



Nigeria Industrial Revolution Plan -NIRP-



Nigerian Federal
Ministry of
Industry, Trade
and Investments

...Industry, Wealth, Jobs

March 2014



A Few Words for Thought

History shows that no country has ever become rich by exporting raw materials without also having an industrial sector, and in modern terms an advanced services sector. The more a country specializes in the production of raw materials only, the poorer it becomes

... Industry multiplies National wealth !



Our Philosophy

“ ...As Africa celebrates its Golden Jubilee, we must pause and reflect on the future of our continent in the next 50 years.

The questions are: What will be Africa's place in a world that is increasingly knowledge-driven and inter-dependent ?
Should Africa be content to remain a mere producer of raw materials and net importer of manufactured products? Indeed, what is Africa's vision for itself at its centenary?
”

...President Jonathan 2013



President Goodluck Ebele Jonathan, GCFR



The Nigerian Economy -Background and Prospects

Since 2000, Nigeria's economy grew on average 8.8% per annum, in line with leading emerging markets

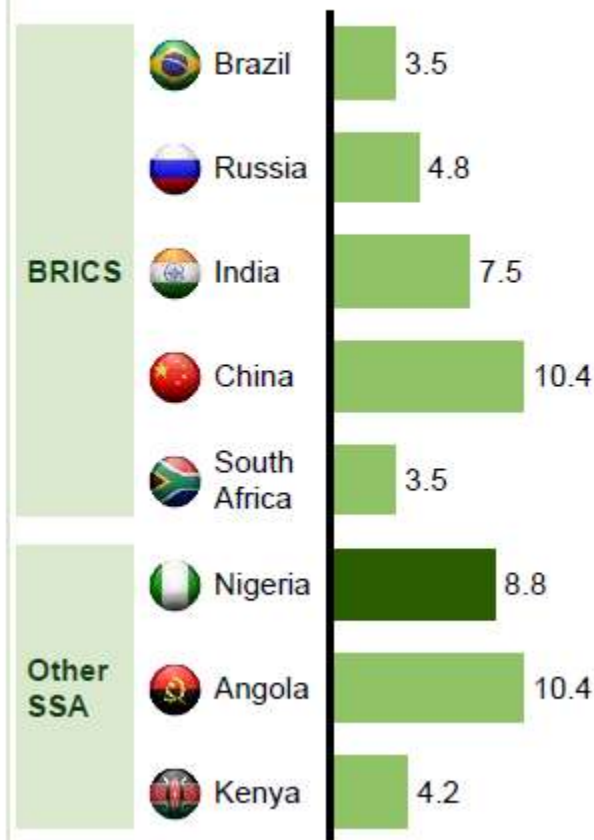
Real Nigerian GDP evolution

\$ billion, constant 2011



Real GDP compound annual growth, 2000–10

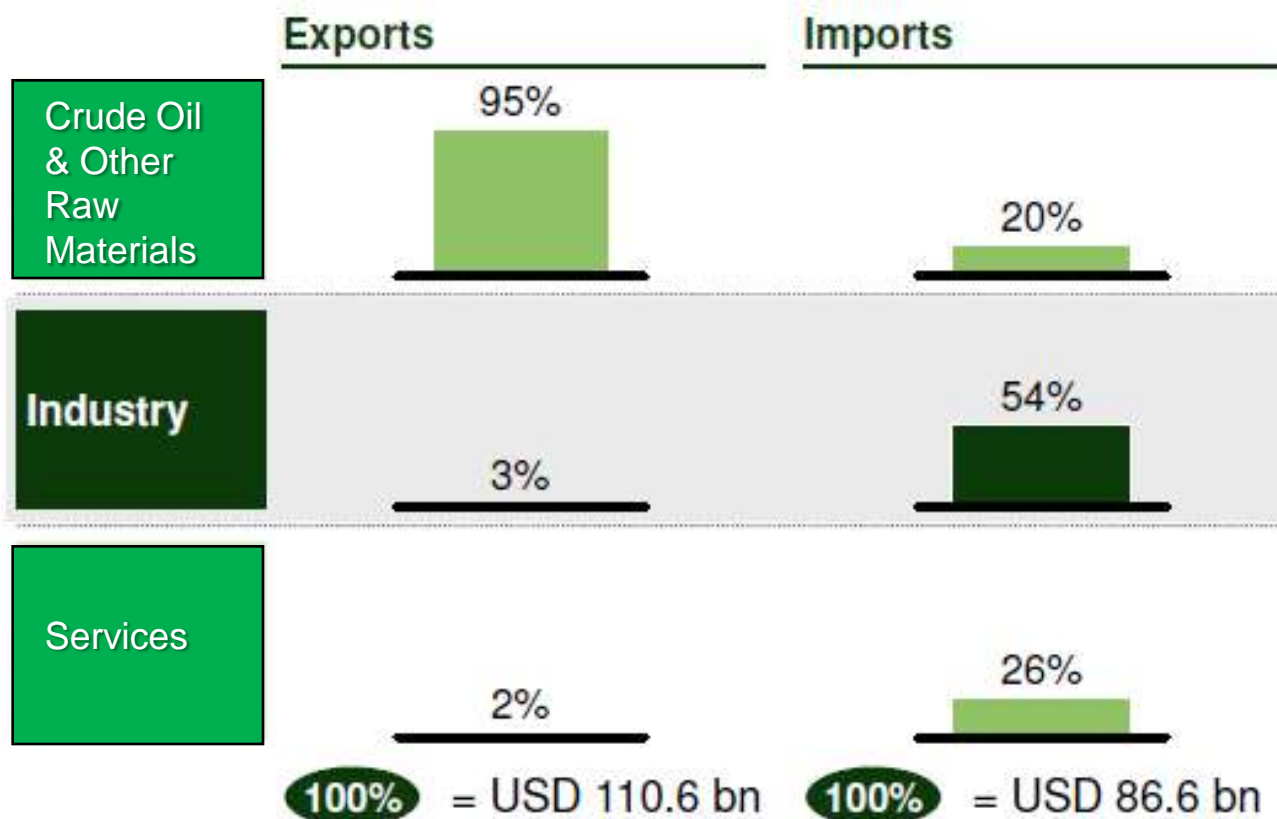
%





The Nigerian Economy -Background and Prospects

However, Nigeria's industrial sector contributes only 3% to export revenues but accounts for over 50% of the import burden





A Global Perspective -what other countries have done

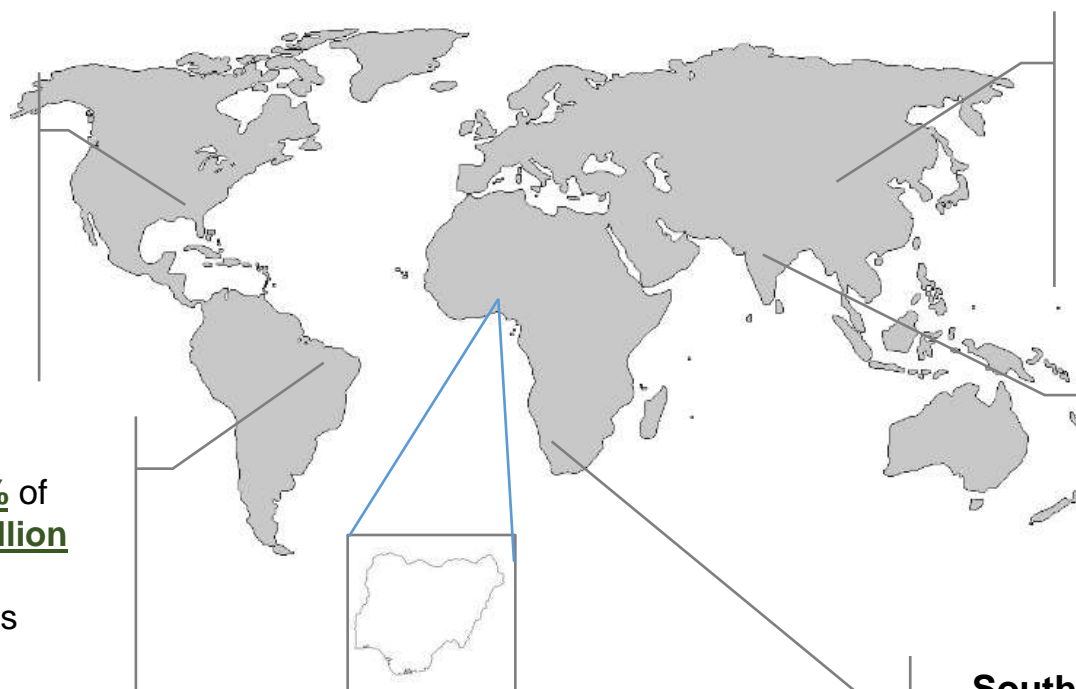
Nigeria currently underperforms its regional and global peers on Industrial Development

USA

Manufacturing is 13% of GDP.
Employs 13 million people
Percentage of Exports 57%

Brazil

Manufacturing is 15% of GDP. Employs 15 million people
Percentage of Exports 55%



Nigeria

- Manufacturing Contribution to GDP – 4%
- Number of Jobs – 2 million
- Percentage of Exports – 3%

China

Manufacturing is 30% of GDP. Employs over 100 million people
Percentage of Exports over 90%

India

Manufacturing is 14% of GDP. Employs 30 million people
Percentage of Exports 60%

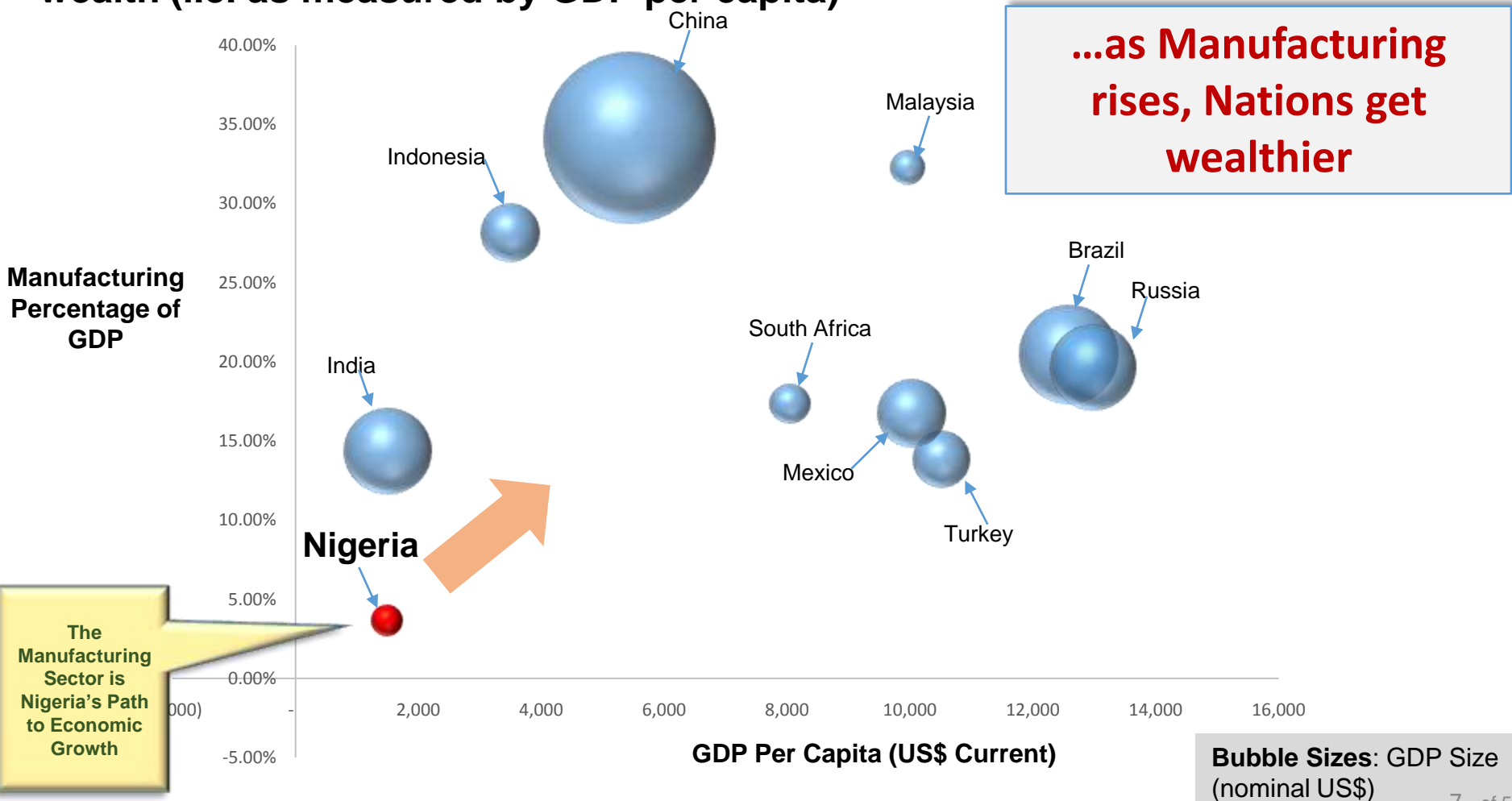
South Africa

Manufacturing is 15% of GDP.
Employs 1.5 million people
Percentage of Exports – 54%



A Global Perspective -what other countries have done

Manufacturing is essential to national development ... there is a strong correlation between value-added manufacturing, and the level of national wealth (i.e. as measured by GDP per capita)





Considerations for Industrializing Nigeria

Why Industry in Nigeria?

Strengths

- **Abundant Raw Materials**
- **Large Market** – Nigeria with 167 million people, ECOWAS with 300 million people
- **Strategic Location** - Gulf of Guinea
- **Abundant Labor** – Over 53 million workforce
- **International Political Clout**

Weaknesses

- **Infrastructure** – Mainly Power and Transport
- **Unaffordable Finance**
- **Policy inconsistency**
- **Weak or no Institutions to drive industrialization**
- **Weak or no linkages between industry and Innovation**
- **Shortage of Industrial Skills**
- **Inadequate Metrology and Standards**
- **Weak Competition, and Fair trading**
- **Tariff Regime**
- **Consumer Purchasing Power**
- **Poor Patronage of 'Made in Nigeria' goods**



Considerations for Industrializing Nigeria

Why Industry in Nigeria?

Opportunities

- **Potential to be #1 in Africa** (or top 10 globally in many industrial sectors)
- **Diversification of Nigeria's Economy and Revenue**
- **Build up labor intensive sectors**
- **Produce locally for domestic consumer market** (foreign exchange savings)
- **Become the Manufacturing hub for Ecowas and Africa**
- **Attract investments from East Asia, where labor costs have begun to rise**
- **Diversify Exports**

Threats

- **Recent large oil and gas discoveries globally**
- **Trends of Trade Policies** – EPA, CET, FTA, and PTA agreements
- **Competition rising as other countries Industrialize** – Many countries in the sub region and globally already reforming their industrial sectors.

