

BUSINESS AND INVESTMENT ENVIRONMENT IN NIGERIA



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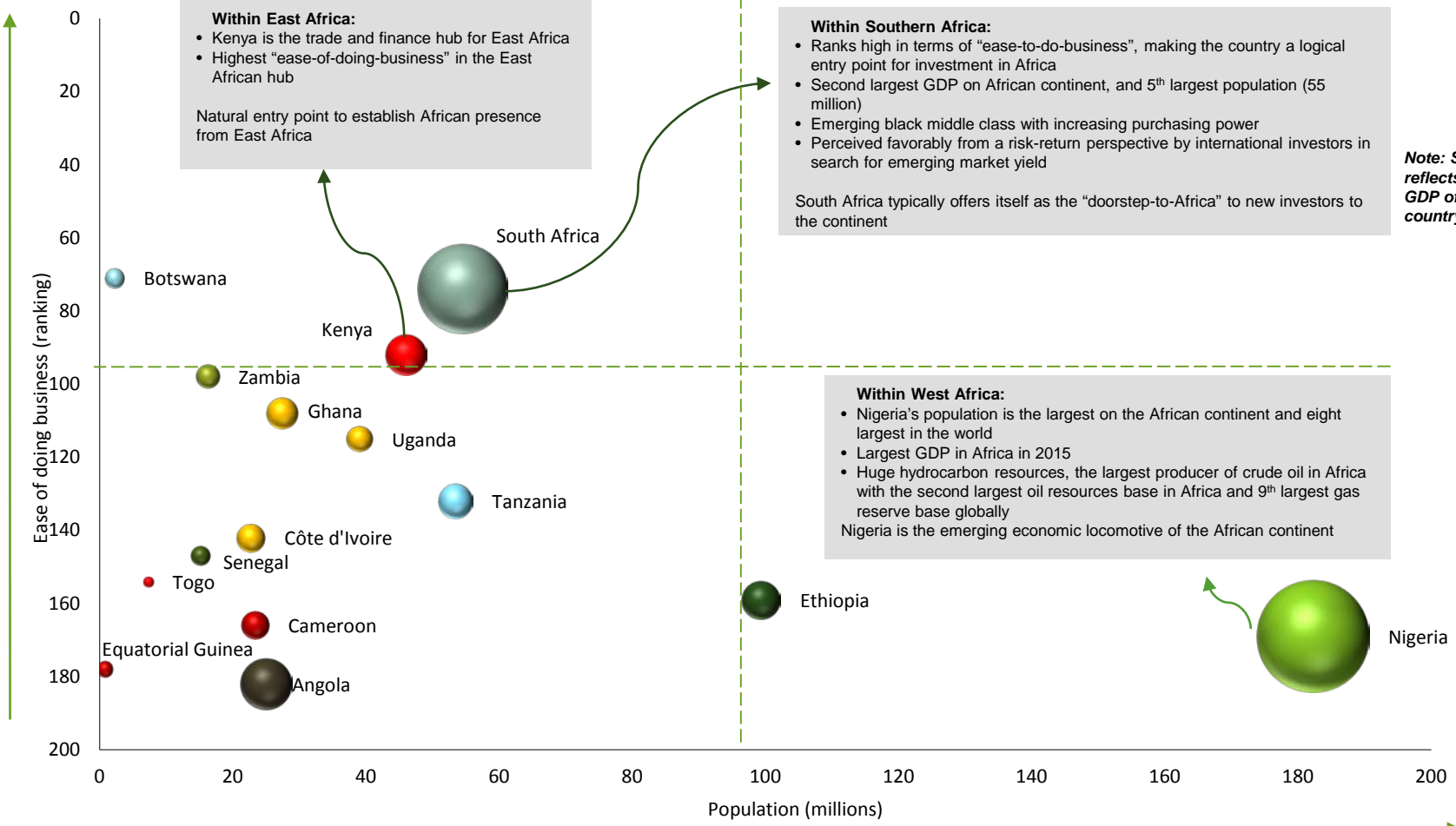
TOKYO, JAPAN | FEBRUARY 2017

Private and Confidential

Nigeria is a key strategic market in sub-Saharan Africa











Increasingly friendly business environment









Nigeria is the largest economy in Africa



Comparative statistics

								
Macroeconomic Metric 2015	Nigeria	Ghana	Cote d'Ivoire	Senegal	Burkina Faso	Togo	Benin	Liberia
Nominal GDP (US\$,bn)	493.8	37.4	31.8	13.8	11.1	4.0	8.5	2.1
GDP per capita (US\$)	2,710.4	1,363.8	1,398.8	910.7	613.0	547.9	779.1	455.9
Real GDP (% change p.a)	2.7	3.9	8.4	6.5	4.0	5.5	5.2	0.3
Population (m)	182.2	27.4	22.7	15.1	18.1	7.3	10.9	4.5
Population growth rate (%)	2.7	2.3	2.4	3.1	2.9	2.7	2.7	2.4
Labour force (m)	57.3	11.7	8.3	6.5	–	–	–	1.6
Headline inflation (%)	9.0	17.2	1.3	0.1	1.0	1.8	0.3	7.8
Doing business ranking	169	108	142	147	146	154	155	174

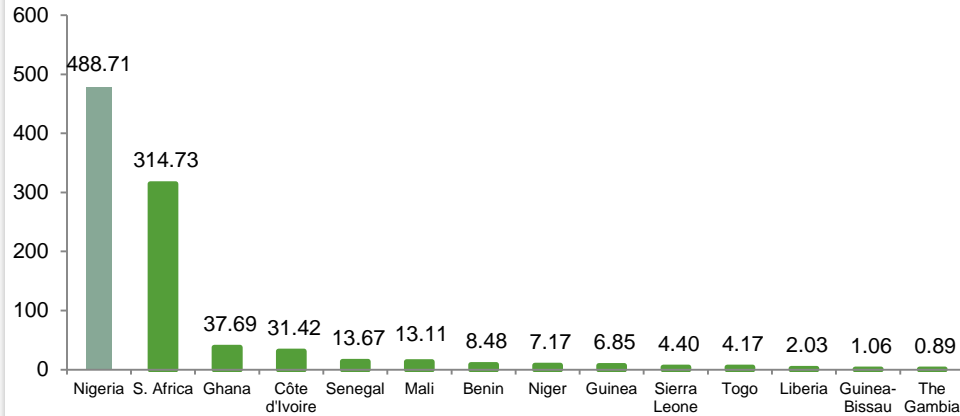
						
Macroeconomic Metric 2015	China	India	Brazil	Russia	Nigeria	South Africa
Nominal GDP (US\$,bn)	11,181.0	2,072.0	1,772.3	1,324.5	493.8	314.6
GDP per capita (US\$)	8,217.5	1,580.4	8,668.4	9,040.9	2,710.4	5,773.2
Real GDP (% change p.a)	6.9	7.5	3.8	3.7	2.7	1.3
Population (m)	1,361.0	1,311.0	204.5	146.5	182.2	54.5
Population growth rate (%)	0.4	1.2	0.8	0.1	2.7	1.0
Labour force (m)	806.3	501.8	109.2	76.6	57.3	21.1
Headline inflation (%)	1.5	4.9	9.0	15.5	9.0	4.5
Doing business ranking	78	130	123	40	169	74

Nigeria is the largest and least indebted economy in Africa



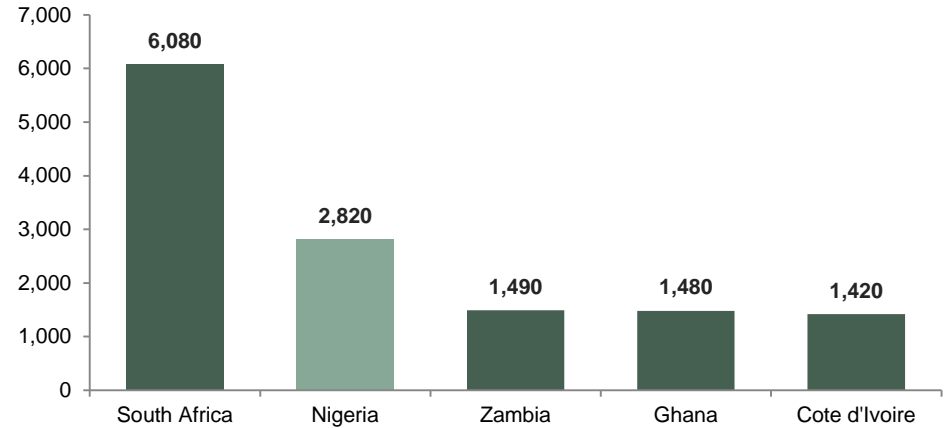
Nigeria's GDP remains the highest in Sub-Saharan Africa supported by its population and diverse economy

US\$ billions (2015)



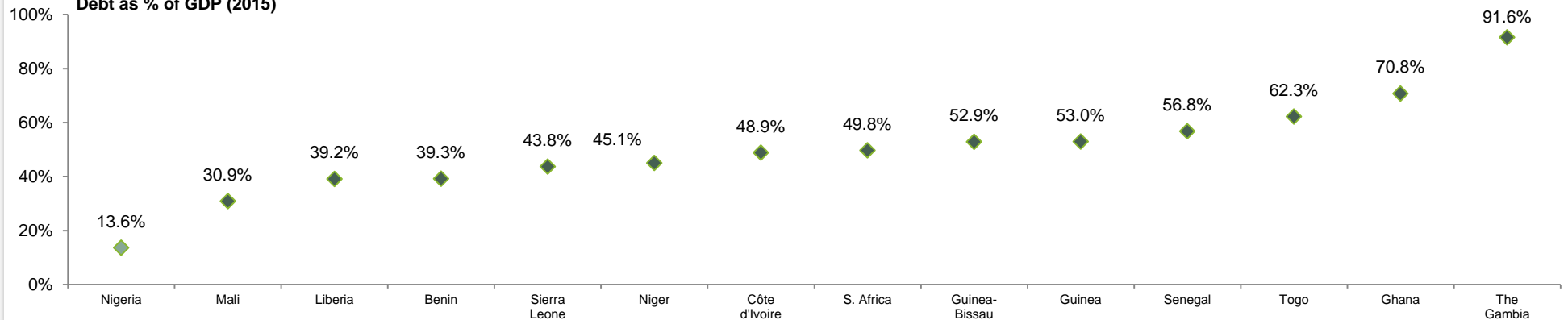
Despite a currency devaluation, GNI is above many African peers

GNI (US\$) per capita (2015)



Nigeria's debt profile is low compared to African and developed market economies

Debt as % of GDP (2015)

