NATHAN • EME
Nathan Associates Inc. Emerging Market Economics

Commonwealth Secretariat
Nigeria Export Promotion Council

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

November 2009

Contents

1. Introduction 2

1.1. Background 2

1.2 The role of services in economic growth 3

1.3 The Importance of Trade in Professional Services for Nigeria 8

1.4 Nigeria's ability to compete in services 10

1.5 The Process of Developing an Export Strategy 12

1.6 Workshop Discussions and Initial Analysis 13

2. Situation Analysis of Nigeria's Services Sector 14

2.1 Contribution of services to the economy 14

2.2 The importance of prioritising services for export 15

- Wholesale and Retail 15
- Hospitality 15
- Construction and Real Estate 16
- ICT 16

2.3 Entertainment 20
2.4 Financial Services 23
2.5 Education/ Knowledge-based Activities 26
2.6 Health/Medical Services 27
2.7 Other business services 28
3. Working Arrangements 30

4. Next Steps 30

4.1 Strategy Design 30

4.2 Implementation 30

4.3 Timelines 31

5. Appendices 32

1. Introduction

1.1. Background

The Federal Government of Nigeria (FGN) requested the Commonwealth Secretariat for assistance to develop a strategy to guide the export of professional services from the country. The terms of reference to develop the strategy request the following:

a) Assessment of the professional services sector in Nigeria to determine the potential for export;
b) Development of a criteria to be used to select priority subsectors;
c) Identification of potential export markets for the prioritised sub-sectors, providing an outline of the scale of opportunity, critical success factors, competition and barriers to access;
d) Analysis of the business environment in Nigeria and outline of the areas that need to be strengthened to support the long-term development of professional services in Nigeria and propose measures to address any constraints identified;
e) Development of a strategic plan for export services which outlines specific actions to be taken, resources required, roles and responsibilities of stakeholders and a timeframe.
f) Hosting of two national workshops. The first workshop is to launch the process and put together representative working groups. A second workshop will be held at the end of the process to present a draft strategy for stakeholders' comments.

The Commonwealth Secretariat contracted Nathan.EME to provide the required technical assistance to the FGN.

The NEPC (Nigeria Export Promotional Council) is the national counterpart to the Commonwealth Secretariat on this project. NEPC is the focal government agency for coordinating and integrating export development and promotion activities in the country as well as providing leadership to all national export programmes. It focuses on non-oil exports and provides support in the following areas:

- Trade information and delivery
- Trade policy facilitation
- Skills development
- Technical assistance in export procedures

The NEPC has an integral role to play in any efforts to promote professional service exports. In order to systematically address services related issues, NEPC established a services unit in 2006.

A number of studies and reports have been produced on different aspects of the services sector. A brief summary is presented in Annex 2. The effectiveness of this information has been undermined by the lack of co-ordination and the absence of a framework to guide the systematic development of the sector.

1.2 The role of services in economic growth

The General Agreement for Trade in Services (GATS) sets out the following modes in which services can be exported:

- Mode 1 or cross-border: where the supply of a service is from the territory of one country into the territory of another country.
- Mode 2 or consumption abroad: supply of a service in the territory of one country to the service consumer of another country.
- Mode 3 or commercial presence: supply of a service by a service supplier of one country, through commercial presence in the territory of another country
- Mode 4 or temporary movement: supply of a service by a service supplier of one country, through presence of natural persons of a country in the territory of another country.

The global services share of world GDP grew from 53% to 68% from 1971 to 2004[1]. Patterns show that transport-related services, financial services and tourism have shrunk, while professional services, technical services and other business services have continued to increase. Statistics suggest that the share of services in global trade has underperformed representing only one third of global exports. However, the actual contribution is believed to be higher but difficult to quantify given that services are intangible and many embedded in goods trade. Even so, services trade has seen an explosion following advances in transportation and Information Communication Technology (ICT): in 2004 for instance, service exports grew by 16%, over twice the rate of growth of goods exports. A further contribution to growth in services is that demand is less cyclical than that for goods, and services are less dependent on external finance.

The size and importance of services to the global economy is illustrated in the value of some services 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 hit 2.5 million in 2004.[2] This was a 41% increase over the 1999 figure of 1.75 million. Another growing global industry is medical tourism. The health and wellness tourism is was worth estimated US20 billion and expected to double to US$40 billion by 2010.[3] These figures do not encompass all aspects of health and wellness tourism, which is broader than medical tourism, but they do provide an indicative measure of the potential in the industry. The ICT sector is growing rapidly,

[1] IBM Governmental Programmes 2006: Services and Global Competitiveness: Growth Opportunities for Developing Economies

[2] Global Education Digest 2006, UNESCO Institute for Statistics. http://www.uis.unesco.org/TEMPLATE/pdf/ged/2006/GED2006.pdf.

[3] Patients Beyond Borders, Josef Woodman. Healthy Travel Media, 2007. http://www.patientsbeyondborders.com/media-room/faq.php

boosted by outsourcing revenues. Global outsourcing revenues stood at US$550 billion in 2006.

IT-enabled services have created an international market in all services sectors, but especially in fast growing industries such as communication, financial services and commerce. In the past couple of years, outsourcing of non-core business activities to third parties has become the norm. This has enabled developing countries such as India to develop a huge BPO industry. As a result, India transformed its economic growth between 1993 and 2003 when it quintupled its service exports to US$25bn through investment in ICT and BPO industries.

The dawn of this century has seen a shift from process-oriented services to knowledge-based services and the emergence of a new form of economic activity. *Quaternary activities* now round out primary, secondary and tertiary activities. This activity is based primarily on the use of intellectual property. Advances in technology have limited the amount of value-added in producing products or delivering services. For example, the value of software depends almost entirely on the intellectual property that went into its creation, not on its downloading and installation. The primary processes that add value are the creation and management of knowledge, not the operational activities related to the performance of the service.

Many countries have recognised that these quaternary industries will be the basis of successful economies in the coming years, and have articulated national strategies and allocated funds to develop along these lines. To be competitive, Nigeria should follow the same path. The world is moving towards services and trade is becoming oriented towards professional services. The 21st century will be the century of services. Nigeria needs to be part of it. The opportunities are huge for a country like Nigeria with its large, youthful population of educated, English-speaking, highly entrepreneurial people.

The shift in global growth trends demands a process of evolution for countries to remain competitive and play a role in this growth. Innovation is a critical component in increasing competitiveness. Countries have to create an "innovation ecosystem" [4] to encourage innovation in services. This requires an integrated approach to policy. The export of professional services for a country like Nigeria offers an excellent opportunity to diversify the economy from oil. The nature of professional services exports mean that there is no purchasing of inputs involved and almost the full amount of output is value-added and as such is a relatively low cost contribution to growth.

The potential benefits resulting from the promotion of professional services exports 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.

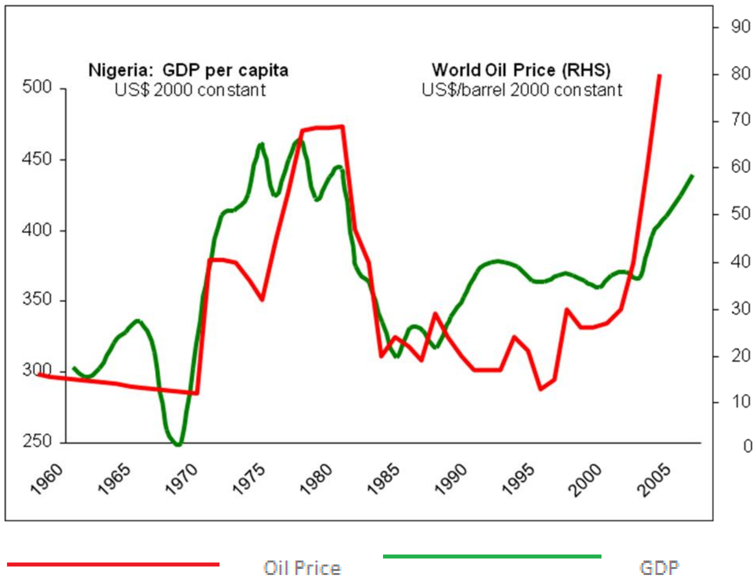
[4] Refers to the flow of technology among stakeholders which is necessary for innovative processes to take place

- Nigeria has a high market share of ICT both at home and within the region that has been boosted by the telecom sector. Moving towards high value-added, knowledge-based services (such as BPO, software, financial services, information management, education etc.) will contribute to even faster economic growth.
- 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 extremely important natural environment.
- The expansion of industries such as ICT should contribute to competitiveness in the rest of the economy. This is why 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. It has created the Nigeria Software Development Initiative (NSDI) to develop the Nigerian software industry. For the first time ever, the World Information Technology and Strategic Alliance (WITSA) has hosted a work shop on ICT in Nigeria in anticipation of the services market potential of the country.

The growth of services exports presents a huge opportunity for Nigeria which needs to diversify its economy to focus on other sectors that can increase economic growth and create more jobs for its work force. Nigeria has become increasingly conscious of the negative impact of its dependence on oil revenue: when world oil prices increase, Nigeria's GDP per capita also rises and when oil prices plummet this has an equally negative impact on the country's GDP per capita. In October 2008, oil prices fell from a high of US$147 per barrel to US$82 per barrel. By February this year, this had gone down further to within the region of US$40 per barrel of crude, though oil prices have recovered since then to over $75/barrel[5]. The Federal Government of Nigeria (FGN), bolstered by strong reserves, low foreign debt as a result of debt relief and with access to funds accumulated in the Excess Crude Account (ECA), has been able to cushion some of the effect of lower oil revenues. The economy had been growing rapidly, averaging a robust 6.3% p.a. from 2004 to 2007, and 6.1% in 2008. Nevertheless, there are signs of it slowing down as a result of the global downturn and a domestic banking crisis. Despite its growth recorded the past decade in the non-oil economy, Nigeria remains dependent on oil and growth is strongly affected by oil prices.

