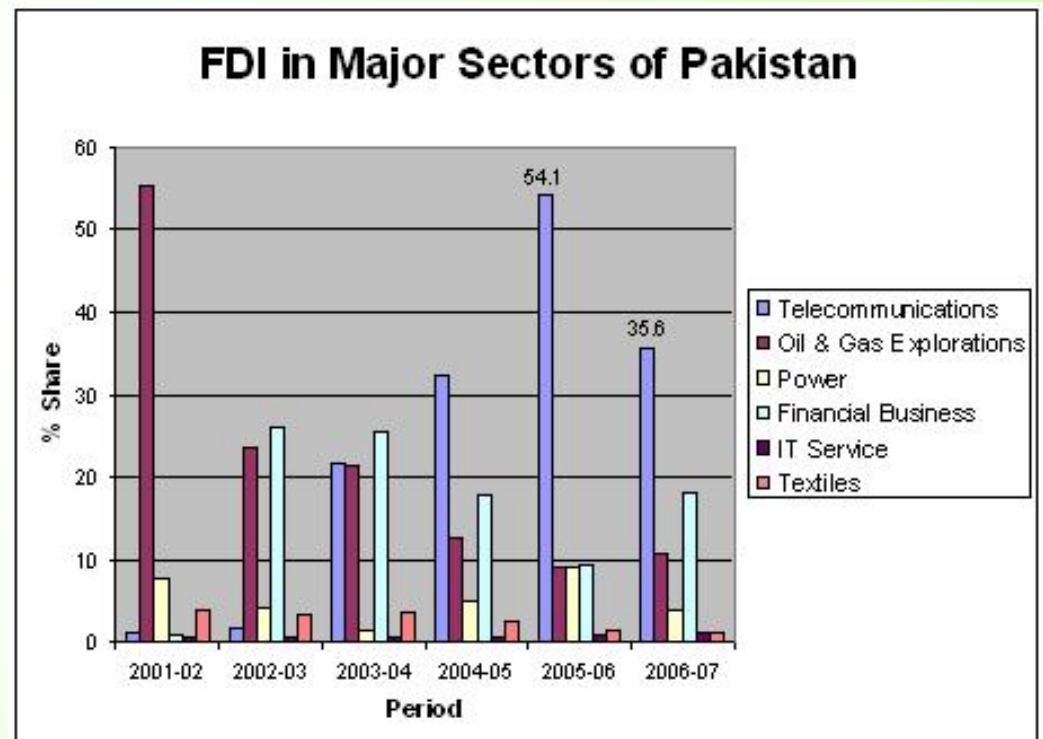
Economic Benefits

- **Contribution to GDP**

- Direct contribution of Telecom Sector to GDP increased from almost negligible to more than 2% (2007)
 - 5% if indirect contribution is also added

- **Influx of FDI**

- From negligible Foreign Direct Investment (FDI) a few years back, the telecom sector has attracted foreign investment on license and infrastructure of over US\$ 8 billion and another US\$ 4 billion is expected on roll-out by 2010
- As a percentage of total FDI, Telecom Sector contributed more than 54% in 2005-06 and more than 35% in 2006-07



