

# OUR STORY AND IMPACT

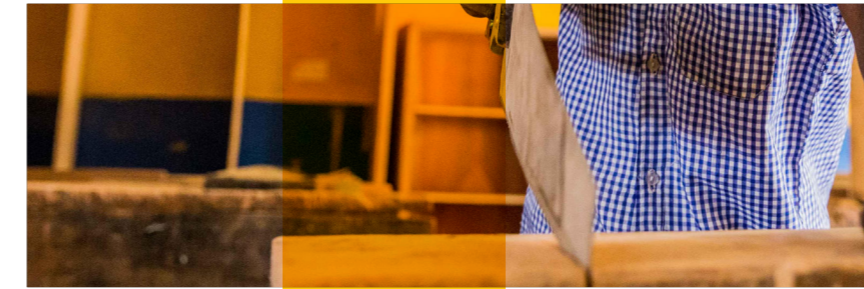
A Socio-Economic Impact Assessment and Perception Study of MTN Nigeria Communications Limited (MTNN)



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MTN

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# Contents

<b>1</b>	<b>The Operating Environment and Industry</b> <ul style="list-style-type: none"><li>• Drivers of the Operating Environment in Nigeria</li><li>• Nigeria's socio-economic story</li><li>• Impact of Nigerian Operating Environment on MTN</li><li>• The Nigerian Telecommunications Industry</li></ul>	<b>24</b>	<b>4</b>	<b>Social Impact of MTN in Nigeria</b> <ul style="list-style-type: none"><li>• CSR Philosophy</li><li>• The Sustainability imperative</li><li>• Assessment of Projects</li><li>• MTN Foundation CSR Performance Benchmarking</li><li>• MTNF's social investment in numbers</li></ul>	<b>84</b>
<b>2</b>	<b>What has MTN done since it came to Nigeria?</b> <ul style="list-style-type: none"><li>• The Commercial Entity</li><li>• The socially responsible Corporate Entity</li></ul>	<b>62</b>	<b>5</b>	<b>How is MTN perceived by its Stakeholders?</b> <ul style="list-style-type: none"><li>• Survey Findings – Internal and external survey results</li><li>• Practices to sustain and to drop</li><li>• Conclusions on perception study</li><li>• Recommendations on perceptions study</li></ul>	<b>118</b>
<b>3</b>	<b>How much impact has MTN's presence in Nigeria has on the Economy?</b> <ul style="list-style-type: none"><li>• The measure of MTNN's Economic Impact</li></ul>	<b>72</b>	<b>6</b>	<b>Conclusions &amp; Recommendations</b> <ul style="list-style-type: none"><li>• Conclusions</li><li>• Recommendations</li></ul>	<b>132</b>

## Background

Efforts, starting in the 1990s and crystallizing by the early 2000s, to liberalize the Nigerian Telecommunications Industry paved the way for the entry of Mobile Telecommunications Network Company (MTN) into the Nigerian market. The case for liberalization of the sector was made by prevailing industry conditions at the time. At the turn of the century, the telecoms industry in Nigeria was grossly underdeveloped. Available telecommunications infrastructure was limited in coverage and reach, such that only 700,000 active telephone lines were in operation.

Reform efforts had begun in the early 1990s with the establishment of the National Communications Commission (NCC) by Decree 75 of 1992. The mandate of the NCC (which was inaugurated in July 1993) as enshrined in its enabling law included primarily:

- Creating a regulatory environment to facilitate the supply of telecommunications services and facilities;
- Facilitating the entry of private entrepreneurs into the telecommunications market; and
- Promoting fair competition and efficient market conduct among all players in the industry



As part of the execution of the NCC's mandate, efforts toward developing a policy framework to reflect the foregoing imperatives was concluded by 1995. However, the draft National Policy on Telecommunications (NPT) was only released in 1998. Recognizing the need to update and upgrade the content of the policy to reflect evolving conditions domestically and internationally as well as global best practices, the President Olusegun Obasanjo Administration commissioned, in 1999, a review of the Telecommunications Policy with the following directional beacons:

- Total Liberalization of the sector
- Engenderment of Competition in the sector
- Private sector-led growth of the sector

Under the auspices of the NPT, which was finally launched in May 2000, the NCC invited domestic and international telecommunications companies as well as investors to bid for operational licenses including for the Global System for Mobile (GSM) services. That process was concluded in February 2001 with the issuance of Digital Mobile Licenses (DMLs) to four successful Digital Mobile Operators including:

- Mobile Telecommunications Network (MTN)
- Econet Wireless Limited (EWL)
- Mobile Telecommunications Limited (MTEL)
- Communications Investment Limited (CIL)

Three of the four licensees paid a total of US\$855mn, amounting to a stipulated fee of US\$285m for each license, to the Nigerian government. MTN, as one of the successful bidders which obtained licenses as the outcome of the auction process, commenced operations in Nigeria in May 2001, with the first phone call on its network on May 16.

Since operations commenced, MTN has grown its revenue from N15.04bn (US\$122.5mn) in fiscal year 2001 to N885.4bn (US\$2.98bn) in fiscal year 2017. Today, the MTN network hosts about 52.3million subscriber accounts, making it the largest network in Nigeria. Nigeria has also emerged as one of the critical markets for the wider MTN Group, which operations span 22 countries across sub-Saharan Africa and the Middle East and North Africa regions of the world.

In 2015, MTN Nigeria entered regulatory stormy waters when the Nigerian government slapped it a US\$5.2bn fine for failing to disconnect 5.1mn unregistered subscribers' SIM cards from its network within a period stipulated by the domestic telecommunications industry regulator, the National Communications Commission (NCC).

## Background

## This report presents the findings of the aforementioned Impact Assessments and Perception Study. The underlying research and survey are designed to be subsequently used as a tool for monitoring and improving MTNN's socio-economic impact in Nigeria

The regulatory challenges to the company that have ensued since then necessitate an understanding by a broad group of stakeholders of the degree of importance of MTN to the Nigeria market, understanding which is best conveyed through an assessment of the qualitative and quantitative socio-economic impact MTN has had on the Nigerian economy and social space.

In order to better understand and quantify MTN's impact in Nigeria and vice versa over the period of 2001-2017, MTN Nigeria (MTNN) invited KAINOS Edge Consulting to conduct a Socio-Economic Impact Assessment (SEIA) of its presence and operations in the Nigerian market as well as empirically ascertain the Perception of the MTNN brand through the lens of various its stakeholder groups in Nigeria. This report presents an independent view, as developed by KAINOS Edge, and does not represent the views of MTNN, its staff or any entities affiliated to it. Its main objective is to communicate to MTNN stakeholders, the progress MTNN has made in creating shared social and economic value through her activities in Nigeria since commencement of operations.

This report presents the findings of the aforementioned Impact Assessments and Perception Study. The underlying research and survey are designed to be subsequently used as a tool for monitoring and improving MTNN's socio-economic impact in Nigeria, and should ideally be repeated every 24 months to keep MTN leadership and stakeholders abreast of the evolution of the degree and direction of MTNN's impact on Nigeria and how it should affect MTNN's strategic imperatives in the Nigerian market.

**The report unfolds in the following sequence, featuring the following broad sections:**

1. **Introduction:** A characterization of the **Environment** in which MTN has operated in the Nigerian market, how that Operating Environment has affected MTNN and the industry in which MTN has operated
2. **MTN'S Activities** as a commercial entity and as a socially responsible corporate entity
3. The **Impact** of MTN's activities in Nigeria on the **Economy**
4. The Impact of MTN's **Corporate Social Responsibility** Investments
5. Stakeholders' **Perception** of the MTNN brand
6. Conclusion and Recommendations

# Executive Summary



## OBJECTIVES

This report presents an assessment of the socio-economic impact of MTN in Nigeria and a study of the perception of MTNN brand from the view point of her key stakeholders. The objectives of this assessment and study include:

1. To describe the environment in which MTNN operates in Nigeria
2. To understand, quantify the impact of the Nigerian Environment on MTNN's business
3. To understand and quantify the level of impact MTNN has made in creating shared social and economic value through her commercial and corporate social responsibility activities in Nigeria
4. To understand key stakeholder impressions of MTNN

## METHODOLOGY

Conduct of a socio-economic impact assessment and perception study of MTNN in Nigeria entails arriving at answers to 3 specific questions and they are:

1. "What is the effect of the Nigerian Economy and Society on MTNN's activities?"
2. "What is the wider effect of MTNN's activities on the Nigerian Economy and Society?"
3. "What do MTNN stakeholders think of MTNN?"

In answering these questions, this study draws on a combination of quantitative and qualitative assessments

- The quantitative assessments focus on the economic impact of the MTNN's activities in Nigeria. We interact, using the Input-Output methodology, a well-established impact assessment tool world over, MTNN's financial statements data with wider macroeconomic data in an attempt to quantify the direct, indirect and induced impact of MTNN's economic activities on output, value-add, employment and taxes, levies and licences.
- The qualitative assessments focus on assessing MTNN's efforts to build a sustainable business in Nigeria, through Corporate Social Responsibility activities which echo the company's commitment to the long-term development of Nigeria in the areas of Healthcare, Education and Economic Empowerment
- The qualitative assessments also examined the perception of key stakeholder groups i.e. customers, trade partners, suppliers, media, government etc. of MTNN via interviews and Focus Group Discussions





## CONTEXT

### The Nigerian Operating Environment:

In the period since MTN commenced operations, the Nigerian operating environment has evolved in fundamental ways including the following:

- In size, the economy in Nigeria increased five-fold between 2001 and 2017. Whilst presently estimated at US\$372bn presently (versus US\$73bn in 2001), it peaked at about US\$510bn in 2014
- Over the same period, Nigeria's population has increased from an estimated 126m to 191m. Despite the significant leap in population, per capita income has increased from about US\$600 to US\$1,950, having peaked at about US\$3,270 in 2014. While income per head of population has increased, Nigeria remains a lower middle-income country
- With income concentrating upwards, Affordability of goods and services is limited for vast segments of the population – estimated at 89million people – which live below the poverty line. This challenge is worsened by the erosion of the internal and external value of the Nigerian currency
- The spending patterns of the Nigerian consumer have changed in a way that reveals greater sophistication, expressed in a move from subsistence to increasingly lifestyle preferences, although that evolution is susceptible to being slowed by severe economic downturns such as Nigeria suffered between 2015 and 2017. The effect of economic downturns is to induce consumers to, under pressure, adjust spending patterns in ways that raise their allotments to subsistence spending
- Structurally, the Nigerian economy has been transformed from an economy dominated by extractive industries at the beginning of the century to one dominated by service industries, but this process has bypassed the second critical stage of industrial evolution in economies, wherein services are dominated by secondary sectors, chief among which are Manufacturing and Construction
- Agriculture has been the economy's growth mainstay in terms of sectoral contribution to growth, although demand-driven sectors – such as Distribution (Wholesale and Retail Trade) and ICT (which encompasses the Telecommunications industry) – emerged, ahead of the 2016 recession, as important growth drivers

### The Telecommunications Industry

Nigeria's telecoms industry, which provides the competitive backdrop for this study, has experienced impressive growth since its liberalization in 2001. Notwithstanding the 2016 economic recession from which the economy in Nigeria is recovering – albeit slowly – and which manifested in the Telecoms sector in 2017, the sector grew at an annual average rate of 20.8% between 2001 and 2017



- By 2017, the sector's contribution to national output had also risen to 8.7% from 1.3% in 2001
- With sector investment estimated to have grown from US\$50mn in 2001 to US\$70bn by 2017, it is unsurprising that network size and subscription have also grown
  - The wireless network has evolved from 2G in 2001 to 4G in 2017. By comparison, the most advanced network technology worldwide in 2001 was 3G. Today, wireless network spectrum coverage has reached 4.5G (LTE pro) in the most advanced jurisdictions, with the deployment of 5G technology imminent. The number of subscribers grew from 2.27mn in 2002 to 149.06mn at the end of 2017
- Underpinned by global technological evolution and enabled by the reforms at the beginning of century, the sector has evolved from the dominance of fixed lines to mobile telephony (voice services) and increasingly to data services, even as product innovation has stimulated the emergence of a wide range of value-added services
- Another way to reckon with the sectoral evolution is to recognize its transition from the deployment of facilities that provide voice services to those that facilitate access to content (data services infrastructure). The next frontier is value co-creation, wherein operators must devise ways to gain access to segments of consumer wallets not devoted to traditional telecoms services

### Risks faced by operators in the Nigerian Environment:

Operators in the Nigerian environment face risks ranging from:

- The challenge of building a world-class corporate organization is adversely affected by the difficult operating environment – illustrated by Nigeria's position in the Global Competitiveness Index (124 of 135 countries) and Ease of Doing Business rankings (145 of 190 countries). Competitive weakness of the Operating environment derives from-Infrastructure deficiencies, especially in power, which elevate operating costs. We estimate this factor has led to a loss of about N1.5trillion in potential output by MTN
- Capital deficiencies, which manifest in high domestic borrowing costs and constrained access to credit, inducing businesses resident in the Nigerian market preference for borrowing from attractive, low interest-rate jurisdictions
- Similarly, human capital deficiencies and skills shortages undermine the advantages associated with Nigeria's large labour force (estimated at 85.1m as of 2017)
  - **Vulnerability to external conditions** – especially oil prices, but also international macroeconomic (monetary) policy and its consequent impact on capital flows

- Heightened regulatory uncertainty

- **Security:** Though available data shows a decline in the number of attacks on telecommunications infrastructure, the ongoing insurgency in Nigeria's North East continues to hamper operations, by leaving telecoms infrastructure vulnerable

### Opportunities remain available in the Nigerian market:

The Nigerian Market offers enormous opportunities given:

- Large population and its projected growth – The United Nations projects Nigeria's population to reach 411m by 2050, which will make her the world's third most populous country
- Sizeable disposable income (at US\$367billion in 2017), notwithstanding severe constraints to affordability for many
- Expanding network capacity: from Voice to Data services; from 2G to 4G coverage, with 5G imminent
- Subscriber base expansion: Telecoms subscriber base expansion from 2.3m in 2002 to 161.8m today
- Industry evolution: The transition from Voice to Data to Value Added Services (VAS), which offers the brightest prospects for the expansion of the industry through spinoff, non-telecoms products, enabling access to non-ICT segments of the consumer spending basket

### OUTCOMES

MTNN's activities in Nigeria have contributed to output, local employment, wages, profits and tax payments in many different value chains. Though little known and recognized, the activities of its Foundation (MTNF) has also affected approximately 0.5 percent of the Nigerian Population

#### Economic Impact

Overall, the main findings are as follows:

- MTNN contributed N8trillion to value-add generated in Nigeria and this is equivalent to about 1.5% of aggregate value created in the period of 2001-2016

- MTN's activities have created over 2.5mn jobs in Nigeria in the period of 2001-2016
- MTNN's contribution in terms of Income Taxes, Levies and fees in the period of 2001-2017 is estimated at about N1.77trillion
- MTNN through its direct, indirect and induced impact has paid N1.3trillion in wages and salaries in the period of 2001-2016. This amounts to about 1.1% of the aggregate compensation to employees in the Nigerian Economy in the period
- MTN's cash balances, over the last eight years, have amounted to an average of 2.9% of banking industry deposits
- MTNN has been responsible for a number of telecommunications industry firsts such as establishing service presence in all states in Nigeria, roll out of Virtual Top Up (VTU) as a top up option etc

## Social Impact

Our review of the activities of the MTN Foundation (MTNF) across Nigeria's 6 geopolitical zones show considerable investments in addressing a range of Nigeria's challenges from poverty, to lack of access to healthcare or education, employment and even community development. Some of our key findings include the following:

- We see an alignment of MTN's Corporate Social Investments with the worldwide development aspirations enshrined in the UN Sustainable Development Goals (SDGs) 1 [No Poverty], 3 [Good Health and Wellbeing], 4 [Quality Education], 6 [Clean Water and Sanitation] and 8 [Decent Work and Economic Growth].
- MTNN's Corporate Social Initiatives have positively affected the lives of their beneficiaries. We have identified the following areas in which these impacts have manifested:
  - Youths have been empowered to start SMEs, and women have been encouraged to launch various small-scale businesses
  - Infrastructural development in communities have been facilitated through MTN's Corporate Social Initiatives
  - The quality of life and the life span of beneficiaries have improved at various intervention points:
    - MTNF Maternal Support Ward Project has facilitated safe and healthy delivery of children as well as the health of their mothers across the country
    - Patients at various PHCs have benefited from affordable medical care across various health centres. The **Y'ello** Mobile Clinic has provided free medical services in remote and urban areas of the country

- Empirical evaluation of MTNN's Corporate Social Responsibility projects yielded positive Social Return on Investment (SROI), except the Mammography Centre Project in Uthman Dan Fodio University Teaching Hospital, Sokoto, where we observed a negative SROI. We trace this negative outcome to the following causes:
  - As a result of lack of medical consumables such as films for X-ray, globes, solvent, etc., there has been no scan conducted at the centre since March 2017
  - Maintenance challenges at the Project Centre. The air-conditions needs servicing, stationaries and office supplies are being purchased with the personal money of the staff and the generator has been inoperative for about 1 year because of no funds to buy diesel and service the kick-start battery
  - The hospital is not in charge of the Mammography Centre according to the contract document; hence the hospital shows no concern for the centre

## Perception Study

The perception of MTNN from the viewpoints of both key external and internal stakeholders are as summarized:

- The Market leadership of MTN is recognized by all stakeholders and it is associated with a large customer base. However, we see that in recent years, many customers have been attracted to the other operators especially, Airtel and 9mobile
  - The MTN brand is perceived as:
    - A stable network
    - With wide network coverage
    - With Fast internet connectivity
    - Generous with its bonus offerings to customers as a reward for airtime recharge
  - The MTN brand is quickly mentally associated with:
    - Reliability, availability, excellence, and innovation
    - Operational stability, it is the first network for most people, and this has enhanced subscribers' long stay on the network – loyalty and has made it practically difficult to disengage despite dissatisfaction with some aspects of service delivery

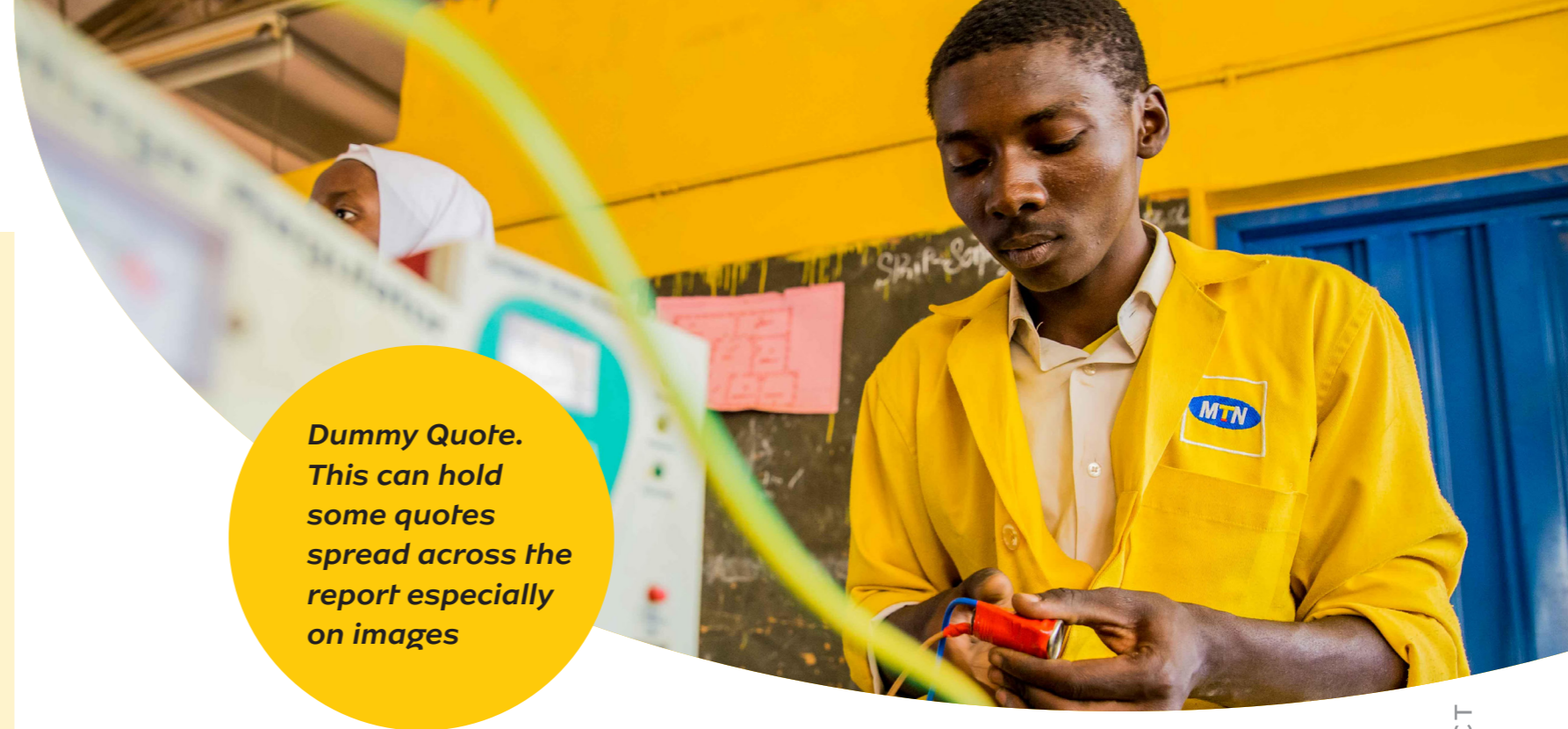
- The areas of improvement for the MTN brand are:

- Minimal presence in brand enhancement through areas of cultural importance to Nigerians e.g. domestic football
- Better control of a larger customer base
- Arbitrary deduction of airtime
- Automatic subscription to unwanted services
- Unsolicited SMS
- Expensive call/data rates
- Deficit of awareness in the public sphere of the extent and value of CSR activities undertaken by the MTN Foundation as most of the respondents are currently unfamiliar with the Foundation's activities

- The perception of MTNN from the viewpoints of key internal stakeholders i.e. employees and the key areas for improvement are as summarized:

- On-the-job satisfaction of staff and recognition of good staff performance
- Staff severance and retirement benefit schemes
- Staff welfare package (housing, staff bus, medical insurance, job security, salary review, & training)
- Equal opportunity in employment and staff elevation and promotion
- Staff training and education
- Adequate recruitment to alleviate workload on staff
- Feedback channel – from staff to management and vice versa
- Protocols/bureaucracy in the system

- The extent of MTNN's extensive employee training and on-the-job experience has created a class of alumni which capacities now benefits the wider telecommunications and financial services sectors. Illustrating this are 5 alumni of the company, who now serve in CEO capacities across the various industries, identified in this report



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## CONCLUSIONS AND RECOMMENDATIONS

We conclude that in the highly complex Nigerian environment, MTNN has been successful in realizing the following accomplishments in over a decade and a half:

1. MTNN with over 52 million subscribers, continues to provide cellular network access and ICT solutions to millions of Nigerians, connecting whole communities with each other and with the rest of the world
2. Between 2001 and 2016, MTN created economic value equal to about 1.5% of Nigeria's GDP. This implies just over 66 companies of MTN's size equals Nigeria's GDP
3. MTNN supports local employment, wages, profits, and tax payments in many different value chains. Through these activities, MTNN fulfills important societal functions: as a tax payer, employment provider, generator of talents, innovator and supporter of profits
4. MTNN also continues to play a significant role in inclusive growth which is crucial to Nigeria's economic development. The company through its operations has empowered over 500,000 Nigerians who serve as its dealers, wholesalers and retailers and who in turn have a business structure that supports the empowerment of other Nigerians and the development of the communities in which they operate
5. MTNN's through the activities of its foundation has expended about N18billion between 2001 and 2017 in the execution of over 750 life impacting projects related to Health, Education and Economic Empowerment of Nigerians

It is the recommendation of the assessors that MTN take significant steps to:

### Rethink its Business Model on Stakeholder Engagement in the Nigerian Market

A rethink of MTN's business model, particularly as far as its external stakeholder engagement goes, is imperative. Presently, the MTNN external stakeholder engagement appears to rely on a quiet, below-the-radar/private engagement strategy. This has been interpreted as an unwillingness to engage in case feathers are ruffled. However;

1. MTNN needs to project a recognizable and credible Nigerian face: Though known in their own individual rights, only a few associate the Nigerian leadership of MTNN with the company
2. Landmark Projects: Whilst a high number of CSR projects/ interventions enables diversity and greater impact, there is need for MTNN to consider investing in landmark social projects like a state-of-the-art hospital in the country to which credit could be attributed. Such initiative, in contributing its quota to reducing the incidence of a medical tourism among Nigeria's upper classes and given the enormous publicity it would garner, would boost stakeholder appreciation of the company's presence in Nigeria, more so than isolated projects that are hardly seen much less recognized outside of their locations.
3. Public Policy: Beyond the direct Industry-relevant regulators (Nigerian Communications Commission (NCC), Consumer Protection Council (CPC)), there is need for the company to establish and/or deepen relationships with policymakers – Executive and Legislative at both national and sub-national levels. Only rarely should significant, far-reaching policy developments come as a surprise to MTNN.

### Enhance the Image

The assessors also recommend to MTNN to consider the following:

- The limited footprint of MTNN in socio-cultural phenomena which are significant in defining the Nigerian identity needs to be reassessed. In our view, the company's presence and impact in the sports sponsorship (especially football) is limited and that should be rectified.
- Awareness of the existence and activities of the MTN Foundation needs to be boosted significantly. Concurrently, stakeholders (the general public, in particular) need to better associate the Foundation with MTNN.
- The Foundation's interventions should be more targeted at community investment programs that would appeal to not just the interest of the masses but key stakeholder groups especially the Nigerian Government

- In order to improve, strengthen and scale impact on the corporate social initiatives, the Foundation should adopt the following protocols:

- A Needs Assessment: To ensure appropriate engagement of community stakeholders so that community needs and company objectives are aligned
- An Adequate Monitoring and Evaluation: Develop efficient monitoring systems according to project clusters or type of intervention
- A Performance Assessment and Reward Framework: Develop a sustainable and efficient reward system for volunteers, youth corps' members and officials.



Chapter one

# THE OPERATING ENVIRONMENT AND INDUSTRY

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## DRIVERS OF THE OPERATING ENVIRONMENT IN NIGERIA

### 1.1.1 Nigeria – The Country

Nigeria is located in West Africa and is demographically and economically the largest country in the subregion. Nigeria lies on the West African coast line, abutting the Gulf of Guinea to the South and the Sahel Savanna and Sahara Desert to the North. It is located between longitude 3o-15o East of the Greenwich Meridian and latitude 4o-14o North of the Equator. The Nigerian landmass amounts to about 923,768 km<sup>2</sup> which run across 6 vegetative belts.

The country is governed as a federal republic comprising 36 states and a Federal Capital Territory (which run across 6 geopolitical zones) and 774 local government areas. Presently, Nigeria is a constitutional democratic republic, where civilian administrators are elected in general elections every four (4) years. As of 2017, Nigeria’s population, according to official United Nations estimates, stood at over 190m people. These are spread across over 250 ethnic groups, which underscores the country’s cultural heterogeneity.

#### EXHIBIT 1: NIGERIA – THE COUNTRY

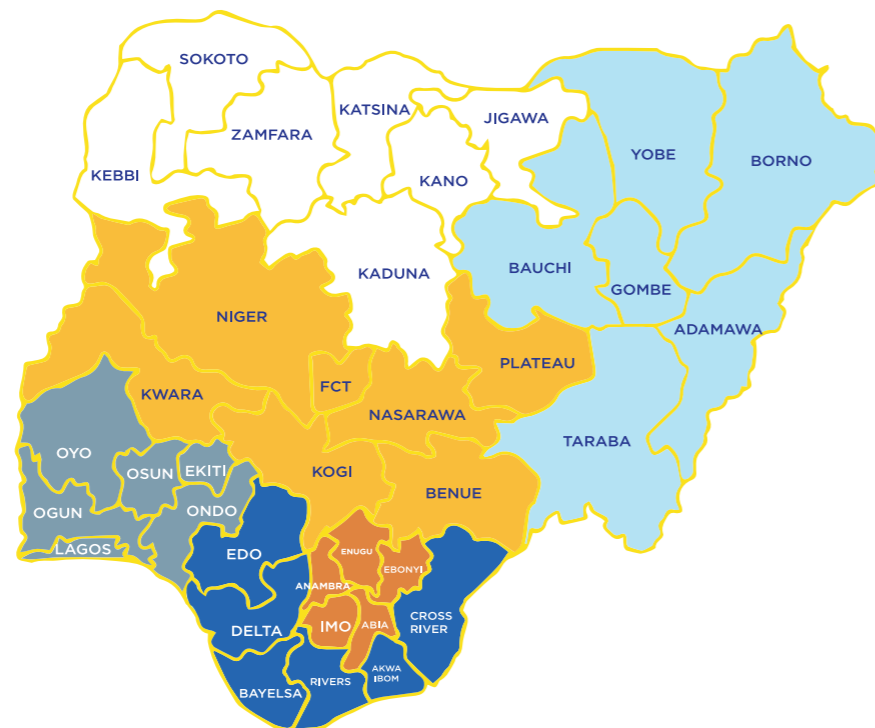
##### Location:

West Africa; Longitude 3°, 15° East of the Greenwich Meridian and Latitude 4°, 14° North of the Equator

Lying on the West African coast line, abutting the Gulf of Guinea to the South and the Sahel Savanna and Sahara Desert to the North

##### Key

- North West
- North East
- North Central
- South East
- South West
- South South



##### Sub-Federating Units

36 States (across 6 Geopolitical Zones)  
774 Local Government Areas

##### Landmass

923,768km<sup>2</sup>  
6 vegetative belts

##### People

Over 190million people  
Within 250 ethnic groups and similar indigenous languages

### 1.1.2 Drivers of The Nigerian Economic and Business Environment

Corporates which exist in Nigeria today, whether they are indigenous or foreign entities, operate under a set of economic and business conditions which are the result of decades of evolution in the Nigerian political economy. We make the case that over the last two decades, period corresponding to the duration of MTN’s presence in Nigeria, a number of significant developments have occurred in the Nigerian political economy that account for the configuration of today’s economic and business environment.

These developments may be divided into two categories: drivers and outcomes. This section will characterize the former, whilst the next section will describe the latter. In characterizing the drivers of the Nigerian economy, we distinguish between two paradigms:

The first paradigm encompasses major developments over the last two decades that have culminated in the nature of the workings of the Nigerian economy today – including Nigeria’s democratization itself, the reforms of Nigeria’s economic policy architecture, and the deepening of the domestic economy’s integration into the global economic and financial system.

The second paradigm conveys a framework for thinking about how the Nigerian economy functions today, in terms of the factors that drive it. In characterising these two paradigms, we would set a backdrop that then enables us to describe Nigeria’s socio-economic evolution (the outcomes) in the next section.

#### 1. Democratization

Since its restoration in 1999, democracy in Nigeria has endured and is consolidating. The successful conduct of 5 rounds of multi-party general elections and the transition of power from one ruling party to another after the most recent round in 2015 are indicators of incremental progress in this regard. In 2019, Nigeria will mark 20 years of the current democratic dispensation (the Fourth Republic) – her longest attempt at unbroken civilian rule – with another round of general elections. MTN would have been present in the Nigerian market for 18 of those 20 years!

Notwithstanding progress in democratization, the Nigerian polity remains vulnerable to disruptions to internal socio-political stability. Beyond the general manifestations of insecurity that affect urban and rural centres across the Nigerian landscape, a range of critical developments which threaten national security and cohesion have emerged over the last 2 decades. They include primarily:

- Resource agitation in the Niger-Delta – Political agitation for resource control as well as in protest of environmental degradation in the oil-rich Niger Delta has crystallized into cycles of armed insurrection, with local militant groups perpetrating disruptions to oil & gas production by damaging key infrastructure in addition to posing threats to the safety of industry personnel, especially expatriates
- Insurgency in the North-East – For a decade now, the Nigerian North-East has been the base of a deadly religious insurgency led by the Islamist terror group,

Boko Haram. Activities of the group peaked in 2014 with the capture of significant swathes of territory in the region. Progress has been made in reclaiming control of Nigerian territory from the group, although the insurgency festers

- Pastoralist-farmer clashes in the Middle Belt – Assailed by increasing desertification, pastoralists or herdsmen among Nigeria’s Fulani increasingly foray into Southern communities where they clash with arable crop framers, the latter facing the prospect of losing farmland and produce. Overwhelmingly, these clashes occur with the herdsmen as perpetrators and farmers as victims of the carnage

## 2. Economic and Institutional Reform

Nigeria’s return to democracy presented the backdrop for the ongoing institutional and economic reforms Nigeria has implemented since. These reforms reflect the following imperatives:

- Repairing and overhauling Nigeria’s public finances
- Overhauling the monetary & financial services system and strengthening the regulatory architecture for the sector
- Moving the levers of the economy significantly away from state control to the private sector, whilst incentivizing private investment
- Revamping the apparatus for public sector functionality and service delivery

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## BOX 1 – SUMMARY OF NIGERIA'S REFORMS STORY

<p><b>Fiscal and Public Financial Management Reforms</b></p> <ul style="list-style-type: none"> <li>• Initiation of oil price-based fiscal rule, a fiscal savings buffer (the Excess Crude Account) and a savings investment vehicle (the Sovereign Wealth Fund)</li> <li>• Institution of best fiscal practices, particularly through the enactment of the Fiscal Responsibility Act, 2007, which codified fiscal sustainability rules and guidelines</li> <li>• 2006 Debt Relief</li> <li>• Debt management and sustainability frameworks; establishment of the Debt Management Office</li> </ul>	<p><b>Monetary and Financial System Reforms</b></p> <ul style="list-style-type: none"> <li>• Banking industry consolidation; Insurance industry consolidation</li> <li>• Pension industry reform</li> <li>• Modernization of Monetary Policy framework – the overhaul of instruments of policy [movement from the Minimum Rediscount Rate (MRR) to the Monetary Policy Rate (MPR)], regular Open Market Operations, the adoption of Inflation Targeting</li> <li>• Enactment of supporting Legislation, the CBN Act 2007</li> <li>• Financial Systems Strategy (FSS) 2020</li> <li>• Capital market reforms – the Investment and Securities Act (ISA), 2007</li> <li>• Response to the 2009-2010 banking crisis – the Asset Management Company of Nigeria (AMCON)</li> </ul>
<p><b>Economic Liberalization and Private Sector Development</b></p> <ul style="list-style-type: none"> <li>• Privatization and deregulation in the Telecommunications and Power (Generation and Distribution) sectors</li> <li>• Infrastructure Concession, Public Private Partnerships</li> <li>• Privatization of state-owned enterprises – Nigeria Telecommunications (NITEL), National Fertilizer Company (NAFCON), National Insurance Company (NICON)</li> </ul>	<p><b>Public-Sector Reform and Transparency</b></p> <ul style="list-style-type: none"> <li>• Anti-corruption drive: Creation of anti-graft institutions – ICPC, EFCC</li> <li>• Resource use accountability – National Extractive Industries Transparency Initiative (NEITI), Bureau of Public Enterprises</li> <li>• Public Procurements – Bureau of Public Procurements (Public Procurement Act, 2007)</li> </ul>

A fifth category may be added to the quartet of reform categories above. That category would encompass reforms that were specific to various sectors such as Education and Health, which have been carried out across the various sectors since 1999.



