

The role of telecommunications in the development of Nigeria's
infrastructure

**THE LATEST GOVERNMENT INITIATIVE TO
STIMULATE INVESTMENT AND PRIVATE
SECTOR INVOLVEMENT**

BEING PAPER PRESENTED

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Welcome

It is indeed a great pleasure for me to be invited by the organizers, to speak on the role of telecommunications in the development of Nigeria's infrastructure, and on the current Government initiatives to stimulate investment and private sector involvement in the telecommunications industry.

Introduction

The imperative for private sector participation is obvious. Nigeria like several other nations before her, has identified the need for considerable investment in the telecommunications sector as a means of expanding and upgrading networks, expanding subscriber base and developing the telecommunications infrastructure, which will in turn translate into socio economic development for Nigeria. But Government cannot do it on its own. It requires the full and participatory support and intervention of the private sector in the way of financial investments. In the traditional telecommunications industry, the full gamut of telecommunications services were government led, resulting in poor infrastructure base, and lack of transparency. The modern outward looking liberalized telecommunications industry on the other hand, is private sector led. It is funded by private sector investments and vested with an independent transparent Regulator. The Government's role in this modern era therefore lies in the development of policy and sectoral regulation.

Modern international data show that growth in telecommunications services result in socio economic and financial development of a Nation¹. Africa as a continent has taken up the challenge of bridging the digital divide as its means to its sustainable economic development. Nigeria has not been left behind. The Government of Nigeria in the past 9 years of democratic rule has worked towards ensuring the rapid deployment and liberalization of the telecommunications sector. It has achieved this through the mandate of the industry's Regulatory body; the Nigerian Communications Commission (NCC).

¹ Two reports published by the World Bank and The World Economic Forum help reiterate the already known international fact that a nation's economic development depends on its overall progress in the ICTs sector. The work by Roeller and Waverman (2001) suggests that in the OECD, the spread of modern fixed-line telecoms networks alone was responsible for one third of output growth between 1970 and 1990.

The Commission's mandate is to promote the growth of telecommunications by the licensing of competitive operators; introducing and maintaining transparent regulatory processes; protecting new entrants from dominant operators; protecting consumer rights; encouraging new and advanced services; and attracting investors to the industry. The Commission has been helped by the Vision 2020 of President Yar'Adua which aims at placing Nigeria on the league of the world's 20 strongest economies by the year 2020. This vision however laudable cannot be achieved by Government, the NCC or the private sector alone. It requires the full and participatory support of all stakeholders working together, and the private sector in particular, to bring this to pass.

Telecommunications Development in Nigeria

In 1999, Nigeria had about 400,000 fixed lines and about 20,000 analogue wireless lines. Following the liberalization of the telecommunications industry by the Democratic Government in 1999, and the subsequent auction of the mobile licenses in year 2001, the telecommunications industry in Nigeria has witnessed tremendous growth. This has been achieved through NCC's commitment to full, fair and transparent liberalization. In pursuit of this, since year 2001, the Commission has licensed various Digital Mobile Operators (DMOs), Fixed Wireless Access Operators (FWAs), Long Distance Operators (LDOs), Internet Service Providers (ISPs), a second National Carrier and more recently, launched the unified access service license (UASL), to promote competition in all segments of the market. Today, a phone can be found in every palm in all sectors of the Nigerian society. The economy has recorded remarkable growth, the citizenry have been enriched, information and communication is now widespread, industries and entrepreneurship have sprung up. The face of Nigeria is forever changed.

From teledensity figures of 0.4 lines per 100 inhabitants recorded in year 2000, by October 2008, Nigeria had recorded teledensity figures of 42 lines per 100 inhabitants, and an active subscriber base of nearly 59 million lines. Furthermore,

all the states in Nigeria are covered by both voice and data services through the GSM and the CDMA technologies.