The time to Industrialize is now!

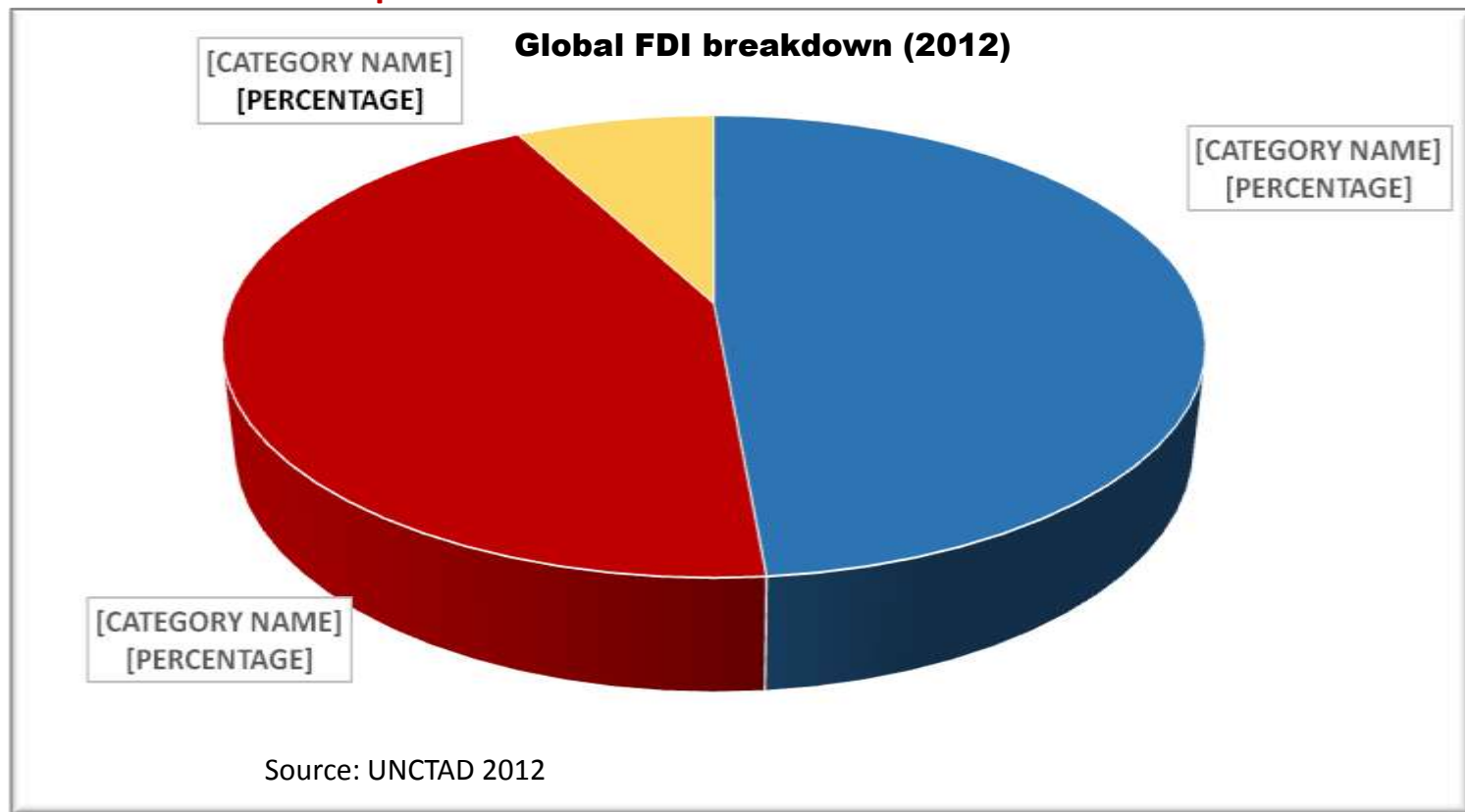


Industry is important for FDI

- Countries with robust Industrial and Services Sectors can attract more FDI

Nigeria must be strategic in attracting Investments, and needs to have a broad based Industrial and Services Sector to grow FDI

Global FDI is typically used for Industrialization (i.e. manufacturing and services)... and not for raw materials production



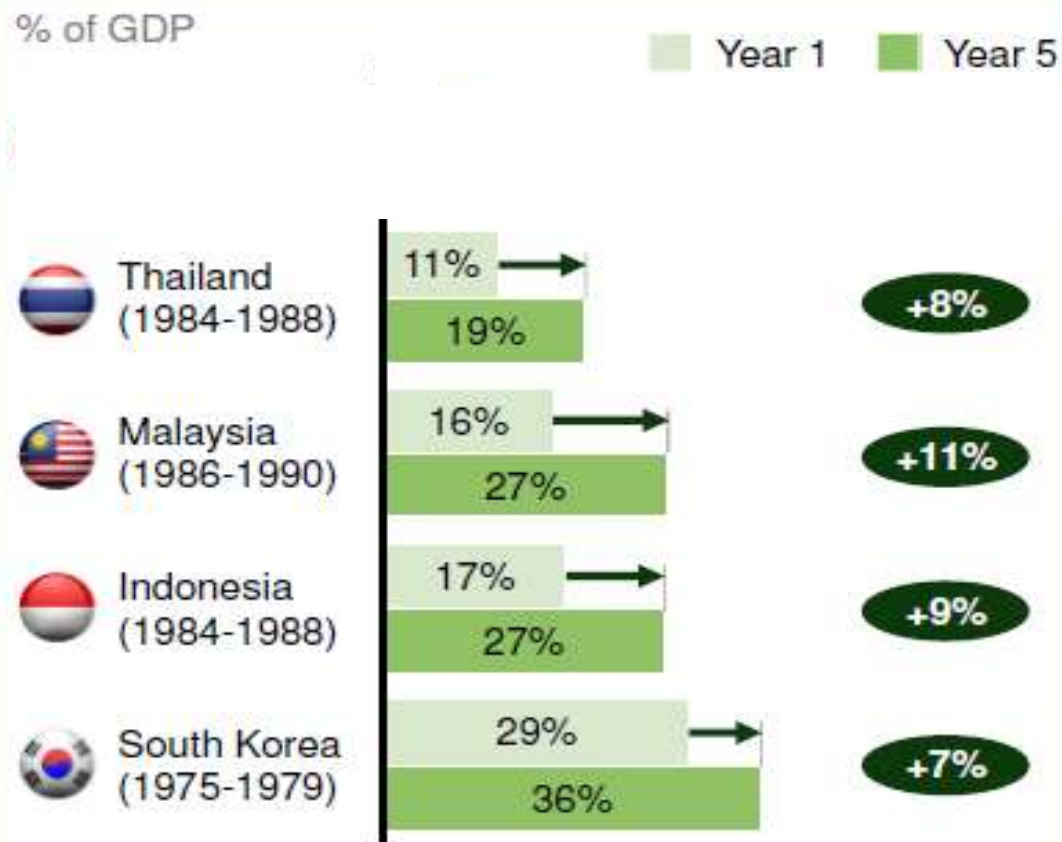


Reforms can be fast-tracked

- make it quick, and the impact immediate

It has taken only 5 years for many countries to transform their industrial sector and grow their manufacturing output

Manufacturing Percentage of GDP



Thailand ■ attracted investors through monetary and fiscal policy, offered lowcost land, building, labour, and devalued its currency

Malaysia ■ established industrial estates, grew its infrastructure across three strategic corridors, and offered attractive investment policies.

Indonesia ■ deregulated its trade and investment, mobilized cost CapEx for industry (e.g., cement, paper, steel), and leveraged its growing domestic market.

South Korea ■ Focused on heavy metals and engineering. Modernized its production focusing on design and quality, offered investors attractive fiscal and financial incentives, and supported the growth of local industrial giants ("chaebols").



The Nigeria Industrial Revolution Plan -NIRP

Introducing the NIRP

The NIRP is a programme to industrialize Nigeria. It is our nation's first comprehensive, integrated, and strategic roadmap to industrialization

NIRP Goals: focused on **Economic** and **Revenue** Diversification

NIRP Industrial Sectors: where Nigeria has ***comparative advantage***

NIRP Supporting Structures (i.e. Enablers): to increase ***competitiveness***, by removing barriers, and raising productivity

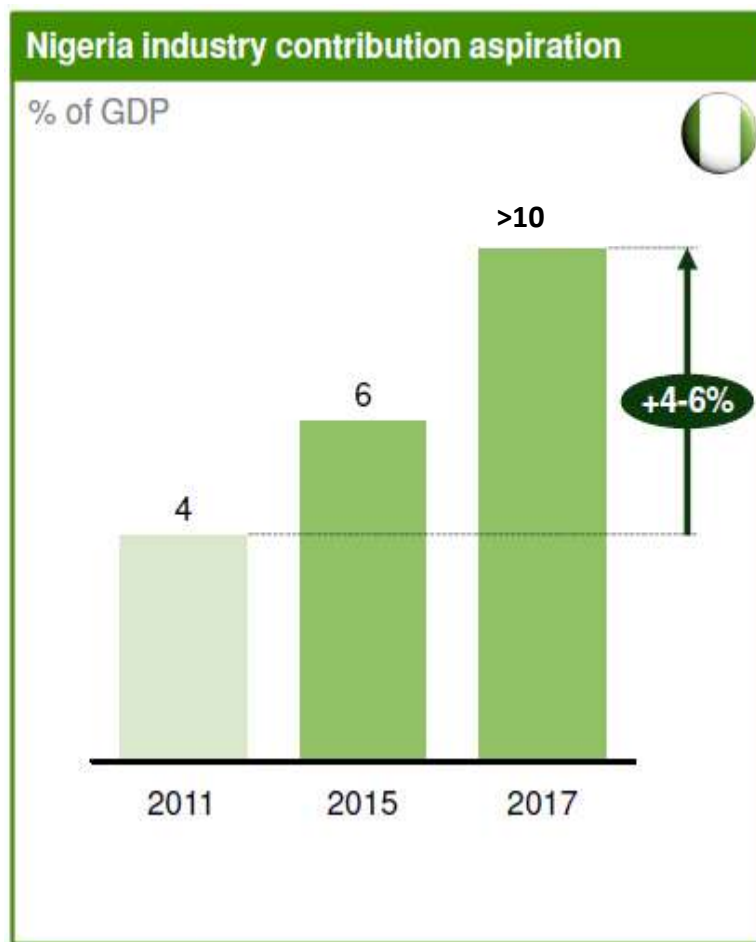




Nigerian Federal
Ministry of
Industry, Trade
and Investments

The Nigeria Industrial Revolution Plan -NIRP

NIRP will increase the level of Nigeria's Industrial output from 4% to 10% of GDP. This will create wealth, create jobs, improve the country's trade balance, and increase government's tax revenues.



1. Government Income Diversification & Increase
2. Job Creation
3. Wealth Creation
4. Import Substitution
5. Export Diversification\ Increase

**NIRP will add
over US\$20
billion to GDP
by 2017
(in real terms)**



The Nigeria Industrial Revolution Plan -NIRP

Why is the NIRP different ?

Nigeria has undertaken several initiatives to accelerate its industrial development in the past. What makes the NIRP different from previous efforts ... it is the first industrialization roadmap to be simultaneously, strategic, holistic, and integrated.

It is Strategic	▪ The NIRP prioritizes the sectors where Nigeria has <u>comparative</u> and <u>competitive</u> advantage
It is Holistic	▪ The NIRP evaluates industries across the <u>entire value-chain</u> to ensure the relevant subsectors, related industries, supply & demand conditions, are all in place. It also adopts a coherent framework to <u>address structural enablers</u> that increase competitiveness in Nigeria.
It is Integrated	▪ The NIRP integrates Nigeria's Industrial Policy\Strategy, Trade Policy\Strategy, and Investment Policy\Strategy. It also develops linkages with other development plans, including – the Gas Master Plan, Agric Transformation Agenda, Mining Plan, Infrastructure Plan etc
It is Execution Focused	▪ The NIRP defines clear goals, <u>governance structures</u> , monitoring frameworks, and identifies quick-wins for immediate implementation. In-fact, <u>NIRP execution</u> has commenced.
It Builds Institutions	▪ At the very heart of the NIRP is the drive to <u>develop strong institutions for industrialization</u> , to ensure policy is actually implemented.