BOX 2 – REFORMS: WHAT YET REMAINS TO DO?

Nigeria's reform story is in itself incomplete. If the precedent set by the broad thrust of the initial reforms implemented after the transition to democracy in 1999 is anything to go by, a major signpost in the evolution of the Nigerian political economy would entail engendering fundamental framework where the price system determines how key resources are allocated and private (domestic and foreign) capital is allowed greater latitude than is presently the case in meeting the resource mobilization needs of the economy.

Assessed on the basis of these criteria, the reforms undertaken so far have yet to bring Nigerian to that critical inflection point. Successive administrations have tinkered with but ultimately maintained 2 major consumption subsidies. They include:

**1. Energy Subsidies:**

Despite efforts at boosting domestic refining capacity, Nigeria continues to import petroleum distillates to meet local fuel needs. And despite periodic price adjustments, imported fuel retails at official prices lower than is required to enable retailers recoup costs and earn margins. This necessitates and sustains the regime of the government's subsidy on fuel.

Furthermore, between 2012 and 2013, the supply side of Nigeria's Electricity Market was privatized, as the Generation and Distribution segments of the electricity value chain were placed in private hands. On the demand side, tariffs, although periodically reviewed upwards, are not cost-reflective

**2. Foreign Exchange Subsidies:**

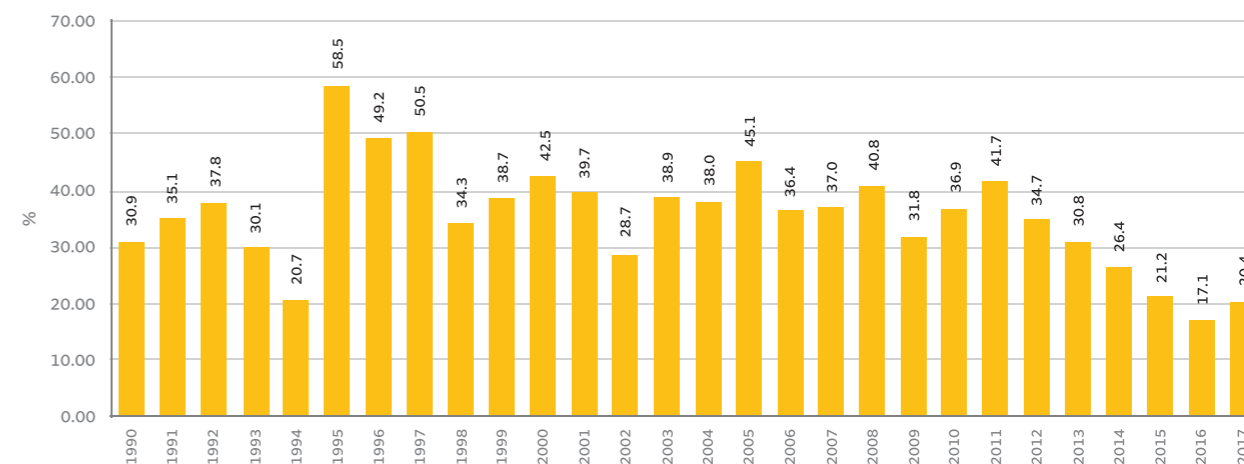
Exchange rates are not fully market-determined. Nigeria's foreign exchange market remains segmented. Official rates tend to price the Naira at valuations higher than would be obtainable under market-based price discovery, creating an implied subsidy for users capable of access foreign exchange at official rates

A final outstanding issue is Fiscal Federalism. Nigeria has yet to make significant progress towards engendering a more sustainable and efficient regime of fiscal federalism. The Federal Government remains dominant, both in terms of its allocation in the revenue sharing formula and the scale of its governing responsibilities. Save one or two outstanding states, the sub-national entities have yet to establish productive economies with fiscally independent state governments.

**3. Deeper Integration into the Global Economy**

Over the past two decades, the Nigerian economy has grown more integrated into the international economy and financial system. The degree of the domestic economy's openness to international trade remained high even in the 1990s (an average of 38.6% versus 37.9% in the 2000s), despite Nigeria's isolation by the international community in the waning days of military dictatorship. However, that isolation was costlier in terms of Nigeria's capacity to attract international capital flows and for Nigerian economic entities to gain access to international financial markets.

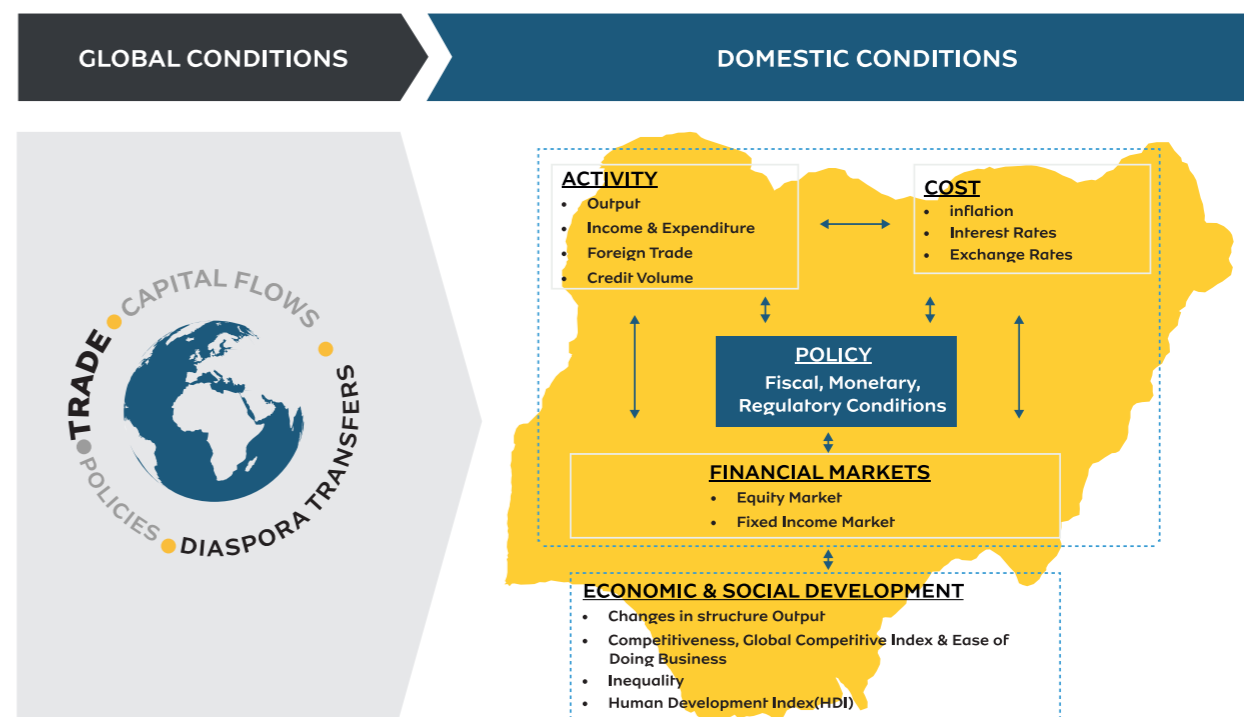
EXHIBIT 2: TRADE OPENNESS (TRADE / GDP %)



One of the upshots of Nigeria's economic and institutional reform efforts post the return to democracy was to engender liberalization and openness which, in conjunction with the repair and reform of public finances (including debt relief), overhaul and modernization of monetary policy and financial services (including banking and capital markets), and a commodity price super-cycle in the 2000s which boosted Nigeria's export and foreign exchange earnings, reignited investor interest in Nigeria.

Today, Nigeria has become integrated into the international economy, not just through trade, but also through financial markets, making a wider range of developments in the international economy consequential to the Nigeria economy.

EXHIBIT 3: FRAMEWORK – WHAT DRIVES THE NIGERIAN ECONOMY?



Thus, an understanding of what drives the Nigerian economic and business environment must begin with a clear appreciation of the fact that domestic conditions are greatly influenced by global conditions. Four distinct but interrelated influences within the global economy are identified:

#### A. International Trade

The critical role of international trade is accentuated in Nigeria's heavy reliance on Oil and Gas exports to finance government (52% of public sector revenues by 2017) and meet external payment obligations (92% of foreign exchange earnings by 2017).

In the 17-year period (2001-2017) under review, Nigeria benefitted immensely from the commodities boom of the 2000s, characterized as the "post-2000 Commodities price Super-cycle", punctuated briefly by the 2007-2009 Global Financial Crisis and Great Recession, but ultimately ended, it would seem, by the commodities price downcycle which ensued in 2014. In that time, the price of crude oil recorded a price peak of \$147pb in July 2008 and subsequent price highs of \$116pb and \$114pb in 2011 (on the back of geopolitical tensions occasioned by the Arab Spring) and 2014 respectively, before the downcycle ensued. These conditions were evidently a boon for Nigeria's terms of trade, export earnings and foreign currency receipts/reserve holdings. However, reliance on oil leaves Nigeria vulnerable to downcycles as has been demonstrated by the economic downturn of recent years.

#### B. International Policy

Fiscal and monetary policies of major economies, especially those of key trading partners and major source jurisdictions for direct and portfolio investment into Nigeria, affect domestic economic performance. In recent years, international Monetary Policy has emerged as the most consequential leg of international policy for Nigeria, given its crucial influence on international portfolio capital movements and on the valuation of international counterparty currencies vis-à-vis the Naira.

Also, given current levels of economic integration, Nigeria's regulatory environment increasingly reflects global trends in economic and financial governance. On some level, this is a necessity. Increased transactions between Nigerian financial services institutions and their international counterparties work better if Nigerian financial institutions are in tune with global conventions on capital adequacy and standards like the Basel Accords.

#### C. Capital flows

Nigeria has emerged as an important Emerging/Frontier Market of interest to international capital providers, the effect of which has been to raise the importance of foreign direct and portfolio investment, not to mention international debt capital in augmenting foreign exchange inflows into the Nigerian market.

Attending the relaxation of capital controls in recent years has been the emergence of foreign portfolio investment (FPI) flows, which were scant in prior decades, as the largest type of private investment inflows into Nigeria, surpassing foreign direct investment (FDI). Domestic structural deficiencies and risk factors have limited Nigeria's capacity to attract FDI in sufficient volumes, given domestic capital needs.

By comparison, FPI is less sticky. A surge in portfolio investor interest accompanied the financial system reforms of the mid-2000s (from banking sector consolidation to the frameworks for central banking and monetary policy enshrined in the 2007 CBN Act) and the regularization of market trading of fixed income securities. This wave was punctuated by capital flow reversals that accompanied worldwide panic during the 2008 Global Financial Crisis.

Quantitative Easing and ultra-low interest rates in Advanced Economies as a consequence of the global Monetary Policy response to the Financial Crisis induced portfolio managers to seek returns in Emerging and Frontier Markets. In Nigeria, they met rising interest rates, as policy tightened to manage the liquidity infusion resulting from capital infusions to address the 2009-2010 banking crisis, and comfortable levels of foreign exchange reserve holdings. By 2012, Nigeria was included in the JP Morgan Emerging Markets Bond Index.

Portfolio inflows peaked at \$17.4bn in 2013, before dropping to \$1.8bn by 2016 as falling oil prices and the commencement of the unwinding of asset purchases by the US Federal Reserve diminished Nigeria's attractiveness to investors. Although inflows have recovered modestly since 2017, encouraged by the CBN's creation of a window for autonomous foreign exchange (FX) transactions, the Investors and Exporters FX window, the vulnerability of Nigeria to drift towards tighter monetary policy in Advanced Markets remains potent.

#### D. Diaspora transfers

Nigeria has long supplied a steady pool of skilled and unskilled labour to the rest of the world through migration. Flowing in the opposite direction has been a steady pool of migrant Remittances, which have increased significantly in recent years. Official estimates from the World Bank indicate that since 2005, remittances into Nigeria from the diaspora have topped \$14billion annually, reaching \$22billion (about 6% of GDP) in 2017.

#### 1. Domestic Policy

Economic Policy is at the heart of the configuration of the Nigerian economic and business environment. Nigeria's present domestic Economic Policy architecture is set up to achieve the following socio-economic developmental objectives:

- Engendering and sustaining robust & inclusive economic growth whilst keeping key prices stable
- Enhancing the competitiveness of the economy
- Raising living standards and quality of life

However, given the heightened levels of integration of the domestic economy into the international economy and the demonstrated importance of global conditions to domestic conditions, all three legs of policy – Fiscal, Monetary and Regulatory Policy – attempt to balance the attainment of domestic economic aspirations against the constraints often imposed by external developments. Furthermore, the current Policy architecture is a product of Nigeria's institutional reform story (already discussed), both in the establishment of new institutions

and the overhaul of existing ones in the fiscal, monetary and regulatory spheres. As such, underlying the conduct of policy across the board are signal pieces of legislative and executive frameworks such as CBN Act (2007) and the Fiscal Responsibility Act (2007), wherein governance rules, principles, guidelines and even goals or targets are enshrined.

## 2. Fiscal Policy

Fiscal conditions in Nigeria are broadly characterized by the following:

- Constrained fiscal space, due to low public sector revenue yields from economic activity. Nigeria revenue-to-GDP ratio stands at about 7.5%, which compares poorly with the Africa average of 22.4%
- Low revenue yields reflect the limited penetration of non-oil taxes and levies, which explains the historical dominance of oil in Nigeria's revenue profile
- Low revenue yields also limit the scope for fiscal spending. However, fiscal spending levels generally surpass revenues, leading to consistent fiscal deficits
- Nigeria's oil-price based fiscal rule, which provides for savings of windfalls from oil sales at prices above set oil price benchmarks in the annual budgeting process ensures that even when oil prices are high, Nigerian governments, federal and subnational, run deficits
- Recurrent expenditure and debt service obligations dominate spending, at the expense of capital expenditure, which limits the public sector's capacity to drive or stimulate transformative investment
- Nigeria obtained debt relief from a consortium of creditors in the mid-2000s. However, since then, consistent and rising deficits have led to a steady re-accumulation of debt liabilities
- With the recent decline in oil prices and production shortages, and consequent declines in revenue, Nigeria runs large debt service-to-revenue ratios

## 3. Monetary Policy and Conditions

Monetary policy is guided by the twin goals of keeping internal prices stable (i.e. keep inflation at low-to-moderate levels) and maintain a stable or appreciating currency, whilst affording the scope for the expansion of economic activity.

These objectives are pursued through liquidity management operations that employ the use of interest rate policy, operationalized through Open Market Operations (OMO) and Reserves Management. The persistence of double-digit interest rates on the sovereign instruments used for conducting OMO impose significant costs on the CBN, and has seen a steady transition to the use of Reserves Management in liquidity management in recent years.

Notwithstanding liquidity conditions and their associated costs, credit conditions are relatively tight in Nigeria. Private sector credit stood at just under 21% of GDP in 2016, and credit is concentrated vertically to prime borrowers and horizontally to preferred sectors. The fiscal deficit financing needs of the government contribute to keeping interest rates on private sector credit high, leaving finance costs at levels too prohibitive for many borrowers.

Foreign exchange (FX) management operates within the context of supply constraints (characterized by reliance on oil for FX earnings) and strong domestic demand for FX. The goal of keeping import costs (higher when the Naira is weaker) from translating to higher internal prices partly explain the official preference for a 'strong' or appreciating currency. This occasions a segmented FX market with multiple windows – where secondary markets are expected to cater to unmet demand for FX at the official windows – and arbitrage incentives between them. Given high demand, supply pressures which are heightened during oil price downcycles lead to official adjustment or depreciation of the Naira. There have been four of such major depreciations in the last decade, the latest being in June 2016, when the currency moved from about N197/\$ to around N305/\$.

In April 2017, the CBN introduced the Importers and Exporters Foreign Exchange window for autonomous transactions in the FX market at fairly market-determined rates. The Naira at the I&E window, as it is called, remains priced at a premium to the official rate.

## 4. Regulatory Conditions

Nigeria's regulatory environment has in many ways undergone a significant transition. In the early 2000s, Nigeria's regulatory thrust appeared to reflect the movement toward ceding space in sectors of the economy dominated in the past by government monopolies to private participation. The Telecoms sector represents the best example of this shift, whilst lesser success has been recorded in the Energy sector in this regard.

Emerging more recently, however, is an increasingly activist regulatory environment as demands for compliance by businesses and responses to compliance breaches intensify in their severity. Major corporates have been slapped with fines that have punished compliance breaches, as regulators signal their willingness to engender stricter compliance, following years of relatively lax enforcement.

## 1.2 NIGERIA'S SOCIO-ECONOMIC STORY

The conditions which constitute a suitable Operating Environment for business in an investment jurisdiction such as Nigeria include

1. The dynamics which drive the workings of that jurisdiction's economy
2. The size of the market
3. Demand and affordability conditions
4. Structural conditions and their conduciveness to business operations

The drivers of the Nigerian operating environment have been elaborately discussed above. How have socio-economic conditions pertaining to size, demand & affordability, and structural conditions evolved in Nigeria since MTN commenced operations in this market?

EXHIBIT 4: NIGERIA'S SOCIO-ECONOMIC STORY, 2001 vs 2017

Indicator	2001	2017	Change	%Change
Population	125.5	125.5	125.5	125.5
GDP, Nominal (US\$, bn)*	72.7	72.7	72.7	72.7
GDP per Capita (US\$)	598.3	598.3	598.3	598.3
Inflation, CPI, %	16.5	16.5	16.5	16.5
Labour force size, millions	42.5m	42.5m	42.5m	42.5m
Global Competitiveness Index rank**	95	95	95	95
Lending interest rate, Prime, %	18.3	18.3	18.3	18.3
Exchange Rate, N/US\$	112	112	112	112
Human Development Index rank***	152	152	152	152

\*Whilst nominal GDP has increased 5-fold between 2001 and 2017, real GDP growth has averaged 6.5% in that period

\*\* Nigeria was included in the Global Competitiveness index in 2006, wherein it obtained its earliest rank

\*\*\*Nigeria's earliest score in the Human Development Index was recorded and issued in 2003

1. Though the Nigerian economy has grown to become the largest on the African continent, it has shrunk in the last three years, leading to lower average incomes

- The Nigerian economy expanded 5-fold between 2001 and 2017, with GDP increasing from US\$73bn to US\$372bn by 2017, US\$168bn smaller than it was at its peak in 2014

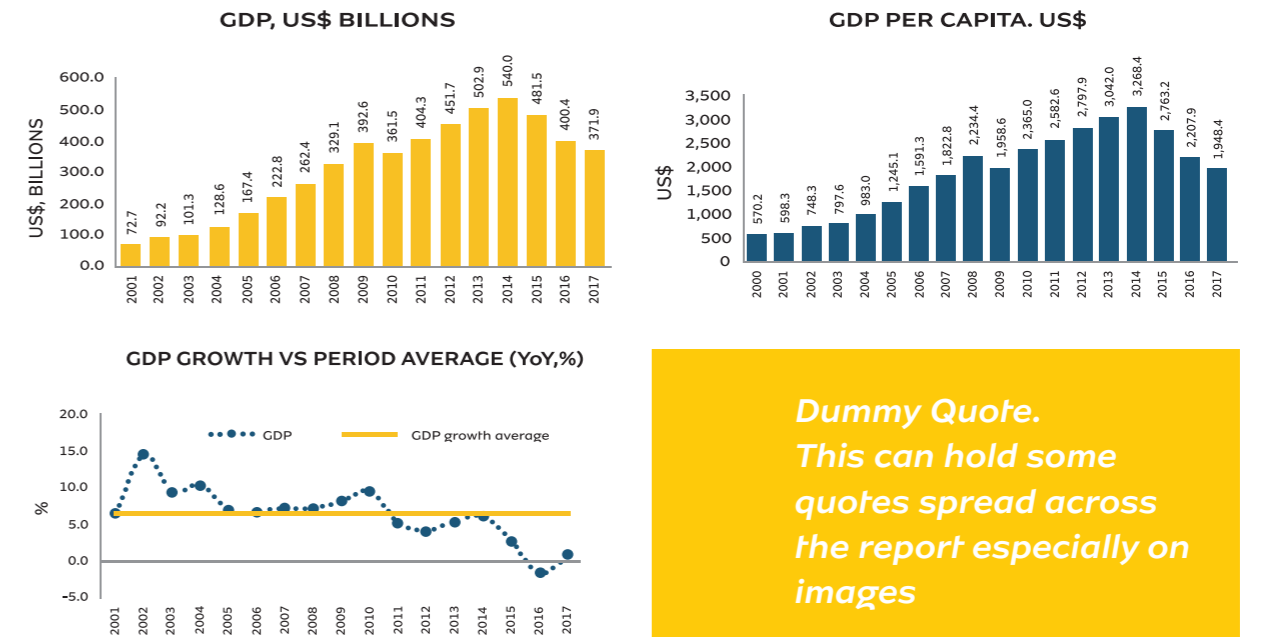
- Underlying this expansion is a 6.5% average annual growth rate of GDP in that period. Significant economic expansion has coincided with steady population growth, averaging about 2.63% per annum

- Nigeria's population, which stood at about 125.5m people in 2001, is estimated at about 190.9m in 2017

- The interaction of output growth and population growth, the former being faster than the latter, has led to a more than three-fold increase in per capita income from \$598 to an estimated \$1,948 by 2017. Similar to GDP, per capita income peaked in 2014 at about US\$3,268, and has declined sharply in the last three years

- Notwithstanding this reversal in average income, Nigeria remains a Lower-Middle Income Country, a status it attained since 2005, when per capita income stood at US\$1,245<sup>1</sup>

EXHIBIT 5: THE NIGERIAN ECONOMY: SIZE, GROWTH AND INCOMES

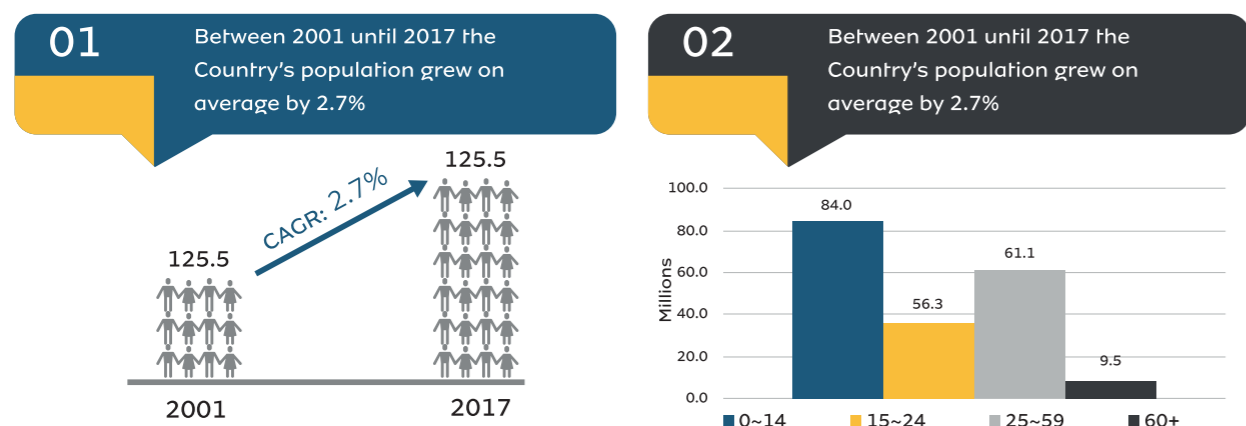


1 The World Bank classifies countries with per capita incomes between US\$1026 and US\$4035 as Lower-Middle Income Countries

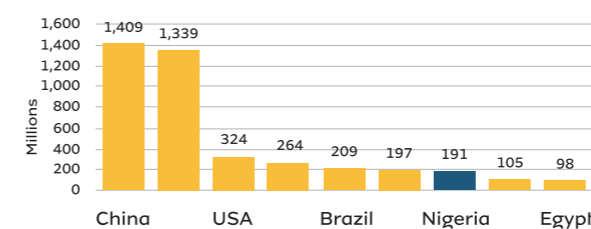
2. Though a large economy, Nigeria's persistent challenges of poverty, inequality and skills deficiencies constrain market potential and necessitate interventions

- With over half the country younger than 18 years, Nigeria's 191m strong population is youthful
  - Males (50.7%) surpass females (49.3%)
- Nigeria's large population is often presumed to constitute a large market and a large pool of labour
- The constraints to affordability, accentuated by high levels of poverty and inequality, are nonetheless significant
- When diaspora transfers of about US\$20bn (2016 est.) are added to aggregate income of about \$400bn (in 2016), the spending capacity of the Nigerian economy amounts to about US\$420bn
- However, with about 74.3% (138.2m) of Nigerians living below US\$3.1 per day, this aggregate income size does not readily translate into such a large market
- Similarly, human capital deficiencies and skills shortages undermine the advantage associated with Nigeria's large labour force (estimated at 85.1m)
- Overall, living standards and quality-of-life conditions remain low. Nigeria consistently ranks among low human development countries on the UN's Human Development Index

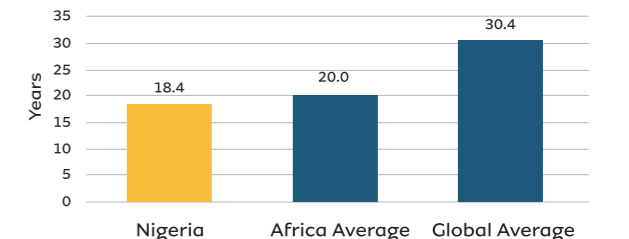
EXHIBIT 6: NIGERIA'S DEMOGRAPHIC CHARACTERISTICS



**03** Most Populous African Country and 7th largest Globally



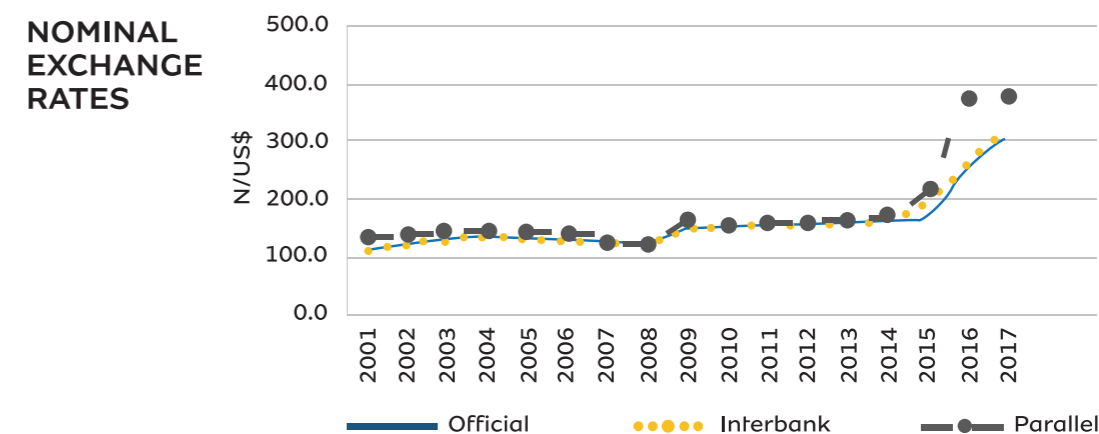
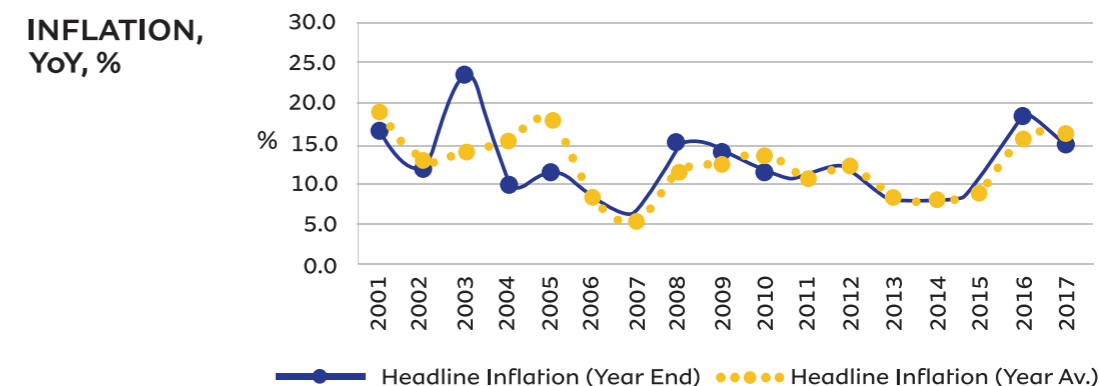
**04** Median Age of Population-One of the youngest Populations in Africa and around the world



3. Purchasing power has weakened considerably in Nigeria in recent years as the Nigerian currency loses tremendous value both internally and externally, and incomes concentrate upwards

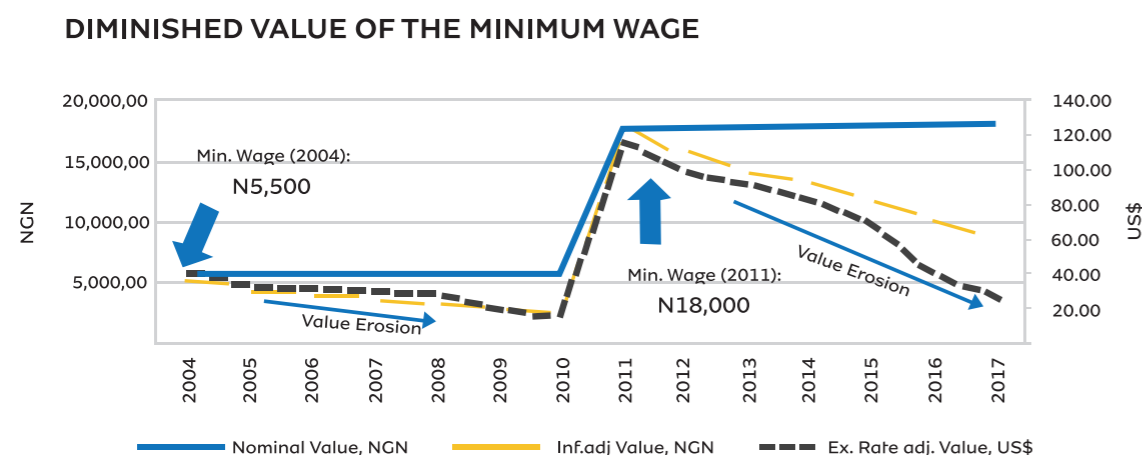
The combined effects of moderately high and steady depreciation of the currency have eroded purchasing power for the principal economic agents. Annual inflation in domestic consumer prices averaged 12.4% between 2001 and 2017inflation (vs Sub-Saharan Africa average of 9.2%).

EXHIBIT 7: EVOLUTION OF THE INTERNAL AND EXTERNAL VALUE OF THE NIGERIAN CURRENCY



These effects have been exacerbated by steady depreciation of the Naira through the years, which limits the international purchasing power of the Naira incomes earned by Nigerian entities. Adjusted for consumer price inflation, the purchasing power of the national minimum wage of N5,500 set in 2004 amounted to N2,610.74 by 2010s. The purchasing power of the reviewed minimum wage of N18,000, set in 2011, had, by 2017, diminished to N8,518.05.