Today, the Nigerian telecommunications market is the fastest growing telecommunications market on the African continent. The wireless revolution, the Internet phenomenon, the broadband capabilities and the massive deployment of national and intercontinental optic fibre highways have accelerated global access to information resources, and changed the way people live and transact business. In spite of the achievements recorded so far, there are still millions of Nigerians with limited or no access to ICT services, thanks to *inter alia*, the paucity in network infrastructure. To aid rapid rollout of infrastructure developments, the Commission adopted the Unified Access Service Licence (UASL) that authorizes licensees to provide Digital Mobile Telephone, Fixed Telephony, National Long Distance operation, International Data Access and Internet Services, all in one license. The huge demand for this license is an encouragement that rapid ICT development will follow in Nigeria.

Furthermore, along with its various other functions, the Commission is also charged in the Nigerian Communications Act (NCA) 2003 with the deployment of Universal Service for all Nigerians, as the Federal Government is determined that all Nigerians must have access to telecommunications services. Apart from the development of USPF to ensure the rapid rollout of services to unserved, and underserved urban and rural areas, the Commission in its strategic focus is actively pursuing the provision of ICT access to all Nigerians within a 5 kilometre radius by 2010. These goals cannot be achieved without the rapid roll out of backbone infrastructure and transmission facilities in Nigeria. In order to bridge the digital divide in the shortest possible time, wireless communications, VSAT and internet connectivity hold the key. These cannot be achieved without private sector investment.

It is true that the industry has witnessed tremendous growth in the amount of private sector investment already injected into the sector. From the paltry sum of

\$US50 million invested by 1999, today, private sector investments stands at over US\$12 billion, and another \$US3 billion direct investment is expected before the end of year 2008. The strategic focus of universal and more affordable access nonetheless demands more rapid rollout of services and is the driving force behind the need for additional private sector money.

Challenges and Investment Opportunities

In spite of the sector's recorded successes, the industry continues to experience challenges. Some of these include poor quality of service caused primarily by network capacity constraints. Others include the lack of physical and transmission infrastructure; scarce spectrum resources; unreliable electric supply; disparity in telecommunications facilities between urban and rural areas; shortage of long term investment capital; skill shortages; security challenges; theft; transmission cable cuts; amongst others.

These challenges are however opportunities for investment. Potential investments areas include infrastructure development; manufacturing and assembling of telecommunications equipment; maintenance of equipments; value added network service such as calling cards, trunk radio and payphone services; public access services such as payphones and cybercafés; facility management and outsourcing; broadband and multimedia; satellite services; bandwidth provision; clearing houses; gateway services; research and consulting; education and training; consumer rights protection; information services and electronic content like directory services and electronic databases. Other investment opportunities are in ecommerce; security services; software services; measurement and monitoring equipment; technology; marketing; and opportunities in rural areas.

The Federal Government has already put in place various incentive programmes for local and foreign investors, the details of which are available through the Nigerian Investment Promotion Commission (NIPC). Alongside, the independent,

fair, transparent and non discriminatory regulatory regime of the NCC allays the fears of all serious investors.

Latest Government Initiatives to Stimulate Investments and Private Sector Involvement

Adequate backbone infrastructure remains the primary hindrance to sustainable and increased growth in the ICT industry. The Federal Government through the NCC is carrying out certain initiatives to bridge this gap, and to help stimulate and promote private sector led investment into the sector. Some new initiatives to achieve this include:

(a) **Wire Nigeria (WiN) Project**

The WiN project is designed to facilitate the build out of huge fibre optic cable infrastructure all over Nigeria, and link all the States of Nigeria to a national optic fibre cable backbone infrastructure. To this end, NCC is offering subsidies and incentives that will encourage the rapid development of fiber transmission cables. So far, over 17,000km new optic fiber cables have been installed. There are other ongoing projects aimed at the installation of fiber cable over electric power lines.

(b) **State Accelerated Broadband Initiative (SABI)**

The SABI project is focused on stimulating demand for internet services, as well as drive broadband to home at affordable price levels. This project is designed to encourage the private sector with Government subsidies and incentives - to build broadband infrastructure in all the 36 state capitals, the urban and semi urban centres of the country, and subsequently all over the country.

