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Nigeria Export Promotion Council**

**Development of a Strategy for the Export
of Nigeria's Professional Services:
Diagnostic Report**

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NATHAN•EME

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1. Introduction

1.1. Background to the Project

The services sector is booming, with the pace of service exports growth far outstripping that of goods. In 2004 for instance, service exports grew by 16%, over twice the rate of growth of goods exports. The trend has been driven by advances in transportation and communication technology, which have facilitated the provision of services across borders. Nigeria has recognized this pattern and the potential it creates for economic development in the country. The Federal Government of Nigeria (FGN) therefore requested the Commonwealth Secretariat for assistance in developing a national strategy to guide the export of professional services. The Nigerian Export Promotion Council (NEPC) is the government agency charged with responsibility for export promotion and development and was therefore selected as the implementing agency for this project. Following the project launch in September 2009, four sub-sectors were selected for inclusion in the Strategy Plan from the initial six, in consultation with the NEPC and other stakeholders including private sector industry association representatives and policy-makers. The service sub-sectors selected were finance, information communications technology (ICT), entertainment (music & film), and education. A diagnostic assessment of local capability in each area was carried out along with research into international market trends. This report presents the results of those findings and analyses the specific opportunities for Nigeria by sub-sector.

1.2. Exporting Services: A Significant Opportunity

In recent years, trade in services has continued to be buoyant while trade in goods has declined. The continued growth in services is attributed to the fact that demand for services is less cyclical and that services are less dependent on external finance than goods. IT-enabled services have created an international market for fast growing service industries such as ICT, financial services and commerce. The size and importance of services in the global economy is illustrated by the value of sectors such as education. The education sector is an increasingly global industry and the worldwide market for exports is estimated at US\$30 billion. The number of students involved in tertiary education outside their home countries grew by 53% since 1999 to reach 2.8 million students in 2007¹.

The numbers in ICT are even larger and rapid growth saw outsourcing revenues hit US\$550 billion in 2006. Another growing global industry is medical tourism. The health and wellness tourism market was worth an estimated US\$20 billion in 2007 and is expected to double to US\$40 billion by 2010.²

Large markets typically mean equally large competition and trade in professional services is no exception. Taking advantage of these opportunities requires a clear understanding of national capabilities and international markets, knowledge of how to beat the competition in those markets and a clear plan for doing so.

In requesting assistance from the Commonwealth Secretariat, the Federal Government of Nigeria (FNG) has demonstrated an understanding of the need to approach this issue systematically, and a

¹ Global Education Digest 2009, UNESCO Institute for Statistics

² Patients Beyond Borders, Josef Woodman. Healthy Travel Media, 2007.
<http://www.patientsbeyondborders.com/media-room/faq.php>

national plan can play an important role in encouraging the growth of professional services and their export capability.

1.3. Prioritisation of Sub-sectors

To be effective, the strategy must be targeted, and also it is important to prioritise areas to be covered. A number of sub-sectors were considered for inclusion in this project, including financial services and accounting, ICT, entertainment (film and music), education, legal services and health/medical services.

In selecting sub-sectors to prioritise, each service industry was analysed individually by examining current characteristics, competitiveness, market positioning and the size of the potential export opportunity. Whilst all the sub-sectors initially selected may offer opportunities for successful export growth, there is a need to prioritise the sub-sector services and target markets so that the limited resources of both the private and public sectors can be concentrated on areas with the greatest potential. Prioritising export markets in terms of types of professional services, countries and market segments should enable the quantification of targets for export growth against which implementation can be monitored and evaluated. The following sub-sectors were deemed not export-ready:

- **Accounting and auditing:** There is lack of information on local players in the market. The big name accounting firms have offices in Nigeria but there is no evidence of local companies with the potential to export services. There is also a lack of information on skills availability and internationally recognized qualifications for accountants and auditors. It would be ideal to consider accounting and auditing as part of an ICT cluster with finance and insurance services since its main potential lies in outsourcing. However, this should be done at a later stage of export development.
- **Insurance:** The insurance market is small and fragmented. It is composed of many small players who each have 2% of the market share. There is a lack of innovative products and most firms offer basic insurance products like car insurance. The sub-sector requires further development to cater for the home market before it can consider exporting services.
- **Legal services:** There is some exporting at the top end of the legal industry but it is restricted to work sub-contracted by foreign law firms who act for clients wishing to do business in Nigeria. Despite the size of the industry most firms are small. The industry has not developed businesses that can carry out sub-contracted work for US and European firms that meets their specific requirements.
- **Health/ medical services:** A few private hospitals have been set up, with links to external specialists. Private hospitals are better equipped than public hospitals. However, there are still many constraints to overcome, such as the development of infrastructure, availability of materials and the negative perception of the country. The shortage of medical staff means that Nigeria is importing specialists from India. The industry is not export ready.

Following initial analysis, the following sectors have emerged as export-ready:

- **ICT services:** Two areas within this industry have emerged as having export potential. Nigeria has a fledging Business Process Outsourcing (BPO) industry concentrated on provision of front-office services through call centres. There are currently about 3,807 call centre seats in the country, but the availability of cheap labour means the ability to scale up exists. There is some intellectual capacity and ability to design software and one or two firms have developed proprietary software.
- **Entertainment:** The film and music industry has produced film and music which has found its way to the regional market in Africa and to the African diaspora in the UK and the US. The film industry in Nigeria is the third largest next to Hollywood and Bollywood.
- **Financial services:** Nigerian banks have established operations through the region and have representative offices in the world's major financial centres. Given the size of the banking industry and national capital markets, there is evidence of capability to export services.
- **Education:** Private schools and vocational training institutions have developed. Some of them are affiliated to American universities and offer internationally-recognised degrees. They have attracted students from neighbouring countries, so there existing export capability. Capitalising on this base argues in favour of including this industry, as does the fact that education is central to ensuring other services sectors have access to qualified human resources. An export oriented education industry will be able to provide a broader range of better quality training to locals, facilitating the development of such as qualified labour pool.

1.4. Benefits of Exporting Services for Nigeria

In addition to providing a diversified source of foreign exchange earnings, exports of professional services can have a host of other benefits for Nigeria. These are as follows:

- Professional services offer a high-value added aspect which leads to the creation of well-paying, desirable jobs. This creates earning opportunities for local people, resulting in higher incomes and higher standards of living. As the jobs usually require a high level of education, they will create opportunities for an increasing number of local graduates and encourage them to remain at home.
- Professional services are the ideal vehicle to spearhead the transformation to a knowledge based economy.
- In service industries such as ICT and BPO, there is a need for a minimum scale to exist if the clusters on which successful industries depend are to be formed. Exporting these services should provide the scale required for viable cluster formation. In education, exporting

professional services can help a wider range of specialised services to emerge that will also benefit local people.

- Service exports are generally environmentally friendly, raising GDP without placing substantial additional pressure on the country's natural environment.
- Nigerian firms have a high market share of ICT both at home and within the region, a situation that is underpinned by the telecom sector. It can capitalise on its ICT base by moving towards high value-added, knowledge-based services (such as BPO, software development, financial services, information management, education etc.) to contribute to even faster economic growth. The expansion of industries such as ICT, which has cross-cutting effects, should contribute to competitiveness in the rest of the economy. The Nigerian Government has recognised the important role played by ICT in facilitating growth and creating jobs, raising productivity, increasing incomes and opening up opportunities for increased trade in other areas of the economy.

2. Entertainment

2.1. Overview

Nigeria has a strong entertainment industry which has spread beyond its borders into the African region and African diaspora markets in the UK and the US. The industry is comprised of both music and film production. The film industry alone is worth an estimated US\$250 million a year and the third largest film industry in the world after Hollywood and Bollywood. Nollywood, as it known, produces more films per week (40) than Hollywood or Bollywood. Most of these are low budget productions with a short shelf-life due to high production levels which turn out an average of 6 films per day.

The music industry produces an average of 550 albums of different types of music annually. Record sales have more than tripled in the past 5 years, averaging 10 million in 2005 and rising to an estimated 30 million in 2008. There is revenue from musical shows and concerts held in Nigeria. An estimated 1200 concerts and musical shows take place every year and account for a combined annual turnover of US\$105.5 million.

The entertainment industry in Nigeria offers potential for growth and value addition for the Nigerian economy. Although in the context of GDP contribution, the sector is not large, there are other factors to support its inclusion in the strategy plan. The popularity of the industry makes it worth exploring. However, it faces some challenges. The biggest of these is piracy in both the film and music industries. Estimates indicate that for every single copy of film sold legitimately, there are 5 to 10 copies sold by pirates. Other challenges include poor production standards and poor marketing and distribution linkages. These challenges have discouraged financial investment in the industry. Although the quality of production is poor, estimates of the scale of consumption of pirated copies throughout the region and the diaspora prove that there is a volume of sales that Nigeria could capture that is currently lost to piracy.