**EXHIBIT 8: EROSION OF THE VALUE OF INCOMES**



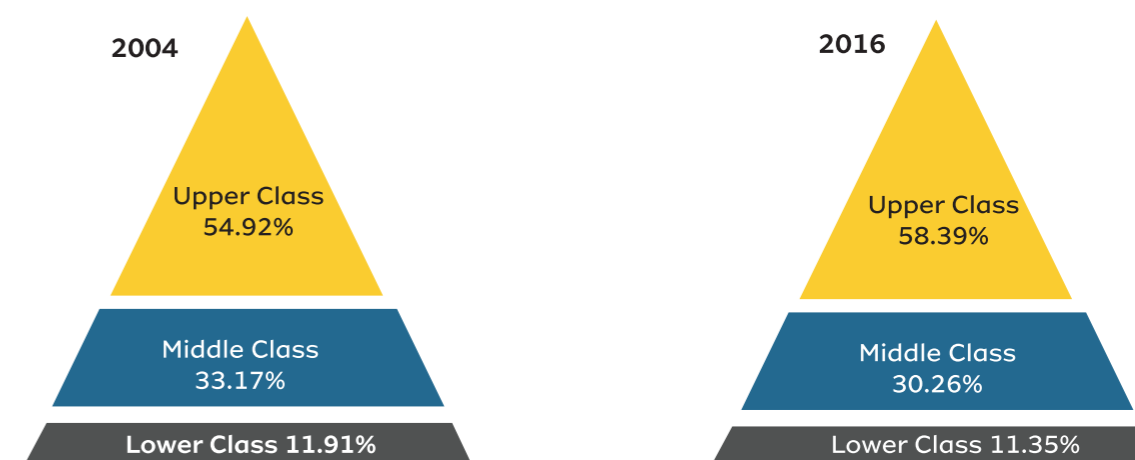
At the average annual nominal exchange rate in the official window operated by the CBN, the minimum wage of N18,000 exchanged for about US\$117 in 2011. It exchanges for about US\$59 at the official rate today and US\$50 at the recently introduced Investors and Exporters FX window. Eroded by these dual effects, the purchasing power of the average Nigerian consumer's wallet at present, made even weaker by the downturn which ensued in 2015, belies the popular wisdom that a large population necessarily conduces to a large market. Worse still is the increasing upward concentration of income in Nigeria, since the allotment of shrinking shares of aggregate income to households down the income ladder generally weakens purchasing power overall.

According to data recently released by the National Bureau of Statistics, in the 12 years between 2004 and 2016, the share of aggregate consumption (as a proxy for income) that went to the top 30% rose by 3.47 percentage points. The share going to the top 10% increased 4.5 percentage points. The middle class (comprising the middle 40%) on the other hand, has been squeezed, collectively losing 2.9% of consumption between 2004 and 2016. Similarly, the bottom 30% lost about half a percentage point in their share of consumption.

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**EXHIBIT 9: UPWARD INCOME CONCENTRATION**

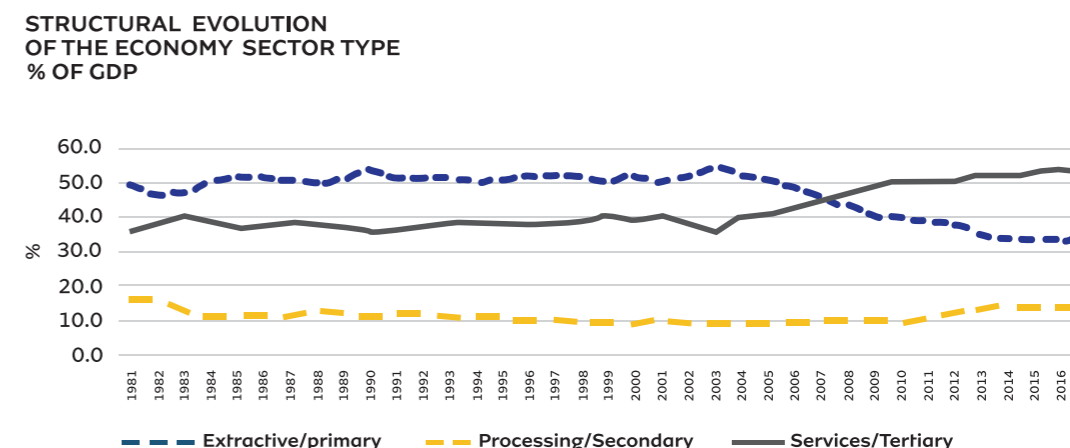


Social Economic Classification (SEC)	Description of SEC	2004	2016	Differences Between 2004 - 2016
Lower Class	Bottom 30%	11.91%	11.35%	-0.56%
Middle Class	Middle 40%	33.17%	30.26%	-2.91%
Upper Class	Top 30%	54.92%	58.39%	3.47%

- Notwithstanding this, the Nigerian economy has structurally evolved from an economy dominated by extractive industries at the beginning of the century to one dominated by service industries

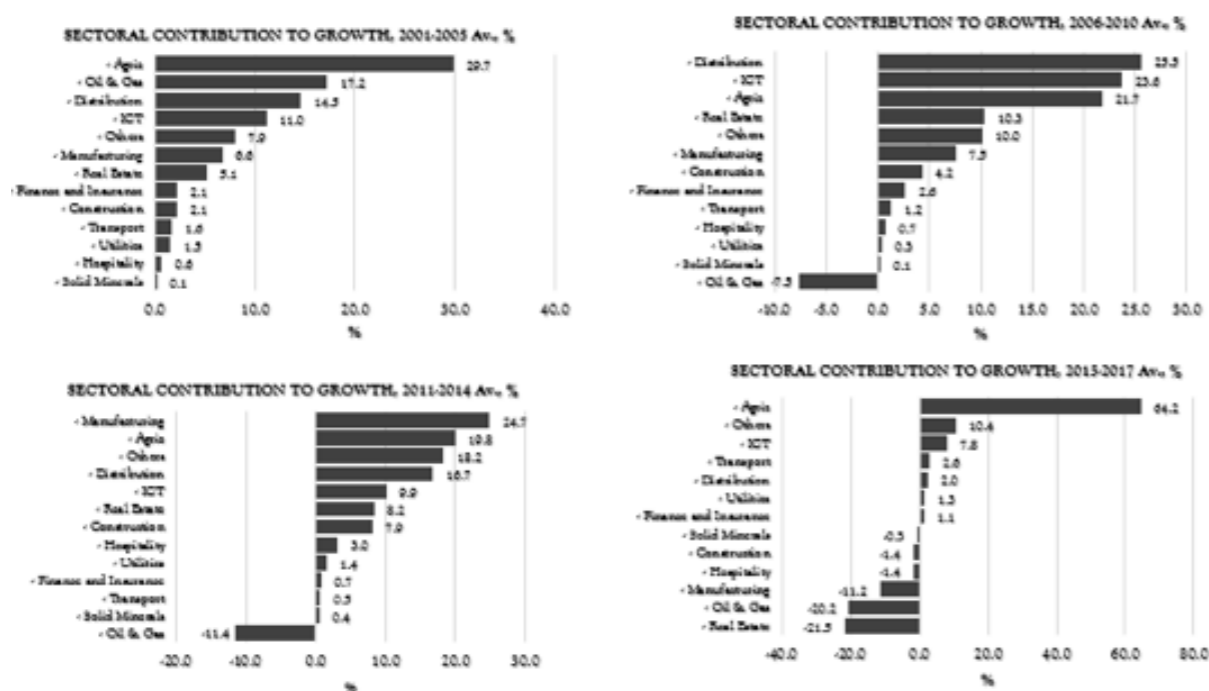
This process has bypassed the second critical stage of industrial evolution in economies, wherein services are dominated by secondary sectors, chief among which are manufacturing and construction. The current configuration of the economy is the outcome of sectoral growth patterns that have ensued over the past two decades.

**EXHIBIT 10: SECTORAL GROWTH DRIVERS – THE STRUCTURE OF GROWTH**



Agriculture has been the economy's growth mainstay as reflected in sectoral contribution to growth. Oil and Gas, the largest sector of the economy at the beginning of the century and which is still its fiscal revenues and foreign exchange earnings mainstay, has, over time, become a drag on growth. Its consecutive contraction for 5 years from 2012 to 2016 represents the worst performance streak in memory. And it is responsible for the contraction of extractive industries' share of the economy.

**EXHIBIT 11: SECTORAL GROWTH DRIVERS – THE STRUCTURE OF GROWTH**



On the other hand, demand-driven service sectors such as Distribution (Wholesale and Retail Trade) and ICT (which encompasses the Telecommunications industry), benefiting from reforms and to some degree from more sophisticated consumer appetites (notwithstanding purchasing power constraints) emerged in the late 2000s as the economy's main growth drivers, until they were overtaken between 2011 and 2014, by Manufacturing, which slipped into a major downturn, beginning in 2015, that has persisted.

- The spending patterns of the Nigerian consumer have changed in a way that reveals greater sophistication, expressed in a move from subsistence to increasingly lifestyle preferences.

This is the second major structural evolution that the Nigerian economy has undergone over the last two decades. The increased sophistication of the average Nigerian consumer is reflected in changes in the weighting structure of the indicative basket of consumer goods deployed by the NBS in calculating the Consumer Price Index.

Between 2003 and 2009, the average Nigerian consumer moved from allocating nearly two-thirds of his spending on Food and Non-alcoholic beverages to allocating just over half. In that time, spending on Education as a proportion of total spending increased

20-fold, from about 0.2% to just under 4%, whilst spending on Health services more than doubled, from about 1.4% to 3%. Spending on Communications services – encompassing the Telecoms sector – increased 7-fold, from 0.1% to 0.7%.

**EXHIBIT 12: SPENDING PATTERN OF THE NIGERIAN CONSUMER**

Division	May 2003 base period weights (% of Consumption Basket)	Nov. 2009 base period weights (% of Consumption Basket)
Food and Non-Alcoholic Beverages	64.4	51.8
Alcoholic Beverages, Tobacco and Kola	2.1	1.1
Clothing and Footwear	3.2	7.7
Housing, Water, Electricity and Gas	18.1	16.7
Furnishings, Household Equipment	3.8	5.0
Health	1.4	3.0
Transport	4.2	6.5
Communication	0.1	0.7
Recreation and Culture	0.9	0.7
Education	0.2	3.9
Restaurants and Hotels	1.3	1.2
Miscellaneous Goods and Services	0.3	1.7

These observed changes occurred way ahead of the economic downturn of 2015-2017 and despite increased upward concentration of incomes as documented in the foregoing. Because the weighting structure has not been revised since 2009, a more recent picture, which may or may not depict further sophistication, is unavailable. It is possible that the effect of the recent downturn could have been to induce consumers to, under pressure, adjust spending patterns in ways that slow the movement towards more lifestyle preferences.

### 1.3 IMPACT OF THE NIGERIAN OPERATING ENVIRONMENT ON MTN

The Operating Environment thus far characterized has impacted MTN Nigeria along two broad dimensions:

1. The risks it poses to corporates in general and to operators in the Telecoms and ICT space
2. The opportunities, general and industry-specific, that it affords to investors and businesses in Nigeria

#### 1.2.1 Risks posed by the Nigerian Operating Environment

The risks posed corporates like MTN by surrounding operating conditions in Nigeria may be classified into three broad categories, which are represented below.

#### EXHIBIT 13: THE CONFIGURATION OF RISKS POSED BY THE NIGERIAN OPERATING ENVIRONMENT

<b>Governance Risks</b>	<ol style="list-style-type: none"> <li>1. Regulation: A regulatory environment that is increasingly activist, imposing higher costs of compliance</li> <li>2. Legislation: A legislative environment that is emphasizing new regulatory imperatives such as:                             <ul style="list-style-type: none"> <li>• Consumer protection</li> <li>• Competition enforcement and Antitrust</li> </ul> </li> </ol>
<b>Environmental Risks</b>	<ol style="list-style-type: none"> <li>1. Infrastructural deficiencies that elevate Operating Costs especially owing to:                             <ul style="list-style-type: none"> <li>• Inadequate power supply, leading to high Energy Cost Intensities for business</li> <li>• “right-of-way” challenges for telecommunications firms</li> </ul> </li> <li>2. Security: Insurgency in Nigeria’s North East has significantly hampered operations there by causing severe damage to telecoms infrastructure</li> </ol>
<b>Market Risks</b>	<ol style="list-style-type: none"> <li>1. Interest Rate risks: High domestic borrowing costs and constrained access to credit, inducing preference for borrowing from attractive, low interest rate jurisdictions</li> <li>2. Foreign Exchange risks: Exchange rate volatility and occasional foreign currency illiquidity</li> </ol>

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1. **Governance Risks** are expressed largely in Nigeria's Regulatory environment, which appears increasingly activist

Mention has been made of the intensifying activism and punitive disposition of the Nigerian regulatory architecture in recent years. Part of the activism in the Nigerian regulatory environment is seen in the extent to which heavy fines have been slapped on corporates adjudged to have been in the breach of regulatory requirements.

In 2015, nearly N8billion in fines was slapped on a number of banks and FMCG companies in Nigeria. MTNN was handed a \$5.2billion (N1.04trillion) fine that was eventually eased to N330billion. MTN's foray into regulatory stormy waters did not end with the 2015 fine. In August 2018, the company was accused by the Central Bank of Nigeria of breaching due process in the repatriation of N8trn in profits from Nigeria to its home country, South Africa. This issue, as of the timing of the conclusion of this report, has been resolved amicably between the two parties.

**EXHIBIT 14: INSTANCES OF RECENT PUNITIVE REGULATORY MEASURES**

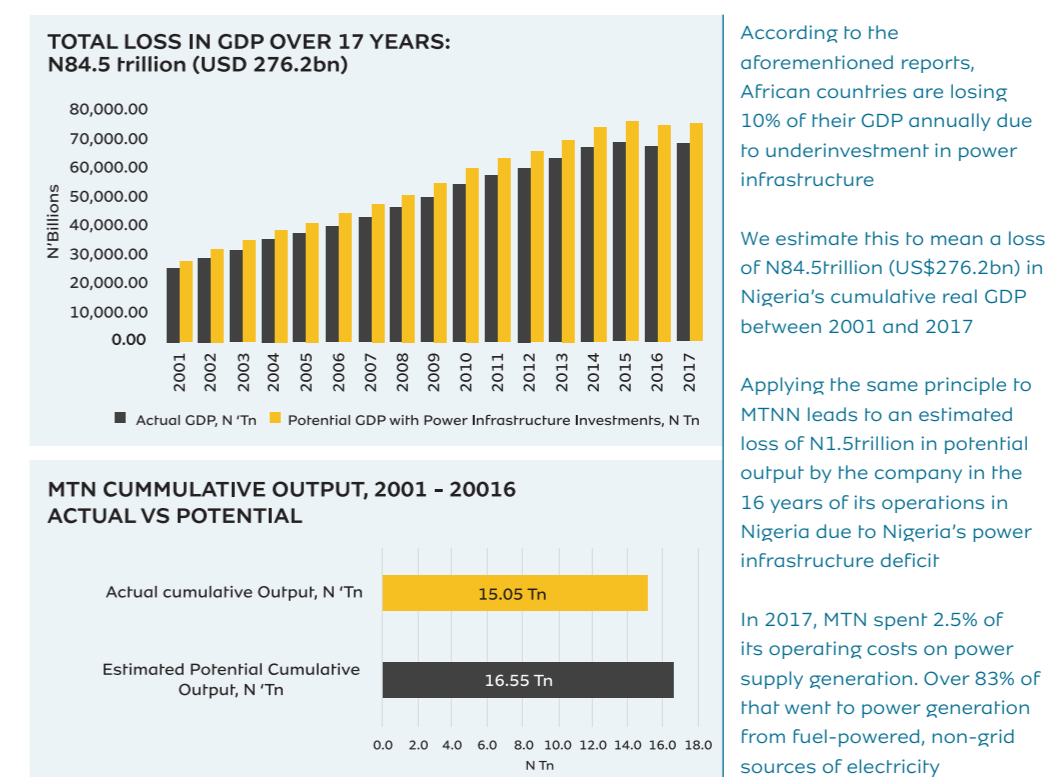
Corporate	Fines	Regulatory body
 Stanbic IBTC Bank A member of Standard Bank Group	N1bn	Financial Reporting Council
 FirstBank Since 1894	N1.9bn	CBN
 Skye Bank Expanding your world	N4bn	CBN
 GUINNESS	N1bn	BAFDAC
 MTN	N330bn	NCC

Standoffs with regulatory authorities might arise from genuine measures by regulators to punish infractions on the side of corporates. But they may also reflect stricter regulation. This document does not seek to make any pronouncements on the appropriateness or lack thereof of regulatory action, including and especially those aforementioned. We, however, emphasize that in an activist climate with tighter regulatory conditions, Regulatory Risk is higher for many corporates, especially if the latter are accustomed to lax regulatory conditions and are in compliance breaches as a result.

2. **Nigeria's high infrastructural deficits raise Operating Costs for business, including for MTNN**

Nigeria's physical and economic infrastructural deficiencies represent one of the twin factors hampering the nation's growth and developmental aspirations, especially by raising the operating costs associated with operating at or near optimum levels. Various attempts have been made to quantify the cost to businesses and the wider economy of Nigeria's infrastructure deficits. An attempt is likewise made here not just to quantify the loss to the economy, but to develop back-of-the-envelope estimates of the cost of Nigeria's infrastructure deficiencies to MTN Nigeria, building on the World Bank's Africa Infrastructure Country Diagnostic and a McKinsey (2015) report.

**EXHIBIT 15: THE COST OF NIGERIA'S INFRASTRUCTURE DEFICITS**



3. **The Security Risk: Insurgency in Nigeria's North East occasionally hampers operations in the region by causing damage to Telecoms Infrastructure**

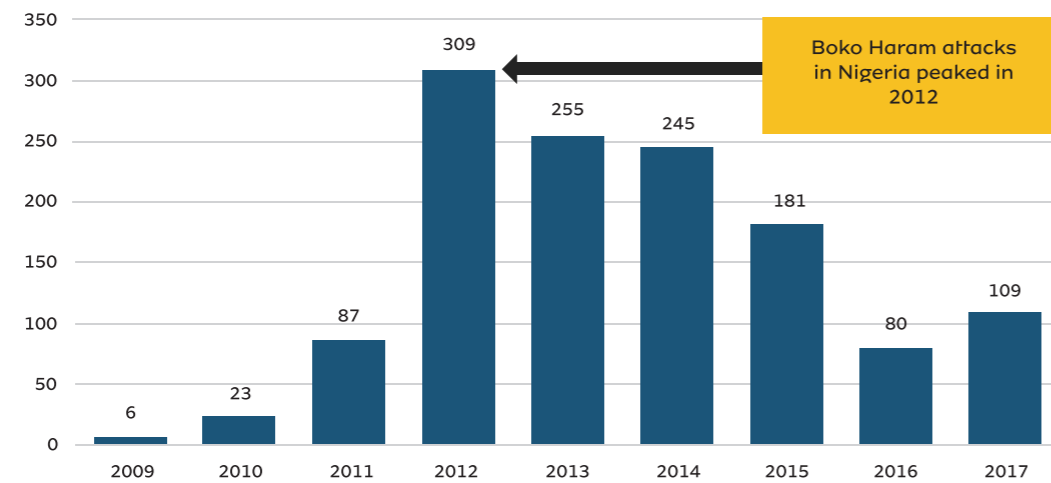
Nigeria's conflict, agitation and insurgency flashpoints have been shown to pose risks to business assets and to personnel, indigenous and expatriate. Direct economic consequences often result from the patterns of violence inflicted within or thereabouts the Nigerian territory.

An important element of the strategy employed by the terrorist group Boko Haram in Nigeria has been to target vital infrastructure, particularly those critical to the operations of telecommunications companies in Nigeria. According to the

National Communications Commission, in 2012 alone, when the implementation of this strategy of disruption reached its peak, Boko Haram in Nigeria destroyed or damaged some 530 base stations and killed telecoms industry staffers across the North East, causing an estimated \$132.5 million (about N21.04bn at 2012 exchange rates) in damages.

The impacts of these damages have been somewhat mitigated, though, by limits to the concentration of business activity in that region of the country. But recognition must be given to the unquantified loss of potential activity, growth, revenue and margins that would have resulted from potential penetration of the North East region in the absence of the perennial, decade plus-long conflict.

**EXHIBIT 16: NO. OF RECORDED BOKO HARAM ATTACKS, NIGERIAN TERRITORY**

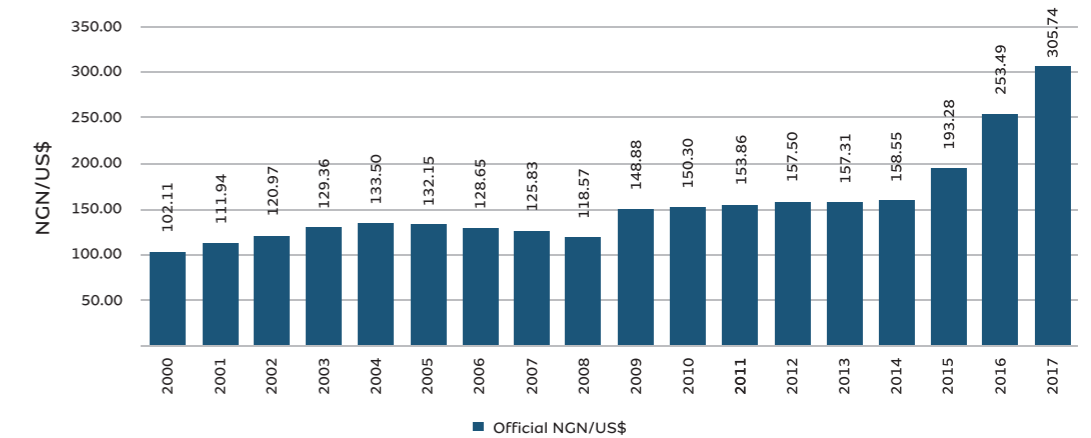


**4. Risks arising from Interest and Exchange Rate Fluctuations**

Nigeria's reliance on one major commodity export for most of its foreign currency earnings leaves the local currency volatile, with risk implications for businesses like MTN. Resident businesses whose operations require foreign currency payment obligations – import bills, capital repatriation and foreign currency loan obligations – are vulnerable to the volatility of the Naira, especially given regular, significant currency depreciation.

Meanwhile, Nigeria's perennially high interest rate environment tends to induce a class of Nigerian corporates to seek foreign financing from low interest-rate jurisdictions in order to ease financing costs. However, in the absence of reliable foreign currency-denominated income, this strategy is fraught with exchange rate risk, heightened in the case of Nigeria by steady depreciation of the Naira.

**EXHIBIT 17: STEADY NAIRA DEPRECIATION, OFFICIAL NGN/US\$ EXCHANGE RATE**



**1.2.2 Opportunities Conferred by the Nigerian Environment**

On the obverse side of risk lies opportunity. Unravelling opportunity in the general Nigerian business and investment context entails an elaborate discussion. However, the opportunity imperatives that apply to MTN range from the generic opportunities that characterize the Nigerian market to the specific opportunities associated with emerging and/or consolidating trends in the telecoms/ICT sector, global and Nigeria-specific.

The opportunities that would underpin the continued viability and potential success of MTN Nigeria include the following:

**1. Demographics:** Notwithstanding affordability constraints, Nigeria is a large country with its 190m+ population, according to official UN estimates. For context, we recall that Nigeria's population stood at 125.5m in 2001 when MTNN commenced operations.

The direct commercial consequence of these overall demographic dynamics, from the standpoint of telecoms industry operators, is the Nigerian subscriber base. That the telecoms subscriber base expanded from 2.3m in 2002 to 145.1m (as of December 2017) reflects phenomenal growth.

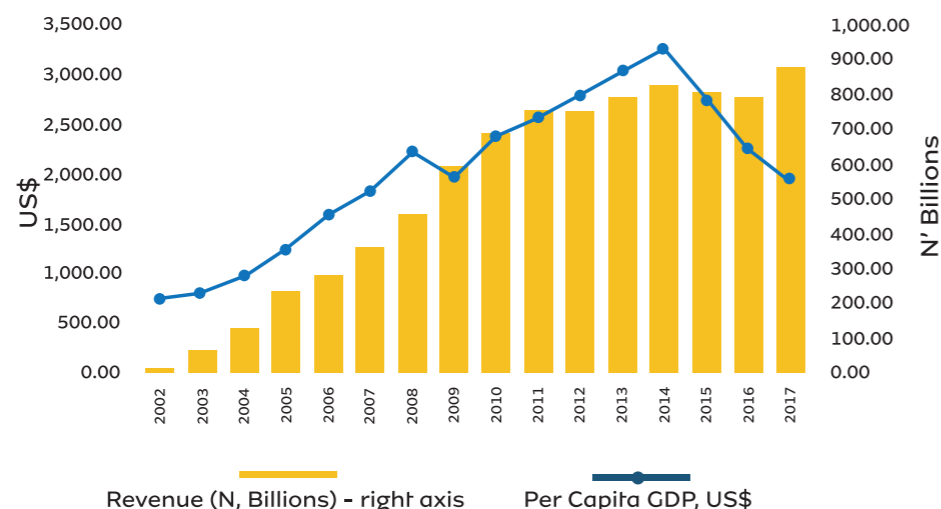
How much room is there for further subscriber base expansion? When the distinction is made between total number of subscribers and total number of 'unique' subscribers – taking cognizance of the likelihood of single individuals undertaking multiple subscriptions – there does seem to be room for expansion.

**2. Service delivery capacity:** Does the domestic telecoms industry possess the capacity to serve the opportunity space left in the market? The transition over the past decade from the dominance of voice services to

data services sets the context and presents us with clearer markers of the prospects. Network capacity expansion from Voice to Data services; and from 2G to 4G coverage, with 5G imminent, suggests a willingness and capacity to meet the scale of the challenge.

- Income:** What about wallets? Aggregate income is sizeable – national disposable income stands at US\$367billion as of 2017. However, average incomes in Nigeria have fallen over the last three years and would likely fall further until economic growth begins to surpass the population growth rate.

**EXHIBIT 18: MTNN REVENUES vs NIGERIA'S PER CAPITA INCOME**



Setting aside a sharp recovery in 2017, declines in MTNN earnings coincided with declining per capita income levels in Nigeria. Two strategic insights are likely embedded in the foregoing. The first is that declining incomes are consequential for corporate revenues, especially large corporates like MTN with commodity products/services. The second is that strategic responses could drive recovery or sustained growth in revenues even in a depressed market.

Given the documented degree of upward concentration of income, serving mass market needs in a lower middle-income like Nigeria may rely on product innovation that targets the mass market in lower income bands but motivates those in higher income bands to pay for them.

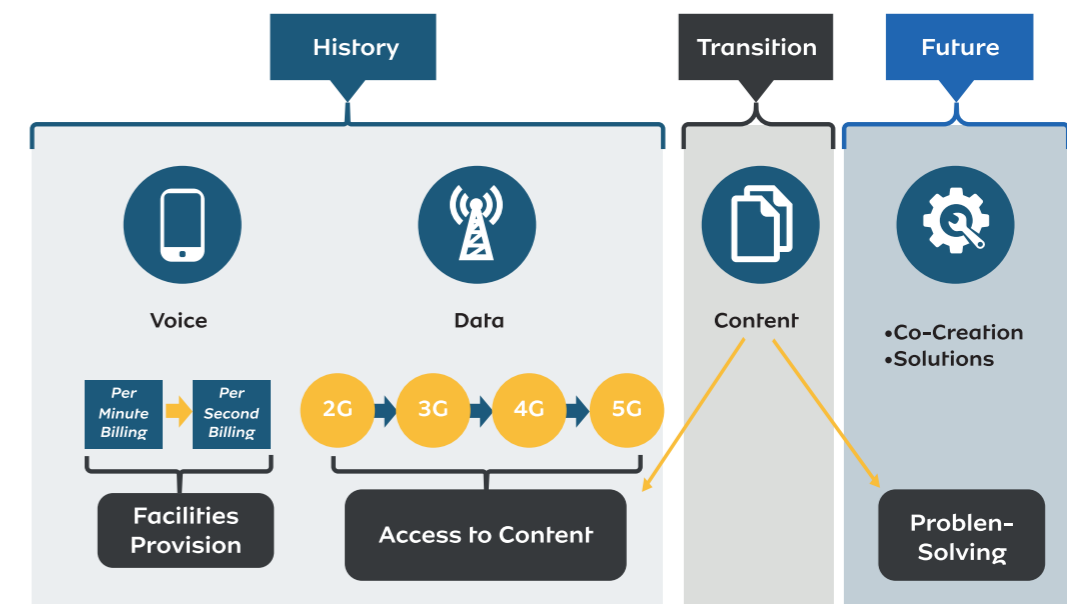
- Industry Evolution:** The transition from Voice to Data to Value Added Services (VAS). The evolution of the telecommunications industry towards VAS offers the brightest prospects for the expansion of the industry through spin-off products that do not necessarily address the communications/ICT needs of the Nigerian market, but which may rely on the infrastructure and apparatus developed by the telcos.

Product development that targets the provision of innovative solutions to deficiencies in the Nigerian socio-economic space is central to the thinking here. Winning products will likely try to bridge gaps between consumer demand or amenities such as electricity, education and healthcare, and their shortages in the system. They would facilitate access for the telcos to the non-telecommunications budgets of Nigerian consumers, enhancing advantage in the 'fight' for wallets.

Some recent developments suggest that this is well understood. MTN has ventured into enabling renewable, off-grid power provision solutions to address the consequences of Nigeria's power supply inadequacy on the residential segment of the demand side of Nigeria's energy market. And that is just one example.

**EXHIBIT 19: TELECOMMUNICATIONS INDUSTRY EVOLUTION**

The Nigerian telecommunications industry has evolved from the deployment of facilities in the provision of voice services to data services, and now needs to explore new frontiers of value creation for customers



## 1.4 THE TELECOMMUNICATIONS INDUSTRY IN NIGERIA

### 1.4.1 Evolution of the Telecommunications Industry in Nigeria

#### **Nigeria and Telecommunications: A Potted History**

Nigeria's first telecommunications link to the rest of the world dates back to 1886, with the installation of cable link between Lagos and the colonial headquarters in London providing communication channels for administrative purposes. This remained the only telecom medium until 1895 when the first rudiments of public communications facilities were introduced and the Public Works Department (PWD) administered a telegraph system.

At independence in 1960, there were only 18,724 functional telephone lines for an estimated population of 45 million, resulting to a 'tele-density' ratio of 0.04 telephone lines per 100 people. The Department of Post and Telecommunication (P&T) under the Ministry of Communication (later Federal Ministry of Transport and Communications) assumed responsibility for network operation and service provisioning.

In 1985, Nigerian External Telecommunications (NET) was merged with the Telecommunications Divisions of the Department of Post and Telecommunication to form Nigerian Telecommunications Limited (NITEL). Nigeria Telecommunication (NITEL) was created as a government-owned monopoly operator, the establishment of which was intended to harmonize the planning and co-ordination of the internal and external telecommunications services, rationalize investments in telecommunications development and provide accessible, efficient and affordable range of services such as Fixed Telephone, Telegraph and Payphone.


The installed capacity improved to 400,000 lines, while the connected lines stood at between 205,000 and 250,000 lines in 1987. It could be argued that the low number of connected lines was as a result of poor services provided by NITEL. Between 1987 and 1992, no remarkable improvement was recorded in performance by NITEL and consumer demands were largely unmet.

In 2001, the Nigerian telecommunications industry transitioned from a statutory monopoly to an open market. Yet, several structural changes had to be made in order to ensure a competitive landscape, governed by a well-functioning regulator.

#### **Market Liberalisation – Breaking the Monopoly**

##### **The need for a deregulated Telecommunications Sector**

In order to keep pace with change, there needed to be structural changes to the sector, to liberalise Nigeria's telecommunications industry. The main reasons for deregulating the Nigerian telecom industry, within the context of National Communications Commission Decree No. 75 of 1992, were, in a nutshell, the inability and unwillingness of government to continue to subsidize the public telecom company, NITEL, as well as the abysmal levels of



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report especially  
on images**

telecom development in Nigeria which was well below what was required for sustainable growth and development – in terms of telephone lines per 100 inhabitants, Nigeria had an average of 0.33 between 1992 and 1994.

##### **The rise of the Telecommunications Sector**

The process of deregulation of the telecom sector began in the late 1980s with the commercialization of the operations of the state enterprise for the purpose of enhancing its efficiency.

A greater degree of deregulation was initiated in 1993, with the establishment of the Nigerian Communications Commission (NCC) as prescribed by Decree 75 of 1992, and series of liberalization measures followed. One such measure taken in 1997 was the agreement between NITEL and Multi-Links Communication Nigeria (MCN) that authorized the latter to provide telephone services through the former's national grid, breaking NITEL's monopoly in basic telecommunications. By 1998, the policy to allow private operators in the sector had been strengthened, culminating in the participation of six (6) private operators and eight (8) VSAT license holders in the basic telecommunications and mobile telecommunications sector the licencing of 11 companies to provide fixed-line services to end consumers (so-called "last mile services"). It was, however, not until the arrival of mobile phone operators in 2000 and their licensing and commencement of operations in 2001 that the Nigerian telecommunications industry really took off.

The Industry experienced full-fledged deregulation in 2006, five years after the exclusivity period given to telecoms operators by the NCC elapsed, as the regulator further opened up the market by licensing more operators and introducing the limited mobility licence to CDMA operators, who were hitherto restricted to fixed land line operations only.

In a short time, the number of mobile phone subscribers surpassed the number of fixed lines and year-on-year growth of over 40% saw the Nigerian telecommunications market emerge as the most vibrant on the African market and the largest ahead of South Africa by 2008, with close to 60 million digital mobile subscribers and just under active 1.5 million fixed lines.

### Creating a competitive landscape – The entry of GSM Operators

The journey of GSM to Nigeria actually began in December 2000 with many local and foreign telecommunications companies competing for the coveted Nigerian Communications Commission’s (NCC) Global System for Mobile Communication GSM licenses. By January 2001, the Commission conducted an auction for Digital Mobile Licenses which ushered in the first set of Global System for Mobile Communication (GSM) operators and the award of the Digital Mobile Licenses (DMLs).

The three mobile Operators that emerged from the exercise were – ECONET Wireless (now AIRTEL), Mobile Telecommunications Network (MTN) and MTEL, a subsidiary of the incumbent operator, the Nigerian Telecommunications Limited (NITEL), which was also awarded an operating license as a National Carrier. In 2002, a fourth Digital Mobile License (DML) was issued to Globacom (Glo mobile), which was designated the Second National Operator and, to further increase competition, a fifth Mobile License (with GSM spectrum) was awarded to Emerging Market Telecommunications Services Limited (ETISALAT) in 2007.

