# Nigeria

## COUNTRY PROFILE


**OFFICIAL NAME:**
Federal Republic of Nigeria

**POPULATION:**
149,229,090 (July 2010 est.)

**ETHNIC GROUPS:**
Africa's most populous country is composed of more than 250 ethnic groups; the most populous and politically influential are: Hausa and Fulani 29%, Yoruba 21%, Igbo (Ibo) 18%, Ijaw 10%, Kanuri 4%, Ibibio 3.5%, Tiv 2.5%

**LOCATION:**
Western Africa, bordering the Gulf of Guinea, between Benin and Cameroon

**AREA:**
356,670 square miles

**ADMINISTRATIVE DIVISION:**
36 states and the Federal Capital Territory (FCT Abuja)

**GDP (PPP):**
$339 billion (2009 est.)

**GDP per capita (PPP):**
$2,300 (2009 est.)

**INDUSTRIES:**
Crude oil, coal, tin, columbite, palm oil, peanuts, cotton, rubber, wood, hides and skins, textiles, cement, construction materials, footwear, food products, chemicals, fertilizer, ceramics, steel, small commercial ship construction and repair

**CURRENCY:**
Naira (NGN)

**LABOR FORCE:**
47.33 million (2009 est.)

**LABOR FORCE BY OCCUPATION:**
Agriculture: 70%
Industry: 10%
Services: 20%

**CLIMATE:**
Varied; equatorial in south, tropical in center, arid in north

**Source:** CIA World Factbook

▶▶▶ NIGERIA HAS COME A LONG WAY SINCE ITS INDEPENDENCE TO POSITION ITSELF AS THE WEST AFRICAN SUB-REGION'S ECONOMIC POWERHOUSE AND A UNIQUE CULTURAL MELTING POT

President Goodluck Jonathan and his government are determined to see Nigeria hit its Millennium Development Goals and become a top 20 global economy by 2020

## 50 years of independence

A GOLDEN JUBILEE is a significant milestone in the history of a nation and, five decades after Nigeria's emergence from British rule as an independent state, its people are reflecting on how far they have traveled and how much further they can go.

Half a century on, this large, highly diverse, and populous country has it within its reach to become Africa's economic powerhouse. It already dominates the West African region, and is the second largest economy in sub-Saharan Africa, after South Africa. But Nigeria's ambition extends beyond Africa. It is aspiring to be one of the leading economies of the world by 2020.

That might sound fanciful, but it is a vision encouraged by Goldman Sachs, whose analysts have identified Nigeria as one of 11 countries with the potential to be numbered among the world's top 20 economies by 2025. Goldman Sachs even suggests that, given effective management of the economy and harnessing of its resources, Nigeria could become the 10th or 11th largest economy in the world by 2050, ahead of France, South Korea, Canada and Italy, and just behind Japan, the U.K., and Germany.

> Nigeria is celebrating both its independence and the socio-economic developments it has witnessed over the years

A melting pot of peoples, cultures, and languages, Nigeria today is in steadfast pursuit of the ideals of democracy, good governance, free enterprise, and the rule of law. It has not been an easy ride. For much of its first half century, it has had a turbulent history, marked by civil war, coups, and corrupt military rule. Following the restoration of democracy in 1999, however, the nation has undergone a rebirth, and the last decade has witnessed remarkable progress in establishing political, economic, and financial stability, laying the foundations upon which it can build a better future for almost 150 million people.


Nigeria's big advantage is one of scale: it is blessed with an abundance of natural resources. Oil has dominated the economy for decades. Nigeria is Africa's largest oil producer, and one of the world's largest suppliers of oil to the United States.

However, there is plenty of scope to develop economic activities other than oil production, including commercial farming, agro-industry, the mining of solid minerals, and tourism. There is plenty of land available for agricultural, industrial, and commercial activities, while a 500-mile coastline offers opportunities for maritime enterprise.

It is frequently said that Nigeria's greatest asset is its human capital: its people. Boasting the largest national population on the African continent, three times the size of South Africa's population, it has a large, low-cost labor force, and constitutes potentially the largest market in sub-Saharan Africa.

The key question is whether Nigeria can deliver. No one would argue that in its first 50 years it has come close to living up to its growth potential, or that the economic progress achieved has been commensurate with the resources waiting to be exploited.

Decades of corrupt military rule left a legacy of economic neglect and poverty that Nigeria has only in recent years been in a position to begin to deal with. The economic infrastructure of the country, particularly power and transport, is woefully underdeveloped. Access to education and healthcare is improving, but remains limited, along with the availability of clean water.

While Nigeria is on the road to democracy, the battles against election fraud and corruption are ongoing. The Nigerian people have yet to see much of the democratic dividend in terms of a greater share of the national wealth.

Visionary leadership and good governance will be critical if in the next 50 years, Nigeria is to surmount the challenges and develop into the country that it could be. Nigerians will get their say on who is to lead them into the country's next half century when the presidential, state and parliamentary elections are held early next year.