© **The Digital Bridge Institute (DBI)**

As part of the provisions of the National Telecommunications Policy (NTP) 2000, the Commission is mandated to reverse the dearth of skilled Nigerians in the telecommunications sector. In May 2004, the ultra modern Digital Bridge Institute (DBI) was commissioned in Abuja, as an

international centre for advanced telecommunication studies. Its primary focus lies in providing international standard technical training in all sectors of the telecommunications industry, at affordable prices. Furthermore, the former NITEL training schools in Kano and Oshodi have been handed over to the Commission, and it is planned that from next year the expanded DBI will provide multifarious ICT training programs for over 2000 local and international students annually, servicing both local and international markets. Today, although it is currently being funded through the Commission, this project is expected to be self sustaining and it is planned that it will be eventually handed over to the private sector.

(d) **Digital Awareness Programme (DAP)**

The Digital Access Programme (DAP) is aimed at encouraging the use of ICT in primary, secondary and tertiary institutions all over Nigeria. A total of 141 schools have so far benefited and have been provided with computers, internet facilities, computer labs, and standby generators. Furthermore, in collaboration with the DBI, the Commission provides basic ICT training for the teachers and students to enable them effectively use the facilities provided. About 80 schools will benefit from the program in 2008. The Commission expects this will spur private sector involvement in the institutional human capacity building of the industry.

(e) **Universal Service Provision**

The Universal Service Provision Fund (USPF) was established by the NCA 2003, and mandated to provide ICT access to rural and urban unserved and underserved areas, through the provision of subsidies to the private sector. Some of their ongoing projects include:

(a) **Community Communications Center (CCC)**

The project is aimed at establishing Community Communications Centers that will extend voice, internet, ICT training and other

services to unserved communities on shared basis. Each center will provide a public calling center, cybercafé and ICT training courses, as well as serve as a platform from which to wirelessly extend internet access to surrounding communities.

(b) **Schools, Universities Access Programme (SUAP)**

The SUAP project is designed to provide broadband connectivity to 360 schools, universities and neighbouring communities with particular focus on the rural areas.

(c) **Rural Broadband Internet (RUBI) Access**

This project awards subsidies to the private sector to provide wholesale internet bandwidth to Community Communication Centers (CCC), cybercafés, Rural Internet Service Providers (RISE), Institutions, etc, in rural communities in Nigeria.

(d) **Accelerated Mobile Phone Expansion (AMPE) Project**

The Accelerated Mobile Phone Expansion (AMPE) Project is designed to encourage network roll out in at least 5 unserved towns/villages in each of the 774 Local Government Areas (LGA), by the private sector. The Co-location and Infrastructure Sharing Project (CIP) which is a part of the AMPE, aims at facilitating through PPP and the grant of subsidies, the construction of co-location infrastructures such as mast/towers, generators, in unreached areas, in order to ensure universal access to telecommunications services.

(e) **Backbone Transmission Infrastructures**

The project aims to provide voice and data access points in local government area (LGA) headquarters, with backbone connectivity.

Conclusion

Although the aforementioned projects have proved successful in stimulating private sector investment and involvement, the Commission believes in consultation and therefore welcomes the views of the private sector and the general populace on how to increase the roll out of ICT services, and more ways to attract additional private sector investment. For its part, the Commission has promoted its transparent, internationally lauded Regulatory body as an affirmation of the Nigerian telecommunications sector as a safe haven for investors, by *inter alia*, continuous development of various regulations to guide the industry, as well as policies protecting new entrants and investor funds.

In spite of our successes, we cannot rest on our laurels. There are more gains to be had. There are more opportunities and lower costs to be gotten for the consumers. There are more private sector investments to attract to the industry. There is the need for universal access. There is the need for the gains of the telecommunications liberalization to fully reach all no matter where they live. As Regulators, we are answerable to all stakeholders and in discharging our mandate we will strive to ensure that there is adequate and continuously increased investment in the sector. We will work to manage the varied needs of our various stakeholders, and where possible meet them.

Finally, we will also strive to ensure continued sustainability within the sector so that after all said and done, the Consumers, who are our ultimate and primary stakeholders, are truly satisfied. Only then, will we as NCC, be truly satisfied.

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