INVESTMENT INCENTIVES IN NIGERIA

NIGERIA – CANADA INVESTMENT SUMMIT 2019

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What investors look for: typical steps in location strategy development

1a. Define project assumptions and long-list of location options

1b. Analyse long-list of candidate locations (identify shortlist)

2a. Evaluate shortlisted locations (Select preferred location)

2b. Site search and negotiations (Select preferred sites and start negotiations)

Implementation

Source: IBM Global Business Services: Plant Location International
Africa’s investment attractiveness

Source: EY’s 2015 Africa Attractiveness Survey

Biggest draws: natural resources, high growth rates and large domestic markets...

Nigeria has 4 of the 5 key factors investors look for in its favour

...yet concerns about business environment persist
Africa’s perceived barriers to investment...

- Unstable political environment (55%)
- Corruption (26%)
- Weak security (14%)
- Poor basic infrastructure
- Lack of highly skilled labor (13%)
- Inconsistency and lack of transparency in regulatory policy (10%)
- Unattractive tax policies and financial incentives (7%)

Source: EY’s 2015 Africa Attractiveness Survey

Business environment is most important barrier...

... incentives are least important barrier
Investment Incentives
Biggest incentive: high level commitment to ease of doing business reforms

President Muhammadu Buhari, GCFR  
Vice President Yemi Osinbajo  
SAN, GCON

Presidential Enabling Business Environment Council (PEBEC) inaugurated in July 2016

Remove critical bottlenecks and bureaucratic constraints to doing business in Nigeria

<table>
<thead>
<tr>
<th>Launch</th>
<th>No of announced reforms</th>
<th>No of initiatives</th>
<th>Participating agencies</th>
<th>Success rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>February 2017</td>
<td>8</td>
<td>22</td>
<td>12</td>
<td>72%</td>
</tr>
<tr>
<td>May 2017</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>October 2017</td>
<td>11</td>
<td>22</td>
<td>29</td>
<td>52%</td>
</tr>
<tr>
<td>February 2018</td>
<td>9</td>
<td>28</td>
<td>26</td>
<td>68%</td>
</tr>
<tr>
<td>March 2019</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Latest initiative:
- NAP 1.0
- EO 1
- NAP 2.0
- NAP 3.0
- NAP 4.0

Source: Enabling Business Environment Secretariat Reports

NAP: National Action Plan, EO: Executive Order
Compendium of Investment Incentives in Nigeria

- Compilation of fiscal incentives in Nigerian tax laws and duly approved sector-specific incentives

- 6 principal sections
  - Investment policies and protections
  - General tax-based incentives
  - Sector-specific incentives
  - Tariff-based incentives
  - Export incentives
  - Special Economic Zones

- First step in understanding impact of incentives in achieving Government’s economic objectives and considering incentive reforms

- Available at www.nipc.gov.ng
Selection of investment incentives in Nigeria

**Pioneer status incentive**
- For companies in industries recognised as “pioneer”
- Allows a company income tax holiday for 3-5 years
- Dividends also exempt from tax

**Deduction for research and development**
- For companies undertaking R&D activities for commercialization
- Allows 20% investment tax credit on qualifying expenditures

**Rural investment allowance**
- For companies >20km from government facilities who incur capex for providing electricity, water, tarred roads, etc for the purpose of a trade or business
- 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 3 years max for companies who have not enjoyed 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

Source: Compendium of Investment Incentives in Nigeria
<table>
<thead>
<tr>
<th>Incentives</th>
<th>Agriculture</th>
<th>Solid Minerals</th>
<th>Manufacturing</th>
<th>Tourism/Hospitality</th>
<th>Oil &amp; Gas</th>
<th>Power</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pioneer Status</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Enhanced capital allowance</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exemption from minimum CIT</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indefinite carryover of losses</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest drawback scheme</td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax holiday</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Accelerated capital allowance</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Tax-free dividend</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Exemption of income earned in convertible currencies</td>
<td>✓ (25%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Compendium of Investment Incentives in Nigeria
Pioneer Status Incentive (PSI)
Government agencies involved with PSI issuance

Federal Executive Council
- amends the list of pioneer industries and pioneer products ("Pioneer List") from time to time