The Nigeria Industrial Revolution Plan -NIRP

The NIRP fits with the philosophy and objectives of Nigeria's Vision 2020 and the Transformation Agenda

*Vision 2020 : "... By 2020 Nigeria will be **one of the 20 largest economies in the world**, able to consolidate its leadership role in Africa and establish itself as a significant player in the global economic and political arena..."*



***The Transformation Agenda:** Thematic areas of the transformation agenda are. (i) **Real sector**, (ii) **Infrastructure**, (iii) **Human Capital**, (iv) **Enablers** (which include private investment, finance mobilization, external economic relations and diplomacy, etc.) and (v) **Monitoring and Evaluation**.*



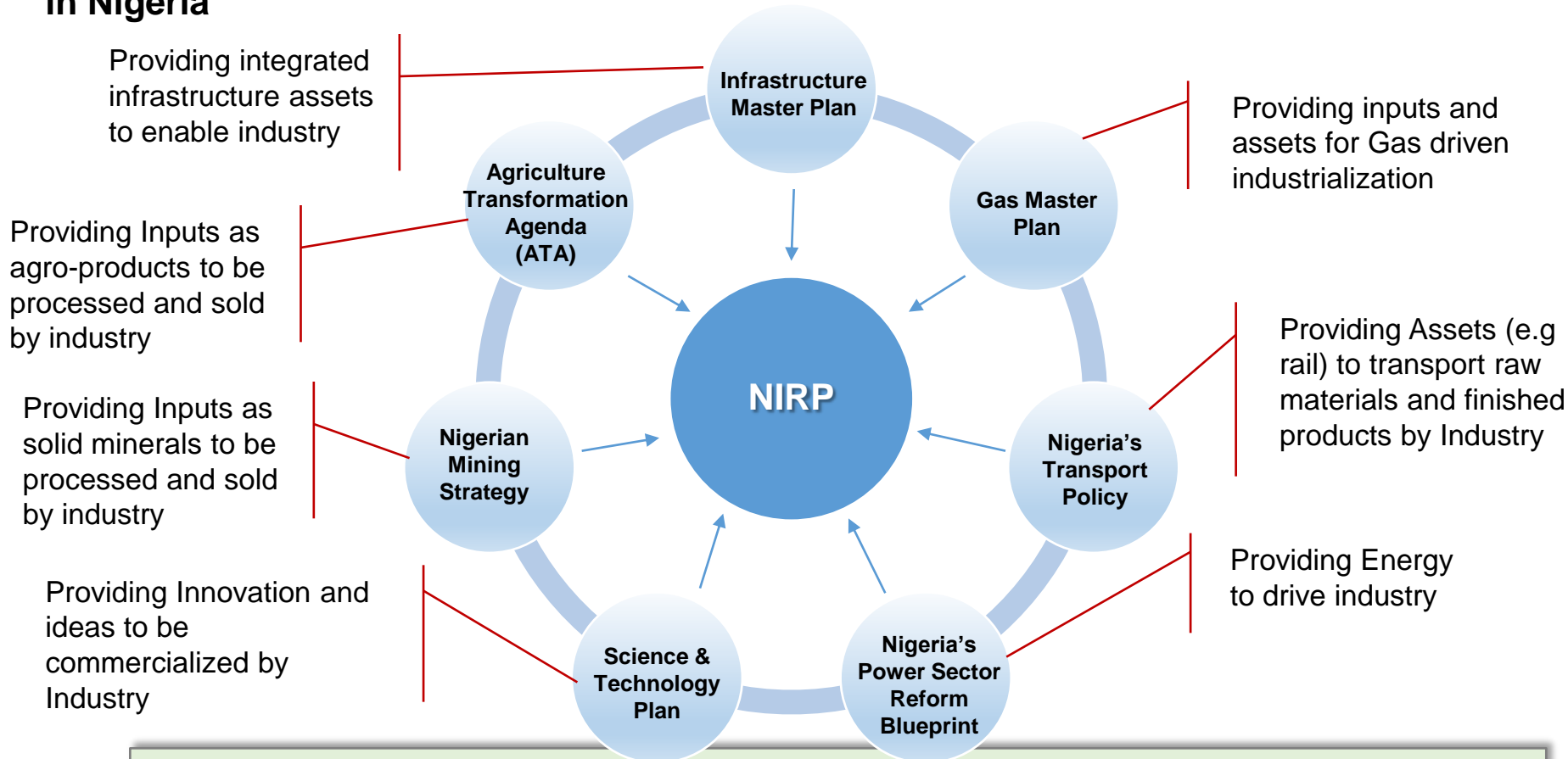
Nigeria Industrial Revolution Plan (NIRP) "Transforming Nigeria through Industry"

- ✓ Grows and diversifies the Nigerian economy, to make our country **one of the largest global economies** ... driven by industry
- ✓ Makes the **Real Sector** (the non-oil sector in particular) the center of economic activity
- ✓ Positions Nigeria as the **manufacturing hub for West Africa and Africa** ('A leader')
- ✓ Enhances **Support Structures and Enablers** – Infrastructure, Skills, Investment Climate, Innovation, Standards, Local Patronage, and Finance
- ✓ Develops **metrics to monitor and feel the pulse of industry** in Nigeria regularly



The Nigeria Industrial Revolution Plan -NIRP

NIRP's implementation is heavily integrated with other key development plans in Nigeria



By its very nature, Manufacturing integrates with other segments.

- While the Manufacturing sector depends on others for raw materials and assets (as inputs), Manufacturing is however also the critical offtaker of outputs from those sectors (i.e. the key buyer)



The Nigeria Industrial Revolution Plan -NIRP

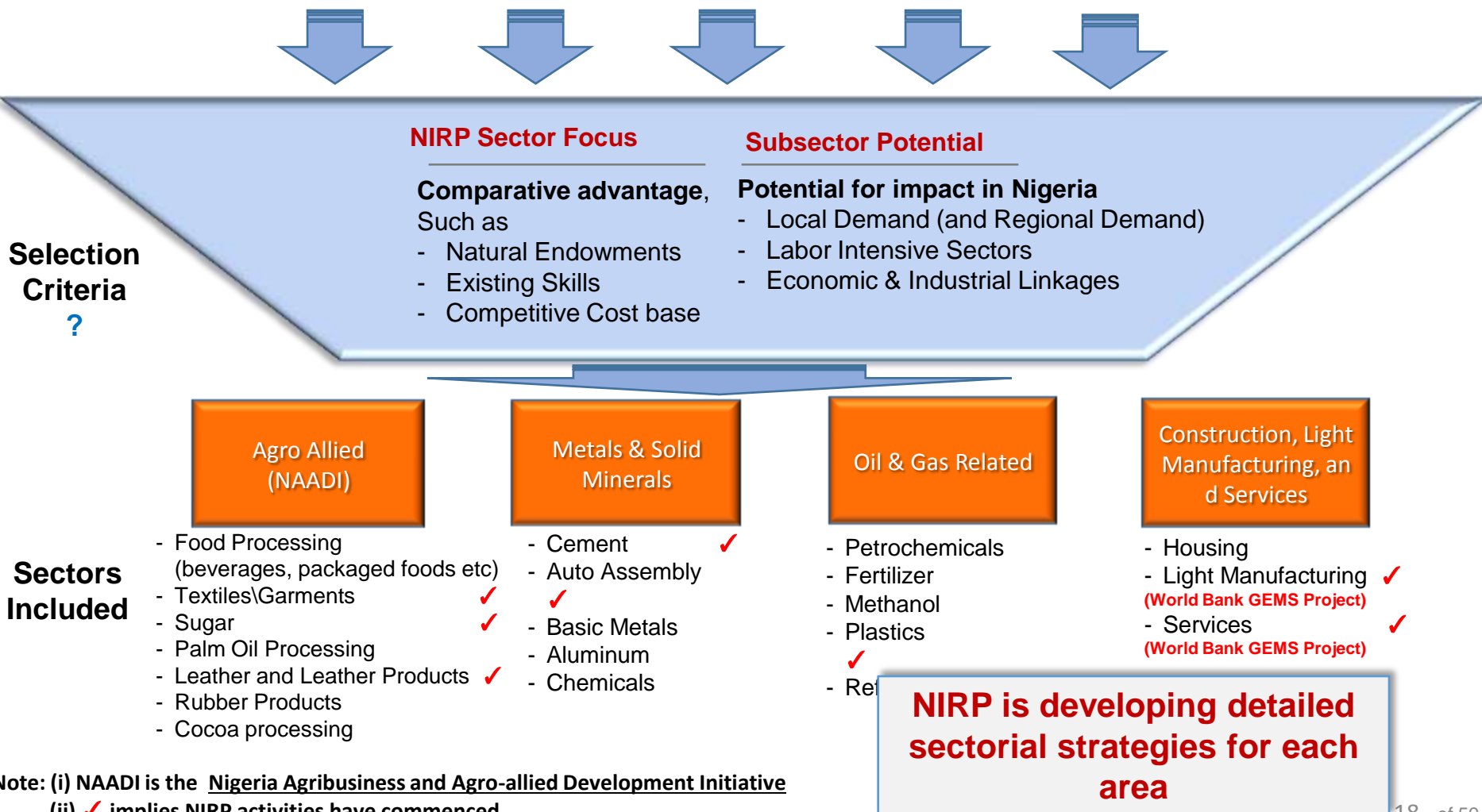
NIRP has gone through an intensive consultative process to obtain buy-in and refine its key initiatives

- ✓ Presented, discussed, and obtained inputs from Trade and Investments Commissioners, Permanent Secretaries, and Delegates of the 36 States of Federation at the Trade and Investments Council deliberations in Ibadan.
- ✓ Presented, discussed, and obtained inputs from all staff of the Ministry of Industry, Trade, and Investments (from the Director level upwards).
- ✓ Presented, discussed, and obtained inputs from the Manufacturers Association of Nigeria
- ✓ Presented, discussed, and obtained inputs from key Nigerian Industrialists, Sector leaders, and Stakeholder associations cutting across over 20 different industrial sectors
- ✓ Discussed with a number of Ministers and MDAs e.g. Science & Technology, Power, Transport, CBN etc.



The Nigeria Industrial Revolution Plan -Strategic Industry Groups

The NIRP has identified strategic Industry groups where Nigeria already has comparative advantage, with a view to ramp-up capacity and production in the near to mid term.





To achieve real Sectorial reforms

-Each Sector will contribute differently to jobs and economic growth (1/2)

			Nature of Sector (i.e. typical size)			Economic Potential		Strategy
			Medium Scale (Revenues of US\$10m to US\$20m)	Large Scale (Revenues of US\$20m to US\$100m)	Ultra Large Scale (Revenues above US\$100m)	Job Creation Potential	Target GDP addition (Aggregated value)	# of transactions
1	Agro Allied	Food Processing (beverages, packaged foods, rice)		X		High	US\$2b to US\$5b	~20x
2		Sugar			X	High	US\$0.5b to US\$1b	~10x
3		Palm Oil Processing		X		High	US\$1b to US\$2b	~10x
4		Leather and Leather Products	X			High	US\$0.2b to US\$0.5b	~10x
5		Rubber Products (i.e. Tyres)		X		High	US\$0.5b to US\$1b	~5x
6		Cocoa processing	X			High	US\$0.2b to US\$0.5b	~10x
7	Metals and Solid Minerals	Cement			X	High	US\$1b to US\$2b	~3x
8		Auto Assembly			X	High	US\$1b to US\$2b	~2x
9		Basic Metals\Steel			X	Medium	US\$1b to US\$2b	~5x



To achieve real Sectorial reforms

-Each Sector will contribute differently to jobs and economic growth (2/2)

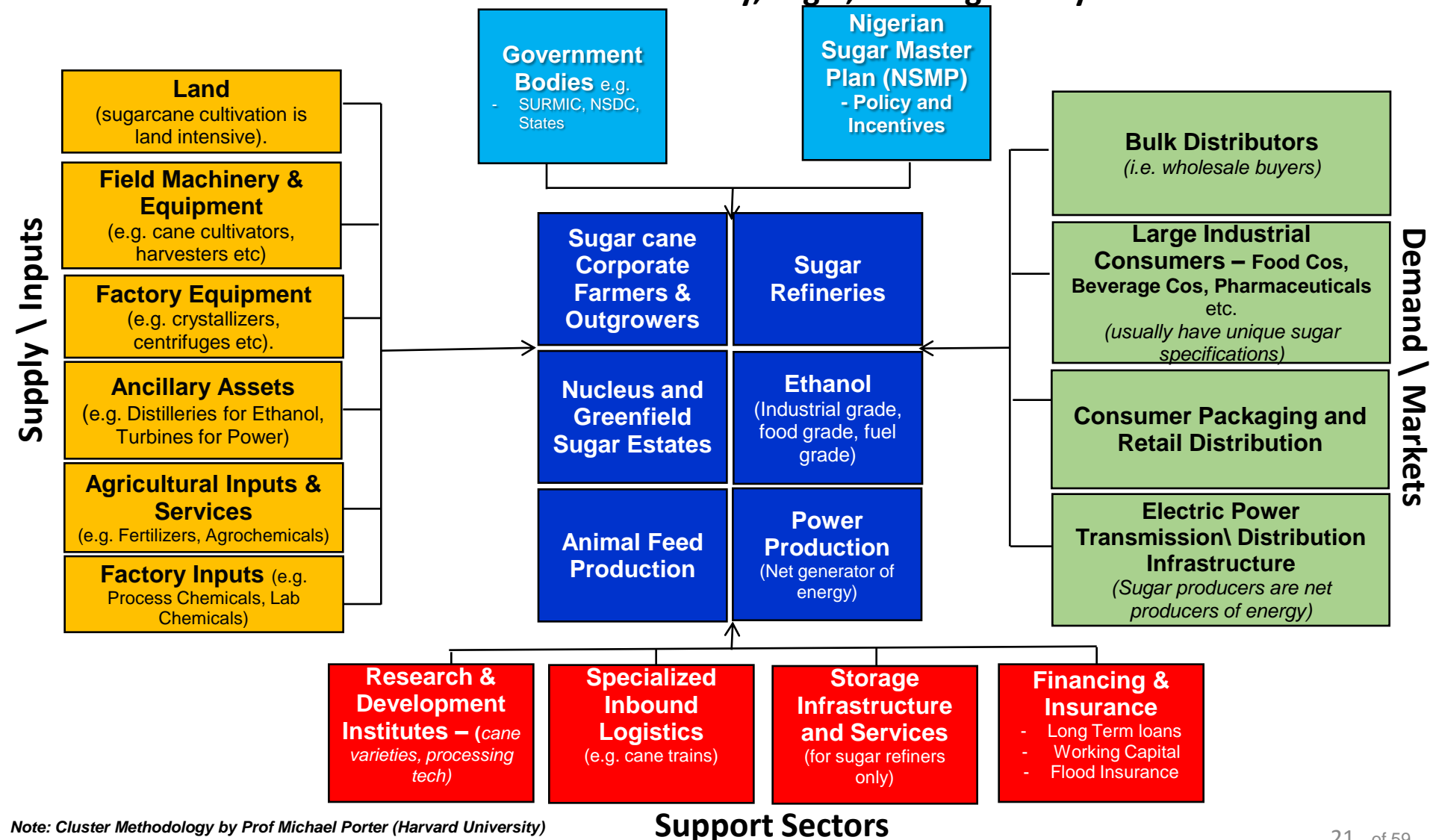
			Nature of Sector (i.e. typical size)			Economic Potential		Strategy
			Medium Scale (Revenues of US\$10m to US\$20m)	Large Scale (Revenues of US\$20m to US\$100m)	Ultra Large Scale (Revenues above US\$100m)	Job Creation Potential	Target GDP addition (Aggregated value)	# of transactions
10	Metals & Solid Minerals (Continued)	Aluminum		X		Medium	US\$0.5b to US\$1b	~5x
11		Chemicals		X		Medium	US\$0.5b to US\$1b	~10x
12	Oil & Gas Related Industries	Petrochemicals			X	Medium	US\$1.5b to US\$2b	~4x
13		Fertilizer			X	Medium	US\$1.5b to US\$2b	~4x
14		Methanol			X	Medium	US\$1b to US\$2b	~2x
15		Refineries			X	Medium	US\$5b to US\$10b	~2x
16		Plastics	X			High	US\$0.2b to US\$0.5b	~10x
17	Construction, Light Manufacturing, and Services	Housing		X		High	US\$2b to US\$5b	~20x
18		Light Manufacturing	X			High	US\$0.5b to US\$1b	~20x
19		Services	X			High	US\$0.2b to US\$0.5b	~20x



