



15 March 2023

The Director of the Telecommunications Department Bureau (BDT)  
Dr Cosmas Luckyson Zavazava,

The ITU

**Per email: Gsr@itu.int**

Dear Sir,

### **Regulatory and economic incentives for an inclusive sustainable digital future**

MTN Group would like to thank the Director of the BDT for the invitation to attend the Global Symposium for Regulators (GSR-23) under the theme: Regulation for sustainable digital future. We further welcome the opportunity to submit our inputs on the regulatory agenda for the digital economy as part of the preparatory work ahead of the symposium in Cairo, Egypt.

MTN is one of the leading mobile network operators in the world. Over the past 25 years, MTN has invested billions of dollars to connect more than 250 million customers across Africa and the Middle East. Our investments, initially in GSM and most recently Fintech, digital, wholesale and API services, has transformed lives in more than 19 countries where we operate.

MTN's Ambition 2025 strategy is informed by a clear commitment to Africa's long-term growth and development. The strategy seeks to transform our company into a leading digital solutions entity for Africa's progress, harnessing the power of MTN – our leading brand, footprint, connectivity infrastructure and technology platforms.

### **Key principles**

We believe that long term investment requires transparency, policy certainty and predictability. We commend the ITU for facilitating policy dialogues, and governing the international protocols which encourage harmonization of regulation and principles between operators, countries, regulators, and other digital economy participants.

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Our view is that digital transformation invariably reduces borders between countries. Despite this, the approach to regulatory regimes appears to be modelled on “mercantile trade” rather than agile, frictionless flow of digital services. There is an urgent need to accelerate discussions on digital trade, informed by the realities of emerging technologies. We are concerned that some regulatory regimes, and agencies appear to be reversing gains achieved since 2010. Such reversals will invariably reduce levels of investments and the pace on digital transformation.

We note ongoing discussions on taxes on digital services. We believe that the global discussions should continually balance fiscal revenues as well as long term investment incentives in order to foster long term growth and innovation. Tax policies, both global and local should continually be reviewed and redesigned with the aim to strike a skillful balance to maximise gains from the digital economy.

### **Specific regulatory topics**

Digital technologies, and the benefits that they bring, can connect citizens to services and opportunities, and help them build a better future. However, for markets to function effectively, they must be accompanied by an enabling policy and regulatory environment. Below we provide a brief outline of key regulatory reform considerations that would help foster an enabling policy framework for an inclusive and sustainable digital future.

#### **1. Regulatory architecture and practice**

Regulatory frameworks are encouraged to keep pace with innovation. We believe that the ITU is well placed to provide a guiding framework to reduce the unintended consequences of such delays in regulatory framework development and progression. For example, the emergence of Low Earth Orbit (LEO) and High-Altitude Platform Station (HAPS) present an exciting prospect for rural connectivity and coverage and alleviates some challenges to the digital economy ecosystem. The regulatory disparity, and the absence of critical guidelines and standards are an opportunity to create a framework that would also provide certainty and clarity to incumbents. It is important that efforts are expended to create parity through a regulatory framework

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that would enable investors to assess the net present value (NPV) of investing in various technologies.

## 2. Regulatory convergence

Within African economic regions, there is an opportunity to harmonise policies and regulations. The historical approach to cross-border trade requires adaptation for the enablement of digital transformation. Therefore, initiatives such as scaling protocols for trade in digital services, which covers a wide range of issues including licensing, data protection and tariffs, are essential components of the transformation that is beckoned. We also believe that there is scope for flexibility in regulatory arrangements to accommodate emerging issues and approaches. We support the ITU view that a combination of “deregulation, self-regulation, or a coregulatory approach” could “lead to greater innovation, easier deployment of new and emerging technologies, incentivize investment, and focus on inclusivity and collaboration.”

## 3. Concurrent regulations

The latest phase of digital transformation has introduced the emergence of multi-faceted business models. For instance, a telecommunications player that is vertically integrated, with presence in another sector (Telco to Finco etc.). Considerations relating to concurrent jurisdiction, and in other instances forum shopping are becoming more pronounced. Presently, there remains some tension between regulatory regimes, and thus restricting innovation. We believe there is an opportunity for this to be addressed through harmonized frameworks.

## 4. Data governance

It is often stated that data is the “new gold” in the digital economy. Yet, it can be argued that existing data governance rules and standards remain fragmented with significant impacts on compliance costs. Our view is that an appropriate data governance regime balances the need to achieve data privacy objectives, whilst simultaneously supporting the growth of the digital economy. As such, harmonization of data governance key principles and regimes, will create an enabling environment for the management of the inherent difficulties with implementing the various data

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privacy and protection frameworks, and reduce the risk of “data trade related disputes”. In addition, this approach will significantly reduce the cost of compliance with the various frameworks and create uniformity and predictability in the protection and management of data.

#### 5. Licensing digital services

The pace of digital transformation will also be influenced by licensing frameworks and approach. In this context, authorities are encouraged to ensure that licensing processes are independent, credible and with fair licensing fees. There is also a question whether the traditional licensing model whereby “licensing regimes and approaches are generally set through high-level policy decisions and adopted in telecommunication legislation, which are then implemented through rules and regulations,” is fit for purposes given the pace and scale of innovation. We believe with the necessary policy reforms, governments could adopt more agile licensing processes, to alleviate any further delays that also result in a lag in respect of technological developments, among others.

#### 6. Fiscal policy and taxes

The tax burden on the telecommunications sector, especially in Sub-Saharan Africa, remains a constraint to the digital economy. Studies by the GSMA have found that the tax imposed in many African countries tends to be disproportionately higher than other sectors in the economy. In our view, this discourages much needed investment in Africa’s digital transformation. Sector-specific taxes include among others, excise taxes, higher-than-normal value-added tax (VAT) and universal service fund contributions. It is essential that this is managed to unleash the full potential of the digital economy.

The increasing burden of taxes on mobile money services is also a key focus area. Mobile money continues to drive financial inclusion across many of the African markets. Some of the drivers behind the success of mobile money services has been the increase in mobile penetration rates and affordability of the service in contrast to traditional banking services. Thus, there is a need to balance national policy objectives with the development of mobile money services.

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## 7. Quality of Service and Spectrum issues

Mobile operators are faced with the difficulty of meeting onerous quality of service obligations imposed by the regulatory authorities, and this could potentially attract financial sanctions. Such obligations require mobile operators to have sufficient spectrum holdings to cater for existing and new network technologies. In the absence of additional spectrum resources, operators, where permitted, refarm spectrum on legacy technologies to cater for emerging technologies.

Where the ITU has made IMT spectrum resources available, regulators are encouraged to swiftly release spectrum to operators in order to prevent creating artificial spectrum scarcity and spectrum hoarding. When assigning spectrum resources, regulators can adopt a technology neutral assignment approach in order to encourage innovation and early technology adoption.

## Conclusion

We are grateful for the ITU for convening this important policy dialogue. We remain committed to advancing digital transformation in our markets. The work done by the ITU is supportive of this agenda.

Sincerely,

A handwritten signature in black ink that reads "L Modise".

Lele Modise

Group Chief Executive: Legal and Regulatory Affairs  
MTN Group Limited

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