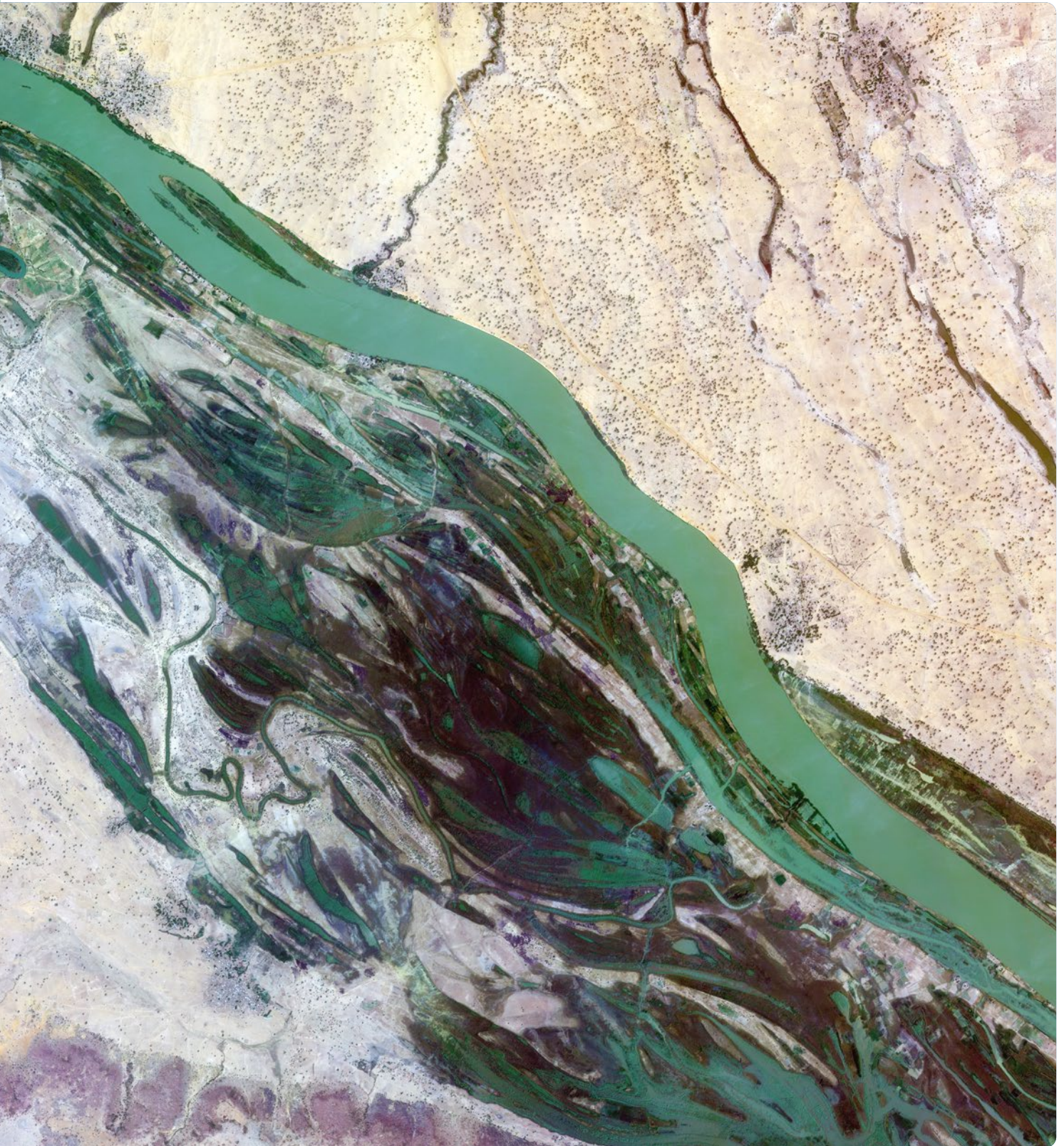




Nigeria Investment Guide

January 2020

Foreword

“There are many reasons why Nigeria remains a compelling consideration for any investor seeking to participate in the economic potential that the African continent represents.”

Nigerians are entrepreneurial, hard-working and have a can-do spirit that translates to energetic optimism. The Nigerian economy, the largest on the continent, is powered by a private sector which regularly innovates to meet the growing needs of the large domestic market. The increasingly sophisticated needs of Nigerian consumers in the retail, entertainment and service sectors are as likely to be served by innovative and ambitious small and medium companies, as by large local and global brands.

Then there is the scale and demographic structure of its 196 million population, which is estimated to become the world's third largest by 2050. With a median age under 19, Nigeria has a large population of tech-savvy, hard-working, optimistic and mobile youth. About 90% of the population is under 50, providing the assurance of a large, English-speaking talent pool for many years into the future.

Nigeria also has abundant natural resources. The country is ranked as one of the world's top 10 for proven oil and gas reserves, and is wealthy in minerals such as tin and iron ore. Nigeria is also home to some of Africa's most productive agricultural land: its agricultural zones, which stretch from the tropical savanna in the north to the coastal rainforest in the south, the mangrove of the Niger Delta complemented by tropical and semi-temperate weather prevalent across the country, support the cultivation of a wide variety of agricultural produce from exotic fruits, vegetables and tree crops to root crops. Just as important, many of its current economic growth drivers are unashamedly 21st Century, including telecoms and financial services, media and manufacturing.

It is well located strategically, just one hour ahead of GMT and within easy trading distance of Africa's largest business centres, from Cairo to Johannesburg, Addis Ababa to Casablanca. Its land borders with Benin, Cameroon, Chad and Niger make it a natural hub for the West African region. And its trading infrastructure is strong and resilient, with four international airports, three major seaports and fast-improving road and rail networks.

Although the above factors all combine to make Nigeria an essential component of any pan-African strategy, the country's growing economic success is about much more than population, geology and geography.

The value of Nigeria's trade has more than quadrupled during two decades of stable civilian government. In 2018 alone, the economy grew by US\$21.1 billion – that's more than the combined GDP of Rwanda and Niger Republic. The cost of doing business in Nigeria is also competitive, in comparison to similar developing markets across the world.

Growth is accelerating as the government's recent reforms, aimed at improving the business climate, take firmer hold. In the last three years, 140 such reforms have significantly streamlined many important processes, from a 360% reduction in the time taken to file corporate income taxes to a 26% fall in the cost of registering a business and a 30% reduction in import documentation.

These changes are reflected in how Nigeria is perceived externally. It is rising rapidly up the World Bank's 'Doing Business' league table, moving 36 places since 2016 and with the goal of being ranked in the world's top 70 countries by 2023. The Government's commitment to improving the business climate and institutionalising its broad-based reform efforts are important for meeting this ambition. This is supported by generous incentives and investor protections, improving the attraction for anybody aiming to realise the opportunities offered by doing business in Nigeria.

This **Nigerian Investment Guide** has been created to help you understand these opportunities and find out about the organisations, processes and services in place to help you make the most of them. This is necessarily a high-level introductory overview – if you need more detailed guidance on specific industries or market sectors, further resources are available at www.nipc.gov.ng, the website of the Nigerian Investment Promotion Commission (NIPC), the government agency mandated to encourage, promote and coordinate investments in Nigeria.

I hope you find this guide informative and useful. I hope it gives you the insights you need into the prospects of doing business in one of the world's most exciting developing economies.



Ms Yewande Sadiku
Executive Secretary/CEO

A country on the move

The facts that matter about Nigeria:
its population, its resources, its
trajectory and its quality of life



A country on the move

Introduction

Nigeria is the largest economy in Sub-Saharan Africa with a GDP of over \$460 billion and population of over 190 million.

Country overview

Nigeria is the largest economy in Sub-Saharan Africa (SSA). It is forecast to become one of the world's 20 largest economies by 2030, supported by the rapid expansion of its infrastructure.¹

Nigeria's population of around 196 million is significantly the largest in Africa. It is young – more than half (54%) is under 25 – fast-growing (2.7%+ YoY) and increasingly urban.

The country has significant natural resource wealth, ranking in the world's top 10 for proven reserves of oil and gas. It is the main oil exporter in SSA and is rich in other natural resources including tin, iron ore, coal, limestone, niobium, zinc, arable land and more.

It is not overly reliant on 'old world' resources. Since the 2000s, non-oil sectors such as agriculture and telecommunications have taken over as the key drivers of the economy.

Nigeria: a strong investment case

The country provides an attractive investment destination, backed by strong economic fundamentals for businesses to thrive.

- Remained Africa's largest economy over the last seven years
- Geographical land mass bigger than France and UK combined. Also blessed with diverse natural resources
- Current monthly minimum wage is \$83 compared to \$233 in South Africa or \$124 in Egypt
- Considered one of the ten most improved economies in the World Bank Doing Business Report 2020
- Largest market across Africa with a projected population of 402m and the world's 3rd largest population by 2050
- Per capital income of \$2028.2 is 84% higher than Africa's average of \$1,720
- Home to many international brands who have recorded success operating in Nigeria such as PZ, GSK, Unilever, Diageo and MTN
- Financial market is one of the largest in Africa, with a capital market capitalisation rate of over US\$40 billion
- Witnessed 20 years of uninterrupted democracy spanning peaceful handover of five elected Presidents
- Federal government has provided numerous initiatives and policies to incentivise investment across various sectors
- Projected to grow at a CAGR of 2.50% over the next five years
- Nigeria has a very young, energetic, tech-savvy and entrepreneurial population with over 50% of the total population below 25 years old.

Key facts

Geography

Location

Sub-Saharan Africa

Size

923,768 Km²

Land

910,768 Km²

Water

13,000 Km²

Financial

Official currency

Naira

Exchange rate

₦360/US\$1

GDP

\$469.3 billion

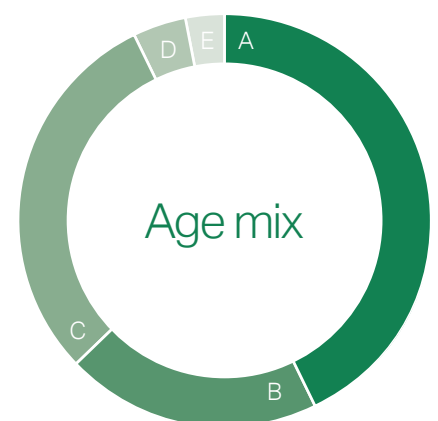
Per capita

\$2,396.3

Growth

1.9%

Population



A. 0 – 14 years

43%

B. 15 – 24 years

20%

C. 25 – 54 years

30%

D. 55 – 64 years

4%

E. 65 years and above

3%

¹ McKinsey Global Institute Nigeria's renewal: Delivering inclusive growth in Africa's largest economy

Geopolitical zones

○ Nigerian capital

● North-central

● North-east

● North-west

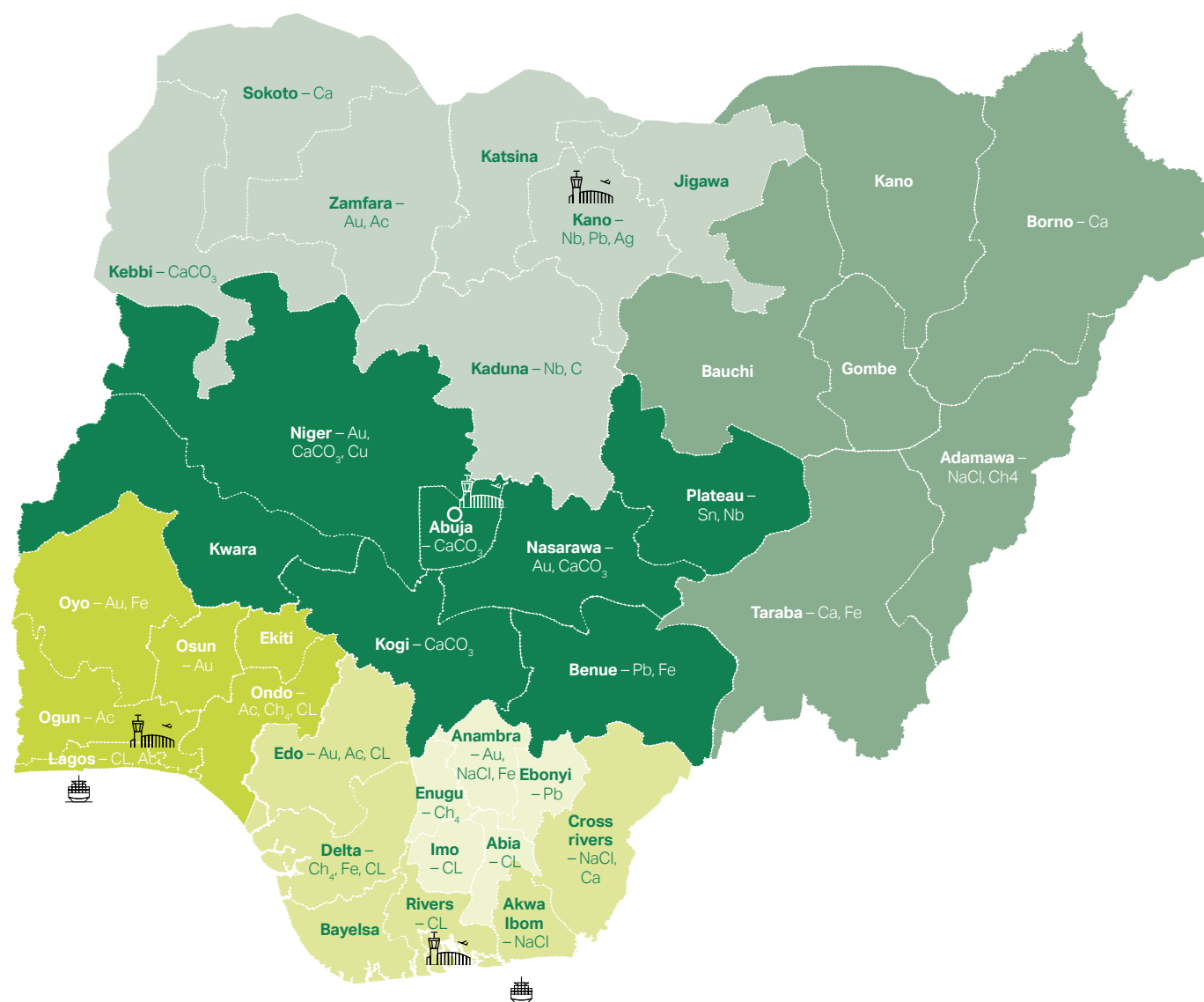
● South-west

● South-south

● South-east

✈ Major airports

⚓ Sea ports



Natural resources

The country has significant natural resource wealth available in commercial quantities across the six geopolitical zones

Ac	Bitumen	Fe	Iron Ore
CH ₄	Coal	Pb	Lead
Nb	Columbite	Ca	Limestone
Cu	Copper	CaCO ₃	Marble
CL	Crude Oil	NaCl	Salt
C	Diamond	Ag	Silver
Au	Gold	Sn	Tin

Sources: <http://nigerianports.gov.ng/>, <https://airport-authority.com/browse-NG> KPMG Research



Living in Nigeria

The majority of expatriates in Nigeria live in urban areas, including major hubs such as Lagos, Port Harcourt and Abuja.

