NIGERIA

Socio-economic overview

Nigeria Overview

Population	162.5 million (7th)
Land area	923,768 sq km
GDP	$509bn (26th)
Human dev.	0.504 (152th)
Capital city	Abuja
President	Goodluck Jonathan
Ethnic groups	>250 including:
	Hausa/Fulani 29%
	Yoruba 21%
	Igbo 18%
	Ijaw 10%
	Others 22%

Note: Large disparity in most socio-economic indicators between the North and the South of the country

DEMOGRAPHY

- *Demographic indicators suggest that Nigeria represents a large market. The population is fast-growing, youthful and increasingly urban.*

Key Nigeria facts:

- Population: 7^{th} largest in the world (2.36% of World Population)
- Population growth: 2.8% per year, of which 49.4% are female
- Youngest population: with 43.2% between 0-14 years old
- Life Expectancy: 52 years (men: 51 years; women: 53 years)
- Urbanization: 3.75% annual rate of change

Governance

- *Governance indicators suggest that Nigeria's electoral processes and the press freedom has improved, but corruption and the functioning of government remain major stumbling blocks.*

Key Nigeria facts:

- Corruption perceptions: ranked 144th of 175 countries
- Political democracy: improved from 123rd to 119th after April 2011 elections
- Press freedom: improved from 126th to 115th between 2012 and 2013

SECURITY

- *Despite reductions in violent criminality, Nigeria's Global Peace Index ranking is relatively low, particularly relating to the threats of terrorism, political instability, and easy access to light weapons (spill-over from the instability in the NEMA region). Nigeria's spending on the military was relatively low.*

Key Nigeria facts

- Global Peace Index: went up from 142nd to 149th
- Potential for terrorist attacks: 5 (very high) as a result of events in the North of the Country
- Violent criminality: improved from 5 (very high) to 3.5 (high)
- Military spending: 1.5% of GDP, low by international standard but by far the biggest spender in Sub-Saharan-Africa

Health

- *Life expectancy, infant mortality rates and under-5 mortality rates in Nigeria all showed improvement, but continued to compare very poorly internationally, while incidences of HIV/AIDS and tuberculosis were moderate. Nigeria's public expenditure (as % of GDP) on health care is low.*

Key Nigeria facts:

- Life expectancy: 51.9 years, SA: 52.8, India: 65.4
- Infant mortality: 86 deaths per 1000 live births
- Under-5 mortality: 138 deaths per 1000 live births
- HIV/AIDS prevalence: 3.6% vs. 17% in SA
- Immunization for measles: 71% vs 96% in Malaysia
- Spending on health: 1.7% of GDP

EDUCATION

- *Educational indicators illustrate that the level of literacy amongst adults, and the rate of enrolment in higher education in Nigeria was similar to that of India. However, enrolment rates at primary and secondary school level were unusually low, suggesting that access to basic education is still an issue.*

- **Key Nigeria facts:**
- Adult literacy rate: 60%, similar to 66% in India, below 92% in Malaysia
- Primary school net enrolment: 63% lagged behind 89% in India, 88% in SA and 99% in Malaysia
- Secondary school net enrolment: 26%, indicating poor retention of primary school students
- Higher education net enrolment: 10%, similar to SA (15%) and India (13%), below Malaysia (30%)
- Public expenditure on education: 5%, above India at 3.2%

Poverty & Inequality

- *Despite economic growth, Nigeria's poverty rate has only declined marginally and inequalities have increased. Nigeria's human development was most adversely impacted by the indicators described above (health, education).*

Key Nigeria facts

- Human Development index: rose from 0.454 to 0.505, lower than countries such as Malaysia (0.761), India (0.547), SA (0.619)
- Poverty rate: 46%, compared with just 2% in Malaysia, 42% in India
- Gini-coefficient: 43 (100 = total income inequality), more equal than SA

Gender

- *The women level of labour participation is in line with developing countries average. However, Nigeria has a high rate of teenage pregnancy, maternal mortality during child-birth, and fewest female parliamentarians.*

Key Nigeria facts

- Adolescent fertility rate: 118.3 births per 1000 women aged 15-19
- Labour force participation: 0.534 women per 1 man, higher than India
- Maternal mortality ratio: 840 maternal deaths per 100,000 live births, 27 times more deaths than Malaysia
- Shares in parliament: 0.079 women per man in parliament

ENVIRONMENT

- *Nigeria has a low carbon dioxide emissions and few number of people affected by natural disasters. However, Nigeria's economy was the most heavily dependent on natural resource depletion for wealth.*

Key Nigeria facts:

- Carbon dioxide emissions: lowest at 0.6 tonnes per person, vs. 1.5t in India, 7.7t in Malaysia
- GNI coming from natural resource depletion: 15%
- Forest area: 10.8% of total land

ECONOMY

- *Despite poverty, unemployment and other challenges, Nigeria is among one of the fastest growing economy in the world. The nation's macroeconomic fundamentals are relatively robust: budget deficit relatively low, stable exchange rate and its stock of foreign exchange reserves was high relative to debts. The non-inclusive growth and under-developed domestic financial system pose major challenges; however, the emerging stock market, growing foreign direct investment and large domestic market suggest opportunities for growth.*

New (Re-Based) Estimates of Nigerian GDP for 2010-2013 Reveal a Larger, More Diversified, and More Complex Economy