2.2. The International Music Marketplace

The recorded music industry has traditionally derived the majority of its revenues through the sales of physical recordings. However, the rise of digital music has resulted in substantial changes to the industry's structure as shown in the table below. Recording companies have adapted their approach to respond to new trends in how music is distributed and consumed. There is still a market for physical recordings such as albums, single sound recordings and music videos. Digital distribution refers to distribution of music to mobile phones and music downloads through the internet. There has been an increasing shift from CDs to music downloads. Global digital music sales reached US\$7.6 billion in 2008 and are projected to increase to US\$14.8 billion in 2013³, an annual increase of 14.2%. Recorded music sales were US\$29.6 billion in 2008 but are projected to decrease to US\$26.1 billion by 2013, an annual decrease of 2.5%.

³ Global entertainment and media outlook: 2009-2013 - PricewaterhouseCoopers

The growth in digital sales has been driven by the online and mobile revolution. A great deal of digital purchases are used on mobile devices such as iPods, MP3 players and mobile phones. This has also created many possible ways of downloading music which presents a range of partnering opportunities between recording companies, the mobile industry and ISPs. For example, a number of music stores sell music for downloading online. Mobile phones facilitate the downloading of ring tones which are a growing stream of revenue for musicians.

Digital sales are led by the US which is the single biggest country market. The tables below illustrate the breakdown of the music market by component for each region. Although digital distribution is attracting more and more interest, the digital market for music does not command the same prices as physical music. As a result, and as the table shows, there has been a decrease in revenue for the recorded music industry.

Table 1: Recorded music market by component (US\$ millions)

North America	2007	2008p	2009	2010	2011
Physical distribution	8,563	6,209	4,861	3,847	3,089
Digital distribution					
Internet	1,534	1,945	2,390	2,823	3,325
Mobile Phones	928	868	780	714	688
Digital Total	2,462	2,813	3,170	3,573	4,013
Total	11,025	9,022	8,031	7,384	7,102

Europe, Middle East, Africa (EMEA)	2007	2008p	2009	2010	2011
Physical distribution	10,989	9,408	8,197	7,300	6,520
Digital distribution					
Internet	585	887	1,239	1,679	2,209
Mobile Phones	602	767	655	618	625
Digital Total	1,187	1,654	1,894	2,297	2,834
Total	12,176	11,062	10,091	9,597	9,354

Asia Pacific	2007	2008p	2009	2010	2011
Physical distribution	6,157	5,583	4,999	4,491	4,058
Digital distribution					
Internet	368	493	585	694	817
Mobile Phones	2,101	2,476	2,802	3,175	3,566
Digital Total	2,469	2,969	3,387	3,869	4,383
Total	8,626	8,552	8,386	8,360	8,441

Latin America	2007	2008p	2009	2010	2011
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Physical distribution	859	762	682	618	568
Digital distribution					
Internet	15	42	56	69	90
Mobile Phones	103	153	168	182	205
Digital Total	118	195	224	251	295
Total	977	957	906	869	863

Source: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

2.3. Local Capability and Competitiveness of the Music Industry

2.3.1. Exports of Music

Nigeria has fashioned an African Hip Hop style of music which appeals to international audiences. A number of its musicians are internationally recognised and have received international recognition through awards such as the MTV Europe Music Award, Channel O Music awards and Kora Music awards. These awards have been received for various musical talent categories as well as other areas such as best video and special effects.

In 2008, the industry had 30 million legal record sales with a value of just over US\$9.3 million⁴ while concerts and music shows generated an annual turnover of US\$105.5 million. Pirated music sales are estimated at 10 million but the impact of these sales in lost revenue to the industry is difficult to estimate because no one knows the price at which pirated music is sold to the regional and diaspora market. It is not certain how many people are employed in the music industry because it is fragmented and mostly informal.

Production houses fall into two categories: professional studios and home studios. In the music hub of Lagos, 16% of production studios are professional and 84% are home studios. There are other players in the industry including music video production companies, record label/artiste management companies and marketers but they tend to be small outfits and in the majority of cases, they are a one-person business.

Revenue received from concerts and musical shows is a clear indication of the success of the music industry. There is potential for market growth and increased revenue from recorded music based on the high number of pirated music sales. Changes need to take place to bring together the fragmented industry into an efficient group and develop a strategy it can implement. The World Bank's Growth, Employment and Markets in States (GEMS) project which has been created to enhance competitiveness, growth, employment and business opportunities in the music industry.

2.3.2. Music Industry Constraints

A diagnosis of the music industry in Nigeria has revealed a number of constraints which are outlined below.

⁴ Nigerian Media and Entertainment Industry, FountainHeadGroup, November 2008

- **Copyright and Piracy (Regulation and enforcement)**

Illegal sales of music CDs are the greatest threat to the music industry in Nigeria. Part of the problem is that many music producers operate informally and therefore their music is not copyrighted. Estimates indicate the rate of piracy towards the end of 2008 was 58%⁵. The loss of revenue means musicians are not receiving all of the monies that are due to them and production houses are not able to recoup their costs. The entire value chain in the music industry is being short-changed. As a result, there is little financial investment going into the industry to improve production quality and reduce production costs.

Nigeria has the associations and legal frameworks for regulation and enforcement of intellectual property rights. The Nigerian Copyrights Commission (NCC), the Nigerian Customs Service (NCS) and the Standards Organisation of Nigeria (SON) are crucial to fighting piracy. However, there is no cohesion in their approach to protection of intellectual property and the application of legal frameworks that exist. This is further compounded by the fact that the majority of the music industry is not registered and therefore copyrights are difficult to recognize in the first place. There is also the element of public awareness to consider. The public should be educated on intellectual property rights as part of the solution, though such efforts are unlikely to result in much progress for some time.

Some countries have successfully centralised the royalty collection process through the use of copyright collection societies who collectively administer rights and facilitate access to musicians' works. This reduces the insurmountable task of individually enforcing rights. This would work better in Nigeria if all music products had recognisable, authenticated marks or holograms to help the public distinguish between pirated and legal copies. An authenticated process for registering and protecting IPR would be the first step towards this. The Nigerian diaspora market is flooded with pirated copies which would be reduced if Nigeria had a reciprocity of enforcement arrangement with other countries. The World Bank GEMS project is working with all stakeholders to create an enabling business environment to counter piracy.

- **Production**

Music is usually produced in a one-person, home-based recording studios which form the majority of production studios. They are not equipped to produce high quality music and are expensive. They have the most basic equipment required for sound production and lack the technical expertise required to produce music of sufficient high quality for the international market. The high end of the music production industry in Nigeria charges US\$130 per recording session while the lower end charges US\$65. The music video production industry is equally ill-equipped and expensive. Musicians spend an average of US\$330 to produce one song. A music video costs US\$33,000 to record. There are few studios with state-of-the-art or even modern video equipment. Most Nigeria musicians who

⁵ Nigerian Media and Entertainment Industry, FountainHeadGroup, November 2008

can afford to prefer to shoot their music videos in South Africa where there is modern video editing equipment.

Production of physical recordings is not able to meet demand. Consequently, music is not released throughout the country at the same time. This creates a window for pirates to flood the market with illegal copies. These are sold on within the country and also make their way to the diaspora market in Africa, Europe and the US. It is difficult to monitor CD sales in the existing environment.

- **Distribution and Marketing**

The distribution of music in Nigeria is handled by marketers. They purchase the distribution rights for music from individual musicians or from record labels/artiste management companies. It is the marketers who then launch a marketing campaign. They replicate the master copy of music and distribute it through their networks to retailers. There is no way for musicians to know how many copies are sold and who is involved in the value chain further down the line once the marketers have made a one-off payment to buy the music. This makes it difficult for musicians to claim royalties. Less established artists who do not have a record label or artiste management company have no option except to sell their music rights to marketers for a one-off payment. It would be beneficial to artists if there was an overall promotion agency that works directly with musicians to assist with both packaging, marketing and distribution of their music abroad.

- **Training**

The music industry lacks technical skills to produce high quality music and music videos. This has prompted musicians who can afford it to travel abroad to access skilled music and video producers and sound technicians.

2.3.3. The Opportunity in Music

The sheer volume of pirated copies of music being sold is a clear indication of the opportunity that exists for the music industry. The demand exists despite the poor quality of the product and the lack of proper marketing and distribution channels. The talent required to make Nigeria's music industry a success already exists and is evidenced by regional and international awards for some musicians. On its own, the recorded music industry achieved revenues of US\$9.3 million, while concerts achieved revenues of US\$105.5 million.

