

NIGERIA

Diamond of Africa

Nigeria,

home to 120 million, is Africa's most populous country and is emerging from the shadows of decades of military rule. In 2003, President Olusegun Obasanjo's ruling party secured an outright majority in both the 360-member lower house and the 109-member senate, with Obasanjo re-elected for a second term of office. Despite security fears and continuing ethnic and religious tensions, Nigeria is increasingly seen as the new diamond of West Africa and a role model for democracy for the whole continent.

One in five Africans is Nigerian, which gives the government in Abuja considerable weight in regional bodies, including the Economic Community of West African States (ECOWAS) and the New Partnership for Africa's Development (NEPAD). Through its leadership of NEPAD in particular, Nigeria is showing that economic reforms deliver results in terms of increased inward investment, better and more transparent governance and a determination to end corruption.

ECOWAS has grown in stature since Obasanjo's re-election in 2003 by establishing an agenda for regional co-operation, conflict resolution in Liberia and Sierra Leone, and the free movement of citizens from one country to another. As the world's sixth biggest crude oil producer, Nigeria alone has the economic muscle to stabilize the region. Nigeria is leading by example and its reform agenda will soon meet all the ECOWAS convergence criteria. Its mission is to create a borderless West Africa where citizens of every state can trade goods and compete fairly in an atmosphere governed by democracy and human rights.

Experts at Standard Chartered Bank forecast Nigerian economic growth at 4.5% in 2005 rising to 7% in 2008, with the International Monetary Fund (IMF) taking an even more optimistic view. The principal tools to stimulate activity are the National Planning Commission (NPC) and the government's Economic Empowerment and Development Strategy (NEEDS), whose author is Professor Charles C. Soludo, governor of the Central Bank of Nigeria (CBN). Professor Ode Ojowu, CEO of NPC and economic adviser to the President, points to the return of international donors and the new fiscal stability as important factors. Since 2004, budget overspends have been outlawed and spending ministries stick rigidly to their targets.

The IMF is supporting the full scale reforms in the banking sector initiated by the CBN and points to the principal challenge: implementation of NEEDS so as to reduce poverty, manage the windfall from oil revenue and keep inflation on its downward path. Renewed progress in privatization is a key plank in the NEEDS platform. In launching the National Council on Privatization, President Obasanjo said: "Privatization permits governments to concentrate resources on

their core functions and responsibilities, while enforcing the rules of the game so that markets can work efficiently."

By improving collaboration between government ministries and reducing import duties, Nigeria has succeeded in polishing up what had become a tarnished image under the previous military administrations. Privatization is now seen as the principal driver for private sector involvement and growth, and has a track record of success.

Privatization has enabled Vmobile, a key player in the telecoms sector, to start afresh with a rebranding process and catch up with the rest of the market. The Ministry of Transport is also anxious to press ahead with awarding concessions to operators for the ports and railways, and will use public-private partnerships as its preferred model.

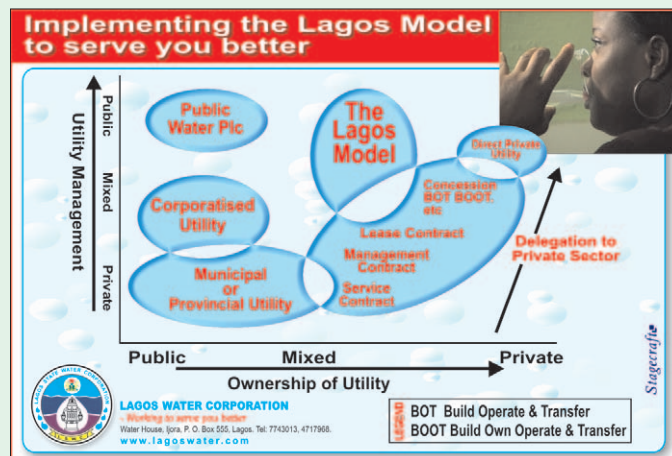
Another major opportunity lies in the state-owned Lagos Water Corporation (LWC). The LWC is seeking potential investors to provide the technical expertise it requires, and is also looking at the capital market, with a view to attracting up to U.S.\$2.5 billion to help it supply the whole city with water. Lagos, with a current population of some five million, will, in the coming decades, become one of the world's largest urban conurbations, so the provision of adequate potable water is one of the city's major infrastructure challenges. The man charged with finding solutions is LWC's group managing director and CEO, Olumuyiwa O. Coker, and his stance on the correct way of organizing this is clear.

