



THE NIGERIAN BUSINESS CLIMATE



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Outline

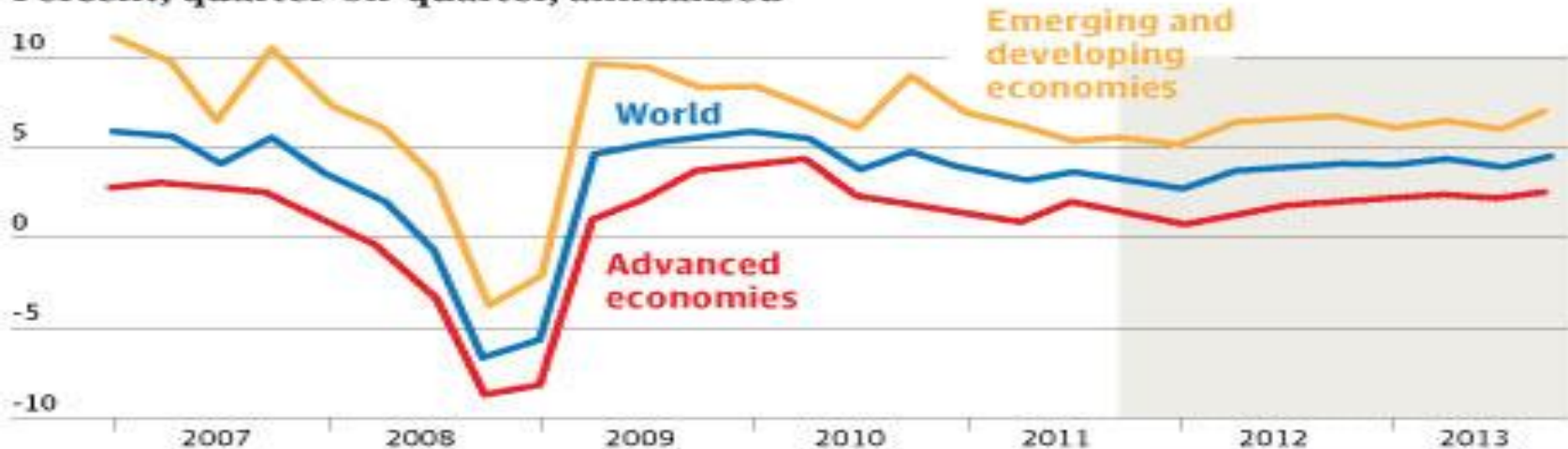
- **The Global Business Environment**
- **The Nigerian Economy**
- **Legislative Framework for Doing Business**
- **Sectoral Reforms and Incentives**
- **Investor Care**
- **Conclusion**
 - ❖ *The National Planning Commission(Mandate and Functions)*

The Global Business Environment

- Growth remains shaky following meltdown in 2007.
- Emergence of a “2 speed” world of:
 - (i) High growth emerging markets - China (approximately 7%)
 - (ii) Low growth developed markets - Europe (1.1%), U.S (3%)
- Growth and yield in emerging markets have remained attractive to Asset Managers and Corporations.

Global GDP growth

Percent, quarter-on-quarter, annualised



SOURCE: IMF

The Nigerian Economy: Blueprint

- **The NV20:2020: Conceived in 2009 in the wake of the global crisis to:**
 - Position the Nigerian economy among the top 20 by the year 2020 with a GDP of US\$900bn and US\$4000 per capita.
 - Optimise the key sources of economic growth by enhancing production for real sector's competitiveness and for exports.
 - Guarantee productivity by strengthening linkages between key sectors of the economy.
 - Foster sustainable social and economic development by ensuring national security and enhancing infrastructure.
- **Others**
 - The National Implementation Plans (NIPs) of the NV20:2020;
 - Transformation Agenda(2011-2015);
 - National Integrated Infrastructure Master Plan (NIIMP) 2013 - 2043

The Nigerian Economy: Performance

- **Recent GDP Rebasing indicates:**

- A nominal GDP of US\$ 510 billion
- 7.41% real GDP growth in 2013
- The country is now Africa's largest economy and 26th globally
- Favourable improvements and diversification in the non-oil sector
- Ample fiscal space relative to debt (12.4%) etc.