The opportunities for the Nigerian music industry lie in the following areas:

- Attracting tourists (mostly diaspora Nigerians visiting family and friends) and music fans from outside Nigeria to local concerts.
- Staging concerts outside Nigeria, in the region and for the diaspora markets in the UK and the US. Staging concerts abroad should also create demand for recorded sales.

- Efforts can simultaneously concentrate on trying to capture a greater share of revenue from recorded music sales abroad while also decreasing piracy and increasing the local capture of legitimate royalties due to artists.

To achieve the potential of the industry, all the constraints outlined need to be addressed. The national strategy plan will outline the specific actions that are required and the resulting resource requirements and take into account how the GEMS initiative will address them. It will also make other suggestions for how responsibility can be allocated among the existing institutions, as well as the possibility of institutional reform.

2.4. The International Film Marketplace

The international film industry is composed of films which are released as box office films and videos (for physical sell-through, in-store rentals, online film rental and digital downloads). Films typically make their highest earnings at box office but as their revenues decline, they move to video/DVD. Lower profile films are released directly to video/DVD. The industry is expected to grow by 4% annually from US\$83.9 billion in 2008 to US\$102.2 billion by 2013⁶. Global box office spending is projected to rise from US\$28.3 billion in 2008 to US\$37.7 billion in 2013 while home video spending will rise to an estimated US\$64.5 billion in 2013 from US\$55.6 billion in 2008.

In the future, box office spending will be driven by a shift to 3-D film releases, which command higher ticket prices than 2-D movies. The potential for 3-D is currently restricted by the lack of digital screens, although plans for expansion are underway. An increase in the number of modern theatres with digital screens is projected and this is what will boost revenues from cinema goers, going forward. The recent downturn of the global economy will have an impact on the physical sell-through in the short-term. There are serious global piracy problems, notably in Europe, (Spain and France) where revenues have declined as a result of these activities, and in Thailand and the Philippines.

Emerging trends such as Blu-ray as a high-definition standard have taken over from standard DVDs in the North American market. As yet, the UK is the only country in Europe to register an increase in Blu-ray usage. In the economic downturn, audiences are expected to turn in the short term from cinemas to rental films because these are cheaper, specifically going for online rental services. In the US, Netflix is the market leader in movie rentals, followed by Blockbuster. Digital downloads are also gaining popularity in the countries with good broadband connectivity. Canada is a good example and iTunes launched a movie download service there in 2008.

The following table illustrates market components by region. Spending on filmed entertainment is highest in North America, followed by the EMEA region. There is no online rental market or digital downloading market in Latin America in the home video segment. This is also the case for Africa it is but it is not reflected in the data below because the continent is bundled together with Europe and the Middle East which masks the state of spending.

⁶ PricewaterhouseCoopers – Global entertainment and media outlook: 2009-2013

Table 2: Filmed entertainment market by component (US\$ millions)

North America	2007	2008p	2009	2010	2011
Box office	10,415	10,568	11,040	11,513	12,102
Home Video					
Physical sell-through	18,202	16,682	15,735	15,512	15,963
In-store rentals	8,441	8,471	8,505	8,500	8,455
Online rental subscriptions	1,821	2,269	2,804	3,281	3,731
Digital downloads	113	253	327	426	505
Total home video	28,577	27,675	27,371	27,719	28,654
Total	38,992	38,243	38,411	39,232	40,756

Europe, Middle East, Africa (EMEA)	2007	2008p	2009	2010	2011
Box office	9,172	9,594	10,047	10,480	11,033
Home Video					
Physical sell-through	13,175	12,884	12,572	12,631	13,024
In-store rentals	2,691	2,572	2,501	2,425	2,332
Online rental subscriptions	319	453	545	632	704
Digital downloads	17	30	54	93	176
Total home video	16,202	15,939	15,672	15,781	16,236
Total	25,374	25,533	25,719	26,261	27,269

Asia Pacific	2007	2008p	2009	2010	2011
Box office	6,455	6,841	7,101	7,643	8,379
Home Video					
Physical sell-through	4,339	4,448	4,361	4,398	4,504
In-store rentals	6,077	6,193	6,303	6,397	6,500
Online rental subscriptions	70	178	392	568	850
Digital downloads	3	3	7	16	33
Total home video	10,489	10,822	11,063	11,379	11,887
Total	16,944	17,663	18,164	19,022	20,266

Latin America	2007	2008p	2009	2010	2011
Box office	1,260	1,337	1,398	1,459	1,532
Home Video					
Physical sell-through	637	694	703	716	752
In-store rentals	689	455	438	453	470
Total home video	1,326	1,149	1,141	1,169	1,222
Total	2,586	2,486	2,539	2,628	2,754

Source: Global Entertainment and Media Outlook: 2009 – 2013

2.4.1. Local Capability and Competitiveness of the Film Industry

Nollywood produces an average of 2000 films annually. 44% of films produced are in English and the remaining 56% are in Yoruba, Igbo and Hausa. The high percentage of films in English ensures a market outside Nigeria. Lagos is the film-making hub of the country and most films are shot there. There is a small film-making industry in Kano known as Kanywood which produces films mostly in Hausa and some in English. It is also the country's centre for media distribution.

The film industry is considered to be worth an estimated US\$250 million although the real value is higher if we take into account revenue lost to piracy. The revenue comes primarily from sales of videos/DVDs. Whereas the international film industry produces film in a 35mm format directed at theatres which bring in the highest sales, Nigerian films are digital and produced straight to videos/DVDs. But it is important to note that while the trend in the global industry is towards an increasing use of digital equipment in filmmaking, and Nigeria is well-placed in this regard, equipment and quality is generally low. The biggest legal buyer of Nigerian films is MNET, the largest TV film distributor in Africa, which shows them on its Africa Magic channel. National television authorities throughout Africa also show Nigerian films. The diaspora market is predominantly in the UK and the US and forms a large market but most of the films available there are pirated. It is estimated that lost revenue in through pirated copies in the US alone could be as high as US\$200 million.

Due to the fragmented nature of the industry, the number of people working in the film industry is not known. However, it is estimated that it employs about 200,000 people directly as actors, producers, distributors and promoters. A further one million jobs are created in related retail, although these are mostly informal jobs. This is much greater than Bollywood which employs about 500,000.

There is no doubt that Nigeria is a leader in the film production industry in Africa and there is a market for its films. The challenge is to bring together members of the industry from actors to distributors to support a common strategy that will capitalise on current success and see the industry achieve its full revenue potential. The World Bank's GEMS project is undertaking initiatives aimed at strengthening the entire industry. In developing the National Strategy, we will take into account the World Bank's initiatives in our recommendations, but it is important to examine the specific constraints and challenges the industry faces before proposing solutions.

2.4.2. Constraints

Diagnostic analysis has revealed several barriers to development of the industry and these are as follows:

- **Copyright and Piracy**

Piracy is the biggest problem faced by the Nigerian industry, resulting in millions of dollars of lost revenue. It is not restricted to domestic films but extends to foreign films which are illegally brought into the country. This has discouraged the establishment of licensed

distributors who would not be able to compete profitably in the face of piracy. The development of new technology has made it easier for pirates to copy and mass-produce films. Piracy has become so entrenched in the industry that there are cartels operating and making it difficult for the film-making industry to successfully take legal action against them. Pirated copies are sold cheaper than the legal DVDs/videos and even so, the public has no way of knowing the difference between legal and pirated copies. Nigeria needs to take action and manage its reputation as the piracy centre of Africa.

- **Production Facilities**

Film producers lack equipment ranging from cameras to editing equipment. They use fairly basic equipment, usually camcorders designed for home videos. Most movies are not shot in studios but on location all over Nigeria with hotels, homes and offices often rented out by their owners and appearing in the movie credits. It is very difficult to provide quality sound and lighting when using such locations. Creating professional studios for film-makers would go a long way to improving production standards, which could translate to higher revenues.

- **Distribution**

There are two formal distribution companies in the industry, Nollywood Distribution Company Limited and Emmalex Associates Limited. Low DVD production capacity along with the fact that movies are released directly to video/DVD makes it difficult for distributors to produce enough copies to supply the entire market. The release of too many films within a short period in a market where there are already limited options for distribution further narrows the bottleneck. Although other distribution channels are beginning to emerge, a partnership approach with other stakeholders is required as well as investment.