Key highlights



5 Major hubs

Lagos, Abuja, Kano, Enugu and Port Harcourt.



Tropical climate

Long wet season in the south, shorter wet season in the north.



45+

cinema houses (2019).



Soccer

is a major pastime in Nigeria. Other recreational activities include swimming, playing tennis, bowling, casino and horse riding.

10+

golf courses in various states in Nigeria.

Holidays

1 January	Movable days
New Year's Day	Easter holidays
1 May	27 May
Worker's Day	Children's Day
12 June	1 October
Democracy Day	Independence Day
Movable days	25 & 26 December
Muslim holidays	Christmas holidays

2018 property rental and acquisition rates per major city

Rent per annum (3-5 bedroom)	Rent	Acquisition
Ikoyi, Lagos	\$30,556	\$855,556
Maitama, Abuja	\$35,764	\$1,071,528
PH, Rivers	\$8,861	\$347,222

PropertyPro Real Estate Market Report 2018, KPMG Research

Education and learning experience

Nigeria has a mix of excellent international schools including those with UK, US and French Curricula and many send students to reputable global universities. Fees range from US\$5,000 to as high as US\$30,000 per year.

* Translated at ₦360/\$US1

Source: KPMG Research, NBS, Knight Frank African Horizons Report 2019

The Nigerian lifestyle

Many western-style shopping malls, international hotel brands and restaurants have set up outlets in key locations across Nigeria.

Shopping in Nigeria

The Western-style shopping malls that are common in Nigeria's urban areas are fully stocked with local and foreign brands.

AOS Mall



Festival mall



Ikeja



Novare Lekki

Park 'n' Shop



Fine dining and take-out

Nigeria is home to several international food chains:



Cactus

Craft Gourmet



Izanagi



La Taverna

Talindo Steak House Restaurant



Spiceroute

Vellvett

Vanilla Moon

The Nigerian lifestyle

Select International hotel brands in Nigeria

Hotel	Location
 GOLDEN TULIP	Lagos
 Hilton HOTELS & RESORTS	Abuja
 PROTEA HOTELS®	Lagos
 Radisson BLU	Lagos
 SHERATON	Abuja
 Southern Sun	Lagos

Healthcare

Prominent hospitals for expatriates in Nigeria include:

Bridge Clinic	Nizamyre Hospital
Lagoon Hospital, Nigeria	Reddington Hospital

Key features of the Nigerian healthcare system/medical centres include:

- Highly qualified and experienced specialists and consultants
- Existence of modern technological equipment for diagnostic and therapeutic purposes
- Provision of general medical services, paediatric and specialist services
- Liaison with private health insurance companies, which offer both local and international coverage.

The Nigerian business and economic environment

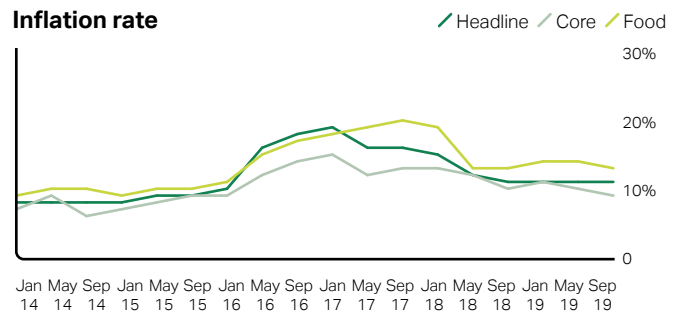
Assessing the country's economic performance,
its outlook and the quality of its business environment



Economic performance

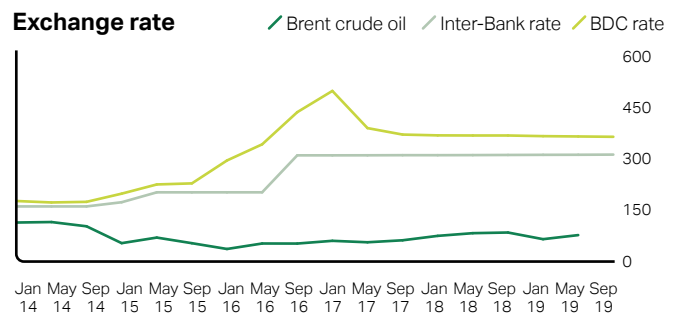
The Nigerian economy has achieved steady improvement and relative stability across many key macroeconomic indicators during recent years.

Inflation rate



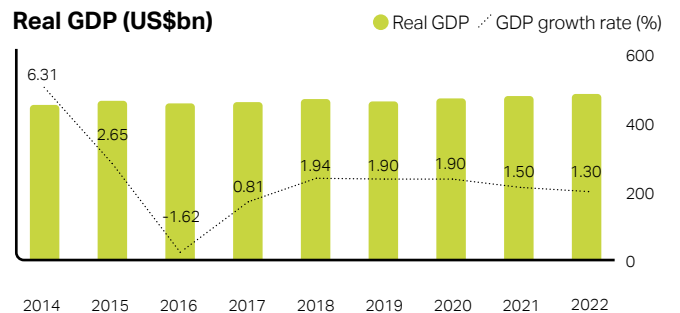
Headline inflation has steadily declined since its peak of 18.72% in early 2017. This spike was due to the country's continued dependence on imported goods, which became more expensive during the recession due to the devaluation of Naira.

Exchange rate



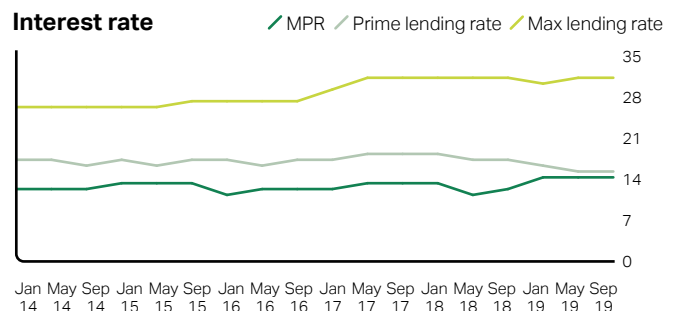
The FX market has been relatively stable since mid 2017 although a multiple exchange rate system operates.

Real GDP (US\$bn)



Nigeria has achieved steady growth over the past 8 quarters and this is set to continue.

Interest rate



Given the relative stability in key macro-economic indicators, the CBN cut the Monetary Policy Rate to 13.5%.

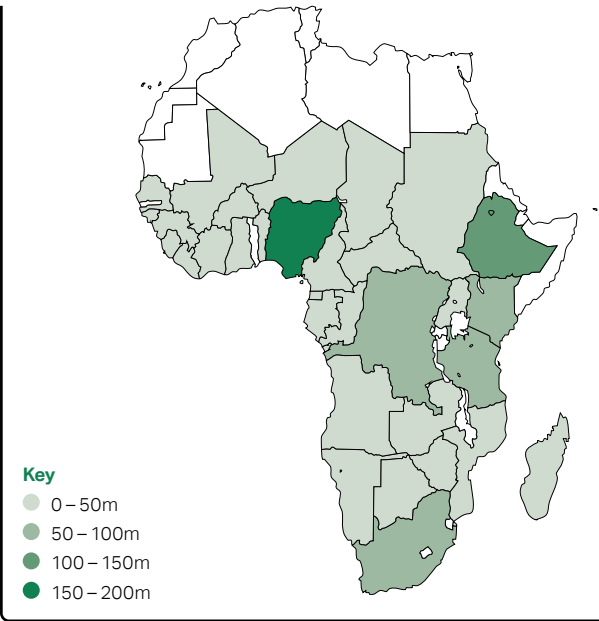
Source: CBN and NBS

Nigeria’s size and demography make it a compelling investment case.

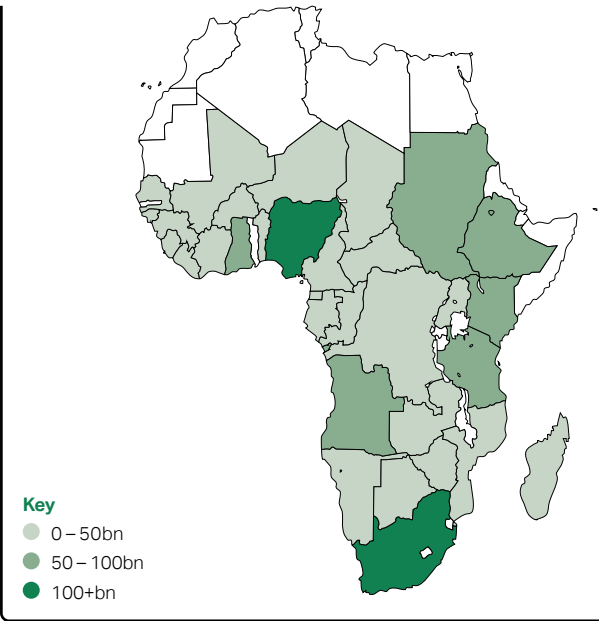
Key enablers

- Policy direction, encouraging private-sector participation in the economy
- Gradual improvements in infrastructure, which are expected to have a positive impact on Nigeria’s economic performance
- Expectations that the non-oil sector will stimulate further fiscal revenue diversification and stronger economic growth over the medium to long-term
- Further FX improvements, driven by growing exports of crude oil and the planned shift from importing 80% of refined petroleum to becoming a net exporter.

Population (2018)



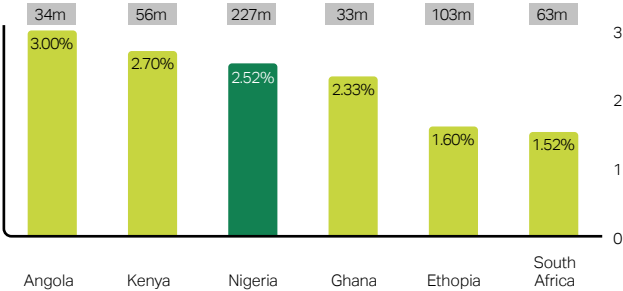
GDP US\$ (2018)



Source: World Bank

Population growth rate (2019E – 2024F CAGR)

Nigeria vs. other African countries



Source: IMF

The Nigerian business environment

Nigeria's 15-place climb up the World Bank's Doing Business Index in 2020 is primarily due to wide-ranging reforms and initiatives introduced by the Government.

An assessment of policy reforms delivered during the last three years shows positive impacts including:

- 60% reduction in time taken to register property in Lagos and Kano
- 30% reduction in import documentation
- 51% reduction in time taken to connect to the electricity grid, and a cut in the number of procedures from nine to seven
- 200% reduction in average airport-clearance time for visitors
- 26% reduction in cost of registering a business
- 51% reduction in time taken to obtain a development permit in Lagos (from 61 to 30 days).