- **Relative Stable Average Inflation Rate (8%)**

- **Robust and virile Private Sector** (Dangote, Honeywell, Nestle, Unilever, etc.)

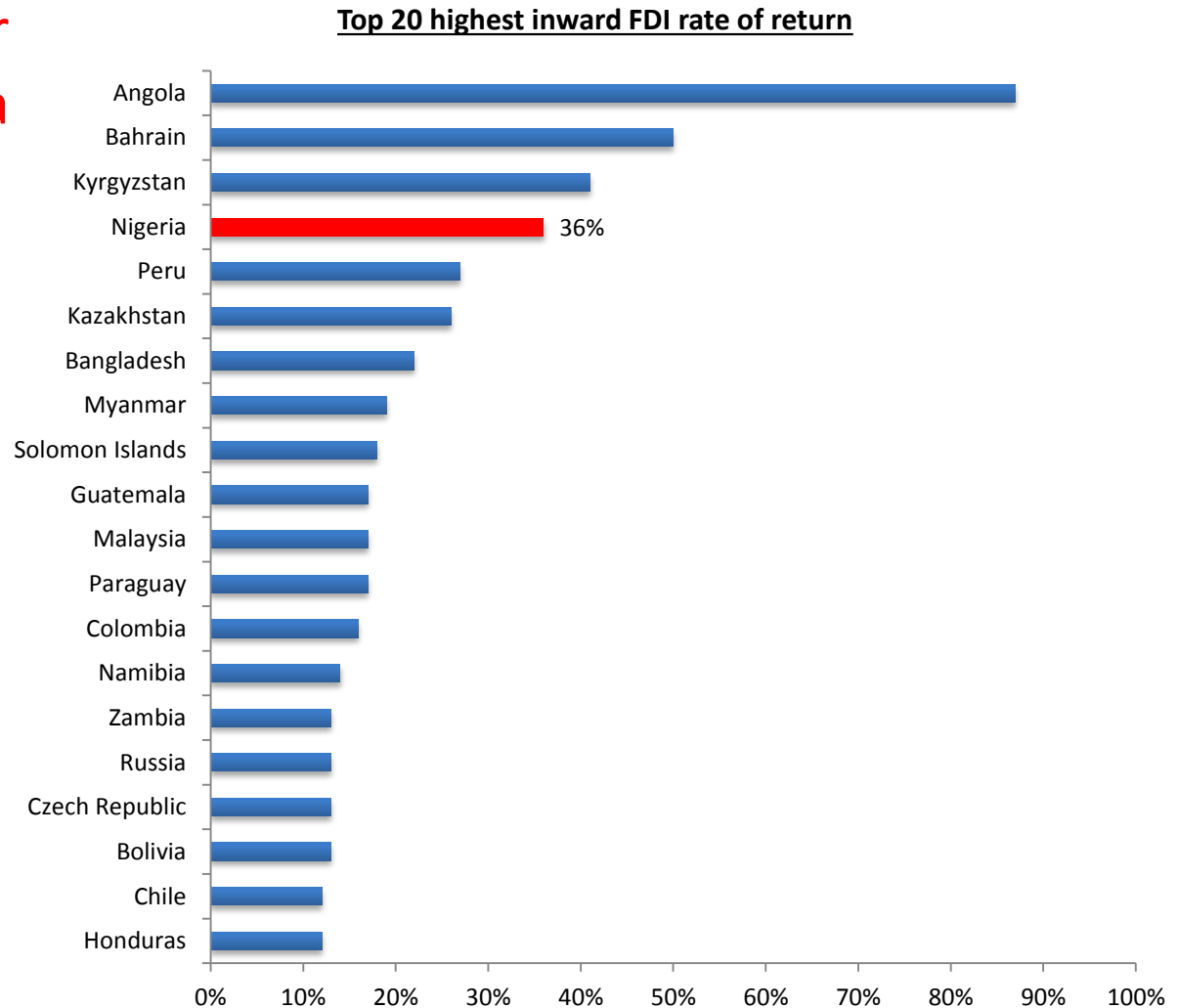
- **52.7% Industrial Capacity Utilization as at December, 2013**