Goodluck Jonathan, who took over as president following the death earlier this year of Umaru Yar'Adua, the previous incumbent, has said he wants to stand for the presidency. In the meantime, he has urged Nigerians to use the golden jubilee as an opportunity to renew their hope and enduring faith in their country.

NIGERIA'S
INDEPENDENCE
ANNIVERSARY 1960-2010

HISTORICAL FACTS & FIGURES

## An evolution since independence

▶**1960** Independence from Great Britain. On October 1, 1960, Nigeria gained its independence from Britain and Benjamin Nnmadi Azikiwe was named its first Governor General. Initially, a constitutional monarchy, with legislative powers shared by the three main ethnic groups, it declared itself a federal republic in 1963 and Mr. Azikiwe became the first President of Nigeria until disputed elections in 1965 led to civil unrest and riots. Then in 1966 the first of what were to become a series of military coups took place. In May 1967, the Eastern Region declared itself an independent state called the Republic of Biafra, leading to a three-year civil war in which over 2 million people died. Military leaders ruled the country until 1979, when Lt. Gen. Olusegun Obasanjo handed over power to a civilian administration headed by Shehu Shagari. This lasted only to 1984, when another military coup ended what was widely regarded as a corrupt and incompetent regime, following its fraudulent re-election. A further military coup took place in 1985.

▶**1999** First democratic elections marking the end of military regime rule. General Abdulsalami Abubakar took over in 1998 following the sudden death of General Sani Abacha. Elections were held in 1999, bringing military rule to an end and the return to power of Olusegun Obasanjo, this time as a civilian head of state.

▶**2003** President Obasanjo's re-election for a second term. President Obasanjo and his ruling People's Democratic Party (PDP) won a landslide victory in the 2003 general election – the first time in 20 years that a civilian government in Nigeria had held elections. Mr. Obasanjo was declared re-elected with more than twice as many votes as his nearest rival. His opponents and international monitors complained of vote rigging and irregularities.

▶**2007** Elections – historic handover of power to President Yar'Adua.The elections were notable for leading to the first successful, non-violent transfer of power from one civilian regime to another since Nigeria first gained its independence from Britain. Umaru Yar'Adua was declared the winner after a landslide victory, winning 24.6 million votes, compared to 6.6 million and 2.6 million respectively for his nearest opponents.
The PDP also won overwhelming majorities in the upper and lower houses of the bicameral National Assembly, and 29 of the 36 state governorship contests.

▶**2010** Vice President Goodluck Jonathan was sworn in as President of Nigeria and the 14th head of state on May 6. Born in Bayelsa State in the Niger Delta, he has committed to achieving peace in the oil-rich region, as well as continuing Mr. Yar'Adua's anti-corruption and energy supply efforts. He has pledged credible elections in 2011 in a bid to cement Nigeria's status as a stable civilian democracy.

## 11 years of democracy

**President Goodluck Jonathan was swiftly and peacefully sworn in as the new leader of Africa's most populous nation on May 5, after the death of Umaru Yar'Adua**

INVESTORS WILL PAY close attention early next year when Nigeria holds general elections for the fourth time since the country exchanged military rule for democracy. One of the largest electorates in the world will vote in presidential, parliamentary, and state polls.

Political stability has been a key asset for Nigeria over the past 11 years, and is crucial to its future as a sustainable democracy and to its dream of eventually becoming one of the world's leading economies.

The 2007 elections were a landmark in Nigeria's history in that they led to the first democratic transfer of power from one civilian regime to another since Nigeria gained its independence from Britain in 1960.

President Jonathan has made electoral reform one of his priorities for transparent and credible elections in 2011

Umaru Yar'Adua, of the ruling People's Democratic Party (PDP) won a landslide victory and succeeded Olusegun Obasanjo, who had completed the maximum two terms in office since being elected president in 1999.

Goodluck Jonathan, the current president, replaced Mr. Yar'Adua as head of state when the latter died in May after a prolonged illness.

Despite the peaceful transfer of power, the 2007 elections were regarded both inside and outside Nigeria as flawed, with widespread vote rigging. President Goodluck Jonathan, who has announced that he will be seeking the presidential candidacy for the ruling People's Democratic Party in next year's poll, has vowed that the 2011 elections will be free and fair.

His decision in April, while still Acting President, to dismiss Maurice Iwu, the chairman of the Independent National Electoral Commission (INEC), has been widely welcomed. The INEC holds sole responsibility for planning and running the elections for the entire country, and is also responsible for voter registration, compiling a credible voters' register, demarcating constituency boundaries, and monitoring the conduct of political parties and auditing their finances.

Professor Attahiru Jega, INEC's new chairman, has asked for next year's polls to be delayed until April to allow sufficient time to prepare for elections that will be regarded as credible. At the time of writing, this looks likely to happen.

Staging elections in a country as large and populous as Nigeria poses a major logistical challenge. Nigeria has approximately 70 million voters. The electorate is made up of 250 ethnic groups, speaking a variety of languages and dialects, and spread across 36 states comprising an area more than twice the size of California. Only 25 percent of the voters live in cities, the rest are scattered in villages and settlements, many of which are remote and difficult to reach because of the country's poor roads.