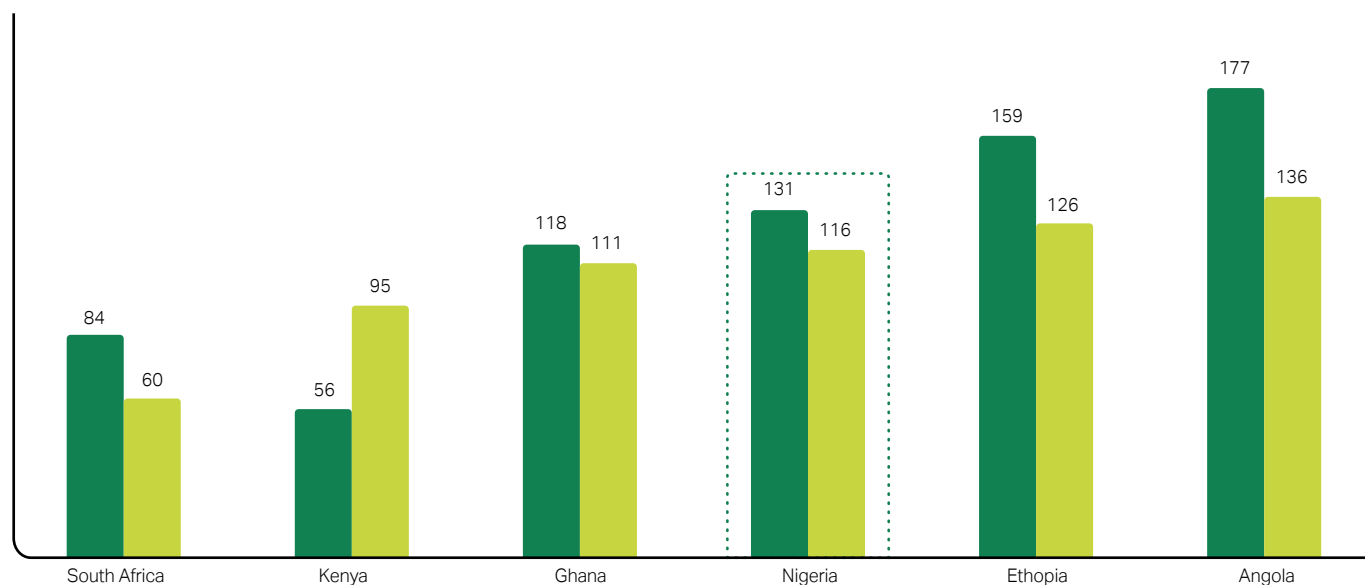
Reforms implemented by the Federal Government of Nigeria

Key reforms implemented by the Nigerian government to promote the ease of doing business include:

- The introduction of an online platform for paying stamp duties, accelerating the registration of new businesses and eradicating the need for on-site inspections when registering business premises
- The launch of e-payment systems to reduce time taken for international trade
- The easing of access to electricity services by allowing certified engineers to conduct inspections for new connections.

Ease of doing business ranking 2020 (World Bank) and Global Competitiveness ranking 2019 (World Economic Forum)

● Doing Business – 2020 ● Global Competitiveness – 2019



Source: World Bank's "Doing Business Report 2020", WEF's Global Competitiveness Report 2019

Businesses in Nigeria

Nigeria is home to several successful global brands and businesses, some of whom have operated locally for decades.

Construction and Engineering

aggreko

CCECC



John Holt

B JULIUS BERGER

Schneider Electric

Schlumberger

Strutec

SCOA Nigeria Plc

Food, Beverage, Healthcare and Pharmaceuticals

Cadbury

Chi

PZ Cussons

Friesland Campina

gsk GlaxoSmithKline

Guinness

Nestlé

pepsi

Promasidor

Swipha

Tetra Pak

Energy and Natural Resources

AFREN

Baker Hughes

Chevron

ExxonMobil

EY

HALLIBURTON

pwc

Shell

TOTAL

Universal Energy Resources

Information, Communication and Technology

Multichoice

CISCO

hp

Hyperia

Microsoft

MTN

Star Times

Financial and Professional Services Firms

Allianz

AXA Mansard

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Deloitte

Deutsche Bank

KPMG

PKF

Renaissance Capital

Stanbic IBTC Bank

Standard Chartered

Manufacturing

British American Tobacco

LAFARGE

Learn Africa

P&G

RUSAL

Unilever

Businesses in Nigeria

In the last decade, Nigeria has recorded several successful investments from multinational entities including UK-based investors.

Some successful private investments from UK-based entities are highlighted below:

Investor name	CDC Group	PZ Cussons Plc	ABI SAB Group Holding Limited	Afren PLC	Nampak Holdings (UK) Limited	Seven Energy International Limited	Helios Investment Partners Limited
Year of investment	2015	2015	2014	2013	2013	2013	2010
Target name	Elephant Group	Nutricima	Intafact Beverages Limited	First Hydrocarbon Nigeria Limited	Alucan Packaging Limited	East Horizon Gas Company	Interswitch Limited
Deal size (US\$m)	Undisclosed	31	110	105	347	250	106
Sector of target	Agribusiness	Food and Beverages	Food and Beverages	Oil and Gas	Containers and Packaging	Oil and Gas	Data Processing and Outsourced Services
Transaction type	Private Equity	Acquisition of Equity Stake	Venture Capital	Acquisition of Equity Stake	Acquisition of Equity Stake	Acquisition of Equity Stake	Acquisition of Equity Stake

Source: Capital IQ

Highlights of successful PPP investments

The Nigerian government has also created an enabling environment for PPP projects to thrive in the country.

Projects	Lekki-Epe Toll Road Concession	Shonga Farms	Murtala Muhammed Airport Terminal Two	Kainji and Jebba Hydro-electric Concession
Sectors	Infrastructure	Agriculture	Infrastructure	Power
Project cost	US\$313 million	N/a	US\$200 million	US\$318 million
Location	Lagos State	Kwara State	Lagos State	Niger State
Description	Construction of the first PPP toll road concession to alleviate traffic congestion and improve road safety	A commercial farming project for the production of commercial crops such as maize, rice, cassava and poultry	Construction and maintenance of airport terminal, tarmac and multi-storey car park	Upgrade and maintenance of power stations and construction of new generation capacity
Concession period	30 years	25 years	36 years	30 years
Transaction parties	- Lagos State Government - Lekki Concession Company Limited (LCC)	- Kwara State Government - Consortium of five local banks 13 foreign commercial farmers	- Ministry of Aviation - Federal Airports Authority of Nigeria - Bi-Courtney Aviation Services	- Bureau of Public Enterprise - Kainji Hydro Electric PLC - Mainstream Energy Solutions
Sponsors	African Infrastructure Investment Managers, ARM Company, Hitech Construction Company, African Development Bank, Standard Bank Group and a consortium of six local banks	- Shonga Farms Holdings Limited 13 foreign commercial farmers	Consortium of six local banks	Mainstream Energy Solutions

Source: Infrastructure Concession Regulatory Commission (ICRC), Lekki Concession Company website, KPMG Research, <https://www.dailytrust.com.ng/learning-commercial-farming-through-shonga-farmss-approach.html>

PPP opportunities

To continuously encourage these investments, government has created a pipeline of opportunities for PPP.

There are several identified projects across various sectors of the economy that provide opportunities for PPP arrangements. Some of these projects are highlighted below:

Trans-Nigeria Gas Pipeline

Procurement stage

The project includes the construction of a 614km gas pipeline from Aja-okuta to Kano with off-take gas stations in Abuja, Kaduna and Kano.

Hydropower Generation Facilities

Procurement stage

The Federal Ministry of Water Resources intends to develop a hydropower generation facility in both Taraba and Benue states.

Development of Fishery Terminals

Procurement stage

The Federal Ministry of Agriculture and Rural Development is proposing the development of fishery terminals in Akwa Ibom and Rivers states.

Niger Delta Broadband Development Initiative

Procurement stage

The NDBDI intends to provide broadband internet access, connectivity, and associated services in the Niger Delta region.

LPG and Ethanol/Methanol Plants

Procurement stage

This project involves the construction of an LPG and Ethanol/Methanol Plant at Emede Uzere, Delta State.

Development of SME Portal

Procurement stage

The Federal Ministry of Trade, Industry and Investments intends to develop an ICT enabled platform to attract MSMEs to the formal sector.

Aviation Leasing Company (ALC)

Procurement stage

The Federal Government of Nigeria intends to establish the first ALC in Africa for the leasing of aircraft to operators in Nigeria and Africa.

Solar Power Off-Grid Rural Electrification

Procurement stage

This involves the provision of off-grid solar power to remote rural communities in Gombe, Niger, Kogi, Ebonyi, Oyo and Ogun states.

Makurdi Hydropower Project

Procurement stage

The Federal Ministry of Power, Works & Housing intends to develop an electric power system in Benue State.

Gurara Facility Management

Development stage

The Federal Ministry of Water Resources intends to procure a facility manager to operate and maintain all infrastructure facilities in Gurara dam.

Other opportunities

Nigeria offers investment opportunities in markets across the infrastructure space, amidst huge supply gaps.

Sector	Transport	Power	Water	ICT
Key players	 	   	 	   
Competitive landscape				
Barriers to entry and exit	Moderate	Moderate	Low	Moderate
Buyer power	Moderate	Low	Moderate	Moderate
Supplier power	Moderate	High	Moderate	Low
Opportunities and sample priority projects	- Road – Construction of major roads such as the second Niger bridge, among others - Rail – Concession of Lagos – Kano railway line, completion and concession of Port Harcourt – Maiduguri railway line, etc - Aviation – Concession of major airports (Lagos, Abuja, Port Harcourt and Kano) - Sea – Development of Ibom deep sea port, to ease congestion of Apapa port and increase access of goods to Eastern Nigeria.	- Construction of 215MW LPFO/Gas Power station Kaduna - Afam Fast Power Programme Accelerated Gas and Solar Power Generation - Availability of concession ready hydroelectric power plants including: - Zungeru (700MW) - Kano (100MW) - Kashimbilla (40MW).	- Partnership for Expanded Water, Sanitation and Hygiene (PEWASH) - Rehabilitation of dams and irrigation projects nationwide	- Investments in new generation telecommunication infrastructure - Licensing of more broadband services on the 5.4 GHz Spectrum Band - Ongoing process for the allocation of frequencies in the 70/80 GHz band (E-Band) - Approval for the deployment of 4G LTE by NATCOM Development and Investment Limited.

Source: Nigerian Approved Budget

Key players

	Government		Distributors
	Investors		Generation Companies
	Contractors		Regulator
	Regulators		Transmission Company

Agriculture

The agricultural sector continues to play a vital role in the economy, contributing the highest to Nigeria's GDP.

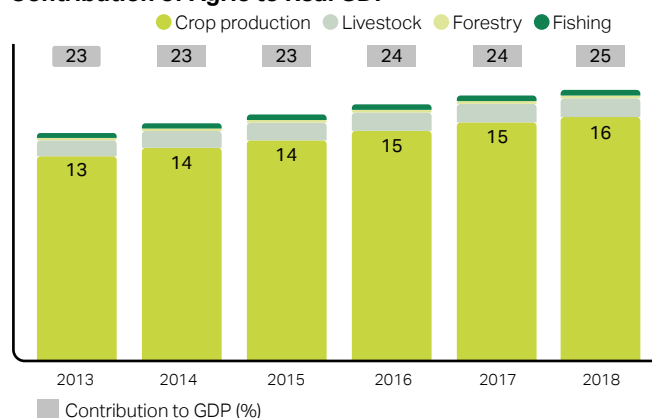
Competitive advantages

- 84 million hectares of agricultural land area to support production of a variety of agricultural commodities
- Population expected to increase to 410 million by 2050², thereby increasing domestic consumption
- Presence of large conglomerates including Dangote, BUA, Olam, TGI group and Wilmar
- 279m³ billion of surface water, constituting untapped irrigation potential.

Opportunities for investment

- Invest in the supply of agricultural inputs and the production of agricultural produce
- Set up a fertiliser manufacturing facility in Nigeria with extensive distribution networks
- Investment in available public private partnership storage facilities and development of private silos
- Commodity trading for commodities such as wheat, maize and sorghum.

Contribution of Agric to Real GDP



Current state

25%

Contribution to GDP¹



77%

Increase agricultural exports, 2018



US\$538.9 million

Agriculture budgetary allocation, 2019

N70 trillion

Real GDP, 2018¹



70%

Percentage national workforce¹

Subsector contribution



Crop

90%



Livestock

7%



Fishing

2%



Forestry

1%

Source: ¹NBS, BMI, ²NIPC, FMARD Website

Trade flows and investments

Trade flows and trade treaties, investment trends
and mechanisms in place to protect investor rights



Trade flows in Nigeria



Nigeria is driving a growing trade surplus on the back of a gradual recovery from recession. Nigeria is well positioned for regional and global trade.

Recent factors affecting Nigeria's foreign trade:

- Nigeria joined 52 other countries in signing the African Continental Free Trade (AfCFTA) agreement.



Source: EIU, NBS

Trade flows in Nigeria

Share of total trade as at Q2 2019

Crude Oil Exports	Unrefined petroleum products	45.7%
Manufactured Goods	Vessels, vehicles, pharmaceutical glassware	30%
Other Oil Products	Natural gas, bituminous coal	15.6%
Raw Materials	Urea, leather, rubber, cane sugar, tobacco	4.4%
Agricultural Goods	Sesame seeds, cocoa beans, cashew nuts	3.8%
Solid Minerals	White cement, zinc, lead ores, salt, granite	0.43%
Energy Goods	Fuel woods, charcoal, coniferous wood	0.11%

Source: NBS

Top 5 trading partners as at Q2 2019

Export

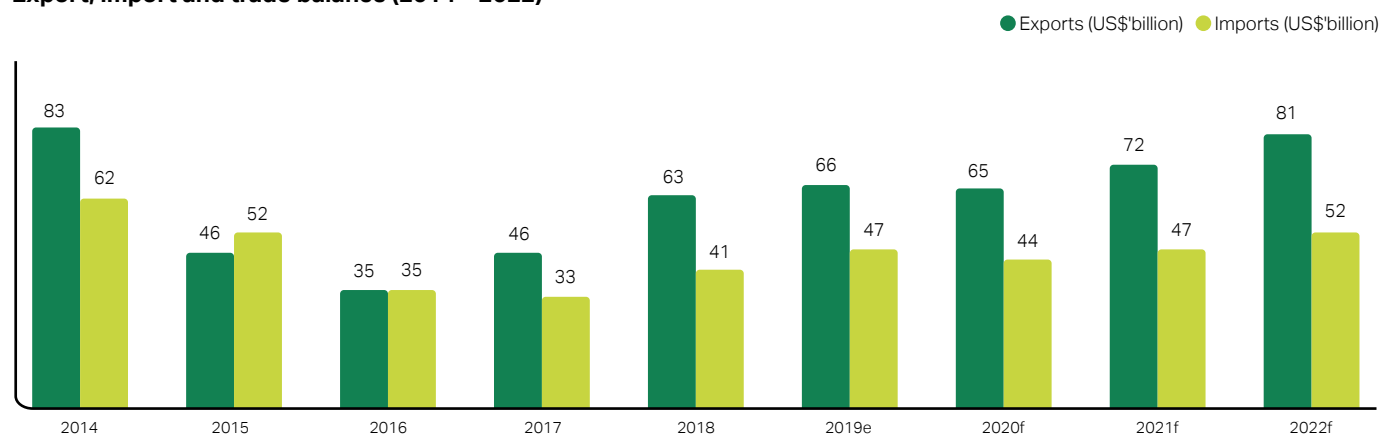
	India	17.3%
	Spain	12%
	Netherlands	10.4%
	USA	7.7%
	France	6.1%
	United Kingdom (8th)	3.6%

Import

	China	25.5%
	USA	10.5%
	Netherlands	9.3%
	India	7.5%
	Belgium	6.2%
	United Kingdom (6th)	4%

Source: NBS

Export, import and trade balance (2014 – 2022)



Source: EIU

Location analysis

Nigeria has a trade surplus with its largest trading partners, and the potential to grow its relationship with other partners is strong.