Figure 1: Correlation between GDP and Oil Prices

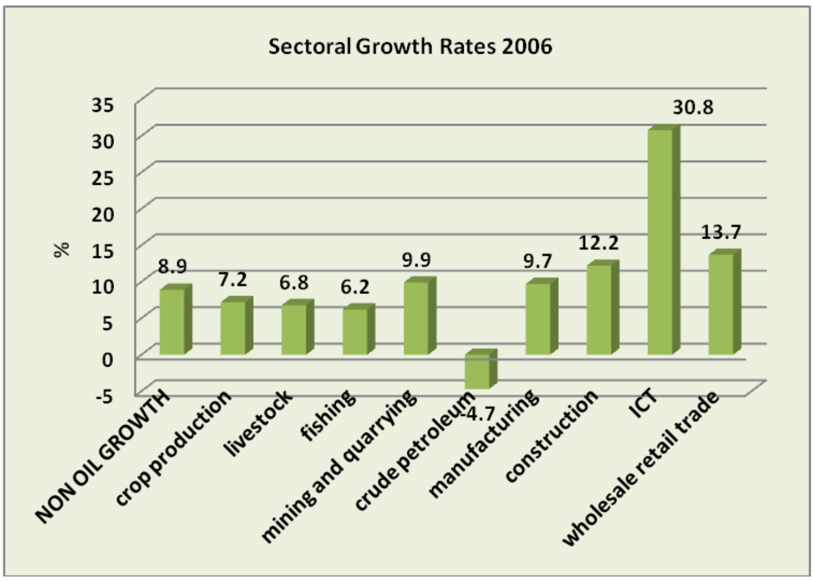
[5] Nigeria: Economic Crisis Management Team – What Citizens Expect (8 February 2009)



Source: DFID Nigeria - 2008

Agriculture has been the biggest contributor to GDP next to oil. However, the fastest growth in the non-oil sector has come from the services , led by commerce and new industries such as ICT (fig. 4). This is still an undeveloped sector but one which is showing great potential for growth.

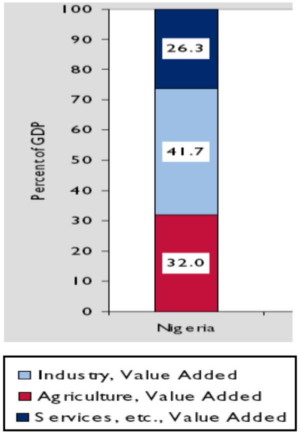
Figure 2: Sector Growth Rates: 2006



Source: DFID/World Bank *Value Chain Analysis, Nathan EME* (2008)

Fig. 3 Sectoral Contribution to GDP

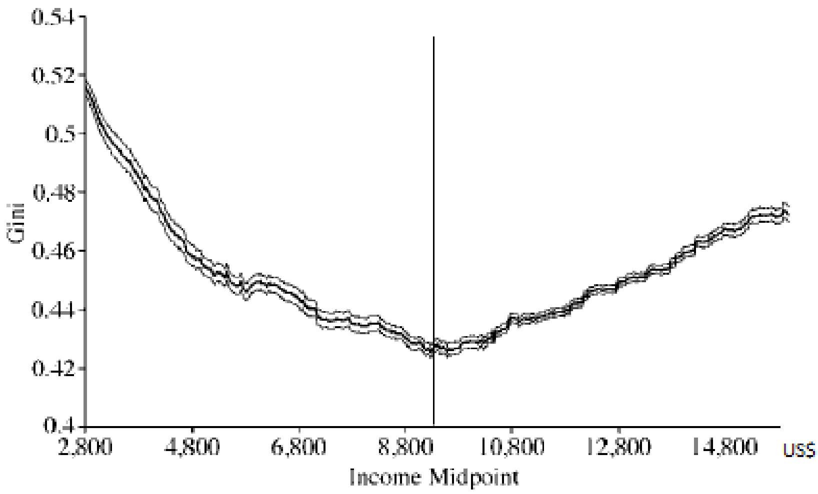
Nigeria's Output Structure - 2006



Agriculture accounts for 32% of GDP and oil 38%. Manufacturing accounts for just 2.6% of GDP. The services sector is also poorly developed accounting for only 32% of GDP, far lower than in comparator countries. While the structure of GDP reflects the country's resource endowment, it is not suited to that of a middle income country which Nigeria aspires to become.

There is a strong correlation between concentration of exports and levels of income. As shown in figure 5, countries experience a U-shaped relationship between concentration of exports and level of income in the country. This is based on studies which show that countries at first diversify by spreading their economic activity evenly across sectors but they eventually reach a point later in the development process when they start to specialise again, thus creating a U-shape. In other words, countries must diversify their export base until they reach a point (relatively late in the development process) at which they start specialising again.

Fig 5. Relationship between economic diversification and GDP per capita



Source: Imms and Wacziarg (2003), "Stages of diversification", *The American Economic Review*.

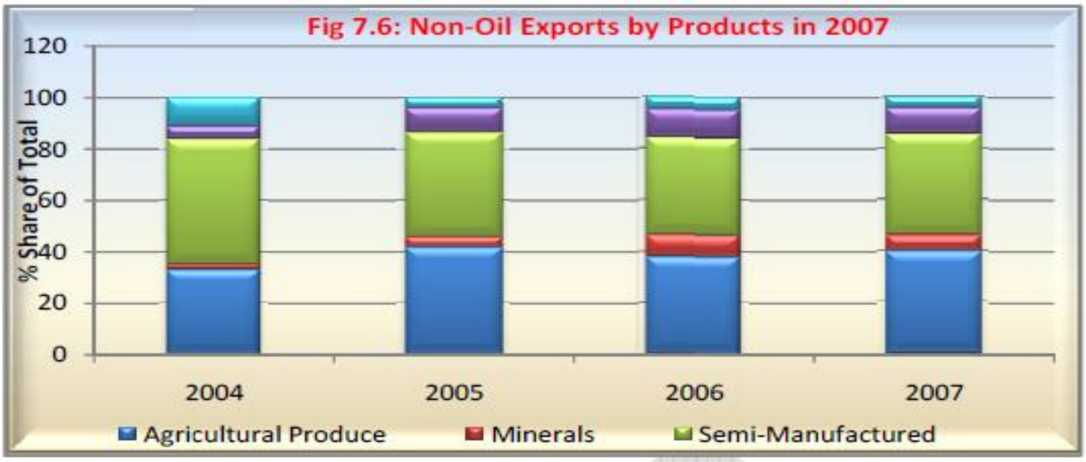
The government of Nigeria has taken positive action to address its dependence on oil by designing a strategy focused on growth of the non-oil sector. This is based on the government's initial National Economic Empowerment and Development Strategy (NEEDS) to accelerate economic growth. The second phase referred to as NEEDS-2 and implemented in 2008, focuses on making growth more inclusive and has identified non-oil growth in agriculture, manufacturing, solid minerals, tourism and SMEs as the key drivers of economic growth.

Nigeria has set itself the target of becoming the world's 20th largest economy by 2020 (Vision 2020). It is currently ranked 39th based gross domestic product in 2008[6]. For that to occur, it will need to average growth of over 10% p.a. between now and then. This will require building on the strength of its newly emerging service industries that are capable of very rapid growth such as ICT.

1.3 The Importance of Trade in Professional Services for Nigeria

The composition of Nigeria's export base shows its biggest export is oil. In 2006, crude oil accounted for 89.8%, gas (8.1%) and non-oil exports (2.1%)[7]. Although the value of non-oil exports increased by 27.0%, agriculture accounted for 39.7%, semi-manufactured goods for 39.4%, manufactured goods for 10.3%, solid minerals for 6.3% and other exports for 4.7%.

Fig 4. Non-oil exports products



Source: CBN Annual Report 2007

Nigeria will need to diversify its export base to reduce dependence on oil. As economies approach the mid range of middle income status, their dependence on a few commodity exports has to give way to a more diversified export base[8]. The big question is which

[6] WDI database, World Bank, 7 October 2009

[7] CBN Annual Report 2007

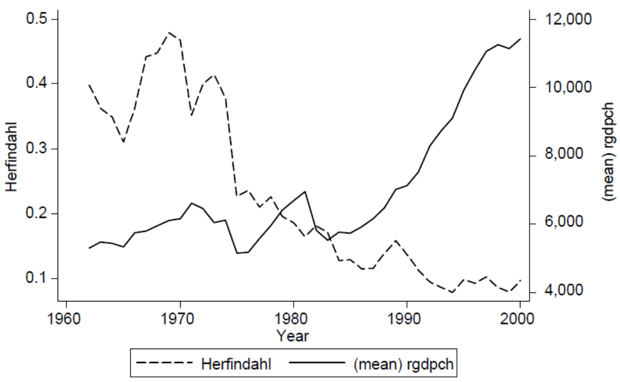
[8] The evidence for this presented in What You Export Matters, Haussman R and Rodrik D, 2004

industries can help diversify the economy? It is not likely to be manufacturing because of problems with not only lack of power, but also high cost of labour and low labour productivity. Services present an opportunity for countries like Nigeria to surmount the constraints they face in exporting goods. As a result of past investment in education, Nigeria is producing lots of graduates and lack of job opportunities mean educated labour is relatively cheap. Nigeria has a competitive advantage over regional competitors not only in terms of skills but also availability of capital. It has the potential to become dominant regionally. The growth of professional service exports will help to sustain the growth of Nigeria's most dynamic industries and to diversify the export base. There is also a chronic need to create jobs. Job creation is failing to keep pace with the work force. The proportion of work force in formal employment is now just 8% [9].

Successful economies, those that exhibit high, long-term growth rates, go through an ongoing process of change. As old industries become uncompetitive and contract to unsustainable size, new industries spring up in their place. They discover new products and markets in which they can compete.

There is a close link between export concentration and per capita growth. A number of resource-based economies have been able to diversify exports and generate inclusive economic growth. Chile is a successful example of a resource-based economy that diversified into new export activities (figure 6) where many of its exports products such as wine, salmon, fruits and forestry products are close to Chile's comparative advantage. It is possible for Nigeria to do the same.

Figure 6: Evolution of export concentration and real GDP per capita in Chile



Source: Hesse (2008), "Export Diversification and Economic Growth", Commission on Growth and Development.

