

POSTAL AND TELECOMMUNICATIONS REGULATORY AUTHORITY OF ZIMBABWE (POTRAZ)



'creating a level playing field'

POSTAL & TELECOMMUNICATIONS ABRIDGED SECTOR PERFORMANCE REPORT

THIRD QUARTER 2023

Disclaimer:

This report has been prepared based on data provided by service providers. The information provided in this quarterly report is subject to alteration in case of any revisions or updates from the service providers. Whilst the Authority has taken effort to ensure accuracy of the data contained in this report, it is not liable for the inaccuracy of any information.

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LIST OF ACRONYMS

2G.....	Second Generation
3G.....	Third Generation
5G.....	Fifth Generation
ACPU.....	Average Cost per User
AMPU.....	Average Margin per User
ARPU.....	Average Revenue per User
ADSL.....	Asymmetric Digital Subscriber Line
GB.....	Gigabyte
LTE.....	Long Term Evolution
MB.....	Megabyte
PB.....	Petabyte (1PB = I Billion Megabytes)
Mbps.....	Megabits per Second
VoIP.....	Voice Over Internet Protocol

MAJOR HIGHLIGHTS

The following are the main sector trends for the third quarter of 2023, compared to the second quarter of 2023:

- The total number of active mobile subscriptions increased by 6.0%, to reach 14,794,579, from 13,955,937, hence, the mobile penetration rate increased by 5.6%, to reach 97.5%, from 91.9%.
- Total mobile operator revenues grew by 95.3% to record ZWL850.8 billion, from ZWL435.7 billion. On the other hand, operating costs grew by 99.3% to record ZWL430.0 billion, from ZWL215.8 billion.
- Mobile voice traffic increased by 30.0% to record 3.29 billion minutes from 2.53 billion minutes.
- The total number of active Internet and Data subscriptions increased by 7.5% to reach 10,647,190, from 9,902,500. The Internet penetration rate increased by 4.9% to reach 70.1%, from 65.2%.
- Mobile Internet and Data traffic increased by 6.2% to record 44, 67 Petabytes, from 42, 06 Petabytes.
- Used Incoming International Internet Bandwidth Capacity increased by 6.6% to record 339,915Mbps, from 318,742Mbps.
- PSTN fixed voice traffic declined by 3.3% from 72.4 million minutes to 70.0 million minutes,
- Total active fixed telephone lines increased by 3.0% to reach 310,518, from 301,465. As a result, the fixed tele density increased by 0.06% from 1.99% to 2.05%.
- IAP revenues grew by 138.1% to record ZWL449.3 billion, from ZWL191.2 billion recorded in the Second quarter of 2023; meanwhile, operating costs for IAPs grew by 14.4% to record ZWL256.2 billion, from ZWL224 billion recorded in the previous quarter. Total postal and courier volumes increased by 6.8% to record 573,291 from 536,986 items.
- Total revenue generated by the postal and courier sector increased by 53.3% to record ZWL30.7 billion, from ZWL20 billion. Operating costs increased by 50.0% to record ZWL32.8 billion, from ZWL21.9 billion.

1.0 MOBILE TELEPHONY

1.1 MOBILE SUBSCRIPTIONS

1.1.1 ACTIVE SUBSCRIPTIONS

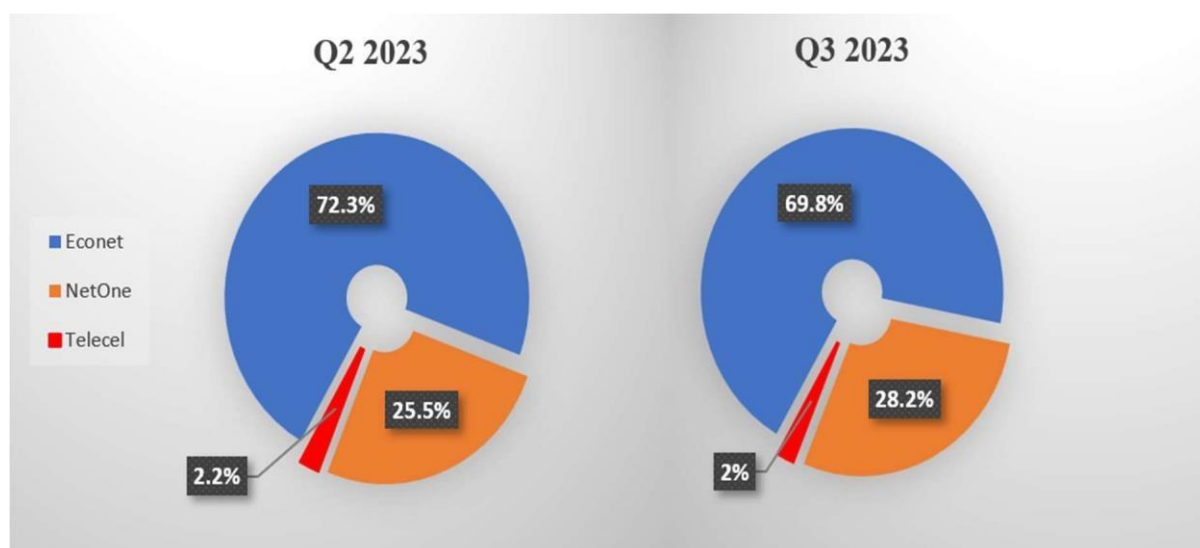
The total number of active mobile telephone subscriptions grew by a margin of 6.0% to reach 14,794,579 as of 30 September 2023, from 13,955,937, recorded in the second quarter. As a result, the mobile penetration rate hiked to 97.5% from 91.9% recorded in the second quarter of the year. The quarterly variation in mobile subscriptions per operator is shown in Table 1 below:

Table 1: Active Mobile Subscriptions

Operator	Q2 2023	Q3 2023	Variance (%)
Econet	10,094,328	10,319,991	2.2%
NetOne	3,554,075	4,171,224	17.4%
Telecel	307,534	303,364	-1.4%
Total	13,955,937	14,794,579	6.0%

Growth in mobile subscriptions was heavily driven by the expansion of NetOne’s subscriber base. Telecel’s subscriber base continued to diminish in the quarter under review, whereas Econet realized a marginal growth of 2.2%. A quarterly comparison of the market share of active mobile subscriptions is shown in Figure 1 below:

Figure 1: Market Share of Mobile Subscribers



NetOne gained subscriber market share by 2.7% in the third quarter of 2023, whilst Econet and Telecel lost theirs by 2.6% and 0.2% respectively. However, Econet continued to dominate in terms of subscribers with close to 70% share of the market.