### 1.4.2 Sector Performance

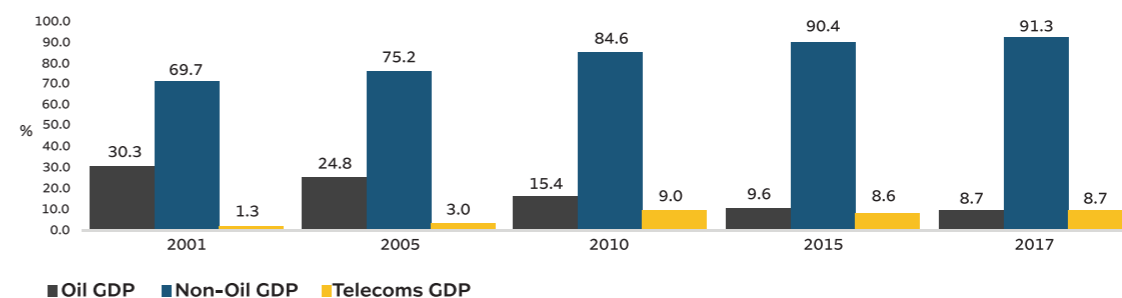
The Telecommunications Sector in Nigeria has established itself as a key driver of economic growth. As of 2017, the value-add of the sector had reached N8.6trillion (US\$38.3billion). This amounted to 7.5% of Nigeria’s nominal GDP. In real (inflation-adjusted) terms, however, the sector accounted for 8.7% of GDP in 2017. This compares with 1.3% in 2001, when deregulation took effect. Given its present size, the sector is more than 900 times bigger than in 2001.

Such immense expansion was achieved through fast, steady growth. In 2001, the sector’s GDP grew by over 1000% over the previous year. Adjusting for this unusual and statistical outlying but explainable growth rate, the sector has grown at an average of 20.8% since deregulation, an impressive return. Recently, the sector demonstrated its susceptibility to wider macroeconomic trends. With the recession in the economy in 2016 came a deceleration in the sector’s growth, and eventual shrinkage in 2017<sup>2</sup>.

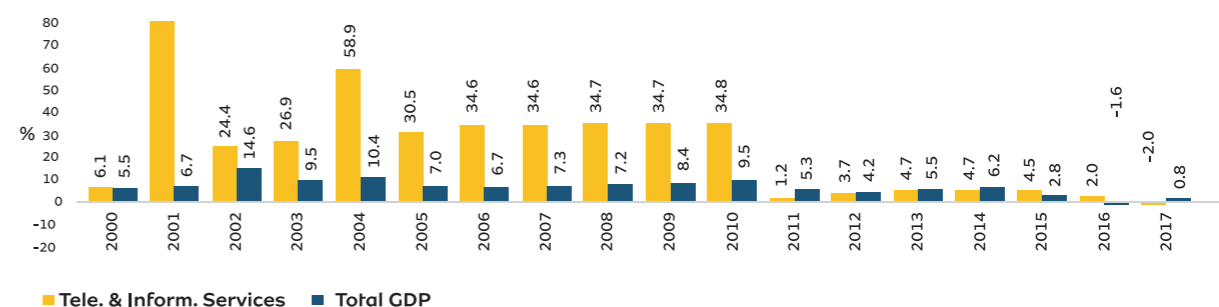
2 As this document goes to press, we are able to report a resurgence in the sector’s growth by a cumulative 9.3% in the first three quarters of 2018

## EXHIBIT 20: THE NIGERIAN TELECOMS SECTOR PERFORMANCE

### CONTRIBUTION TO GDP: TELECOMS SECTOR



### GDP GROWTH: TELECOMS SECTORE VS AGGREGATED GDP



### 1.4.3 Scale and Structure

Delivering US\$38.3billion in value is Africa’s largest telecoms market in terms of subscriptions followed by Egypt, South Africa, Algeria, and Morocco. The NCC reports Nigeria has more than 145m active mobile telecoms subscribers in 2017.

The industry is dominated by the Mobile (GSM) market segment, which accounts for about 99.7% of the entire telecom market while the Mobile (CDMA), Fixed/ Fixed Wireless and Voice over Internet Protocol (VoIP) segments account for about 0.15%, 0.09% and 0.04% respectively as at December 2017.

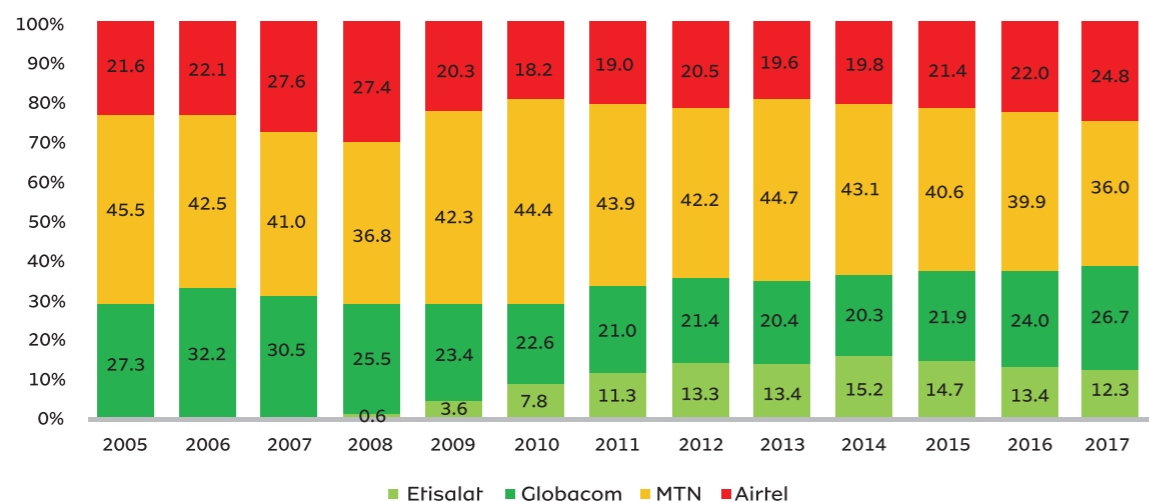
The Nigerian telecoms industry is presently oligopolistic, having evolved away from the monopoly it once was. The four main competitors are MTN, Airtel, Glo and 9mobile (formerly Etisalat).

There are also several operators offering mobile internet services: Starcomms, Visafone, Smile, Spectranet, Multifilinks, Swift Networks and ntel (formerly Mtel), a local operator that acquired the assets of now-defunct state-owned Nigeria Telecommunication in 2015. Around 74% of mobile users are in urban markets, such as Lagos and Port Harcourt, reflecting the typical combination of large populations and the lack of fixed-line infrastructure. Other users reside in rural markets.

### 1.4.4 Competition Among Major Operators

As at December 2017, the largest GSM operator, MTN Nigeria had a subscriber-based market share of 36%. The second largest player, Globacom, is also the second longest serving operator, having entered the market in 2003. The indigenous operator accounted for 26% of the mobile market in December 2017. The other major operators, Airtel Nigeria (a subsidiary of India's Bharti Airtel) and 9Mobile account for about 25% and 12% of the market respectively. These numbers show that, despite strong and repeated regulatory interventions intended to increase competition, it has been difficult for newer arrivals to significantly erode market share of more established players.

**EXHIBIT 21: THE NIGERIAN TELECOMMUNICATIONS INDUSTRY ECOSYSTEM TODAY**



### 1.4.5 The Industry Value Chain

Within the value chain of a number of dynamics are playing out as companies look to expand into new areas and to compete in adjacent sectors in order to grow or strengthen their competitive positioning.

The first major trend is the increasing separation between infrastructure and the actual communications services used by consumers over this infrastructure, with different providers of each. Voice services can now be purchased from players other than the network operator that provides the physical line e.g. VoIP providers such as Skype offer a 'fixed line' phone numbers that reach users wherever they are in the world; also, companies such as Facebook are looking to add voice functionality to their social networking platforms. At the same time, network operators are moving further into the services arena and launching more advanced messaging services to compete with instant messaging and video communication tools.

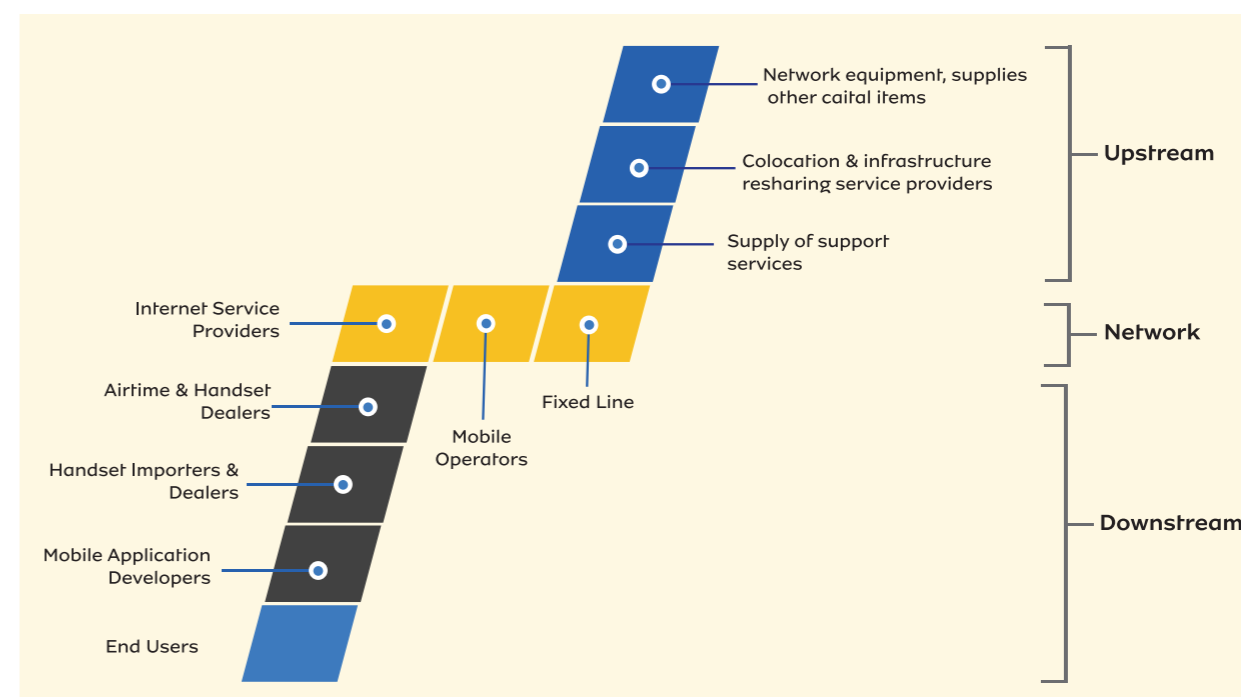
In the device market, whereas consumer decisions would once have been based on price, hardware features and brand, consumers are now considering the operating software and the services they will subsequently be able to access and use such as iTunes, Google play, Blackberry messaging and myriad apps. Foreign brands dominate Nigeria's device market

with more competition from China. The after sales services and accessories segment is also an integral part of the device market.

Operating software vendors are increasingly moving into the device market to secure their control and position in the consumer mind e.g. Google launch of its own handset brand and purchase of Motorola, Microsoft unveiling of its tablet device while Samsung continues to develop its own platform while also supporting android and windows. The domestic software market is fledgling as such with a huge dependency on foreign software imports

On the consumer side, these technological changes are enabling people to spend more time communicating. The range of options now open to consumers allows them to decide when, how and how much they wish to pay to communicate.

**EXHIBIT 21: THE NIGERIAN TELECOMMUNICATIONS INDUSTRY ECOSYSTEM TODAY**



### 1.4.6 Growth and Revenue Trends

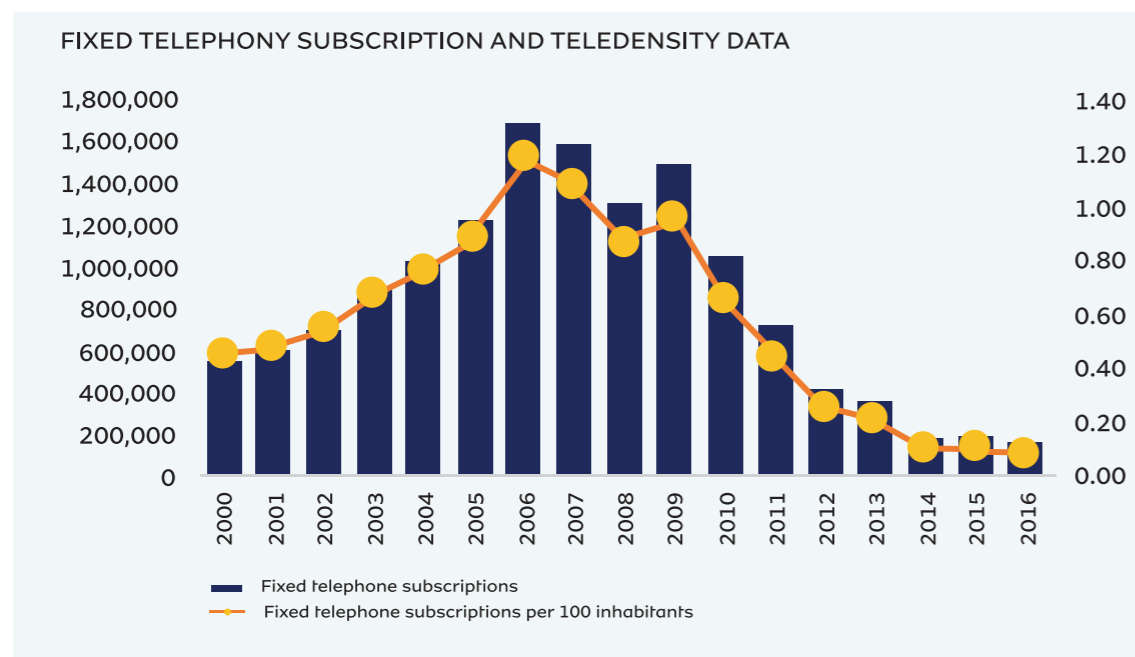
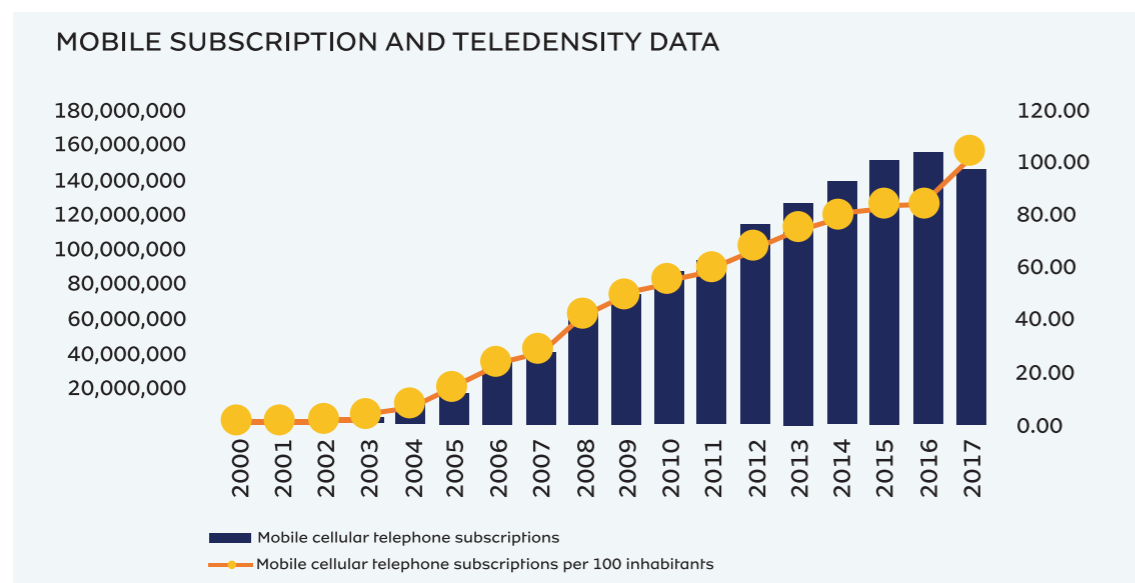
The mobile industry alone has about 145mn subscribers, generating over an estimated US\$8 billion of annual service revenue. The majority of revenue comes from traditional calls, texts and demand for data services for internet browsing.

#### Voice

Although voice has been the primary revenue generator in the sector, it is declining with more data use. With voice penetration approaching 100%, operators are becoming increasingly aggressive with their pricing and offers. According to the NCCC, the annualized average cost per minute for an in-network voice call fell from N34.20 (\$0.12) in 2007 to N 12.01 (\$0.04) in 2016.

The price for off-network calls have almost reached parity with on-network call as the annualized average cost per minute for an off-network voice call fell from N41.10 (\$0.15) in 2007 to N12.64 (\$0.04) in 2016.

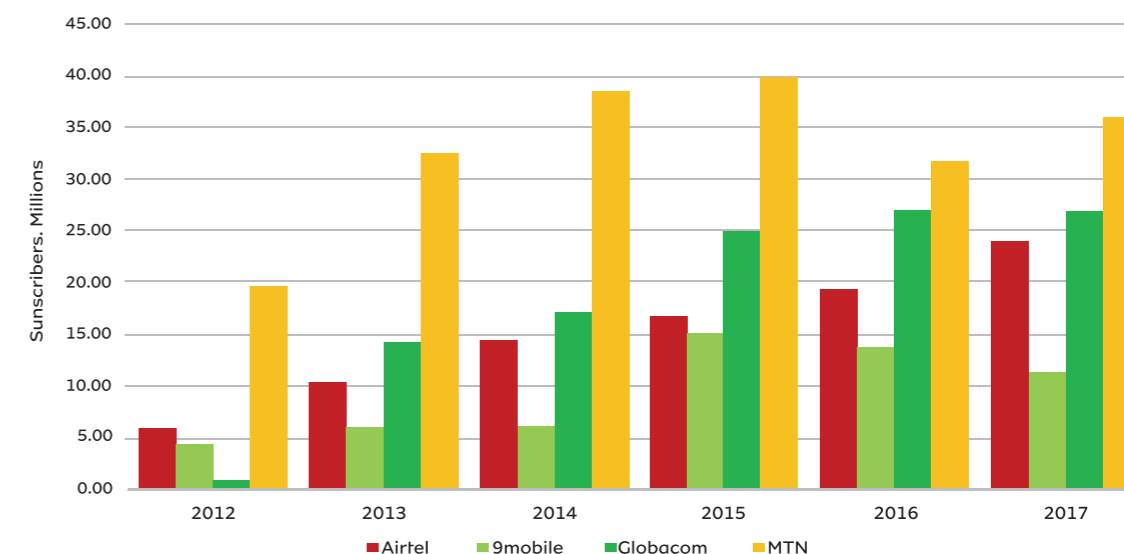
**EXHIBIT 22: ACTIVE VOICE SUBSCRIPTION NUMBERS**



**Data**

While there is a high level of competition in data, growth for operators will ultimately be determined by dependable, affordable and quality data services.

**EXHIBIT 23: MOBILE DATA SUBSCRIPTION**

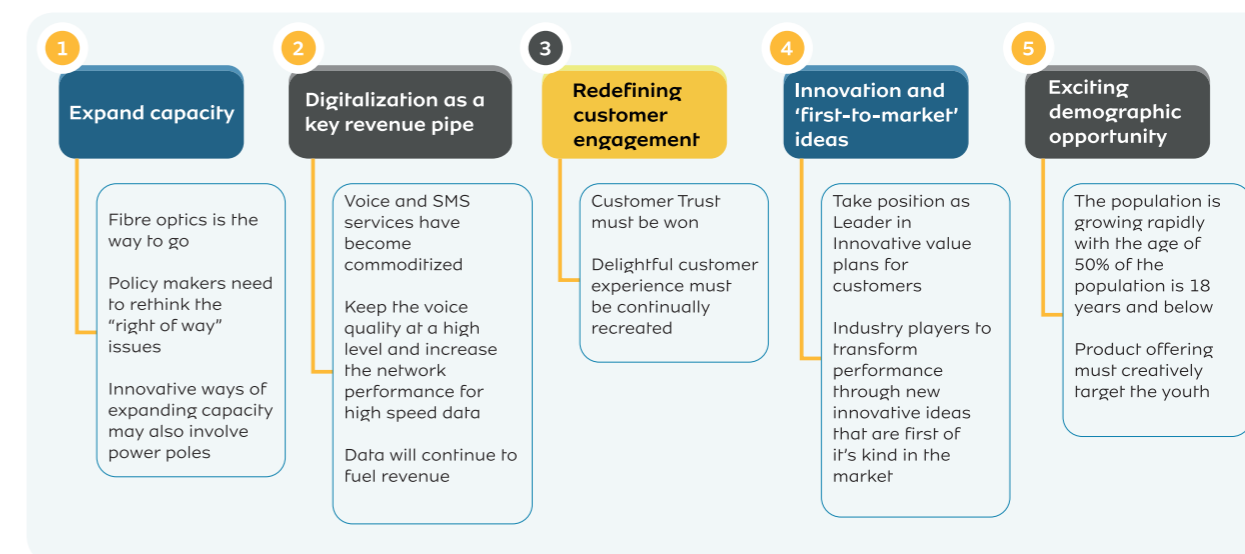


**1.4.7 Industry Outlook**

The pace of change in the industry over the last decade has been significant and is expected to continue – with new revenue streams, new users, new services, major improvements to networks, and the convergence of fixed and mobile services.

Operators are bracing up for higher revenue data and next generation services at a time when costs and uncertainty are elevated. The long-term outlook for the market is positive, as the Nation has a young rapidly expanding population providing substantial pool of consumers. Furthermore, the market is likely to rationalize in the coming years with strong prospects for consolidation and healthy competition.

**EXHIBIT 24: IMPERATIVES AND DRIVERS OF THE TELECOMMUNICATIONS INDUSTRY OUTLOOK**



### I. Capacity Expansion

Among the imperatives for the industry going forward is a needs-based expansion of network infrastructure to deliver the optimum service to customers. With voice and SMS, the traditional revenue sources, having reached saturation, network infrastructure investments are, by necessity, increasingly focused on higher premium quality in data services.

Naturally, investments in maximizing fibre optic technology and expanding the country's existing capacity is uppermost in stakeholders' minds. However, another primary issue is the resolution of right-of-way concerns in order to enable deployment of landlines, power poles, etc.

### II. Digitalization as a revenue pipe

There is an expectation of a continued trend towards unified communications such as bundled mobile and fixed services. The demand for these services is already established among enterprise customers. We believe that such demand, combined with technological advances delivering easier connection of multiple data devices, will support strong data growth in future, and that this will need to be managed by access to next-generation fixed networks, principally cable or fibre, to support increased speed and capacity demands. Voice and SMS services have become commoditized; data will continue to fuel revenue.

### III. Redefining customer engagement

Innovation to drive enhanced customer satisfaction moves to the front burner. The baseline imperative is to ensure utmost, broad-based customer satisfaction in the current range of services, but also to leverage the emergence of value-added services (VAS) both to boost value creation to customers and gain access to segments of customer wallets not hitherto devoted to spending on communications. Keeping a pulse on customer perception of brand is also imperative in this regard.









### IV. Innovation and 'first-to-market' ideas

The high level of competition among mobile operators is expected to continue. However, there is also a wider pool of new competitors. Alternative communication technologies, such as instant messaging services which use data, rather than traditional voice and text, are increasingly used by mobile consumers. The transition to 4G and unified communications in the context of accelerating technological cycles (5G is imminent) presents an opportunity for the major operators to differentiate the quality of their networks and services. The key to distinction would be innovation.

### V. Solid demographics underlie technology explosion

Nigeria's fast-growing population which remains an advantage for the telecoms industry. Nigeria has the most youthful population in Africa with a large population of 15- to 25-year olds (the age segment that uses technology the most). Also, technology use has correspondingly exploded as Nigeria's youthful and increasingly urban population has moved online, primarily through mobile channels.

## BOX 3 – CASE STUDY: ILLUSTRATED BENEFITS OF MOBILE NETWORKS

1 Individuals	2 Commercial and Public Services are also benefiting from mobile productivity gains:
 Mobile access to email and internet now a necessity for people having to travel   Voice and data communication services that provides information saves time and resources	 <b>Transport &amp; Logistics:</b> The business ease is easy to make with obvious, easy to calculate productivity gains <ul style="list-style-type: none"> <li>• Mobile app enabled taxis e.g. Uber, Taxify and the Likes</li> <li>• Fleet Management: real time awareness of fleet location, speed and vehicle tracking</li> <li>• Mobile enabled payments and booking on the likes of Chisco, God is Good Motors e.t.c</li> </ul>  <b>Utility</b> Companies use mobile networks as a medium for payments   <b>Healthcare:</b> mobile networks provide the connection to allow the monitoring of patients outside a hospital setting, which is important for geographically large and remote areas, remote patient care, healthcare administration and emergency responses   <b>Finance:</b> mobile networks enable transactions which lower the cost   <b>Retail:</b> Mobile networks offer a wide range of applications for this sector such as mobile payments, e-commerce   <b>Government and agencies:</b> Use of mobile services for supply chain management, disaster management and defense



## Chapter Two

# WHAT HAS MTN DONE SINCE IT CAME TO NIGERIA?



MTN Nigeria (MTNN) is part of the MTN Group, Africa's leading cellular telecommunications company. It is the largest member of the group which has its subsidiaries spread across the world (21 countries in Africa and the Middle East). MTN paid \$285m for one of four GSM licenses in Nigeria in February 2001.

MTN's overriding mission is to be a catalyst for Nigeria's economic growth and development, helping to unleash Nigeria's strong developmental potential not only through the provision of world class communications but also through innovative and sustainable corporate social responsibility initiatives.

In Nigeria, the company has been in operations for over 17 years and has expressed appreciation to all. The company's vision is to be the country's leading provider of telecommunications services while their mission is to provide 1st class network quality, customer service and value. To date, MTN has invested over US\$16 billion in building mobile telecommunications infrastructure in Nigeria.

## 2.1 A COMMERCIAL AND SOCIALLY RESPONSIBLE ENTITY

MTN's activities in Nigeria since 2001 has established it as the largest player in the Nigerian telecommunications industry. However, the reach of MTN's activities and the impact of its brand is more extensive and wide-ranging.

As it expanded in the Nigerian market, MTN recognized the imperatives and expectations surrounding corporate social responsibility required of it by domestic stakeholders. This recognition inspired the establishment of the MTN Foundation which, along with the MTN Company (the commercial business segment), make up the MTN Nigeria Group.

We may thus think of the MTN Nigeria Group as combining a "commercial entity" with a "socially responsible corporate entity". This perspective is useful to understanding the ecosystem of relationships that exist as a result of MTN's presence in this market. Such relationships include those MTN has with stakeholders within the firm (employees) and the external players – its route-to-market participants, vendors, customers, regulators, beneficiaries of its corporate social responsibility activities, host communities for its infrastructure, domestic and international investors and so on.

On May 16, 2001, following the globally lauded Nigerian GSM auction conducted by the Nigerian Communications Commission earlier that year, the first call on the MTNN network was made. Thereafter, the company launched full commercial operations beginning in Lagos, Abuja and Port Harcourt.

Since its launch in August 2001, MTN has steadily deployed its services across Nigeria. It now provides services in 223 cities and towns, more than 10,000 villages and communities and a growing number of highways across the country, spanning the 36 states of the Nigeria and the Federal Capital Territory, Abuja. Many of these villages and communities are being connected to the world of telecommunications for the first time ever.

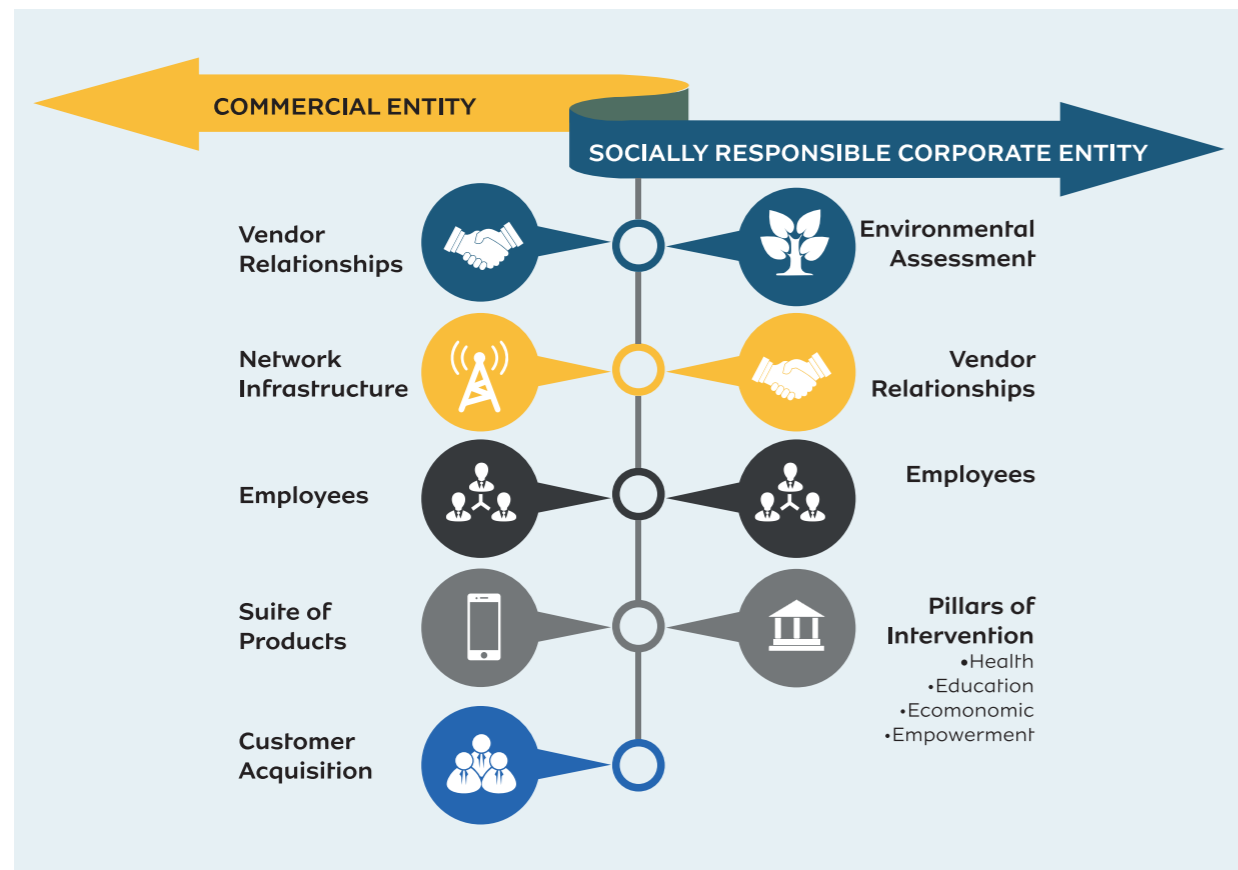
The company's digital microwave transmission backbone, the 3,400 Kilometre **Yello**Bahn was commissioned by President Olusegun Obasanjo in January 2003 and is reputed to be the most extensive digital microwave transmission, Bnhy7u infrastructure in all of Africa. The **Yello**Bahn has significantly helped to enhance call quality on MTN network.

MTN Nigeria has expanded its network capacity to include a new numbering range with the prefix 0806, 0816 and 0813 making MTN the first GSM network in Nigeria to have adopted an additional numbering system, having exhausted its initial subscriber numbering range - 0803. As of the last count, there are now 10 such telephone number prefixes operational on the MTN network. In its resolve to enhance quality customer service, MTN Nigeria has also introduced a self-help toll-free 181 customer-care line through which subscribers can resolve their frequently asked questions free of charge.

What has MTN done since it came to Nigeria?