Minister of Industry, Trade and Investment
- specifies the mode of application for PSI

Nigerian Investment Promotion Commission
- processes PSI applications and cancels pioneer certificates if legal and regulatory provisions are contravened
- approves and extends PSI, and issues pioneer certificates

Industrial Inspectorate Department (IID)
- certifies the date of production / date from which the PSI will take effect

Federal Inland Revenue Service
- implements PSI and issues certificates of qualifying capital expenditure
More streamlined PSI application process

1. Write to NIPC
   - Download guidelines, application form and presentation format
   - Request date to present project to NIPC
   - Provide project profile, indicating pioneer industry/product, share capital and non-tangible current assets
   - 4 weeks

2. Present Project
   - Agree presentation date
   - Present project
   - NIPC provides feedback and requests payment of application and due diligence fees within a week
   - 1 week

3. Make Fee Payment
   - Make payment of application and due diligence fees to NIPC
   - 1 week

4. Submit Application
   - Submit completed Part I of application form to Executive Secretary of NIPC with supporting documents in soft or hard copy
   - 7 weeks

5. Due Diligence
   - NIPC reviews application and performs legal, regulatory and compliance checks
   - NIPC requests date for verification visit
   - NIPC visits project
   - 4 weeks

6. Decision
   - NIPC makes decision on application
   - NIPC notifies Company of decision and requests payment of service charge deposit within a week

7. Pay Service Charge Deposit
   - Make payment of service charge deposit to NIPC
   - Send payment confirmation to NIPC
   - 1 week

8. Approval in Principle
   - NIPC issues Approval in Principle, and sends duplicate by email
   - Elect for courier or collection in person
   - NIPC sends copies to FIRS, IID and State Ministries

9. Apply for Production Day Certificate
   - Complete Part II of Application Form
   - Submit application to IID in soft or hard copy
   - 3 weeks

10. Production Day Determination
    - IID reviews application for completeness
    - IID requests inspection visit
    - IID visits project
    - IID determines production day
    - 2 weeks

11. Production Day Certificate
    - IID issues Production Day Certificate, and sends duplicate by email
    - Elect for courier or collection person from IID
    - IID notifies NIPC
    - 2 weeks

12. Pioneer Status Incentive Certificate
    - NIPC issues PSI Certificate, and sends duplicate by email
    - Elect for courier or collection in person
    - NIPC sends copy to FIRS, IID


1. Part I (steps 1 to 8), assumes application for Part I filed promptly after step 3 and completion of documentation submitted, and payments made on time in steps 3 and 7.
2. Part II (steps 9 to 12), assumes application for Part II filed promptly after step 8 and complete documentation submitted.

Total: Part I: 18 weeks
Part II: 7 weeks
### Key features of recent PSI reforms

<table>
<thead>
<tr>
<th>Update of Pioneer List*</th>
<th>Biennial Review</th>
<th>Impact Assessment</th>
<th>Post-Approval Obligations</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Addition of 27 new industries</td>
<td>• To ensure list always relevant to economic aspirations</td>
<td>• Biennial impact study to determine contribution to industrial aspirations</td>
<td>• Submission of annual performance report</td>
</tr>
<tr>
<td>• Removal of 2 sectors: <strong>cement</strong>, based on maturity and recommendation of MOF-led inter-ministerial committees</td>
<td>• To define maturity by sector</td>
<td></td>
<td>• Payment of annual service fee based on actual tax savings</td>
</tr>
<tr>
<td>• <strong>oil production and prospecting</strong> (subject to PPT not CIT)</td>
<td>• Determine additions and deletions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Reclassification based on international standard (ISIC)</td>
<td>• Additions to be immediate, deletions to take effect after 3 years</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Review Committee to include relevant MDAs and MITI, with input from economists in the public and private sectors</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Still undertaken in 2006

**Still outstanding:** e-processing of PSI applications and an even less burdensome PSI process
Recent reforms in PSI

APPLICATION GUIDELINES FOR PIONEER STATUS INCENTIVE

issued: August 2017

Federal Ministry of Industry, Trade and Investment
Old Federal Secretariat
Area 1, Garki
Abuja

*ISIC = International Standard Industrial Classification of All Economic Activities, Revision 4