- **Marketing**

Most film producers do not have the financial resources or the expertise to market their films. This refers to both publicity and packaging. Sector-wide promotional efforts could be taken to stimulate demand for Nigerian films abroad by developing contacts with overseas promoters. The promotional agency could take on both packaging and marketing functions. Similarly, a promotional agency should carry out research into new potential markets for films and make the information, including details of film festivals, publicly available.

- **Cinemas**

Nigeria has three major cinema operators, the Silverbird Galleria, City Mall Galleria and NUmetro Cinemas. This limits the possibilities of theatre releases for local movies as international films tend to get preference. Only 3% of films produced in Nigeria have been released in movie houses. The development of film theatres throughout the country is important if the film industry is to increase its revenue and minimise the impacts of piracy.

- **Training**

There are no film-making schools in Nigeria but some local universities offer related courses. Nigerian film-makers are innovative and have managed to produce films using the most basic equipment. However, in order to improve quality and acquire new techniques, they

need practical technical training. This could be offered in conjunction with universities that offer theatre and performance arts-related courses. The GEMS project intends to implement training programmes in collaboration with existing schools.

2.4.3. The Opportunity in Film

The demand for Nigerian films is strong, both domestically and abroad, despite the poor quality of the product. Developing a product with a clear market is usually the most difficult aspect of the film industry, but in this case Nigeria has a ready-made capability which is already being exported.

The next step is to address how Nigeria can make the most of its film industry in an export context. There are proposals through the World Bank's GEMS project to create a Nigerian Film Institute which would support industry needs such as quality studio facilities, training and capacity building, specific hubs for core industry skills and better film equipment. Such activities would strengthen the capability of the local film industry and improve the overall product offering. This would of course help in the export context, but since the films are already going abroad, there should also be a focus on foreign marketing and distribution as a means of raising export earnings while at the same time reducing piracy rates.

3. ICT

3.1. Overview

ICT is a critical driver of growth and productivity which has grown rapidly through a boom in the international market for IT-enabled services. New developments in communications technology have facilitated this growth. Technology product sales and associated services revenue were estimated to be US\$1.6 trillion in 2008, showing a growth of 5.6 per cent from 2007⁷. The market for IT-BPO services, including software design sales reached US\$967 billion in 2008 indicating its growing importance. Offshoring alone is worth US\$30 billion in revenue⁸.

The distinction between outsourcing and offshoring is worth noting, as these terms are often used interchangeably, which is not correct. For the sake of clarity, these terms are used as follows:

- **Outsourcing** refers to moving a function that was previously performed in-house to an independent service provider, which may or may not be in another location.
- **Offshoring** refers to moving a business function to distant location, but does not necessarily mean that the function is moved outside of the company. For example, a company may use a low cost base of operations to carry out its procurement activities. The activity remains within the company so it has been moved offshore but has not been outsourced.

The type of business segments that require outsourcing include the following:

- Information technology
- Human resources management
- Facilities and real estate management
- Accounting

The higher value end of outsourcing is referred to as Knowledge Process Outsourcing includes:

- Financial planning
- Data mining
- Statistical analysis

Nigeria has shown an aptitude for ICT in Africa according to anecdotal evidence from industry stakeholders. The sector has seen a lot of growth in the past five years and is now the largest in Africa, with over US\$12 billion of investments and 62% of the African market. Telecoms is the leading contributor to ICT growth, with an estimated service revenue of US\$7.3bn in 2007. This puts Nigeria in a strong position to capture a further share of the African market when mobile smartphones and the use of internet applications become a big trend in Africa, as predicted by Gartner⁹.

⁷ Nasscom-McKinsey Report 2009

⁸ IDC Technologies

⁹ Top 10 consumer Mobile Applications for 2012, www.gartner.com

Nigeria’s capability in ICT extends to a number of areas as follows:

- It has a small captive and stand alone call centre industry emerging in Abuja and Lagos.
- It has a small local software/IT applications industry that is in its infancy but has attracted attention from distributors in South Africa and the UK.

Nigeria’s position as a leader in ICT in Africa means that it should look at consolidating its current markets and moving to bigger international markets. There are natural linkages to explore with the diaspora in the UK and the US.

3.2. International Marketplace

3.2.1. Global Trends

The global BPO/IT outsourcing market size has tripled in the period from 2004 to 2008 and forecasts suggest it could grow to five times its current size¹⁰. Central and Eastern Europe, the Middle East, Africa and Asia Pacific have are growing as outsourcing destinations. India leads in BPO and is investing in onshore and nearshore delivery as well as knowledge process outsourcing, as a means of consolidating its position built upon offshoring. A trend is emerging to move away from in-house captive centres to more outsourcing as a cost-management strategy. For example, Philips sold its three offshore BPO centres to Infosys in 2007 while Citibank sold its captive operations to India’s Tata Consultancy Services in 2008.

In 2009, worldwide Software as Service (SaaS) revenue was projected to reach US\$7.5 billion, increasing by 17.7% from revenues of US\$6.4 billion in 2008 according to Gartner¹¹. SaaS is a software delivery method that provides access to software and its functions remotely as a web-based service. The software designer licenses an application to customers that allows them to use the software as a service on demand. The table below shows the growth in revenue from SaaS. Revenue from SaaS is dominated by communcations, CRM and ERP.

Table 3: Worldwide Software Revenue for SaaS Delivery Within the Enterprise Application Software Markets (Millions of US Dollars)

	2009	2008
Content, Communications and Collaborations (CCC)	2,573	2,143
Office Suites	68	56
Digital Content Creation (DCC)	62	44
Customer Relationship Management (CRM)	2,281	1,872
Enterprise Resource Planning (ERP)	1,239	1,176
Supply Chain Management (SCM)	826	710
Other Application Software	472	387
Total Enterprise Software	7,521	6,388

¹⁰ Nasscom-McKinsey Report 2009

¹¹ Worldwide SaaS Revenue in 2009, Gartner

Source: Gartner (November 2009)

According to Gartner, the increased usage of smartphones and the involvement of internet players in the mobile industry is creating an environment where mobile phones will overtake PCs as the most common web access device worldwide. Some mobile services have gained traction in a number of African countries, such as money transfer services using SMS. Other mobile applications include mobile search (instead of the internet), mobile web for browsing, mobile health monitoring and mobile payments. Mobile advertising spend in 2008 was US\$530.2 million and is projected to grow rapidly to US\$7.5 billion by 2012. Mobile Instant Messaging is an opportunity for mobile advertising and social networking. In developing countries, mobile phones are often the only connectivity device people have and therefore bespoke applications will have broad appeal to these users. Mobile music has so far been used for ring tones but has potential for consumers who want to carry music with them, in a similar fashion to iTunes.

3.2.2. Supply Markets

India continues to dominate the market for ICT services and outsourcing, followed by China and Malaysia. It also remains the top offshoring destination with the Philippines following in second place. Together the two countries have 50% of the market share for offshoring¹². The Philippines has 15% of the global market and has been in the market for 10 years, providing contact centres mainly serving the US. It is moving into IT and non-voice BPO services. India's dominance is attributed to its young population and it produces over 3.5 million graduates and postgraduates annually, a scale which no other country has been able to compete against¹³. Industry-led initiatives fill in the gaps where specific skills are lacking. India has a reputation as a trusted offshoring destination which guarantees high quality and service delivery through adherence and compliance to international standards such as ISO 270001. The country has sound data protection regulations and a risk management framework.

However, India's labour cost advantages for services such as call centres are being eroded and it has moved to the higher end of the value chain to supply areas requiring more expertise such as knowledge management and legal process outsourcing. Furthermore, Indian outsourcing companies are expanding globally to the US and Europe. North America and Western Europe (particularly the UK) are the most successful markets for Indian BPO providers. Many top UK and US law firms are outsourcing legal services such as reviewing of contracts and preparation of legal briefs to India. Some, like Allen & Overy, have their own offshore offices in India.

3.2.3. Decision-making Factors

Firms looking to outsource ICT functions prioritise the following factors:

¹² A.T. Kearney Global Services Location Index 2009

¹³ Nasscom-McKinsey Report 2009

1. Cost savings
2. Quality of service
3. Quality of labour pool
4. Control
5. Risk

In some countries, competition for skilled workers has resulted in demand for higher wages and therefore a rise in attrition rates which has affected cost savings. Nevertheless, A.T. Kearney suggests that the wage advantages of offshore locations will continue for another twenty years¹⁴. India offers a good combination of the key factors above and has therefore remained the top outsourcing centre in A.T. Kearney's 2009 Index. Its strongest advantages are highly skilled labour and a cost advantage of between 60% - 70% over key source markets.

