

Why does the Internet matter for economic development?

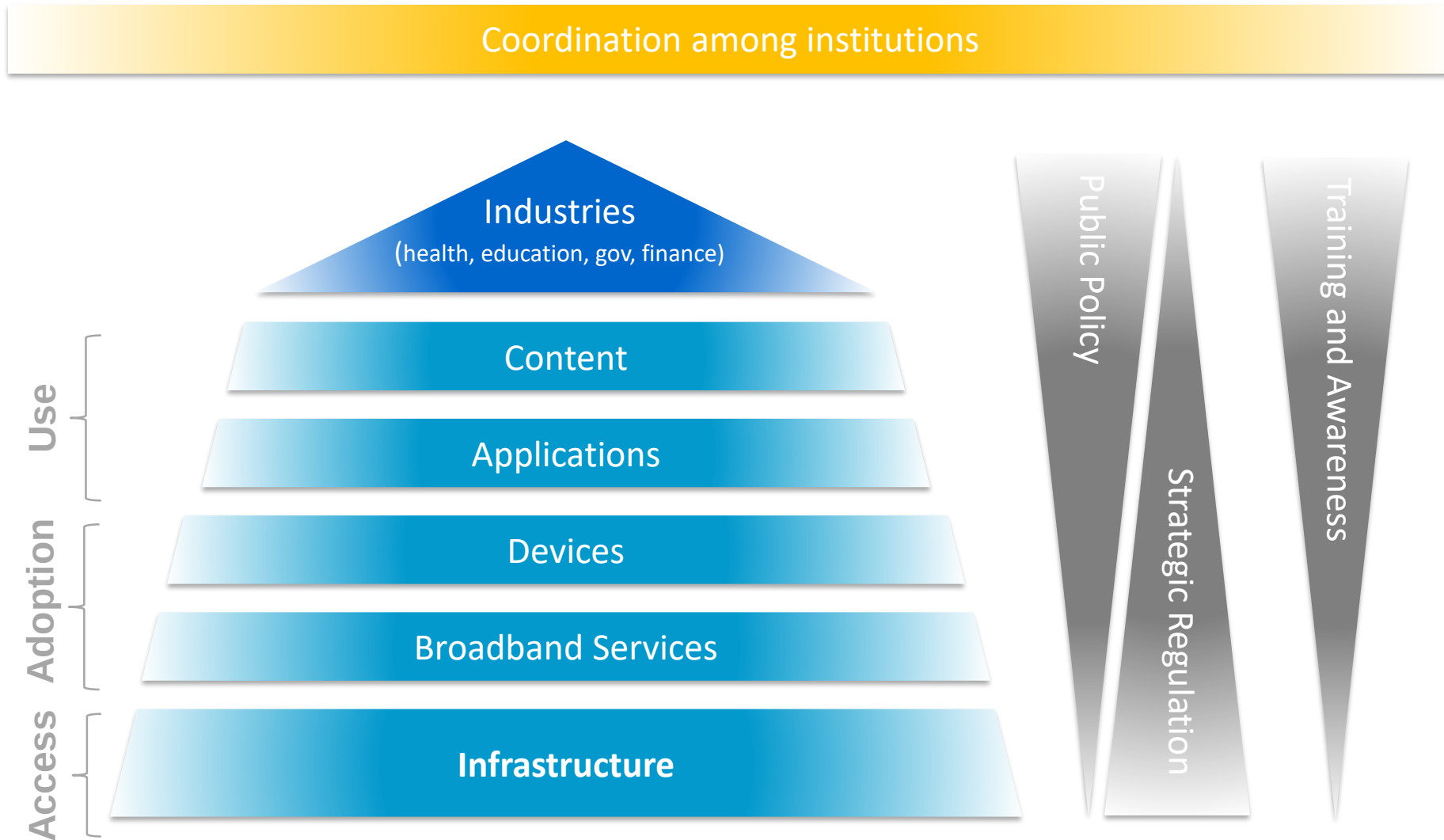


**The train of innovation:
*ICT as a trigger for
growth, productivity and
social equality***

Antonio Garcia-Zaballos (antoniogar@iadb.org)

