

## THE NIGERIAN INVESTMENT CLIMATE AND OPPORTUNITIES

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2<sup>ND</sup> AFRICA DAY IN LJUBLJANA REPUBLIC OF  
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## PRESENTATION OUTLINE

- The Nigerian Economy
- Global Competitiveness
- The Nigerian Investment Climate: efforts of Government
- Basic National Investment Legislations
- Investment Opportunity: Power Sector
- General Incentives
- Steps for doing business in Nigeria
- NIPC Mandate
- NIPC strategies
- The One-Stop Investment centre
- NIPC and the Investor
- Conclusion

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2

'We live in an age where no country can survive on its own; Nigeria will continue to welcome sustainable investment. We will push programmes and policies that will benefit both local and foreign businesses within the framework of mutual benefits and win-win relationships.'

*Dr. Ebele Goodluck Jonathan*  
President, Federal Republic of Nigeria  
May, 2011

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3

## Nigeria's Economic Performance

Nigeria's economic growth profile has continued to catch the eye; with real GDP growth around 7.4% in 2011, Nigeria was the fifth fastest growing economy covered by CIRA economist in 2010 (only after China, Taiwan, Singapore, and Qatar)

Citigroup Global Markets, Feb 2011

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4

## Nigeria's Economy: 'too large to ignore'

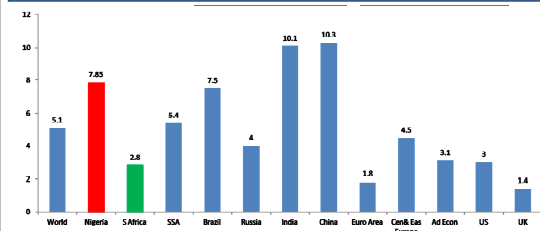
- 6<sup>th</sup> largest **population** in the world – over 167 million people
  - 4<sup>th</sup> largest population under the age of 20
- 10<sup>th</sup> world largest **reserves of oil and gas**
  - 36.2 billion barrels of oil
  - 1.84 trillion Cubic Feet of natural gas
- 4<sup>th</sup> largest **equity market** in the MSCI Frontier Market index
  - Largest outside of the Gulf Cooperation Council (GCC)
- 5<sup>th</sup> fastest **growing economy** in 2010 covered by CIRA economists – China, Taiwan, Singapore & Qatar
- 1<sup>st</sup> among the N-11 leading '**global growth generators**' (3G) over the next 40 years
  - Prospects of growing its global GDP share to 2.5% in 2050, overtaking Italy, France, and UK
- Home to emerging **world's largest cement companies**

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5

## Global Real GDP Growth - 2010

Nigeria has maintained an average growth of about 6% in the last three years

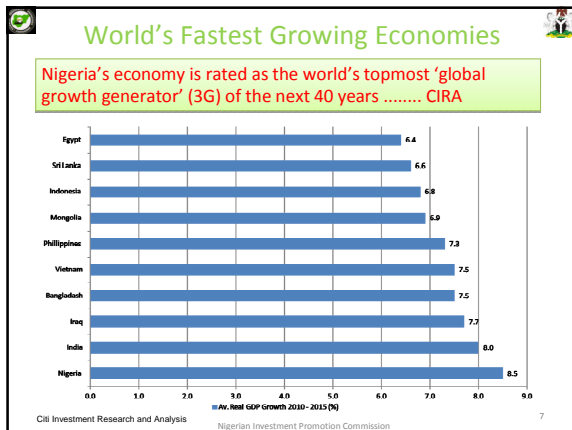


➤ While World GDP shrinks at about 2% in 2011, Nigeria will maintain similar growth of about 7.98%

Source: World Economic Outlook 2011

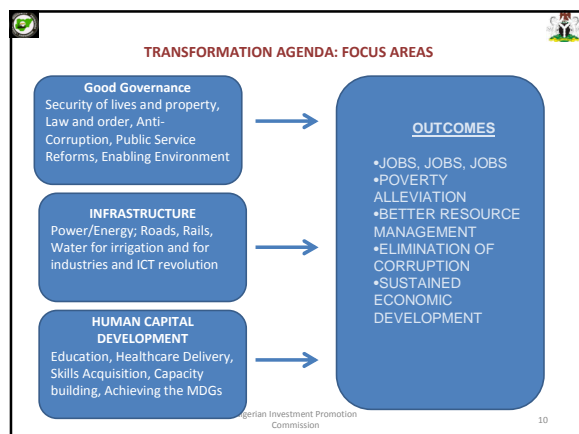
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6