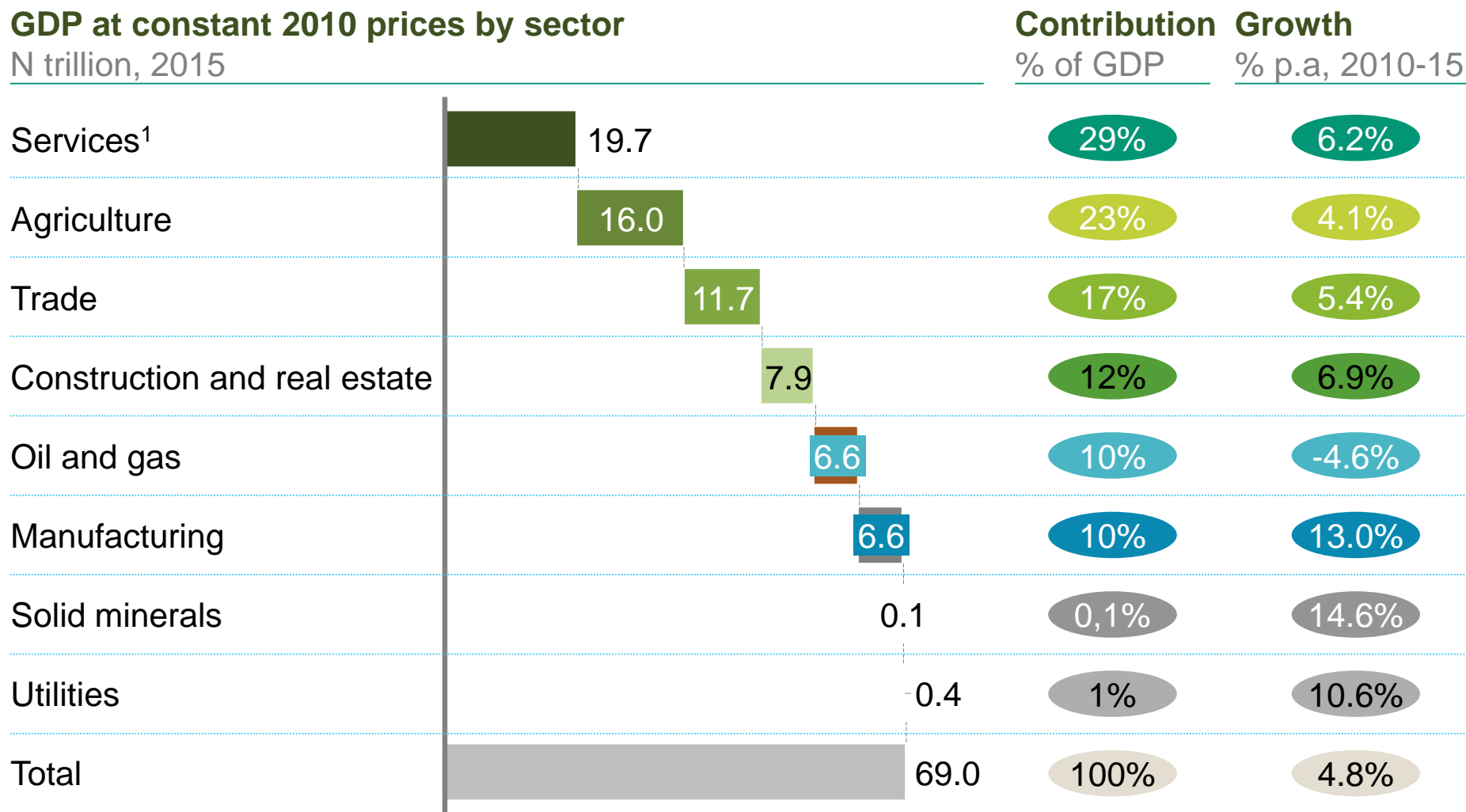


Strong growth has been driven by non-oil sectors



GDP at constant 2010 prices by sector

N trillion, 2015

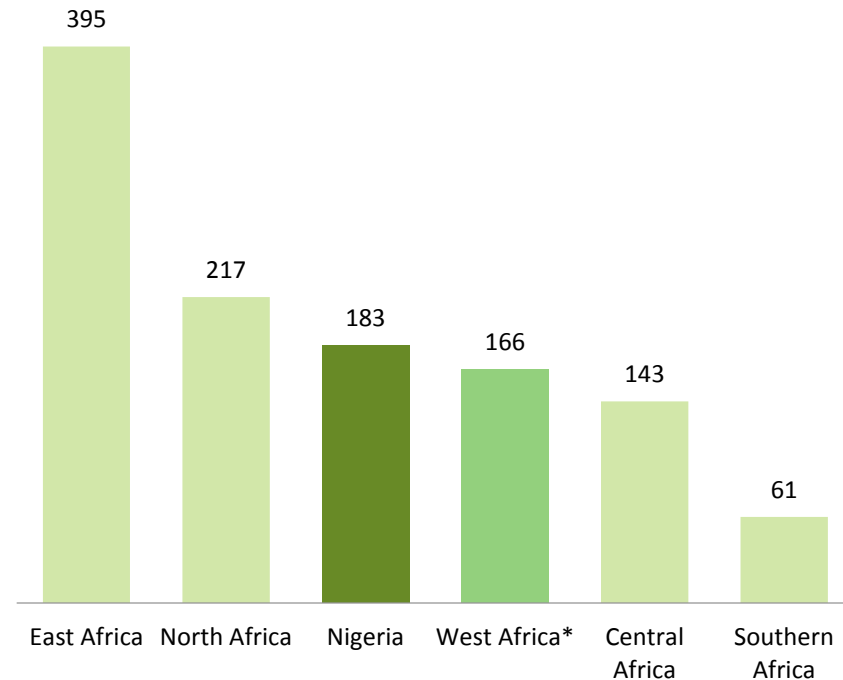


¹ includes accommodation and food services, transport and storage, post and courier, publishing, motion pictures, broadcasting, arts, entertainment and recreation, administrative and support services, financial institutions and insurance, professional, scientific and technical services, telecom, and public services (e.g., education)

Nigeria is strategically located with access to the larger ECOWAS market



Population across Africa, 2015 (mn)



- **4 International airports** and major seaports in Lagos, Calabar and Bonny island
- **3,798 km** of railway tracks and **168,000 km** road network
- **Land borders with Benin, Cameroon, Chad & Niger** and a natural hub for the region

* Rest of West Africa excluding Nigeria

Nigeria has the 2nd biggest cluster of large companies in Africa

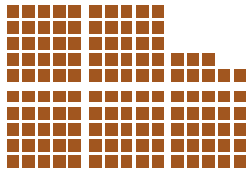


Companies with more than \$500 million in revenue, by region, 2014¹

Number of companies

North Africa

133



West Africa

40



Nigeria

56



Central Africa

19



East Africa

25



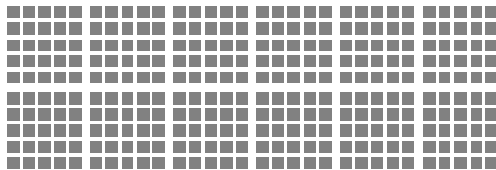
Southern Africa

43

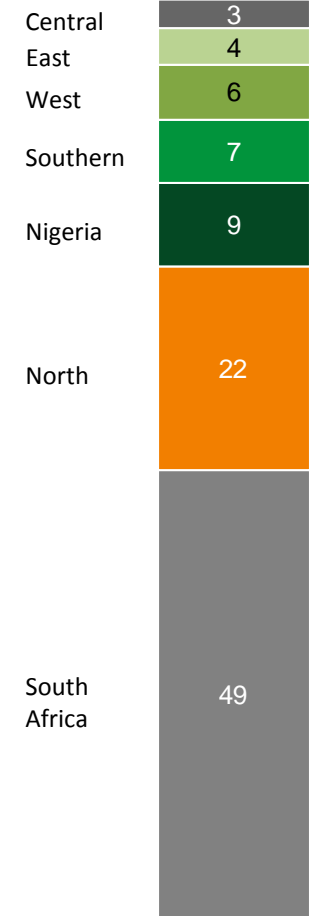


South Africa

300



% of Africa's total



¹ Regional definition from the African Development Bank; 2014 or most recent data.

Note. Includes multinational corporations with local branches registered in Africa; does not include those based outside of Africa. Numbers may not sum due to rounding.

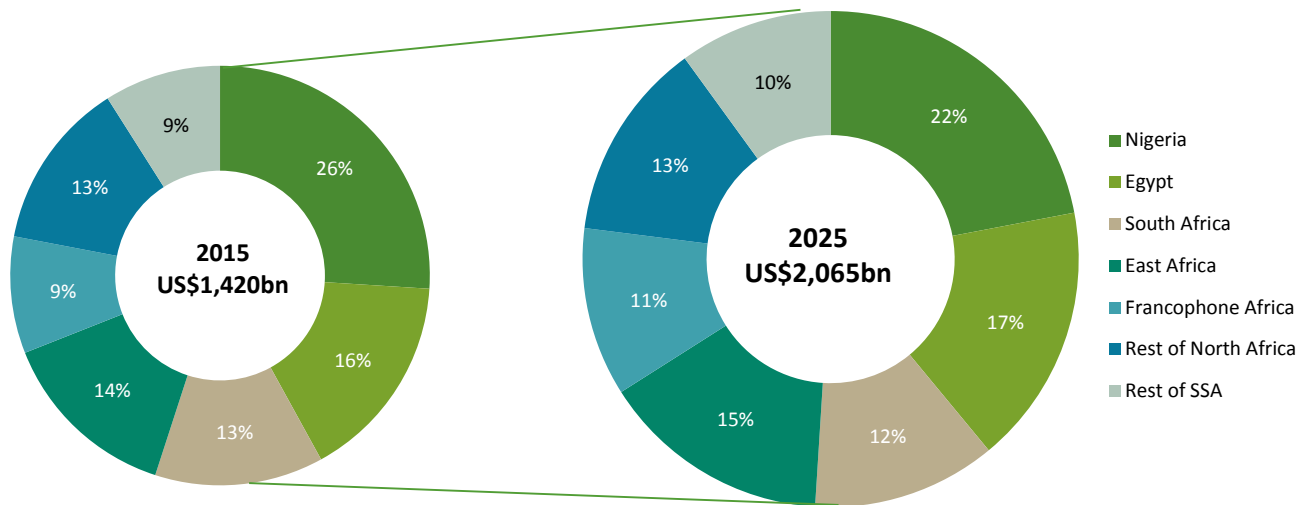
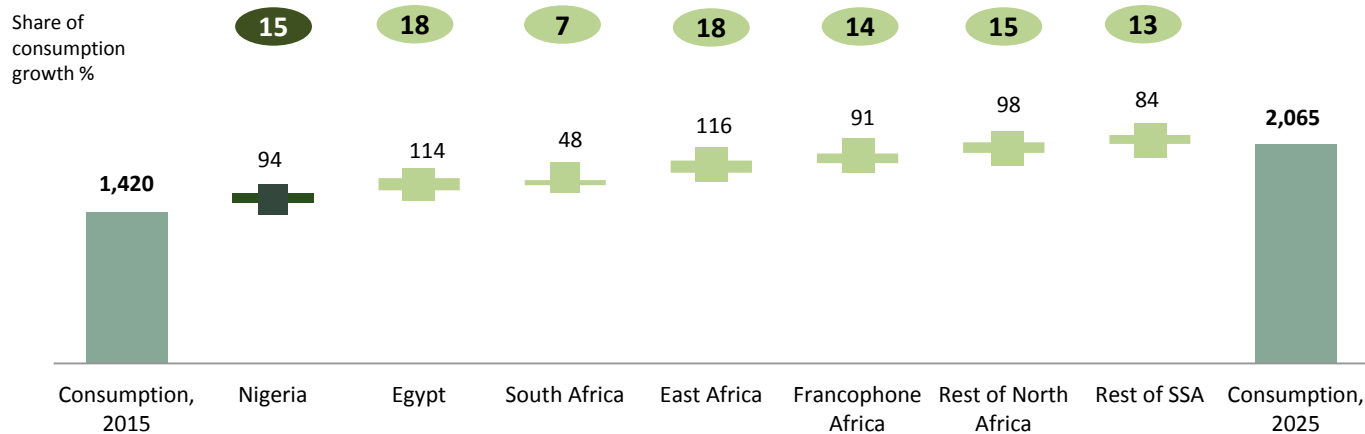
Nigeria is expected to drive 15% of Africa's household consumption growth by 2025