NIRP is adopting the Cluster Approach

-E.g. The Sugar Industry

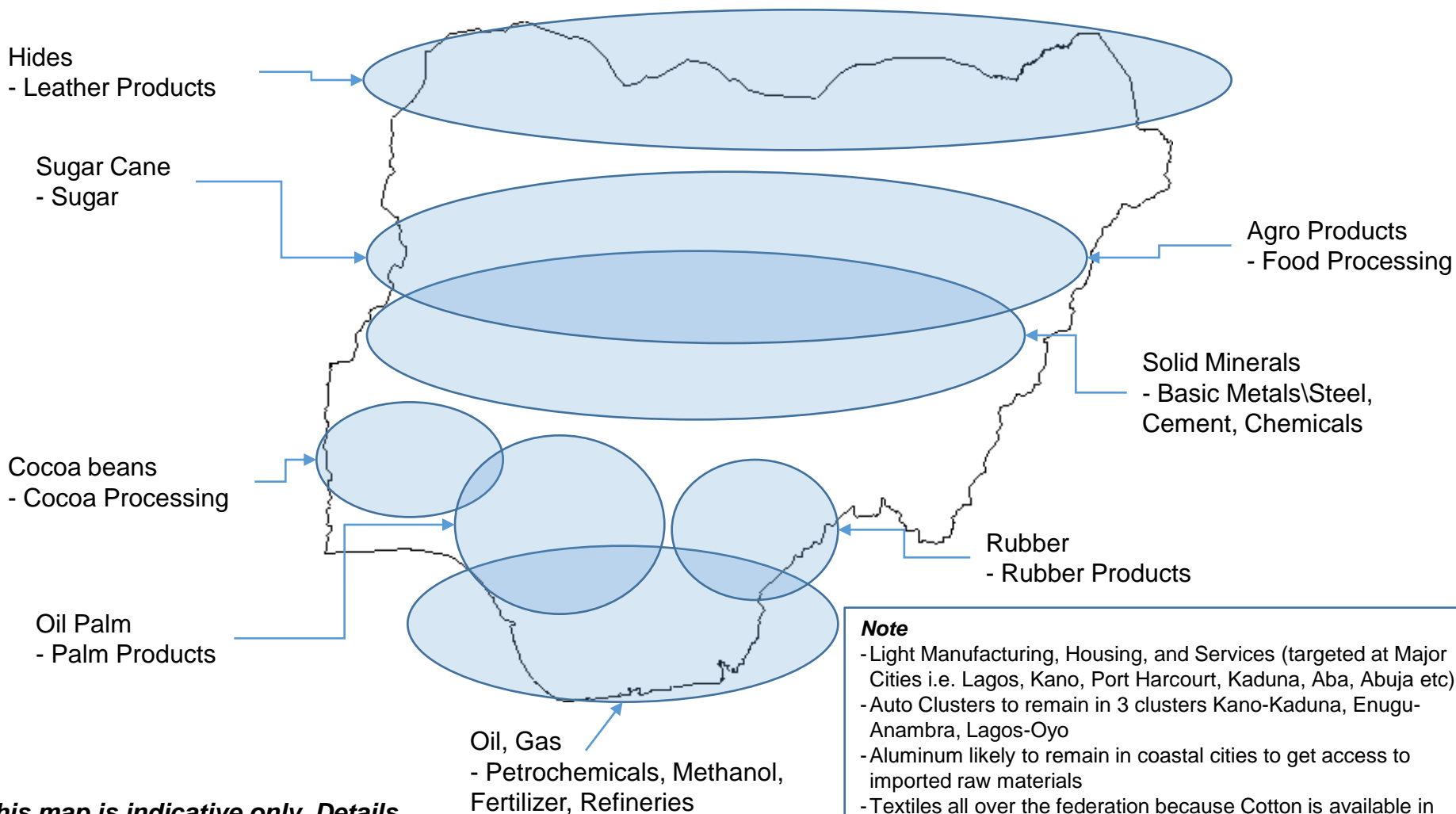
Macro Framework – Policy, Legal, and Regulatory





Nigeria's Resources

-NIRP will facilitate investments around the resources in each State of the Federation



Note

- Light Manufacturing, Housing, and Services (targeted at Major Cities i.e. Lagos, Kano, Port Harcourt, Kaduna, Aba, Abuja etc)
- Auto Clusters to remain in 3 clusters Kano-Kaduna, Enugu-Anambra, Lagos-Oyo
- Aluminum likely to remain in coastal cities to get access to imported raw materials
- Textiles all over the federation because Cotton is available in many States

This map is indicative only. Details in complete NIRP assessment.



Strong Institutions are at the center of industrialization - Nigeria Vs Brazil

Benchmarking some of our Institutions

 NIGERIA (population 167 million, GDP US\$270 billion)	 BRAZIL (population 201 million, GDP US\$2.4 trillion)
<p><i>(Providing Finance)</i></p>  <ul style="list-style-type: none"> ▪ Bank Assets – US\$1.4 billion ▪ Loans per year - ~US\$300 million 	 <ul style="list-style-type: none"> ▪ Bank Assets – US\$300 billion ▪ Loans per year - US\$80 billion
<p><i>(Building Industrial Infrastructure)</i></p> <p>Does Not Exist</p>	<p>Industrial Development Agency</p> <ul style="list-style-type: none"> ▪ Mandate – To develop Industrial hubs ▪ Industrial Cities – Major ones: Santa Marina industrial Park; Manaus Free Zone; Sao Paulo aerospace; Recife High-tech City etc.
<p><i>(Skills Development)</i></p>  <p>ITF</p> <ul style="list-style-type: none"> ▪ # of Alumni – <1 million ▪ # of annual enrolments- ~350,000 people (in 2012), 16,000 people (2011). ▪ Ownership – Public Sector 	 <p>(SENAC for corporate skills)</p> <ul style="list-style-type: none"> ▪ # of Alumni – 55 million (since inception) ▪ # of annual enrolments – 2.5 million ▪ Ownership- Joint Private\ Public
<p><i>(Standards and Quality)</i></p>  <p>SON</p> <ul style="list-style-type: none"> ▪ Mandate – Setting standards, quality assurance 	<p>2 key agencies</p> <div>  ABNT </div> <div>  INMETRO </div> <ul style="list-style-type: none"> ▪ Mandate (Abnt) – Responsible for setting national standards ▪ Mandate (Inmetro) – Certifying conformity, quality, and standards, in the areas of products, processes, services and personnel (metrology)
<p><i>(SME support)</i></p>  <p>SMEDAN</p> <ul style="list-style-type: none"> ▪ # of SMEs – 20,000 reached per year ▪ Footprint – 71 Development Centers ▪ Org Structure - Operational (e.g. Strategy, Inspectorate, Promotion etc.) 	 <ul style="list-style-type: none"> ▪ # of SMEs – 1.6 million reached per year ▪ Footprint – 788 Development Centers ▪ Org Structure – Customer focused (e.g. access to finance, market access etc)
<p><i>(Local Content)</i></p> <p>Local Patronage Framework</p> <ul style="list-style-type: none"> ▪ Policy – The Nigerian Public Procurement Act 2007, provides some preferential clauses on local goods (<i>but this needs to be broader and enforced</i>) 	<p>Local Patronage Framework</p> <ul style="list-style-type: none"> ▪ Policy – The federal, state, and municipal governments, as well as related agencies and companies, follow a “Buy National” policy. ▪ 25% of all Government procurement must be with SMEs



How we are executing

-Supporting Structures – Industrial Cities

Industrial Cities will be operating hubs (or delineated areas) where manufacturers have the required infrastructure and support to succeed

1. Infrastructure

2. Skills

3. Finance

4. Investment Climate

5. Innovation

6. Standards

7. Local Patronage

Key NIRP Actions:

- #1: Establish or assign agency to promote Industrial Development in Nigeria
- #2: Develop Industrial Cities in Nigeria
- #3: Power to dedicated Industrial Cities, and existing manufacturing areas (22/7 input)
- #4: Work with NPC Infrastructure Master Plan to ensure execution meets Trade and Industrial Requirements



Possibilities for Industrial Cities

1. Akwa Ibom Industrial City (Akwa Ibom)
2. Abuja Industrial City (Abuja)
3. Enugu Industrial City (Enugu)
4. Eko Atlantic, Heavy Industry and Services City (Lagos)
5. Ogidigbe Petrochemical Industrial City (Delta)
6. Olokola Industrial City (Ondo)
7. Kano Industrial City (Kano)
8. Niger Industrial City (Niger)

Why Industrial Cities?

- Industrial Cities have been used worldwide to accelerate economic growth and diversification.
- NIRP will promote development of 8 Industrial Cities in Nigeria in its first phase (in addition to other specialized clusters). *23 IDCs to become Industrial Parks*
- Combined land size between 6,000 to 10,000 hectares, and 100 MW to 300MW of captive power capacity to be developed in each city (target is to have 22/7 power in the industrial Cities).
- Creation of an **Industrial Investment & Holding Company** to mobilize private capital to develop Industrial Cities (more details under “Finance”)
- Industrial Cities will have the following features:
 - (i) Scale- at least 1000 hectares each
 - (ii) Infrastructure- captive power and internal roads
 - (iii) Support Services – e.g. Financing, Standards etc.
 - (iv) Target Investors – To locate production plants

Our Benchmark

- **Saudi Arabia – SABIC/MODON**



How we are executing

-Supporting Structures – Industrial Cities

Industrial Cities are central to the Nigerian Industrialization agenda

1. Infrastructure

2. Skills

3. Finance

4. Investment
Climate

5. Innovation

6. Standards

7. Local
Patronage

Typical infrastructure and incentives provided include:

- **Energy:** Power or gas supply sometimes at reduced rates
- Rail and road network **linkage to the market** for raw materials and finished products
- Easy **access to sea ports and / or airports** for import of raw materials and export of finished goods
- Minimal or **no restrictions on flow of funds** into and outside of the host country (*optional feature*)
- **Concessionary regulatory requirements** (e.g. business registration) and tax incentives
- Enforcement of regulations leading to **higher standards and quality** of the finished goods.



Industrial cities provide enabling facilities (through Government or PPP arrangements) to create, support and grow industries in support of the economic objectives of the nation.



How we are executing

-Supporting Structures – Industrial Cities (Contd)

Nigeria's Industrial Cities will be situated close to natural gas pipelines (for power generation), and to the national rail network (for transportation). In addition, other mid-sized industrial parks\clusters will be created around the country along transport corridors.

1. Infrastructure

2. Skills

3. Finance

4. Investment
Climate

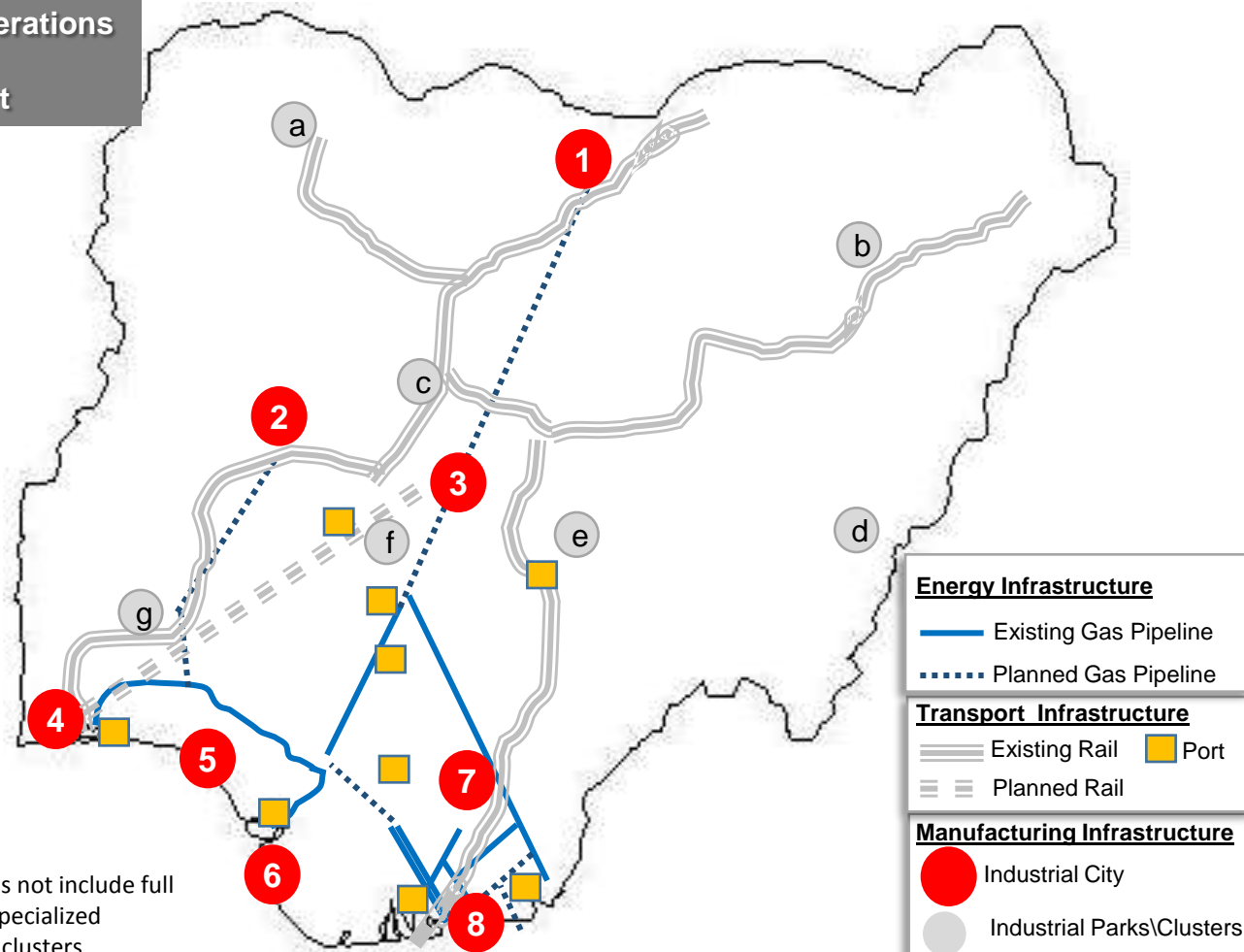
5. Innovation

6. Standards

7. Local
Patronage

Main Considerations

- ✓ Power
- ✓ Transport





How we are executing

-Supporting Structures – Skills

Countries that invest more in technical and vocational education (TVET), tend to have lower youth unemployment rates

