**INVESTMENT OPPORTUNITIES IN NIGERIA**

**1.0 INTRODUCTION**

Nigeria’s commitment to institutionalization of a sustainable investment environment to arrest and retain direct investment, both foreign and indigenous had been unwavering. Government had consistently been addressing challenges identified as hindrance to the flow of investment. The power industry has been structured and private investment allowed to ensure that uninterrupted and sufficient power is generated and distributed to stimulate economic activities.

Investment policies and legislatures are regularly being reviewed to ensure predictability and consistency with best global practices. Also, an integrated infrastructure development master plan is being put in place to effectively address deficiencies that had characterized the economy. Principles of accountability, transparency and corporate governance are being imbibed in both the public and private sector to tackle issues of corruption, financial crimes and security.

These actions are expected to have immediate and sustained impact in the economy so that it remained competitive for international financing needed to revamp the industrial sector and consequently, enhance capacity to create wealth and jobs, and ultimately improve the quality of life of the population.

Nigeria, endowed with natural resources, huge deposit of oil and gas, bitumen and other mineral resources, has a robust market with tremendous investment potentials in several sectors of its vibrant economy. The Government has shown great commitment to the implementation of a market-oriented economy and the private sector is being empowered to lead in the running of the economy. Accordingly, the following critical sectors have been totally deregulated to allow for private investment;

**1.1 AGRICULTURE**

Nigeria is blessed with large tracts of arable land which makes agriculture an important sector of the economy with high potential for employment generation, food security and poverty reduction. Although the sector was largely dominated by subsistence farming, with improved seedlings, modern farming methods and better weather forecasting, agricultural yields have continued to grow.

These improvements have been driven by government policies which are aimed at encouraging more commercial and mechanized farming. These policies leverage Nigeria’s agricultural ecosystem to transform the country into a leading agribusiness and agro-allied industrial nation.

Agricultural sector contributes 25% of Nigeria’s Gross Domestic Product (GDP) and accounts for 48% of the labour force. The sector’s growth rate over the last 5 years averaged 4%. Crop production dominates the sector, accounting for 22.6% of GDP alongside livestock (1.7%), fisheries (0.5%) and forestry (0.3%).

Nigeria’s agricultural zones, which stretch from the tropical savanna in the north to the coastal rainforest in the south, and the mangrove of the Niger-delta complemented by tropical and semi-temperate weather prevalent across the country, promote the cultivation of a wide variety of agricultural produce from exotic fruits, vegetables, tree crops to root crops. Towards maximizing this nature’s gift, government has mapped-out soil characteristics across the country and provides detailed daily report on prevailing weather conditions.

**1.2 POLICY THRUST**

The development framework for the sector is encapsulated in the Agriculture Promotion Policy 2016-2020, which itself built on the successes of its predecessor, the Agriculture Transformation Agenda 2011-2015. The policy document set out specific strategies for key stakeholders to build an agribusiness economy capable of delivering sustained prosperity by meeting domestic food security goals, generating exports, and supporting sustainable income and job growth.

The policy objectives for the sector include:

1. doubling the growth rate of the integrated agriculture sector thereby increasing the contribution of the sector to the national GDP;
2. significantly reduce food imports and become a net exporter of key agricultural products;
3. integrating agricultural commodity value chains into the broader supply chains of domestic and foreign industries, driving job growth, increasing the contribution of agriculture to wealth creation, and enhancing the capacity of the country to earn foreign exchange from agricultural exports;
4. becoming self-sufficient in tomato paste, rice, and wheat;
5. promoting the responsible use of land, water and other natural resources;
6. facilitating food security, food safety and quality nutrition; and
7. creating a mechanism for improved sector governance by the supervising government agencies.

**1.3 INVESTMENT OPPORTUNITIES**

The sector is open to private participation and investment opportunities abound across the various value chains. Broad categorization of these includes:

1. Mechanized crop production such as rice, maize, millet, cassava, sugar cane, tomato and the cash crops such as cocoa, palm kernel, rubber, among others.
2. Food processing and preservation across the value chains of the sector
3. Beef processing and packaging
4. Fruit juice/canned fruits
5. Beverages and confectionary
6. Cash crop processing – cocoa, palm kernel, rubber, among others
7. Exploitation of timber and wood processing activities
8. Livestock cultivation – dairy and aquaculture (fisheries) development
9. Horticulture development.
10. Agricultural input supplies and machinery.
11. Water resources development especially for irrigation and flood control infrastructure.
12. Commodity trading and transportation.
13. Development and fabrication of appropriate small scale mechanized technologies for on-farming processing and secondary processing of agricultural produce.
14. Development of private irrigation facilities.
15. Production of improved seeds and agro-chemicals.
16. Production of veterinary drug, vaccine, chemical, feeds and feeds ingredients.
17. Market Research.