Key:

Value of exports to: Value of goods Nigeria exports to the country
Value of imports from: Value of goods Nigeria imports from the country
Major export: Nigeria's top exported commodity to the country
Major import: Nigeria's top imported commodity from the country

	United States	Value of imports from:	\$2,508m
		Flight time:	13h 42m
		Distance:	10,619km
		Major import:	Vehicles
	Belgium	Value of imports from:	\$2,573m
		Flight time:	6h 9m
		Distance:	4,543km
		Major import:	Mineral fuels and oils
	China	Value of imports from:	\$7,094m
		Flight Time:	12h 56m
		Distance:	10,011km
		Major import:	Machinery and mechanical appliances
	South Korea	Value of imports from:	\$3,373m
		Flight Time:	12h 56m
		Distance:	11,848km
		Major import:	Ships and floating structures
	Netherlands	Value of exports to:	\$5,628m
		Value of imports from:	\$3,603m
		Flight time:	6h 22m
		Distance:	4,718km
		Major export:	Mineral fuels and oil

Source: NBS, Trademap.org, travelmath, Exchange rate: \$ = ₦360

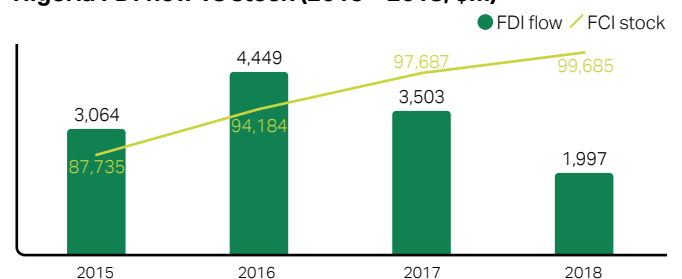
	India	Value of exports to:	\$8,670m
		Flight time:	9h 46m
		Distance:	7,457km
		Major export:	Mineral fuels and oils
	France	Value of exports to:	\$4,191m
		Flight time:	5h 31m
		Distance:	4,031km
		Major export:	Mineral fuels and oils
	South Africa	Value of exports to:	\$3,422m
		Flight time:	6h 16m
		Distance:	4,645km
		Major export:	Mineral fuels and oils
	Spain	Value of exports to:	\$5,304m
		Flight time:	4h 53m
		Distance:	3,529km
		Major export:	Mineral fuels and oils
	United Kingdom	Value of exports to:	\$1,577m
		Flight Time:	6h 40m
		Distance:	4,961km
		Major import:	Mineral fuels and oils

FDI flow and stock

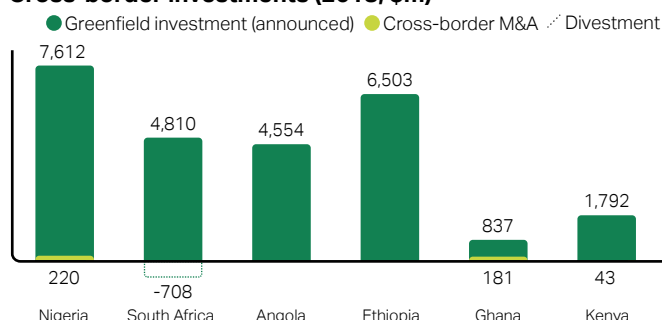
The uncertainty in Nigeria's economic prospects eroded investor confidence and consumer demand. This led to a decline in foreign direct investment from c.US\$4.4 billion in 2016 to c.US\$2.0 billion in 2018.

However, as the economy continues to stabilise, it is expected that the flows will return to pre-recession levels.

Nigeria FDI flow vs stock (2015 – 2018, \$m)

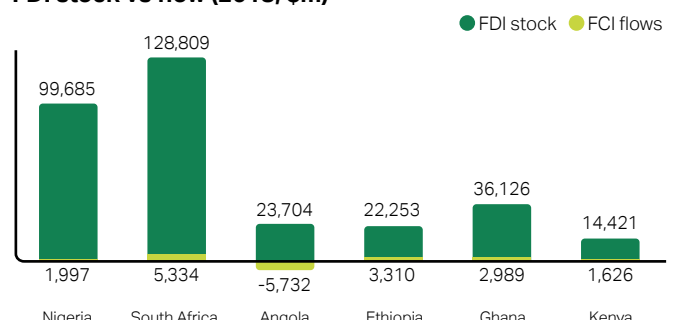


Cross-border investments (2018, \$m)



Source: UNCTAD

FDI stock vs flow (2018, \$m)



Trade treaties and incentives

Nigeria has a number of trade treaties, reliefs and agreements in place to help it maximise the benefits gained from foreign trade and investment.

African Continental Free Trade Agreement	Incentives The Continental Free Trade Agreement will establish a single market for goods and services across 54 countries, allow the free movement of business travellers and investments, and create a continental customs union to streamline trade and attract long-term investment. In August 2019, Nigeria became the 53rd (and penultimate) African country to sign the agreement. Full implementation of the agreement will take some time as negotiations covering trade, dispute settlement, investment, competition policy and intellectual property rights would have to be completed.
Commonwealth Tax Relief	Incentives In Section 44 of the Companies Income Tax Act, Nigeria provides a tax relief for profits earned in Commonwealth countries that are also liable to tax in Nigeria. Nigerian companies shall be subject to the Commonwealth tax rate, subject to a cap of half of the Nigerian tax rate.
ECOWAS Trade Liberalisation Scheme	Incentives The abolition of: • customs duties levied on imports and exports of goods produced and moving among member states • non-tariff barriers among member states to facilitate the free movement of goods and services across member states.
African Growth and Opportunity Act	Incentives AGOA builds on and significantly enhances the trade preferences under the US Generalised System of Preferences (GSP). Along with the GSP, it provides qualifying Sub-Saharan African beneficiary countries, including Nigeria, with non-reciprocal duty-free access to the US market for approximately 6,500 products, including for some categories considered to be 'sensitive'.
Generalised Scheme of Preferences (GSP)	Incentives Nigeria currently benefits from the General Scheme of Preferences (GSP) of the European Union (EU), which is granted unilaterally by the EU to vulnerable developing countries. GSP reduces EU import duties for around 66% of all product tariff lines.
Trade with the UK	Incentives The UK will roll over much of its trade preferences after Brexit giving Nigeria continued preferential access to the UK market.

Read More at:

1. African Growth and Opportunity Act – <https://agoa.info>
2. ECOWAS Trade Liberalisation Scheme – <https://www.etls.ecowas.int/>
3. Commonwealth Tax Relief – <https://lawsofnigeria.placng.org/laws/C21.pdf>
4. African Continental Free Trade Agreement – <https://au.int/en/cfta>
5. EU's Generalised Scheme of Preferences – <https://trade.ec.europa.eu/tradehelp/standard-gsp>

Source: AGOA's "Country info", African Union, Companies Income Tax Act, ECOWAS and European Commission Trade Helpdesk

Investor Rights Protection Mechanism

Nigeria has implemented several checks and safeguards to ensure the protection of local and foreign-owned enterprises.

Some of the checks and safeguards are highlighted below:

1	Rules of foreign ownership ¹	General rules and regulations pursuant to the investments and securities act, 2007 sets out:	the regulation of foreign investments and cross-border securities transactions (in part H).
2	Protections against expropriation by government of an enterprise ³	Nigerian Investment Promotion Commission Act, Chapter N117 (Decree No 16 of 1995), Part V No.25 guards against the:	- nationalisation of an enterprise by the government and the compulsory dispossession of an investor of his/her interest in the capital of an enterprise - acquisition of an enterprise by the government unless such an acquisition is in the best interest of the public.
3	New York Convention Membership ²	Arbitration and Conciliation Act, Chapter 19 of the Laws of the Federation of Nigeria, provides:	- a unified legal framework for the fair and efficient settlement of commercial disputes by arbitration and conciliation - it also makes applicable the Convention on the Recognition and Enforcement of Arbitral Awards.
4	Ability to remit profit and take loans ³	Nigerian Investment Promotion Commission Act, Chapter N117 (Decree No 16 of 1995), Part V No.24 guarantees:	- the unconditional transferability of funds through an authorised dealer, in any convertible currency, to a foreign investor in a registered enterprise - that, when an investor has obtained a foreign loan, he or she can transfer proceeds should they decide to relocate elsewhere.
5	Bilateral Investment Treaties ⁴		Nigeria has bilateral investment agreements with 31 countries, 15 of which are in force. The country also has Double Tax Treaties with 13 countries and is a signatory to 21 Investment-related instruments.

Other Information

Nigeria has adopted one of the most liberal regimes in Africa for the entry of foreign investors, virtually opening all its economy to FDI.

100% foreign ownership permitted in most sectors except for short negative list where foreign ownership is not permitted (drugs, arms, military uniforms, legal services). Petroleum sector must be JVs or have a government production-sharing arrangement.

Read More at:

- General rules and regulations pursuant to the investments and securities act, 2007 – <http://sec.gov.ng/files/SEC%20Consolidated%20%28JUNE2013%29%20SIGNED%28WEBSITE%29%20%281%29.pdf>
- Arbitration and Conciliation Act, Chapter 19 of the Laws of the Federation of Nigeria – <http://niqs.org.ng/wp-content/uploads/2018/12/Arbitration-and-Conciliation-Act.pdf>
- Nigerian Investment Promotion Commission Act, Chapter N117 (Decree No 16 of 1995), Part V – <http://www.nigeria-law.org/Nigerian%20Investment%20Promotion%20Commission%20Act.htm>
- Bilateral Investment Treaties – <https://investmentpolicy.unctad.org/international-investment-agreements/countries/153/nigeria?type=bits>

Source: NIPC Website, Federal Republic of Nigeria website, SEC website, New York Arbitration Convention, UNCTAD

Costs and skills

All the costs of doing business – energy, property, water, telecommunications & data, transportation and personnel and the skills of the Nigerian workforce



Energy costs

Electricity provided by Nigeria’s distribution companies is currently cheaper than that from off-grid renewable and self-generated sources.

Eligible customer regulation

- Eligible customers can buy power directly from generating companies at an agreed rate under a signed power purchase agreement (PPA), which guarantees supply 24/7
- The regulation defines an eligible customer as a customer or group of customers consuming 2MWh or more of energy for a period of one month.

Electricity Tariff

- Nigeria’s power problems are an opportunity for off-grid energy investors and other suppliers e.g. smart meters
- For many investors they represent a challenge (which a renewed reform push may address) which is tackled by using off-grid, direct supply (see eligible customer regulation, above) or industrial parks.

Definitions (see table)

- Commercial: consumers using their premises for any purpose other than exclusively as a residence or as a factory for manufacturing goods
- Industrial: consumers using premises for goods-manufacturing processes including welding and ironmongery
- A special range of customers: such as agriculture and agro-allied industries, water boards, religious houses, government and teaching hospitals, government research institutes and educational establishments.

Nigeria has a daily national average electricity supply of between eight and ten hours. Several major hubs receive up to 18 – 24 hours, however, including Lagos (Magodo, Ahmadiyya) and Rivers (Bonny Island). The occupants of these areas pay cost-reflective tariffs to their distribution companies.