Summary

- Africa's household consumption has continued to grow at a robust pace. **60%** of consumption growth has come from an **expanding population**, and the rest from **rising incomes**
- Africa's consumption growth has been the second fastest of any region after emerging Asia
- Household consumption is projected to grow by **US\$645 billion to US\$2.1 trillion by 2025**,
- Nigeria**, Africa's largest economy will remain the region's single largest consumer market, accounting for **15% of overall growth in consumer spending to 2025**
- The biggest spending categories will be **food and beverages, housing, consumer goods, education, and transportation services**

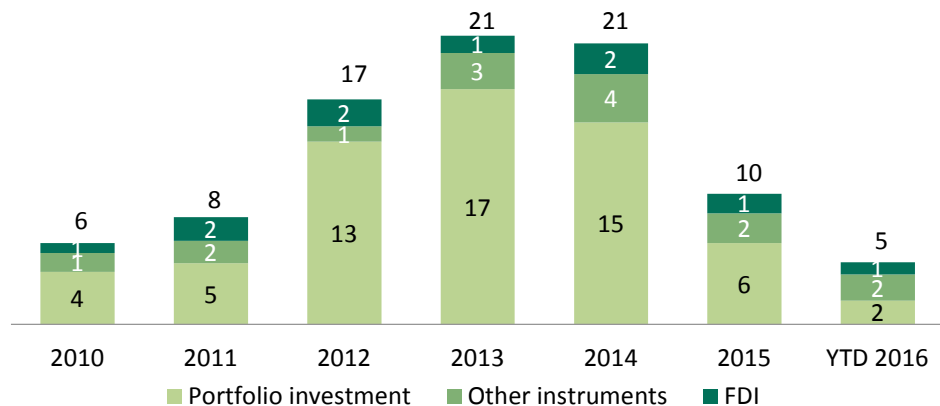
Total household consumption (US\$,bn), 2015 - 2025



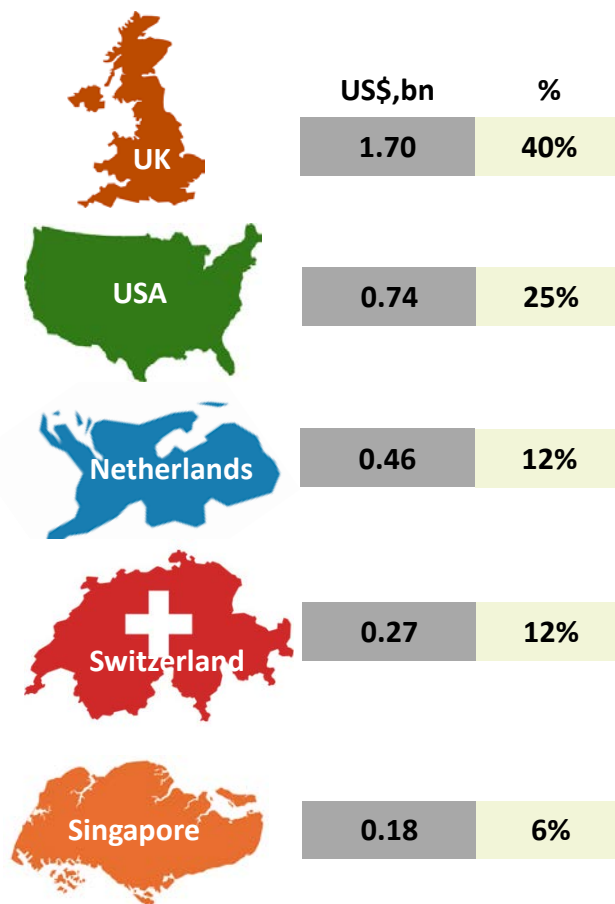
Major sources of foreign capital inflows into Nigeria



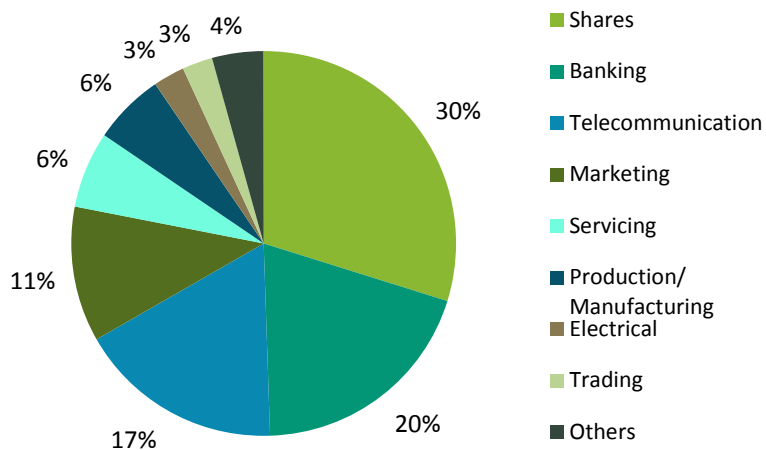
Foreign capital inflow by type (US\$,bn)



Foreign capital inflow by country 2016* (US\$,bn)



Foreign capital inflow by sector 2016* (US\$,bn)

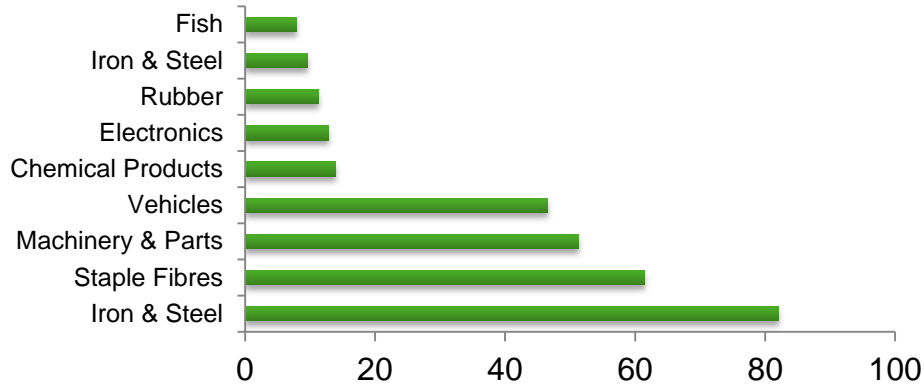


* Excludes December 2016 figures

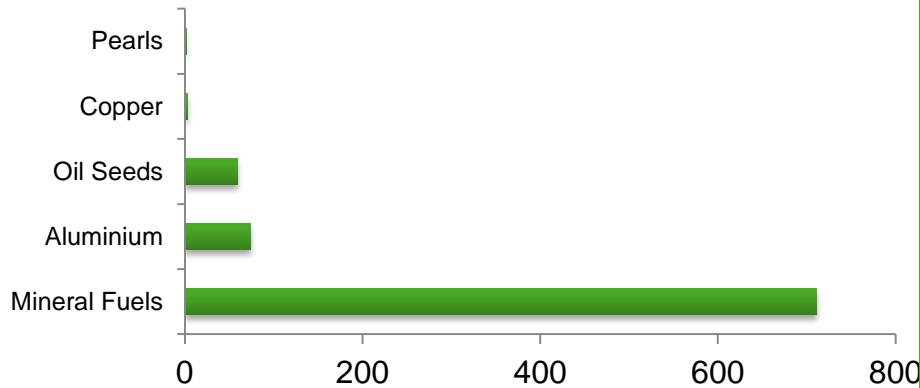
Trade flows between Japan and Nigeria



Japan - Top export products to Nigeria, 2016 (US\$,mn)

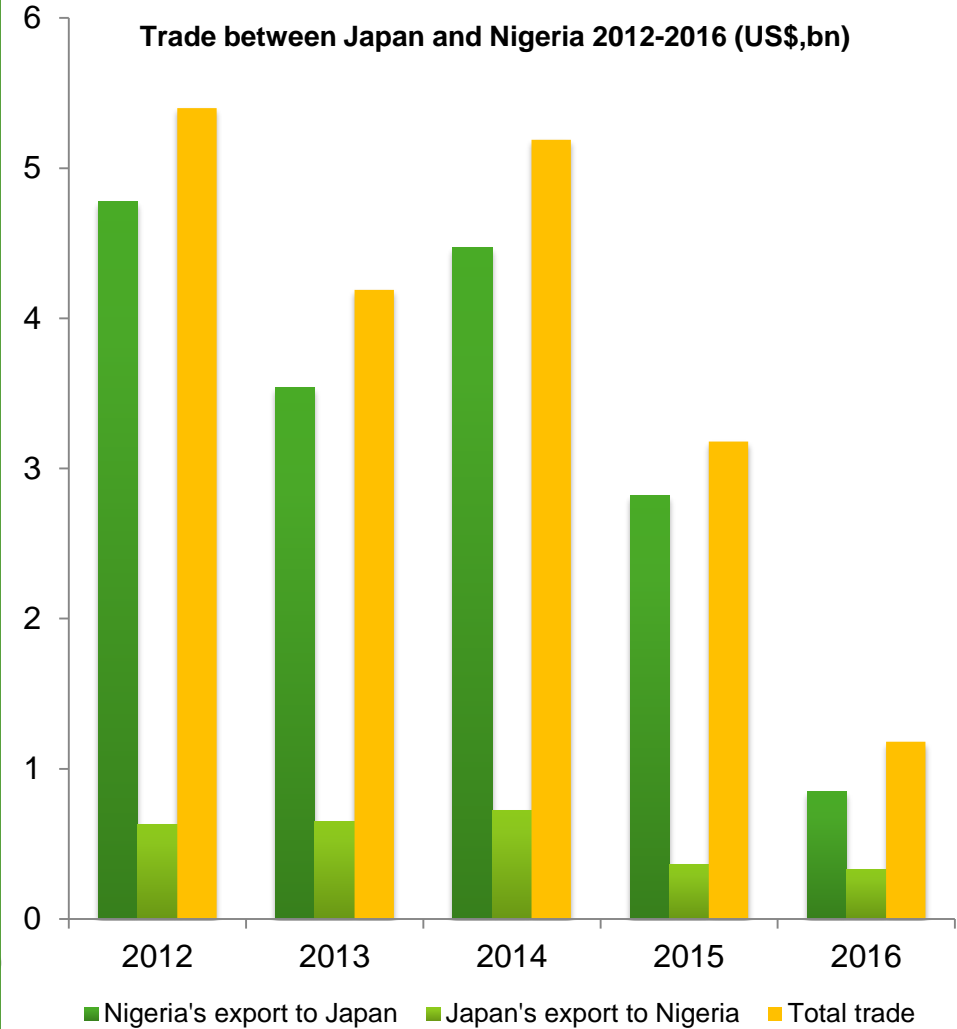


Nigeria - Top export products to Japan, 2016 (US\$,mn)