**1.4 INVESTMENT INCENTIVES**

Government has deliberately designed investment incentives to support private sector participation in the sector. While some of these incentives are in form of tax holiday, exemptions, and reliefs, there are many more that leverage on specific government policies, performance of the companies as well as relevant international investment treaties. Some of these are:

1. Income tax relief for a period of three years and which can be extended for a period of one year and thereafter another one year or for one period of two years – Pioneer Status Incentives
2. Zero Import Duty: Zero percent import duty tariffs (custom, excise and value added) for import of agricultural equipment and agro-processing equipment.
3. Increased tariff with additional levy on any commodity that Nigeria produce (rice, starch, sugar, wheat, tomato etc.) to promote domestic production and local content.
4. Exemption of interest from tax on loans granted to agricultural activities.
5. Exemption from Value Added Tax (VAT).
6. Access to Agricultural Credit Guarantee Scheme which is up to 75%.
7. Avoidance of double taxation agreement which eliminates double taxation with respect on income and capital gains.
8. Investment promotion and protection agreement provides reciprocal baseline protections for investments.
9. Nigeria qualifies for the Africa Growth and Opportunity Act (AGOA).
10. For more information, please refer to the Compendium of Investment Incentives in Nigeria.

**1.4 WHY YOU SHOULD INVEST IN NIGERIA**

1. Availability of arable land across the country including 3.14 million hectares of irrigable land;
2. Favourable weather conditions that support all-year-round agricultural activities;
3. Known and mapped-out soil characteristics across the country to guide crop cultivation;
4. Supportive government policy that is geared towards encouraging mechanized farming and agribusiness; and
5. Huge demand gap between the supply of agricultural produce and the industrial activities.

**2.0 INDUSTRY**

Nigeria is a natural location for a variety of industrial activities due to the availability of natural resources, affordable labour cost and large market. Its manufacturing sector is reemerging due largely to the improving performance of the consumer and household goods industries. It produces a large proportion of goods and services for the West African subcontinent.

The industry sector contributes an annual average of 23% of the GDP. The major activities include oil & gas (9%), manufacturing (7%), and construction (5%).

The sector is strategic to government’s objective of diversifying the economy in line with the Economic Recovery & Growth Plan.

**2.1.1 Oil & Gas Industry**

Oil, natural gas and other oil and gas related products account for 90% of the total export volume and more than 80% of the government revenues. The country produces a daily average of 2.5 million barrels of crude oil which ranks it as the largest African producer and the 6th in the world. In terms of oil export volumes, the country ranks 8th in the world.

Nigeria equally has the largest natural gas reserves in Africa and ranks seventh in the world. It is eager to capitalize on this important resource after many years of flaring from oil fields. The country has attained an annual average production of about 2,000 billion standard cubic feet (BSCF) of natural gas; of which about 70% is utilized while 30% is still being flared annually.

Towards ensuring zero percent gas flaring, the Federal Government has embarked on comprehensive and integrated gas utilization master plan/programmes which includes the development of Liquefied Natural Gas (LNG) plants and Independent Power Plants (IPP). Consequently, domestic gas consumption has continued to expand. Major gas grid infrastructure is being built to enable flexible delivery structure of high-quality gas across major industrial plants and homes.

The state-owned Nigerian National Petroleum Corporation (NNPC) accounts for more than 50% of oil production and over 40% of gas supply. The local refining capacity is put at 24%. This creates a huge gap between the demand for refined petroleum products and local supply. Towards bridging this gap, the downstream industry has been opened to private sector participation.

The Nigerian oil & gas sector is regulated by the Department of Petroleum Resources (DPR). The country is a member of the Organization of Petroleum Exporting Countries (OPEC). Major international oil companies (IOC) currently operating in the country include, but not limited to: Total, Chevron, ExxonMobil, Elf, Shell, ConocoPhillips and Eni.

**Manufacturing**

The manufacturing sub-sector has been growing in recent times in direct response to various interventions/programmes implemented by government. The sub-sector’s capacity utilization has grown from an average of 35% in the 1990s to an average of 54% in the last five years. Its contribution to national GDP has also grown steadily to an annual average of 9% in the same period.