The table below shows salary from 2007 to show labour cost comparison. These are indicative salaries in a number of key countries for comparison purposes.

Table 4: Indicative ICT Annual Salaries in 2007

Country	Programmer (2-3 years experience)	Call Centre Agent (2-3 years experience)	Programmer (average cost)
India	\$6,000 to \$9,000	\$5,500 to \$7,000	\$7,500
China	\$5,500 to \$9,600	-	\$7,550
Philippines	\$6,500 to \$10,900	\$7,600 to \$9,200	\$8,700
Ireland	\$21,000 to \$28,000	\$16,000 to \$25,500	\$24,500
Mexico	\$18,000 to \$23,000	\$3,000 to \$15,000	\$20,500
Singapore	\$27,300 to \$34,600	\$22,300 to \$28,400	\$30,950
Canada	\$25,000 to \$50,000	\$18,600 to \$28,300	\$37,500
USA	\$45,000 to \$85,000	\$25,000 to \$40,000	\$65,000
Malta	\$18,000 to \$21,000	-	\$19,500
Nigeria (2009)		\$1,800 to \$3,180	-

The major factor driving near-shoring is the difference in cost of labour between the originating location and the destination. A nearshore offers a greater balance between control (through ease of access) and cost savings than an offshore location. The difference should be sufficient to necessitate the use of a near-shore location over one that is offshore. A.T. Kearney's 2009 Report highlights that as European companies spend more on offshoring, this is going to result in more interest in European near-shore locations such as Central and Eastern Europe despite the lack of English capability.

Other than cost, a high quality of service and a high labour quality of service that can be scaled up to meet demand is required. Other considerations that drive the decision-making of service providers when they consider a nearshore destination are:

¹⁴ The 2007 A.T. Kearney Global Services Location Index

- Language capabilities (apart from English, other languages like Spanish, French or German are useful depending on the target market)
- Location (geographic and time zone proximity)
- Labour pool (size, diversity, maturity)
- Cost (real estate, equipment, operations, wages, etc.)
- Infrastructure (quality, stability and cost)
- Enabling environment (including tax incentives, double taxation treaty, favourable policies, subsidies, etc.)
- Globalisation maturity (legal system, regulatory environment, immigration policies, business sophistication)
- Cultural compatibility
- Political and economic stability
- Travel and living expenses (connectivity with the key markets through multiple carriers and source/destination choices)
- Education system
- Security and privacy

3.3. Local Capabilities

Nigeria's capability in ICT is centred on its fast growing telecommunications industry which has led to the development of opportunities for voice, data and internet applications and services. The country's capabilities fall into the following areas:

- **Software/ IT Applications:** A small local software industry exists. It is composed of self-employed individuals who are developing software on a small scale.
- **Call Centres :** There are captive and stand alone call centres operating in Lagos and Abuja.

3.3.1. Software/IT Applications

According to Nigeria's Corporate Affairs Commission, there are about 320 registered IT companies engaged in providing services, software design and manufacturing hardware. There are some unregistered companies also operating. This is a fragmented industry of very small entities and individuals working independently. The main drivers of software development is demand from the corporate market, particularly banks. The companies offer the following services:

- Software applications for financial services
- Web design
- Linux and Windows hosting
- Search engine optimization (the process of improving the volume/quality of traffic to a web site from search engines via "natural" or un-paid ("organic" or "algorithmic")
- Smartcard technology (particularly useful to banks)
- Applications maintenance

The technology above, in addition to serving the financial industry, is used to provide services to telecommunications companies, government departments and other entities. In most cases it revolves around ready-made packages which are adapted to suit the Nigerian market. SystemSpec is one of a few companies who have been able to develop proprietary software that is competitive with international suppliers and has attracted attention from distributors in South Africa and the UK. Nigeria's advantage derives from an abundant youthful labour force that has grown up in the era of high technology, is computer literate and understands the constantly changing world of IT.

3.3.2. Call Centres

Captive and stand alone call centres are operating in Nigeria on a small scale, specialising in onshore services. BPO businesses are providing services to government departments, telecommunication firms and banks. The sector was comprised of 15 call centres in 2008, but rapid growth is expected and numbers are projected to increase to over 800 by 2015. They cater mainly for the domestic market and a few international clients from the UK and the US. In total, they had 3,807 call centre seats in 2008 and operated 24 hours a day with three shifts per day that provide employment to 11,422 call centre agents. Revenue from the call centre sector amounted to US\$8.29 million in 2008¹⁵ and came predominantly from voice services followed by email, SMS, fax and web-chat services. Voice services contributed 54% of the revenue generated, of which 81% were inbound voices services. Outbound voice services accounted for 19% of revenue.

There were four major call centres in 2008 providing outsourced contact centre services. Contact Solutions was the largest with 30% total seats, followed by Customer Contact Solutions (25%), Interra Networks (20%) and Critical Response (15%). There remaining seats, 10%, are split amongst the rest of smaller contact centres who each have a seat capacity averaging less than 30. Call centre operatives earn an annual salary ranging from US\$1,800 to US\$3,180. This is much cheaper than India where annual salaries for similar roles ranged from US\$6,500 to US\$7,500.

3.3.3. Constraints

The ICT sector as a whole faces serious challenges. These include:

- High telecommunications costs
- Poor internet connectivity
- Electricity is unreliable and the costs of running a generator are exorbitant, running into several thousand dollars a month for a business.
- Lack of sufficient skills in IT
- High cost of labour for some roles such as software designers whose annual salary can be up to US\$24,000.
- Lack of a high standard of ICT qualifications and an IT curricula to produce the appropriate skills for the sector.

¹⁵ Frost & Sullivan, The Nigerian Contact Centre Market Analysis, June 2009

- Prevalence for cyber crimes.

3.3.4. Standards and Oversight

The ICT sector is not yet well-regulated and it is easy for anyone to operate in the industry. Anyone can start an unregistered business easily in any industry. There are several policies in place to facilitate the development of the ICT industry such as the Nigeria Policy for Information Technology and the National Outsourcing Policy. These are supported by the presence of institutions such as the Nigeria Information Technology Development Agency and complimented by programmes such as the Nigerian Software Development Initiative.

There should be one cohesive IT agency/government body which ensures the following:

- Regulation of the IT industry, related cyber crime
- Investment in infrastructure to enable better connectivity
- Policy framework to ensure the protection of Intellectual Property Rights (IPR)
- Quality of IT education

3.4. The Opportunity

BPO

Nigeria's call centre market is in the early stages of development and has low barriers to entry. It is regarded as a potential market because of its aptitude for IT and its abundant labour force which meets the education requirements for call centre staff. Its proximity to European markets and time zone makes it an attractive nearshore location.

Call centres have the ability to grow quickly and could provide a high number of jobs. As the financial services and telecoms sector penetrate regional markets and provide customer service support from their homebase in Nigeria, many opportunities will be created for unemployed and underemployed Nigerians through better-paid jobs in front-office and back office operations. Indian companies are also looking to set up near and offshore operations as they move on to the higher end of the BPO sector and Nigeria offers a possible location.

Software Design

Nigeria has the potential to increase its market in software development through creating more high-value added products that are industry-specific. Such software designs can be targeted at financial services and sold to banks that have in-house call centres. As the market for Software as a Service (SaaS) develops, there is going to be demand for CRM and other software applications for these sectors. Nigeria's large diaspora markets in the UK and the US provides a front-office selling point for software services such as bespoke programming and this is already happening on a small scale.

4. Financial Services

4.1. Overview

Exporting and outsourcing financial of finance and accounting services is a well-established trend that has seen rapid growth in recent years but has suffered a setback in the economic downturn. Typical services likely to be outsourced include low-end, process-oriented jobs such as bookkeeping and accounts receivable and payable, as well as more complex activities such as budget forecasts and risk management. India is the market leader and the US is the largest market.

The components of the finance and accounting (FA) outsourcing market can be classified as follows:

- **Transaction management:** this includes activities like accounts payable and receivable, credit and collections and billings/invoicing.
- **Finance:** this includes activities such as investing, fundraising, financial and performance analysis and reporting, capital planning and budgeting and forecasting.
- **General Accounting:** this refers to tasks such as fixed assets management, general ledger, account reconciliation, banking relations, management accounting, financial statements preparation, project accounting and inventory accounting.
- **Treasury and risk management:** this segment includes functions such as cash management and planning, bank account reconciliation, funding, insurance, foreign exchange, internal audit, compliance, internal controls and risk management strategy.
- **Tax Management:** this covers activities like tax planning, tax filling and tax processing.

