

THE ICT MARKET IN NIGERIA 2015



CONTENT

| | |
|---------------------------------|------|
| I - Market Overview | p.3 |
| II. Trade Outlook | p.4 |
| III. Business Opportunities | p.6 |
| IV. SWOT Analysis of the Market | p.9 |
| V. Key Players | p.9 |
| VI. Trade Fairs 2015 | p.10 |
| VII. How Can IDAL Help | p.10 |
| VIII. Useful Contacts | p.11 |

I - MARKET OVERVIEW

In 2014 Nigeria became Africa’s largest economy¹ and is projected to become a global economic powerhouse by 2040². The country is a star performer, with average annual GDP growth rates estimated at 5.1% till 2017³ and FDI growing at a CAGR of 23.4% between 2007 and 2012⁴.

In terms of investor perceptions, a survey conducted by Ernst &Young in 2013 places Nigeria among the top five most attractive African Nations and the second most attractive country for investments in South Africa.

Although infrastructure gaps persist in African countries, Nigerian investment in infrastructure projects has been extensive and is ranked second after South Africa with 106 projects valued at USD 100 billion. The Nigerian government has taken several initiatives to improve the business climate in the country and make trade simpler. Indeed, since the 2000s the government has been adopting a market oriented approach and implementing reforms such as privatization, public private partnerships and deregulation.

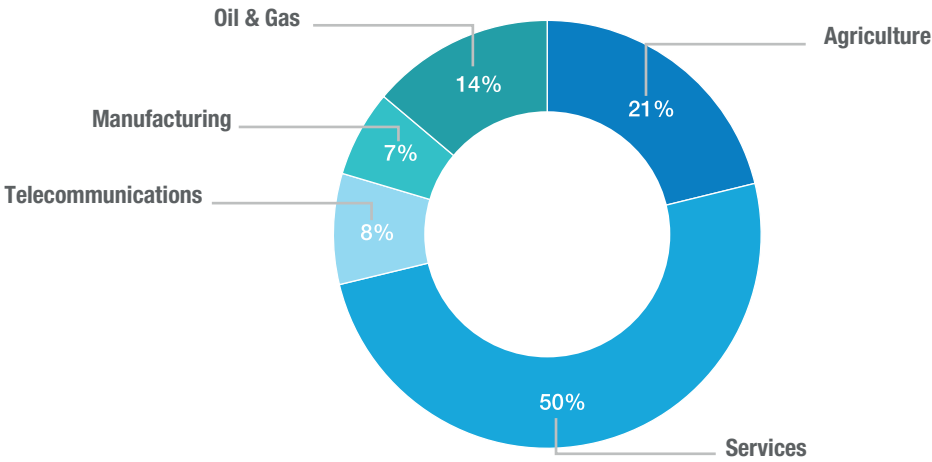
| | |
|-------------------|-------------------------------|
| Capital | Abuja |
| Largest city | Lagos |
| Government | Federal Presidential Republic |
| Currency | Naira (NGN) |
| Official language | English |
| Area | 923,768 km2 |
| Population | 177,155,754 (July 2014 est.) |
| Calling code | +234 |

Economic snapshot

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|-------|-------|-------|-------|-------|
| GDP (% annual growth rate) | 6.9 | 7.8 | 4.9 | 4.3 | 5.4 |
| Exports of goods and services (% of GDP) | 30.8 | 25.3 | 31.3 | 31.4 | 18.0 |
| Imports of goods and services (% of GDP) | 31 | 17.4 | 21.5 | 12.9 | 13.0 |
| ICT goods imports (% total goods imports) | 6.7 | 6.6 | 3.9 | 5.5 | 3.6 |
| Inflation (annual %) | 11.5 | 13.7 | 10.8 | 12.2 | 8.5 |
| Real interest rates (%) | 23.7 | -42.3 | 5.9 | 6.9 | 10.2 |
| Exchange rate (per USD) | 148.9 | 150.3 | 154.7 | 157.5 | 157.3 |

Source: World Bank

Sectors Contribution to GDP in Nigeria (2014)



Source: CNBC Africa 2014

¹ BBC, Nigeria becomes Africa's biggest economy, 2014

^{2,3,4} Ernst & Young, Attractiveness Survey on Africa, 2013

II. Trade Outlook

Nigeria is ranked as the 35th largest importer of goods (excluding intra-EU trade) worldwide⁵. The country is also gradually expanding its trading partnerships beyond Europe, Asia and America, its traditional associates - chiefly in the oil and gas sector. In that sense, Intra-African trade is anticipated to be the main source of trade growth. Trade with the MENA is also expected to solidify and grow⁶. Nigeria’s imports demand for capital goods and consumer products are expected to rise rapidly. India has become Nigeria’s main export trading partner and is projected to become its major import partner as well.