To enable export diversification, the structure of industries must also evolve, gradually increasing specialisation and with it strengthening business linkages. Though natural comparative advantages help in this regard, turning them into competitive advantage requires that policies be in place to establish an enabling environment where the necessary skills are developed, where the substantial risk-taking that is inherent in investing in

[9] Employment, Unemployment, Joblessness and Incomes in Nigeria: 1999-2006, Teal F & Heywood L, CSAE, May 2008

something as intangible as commercially-exploitable knowledge is facilitated and where there is greater confidence in inter-business cooperation. Creating such an enabling environment will require concerted effort on the part of government, supporting institutions and the private sector itself.

If successful, professional services exports will offer Nigeria the prospects of:

- A more developed economy capable of producing higher per capita income
- A more diversified export base that is associated with higher incomes
- Break its reliance on oil
- Create the formal jobs that the work force desperately needs
- Prepare for the knowledge obsessed economy of the 21st century.

1.4 Nigeria's ability to compete in services

Diversification into services requires a strategic approach. The question is can Nigeria compete? In order to be competitive, it has to meet the factors which make for a successful export strategy. A.T. Kearney has created an index to assess countries' competitiveness in exporting IT enabled services, but the factors listed are applicable to other services as well.

Table 1. Index metrics

Category	Subcategories	Metrics
Financial Attractiveness (40%)	Compensation costs	• Average wages • Median compensation costs for relevant positions (call-centre representatives, BPO analysts, IT programmers and local operations managers)
	Infrastructure costs	• Rental costs • Commercial electricity rates • International telecom costs • Travel to major customer destinations
	Tax and regulatory costs	• Relative tax burden • Corruption perception • Currency appreciation or depreciation
People Skills and availability (30%)	Remote services sector experience and quality ratings	• Size of existing IT and BPO sectors • Contact Centre and IT centre quality certifications • Quality ratings of management schools and IT training
	Labour force	• Total workforce

	availability	• University-educated workforce • Workforce flexibility
	Education and language	• Scores on standardised education and language tests
	Attrition risk	• Relative IT and BPO sector growth and unemployment rates
Business environment (30%)	Country environment	• Investor and analyst ratings of overall business and political environment • A.T. Kearney Foreign Direct Investment Confidence Index • Security Risk • Regulatory burden and employment rigidity • Government support for the information and communications technology (ICT) sector
	Infrastructure	• Overall infrastructure quality • Quality of telecom, internet and electricity infrastructure
	Cultural exposure	• Personal interaction score from A.T. Kearney Globalisation Index
	Security of intellectual property	• Investor ratings of IP protection and ICT laws • Software piracy rates

Source: A.T. Kearney

The table below illustrates the World Bank's rating of Nigeria using the A.T. Kearney index metrics.

Table 2: How attractive is Nigeria as an Offshoring Destination?

Financial Structure		*People Skills/Availability*		*Business Environment*	
Compensation Costs		Labor Availability		Infrastructure	
Infrastructure Costs		Labor Quality		Regulatory Policies	
Real Estate Costs		Reputation		Stability	
Regulatory Costs					
Factor Rating (1-4)	**35**	**Factor Rating (1-3)**	**0.75**		**0.75**

Source: World Bank: Transforming Nigeria into Africa's Offshoring Hub, January 2009

Nigeria has a good base for competitiveness advantage because its skilled labour costs are low. However, the costs are high when it comes to unskilled labour. Its main weaknesses are mainly in the following areas:

Financial attractiveness: Nigeria's low wages for unskilled labour are its biggest financial attraction. For example an engineer earns just under US$1,000 per month compared to US$3,500 in Ghana or US$8,000 in Mexico[10]. However, infrastructure costs for business are high. Nigeria has some of the highest electricity costs in the world and businesses supplement this with generators. The costs of running a generator per month run into thousands of dollars. Despite the growth of the telecoms sector, Nigeria still has very high telephony charges although these are beginning to come down.

People skills and availability: The youthful population size of Nigeria is a competitive advantage. The fact that the country is English-speaking, with a high literacy rate places, places it ahead of some competitors. However, the education system is weak. Nigeria needs to improve its education system to offer tertiary education in sciences and more courses geared towards the services sector.

Business Environment: Nigeria's ranking in the Doing Business Report has dropped from 120 in 2009 to 125 in 2010 [11]. This is Nigeria's major weakness. Poor quality of infrastructure such as roads, electricity and broadband connectivity result in a poor business environment. There is urgent need to implement policies and laws for the protection of intellectual property, data and system security and to deal with internet fraud. Other areas that need to be addressed for greater competitiveness include promotion of skills development, promoting entrepreneurship, facilitating a more cohesive approach to investment and promotion of services, and taking measures to re-brand Nigeria to increase the confidence of foreign investors and would-be business partners.

1.5 The Process of Developing an Export Strategy

The NEPC is still consolidating its trade in services approach in order to provide better support to the services sector. What the NEPC needs to facilitate export of services is to:

- Develop a strategy around which it can galvanize public sector agencies and the private sector to a common consensus
- Develop a clear plan of action
- Provide relevant information and intelligence

Nathan.EME will assist the NEPC to achieve these goals. We have commenced the process by reviewing recent studies and initiatives carried out by the NEPC to obtain an overview of the sector. The process of developing a services strategy requires an assessment of the services sector to determine potential for export, as well determining the scale of opportunity and outlining the critical success factors and barriers to access. The

[10] International Cost Engineering Council 2002-2005

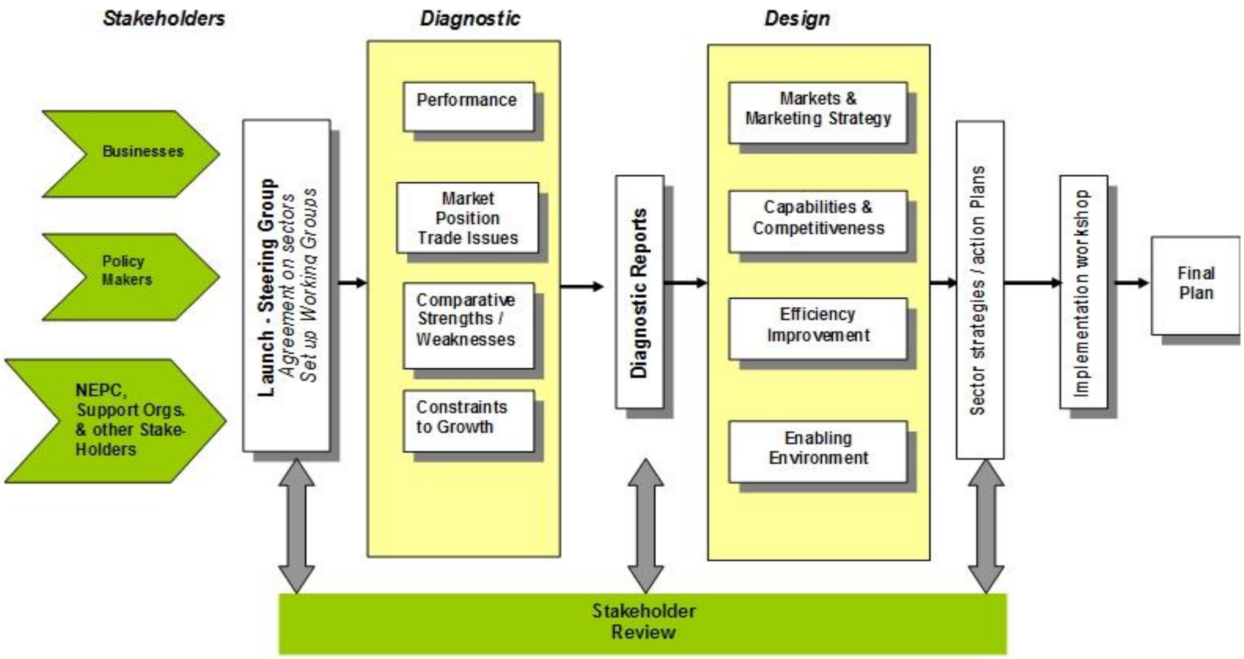
[11] IFC – Doing Business Report 2010

development of the strategy will take into account the business environment and institutional frameworks in place and will recommend where these need to be strengthened and where new measures need to be put in place to address any identified constraints.

Our aim is to go through the structured process illustrated in figure 7. The critical aspect of the proposed process is to build ownership of and momentum for the implementation of the strategy during its preparation. This was done at the launch of the project in Lagos and Kano which was well attended by key stakeholders. They discussed products, markets, capabilities and constraints as well as broader business environment issues. A summary report of discussions and a list of attendees is attached in Appendix 1 and 3 respectively.

Involving the public and private sector stakeholders in each service industry in the Diagnostic and Design Stages is a critical aspect of Nathan EME's methodology. The mini forum and the workshops held in Lagos and Kano provided input to narrow down the sectors which should be examined in the diagnosis phase. The process is now at the Diagnostic stage which started shortly after the workshops in September.

Fig. 7 Process Summary



1.6 Workshop Discussions and Initial Analysis

A mini forum was hosted in Lagos in August, followed by two workshops in Lagos and Kano in September. The objective of the workshops was to bring together stakeholders to inform them of the need to develop a national services strategy and to also involve them in the process. At the workshops, we discussed the overview of the strategy and the role stakeholders should player. The stakeholders broke into working groups based on their industry sectors. It was agreed that at least one member of the NEPC should be attached to work closely with each working group. The working groups are composed of the private sector, policy makers and industry representative bodies.

Both the mini forum and the workshop agreed on the sub-sectors to prioritise for diagnosis. These are:

1. ICT
2. Financial services
3. Entertainment
4. Education
5. Accounting and auditing
6. Legal services

Issues and recommendations from the working groups are attached as Appendix 1.

1.6 Sectors with export potential

Not all services are export-ready. Some services such as wholesale and retail, hospitality, construction and real estate have weaker prospects for export. The options to expand some services are numerous, especially IT-related services, software, BPO, financial services and education. In addition, there are a range of other professions, such as the legal and accounting professions, that may also offer opportunity. Whilst all of these sub-sectors 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 the strongest sub-sectors and most attractive markets. 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 diagnosis of the sectors selected by working group will be fed back at the second round of workshops in both Lagos and Kano.