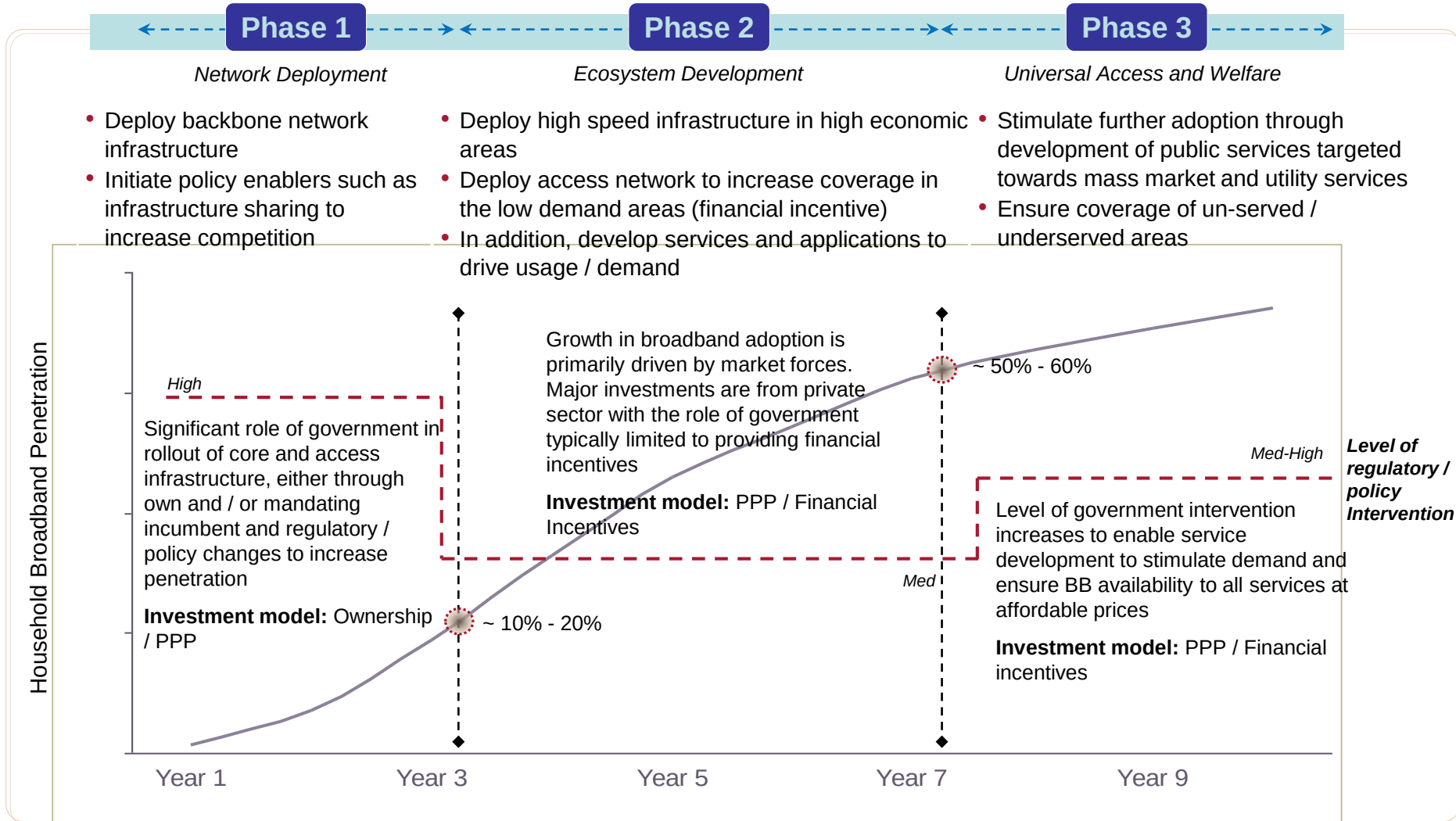
Washington DC, June 12th

Infrastructure constitutes the foundations of the ecosystem

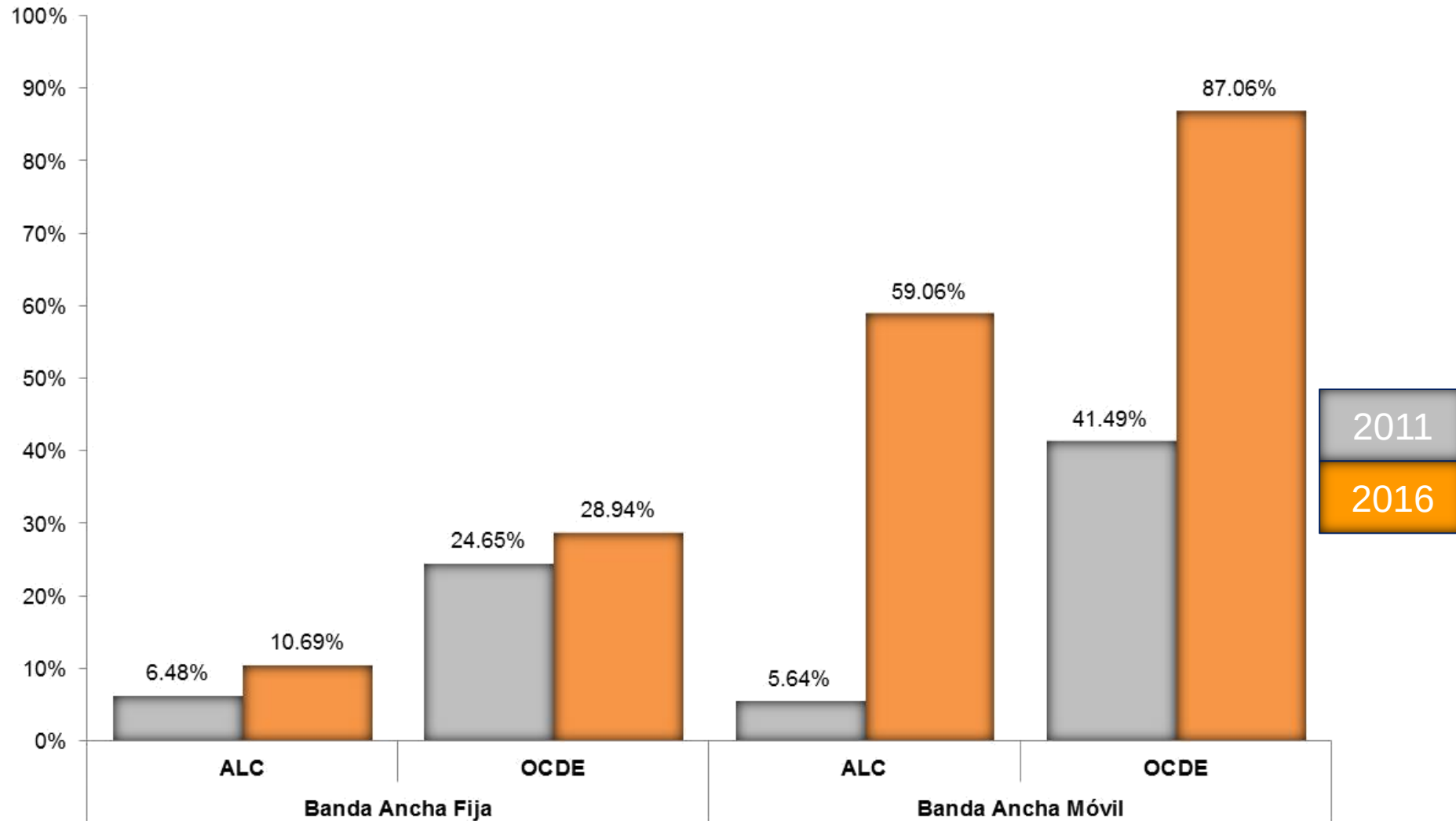


Source: Antonio García Zaballos and Félix González Herranz

However the magnitude of the problem is different country to country



Divide is growing and is especially severe in infrastructure

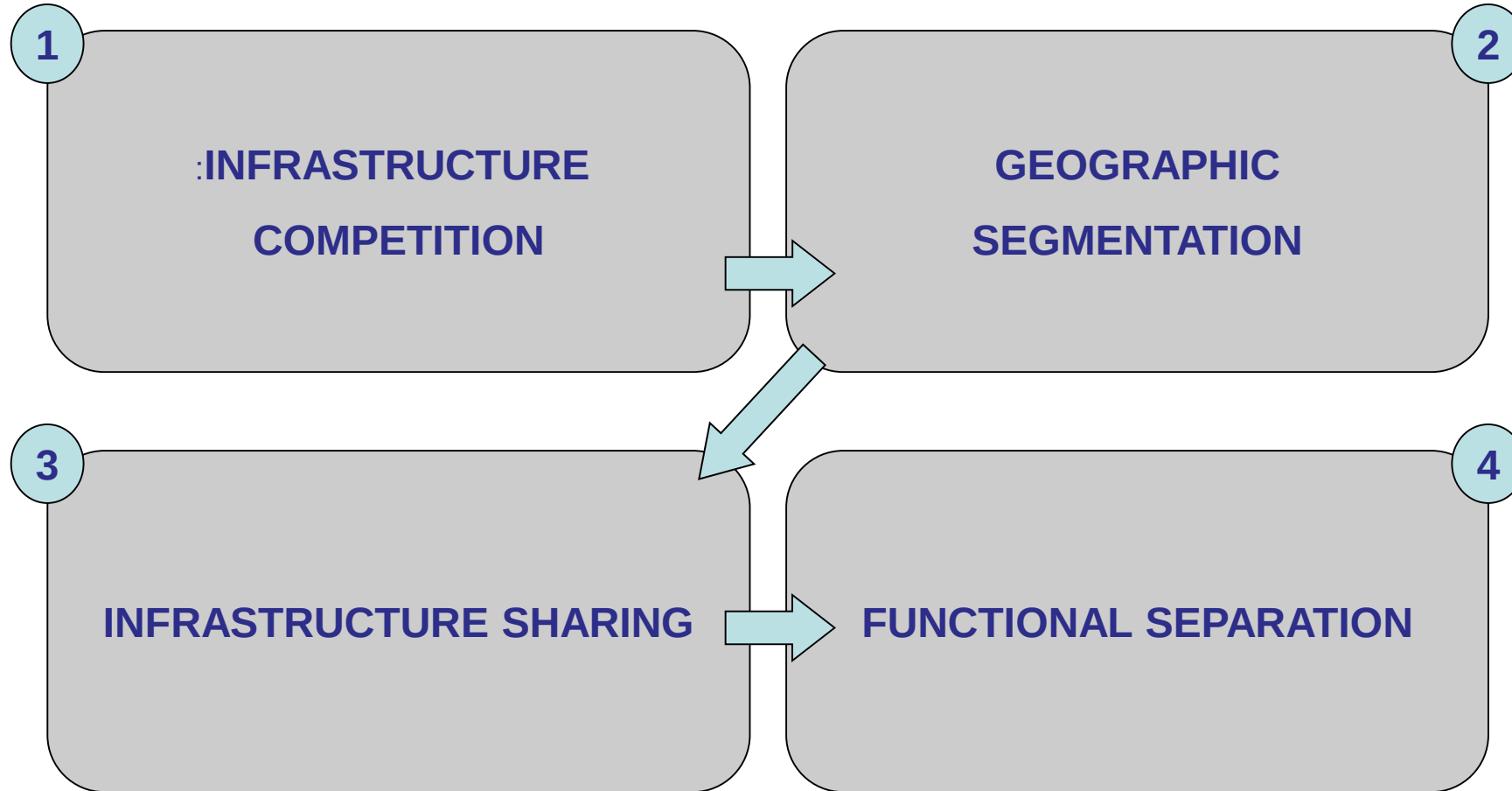