Feed In Tariff for renewable energy sources

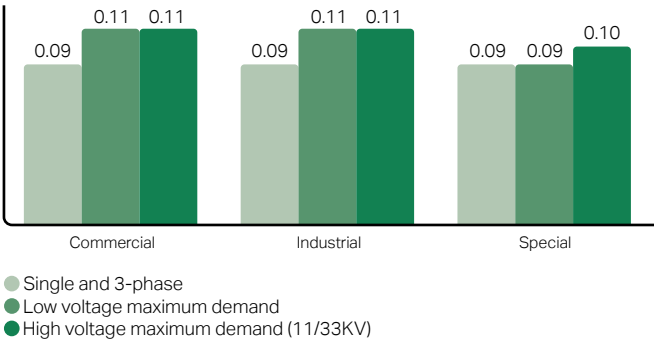
Source	(US\$/kWh)
Solar	\$0.18
Wind	\$0.125
Hydro	\$0.15
Biomass	\$0.15

Source: NERC, Advisory Power Team, KPMG Analysis

Self generation of electricity



Electricity Tariff (US\$/kWh) – 2020

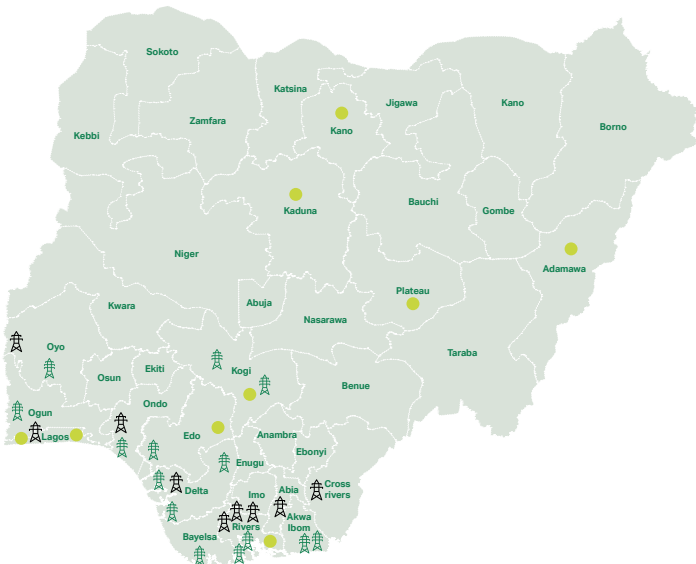


Power generating assets across Nigeria

Power Plant installed capacity

● Distribution companies

⚡ 200-500 MW
⚡ > 500 MW



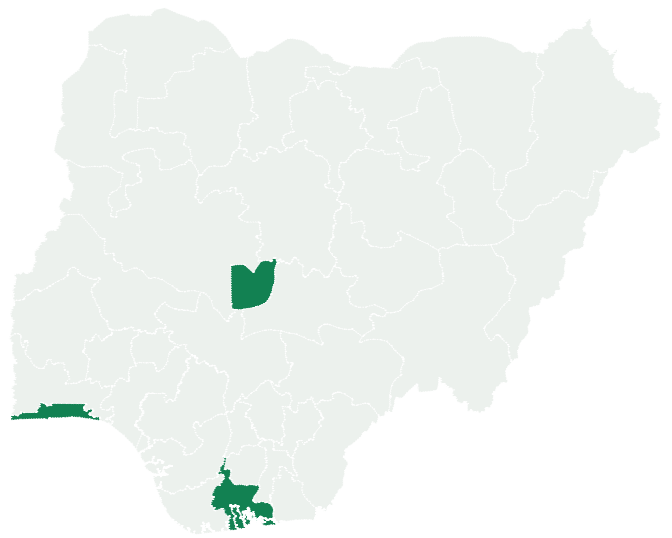
Property costs

Generally, construction costs are similar across cities whereas rental and acquisition rates are lower in tier-2 cities.

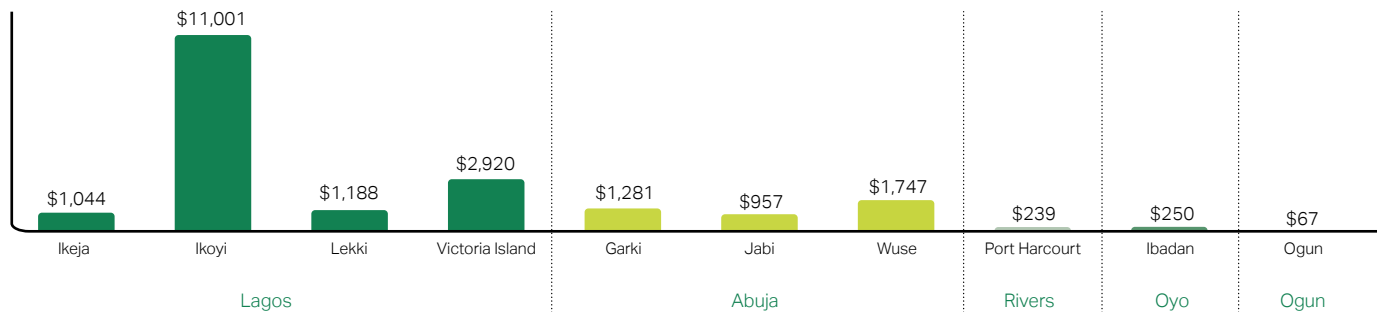
Construction cost (2015, m²)

National average	\$4,109
Lagos	\$4,285
Abuja	\$4,087
Other cities	\$3,942

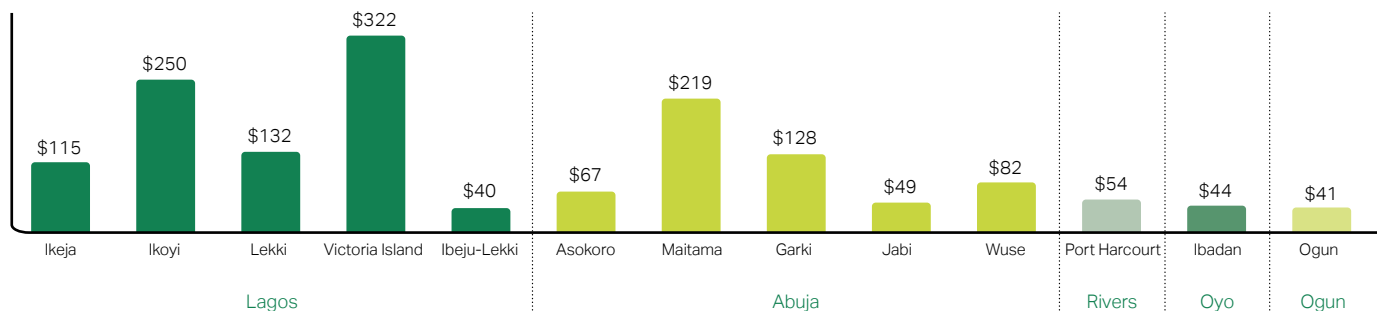
*Range of permit fees, cost depends on country of origin of expat



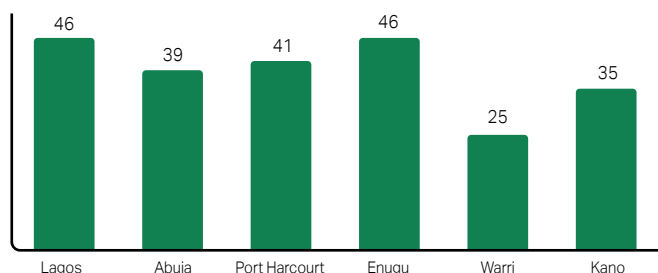
Commercial property acquisition rate (per m²)



Commercial property monthly rental rate (per m²)



Retail property monthly rental rate (per m²)



Industrial property monthly rental rates, Lagos (per m²)

Ilupeju	\$0.37
Ikeja/Oshodi	\$0.31
Abule Egba/Ikorodu	\$0.15

Source: Tradeeconomics, mysalaryscale, Estate intel, Propertypro Nigeria, Global property guide, Cluttons

Exchange rate: \$ = ₦360, Plot: 648m²

Land acquisition in Nigeria: key insights

Land in Nigeria is vested with the country's 36 State governments. Individuals can only acquire the rights to use land for a maximum of 99 years.

Land ownership	• The Land Use Act of 1978 converted all land to State Land. Nigerians and foreigners can obtain leases from a State for a maximum of 99 years for the use of land • State Governors are responsible for the management of this land on behalf of the people. Land can therefore not be owned privately. The Governor's consent is needed for the assignment of title to use, occupy and improve property with a statutory certificate.
Assignment and transfer of title	• Sale of real estate does not involve actual selling and purchasing. There is only the transfer of rights from one person to another. The seller assigns the rights to use and occupy the land to the buyer • After the transaction, the buyer applies for a new certificate under his or her name.
Consent fee	• One peculiarity about buying property in Nigeria, particularly in Lagos, is the Consent Fee that means no land can be 'sold' without the Governor's consent • The logic is that the State government is the owner of the land, meaning that any change in ownership or assignment, in the case of a lease, should have the consent of the Governor.
Capital gains tax (CGT)	• CGT is levied at 10% of the difference between the sale price and the original acquisition price. This is assessed by the Ministry of Finance but is rarely enforced.
Confirmation of title	• The buyer's lawyer checks the title and other documents presented by the seller/assigner before continuing with the transaction • Several restrictions and conditions come with a title, meaning buyers must ensure they are aware of them all.
Expropriation risk	• Purchasing property in Nigeria is not without risks. The Land Use Act of 1978 allows the government to take over land under the State's right to eminent domain (that is, the right to take private property and convert it into public use) • The compensation scheme covers only 'unexhausted improvements' to the land but not the land itself. The value is also fixed to a government rate which was set in the year the law was created.

Land acquisition in Nigeria: requirements and costs

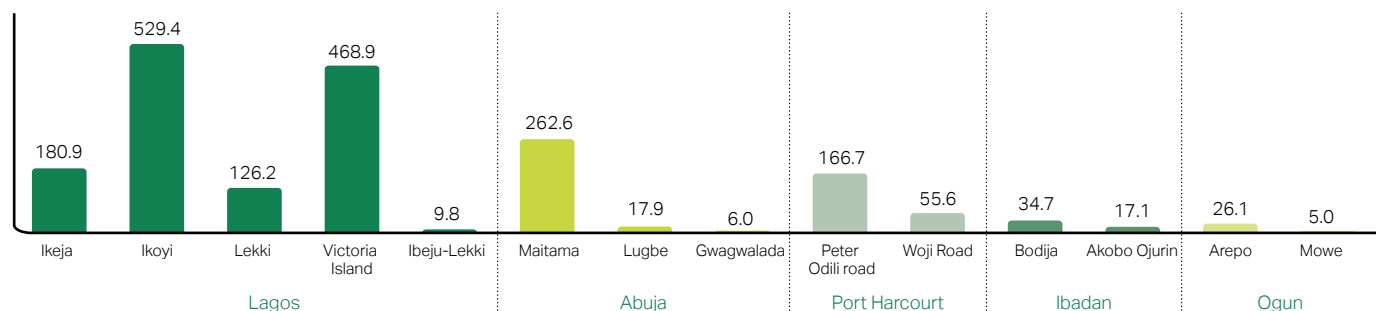
The acquisition cost of land titles remains relatively low at an average of around 15% of the fair market value plus fees of US\$400 or less.

The list of processes, documents and fees required to acquire land are presented below:

S/n	Service name	Cost
1.	Inspection	N/A
2.	Conduct a search	₦3,750 (\$10.42)
3.	Execute the deed of assignment/conveyance	N/A
4.	Certified true copy of title document and survey plan	₦7,500 (\$20.83)
5.	Payment of charting fee, endorsement fee and form 1c	₦20,500 (\$56.94)*
6.	Processing of government consent	8% of fair market value (FMV)
7.	Notice and payment of stamp duty, registration fees, consent fees and neighbourhood improvement charge	5% of FMV plus ₦100,000 (\$277.78) fee
8.	Obtaining title from the land services department and stamping of deed of assignment	2% of FMV
9.	Registration of deed and title conferred	N/A

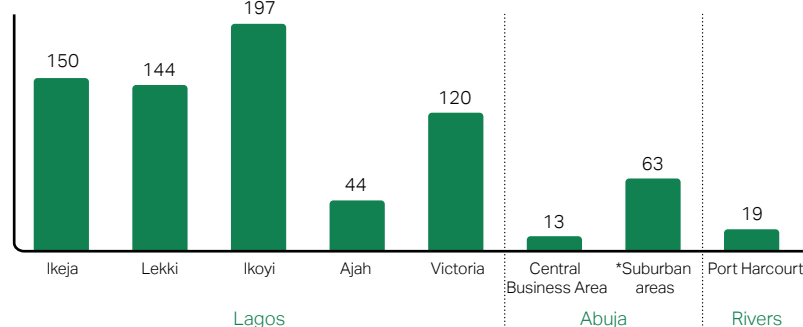
* Requires a valid tax clearance which may cost ₦60,000 – ₦120,000 (\$166.67 – \$333.33 if not available)

Average land acquisition rate (per m²)



Source: Propertypro Nigeria, Global property guide, Lagos state land bureau, KPMG research, Exchange rate: \$ = ₦360, Plot: 648m²

Average land lease rate (per m²)



*Includes: Kuje, Asokoro, Lube and Wuse II

Land: special economic zones and industrial parks

There are more than 30 free trade zones in Nigeria, with 17 operational ones aimed at diversifying exports and achieving economic growth.

The industrial parks are available to both local and foreign investors looking to carry out agribusiness, manufacturing, construction, oil and gas etc.