In 2016, about 84% of Japanese imports from Nigeria was Mineral Fuels

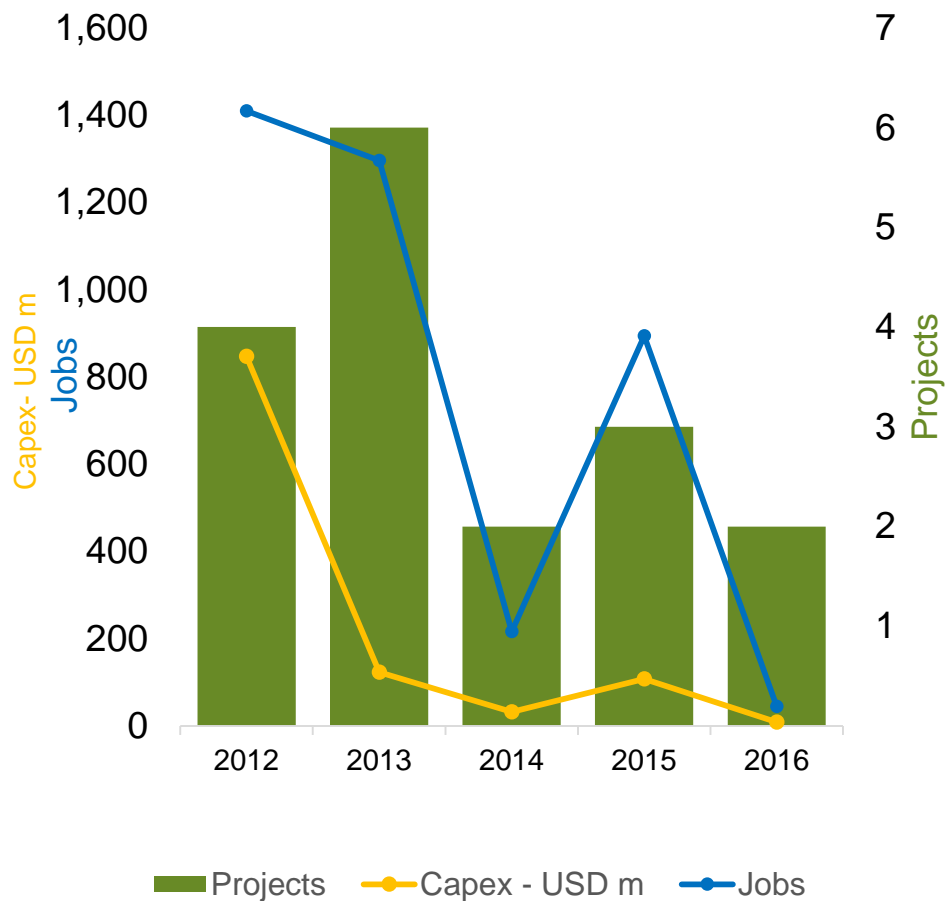
Trade between Japan and Nigeria 2012-2016 (US\$,bn)



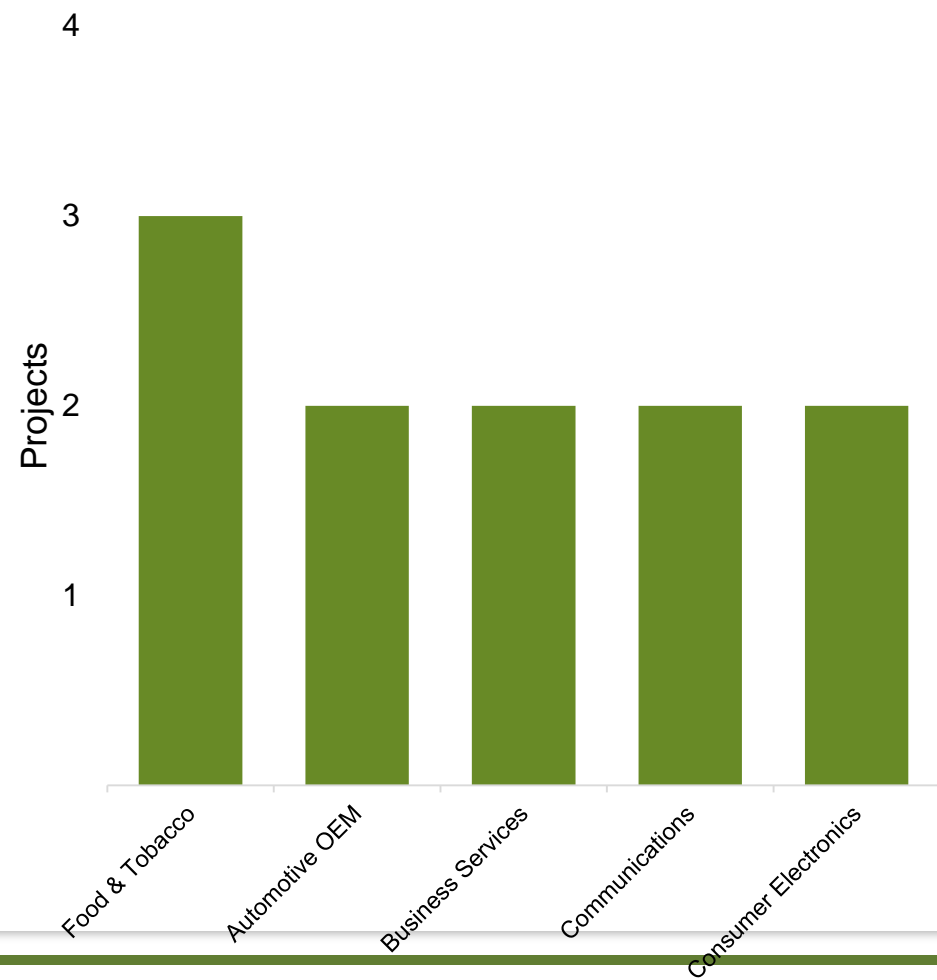
Foreign Direct Investment flows from Japan to Nigeria



Summary of FDI from Japan (2012-2016)



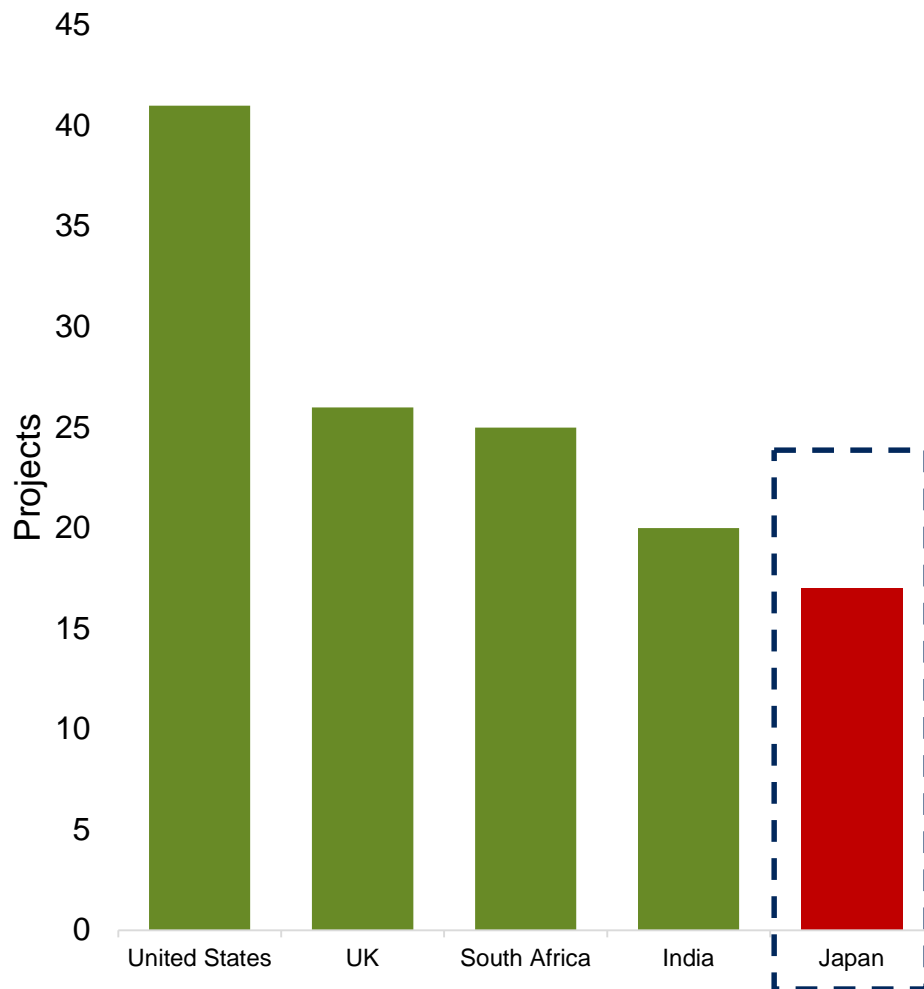
Top 5 Investments from Japan by Sector (2012-2016)



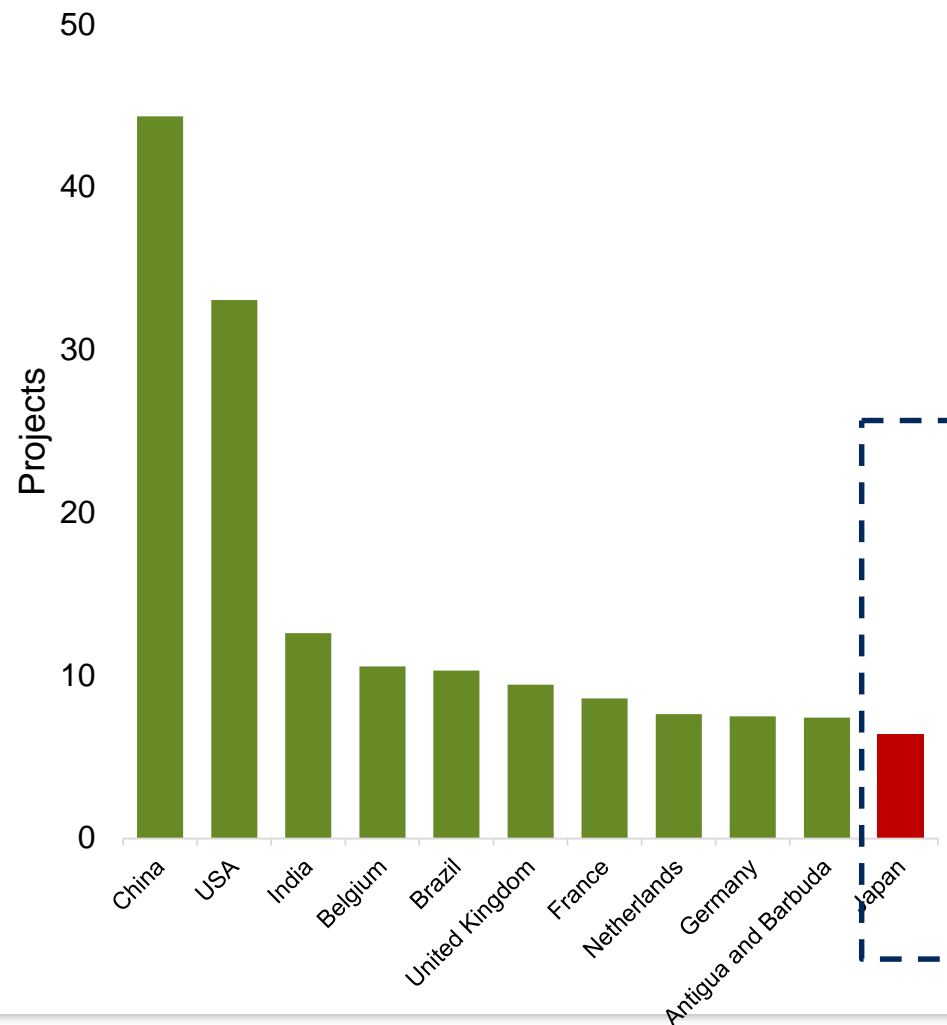
Investment and Trade – Japan and Nigeria



Top FDI Source Markets (2012 – 2016)



Top Trade Partners – Import (2010 – 2014)

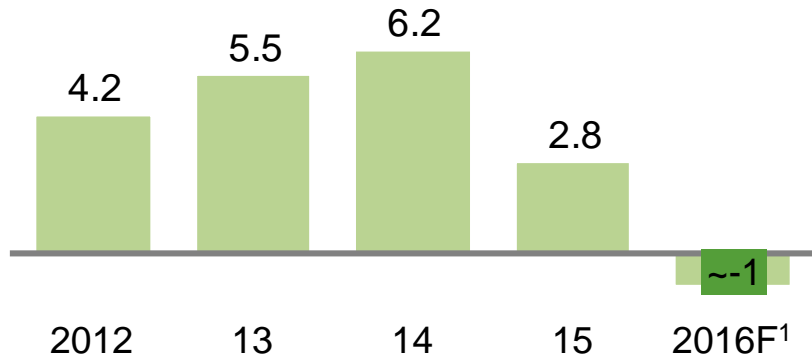


In the short term Nigeria is experiencing some macroeconomic challenges...



