

# Nigeria - Bouncing Back

Africa's most-populous country and largest economy is ready for a rebound. With its huge youth population and powerhouse oil and gas industry, Nigeria has dominated the continent's economic growth story for decades. The Covid-19 pandemic exacerbated an ongoing oil slump, and Nigeria's economy was not immune to the global malaise that struck last year. But economic rebound is forecast in 2021, as global oil demand recovers and the country moves forward on a host of ambitious reforms aimed at attracting new investment in key non-oil sectors.

President Muhammad Buhari is playing a critical role in maintaining stability and supporting the country's spring-boarding from natural resource giant to diversified export base. Elected in 2015, Buhari has sought to promote Nigeria as the investment destination of choice since his earliest days in power, through a multi-pronged strategy that has focused on supportive policymaking and motivated ministers. Non-oil diversification is key, he explained to guests at a Nigeria-China business forum event in 2016:

"We are committed to supporting investors looking to set up manufacturing and processing facilities in Nigeria. This is evident by the appointment of a former



Muhammadu Buhari  
President of Nigeria

investment banker and private equity specialist as my Minister of Industry, Trade and Investment. As someone with experience of investing in Nigeria, he has first-hand knowledge of the challenges investors face when coming to Nigeria."

Although oil and gas has dominated economic growth since production ramped up in the 1980s, Buhari's early speech hinted at the vast array of high-growth sectors that are primed for significant future growth. Nigeria's 206 million-strong domestic market is complemented by rising household incomes - GDP per capita has risen nearly fourfold since the turn of the century, growing from \$568 to \$2230 in 2019.

Foreign direct investment has also shown strong recent growth as investors turn to priority sectors such as manufacturing and agro-processing. Transportation and infrastructure will also be critical drivers of future growth, according to Buhari:

"We also have an aggressive but realistic infrastructure development program that forms the backbone of our economic diversification policy. We are embarking on major power, road, rail, seaport and airport development programs. Our budget and borrowing plans have made significant provisions for these capital projects that will enhance the competitiveness of manufacturing businesses in Nigeria."

## Cakasa - EPC partner of choice

Nigeria is "West Africa's unrivalled economic powerhouse", and ongoing reforms are unleashing its huge potential, according to a 2018 report by professional services company Deloitte. The report highlighted the strength with which the Nigerian economy rebounded from the 2015-16 slowdown, with foreign direct investment soaring to €17bn in 2017.

Following the covid-19 pandemic, Nigeria is well-placed for a resurgence - with the oil and gas industry again a key economic driver. The sector accounts for around 10% of GDP, and petroleum export revenues alone account for 86% of total export earnings, according to OPEC. It is also a major driver of foreign investment, and for nearly five decades, international investors have sought out EPC leader Cakasa as a partner in the Nigerian hydrocarbon industry. Founded in 1974, the company counts Exxon, Chevron, NLNG, NNPC, ITT Goulds Pumps, and TechnipFMC among the companies it has worked with.

"If you come to Nigeria and you want a good company to give you an engineering one-stop solution you should come to



Philip Balami Yaro  
CEO - Cakasa

Cakasa, because that's what we pride ourselves in," says Cakasa CEO Philip Balami Yaro. "We're a Nigerian dream team."

Cakasa grew from agency representation to providing after-sales maintenance services, and then construction and engineering, and then a fully-fledged EPC, working in the upstream, midstream, and downstream segments.

The company maintained momentum through 2020, which the government defined as the "year of gas", creating

opportunities for Cakasa, which has worked in LPG for some years. The downstream and maintenance businesses were particularly lively, even as midstream development was put on hold by the covid-19 crisis.

Now the company is launching its "Cakasa Global Plan", which will include spinning off and enhancing its maintenance business, building added-value services, strengthening its construction business, and developing upstream services.

"We are looking for like-minded investors that can collaborate with us and take a stake in the company to support its growth," says Yaro. "We have the required skills, a strong brand, and the projects we deliver are top of the range."

Cakasa provides its partners a gateway to Nigeria, and its vast potential.