FA has moved from a concentration on basic accounting activities to focus on higher end activities such as investment and capital markets. According to the Industrial Development Corporation (IDC), accounts payable are the most widely outsourced FA function. Transaction management was predicted to see the fastest annual growth from 2004-2009. Tax management and general accounting are functions which are also being outsourced.

Initially, FA outsourcing was concentrated on the basic accounting activities mentioned above. However, as confidence in service providers has grown, an increasing amount of more sophisticated work is being outsourced. The IDC report pointed to accounts payable as the most widely outsourced FA function, and from 2004-2009, transaction management at 9.8% was the segment expected to see the fastest annual growth in spending. Over the same period, annual spending on tax management was to grow at 9.3% and general accounting at 8.3%.

In terms of markets, the US remains the largest outsourcer of FA functions. According to Deloitte, India leads in terms of financial service offshoring, accounting for 80% of the market but it too has experienced some decline as a result of the changing face of professional services.

Nigeria has emerged as the regional leader in financial services, particularly in capital markets and banking transactions, due to the expansion of Nigeria's commercial banks into the African region. This has fuelled the growth of other services and some commercial banks have opened insurance subsidiaries.

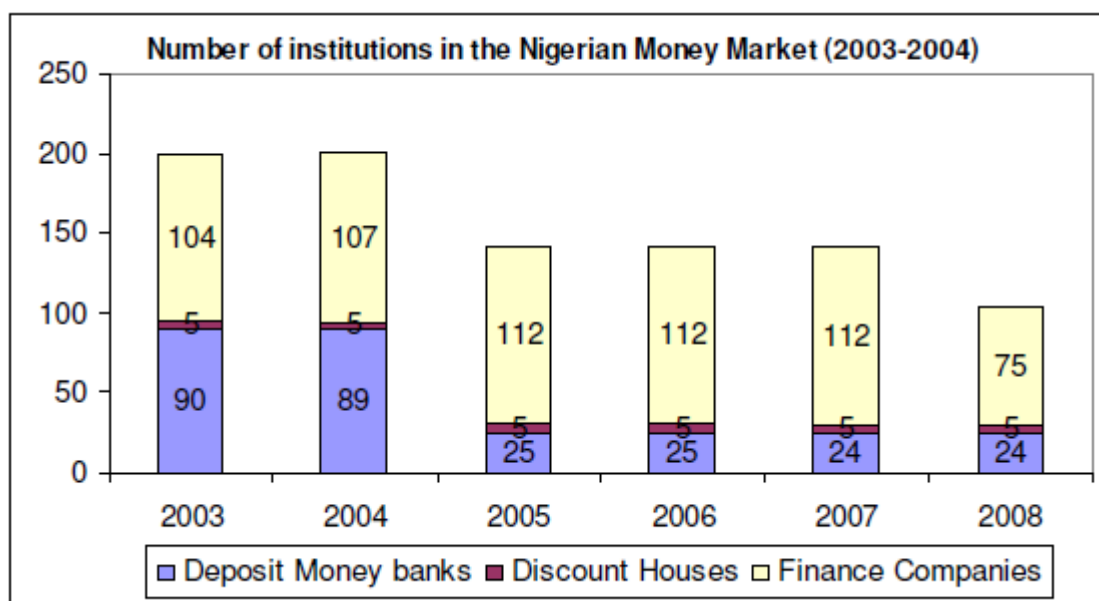
4.2. Local Capability and Competitiveness

4.2.1. Industry Profile

Nigeria has one of the most developed financial services sector in Africa, next to South Africa. The banking sub-sector is the biggest player and accounted for 90% of financial assets in Nigeria in 2008¹⁶. Its 24 universal deposit banks have a combined total asset base of US\$4.5 billion. Minimum capital requirements for banks were raised from US\$13 million to US\$165 million in 2005, which led to the consolidation of banks and subsequent raising of capital. This allowed them to strengthen their capital adequacy ratios enabling them to increase credit. Until recently, 20 out of the 25 banks in Nigeria were rated in the top 100 banks in Africa and 17 were in the top 1,000 banks in the world. However, there has been a recent consolidation of the banks again after it emerged in 2009 that some of them were not adequately capitalized. This has reduced the number of banks to 24.

The figure below shows the structure of the financial sectors services sector in Nigeria. The number of finance companies has gradually reduced from 104 in 2003 to 75 in 2008, reflecting the consolidation of finance companies and banks in the country to create a more stable financial services sector.

Figure 1: Number and Type of Financial Institutions in the Nigerian Money Market



Source: Report of the Vision 2020: National Technical Working Group on Financial Sector

¹⁶ Central Bank of Nigeria

4.3. Sector Performance and Trends

4.3.1. Banking sub-sector performance

Armed with the capital resulting from the consolidation, the banks established commercial banking operations in Ghana and Sierra Leone, amongst other regional countries, and opened representative offices in the world's major financial centres. Most of the subsidiaries abroad carry out their own appraisal and monitoring. They supply credit to the private sector and they have also been filling in gaps in the market by providing SME loans. In some cases, the banks have insurance subsidiaries but the country's insurance market is fragmented and composed of over 20 small insurance companies who each have about 2% market share¹⁷.

The figure below shows the growth of Nigeria's banking sector from 2003 to 2008. The asset base increased by 439% and bank branches increased by 67% on the back of more depositors and a 517% increase in total monetary deposits. In addition to deposit-taking, the banking sector has played an important role in providing increased credit to telecoms and other industrial sectors as illustrated below.

Figure 2: The Nigerian Banking Sector Pre and Post Consolidation 2008

Parameters	Pre-Consolidation (As at Dec. 2003)	Post-Consolidation (Latest Figures)	% Increase
Banks' Total Assets (Naira Billion)	2,767.78	14,932.00	439
Number of Bank Branches	3247	5,407	67
Number of Bank Shareholders	5,901,565	10,033,625	70
Number of Bank Depositors ('000)	13,649	34,553	153
Total Bank Deposits (Naira Billions)	1,409	8,693	517
Employment in the Banking Sector	60,227	85,591	42
Credit to the Industrial Sector (₦ billions)	619.52	3,760.84	507
Credit to the Agric Sector (₦ billions)	62.10	114.30	84
Credit to the Telecoms Sector (₦ billions)	293.70	1,107.38	277

Source: Central Bank of Nigeria 2008

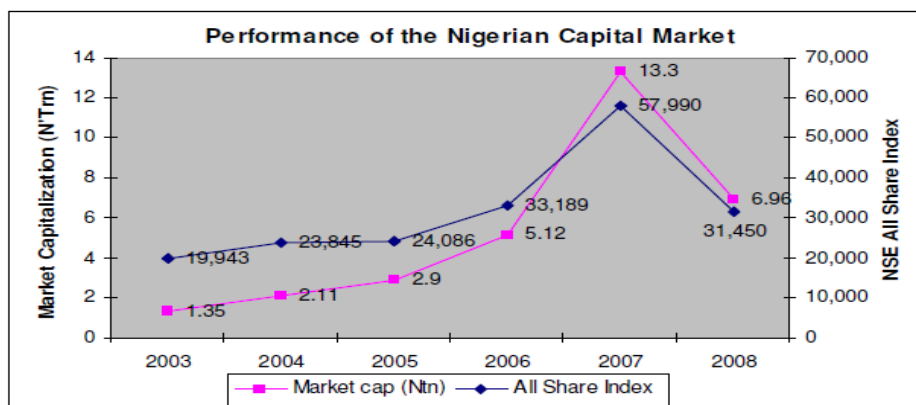
4.3.2. Capital markets performance

The capital market is composed of the Nigerian Stock Exchange (NSE) and the Abuja Securities and Commodity Exchange (ASCE). The NSE had more than 136 licensed dealing members in 2007.

¹⁷ Report on the Vision 2020: National Technical Working Group on Financial Sector, July 2009

Equities dominate the capital markets, with little listing and some trading of debt instruments. In 2008, there were 213 equities and 94 debt instruments¹⁸. The listed instruments combined reached the equivalent of US\$46 billion in 2008. Total market capitalisation increased from US\$8.6 billion in 2003 to US\$86 billion at the end of 2007. The transaction value grew at a compounded annual growth rate of 176% while the trading volume was calculated to be 153%. The following table illustrates the performance of the capital market which peaked in market capitalization terms in 2007 and dropped in 2008.

Figure 3: Performance of the Nigerian Capital Market



Source: Central Bank of Nigeria

4.4. Labour Supply and Cost

Up to now, the financial sector has not been able to access adequate numbers of well-trained staff to meet its needs. There is a skills mismatch in terms of the calibre of students produced by academic institutions and the requirements of the financial services sector. The banking sub-sector employs just over 85,000 people according to the CBN's data but financial institutions have to train their staff to meet their requirements.