Lagos and its surroundings are home to about 60% of Nigeria’s industrial activities. Other key industrial centers are Kano, Aba, Ibadan and Kaduna. Nigeria’s most important manufacturing industries include beverages, cement, food processing, textiles and detergents.

**Cement Industry**

The cement industry has grown to be an important activity in the economy with Nigeria becoming home to the world’s largest emerging cement companies. The industry is largely dominated by two firms controlling over 80% of the domestic market – Dangote Cement and Lafarge WAPCO Cement Plc. The demand for cement is seasonal in nature, and it is expected to continue to grow most especially as there exists a huge housing deficit and the increasing demand to use cement in road construction.

The industry’s prospects for growth has attracted investments from both domestic investors as well as foreign multinational companies. While the foreign investors are acquiring existing investments, domestic investors such as Dangote Group and BUA Group have complemented existing capacity by establishing new plants. Over the last five year, there has been aggressive drive towards the modernization and expansion of cement plants which have seen the capacity of the industry multiplied, currently at over 45million tones, and efficiency improved.

With this in progress, the industry is expected to begin export to neighbouring West African markets by the end of 2019 putting Nigeria on the brink of meeting its target of local demand and making the country a net exporter of cement.

**Textile Industry**

The textile garment and footwear industry accounts for about 2% of the national GDP. The textile industry was once ranked as the second largest in Africa after Egypt’s with over 250 factories operating above 50% installed capacity. At its peak, the industry averaged an annual growth of 67%, and employed about 25% of the workforce in the manufacturing sub-sector, fed by locally grown cotton.

The industry is currently estimated to be able to produce about 1.4 billion different pieces of textile products. With huge demand for clothing by a fast-growing population, the industry has been unable to meet domestic demand for African prints, shirting, bed sheets, furnishing fabrics towels, embroidery lace, garments, table and bed linen, guinea brocades, wax prints, java prints, jutes, fishing nets, among many other textile products.

Nigeria is noted to produce cotton, silk and other fibers, which are primary materials for the textile industries. On annual basis, area under cotton cultivation is about 0.2-0.6 million hectares, largely in the Savannah areas of the country. Annual production is in the range of 300,000 tons of seed cotton or 110,000 tons of lint (about 607,735 bales of cotton lint) and 400,000 tons of seed cotton. Production is dominated by small scale farmers, with farm sizes ranging from 3-5 hectares all under rainfed ecologies. Seed cotton yield ranges from 0.6 to 1.5 tons per hectare. About 98% of the crop is grown to Gossypium hirsutum, while the balance is grown with G. barb dense.

There is however a dearth of cotton milling factories in the country resulting in the exportation of these raw cotton. The implication of this is that the textile industry in country now relies on imported processed raw materials.

Although the textile industry might have lost some of its prominence, the potential of being a leader on the continent is still apparent. To this end, several initiatives, such as the N100bn Textile and Garment (CTG) Intervention Fund managed and disbursed by the Bank of Industry (BOI), are in place to revamp the industry and safe guard it from extraneous factors.

**Food Processing**

The food processing industry is another vastly developing industry in the Nigerian manufacturing sub-sector. The industry has grown at an average of 3% over the last 5 years contributing an annual average of 4% to the GDP, employing about 5% of the local workforce. Although, the industry is composed of mainly small and medium enterprises, there is a consistent upsurge of new entrants of multinational food companies and an aggressive expansion of existing operations geared to meet the demand of the local market. This has been motivated by the apparent expansion of the middle-class armed with rising incomes and growing awareness for food safety and dietary quality prompting demand for low-carbohydrate, low-fat, and even sugar-free food and beverages.

Some of the new investments on the horizon includes Dangote Group’s $800 million investment in dairy production, consortium of Vicampro Farm, BlackPace and Kiremko planned investment in potato processing factory in Plateau and Kaduna expected to cost about US $ 45 million with a processing capacity of 30,000 to 40,000 tons, the plant will be the largest in West Africa, and a host of large bakeries, biscuit and waffle factories are increasingly being built. These investments would complement existing investments by Cadbury Nigeria, Unilever Nigeria, De-United Foods Industries, FrieslandCampina WAMCO Nigeria, and many more.