2. Situation Analysis of Nigeria's Services Sector

2.1 Contribution of services to the economy

The services sector in Nigeria is dominated by commerce (wholesale and retail trade) which accounts for just over half of service exports. Other significant industries are hotels and restaurants, financial services, real estate, ICT, the entertainment industry and education as well as other industries that are just emerging such as the legal and accounting professions that may also offer opportunity.

Fig 8. Services Sectoral Share of GDP

Source: Central Bank of Nigeria – Annual Report 2007

2.2 The importance of prioritising services for export

Not all services are export-ready. Some services such as wholesale and retail, hospitality, construction and real estate may make a strong contribution to the domestic economy but may not be export ready. The options to export services are numerous, specifically IT-related services, software, BPO, financial services and education. In addition, there are a range of other professions, such as the legal and accounting professions, that may also offer opportunity. Whilst all of these sub-sectors 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 the strongest sub-sectors and most attractive markets. 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. Below is a brief overview of the status of various services in Nigeria.

- **Wholesale and Retail**

This forms a significant portion of the services sector, accounting for 17% of GDP. Nigeria's wholesale retail industry is under-developed. There is a revolution in supermarkets being led by foreign retailers such as Shoprite who are taking advantage of the lack of a domestic market. Some indigenous shops have been expanding but they are still to develop supply chains and IT systems. Overall, the wholesale and retail system of the country can be considered to be inefficient.

- **Hospitality**

The hotels and restaurants sector is growing rapidly at 11% p.a.[12] In the domestic market, business travel is booming and a leisure travel market emerging. The country attracts over 3 million international visitors, mainly business travellers from nearby countries but also members of the large Nigerian diaspora visiting friends and relatives (VFR). The industry is a response to changing life styles with a larger middle class and greater female participation

[12] World Bank, GEMS Economic Annex 2009

in the economy. Returns in tourism are depressed by a failure to invest in public goods (attractions) and in catering for the high cost of investment caused by regulatory failures and inefficient supply chains.

- **Construction and Real Estate**

This is a relatively underdeveloped and fragmented industry contributing 1% - 2% of GDP but which has shown growth of 12% per annum[13]. Growth is underpinned by the rapid rise in fixed investment driven by the demand for housing, commercial property and civil infrastructure (roads, schools etc.). Competitiveness and returns to investment are depressed by institutional failures that result in high cost of land, a high administrative burden and long lead times. The main players in the construction industry are large firms from Italy, Israel and the US who have entered the domestic market.

- **ICT**

Nigeria has the largest ICT industry in SSA with 62% of the market[14]. Over the past few years, the industry has attracted over $12bn in investment from both foreign and domestic investors. The growth of the market has been driven by the telecom sector whose revenue has grown at a rate of 19% year-on-year. A new set of companies specialising in ISP, supply and service of telecoms and IT equipment has emerged. Services exports include construction and maintenance of infrastructure and equipment to neighbouring countries of the West African region, often at the behest of the telecom companies. The World Bank has recently committed $50m for investment into Nigeria's ICT enabled services and BPO industry[15]. The money is directed at key areas of intervention covering infrastructure, connectivity, capacity building and skills development. The ICT sector in Nigeria can be broken down into sub-sectors composed of telecoms, BPO, hardware and software applications.

Telecoms

The telecoms sector is the leading contributor to ICT growth, with an estimated service revenue of US$7.3bn in 2007. In the five years between 2003-2008, mobile phone penetration has increased from 3% to 40%. A further analysis of the telecom sub-sector illustrates growth in the following table.

Table 2. Growth in Telecom Sub-sector in Nigeria

Period	Mobile Lines	Fixed Wireless Lines	Internet User Growth (000)
2001	266,461	600,321	115

[13] World Bank, GEMS Economic Annex 2009

[14] BMI

[15] Nigeria: Outsourcing Industry – World Bank Votes US$50 million – allafrica.com (27 April 2009)

2002	1,569,050	702,000	420
2003	32,322,220	872,473	750
2007 (Aug)	43,066,679	2,035,235	5,000

Source: NEPC (Nov 2007)

The growth in the sub-sector is attributed to liberalisation under a sound regulator (NCC) and the huge pent up demand for communication services caused by underdeveloped supply of fixed line services. West African countries are lobbying for a regulatory framework to break the monopoly of cyber optic cables by a few players in the region. Such a policy would make broadband cheaper and more accessible. The mobile sector accounts for about 95% of the Nigerian market and has some of the largest international and regional telecom operators. This has led to development of opportunities in voice, data and internet applications and services. There are over 5 million internet users. Services are provided to cater for the public sector, corporate and households.

BPO

As Nigeria's telecoms base strengthens, it is well-placed to capture the IT/ITES global market[16] worth US$475bn. Already, call centres, both captive and stand alone, have emerged in Abuja and Lagos. One or two, often linked to Nigeria's huge diaspora in the US and the UK, are already exporting services to the US. The World Bank investment in BPO is expected to result in growth.

Hardware

Although hardware is not a service, it is critical to the development of ICT. Nigeria's computer hardware companies are developed and exporting competitively within the region. There are about 5 companies exporting hardware and peripherals including Zinox and Omatech. The development of the industry has been driven by demand for computer hardware within Nigeria. The rate at which it has developed indicates potential for more growth, not just in hardware but also in software, creating better potential for BPO. Furthermore, Nigerians have shown an aptitude for computers at levels which have not been seen in other African countries.

Software/ IT Applications

Software is the key driver of the knowledge economy. Software is necessary for mobile phones, internet, PCs, wireless telephony and telecom equipment, amongst others. It is a key driver of operational efficiency in the financial services, commerce and manufacturing industries. The use of software services is increasing rapidly as part of the ICT revolution in the country. In the main, software for operating financial, operational and human resource systems, network applications and development tools is currently imported. This is not unusual as packaged applications used globally are commonly those manufactured by

[16] ITES defines the sector of the Information Technology Industry which aims to provide various services through the use of IT (including call centres, back office operations, claims processing, medical transcription, billing, coding etc). ITES is often used interchangeably with BPO – Business Process Outsourcing/ Offshoring.

international companies such as Microsoft and Oracle. The client base includes corporate such as banks and government (e-governance). Most of this comes ready-made with packages adapted to Nigerian customers.

Nigeria recognises that it has a large intellectual capital base to be explored and encouraged to design home-grown software. Opportunities exist for production of local software for services such as banking, accounting, human resource management, information management, legal services etc. The government of Nigeria has developed the Nigerian Software Development Initiative (NSDI) together with software practitioners to develop the industry.

Already small local software industry exists but it is at an infant industry stage with the vast majority of its work force composed of self employed individuals. There is ample evidence however that the industry could be a major player in the region if not worldwide. Already, leading firms such as SystemSpec have been able to develop proprietary software that is competitive with international suppliers and has attracted attention from distributors in RSA and the UK.

There are others also with the skills to install and upgrade systems, tailor make solutions for clients and carry out basic code cutting though, in the latter, the country is not cost competitive. The major opportunities for these companies is in the region but the huge Nigerian diaspora offers opportunities also in the US and UK using modes 3 and IV.

Current Status	**Sector size and growth trends**	Nigeria's information and communications technology sector is the largest in Africa and has 62% of the African market share. **<u>Communications</u>** This includes mobile telephony and fixed wireless. A significant amount of the growth in ICT is attributed to mobile telephony where there is an estimated growth of 56% in 2008[17]. Some of the largest international and regional telecom operators have a presence in Nigeria. There is a currently only one major submarine fibre-optic cable – SAT-3 connecting most of Sub-Saharan Africa (combined with SAFE) to the rest of the world. In 2007, Nigeria launched a satellite (NigComSat-1) but this has failed and was shut down at the end of 2008, pending more work. **<u>Internet</u>** This constitutes ISPs, VOIP, E-commerce and E-governance. There are a number of ISPs that support the telecommunications industry but no data available. E-commerce has never taken off in Nigeria due to fear of

[17] BMI

		fraud. E-governance is beginning to take place but is still insignificant. More information is required. **<u>IT</u>** This refers to hardware manufacturing and software services. There are 5 major hardware manufacturers and many software companies but all are small. **<u>ITES</u>** This involves IT support, front office and back office support (call centres). There are a few companies who are trying to establish themselves but they are small. The diagnosis will uncover more information.
	Level of exports	There is no data available at this stage to substantiate export levels.
	Employment	The number of employees is not properly established.
Competitiveness	**Export readiness**	Developments in the telecommunications and banking sectors have created opportunities for ICT companies. Some are export ready. However, the extent to which they are export ready requires further investigation.
	Cost base	There are no indications of costs. However, the diagnosis will look into Nigeria's cost advantages.
	Skill availability	The country's many universities produce 200,000 graduates every year according to the National University Commission and an estimated 10,000 are IT graduates. The industry complains of lack of skills.
	Constraints	There are infrastructure problems related to international connectivity and power supply. Other relevant constraints will be covered in the diagnosis.
Market Positioning	**Opportunities in diaspora**	Nigeria has a large diaspora. Using contacts in the diaspora could provide a front-office selling point for software outsourced services. This is already happening to some extent with call centres.
	Sources of competitive advantage	These need to be determined.
Potential Opportunity	**Sector size and growth trends**	Global offshoring is a rapidly expanding market which was projected to grow to US$85 billion by 2008[18]. Offshore spending on application development is forecast to hit US$50 billion by 2010. Call centres are worth an additional US$140 billion. There is room in the market for more players.
	Contribution to	India has had up to 75% of the market but some firms are

[18] World Bank: Transforming Nigeria

	exports	looking to reduce reliability on a single provider. Nigeria has potential to enter this market and significantly contribute to service exports. Further research is required during diagnosis.
	Employment	Call centres have the ability to grow quickly and could provide a high number of jobs, particularly for school leavers who could be trained as agents. Better-paid jobs can be provided by back office call centres and by the IT and communications industries.