EXHIBIT 25: MTN AS COMMERCIAL ENTITY AND SOCIALLY RESPONSIBLE CORPORATE ENTITY



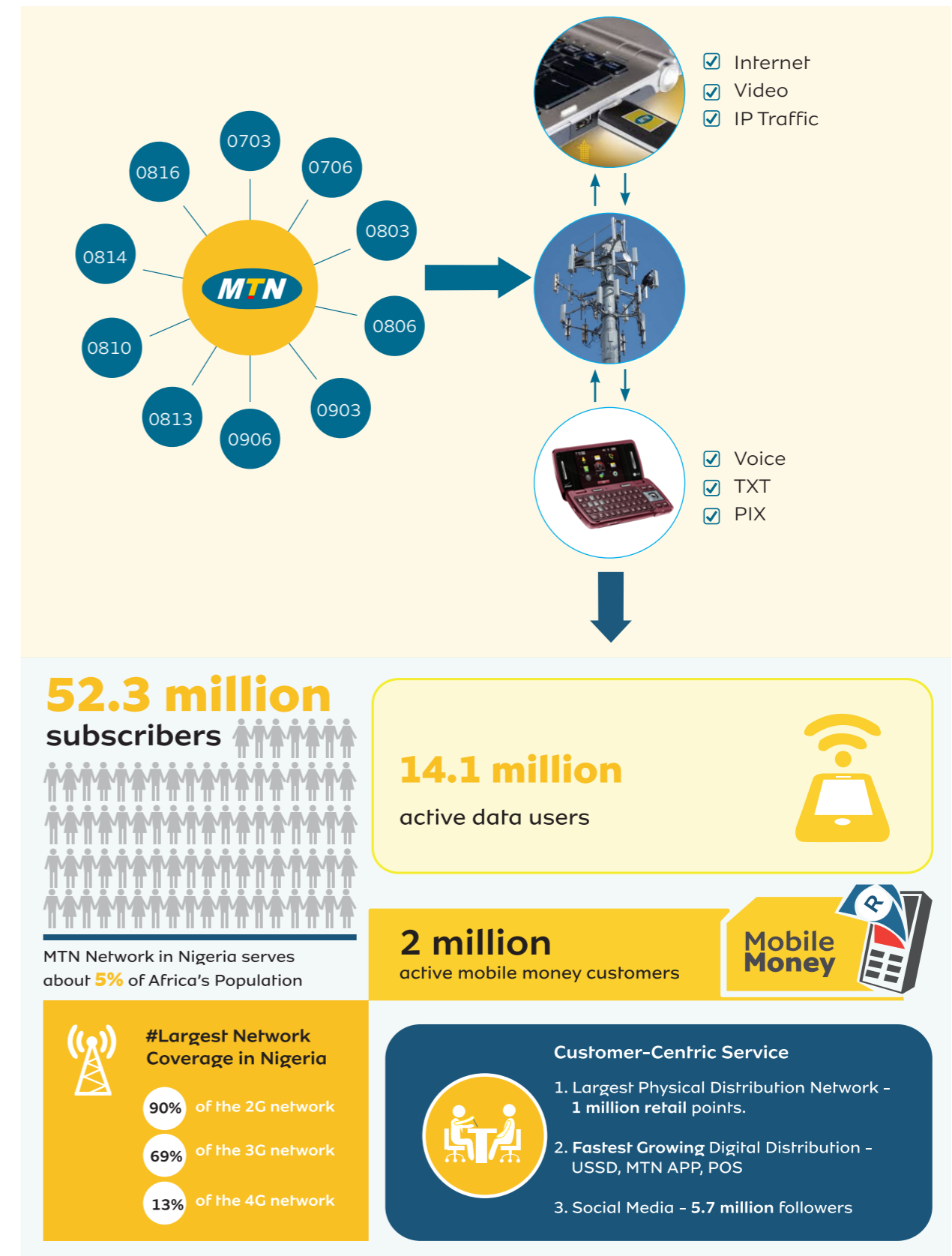
2.1.1 THE COMMERCIAL ENTITY

MTN has built a network which enables communication, access to information and opportunities for the purpose of improving lives. It operates its mobile network in 36 states of Nigeria. MTN provides network coverage to 76% of Nigeria's landmass, an area covering 92% of the Nigerian population has access to MTNN services.

The number of individual subscribers to mobile services in Nigeria stood at over 145million at the end of 2017, up from 2.27 Million in 2002. More than 52million of these are MTN customers. MTNN's 4GLTE services now reaches 11% of the population, its 3G now reaches 62% of the population and its 2G services covers 90% of the population. In parallel, data consumption on the MTN network continues to increase rapidly. With about 14m data users, MTNN's 4G now accounts for 13% of all data traffic, its 3G, 37% and 2G, 62% of all data traffic.

What has MTN done since it came to Nigeria?

EXHIBIT 26a: AN EXPANDING NETWORK INFRASTRUCTURE, ENABLING VOICE AND DATA SERVICES WHILST FACILITATING ADDITIONAL SERVICES



52.3 million subscribers

14.1 million active data users

2 million active mobile money customers

MTN Network in Nigeria serves about 5% of Africa's Population

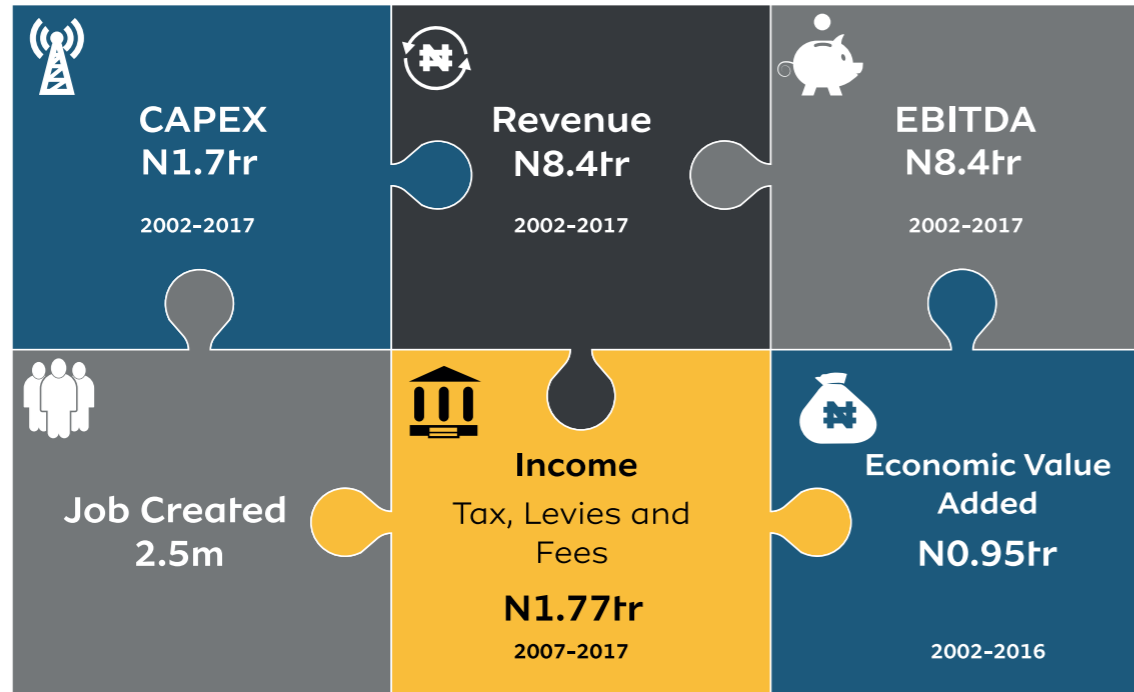
- #Largest Network Coverage in Nigeria
- 90% of the 2G network
- 69% of the 3G network
- 13% of the 4G network

- Customer-Centric Service
1. Largest Physical Distribution Network - 1 million retail points.
  2. Fastest Growing Digital Distribution - USSD, MTN APP, POS
  3. Social Media - 5.7 million followers



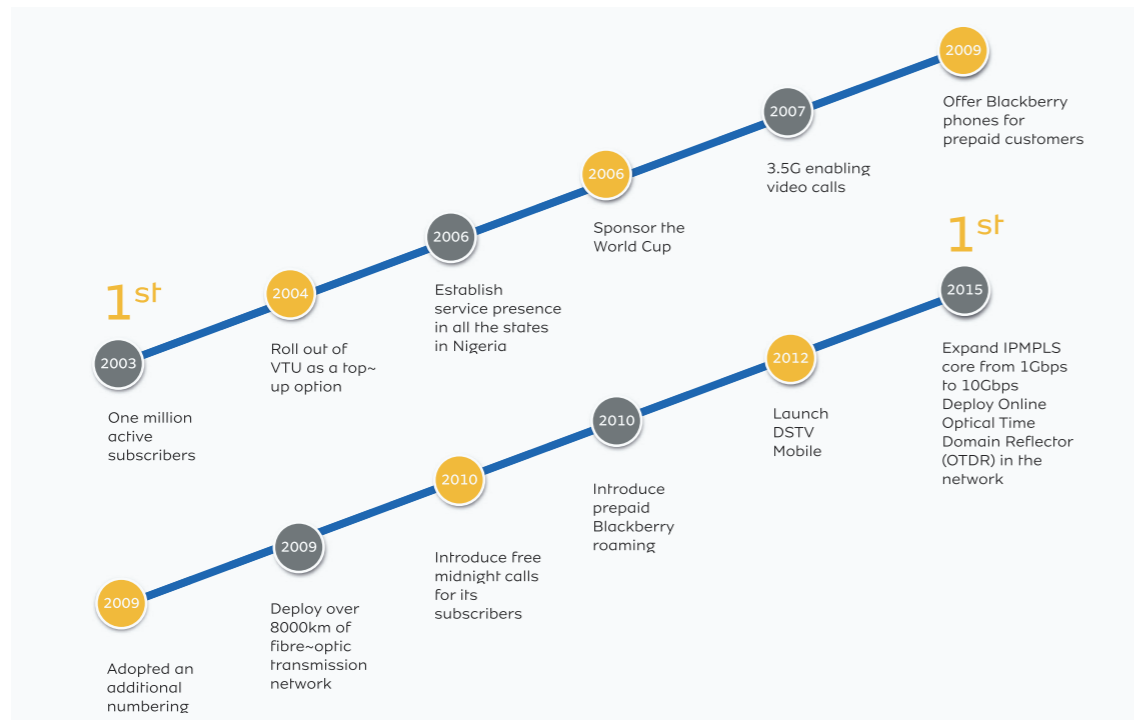


**EXHIBIT 28: MASSIVE INVESTMENTS, RETURNS AND CONTRIBUTIONS TO THE ECONOMY**



MTN has been an innovation pioneer in the Nigerian market. Its innovations, supported by significant capital investments, have been critical to the development of the industry in Nigeria, and the attendant benefits to the various stakeholder groups affiliated to the industry.

**EXHIBIT 29: MTN'S INNOVATIVE FIRSTS**

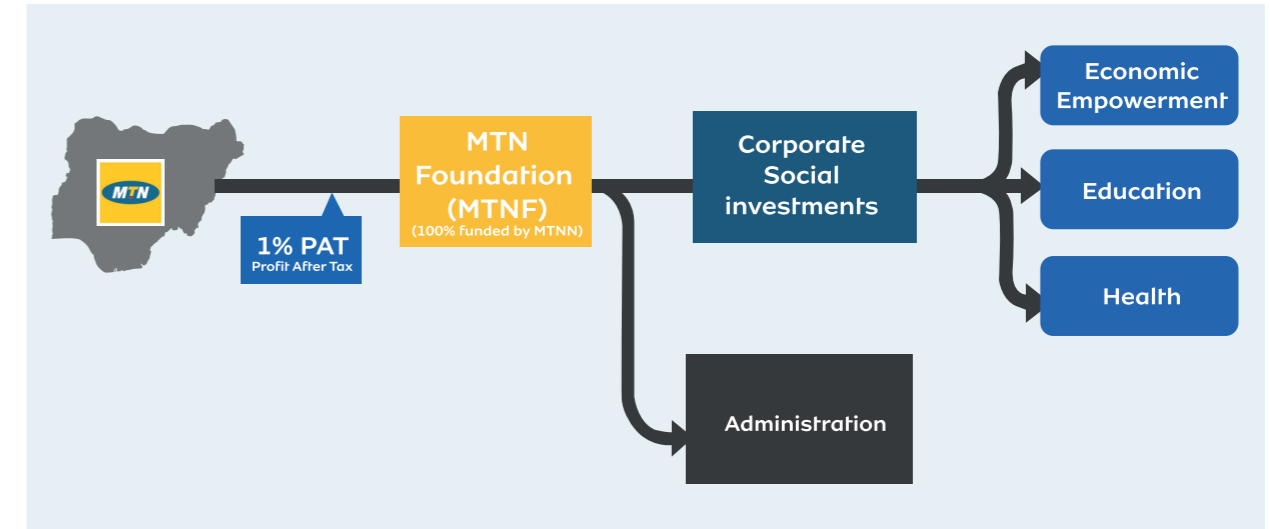


**What has MTN done since it came to Nigeria?**

**2.1.2 THE SOCIALLY RESPONSIBLE CORPORATE ENTITY**

Recognizing its speedy attainment of economic importance in Nigeria and the contingent corporate social responsibility imperatives, MTN, in 2004, set up the MTN Foundation. The Foundation has been the major institutional pillar behind the delivery of supportive interventions made using company resources in the carefully selected thematic areas of economic empowerment, education and health.

**EXHIBIT 30: MTN'S SOCIAL INVESTMENT FRAMEWORK**



The Foundation is supported through the dedication of 1% of the MTN company's Profits After Tax. Since 2005, over N18 billion has been devoted through this dedicated allotment to the MTN Foundation. With the funds, the Foundation has delivered a range of interventions across the aforementioned three thematic areas. Evaluators find that expenditure on the core delivery of projects amounts to about 77% of total spend, the rest deployed to contingent administrative expenses.

**EXHIBIT 31: OVER N18BILLION IN CORPORATE SOCIAL INVESTMENTS IN NIGERIA**



## Chapter Three

# HOW MUCH IMPACT HAS MTN'S PRESENCE IN NIGERIA HAD ON THE ECONOMY?

OUR STORY | 72 | AND IMPACT



OUR  
**STORY AND  
IMPACT**



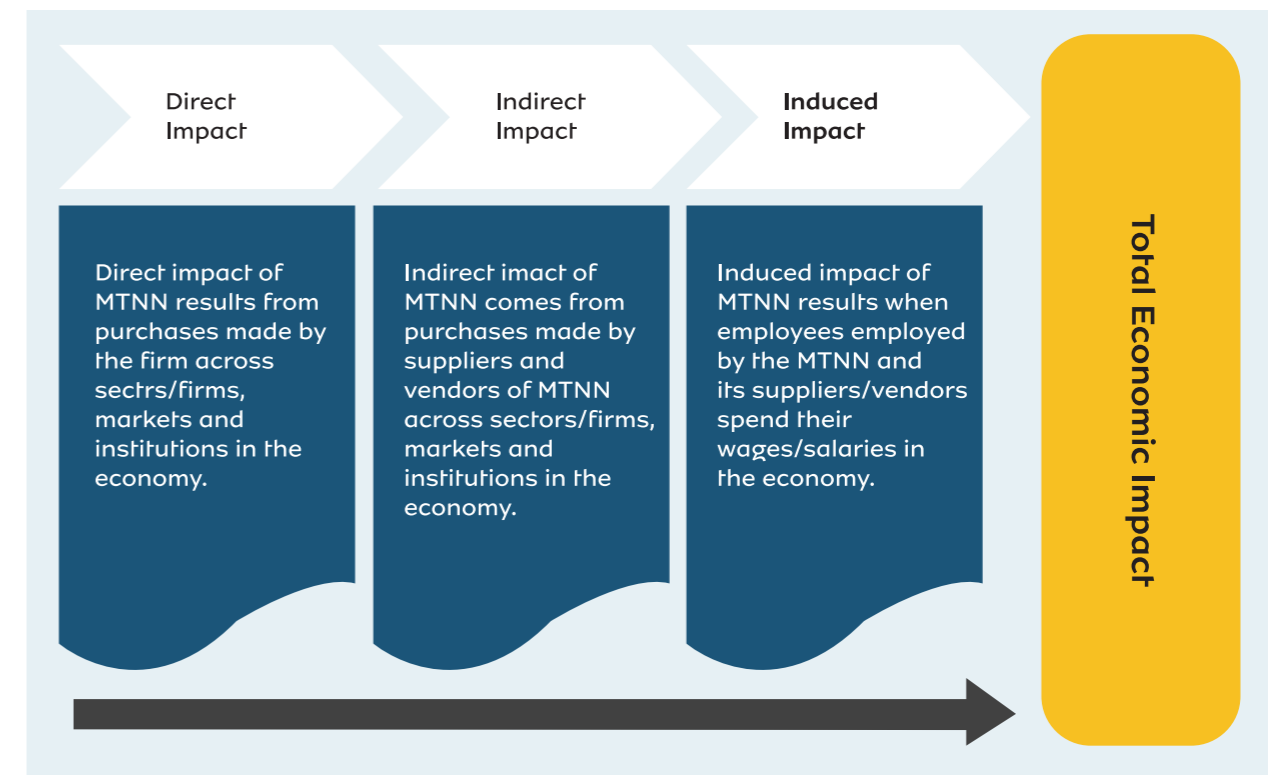
Headline figures providing an overlay of MTN's immense presence in and contribution to the Nigerian economy were quoted in the previous chapter. We proceed to present, in more granular detail, the economic impact made by MTN on the Nigerian economy and market since it acquired its operating licence and commenced operations in 2001. For most indicators, the headline figures quoted in the previous chapter derived from empirical exercises undertaken using appropriate methodology in determining the economic impact of an enterprise or, indeed, of any economic entity.

How much impact has MTN's presence had on the economy?

The most traditional approach to conducting an Economic Impact Assessment is the so-called 'input-output' methodology, developed by Wassily Leontief. The input-output model follows financial flows throughout an economy, enabling observation of the interdependencies between sectors and between various stages of the production of goods and services, highlighting intermediate and final production.

Conceptually, aggregate economic impact can be decomposed into **direct**, **indirect** and **induced** impact. Representation of MTNN's economic impact by the various dimensions undertaken would feature expressions of the impact made across the three components.

**EXHIBIT 32: CONCEPTUALLY DECOMPOSING MTN'S ECONOMIC IMPACT**



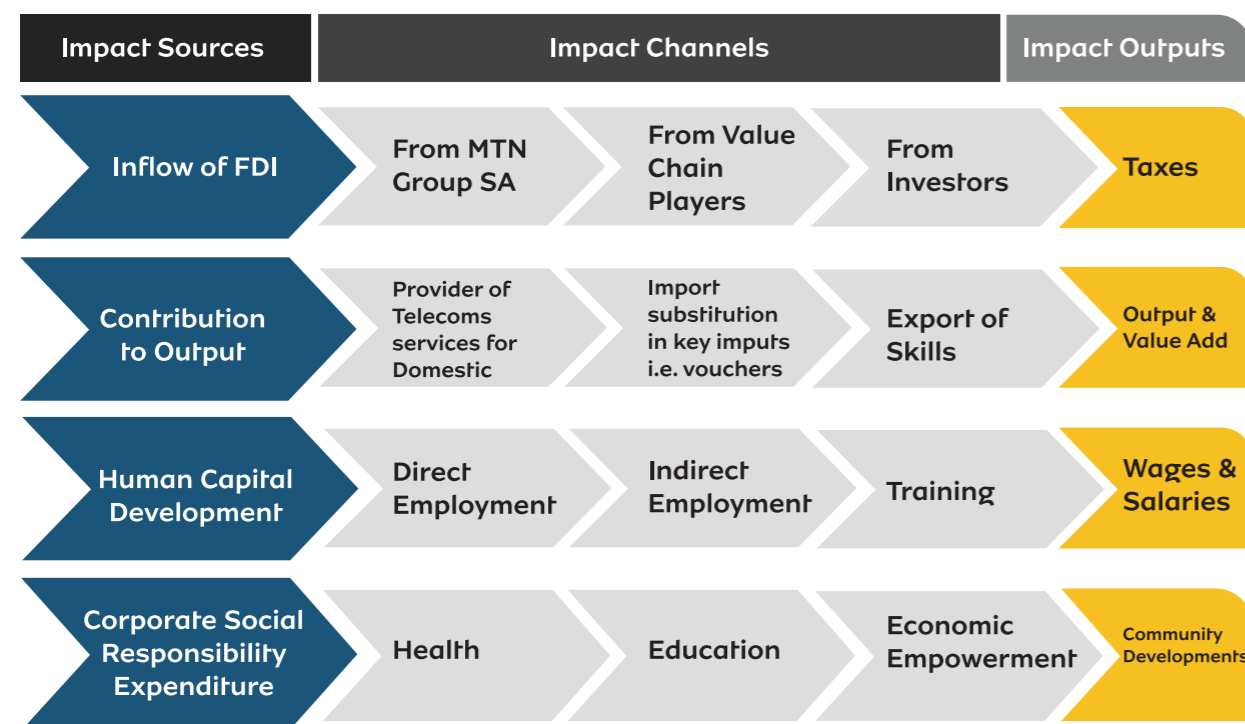
Beyond recognition of these constituent elements of overall economic impact, it is pertinent to ascertain where MTNN's economic impact originates from and observe how it filters through the Nigerian economy. To begin with, the MTN Group (the parent company), is South African. As such, capital investments made in Nigeria, both at the outset and subsequently, originating from the parent company, constitute foreign direct investment (FDI) into Nigeria. The ecosystem that exists as a result of the partnerships that make MTNN's service delivery possible comprises both foreign and indigenous entities. In the case of the former, their investments in Nigeria constitute FDI into the Nigerian economy as well.

The company's activities contribute to the economy's aggregate output and value-add. They also spur and stimulate value creation in affiliated industries where its partners operate and on their route-to-market. Furthermore, by sourcing inputs essential to service delivery in the domestic markets, some of which was made possible by the company's presence.

MTN contributes to employment directly by hiring workers and indirectly across its value chain among its partners. Investments in the training and development of staff leading to the bolstering of their skills and enhanced preparedness for greater challenges in the industry's operations and ancillary activities. It is not a stretch to claim that the company has played an immense role in the proliferation of telecommunications network engineers in the country over the last decade and half, for instance.

As a socially responsible corporate entity, MTN has made expenditures in the key areas of intervention the company has chosen to project – education, health and economic empowerment. The social value of these investments will be discussed in the next chapter. It is important to remember that these are economic investments which carry economic value, contributing to economic activity, jobs creation and the like.

**EXHIBIT 33: THE STRUCTURE AND FLOW OF ECONOMIC IMPACT**



How much impact has MTN's presence had on the economy?

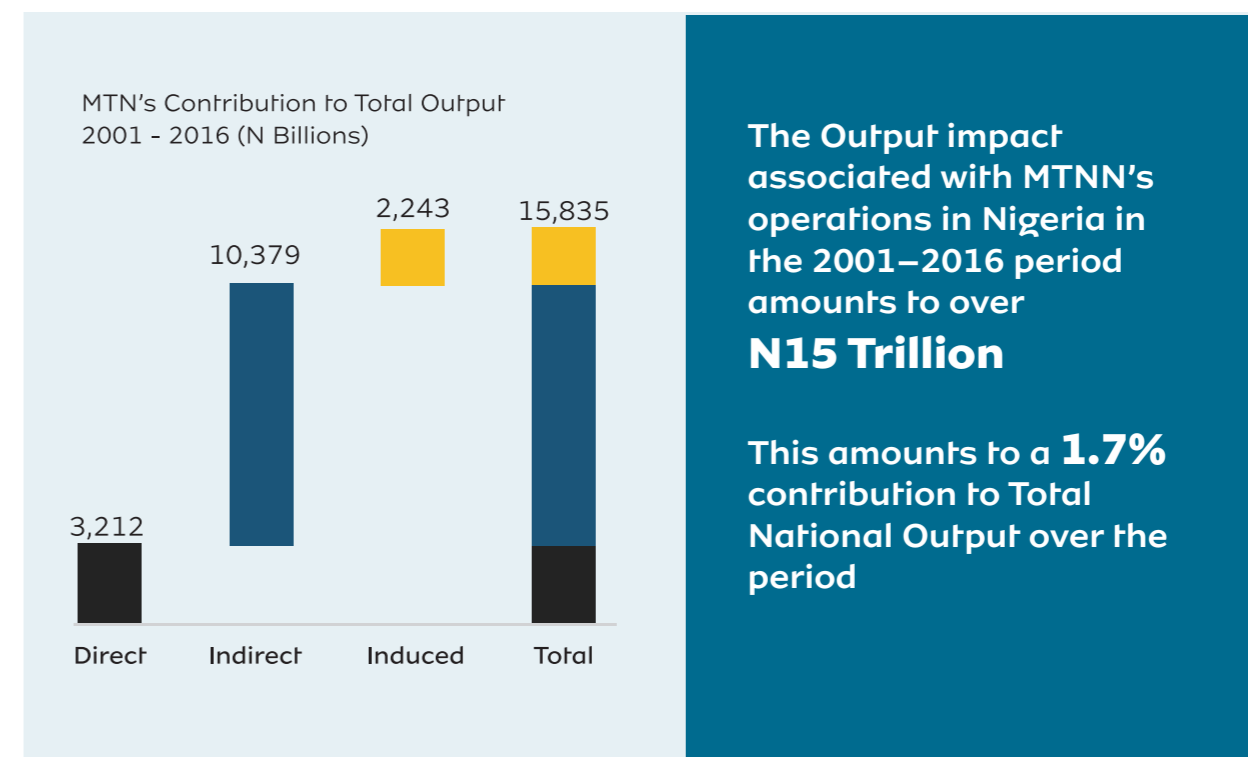
### 3.1 THE MEASURE OF MTNN'S ECONOMIC IMPACT

#### 1 Contribution to Economic Activity

MTN's substantial operations and investments in Nigeria have had a wider positive impact on the Nigerian Economy as a whole. The digital networks and services provided by MTN Nigeria have enabled businesses to enhance productivity and competitiveness and have also helped public institutions enhance efficiency in delivering public services. MTNN also provides a powerful competitive counterbalance to incumbent operators stimulating greater innovation and value for customers.

An enterprise's contribution to the national output may be appreciated on two levels. These two levels correspond with the levels at which economic activity is measured. By one measure, aggregate economic output could be measured without discounting the contributions of raw materials, energy and intermediate inputs. This entails what economists call double counting. Alternatively, and conventionally, economic output could be computed by discounting the contributions of raw materials, energy and intermediate inputs. What remains after this is called value add, and the aggregation of the value add of every enterprise in the economy gives the Gross Domestic Product (GDP). Our analysis of MTNN's contribution to economic activity is done on these two levels.

**EXHIBIT 34a: MTN CONTRIBUTION TO OUTPUT**

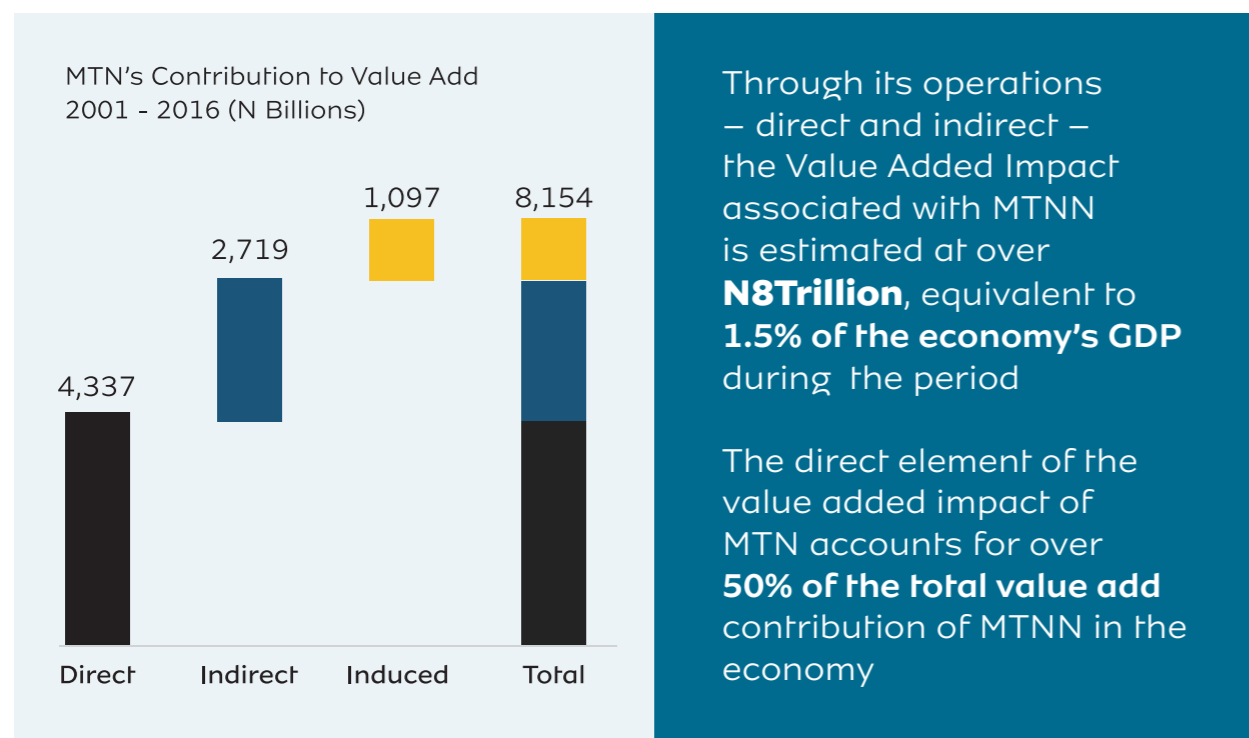


MTNN's contribution to value add in the period under review implies that in the period under review, just over 66 companies its size would have generated Nigeria's aggregate GDP in the same period.





EXHIBIT 34b: MTN CONTRIBUTION TO VALUE ADD



2 Contribution to Public Finances

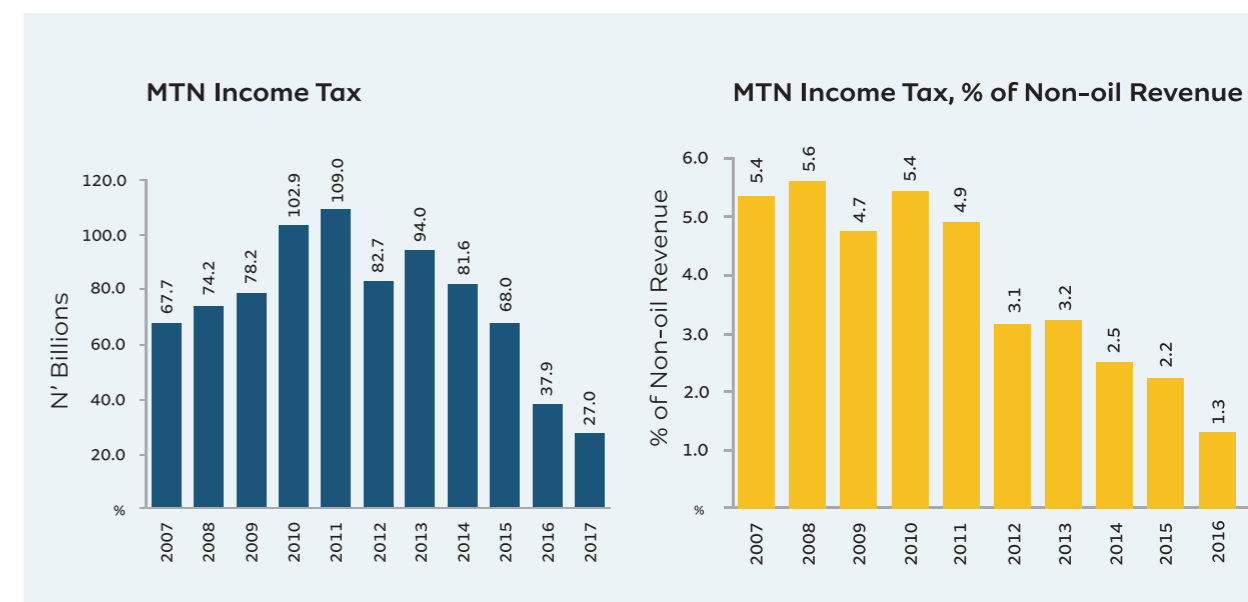
MTNN's activities have contributed to Nigeria's public finances through the payment of wide range of taxes. These include direct taxes, which for MTN is represented in its Company Income Tax (CIT) payments, and indirect taxes, arising out of and levied as a result of MTN's commercial activities.

Taxation is not the only vehicle through which governments raise revenue from businesses. Among other revenue-generating avenues are licensing fees, revenue or production sharing agreements (where applicable as in Nigeria's oil and gas industry) and, for telecommunications companies, spectrum access fees and auction proceeds. These additional sources of government revenue are often substantial – sometimes exceeding the monies raised through taxation – and represent a critically important contribution to public finances.

a Direct Business Taxes

Since the expiration of its incentives-based tax holiday in 2007, MTN has paid a cumulative sum of N0.83trillion in income tax.

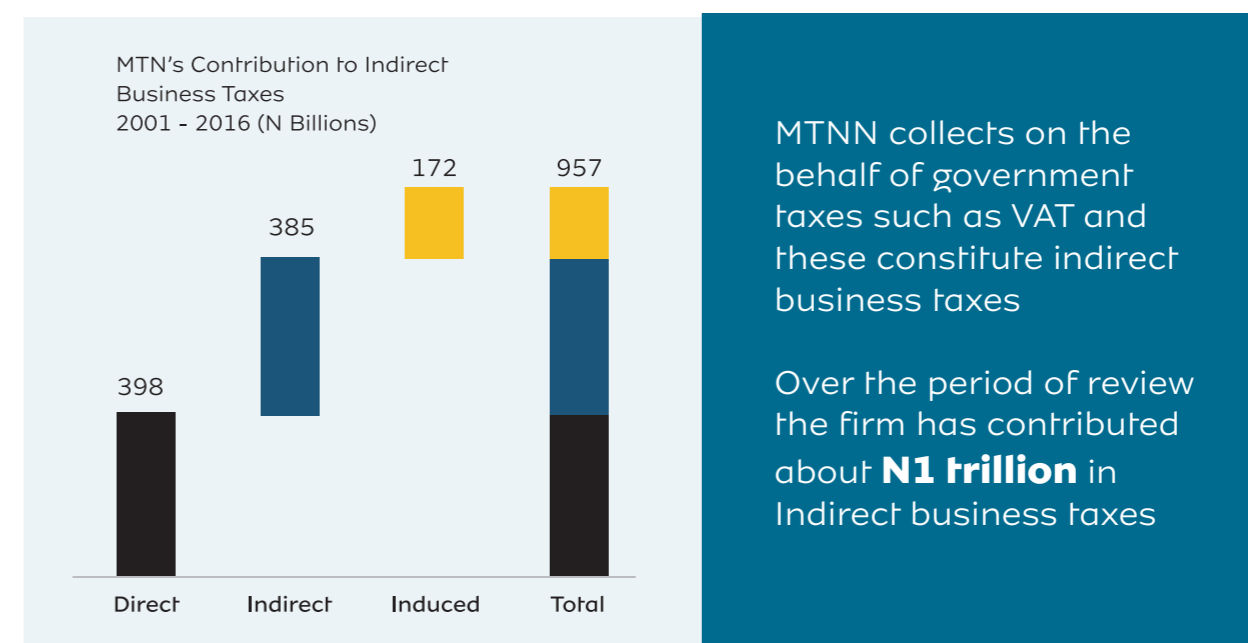
EXHIBIT 35a: MTN CONTRIBUTION TO PUBLIC FINANCES – DIRECT TAXES



b Indirect Business Taxes

MTNN collects on governments' behalf taxes such as VAT. While these indirect contributions to government revenue are not paid by MTNN directly, they would not be collected or generated to the same extent if MTNN did not employ people and offer services or products to the customers responsible for paying the tax in question or procure the goods and services from its suppliers on which such taxes are due. Indirect tax revenue accruing to the government as a result of MTNN's commercial activities amount to over N1trillion.