## Vision 2020

Vision 20:2020, the blueprint for lifting Nigeria into the league of the 20 most developed economies of the world, will be implemented in three phases, the first of which was unveiled by President Goodluck Jonathan in Abuja in June.

The declared aim of the strategy is that "by 2020 Nigeria will be one of the 20 largest economies in the world, able to consolidate its leadership role in Africa and establish itself as a significant player in the global economic and political arena."

According to Dr. Shamsudeen Usman, the Minister of National Planning, Vision 20:2020 is aimed primarily at wealth creation by making the best of the resources of the country and increasing productivity, thereby laying a solid foundation for sustainable development. The plan is to optimize the sources of economic growth while improving governance, security, and law and order.

For this to be achieved, massive investment is required in Nigerian infrastructure. Over the next three years, the focus will be on establishing a public private partnership (PPP) framework for infrastructure development. The cost is estimated at approximately 32 trillion naira ($212 billion), with the federal government providing 10 trillion naira, the states and local government contributing 9 trillion naira, and the private sector the remaining 13 trillion naira. Two further implementation plans will cover the years 2013 to 2016 and 2017 to 2020.

Dr. Usman has spoken of "the need for Nigerians to dream the dream, and make it a reality." But the government acknowledges that efforts by previous administrations to transform the economy have not been kept up. This time, it says, there must be a clear and realistic path to realization of the vision through consistent and sustained effort.

Vice President Namadi Sambo says the pitfalls of the past must be avoided. Close attention has been paid to what went wrong in the past, and to the need to do things differently. "We have a strong resolve to push ahead, we are convinced that we can do it, we must do it, and do it well," he says.

To achieve its aspirations, as envisioned in the strategy, Nigeria by 2020 needs to be a peaceful, harmonious, and stable democracy. The economy needs to be sound, stable, and globally competitive, with gross domestic product of at least $900 billion, and a per capita income of no less than $4,000 per annum. Infrastructure services must be sufficiently developed to support the full mobilization of all economic sectors. There needs to be a modern and vibrant education system to enable every Nigerian to achieve their maximum potential, and provide the country with adequate and competent manpower. The health sector must support a life expectancy of no less than 70 years, and reduce to the minimum the burden of infectious diseases such as malaria, HIV/AIDS, and other debilitating diseases.

A modern, technologically enabled agricultural sector needs to fully exploit the vast agricultural resources of the country, ensure national food security, and contribute significantly to foreign exchange earnings.


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# Nigeria

# Poised for strong economic recovery

**Anticipated economic growth of 10 percent puts Nigeria in the major league of global powerhouse economies**

ALREADY OUTPERFORMING many national economies, Nigeria is accelerating towards double-digit growth, according to Finance Minister Olusegun Aganga. He is predicting an expansion rate of 10 percent by the end of next year, or the beginning of 2012. That would put Nigeria in the same growth league as global powerhouse economies like China.

"In three to four years' time, Nigeria will be a different country," says Mr. Aganga. "We have a great story. The numbers tell you that."

Nigeria has experienced a remarkable economic turnaround since 2000, underpinned by a surge in the price of oil. The average growth rate for the decade was 6 percent – one of the fastest in the world.

This year's performance has been even more impressive, with growth driven not by oil, but by the non-oil sectors. Data from the National Bureau of Statistics indicates that the economy grew by 7.69 percent in the second quarter of 2010, up from 7.36 percent in the first quarter. Gross domestic product is projected to grow by 7.72 percent and 8.19 percent in the third and fourth quarters of the year respectively.

Overall growth for the year 2010 is projected at 7.78 percent, compared with 6.9 percent growth in 2009.

Conditions seem right for launching onto a path of sustained and rapid expansion, as the federal government plans to build new infrastructure, privatize the energy sector, and remove obstacles to increased productivity. With the population growing at a rate of more than 3 percent annually, boosted by welcome recent successes in reducing infant mortality, it is all the more urgent that Nigeria maximizes economic development to meet the needs of its people.

Nigeria weathered the global financial crisis fairly well. The economy continued to grow, albeit at a less rapid rate, regaining momentum last year. However, the country's vulnerability to plunging international oil prices, and the impact of the crisis on its financial sector, have driven home the importance of diversifying the economy and deepening reforms.

Namadi Sambo, Vice President of Nigeria

The government recognizes the need to reduce dependence on oil production, and to encourage the expansion of non-oil sectors, such as agriculture, manufacturing, and tourism. Its goal is to build a strong, sustainable, varied, competitive, and technologically enabled economy that is insulated from external shocks.

For now, however, export of oil and gas continues to be the economic mainstay, accounting for more than 90 percent of foreign exchange earnings, approximately 80 percent of government revenues, and the vast bulk of foreign investment. Oil production levels and the international price of crude are crucial factors affecting Nigeria's economic performance.