New Guidelines issued, August 2017

PSI List arranged in ISIC* format and gazetted

List modernised; new sectors added

Next revision in progress. All inputs welcome
Plans for incentive reforms

Step 1: Nov 2017
Existing incentives compiled

Step 2: H2 2019
Undertake *Incentives Impact/Performance Assessment* to measure the effect of existing incentives in
- generating the required investments; and
- achieving the desired economic impact
Conduct peer review with other economies

Step 3: 2020
Recommend reforms in Nigeria’s incentives regime based on *Impact Assessment* and feedback from stakeholder engagements
Nigeria-Canada relations
**Nigeria – Canada**

### Comparative statistics

<table>
<thead>
<tr>
<th>Country</th>
<th>Capital</th>
<th>Official Language</th>
<th>Land Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nigeria</td>
<td>Abuja, FCT</td>
<td>English</td>
<td>910,770 km²</td>
</tr>
<tr>
<td>Canada</td>
<td>Ottawa</td>
<td>English &amp; French</td>
<td>9,093,510 km²</td>
</tr>
</tbody>
</table>

#### People (2018)

- Population: 196m vs. 37m
- Economically active pop. (15-64): 105m vs. 25m
- Population growth rate (%): 2.6% vs. 1.4%
- Median age: 18.4 vs. 42.2

#### Economy (2018)

<table>
<thead>
<tr>
<th>Nigeria</th>
<th>Canada</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>397</td>
</tr>
<tr>
<td>Agriculture</td>
<td>21.1</td>
</tr>
<tr>
<td>Industries</td>
<td>22.5</td>
</tr>
<tr>
<td>Services</td>
<td>56.4</td>
</tr>
<tr>
<td>GDP growth rate (%)</td>
<td>1.9</td>
</tr>
<tr>
<td>GDP per capital ($)</td>
<td>2,028</td>
</tr>
<tr>
<td>Inflation (%)</td>
<td>12.1</td>
</tr>
</tbody>
</table>

#### Labour (2018)

- Labour force (% of pop.): 61m (31%) vs. 20m (53%)

#### Trade (2018)

<table>
<thead>
<tr>
<th>Nigeria</th>
<th>Canada</th>
</tr>
</thead>
<tbody>
<tr>
<td>Import $’ bn, (% of GDP)</td>
<td>37 (11)</td>
</tr>
<tr>
<td>Export $’ bn, (% of GDP)</td>
<td>53 (13)</td>
</tr>
<tr>
<td>Trade balance $’ bn (% of GDP)</td>
<td>17 (1)</td>
</tr>
</tbody>
</table>

#### Investment Climate (2018)

<table>
<thead>
<tr>
<th>Nigeria</th>
<th>Canada</th>
</tr>
</thead>
<tbody>
<tr>
<td>EoDB</td>
<td>146</td>
</tr>
<tr>
<td>GCI</td>
<td>115</td>
</tr>
</tbody>
</table>

### GDP ($’bn)

<table>
<thead>
<tr>
<th>Year</th>
<th>Nigeria</th>
<th>Canada</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>568</td>
<td>1,799</td>
</tr>
<tr>
<td>2015</td>
<td>481</td>
<td>1,560</td>
</tr>
<tr>
<td>2016</td>
<td>404</td>
<td>1,536</td>
</tr>
<tr>
<td>2017</td>
<td>376</td>
<td>1,653</td>
</tr>
<tr>
<td>2018</td>
<td>411</td>
<td>1,709</td>
</tr>
</tbody>
</table>

### Population (m)

- Nigeria: 181 (2015), 411 (2050)
- Canada: 36 (2015), 45 (2050)

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*Sources: United Nations World Population Prospects; World Development Indicators, World Bank Doing Business (EoDB) Report 2018; Global Competitiveness Index (GCI) 2018-2019; CIA World Factbook, Trade Map*
Why Canada?