The World Bank is already working with the industry as part of the GEMS project. It has established the Out Sourcing Development Initiative of Nigeria (ODIN) which is supported by the World Bank. ODIN's objective is to assist the development of the Business Process Outsourcing (BPO) industry in Nigeria. The initiative is mainly aimed at positioning Nigeria as an alternative BPO destination of choice for organisations worldwide seeking low cost but high quality alternative BPO destinations. Its stakeholders include policy makers and the private sector. We can add value by providing market intelligence and a strategy.

The next step is:

- Identify market intelligence
- Carry out diagnostics
- Research international markets
- Feedback findings to ODIN and other groups

2.3 Entertainment

Nigeria has the third largest film industry next to Hollywood (US film industry) and Bollywood (India's film industry). In terms of volume, its output of 40 films a week is higher than the leading two but most are low budget productions. Nollywood, as it is known in Nigeria, has a value of $250 million. It employs an estimated 200,000 people directly as actors, producers, distributors and promoters. In addition, it creates up to one million job opportunities for retailers, often informal. Its 40 movies a week are seen all over Africa. However, piracy problems prevent the industry from generating more revenue. The opportunities for export are huge if investments are made to improve distribution and marketing as well as tackling piracy. There are proposals to create a Nigerian Film Institute which would i) provide studio facilities ii) provide standards improvement through training and capacity building iii) create a hub for core industry skills and iv) lease film equipment.

The music industry is as big as the film industry and Nigeria is reputed to have the most advanced recording studio technology in Africa. The market for Nigerian music is huge, especially at domestic and continent wide levels. Piracy, poor distribution and marketing have prevented the industry from expanding.

There is no plan in place for promoting exports from the Entertainment industry. Such a plan could address the issue of piracy and dove tail with the planned intervention by GEMS to boost domestic output.

Current Status	**Sector size and growth trends**	Film Nollywood is the third biggest film industry next to Bollywood and Hollywood. It produces no less than 40 movies a week. These are produced straight to VCD or DVD. The market is currently worth $250 million although the real value of sales is several times higher and lost to piracy[19]. Music The music industry in 2007 produced 30 million legal record sales with a value of just over $9.3 million. Piracy produces an estimated 10 million records.
	Level of exports	Poor distribution channels mean that there are currently no statistics captured of the level of exports of both film and music. However, films are watched all over Africa and also by the diaspora market predominantly in the UK and the US. It is estimated that lost revenue through pirated copies in the US alone could be as high as $200 million.
	Employment	Accurate industry employment statistics are not available but it is estimated that the entire entertainment industry employs about 200,000 directly and indirectly provides up to one million jobs opportunities.
Competitiveness	**Export readiness**	Both the film and music industry are already exporting. Film MNET's Africa Magic, the biggest TV film distributor in Africa has been showing Nigerian films for a several years. National television authorities throughout Africa also show Nigerian films. Music The music industry is internationally recognized. Several Nigerian musicians have received international awards.
	Cost base	An average film shoot lasts 10 to 14 days. A ten-day film shoot costs $15,000[20]. Minimal equipment is used. Music production in a professional studio costs the equivalent of $130 per studio session. Home studios cost about £65 per session.

[19] World Bank: GEMS Project

[20] FountainHead Group: Nigeria Media and Entertainment Industry

		This is extremely low, reflecting the low scale of production and technology. More information will be gathered as part of the diagnosis.
	Skill availability	The entertainment industry is gifted with skilled artists in the music and film sectors. However, skills in terms of lighting and sound technicians/engineers are lacking. There is also a lack of marketing skills and distribution skills, although in the music industry this is slightly better than the film industry because musicians are boosted by live show appearances.
	Constraints	The major constraint in the music industry is the lack of a well-organised industry that is able to protect the intellectual property rights of artists, promote products abroad (film, music, live performances, merchandising of products). Business support services have also been cited as lacking. Piracy problems have discouraged financial backers from investing in both industries. Nigeria has not signed up to the reciprocal ECOWAS arrangement for royalty payments for artists.
Market Positioning	**Opportunities in diaspora**	There is a big appetite for Nigerian films and music in the diaspora. A lot of pirated copies of music and film are sold to diaspora markets in the UK, the US and most of Africa which constitute a big share of the market.
	Sources of competitive advantage	Nollywood offers a unique African brand of film and music. It has the potential to capture the African Market in the US, the UK and possibly the Black Brazilian population. Other advantages will be uncovered in the diagnosis.
Potential Opportunity	**Sector size and growth trends**	There is no accurate data on industry size and growth trends. Further information will be collected during diagnosis.
	Contribution to exports	The Nigerian entertainment industry is known by reputation. More data is required on the potential for exports.
	Employment	While this industry is not labour-intensive, increased exports would provide jobs in an area that is important to the country's overall identity, providing a worthwhile channel for young talent.

The World Bank is working with the industry through the Growth, Employment and Markets in States (GEMS) project. GEMS is the World Bank's programme to enhance competitiveness, growth, employment and business opportunities. Specifically, it seeks to provide support to address copyright and piracy protection, improve distribution and marketing and create a Nigerian Film Institute. It is a big asset to the entertainment strategic plan because the World Bank can help with implementation.

We can build on the World Bank's GEMs initiative by providing market intelligence and a strategic plan. The next steps are to:

- Bring together artists, producers
- Work with the GEMS working group to identify market intelligence
- Feedback findings to working group

2.4 Financial Services

The CBN's decision to increase the capital requirements for commercial banks resulted in the consolidation of the 89 banks into 25 well capitalised entities by end 2005. These new entities raised new capital through public offerings, which resulted in strong capital adequacy ratios, enabling them to increase credit. Armed with this capital, the Nigerian banks have established operations in Ghana and Sierra Leone and have representative offices in the world's major financial centres. They are already exporting financial services regionally and there is scope for more. However, there has been a recent consolidation of the banks again after it emerged this year that some of them were not adequately capitalised. 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. In the past five years, other service sectors have emerged to play a key role in Nigeria's economic growth. A similar consolidation took place in the insurance industry.

Up to now, the financial sector has not been able to access adequate numbers of well trained staff to meet its own needs. But, if the availability of skills can be increased, Nigeria would be able to offer knowledge process outsourcing services such loan appraisal and insurance policy and claims processing. This possibility needs to be explored further alongside the plans of the commercial banks to expand internationally in the Strategic Plan.

This sector comprises commercial banks, the insurance industry and capital markets which have are exporting services. The sectors are interlinked as some commercial banks also have insurance subsidiaries.

Current Status	**Sector size and growth trends**	Commercial Banks In 2005, the Central Bank of Nigeria (CBN) raised its minimum capital requirements. Banks merged to raise equity and consolidated into 25 banks. The new consolidated banks became stronger and increased aggregate capital base from \$3 billion in 2003 to \$5.9 billion in 2006.[21] Banks have been expanding by setting up new branches, including overseas. However, in 2009 there was a banking crisis as a result of non-performing loans and poor asset quality. The CBN recapitalized the banks at an estimated cost of \$2.6 billion[22] to make banks more stable. Insurance There have been reforms in the insurance industry including capital requirements which have forced insurance companies to consolidate. Some of the banks have

[21] NEPC: Services Capacity And Export Potential

[22] BBC World News: Nigeria's New Credit Crunch, 29th September 2009

		insurance subsidiaries. More detailed information on the structure of the industry will be collected during diagnosis. <u>Capital Markets</u> The Nigeria capital market is the second largest in Africa, next to the South African capital markets. It has increased from $4.9 billion in 2002 to $66.2 billion in 2007. The raising of money by banks helped to increase the size of the capital market.
	Level of exports	The level of exports is not known at this stage but it will emerge from the diagnosis.
	Employment	There are no reliable captured statistics indicating the number of people employed in the financial services sector.
Competitiveness	**Export readiness**	<u>Commercial Banks</u> Export of services to Sub-Saharan Africa is already taking place. Diamond Bank has branches in Benin, Liberia and Ivory Coast. First Bank has branches in South Africa, Kenya and China, to name a few. <u>Insurance Companies</u> There are several insurance companies who are exporting their services such as the International WAPIC insurance company, LASACO Assurance, Industrial and General Insurance, Zenith General Insurance Company, Nicon Insurance.
	Cost base	Research is required to establish cost bases.
	Skill availability	There are no statistics available to establish Nigeria's skills availability. Data will be gathered during diagnosis.
	Constraints	Several banks have been undercapitalized following bad loans. This has had a negative impact on their balance sheets.
Market Positioning	**Position in export markets**	<u>Commercial Banks</u> Banks have been exporting via mode three (commercial presence abroad), setting up entities or branches abroad. They have been gaining market share from local banks. 20 of the 25 banks in Nigeria are in the top 100 banks in Africa. In 2006, 17 of the banks were in the top 1000 banks in the world. <u>Insurance Industry</u> Some insurance companies are exporting services but further research is required on their market positioning. <u>Capital Markets</u> There is a shift on providing services for portfolio investor.

	Opportunities in diaspora	Nigeria has a large diaspora market in the UK and the US to explore opportunities in providing remittance and investment services to members of the diaspora. Remittances are worth about $4 billion but new innovative approaches are required in this market, as currently, the high charges levied by the banking system induce people to use other channels.
	Sources of competitive advantage	Nigerian banks have increased capacity to place themselves in a better position to fund bigger projects within and outside the country.
Potential Opportunity	**Sector size and growth trends**	<u>Commercial Banks</u> Banks have prospered by opening up new branches in Sub-Saharan Africa to provide commercial banking services. A few have attempted to fill gaps in the market by providing SME loans. Most of the subsidiaries abroad carry out their own appraisal and monitoring. There is potential for Nigeria to increase exports by providing support for services such as loan appraisal, loan tracking and IT. There are more opportunities to come in Francophone and Lusophone Africa where there is little banking service available. Nigeria could also set up front office services to be used firstly by their own services and then possibly by third parties. The financial services sector market is still an emerging market which leaves plenty of opportunity for growth. The size and growth trends will be investigated during the diagnosis. <u>Insurance Industry</u> The African insurance market is also in its infancy. <u>Capital Markets</u> Although the value of the stock market has fallen, it will rise again. The Nigerian market is one of two in Africa (including South Africa) where the share market is large enough to attract international investment. Nigeria could offer listing services to companies in West Africa.
	Employment	There is potential for financial services to create skilled and semi-skilled employment.