Despite the increasing investments by local processors and continued upsurge of multinational companies into the industry, bulk of the intermediate and processed inputs utilized are still imported. The increasing importation of food, beverage and packaging technology, 15% in 2017 alone, there is an air of relief that most of these imports would be soon be available locally, more so that the basic raw materials, agricultural produce such as cocoa, peanuts, palm oil, corn, rice, sorghum, millet, cassava, yams, rubber, cattle, fish among many others, are available locally.

**Brewing Industry**

Nigeria has the second largest beer industry in Africa, next to South Africa. Despite the global downturn in beer consumption, Nigeria’s market continues to thrive. The industry is expected to continue to grow at about 23% over the next few years remaining a vital component of the manufacturing sector of Nigeria.

The landscape of the industry is dotted by major multinational brewing companies jostling for position in the domestic brewing market. The market is regional in nature with local brands holding sway in their respective regions. At the national level, the industry has moved from being a duopoly market to an oligopoly one with Nigerian Breweries Plc (NB Plc) 61%, Guinness Nigeria 27%, and Consolidated Breweries 10% being the major market shareholders.

South African Breweries Miller (SABM), a more recent entrant to the market, continues to grow its influence in the market.

NB Plc, one of the local subsidiaries of the global brand Heineken, has the largest capacity and coverage, with about 8 breweries located across the country and estimated to have total annual capacity of 13.5mn hl.

Guinness, owned by Diageo, operates 4 breweries with an estimated total annual of 7.5mn hl. SABM has an estimated capacity of 1.8mn hl built mainly through the acquisition of Pabod Breweries in Port Harcourt, International Breweries in Ilesa and Onitsha in a strategic drive to control regional markets.

Despite this capacity coupled with other smaller plants, there is still a gap demand of about 53m hl due largely to the growing population with its attendant vibrant youth and growing middle class.

**POLICY THRUST**

Nigeria’s industrial aspiration is hinged on the implementation of the Nigeria Industrial Revolution Plan (NIRP) which philosophy is to build Nigeria’s competitive advantage, to broaden the scope of industry, and accelerate expansion of the manufacturing sub-sector. NIRP establishes cross cutting interventions that address competitiveness of the entire manufacturing sub-sector. The NIRP will ensure that Nigeria becomes:

1. the preferred manufacturing hub in West Africa;
2. the preferred source for supplying low and medium-technology consumer and industrial goods domestically and regionally.

Government is not unaware of the major challenges inhibiting the growth and development of the manufacturing industry; there is a huge commitment to ensuring that Nigeria generates a minimum of 10,000MW of power and ensure effective distribution of this power before the end 2023. Government is also committed to removing all non-fiscal barriers to investment and ensuring a competitive business environment that would promote free entry and exit of investors irrespective of nationality.

**INVESTMENT INCENTIVES**

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**WHY YOU SHOULD INVEST IN NIGERIA**

1. Large internal market with access to the regional and continental markets;
2. Trainable workforce with competitive wage demand;
3. Considerable size of disposable income by the population;
4. Predictable macro-economic policy framework;
5. Supportive government policy that is geared towards industrialization.

**SERVICES**

Nigeria is one of the most open services markets in Africa, receiving an overall rated score of 27.1 (virtually open) on the Services Trade Restrictions Index (STRI) published by the World Bank.

The Nigerian services sector has remained resilient amidst hard-hitting economic circumstances. The strength of the sector has hinged on its consumer-facing nature which have seen it grow into a significant economic force. Over the last decade, the sector has met pent-up consumer demand and served a fast-growing middle class. Buoyed by government policies and increased private investments, growth in the sector has driven the diversification of the economy.

Services currently accounts for 53% of the Nigeria’s gross domestic product (GDP). The top contributory services activities are trade (16%), information and communication (12%); real estate (6%); professional, scientific and technical services (4%), and financial and insurance (3%).

**Wholesale & Retail Services**

A growing generation of Nigerian consumers has seen wholesale and retail sales (trade) become the second largest sectoral contributor to Nigeria’s GDP. Trade accounted for 16.4% of Nigeria’s GDP in 2018 with an estimated market size of US$109 billion.

The informal market is the primary outlet for most products, and is geared towards the lower-income segment of the population. Formal retail, an emerging sub-sector in Nigeria, accounts for roughly 5% of the entire market. Nigeria ranks as the eighth most attractive investment market for retailers in Sub-Saharan Africa and twenty-seventh globally, largely based on its volume of consumers and its growing middle class. In this wise, it has attracted a wide range of foreign investors, including South Africa’s Shoprite, the continent’s largest supermarket chain, SPAR, the Dutch retailer, and Pick n Pay, another South African retail giant who is partnership with a local chain-store operator, AG Leventis & Co. This development is complemented by a host of domestic private investors who are building a chain of retail stores across the country.