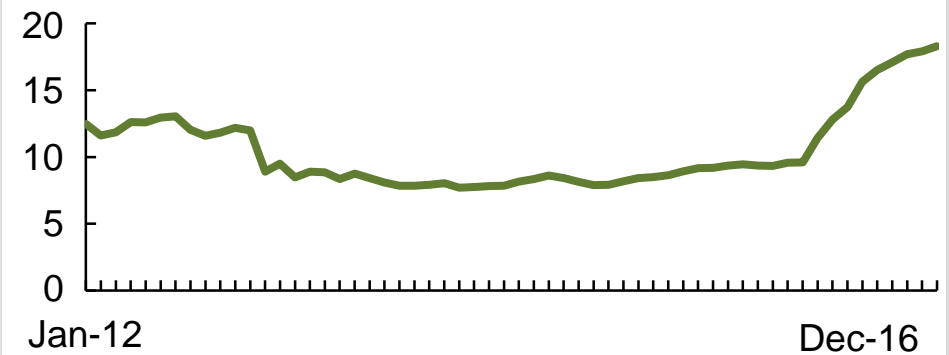
GDP growth has slowed

Annual growth rate, %



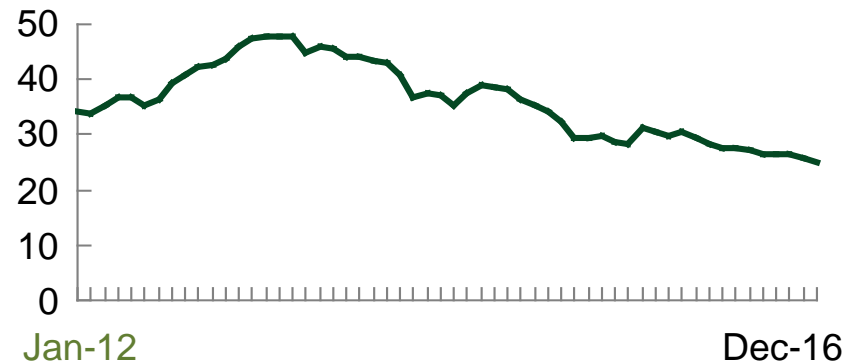
Inflation is ticking upwards

%



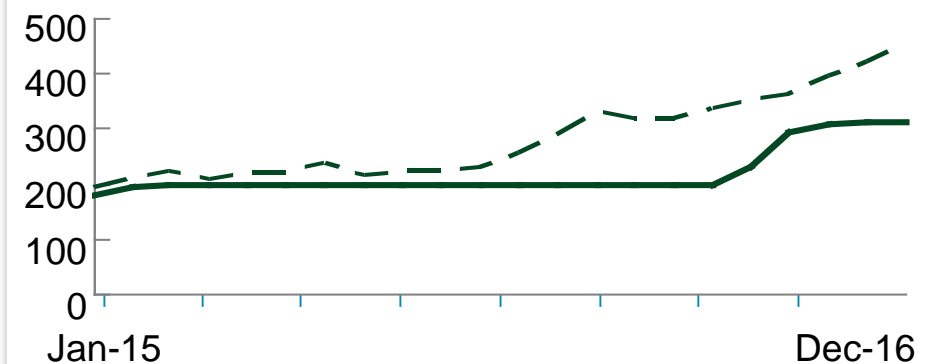
Gross international reserves have declined

USD Billion



Exchange rates have diverged

Naira/USD — Inter-Bank — Parallel Market



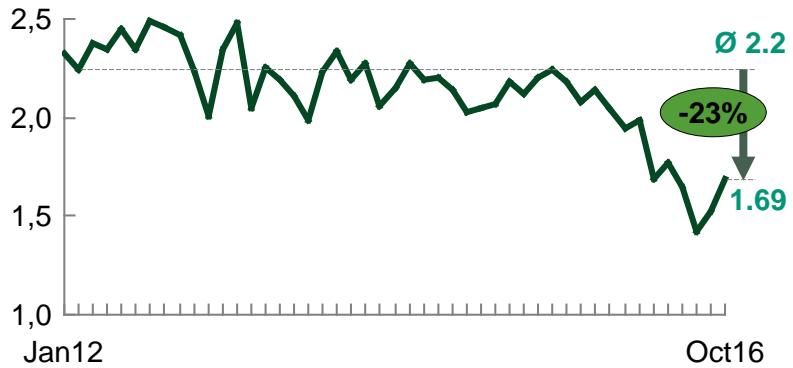
¹ MBNP estimate

Sources: Central Bank of Nigeria, National Bureau of Statistics

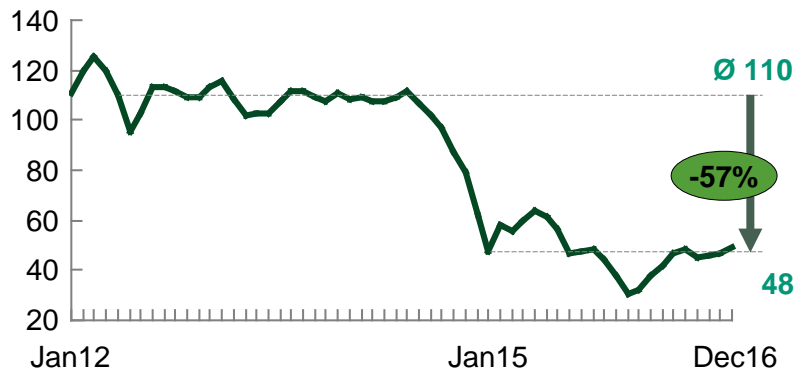
...driven by both decline in oil volumes and oil price



Nigerian oil production, mbpd



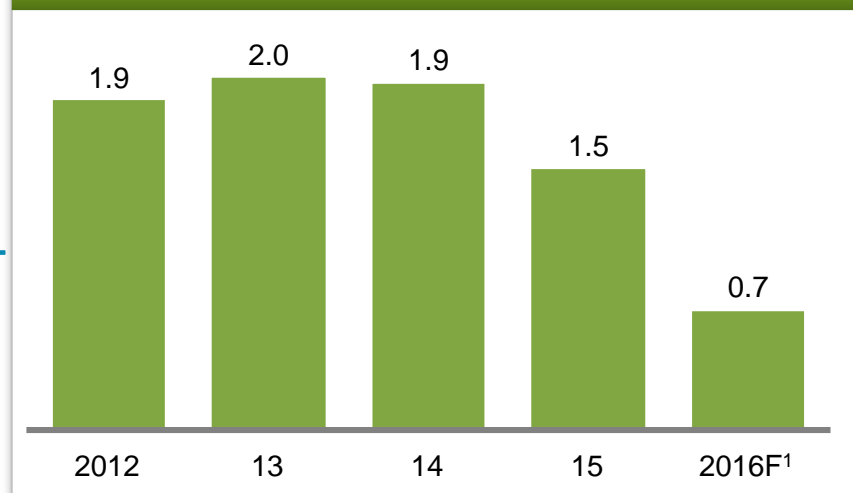
Oil price, \$ per barrel



Ratio of oil industry revenue going to FGN²



FGN's net oil revenue, NGN Trillion



1 MBNP Forecast

2 Depends on a variety of factors; Ranges between 12% and 18%

Nigeria is making progress in its anti-corruption campaign



Anti-corruption campaign news

“Trial to proceed as former National Security Adviser loses application on contempt of court over \$2.1Bn Arms deal scandal”

– **The Guardian, March 2016**

“Keeping his promise, Buhari announces recovery of N3.4 trillion in one year”

– **ThisDay, June 2016**

“Alleged Corruption: 7 Judges arrested”

– **Vanguard, October 2016**

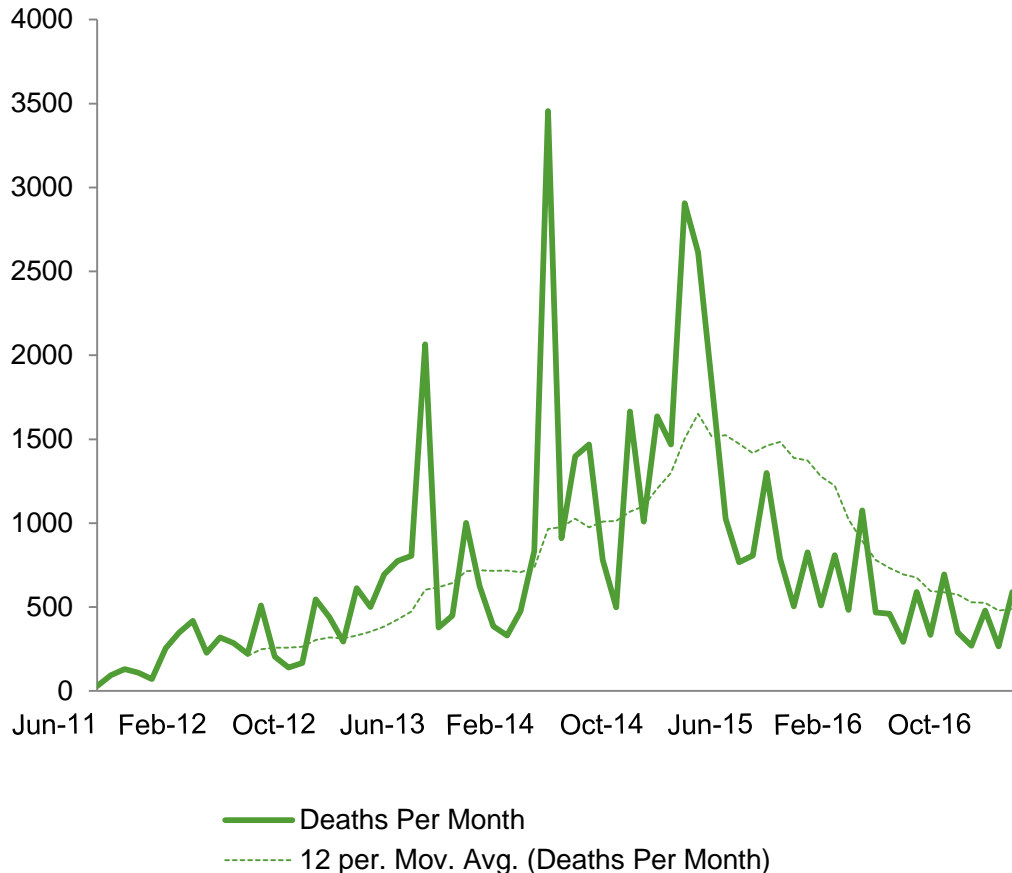
“Federal Government saves N48 billion from implementation of Treasury Single Account”

– **Punch, November 2016**

Security incidents have started trending downward



Monthly deaths from security incidents



Above represents incidents motivated by political, economic or social grievances

Success stories

“Chibok families reunited with 21 girls kidnapped by Boko Haram”
– **theguardian, October 2016**