(Manufacturers Association of Nigeria)

The Nigerian Economy: Investment Trend

- **No.1 destination for FDI in Africa** (\$7.03billion in 2012)

- **Nigeria ranks 4th in FDI rate of return**



Source: UNCTAD Global Investment Report 2013

The Nigerian Economy: Challenges

- High Rate of Unemployment
- Dependence on Oil Revenue
- Huge Infrastructure deficit
- Security Concerns
- Low Capacity in PPP management
- Lack of access to Long-term fund
- Weak Legal Framework for PPP interventions which discourages investors

The Nigerian Economy: Opportunities

- 8th largest **population** in the world – over 167 million plus access to over 360 million ECOWAS and Economic and Monetary Community of Central Africa market.
- **Cost effective Human Resources** (4th largest population under the age of 20).
- **Consumer market worth over US\$400bn** (Mckinsey Global Institute)
- 10th world largest **Oil (36.2 BBs) and Gas (187TCF) reserves**
- **36 strategic mineral resource endowment.**
- 4th largest **equity market** (Morgan Stanley Capital Frontier Market index)
- **Growing middle class population with US\$2,938 per capita income** (as per rebased statistics)
- **Investment Opportunities in all sectors.**

Sectoral Investment Opportunities

- **Infrastructure**
 - Power – Generation, Transmission & Distribution
 - Transportation – Rail, Air, Road
- **Agriculture & Agro Allied** (Sugar, Fisheries, Rice, etc)
- **Services**
 - Telecommunication, Postal Services
 - Health Care Services
 - Banking & Financial services
 - Tourism/Hospitality
 - Education
 - Waste Management & Treatment
- **Mineral Mining** (Coal, Bitumen, Gold etc)
- **Manufacturing**
(Pharmaceuticals, Textiles & Garments, Automobiles, Iron & Steel)
- **Oil & Gas** (up-and down-stream operations)

Investment Policy Thrust

- **Emphasis on FDI to fund National Development Plans.**
- **Promote and attract value-added industrialization.**
- **Make FDI work for the local economy i.e. job creation, value-chain, out-sourcing etc.**
- **Promotion of non-oil sector to accelerate economic diversification.**
- **Target and attract FDI into key priority sectors.**
 - Power, Infrastructure, Agriculture, Solid Minerals, & Non-extractive Oil & Gas activities
- **Commitment to Privatisation, Commercialisation and Liberalisation Programmes .**
- **Abrogation of laws inhibiting private sector participation, PPP etc.**

Basic Investment Legislations

- The Nigerian Investment Promotion Commission (NIPC) 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
- Other sector specific regulatory legislations (Electricity, Telecoms)

Framework for Doing Business

- All business enterprises must be registered with the Corporate Affairs Commission.
 - 24 hrs delivery assured
- Investments with foreign equity must obtain a business permit from NIPC to operate.
 - 24 hrs delivery assured
- Investors are free to repatriate their profits and dividends net of taxes through any authorized dealer in freely convertible currencies.
 - All capitals imported for investment purposes must be declared to obtain Certificate of Capital Importation ¹² for repatriation purposes

Framework for Doing Business ...CONTD.