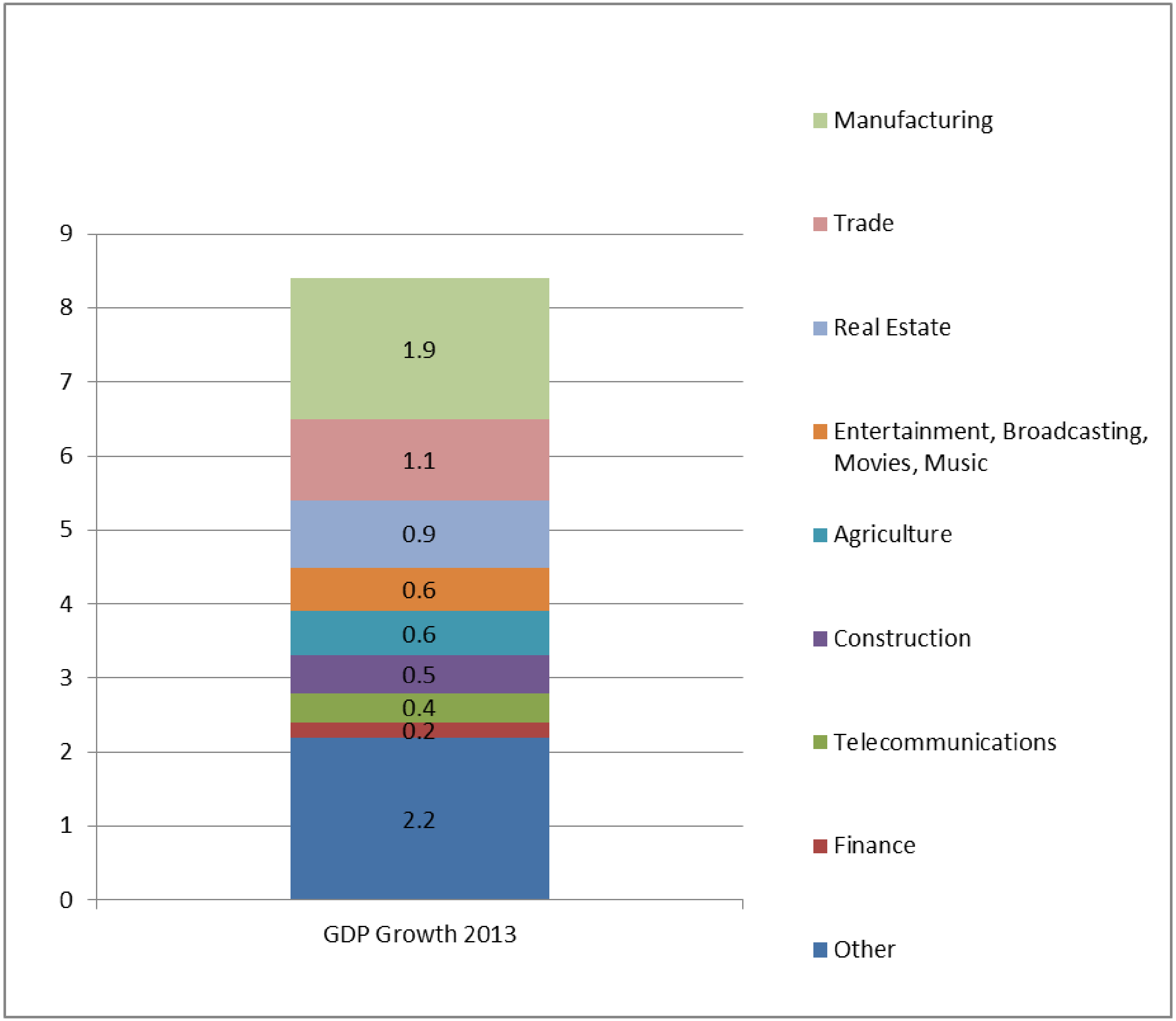
- The size of GDP (US$ 509 billion in 2013)
- Agriculture, oil and gas, and trade now account for 54% of GDP as opposed to previous estimates of 85%. Other sectors with much higher shares include manufacturing (food and beverages), construction, telecommunications, real estate, and entertainment.
- Distribution of growth is more diverse, with higher contributions from manufacturing and various services relative to previous estimates, which assigned the vast majority of growth (80%) to trade, agriculture, and telecommunications.
- Manufacturing emerges as the single largest contributor to GDP growth in 2013, followed by trade and real estate.

Table 3: GDP Growth in Selected Sectors : 2011 – 2013 (New Estimates)

	2011	2012	2013
Total	**5.3**	**4.2**	**5.5**
Non-Oil GDP	**5.8**	**5.8**	**8.4**
Agriculture	2.9	6.7	2.9
Crude Oil and Gas	2.3	-4.9	-13.1
Manufacturing	17.8	13.5	21.8
including food, beverages, tobacco	7.3	6.6	11.8
Electricity, Gas, and Utilities	39.5	14.6	14.6
Construction	15.7	9.4	14.2
Trade	7.2	2.2	6.6
Transportation	6.0	-3.4	3.8
Telecommunications and Info Services	1.2	3.7	4.7
Entertainment, Broadcasting, Movies, Music	10.5	1.9	24.1
Real Estate	0.4	5.6	12.0

Source: NBS

Figure 1 : Decomposition of Non-Oil GDP Growth:2013



Sources: NBS, World Bank calculations

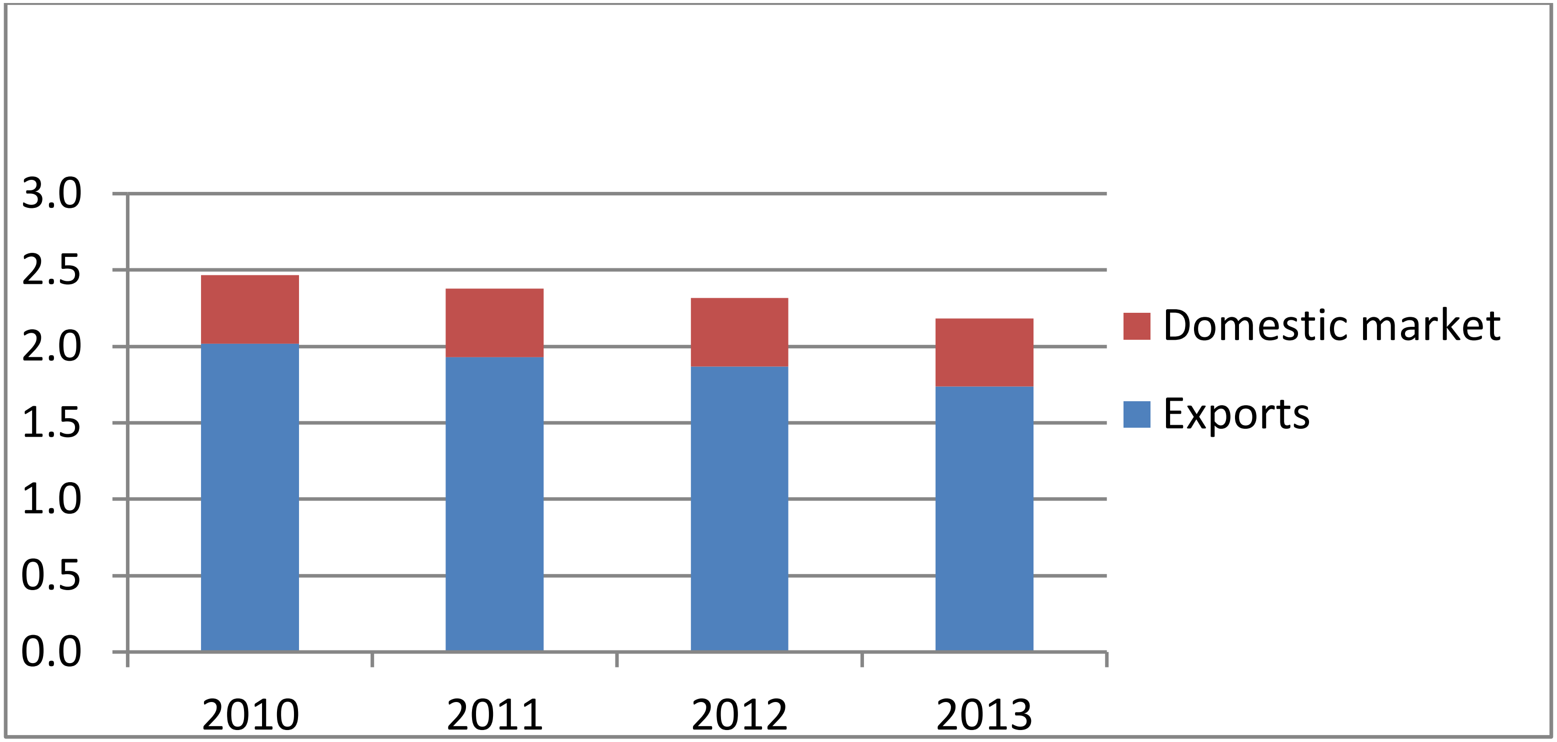
2013 was a Particularly Difficult Year for the Oil Sector

