

# **CREATING ENABLING ENVIRONMENT FOR AGRICULTURAL TRADE AND INVESTMENT**

A PRESENTATION

BY

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# PRESENTATION OUTLINE

1. The Nigeria Business Climate
  - Basic National Legislation
  - Current Situation of the Business Environment
  - Ranking by International Organizations
  
2. Measures to Improve the Business Environment
  - Current Reform Measures
  - Other Measures
  - Strategies for Improving Agriculture Investment
  
3. Existing Agriculture Incentives
  
4. NIPC' s Strategic Role in the Economy
  - One Stop Investment centre (OSIC)
  - Sector Specific Investment Incentives Policy Document



# THE NIGERIA BUSINESS CLIMATE

## Basic National Investment Legislation:

- ❑ The Nigerian Investment Promotion Commission Act 16 of 1995
  - Ownership
    - 100% ownership assured except investment
    - listed under the ‘Negative ‘ lists
    - covered by the Nigerian Content and Cabotage Acts
  - Investment Protection Guarantees
    - Non-expropriation of Investment: The NIPC Act 16 of 1995 guarantee that ‘no enterprise shall be nationalized or expropriated by any government of the federation’
- ❑ The Foreign Exchange (Monitoring & Miscellaneous Provisions) Act 17 of 1995
  - Repatriation of Profit
    - Under the Act 17 of 1995, investors are free to repatriate their profits and dividends net of taxes through any authorized dealer in freely convertible currency
- ❑ There are other sector specific regulatory legislations.



# THE NIGERIA BUSINESS CLIMATE . . .cont' d

## ❑ **The Current Business Environment is characterized by:**

- Unpredictability
- Weak Institutional Framework
- Inconsistency of Policies
- Over regulations, and overlapping responsibilities by Ministries, Departments and Agencies (MDAs)
- Bureaucratic Bottleneck
- Multiplicity of Taxes by tiers of Government
- High Entry and Operational Costs
- Poor economies of integration among industries
- Lack of access to finance



# Benchmarking Nigeria's Business Environment

Global Ranking Agent	Ranking	
<b>World Bank Ease of Doing Business</b>	Nigeria was ranked 16, 15 & 15 in Africa and 134, 133, 133, & 131 in the world out of 183 countries assessed in 2010, 2011, 2012, & 2013 respectively.	
<b>Global Competitiveness Index (GCI)</b>	Year	Ranking
	2012 -2013	115 out of 144
	2011 – 2012	127 out of 142
	2010 – 2011	127 out of 139
	2009 – 2010	99 out of 133
<b>Tax Benefits Comparison</b>	Global Average Corporate tax shows that Nigeria still has one of the highest corporate tax rate in the world – (Global Average – 25.51%; Nigeria – 30%)	
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# MEASURES TO IMPROVE THE BUSINESS ENVIRONMENT

## 1. CURRENT REFORM MEASURES:

- ❑ **Macroeconomic stability:** Fiscal responsibility and Independent Central Bank.
- ❑ **Oil & Gas Sector Reforms:**
  - On-going deregulation (Petroleum Industry Bill)
  - Restoration of normalcy to Niger Delta region
  - Passage of the Local Content Act
- ❑ **Power Sector Reforms:**
  - launching of the Power Sector Road Map, & on-going privatization.
- ❑ **Sanctity of contracts:**
  - Due Process (Bureau of Public Procurement)
  - Nigerian Extractive Industries Transparency Initiative (NEITI)



# CURRENT REFORM MEASURES TO IMPROVE THE BUSINESS ENVIRONMENT . . .CONT' D

## CURRENT REFORM MEASURES.....cont' d:

### ❑ Institutional Reforms:

- Public Service Reforms
- Constitutional amendment
- Electoral Reforms
- Rule of Law & Good Governance
- Freedom of Information Act

### ❑ The Anti-Corruption Act:

- Establishment of Independent Corrupt Practices Commission (ICPC)

### ❑ Fight against Financial and Economic Crimes:

- Establishment of Economic and Financial Crimes Commission (EFCC) to deal with Advance Fee Fraud, and related issues.
- Setting up of Security and Investment Tribunal, to handle Securities and Exchange cases



# CURRENT REFORM MEASURES TO IMPROVE THE BUSINESS ENVIRONMENT...CONT' D

## CURRENT REFORM MEASURES.....cont' d:

### **Infrastructure Development:**

-Establishment of Infrastructure Concession & Regulatory Commission (ICRC)

-Massive work currently going on new and existing projects in Aviation, Rail, Road and Waterways.