Penetración de los servicios de banda ancha (% de la población)
Fuente: www.iadb.org/digiLAC (BID)

To bridge this gap, a huge investment is required



From a service competition to an infrastructure competition



Keeping this in mind the main trends and challenges are...

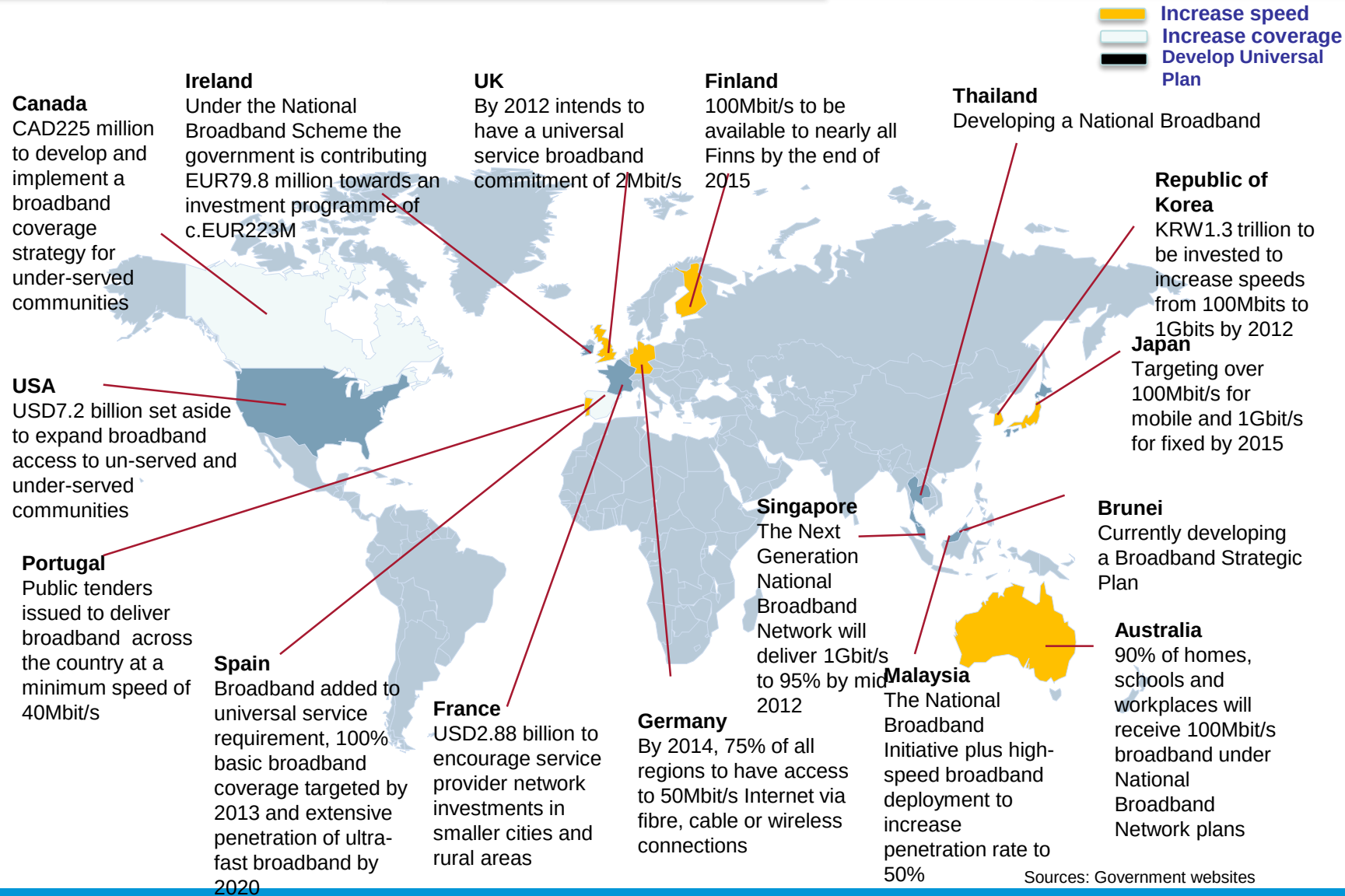
Main trends

- Growing **popularity of smartphones** with an **significant impact on the traffic**
- **Mobile broadband substitution** for several clients and geographical areas.
- **Economical crisis impacts on demand evolution** and decision taken about network rollout or sharing networks
- **Impact of network neutrality** on strategy of different operators (value chain)
- **Price strategy must be changed**
- **Spectrum regulation**
- **Digital Agenda** (rural broadband, universal broadband, etc,,,))