"This is the best country in Africa; the market is huge, the people are keen, the work-force is available," says Balami Yaro. "The government has done a great job in improving infrastructure. There are a lot of opportunities for good investors."



## 9mobile The next stage

The largest economy and most populous country in Africa, Nigeria is an emerging-market giant. It is also in a good position to recover strongly from the covid-19 pandemic and continue to attract global investment, as ratings agency Fitch noted in a September 2020 report. Fitch noted the government's "firm commitment" to reform, low government debt-to-GDP ratio, low foreign currency indebtedness, and "ample liquidity in the non-banking financial system". The agency also expects the country to benefit from rising hydrocarbon export revenues in the coming years.

Telecoms is one of the fastest-growing sectors of Nigeria's economy, expanding 18.8% year-on-year in the second quarter of 2020 alone, despite the economic impact of the pandemic, according to the National Bureau of Statistics. The sector is worth around \$75bn - almost 15% of overall GDP - with nearly 200 million active mobile phone lines. It is also a magnet for foreign investment, attracting \$830m in foreign capital in 2019.

Leading telco 9mobile aims to be a central part of this growth story, having grown its subscriber base by around 20% to over 13 million subscribers in the last six months of last year alone.

"We did this without new investment," says CEO Alan Sinfield, who was appointed in June 2020. "It was simply about being more aggressive and looking at what we could do with the resources that we had. It was incredibly challenging but enjoyable at the same time."

The company had gone through a difficult period, exacerbated by the impact of the pandemic, but Sinfield is now leading the company on to the next stages of its business plan. This will entail business restructuring and particularly a focus on human resource transformation, to capitalise on what the CEO sees as one of 9mobile's strongest assets. He has introduced a new outlook that encompasses competence assessments, mentoring, individual training plans, and "reinvesting back in people". As the company seeks to develop new business

lines, the best and brightest of the team are selected to work in "think-tanks" to come up with ideas that can be developed.

"I have a really good team: great education, great experience and work ethic and, well-travelled as well," Sinfield says. "My job has been primarily to galvanize them, tabling all their great ideas to build them and mesh them together into a comprehensive story or strategy to underpin how to transform the company."

Supporting the company's talent will help 9mobile move forward with its restructuring; Sinfield is keen to see the business deploy its assets in non-traditional ways. As the smallest of Nigeria's big four mobile operators, the company has the benefit of greater flexibility and agility. This will also be an advantage with impending roll-out of 5G, when 9mobile's relatively small network can be upgraded quickly. As a relative newcomer to the market, 9mobile has the benefit of having developed a data-focused approach, whereas incumbents were built for voice traffic.

In its drive for further rapid growth, 9mobile will focus strongly on its brand and corporate identity. Sinfield emphasises a youthful approach that will benefit its innovative strategy, underpinned by timeless values of transparency, honesty, and reliability.

The company is also exploring opportunities for partnerships in a range of business areas.

"People are showing interest in many



Alan Sinfield  
CEO - 9mobile

of our strategic growth plans," Sinfield says. "We see great opportunities to bring into Nigeria partners with capabilities in numerous different TMT sectors." He highlights the significant opportunities for investors in Nigeria's telecoms industry alone, where broadband penetration is only 40% and the government has further expanded its broadband objectives with a re-launched five-year broadband plan.

Sinfield emphasises the importance of changing perceptions of Nigeria internationally, and promoting its growing strengths, including a highly-educated workforce, and natural resources. He notes improvements to the regulatory infrastructure and business environment that international investors are becoming more aware of. The country is a natural gateway to investment in Africa, with significant opportunities in sectors including tourism, electronics manufacturing, and, of course, ICT.

"Timing is everything, and the time is right," he says. "Investments into Nigeria now will be a solid positioning stage for further investment in the future. When people come out of the pandemic there will be a shift in people's attitudes and ways of working. I don't think you'll find many more growth markets of this size in the world as in Nigeria."