EXHIBIT 35b: MTN CONTRIBUTION TO PUBLIC FINANCES – INDIRECT TAXES



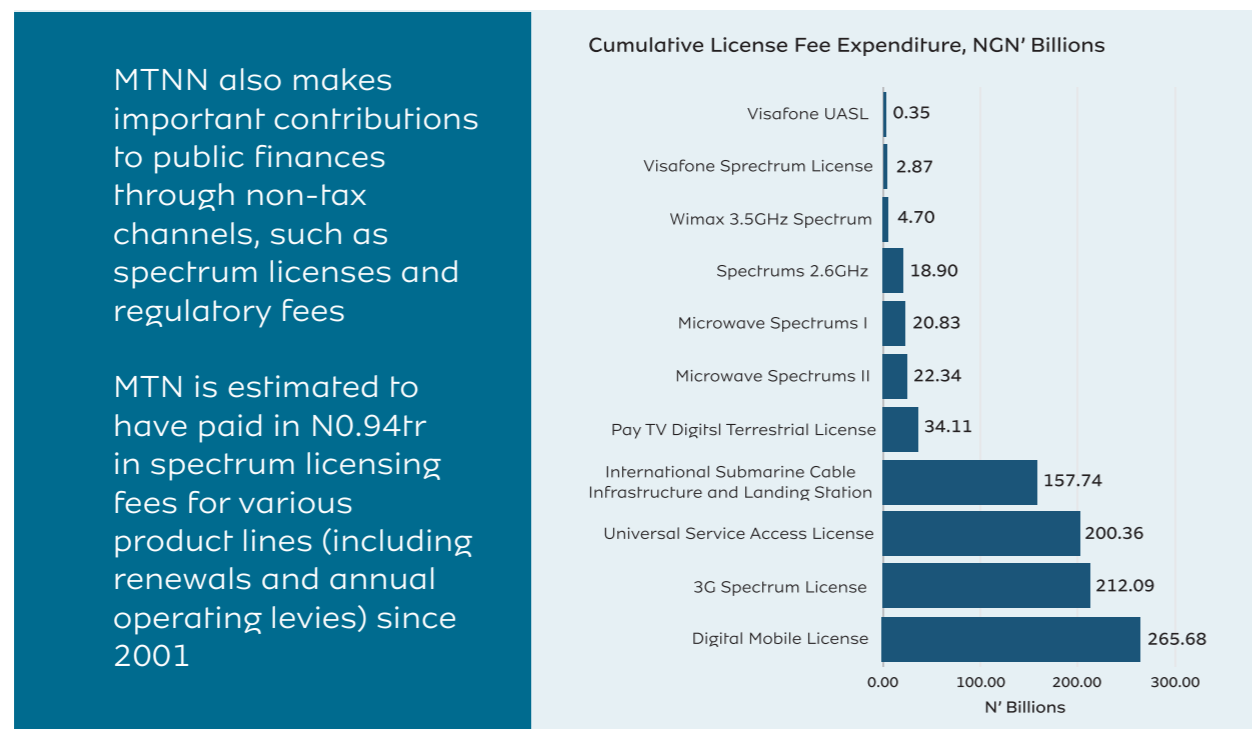
How much impact has MTN's presence had on the economy?



**c. Licensing Fees**

MTNN also makes important contributions to public finances by means of non-taxation-based revenue mechanisms, such as spectrum licenses and regulatory fees. Licensing fees were often levies in US dollars. Using applicable exchange rates at the time of payment of said licensing fees, MTN's cumulative expenditure on fees payments amount to about **N0.94trillion**.

**EXHIBIT 35c: MTN CONTRIBUTION TO PUBLIC FINANCES – LICENCE FEES AND LEVIES**



MTNN also makes important contributions to public finances through non-tax channels, such as spectrum licenses and regulatory fees

MTN is estimated to have paid in N0.94tr in spectrum licensing fees for various product lines (including renewals and annual operating levies) since 2001

Therefore, excluding indirect taxes, which are not levied on MTN directly, the company's cumulative contribution to public finances in Nigeria amounts to N1.77trillion.

**3. Shareholder Value: Economic Value Added (EVA)**

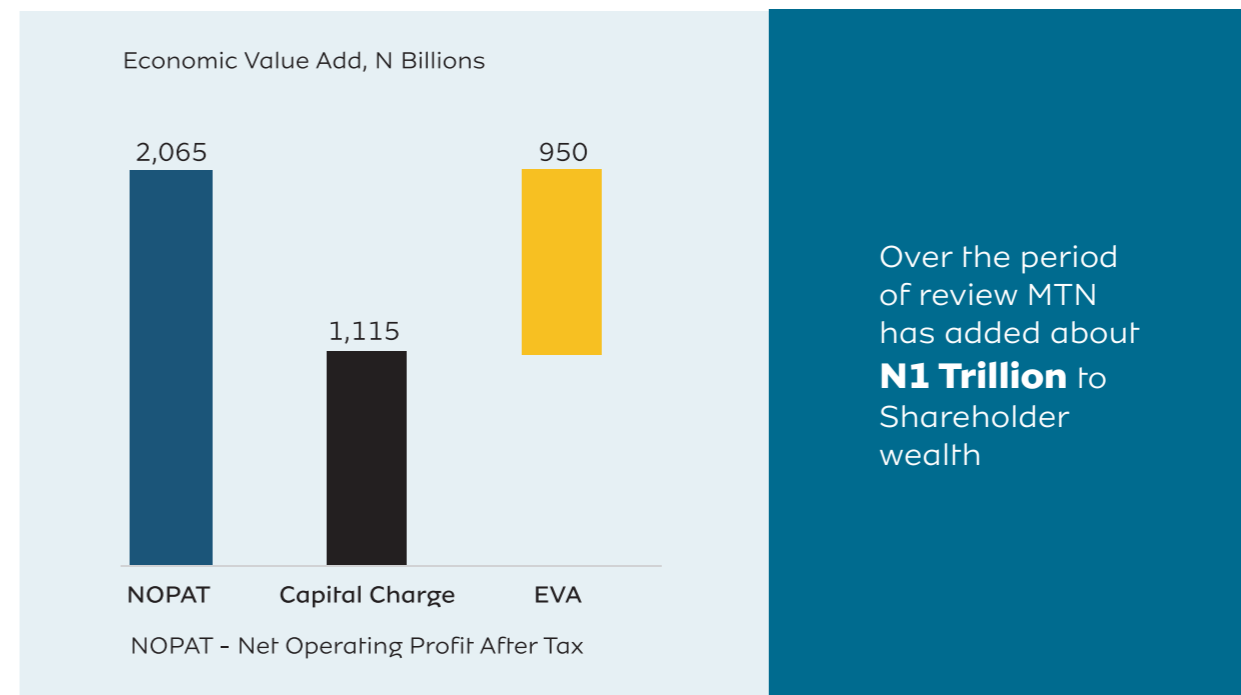
Economic value added (EVA) is a measure of a company's financial performance-based on the residual wealth calculated by deducting its cost of capital from its operating profit, adjusted for taxes on a cash basis. EVA can also be referred to as economic profit, as it attempts to capture the true economic profit of a company.

EVA is the incremental difference in the rate of return over a company's cost of capital. As such, it is a measure of the value that the MTN Nigeria company has created for its shareholders. It is derived by deducting the product of invested capital and a weighted average cost of capital (from its various sources) from the company's Net Operating Profit After Taxes. In other words;

$$\text{EVA} = \text{Net Operating Profit After Taxes (NOPAT)} - \text{Invested Capital} * \text{Weighted Average Cost of Capital (WACC)}$$

How much impact has MTN's presence had on the economy?

**EXHIBIT 36: MTN ECONOMIC VALUE ADD**

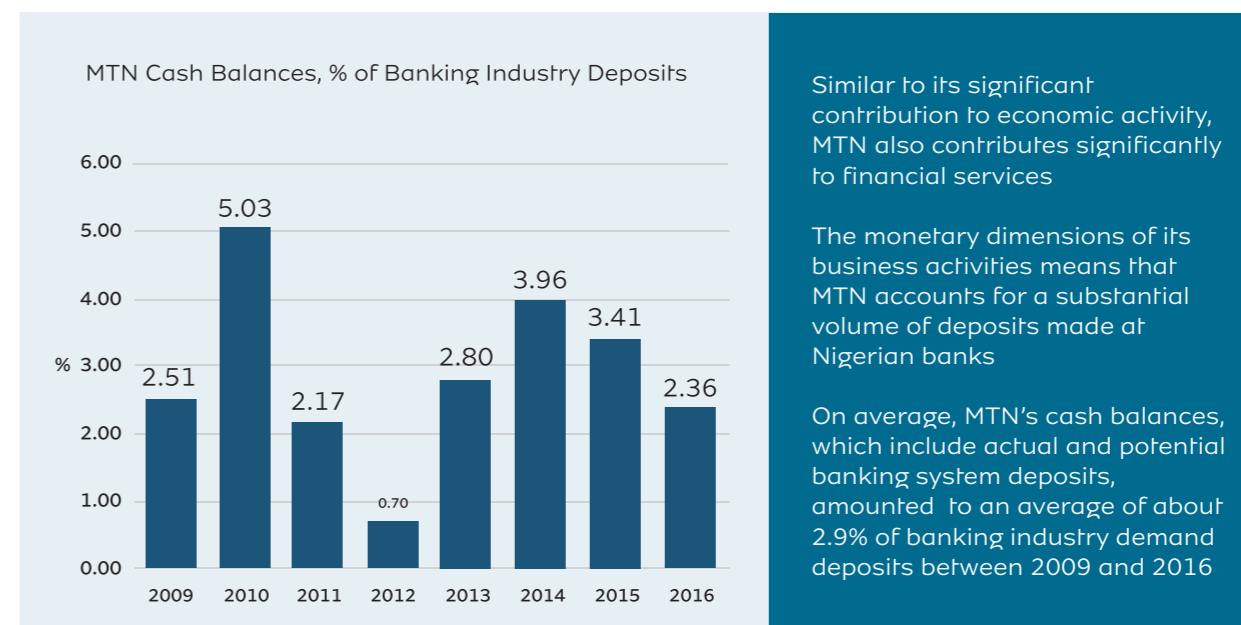


Over the period of review MTN has added about **N1 Trillion** to Shareholder wealth

**4. Contribution to Financial Services**

As a commercial entity, the pecuniary value of MTNN's economic activities as they are recycled through the economy constitute a substantial part of the monetary system, particularly through deposits in the banking system. We estimate MTNs cash balances, as reported in the company's consolidated balance sheet, to have amounted to about 2.9% of banking industry deposits since 2009.

**EXHIBIT 37: MTN CONTRIBUTION TO BANKING INDUSTRY DEPOSITS**



Similar to its significant contribution to economic activity, MTN also contributes significantly to financial services

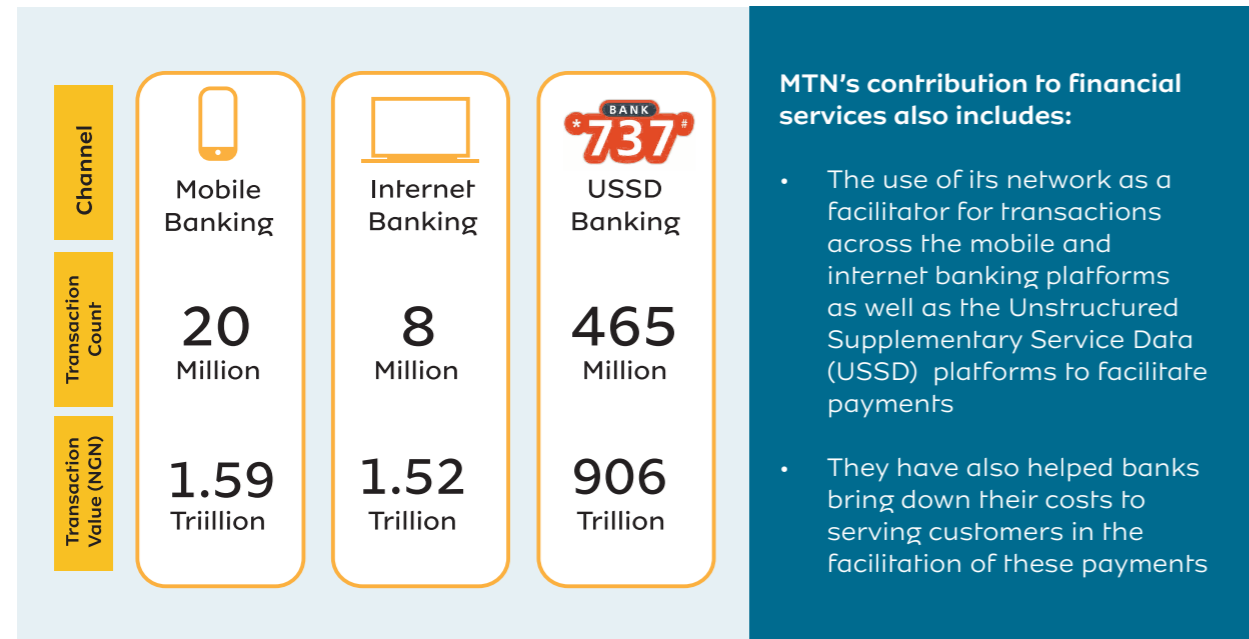
The monetary dimensions of its business activities means that MTN accounts for a substantial volume of deposits made at Nigerian banks

On average, MTN's cash balances, which include actual and potential banking system deposits, amounted to an average of about 2.9% of banking industry demand deposits between 2009 and 2016

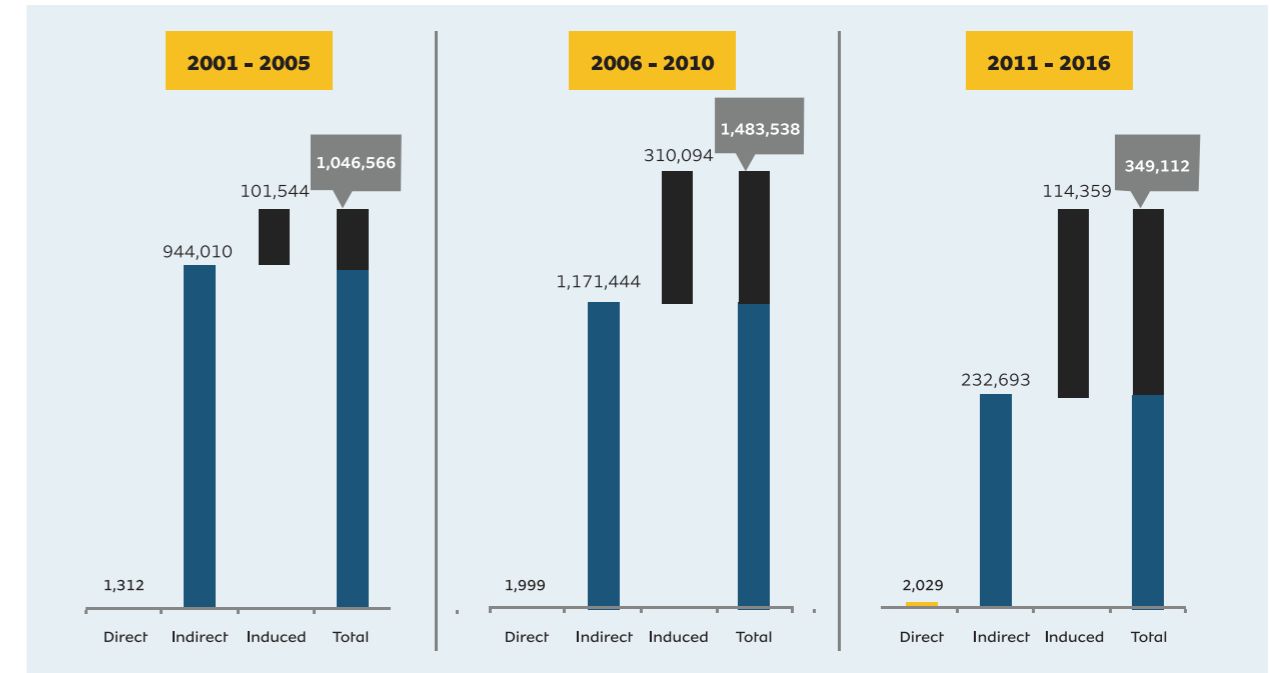


Furthermore, MTNN's network has enabled the facilitation and processing of a range of commercial and economic transactions through mobile, internet and Unstructured Supplementary Service Data (USSD) platforms for payments.

**EXHIBIT 38: MTN'S CONTRIBUTION TO MOBILE PAYMENTS SYSTEMS ARCHITECTURE**

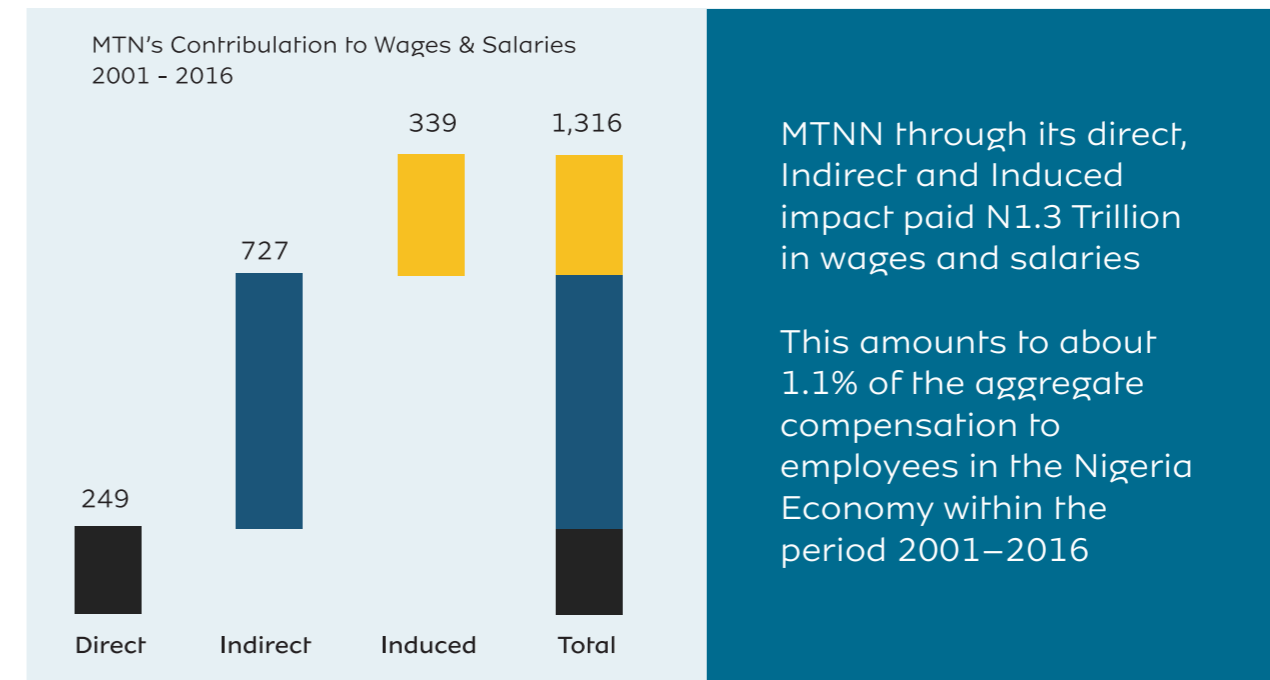


**EXHIBIT 39: MTN CONTRIBUTION TO JOBS CREATION**



Cumulative wages, salaries and other compensation made to employees in the period under review has exceeded **N1.3trillion**.

**EXHIBIT 40: MTN CONTRIBUTION TO EMPLOYEE COMPENSATION**



**5. Employment and Compensation**

Presently, MTNN provides jobs and the potential for a high-skills career path for about 1700 full-time employees and over 6000 on-contract employees across the country. The company's contribution to employment creation in Nigeria are better appreciated not merely in terms of the number of jobs it is directly responsible for creating, but also in terms of the jobs its presence supports throughout its ecosystem of partners, suppliers and route-to-market participants.

Furthermore, it is important to appreciate the company's jobs creation impact, not merely in terms of jobs which presently exist, but to recognize the cumulative effect of jobs which have been created in the past, but no longer exist as a result of employee and business turnover both at MTNN itself and at its various partners, value-chain and route-to-market participants as well as due to the starting up and closure of small and medium scale enterprises affiliated to the MTN network.

Taking the full criteria above into cognizance, MTNN is estimated to have created or supported the creation of over 2.5million jobs in period under review. To be clear, the entire aggregate covers employees and entrepreneurs in small sole proprietorships, partnerships and other business formations within the MTNN ecosystem. As exhibit 38 shows, the bulk of the jobs were created indirectly.

**How much impact has MTN's presence had on the economy?**



## Chapter Four

# SOCIAL IMPACT ASSESSMENT OF MTN FOUNDATION IN NIGERIA

OUR STORY | 84 | AND IMPACT



OUR  
**STORY** AND  
**IMPACT**



The activities of the MTN Foundation, the organizational umbrella for MTN’s corporate social responsibility endeavours, originate in a survey conducted by MTN Nigeria in 2004 among key stakeholders to ascertain the priority needs of Nigerians among the various appreciable deficits that characterize the Nigerian socio-economic environment.

The findings of the survey promoted three main areas of intervention: education, health and economic empowerment. In 2005, the MTN Foundation was launched with the mandate to design and implement interventions and projects in the aforementioned focus areas.

The activities of the Foundation are funded through the devotion of 1% of MTNN’s post-tax profits. An estimated N18billion has been spent by the Foundation on social investments across the six geopolitical zones in Nigeria. The company has remained at the forefront of corporate social responsibility by integrating economic, social and environmental concerns into overall business strategy.

**EXHIBIT 41: HOW MTN HAS INVESTED ITS CORPORATE SOCIAL INVESTMENT LARGESSE**

Project Category	Amount Invested (NGN)	Direct Impact
<b>Economic Empowerment</b>	3,960,000,000.00	<ul style="list-style-type: none"> <li>Over 413,626 individuals</li> <li>6 microfinance institutions</li> <li>146 Communities</li> </ul>
<b>Education</b>	4,140,000,000.00	<ul style="list-style-type: none"> <li>Over 6,945,654 students</li> </ul>
<b>Health</b>	4,860,000,000.00	<ul style="list-style-type: none"> <li>Over 1,274,076 individuals</li> <li>Over 200 bereaved families</li> </ul>



**Dummy Quote.**  
 This can hold  
 some quotes  
 spread across the  
 report especially  
 on images

### 4.1 PHILOSOPHY

Guiding MTNN's social investment strategy is a corporate social responsibility (CSR) philosophy. That philosophy is summed up in the following cardinal principles:

1. Projects or interventions must fall within the three (3) named focal areas and be targeted at beneficiaries within Nigeria
2. Projects or interventions must be sustainable, constituting benefits to people now and in the future, whilst having a wide impact on beneficiary communities
3. Projects and interventions which entail erecting infrastructure must be stray from the aforementioned focus areas
4. Projects and interventions must be replicable across Nigeria's six (6) geopolitical zones. Profit-making from projects is prohibited. User fees for amenities are likewise prohibited
5. Represent a critical need in the beneficiary community

### 4.2 THE SUSTAINABILITY IMPERATIVE

Arising out of this is the sustainability imperative for CSR activities, which are aligned with the triple bottom-line imperative guiding 21<sup>st</sup> century corporates

#### The Triple-Bottom Line

In recent times, corporates across the globe have begun to account for not just their economic bottom-line, but also on their social as well as their environmental bottom-lines in assessing their performances. The triple-bottom line emphasizes that to be sustainable, corporates need to think beyond their economic bottom-line, as maintaining financial certainty into the future will not be enough. For organisations to continue to function in the long term, they need to take actions to ensure that they contribute to the sustainable management of natural and human resources, as well as contribute to the well-being of society and the economy as a whole.

Currently, 79 Nigerian corporates are signed up to the UN Global Compact, which is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. Three of the ten principles focus on the need for businesses to think green in solving environmental challenges, promoting environmental responsibility as well as developing environmentally friendly technologies. However, this is a voluntary initiative that requires signatories to annually report on their progress on the 10 principles, through a Communication on Progress report.

#### How MTN Fits

MTN Nigeria has signed up to the UN Global Compact and has consistently reported and published the Communication on Progress report.

There is a 'deliberate' strategy to ensure that its business has a direct impact on Nigeria's GDP, employment rate, through the various vendors and sub-vendors that create jobs, encourage small business as well as reduce the safety and environmental impact of its operations.

MTN Nigeria's social bottom line is directly linked with its community development projects, which in turn is linked to its environmental and financial stewardship. There is however a need for the organisation to begin to report its activities using triple bottom line framework, such as the Global Reporting Initiative (GRI), which combines the organisation's financial, social and environmental performance over a specific period and replaces an annual report which focuses on its financial bottom line alone.

More generally, aligning with global best practices on social investment and socially responsible corporate citizenship requires paying attention to the United Nations Sustainable Goals 2015.

EXHIBIT 42: UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (UN SDGs)



The foundation’s vision “is to be a leader in the area of Corporate Social Investment initiatives in Nigeria measured by the impact and sustainability of our projects in our host communities”; with a mission “to improve the quality of life in the areas of Health, Education, and Economic Empowerment on a sustainable basis.”

The various projects and initiatives implemented by the MTN Foundation in pursuit of the fulfilment of its CSR and corporate citizenship obligations, cutting across its focus areas of health, education and education, have the goals of:

- Alleviating poverty through economic empowerment [This aligns with goals 6 and 8 of the UN SDGs]
- Improving literacy by supporting education development [This aligns with goal 4 of the UN SDGs]
- Creating healthy communities via health interventions [This aligns with goals 1 and 3 of the UN SDGs]

In the period between 2001-2016, MTNF has carried out the following types of flagship project<sup>3</sup> across the 6 geopolitical zones:

- 15 economic empowerment projects
- 13 health sector interventions
- 11 education projects

Each of the foundation’s focal areas has specific objectives.

The educational development projects are aimed at:

- Improving the quality of education in Nigeria
- Improving learning and practical teaching of core science subjects
- Ensuring adequate learning resources are provided to disadvantaged students

With an overall goal of alleviating poverty, the economic empowerment initiatives seek to:





- Improve the quality of life in communities, with an emphasis on the vulnerable and disadvantaged
- Create positive outcomes in rural communities through electrification and water projects

<sup>3</sup> MTNF’s flagship projects are broad projects that are implemented in multiple locations and states

The health Interventions are intended to:

- Align Nigeria with the global initiative on health, and the sustainable development goal 3, which is to promote good health and well-being
- Increase the level of health awareness amongst the citizens
- Provide affordable health services to the underprivileged

EXHIBIT 43: MTN'S INTERVENTIONS ALIGN WITH THE UN SDGs

	Portfolio I	Portfolio II	Portfolio III	
<b>MTN Foundation</b>	Health	Education	Economic Empowerment	
				
	<b>Goal 3</b>	<b>Goal 4</b>	<b>Goal 6</b>	<b>Goal 8</b>
<b>UN Sustainability Development Goals</b>	Health	Education	Clean Water and Sanitation	Economic Empowerment
<b>Goal Description</b>	Ensure healthy lives and promote well-being for all at all age	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	Ensure availability and sustainable management of water and sanitation for all	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

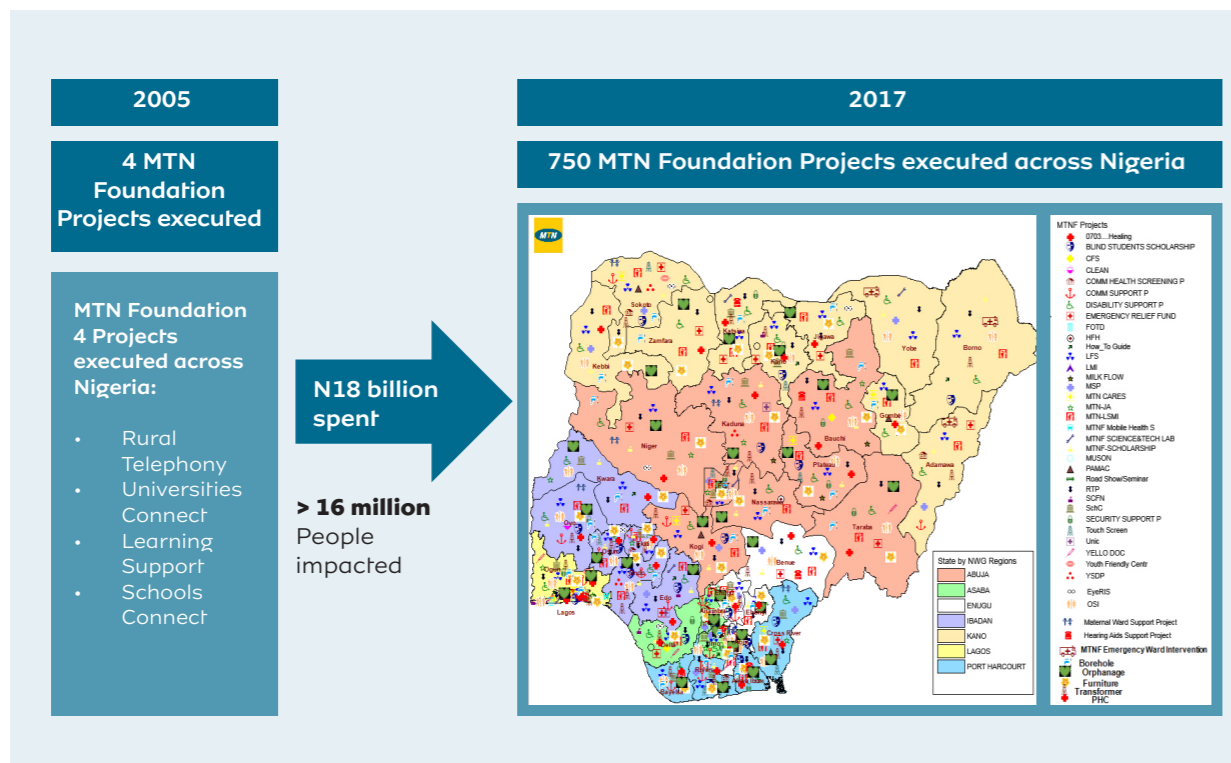
### 4.3 ASSESSMENT OF PROJECTS

This Social Impact Assessment (SIA) provides a description and evaluation of MTN's social investment projects with an overarching objective to make recommendations on the effectiveness of its current strategic focus areas, processes and programmes. It constitutes, in the process, evidence-based report on the impact of MTN's interventions in the period of 2001–2016.

It unfolds in the following sequence:

- Identification all of the company's social investments in Nigeria and describe what they have done
- Tracing the evolution of objectives and focus to understand the underlying issues warranting the social interventions
- Assessment of the social investments using appropriate methodologies
- Qualifying and quantifying the impact of the social investments in the Nigerian economy
- Evaluate strategic focus areas and project impact
- Provide recommendations

#### EXHIBIT 44: FROM 4 TO 750 PROJECTS AND INTERVENTIONS IN TWELVE YEARS

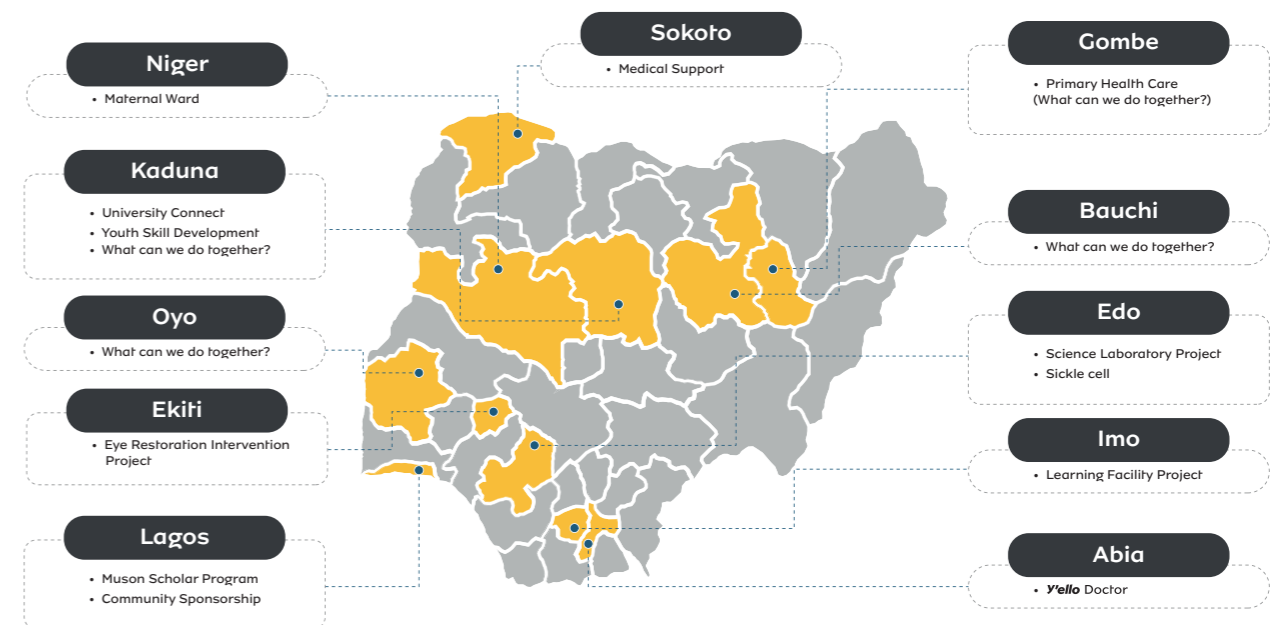


Social Impact Assessment of MTN Foundation in Nigeria

### 4.3.1 Scope & Location

- The assessment was carried out on MTNF's community projects
- The scope of the assessment was national, and targeted 18 pre-selected projects in the 6 geo-political zones and 3 focal areas

#### EXHIBIT 45: PROJECTS VISITED AND EVALUATED





### 4.3.2 Key Findings

With an estimated total spend of N18billion, over 750 projects and an overall positive social return on investment on assessed projects, MTN Nigeria, through its foundation has had an overwhelming positive impact in the lives of many Nigerians. The selected focus areas are directly aligned to some of the critical developmental issues facing the population. The significant gaps that these interventions are closing in the short, medium and long term were evident in the candid feedback provided by the project beneficiaries.