1. Infrastructure

2. Skills

3. Finance

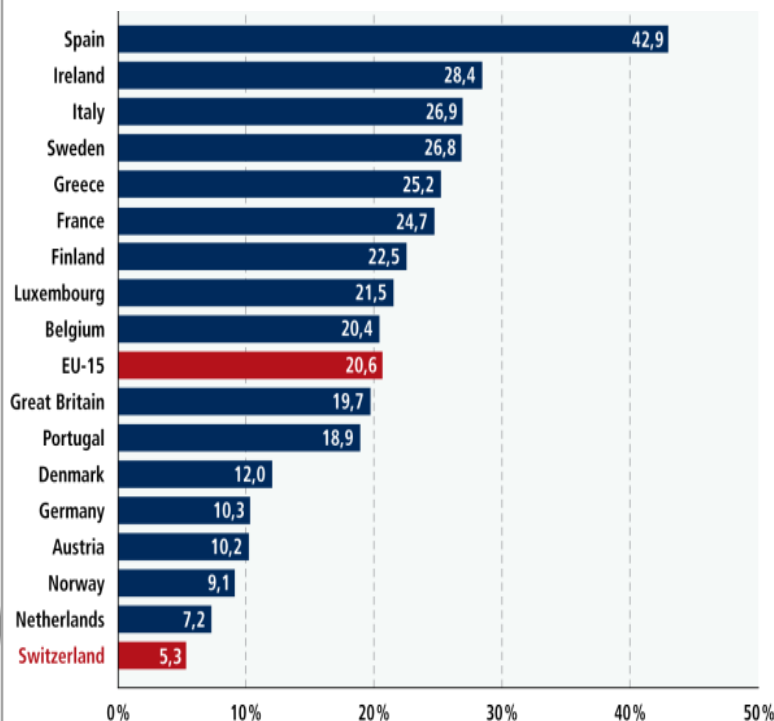
4. Investment
Climate

5. Innovation

6. Standards

7. Local
Patronage

**Youth Unemployment and Level of TVET
(European Countries)**



European countries that rank poorly on specialized training, also have higher youth unemployment rates

Investment in Skills will generate returns for Government

Investment in Skills

– Government allocations to developing technical and vocational education (e.g. can be taken as a percentage of oil revenues; and a percentage of wages earned by existing workers, such as the ITF scheme)

Return on Skills

- **Taxes on wages** earned (by new workers)
- **Taxes on products sold** by company, (due to new workers)
- **Taxes on products procured** (by new workers)

A Payback Scenario:

If the Nigerian government commits **3%** of oil revenues in **1 year** as a onetime upfront investment on industrial skills (~US\$2.3 billion).

This investment will develop **600 world class industrial training institutes**, train **5.8 million people**, and payback the investment in **7 to 8 years**, from the 1% payroll tax alone!



How we are executing

-Supporting Structures – Skills (Contd)

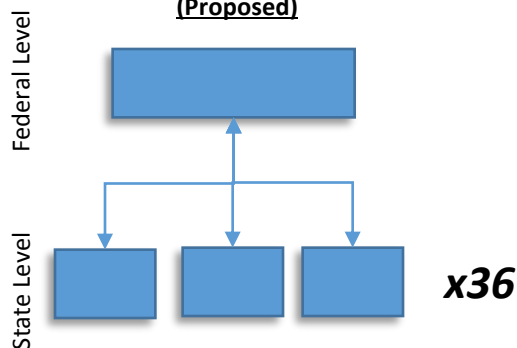
NIRP will link skills development to real jobs, so Nigerians develop competence in areas they can put to immediate industrial use



Key NIRP Actions:

- #1:** Transform the Industrial Training Fund (ITF) – i.e. its governance model, skills focus, operations etc.
- #2:** Public\Private implementation of Industrial skills gap analysis and planning, to match trainings to actual jobs

Nigerian Skills Development Boards (Proposed)



The Boards\Councils are constituted of...

- 1) Private Sector Educationalists
- 2) Private Industrialists \Associations
- 3) Public Sector Stakeholders (MITI, Education etc)
- 4) The Industrial Training Fund
- 5) Organized Labor

Matching Skills with Jobs

- **Governance and Delivery** – NIRP will create Skills Development Boards at the National Level, and in each of the 36 States.
- **Skill Gap Analysis** - ITF to work with Skills Development Boards\Councils to identify current and future industry gaps and develop programmes to close these gaps. (*“Match training to actual jobs”*)
- **Jobs Groups** – Develop Industrial skills depth in fewer critical areas to match current and planned investments within the Nigerian economy.
- **Certifications and Experience** - Build capacity with a few internationally accredited or recognized certifications (Public\Private training delivery). E.g. ITF already working with Brazil on Auto Skills Centers.
- **Progressive Qualifications/training** – Milestone skills programmes recognizing increased proficiency
- **Private Sector Skills Centers** – Government to leverage private sector skills development centers and encourage private sector participation.



How we are executing

-Supporting Structures – Finance

It is tough to obtain appropriate financing in Nigeria ... our total volume of commercial lending is insufficient, and interest rates are still abnormally high

1. Infrastructure

2. Skills

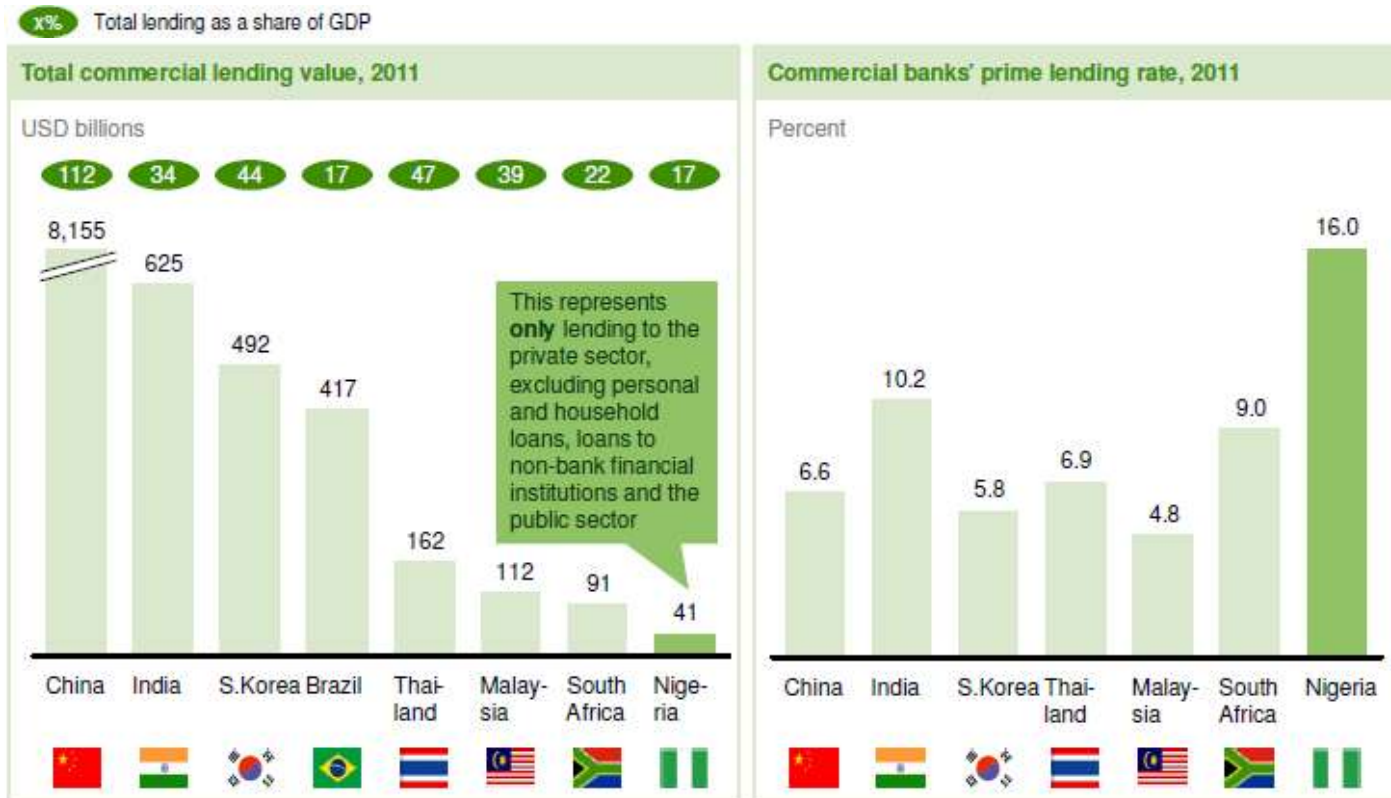
3. Finance

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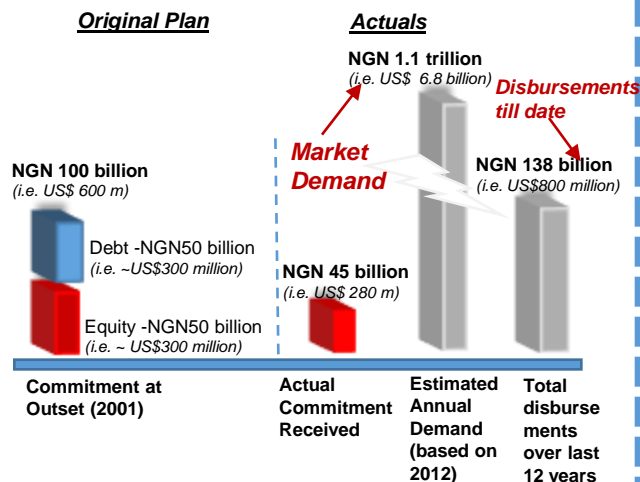


How we are executing

-Supporting Structures – Finance (Contd)

NIRP will implement initiatives to increase capital availability to Industry... and also work with other agencies to make financing affordable

BOI should grow...and improve



- Original plan was to capitalize BOI with NGN 100 billion (debt to equity ratio of 50/50). However only NGN 45 billion was received in equity.
- BOI needs more scale and specialization to meet market needs. In 2012 alone, we estimate a ~NGN 1.1 trillion annual demand for BOI's products, while only NGN 138 billion has been disbursed by the institution over the last 12 years.
- Part of the funding shortfall has been bridged by development initiatives with partners e.g. State SME Funds, Dangote etc.

We must also address broader issues affecting availability and affordability of funds

Availability	Affordability
<p>Issues</p> <ul style="list-style-type: none"> Insufficient capital available for industrial development (equity, debt) Low Domestic Credit as % of GDP - Nigeria is 35%, Brazil 110%, China 155%, South Africa 80%. (loan tenures too short, Venture capital weak etc) <p>Actions Required</p> <ul style="list-style-type: none"> Increasing Mobilization - an Industrialization and Investment Holding Company Private Eq\ Venture Cap - a clear legal and policy framework for funds New Risk Sharing Products - through commercial banks Scaling up existing DFIs - BOI 	<ul style="list-style-type: none"> Credit is too expensive – typically well above 20% Caused by different reasons – high govt treasury rates, high inflation, infrastructure inefficiencies etc <p>Actions Required</p> <ul style="list-style-type: none"> Channeling more funds through DFIs e.g. BOI, Wholesale banking Monetary Policy - handled by CBN <ul style="list-style-type: none"> Improve Loan to deposit ratio Interest rates vs Exch rates Fiscal Policy - handled by MoFI Commercial Banks –e.g. Ways to improve efficiency

1. Infrastructure

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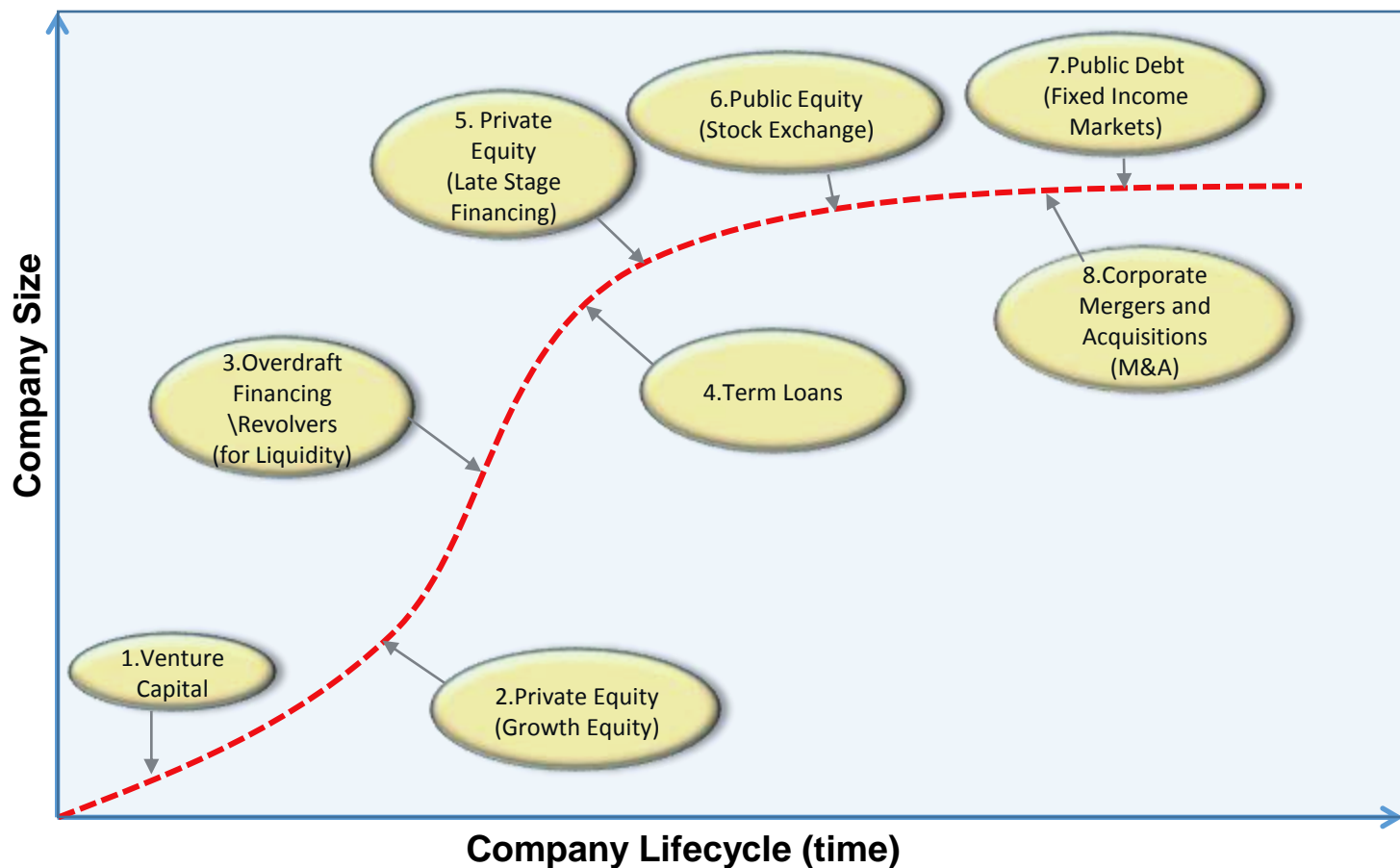
How we are executing