> 'In three to four years' time, Nigeria will be a different country. The numbers tell you that'

The good news is that the recent amnesty with militant groups has calmed the troubled Niger Delta, the main oil producing area, and output has been restored. At the peak of the violence, production declined from around 2.6 million barrels per day (bpd) to around 1.68 million bpd. Today, it is back to around 2.3 million bpd, and Nigeria is consistently producing more oil than Angola, Africa's second-biggest producer. In the longer term, it is estimated that production will rise to 5 million bpd.

Benchmark U.S. crude prices are expected to average $78 a barrel in 2010, up from $62 last year. Gross revenues from the sector were up by 60 percent in the first half of this year.

Meanwhile, revenues from the non-oil sector increased by 24 percent over the same period, with agriculture, small-scale construction, distribution, and retail trade representing the main engines of growth.

Agriculture contributes about 42 percent to GDP. It was the mainstay of the economy before being displaced by oil production in the 1970's. And it could be again, with major production of cocoa, rubber, groundnuts and palm oil. The government is seeking to revitalize the sector by modernizing and encouraging large and medium-sized farming to create food security and employment.

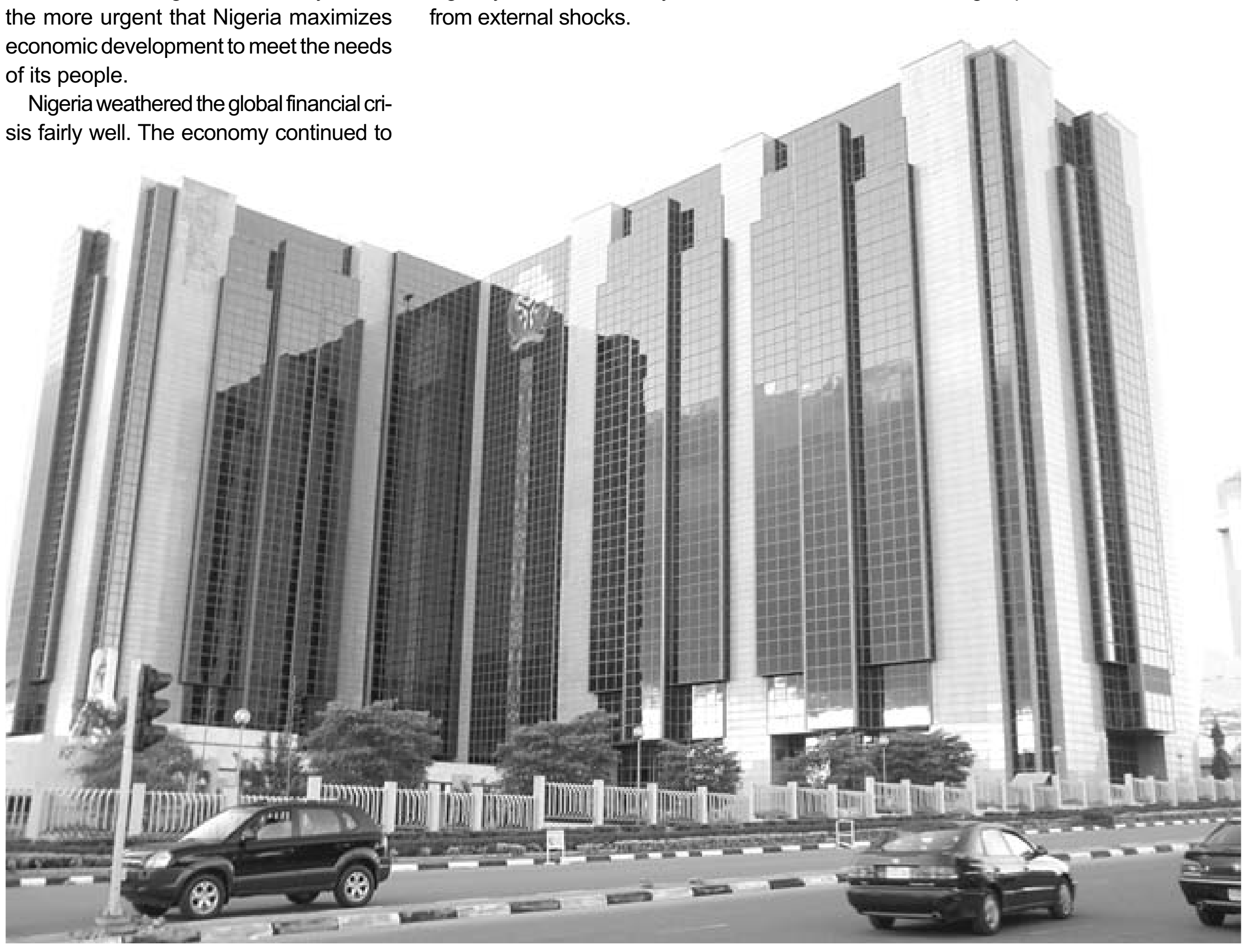
Manufacturing currently accounts for a tiny 4 percent of the economy, and will only be able to expand once a stable and sufficient supply of electricity is available – a government priority. A boost to the manufacturing sector would produce a multiplier effect in terms of output growth, job creation, and increased wages, leading to an increase in demand for goods and services.