“Boko Haram ousted from Sambisa forest”
– **BBC news, December 2016**

“Nigerian police arrest man suspected of Lagos bridge bomb plot”
– **Reuters, December 2016**

“Navy says crime in maritime sector has reduced in Niger Delta”
– **The Guardian, December 2016**

“4 oil company kidnap victims rescued by security operatives”
– **NTA news, January 2017**

Key structural reform programmes to enhance growth



The current administration has proposed eight key programmes to promote economic and social development

1. War Against Corruption

- ▶ Strengthen the powers of the anti-graft agencies
- ▶ Increase civic education against corruption

2. Food Security

- ▶ Re-organization and modernisation of the agricultural sector
- ▶ Supplying adequate raw materials for industrial processing and manufacturing

8. Affordable Health Care

- ▶ Reduce infant mortality rate to 3% by 2019
- ▶ Reduce maternal mortality rate by more than 70%
- ▶ Reduce HIV / AIDS infection by 50% and other infectious diseases by 75%
- ▶ Improve life expectancy by an additional 10 years

7. Accelerated Economic Growth

- ▶ Restore and strengthen financial confidence through more robust monitoring, supervision and regulation of all financial institutions



3. Accelerated Power Supply

- ▶ Expansion of electricity generation and distribution
- ▶ Increase power availability from renewable energy sources

4. Integrated Transport Network

- ▶ Survey of Federal highways and State roads
- ▶ Building of up to 200km of modern standard railway lines annually
- ▶ Improve and modernize aviation infrastructure

6. Devolution of Power

- ▶ Ensure that the Local Government system of administration is autonomous

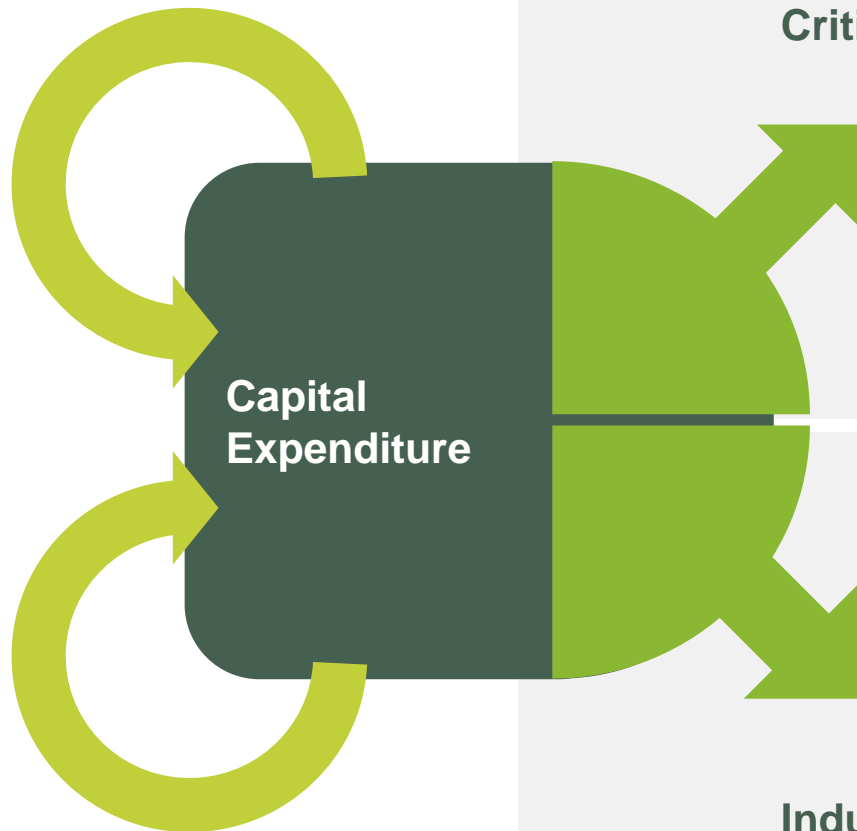
5. Free Education

- ▶ Fully implement and enforce the provisions of the Universal Basic Education Act 2004
- ▶ Up to 10 per cent of the annual budget for this critical sector
- ▶ Substantial investments in training programmes

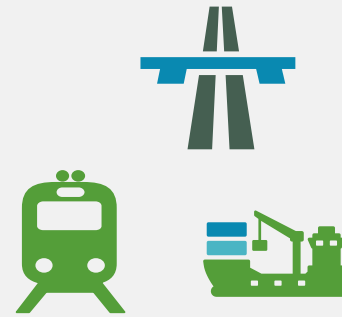
Planned capital expenditure on infrastructure will further diversify the economy