-Supporting Structures – Finance (Contd)

We are developing a comprehensive plan to address constraints in the entire Financing Value-Chain in Nigeria

- 1. Infrastructure
- 2. Skills
- 3. Finance**
- 4. Investment Climate
- 5. Innovation
- 6. Standards
- 7. Local Patronage

Figure – Company Lifecycle and Financing Value-Chain





How we are executing

-Supporting Structures – Finance (Contd)

Actions for Nigeria

- ✓ **Unlocking new sources of Capital :**
 - Pension Funds – currently over NGN 3 trillion (~US\$20 billion).
 - Capital Markets – for both equity and fixed income securities (i.e. NSE)
 - Leveraging Existing FG assets – Using governments assets to mobilize more capital
- ✓ **Basic Rules to Guide Capital Allocation :**
 - Introduce regulations to ensure statutory buyers of govt bonds, must also allocate funds to government backed industrial/infrastructural projects (and not just government treasuries)
- ✓ **Strategic use of the FG Balance sheet :**
 - Focused use of FG guarantees for milestone industrial and infrastructural projects (within acceptable contingency risk limits).
 - For instance, on key transformational projects, guarantees provided to Pension Funds (combined with interest drawbacks) protects the Pension downside, maintains their risk appetite, and unlocks low cost high-value funding for major projects
- ✓ **Commercial Bank Balance sheet :**
 - Develop standard framework to help banks refinance loans and free-up balance sheet. Encourages banks to provide long term facilities, knowing exit options exist down the line.
- ✓ **Financing Value-Chain :**
 - Different solutions needed for different segments of the financing chain – equity, term loans, overdraft, revolving facilities etc. (Planning a “Nigerian Summit on Real Sector Financing”)
- ✓ **Development Finance :**
 - Review Funding Sources for BOI. Emphasis must be on raising low cost funding for this institution (i.e. 2% to 5%). Low rates can then be passed on to industry.

1. Infrastructure

2. Skills

3. Finance

4. Investment
Climate

5. Innovation

6. Standards

7. Local
Patronage



How we are executing

-Supporting Structures – Finance (Contd)

A national **Industrial Investment & Holding Company** will industrialize and diversify the Nigerian economy by mobilizing capital into strategic sectors and economic zones

1. Infrastructure

2. Skills

3. Finance

4. Investment
Climate

5. Innovation

6. Standards

7. Local
Patronage

Other Countries with Industrial Holding Companies

Country	Industrial Vehicle	Financials
Malaysia	Khazanah Nasional	US\$30 billion (Net Asset Value)
Singapore	Temasek	US\$193 billion (Total Assets)
Saudi Arabia	Saudi Basic Industries Corporation (SABIC)	US\$85 billion (Total Assets)
Abu Dhabi	Mubadala Development Company	US\$55 billion (Total Assets)

...The Industrial Investment & Holding Company will part-finance development of Nigeria's Industrial Cities, as well as Strategically mobilize investments into key sectors

About the "Industrialization Holding Company"

- **What other Countries have done –**
 - Several countries have moved to consolidate their investment holdings under a single State Industrial/Investment Holding Company.
- **An Industrial Holding Company to drive industrial development –**
 - A *Nigerian Industrialization Holding Company* will drive industrial development in Nigeria. The entity will be under a designated Cabinet Member and accountable to Mr President.
- **Benefits of such a Strategic Investment Vehicle–**
 - The Company will diversify our economy by fast tracking key projects with private partners
 - Partnerships with credible international and domestic investors for cutting edge projects

Our Benchmark

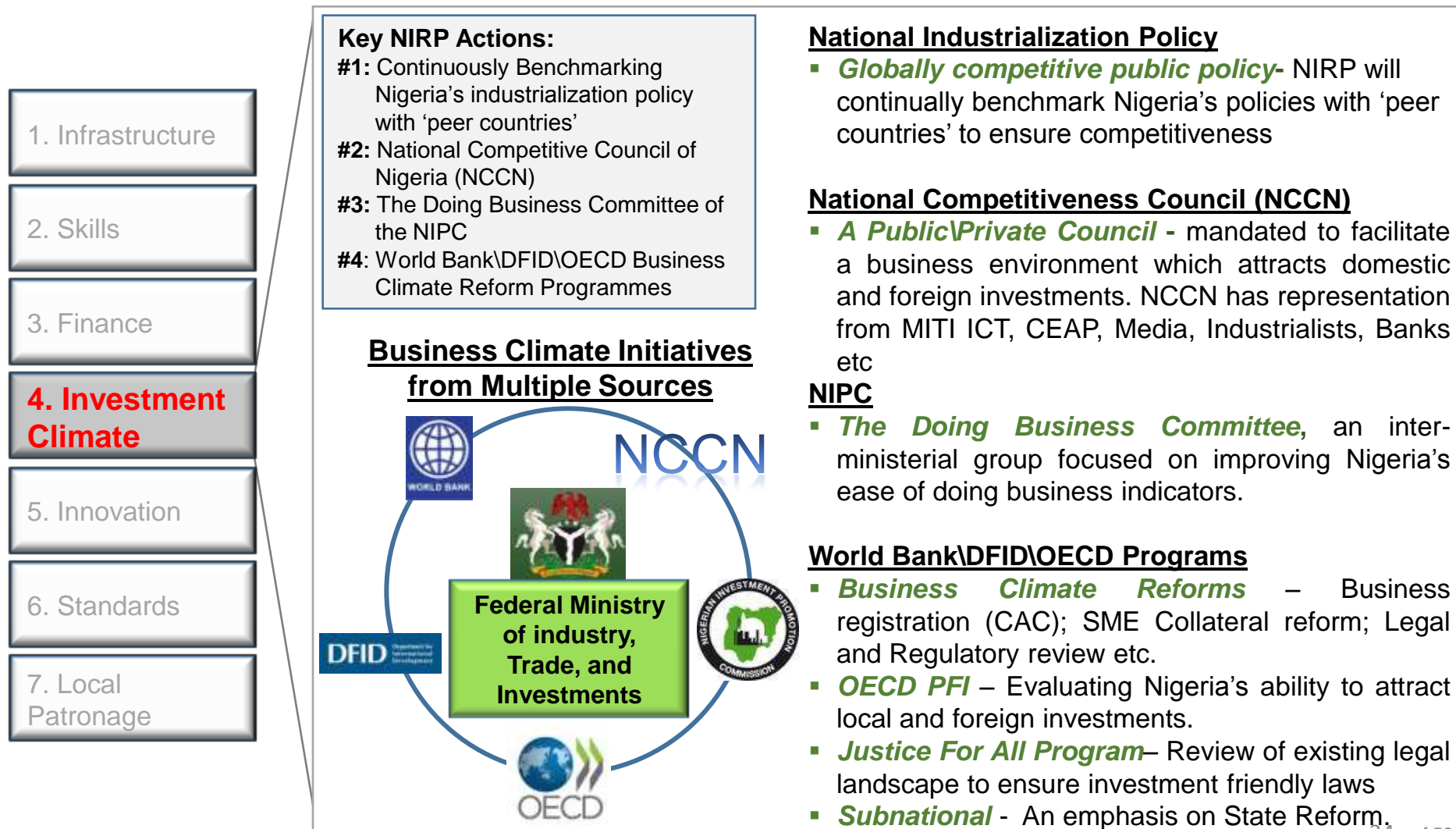
- Saudi Arabia (**SABIC**) / Malaysia (**Khazanah**)



How we are executing

-Supporting Structures – Investment Climate (Contd)

Investment Climate reforms are addressed using a multi-pronged approach





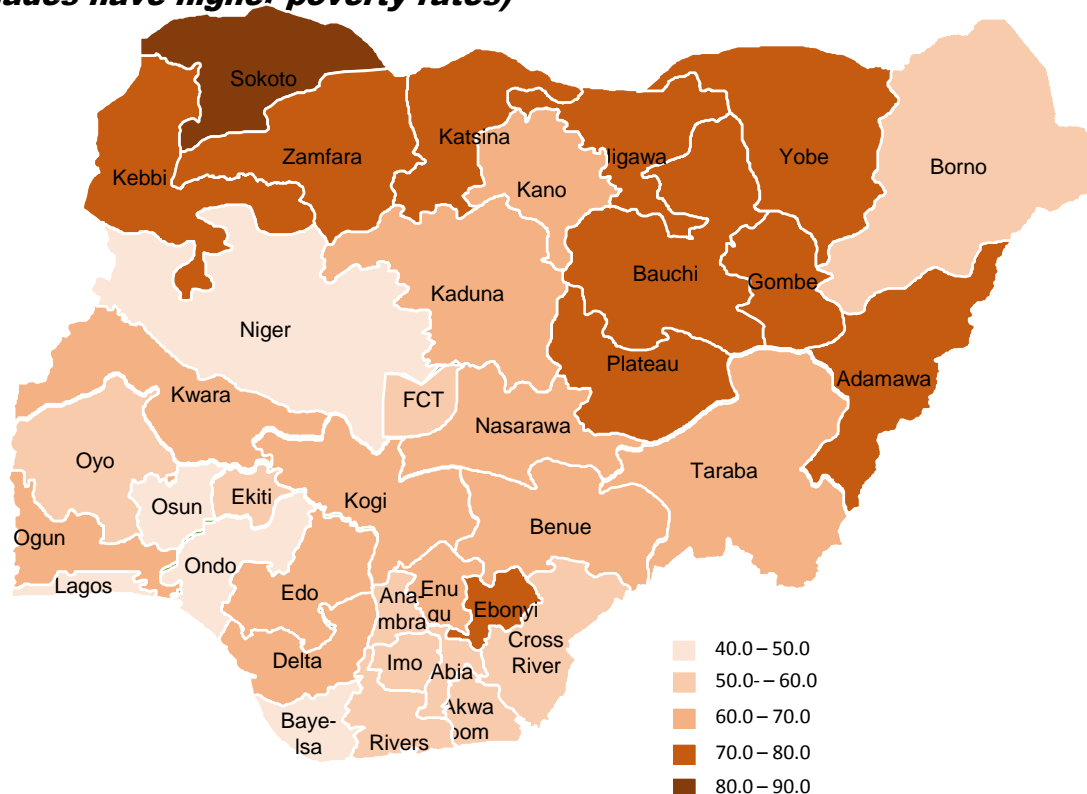
How we are executing

-Supporting Structures – Investment Climate (Contd)

The NIRP and NEDEP* (the flagship MSME program) will jointly broaden National Development across the country

Geographic View-- NIRP Sectorial Policies with special provisions to facilitate Industrializing less wealthy States

Absolute Poverty in Nigeria
(Darker shades have higher poverty rates)



Source: NBS

* Note: NEDEP is the National Enterprise Development Programme; also implemented by MITI



How we are executing

-Supporting Structures – Innovation

Innovation needs a strong partnership between government, academia, and industry

1. Infrastructure
2. Skills
3. Finance
4. Investment Climate
- 5. Innovation**
6. Standards
7. Local Patronage

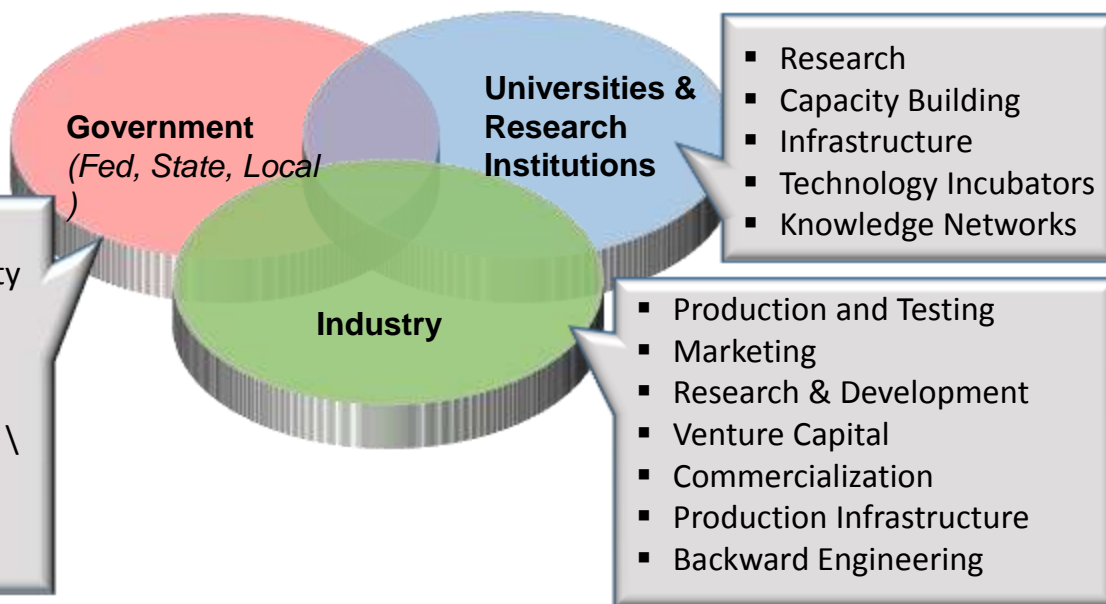
Key NIRP Actions (with Ministry of Science and Technology):

#1: Implement Triple
Helix with Ministry
of Science and
Tech

- Laws
- Intellectual Property
- Fiscal Incentives
- Venture Capital
- Administration
- Counterpart Funds \ Loans
- Annual Innovation targets per Sector

The Interaction Model (Triple Helix Model)

* Adopted by the Federal Ministry of Science and Technology



- The **Federal Ministry of Industry, Trade, and Investments** will partner with the **Federal Ministry of Science and Technology** in implementing the Triple Helix Model for innovation
- The Model ensures Government, Industries, and Universities\Research institutions interact to leap-frog technology creation in Nigeria, even as each maintains its primary role and distinct identity