Challenges

- **Definition of spectrum policy** implying more efficient spectrum use as well as a higher telecom services penetration. (refarming, digital dividend,...)
- **Definition of regulatory policy** that incentive investments and shareholders return (risk remuneration depending on the risk assumed)
- **Access network transformation** substituting traditional networks for broadband networks.
- **Geographical segmentation consideration** in the market analysis, network deployment and SMP operators.
- New **commercial and pricing policies**, based on capacity and different kinds of user devices

That is why countries all over the world are involved in ambitious broadband expansion plans...



For instance, the LAC Region is facing different type of challenges...

Problem 1:

Low Broadband Penetration



Dimension 1: Universal Access

BUT ALSO...



Dimension 2: Universal Service

Problem 2:

High Broadband Prices



Affordable prices (retail and devices)

Problem 3:

Low Usage

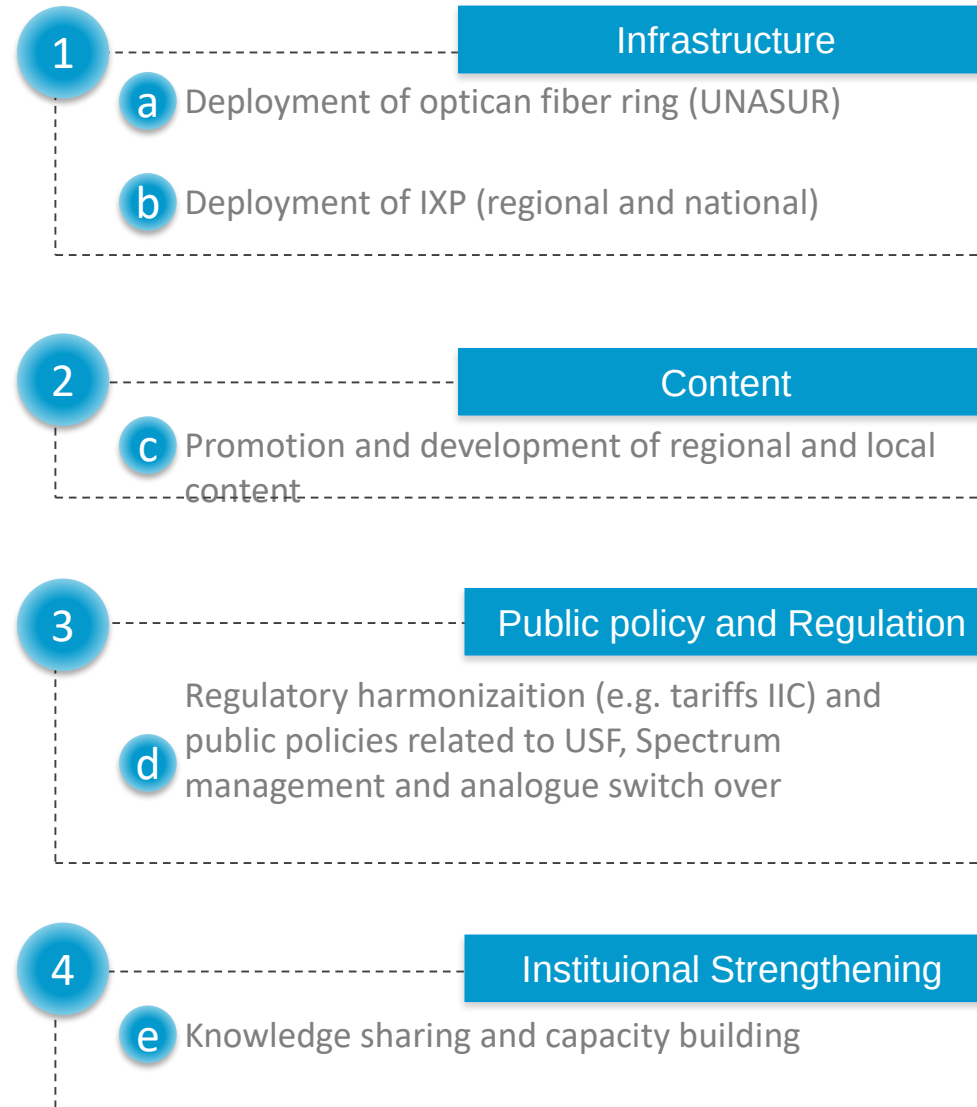


Lack of digital literacy



Lack of compelling local content

These challenges have the following implications



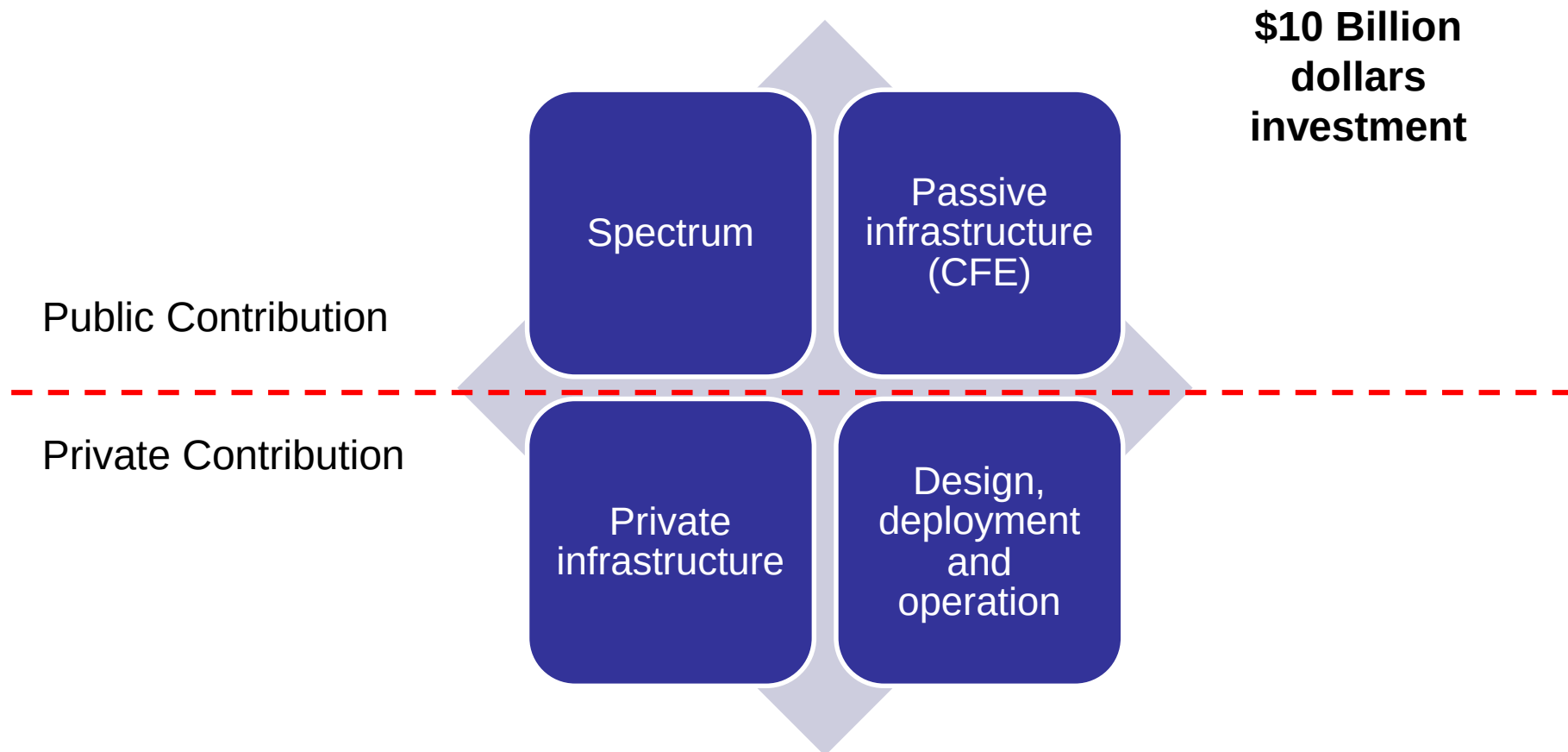
To close the existing digital divide we may think about the 5 i”

1. Building broadband **Infrastructure**;
2. Pooling public and private **Investments**;
3. Stimulating **Innovation**;
4. Facilitating **Interaction** between stakeholders and, last but not least,
5. Empowering the individual **Initiative**.



The Constitutional Reform, along with the issuance of secondary legislation intends to **foster competition** and to promote a long-lasting environment of **legal certainty**.

The strategic projects are focus on increasing broadband penetration as well as coverage under Public Private Partnerships.





But there are many **challenges** and unresolved issues...



Regulation (price,
SMP, etc)