1.2 MOBILE VOICE TRAFFIC

Mobile voice traffic grew significantly by 30.0% to record 3.29 billion minutes from 2.53 billion minutes recorded in the second quarter of 2023. The disaggregation of mobile telephony traffic per category for the quarter under review is shown in Table 2 below:

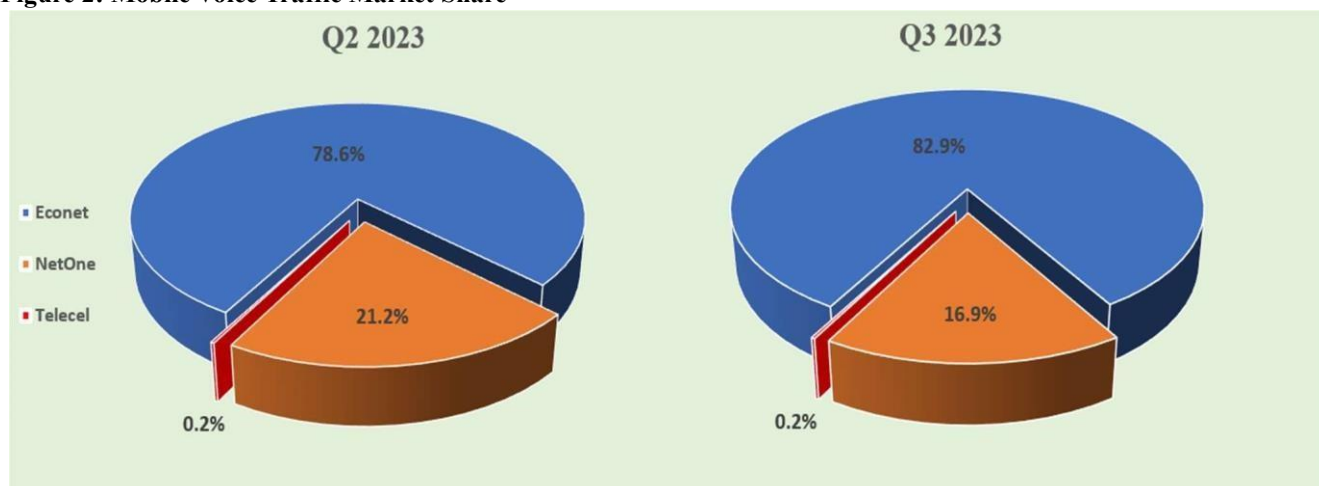
Table 2: Mobile Telephone Traffic

Traffic category	Q2 2023 (In Minutes)	Q3 2023 (In Minutes)	Variance (%)
Net on Net	1,852,919,158	2,548,006,022	37.5%
Mobile to Fixed	4,331,334	5,276,729	21.8%
Incoming from Fixed	54,660,222	55,000,462	0.6%
Mobile to Other Mobile	557,579,895	620,341,734	11.3%
Outgoing to IAPs	2,068,415	2,379,730	15.1%
Incoming from IAPs	27,980,616	26,927,193	-3.8%
Total National	2,499,539,641	3,257,931,870	30.3%
International Incoming	21,138,350	20,789,470	-1.7%
International Outgoing	5,874,952	6,325,648	7.7%
Inbound Roaming	576,332	544,559	-5.5%
Outbound Roaming	163,039	170,330	4.5%
Total	2,527,292,313	3,285,761,877	30.0%

The sector realized growth in mobile voice traffic in the third quarter of 2023. This may be attributed to an eroded voice tariff which fluctuated around USD 0.01 (One USD cent) for on net calls throughout the quarter. On-net bundles and promotions by operators also played a big role in the significant growth in traffic which resulted in a 37.5% surge in net-on-net traffic,

which is without doubt, the major traffic growth driver in the quarter under review. The quarterly comparison of the mobile voice traffic market share is shown in Figure 2 below:

Figure 2: Mobile Voice Traffic Market Share



As shown above, Econet gained market share by 4.3%, whereas NetOne lost market share by the same margin. Meanwhile, Telecel maintained its voice traffic market share at 0.2%.

1.3 MOBILE INTERNET & DATA

Mobile Internet and Data traffic increased by 6.2% to record 44,67 Petabytes in the third quarter, from 42,06 Petabytes recorded in the Second quarter of 2023. A quarterly comparison of mobile Internet and Data traffic per mobile network is shown in Table 3 below: Table 3: Mobile Internet & Data

Operator	Q2 2023 (MB)	Q3 2023 (MB)	Variance (%)
Econet	30,299,361,678	34,985,422,241	15.5%
NetOne	11,733,294,296	9,512,579,282	-18.9%
Telecel	25,625,283	174,494,454	580.9%
Total	42,058,281,257	44,672,495,977	6.2%