Lamido Sanusi, governor of the Central Bank (CBN), says that by applying the right policies to sectors with real potential, such as agriculture and manufacturing, Nigeria's annual growth rate could be boosted to between 15 and 16 percent.

He reflects the federal government's view that the private sector must be the main engine of economic expansion, while the government itself provides a strong regulatory and legal framework. Banking constraints on growth must also be addressed.

The Central Bank chief argues, "If the nation's economy can do 7 percent [growth] without power, without infrastructure, with the manufacturing sector at 4 percent, and with banks not lending to the realty sector, imagine the rate of growth if these things are put in place."

Vice President Namadi Sambo states that the government needs "the cooperation and support of the private sector to meet the developmental challenges of the country." He says only a partnership between the public and private sectors can deliver the desired economic goals.



A landmark of Abuja, the Central Bank building represents the finest of modern African architecture

BACK ON ITS FEET

## The banking sector gets a fresh start

Reforms are still under way to strengthen Nigeria's banks and promote stability and confidence in the financial system.

Banks are being told to give up speculative capital market activities and stick to their core lending business. A new asset management body will buy up $10 billion of toxic assets held by troubled lenders.

The moves follow the Central Bank of Nigeria (CBN) being forced to intervene last year to prevent the collapse of a number of banks when international oil prices plummeted and Nigeria's stock market plunged as a result of the global financial crisis.

Prior to this, Nigeria's banks had been rated as some of the fastest growing financial institutions in the world, boosted by consolidation, capital market and economic growth, as well as changes to banking laws. Listed banks currently account for around 66 percent of the market capitalization of Nigeria's stock exchange.

Determination to underpin the recovery of the financial system is embodied in the establishment of the Assets Management Company of Nigeria (AMCON), which will be funded by the CBN and the banks to the tune of 1.5 trillion naira ($10 billion) over the next 10 years.

The new state-owned body will cleanse the balance sheets of the banks by buying up their non-performing loans. This should help recapitalize the rescued banks, pave the way for fresh credits to the real sector, and boost confidence in the financial system and, by extension, the national economy.

President Goodluck Jonathan has described the establishment of AMCON as "a reflection of the government's commitment to safeguard the interests of depositors, creditors, and other stakeholders in the Nigerian financial system, and in doing so rejuvenate the domestic economy."

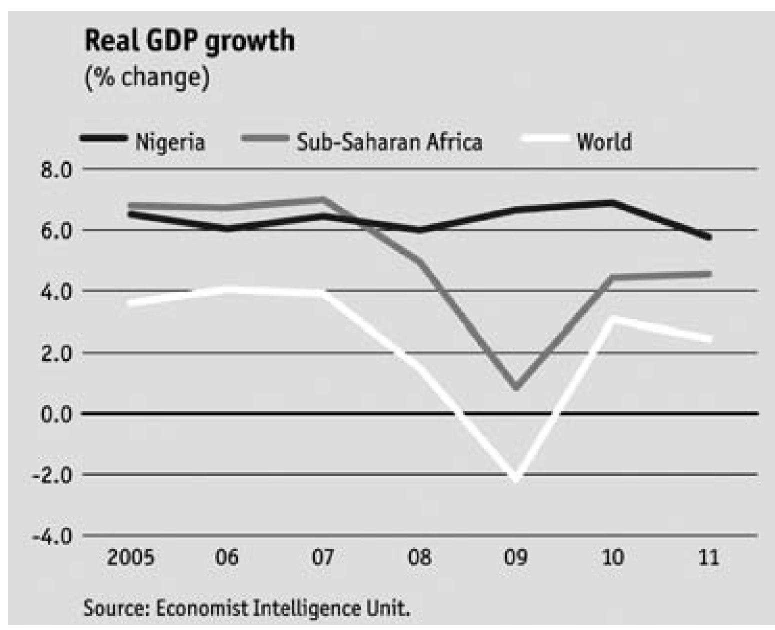
Meanwhile, the CBN is redefining the licensing model of banks. Depositor funds are to be further protected by ring fencing banking from non-banking business. In line with the federal government's determination to get the banks to support the development of the manufacturing sector, they are being told to divest from capital market activities, such as stockbroking, asset management, and private equity, and to concentrate on their core lending business.

Universal banking licenses are to be replaced with three new classes of licenses. These will be for commercial banking, merchant banking, and specialized and development banking. Financial institutions wishing to retain their non-core banking business will be required to establish themselves as holding companies.

New minimum capital requirements are also being introduced. Banks will have to hold a minimum of 10 percent capital against their risk assets. Commercial banks operating in Nigeria will need a minimum capital of 25 billion naira ($165 million), while international banks will be required to have 50 billion naira ($330 million). Regional banks will need a minimum capital of 10 billion naira ($66 million), and will be required to operate in 6 to 12 states.