- Regulatory uncertainty and security problems can be associated with a 5.8% reported decline in oil output relative to 2012, and a 9% decline relative to the peak of 2010.

- Judging from revenues and the balance of payments, oil recovered in the first half of 2014.

- Nigeria still faces the medium term challenge that oil revenues should continue to decline relative to the size of the Nigerian economy.

Figure 1: Nigeria Oil Production and Exports 2010 – 2012 (Million Barrels a Day:Average)

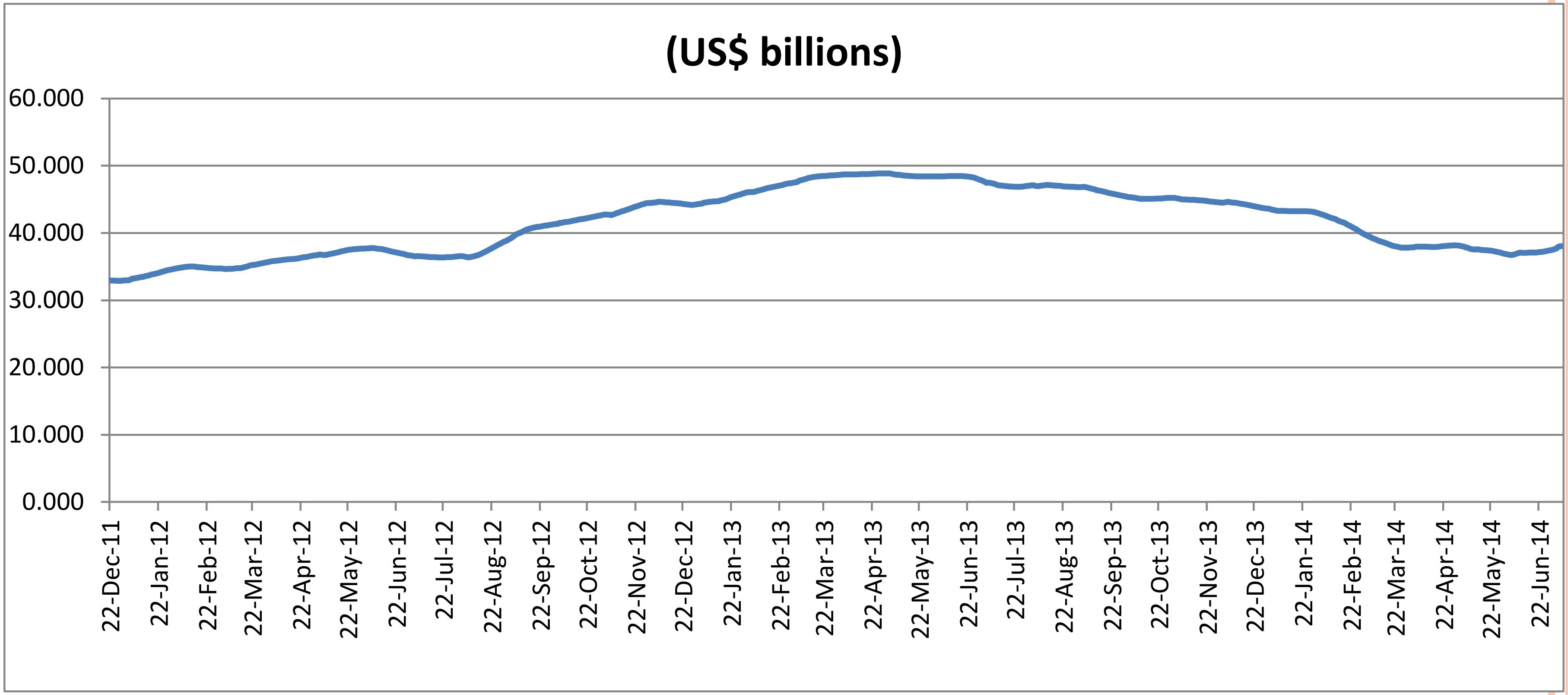


Sources: Central Bank and NNPC

The Balance of Payments is finally showing signs of stabilization

- Gross foreign reserves had declined from US$ 49 billion to US$ 38 billion between March, 2013 and April, 2014
- Pressures on the balance of payments came from weak performance of oil exports and more cautious attitudes of (portfolio) investors toward Nigeria.
- Foreign reserves are still at US$ 38 billion in early July, indicating a stabilization of the balance of payments due to (it would appear) improved oil sector performance and greater confidence of investors.