The next steps are:

- Bring together the Central Bank, commercial banks, insurance companies and the public sector in the working group to discuss the measures required to make the sector more competitive.
- Gather further information on internet potential and costs.

2.5 Education/ Knowledge-based Activities

Nigeria has 96 universities. Of these, 26 are Federal universities, 34 are private and 25 are State universities. The intake of students for 2009 was approximately 1.2 million for the whole country. Although it is acknowledged that the 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 franchises of American universities and offer the opportunity of internationally recognised degrees. Some are recognised as centres of excellence that offer the potential for regional exports. This potential will need to be investigated further in preparing the Strategic Plan.

Current Status	**Sector size and growth trends**	Nigeria has 96 universities. Of these, 26 are Federal universities, 34 are private and the remaining 25 are State universities[23]. The university intake for 2009 is approximately 1.2 million for the whole country. Of these, 40% are studying towards postgraduate qualifications and 60% are in undergraduate programmes. The statistics for technical and vocational institutions are not readily available.
	Level of exports	There is some export of services by private universities but no reliable statistics.
	Employment	There are no statistics for the number of teachers and lecturers employed in academic institutions. The National Universities Commission (NUC) has indicated there is a need for more.
Competitiveness	**Export readiness**	A few private universities are attracting foreign students but the statistics are not readily available. Some of the private universities are affiliated or franchises of American Universities such as the Nigerian American University and offer the opportunity of internationally recognized degrees.
	Cost base	More data needs to be collected on their cost base during diagnosis.
	Skill availability	Skills availability will be established during the diagnosis.

[23] National University Commission

	Constraints	Regular strikes by Federal and State university staff have resulted in unplanned extension of academic courses due to closures.
Market Positioning	**Opportunities in diaspora**	The diagnosis will include university professors in the diaspora who support the need to upgrade Nigeria's education or could provide links to American universities for franchising prospects.
	Sources of competitive advantage	There is some potential to provide services through university franchises and also franchised courses such as MBAs delivered through the private sector.
Potential Opportunity	**Sector size and growth trends**	The global market for education exports is worth around US$30 billion and there is still room for new entrants.
	Contribution to exports	There is no data to substantiate contribution.
	Employment	Exporting education services has high job creation potential.

Federal and State universities are not ready for export and will never be a huge opportunity. However, education cuts across all sectors and will underpin the future development of the services sector.

The next steps are to

- Identify the needs of private sector through the working groups
- Investigate university franchises, opportunities for international training centres and relevance of courses to the services sector.

2.6 Health/Medical Services

Nigeria has the largest number of medical practitioners in the region specialising in internal medicine, obstetrics-gynaecology, public health, surgery and paediatrics. Lack of investment has resulted in deterioration of services. Qualified health professionals have moved abroad in search of better opportunities and better pay.

Current Status	**Sector size and growth trends**	Nigeria has the largest number of medical practitioners in the region. However, facilities have deteriorated since independence and many health professionals (both nurses and doctors) seek work abroad where the pay is better. Specialist areas include internal medicine, obstetrics-gynaecology, public health, surgery and paediatrics.
	Level of exports	There is some export of services to the region but the percentage is very low.
	Employment	The Nigeria Medical Association (NMA) is the largest association of physicians in Sub-Saharan Africa with 38,000 registered members, including physicians in the diaspora. Further information is required on the exact number of doctors and nurses in the country.
Competitiveness	**Export readiness**	There is no data on services that are being exported. More information would be required.
	Cost base	There is no specific data available on cost advantages.

		Research would be required on availability of specialist equipment, cost of procedures and labour.
	Skill availability	Data is required on available skills. There is a brain drain of Nigerian doctors and nurses.
	Constraints	Technology transfer and medical equipment is expensive. This is combined with high maintenance and operational costs of infrastructure (energy, water). Nigeria does not enjoy a good reputation in this industry.
Market Positioning	**Opportunities in diaspora**	There are opportunities for well-equipped hospitals to market their services to members of the diaspora.
	Sources of competitive advantage	There is insufficient information on the industry to determine any advantages.
Potential Opportunity	**Sector size and growth trends**	Health tourism is worth US$40 billion and is growing at 30% per year. US corporations, insurance companies and individual tourists are increasingly looking for health services.
	Contribution to exports	Health services are high value-added and have the potential to make a large contribution to export earnings.
	Employment	Job creation from promoting exports would be limited.

A few private hospitals have been set up, with links to external specialists. Private hospitals are better equipped than other hospitals. There are still many constraints to overcome such as 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.

2.7 Other business services

Legal Services

The legal sector in Nigeria is composed of small firms. 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.

Current Status	**Sector size and growth trends**	The Nigeria Bar Association (NBA) has 88 branches throughout the country. The industry is composed of a number of small firms seems mostly practicing criminal law, commercial law and family law. More information on the size of the legal sector and its contribution to the economy is required, as well as labour supply.
	Level of exports	There is little export of services. The few bigger firms that exist provide some services to international investors in

		Nigeria but the statistics are not well-documented.
	Employment	The NBA indicated it has 55,000 registered members throughout the country. It is perceived as the largest membership in Sub-Saharan Africa, but the no data is available on employment statistics.
Competitiveness	**Export readiness**	There is no data on available to indicate level of exports and export markets.
	Cost base	Charges vary and more information is required on the cost base.
	Skill availability	There if no data on skills in this sector. Further statistics are required on the number of law graduates produced every year.
	Constraints	Lawyers' qualifications are not easily acknowledge and a conversion is often required for a Nigerian lawyer to practice in the US or the UK.
Market Positioning	**Opportunities in diaspora**	Lawyers in the diaspora could be contacted and encouraged to outsource services to local lawyers.
	Sources of competitive advantage	Nigeria provides training as a barrister and a solicitor at the same, unlike in UK for example.
Potential Opportunity	**Sector size and growth trends**	Outsourcing of legal services is a growing industry but is coming from a small base (US$3-4 billion) and the US remains the main market. India is the major supplier.
	Contribution to exports	More information is required to assess contribution to exports.
	Employment	Job creation through exporting will have a minor effect on unemployment.

Despite the size of the industry most firms are small. The industry has not developed businesses that can carry out sub-contract work for US and European firms to serve their specific requirements.

Accounting and Auditing

There is lack of information on local players in the market. The big names of 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.

3. Working Arrangements

Despite the potential synergy of the industry, we are working through individual working groups for each industry. There are opportunities for each industry to exploit and we intend to drill down industry-specific issues before addressing potential synergies. The working groups will be supported in undertaking the diagnostic by both the international and national service trade experts. They will support the group in examining: prospects in international markets; analyzing policy, institutional and infrastructure constraints; examining competitiveness and access to finance issues; examining human resource development needs; and establishing mechanisms for better cooperation.

At the Launch in Nigeria, industry representatives were appointed from the NEPC to convene each of the working groups. They will play an important role in facilitating dialogue between the public sector and their industries. This will enable us to develop an understanding of how best to implement export and investment promotion activities in each area. The working groups have a vital role to play in the Diagnostic Phase of the project as they will provide us with information on the policy, institutional and firm-level constraints to exporting in each industry.

During the diagnosis, Debola Babalola, the local consultant, is contacting individual service providers in each priority industry to determine where specific capabilities exist, the cost of those services and the potential constraints to the development of the industry and firms within it. The international team are carrying out research in the target markets to determine how competitive each industry is and what measures are required to allow local service providers and the industry as a whole to gain market share.

4. Next Steps

4.1 Strategy Design

On completion of each diagnostic, our team, working closely with the Nigeria Export Promotion Council and using the outputs of the working groups, will draft sector Strategic Plans for each sector, gathering any follow-up data that is required. Each plan will address markets and marketing strategies, capabilities and competitiveness, improving efficiency and the enabling environment. The plans will include time frames, describe responsibilities, detail institutional arrangements for implementation and set out measurable targets for growth with measurable indicators for progress. These plans will be circulated for further feedback and inputs. The separate plans will be brought together into a single document as a draft national strategy for professional export services growth which will address the cross-cutting issues that have emerged, particularly with respect to the enabling environment.

4.2 Implementation

Measures to develop professional service exports will be undertaken throughout the process of finalising the strategy. Full implementation will start following the second national workshop organised by the Nigeria Export Promotion Council towards the end of the project. At this workshop the final draft of the national strategy will be presented and there will be an opportunity to fine tune any of the practical arrangements for implementation that have been set out. This workshop will primarily be to endorse a process that is already well-underway and provide a reference document against which progress can be monitored. We will then incorporate the feedback received during the workshop into the Strategy for the Export of Nigeria's Professional Services and finalise the document for presentation to NEPC and the Commonwealth Secretariat.

4.3 Timelines

The chart below lays out the remaining key activities, outputs and dates under this project.

Activity	Start Date
Diagnostic Phase – research into domestic capability services, research into international target markets and in purchasing criteria	Monday 2nd November
Submission of Draft Diagnostic Report	Friday 29th January
Presentation of Diagnostic findings at workshops to gather feedback	Monday 15th February
Drafting of Strategic Plan	Monday 1st March
Presentation of draft Strategic Plan for feedback	Monday 15th March
Finalisation of Strategic Plan	Monday 22nd March
Submission of final Strategic Plan	Monday 29th March

5. Appendices

Appendix 1: Workshop Report

14TH/09/2009
AIRPORT HOTEL, LAGOS.

A. **FINANCIAL SERVICES GROUP**

INTRODUCTION:

1) The group noted the high prospects that exist for financial services in the sub-region. With the recent re-capitalization of banks, the financial opportunity has been created to enable them spread their tentacles outside Nigeria which many of them have already started.

DIAGONOSTIC:

2) Market/Trade Issues
   - Informal trade quite common at border routes and,
   - Language problem is also a problem
   - In Insurance, the issue of regulation must be addressed so that the insurance companies can benefit from services export
   - Nigerians voice in regional bodies are not vocal enough.

3) Comparative Strengths/Weakness

Strengths;	Weakness;
• Strong capital base compliance with	1.Weak corporate social responsibilities
	2.Multiple regulatory bodies in Nigeria by Insurance company
	3.Payment of multiple fees
	4.Lack of Data
	5.Inadequate capacity and IT.