The e-commerce retail segment is growing at about 110% per annum and worth over US$12 billion. The prospects of the market segment are particularly strong with 49% of the population being internet-savvy. Nigeria has the largest online market for apparel and footwear in Africa; it is expected to grow from US$104 million in 2014 to $1billion in 2019. Homegrown online retailing outlets, Jumia.com and Konga.com (which offer services similar to Amazon.com) are leading the growth of this market segment. These domestic companies allow for cash-on-delivery payment, which caters to the still largely cash-based consumer base in Nigeria.

**Information & Communication (IC)**

The information and communication sub-sector contributed 12% in 2018 and has grown at about 4% over the last 5 years. Nigeria is home to the fastest growing and largest telecommunications industry in Africa. The industry has grown phenomenally from a very low tele-density of 1.89% in 1993 to a magnificent 124.29% in 2018 contributing an annual average of 9% to the national GDP and about 80% of the IC segment of the economy.

With a population size of about 200 million, less than 60% of whom are active internet users, the information, communications and technology (ICT) industry presents attractive investment opportunities. Through various electronic platforms, Nigeria’s ICT network has revolutionized business transactions by providing the highly mobile-technology-driven population seamless ability to bank, invest, purchase, distribute, communicate, and explore anytime and anywhere access to the internet is available.

**Financial and Insurance**

Following wide and far-reaching reforms, the Nigerian financial and insurance industry has steadily evolved into a more diversified, stronger and more reliable industry equipped to stimulate and support economic growth and sustainable industrial development of the country. The industry contributes about 3% to Nigeria’s GDP.

Nigeria has integrated electronic payments into its financial system, a step that has reduced the flow of physical cash in the economy and is gradually transforming the country into a cashless environment.

**Banking industry**

The banking industry is regulated and supervised by the Central Bank of Nigeria (CBN) under the Banks and Other Financial Institutions Act (BOFIA), CAP.B3, LFN, 2004. The industry has developed robustly driven by technology, with service offerings across various electronic platforms. As at December 2018, the industry’s customer deposits were in excess of N33 trillion (US$100 billion). By the end of the same period, the industry recorded over 200 million electronic transactions with a total value of over N9.5 trillion (US$31 billion) and has the potential for more, as about 40% of the population is still largely unbanked. This latent potential provides a huge opportunity for investors. For more information, please visit www.cbn.gov.ng

**Insurance Industry**

Nigeria’s insurance industry is one of the biggest in Africa, although its penetration is very low compared to its potential market size due largely to cultural and religious beliefs. Despite this, the industry remains resilient with total investment income in excess of N50 billion (US$160 million). With the implementation of the Pension Reform Act 2014 and the sustained implementation of tight monetary regime by the Central Bank of Nigeria, the insurance industry is expected to continue in the path of growth which is estimated to be at an annual average of 10% .

The industry is regulated by National Insurance Commission (NAICOM) which is charged with the effective administration, supervision, regulation and control of the business of insurance in Nigeria. For more information, please visit www.naicom.gov.ng

**INVESTMENT OPPORTUNITIES**

1. Wholesale & retail industry: The industry provides opportunity for establishment of chain stores.
2. Financial & insurance industry: With such a rapidly diversifying economy and strong entrepreneurial spirit, Nigeria’s financial services sector is wide open for investors wishing to invest in deposit money banking, micro finance banking, mortgage banking, general and industrial insurance, and stock market.
3. Telecommunications: The industry is open to investors wishing to provide and operate private network links employing cable, radio communications, data services, internet business and satellite communication, payphone services and cellular radio phone services.

**INVESTMENT INCENTIVES**

Government has deliberately designed investment incentives to support private sector participation in the sector. For information, please access the Compendium of Investment Incentives in Nigeria.

**WHY YOU SHOULD INVEST IN NIGERIA**

* Large and competitive market with huge and unmet demand.
* A growing and increasingly sophisticated middle class with tech-savvy young adults.
* Large and flexible workforce.
* An entrepreneurial population with innovative, creative and highly resilient.

**Embassy of the Federal Republic of Nigeria,**

Kyiv, Ukraine.

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