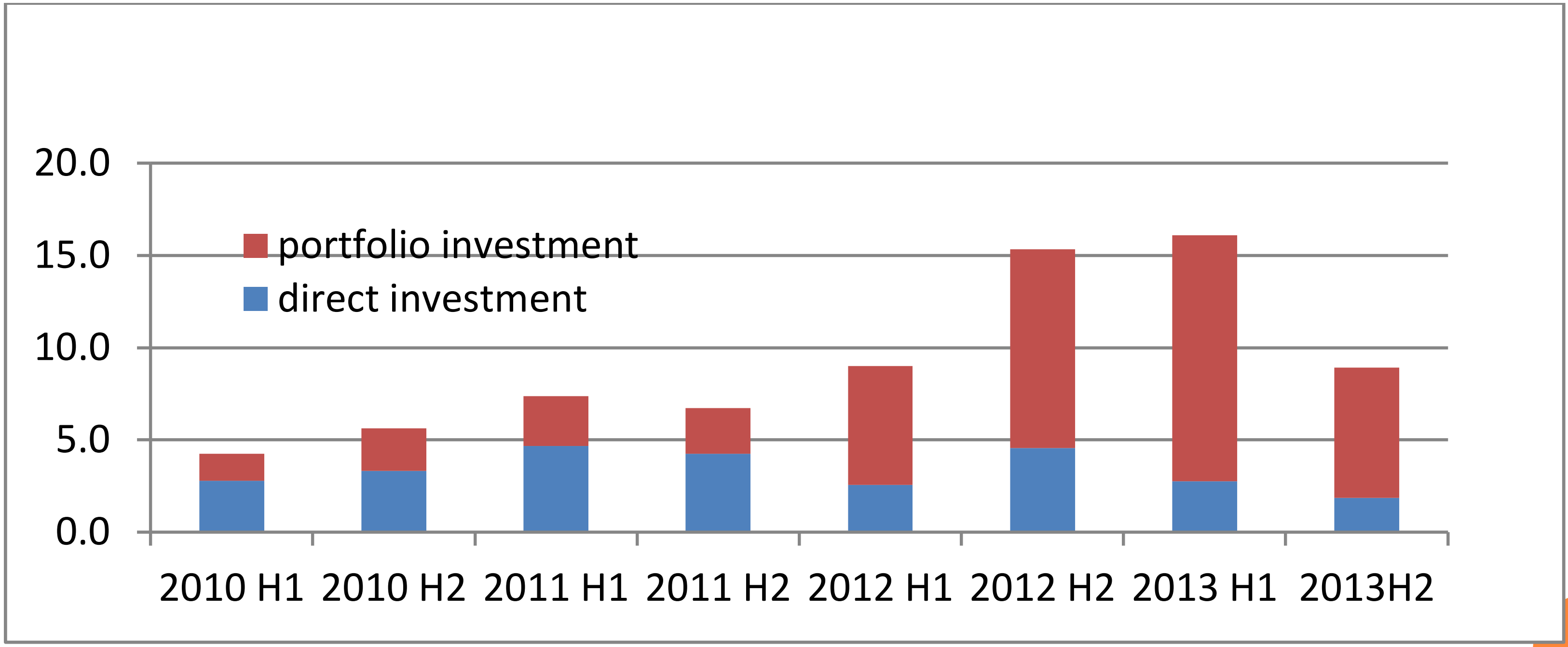
Figure 1 : Nigerian Gross Foreign Reserves



Source: CBN

SHORT TERM CAPITAL FLOWS HAVE BECOME INCREASINGLY IMPORTANT, AND A POTENTIAL SOURCE OF INSTABILITY

Figure 5: Gross Direct and Portfolio Foreign Investment in Nigeria: 2010 - 2013



Source: CBN BoP statistics

Revenues to the Federation were 23.5% below Program in 2013, but increased notably in the first half of 2014

Table 4: Revenues to the Nigerian Federation Account and VAT Pool (N billions)

	2013			
	Planned	Actual	Shortfall	% Fulfilment
Oil revenues	5371	4060	1311	75.6%
Non-oil revenues	2738	2144	594	75.2%
of which customs	830	402	428	48.4%
of which VAT	945	796	149	84.2%
Total	8109	6204	1905	76.5%
	Jan-May, 2014			
Oil revenues	2142	2971	-829	139.0%
Non-oil revenues	1235	832	403	67.3%
of which customs	326	203	123	62.2%
of which VAT	338	329	9	97.2%
Total	3377	3803	-426	112.6%

Source: OAGF

Weak revenue performance and late approval of the Federal Budget hindered budgetary execution in 2013

- Capital budget implementation only began in end-March, after submission of the Amendment Budget to the National Assembly.
- Only 60% of the Federal capital budget for 2013 was executed.
- The Federal deficit in 2013 was about 1% of (re-based) GDP

The 2014 Federal Budget includes significant cuts in planned capital spending, but the proposed level is higher than the executed capital budget in 2013

- The 2014 Federal budget imposes cuts of 30% in planned capital allocations in 2013, affecting almost all MDAs.
- Nevertheless, the planned 2014 capital budget is 16% higher than the executed capital budget in 2013.
- Delay in passage of the 2014 budget has again slowed implementation of the capital budget in early 2014 (less than 15% of annual capital budget released in Q1).

Employment remains a critical problem in Nigeria

- The NBS has temporarily ceased publishing unemployment statistics pending the adoption of a new methodology.
- Unofficial assessments using accepted ILO methodologies would suggest that the unemployment rate in Nigeria is less than 10%.
- This masks the critical problem in Nigeria of underemployment. Most Nigerians cannot afford not to work, but a large share of the population is engaged in low productivity and low paying tasks.