4) Constraints to Growth

- Restrictive laws in the host country.
- Challenges of Resident permit
- Language barrier
- Variation in minimum startup capital

PART B

1. Markets and marketing strategy;

- Market research
- Publicity in host country
- Cooperate Social Responsibility
- Use of local staff
- Use of leverage like Commercial staff and Embassies

2. Capitalization/competitiveness;
    - Banking sector is highly competitive especially in the sub-region. Prefer wholesale banking and leave retail banks to local banks
    - Utilize the expertise available at home office
    - Exchange of information on Country basis to increase competitiveness

3. Efficiency Improvement;
    - Continuing Education/Capacity building
    - Information Technology should be developed
    - Improvement in infrastructure
    - Conducive working environment

4. Enabling Environment;
    - Conducive working environment
    - Cooperate social responsibility

B. ENTERTAINTMENT INDUSTRY SECTORAL DISCUSSION

Overview of the sector

The group noted the high export prospects that exist for the entertainment industry in the country.

The film industry in Nigeria popularly known as Nollywood started with the production of "living in bondage" in the early 90's. Nigeria has the third largest film industry in the world next to Hollywood (U.S film industry) and Bollywood (Indian film industry). Nollywood produces about 50 films per week. However in terms of volume, its total film production of 50 films a week is higher than Nollywood and Bollywood put together. The Nigerian film industry is noted as one industry that emerges and grows on its own without Government support.

Market size

Nollywood has a value of $250 million. It employs an estimated 300, 000 people directly as actors, producers, distributors and promoters. In addition, it creates up to an estimated one million jobs for retailers. Its 50 films produce a week are watch all over Africa. At present, the existing market is Africa while the targeted market is Blacks in Diasporas mostly in the Caribbean. Exports in the industry are informal since trade values are not recorded.

REGULATIONS.

Regulations exit in the industry. Current regulatory frameworks are favorable to the industry. However, the enforcement is very weak. present regulatory bodies are:

1. The Nigerian Film and Video Censors Board (NFVCB)
2. The Nigerian Copy right Commission

3. The Nigerian Film Corporation

INDUSTRY ASSOCIATIONS

Industry associations exist and are very strong. E.g. are:

1. Actors Guide of Nigeria (AGN(
2. Performing musicians association of Nigeria (PMAN)
3. Musical society of Nigeria (MUSON)
4. Association of movies producers of Nigeria
5. Association of Movies marketers & Distributors of Nigeria.

Capacity Building

1. Training of security experts to address and checkmate piracy.
2. Improve quality standards of films produce
3. The need to revive the Cinema culture
4. The need to rehabilitate the National Theatre

Weakness

1 Cultural barriers. E.g. the rivalry between Nollywood and Kannywood
2 Poor quality productions
3 Financial constrains
4 Piracy
5 Conflict of interest between distributors, marketers and producers.

Recommendations

1. The group call no the need to address the domestic challenges facing the industry first before been table for negotiations at the WTO.
2. Frequent National consultations with stakeholders to consider issues
3. working closely with Industry associations
4. Skills development in collaboration with developmental partners
5. Urgent need for the Government to address Piracy in the industry

C. EDUCATIONAL SERVICES SUB SECTOR

1. OVERVIEW OF THE SECTOR

- 96 Universities exist in the Country
- 36 private own universities
- 30 state own universities

Tuition fees in the Federal own Universities are free while students in the private own universities pay as much as N500, 000 (about $4, 000) per semester as tuition fees in the private own universities

2. Key Issues Identified

- The population of students seeking university education outnumber the available institutions. There is a very high local demand for university education. E.g of the 2.5 million students that sat for the university entrance examination (JAMB) in 2008, 8, 000 were offered admission. I.e. about 0.32%.

- No statistical data available. Though they are foreign students in almost all the universities, data is hard to capture on the total no of foreign student population even within the individual universities.

- Total lack of awareness of the potentials for export of educational services. None of the universities has an international student's office. The focus has always been on attracting local students.

- The standard for higher education keeps falling daily. Policy makers instead of putting standards in place to improve on the quality of educational services prefer rather to send their children abroad (mostly in U.K) for better and qualitative education. E.g. Nigeria has the 3rd largest no of students population in Malaysia.univerities while the university of Manchester alone boast of about 300 Nigeria students making it the highest in recent years

- Poor infrastructure and facilities-learning facilities are inadequate and very poor in form of classrooms (over populated) accommodation, libraries and general student welfare..

3. RESOLUTION

The group resolves that for educational services to be exported, the authorities need to improve on.

- Standard of higher educational services to measure up with international best practices.

- Put the right infrastructure in place

- Open up more universities to accommodate students and then decongest the existing student population in the university.

D. INFORMATION COMMUNICATION TECHNOLOGY (ICT)

PRIORITY SUB-SECTORS

- BPO/IT
- SOFTWARE DEVELOPMENT

1. OVERVIEW OF THE SECTOR (BPO)

The sector is one of the fastest growing in the Nigerian economy with enormous potentials for export. The liberalization of the sector which was part of the reforms of the recent years, has spurred huge inflow of foreign capital into the sector. Already they is a National outsourcing policy enacted in January 2007 with the core objective of the development of ICT services for export.

Nigeria is considered as destination of choice for the BPO business due to its inexpensive operational and labor cost. The country has a youthful and vibrant population with competencies in IT, an English speaking country. Nigeria vendors can export the following Outsourcing services to other African Countries

- Web design and hosting
- Data base design and hosting
- Data management services
- Medical transcription and coding system
- Document digitization and management system
- Call Centers (Call centers are already spreading in the major cities of Lagos, Abuja, Port Harcourt, e.g. Interra networks , global com, contact solutions etc)

2. <u>SOFTWEARE DEVELOPMET</u>:

Software development is fast growing in the country and the Government has already embarked upon some complementary initiatives to boast the sector

They are local software companies which are already exporting to the sub-region. E.g. Task system, omateck, zinox computers etc.

3. <u>CONSTRAINS TO EXPORT</u>

The group agreed that Nigeria is in the right path for ICT development, but the Government and the private sector need to speed up developmental efforts in order to effectively compete and remain competitive in the global market

The group identify the following as been the major constrain for export flow in the sector::

- Lack of National standard and certification program for bench marking Professionals in the industry.
- High tariff on Telecommunication, presently considered as the highest in the sub-region
- Work permit in the destination country
- Visa challenges
- Poor power supply in the country
- Nigeria's poor image abroad

4. RECOMMENDATIONS

The group called on the Government to

- Promote healthy economic ties with other African countries starting with the ECOWAS member countries
- Support specific outsourcing trade missions across Africa fro Nigeria's ICT Companies
- Encourage the hosting of International conferences and trade exhibition on outsourcing.

Appendix 2: Literature Review

1. **National Economic Empowerment and Development Strategy (NEEDS-2)**
   The original NEEDS strategy is an economic reform programme designed to change socioeconomic conditions of the country. It outlines policies and institutions that address poverty reduction, employment generation and wealth creation. The NEEDS-2 phase focuses on stimulating non-oil key drivers of economic growth, specifically agriculture, manufacturing, solid minerals, tourism and SMEs.

2. Nigeria's **Framework of Export Strategy for the Federal Republic of Nigeria (2005 – 2010)** was driven by the need to reduce reliance on raw materials, namely oil. The framework identifies export products to prioritise for export with the aim of joining other countries to export high technology, skill-intensive service products. These products will benefit from preferential access to resources such as finance, technical expertise, training and marketing.

3. The **National Outsourcing and Institutional Framework for Nigeria (January 2007)** was designed to diversify the economy. The Framework outlines strategies to diversify the economy through growing the outsourcing sector. It also addresses the essential development of appropriate ICT infrastructure to support capacity building for the outsourcing sector. It is hoped this will strengthen Nigeria's image internationally as the preferred outsourcing destination and ICT business hub by developing a globally competitive ITES Sector. The framework results from the goals outlined in NEEDS-2.

4. Nigeria **National Policy for Information Technology** is specifically designed to ensure that Nigeria has Information Technology resources readily available to promote efficient national development.

   - Empowerment to participation in software and IT development
   - Local production and manufacture of IT components in a competitive manner
   - Accessibility to public administration for all citizens
   - Establish and develop IT infrastructure and maximise its use nationwide
   - Improve judicial procedures and enhance the dispensation of justice

5. **ITC Services Trade Capacity Study Nigeria, June 2006**
   This report was commissioned by the International Trade Centre (ITC) to examine the importance of trade in services to the Nigerian economy. Research focused on identifying service firms strengths, weakness, service supply limitations, service export markets, and domestic and international limitations. The study showed that most Nigerian firms are small and largely supply services through Mode 1-

crossborder and Mode 2 – consumption abroad and to a lesser degree Mode 3 – commercial presence and Mode 4 – temporary movement of people. In terms of sales, Mode 2 is the most valuable for service firms.

6. **IBM Governmental Programmes 2006 - Services and Global Competitiveness: Growth Opportunities for Developing Countries**:
Innovation is a critical factor in increasing competitiveness and creating jobs. Services are essential for the operation of an economy, facilitating commercial transactions, and enabling the facilitation of goods and other services. This paper outlines the size of the market, the opportunities existing for developing countries and the policies that governments should have in place in order to be export-ready.

7. **Transforming Nigeria into Africa's Offshoring Hub, World Bank, January 2009**.
The World Bank carried out a study to assess Nigeria's potential as an offshoring hub for Africa. The study raises awareness of Nigeria's potential as an offshoring hub for Africa. It advises on Nigeria's options to benefit from global trade in services and how it can take advantage of the growth of its telecommunications to create outsourcing hubs. Nigeria's people skills are its core strength. Its financial structure and business environment remain a weakness.

8. Nigerian Media and Entertainment Industry – November 2008, FountainHead
The report is a sectoral analysis of Nigeria's media and entertainment industry. It provides statistical data, revenue from subsectors of the industry and profiles top performers and their markets. The report was written to inform potential investors, researchers and policy makers.