The banking sub-sector recruits from a wide range of disciplines at graduate level and trains them to meet their requirements. 5% of graduate employees have an academic background in banking and finance, others have a background in IT (10-12%), business administration (10-12%), sciences (15%), mass communication (5-10%) and accounting (20%). The average banking monthly starting salary for a graduate is US\$660 – US\$1,180 and the table below shows banking salary levels for other roles.

Table 5: Average Salary in the Banking Sub-sector

Occupation	Average Monthly Salary in 2009
Professionals (including operations managers)	US\$1,980 – US\$2,300
Customer Service	US\$528 – US\$990
Elementary/ lower levels	US\$330 – US\$528

Data source: Nathan EME Interviews with banking sector, November 2009

¹⁸ Report on the Vision 2020: National Technical Working Group on Financial Sector, July 2009

4.5. The Opportunity

Nigeria's financial services sector, though large, has plenty of room for growth. The number of banks and their position presents an opportunity for expansion of operations into neighbouring countries in West Africa and throughout Africa. This is already happening but there is room to increase presence. Branches of the expanding banks are providing services such as loan appraisal which can be scaled up. Some of the banks having been filling in the gaps in the market by providing SME loans. Nigerian banks have the finance to offer such products and expand their provision to Sub-Saharan African countries where SME loans are not easily available. Francophone and Lusophone Africa have little availability of banking services and present a market for Nigerian banks to capture.

The banking sub-sector could tap into the remittances market which is worth an estimated US\$4 billion. The only stumbling block is the high charges which are levied by the banking system. These have led the large diaspora in the UK and US markets to explore alternatives to sending money home. However, innovative approaches that can compete with remittance services offered by Western Union and similar competitors would allow Nigerian banks to access this large international market.

The capital market in Nigeria is large and has attracted international investment. If Nigeria could provide listing services to companies in West Africa, it could have a capital market to rival South Africa's capital which caters for Southern and Eastern African companies. Nigeria's capital markets have made some forays into providing services for portfolio investors and there is room to expand this further.

5. Education

5.1. Overview

Education is a global industry and the worldwide market for exports is estimated to be over US\$30 billion and growing. The number of students involved in tertiary education outside their home countries has grown by 53% since 1999 to reach 2.8 million students in 2007¹⁹. This was an increase of 4.6% from enrolments in 2006. The largest number of students abroad are from China (421,000), followed by India (153,300), the Republic of Korea (105,300), Germany (77,500), Japan (54,500), France (54,000), the US (50,300), Malaysia (46,500), Canada (43,900) and the Russian Federation (42,900). These countries alone account for 37.5% of the world's mobile students.

The market for global education services is expected to triple in size over the next 20 years. This expansion will be driven by a range of factors including greater demand for linguistic skills, newer and more specialised employment skills required in knowledge-based economies, developing country students accessing better quality education abroad and increased consumption of education services in low-cost destinations by developed country students.

Movement of students for language training and higher education takes place between developed countries, from developing countries to developed countries and vice versa, as well as among developing countries. Asia is the major source of students and North America and Europe are the major destinations, with South Africa the only African country appearing in the top ten destinations.

Within the education industry there is one segment of the market that is most relevant to Nigeria, university education, a key component of the tertiary education sector. The key trends, supply and demand, capability and opportunity in tertiary education are outlined below.

5.2. The International Market Place for Tertiary Education

As shown in the table below, the US hosts the largest number of international students, accounting for 21.3% of the market in number terms.

¹⁹ Global Education Digest 2009, UNESCO Institute for Statistics

Table 6: Top host countries for international Students

Country	Number of Students
US	595,900
UK	352,500
France	246,600
Australia	211,500
Germany	206,900
Japan	125,900
Canada	68,500
South Africa	60,600
Russian Federation	60,300
Italy	57,300

Data Source: Global Education Digest 2009, UNESCO Institute for Statistics

In the UK, publicly-funded universities and the TVET industry, both public and private, have been marketing their services abroad under the umbrella of the British Education Suppliers Association or individually. Education is a huge export industry and in the 2008 academic year, it was estimated to be worth £32 billion to the British economy²⁰. This was earned from overseas students studying at a variety of institutions, including universities, small English language colleges and independent schools. This also includes earnings from consultancy, publishing, the sale of educational equipment and broadcasting.

This figure indicates how large the industry has become and the scale of its economic importance to countries with well-established education sectors. The fact that education is a business is one that countries are increasingly accepting. Canada and Australia now regard their education systems as industries with increasing export focus. They have promoted them vigorously by developing national websites and assisting local providers to market their services abroad and as part of their destination promotion activities. Previously weak links between tourism and education are growing. Smaller players such as South Africa and Malta are also following the example set by leading nations. Malta, in particular, has seen the benefits of combining ELT and university/TVET provision with students in the former encouraged to stay on for services of the latter.

There is a potential for tertiary education exports from Nigeria's private academic institutions that exist. There is a regional demand in West Africa, particularly from Nigeria's neighbouring countries like Ghana which could form the spring board for an export industry.

5.2.1. Sources of Students

The Global Education Digest 2009 provides a comprehensive review of patterns of student movement. The report uses the term 'internationally mobile students' to refer to those who study in countries where they are not permanently resident. The outbound mobility ratio expresses the

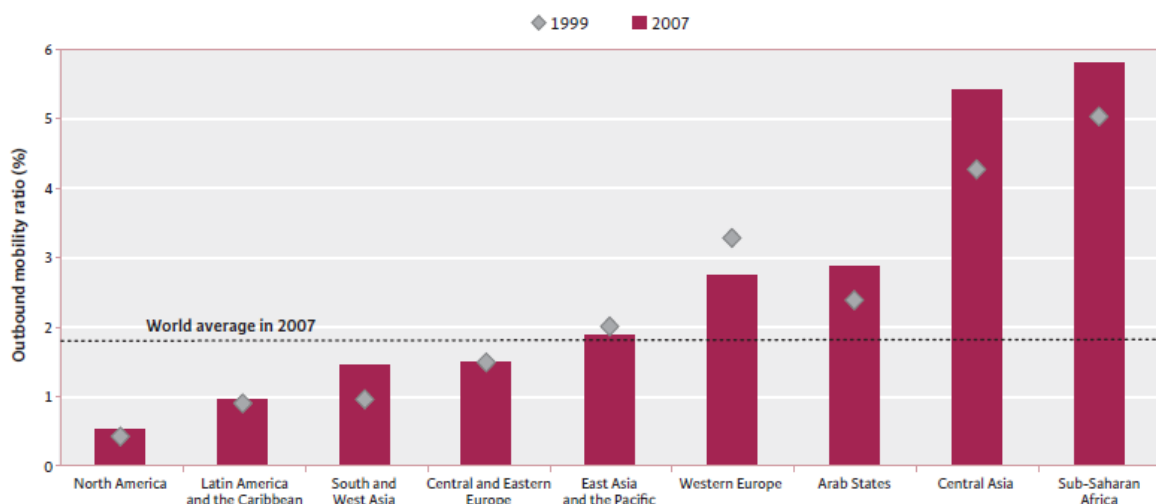
²⁰ The Times Higher Education, 26 November 2009

number of mobile students from a particular region as a percentage of total tertiary students, and provides an indication of how likely students are to pursue their education abroad. This is illustrated in the figure below. A number of factors lead to studying abroad, including the desire to live in another country as an overall learning experience, the chance to pursue a higher quality or more specialised education than is available domestically and a lack of access to education services at home. As the report points out, a high outbound mobility ratio can indicate a demand for international studies or a scarcity of tertiary education at home.

The figure below shows the regions with the highest ratio of outbound students. Sub-Saharan Africa tops the list, showing there is a high demand of foreign education in the region. It is closely followed by Central Asia. In the period from 1999 to 2007, Central Asia had the highest growth of outbound students and could easily surpass Sub-Saharan Africa if the trend continues. In Western Europe and East Asia, the trend is reversed with fewer students going abroad. North America has the lowest number of outbound students and very little change in that trend, followed by Latin America and the Caribbean.

Figure 4: Outbound Mobility Ratio by Region

Number of mobile students from a given region as a percentage of tertiary enrolment in that region (outbound mobility ratio), 1999 and 2007



Source: Global Education Digest 2009, UNESCO Institute for Statistics

New trends have emerged showing that mobile students are more likely to stay within their regions of origin. Language is still a key factor in the choice of destination, which may explain why this is the case. The second trend is that students now have a wider choice in destinations and therefore some countries are becoming more popular as a destination choice, extra space , creating a new group of top host countries.