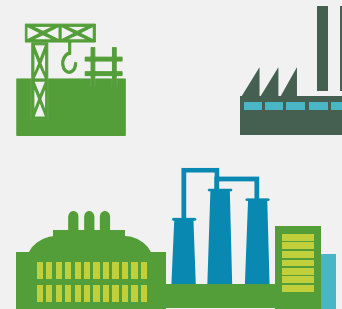
Blocked Leakages



Critical Infrastructure



Industrialisation



Sectoral Focus

Agriculture and Agro-Allied ✓

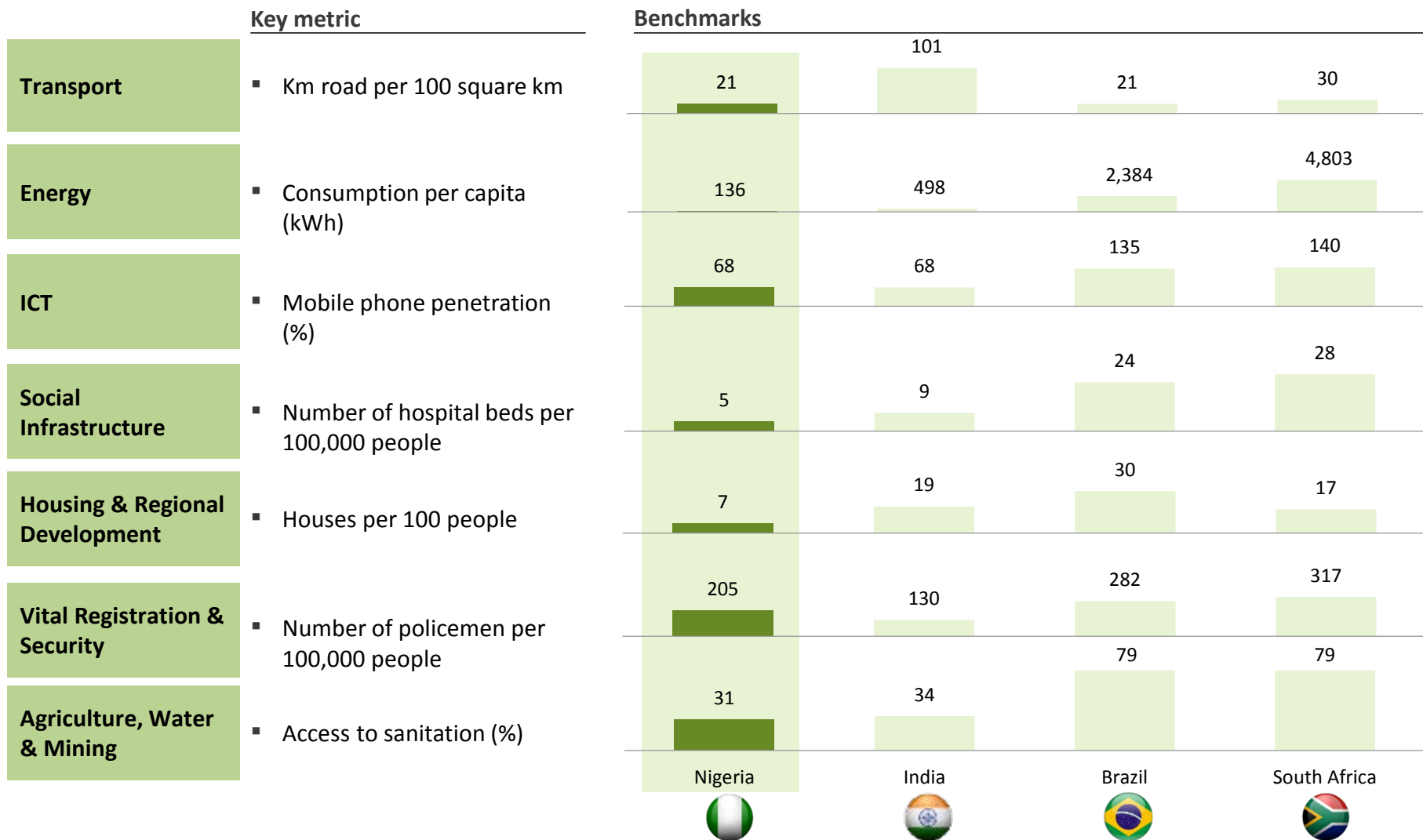
Solid Minerals ✓

Manufacturing ✓

Power ✓

Diversified & Increased Revenue

Huge infrastructure deficit requires attracting more investment



Sector opportunities



Agriculture



Power



Solid minerals



Manufacturing



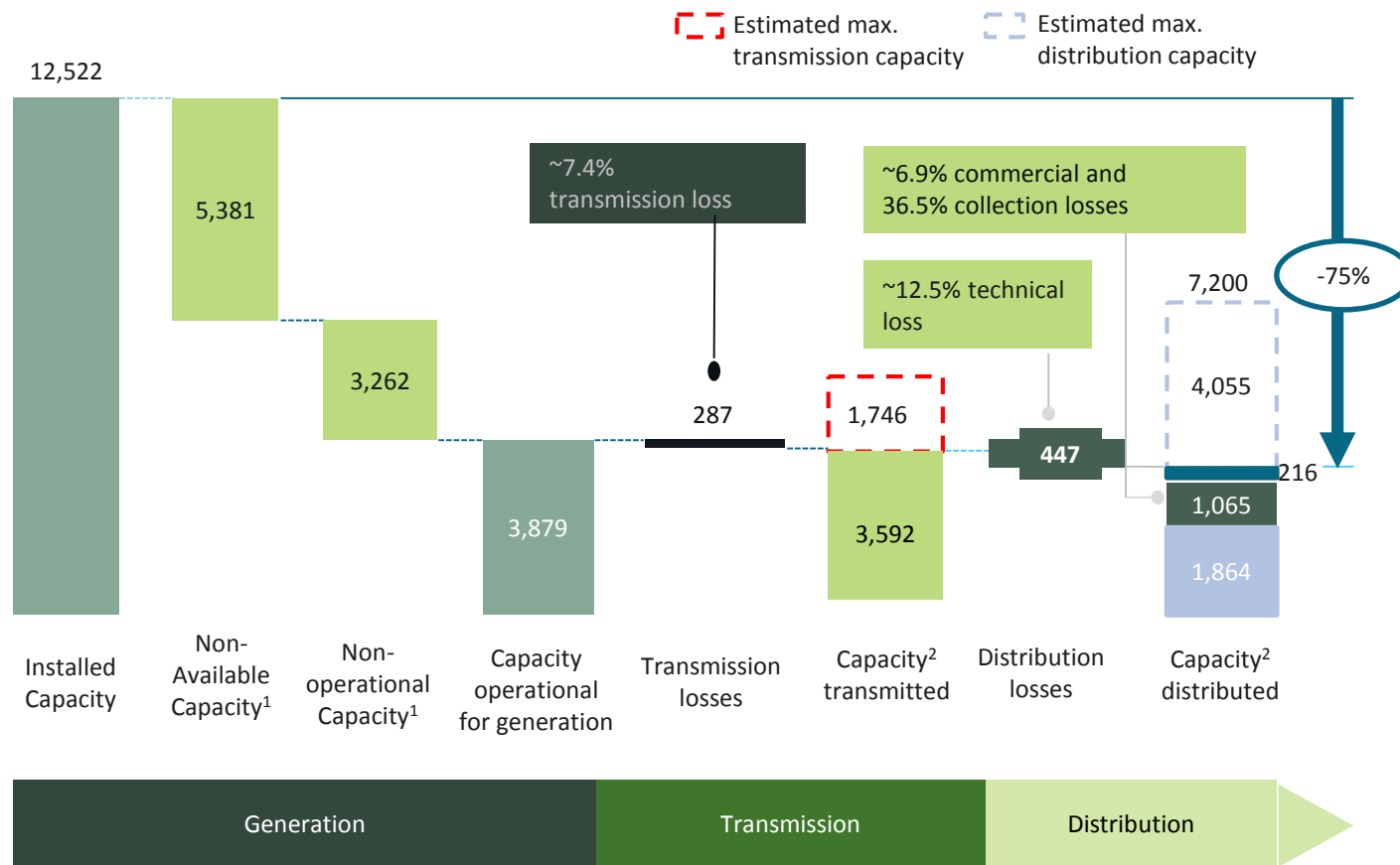
Healthcare



Education

- Generation capacity materially below World Bank emerging market targets due to:
 - poor operational efficiency, infrastructure maintenance & low equipment reliability
 - shortage of capital to finance the required expansion of power capacity
 - unreliable gas supply
- Existing transmission network is weak, unreliable & does not cover all regions of the country. High outages on 132KV and 330KV networks due to vandalism, line constraints, and more
- Distribution system burdened by sub-standard distribution lines & overloaded transformers. Lack of cost recovery/reflective pricing. Inadequate metering and billing systems. Power theft.

Gaps in the Power Value Chain



Note:

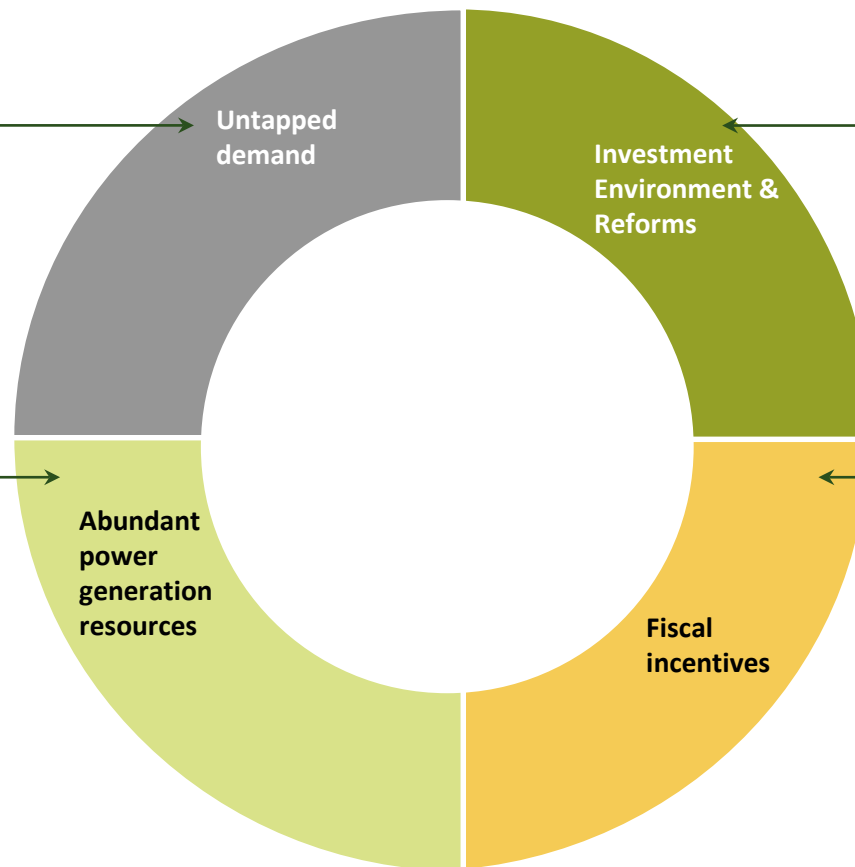
¹Refers to average daily capacity of units non-available and non-operational from Jan to Aug 15 2015; assumes peak demand

²Effective capacity for transmission and distribution post losses; assumes peak demand

Opportunities in the Nigerian Power sector



- Large gap between power demand and supply
- It is estimated that only 46% of the population have access to power
- Nigeria with a population of 183 million will require **170,000** MW generation capacity; current power distributed is **<2,000** MW, **168,000** MW demand remains unsatisfied



- Ongoing implementation of power sector reforms and deregulation of the sector
- Successful privatization of PHCN power assets; about \$3 bn in proceeds
- Guarantees from multilaterals such as Power Africa and USAID have helped de-risk the market and set precedence for foreign investors

- One of the largest gas reserves in the world – estimated to support in excess of 16,000 GW of power generation per year for the next 200 years
- Massive quantities of untapped coal reserves, however, no operational coal-based power plant as yet

- 5-year income tax holidays & duty exemption for equipment for gas fired Generating Companies
- Partial Risk Guarantees (“PRGs”)
- World Bank MIGA instrument to insure against political risk
- MYTO Tariff Model
- Guaranteed minimum 20% return on investment for the efficient operators

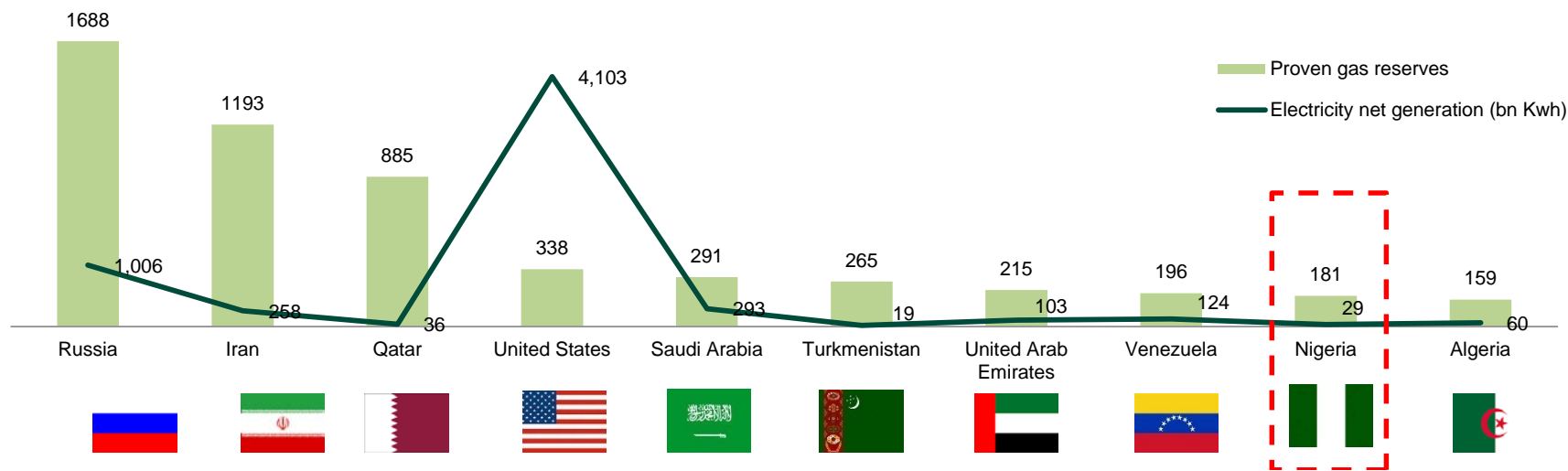
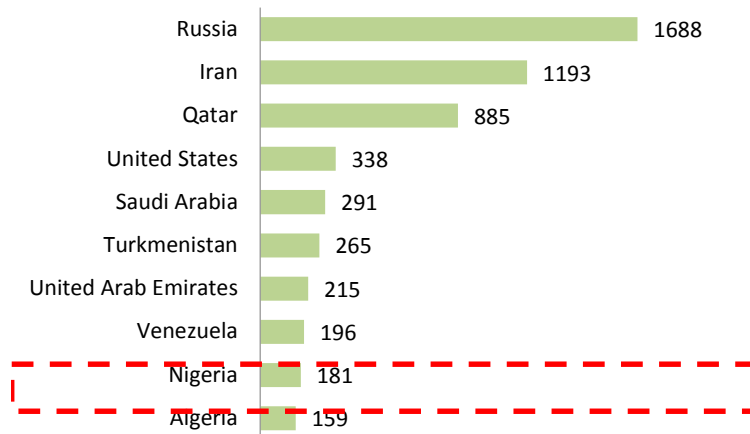
Nigeria can generate more electricity with its vast natural gas reserves



Overview

- Nigeria had an estimated 181 trillion cubic feet (tcf) of proven natural gas reserves as of December 2014, substantially larger than its oil resources in energy terms.
- Nigeria is the ninth largest natural gas reserve holder in the world and the largest in Africa.
- Among countries with the highest proven reserves, Nigeria generates one of the lowest power outputs using gas
- The USA efficiently utilizes its gas reserves to operate its gas power plants hence a generation of 2,775bn kWh annually from gas.

Top 10 Gas Reserves in 2014 (tcf)



Nigeria is richly endowed with land and mineral resources



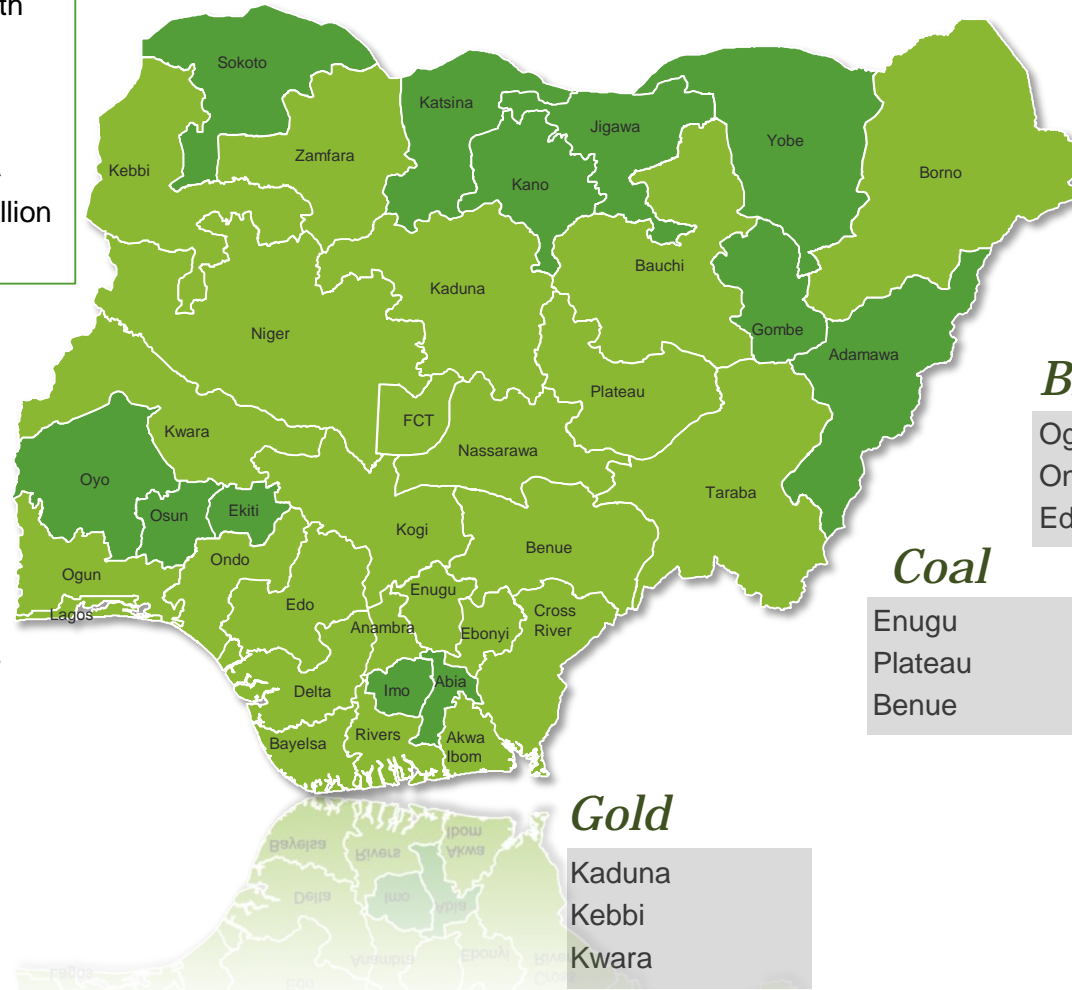
- 84 million hectares of arable land with 60% available for cultivation
- 44 exploitable minerals in proven commercial quantities
- Largest producer of crude oil in Africa
- 9th largest gas reserves with 181 trillion cubic feet of proven reserve