Active free zones

1. Lagos State

- Airline Services EPZ
- Dangote Industries Free Zone
- LADOL Free Zone
- Lagos Free Trade Zone (805 ha)
- Lekki Free Zone (3,000 ha)
- Nigeria Aviation Handling Company
- Nigeria International Commerce City (Eko Atlantic) (2,500 ha)
- Snake Island Integrated Free Zone (250 ha)
- Tomaro Industrial Park

2. Ogun State

- Olokola Free Trade Zone
- Specialised Railway Industrial FTZ

3. Jigawa State

- Maigatari Border Free Trade Zone
- (6,500 ha)

4. Kano State

- Kano Free Trade Zone (262 ha)

5. Adamawa State

- Sebore Farms EPZ (14,000 ha)

6. Abuja

- Centenary City (1,262 ha)
- Abuja Tech. Village Free Zone (700 ha)

7. Cross River State

- Calabar Free Trade Zone (152 ha)

8. Akwa Ibom State

- ALSCON EPZ (1081 ha)

Inactive free zones

1. Lagos State

- Badagry Creek Integrated Park
- Ogogoro Industrial Park

2. Ogun State

- Ogun Guandong Free Trade Zone (10,000 ha)

8. Akwa Ibom State

- Ibom Science & Tech FZ
- Ibom Industrial Free Zone

9. Oyo State

- Oluyole Free Trade Zone

10. Kwara State

- Kwara Free Zone (355 ha)

11. Osun State

- Living Spring Free Zone

12. Borno State

- Banki Border Free Zone

13. Delta State

- Koko Free Trade Zone
- Ogindigbe Gas Revolution Industrial Park

14. Ondo State

- Olokola Free Trade Zone
- Ondo Industrial City

15. Imo State

- Imo Guangdong FTZ

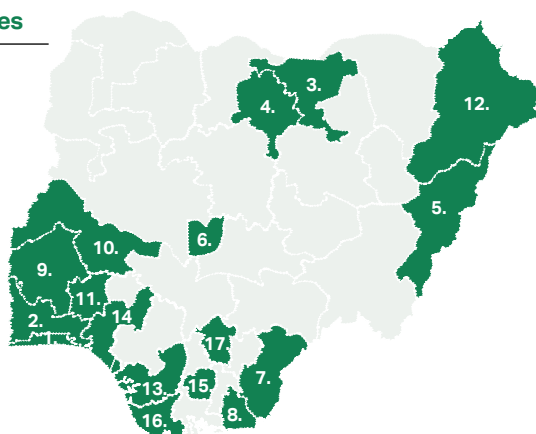
16. Bayelsa State

- Brass LNG Free Zone

17. Enugu State

- Enugu Industrial Park

Free zones



Source: <https://nepza.gov.ng>

Water costs

The water sector in Nigeria includes public and private-sector players, with the public sector controlling dams, springs and rivers.

Access

- Different users access water from different sources. Some bottled water companies access water through natural springs like the Ikogosi warm spring. Some beverage companies use dams to access water, while some other manufacturing companies use private channels
- The most important requirement for accessing water through public bodies is holding a Water Use Licence from the Nigeria Integrated Water Resources Management Commission. This is available through the Federal Ministry of Water Resources and/or the river basin authority
- In 2019, two companies – Nestlé Nigeria PLC and Winners Power Garden – were granted Water Use Licences, enabling them officially to extract water resources for their operations.

Alternative Water Channel

- Industries can access piped water systems either by borehole or tanks
- The cost of constructing an industrial standard borehole is in the range of ₦7 million – ₦8 million (US\$23,000 – US\$26,000) – Lekki Axis.

Pricing (private suppliers)²

- North: US\$6 – US\$8 (₦2,000 – ₦3,000) per m³
- South: US\$2 – US\$4 (₦700 – ₦1,500) per m³
- 20 litre jerricans – ₦25 – 50 (US\$0.07 – 0.15).

Water Utility Services Companies in Nigeria

Many of these companies are in the water treatment/ engineering solutions space i.e. borehole drilling, treatment plant, etc.

Braithwaite Water Resources

Eauxwell

Watersol Systems Limited

Astral Waters

Devtek

Potable water Supply Tariffs by State Water Boards¹

S/n	State Water Board	Tariff (US\$ per m ³)
1.	Lagos	0.55
2.	Enugu	0.42
3.	Kano	0.37
4.	Kaduna	0.20
5.	Oyo	0.18
6.	Katsina	0.14
7.	Ekiti	0.14

Source: ¹ IBNET Tariff Database Bank, ² World Bank



Telecommunications (data) costs

Telecommunications in Nigeria continue to evolve with rapid technological advancements and increasing broadband penetration.

Key drivers for Nigerian broadband demand include:

- Growing momentum for the fifth generation of wireless technology. Industry players are investing heavily in upgrading and boosting their network capacity to cope with the arrival of 5G. South African company MTN Group commenced its 5G network trial in Nigeria in November 2019
- The convergence and diversification of business models to combat the impact of dwindling voice revenues, commoditisation of data and the continual threat of disruptive technology
- The competitive nature of the Nigerian market, making collaboration a key source of competitive advantage. Pricing, quality of service and content are expected to be key drivers for broadband demand
- Accelerating digital literacy, leading to increased smartphone penetration, is expected to drive the uptake of digital and telecoms services.

Key Industry Statistics

Total active voice subscriptions	180.3m
	(October 2019)
Total active 3G-4G subscriptions	72.3m
	(October 2019)
Smartphone adoption (2018)	53m
	smartphone connections
Teledensity	94.5%
	(October 2019)
Broadband Penetration	37.9%
	(October 2019)
Smartphone adoption rate (2018)	36%

The table below provides insight on pricing at the retail and enterprise market segments

	Promo package	Cap	Speed	Monthly amount	Set-up costs
	HyNet WiMA X	25GB	2Mbps	₦28,000 (\$78)	Set-up fees of ₦10,000 (\$28) apply
		Unlimited	5Mbps	₦35,000 (\$97)	
		Unlimited	10Mbps	₦52,700 (\$146)	
	HyNet LTE	40GB	10Mbps	₦20,000 (\$56)	
		Unlimited	5Mbps	₦35,000 (\$97)	
	MTNFTTx	30GB	10Mbps	₦10,000 (\$28)	
		250GB	20Mbps	₦52,000 (\$144)	
1000GB		30Mbps	₦175,000 (\$486)		
	Enterprise FTTx Dual Play	40GB	20Mbps	₦10,500 (\$29)	Installation – ₦15,750 CPE – ₦15,750 (\$44)
		200GB	25Mbps	₦26,250 (\$73)	
		670GB	50Mbps	₦78,750 (\$219)	Installation – ₦15,750 (\$44) CPE - ₦52,500 (\$146)
		2TB	50Mbps	₦157,500 (\$438)	
	Residential FTTx (Dual Play)	U30GB*	8Mbps	₦12,600 (\$35)	Set-up Fees of ₦31,500 (\$88) * Speeds are reduced after this threshold
		U120GB*	5Mbps	₦22,575 (\$63)	
		U500GB*	50Mbps	₦60,900 (\$169)	
	FTTx Triple Play	Unlimited	16Mbps	₦35,700 (\$99)	₦133,875 (\$372)
	FTTx Dual Play	Unlimited	8Mbps	₦23,000 (\$64)	
	LTE	4GB	NA	₦3,000 (\$8.3)	Unlimited BROWSING applies only to nights 1am – 7am
		15GB	NA	₦7,000 (\$19)	
		40GB	NA	₦12,000 (\$35)	
		100GB	8Mbps	₦18,000 (\$50)	
		300GB	NA	₦55,000 (\$153)	

Source: Publicly available data, Operator Websites, NCC, Ovum's Nigeria Telecoms and Media Outlook: 2017–22, GSMA

*Translated at ₦360/\$US1

Transportation: an overview

Nigeria currently has six ports, with Apapa recording the largest annual cargo traffic.

 Road	 Port	 Air
200,000km National road network (2017) ¹	853km Length of coastlines (2014) ¹	5 International hubs (Lagos, Abuja, Kano, Enugu and Port Harcourt)
18% Proportion of paved roads (2014) ¹	6 Number of ports in Nigeria – Apapa, Onne, Port Harcourt, Delta, Calabar and Tin Can) ²	20 domestic airports owned and operated by FAAN
90% Road network accounts for 90% of all internal and cross border freights and passenger movements (2014) ¹	72 million metric tons Cargo throughput (2017) ²	5 Number of heliports (2013) ³
2nd largest road network in Africa (2017) ¹	18.9 million tons Estimated number of cargo handled by the Apapa Port (2017) ²	164.9m kg Cargo traffic (2018) ²
222 Number of vehicles per km (Lagos) ¹	12 Number of major inland rivers (2014) ¹	

Source:

¹ African Development Bank, ² NBS, ³ CIA-World Factbook

Key developments in the transportation sector

Road

Construction of the Second Niger bridge is ongoing, along with dozens of other road projects.

Air

The government is remodelling the five major international airports (Lagos, Enugu, Abuja, Kano and Port Harcourt).

Rail

West Africa's first light rail transit was recently launched in Abuja. Several new rail lines are under construction, including the 1,402km Lagos to Calabar line and those linking Abuja-Nyanya-Kubuwa, and Lagos with Ibadan.

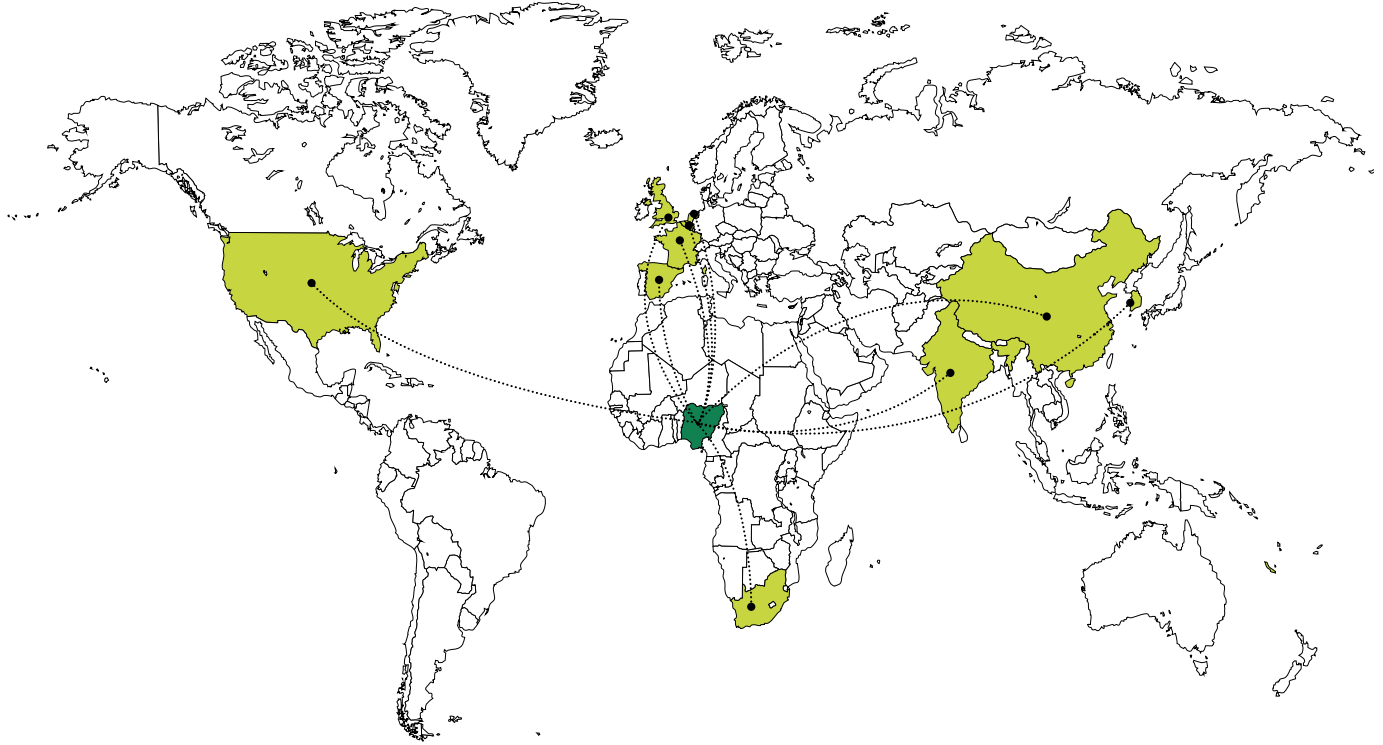
Ports

Construction of Nigeria's first deep sea port is underway in Lekki Free Trade Zone, to meet growing demand for modern container and port infrastructure that caters for modern vessels.



Direct flight routes

Nigeria has direct flights to more than 20 countries, including the USA, the UK and Germany.



Angola
Via TAAG Angola Airlines



Cape Verde
Via Cabo Verde Air Airlines



Cote d'Ivoire
Via Air Cote d'Ivoire



Egypt
Via EgyptAir



Ethiopia
Via Ethiopian Airlines



France
Via Air France Egypt
and Via EgyptAir



Gambia
Via Air Peace



Germany
Via Lufthansa Air



Ghana
Via Africa World Airlines



Italy
Via Air Italy



Kenya
Via Kenyan Airways



Lebanon
Via MEA Airlines



Morocco
Via Royal Air Maroc



Netherlands
Via KLM Royal Dutch Airlines



Rwanda
Via RwandAir



Senegal
Via Air Peace Sierra Leone
and Via Air Peace



Sierra Leone
Via Air Peace



South Africa
Via South African Airways



Togo
Via ASKY Airlines



Turkey
Via Turkish Airlines



United Arab Emirates
Via Emirates Airlines,
Etihad Airways and Air Peace



United Kingdom
Via British Airways
and Virgin Atlantic



United States
Via Delta Airlines

Source: KPMG Research

The costs of transporting commodities

The costs of transportation into and out of Nigeria is primarily influenced by the value of the goods, the mode of transport and the delivery time.

Transportation costs

Cost of commodity transportation by 20ft & 40ft freight trucks from major agricultural commodity producing cities to Lagos

	Akwa-Ibom	Benue	Kaduna	Kano	Oyo
Lagos (20ft)	\$1,222 – 1,477	\$1,373 – 1,633	\$1,402 – 1,696	\$1,758 – 2,131	\$670 – 1010
Lagos (40ft)	\$1,830 – 2,216	\$1,865 – 2,265	\$1,876 – 2,271	\$2,346 – 2,840	\$1,314 – 1,588

Source: kobo360

International shipment

Freight rate estimate for machinery of \$80,000 in a 40ft container*¹

Mode		Port of Entry	Port of Departure Rate
 Sea	Apapa, Lagos	Shanghai, China	\$2,930.32 – \$3,238.77
		LA, USA	\$5,237.78 – \$5,789.13
		London, UK	\$2,012.51 – \$2,224.36
	Tin Can Island	Shanghai, China	\$3,199.17 – \$3,535.92
		LA, USA	\$5,803.01 – \$6,413.85
		London, UK	\$2,163.48 – \$2,391.21

Air Freight rate estimate for machinery of \$80,000 and 250kg*¹

Mode		Port of Entry	Port of Departure Rate
 Air	Lagos	Shanghai, China	\$3,700.89 – \$4,090.46
		LA, USA	\$3,328.76 – \$3,679.16
		London, UK	\$3,406.20 – \$3,764.75
	Port Harcourt	Shanghai, China	\$3,700.89 – \$4,090.46
		LA, USA	\$3,328.76 – \$3,679.16
		London, UK	\$3,406.20 – \$3,764.75

* Subject to additional fees such as taxes, duties, etc..