- ## THE NIGERIAN INVESTMENT CLIMATE: EFFORTS OF GOVERNMENT IN IMPROVING THE INVESTMENT CLIMATE THROUGH...
- **Macroeconomic stability: Fiscal responsibility and Independent Central Bank**
  - **Oil & Gas Sector Reforms:**
    - On-going deregulation (Petroleum Industry Bill)
    - Restoration of normalcy to Niger Delta region
    - Passage of the Local Content Act
  - **Power Sector Reforms:**
    - Launching of the Power Sector Road Map, & on-going privatization.
  - **Sanctity of contracts:**
    - Due Process (Bureau of Public Procurement)
    - Nigerian Extractive Industries Transparency Initiative (NEITI)
  - **Institutional Reforms:**
    - Public Service Reforms
    - Constitutional amendment
    - Electoral Reforms
    - Rule of Law and Good Governance
    - Freedom of Information Act
  - **The anti-corruption Act:**
    - Establishment of Independent Corrupt Practices Commission (ICPC)
  - **Fight against Financial and Economic Crimes:**
    - Establishment of Economic and Financial Crimes Commission (EFCC) to deal with Advance Fee Fraud and related issues
    - Setting up of Security and Investment Tribunal, to handle securities and exchange cases
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- ## THE NIGERIAN INVESTMENT CLIMATE ...cont'd EFFORTS OF GOVERNMENT...cont'd
- **Infrastructure Development**
    - Establishment of Infrastructure Concession & Regulatory Commission (ICRC)
    - Massive work currently going on new and existing projects in Aviation, Rail, road and Waterways
  - **Revolution in Telecommunication, Education, etc.**
  - **Banking Sector Reforms:**
    - Recapitalization of Commercial Banks & Insurance Institutions
    - Micro-finance policy trust/conversion of community Banks
  - **Transformation Agenda (Good governance, Infrastructure, Human Capital):**
    - Vision 2020/25: Nigeria to be among 20 largest economies by 2025
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- ## Basic National Investment legislations
- **The Nigerian Investment Promotion Commission Act 16 of 1995**
    - **Ownership**
      - 100% ownership assured except investment
        - listed under the 'Negative' lists
        - covered by the Nigerian Content and Cabotage Acts
    - **Investment Protection Guarantees**
      - Non-expropriation of Investment: The NIPC Act 16 of 1995 guarantees that 'no enterprise shall be nationalized or expropriated by any government of the federation'
  - **The Foreign Exchange (Monitoring & Miscellaneous Provisions) Act 17 of 1995**
    - **Repatriation of Profit**
      - Under the Act 17 of 1995, investors are free to repatriate their profits and dividends net of taxes through any authorized dealer in freely convertible currency
  - **There are other sector specific regulatory legislations.**
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- ## INVESTMENT OPPORTUNITIES
- Investment Opportunities exist in all sectors of the economy, especially:
- Power/Energy
  - Oil & Gas (extractive and non-extractive)
  - Agriculture & Agro Allied
  - Waste Management
  - Maritime, Shipping and Ports
  - Solid Minerals
  - Banking & Financial services
  - Tourism/Hospitality Industry
  - Pharmaceuticals and Health Services
  - Information & communication Technology (ICT)
  - Industrial Parks and Clusters as landing platform
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## The Power Sector

- **Government's Strategies**
  - Established the Infrastructure Concession and Regulatory Commission
  - Deregulated the Activity
    - The Electricity Power Sector Reform Act 2005
      - Established Nigerian Electricity Regulatory Commission
        - » Licensed Private Power Producers (including PHCN)
  - Invested in Independent Power Plants
  - Privatization of PHCN
    - Unbundled to 18 Semi-autonomous companies
      - 11 Distribution Business Units
      - 1 Transmission Company (TransysCo)
      - 6 Generating Companies
  - National Gas Policy

## The Nation's Power Challenge

- Power Requirement - 10,000MW (2011)
- Power Generation - 4,000MW (Sept. 2011)
- Targeted Generation - 40,000MW (2020)
- Economic growth inhibited by insufficient power supply
  - Lost GDP growth attributable to power supply constraints will reach USD130bn by 2020
- About US\$ 3.5 billion per annum is required over the next 8years to meet the target.

## Opportunities in the Power Sector

- Power Generation, Transmission and Distribution
  - Purchase of existing facilities
  - Building new power plants,
  - Expanding existing transmission lines
- Gas supply and transportation infrastructure
  - Expansion of existing facilities
  - Building new networks
- Manufacture of Wires, Cables, Transformers, and other auxiliary equipments

## Proposed Incentives for Power Sector

- Manufacture of electrical equipments, appliances, parts etc
  - Exemption from Income tax – Tax Holiday
    - Between 10 and 20 yrs depending on quantum of investment
  - Import duty exemption for machinery, spares and consumables
  - 150% on R & D
  - 2% tax concession on in-plant training for specified number of years
    - Years depends on quantum of Investment

## INCENTIVES

- **NATURAL INCENTIVES:**
  - Viable population of over 167 million people.
  - Abundant natural resource endowments.
  - Vast arable land over 70% of Nigerian land area is suitable for agriculture and remains under utilized.
  - Trainable, resourceful and cost effective workforce with 60% as youths
  - Strategic location – hub of the West and Central African Markets
  - Relative absence of natural disasters/calamities, i.e. No earthquakes, hurricanes or major floods etc.
  - Highest Return on Investment (RoI) in Africa:
    - 25% - 45% generally, and 70-100% in some sectors.