The Short Term Economic Outlook looks cautiously optimistic, despite significant risks related to oil and potential volatility in short term capital flows

Table 7: Selected Economic Indicators

	2011	2012	2013	2014*
GDP Growth (%)	5.3	4.2	5.5	7.4
Inflation Rate (CPI Dec/Dec, %)	10.3	12.0	8.0	7.5
General Government Budget Balance (% of GDP)	-1.3	-1.1	-2.4	0.5
Federal Government BudgetBalance (% of GDP)	-1.6	-1.4	-1.0	-1.0
Fiscal Reserves (ECA/SWF) US$ b	4.6	8.6	3.0	6.0
Gross Monetary Reserves ($ b)	32.6	46.0	43.6	40.0
Nominal Exchange Rate (N/US$), eop	158	157	158.0	159.0
Sovereign Debt (% of GDP)	9.7	10.3	10.6	10.6
External	1.3	1.4	1.4	1.7
Domestic	8.4	8.9	9.2	8.9
Commercial Credit to the Private Sector (% of GDP)	15	15	14	16

Note: General Gov. balance includes Federal, State, Local, Extra-Bdg Funds, Fuel Subsidy, Net Change in ECA

* Projections

Note: Estimates as shares of GDP use new re-based GDP numbers

TRADE

- *Trade indicators suggest that Nigeria's overall trade volume is modest relative to its market size. Trading in Nigeria is expensive, and the country remained in a low position on the global value chain, exporting fuel products and importing most manufactured goods.*

Key Nigeria facts:

- Total trade: 16.5% of GDP (2012)
- Ranked 35 in merchandise exports, 93 in Commercial services exports
- Ranked 50 in merchandise import and 36 in services imports

Trade: Imports

- *The country imports manufactured goods…*

Key Nigeria facts:

MERCHANDISE TRADE	2011 a
Merchandise imports, c.i.f. (million US$)	55,000
Share in world total imports	0.3
Breakdown in economy's total imports	
By main commodity group (ITS)	
Agricultural products	14.8
Fuels and mining products	20.6
Manufactures	64.6
By main origin	
1. European Union (27)	21.8
2. United States	17.9
3. China	16.6
4. Antigua and Barbuda	5.6
5. India	5.4

COMMERCIAL SERVICES TRADE	2011
Commercial services imports (million US$)	22,464
Share in world total imports	0.57
Breakdown in economy's total imports	
By principal services item	
Transportation	35.8
Travel	29.4
Other commercial services	34.8

Trade: Exports

- *Nigeria exports fuel products…*

Key Nigeria facts:

MERCHANDISE TRADE	2011 a
Merchandise exports, f.o.b. (million US$)	116,000
Share in world total exports	0.64
Breakdown in economy's total exports	
By main commodity group (ITS)	
Agricultural products	5
Fuels and mining products	92.4
Manufactures	2.6
By main destination	
1. United States	34.4
2. European Union (27)	22.4
3. India	10.5
4. Brazil	7
5. Equatorial Guinea	3.1

COMMERCIAL SERVICES TRADE	2011
Commercial services exports (million US$)	2,313
Share in world total exports	0.06
Breakdown in economy's total exports	
By principal services item	
Transportation	68.6
Travel	26.9
Other commercial services	4.5

Competiveness

- *Despite favorable growth outlook, Nigeria remains vulnerable to oil price shocks and need to improve its competitiveness and encourage greater diversification to enhance sustainable growth.*

Key Nigeria facts:

- Nigeria ranked 115th out 144 countries in the global competitiveness index in 2012 - 2013
- After some deterioration in the rankings over recent years, Nigeria has moved up to 115th place due to improved macroeconomic conditions
- A financial sector that is recovering from its 2009 crisis. The country has a number of strengths on which to build, including its relatively large market (33rd), which provides its companies with opportunities for economies of scale.

Competiveness (ctd.)

Key Nigeria facts:

- Nigeria's businesses are also sophisticated by regional standards (66th), with some cluster development, companies that tend to hire professional managers, and a willingness to delegate decision-making authority within the organization.
- Likewise, the country registers improvements in its labor market based on more efficient use of talent.
- The institutional environment does not support a competitive economy because of concerns about the protection of property rights, ethics and corruption, undue influence, and government inefficiencies.
- Additionally, Nigeria receives poor assessments for its infrastructure (130th).
- Furthermore, the country is not harnessing the latest technologies for productivity enhancements, as demonstrated by its low rates of ICT penetration.

Business Environment

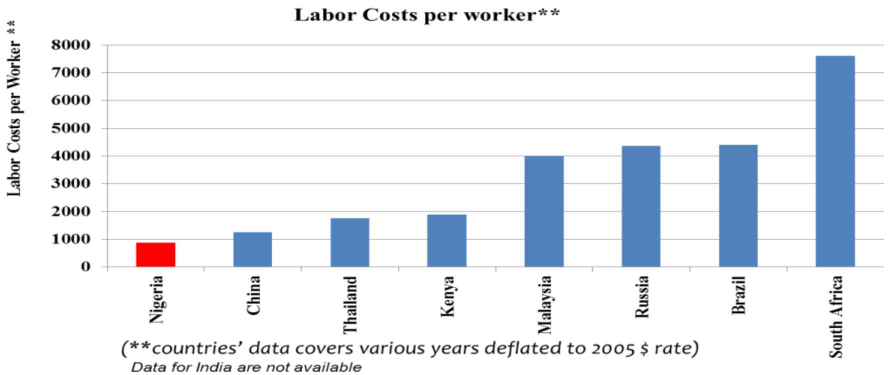
- *Nigeria is regarded as a non-conducive and uncompetitive environment for business, burdensome customs procedures and costly, time consuming business start-up processes but the gradual reforms are ongoing…*

Key Nigeria facts:

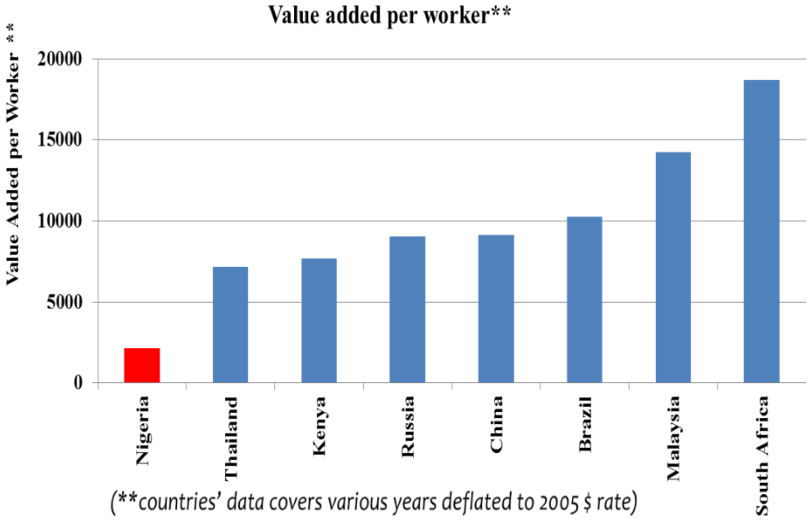
Topic Rankings	DB 2013 Rank
Starting a Business	122
Dealing with Construction Permits	151
Getting Electricity	185
Registering Property	185
Getting Credit	13
Protecting Investors	68
Paying Taxes	170
Trading Across Borders	158
Enforcing Contracts	136
Resolving Insolvency	107
Doing Business 2014 Rank	**147**