5.3. Decision-making Factors

Before analysing capability in the local market, it is important to have an understanding of factors that influence how students select a destination for foreign studies. While there are a number of individual considerations that influence the decision-making process, research by British and Australian education authorities highlights 9 factors (summarised in the table below) that most students consider in selecting a country of study.

Table 7: Factors Influencing Choice of Study Destination

Category	Factor	Metrics
Cost Structure	Tuition fees	<ul style="list-style-type: none"> Fees for international students Availability of scholarships Length of course
	Cost-of-living	<ul style="list-style-type: none"> Accommodation costs Entertainment costs Ability to work while studying
	Cost of travel	<ul style="list-style-type: none"> Distance from home country Availability of discount flights Ease and cost of obtaining visa
Environment	Culture	<ul style="list-style-type: none"> Language(s) spoken Tourism/sightseeing options Nightlife
	Quality of life	<ul style="list-style-type: none"> Climate Lifestyle Degree of multiculturalism
	Safety & security	<ul style="list-style-type: none"> Crime levels Friendliness of population Terrorism
Quality & Reputation	Course offering	<ul style="list-style-type: none"> Variety of courses offered, specialisations Availability of similar courses internationally Response time to inquiries & applications
	Quality of institutions	<ul style="list-style-type: none"> Reputation of country overall Reputation of individual institutions Reputation of professors/teachers/trainers
	Ability to get job after completion of studies	<ul style="list-style-type: none"> Reputation of country amongst employers Foreign qualifications respected at home Visa/immigration issues

Source: Australian Education International, British Council, Nathan EME

Cost is clearly a major factor. About 60% of students rate cost as quite or very important when deciding on a country. Cost, however, must be balanced against the other two categories to produce an indication of “value”. British and American universities tend to be relatively expensive, but are still able to attract students due to the perceived high quality of the education and good

overall environment. As the average incomes of students from developing and transition countries will be much lower than students from developed countries, they are more likely to be price sensitive, apart from those coming from very high income families. The ease of obtaining a student visa has become more important over the past few years as some countries have made the application process more complicated and costly, and tightened entry requirements. Many foreign students have been diverted from the US to countries such as Canada and Australia for this reason.

Quality and reputation are an important consideration after cost. Students want to know that they are going to get a good education, one that is distinct and one that will help them get a good job. In this category, research shows that the overall reputation of the country is more important than the reputation of individual institutions. A key metric in the course category is the response time to inquiries and applications. International students have indicated that they often go with the first institution that responds to them. If they do not receive a quick response from their first choice then they will quickly look elsewhere. Some students use education for migration reasons i.e. they want to stay on and work after completing their studies. For these students, the other factors are going to carry less weight. Students that are interested in working in business or finance, for example, are more likely to go to a major centre of such industries.

The environment is probably the least important category, though this will depend on the individual student. Students want to study in a multicultural environment with lots of extracurricular options, they want to be somewhere that is “nice” and fun, and they want to feel safe and secure. The safety/security factor has grown in importance in recent years, and has been credited for the drop in international students applying to American schools.

5.4. Local Capability and Competitiveness

5.4.1. Institutions

Nigeria has 96 universities. Of these, 26 are federal universities, 34 are private and 25 are state universities. In addition, there are 115 polytechnics and monotechnics, 86 colleges of education and 62 Innovative Enterprise Institutions. The universities have a combined staff of 99,464, consisting of 27,394 academic staff and 72,070 non-academic staff. Polytechnics and monotechnics have 12,938 academic staff and 24,621 non-academic staff. The intake of students for 2009 was approximately 1.2 million in the universities. Although it is acknowledged that the public universities are underfunded and have lost their most talented staff to the Nigerian diaspora, they have an established reputation in the region and do train small numbers of regional students. Lack of further investment has resulted in prolonged strikes that have led to unreliable public education.

Alongside the publicly funded system, a new set of private higher education and vocational training institutions have developed. Some of these are affiliated to or are franchises of American universities and offer the opportunity of earning internationally recognised degrees. Some are recognised as centres of excellence that offer the potential for regional exports. Notably, there is the American-Nigerian University in Adamawa State, previously known as Abti, which has a flexible ‘American’ style curriculum. Other private universities are faith-based and funded through

churches. They offer a wide range of degree programmes supplemented with diplomas and certificates.

Nigeria had a history as a destination for African students over 30 years ago in the public sector. Although some of its iconic academic institutions still exist, Nigeria is now one of the leading exporters of students in Africa, although statistics are not well documented. Its public academic institutions have degenerated over the years due to lack of investment. Nigeria still hosts some regional students on a tiny scale in private universities and colleges but the provision of education remains focused on suiting the needs of local students. Policy makers have not embraced new thinking regarding the role education can play as an export industry in its own right and how exporting education can facilitate the development of a deeper industry that can provide the skills required to export other services.

5.4.2. Competitiveness

The key factors that determine competitiveness are based on cost structure, quality and reputation, and the environment. Nigeria's competitiveness in these areas is as follows:

- **Cost structure:** Federal and state universities are funded by the government for local students. This includes tuition but students have to pay for their own living expenses. It is the private universities that have managed to attract a small number of foreign students. Fee structures vary for each university. The American-Nigerian University which has 50% foreign students charges US\$3,800 per semester regardless of the student's origins. Babcock University, a faith-based university charges US\$1,980 per semester. The Pan African University has a different fee structure. Local students pay US\$2,300 – US\$3,630 depending on the type of degree or course. Foreign students are charged US\$3,640 for business and social sciences studies, US\$2,990 – US\$3,120 for human development and US\$3,640 for studies in science and technology. There are further expenses for healthcare, food and book allowances which amount to just over US\$1,800 annually²¹.

Within Africa, South Africa offers some of the best universities. Students from outside the SADC region pay US\$9,750 per annum for sciences, from US\$16,200 for health sciences and from US\$8,500 per annum for all other degrees. Costs in British universities for international students are typically from £10,800 for an arts degree, from £13,400 for sciences and from £24,450 for clinical courses, excluding living expenses²². In the US, a four-year study programme costs an average of US\$17,452 in a public institution and US\$25,143 in a private institution, excluding living costs²³ and depending on how the university ranks internationally. All things considered, Nigeria's private university costs are cheaper than in the US or the UK.

²¹ Nathan EME interviews

²² www.guardian.co.uk/education/table/2009

²³ <http://www.educationusa.info/> - US Department of State

- **Quality and Reputation:** Federal and state universities have a negative reputation. Teachers who are paid by both levels of government often strike over pay disputes resulting in universities closing for long periods at a time. There is a shortage of academic staff as most have gone abroad in search of a better life. As a result, students can find themselves spending more years in university than required to complete their education. This has given Nigerian universities a bad reputation within the country and most affluent families send their children abroad for education. Private universities on the other hand, enjoy a better reputation because they attract international academic staff who are well-paid. They draw students from neighbouring Ghana and the West African region and also get students from as far as Zimbabwe. There are no Nigerian universities in The Times' ranking of the Top 200 World Universities in 2008. Private universities have a challenge to address the country's poor reputation if they are going to attract greater numbers of regional students or stop Nigerian students going abroad for their university education.
- **Environment:** Nigeria has had a reputation for political instability but this has significantly improved in the past decade. However, it is not very multi-cultural and lacks the amenities and infrastructure that are ideal for a student life. The fact the country speaks English is a bonus as it is surrounded by French-speaking countries whose people may seek to improve their English. There is a perception of crime and political instability in some parts of the country which needs to be addressed.

5.5. The Opportunity

The primary export opportunity in tertiary education is for Nigeria's private universities to expand into the regional market on a larger scale and to attract back Nigerian students who go to the UK and the US as well as other countries to obtain their education. One way for private universities to achieve this is to enter into franchises with international universities abroad that allow them to offer accredited degrees or courses. There is some potential to offer franchised courses such as MBAs delivered through private institutions.

Private universities have managed to attract international staff through the internet or by going abroad to interview them. Some of them such as the American-Nigerian University offer salaries for academics ranging from US\$45,000 to US\$90,000. Attracting quality international academic staff can boost the reputation of a university in Nigeria and is a strategy which private sector institutions should look at adopting. This could also be useful in Nigeria to attract back home academics who have left and now have international experience. They could also prove a useful link to American universities for franchising.

The final opportunity to explore is the opening of specialized training centres. As Nigeria looks set to increase its export of services, training centres are crucial for development of ICT skills, training of call centre staff and other skills that are key to ensuring the selected professional services for export

have access to appropriately skilled human resources. This may result in direct exports of education to foreign students, but will also have long-term impacts on the viability of other export sectors.