The MTN Sickle Cell Centre in Benin, Edo State, has housed patients from at least 5 states, a few of them in a different geo-political zone, the access to quality free drugs and the increased awareness about the disease and its management has saved many lives. Another innovative project is the Muson Scholar's Music Programme, many of the past and current beneficiaries come from low-income backgrounds, who would not have been able to follow a career path in music, if the programme did not exist.

The findings below are an overview from selected projects assessed, a more detailed project specific finding is within the project profiling section.

- MTN Nigeria is the only telecommunications company to establish a foundation to manage its social investment
- MTNF is the leading investor in community development projects across the 6 geo-political zones
- MTNF's focal areas are aligned with the MDGs as well as SDGs.
- Interventions in the communities have had a measurable impact on beneficiaries.
- The social return on investment of the projects profiled in this report was positive, exceeding the cost of the project.
- Beneficiaries profiled in this report continue to benefit from exited projects.
- Community 'ownership' of projects was also evident, albeit within an ad hoc framework within exiting community structures and not a deliberate component of MTNF's project cycle management.
- An underlying disconnect of project beneficiaries and implementers with MTNF was evident.
- Monitoring and Evaluation of projects (exited/on-going) was limited and weak.
- An exit strategy and a sustainability plan for projects was grossly lacking across assessed projects.

- Project implementers in certain projects only provided technical expertise and were unable to provide community development related expertise. <sup>4</sup>
- Limited or no awareness about MTNF's interventions, even from the organisation's website and through media searches.
- There was a significant lack of continuously reviewing and revising long term project models to ensure a culture of continuous improvement <sup>5</sup> and alignment with current realities.
- Availability of baseline data from MTNF on selected projects was an issue and a major limitation to the study

#### EXHIBIT 46: PROJECTS BY CATEGORY

Health	Education	Economic Empowerment	What we can do together?
<ol style="list-style-type: none"> <li>1. Sickle Cell</li> <li>2. Material Ward Support.</li> <li>3. Primary Health Care.</li> <li>4. Medical Support</li> <li>5. Eye Restoration Intervention Project.</li> </ol>	<ol style="list-style-type: none"> <li>1. MUSON Scholarship</li> <li>2. Learning facility Support.</li> <li>3. University Connect Project</li> <li>4. Science Laboratory Project</li> </ol>	<ol style="list-style-type: none"> <li>1. Youth Skill Development</li> <li>2. Low Cost Housing Project</li> </ol>	<ol style="list-style-type: none"> <li>1. Donation of Transformer</li> <li>2. Donation of Borehole</li> </ol>

4 Project in Ojo in Lagos where a transformer was donated, the implementer only had technical capabilities and was therefore unable to properly engage the community and organise them to collaboratively develop a sustainability and a formal fund to ensure that the project could be maintained by the community

5 The Muson Scholars' project is an example of the need to increase daily stipend to align with current level of inflation as well introduce a mentoring and life skills training to help scholars chart a sustainable career path within the music industry



# 1 FOCAL AREA

HEALTH



AND IMPACT

96

OUR STORY

## EXHIBIT 47: GENERAL HOSPITAL SOKOTO

Over 1000 dialysis sessions have taken place in General Hospital Sokoto and the project serves Sokoto, Zamfara and Kebbi States

PROJECT STATUS	STARTED IN 2010
<b>OBJECTIVE</b>	The need to develop the skills set of students in the sciences
<b>INTERVENTION</b>	Renovation of science Laboratory, Equipping of laboratory, donation of generator and borehole, capacity building of 3 staff by sending them for training on how to use the laboratory
<b>IMPACT</b>	The number of students offering chemistry has risen from 50 in 2015 to 85 in 2017 as the equipped Laboratory as served as a motivating factor for the students

LOCATION: SOKOTO STATE



" I thank them for their support and concern for our nation. May Almighty Allah continue to reward them. If MTN had not started the dialysis center, I don't think we would have any center in Sokoto by now. We were trained for dialysis since 2008 and 2009 but nothing happened until 2011"



# FOCAL AREA

HEALTH



AND IMPACT

97

OUR STORY

## EXHIBIT 48: THE Y'ELLO DOCTOR INITIATIVE

109 communities, 6 LGs, 4 States, 170,000 beneficiaries have accessed health services through the **Y'ello** Doctor initiative

PROJECT STATUS	STARTED IN 2010
<b>OBJECTIVE</b>	Mobile clinics address issues of Common ailments such as malaria, typhoid, common cold, skin rashes etc.
<b>INTERVENTION</b>	MTNN supports public hospitals through the state-of-the-art mobile clinics with laboratories, equipment and personnel to the remotest areas of the country
<b>IMPACT</b>	109 communities, 6 LGs, 4 States, 170,000 beneficiaries have participated and have accessed health services in the communities

LOCATION: ACROSS SIX STATES



"The project has given an opportunity to impact lives and save humanity. MTN is doing a great thing for humanity. They are Godsend to the rural communities"





## FOCAL AREA

HEALTH

### EXHIBIT 49: SICKLE CELL CLINICS

LOCATION: EDO STATE

MTNF supports 5 Sickle Cell Clinics to lower mortality rate of sufferers of sickle cell in Nigeria

PROJECT STATUS	STARTED IN 2009 /2010 TO DATE
<b>OBJECTIVE</b>	Preventive and Curative services for Sickle Cell Patients
<b>INTERVENTION</b>	MTNF has funded the establishment of Pre-natal DNA laboratory and other equipment of world class diagnostic standards.
<b>IMPACT</b>	<ul style="list-style-type: none"> <li>• Patients do not pay for drugs</li> <li>• Pre-marital Counseling and free genotype test</li> <li>• Over 13000 Sickle cell patients have received preventive and curative services over the Nation</li> </ul>



'Thank you MTN for the good work'

**Dr. Olufemi Oyenuga,**  
Senior Medical Officer,  
Sickle Cell Foundation, Benin City



## FOCAL AREA

HEALTH

### EXHIBIT 50: EyeRIS INITIATIVE

LOCATION: EKITI STATE

Over 20,000 cataract surgeries conducted; Over 20,000 reading glasses; Over 20,000 drug packs distributed by the EyeRIS initiative

PROJECT STATUS	STARTED IN 2013
<b>OBJECTIVE</b>	Cutback frequent occurrence of blindness in Nigeria
<b>INTERVENTION</b>	MTNF funded free surgeries, glasses and drug packs
<b>IMPACT</b>	<ul style="list-style-type: none"> <li>• Over 20,000 cataract surgeries conducted;</li> <li>• Over 20,000 reading glasses;</li> <li>• Over 20,000 drug packs distributed</li> </ul>

- 6 centres: 1 per geopolitical zone
- Treatment of cataracts and other ocular diseases; surgical operations; distribution of reading glasses





## FOCAL AREA

### HEALTH

#### EXHIBIT 51:

#### PRIMARY HEALTH CARE CENTRE, GOMBE STATE

LOCATION: GOMBE STATE

Improved Health services for members of the village by equipping primary Healthcare centres

PROJECT STATUS	STARTED IN 2010
<b>OBJECTIVE</b>	Equipping primary Healthcare centres with materials for pregnant women and newborn babies
<b>INTERVENTION</b>	MTNF donated 1 delivery bed and 1 hospital bed as well as hospital supplies - weighing scale for adults and babies, privacy blinds, screening kits, artificial resuscitators, forceps, malaria kits, visual acuity and vacuum extractor set
<b>IMPACT</b>	Improved Health services for members of the village



"Things are easier now. We no longer have to transfer anyone to other health centres in other villages because we can now receive services at our doorstep"

## RECOMMENDATIONS

Beneficiaries and communities at various project sites and interventions made recommendations for improving, strengthening and scaling impact in the Health Projects as follows:

### 1. Needs Assessment:

The needs assessment exercise should be led and managed by MTNF employees or trusted and skilled partners who have a better understanding of the organisation's missions and industry best standard and who can appropriately engage community stakeholders so that community needs and company objectives are aligned

### 2. Monitoring and Evaluation

- Develop efficient monitoring systems according to project clusters or type of intervention
- Visit project sites periodically
- Continue and expand maternal ward support project and mobile clinic intervention
- Collect and gather periodic feedbacks from project implementers and contractors for sustainability and efficient administration

### 3. Performance Assessment and Reward Framework

- Develop a sustainable and efficient reward system for volunteers, youth corps' members and officials

### 4. Strategic Partnerships

- Support projects and interventions with other MTN brand materials, products and services that can help sustain impact. MTN Lumos is very important towards the functionality of some health interventions
- Collaborate, facilitate and partner with external stakeholders to train and engage local teams and officers managing and working at project sites. For example, organizing or facilitating the training of health officers operating at Haemodialysis Centres across the South West geo-political zone in collaboration with recognized health bodies
- Develop clear strategic partnerships and collaborations with development health organisations to ensure sustainability. Many of the projects and interventions are out of medical consumables for treatment and the machines are in dire need of maintenance. Mammography Centre, Uthman Dan Fodio University Sokoto, has not scanned nor treated a cancer patient since February 2017

### 5. Project Closure/ Handing Over:

- Projects should be properly handed from the partner/client/contractor to MTNF for formal delivery to the target community
- Officials and representatives of the organisation should handover projects and initiatives formally to the target communities and beneficiaries MTNF should formally handover economic intervention projects "What Can We Do Together" to community members





## 2 FOCAL AREA

### EDUCATION



#### EXHIBIT 52: SCIENCE LABORATORY EDO BOYS HIGH SCHOOL

LOCATION: EDO STATE

Students offering chemistry have risen from 50 in 2015 to 85 in 2017 as the equipped Laboratory has motivated the students

PROJECT STATUS	PROJECT WAS EXECUTED IN 2012
<b>OBJECTIVE</b>	The need to develop the skills set of students in the sciences
<b>INTERVENTION</b>	Renovation of science Laboratory, Equipping of laboratory, donation of generator and borehole, capacity building of 3 staff by sending them for training on how to use the laboratory
<b>IMPACT</b>	The number of students offering chemistry has risen from 50 in 2015 to 85 in 2017 as the equipped Laboratory as served as a motivating factor for the students



"I want to commend MTNF for this project that has really helped the school"

Mr Igbinador, Principal Edo Boys High School



## FOCAL AREA

### EDUCATION



#### EXHIBIT 53: LEARNING FACILITY SUPPORT PROJECT

LOCATION: UGIRI, IMO STATE

Learning Facility Support Project has helped increase the learning conditions in schools

PROJECT STATUS	STARTED IN 2009 AND IS FINISHED
<b>OBJECTIVE</b>	To encourage learning among pupils
<b>INTERVENTION</b>	Learning support materials such as school bags, raincoats, table and chairs were donated by MTNF to over 200 public and private schools
<b>IMPACT</b>	<ul style="list-style-type: none"> <li>It has lifted the financial burden off parents who have had to pay for desk upon admission</li> <li>It has increased the learning conditions and created orderliness in the classrooms</li> </ul>

"The tables and chairs have made life easier for us as teachers "

Mr Akubueze Robert, Teacher, St Dominic Secondary School





## FOCAL AREA

### EDUCATION

#### EXHIBIT 54:

#### MUSON SCHOLARSHIP PROJECT

Learning Facility Support Project has helped increase the learning conditions in schools

LOCATION: LAGOS STATE

PROJECT STATUS	MUSON SCHOLARSHIP PROJECT STARTED FEBRUARY 2006 AND IS STILL ONGOING
OBJECTIVE	To encourage young Nigerians in the pursuit of music by awarding scholarships to about 30 of the admitted students each year
INTERVENTION	Scholarship covers tuition, books and transportation allowance to every enrolled student in the MUSON centre
IMPACT	School has graduated over 250 students from the program



The MTNF has done a glorious and praiseworthy work by educating people. These students have started to have a life from here because of this project. The beneficiaries are grateful and I feel like I have added spice to their life with music"

Mrs Edna Soyannwo, Deputy Director MUSON School of Music

## RECOMMENDATIONS

Beneficiaries and communities at various project sites and interventions made recommendations for improving, strengthening and scaling impact in the Education Projects as follows:

### 1. Monitoring and Evaluation

- Develop Ensure proper needs assessment visit to proposed project/ intervention site

### 2. Strategic Partnerships

- MTNF should consider adopting intervention sites (schools)
- Beyond supplies, build on the positive brand impression of the organisation to create shared value experiences





### 3 FOCAL AREA

#### ECONOMIC EMPOWERMENT



LOCATION: KARU, NASARAWA STATE

#### EXHIBIT 55: LOW-COST HOUSING PROJECT

Over 600 men, women and children have been housed in response to emergency housing need

PROJECT STATUS	STARTED IN 2006 AND WAS COMPLETED 7YEARS THEREAFTER
OBJECTIVE	Housing challenges in Nigerian Communities
INTERVENTION	Owners of each of the 117 houses paid back the costs of their homes over about 10 years
IMPACT	Over 600 men, women and children have been housed in response to emergency housing need



MTN has done what I cannot imagine. They have made me a man, I can't thank them enough"

Da Silva, Idowu – Resident of MTNF low cost housing estate



### FOCAL AREA

#### ECONOMIC EMPOWERMENT



LOCATION: MALALI KADUNA STATE

#### EXHIBIT 56: YOUTH SKILLS DEVELOPMENT

Over 5000 young and women are trained annually through the Youths Skill Development Program

PROJECT STATUS	STARTED IN 2013 AND IS STILL ON GOING
OBJECTIVE	Foster the Spirit of self –reliance amongst the Nigerian Youth
INTERVENTION	Government Technical/vocational colleges have been supported with various upgrades of their facilities and the provision of cutting edge equipment for up-to –date training and development
IMPACT	Over 5000 young and women trained annually

"I thank MTN because they have made me better in life. I have engaged myself in handwork rather than sitting at home and this has made me to be a responsible man in the society"

Emmanuel Ahmadu – Student





## FOCAL AREA

### ECONOMIC EMPOWERMENT



LOCATION: IMUDE, OJO L.G IN LAGOS

#### EXHIBIT 57: ELECTRIFICATION

Over 224 households have been connected to the transformer which has improved the quality of life

PROJECT STATUS	MARCH 2016
<b>OBJECTIVE</b>	What we can do together is a project aimed at connecting and reaching Nigerians directly . Individuals nominate projects/ interventions which their communities require the most
<b>SITUATION</b>	The community required a transformer for improved quality of light
<b>INTERVENTION</b>	MTNN donated transformer to the community
<b>IMPACT</b>	Over 224 households have been connected to the transformer including small scale businesses, religious places of worship, barbers shops and provision stores



"God bless MTNF for this good deed. Their business will continue to soar"

Mrs Adunola Michael – Owner Divine Favor Frozen Foods



## FOCAL AREA

### ECONOMIC EMPOWERMENT



LOCATION: UMUSUA, ISUIKWATO LG, ABIA STATE

#### EXHIBIT 58: WATER SUPPLY PROJECT

Learning Facility Support Project has helped increase the learning conditions in schools

PROJECT STATUS	MAY 2016 AND IS COMPLETED
<b>OBJECTIVE</b>	What we can do together is a project aimed at connecting and reaching Nigerians directly . Individuals nominate projects/ interventions which their communities require the most
<b>SITUATION</b>	The community required a transformer for improved quality of light
<b>INTERVENTION</b>	MTNN donated a 650 ft. borehole to the community
<b>IMPACT</b>	Over 150 women, men and farmers now have access to safe and healthy water supply that is within proximity of their homes

"Half of the community fetch their water from here. It has helped alleviate my concern about water for my family. I now store water from a reliable source for my family"

Eke Ebe Ejiro – Community Member





## RECOMMENDATIONS

Beneficiaries and communities at various project sites and interventions made recommendations for improving, strengthening and scaling impact in the Education Projects as follows:

### 1. Monitoring and Evaluation

- Conduct proper needs assessment within the community

### 2. Strategic Partnerships

- Replicate successful projects in other zones and regions of the country

### 3. Performance Assessment and Reward Framework

- Create a medium for beneficiaries to share and tell the stories of impact

#### 4.3.3 Project Assessment Summary

MTNN's Corporate Social Initiatives have had tremendous impact on the lives of the beneficiaries. We have identified the following areas in which these impacts have manifested:

- Youths have been empowered to start SMEs, and women have been encouraged to launch various small-scale businesses
- Infrastructural development in communities have been facilitated through MTN's Corporate Social Initiatives
- The quality of life and the life span of beneficiaries have improved at various intervention points:
  - MTNF Maternal Support Ward Project has facilitated the safety and health of mother and child delivery across the country
  - Patients at various PHCs have benefited from affordable medical care across various health centres
  - The **Yello** Mobile Clinic has provided free medical services in remote and urban areas of the country
- The professional skills of health officials, staffs and volunteers managing various projects and health centres have also been enhanced through various health initiative from MTNF

## 4.4 MTN FOUNDATION CSR PERFORMANCE BENCHMARKING

### Overview of Social Investments | MTN and 3 Competitors

A recent report of MTN Nigeria's 'Market Perception Report 2016' shows that the brand has a significant market share across all indicators.<sup>6</sup> A total of N37billion was spent on CSR in-between 2014-2015 by the top 100 Nigerian companies; oil and gas companies accounting for 45% of this spend, however telecommunications organisations' CSR spend accounts for a significant amount of the accumulated spend.<sup>7</sup>

Index	MTNF	Airtel	9Mobile <sup>8</sup>	Glo
<b>Focal Area</b>	<ul style="list-style-type: none"> <li>Education</li> <li>Economic Empowerment</li> <li>Health</li> </ul>	<ul style="list-style-type: none"> <li>Education</li> <li>Health (HIV/AIDS)</li> <li>Youth development</li> <li>Employee engagement</li> </ul>	<ul style="list-style-type: none"> <li>Health</li> <li>Education</li> <li>Environment</li> </ul>	<ul style="list-style-type: none"> <li>Media &amp; Journalism</li> <li>Sports</li> <li>Arts (literature)</li> </ul>
<b>Foundation</b>	X			
<b>CSR Spend</b>	13 Billion <sup>9</sup>	Unavailable	Unavailable	Unavailable
<b>Innovation</b>	X		X	
<b>Reporting</b>	X	Unavailable	X	Unavailable
<b>Reach</b>	Pan Nigeria	Pan Nigeria	Pan Nigeria	Pan Nigeria
<b>SDGs</b>	X	X	X	

### Findings

- MTNF is the market leader in social investment, outnumbering its competitors in terms of annual spend, and project portfolio and reach
- MTNF appears to be the most transparent in relation to its social investment spend, as information from other organisation could be not be readily found on their websites, reports or media reports
- 9mobile is the most consistent reporter of its CSR activities. Its reports are easily accessible, current and reporting along the Global Reporting Index

<sup>6</sup> Assessment of MTNF Performance in 2017 and 2018 Strategic Direction & Budget

<sup>7</sup> <http://www.brandish.com.ng/in-search-of-the-impact-of-a-n37-billion-national-social-responsibility-spend/>

<sup>8</sup> Formally Etisalat

<sup>9</sup> 2005-2015, <https://www.thisdaylive.com/index.php/2017/07/27/mtn-foundation-takes-csr-a-notch-higher/>

- MTNN is the only telecommunications organisation to join the UN Global Compact in 2006<sup>10</sup>, reporting annually through 'Communications on Progress Report', where MTNF's projects feature
- MTNF and 9mobile have broad focal focus areas, with relevant social investments, while Airtel is predominately focused on education projects and Glo's social investment is centres around sponsorship of sporting activities
- Airtel is the only organisation that is deliberate about involving and reporting on employee engagement activities
- Limited communication by all the organisations on projects in to the public

### Digital Communications | Social Mentions | A Comparative Analysis

Metrics	MTN	AIRTEL	GLO	9MOBILE
Website	<a href="https://www.mtn.com/en/mtn-group/social-investments/Pages/default.aspx">https://www.mtn.com/en/mtn-group/social-investments/Pages/default.aspx</a>	<a href="http://airteltouchinglives.com/airtel-csr/">http://airteltouchinglives.com/airtel-csr/</a>	<a href="http://www.gloworld.com/ng/sponsorship/">http://www.gloworld.com/ng/sponsorship/</a>	<a href="http://9mobile.com.ng/corporate-social-responsibility/">http://9mobile.com.ng/corporate-social-responsibility/</a>
Social mention	102 (MTN foundation)	25 (Airtel Nigeria CSR)	7 (Glo CSR)	7 (9mobile CSR)
Strength:	22%	0%	2%	0%
Sentiment:	12: 1	6:0	0:1	0%
Passion:	24%	40%	42%	9%
Reach:	52%	15%	8%	7%

**NB**

**SENTIMENT:** Ratio of negative to positive mention

**STRENGTH:** The probability of your search term being mentioned

**PASSION:** The chances that people frequently talk about search

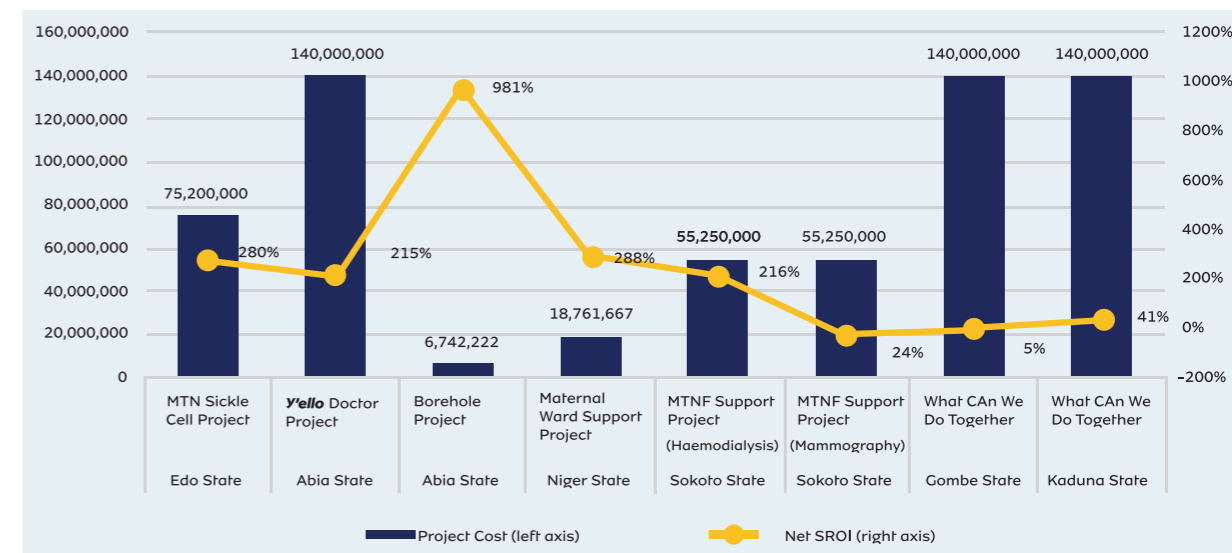
**REACH:** The depth of influence

<sup>10</sup> [https://www.unglobalcompact.org/what-is-gc/participants/search?utf8=%E2%9C%93&search%5Bkey-words%5D=&search%5Bcountries%5D%5B%5D=145&search%5Bsectors%5D%5B%5D=49&search%5Bper\\_page%5D=10&search%5Bsort\\_field%5D=country&search%5Bsort\\_direction%5D=desc](https://www.unglobalcompact.org/what-is-gc/participants/search?utf8=%E2%9C%93&search%5Bkey-words%5D=&search%5Bcountries%5D%5B%5D=145&search%5Bsectors%5D%5B%5D=49&search%5Bper_page%5D=10&search%5Bsort_field%5D=country&search%5Bsort_direction%5D=desc)

### 4.4 MTNF'S SOCIAL INVESTMENTS IN NUMBERS

Could the impact of MTN's social investments as a socially responsible commercial entity be expressed quantitatively? A widely accepted methodology for ascertaining the degree of impact of ventures intended to deliver the maximum social impact, but which, in entailing financial investments, carry economic consequences, is the Social Return on Investment (SROI) approach. We present, graphically, the results of SROI evaluations for the three categories of projects undertaken under MTNF's intervention areas.

EXHIBIT 59: SROI - HEALTHCARE PROJECTS



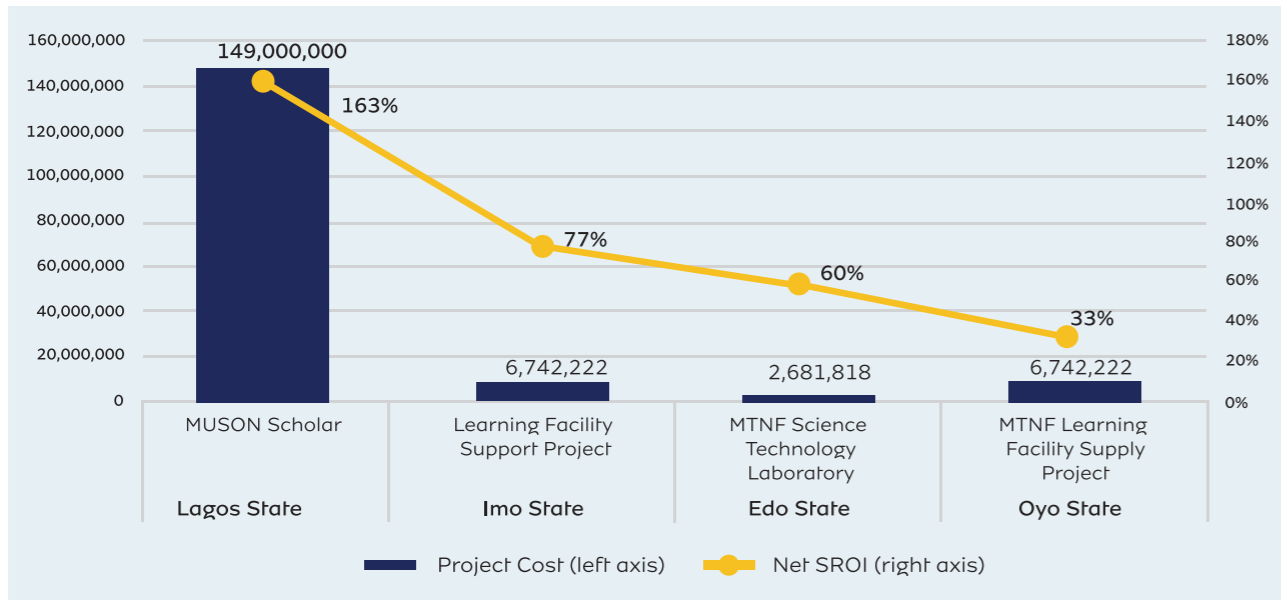
**BOX 5 – NEGATIVE SROI EXPLAINED**

(Mammography Centre, Uthman Dan Fodio University Teaching Hospital, Sokoto)

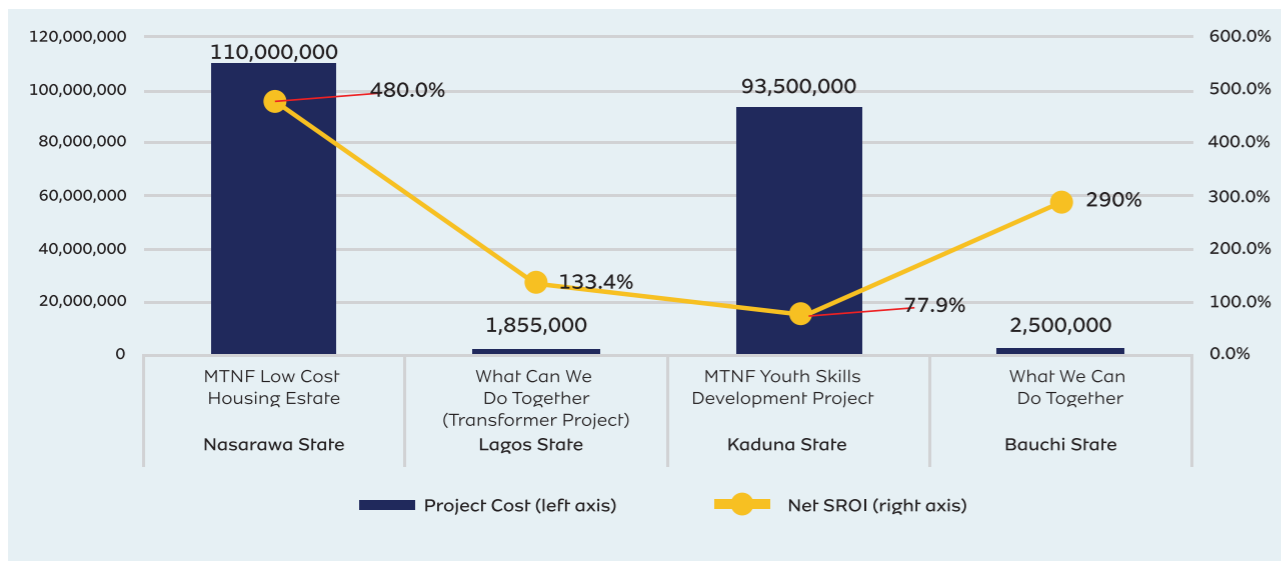
1. One of the indicators was nonexistent at the time of assessment. "Improvement in early detection of breast cancer and other breast related diseases". The Indicator could not be assessed or weighed because there was no record or indication of early detection of cancer in anyone who visited the center during the year under review
2. The other two indicators were not satisfied. Weighed below 30%. They are "improved number of women coming for screening" and "improved family savings"
3. The project benefits are less in terms of monetary value to the project cost



**EXHIBIT 60: SROI - EDUCATION PROJECTS**



**EXHIBIT 61: SROI - ECONOMIC EMPOWERMENT PROJECTS**



**BOX 6 – THE SEAMANS CASE STUDY**

**1 Introduction:**

- Seaman Nigeria Ltd is a Telecommunications product distributor and services dealer which commenced operations in 2003, following the introduction of GSM Technology into the Nigerian Communications Industry
- Starting out, Seaman was positioned at the terminal portion of MTNN's retail value chain.
- It partook in bridging the distribution gap and provision of end-user telecom services through recharge card sales and makeshift phone booth service from a single location in Lagos at inception, rising to become a dealer in 7 years.

**2. Current Status:**

- Seaman Nigeria Ltd currently employs over 400 personnel and manages about 6000 retailers across its head office and numerous retail outlets.
- The company has seen robust growth over the years, stemming from MTNN Sales & Distribution teams' effort to ensure intrinsic growth within their sales network.
- This has been replicated amongst a large cohort of small business owner-managers proving the sustainability of their model.

**3. Corporate Governance:**

The company is run as an independent entity with a Board Governance structure and reliable Management Team

**4. Corporate Social Responsibility:**

- The company has undertaken several community development projects amongst which are;
- A civic centre in one of its States of operation
  - Housing for widows
  - Youth trade empowerment provision of shops

**5. Future Goals:**

The company, recognizing the advances achieved in information technology anticipates the future of the retail business to be virtual. It is poised to take on this challenge to prepare it for the

BOX 7 – MTN AND THE ERGP

Do the economic and social investments made by MTN, and their outcomes, meld with the developmental aspirations of the government? The Economic Recovery & Growth Plan (ERGP) is the Nigerian Government's medium-term plan for 2017–2020, and the vision of the ERGP is sustained inclusive growth. MTNN has supported the Nigerian Government in achieving some of her strategic objectives and top execution priorities:

S/N	ERGP Strategic Objective	Execution Priority
1	Restoring Growth	<b>Stabilizing the macroeconomic environment</b> <ul style="list-style-type: none"> <li>Accelerate Non-oil revenue generation</li> </ul>
2	Investing in our People	<ul style="list-style-type: none"> <li>Social Inclusion</li> <li>Job creation &amp; Youth empowerment</li> <li>Human Capital Development</li> </ul>

**How has MTN played a role?**

**Substantial Contribution to Non-Oil Revenue through taxes, levies and fees:**

MTN's non-oil revenue contributions amount to about N1.77trillion, breaking out to N0.83trillion in direct taxes and about N0.94trillion in licence fees and levies. In addition, indirect taxes connected to MTN's commercial activities amount to about N1trillion.

**Inclusive Growth, Job creation and Youth Empowerment:**

- MTN through its downstream operations in Nigeria has created a distribution network structure comprising 45 dealers and more than 30,000 wholesalers who, in some cases, started out at a micro business level, and in many other cases, were without jobs or education. In yet other cases, beneficiaries had no livelihoods prior to their participation on the MTN network, but now operate businesses that transact in millions of Naira, whilst employing other Nigerians.
- Over 500 Nigerians have passed as dealers with MTN since 2001 till date and the dealers enjoy a larger Return on Investment
- The growing mass of retailers transact businesses with an average turnover of N50,000 (about US\$164) monthly

BOX 8 – MTN's ILLUSTRIOUS ALUMNI

MTNN's human capital and knowledge development footprint is extensive. The company's investments have enabled the development of specialist technical competences within Nigeria in the telecommunications industry. A standout technical is the emergence and proliferation of network engineers.

