

# JIM OVIA'S PAPERS

## **FINANCING INFORMATION AND COMMUNICATION TECHNOLOGY: OPPORTUNITIES AND CONSTRAINTS**

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# OUTLINE

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## *Introduction...*

- Propagating Information Communication Technology (ICT) in Nigeria has seriously been impaired by perceived lack of capital, weaknesses in infrastructure, inadequate managerial skill and unskilled e-workforce.

### **Financing Options**

- Initial capital outlay is very important for ICTs.

Sustainable financing could come from the following sources:

- Banks' equity participation
  - Direct bank lending
  - Venture capital
  - IFC assisted funding
- Nigerian banks have recently confirmed their willingness to disburse 10% of their Profit Before Taxation (PBT), by way of equity participation, to Small and Medium Scale Enterprises (SMEs) out of which ICTs should benefit significantly.

- World bank and its various development agencies to assist Highly Indebted Poor Countries (HIPC) in funding their ICT projects.
- Given that each person in HIPC survives on an average of \$1 per day compared with more than \$1 per day which the European Economic Community members spend to subsidize a cow in Europe.
- Venture capital needs to be fully developed to enable ICT projects benefit there from.
- Nigerian banks financed almost 40% of the \$855 million (about N96 billion) recent GSM auction in Nigeria either directly or indirectly.
- Most PTOs in Nigeria as well as ISPs were substantially financed by Nigerian banks.
- Nigerian banks have to expand financing arrangements to the small scale software developers/IT engineers and ICT entrepreneurs generally.

## OPPORTUNITIES

- Borderless technology.
- Educational research – distance learning.
- ICTs serve as magnet for other industries to grow and prosper.
- Human capital development is accelerated.
- ICT cities will spring up in various parts of the country.
- ICT cities will have catalytic influence on other sectors of the economy.
- ICTs, if fully supported and encouraged by the government will enable the Nigerian economy to participate and share in the estimated \$7 trillion of e-commerce market potentials by 2004.
- Poverty alleviation – ICT would serve as a very important avenue to alleviate poverty much quicker than any other approach.
- Job creation – ICTs create jobs much faster than any other sector of the economy in the areas of telecom and telecom related businesses; Private Telephone Operators (PTOs), Internet Service Providers (ISPs), Cybercafes, IT programmers, IT engineers, Web designers and the multiplier effects on economy generally.
- ICTs would foster entrepreneurship.

- ICTs would also generate social and economic growth.
- Doing business with the outside world without physical contact.
- E-governance is much more than computerization of back-office operation.  
It also implies radically changing how government functions.  
Government to imbibe the use of technology to deliver its services to the public.
- E-governance also allows professional monitoring of government behaviour.
- Government to set up e-governance initiatives in Ministry of Information that would monitor the adherence of e-governance programmes in various government parastatals.
- E-governance gives opportunities for the public to pass their views to the government. Transparency becomes more obvious as more public sectors become efficient. Government could be influenced to make faster decisions.
- Contracts will be professionally contested through e-commerce.
- Internet access is essential to leap-frog the digital economy.
- Establishment of National Information Technology Development Fund (NITDEF).

## CONSTRAINTS

Confronting the challenges of developing ICT and also generating financing could be daunting. The constraints are numerous among which are:

- Infrastructure inadequacies.
- High cost of Internet connectivity. CNN reported that it costs \$2000 per annum for a decent Internet access in Nigeria.
- Only 1% of Internet access is in Africa.
- Africa and other developing countries account for 80% of the world population.
- An average person in HIPC survives on \$1 per day
- European Economic Community (EEC) spends \$1 billion per day to subsidize agriculture. \$365 billion being the total amount of subsidy for agriculture by the EEC. This amount represents the total GDP of the entire Africa.
- Over regulation by government – it creates technological barriers and cost of doing business.
- The cost of doing business with phone lines is very high in Nigeria and it has a ripple effect on the cost of access to the Internet.
- Lack of e-workforce

## CONCLUSION

- The digital divide could be bridged because the technology is already available and can always be replicated.
- The barriers and challenges of developing sustainable ICT cities could be surmounted with adequate incentives from government.
- The renewed vigour on the part of government in embracing ICT, with the establishment of National Information Technology Development Fund (NITDEF), will reinforce its attempts to bridge the digital divide, and eliminate the nations perceived weaknesses in building e-economy.