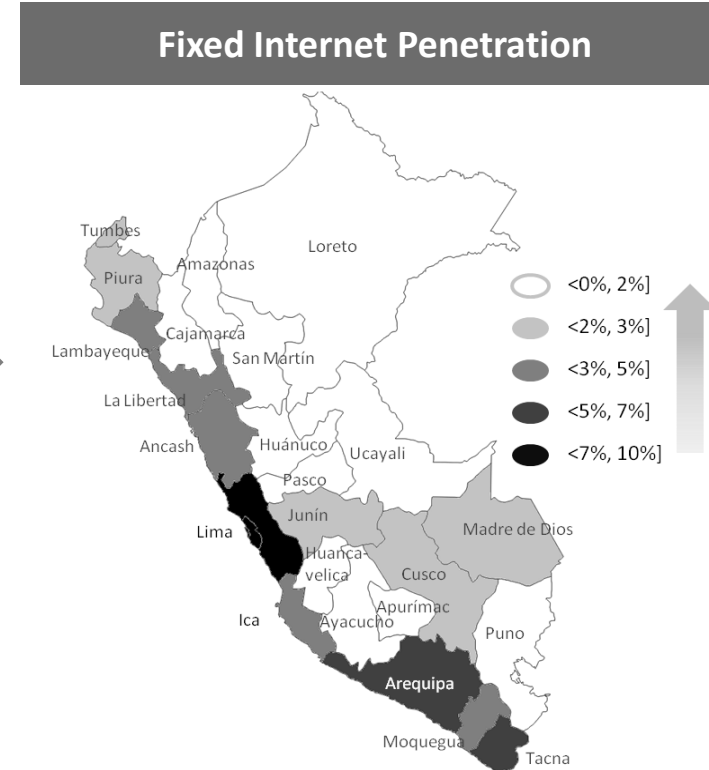
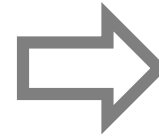
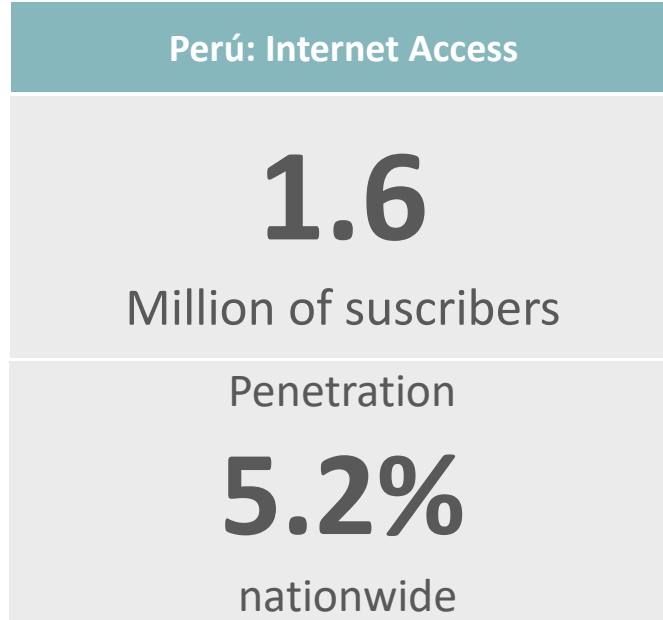
Sustainability
(demand)



Operations
(infrastructure
sharing)



In Perú there is an **inequality** in terms of access across the different regions



Fuente: MTC, OSIPTEL



From the **backbone network**....



US\$ 333 million
Investment



Azteca Comunicaciones



180 Connected district capital



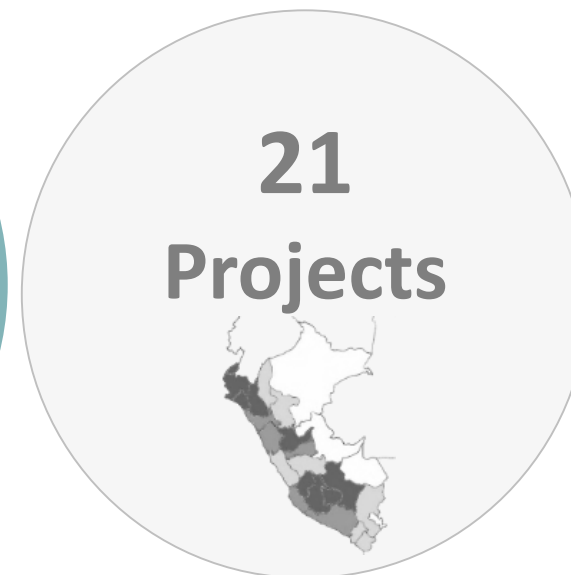
13.5 thousand km
Of deployed optical fiber