However, the company's contribution to managerial competences, especially in the telecommunications and financial services industries, are immense. Below is a catalog of some of MTN's illustrious managerial alumni.:

Name	Current Role
<b>Akinwale Goodluck</b>	MD, Groupe Speciale Mobile Association (GSMA), Sub-Saharan Africa
<b>Segun Somefun</b>	• Chief Strategy Officer, Digital Connect Limited
<b>Funke Opeke</b>	• MD, MainOne
<b>Ayo Adegboye</b>	• MD, BCX Nigeria
<b>Akin Dawodu</b>	• MD, Citibank Nigeria

## Chapter Five

# HOW IS MTN PERCEIVED BY ITS STAKEHOLDERS?





A crucial risk among the many risks faced by businesses is reputational risk, which must be considered alongside all the other risks faced by businesses such as operational, strategic, financial, environmental and policy risks. Organisations need not only to mitigate against the effect of a negative reputation, they also need to be looking for the upside opportunities to enhance their reputations.

As a major mobile telecommunications provider, a large and recognisable brand, and a foreign entity, MTN Nigeria Communications Ltd recognizes this imperative and thus seeks to understand how its Brand is perceived by the various stakeholders within its ecosystem. These include the company's customers, business partners, competitors and employees.

How is MTN perceived by Stakeholders?

EXHIBIT 62: WHO ARE MTN'S STAKEHOLDERS?



The MTNN Stakeholder Perception Survey is an independent, nationwide-representative, quantitative-qualitative and credible assessment of MTNN's perceived value to its key external stakeholders and its key internal stakeholder, its staff.

The survey is an opportune evidence-gathering initiative, implemented at a time of significant internal reflection and reform within MTN Nigeria. The recommendations stemming from the survey results could help drive MTNN's future strategy on engagement with its stakeholder groups, facilitate greater collaboration between the company and these stakeholder groups, and establish a baseline performance metric against which future targets on stakeholder satisfaction could be benchmarked.

Overall, more than 3000 stakeholders were approached from all six geopolitical zones. Stakeholders approached include representatives of the sector's regulator, the National Communications Commission (NCC), other relevant government agencies such as the Federal Inland Revenue Service (FIRS), NGOs, Business Suppliers, Trade partners, the media and MTNN staff.

**In broad terms, the objectives of the Study include:**

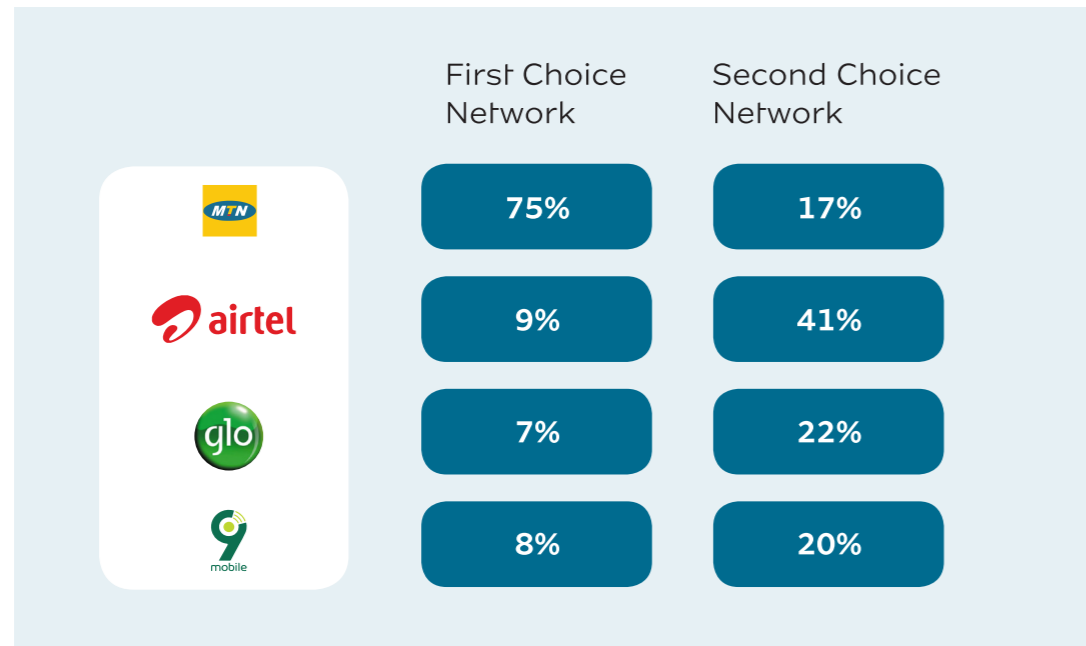
- Ascertaining MTNN's corporate reputation among its key stakeholders and understand their opinion of MTNN's brand essence in terms of product quality, Corporate Social Responsibility, Staff welfare policies, Human Capital Development and corporate citizenship.
- Understanding key areas of strengths and determine main points of weaknesses of MTNN as well as identify opportunities and underlying threats to the success of the company from Stakeholder perspective
- Understand the sentiments elicited by the Brand and its image among the various Stakeholder groups.
- Delineate MTNN's activities as they are perceived from the outside into activities that MTN should sustain and those they should get rid of.

**5.1 SURVEY FINDINGS – EXTERNAL AND INTERNAL SURVEY RESULTS**

The Company's stakeholders were classified as external and internal stakeholders. The External stakeholders are Individual customers of MTNN and those of competition, Corporate Customers of MTNN and those of competition, MTNN Business Partners and MTNN Trade Partners. The Internal Stakeholder include MTNN Employees and members of the Board.

**1. Network Operator Preference**

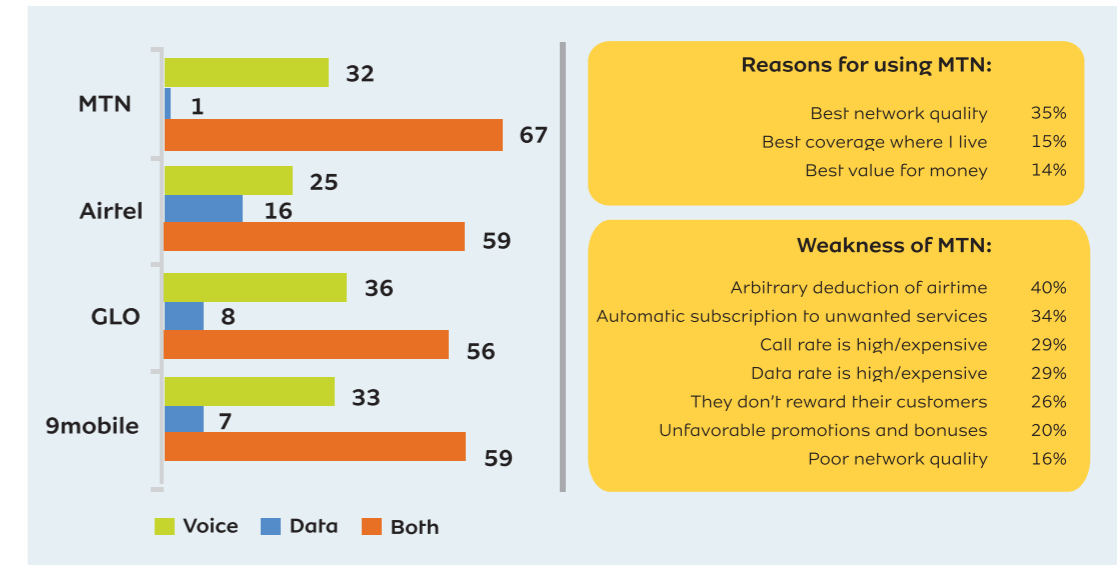
MTN stands comfortably as the most preferred network provider in the industry



How is MTN perceived by Stakeholders?

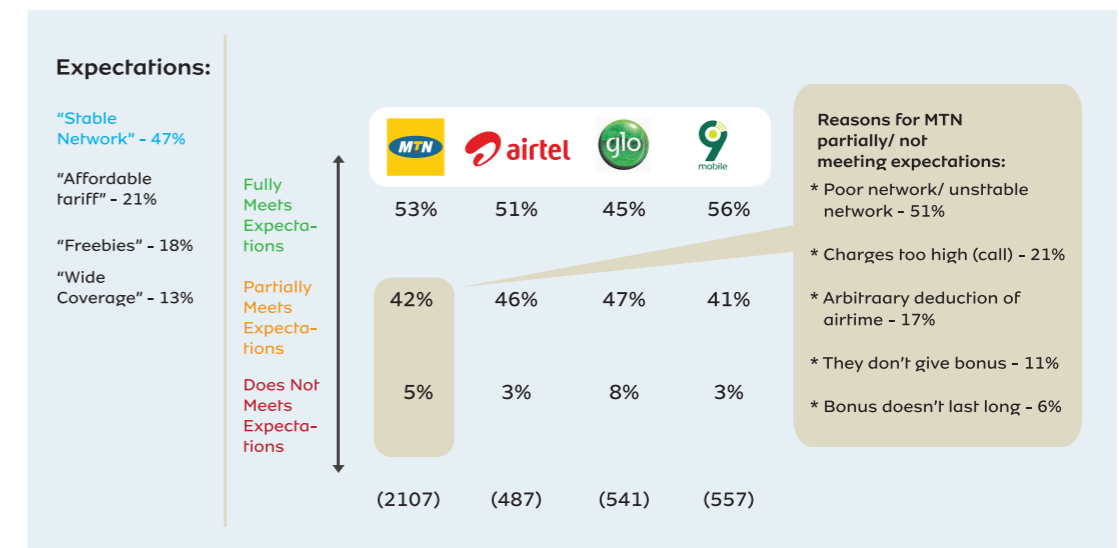
**2. Drivers of Network Operators Preference**

Individual customers prefer voice services to data across all network operators. Airtel users, however, seem to have higher preference for data services compared to others. MTN is mostly used for its best network quality. However, customers want MTN to improve on arbitrary deductions, automatic subscription to unwanted services; with some levels of affordability.

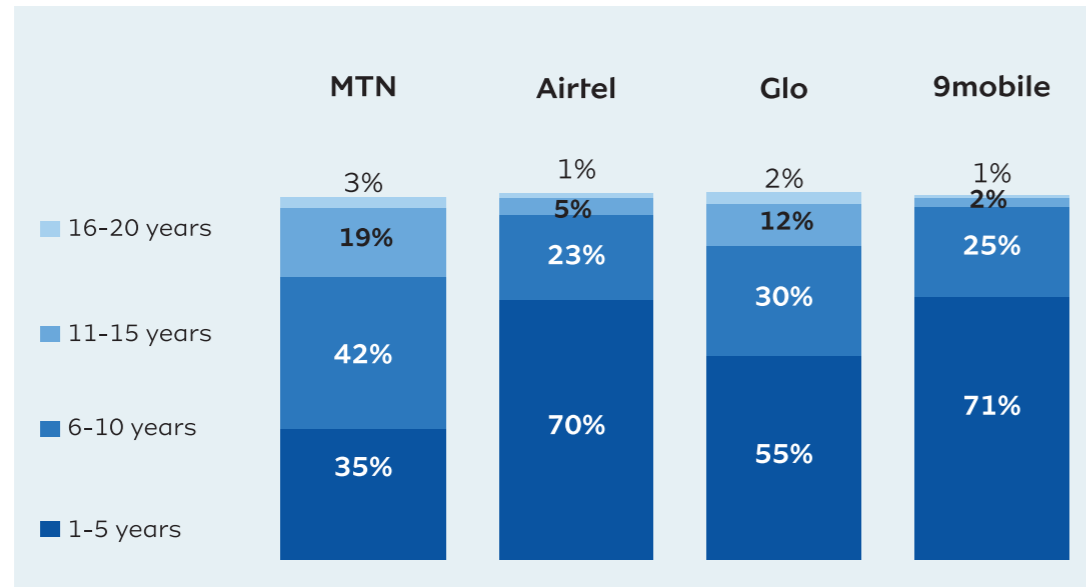


**3. Customer Expectations of Network Operators**

Overall, a "stable network" is number one expectation from all network providers. However, MTN is not meeting expectation of about half of its subscribers among sampled individuals. Aside stable network, working on high call rates and unnecessary deductions of airtime would help MTN live up to customers' expectations and improve satisfaction.



4. Duration of Subscription



About 4 out of 10 respondents have been with MTN for 6-10 years while other operators attracted most customers recent between 1-5 years; especially, Airtel and 9mobile. MTN's high preference could be attributed to its long operational existence in Nigeria.

5. Areas for Improvement

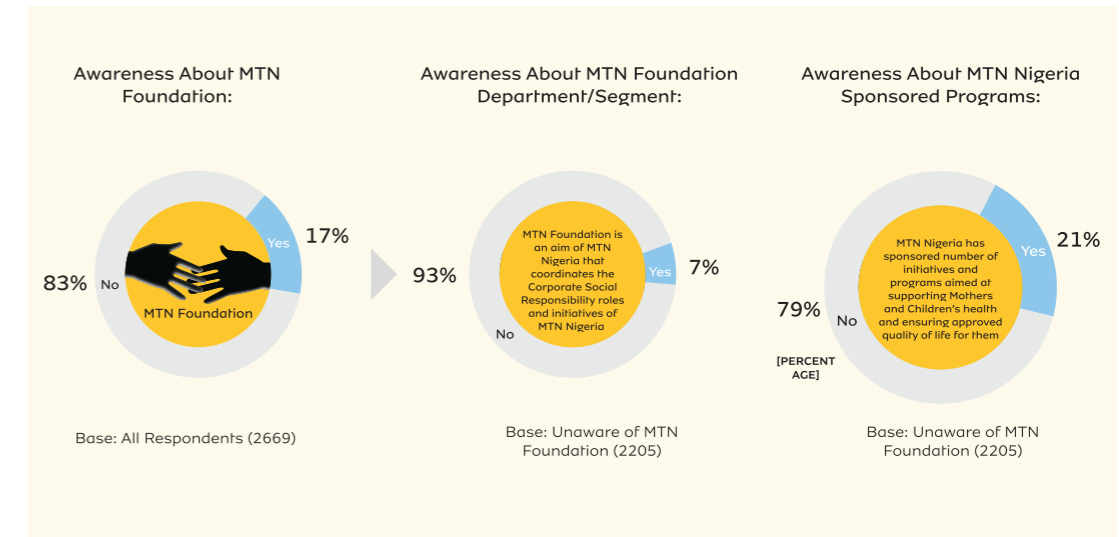
Being a leader, MTN must ensure continuity in building 'stable network' and 'wide network coverage'. Furthermore, the company is perceived as not doing enough on 'bonuses', 'poor network quality' and 'high charges'. Better efforts by MTN is required as competitors seems to be growing on these. Need for the company to also halt arbitrary deduction of airtime and automatic subscription to unwanted services.



Base: Respondents currently connected to MTN (2107)

6. Familiarity with 'MTN Foundation'

It is imperative for MTN to make individuals aware about the CSR activities done through 'MTN Foundation'. This is because very few individuals are currently familiar about the foundation's activities.



5.2 PRACTICES TO SUSTAIN AND TO DROP

1. Individual Stakeholders Group

What Needs to be Done Better	What Needs to be Stopped
<ul style="list-style-type: none"> <li>▪ Sustenance of customer base</li> <li>▪ Infrastructure base</li> <li>▪ Market share/sustaining market leadership</li> <li>▪ Continued building of 'stable network' and 'wide network coverage'.</li> <li>▪ Modern Innovations/inventions</li> <li>▪ Exhibition of Professionalism (process &amp; staff)</li> <li>▪ Customers reward system/Customer care</li> </ul>	<ul style="list-style-type: none"> <li>▪ Arbitrary deduction of airtime</li> <li>▪ Automatic subscription to unwanted services</li> <li>▪ Expensive call rate</li> <li>▪ High rate of data depletion</li> <li>▪ Poor/Unstable network</li> <li>▪ Unsolicited SMS</li> </ul>

How is MTN perceived by Stakeholders?



2. Corporate Customers Group

What Needs to be Done Better	What Needs to be Stopped
<ul style="list-style-type: none"> <li>Employment of workforce</li> <li>Network quality</li> <li>Long standing heritage built over the years</li> <li>Innovation: continue being at the forefront of driving possibilities</li> <li>Diversity: staff composition and service delivery</li> <li>MTNN's control of the largest proportion of Telecom market share could be enhanced.</li> </ul>	<ul style="list-style-type: none"> <li>Fast data depletion rate</li> <li>High tariff (calls and data)</li> <li>Casualisation of staff</li> <li>Stifling opportunities for small scale business by side-lining them to partner directly with banks. Thus affecting their growth</li> <li>Repeated activities of middlemen behind hike in the prices of recharge cards</li> </ul>

3. Trade Partners Stakeholders Group & Suppliers/Business Partners Group

What Needs to be Done Better	What Needs to be Stopped
<b>Trade Partners Stakeholders Group</b>	
<ul style="list-style-type: none"> <li>Prompt payment of commission</li> <li>Make relationship with vendors more cordial</li> <li>Delivering on promises to partners</li> <li>Life benefits packages for partners</li> <li>Offering of trade margins</li> </ul>	<ul style="list-style-type: none"> <li>Perceived low trade margins compared to other telecoms companies</li> <li>Alleged rigid internal structure</li> <li>Slow response time to policy decisions and issues of interest to partners</li> <li>Unpredictable business outcomes</li> </ul>
<b>Suppliers/Business Partners Group</b>	
<ul style="list-style-type: none"> <li>Prompt payment but should be improved upon</li> <li>Well stated contract information but could be better</li> <li>Feedback mechanism</li> </ul>	<ul style="list-style-type: none"> <li>Rigid business processes</li> <li>Difficulty in paying US Dollars - particularly for software transactions.</li> </ul>

4. Financial & Regulators & Government Stakeholders Group

What Needs to be Done Better	What Needs to be Stopped
<b>Financial Stakeholders Group</b>	
<ul style="list-style-type: none"> <li>All financial institutions preferentially treat MTNN being a major Telco account in the Nigeria Financial Sector – with better services, MTN would always enjoy this distinctive treatment</li> <li>Adherence to international standards: MTN does not cut corners, but adheres to standard operating procedures, making MTNN easier to do business with</li> <li>Further increase in business turnover</li> </ul>	<ul style="list-style-type: none"> <li>Perceived declining volume of business with MTNN</li> <li>Routing of transactions through foreign banks; which is lowering business deals for local banks.</li> </ul>
<b>Regulators &amp; Government</b>	
<ul style="list-style-type: none"> <li>MTNN's control of over half of the market could be improved upon.</li> <li>Infrastructural set up could be made larger</li> <li>Negative consumer perception of customer service</li> <li>Customers complaint resolution</li> </ul>	<ul style="list-style-type: none"> <li>Negative consumer perception of customer service</li> <li>Inability to manage its large customer base</li> </ul>

5. Media & NGOs Stakeholders Group

What Needs to be Done Better	What Needs to be Stopped
<b>Media Stakeholders Group</b>	
<ul style="list-style-type: none"> <li>MTNN known for the following:                             <ul style="list-style-type: none"> <li>Out of the box ads</li> <li>Good business partner to work with</li> <li>Famous for CSR initiatives</li> <li>Innovative</li> </ul> </li> <li>However, enough room exists for improvement on all of these.</li> <li>Identify gaps within the telecoms space and find better ways of communicating with audience</li> </ul>	<ul style="list-style-type: none"> <li>One thing that needs to stop with respect to media collaboration is the absence of measurement of marketing outputs through marketing firms.</li> </ul>
<b>NGOs</b>	
<ul style="list-style-type: none"> <li>MTNN can do better in impacting lives through its CSR initiatives – particularly in the educational and health sectors</li> <li>Increasing the awareness of these CSR initiatives amongst the public is needful</li> </ul>	<ul style="list-style-type: none"> <li>Perception that CSR activities are more concentrated in one section of the country than other</li> </ul>

How is MTN perceived by Stakeholders?

6. Community Leaders

What Needs to be Done Better	What Needs to be Stopped
<p>Need for MTNN to keep improving on:</p> <ul style="list-style-type: none"> <li>▪ Brand popularity</li> <li>▪ Network coverage and reliability</li> <li>▪ Brand image: in terms of strength, dependability and consistency in operations</li> <li>▪ CSR initiatives – extend the initiatives to cover more grounds</li> <li>▪ Giving back to the society, and extension of job offers to local communities/ indigenes.</li> <li>▪ Industry leadership</li> <li>▪ Innovation</li> </ul>	<ul style="list-style-type: none"> <li>▪ Low awareness of CSR initiatives of MTNN</li> <li>▪ Perception that MTNN CSR initiatives are gender biased i.e. focused more on women.</li> <li>▪ Arbitrary deduction of airtime</li> <li>▪ Decline in network quality</li> </ul>

7. Employees

What Needs to be Done Better	What Needs to be Stopped
<p>Need for MTNN to keep improving on:</p> <ul style="list-style-type: none"> <li>▪ On-the-job satisfaction of staff</li> <li>▪ Substantial severance and retirement scheme for staffs.</li> <li>▪ Staff welfare package (housing, staff bus, medical insurance, job security, salary review, and training)</li> <li>▪ Giving staffs equal opportunity</li> <li>▪ Investing in staff training and education</li> <li>▪ Increase recruitment: to alleviate workload on staff.</li> <li>▪ Recognition for good job performance</li> </ul>	<ul style="list-style-type: none"> <li>▪ Too many protocols/ bureaucracy</li> <li>▪ Stringent feedback channel – from staff to management and vice versa</li> <li>▪ Poor staff recognition and compensation</li> <li>▪ Unequal opportunity in attaining better position in the company</li> </ul>

5.3 CONCLUSIONS ON PERCEPTION STUDY

- An average Nigerian prioritises family irrespective of the social-economic classification. For them, family is the pillar of support and strength that is present through thick and thin; and a part of every individual that is irreplaceable, where love is first experienced, learnt, and shared.
- There are more mobile phone owners using Techno phones than there are for other brands. Apart from Techno, Infinix, Samsung and ITel, in that order, are among the popularly used phone brands in Nigeria.
- Nearly all phone owners have emotional attachment to their phones. As such, there is always a feeling of inadequacy, incompleteness, or anger (when phone is lost or faulty) attached to the condition of the phone at every point in time.
- Decision to purchase any brand of phone is tied to two main factors; namely: battery life, and RAM capacity. Other driver of choice of phone brands are camera/ picture quality, screen size, phone quality (durability), internal storage capacity.
- Key attraction underlying choice of mobile network provider are unrestricted bonus offering, wide network coverage, reduced call rates for off-net and on-net call and data; and good customer relation. Provision of which assure customer loyalty and recommendation. In this regard, Airtel is quite performing with bonus, call rate, and network coverage in rural communities. MTN is also highly rated on coverage, and call rate, perceived to be just right.
- Prior unpleasant experience with Glo network has forced a good number of subscribers to drop the line. As a result, there are more subscribers who have stopped using Glo and who claim they will never use Glo, than any other network provider. MTN is the network with the least never use rate; with Airtel as the most used network for alternative line
- Generally, the brand, MTN is perceived to be a major player and one of the leading telecoms companies in Nigeria with wide network coverage in urban areas. The brand is associated with consistency, strength, resilience and success, majority perception is that MTN is more profit than customer oriented; a brand for the elite and aristocrats; which portrays it as network for the rich and few. As such Spontaneous association with MTN is both positive and negative across board.
- On the other hand, Airtel is seen as 'work in progress' with ready pointers to its flexible nature; that has further portrayed the brand as one in tune with consumer's need. Bonus offering for calls, and data; and call rate, accounts for brand description as generous, accommodating, and customer oriented. One major drawback for the brand is 'name change. This suggests inconsistency, and weak management.

How is MTN perceived by Stakeholders?



- Assessment of the different networks on key parameters revealed customer satisfaction with call quality, fast internet speed, minimal frequency of call forwarding, and low call drop rate on the MTN network. Core areas of customer dissatisfaction are hidden charges, arbitrary subscription and deductions, and unsolicited calls and SMS termed distracting.
- Awareness level of MTN foundation initiatives and programmes is generally low; particularly among females. Television is the major source of awareness, with a few people claiming to know beneficiaries of the scholarship initiative and footing of medical bills for the less privileged.
- The involvement of MTN in providing jobs for Nigerian is generally seen as a welcome development; one that is appreciated by all.
- However, general perception is that majority of those on MTN staff list are employed on contract basis, which portrays the brand as one out to exploit in the minds of consumers.

#### 5.4 RECOMMENDATIONS FROM PERCEPTION STUDY

Based on findings, agency recommendations are as follows:

- Customers' confidence (as opined by users of competition) is quite low. This is not unconnected to the perception that it is a brand for the rich and aristocrats. Hence, the perception of call rates as unfriendly and MTN as not being customer oriented.
- There may be need to build trust in the brands by offering rates and bonuses to attract users of competition.
- One key strength of MTN is the wide network coverage; though believed to be limited to urban areas. We recommend the extension of network coverage to rural areas to ensure continued subscription for MTN users and encourage switch from competition.
- Agency recommends retraining and continued monitoring of customer relations service to ensure sustainable quality service delivery. This would help address the issue of customer service agent's unfriendly attitude complained by subscribers in Lagos.
- Also, there may be need to work on the waiting time to connect to customer service agent; an aspect which customers across board complained about.

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## Chapter Six

# CONCLUSIONS AND RECOMMENDATIONS



## 6.1 CONCLUSIONS

Compared to the timing of MTN's entry into the market in 2001, the Nigerian economy is a larger, better diversified economy, at least in terms of output. Even accounting for contraction in nominal GDP (US\$) in the last three years, the economy witnessed a 5-fold expansion between 2001 and 2017.

These underlying conditions have supported the growth of MTN Nigeria in the market and the company's emergence as one of the biggest telecommunications industry's biggest players across Emerging Markets.



The country, no doubt, remains a viable investment ground with a large, growing youthful population and the ongoing consolidation of democracy. Nevertheless, as a developing nation, Nigeria still faces important challenges:

- Income inequality is significant – nearly three-fifths of income accrue to the top 30%. The top 10% enjoy more than 30% of income. Concentrations in wealth are likely worse.
- The country also has a significant challenge with unemployment. At the time of the report's authorship, about 16 million young Nigerians were out of work. This challenge is compounded by skills deficiencies that assail the Nigerian workforce
- The implications of these socio-economic conditions for security do not augur well
- Nigeria ranks 152nd in the UN Human Development Index (HDI), which measures well-being by incorporating measures of educational attainment, life expectancy and income

We conclude that in this highly complex Nigerian environment, MTNN has been successful in realizing the following accomplishments in over a decade and a half:

1. MTNN with over 52 million subscribers, continues to provide cellular network access and ICT solutions to millions of Nigerians, connecting whole communities with each other and with the rest of the world
2. Between 2001 and 2016, MTN created economic value equal to about 1.5% of Nigeria's GDP. This implies just over 66 companies of MTN's size equals Nigeria's GDP
3. MTNN supports local employment, wages, profits, and tax payments in many different value chains. Through these activities, MTNN fulfills important societal functions: as a tax payer, employment provider, generator of talents, innovator and supporter of profits
4. MTNN also continues to play a significant role in inclusive growth which is crucial to Nigeria's economic development. The company through its operations has empowered over 500,000 Nigerians who serve as its dealers, wholesalers and retailers and who in turn have a business structure that supports the empowerment of other Nigerians and the development of the communities in which they operate
5. MTNN's through the activities of its foundation has expended about N18billion between 2001 and 2017 in the execution of over 750 life impacting projects related to Health, Education and Economic Empowerment of Nigerians.

## 6.2 RECOMMENDATIONS

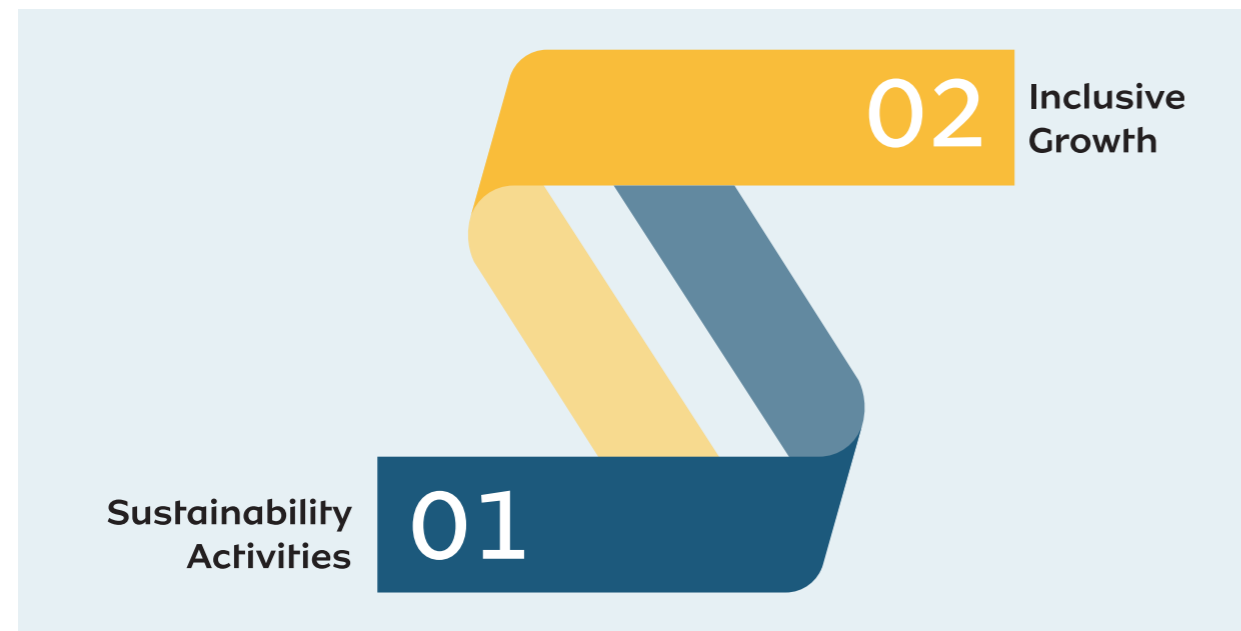
The research undertaken in this Impact Assessment study finds that MTNN has played a significant role in Nigeria's economic and social development in the 17 years since it commenced operations and will continue to do so going forward. Whilst these findings should lend informed perspective to stakeholders on the immense value MTN Nigeria brings to the country. However, it must be acknowledged that the enterprise continues, to a significant degree, to be viewed adversely, as stakeholders regard the company through a prism within which Multinationals operating in Emerging Markets are viewed, as capital extractors.

How can MTN continue to enhance its socio-economic impact on the Nigerian economy and market? We propose that in answering that question, the company deepens its reflections on the twin themes of **Sustainability** and **Inclusion**.



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EXHIBIT 63: SUSTAINABILITY AND INCLUSION



It is the recommendation of the assessors that MTN take significant steps to:

**A Rethink its Business Model on Stakeholder Engagement in the Nigerian Market**

A rethink of MTN's business model, particularly as far as its external stakeholder engagement goes, is imperative. Presently, the MTNN external stakeholder engagement appears to rely on a quiet, below-the-radar/private engagement strategy. This has been interpreted as an unwillingness to engage in case feathers are ruffled. However;

- **MTNN needs to project a recognizable and credible Nigerian face:** Though known in their own individual rights, only a few associate the Nigerian leadership of MTNN with the company
- **Landmark Projects:** Whilst a high number of CSR projects/ interventions enables diversity and greater impact, there is need for MTNN to consider investing in landmark social projects like a state-of-the-art hospital in the country to which credit could be attributed. Such initiative, in contributing its quota to reducing the incidence of a medical tourism among Nigeria's upper classes and given the enormous publicity it would garner, would boost stakeholder appreciation of the company's presence in Nigeria, more so than isolated projects that are hardly seen much less recognized outside of their locations.

- **Public Policy:** Beyond the direct Industry-relevant regulators (Nigerian Communications Commission (NCC), Consumer Protection Council (CPC)), there is need for the company to establish and/or deepen relationships with policymakers – Executive and Legislative at both national and sub-national levels. Only rarely should significant, far-reaching policy developments come as a surprise to MTNN.

**B Enhance the Image**

The assessors also recommend to MTNN to consider the following:

- The limited footprint of MTNN in socio-cultural phenomena which are significant in defining the Nigerian identity needs to be reassessed. In our view, the company's presence and impact in the sports sponsorship (especially football) is limited and that should be rectified.
- Awareness of the existence and activities of the MTN Foundation needs to be boosted significantly. Concurrently, stakeholders (the general public, in particular) need to better associate the Foundation with MTNN.
- The Foundation's interventions should be more targeted at community investment programs that would appeal to not just the interest of the masses but key stakeholder groups especially the Nigerian Government
- In order to improve, strengthen and scale impact on the corporate social initiatives, the Foundation should adopt the following protocols:
  - **A Needs Assessment:** To ensure appropriate engagement of community stakeholders so that community needs and company objectives are aligned
  - **An Adequate Monitoring and Evaluation:** Develop efficient monitoring systems according to project clusters or type of intervention
  - **A Performance Assessment and Reward Framework:** Develop a sustainable and efficient reward system for volunteers, youth corps' members and officials.





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A Socio-Economic Impact Assessment  
and Perception Study of MTN Nigeria  
Communications Limited (MTNN)



**A Socio-Economic Impact Assessment  
and Perception Study of MTN Nigeria  
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