#4 investor in solid minerals
Top 10 investor in oil refining
Top 10 investor in services

Nigeria’s strategic partner

Source: NIPC Intelligence
About NIPC
NIPC’s principal functions

NIPC was established by the NIPC Act* in 1995 to **encourage, promote and co-ordinate** investments in Nigeria

**Project Attractive Investment Image**
- Promote Nigeria as an attractive investment destination
- Provide information on investment opportunities and capital sources

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

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

**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

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*Nigerian Investment Promotion Act, Chapter N117 Laws of the Federation of Nigeria 2004 (Decree No 16 of 1995)*
# NIPC: Moving from Reactive to Proactive Mandate Delivery

<table>
<thead>
<tr>
<th>Functions</th>
<th>Reactive</th>
<th>Proactive</th>
</tr>
</thead>
<tbody>
<tr>
<td>1  Co-ordinate and monitor all investment promotion activities</td>
<td>★</td>
<td>★</td>
</tr>
<tr>
<td>2  Initiate and support measures to enhance the investment climate in Nigeria</td>
<td>★</td>
<td>★</td>
</tr>
<tr>
<td>3  Promote investments in and outside Nigeria through effective promotional means</td>
<td>★</td>
<td>★</td>
</tr>
<tr>
<td>4  Analyse and disseminate information about investment opportunities and sources of investment capital</td>
<td>★</td>
<td>★</td>
</tr>
<tr>
<td>5  Register and keep records of all enterprises to which this Act applies</td>
<td>★</td>
<td>★</td>
</tr>
<tr>
<td>6  Identify specific projects and invite interested investors for participation in those projects</td>
<td>★</td>
<td>★</td>
</tr>
<tr>
<td>7  Participate in promotional activities for the stimulation of investments</td>
<td>★</td>
<td>★</td>
</tr>
<tr>
<td>8  Maintain liaison between investors and government agencies</td>
<td>★</td>
<td>★</td>
</tr>
<tr>
<td>9  Provide and disseminate up-to-date information on incentives available to investors</td>
<td>★</td>
<td>★</td>
</tr>
<tr>
<td>10 Assist incoming and existing investors by providing support services</td>
<td>★</td>
<td>★</td>
</tr>
<tr>
<td>11 Evaluate the impact of investments in Nigeria and make appropriate recommendations</td>
<td>★</td>
<td>★</td>
</tr>
<tr>
<td>12 Advise the Federal Government on policy matters designed to promote economic development</td>
<td>★</td>
<td>★</td>
</tr>
</tbody>
</table>
## Investor Obligation and Protections in the NIPC Act

### Registration Obligation
- Enterprises in which foreigners can participate are required to register with NIPC before commencing business

### Ownership
- Nigerians and foreigners can invest in any sector, except for those on the negative list
- No restriction on foreign percentage ownership

### Guarantees
- Government will not nationalize or expropriate any enterprise
- Right of access to courts and fair and adequate compensation if acquisition is in national interest for public purpose
- No restriction on repatriation by foreigners of investment returns or sale proceeds through an authorized dealer

### Dispute Resolution
- Amicable resolution by mutual discussion or arbitration of investor/government disputes
- Provisions of any Bilateral Treaty with the investor’s country will apply
- Right of recourse to international arbitration under ICSID Rules
One-Stop Investment Centre (OSIC) at NIPC

- Houses **27 agencies** to facilitate investments and reduce time required to process regulatory approvals and permits
- Provides assistance with information and requirements from incorporation to expansion
- Also facilitates **business visa** issuance

**Sample business entry scenarios**

- **Software development and creative industry**
- **Power Generation**
- **Drug Manufacturing for export**

**Type of Business**

**Generic Agencies**

**Specific/Sector Agencies**

- NIPCC
- NIPR
- NITDA
- NIBSS
- NIPF
- MANUFACTURERS ASSOCIATION OF NIGERIA
- POWER REGULATORY AUTHORITY
- NEPC
- SON

**Type of Business**

- Software development and creative industry
- Power Generation
- Drug Manufacturing for export
What NIPC can do for investors

- The NIPC Act empowers NIPC to **encourage, promote and co-ordinate** investments in Nigeria

- **Accordingly, NIPC is happy to:**
  
  - Assist investors to navigate challenges in investing in Nigeria
  - Assist with connecting prospective foreign investors with domestic partners
  - Facilitate discussions with government agencies and policy makers
  - Assist investors with quality information to help them implement their investment plans in Nigeria
  - Facilitate investor input into the policy making process
Yewande Sadiku  
**Executive Secretary/CEO**

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