Moves are also being planned to cut operating costs in the banking industry by 30 percent in the next three years by promoting shared service platforms among banks.

The changes have the backing of the federal government. "It is our belief that a more resilient financial system will evolve from the reforms," says Vice President Namadi Sambo.




OIL & GAS

## Responding to the world's energy needs

**The federal government is committed to reforming the oil and gas sector to improve both equity and production**

ONE OF THE MAJOR challenges facing Nigeria is the restructuring of the business from which it earns the bulk of its income—the oil and gas industry.

Nigeria is the eighth-largest source of oil in the world, and most of the world's largest petroleum companies operate there. Current oil reserves stand at 31.81 billion barrels and condensate reserves at 5.35 billion barrels: a total of more than 37 billion barrels. The country's abundant natural gas reserves – at 185 trillion cubic feet, the seventh-largest in the world, but potentially much higher – remain largely underutilized.

Nigeria has reclaimed its position as the number one African producer of crude, ceded to Angola during the troubles last year in the Niger Delta when production slipped as low as 1.68 million barrels per day (bpd). Output of crude is now averaging around 2.3 million bpd. In the longer term, there are plans to increase it to 5 million bpd from the year 2015.

Reform of the industry is long overdue; the principal legislation dates back more than 40 years. The long-awaited Petroleum Industry Bill aims to transform the state-run Nigerian National Petroleum Corporation (NNPC) into a profit-driven company and privatize its run-down refineries. The bill would provide incentives to the indigenous oil industry and lead to increased participation by local communities.

Crucially, it would involve renegotiating multi-billion dollar contracts with Royal Dutch Shell, Chevron, and the other multinational oil companies, who would also face higher taxes and royalties. Nigeria would get a larger, more equitable share of the profits from offshore oil projects. Unsurprisingly, the bill is proving a tough sell to the oil firms, which, after initially acknowledging the need for reform, have recently hardened their stance, but the federal government remains committed to reforming the sector.

POWER

## Privatization of power is the 'panacea for progress'

**President Jonathan has made power one of his main priorities, including massive electricity sector privatization**

RICH IN ENERGY, Nigeria is short on power. Less than half the 150 million population of the oil-rich African giant has access to electricity. To keep the lights on, many Nigerians, businesses, and even public institutions resort to the expensive and environmentally unfriendly expedient of using private diesel generators, of which Nigeria is one of the world's largest importers.

Demand for electricity is almost double the national grid's current supply maximum of 3,500 megawatts. Power outages are an everyday occurrence.

In addition to keeping many Nigerians in the dark, lack of electricity has held back economic growth for decades. It remains a disincentive to private investment, and one of the largest obstacles to realizing the country's long-term dream of becoming a leading world economy.

Expanding and repairing the system is a priority for the federal government. Given the huge level of investment required – an estimated $100 billion – it has been decided that privatization is the way forward, and foreign companies are being invited to enter the sector.

"The new private sector-driven electricity industry is the panacea for progress, and growth of the sector and the nation," says President Goodluck Jonathan. He has promised that a new grid will be built within four years.

Generation and distribution of electricity will be handed over to independent power producers, or even oil companies. The government will retain ownership of transmission, but its management will also be privatized.

With 60 million people currently relying on generators, and spending $13 billion a year fuelling them, the opportunity of supplying such a huge market is an attractive one. Also Nigeria possesses a huge supply of natural gas to fuel the power plants, Solomon Asamoah, deputy head of the African Finance Corporation (AFC) says, "These are the ingredients that private sector investors die for."

MINING

## Solid mineral potential is yet to be fully developed

**Investor interest in the country's abundant reserves is on the up, particularly in Nigeria's seven 'strategic minerals'**

LONG NEGLECTED while the focus has been on oil and gas, Nigeria's solid mineral wealth is potentially one of its most valuable resources, and is beginning at last to be taken seriously by investors.

Among significant non-oil deposits are coal, gold, iron ore, limestone, lead/zinc, tantalite, and barites. Located across the country in commercial quantities, these have been identified as Nigeria's seven "strategic minerals", and have been targeted for prioritized development.

Following deregulation, 100 percent foreign ownership of mining operations and other related enterprises is permitted. A new and competitive fiscal regime and regulatory framework have been introduced to draw investors into the sector. To provide reliable geo-scientific data, a national high-resolution airborne geophysical survey of the country has been completed, and geochemical mapping is under way.

The federal government believes the potential exists to boost the contribution of the mining sector to the economy from a mere 1 percent to 15 percent by 2015. Revenue to the state from the collection of royalties from the sector has been rising annually by an average of 80 percent.

Musa Mohammed Sada, Minister of Mines and Steel Development, declares it is now accepted worldwide that Nigeria could become a major mining nation. "There is growing confidence by investors in the country's potential as a mining center," he says.