How we are executing

-Supporting Structures – Innovation

Innovation needs a strong partnership between government, academia, and industry

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Patronage

Nigeria's first ever **"Industrial Innovation Week"**
will hold in Q2 2014

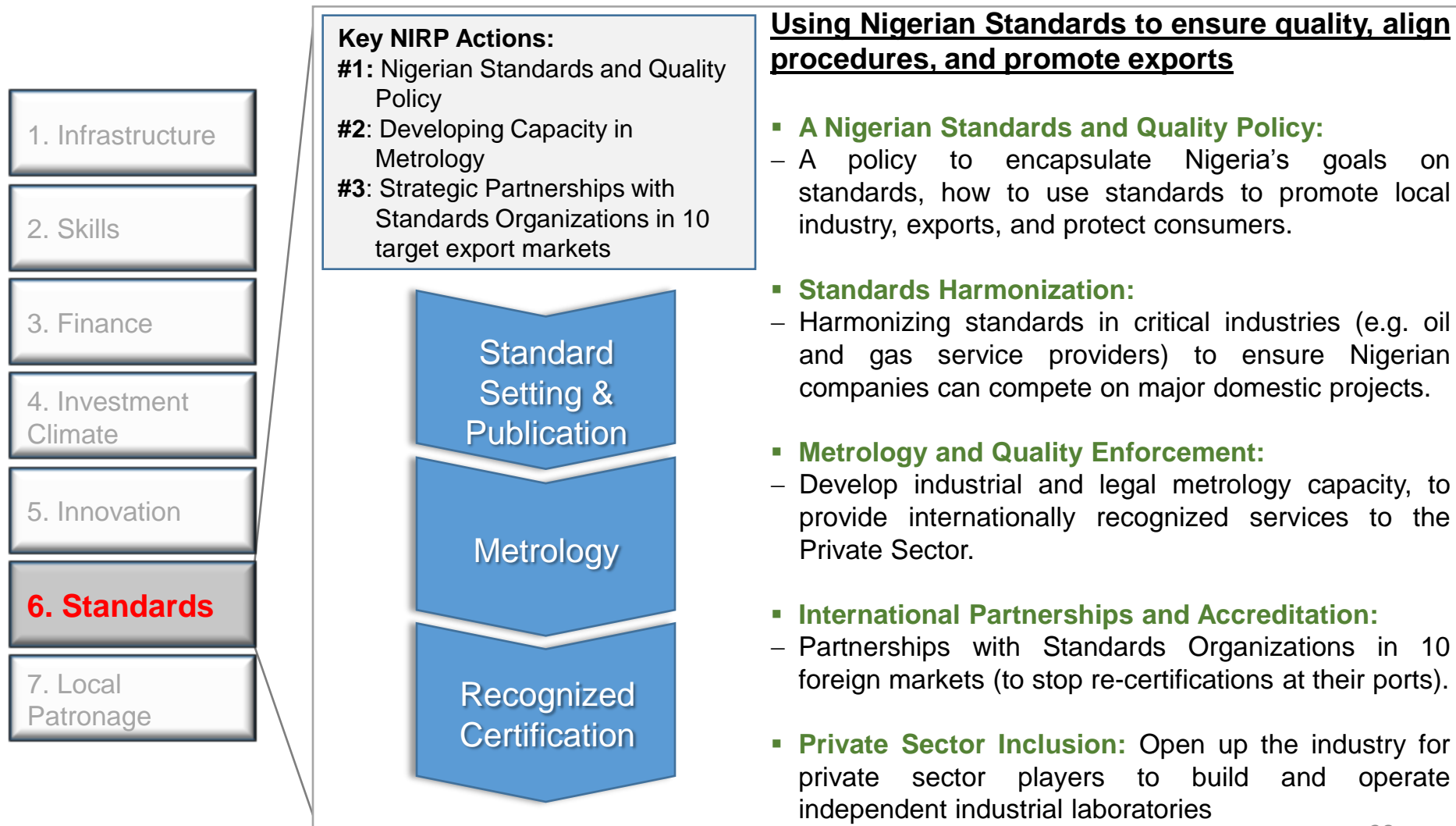
- ✓ A joint venture between the **Federal Ministry of Industry, Trade, and Investments** and the **Federal Ministry of Science & Technology**.
- ✓ Nigerian Industrialists meet Research and Academia
- ✓ Will **set direction for Nigerian research work** and ensure it meets the needs of Industry
- ✓ Highlights promising **locally developed technologies** that can be **commercialized** by Industry
- ✓ Will initiate **Knowledge Networks** to keep Industry, Academia\ Research, and Government in engaged



How we are executing

-Supporting Structures – Reinforced Standards

Standards will be used as the stamp of approval for ‘Made in Nigeria’ goods





How we are executing

-Supporting Structures – Local Patronage

...Federal, State, and Local Government expenditure account for at least 30 kobo of every 1 Naira spent in the Nigerian economy... we cannot ignore public procurement in driving industry



Buy Nigeria!

1. Infrastructure

2. Skills

3. Finance

4. Investment
Climate

5. Innovation

6. Standards

**7. Local
Patronage**



How we are executing

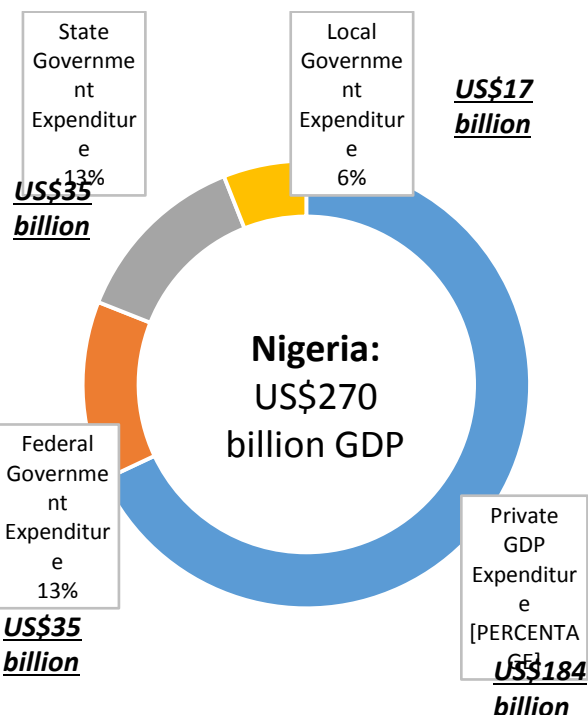
-Supporting Structures – Local Patronage

Local Patronage of domestic goods and services is critical to building scale and capacity in Nigeria's industry. Only after the local market is penetrated, can our industry export credibly

1. Infrastructure
2. Skills
3. Finance
4. Investment Climate
5. Innovation
6. Standards
- 7. Local Patronage**

Key NIRP Actions:

- #1: Operate the Local Patronage and Participation Monitoring Unit
- #2: Industrial Participation Program
- #3 'Buy Nigeria Campaign'



Local Patronage and Participation Monitoring Unit within MITI

- The unit will address challenges from low implementation of Government's policy to buy local.
- Responsibilities will include:
 - (i) Monitor and ensure compliance localization plans
 - (ii) Work with agencies to improve quality of Made in Nigeria goods
 - (iii) Ensure adequate reporting on local content achievements, and
 - (iv) Work with Bureau of Public Procurement to ensure local content provisions are within tenders

Industrial Participation Program

- Leverage specific large Government purchases or Projects where foreign content is high

"Buy Nigeria Campaign"

- The Ministry is re-launching the National campaign targeted at the general public and private sector procurements.
- Private sector encouragement
- Local patronage Policy for SMEs



NIRP is leveraging a number of partners

S/n	Partner	Programme	Area	Description
1	DFID	GEMS3	<i>Support Structure-</i> Investment Climate	Business Environment reform programme
2	World Bank	GEMS	<i>Sector-</i> Light Manufacturing, Services	The Growth and Empowerment programme
3	UNIDO \ Afrexim	NAADI	<i>Sector-</i> Agro Allied Industry group	Nigeria Agribusiness and Agro-allied Development Initiative
4	UNIDO	Standards	<i>Support Structure-</i> Standards	Strategic initiative with the Standards organization of Nigeria (SON)
5	UNIDO	ITF Programme	<i>Support Structure-</i> Skills	Long term industrial skills gap assessment in Nigeria

Will work with other development institutions as needed e.g AfDB, USAID, GIZ, AFD etc.



NIRP will Integrate with Nigeria's Trade Policy and Strategy

Nigerian Trade Strategy (Imports)

Some Guiding Principles

1. Institutionalization of the Tariff Setting Process:

- Inter-ministerial tariff setting council. Linking Tariffs to Industrial Policy\Plan.

2. Empirically driven Tariff Modelling:

- Quantitative assessments of Tariffs as a strategic tool to drive industry

3. Ecowas (i.e. regional dynamics):

- Cooperating with Ecowas for CET and EPA to meet regional industrial needs.

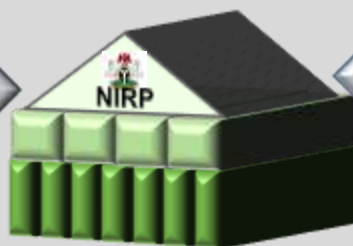
4. Substituting imports in areas of Nigeria's comparative advantage:

- Strategically substituting imports within Nigeria, and regionally within Ecowas.

5. Strategic liberalization of capital goods imports:

- Equipment\technology for production

NIRP (Industrial Production)



✓ Expansion of Nigeria's Industrial Capacity
[i.e. through Nigeria's Investment Strategy]

✓ Utilization of available Industrial Capacity

✓ Productivity and Technological evolution

Nigerian Trade Strategy (Exports)

Some Guiding Principles

1. Enhancement of Export Platforms: :

- NEPC to build new internal capabilities in NIRP target sectors
- Collaboration with NEXIM on facilitating exports in strategic sectors
- Port Reform, and Cross border trade
- Better and targeted use of Export Expansion Grants (EEG)

2. Target Markets:

- Market Blocs – Ecowas, SADC, EU, and NAFTA
- Trade Schemes – AGOA

3. Target Export Products:

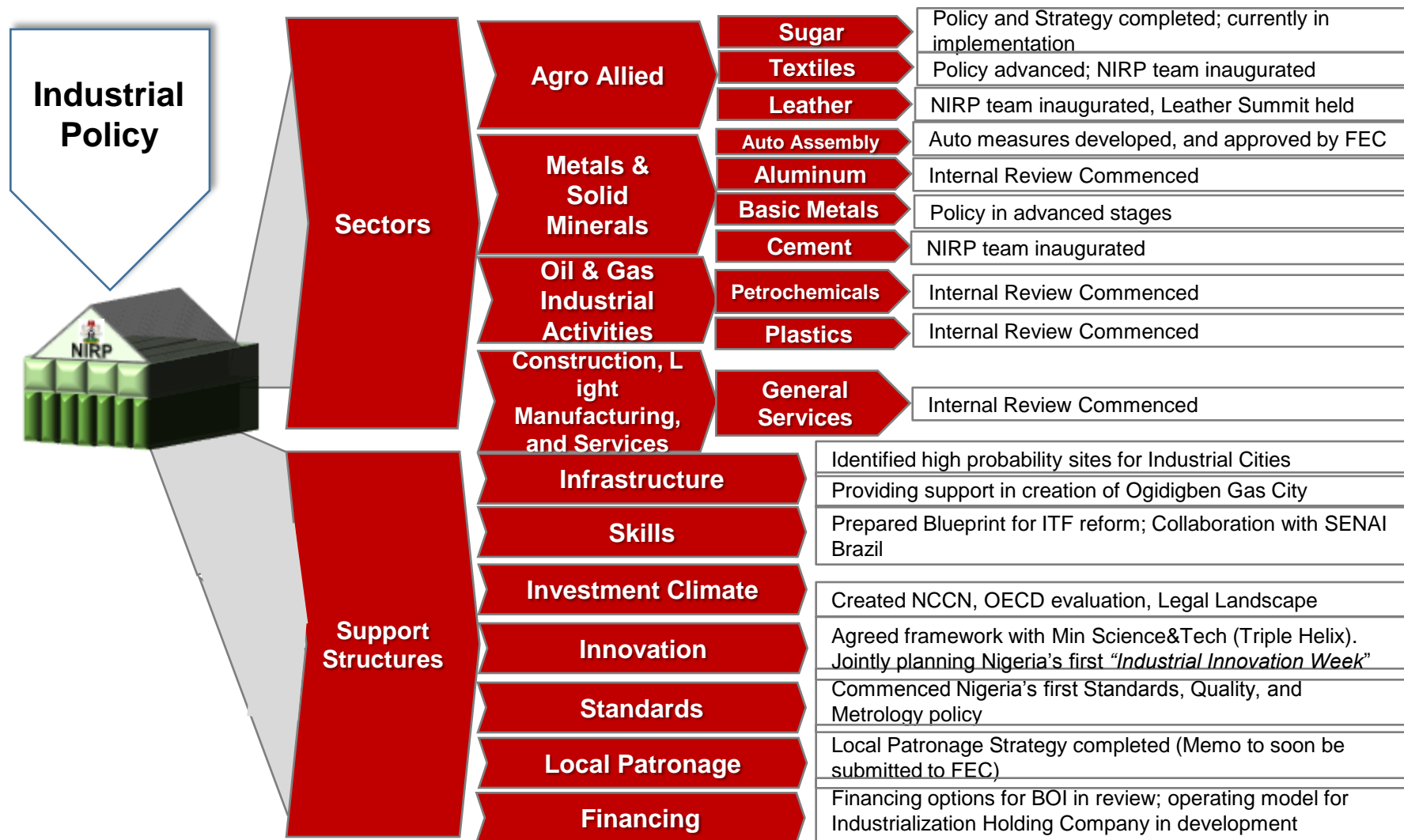
- Textiles\Apparel, Leather Products, Rubber, Plastics, Processed Palm Oil, Petrochemicals, Fertilizer
- Ecowas Specific – Auto Products, Cement

4. Trade Facilitation:

- Coordination with target country agencies – e.g. for Standards
- Market Access – RITOs in foreign embassies