Limestone

Akwa Ibom
Anambra
Bayelsa
Borno
Cross-River

Crude oil & Natural gas

Delta
Rivers
Bayelsa
Akwa Ibom
Lagos



Iron ore

Anambra
Benue
Delta
Kogi

Bitumen

Ogun
Ondo
Edo

Coal

Enugu
Plateau
Benue

Gold

Kaduna
Kebbi
Kwara

The agricultural sector



Overview

- The agricultural sector plays a key role as Nigeria's key growth driver
- The sector is the second largest contributor to GDP (21% in 2015) and provides employment for over 70% of the population
- Nigeria has some of the richest natural resources for agriculture production in the world
- Abundant and reliable rainfall in over two thirds of the country

Opportunities

- Nigeria is the most populous country in Africa and a fast-growing population will increase domestic consumption
- A young and growing population provides a large pool of labour
- Favourable climate, fertile land and water resources ideal for export-oriented production
- 84 million hectares of arable land, of which only 40% has been cultivated

Initiatives

- New US\$9 million equity fund from the African Development Bank for small and medium sized agribusinesses
- Machines and equipment enjoy duty waivers
- Capital allowance of up to 50% for plant and equipment



The Natural Choice





Overview

- Productivity in the manufacturing sector has continued to improve due to various intervention programmes by government
- The sector's average capacity utilization has grown from **35% in the 1990s to an average of 55% in the last three years.**
- The average contribution to **GDP has grown to 10% in 2015**
- **Lagos** and its surroundings are home to about 60% of Nigeria's industrial base. Other key industrial centres are Kano, Aba, Port Harcourt, Ibadan and Kaduna
- Nigeria's most important manufacturing sub-sectors include cement, food processing and fast moving consumer goods

Opportunities

Agro-allied and Agro Processing

- Food Processing (Beverages, Packaged Foods, etc.)
- Sugar Production
- Palm Oil Processing
- Leather and Leather Products
- Rubber Products (Tyre)
- Cocoa Processing

Metals and solid Minerals Product

- Cement Production
- Automobile Assembly
- Basic Metal/Steel
- Aluminium
- Chemicals

Oil & Gas Related Industries

- Petrochemicals
- Fertilizer
- Methanol
- Refineries
- Plastics

Construction and Light Manufacturing

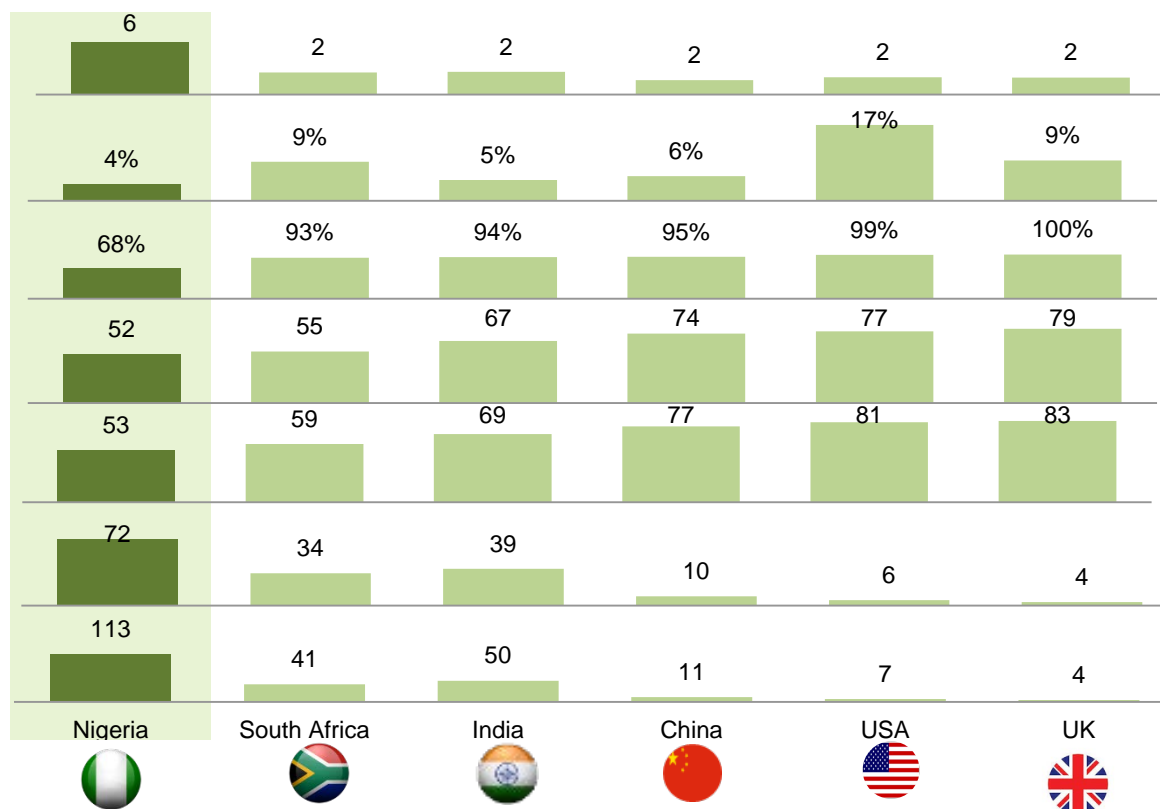
- Housing
- Cotton, Textile and Garment
- Electronics
- ICT Equipment

Nigeria's health indicators lag behind other markets



Basic health indicators, 2014

- Fertility rate (birth per woman)
- Health expenditure (% of GDP)
- Improved water source (% of population with access)
- Life expectancy at birth, male (years)
- Life expectancy at birth, female (years)
- Mortality rate, infants (per 1,000 live births)
- Mortality rate, under-5 (per 1,000 live births)



Investment Opportunities

- Mobile Clinics
- Pharmaceutical Manufacturing
- Smallholder Specialist Clinics
- Specialist Hospitals
- Diagnostic and Trauma Centre

Demographics

1 Young & skilled workforce

2 High urbanization rate & growing middle class

Description

- Young and skilled workforce with 43% of the population under 15 years, improved labour productivity and over 1.8million new graduates every year
- High urbanization rate with 48% of the population in urban areas and 168mn people forecasted to live in big cities by 2030. Rising consumer spend projected to increase by \$94bn in 2025

Institutions

3 Vibrant financial systems

4 Improving business conditions

- Robust financial markets with 7 of the top 25 banks in Africa and the second largest Stock Exchange on the continent
- Implementation of a strategic plan to tackle short term macro-economic challenges. Active anti-corruption campaign and decline in casualties from security incidents.

Opportunities

5 Abundant land & natural resources

6 Largest market in Africa

7 2nd biggest cluster of large companies

8 Investor friendly climate

- 84mn hectares of arable land, 9th largest gas reserves and 44 exploitable minerals in proven commercial quantities
- Largest market in Africa with proximity to other west African markets. Land borders with Benin, Cameroon, Chad & Niger & 4 international airports
- 56 companies with revenues over \$500mn and 2nd largest cluster of large companies in Africa
- Investor friendly climate with strong appetite to encourage private sector investments. Generous statutory incentives with 14 Free Trade Zones

Success Stories: major international investors in Nigeria





Strategic Roles

- Established by the Nigerian Investment Promotion Commission Act 16 of 1995 to:
 - Promote, co-ordinate and monitor all investments in Nigeria
 - Initiate measures to enhance investment climate
 - Assist incoming and existing investors by providing support services
 - Collect and share information on investment opportunities and sources of capital

Services

- Provision of investment information
- Matchmaking investors with opportunities and partners
- One-Stop Investment Centre
 - Connected to **27 agencies** to facilitate investments **and reduce time required** to commence business operations
 - Provide assistance with company incorporation processes
 - Process regulatory approvals and permits
 - Support with issuance of visas on arrival
- Administration / processing of Pioneer Status Incentive

To ensure a sustainable and conducive business environment

- **The NIPC Act**

- Allows foreigners to invest and participate in the operation of any Nigerian enterprise without restrictions
- Allows 100% ownership assured except investments: listed under the 'negative' lists or covered by the Nigerian Content and Cabotage Acts
- Protects against expropriation of investment: NIPC Act guarantees no enterprise shall be nationalized expropriated by any government of the Federation

- **The Foreign Exchange (Monitoring & Miscellaneous Provisions) Act 17 of 1995**

- Allows repatriation of Profit: investors are free to repatriate their profits and dividends net of taxes through any authorized dealer in freely convertible currency

Several statutory incentives and sector specific incentives



- Pioneer status: 3 - 5 years' tax holiday
- 7 years' tax holiday for pioneer industry sited in economically disadvantaged area
- 100% repatriation of profits allowed
- Capital allowances:
 - Research & Development - 140% of expenses incurred
 - Investment in infrastructure - 20% of costs incurred
 - Raw materials utilization (60 - 70%) - tax credit of 20% for 5 years
- Low Value Added Tax - 5%
- Duty Waiver:
 - 0% import duty & import value added tax for commercial aircrafts and spare parts imported for local use
 - 0% import duty & import value added tax for machinery imported to develop solid mineral resources
 - 0% duty for power generation and distribution machinery
- Tax relief on interest income in the agriculture/agro-allied sector etc.

Context



- Hayat is a leading Turkish FMCG company
 - 5th largest manufacturer of baby diapers in the world
 - Group turnover of \$3bn+
 - Export to more than 100 countries
 - Manufacture in 12/14 countries
- Facilitated by NIPC to trade in Nigeria in 2014
- Invested \$100+ million in a manufacturing plant in Nigeria, in 2016

Current Reality

- Now No. 2 in baby diapers in Nigeria
- Has created over 600 direct jobs and has over 1,000 distributors
- Became the Best Baby Diaper manufacturer of the year 2016
- Decided to make Nigeria the hub of its manufacturing activities for West and East Africa

THANK YOU

Yewande Sadiku
Executive Secretary/CEO

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