Ease of Trade

Importing a standard container of goods into Ivory Coast requires



Main exporters to Nigeria | 2012

| | |
|------------------|------------------------|
| 1 China | 6 Belgium - Luxembourg |
| 2 United States | 7 Brazil |
| 3 India | 8 France |
| 4 Netherlands | 9 Germany |
| 5 United Kingdom | 10 South Africa |

Source: Observatory of Economic Complexity (2012)

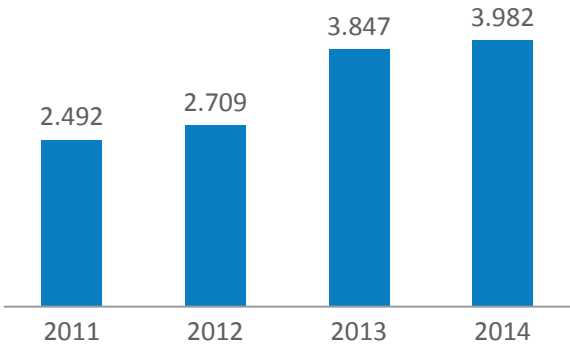
Lebanon’s top exports to Nigeria (2014)

| | Tons Net |
|--|----------|
| 1 Nuclear reactors, boilers, machinery... | 2,510 |
| 2 Articles of iron or steel | 1,348 |
| 3 Electrical machinery and equipment parts | 1,258 |
| 4 Plastics and articles | 1,120 |
| 5 Printed books, newspapers, pictures... | 938 |
| 6 Furniture; bedding, mattresses, mattress supports... | 807 |
| 7 Wood and articles of wood; wood charcoal. | 631 |
| 8 Tanning or dyeing extracts; tannins... | 615 |
| 9 Beverages, spirits and vinegar | 509 |
| 10 Preparations of vegetables, fruit, nuts... | 508 |

Source: Lebanese Higher Customs Council (2014)

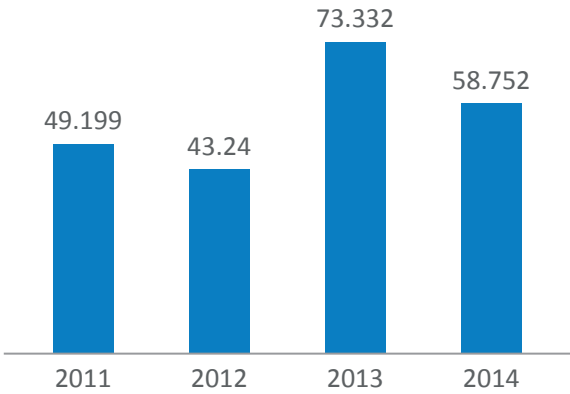
Trade volumes between Lebanon and Nigeria

Total Lebanese Imports from Nigeria | USD Million



Source: Lebanese Higher Customs Council (2014)

Total Lebanese Exports to Nigeria | USD Million



Source: Lebanese Higher Customs Council (2014)

⁵ World Trade Organization, 2011

⁶ United Nations Conference on Trade And Development, Economic Development in Africa, 2013

III. Business Opportunities

Nigeria has become Africa’s largest ICT market, accounting for 29% of internet usage in Africa in 2012⁷. In 2014 the ICT sector accounted for 8% of national GDP and 35% of the cumulative FDI between 2001 and 2011⁸.

In 2015, Nigeria had more than 140.8 million active telecoms subscribers, a considerable increase from 127.6 million at the end of 2013⁹.

Mobile GSM subscribers account for 98.37% of the total number of telecom subscribers¹⁰. The mobile sector is dominated by four GSM operators: MTN Nigeria, Airtel Nigeria, Globacom and Etisalat Nigeria. MTN, which has been operating since 2001, holds the largest share of the mobile market, accounting for 44% of total mobile subscribers¹¹.

On the other hand, few local operators utilize CMDA technology which accounts for 1.5% of total telecom subscriptions in 2015, and fixed-line subscribers account for only 0.13% of total telecoms subscribers in the same year¹².

In 2012, the market for software in Nigeria was estimated at USD 6 Billion¹³. This dynamism has produced various investment, outsourcing and trade opportunities. Investment in the ICT sector in Nigeria is ranked second only to the oil industry.¹⁴ This is mainly supported by the significant rise in internet use, particularly with the rise of mobile penetration rates¹⁵, but also with various relevant government policies.