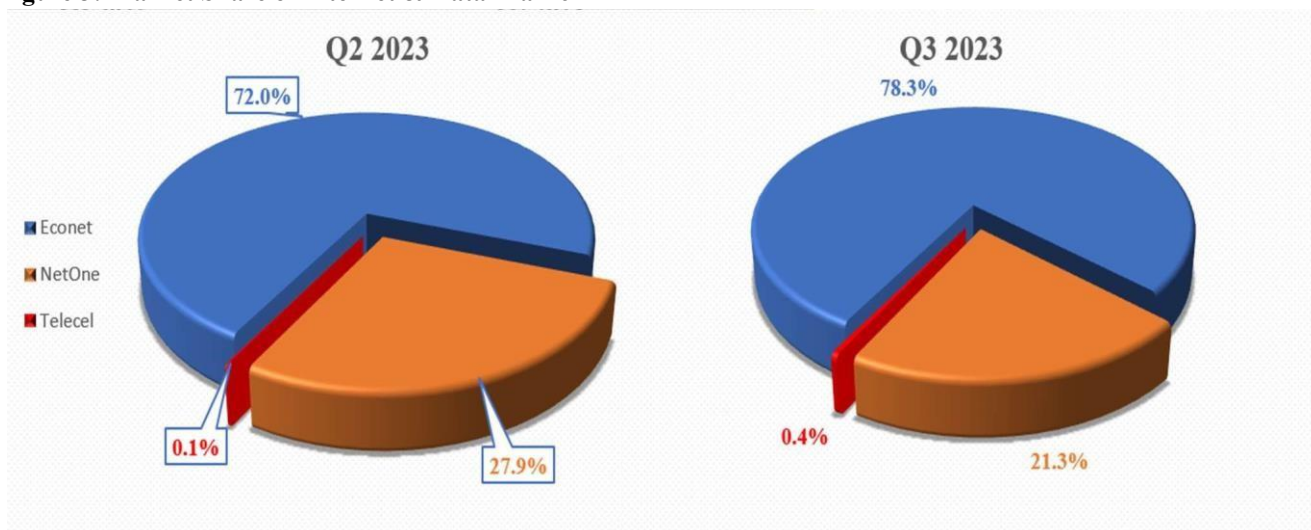
Econet and Telecel recorded growths in mobile Internet and Data traffic in the quarter under review as shown above. NetOne recorded a decline in Internet and Data traffic by a margin of

18.9%. Despite the decline by NetOne, total Internet and Data traffic for mobile network operators increased significantly by 6.2%, owing to a 15.5% growth in traffic by Econet.

Telecel also experienced a huge jump in Internet traffic.

Internet and Data traffic market shares are shown in Figure 3 below:

Figure 3: Market Share of Internet & Data Traffic



Econet and Telecel market shares of Internet and Data traffic grew by 6.3% and 0.3% respectively, whereas NetOne lost its Internet and Data traffic market share by a margin of 6.6% in the third quarter as illustrated above.

1.4 MOBILE REVENUES, COSTS & INVESTMENT

Mobile network operators generated ZWL850.8 billion in the third quarter of 2023, up from ZWL435.7 billion recorded in the previous quarter. This translates to a 95.3% revenue growth in the quarter under review. On the other hand, mobile network operators incurred ZWL430 billion from ZWL215.8 billion incurred in the previous quarter. This translated to a 99.3% growth in total operating costs. Total capital expenditure by mobile network operators grew by 27.1% from ZWL26.7 billion to ZWL33.9 billion as shown in Table 4 below:

Table 4: Mobile Operator Revenues, Operating Costs and Investment

	Q2 2023 (ZWL)	Q3 2023 (ZWL)	Variance (%)

Revenues	435,677,203,957	850,809,558,494	95.3%
Operating Costs	215,750,435,440	429,962,632,016	99.3%
Investment	26,657,538,681	33,885,724,199	27.1%

However, in real terms, revenues, operating costs and capital expenditure did not increase by the same margins due to the inflationary operating environment which has not spared any sector of the economy. This continues to stifle investment in infrastructure as evidenced by a decline in new terrestrial deployments in the quarter under review.

1.5 MOBILE TELEPHONY INFRASTRUCTURE

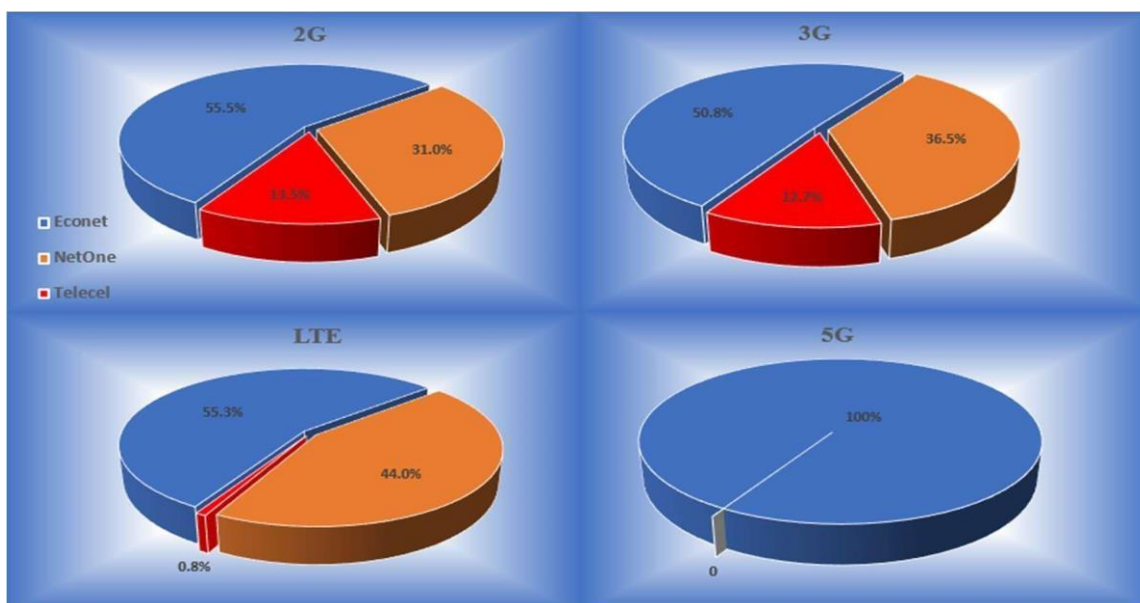
A net total of 164 new base stations were deployed in the third quarter of 2023, as compared to 363 base stations deployed in the second quarter. The deployments are disaggregated by technology as shown in Table 5 below:

Table 5: Mobile Base Stations

Operator	2G			3G			LTE			5G		
	Q2 2023	Q3 2023	Net Addition	Q2 2023	Q3 2023	Net Addition	Q2 2023	Q3 2023	Net Addition	Q2 2023	Q3 2023	Net Addition
Total	5,058	4,962	-96	3,392	3,435	43	1,962	2,179	217	22	22	-

As the world moves towards faster technologies, the sector has been moving away from deployment of 2G and 3G technologies in favour of LTE which offers high capacity, and faster download and upload speeds. This is evidenced by 217 LTE deployments made in the quarter under review by mobile network operators. The market Shares of mobile base station infrastructure across all technologies for the third quarter of 2023 are shown in Figure 4 below:

Figure 4: Market Share of Mobile Base Stations



Currently, Econet is the only mobile network operator with 5G network infrastructure, hence the 100% market share. Telecel is lagging in the deployment of Next Generation Technologies, with only 0.8% market share of LTE deployments.

2.0 INTERNET/DATA SUBSCRIPTIONS

2.1 SUBSCRIPTIONS

The total number of active Internet/data subscriptions increased by 7.5% to reach 10,647,190 in the quarter under review, from 9,902,500 recorded in the Second quarter of the year. The growth in active Internet/ data subscriptions per technology is shown in Table 6 below:

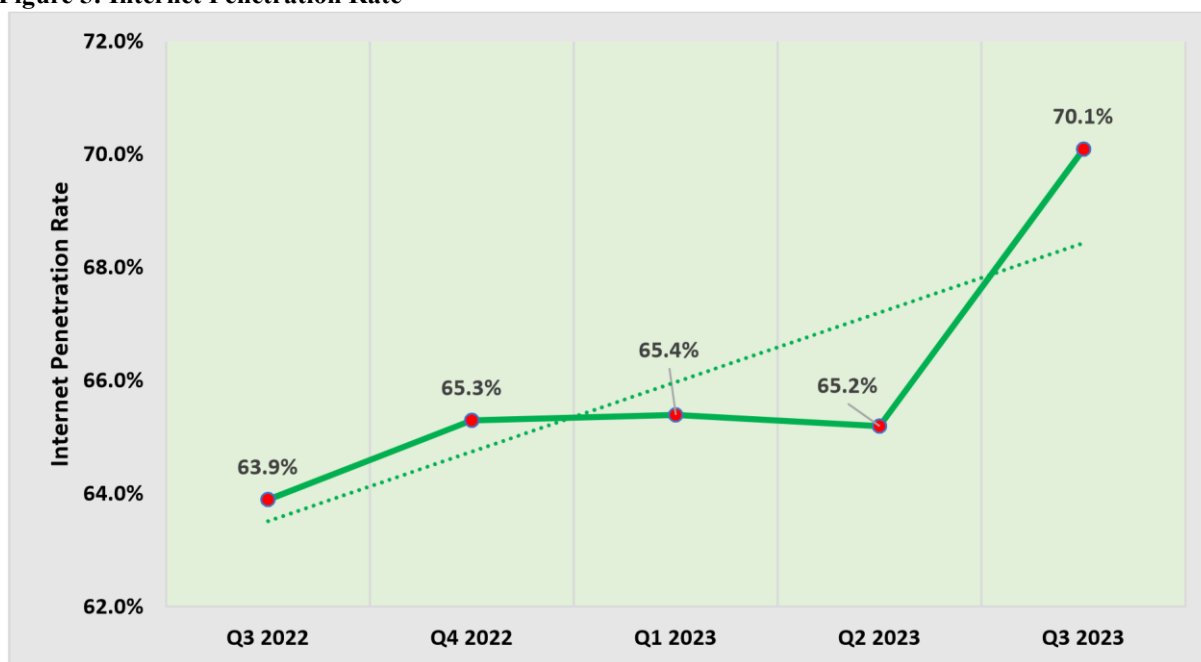
Table 6: Active Internet/ Data Subscriptions

Technology	Q2 2023	Q3 2023	Variance (%)
3G/HSDPA/LTE	9,713,219	10,452,445	7.6%
Leased Lines	2,759	2,826	2.4%
DSL	104,823	104,945	0.1%
WiMAX	1,520	8,128	434.7%
CDMA	2,907	288	-90.1%
VSAT	6,491	4,924	-24.1%
Active Fibre Subscriptions	70,781	73,634	4.0%
Total	9,902,500	10,647,190	7.5%

As shown above, the sector recorded a 7.5% growth in active Internet/data subscriptions, which saw an increase in the Internet penetration rate by 4.9% to record 70.1% in the third quarter,

from 65.2% recorded in the previous quarter. Notably, operators have been doing away with CDMA technology in favour of next generation technologies such as LTE as indicated by a 90% decline in CDMA subscriptions between second quarter and third quarter of 2023. Fibre subscriptions continued an upward trend with a 4.0% increase in the third quarter. Internet penetration rate movements from the third quarter of 2022 to date are shown in Figure 5 below:

Figure 5: Internet Penetration Rate



Internet Penetration rate has been on an upward trend in recent years due to an increase in Internet adoption necessitated by the movement away from voice centric services to Data centric services.

3.0 FIXED TELEPHONE SERVICE

3.1 SUBSCRIPTIONS

In the third quarter of 2023, the total number of active fixed telephone subscriptions increased by 3.0%, reaching 310,518, compared to 301,465 in the second quarter of 2023. This represents an increase in fixed tele-density from 1.99% in the second quarter to 2.05% in the third quarter. The growth in PSTN and VoIP lines is shown in Table 7 below.