The Outcomes so far





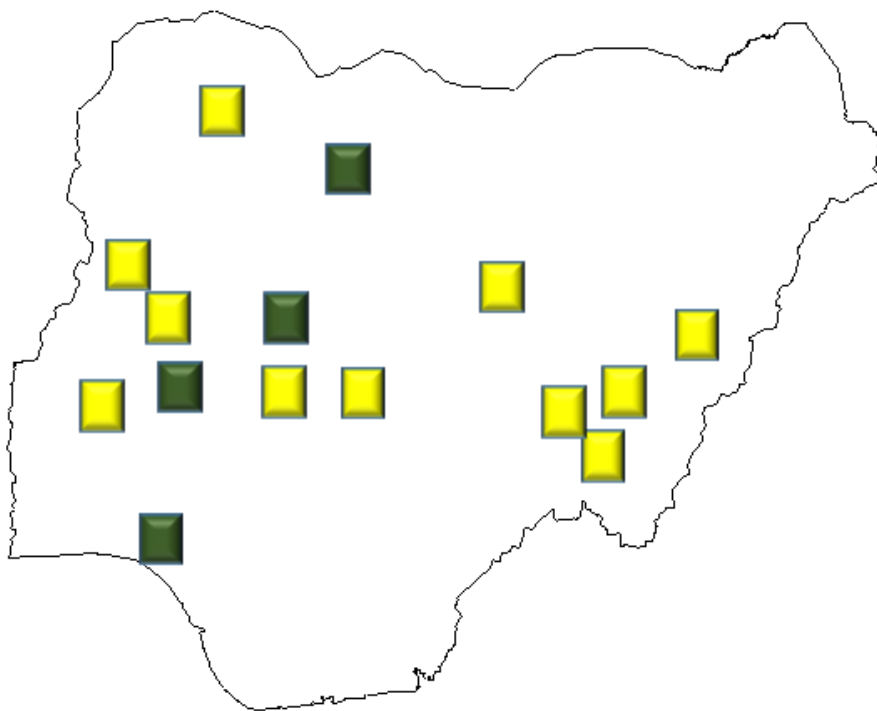
The Outcomes so far

- E.g NIRP: Sugar Cane to Sugar



Implementation of Nigeria Sugar Master Plan— Our vision to produce 1.7 m tons of Sugar, 411 MW of Electricity, and save US\$350m to US\$500m in foreign exchange

✓ **Over US\$ 2.5 billion of Sugar Investments commenced (in 2013)**



Projects Successfully Commenced



Project Pipeline 2014\2015

Key Sugar Projects Planned in Nigeria:

- ✓ Dangote Sugar **2.2 mt pa**
- ✓ Golden Sugar **260 k tpa**
- ✓ BUA Sugar **250 k tpa**
- ✓ Confluence Sugar **200 kpta**
- ✓ Crystal Sugar **60 kpta**
- ✓ Unikem **80 kpta**
- ✓ Honey Gold **200 kpta**



The Outcomes so far

- E.g NIRP: Sugar Cane to Sugar



Sugar Commitments

- **Dangote Group** – to invest \$2billion on projects in six States to produce 1-1.5mmt sugar/annum
- Commenced substantial expansion of its Savannah Sugar Numan from current 6,500 ha to 21,000 ha to produce 100,000 tonnes sugar annually.



The Outcomes so far

- E.g NIRP: Sugar Cane to Sugar



Sugar Commitments

- **FMNL/GSR** – to produce 60,000 tonnes sugar annually from its 13,500 ha farm in Sunti, Niger state (*AdecoAgric Group*)
- **HoneyGold Group** – to invest \$300million on 2 sites in Adamawa State to produce 200,000tonnes sugar annually (*Costas Negocios*)



The Outcomes so far

- E.g NIRP: Sugar Cane to Sugar



Sugar Commitments

- **Crystal Sugar Mills** – to invest \$30 million to expand its operations to 60,000tonnes sugar/annum from its recently acquired 1,500 TCD Sugar plant at Hadejia, Jigawa State
- **Confluence Sugar Coy** – to invest \$240million in Kogi State to produce 200,000tonnes sugar/annum on about 37,000 ha of land at Ibaji (*American Trans-International Oil*)
- **UNIKEM Industries Ltd** establishing 80,000tonnes sugar/annum plant in Dangerrri, Kogi State



The Outcomes so far

- E.g NIRP: Sugar Cane to Sugar



Sugar Industry metrics are Strong

- ✓ Sugar prices – *all time low*
- ✓ Sugar smuggling – *virtually non-existent*
- ✓ Refinery capacity utilization – *up from 60% to 75%*
- ✓ Total national demand – *up from 1.5-2.0mmt*

Land allocations - Well advanced engagements with State Govts

- ✓ **Adamawa** – Guyuk (18,000ha), Mayo Ine (12,500ha)
- ✓ **Kogi** – Ibaji (35,000ha) Dangerri (10,000ha), Mozum (5000ha), Oguma (25,000ha), Ajaokuta (20,000) etc.
- ✓ **Niger** - Search for 3 project sites on-going
- ✓ **Nasarawa** – meeting proposed
- ✓ **Edo** – request letter, awaiting response
- ✓ **Ogun** – request letter, awaiting response



The Outcomes so far

- E.g NIRP: Auto Sector



Nissan charges on



Auto Dealers



Discussions with Legislative Committees

The Auto Revolution has started...

- ✓ Nissan Global announcement on Nigerian assembly
- ✓ Toyota indicates willingness to join Auto programme
- ✓ GAC Gonow Auto Company and Xiamen Golden Dragon Bus Co. Ltd of China to expand with Innoson Auto
- ✓ Major tyre manufacturers consulting to resume manufacturing
- ✓ Japanese companies including Messrs Marubeni and Mitsubishi reviewing policy
- ✓ Ogun State has provided 100ha for a World class Auto Supplier Park

... And Much More



*The Korean Trade and Industry Minister, on Auto Development
- Hyundai on-board*



Toyota shows commitment



Chinese Expansions with Nigerian Player (Innoson)



The Outcomes so far

- E.g NIRP: Leather



Leather is Big in Nigeria!

- ✓ Largest non-oil foreign exchange earner for Nigeria
- ✓ Export of finished leather N108b. (Peaked in 2010 at N486b)
- ✓ Finished leather goods valued at N160b with potential to grow multiple folds
- ✓ Estimated employment in the sector over 1million Nigerians and growing



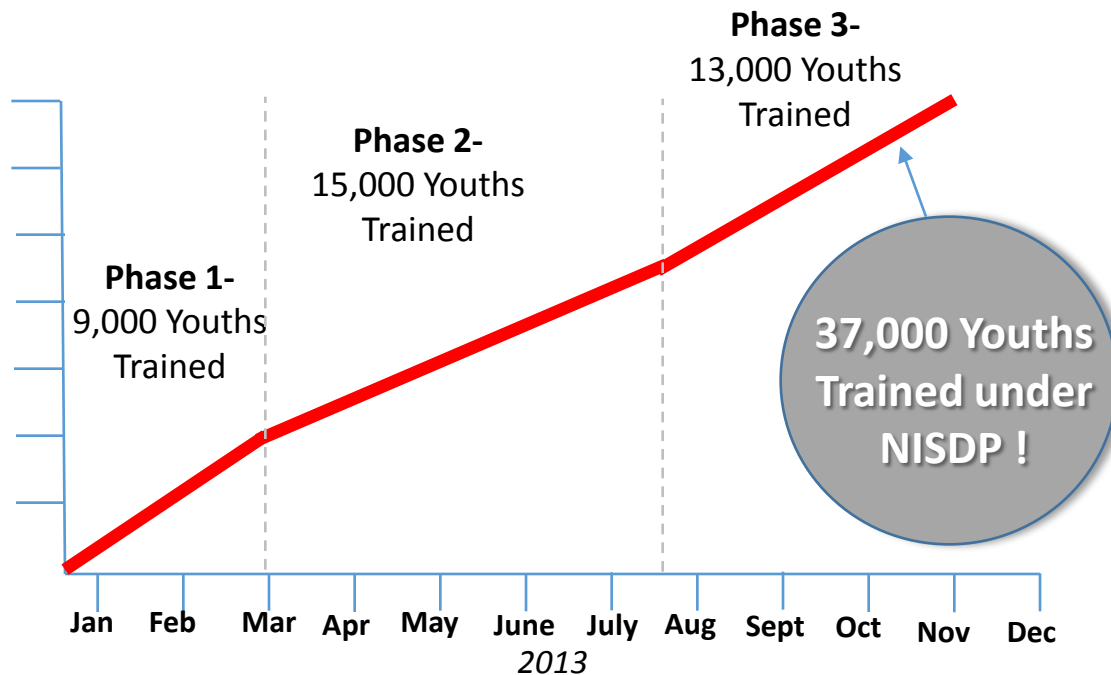
But we are growing it further...

- ✓ Leather Transformation Committee in place
 - To audit all tanneries
 - Enhance Leather Standards
 - Broaden Export Markets (through NEPC)



Industry

- E.g NIRP: Skills



NISDP Training Sessions



- ✓ **National Industrial Skills development project (NISDP)** – Developing skills in 1,000 youths within each State and FCT (i.e. a total of 37,000)
- ✓ **Technical skills development project (TSDP)** - ITF partnership with Nigeria Employers Consultative Association. Over 1,500 professionals trained to meet NECA needs.
- ✓ **Reforming ITF** - Implementing Senai (of Brazil's) model for vertical skills development, and German model for Nigerian internship programme



The Outcomes so far

- E.g NIRP: Standards



- ✓ Committee on the **National Quality policy inaugurated** - on the 29th September 2013
- ✓ **Upgraded Testing Labs** - Completed renovation of the food\chemistry labs in Lekki and the Enugu Engineering lab is completed





Where we are in the NIRP process

We are here !



Current Position Assessment

Implementing Quick-Wins

Presidential Launch & Institutionalization

Next Steps

Large-Scale Roll Out

- **Completed assessment** of barriers to Nigeria's industrialization
- **Consulted with stakeholder groups** - external consultants, industrialists, and public sector
- **Prepared roadmap** for execution

- **Inaugurated Sector teams for key industries** e.g. Sugar, Cement, Textiles, Leather, and Auto
- **Commenced execution for critical support structures** e.g. - Local Patronage monitoring unit, Supporting Ogidigbe Gas City, Investment Climate Reforms etc

- **Require Mr President's approval** and launch for larger roll-out
- **Need to institutionalize** the NIRP steering committee and Programme office
- **Ensure broader participation** by other Ministries and MDAs

- **Inaugurate all other sector teams – e.g.** Petrochemicals, Services, Downstream Steel etc.
- **Inaugurate Support structure teams** – Investment Climate, Skills, Innovation, Finance etc.
- **Start Governance meetings** and implementing reporting requirements
- **Ensure States play leading role** in Reform of Institutions *NEPZA, ITF etc.*

Continuous Refinement of '*NIRP Thinking*'

- **Continuous engagement with Stakeholders** – mostly with private sector groups

Measurement of Industrial Metrics

- **Implement regular Industrial Performance Reporting**



NIRP is strongly focused on engaging Investors (Domestic and Foreign)

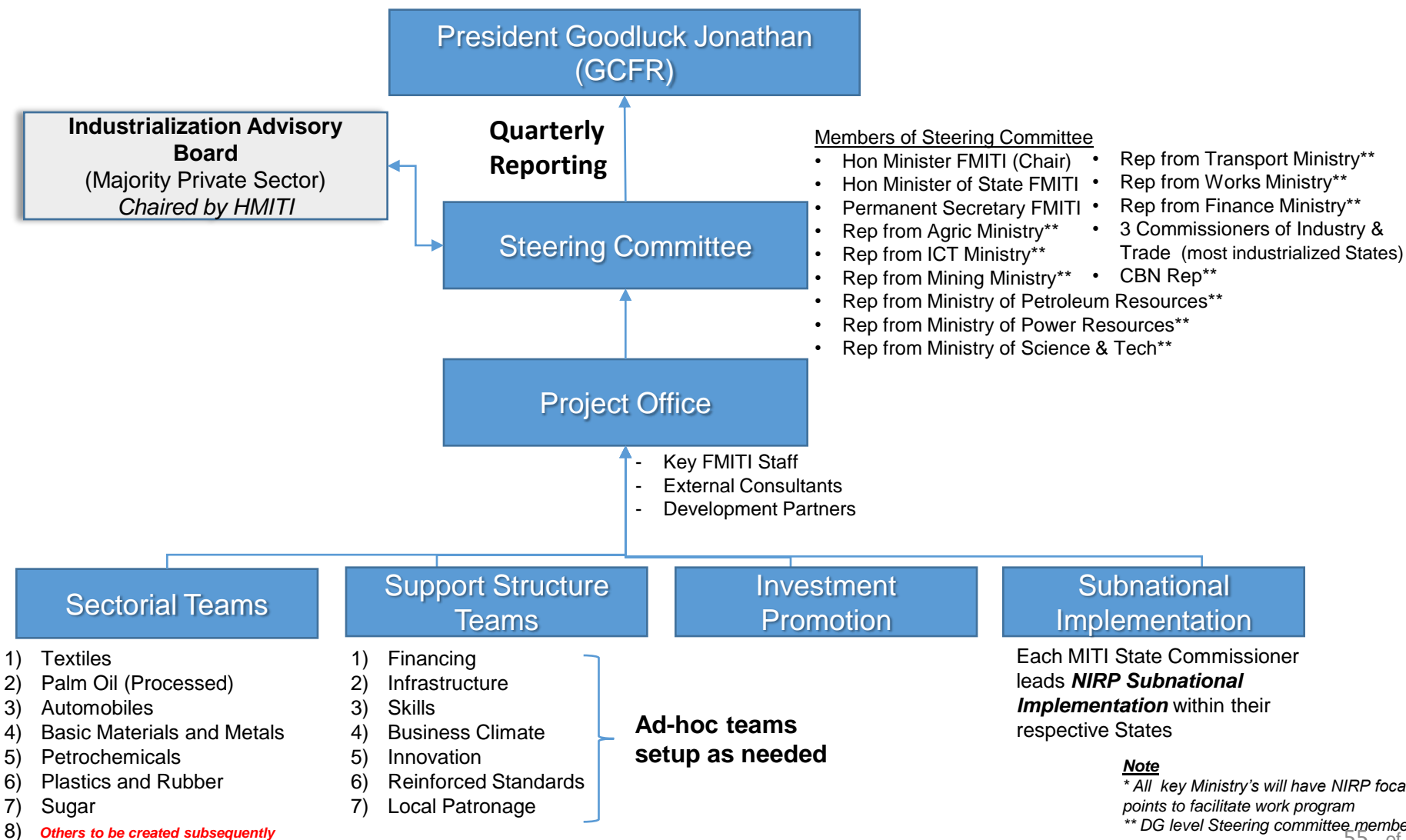


...there's no success until money is invested in Nigeria...



NIRP Organization and Facilitation - Proposed Governance Model

Nigeria Industrial Revolution Plan- NIRP (Implementation)





Our Vision

- This is possible in Nigeria

“...A Picture is worth more than a thousand words...”



Picture- Where: Jubail industrial City; Saudi Arabia; over 100,000 employees



Next Steps

- **NIRP Presidential Launch** scheduled for January 2014
- Inauguration of the **NIRP Execution Steering Committee**, which will have representation from key Ministries and MDAs (*the **programme office and other structures** to also be simultaneously inaugurated*)
- Inauguration of the **NIRP Advisory Committee**, which will be constituted mostly of leading Industrialists, private sector leaders, and key Ministries in Nigeria (the advisory committee will be majority private sector)



Thank you