More than 15 foreign companies are already undertaking exploration, and the first major gold mining will start soon in Osun State, southwestern Nigeria, by Australia's CGA Mining. The mining of gold in the state is expected to generate thousands of jobs.

Coal resources have been developed into eleven strategic coal clusters, to attract investors interested in coal-fired power plants. A major find of commercial quality iron ore in Zamfara State, in the north, could be the largest such deposit in Africa.


The former national capital of Lagos remains today Nigeria's economic and financial capital

PHOTO: ADOLPHUS OPARA

# More foreign investors to buy into the next big thing

**In order to attract a higher flow of foreign direct investment, Nigeria is working towards improving its business climate and a new $1 billion wealth fund will catalyze investment**

NIGERIA'S INCREASED attractiveness as a location for international investment is reflected in the Goldman Sachs growth-environment index, where its score has doubled over the past decade.

Indeed, Jim O'Neill, global head of economic research at Goldman Sachs, has been reported as saying, "If it were to show the same increase in its growth-environment score over the next decade, many investors will look back and say why the hell didn't I invest in Nigeria?"

Goldman Sachs is not alone in seeing Nigeria as the next big thing on the international investment horizon. The country was identified as a top pick by influential investors in emerging markets at the Reuters Emerging Markets Summit in São Paulo in July.

> The U.S. is the largest foreign investor in Nigeria, which has 'many positive attributes' and niches to target

According to Finance Minister Olusegun Aganga, Nigeria's "positive trajectory" is attracting a lot of investor interest, particularly from the United States, China, and Europe. "There is no week that I don't receive at least three major investors, some of them in power, some of them in infrastructure, some of them in manufacturing," he says.

Plans to float a $500-million 10-year bond to raise further funds for developing infrastructure have excited interest, with some international investors reportedly asking for the size of the bond to be increased to $1 billion.

In addition to abundant natural resources and a fast-growing economy, Nigeria has liberal market-oriented economic policies, a strong fiscal balance sheet, ample liquidity, and low levels of external debt. It is developing as a regional financial hub, has a vibrant, and well-regulated capital market, and the federal government is committed to the rights of investors and to improving the business climate.

President Goodluck Jonathan says, "Today we have a government that's committed to encouraging investment."

The increasing size and urbanization of the population are further attractions. Nigeria offers a large low-cost labor force, and potentially the largest market in sub-Saharan Africa.

While the vast majority of Nigerians live on less than $2 a day, the rapid growth of jobs in the telecoms, banking, and services sectors is prompting the emergence of a middle class with money to spend. The return to the motherland of Nigerians who have acquired new skills abroad is adding to the trend, and consumer demand for goods and services is expanding as the economy grows.

Realizing its potential to become one of the world's leading economies is beyond the means of Nigeria alone. It needs foreign investors to provide capital, managerial expertise, and technology. The federal government is urging investors to buy into Nigeria's future, and is particularly interested in seeking partnership with private companies to build the country's economic infrastructure.

A sovereign wealth fund is being set up to finance infrastructure projects with initial capital of approximately $1 billion from oil exports. It is intended to serve "as a catalyst for both local and international investors," according to Mr. Aganga.

The federal government is considering providing risk mitigation in the form of guarantees to attract capital to critical sectors of the economy, particularly power and small and medium-scale enterprises. Identified projects for private-sector participation or public-private partnership (PPP) are to be presented to investors soon.

The United States is the largest foreign investor in Nigeria, with most of the funds being channeled into oil and gas production. Outside the energy sector, the U.S. State Department highlights niche markets, such as specialized telecommunications, that have developed under the government's reform program.

It says Nigeria possesses "many positive attributes for carefully targeted investment" and will expand as both a regional and international market player. Potential investors are advised to educate themselves extensively on local conditions and business practices, establish a local presence, and choose their partners carefully.

Nigeria and the U.S. have signed a trade and investment framework agreement (TIFA), and moves are being made to strengthen economic ties. Nigeria is the largest trading partner of the U.S. in sub-Saharan Africa.

The Nigerian Stock Exchange, originally called the Lagos Stock Exchange, was established in 1960

Abuja Gate welcomes people into Nigeria's newly built capital city

## Boosting infrastructure on track

Projects to improve the deplorable state of Nigeria's roads are under way, but, with 65 percent in disrepair, it is a huge task. Meanwhile, massive funds are being pumped into getting the national railroad network back on track.

A comprehensive development plan includes the redesign, rehabilitation and extension of the system. By the end of 2015, trains should be making a significant contribution to the transport industry and the growth of the economy. Much of a $2.5 billion loan facility Nigeria has signed with China will be used to finance the refurbishment, with China's Civil Engineering Construction Company (CCECC) carrying out a large share of the work. The upgrade is being overseen by the Nigerian Railway Corporation (NRC), which has sole responsibility for managing the track. A number of projects are already under way.

In all, more than 3,000 kilometers of rail line will be brought back into use. Furthermore, bridges and culverts, marshalling yards, stations and signals are also being restored. Some 25 new locomotives have been acquired, and more than 30 coaches and wagons have been rehabilitated.