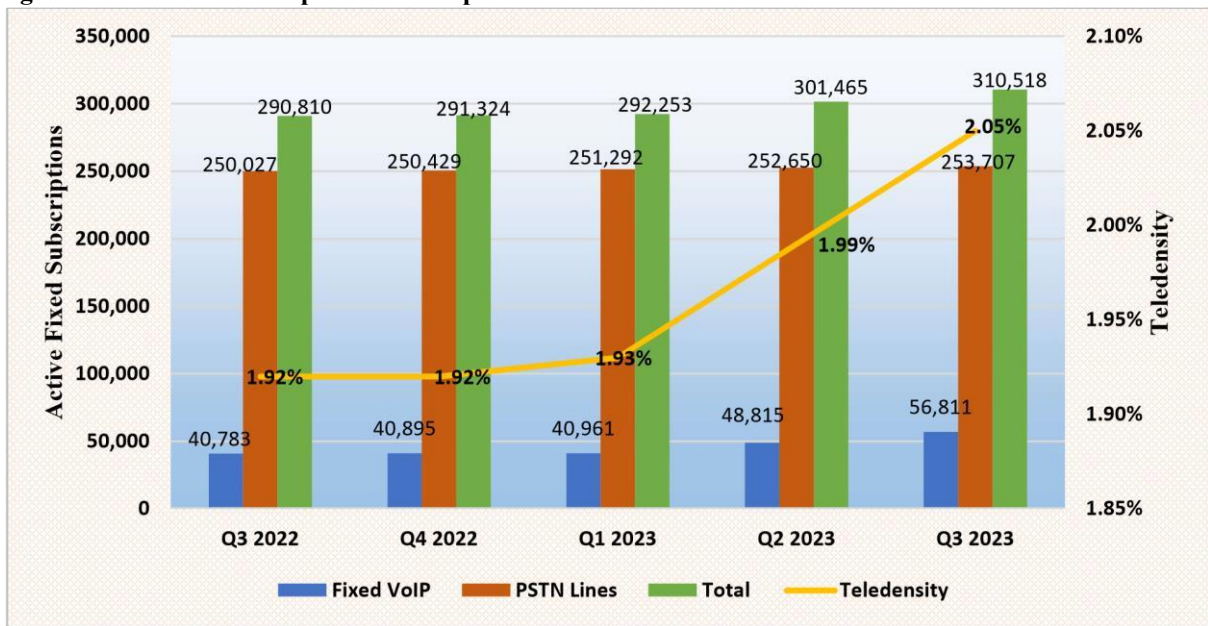
Table 7: Fixed Telephone Subscriptions

Subscriber Category	Q2 2023	Q3 2023	(%) Growth
PSTN Lines	252,650	253,707	0.4%
Fixed VoIP	48,815	56,811	16.4%

Total	301,465	310,518	3.0%
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As shown in the table above, the growth in fixed subscriptions was primarily driven by the significant increase in fixed VoIP subscriptions, as businesses and households continued to adopt VoIP lines due to their flexibility, reliability, and ease of use. The trend of active fixed telephone subscriptions and fixed tele-density has been on an upward trajectory, as illustrated in Figure 6 below.

Figure 6: Active Fixed Telephone Subscriptions

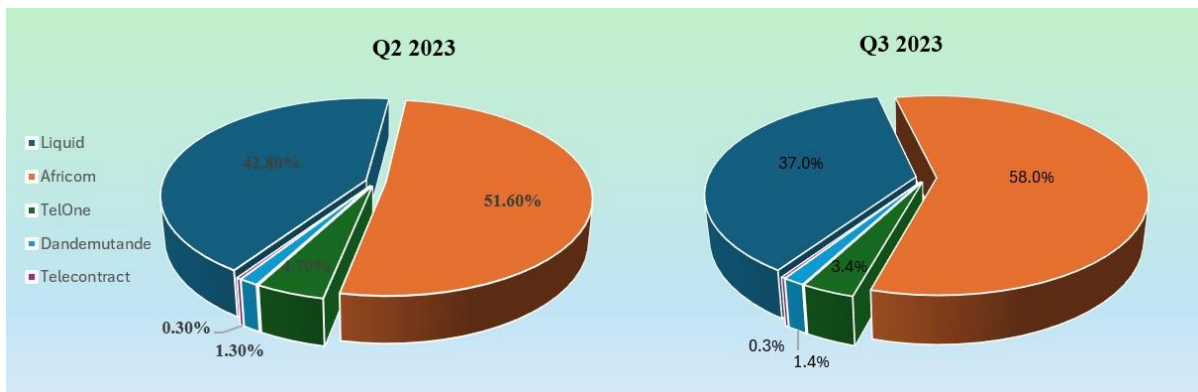


The uptake of fixed VoIP, particularly by corporate users, is expected to continue growing, as it is a cost-effective alternative for voice services.

3.1.1 FIXED VoIP MARKET SHARE

The market share of fixed VoIP subscriptions in the third quarter of 2023 is diagrammatically shown in Figure 7 below:

Figure 7: Fixed VoIP Market Share



As shown above, Africom and Dandemutande gained market share by 6.4% and 0.1% respectively whilst Liquid and TelOne lost market share by 5.8% and 1.3% respectively.

Telecontract maintained its market share of 0.3%.