### **Revolution in Telecommunication, etc.**

### **Banking Sector Reforms:**

-Recapitalization of Commercial Banks & Insurance Institutions

-Micro-finance policy trust / conversion of Community Banks

### **Transformation Agenda (Good governance, Infrastructure, Human Capital):**

-Vision 20:2020: Nigeria to be among 20 largest economies by 2020





# MEASURES TO IMPROVE THE BUSINESS ENVIRONMENT.....Cont' d

## **2. OTHER MEASURES TO IMPROVE THE BUSINESS ENVIRONMENT:**

The Federal Government inaugurated two Standing Inter-Ministerial Committees; to address the high cost of doing business, and the poor rating of Nigeria's investment climate:

**(1) Doing Business and Competitiveness Committee** is charged with the responsibility to regularly monitor, review and recommend improvement on existing policies and legislation that govern the act of doing business in the country.

**(2) Investor Aftercare Committee** is charged with the responsibility to consider the complaints from investors on account of apparent irregularity and inconsistency in the implementation of Government policies.



# MEASURES TO IMPROVE THE BUSINESS ENVIRONMENT

## **OTHER MEASURES TO IMPROVE THE BUSINESS .....Cont' d:**

### **❑ The Honourary International Investor Council (HIIC):**

Following the inputs of HIIC to the Investment Climate & Competitiveness efforts of Government, the following reform actions were recommended and are being implemented:

(i) Development of a well coordinated strategy with Public Relation Consultant to address issue of the perception and image of Nigeria.

-Sustained Media {Local & International} campaign.

(ii) Repositioning and Reformation of the Public Service to enhance the implementation of Government Programmes and activities effectively and efficiently.

(iii) Decisively address the oil pipelines vandalization and crude oil theft through a regime of appropriate regulations and sanction.

(iv) Fast-tracking the development of an Integrated Infrastructure Master Plan.

(v) Tackling of the security situation in the country .



# MEASURES TO IMPROVE THE BUSINESS ENVIRONMENT ...CONT' D

## **NIGERIA-WORLD BANK MSME PROJECT:**

The Project which was implemented by NIPC on behalf of Federal Government between 2004-2011 has achieved the following:

- ❑ improved performance and employment levels of MSMEs in selected non-oil sub-sectors
  - pilot schemes in Abia, Kaduna and Lagos States
  
- ❑ achieved increased private sector investment for MSME development
  - through combination of investment climate reforms, improved access to finance, business development services and public private partnerships (PPP)
  
- ❑ Supported Seven Microfinance Institutions are serving over 1.5million savers and about 110,000 borrowers with weighted average PAR at 30 days of 2.4% and an average loan size of N100,000



# MEASURES TO IMPROVE THE BUSINESS ENVIRONMENT ...CONT' D

## **NIGERIA-WORLD BANK MSME PROJECT:**

- Implemented four Value Chains: (i) Tourism (Cross River State), (ii) Palm Oil (Abia State), (iii) Rice (Kaduna State) (iv) Catfish (Lagos, Oyo and Kaduna States)
- Supported Business Development Services (BDS) providers to provide customized to over 20,000 MSMEs
- Set up the regulatory framework in conjunction with CBN for registering privately owned Credit Bureau – and three licensed Credit Bureaus are now functioning
- Spearhead the streamlining of business regulations process for better efficiency



# EXISTING AGRICULTURAL INCENTIVES

- ❑ Aside the natural incentives, the Nigerian government has packaged the following fiscal incentives to motivate private capital:
  - Unrestricted Capital Allowances (100% Capital Allowance)
  - 0% Duty on Agriculture Machinery /equipment
  - Up to 5 years Tax Holiday for activities classified as pioneer
  - Tax Relief for Research & Development:
    - Up to 140% of expenses on R&D
    - 30% Tax Concession for 5 years to industries that attain minimum local raw materials utilization as follows: Agriculture-80%, Agro-Allied-70%
  - Labour Intensive Mode of Production
    - Up to maximum of 15% Tax Concession for 5 years



# EXISTING AGRICULTURAL INCENTIVES...CONT'D

- **Local Value Added**
  - 10% Tax Concession for 5 years for Agro-industries with local fabrication
- **In Plant Training**
  - 2% Tax Concession for 5 years of the cost of the facilities for Training
- **The Nigeria Incentive-Based Risk-Sharing System for Agricultural Lending (NIRSAL)**
  - Launched with N450billion by CBN in partnership with the Federal Ministry of Agriculture
- **Very Low VAT Regime of 5%**