# Federal Inland Revenue Service

## Digital service optimization

Often overlooked and sometimes underrated, government tax authorities have a tough lot in life. But in Nigeria at least, the Federal Inland Revenue Service (FIRS) is playing critical role in supporting economic growth by digitizing services, diversifying the federal tax base, and perhaps most importantly, incentivizing priority sectors to attract new foreign direct investment (FDI). The work isn't always easy. However, with oil demand and macroeconomic growth set to rebound this year, FIRS' ongoing efforts to make tax payments quick, painless, and less expensive will help keep Nigeria's economic recovery on track.

The FIRS is a federal agency responsible for assessing, collecting and accounting for taxes and other revenues accruing to the Federation. Its history dates back to 1943, when it was established to replace the Inland Revenue Department of British West Africa. Today, FIRS acts as an autonomous agency tasked with improving public service delivery, by ensuring timely and efficient tax collection.

FIRS plays an important role in maintaining and supporting economic growth and development. The Service had been working hard to make the tax payment process efficient; substantial investment had been made into upgrading digital platforms. This initiative is timely considering the global coronavirus pandemic.

According to FIRS' Executive Chairman Muhammad Nami:

"Whether it's the government or private sector, everyone has been looking inwards as to where they must invest in order to improve on efficiency; the FIRS is not excepted. The Service has come to understand that, instead of moving from one taxpayer to another to request for paper forms, the task could be more efficiently carried out with just a few strokes on the computer console. This portends a bright future for government's revenue profile; whether or not oil bounces back," he explained.

FIRS offers a variety of online services aimed at making life easier for taxpayers in Nigeria. These include online platforms for TIN verification, e-registration,

e-filing, e-stamping, e-payment and e-tax clearance certificate. On its Ease of Doing Business 2020 survey, the World Bank acknowledged the efforts of the Service, stating that the country made paying taxes easier with the introduction of the various electronic channels.

Revenue collection remains a challenge because, like the rest of the world, Nigeria was heavily impacted by the pandemic. Nami however explained that despite the challenges, FIRS was able to identify new opportunities beyond the traditional revenue sources:

"2020 was a different year. It was a year full of tragedies yet not wanting in opportunities. The pandemic struck every sector of the economy, and while the oil and gas sector kept working, the challenge was that production costs rose nearly threefold while demand dropped to unimaginable lowest levels thereby dragging down government revenue. Tax compliance was another challenge because traditionally, between 51% and 52% of tax revenue collection usually comes from the oil and gas sector. The impact of the pandemic on the oil and gas sector opened our eyes to the potentials of other sectors of the economy. This represents new opportunities for us."

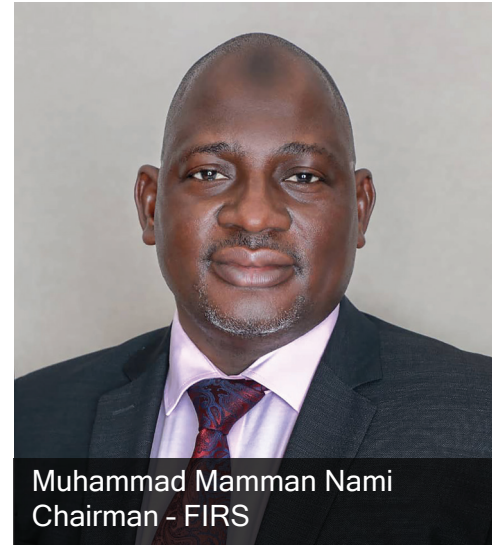
At the same time, it's not only about collection. FIRS is also responsible for developing and overseeing a broad array of tax incentives aimed at encouraging FDI in Nigeria. Nami wants to reassure investors that Nigeria's tax regime is far more investment-friendly when compared to many other regimes in the region and

around the world.

He cited Finance Acts 2019 and 2020, which significantly reduced the tax burden for companies, particularly small and medium sized companies generating less than N25 million and N100 million respectively in annual revenues. Reporting processes have been streamlined, and priority sectors, including insurance companies, oil and gas businesses, and manufacturing firms benefit from sector-specific incentives, as do primary agriculture businesses, which have been granted a four-year tax holiday that can be further extended by another two years.