## INCENTIVES.....cont'd

- **STATUTORY INCENTIVES:**
  - Pioneer Status – 3-5 years Tax Holiday
  - Capital Allowances:
    - ❖ Research & Development – use of local inputs – 140%
    - ❖ Investment in infrastructure 20% of costs
    - ❖ Minimum local raw materials utilization – 20% for years
    - ❖ Withholding tax on dividends, interest and rent is 10%, Royalties is 15% while Management & Technical agreement is 10%
  - Very low Value Added Tax (VAT) regime of 5%
- **EXPORT INCENTIVES:**
  - Manufacturer Export-in-Bond Scheme
  - Export Development Fund Scheme
- **FREE TRADE ZONES SCHEME:**
  - No Personal income tax
  - 100% repatriation of capital and profit
  - No foreign exchange regulation
  - 100% foreign ownership allowed
  - No pre-shipment inspection of goods
  - No expatriate quota required

## STEPS FOR DOING BUSINESS IN NIGERIA

□ For establishing a new business in Nigeria the following processes are required:

- i. Incorporation with Corporate Affairs Commission CAC.
- ii. Registration with Nigerian Investment promotion Commission (NIPC)
- iii. Acquisition of operating license:
  - For Investment in Banking and finance, a License with the Central Bank of Nigeria is required
  - For Investment in Power generation and distribution, a License with Nigerian Energy Regulatory Commission (NERC) is required.

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## STEPS FOR DOING BUSINESS IN NIGERIA .....cont'd

- iii. Acquisition of operating license .....Cont'd
  - For investment in the Telecommunication, a License with the Nigerian Communication Commission (NCC) is required.
  - For investment in Food and Pharmaceuticals, Registration with National Food and Drug Administration and control (NAFDAC) is required.
  - For investment in Solid Minerals, a mining License with the Ministry of Mining & Steel Development is required.
- iv. Acquisition of Operating Premises:  
**YOU ARE IN BUSINESS IN NIGERIA!**

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## NIPC Mandate

- **NIPC Act No. 16 of 1995** confers on NIPC the responsibility to:
  - co-ordinate, promote and facilitate domestic and foreign investments into Nigeria
  - support and provide necessary assistance and guidance to foreign and domestic investors in Nigeria
  - develop and implement innovative, focused and effective Investment promotion strategies
  - target & attract investment into the economy
  - advise government on policy matters
    - fiscal and non-fiscal measures designed to promote industrialization and sustain the enabling environment

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## NIPC Strategies

**Image Building:**

- Focused advertisement on major international media
  - improving the perception of Nigeria as an attractive destination for investment.

**Investment Facilitation and investors servicing:**

- Support investors through the investments decisions stages
- Ease entry/establishment procedure - the One-Stop Investment Centre (OSIC)
- Provide after-care services
- Negotiating and facilitating appropriate incentives for investors

**Investment Generation:**

- Aggressive promotional tactics within specialized industrial sectors, utilizing innovative investment targeting techniques
- Outreach marketing strategies: Investment forums; Seminars; Individual presentations, in-bound and out-bound missions etc

**Policy Advocacy:**

- Initiate and support ideas aimed at improving the investment climate
- Provide leadership in data collection and warehousing

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## The One-Stop Investment Centre (OSIC)

- OSIC is government's strategy at
  - streamlining the investment procedures
    - remove all bottlenecks in business legalization procedures
  - provide prompt, efficient and transparent service
  - coordinate investment facilitating related agencies
- 26 government Ministries and Agencies
- Services at the Centre, includes and not limited to
  - Business Incorporation/ Registration, Grant of Approvals, Permits/License and Investment Information & Data
- More centers to be opened in Lagos, Port-Harcourt and Kano

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## NIPC & The Investors

- Arrange and facilitate meetings with relevant Government Agencies/State Governments in Nigeria
- Arrange and coordinate site visits as part of pre-investment activities and post-investment services
- Provide prompt assistance to investors through dedicated Account Officer/Team to projects
- Advise/advocate for policy changes that favorably affects and support investments

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## CONCLUSION

- ❑ Slovenia and Nigeria have come a long way in trading and we should work together to strengthen the burgeoning economic relationship between both countries.
- ❑ Given the investment friendly disposition of Nigeria, there is no better time than now for Slovenian investors to invest in Africa's most profitable economy.
- ❑ The Nigerian private sector is very vibrant and willing to do good business ever before, with Slovenian investors.

## Conclusion

***'If any of the so-called frontier markets today stand a chance of becoming important emerging markets in the future, we believe Nigeria is one of them.'* (CIRA 2011)**

***-----No better time to invest in the Nigeria's economy than now; seize on the opportunity!***

# Thank You