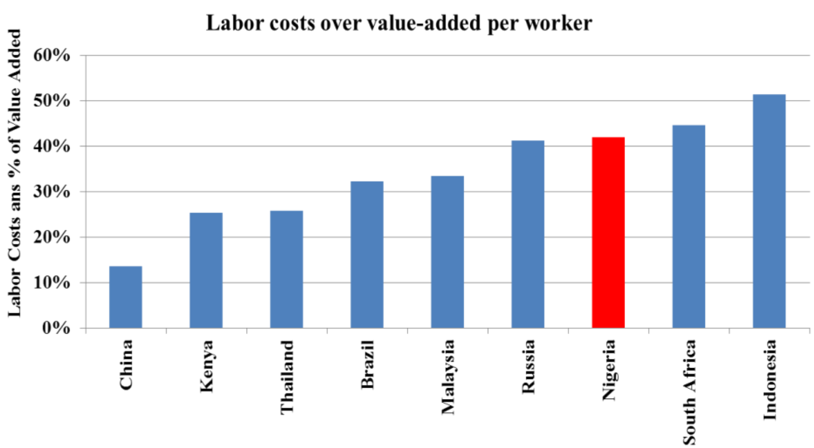
Productivity

- *Nigeria lags behind in terms of firm performance. Unit labour costs (labour costs as a proportion of value-added) are higher in Nigeria, putting firms at a disadvantage.*



Key Nigeria facts:

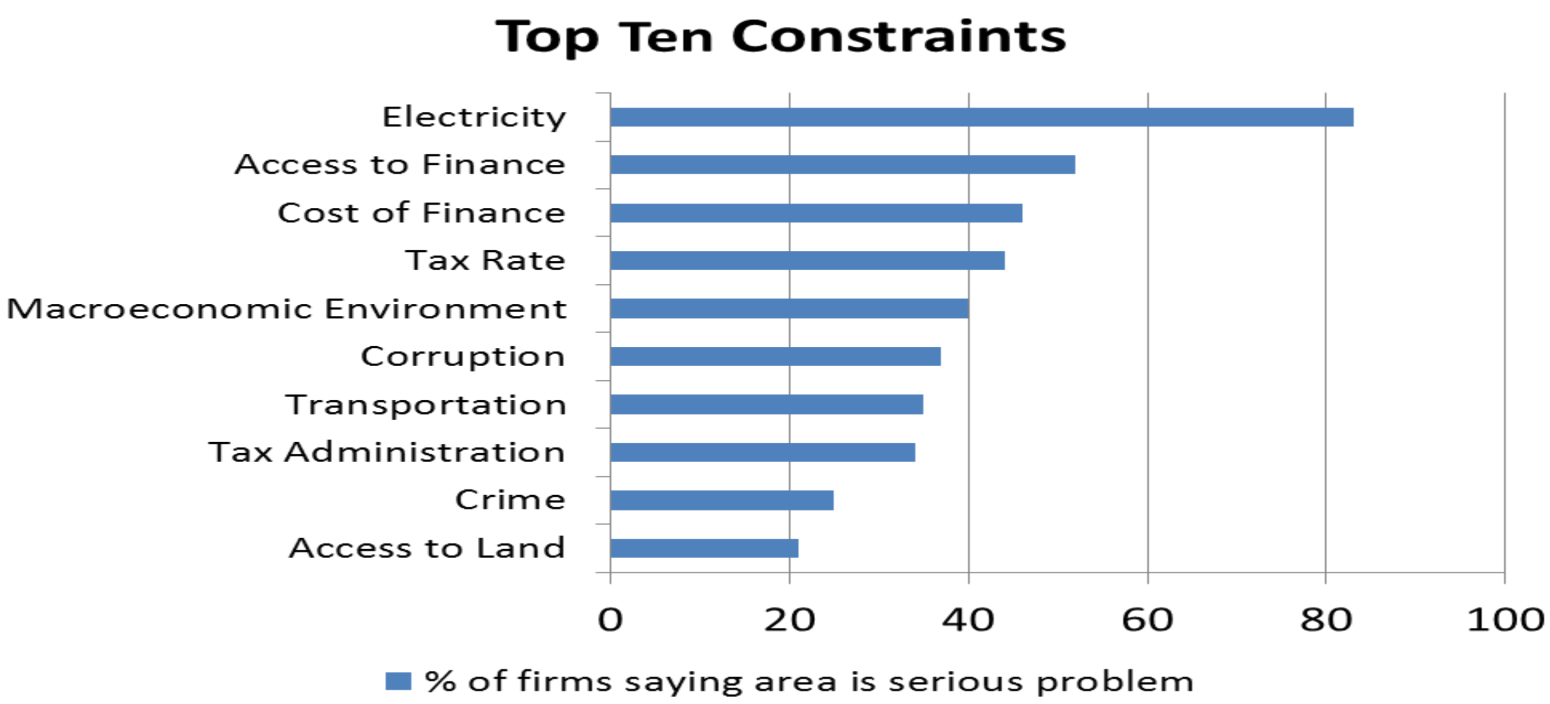




PRODUCTIVITY (CTD.)

- *Infrastructure and Access to Finance are the main constraint to business…*

Key Nigeria facts:



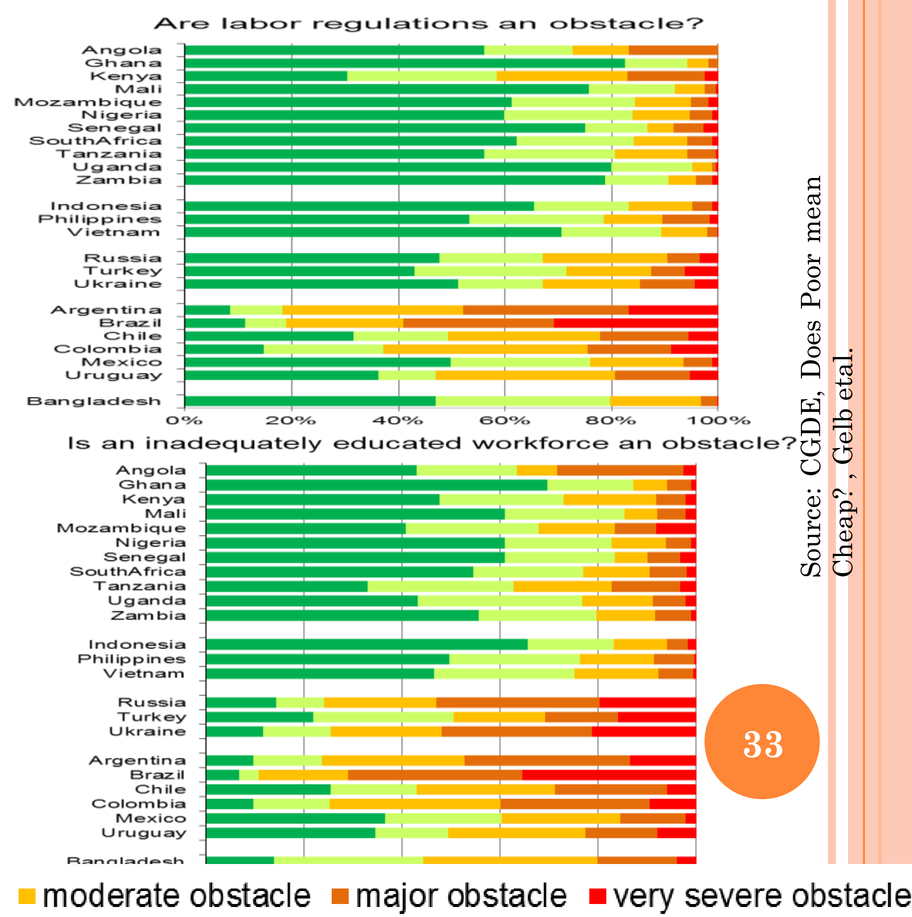
Source: ICA,2010

PRODUCTIVITY (CTD.)

- …. *while labour regulation and finding the adequate workforce are not.*

Key Nigeria facts:

•82% (74%) of formal (informal) firms have the required number of employees to get the job done
•65% (62.1%) of firms claim that it is easy/very easy to recruit staff with basic skills.
•Out of the 21% (30%) of firms that feel that they do not have the required skills to get the job done, 75% of them attribute this gap to the junior employees.
•Despite this marginal skill gap, only 12.2% of firms believe to operate below capacity, while 49% and 39% are operating at capacity and beyond capacity respectively

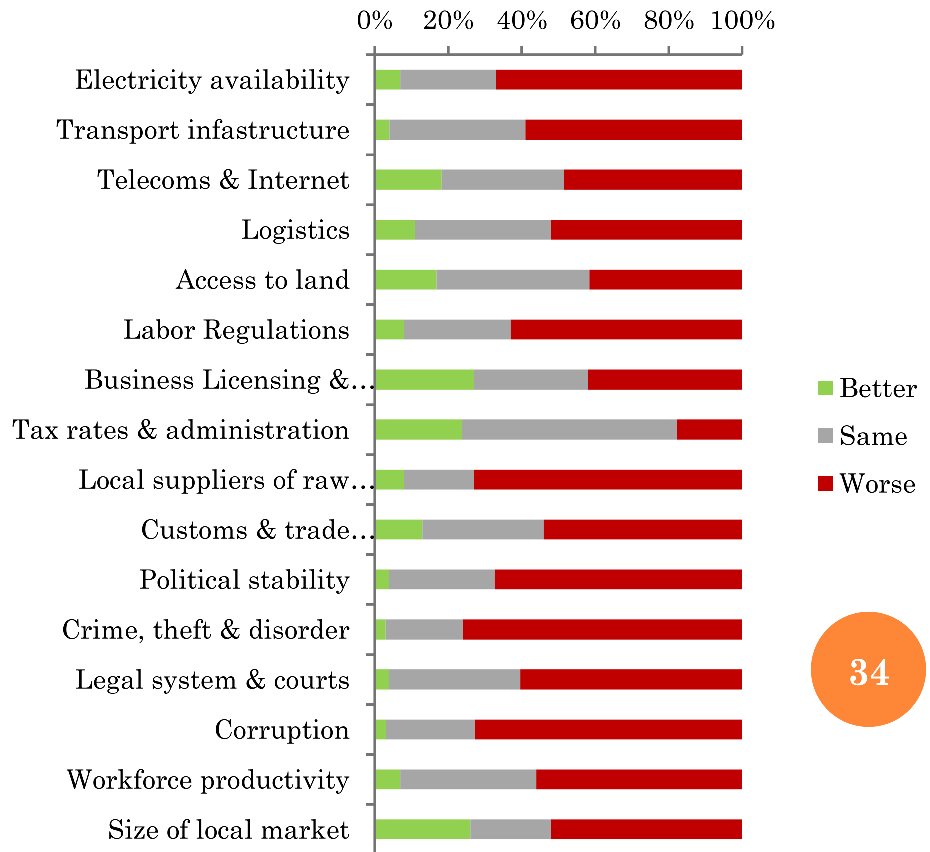


Source: CGDE, Does Poor mean Cheap? , Gelb etal.

NIGERIA FDI PERCEPTION

- *Nigeria attracted closed to US$ 5.5 bn in Foreign Direct Investment.*
- *Nigeria must do far more to promote its investment climate to potential investors. The most frequently cited reasons for not considering Nigeria were, first, that the firm is not familiar with what Nigeria can offer and, second, that operating in Nigeria would not be consistent with their business and growth plans*

Potential investors' ratings of Nigeria in comparison to other countries in consideration for the same investment *(Source: World Bank telephone survey of firms in China, UK, and Germany. Jan-Feb 2012).*



FINANCE

- *The banking system expanded during the earlier part of the decade but was very weak. The global crisis magnified the challenges in the banking system. The CBN introduced some comprehensive banking sector reforms into the Nigerian banking industry to address poor corporate governance, and unethical practices in the industry.*

Key Facts:

- 11 Nigerian banks are in the Top 50 Banks in Africa
- Nigerian banking industry has the highest return on asset and capital asset ratio of 2.07 per cent and 16.59 per cent respectively among the big top banking countries including North Africa countries and South Africa.
- Since 1999, the Nigerian Stock Exchange has enjoyed strong performance, although equity remains underutilized by firms.
- Bond markets is developing fast, with the inclusion of Nigerian bonds in the J.P.Morgan's Government Bond Index Emerging Market