The government says revenues accruing to the railroad will be more than enough to repay its investment. However, it also wants to inject private-sector capital and private-sector expertise into the network.

ICT

## Plugging Nigeria into global connectivity

**The country's buoyant ICT sector profiles itself as the best diversification prospect in an energy-dominated economy**

TELECOMS HAS TAKEN off in Nigeria over the last decade. Full liberalization of the market has attracted huge amounts of investment, resulting in runaway annual growth.

With 75 million mobile phone subscribers served by five GSM network operators and four CDMA operators, and a host of companies providing virtually all kinds of telecom and value-added services, Nigeria is the largest mobile market on the African continent.

In a country with a 150 million population, that means potentially half the market remains to be penetrated and, with the cities and urban areas covered, the challenge now is to extend teledensity in the rural areas.

Nigeria is also the most competitive fixed-line market in Africa, with two national operators and numerous firms licensed to provide fixed telephony services. Currently, fixed lines total just 1.4 million. The state sell-off of Nitel, the original national fixed-line operator, has yet to be completed, but a private consortium emerged as the preferred bidder earlier this year.

Over the past three years internet penetration in Nigeria has been increasing rapidly. There are approximately 24 million internet users, representing around 16 percent of the population, and 150 internet service providers (ISPs).

Third generation (3G) mobile and WiMAX wireless broadband services are being rolled out at a rapid pace, and massive investment in several new undersea fiber optic cables has ended the monopoly of Nitel's SAT-3 cable, heralding the arrival of reliable and affordable bandwidth.

Together with the expansion of several competing national fiber backbone networks, this will facilitate the emergence of e-commerce, online banking and e-payments, e-health, e-learning and e-government, once the challenge of making the last mile connections to end users has been met.

INDUSTRY & TRADE

## Billion-dollar fund set to reinvigorate textile industry

**The manufacturing industry is set to benefit from improved power, finance and infrastructure initiatives**

ALTHOUGH Nigeria has one of the largest and fastest growing consumer markets in Africa, its manufacturing sector is in need of being reinvigorated. As in other areas of the economy, there is huge potential for doing profitable business, but first the problems that have brought the sector to its current state have to be resolved.

Nigeria has a range of manufacturing industries, producing cement, tires, furniture, cigarettes, beer, sugar, footwear, and pharmaceuticals, and assembling motor vehicles, radios, and televisions.

One of the saddest examples of decline, but also of hope, is the textile industry. It was once one of the largest and most vibrant on the African continent and a major employer, but over the last three years more than 100,000 textile workers have been laid off, and the majority of the factories have closed.

Export competition from China and the smuggling of counterfeit textiles into the domestic market have had an impact. However, the industry also typifies the problems affecting all Nigerian manufacturers: notably, access to finance, the lack of an affordable, efficient, and reliable power supply, and the poor state of the national transport system.

The federal government has established a 100 billion-naira ($660 million) fund to revitalize the textile industry, and there is the possibility of help from India. More generally, in moves designed to help all manufacturers, the government is taking steps to boost the power supply, improve transport infrastructure, and get the banks lending.

Meanwhile, Nigeria has an expanding middle class, and a growing and increasingly sophisticated consumer base. Household care and other consumer goods have seen steady growth in recent years. The computer market, in particular, is expanding rapidly, with high demand for laptops.

AGRICULTURE

## A fertile landscape for foreign interests

**Nigeria has the temperate climate, fertile soil and the human and natural resources for a strong agricultural sector**

Some of the most fertile land in Africa is to be found in Nigeria, and there is plenty of it. Diverse climatic conditions make it possible to grow a wide variety of food and cash crops.

Potentially, Nigeria could feed not just its own people, but also the entire West African region. Yet it is one of the world's biggest importers of food staples, with an estimated food import bill of $1.6 billion a year.

Once the mainstay of the economy, agriculture went into decline after the oil boom of the 1970s skewed the economy towards petroleum. Today, the sector still contributes approximately 41 percent of Nigeria's gross domestic product, and accounts for 88 percent of non-oil foreign exchange earnings. However, many Nigerians go hungry, national food security is precarious, and a major economic opportunity lies undeveloped.

According to the World Bank, only 7 percent of the 3.14 million irrigable hectares of land in the country is being farmed, while more than half the estimated 98 million hectares of arable land lie fallow.

There are around 40,000 tractors in Nigeria, but only half of them work; the number actually needed is nearer one and a half million. Around 70 percent of the population is engaged in farming, but the vast majority does no more than scrape a subsistence living.

Reversing this situation is a priority, not just to provide food security for the fast growing population, but for future prosperity as the oil runs out. Nigeria was once a major exporter of cocoa, palm oil and groundnuts, and could be again.

The federal government wants to modernize and mechanize the sector, and get young Nigerians back to the land. A wide variety of opportunities are available for private investment, from production and processing, to storage and marketing. Investment in the sector is given pioneer status, with tax holidays, tariff concessions, financing, and export support.