Source:

¹ World Freight Rates

² The Clearing Agent <https://clearingagent.com.ng/cost-of-clearing-a-40ft-20ft-container-in-nigeria/>

Additional Fees²

Details	Amount
Import duties	Based on HS code declared
Comprehensive Inspection Supervision Scheme (CISS)	1% of FOB price
Ports Surcharge	7% of base duty
ETLS (ECOWAS)	0.5% of CIF
VAT	5% of (CIF+ Duty + Surcharge + ETLS+ CISS)

Note

CIF – Cost Insurance Freight

ETLS – ECOWAS Trade Liberalisation Scheme

FOB – Free on board

HS – Harmonised system

VAT – Value Added Tax.

Information

- Sea port clearing time takes one week on average depending on cargo type
- To prevent clearing issues, a registered agent with custom licence is required. This can be suggested by the shipping company
- Nigerian Shippers Council can be contacted for all foreign shipment enquiries.

Personnel costs

While the cost of personnel is role- and industry-specific, employers must stay abreast of the provisions of Nigerian Labour Law.

Remuneration by level and job role (Manufacturing)

Level	Role	Basic monthly pay (\$)
1.	Chief Executive Officer	1,692
2.	General manager	1,242
3.	Human resource manager	711
4.	Procurement and logistics manager	489
5.	Accounts payable officer	286
6.	Receptionist	183
7.	Unskilled operator	180
8.	Janitor	94

Entry level remuneration in select industries

Level	Role	Basic monthly pay (\$)
1.	Banking	608
2.	Oil and Gas	1,326
3.	Civil Engineering	416
4.	Professional Services	415
5.	Telecommunications	403

Cost of work permit (\$)

Expatriates (All fields)	514*
--------------------------	------

Some stipulations in the Labour Act being highlighted include:

Scope

The Act does not cover persons exercising administrative, executive, technical or professional functions as public officers or otherwise.

Maternity leave

The Law currently provides for 12 weeks, with at least 50% pay. However, the current trend is for 16 weeks at full pay.

Paternity leave

This growing global practice is not currently recognised under Nigerian Law.

Trade unionism

Employees are not allowed to prevent employees from joining trade unions. However, this restriction may not apply to 'management' employees.

Severance pay

The Law references basic salary as the basis of computing payment in lieu of notice as opposed to fixed pay (basic salary and other cash allowances/items).

Unfair dismissal

Employers are allowed to terminate an employee for no reason, provided they comply with the notice-period provision or the relevant statutory provision. (This does not align with international standards on unfair dismissal, which require employers to give reasons for terminating or dismissing an employee.)

Low fines

Fines and penalties for contraventions imposed by the Law are as low as ₦100 (US\$0.28).

Child labour

Based on Section 59, a family member can employ a child for agricultural or domestic work. This provision may be reviewed to protect children against exploitation.

Worktime and leave

Normal full-time work hours in Nigeria is Forty (40) hours per week after which constitutes overtime. Workers are also entitled to an annual leave of at least 6 days working days with full pay.

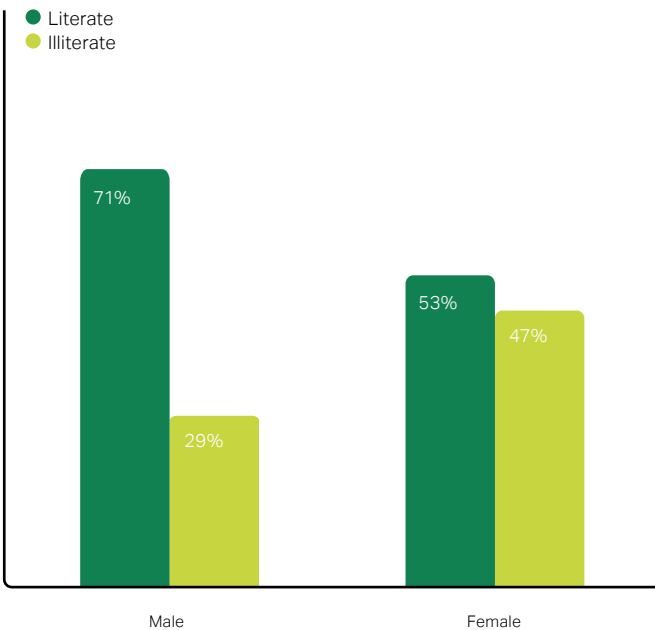
Source: mysalaryscale, KPMG Analysis

*Range of permit fees typically depends on country of origin of expat
Exchange rate: \$ = ₦360

Personnel (workforce) skills

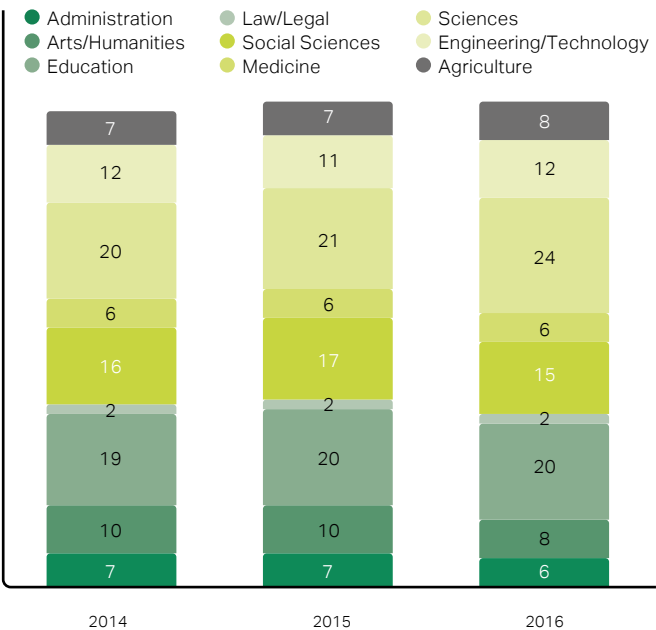
The Nigerian labour force is becoming more skilled, with literacy rates of around 71% among males and 53% among females.

Literacy rate (>15 years)



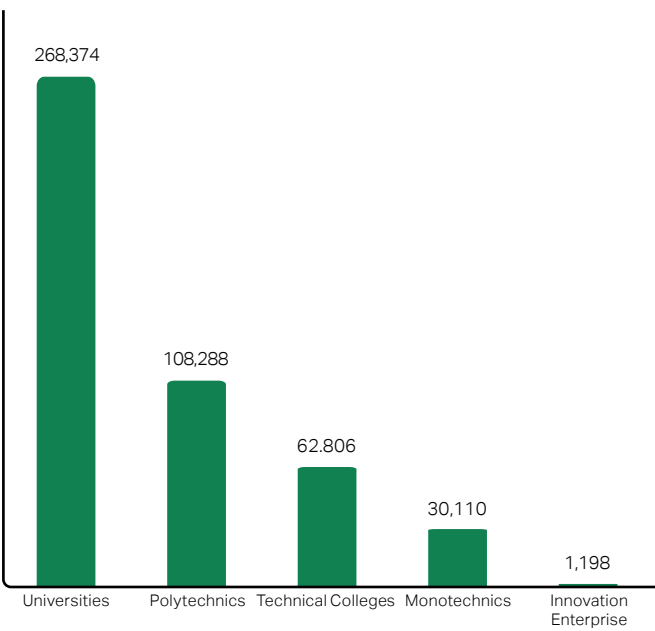
Age significance according to Nigerian labour law:
15 – Minimum age for employment in industrial undertakings.
16 – Minimum age to be employed to work underground.
18 – Minimum age for hazardous work.

University graduate output ('000, 2014 – 2016)



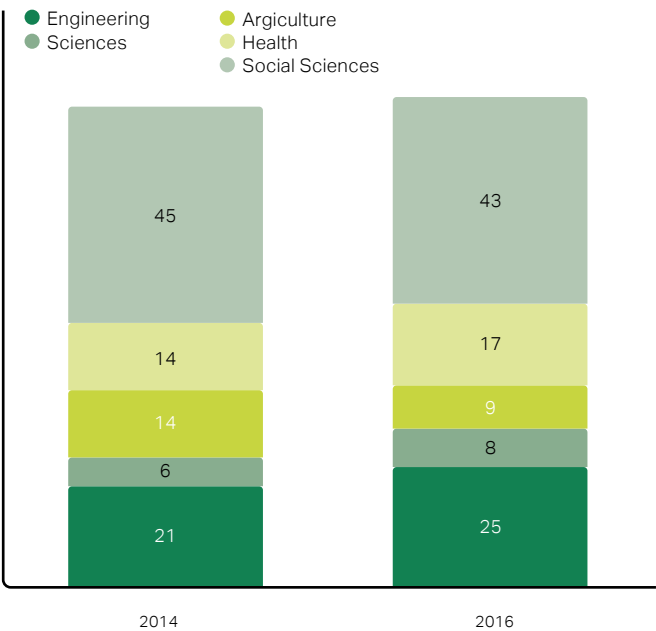
Based on admission numbers and an 18% dropout rate

Graduate output by institution (2015)



Source: UNESCO, Nigeria Education Management Information System (NEMIS), NUC

National Diploma Admissions (2014 – 2015)



National diploma: a polytechnic award for a two-year course with which the holder can be employed or admitted into Higher National Diploma (HND) or 200 level course in a university

Establishing a business in Nigeria

The business structures, processes and
requirements you need to know about



Applicable vehicles/business structures

Private companies limited by shares are the most common form of business organisation adopted by foreign investors in Nigeria.

Business can be carried out in Nigeria through any of the following vehicles:



Sole proprietorship

- The sole proprietorship form of business is typically used by individuals intending to do business on their own account
- The major statutory requirement is the registration of a business name, where a name other than the sole proprietor's actual name is used as the trading name.



Partnership

- In a general partnership partners are joint owners of the partnership property and are personally liable for the firm's obligations
- In a limited partnership, there must be at least one general partner who will have unlimited liability with respect to all the debts and obligations of the firm
- In a limited liability partnership, all the partners are legally capable of limiting their liability in the event of the partnership being wound up
- Non-resident foreigners may not be able to use a partnership as a vehicle for running a business in Nigeria.



Incorporated companies

- The word 'company' is used to describe an entity incorporated with limited or unlimited liability and registered under CAMA¹
- Subject to certain exceptions, CAMA provides that no foreign company shall carry out business in Nigeria unless it is incorporated in Nigeria as a separate entity
- Foreign companies have a choice to set up wholly-owned or partially-owned subsidiaries or affiliates in Nigeria
- The most common type of company is a company limited by shares. A limited liability company may be either privately or publicly owned. A private company must have a minimum of two and a maximum of 50 members.

Source: KPMG's *Investment in Nigeria* publication, May 2019 edition

¹ Companies and Allied Matters Act.



Process and requirements

The Corporate Affairs Commission (CAC) has made the business registration process straightforward, with completion time of less than 24 hours.

The business incorporation process

Businesses can be registered online via the CAC Company Registration Portal. Through this site, investors – or their agents – can conduct name searches, complete the required forms, submit all relevant incorporation documents and pay associated fees.

Investors may also visit the CAC office or the One-Stop Investment Centre (OSIC) of the Nigerian Investment Promotion Commission (NIPC, see page 54) to complete or submit paper applications.

The online registration process is as follows:

- Create an account on the CAC portal (<https://services.cac.gov.ng/>). This can only be created by one of the company's directors/shareholders or an accredited agent (a lawyer, chartered accountant or chartered secretary)
- Conduct a name search and reserve a name
- Complete the registration form, providing details of the directors, shareholders and nature of the business
- Pay CAC filing fees and stamp duty (the stamp will be electronically affixed once payment is made)
- Download completed online form and Memorandum and Articles of Association. Append signatures accordingly
- Upload scanned documents for processing
- Present original copies of uploaded documents and collect certificate of incorporation/registration from the preferred location
- Once the certificate of incorporation is ready, a Tax Identification Number (TIN) will be generated by the Federal Inland Revenue Service and sent to registrant's email.

Highlights of requirements

The documents required to be filed with the CAC include the following:

Articles of Association
Statement of Share Capital
Declaration of Compliance with CAMA
Notice of Situation of the Registered Office of the Company
Memorandum of Association
Return of Allotment of Shares
Particulars of First Directors



The visa application process is quite clear and can be completed electronically in the applicant's country of residence.

Eligibility criteria for subject to regularisation (STR) visa

- Expatriate employees of companies and their dependants
- Expatriate technical officials of Missions
- Foreign students
- Missionaries / Clerics and their dependants
- Research fellows
- Expatriate staff of Non Governmental Organisations (NGOs) and their dependants
- Expatriate staff of International Non Governmental Organisations (INGOs) and their dependants
- Government Officials (GOs) and their dependants
- Expatriates employed by companies operating in Free Trade Zones (FTZ) and their dependants.