Coker says, "If you look at water utilities, we are essentially an extracting and manufacturing unit, so we should be compared to the



Olumuyiwa O. Coker
LWC

Privatization allows governments to concentrate resources on their core functions



more traditional manufacturing companies," he says. "If any of these companies were to be managed in the public sector, they would not perform as well as they are now. So the essence is to look upon the utilities sector as a business and run it like a business."

Coker has already managed to finance around 90% of LWC's business without external help. He has received a clear mandate from the governor of Lagos State, Asiwaju Bola Tinubu, to elevate LWC to the ranks of the global water utility companies. In preparing for privatization, Coker considers that the principal challenge for Nigeria as a whole, is not technology but management. He believes that pre-packaged imported models of governance do not necessarily travel well. "When you look at management and culture, you can argue that it is the culture that evolves into management," he says. "There is a reason why something is called a French model or a British one. A governance model has to work within the environment it is developed in."

The telecoms industry in Nigeria is among the fastest growing sectors of the economy and illustrates the return on investment that is open to overseas-based operators prepared to enter the market at their own risk. Minister of Communications Chief Cornelius O. Adebayo has succeeded in creating a highly competitive market by implementing privatization of the former monopoly provider NITEL, embracing GSM technology, and licensing four providers of mobile telephone services. "We no longer only cover the principal cities of Nigeria, but are now also covering the rural areas of the country," says the minister.

The essence is to look upon the utilities sector as a business and run it like a business

Liberalization is enabling the government to focus on regulation and control as well as rural development. Handsets will soon be available in their own language for Nigerians who do not speak English. They will also be able to buy top-up cards made in Nigeria. The minister takes pride in the rapid growth in the past few years, during which the industry has grown from serving five million to 90 million customers. "We are working to ensure that connectivity is everything," says Chief Adebayo. "We are co-operating with other nations to help build and strengthen the communications sector in Nigeria."

The success of Vmobile underlines the potential of Nigeria's largely untapped market and how taking a risk can pay big dividends. Willem Swart, CEO of VEENetworks Limited, trading as Vmobile Nigeria, arrived in 2003 as part of a management team from Vodacom South Africa. He says: "In May 2004, Vodacom pulled out of the deal, but the management group from Vodacom stayed. We decided to rename the company and also to rebrand it. We've seen Vmobile grow rapidly over the past six months. Our active subscriber base presently stands at 2.4 million, which is a 140% increase on June 2004."

Swart values his company's connection with First Bank, a major player in financial services in Nigeria and one of Vmobile's major shareholders. "If you have that kind of shareholder, you can easily get access to the market. We're busy putting together a huge number of agreements and our total investment in infrastructure will be to the order of \$US.1 billion, which will put us level with our competitors."

OPEN FOR BUSINESS



When it comes to doing business in West Africa, Ikeja Hotel Plc is the first name for all your hospitality needs. The company, which owns three prestigious hotels in Nigeria, has revolutionized the hospitality industry by introducing world-class hotels to the region. The elegant Sheraton Lagos Hotel and Towers, which opened in 1985, was an immediate hit with business and leisure customers, and Ikeja Hotel Plc became synonymous with comfort and excellent service.

The Federal Palace Hotel, also in Lagos, commands majestic views over the Atlantic Ocean and Lagos harbor. One wing of this historic coastal landmark is undergoing extensive refurbishing, with banqueting, conference and food and drink outlets planned. The entire project is due to be finished by the end of 2005, and will be operated by Sheraton. A two-year renovation program will then begin on the second wing. Ikeja Hotel Plc acquired a 51% stake in the Capital Hotel Plc (owners of Abuja Sheraton Hotel and Towers) in 2003. Seventy-two long-stay apartments are planned to be built at the Abuja Sheraton Hotel in the Nigerian capital.

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Chief Cornelius O. Adebayo
Minister of Communications



Goodie M. Ibru,
Ikeja Hotel Plc

Swart is pleased at the government's total commitment to an open market, which was expressed in its refusal to intervene when Vmobile recently engaged in litigation with another operator. He and his colleagues are working on differentiating Vmobile's value proposition. The company is one of the few telecoms companies in Nigeria, which has maintenance as part of its business strategy. "We need to see the company in the context of an industry that will continue to grow," he says. "In the next five years we should have between 13 and 14 million subscribers. This would represent 30 or 40% of the Nigerian market."

Vmobile also harbors transnational ambitions including possible expansion in ECOWAS and elsewhere in Africa, either by

forming a new group of companies or by seeking a strategic alliance with a business partner. He says: "We may also get a partner that is not yet present in Africa and which would use us to penetrate the market."