# NIPC' S STRATEGIC ROLE IN IMPROVING THE BUSINESS ENVIRONMENT

- ❑ NIPC Act No. 16 of 1995 confers the responsibility to:
  - co-ordinate, promote and facilitate domestic and foreign investments into Nigeria
  - support and provide necessary assistance and guidance to foreign and domestic investors in Nigeria
  - develop and implement innovative, focused and effective Investment promotion strategies
  - target & attract investment into the economy
  - advise government on policy matters
    - fiscal and non-fiscal measures designed to promote industrialization and sustain the enabling environment.



# NIPC' S STRATEGIC ROLE IN IMPROVING THE BUSINESS ENVIRONMENT . . . Cont' d

- ❑ Advise and advocate for favourable investment policies to attract and support quality investments in Agriculture.
- ❑ Operate a good network of Zonal Offices to promote domestic investment and provide Aftercare Services to investors in Agriculture
- ❑ Organize Business and Investment Forums to create platform for marketing investment in agriculture





# NIPC' S STRATEGIC ROLE IN IMPROVING THE BUSINESS ENVIRONMENT . . .Cont' d

## □ THE ONE-STOP INVESTMENT CENTRE (OSIC) IN NIPC:

- Centre started with 13 MDAs & Other stakeholders, and currently housing 26 MDAs , and more willing to join.
- Provision of prompt, efficient and transparent services to investors.
- Reduction of time and cost of doing business
- NIPC assisting States to set up the Investment Promotion Agencies (IPAs) and One Stop Investment Centres (OSICs) for Bayelsa, Cross River, Delta, Niger, Ogun, Oyo, Plateau, & Rivers State.



# NIPC'S STRATEGIC ROLE IN IMPROVING THE BUSINESS ENVIRONMENT ... Cont' d

## ❑ **DEVELOPMENT OF SECTOR SPECIFIC INVESTMENT INCENTIVES POLICY DOCUMENT:**

- Document will create a predictable and stable policy environment by eliminating as much as possible distortions often created by grant of discretionary concessions and privileges as well as create a level playing ground for all investors.

## ▪ **Recommendations on the Policy Document include:**

### 1. **Tax Holiday:**

- i. Corporate tax holiday (7 -15 years) dependent on location, giving disadvantaged areas more years depending on the levels of infrastructure.
- ii. Bonus Incentive:  
-Tax Holiday between 2-5 years depending on the quantum of investment, and strategic sector.



# NIPC' S STRATEGIC ROLE IN IMPROVING THE BUSINESS ENVIRONMENT . . . Cont' d

## ❑ Recommendations on Policy Document. . . Cont' d:

### 2. Immigration:

- Automatic Expatriate Quota allocation proportionate to quantum of investment depending on the critical needs of the sector
- Automatic Technical Skills allocation under Temporary Work Permit (TWP) proportionate to quantum of investment
- Job Creation: Mandatory employment of Nigerian graduates (3 – 5) per expatriate



# NIPC' S STRATEGIC ROLE IN IMPROVING THE BUSINESS ENVIRONMENT . . . Cont' d

## ❑ Recommendations on Policy Document. . . Cont' d:

### 3. Introduction of Export Expansion Grant (EEG)

- Specific to Import-Substitution Heavy Industries.
- Companies are to enjoy the incentives for an initial period of 5 years with possible additional 5 years if capacity is doubled.
- Beneficiary Industries include:
  - Agriculture; production (including processing of) Rice, Wheat, Sugar, as above and not below US\$100m;
  - Cotton Agricultural Investment to the tune of US\$50m including integrated Ginning and Yarn spinning;
  - Fertilizers/Chemical Plant of not less than US\$500m and capacity of not less than 25% of National requirement;



# NIPC' S STRATEGIC ROLE IN IMPROVING THE BUSINESS ENVIRONMENT . . . Cont' d

## ❑ Recommendations on Policy Document. . . Cont' d:

### 4. State Enterprise Status

- Accorded to any wholly Nigerian owned Enterprise where net-worth is over USD \$15 billion
- All privileges (local & offshore) accorded a Nigerian Minister shall be extended to the President/Chairman of such an Enterprise
- The CEO shall enjoy all privileges extended to a Diplomatic Passport Holder
- The EDs shall enjoy the privileges extended to an Official Passport Holder



THANK YOU FOR YOUR ATTENTION

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