- Companies in manufacturing activities must obtain certification for its products from the Standards Organization of Nigeria (SON).
- Prevailing Corporate Income Tax is 30% per annum.
- Engagement of foreign professionals requires expatriate quota slots from relevant authorities
 - Facilitated at the One Stop Investment Centre (OSIC)
- Processing of incentives and negotiation of concessions also facilitated by NIPC

Strategic Reforms

- **Good governance and commitment to creating enabling business environment is being sustained viz:**
 - Public Service Reforms,
 - Social Sector Reforms (NHIS, NSITF, Pension, etc),
 - Doing Business and Competition Reforms,
 - Freedom of Information Act etc.
- **Sectoral Reforms**
 - Agricultural Transformation Agenda (ATA) for value chain development
 - Power (Privatization of Assets)
 - Financial Services (Cashless Policy, etc)
 - Aviation(Upgrade and Remodeling)
 - Nigerian Industrial Revolution Plan (NIRP) for industrialization
 - Nigerian Automotive Policy (NAP) to promote local manufacturing
 - Real Estate and Housing viz Nigerian Mortgage Refinancing Company (NMRC) etc.

Incentives

- **Pioneer Status:**

- Grant of 3- 5 years Tax Holiday

- **Repatriation of Profit (100%)**

- **Capital Allowances:**

- Research & Development - 140%

- Investment in infrastructure 20% of costs

- Minimum local raw materials utilization – 20% for 5 years

- **Very low Value Added Tax (VAT) regime of 5%**

- **Export Incentives:**

- Export Expansion Grant – up to 30% of Value.

- **Free Trade Zones:**

- 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

Investor Care (OSIC/NIPC)

- OSIC is Government's strategy to:
 - streamline investment procedures
 - remove all bottlenecks in business legalization procedures
 - provide prompt, efficient and transparent service
 - coordinate investment facilitating related agencies
 - 26 Government Ministries, Departments and Agencies
- Services at the Centre, includes but not limited to :
 - Business Incorporation/ Registration, Grant of Approvals, Permits/License and Investment Information & Data.

Conclusion

- During the past 15 years of uninterrupted democratic governance (stable polity), much has been done to reform business practices and regulations.
- Efforts are being intensified to further improve Nigeria's business environment .
- The **challenge to entrench a more inclusive economic growth in the therefore, portends a favourable outlook for business** as government is unwavering in its support of enterprises that will diversify the economy, create jobs and wealth, generate and reduce poverty .



THANK YOU!

The National Planning Commission

**Plot 421, Constitution Avenue
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Abuja**



MANDATE & FUNCTIONS

MANDATE

The National Planning Commission was originally established by Decree No 12 of 1992 and later amended by Act 71 of 1993. The Commission has the mandate to determine and advise the Government of the Federation on matters relating to National Development and overall management of the national economy. The detailed objectives, functions, powers and structure of the Commission are outlined under sections 2, 3 and 5 of the Establishment Act.

FUNCTIONS

- To provide policy advice to the President in particular and Nigeria in general on all spheres of national life;
- To set national priorities and goals and engender consensus among Government agencies, as may be contained in guidelines issued by the Commission from time to time;
- To undertake periodic review and appraisal of the human and material resources capabilities of Nigeria with a view to advancing their development, efficiency and effective utilization;

FUNCTIONScontd.

- To formulate and prepare long-term, medium-term and short-term national development plans and to co-ordinate such plans at the Federal, State and Local government levels;
- To monitor projects and progress relating to plan implementation;
- To advise on changes and adjustments in institutions and management techniques as well as attitudes necessary for the alignment of actions with plan targets and goals;

FUNCTIONScontd.

- To conduct research into various aspects of national interest and public policy and ensure that the implications and results of the findings in such research are geared towards the enhancement of national, economic, social, technological defence and security capabilities and management;
- To mobilize popular group and institutional consensus in support of Government policies and programmes;
- To manage multilateral and bilateral economic co-operation, including development aid and technical assistance;

FUNCTIONS

.....contd.

- To deal with matters relating to regional economic co-operation, including the Economic community of West African States [ECOWAS] the African Common Market [ACM], the United Nations Economic commission for African and the South-south co-operation; and
- To carry out such other duties as are necessary or expedient for the full discharge of all or any of the functions conferred on the Commission under the Act.