

SCOPE OF WORK

STUDY INTO THE SOCIO-ECONOMIC IMPACT OF TELECOMMUNICATIONS IN NIGERIA

1. Background

The contribution of telecommunications to human development is not in doubt. Telecommunications infrastructures and services are widely acknowledged as powerful, progressive tools of socio-economic development. Studies (including reports published by the World Bank¹) have shown that telecommunications and ICT services have enhanced rapid economic development, reduced the costs of interaction, expanded market boundaries, and continues to enormously expand information flows as well as revenues for both the Government and private sectors.

The socio-economic impact or contribution of telecommunications in Nigeria since full liberalization of the sector is common knowledge. Following the digital mobile licensing that ushered in GSM in 2001, teledensity increased from 0.73% that year to 68.13% in 2011. This period saw an exponential increase in mobile telephony adoption and use from 266,461 active lines in 2001 to 95,387,893 in 2011². This tremendous growth is now making it possible for Nigerians to participate actively in the world economy. The International Telecommunications Union (ITU)³ revealed that with the increase of mobile phones in Africa from about 15 million in 2000 to over 160 million by the end of 2006, telecommunications has helped to bridge the global digital divide.

Described as one of the fastest growing telecommunications markets in Africa, the impressive penetration and adoption of telecommunications in Nigeria between 2001 to date has resulted in significant economic growth and critical development in several key areas, viz: agriculture; education and capacity development; entertainment; health; financial; information, logistics and transport; public administration; safety and security; etc. Virtually all consumers groups and demographics have been positively impacted; rural and urban; individual, Small and Medium Enterprises (SMEs), corporate, Governmental and Non-Governmental. Telecommunications is playing a central role in the realization of the 'cashless policy' of the Central Bank of Nigeria which is expect to infuse efficiencies and reduce the burden on the financial services sector to the tune of NGN114bn annually.

The success recorded by the telecommunications sector is attributable to positive policy actions by Government in creating a conducive and enabling environment. However, present actions by many Ministries, Departments and Agencies (MDAs) of Government at Federal, State and Local levels and also by groups in our communities now threaten the future survival of the industry at a very crucial time when the country should be gearing up for Broadband, a crucial infrastructure for realizing the nation's Vision 20-2020, i.e. to be among top 20 economies of the world by the year 2020.

Future growth and development of the sector are challenged by several factors, chiefly the lack of a clear mandate for the sector and the misfortune of multiple taxation and regulation as well as fibre cuts, vandalisation and frivolous shutdown of facilities. Articulation of the socio-economic contributions of the sector to Nigeria, including an indication of future expectations and the opportunity cost that inappropriate policy and administrative actions by Government among others can bring about has thus

¹ Information and Communication for Development Report, 2006

² www.ncc.gov.ng

³ www.itu/osq/spu/publications/worldinformationsociety/2007/report.html

become imperative. While some studies have been undertaken on this subject matter in the past, they have largely been limited in scope and/or have become overtaken by recent developments, in particular, the transition to Broadband. The industry is embarking on this robust study in close collaboration with Government. It is intended to be comprehensive, contemporary and compelling in providing a resource that will greatly assist Government provide an informed basis for decision, planning and action to sustain investments and development of the sector for its continued contribution to the Nigerian socio-economy. This scope of work is designed to provide a general guide on the modalities of the study to be conducted and to elicit propositions on how best to achieve industry objectives.

2. Objectives

To undertake a comprehensive study of the contribution of telecommunications to the socio-economic development of Nigeria from full liberalization of the sector to date; to discuss and document the findings from the study in a manner that provides a useful body of knowledge for industry; and also serves as a veritable resource that provides basis for informed decision and action by Government and policy makers.

3. Scope of Work

- a. To document the growth in telecommunication investment, infrastructure and services since full market liberalization in Nigeria and its impact on the socio-economic fabric of the Nation during the period to date.
- b. To identify factors responsible for the positive contribution of the telecommunications industry to socio-economic development of Nigeria.
- c. To determine what factors have hindered the derivation of maximum benefit to Nigeria from the telecommunications sector.
- d. To indicate positive policies and regulatory interventions that are required to sustain investment levels and improve on the sector's contribution to the socio-economic development of the Nation.
- e. To ascertain the best way to capture and present relevant telecommunication statistics to be used for economic planning and nation building.

4. Task Description

4.1. Document the growth in telecommunication services since the liberalization of the telecommunications sector in Nigeria including its impact on the socio-economic fabric of the Nation.

- a) Determine the basic Government expectation of the telecommunications sector to date following full liberalization of the sector.
- b) Provide Year-on-Year (Y-O-Y) breakdown of subscriber growth in the use of telecommunication services since 2001.