Requirements for visa

- Formal application for STR Visa from the Employer / Institution accepting Immigration Responsibility
- Valid passport with a minimum of 6 months validity and at least 2 blank pages for visa endorsement
- 2 passport sized photographs (35/40mm) taken within the last 6 months on white background
- Duly completed Visa Form IMM22
- Expatriate Quota Approval
- Evidence of financial support
- Letters of Offer of Appointment and Acceptance of Offer
- Educational qualifications and Curriculum Vitae
- Extract of Board Resolution.

How to apply

- Apply online and complete the online visa application form (<https://portal.immigration.gov.ng/visa/freshvisa>) IMM22 and print two (2) copies of the completed form
- Make online payment and print your payment receipt
- Affix 2 passport sized photographs to completed Visa Form IMM22, along with the other requirements and submit via Post to the Embassy/High Commission/Consulate of Nigeria where applicant is resident, or in person at designated Visa Application Centre (where applicable) or, in person at the Embassy/High Commission/Consulate of Nigeria where applicant is resident.

Note

- Application for STR Visa should be made in Country of Residence.
- Foreigners can also apply for transit visa, tourist visa, business visa, temporary work permit and diplomatic visa. Follow this link for further information on these <https://immigration.gov.ng/visas/>

Eligibility criteria for expatriate residence permits

- Expatriate employees of companies and their dependants
- Expatriate technical officials of Missions
- Foreign students
- Missionaries / Clerics and their dependants
- Research fellows
- Expatriate staff of Non Governmental Organisations (NGOs) and their dependants
- Expatriate staff of International Non Governmental Organisations (INGOs) and their dependants
- Government Officials (GOs) and their dependants
- Expatriates employed by companies operating in Free Trade Zones (FTZ) and their dependants.

Living in Nigeria

Requirements for resident permit

- Letter of Application for Regularisation of Stay and acceptance of Immigration Responsibilities by the employer / School / Embassies / High Commission / International Organisations / INGOs / NGOs / MDAs (for Government Officials)
- Passport bio-data page of the expatriate
- Copy of the visa page and arrival endorsement page
- Form IMM22 (Visa Application Form)
- 2 recent passport photographs
- Expatriate's valid National Passport
- Evidence of purchase of CERPAC Form (bank teller).

Further requirements for expatriate employees

- Letter of offer of employment
- Letter of acceptance of employment
- Vetted Academic Credentials / Qualifications and Curriculum Vitae
- Copy of valid Quota Approval
- Certificate of Incorporation
- Marriage Certificate (where applicable)
- Board of Directors Resolution (for appointment of CEOs and Managing Directors)
- Business permit of the company.

Other information

How to apply

- Fresh applications will be submitted to the Office of the Comptroller General, Nigeria Immigration Service Headquarters Abuja or to the Office of the Comptroller of Immigration Service at the State Commands where the expatriate is resident accepting full Immigration Responsibilities.

Fees

- \$1,000 per for all categories of expatriates.

Timeline

Five (5) working days from the date of receipt of application.

Taxation and incentives

The different kinds of taxes and rates,
and the incentives available by sector



Applicable taxes and incentives

Tax administration is vested in the three tiers of government, with the Federal government solely administering CIT and VAT.

Company Income Tax (CIT)	Capital Gains Tax (CGT)	Value Added Tax (VAT)	Import and Export Duties	Personal Income Tax (PIT)
30%	10%	5%	5 – 35%	Progressive
Levied on profits of companies accruing in, derived from or received in Nigeria. Incentives Pioneer status (see below) for companies engaged in pioneer products. Tax relief granted for a period of three years. Exemptions on: - interest on bonds and government securities - interest on domiciliary accounts of a foreign non-resident company - profits from companies whose supplies are inputs to products manufactured for export.	Payable on capital gains accruing to companies or individuals making a chargeable disposal of an asset. Incentives Exemptions on gains: - from disposal of securities, stocks, shares and retirement benefit schemes - arising from take-over, absorption or merger - accruing to unit holders in a trust in respect of disposal of securities, provided the proceeds are re-invested.	Consumption tax paid when goods are purchased and services rendered. VAT inputs such as VAT on goods purchased directly for resale are recoverable. New VAT rates of 7.5% are to take effect by 2020. Goods and services exempt from VAT include: - Basic food items - Baby products - Books and educational materials - Commissions earned on traded value of shares - Tractors, ploughs and equipment bought for agricultural purposes - Medical services - All exported services.	Payable on goods imported into or exported from Nigeria. Import duties apply on various goods at rates ranging between 5% and 35%. Incentives Tariff-based incentives exist on goods from sectors such as: - Agro-allied, agro-processing and agricultural commodities - Aviation - Power - Solid minerals - Sugar processing - Iron and steel.	Personal income taxes are imposed on income of individuals, corporate sole or body of individuals. Incentives - Tax credit on tax payable by a resident who derives income from a source outside Nigeria but repatriated through government-approved channels - Consolidated relief allowance of N200,000, subject to a minimum tax of 1% of gross income - Non-filing of returns by an individual whose only income is N30,000 or less.

Source: Compendium of Investment Incentives in Nigeria

Nigeria has entered into tax treaties with several countries in order to avoid double taxation on income and capital gains.

Other tax types include:

Withholding Tax (WHT) 10%	- Advance payment of income tax deducted at source on qualifying transactions - The rate of WHT on dividend, interest and royalty is reduced to 7.5% when paid to a corporate recipient resident in a treaty country.
Tertiary Education Tax (TET) 2%	- Requires every company incorporated in Nigeria to pay 2% of its assessable profit - Applicable incentives include exemption of non-resident and unincorporated entities.
Petroleum Profits Tax (PPT) 85%	- Levied on upstream income of companies engaged in winning, obtaining and transporting petroleum - Applicable incentives include exemption of dividend of such companies from withholding tax.
Information Technology Tax 1%	Payable by specified companies with turnover of ₦100 million and above. The tax when paid is tax deductible for company income tax purposes.

Source: Compendium of Investment Incentives in Nigeria

Personal Income Taxes are chargeable on a progressive basis at the following rates:

	Annual taxable income (US\$)	Rate
Personal Income Tax (progressive tax table)	First \$833	7%
	Next \$833	11%
	Next \$1,389	15%
	Next \$1,389	19%
	Next \$4,444	21%
	Over 8,889	24%

Source: KPMG's Investment in Nigeria publication, May 2019

Payments are subject to WHT at the following rates:

	Payments	Corporates	Individuals
WHT (applicable payments and rates)	Dividends	10%	10%
	Interest	10%	10%
	Royalties	10%	5%
	Directors' fees	n/a	10%
	Rent	10%	10%
	Construction and related activities	5%	5%
	Agency arrangements	5%	5%
	Professional fees	10%	5%

Source: KPMG's Investment in Nigeria publication, May 2019

Nigeria has concluded double tax treaties with the following countries:

Treaty partner	Dividends	Interest	Royalties
Belgium	7.5%	7.5%	7.5%
China			
France			
Netherlands			
South Africa			
United Kingdom			

Source: KPMG's Investment in Nigeria publication, May 2019

The government has also implemented various incentives and initiatives to improve the attractiveness of the Nigerian investment landscape.

The Federal Government, through the Nigerian Investment Promotion Council (NIPC) and Federal Inland Revenue Service (FIRS), has developed the Compendium of Investment Incentives in Nigeria with the primary aim of providing and disseminating up-to-date information on the various incentives available to investors in Nigeria.

The Compendium is a compilation of the fiscal incentives in Nigerian tax laws and sector-wide fiscal concessions that have been duly approved by the Federal Government.

It contains six principal sections;

- Investment policies and protections
- General tax-based incentives
- Sector-specific incentives
- Tariff-based incentives
- Export incentives
- Special Economic Zone.

Source: Nigerian Investment Promotion Commission (NIPC) and Federal Inland Revenue Service 2017

Pioneer status incentive • For companies in industries recognised as 'pioneer' • Allows a company income tax holiday for three to five years • Dividends also exempt from tax.	Deduction for research and development • For companies undertaking R&D activities for commercialisation • Allows 20% investment tax credit on qualifying expenditures.
Rural investment allowance • For companies based less than 20km from government facilities who incur capital expenditure for providing electricity, water, tarred roads etc for trade or business purposes • Allowance rates: 100%: no facilities; 50%: no electricity; 30%: no water; 15%: no tarred road.	Investment tax relief • Similar to rural investment allowance, but only available for a maximum of three years for companies without pioneer status.
Export expansion grant • Post-shipment incentive for non-oil exports • Qualifying exports must fully repatriate proceeds within 300 days.	Export processing zones incentives • 100% capital allowance • Rent-free land during construction • Full holiday from Federal, State and Local government taxes • c.75% minimum export required.

Incentives	Agriculture	Solid Minerals	Manufacturing	Tourism & Hospitality	Oil & Gas	Power
Pioneer status	•	•	•	•	•	•
Enhanced capital allowance	•					
Exemption from minimum CIT	•					
Indefinite carry over of losses	•					
Interest drawback scheme			•			
Tax holiday		•			•	•
Investment allowance					•	
Accelerated capital allowance		•			•	
Tax-free dividend					•	•
Reduced/nil import duty	•					•
Graduated royalty rates					•	
Export free zone incentives					•	•
Other incentives	Provision of loan guarantee for up to 75% of loan value	–	Tax rebates and infrastructure subsidies	25% of income in convertible currencies exempted from tax	Graduated royalty rates	Equipment exemption from VAT
Initiatives ¹	Anchor Borrower's Programme Presidential Fertiliser Initiative (PFI) Youth Farm Lab	Solid Minerals Development Fund	Project MINE (Made in Nigeria for Export)	Nigeria Tourism Development Corporation	Nigeria Extractive Industries Transparency Initiatives The Petroleum Industry Bill	President Power Initiative

Source: Compendium of Investment Incentives in Nigeria; Follow <https://ngfcp.dpr.gov.ng/media/1071/incentives-compendium-20171031-to-replace-transparency-executive-order-tap.pdf> to access more information

The Nigerian Investment Promotion Commission



The Nigerian Investment Promotion Commission (NIPC)

The NIPC was established in 1995 to encourage, promote and co-ordinate investments in the Nigerian economy.

Its primary aims are:

1. To project an attractive investment image

- Promote Nigeria as an attractive investment destination
- Provide information on investment opportunities and capital sources.

2. Investment promotion

- Promote investments in Nigeria, by Nigerians and non-Nigerians
- Co-ordinate all investment promotion activities in Nigeria.

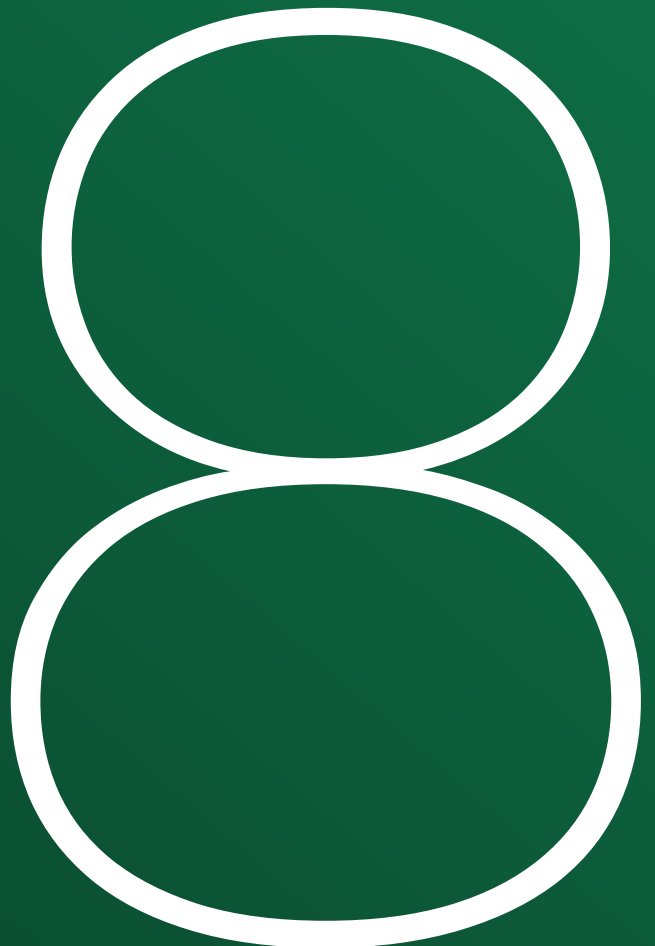
3. Investment facilitation

- Provide support services to investors and register enterprises in Nigeria
- Match-make investors with specific projects and advise on partners for joint ventures
- Provide information on investment incentives and approve Pioneer Status Incentive applications.

4. Policy advocacy

- Initiate and support measures that enhance the investment climate
- Evaluate the impact of investments and incentives in Nigeria and make appropriate recommendations
- Advise government on policy matters to promote Nigeria's economic development.

Support for UK investors and key next steps



Services to UK Investors

The UK government provides multiple strands of support for UK companies looking to invest in these countries and the broader Africa region.

This includes, but is not limited to:

- Advice and guidance on market entry, including introductions to country government officials, advice on consultants, any joint venture partners, information on legislative and political risk issues, including managing corruption
- Financing (debt and equity) including long-term patient capital from UK's Development Finance entity – CDC and other development finance institutions
- Overseas Investment Insurance
- Training and linkage development with local input suppliers
- A new UKAid programme, FDI Africa, that will offer transaction facilitation services in due course including for Nigerian investments.

For further information on the full suite of UK support available to your firm please contact:

Department for International Development
GrowthGateway@dfid.gov.uk

The DIT Africa Trade Services Unit (TSU)
DIT.Africa@fco.gov.uk

Specific UK officials in Nigeria:

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Contacting NIPC

Nigerian Investment Promotion Commission (NIPC)

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