Source: PTA, 2007



Economic Benefits

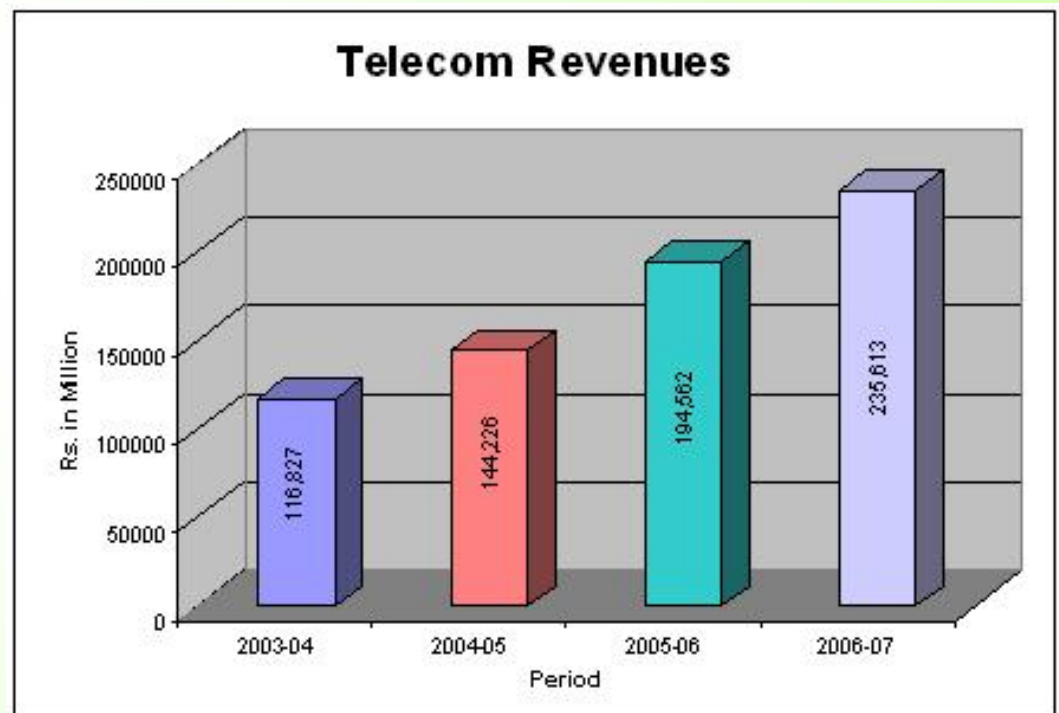
- **Sector Revenues**

- Revenues of Telecom Industry increased from Rs.115 billion to Rs.235 billion in last three years.

- Expected to increase @20-25% p.a.

- **Contribution to the Exchequer**

- Contribution of Telecom sector to GST/ CED Rs. 36,282 million per annum (2006-07)
- Total GoP receipts from telecom sector through tax, deposits & other sources is more than Rs. 100 billion (2006-07)



Source: PTA, 2007



Social Benefits - Impact on Poverty Reduction

- Poverty
 - an outcome of interaction between and reinforcement of economic, social, and political processes which can lead to exacerbation or alleviation of deprivation experienced by poor men and women (World Bank, 2002)
- Four Main Dimensions
 - Opportunity
 - Capability
 - Security
 - Empowerment



Opportunity Defined

- ‘access, or lack thereof, to labor markets and employment opportunities, and to productive resources; constraints on mobility; and ... time burdens ...’. World Bank (2002 p.1)



Opportunity Mediated through Telecom/ICTs in Pakistan

- Consumers have benefited through reduction in prices for both fixed and mobile services
 - current prices have come down to 20-30% of prices in 2003
- Mobile ownership at the “Bottom of the Pyramid” in Pakistan is as high as 23%, which is greater than Sri Lanka and India (Silva *et al*, 2007)
- Universal Service Fund Company efforts to have multiplier effect





Opportunity Mediated ... Contd.

- Employment
 - Direct & Indirect Jobs (2007): 1,366,698
 - (including downstream jobs, vendor industry and sub-contractors)
 - Estimated 58,009 direct & indirect jobs to be created in 2007-08
- TEACHE survey conducted in four provinces, AJK & NA's found that use of mobile phones on average induced 35% increase in sales of surveyed businessmen (PTA, 2007)
- Study by Silva & Zainuddin (2007) shows that more than 60% of sample respondents engaged in agriculture in Pakistan, India and the Philippines felt that access to telecom improved both the efficiency of their daily activities and their ability to earn or save more
- Contactability has eased mobility constraints for women



Capability Defined

- ‘access, or lack thereof, to public services such as education and health’ (World Bank, 2002 *p. 1*).



Capability Mediated through Telecom/ICTs in Pakistan

- TEACHE survey of mobile users sites 52% respondents reporting improvement in access to doctors and health staff (PTA, 2007)
- Tele-health services being run by various international and non-governmental organizations
- Scholarship/Capacity Building Programmes of National ICT R&D Fund Company to have a multiplier effect



Empowerment Defined

- ‘voice and decision-making power at the household, community and national levels’ (World Bank, 2002 *p. 1*).



Empowerment Mediated through Telecom/ICTs in Pakistan

- Citizen empowerment
 - ability to fulfill information and communication needs
 - ability to exercise choice of operator
- *Silva et al (2007)* reveal that mobiles have reduced the dependence of women on men in running general home errands
- TEACHE Survey concludes that women's say in family affairs has improved



Security Defined

- ‘vulnerability to economic or environmental risks and to civil and domestic violence’ (World Bank, 2002 *p. 1*).



Security Mediated through Telecom/ICTs in Pakistan

- Improved sense of security and the ability to contact emergency services
 - disaster communication
 - ability of home-based women to contact their men in times of emergency
- Improved family cohesion and social kinship



Conclusions

- Telecom sector liberalization and deregulation has and is continuing to improve access to telecom services to nearly all segments of the society
- Economic and social benefits have been significant and continue to multiply
- Government is keen to undertake measures necessary to ensure sustained growth in socio-economic benefits



What Next?

- Advancement in mobile applications and ICT services such as broadband to open new avenues of socio-economic development through ICT4D
 - E-/M-learning
 - E-/M-health
 - E-/M-banking
- Fulfillment of WSIS commitments
- Entrepreneurial Opportunities
 - Empowerment of home-based workers
- Bridging of the gender opportunity/capability gap



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