Although investment opportunities are abundant in ICT infrastructure as well, the below will focus on opportunities for software companies, particularly in e-services and cloud computing.

Nigeria’s overall telecoms capacity is relatively high – a number of high-capacity submarine cables come ashore in the country – and most indicators point to continued expansion¹⁶.

Nigeria Telecom Sector Market Penetration Rates | 2015

| Market | Penetration Rate |
|----------|------------------|
| Mobile | 77% |
| Fixed | 47% |
| Internet | 0.13% |

Source: Oxford Business Group, A handful of Mobile Operators Dominate Nigeria's Rapidly Expanding Telecoms Sector, 2015

1. e-Government

The e-Governance platform is on the rise in Nigeria. The Federal Ministry Of Communication Technology has engaged in several e-Government initiatives with the aim of improving service delivery and efficiency in the public sector as well as improving citizens’ access to information.¹⁷ The list below indicates potential areas highlighted by the government where e-governance platforms are needed:

| Issuance of | Registration of |
|---|---|
| <ul style="list-style-type: none">• Birth, Marriage & Death certificates• Tax Clearance• Industry license, permit and authorization• Vehicle Number Plate• Certificate of occupancy | <ul style="list-style-type: none">• Voters• Land Acquisition• Vehicle Ownership• Companies• Associations & Town Unions• Legal Entities |
| Payment of | Delivery of |
| <ul style="list-style-type: none">• Tax• Import Duty• Government Fines and Sanctions• Electricity & Water bills | <ul style="list-style-type: none">• Educational services• Health• Justice administration• Law and order |

2. e-Agriculture

e-Agriculture is a huge trend in Nigeria. At the 2012 High Level Investment Summit (HLIS), the Ministry Of Communication Technology revealed the need for additional investment in this sector and the need for software development to be adopted by both government-led as well as private sector projects.¹⁸ Today in Nigeria, farmers receive subsidies on fertilizers and seeds directly through a mobile-phone-based system in the form of electronic vouchers called Growth Empowerment Scheme (GES).¹⁹ In another form of e-Agriculture, the Trade Net Africa initiative diffuses market information via mobile phones.²⁰ Programs tackling food security issues are equally highly demanded. As such, the emergence of similar platforms for various other types of production will surely secure its place in the industry.

3. e-Health

Another growing use of ICT in Nigeria is in the Health department. The program My Question, My Answer, launched in 2007, is an HIV counseling and education service that allows individuals to ask AIDS-related questions by sending a free SMS to a short code, calling a toll-free phone number or via email²¹. The presence of such initiatives in Nigeria makes it an ideal market for similar programs tackling other health issues. Another investment opportunity requiring the adoption of ICT solutions in health, is the Mobile Authentication Service (MAS) for the verification of drug authenticity²².

⁷ Oxford Business Group, The Report: Nigeria 2015
⁸ Oxford Business Group, A handful of Mobile Operators Dominate Nigeria's Rapidly Expanding Telecoms Sector, 2015
^{9 10 11 12} Ibid
¹³ Nigerian Ministry Of Communication Technology, Investment opportunities in the Nigerian ICT Sector, 2012
¹⁴ Borgen Magazine, How ICT Reduces Poverty in Nigeria, 2014
^{14 15} Oxford Business Group, The Report: Nigeria 2015

¹⁷ Federal Ministry Of Communication Technology, E-Government Initiatives, 2014
¹⁸ Federal Ministry of Communication Technology, Investment opportunities in the Nigerian ICT Sector, 2012
¹⁹ eLearning Africa, Social Media Rebranding Agriculture, 2014
²⁰ United Nations Development Programme, The Importance of ICTs in the Provision of Information for Improving Agricultural Productivity and Rural Incomes in Africa, 2012
²¹ Pyramid Research, 2010
²² Federal Ministry of Communication Technology, Investment opportunities in the Nigerian ICT Sector, 2012

4. e-Education

In 2012, Adebola Adedugbe, of Bonifab Nigeria Ltd., launched an ICT scheme to circulate information about job opportunities in Agriculture. It is a training program which targets university graduates and unskilled youths. 300 young Nigerians have already been trained²³. Opportunities exist for providing training in other sectors such as manufacturing, media and ICT.

5. e-Commerce

Huge opportunities exist in e-commerce and online business. Being the largest market in Africa, it has already attracted more than USD 1.26 Billion in retail investments throughout the past two years²⁴. Online shops such as Jumia, Konga, Buyam, and more are launching rapidly. Konga and Jumia have raised \$63.5 million and \$61 million respectively from global investors²⁵. The Cashless Nigeria Initiative has successfully boosted e-commerce in Lagos with plans to expand to other states. Pagatech, a mobile payments company, has 200000 users. Another success story attesting to the market's potential is Gloo, an online grocery business which has quadrupled in size in 2013, and moved to a 20,000 square feet center in 2014²⁶.