3.2 FIXED VOICE TRAFFIC

3.2.1 PSTN VOICE TRAFFIC

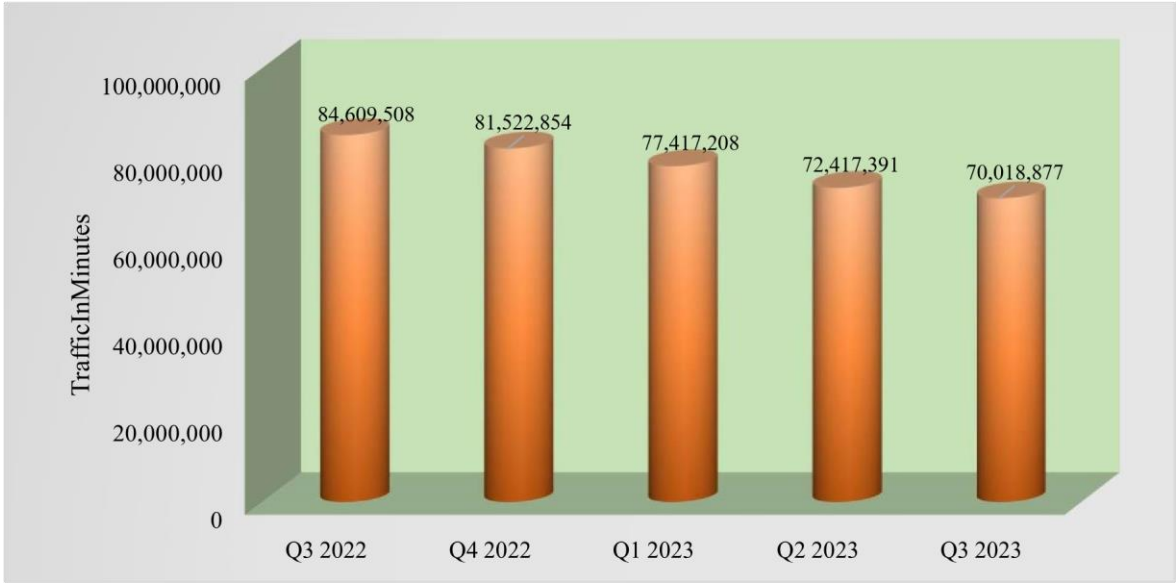
Total voice traffic by the Public Switched Telephone Network Operator declined by 3.3% in the third quarter of 2023, to record 70.0 million minutes, down from 72.4 million minutes recorded in the second quarter of 2023. The quarterly variation in fixed voice traffic per category is shown in Table 8 below:

Table 8. Fixed Voice Traffic (PSTN Traffic)

Traffic category	Q2 2023	Q3 2023	Variance (%)
Net on Net	6,910,196	6,271,536	-9.2%
Outgoing to Mobile	57,773,806	55,023,689	-4.8%
Incoming from Mobile	4,412,833	4,654,733	5.5%
Incoming from IAPs	604,259	559,991	-7.3%
Outgoing to IAPs	653,753	648,738	-0.8%
Total National Voice Traffic	70,354,847	67,158,687	-4.5%
International Incoming	1,209,237	1,568,678	29.7%
International Outgoing	853,307	1,291,512	51.4%
Total traffic	72,417,391	70,018,877	-3.3%

All the traffic categories, save for incoming from mobile and international traffic, registered negative growths. Outgoing traffic to mobile networks continued to decline resulting in a significant decline in national traffic by a margin of 4.5%. The decline in fixed voice traffic is a consistent trend, as graphically shown in Figure 8 below:

Figure 8: PSTN Voice Traffic



Voice over Internet Protocol (VoIP) and Over-the-Top (OTT) services have gained popularity as an alternative to traditional fixed voice services, resulting in a decline in fixed voice traffic over the past year. Corporates and households have also been transitioning away from traditional Public Switched Telephone Network (PSTN) lines, contributing to the decrease in fixed voice traffic.

4.0 INTERNET ACCESS PROVIDERS (IAPs)

4.1 IAP REVENUES, OPERATING COSTS & INVESTMENT

The growth in IAP aggregate revenue, operating costs, and capital expenditure in the third quarter of 2023 is shown in Table 9 below:

Table 9: IAP Revenues, Operating Costs (ZWL)

	Q2 2023	Q3 2023	Variance (%)
Revenue	191,162,750,673	449,336,674,500	138.1%
Operating Costs	224,023,650,067	256,231,347,710	14.4%
Capital Expenditure	16,941,464,662	32,644,439,312	92.7%

In contrast to the previous quarter, the growth in operating costs for IAPs was outpaced by revenue growth, suggesting an increase in financial viability or cost cutting strategies. This trend was driven by the higher growth rate of revenue relative to operating costs. The revenue-to-cost ratio (RCR) for IAPs improved during the quarter, indicating an increase in IAP

operator profits, and improvement of the overall financial health of IAP operators. While bandwidth costs, depreciation, administration costs, and staff costs remained key contributors to operating expenses, they were outweighed by the growth in revenue.

4.2 INTERNATIONAL INTERNET CONNECTIVITY

4.2.1 EQUIPPED INTERNATIONAL INTERNET BANDWIDTH CAPACITY

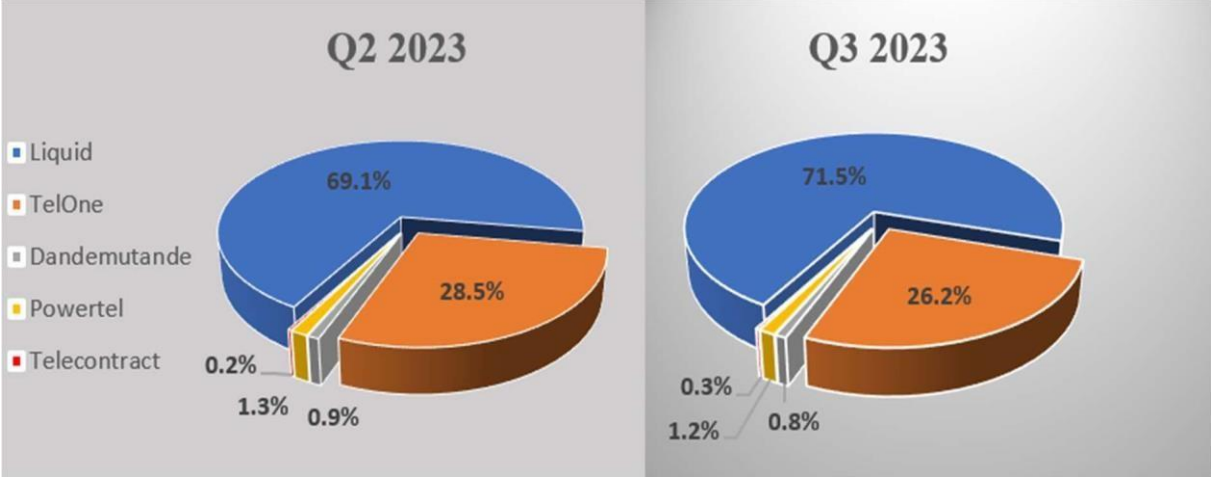
The equipped international Internet bandwidth capacity was 629,085Mbps as of 30 September 2023. This translates to an 8.7% increase from 578,685Mbps recorded in the second quarter of the year. Equipped International Internet bandwidth capacity per provider is shown in Table 10 below:

Table 10: Equipped International Incoming Internet Bandwidth Capacity (Mbps)

Operator	Q2 2023	Q3 2023	Variance (%)
Liquid	400,000	450,000	12.5%
TelOne	165,000	165,000	0.0%
Powertel	5,000	5,000	0.0%
Dandemutande	7,285	7,385	1.4%
Telecontract	1,400	1,700	21.4%
Total	578,685	629,085	8.7%

Liquid, Dandemutande and Telecontract increased their equipped international Internet bandwidth capacity by 12.5%, 1.4% and 21.4% respectively in the quarter under review, whereas TelOne and Powertel remained constant. A quarterly comparison of the market shares of equipped international Internet bandwidth capacity is shown in Figure 9 below:

Figure 9: Market Share of Equipped International Internet Bandwidth Capacity



There has not been any major change in the market shares of equipped capacity over the years, with Liquid Intelligent Technologies continuing to lead the market.

4.2.2 USED INTERNATIONAL INTERNET BANDWIDTH CAPACITY

A quarterly comparison of used international incoming and outgoing bandwidth capacities is shown in Table 11 below:

Table 11: Used International Internet Bandwidth Capacity (Mbps)

	Q2 2023	Q3 2023	Variance (%)
Incoming	318,742	339,915	6.6%
Outgoing	110,219	87,705	-20.4%

Used incoming international bandwidth capacity increased by 6.6%, whereas used outgoing international bandwidth capacity declined by 20.4% in the third quarter of 2023. A growth in incoming bandwidth capacity coupled with a decline in outgoing capacity signifies a rise in demand for International Internet content and a reduction in uploading of content by users. The growth in used international bandwidth capacity is shown in Figure 10 below:

Figure 10: Growth in Used International Internet Bandwidth Capacity



The growth in used international incoming bandwidth capacity has always been higher than the growth in used international outgoing bandwidth capacity, as shown above. There is need to promote the development of local online content, to help boost adoption and use of the Internet.

5.0 POSTAL & COURIER

5.1 POSTAL & COURIER VOLUMES

An overall 6.8% growth in postal and courier volumes was recorded in the third quarter of 2023, as shown in Table 12 below:

Table 12: Postal and Courier Volumes

	Q2 2023	Q3 2023	% Growth
Domestic postal letters	257,438	437,081	69.8%
Domestic courier	121,937	109,553	-10.2%
International incoming courier	134,367	21,521	-84.0%
International outgoing courier	23,244	5,136	-77.9%
Total Postal & Courier	536,986	573,291	6.8%

The Postal and Courier volumes have been on an upward trend since the beginning of the year. In the quarter under review, this has been attributed to growth in domestic letters as shown in

the tabular exposition above. International incoming and outgoing courier declined significantly in the just ended quarter. This can be attributed to subdued International Shipment in the quarter under review. The trend in postal and courier volumes for the past few quarters is as shown in Figure 11 below:

Figure 11: Postal & Courier Volumes

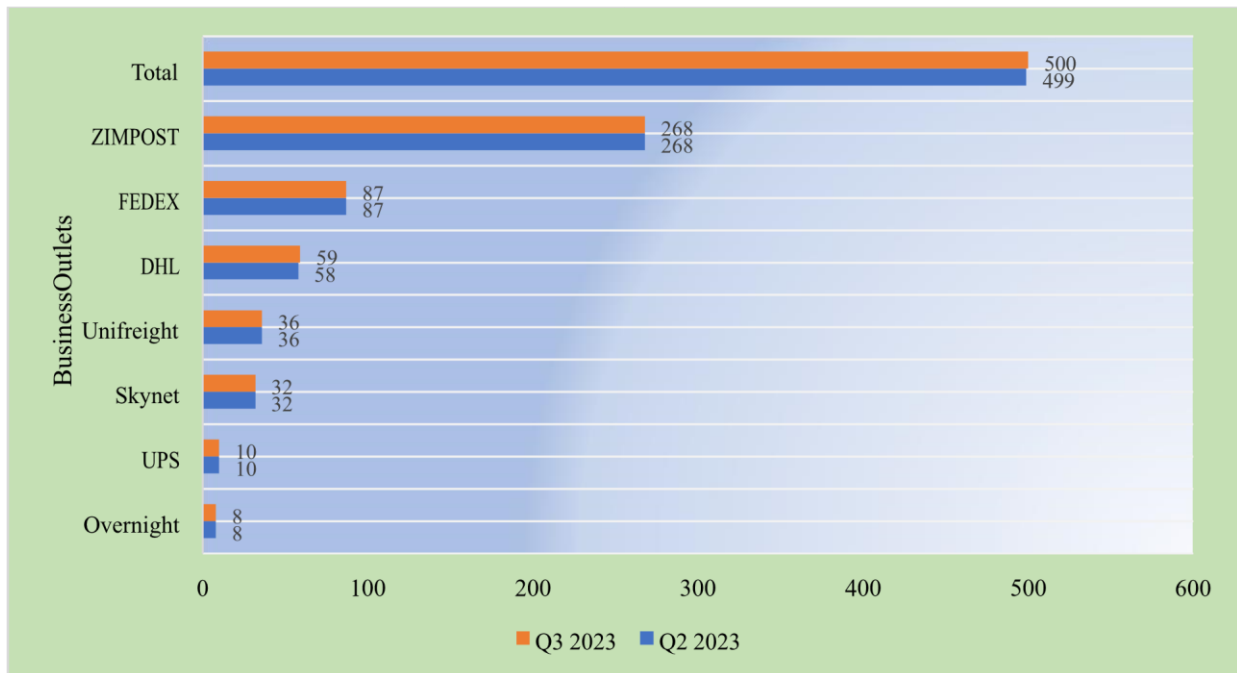


There is a need to continuously explore e-commerce facets to keep maintaining the positive trend in the postal and courier sector. Postal and courier operators must improve the delivery experience, while pivoting on new more efficient business models.