2015 - 2016
Delivery



To the **regional projects**



3.9 million
People benefited



+11 thousand
Connected public institutions



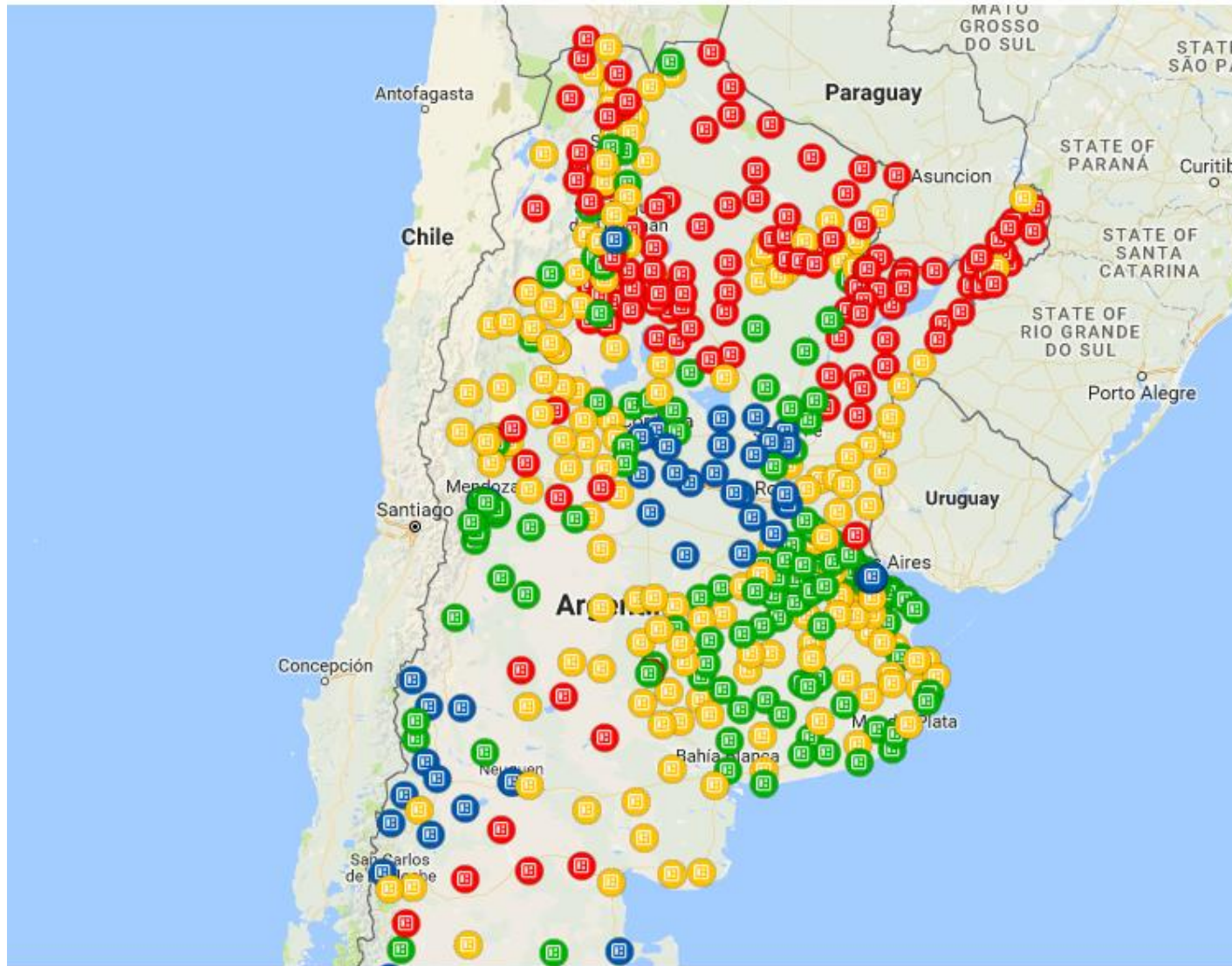
29 mil km
Of deployed optical fiber



Training
Education, health and security



There is digital gap between **rural** and **urban** areas



30% of the population, 70% of the country is lacking access to internet or just have one internet provider with high tariffs and low quality

Porcentaje de hogares con acceso a internet

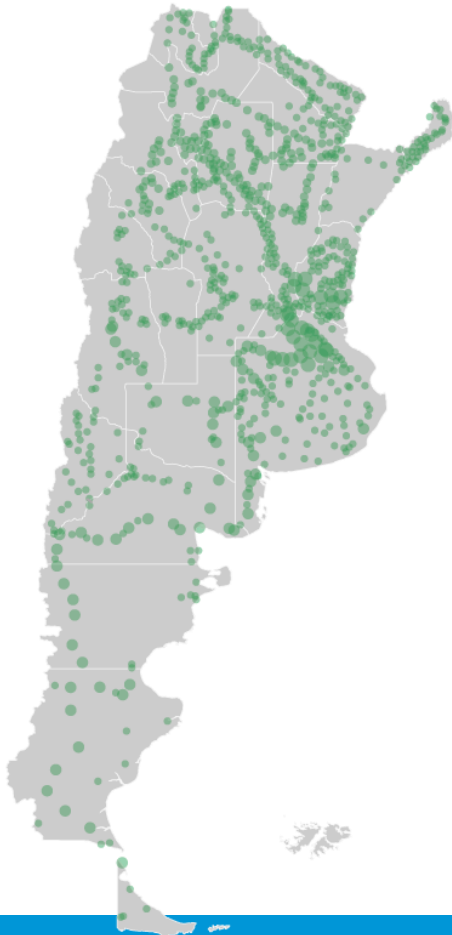
- < 0,00% ≤ 20,00%
- > 20,00% ≤ 34,00%
- > 34,00% ≤ 60,00%
- > 60,00% ≤ 319,30%

Fuente: digiLAC



To overcome this gap, the Government has defined a **National connectivity plan**

Objective: Conect in two years over 1100 municipalities in Argentina (29 million people) to the National fiber network so that the population can access to internet with affordable tariffs and quality services.



ARSAT is expected to provide the backbone and the wholesale services to the local carriers (neutral operator).

Universalization
of digital
services

Bridge the
existing digital
gap

Improve quality
of service

Job creation

Development of
regional
economies



The Gov. Has launched the Digital Republic plan which pretends to achieve universal service throughout the country

Digital Republic
Access
Digital and Open Government
Education and technology
Productivity and jobs

And two cross-cutting areas of intervention: **Security and Social Inclusion**