Swart admits candidly that Vmobile also sees itself as a good target for potential investors. "Vmobile is a very good option and Nigeria is now the China of Africa," says Swart. "People can come in and take over a company that's running already. We need funding, so part of our strategy is to get more equity. In this industry you need infrastructure first and then the capacity to manage it. We have the best management team when compared to all the other telecoms companies in Nigeria."

With tourism still in its infancy in Nigeria, hospitality sector entrepreneurs focus on the business travel market where there is a need for more mid-market hotels. Goodie M. Ibru is chairman of Ikeja Hotel Plc and the NEPAD Business Group, which partners with the Nigerian government to realize NEPAD objectives. Ibru

also belongs to the Presidential Council on Tourism, which is looking at incentives the industry could offer.

Ibru, who started the hospitality industry in Nigeria in the '70s and '80s, is seeking to list his three hotel-owning companies on the Nigerian Stock Exchange to enable them to more easily raise capital. "We've made some investments in the past few years and now it is time for us to consolidate," he says. The group is refurbishing the Federal Palace Hotel and the ever-popular Sheraton Lagos, and is also investing in the Abuja Sheraton which it acquired two years ago. "In the future, we hope to invest in neighboring countries, as part of NEPAD's commitment to integrate African economies," Ibru adds.

The 670-room, five-star NICON Hilton Abuja exemplifies the top end of the hospitality market and is a jewel in the crown of Hilton International. Through a major refurbishment, the director of business development Martin Stolfa aims to retain a Nigerian touch to the hotel, but is also striving to meet the highest international standards.

**Vmobile
is a very good
option [for
potential investors]
and Nigeria is now
the China of
Africa**

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Bringing in the private sector

Nigeria offers up its ports and railways to concessions to get the country moving

Nigeria's

transport system is undergoing a radical shake-up in line with President Obasanjo's directive to open up public/private partnerships and improve his country's floundering travel network.

The President's mandate has brought renewed optimism to a country that has seen its railways, ports, roads and waterways sorely neglected as a result of mismanagement and corruption under previous administrations. Now, foreign investors are taking note of the opportunities coming to the fore in Africa's oil-rich nation.

The man assigned the task of breathing new life into a system that was deemed "near comatose" in 1999 by the incoming administration, is Dr. Abiye Sekibo. A former medic, Sekibo worked in the Rivers State government before entering Obasanjo's cabinet in 2003. Since then, he has been tackling the problem head-on. He says: "My directive is to make the transport sector more vibrant and productive, and the only way we can do that is to bring in the private sector."

Noting the importance of sustainable growth for his country, Sekibo says: "An efficient transport system is crucial to development and poverty alleviation. If we have a state-of-the-art transport system, we can move people and raw materials around the country rapidly, and when our infrastructure improves, the foreign direct investment will follow." The ministry is offering all eight of Nigeria's port terminals out to private operators – a step which has attracted port management companies from all over the world. The move, which Sekibo claims has received the largest single expression of interest in the history of port concessions, has been run transparently and he is determined to keep it that way. "I don't think we have had anything like what we are doing now before in Nigeria."

All the ports are compliant with the International Maritime Organization's International Ship and Port Facility Security (ISPS) code, and are working at full capacity. In the first half of 2004, they handled 19.6 million tons of cargo, 46% of which was liquid bulk cargo, including refined petroleum products, liquefied natural gas (LNG) products and vegetable oil.

The idea of bringing in those with technical know-how has also extended to the railways. Despite receiving a blueprint of reforms from the government in 1999, it is only now that they are being implemented by the Nigerian Railway Corporation. Sekibo is committed to pushing these reforms through by the end of the year. As chairman of the presidential committee on railway concessions – a ten-member team charged with making the Nigerian Railway Corporation more viable – he is keen to attract the private sector operators with the expertise the country needs to rehabilitate the railways.

Part of his remit is to analyze the current single-line track system – which sees trains waiting up to an hour for another to pass on some stretches – and expanding the network, particularly to rural areas, thus moving people and goods more efficiently.

It's a tall order, but Sekibo remains unfazed. "As the ports become more efficient, they will produce more cargo and freight, which will



The Nigerian Ports Authority is now handling concession inquiries

have a knock-on effect on transportation throughout the country, particularly on the roads and railways. This is something we have to address. We have the largest market for investors in Africa, and the railways are crucial to moving the economy," he says.

Under the new rail development program, Sekibo would like to see a second railway line built alongside the existing one, but he is realistic about the timeframe. "That, of course, is a huge project that will involve a lot of money and is not one we can do just like that. So what we want to achieve now is to get this single lane working. Once that happens and it begins to attract cargo, it will at least start to fend for itself. Then we can begin on the new line."