6. Cloud Computing

The Cisco Global Cloud Index predicts that through 2017, the Middle East and Africa will have the highest cloud traffic growth rate (57 % CAGR), followed by Asia Pacific (43% CAGR) and Central and Eastern Europe (36 % CAGR). The cloud market is still unsaturated in Nigeria with only 36% of businesses using the Cloud.

IV. SWOT Analysis of the Market

Strengths

- ▶ Major oil producer in sub-Saharan Africa
- ▶ Largest African economy
- ▶ Young and cheap labor force
- ▶ Dynamic and resourceful private sector
- ▶ Free trade zone and tax holidays

Opportunities

- ▶ Government-led, investment-related reforms
- ▶ Growth of IT industry
- ▶ Growth of FDI

Weaknesses

- ▶ Sub Optimal governance

Threats

- ▶ Sub Optimal regulatory environment
- ▶ Sub Optimal infrastructure

V. Key Players

The main ICT companies in Nigeria are mostly located in Lagos, Abuja, Port Harcourt, Kaduna and Kano.

Top software providers in Nigeria are:²⁷

- ▶ Chesca Technology & Systems Ltd.
- ▶ Computer Systems Associates (Nigeria) Limited (CSA)
- ▶ Dafinone Consulting Limited
- ▶ Eresoft
- ▶ Future Technology Systems
- ▶ Inlaks Computers Limited
- ▶ Labyet Polaris Nig. Limited
- ▶ Microsoft Nigeria
- ▶ Multisoft Consulting
- ▶ Okuta Computer Systems Limited
- ▶ Open Software
- ▶ Pee-Aarr Consulting
- ▶ ProGenics Corp Limited
- ▶ Simplex Systems
- ▶ SystemSpecs
- ▶ Tara Systems Ltd



Source: Nigeria Innovation Cluster Mapping (2014)

²³ eLearning Africa, Social Media Rebranding Agriculture, 2014

²⁴ All Africa, Nigeria: Driving E-Commerce Business Among Nigerians, 2014

²⁵ Mashable, The African Version of Amazon Will Emerge From Nigeria, 2014

²⁶ Ibid

²⁷ Jidaw Systems, Top Software Developers/Providers

VI. Trade Fairs

- ▶ **Securex West Africa –Commercial, Homeland Security, and Cyber Security**
1-3 March 2016
- ▶ **Internet Telecom Computers (ITC)**
The leading exhibition for Telecommunication and Information Technology sector in Nigeria.
3-9 August 2015

VII. How can IDAL help

IDAL can provide a range of services to Lebanese-based companies wishing to grow their business in Nigeria. Apart from supporting the inflow of investments, IDAL is also responsible as per its mandate, to assist in the support, promotion and marketing of Lebanese products. IDAL can provide practical support to Lebanese companies who wish to export their products abroad by providing services including the sponsorships for participations at international trade fairs. If you wish to expand into overseas markets, IDAL will help you overcome the barriers in new challenging markets. Through its market intelligence services, and constant participation in inward and outward trade missions. IDAL will also identify specific business opportunities (outsourcing, joint ventures, ...) and connect local ICT companies with the related international partners.

VIII. Useful Contacts

- ▶ **Embassy of Lebanon in Nigeria**
Lagos
Tel: 234-12610129
i.abuja@hotmail.com
- ▶ **Nigerian Investment Promotion Commission**
Abuja
Tel: (234) 9 290 4882/(234) 9 2904706/(234) 9 2904829
www.nipc.gov.ng
- ▶ **Lagos Chamber of Commerce and Industry**
Lagos
Tel: (234)1 774 6617/(234)1 270 5386/(234)1 773 2305/(234)1 761 6970
www.lagoschamber.com
- ▶ **Federal Ministry of Trade & Investment**
Abuja
Tel: (234) 9 234 1884
www.fmti.gov.ng
- ▶ **Federal Ministry of Finance**
Abuja
Tel: (234) 9 234 6290
www.fmf.gov.ng
- ▶ **Federal Ministry of Communication Technology**
Abuja
www.commtech.gov.ng
- ▶ **Nigerian Association of Chambers of Commerce, Industry, Mines and Agriculture (NACCIMA)**
Lagos
Tel: (234)1 761 2099
www.naccima.com