Furthermore, the federal government is actively working to enhance the working of the free trade zones, including oil and gas free zones, where investors are exempt from excise, import duties and income tax, and are able to access subsidised utilities, land, and warehouses more easily. For Nami, supporting businesses during troubled economic times is a lynchpin to future growth and development in the country:

"We are very hands-on and flexible, and Nigeria is a top destination for investors. Nigeria has the population, the economic potentials and the capacity to generate huge revenue, and we believe that leveraging on these three factors, will significantly raise the bar of economic development and growth," he concluded.



Muhammad Mamman Nami  
Chairman - FIRS

# OGFZA

## Unlocking Nigeria's investment potential

Nigeria's oil and gas industry is ready for a rebound in 2021. While the country has been forced to grapple with massive economic shocks brought on by the pandemic, its oil and gas sector is poised to recover this year as vaccination campaigns advance and life returns to normal. The upcoming Petroleum Industry Bill will incentivize investment in the sector, while a new marginal fields licensing round is in the works, leaving the Oil and Gas Free Zones Authority (OGFZA) on the cusp of a sustained period of renewed growth.

Established in 1996, OGFZA is a national regulatory agency tasked with overseeing the country's network of oil and gas free trade zones. The authority's first free zone opened in Onne, Rivers State in 2001. The authority's free zone model, which hinges on deep partnerships with the private sector, was so successful that it has since expanded its portfolio to three additional locations: Warri, Brass, and Ikot Abasi. These free zones have attracted a combined \$16 billion of investment from more than 45 countries over the previous two decades.

Umana Okon Umana, CEO of the OGFZA, described how oil and gas free zones play an instrumental role in supporting Nigeria's economic growth and development. The benefits go well beyond foreign direct investment inflows:

"By attracting foreign direct investment, we create jobs for Nigerians and also ensure the effective transfer of skills and technology. Companies can choose where to establish operations, and we have been working to make the free zones extremely competitive in terms of incentives on offer," he explained.

Umana has played a critical role in strengthening and expanding the federal government's free zone portfolio. He was recently re-appointed to the position after a successful three-year term that saw a new development in Akwa Ibom, the Liberty Oil and Gas Free Zone, launched

last year. The project is under development in partnership with American private equity investor Black Rhino Group, which reported \$10 billion of investment commitments when it was unveiled in August 2020. The new free zone is expected to create more than 7000 long-term jobs and, spanning more than 50,000 hectares, it will be the largest such free zone of its kind in Africa on completion.

As with other OGFZA locations, many attractive incentives will be on offer. The authority's free zones operate 24/7, 365 days a year, and clients are able to hold duty free investment stock in a prime location at the heart of West Africa. Procurement and logistics procedures are streamlined with reduced inventory requirements, duty rebates of up to 75% are on offer, and free zones' inventory management systems are digital. There are also generous tax incentives available, and direct ocean access allowing same-day turnaround of supply vessels.

Umana admitted that the Covid-19 pandemic brought on unprecedented challenges for the authority, but he views the global crisis as an opportunity to plan for the future. He was quick to note specific measures OGFZA took to support its clients, and took an optimistic view on 2021:

"Things will soon return to normal, and the authority continues to do what it has always done, which is efficiently manage incentives and reduce the cost of doing



Umana Okon Umana  
CEO - OGFZA

business in Nigeria. Furthermore, we are taking steps to understand the special needs of investors in times like these, and make our own adjustments to ensure we are aligned with the market. These adjustments include evaluating the performance and efficiency of our own operations and seeking feedback from existing investors, with a view to strategizing for the future."

And while 2020 was a challenging year, Umana is confident investors will flock to Nigeria's oil and gas free zones in 2021, drawn in by the country's macroeconomic fundamentals, favorable demographics, and strong prospects for a robust recovery:

"Apart from Nigeria's fast-growing economy, the domestic market is huge and there is a solid legal framework in place to ensure contracts are respected. The cost of doing business is very good given the current circumstances, and the administration is taking steps to reduce costs further. We have witnessed sharp improvements in the ease of doing business, and we expect these will continue in the future as we emerge from the pandemic on the path to recovery," he concluded.