The whole privatization process will be overseen by the National Council on Privatization, while the Transport Sector Reform Implementation Committee (TSRIC) will oversee the restructuring and privatization. Another reform body will define the laws, regulations, policies, processes and institutional requirements permitting the entry and exit of private sector operators, as in any other sector. This revamp, Sekibo believes, will make Nigeria's railways attractive to the investor, and transform the railway into a modern and efficient mode of transport.

We have the largest market for investors in Africa

Full steam ahead for the ports

In the last financial quarter of 2003, the Nigerian Ports Authority (NPA) was close to ruin. Now, it is a lucrative business undergoing major reforms and in the midst of an advanced concession program. The man behind the transformation is chief Adebayo Babatunde Sarumi, who was appointed managing director in October 2003.

Sarumi says: "Our strategy was quite simple. First we achieved a better understanding of our revenue base, as well as improving revenue collection. We found the company had fallen behind in its targets, and many of our managers had no targets at all. A large number of our ships were in arrears, and nobody had the best interests of the company at heart."



Dr. Abiye Sekibo
Minister of Transport



Chief Adebayo Sarumi
Nigerian Ports Authority



A. A. Abubakar
Nigerian Railway Corp.

The company set about a vast reform process, which included implementing moves to clear cargo within 48 hours and modernize the port handling equipment. They trained and retrained their staff and mechanical operators, and have become more fully functioning as a result.

To make the sector more viable, the government decided the operations side would be transferred into private hands. Sarumi says: "Private operators are better equipped than us. They can handle cargo more efficiently and more cost effectively, ensuring a quicker turnaround. The first set of competitive bids has been opened, for Apapa, and interested parties are known. We are negotiating with them now."

Next up will be Port Harcourt, in the oil-rich Rivers State, and Sarumi believes that all eight ports will have been fully concessioned by the end of this year or the first quarter of next. The company has been in close contact with Grandi in Naples, Italy, who have agreed to invest U.S.\$60 million in a new roll-roll port, while Management Enterprises are creating a bulk-handling plant for cement, wheat, rice and other commodities.

According to Sarumi, the best opportunities lie in building new terminals to cope with the current demand. "All our facilities can handle about 25 million tons of cargo, but they are currently handling around 40 million. This is set to rise to 60 million tons by 2006/7, when our LNG sector will be shipping out three times the volume they are today."

The attraction of Nigeria for investors is simple, says Sarumi. "Nigeria is responsible for 55% of the cargo coming into the West Africa region, simply because it is rich, has a growing economy and the largest population. If a ship carries 4,000 containers, as many as 1,800 could be destined for Nigeria, with the remainder going to ten other ports. It would be so much more effective to drop the containers off here and distribute them in smaller vessels. We want to become West Africa's shipping hub.

"One of the reasons we are asking investors to come in and take over is for them to invest in the existing facilities. Modernization means quick turnaround of vessels and cheaper, faster services. They should come and see the effect of that."

Railway concessioning on track

With around 3,355 miles of track, Nigeria has the capacity to make a viable rail network to move its people and freight around the country. The Nigerian Railway Corporation (NRC) will soon begin haulage of petroleum products for Oando Plc from Lagos to strategic depots in the northern part of the country, and has already introduced a courier service train between Lagos and Kano. A freight train for animal feed and vegetable oil producing firm Grand Cereal is also in the pipeline. However, to get fully up to speed, and exploit opportunities they currently cannot cope with, the railways are in need of some serious investment.



The railways are lined up for modernization and more freight

"As far as freight is concerned, we have huge amounts to move," says railways chief, A. A. Abubakar. "But we don't have the capacity. The previous government spent billions on the roads, but they can't last. This government is finding ways to work with the private sector to upgrade the system."

NRC plans to start the concessioning process in the next six months, and is being supported by the World Bank throughout the process. "We hope that through the concessions, the travel sector will come in and join hands with the government to upgrade the system. Private entities will be able to take over operations for 25 years." Concessionaires will be responsible for the operation of freight and passenger railway services, maintenance and upgrading of the rail track, and management of railway-related real estate. Abubakar is hopeful of the outcome. "By the first quarter of next year, we should be talking serious concessions. I see a great future when that is done."

The Corporation recently sent a batch of railways officers to work with delegates from the U.S. Department for Transportation to learn best practices and share information. Abubakar says: "The program was both educational and practical, as they visited container depots and attended lectures, learning beyond the books. We would be glad to get an American operator on board."

Successful operators will be able to offer commercial services in a competitive and deregulated environment, with the freedom to define service configuration, set prices and contract with specific customers.

