

Chapter 12

Confronting Africa's Economic Downturn Through Broadband Investment: The Way Forward

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ABSTRACT

This paper examines the prospect of broadband infrastructural investment by African countries in the light of the current economic recession. It observed that oil reserves unlike before can no longer sustain economies as it is evident in some oil producing African countries presently undergoing economic recession. The paper further observed that Broadband Infrastructural investment has been employed as a counter-cyclical tool to create jobs and provide the foundation for economic recovery and long-term sustained growth by most countries that once experience recession. Hence, having observed that, there are compelling statistics which show that there is a correlation between broadband and economic growth, the study is of the opinion that broadband infrastructural deployment in developing countries especially in Africa can help guaranty speedy recovery from economic recession and help ensure sustainable development. However, to ensure maximum return on investment, there is need for a robust Broadband Investment Policy Framework.

INTRODUCTION

Since 1930s, the world economy appears to have been experiencing major economic downturn caused by one financial crisis or the other. However, this time around, the crisis appears more widespread in terms of geographical global distribution (spanning both advanced and developing countries), thereby demanding more forceful and better orchestrated responses. For instance, World Bank Report in 2009, observed a decline in global industrial production by 20 percent in the year 2008 as high-income and developing country activity plunged by 23 and 15 percent, respectively. The International Labor Or-

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ganization (ILO) forecasts also suggest that global job losses could hit 51 million, and that up to 30 million workers could become unemployed as a result of the current financial crisis. As the global recession unfolds, governments' revenue appears shrinking as fiscal receipts diminish and national debts rise. Hence, in order to be able to cope and survive, most developed countries and a growing number of middle-income countries have announced countercyclical fiscal stimulus packages designed to increase demand, create jobs and expand the output capacity of their economy. One strategy that has found widespread support in these stimulus packages is investment in ICT infrastructure, specifically broadband and next-generation networks. Broadband investment has been employed by most countries especially those who have come out of recession as a counter-cyclical tool to create jobs and provide the foundation for economic recovery and long-term sustained growth. Unlike their advanced countries counterparts, the developing countries including the oil producing ones appear to be more under pressure. The oil producing countries especially the African oil producing countries have found out that their oil reserves unlike before can no longer sustain their economies as it is evident that some of them are presently undergoing economic recession despite their large amount of oil reserves. Inadequate output as a result of oil smuggling and pipeline vandalism coupled with drastic drop in global oil prices have placed some of these African countries in a financial crisis especially those countries whose major earnings are largely dependent on oil exportation. Obviously, developing countries face the challenge as to how (with fewer resources), they can pursue policies that can protect or expand critical expenditures for sustainable growth. A careful study of developing countries revealed among others that, inability to invest in infrastructural development has always been the bane of these countries. This is the reason why infrastructure expenditure has been suggested as a major fiscal stimulus for economic recovery and sustainable development. The stimulus effect that infrastructure expenditure is expected to have in terms of short-term job creation and immediate increase in aggregate demand should appeal to developing countries. Going by arrays of fiscal stimulus options, investment in Broadband infrastructure appears to be more fiscally sound than other public spending stimulus options. This is because Broadband infrastructural investment if carefully planned could be self-financing as financing of the broadband plans is mostly market-led and private sector driven with little governmental intervention fund. For instance, in Australia and the Republic of Korea, the government's initial investment of about 11 percent and 4 percent respectively, of the estimated total investment, is expected to come from private companies and issuance of government bonds. The basic idea in broadband investment as a fiscal stimulus is that the extent a country can mobilize private sector funding to finance and provide broadband services, the more it saves or frees fiscal spaces for other public spending priorities. Besides, new broadband infrastructure investment projects that can be initiated relatively quickly, are labor intensive and hence have considerable short-term employment generation potential. As a result, an increasing number of countries now see high-speed Internet access as essential infrastructure to achieve a global competitive edge in productivity and long-term development, and a prerequisite for a return to sustainable growth and prosperity. For instance, the British government considers digital networks as the backbone of the economy in the decades ahead (Daily Yonder, 2009). In particular, some estimations predict that \$5 billion stimulus would create almost 100,000 new jobs directly in short term and almost 2.5 million jobs as network effects (Communications Workers of America, 2008). Others announce almost 500,000 jobs retained or created directly under a broadband subsidy of \$10 billion (Atkinson, Castro, and Ezell, 2009). In recent years, the United States, Britain, Canada, Germany, Portugal and Finland have all included measures to expand broadband access and to bolster connection speeds in their planned economic stimulus packages. In fact, considering many economic benefits of broadband which include lower costs, new economic

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