9. **Growth, Enterprise and Markets in States (GEMS)** is a World Bank programme whose objective is to enhance competitiveness, growth, employment and business opportunities. Under this umbrella of work, a value chain analysis of selected industries has been conducted. There is a specific focus on ICT and entertainment. The objective of the ICT component is to provide support to the Federal Government of Nigeria (FGN) to build on the successes of the telecom industry (contributing some 2% of GDP) and to develop a more robust IT and ITES sector which has the potential to become a significant source of growth and employment for the economy. The support addresses key constraints to IT and ITES development in Nigeria. The support should be provided within the framework of a comprehensive IT and ITES policy which articulates issues ranging from appropriate infrastructure and incentives to institutions and skill sets for harnessing the IT and ITES industry in Nigeria.

   The Entertainment component of the GEMS programme will address copyright and piracy protection, improve distribution and marketing and support the creation of a Nigerian Film Institute. The intervention will provide an estimated $15 million technical service, capital investment support and performance grants.

10. Export Diversification and Economic Growth, Commission on Growth and Development, Working Paper No. 21, Heiko Hesse

Export diversification can lead to higher growth. Developing countries should diversify their exports since this can help them to overcome export instability or the negative impact of terms of trade in primary products. The process of economic development is typically a process of structural transformation where countries move from producing “poor-country goods” to “rich-country goods.” The paper provides empirical evidence of a positive effect of export diversification on per capita income growth.

Appendix 3: Attendance List

Project to develop a strategy for the export of Nigeria's professional services

List of Participants

S/N	Name/Designation	Organization/Address	Industry Sub-Sector	Telephone no/Email.
1.	Chief Gab Okoye MD/CEO	Gabosky Group	Entertainment (Nollywood)	08033250470. gaboskynet@yahoo.co.uk
2.	Jegede F.K (AGM)	Nigerian Export-Import Bank (NEXIM)	Public Sector	08033737755. kayjegus@yahoo.com
3.	Evelyn Obidike (AGM)	NEPC	Public Sector	Evelynobidike65@@yahoo.com
4.	Abweku Englama Deputy Director/Head, External division/Research	Central Bank of Nigeria (CBN)	Public Sector	08033250470. aenglama@cenbank.org
5.	Debo Adebayo	SPN Consulting	Outsourcing (BPO)	08057376253. a.debo@spnconsulting.com
6.	Segun Olaniran. Deputy Director	Chartered Institute of Insurance of Nigeria (CIIN)	OPS	08036389518. Ciinigeria.org.u.k
7.	Dr. Austin Nweze Lecturer/President, Association of Outsourcing practitioners of Nigeria (AOPN)	Pan African University, Lagos.	Outsourcing (BPO)	08023336487. austinnweze2002@yahoo.co.uk
8.	A. Babalola. Team member, Nathan.EME	Nathan. EME Consultants	Project Consultants	08039135029. debola.babalola@gmail.com

	Consulting			
9.	Mope Abudu MD/CEO	Nextzon Outsourcing ltd.	Outsourcing (BPO)	08037202163. mope_abudu@yahoo.com,mope.abudu@nextzon.com
10.	Olufemi Shodipe	Fosad Consulting Ltd.	Outsourcing (BPO)	femishodipe@yahoo.com
11.	Cletus George	Performance Musicians Association of Nigeria. (PMAN)	Entertainment (Music)	08034814241. pmananational@yahoo.com
12.	Alex C. Anameje	The Chartered Institute of Bankers of Nigeria (CIBN)	OPS	08033008688. aanameje@yahoo.com
13.	Dr. John Evbodaghe	Institute of Chartered Accountants of Nigeria (ICAN)	OPS	joniraborevbo@yahoo.com
14.	William Ezeagu AGM (Product development Dept.)	NEPC	Public Sector	ezeagu@yahoo.com 08033156149
15.	Nafisat Abubakar Head, Legal Unit	Interranetworks ltd.	Outsourcing (ITO, Call centre)	nabubakar@interranetworks.com
16.	Fortune Oyelade Group Head, Admin & BSS	Resource Intermediaries Ltd.	Outsourcing (BPO)	08052812914. foyelade@resourceintermediaries.biz
17.	Eniola Dada. National Coordinator	Network of Nigeria Women Exporters of Services.(NNWES)	NGO	Enioladad9@yahoo.com
18.	Komolafe A. Toyin	Computer Profession Registration Council of Nigeria. CPN	Public sector	chiefkomo@yahoo.com
19.	Jacqueline Femi	Legal Practitioner	OPS	Jackie104@gmail.com,

	Odiadi			08023527698
20.	Clemtina Ufeli MD/CEO	Buy Nigeria Products Ltd.	Manufacturing	08037265917, duetime@gmail.com
21.	Chris Ekejimbe MD/CEO	African Motion Picture Distributors ltd.	Entertainment (Nollywood)	08033391946, chrisekejimbe@yahoo.com
22.	Ubaka Ugochukwu Fil Maker	Karr Resources Films.	Entertainment (Nollywood)	07039858328, info@karrresources.com
23.	Obiora Madu MD/CEO	Multimix Export Academy	Educational services(Knowledge Base)	08033071168, omadu@multimixacademy.com
24.	Anani Ben Egon Specialist (Trade in services)	NEPC	Public sector	08033024986, drbenny74yahoo.com
25.	Dr. A. M Ayeni Director	Association of National Accountants of Nigeria (ANAN)	Financial services	08033068716. dayoayeni_ca@yahoo.com
26.	Ndidi Nkworpara	Network of Nigerian Women Exporters of services, NNMWES	NGO	08037240122, ndidi@ariellaglobal.com
27.	Grace Anwuta	Contact Solutions Ltd.	Outsourcing (ITO, Call centre operators)	08033281312, graceanwuta@consollimited.com, sales@consollimited.com
28.	Abiodun Adeoye MD/CEO	Contact Solutions Ltd.	Outsourcing (ITO, Call centre operators	08022000022, aadeoye@consollimited.com
29.	Joseph Ogungbade Desk officer (services)	NEPC	Public sector	Joeog2001@yahoo.com
30.	Tunde Yemi-Daniel	Progenics Corporation Ltd.	ICT (Software developers)	08072969491, tuned.yemi-daniel@progenicscorp.com

31.	Gabriel Ekpo	ECOWAS Commission	Regional Cooperation Agency	gekpe@ng.ecobiz.ecowas.int
32	Chioma Nwagboso	The World Bank	Donor Agency	08056204889, cnwagboso@worlbank.org
33.	Kayode Shobajo MD/CEO	HIIT Plc	ICT(Software development/ITO)	08032030195, ceo@hiitplc.com
34.	Benjamin O Boyede	Koinonia Ventures Ltd.	OPS (Export trade development)	08033426991, arino99@yahoo.com, bennyboye@gmail.com
35.	Lawal S. Dalhat Manager (Services)	NEPC	Public sector	Lsd_dl@yahoo.com, 08033117128
36.	Emeka Okafor GM	Interranetworks ltd.	Outsourcing (ITO, Callcenter operators)	08067184444, eokafor@interranetworks.com
37.	Uche Emeka	A112 solutions ltd.	ICT (Software developers)	uemeka@yahoo.com 08054588002
38.	Sade Taiwo Registrar	Institute of social and Economic Research,	Educational services (knowledge base	08033023282, olusadet@yahoo.com
39	Vivian Ejike MD/CEO	Nollywood Distributors ltd.	Entertainment (Nollywood)	ejikevivian@yahoo.com
40	Henry Emeka	Institute of software practitioners of Nigeria	ICT	administrator@ispon.org
41	Mustapha Siadu	NEPC	Public sector	Mustee45@yahoo.com

	Organisation	Name	Title
42	KVL - Koinonia Venture	Femi Boyede	CEO/ Managing Director
43	Nigeria Investment Promotion	Amos Y. Sakaba	Director

44	Newman Legal	John George Itodo	Barrister
45	Brooke Chambers Law Firm	Onjefu Adoga	Attorney at Law
46	Ivory Solicitors	David O. Ibukun, Esq	Solicitor
47	Performing Musicians Employers Association of Nigeria	Cletus George	Technical Director
48	Performing Musicians Employers Association of Nigeria	Admiral Dele Abiodun	President
49	Gold-Wig Solicitors	Usman Shehu	Principal Partner
50	Freedom Radio	Abdullahi Garba Bahi	Marketing Officer
51	Unimark Limited	Jerry Oche	Business Development Executive
52	Ministry of Science & Technology (Kano)	Ayuba Umar	National Auditor
53	Hypertech	Habeeb Abdulkadir	
54	Computer Professionals (Registration Council of Nigeria)	Adams Sulaiman	
55	FountainHead Media Limited	Babi Subair	Managing Director
56	Entrepreneurship & Strategy Consulting Ltd	Murtala S. Sagagi	Managing Director
57	Chikwem Chambers	Oremeyia O. Amune	Legal Practictioner
58	Simplex Automation	Shuaib Afolabi Salisu	CEO
59	Banwo & Ighodalo	Moji Ajileya	Legal Practictioner
60	Apherion Outsourcing	Anthony Oyadina	
61	Contact Solutions	Abiodun Adeoye	CEO/ Managing Director
62	Centre for Enterprise Development and Action Research	Sade Taiwo	Coordinator
	Africa Seed International Ltd	Shade Bembatoum-Young	CEO/Chairman

63	NEPZA	Chris O. Ndibe	General Manager
64	Resource Intermediaries (outsourcing)	Ade Awonaike	General Manager
65	Unotech Media	Damola Taiwo	Lead Developer
66	Micro-Ed Company Ltd	Peter E. Enesi	Executive Director (Marketing)
67	Maya Insurance Brokers Ltd	Abdulmumuni S. Bello	MD/CEO
68	NOTAP	Engr. Umar B. Bindir PhD	Director General/CEO
69	NOTAP	Mrs Funke Araba	Director - TADI
70	Bayero University Kano	Dr. Umar Farouk Jibril	Lecturer + film
71	Moving Image Ltd	Abdulkareem Mohammed	Film Production
72	Nigerian Television Authority	Umar A. Mahmud	General Manager
73	NASME	Dr Ike Abugu	President & Chairman of the Council