Nigeria is responsible for 55% of the cargo coming into West Africa



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Rivers State – Nigeria's life source

Shell's decision to move its exploration and production HQ to Port Harcourt has breathed new life into the heart of Africa's oil and gas industry

Rivers

State, in the oil-rich Niger Delta, is the heart of Africa's hydrocarbons industry and responsible for 45% of Nigeria's national income from sales of crude oil and natural gas. Its capital, Port Harcourt, recently became home to one of the hydrocarbons industry's key players when Shell Petroleum Development Company relocated its Exploration and Production Africa headquarters there earlier this year.

Port Harcourt, a lush garden city with palm trees on every corner, is second only to Lagos as a business and investment magnet. Located in the Gulf of Guinea, with two viable seaports, it has gained even more prominence, with the Bonny Island Liquefied Natural Gas (LNG) project putting Nigeria into the ranks of the world's top four LNG producers. Three international airlines: Air France, Virgin Atlantic and Lufthansa, already operate direct flights to Port Harcourt, emphasizing the strong links that already exist with European Union countries.

State Governor Dr. Peter Odili, 57, first elected in 1999 and now in his second term, has created a business-friendly economic climate that is attracting more local and international entrepreneurs to set up shop. Rivers State is a hugely fertile area where most of the 4.5 million people work in farming, fishing and trade. Since 1999, the state population has grown tremendously, imposing huge stresses on basic services including education, sanitation and housing.

"Our vision for the future is a state where only the lazy will remain poor," says Dr. Odili, an expert in tropical medicine, who qualified in Nigeria and the United Kingdom before entering politics. His agenda is driven by a mission to create new wealth and opportunity for his people by empowering local communities and making them major stakeholders in the future of Rivers State.

Rivers State, however, faces tough challenges. The HIV/Aids pandemic and the familiar problems of corruption and shaky infrastructure frustrate even the most patient of local leaders. Nonetheless, Dr. Odili and his state government are nothing if not progressive. Rivers State is the only one of Nigeria's 36 states to subsidize 100% of the cost of HIV/Aids medication and provide free health care for children under six, pregnant women and the over-60s. Security worries encountered by the state government last year have been tackled and the multinationals are returning to Port Harcourt.

With more power generation capacity coming onstream, Dr. Odili predicts that by the end of 2005, most communities in Rivers State will have access to uninterrupted supplies of electricity, the lever for renewed economic growth. Financial services are becoming more universally available to citizens, with some banks relocating their head offices to Port Harcourt. Outside the hydrocarbons sector, major opportunities exist for foreign investment in the palm oil industry, glass manufacturing and public-private sector partnerships to



President Obasanjo converses with Rivers State Governor, Dr. Peter Odili

operate key services including seaports. Dr. Odili says: "We are looking at a future for this state where all the basic infrastructure will be running, a state where education is available to all citizens and where investors will continue to flock."

For his part, Dr. Odili is taking a "zero tolerance" stand on corruption in line with the policies of the country's President Obasanjo. "We want to thank the international community for their positive response to the development of the state and to urge them to keep coming to Rivers State," says Dr. Odili. "We are fighting corruption and we believe that our principled stand will reduce the cost of doing business in our state."

The government of Rivers State is keen to position itself as a strong supporter of international business. Among the incentives for prospective investors and developers are tax holidays, tax relief, provision of water supplies and a "pioneer scheme" for newly established industries to enable them to survive beyond their initial outlay of capital.

Under Dr. Odili, the state government has helped many investors, especially in the hydrocarbons industry, to coexist with local communities living around their large-scale industrial projects. "The simple trick is for the investor to choose the right location according to the type of investment they plan to make," he says. "Problems only arise when promises on paper are not met."

The economic empowerment of women is another major focus for the state government, driven by a non-governmental organization established by Dr. Odili's partner, Justice Mary U. Odili. She is founder of the Adolescent Project which has now delivered training to more than 200,000 underprivileged women and young people.

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"Our vision for the future is a state where only the lazy will remain poor."

PORT HARCOURT - GARDEN CITY OF NIGERIA

Where the rivers
RUN FREE



The good people of Rivers State enjoy a quality of life which serves as a model for all Nigeria. With cutting-edge health care technology, a comprehensive HIV/AIDS awareness program and free medical care for pensioners, pregnant women and pre-school children, Rivers State is making ripples across Africa. As the continent's largest oil and gas center, Rivers State also has a modern business infrastructure, with busy sea ports, a good highway network and a programmed, uninterrupted power supply. Links with world-famous airlines make the capital, Port Harcourt, Nigeria's second most well-connected city. Accountability and frugality is central in managing public funds. Small wonder then, that investment just keeps flowing in.



**Dr. Peter Odili,
Governor of Rivers State**



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