- c) Provide an indication of the utilization of telecommunication services in Nigeria but not limited to voice, sms and broadband services.
- d) Document the growth in the penetration of telecommunication services in the urban and rural areas as well as across various consumer segments – individual, SME, Corporate, Government (MDAs) and Non-Governmental.
- e) Provide Y-O-Y breakdown of telecoms-related Foreign Direct Investment (FDI) in the Nigerian economy.
- f) Provide Y-O-Y breakdown of direct and indirect employment opportunities created by the industry.
- g) Provide Y-O-Y breakdown contribution of the telecommunications industry to Gross Domestic Product (GDP) and other socio-economic indices.
- h) Provide an analysis of the adoption of telecommunications services by various sectors of the economy (e.g. finance, real estate, healthcare, security services, etc) and how this has impacted on the provision of social services and the development of product and services in these sectors as well as creating additional revenue streams for these sectors.
- i) Ascertain total amount invested by telecommunications operators on Corporate Social Investment (CSI) initiatives and how these initiatives have impacted on various societies and communities.

4.2 Identify factors responsible for the positive contribution of the telecommunications industry to socio-economic development in Nigeria

- a) Conduct an overview of the telecommunications sector to ascertain its achievements since liberalization in relation to the expectations of Government and the populace.
- b) Assess the impact of the current public policy regime to the growth of the telecommunications sector.
- c) Assess the impact of the current regulatory regime on the growth of the telecommunications sector.
- d) Indicate if the existing policy and regulatory regimes suffice to sustain and improve on the level of growth in the sector.

4.3 Determine what factors have adversely impacted on the growth of telecommunication in Nigeria

- a. Conduct an assessment (with an indication of the cost implications and burden) into the impact of the following factors on the optimal performance of the telecommunications industry.

- i. Multiple and inappropriate taxation of telecommunications operations including arbitrary, unfairly discriminatory and inequitable tax impositions and hikes for purely administrative activities.
 - ii. Multiple and inappropriate regulation leading to unwarranted exposure.
 - iii. Inadequate public electricity supply and the vagaries of alternative energy supply using diesel generators given the logistical burden of running a nationwide distribution network given the state of road transport infrastructure.
 - iv. Fibre cuts and the vandalism of telecommunications facilities.
 - v. Telecommunications transmission backbone infrastructure inadequacies in the face of Right of Way approvals and controls by MDAs.
 - vi. Absence of local manufacture and maintenance capabilities.
 - vii. Community challenges including incessant site shut-downs
 - viii. Utilisation of the Universal Service Provision Fund.
 - ix. Dearth of long term investment capital in-country at investor friendly rates.
 - x. Any other factor which may have adversely impacted on the growth of the sector.
- b) Determine the potential savings which would have accrued to the sector if these challenges did not exist and how these savings would have impacted on the socio-economic fabric of the nation if they were re-invested.
- c) Determine the potential revenue Government would have earned from taxes, etc if these savings were re-invested in the sector.

4.4 Determine what positive policies and regulatory interventions are required to sustain investment levels and the continued contribution of the sector to the socio-economic development of the Nation.

- a) Recommend key positive policy and regulatory interventions that are necessary to drive the continued growth and contribution of the sector. **(This may be benchmarked against the draft ICT policy)** which shall not be limited to:
- i. Policy and legislation to accord needed protection to telecommunications installations and prescribe baseline standards of administrative conduct by MDAs including mechanisms to deal with overlapping functions.
 - ii. Streamlining regulatory approvals and controls; harmonizing tax administration and processes and eliminating instances of multiple and arbitrary taxation.

- iii. Call for early release of digital dividend and broadband spectrum, including issuance of a national frequency plan to provide a spectrum roadmap for the industry.
- iv. Any other issue which may be a fallout of a challenge identified in 4.3 above.
- b) Highlight the potential benefits to Government at the Federal, State and Local levels and other stakeholders where the recommended policy and regulatory interventions are adopted.
- c) Highlight potential incremental GDP that would accrue from broadband through digital dividend and other broadband spectrum availability given growing international bandwidth to Nigeria via undersea cables.
- d) Identify the role of each stakeholder for each intervention recommended and suggest implementation timelines.
- e) Identify commitments expected to be extracted from telecommunication operators where the desired interventions are implemented.

2.5 Ascertain the best way to capture and present relevant telecommunication and socio-economic indices and statistics to be used for economic planning and nation building.

- a) Suggest socio-economic indices including but not limited to those mentioned in 4.1 above, that may be used for gauging contribution of telecommunications to the development of Nigeria over time.
- b) Indicate relevant MDAs or other entities that are best placed to capture and report these socio-economic indices and the possible collaborations they may have with international agencies in that regard.