5.2 POSTAL DENSITY

The total number of operational postal and courier outlets by the licensed operators as of 30 September 2023 was 500, up from 499 operational outlets as of 30 June 2023. The distribution of postal and courier outlets is shown in Figure 12 below:

Figure 12: Distribution of Postal & Courier Outlets



DHL increased its footprint by 1 outlet in the quarter under review. As a result, the postal and courier density declined by 0.2% to reach 30,358, from 30,419 per postal establishment as of 30 June 2023. This implies a slight increase in access as the proportion of people per postal/courier outlet has reduced.

5.3 POSTAL & COURIER REVENUES, COSTS & INVESTMENT

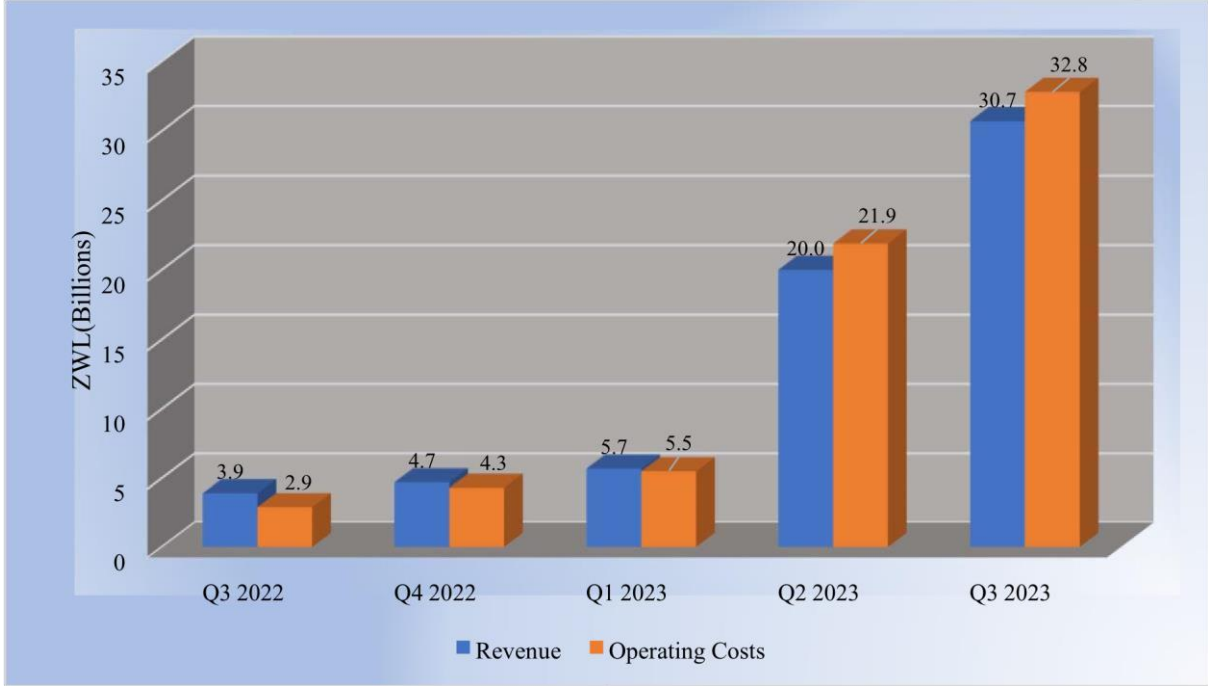
Total revenue, operating costs, and capital expenditure by the postal and courier sector in the Third quarter is shown in Table 13 below:

Table 13: Postal & Courier Revenues, Costs & Capital Expenditure

	Q2 2023	Q3 2023	% Growth
Revenues	20,049,342,271	30,744,816,813	53.3%
Operating Costs	21,859,859,315	32,793,049,017	50.0%
Capital Expenditure	317,939,945	325,520,680	2.4%

As with other subsectors, the growth in operating costs was higher than the growth in revenue. Postal and courier operators have not been immune to the trend of rising operating costs as shown in Figure 13 below:

Figure 13: Postal & Courier Revenues & Operating Costs (ZWL)



The recent upward trend in operating costs and revenues is attributable to the inflationary operating environment. For the quarter under review, Postal and Courier operating costs were greater than revenues generated by operators which is a sign that immediate interventions should be made to salvage the situation in the next quarter.

6.0 OUTLOOK

The Postal and Telecommunications industry experienced growth in nominal revenues in the third quarter of 2023 influenced by inflationary pressures and depreciating currency. However, operators’ revenue in real terms did not improve by the same margins as nominal growths in the quarter under review.

With the increasing need for businesses to undergo digital transformation, positive sector growth is anticipated. The tariff reviews initiated are expected to improve Revenue-to-Cost ratios (RCRs) of operators. This will spur increased investment by operators and enhance service delivery through improved coverage and quality of service.

The sector still faces inadequate foreign currency resources that are required to upgrade, expand, and maintain telecommunication networks. Low disposable incomes in the country remain a major constraint on service affordability and uptake by postal and telecommunication

users. The sector is heavily affected by power outages, which increase the cost-of-service provision. These are operational realities that inhibit sector growth.

The ongoing contractionary monetary and fiscal policy measures are expected to stabilize the macroeconomic environment, which is necessary to facilitate investment in the sector. As investment levels and economic well-being improve, it is expected that demand for services will increase and boost the performance of the sector.

In terms of fostering service uptake, there is need to come up with initiatives aimed at promoting local content that can be uploaded to the Internet. This can be done through embracing and promoting innovative projects by both private and public players.