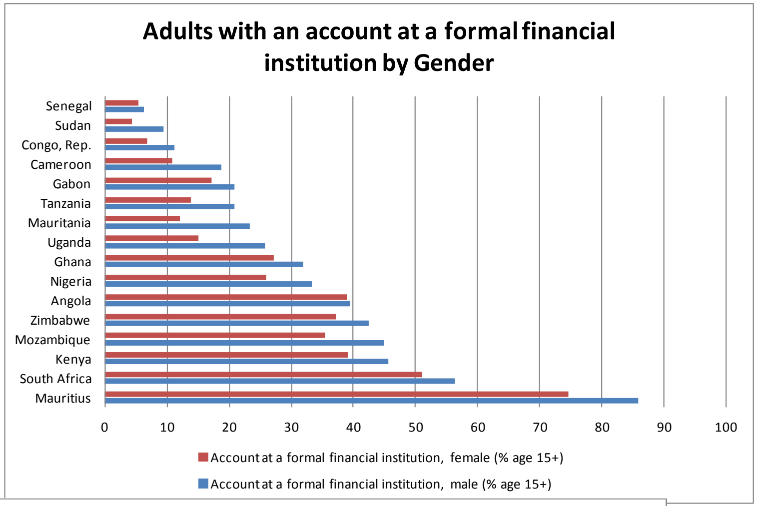
Financial Inclusion

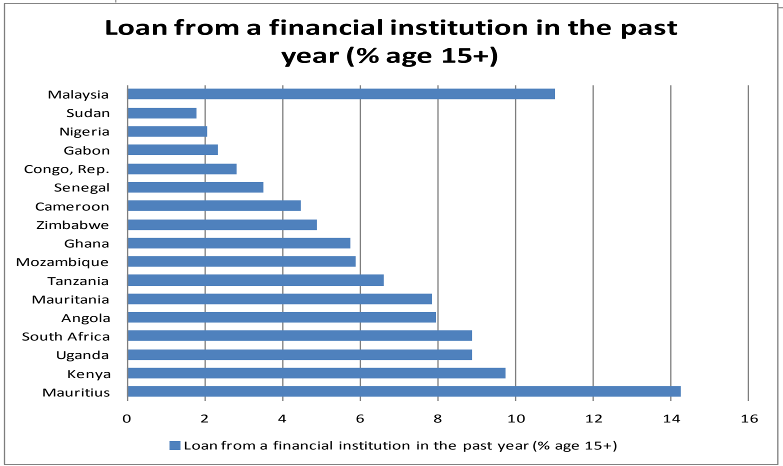
- *Although Nigeria is ahead compared to most Africa countries, a lot needs to be done to extend access to finance...*

Key Nigeria facts:

•About 65% of the economically active population is serviced by the informal financial sector, e.g., microfinance institutions, moneylenders, friends, relatives, and credit unions.

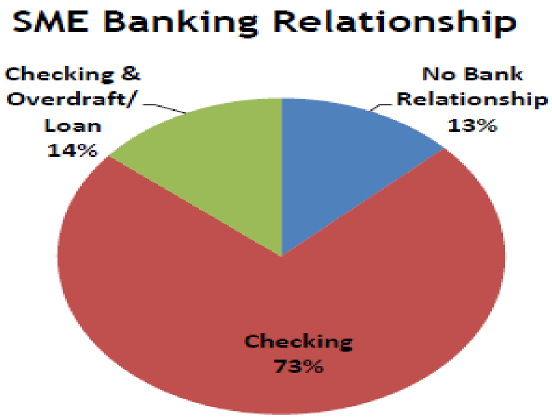
•Rural communities remain largely unbanked, the real estate sector and small businesses receive a low level of lending, and the credit card market remains at an early stage of development





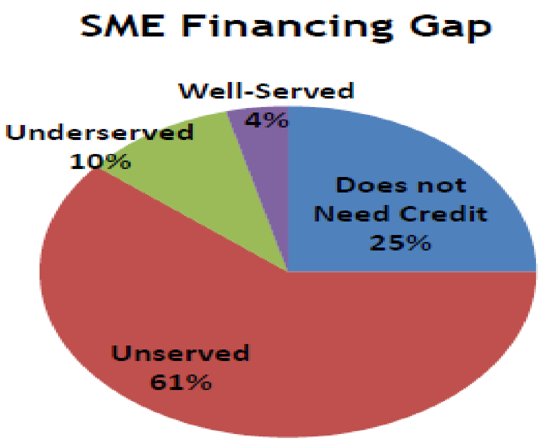
Financial Inclusion

- *SMEs Financing gap is large. Banks are expressing more interest in SME lending but find many obstacles. Financial infrastructure and the legal/business enabling environment top the list*



Key Nigeria facts:

• 87% of SMEs already have a bank account, creating the foundation for a banking relationship
•75% of SMEs would like bank credit but only 14% have access to a loan or overdraft account



Source: Assessing and Mapping the Gap in MSME Finance McKinsey and IFC (2012)

INVESTMENT INCENTIVES

- *Nigeria attracted closed to US$ 5.5 bn in Foreign Direct Investment…*

Key Nigeria facts:

- **Large and growing domestic consumer market** and possible access to over 360 million ECOWAS and Economic and Monetary Community of Central Africa (CEMAC) market
- **Nigerian consumers' preferences for international brands**
- **Low wage costs.** Typical factory wages are typically US$90 to US$180 per month, compared to Chinese factory wages of US$240 per month or more.
- **Differential customs duties for finished and unfinished goods**—which create a good opportunity for manufacturing and assembly to take place in Nigeria.
- **Market entry potential demonstrated in recent years**. For example, a fast-growing producer of paper products entered the market with a background in motorcycle assembly; Nigeria's largest assembler of consumer electrical goods had a background only in food processing; Hence substantial opportunities exist for professional and efficient firms, even if they lack prior experience in the same sectors.

Investment Incentives (ctd.)

Key Nigeria facts:

- Up to 5 years Income Tax Holiday under the Pioneer Status for qualified activities
- Very low VAT regime – 5%
- Income Tax of 30%
- Investment in Infrastructure – 20% of cost per annum for 5 years
- There are also a number of efforts to construct Special Economic Zones and install dedicated power supply through Independent Power Plants (IPP's).
- The Central Bank of Nigeria (CBN) has established a 500 billion naira Infrastructure Fund to assist companies in the power, aviation, and manufacturing sectors, N200 billion Small and Medium Enterprises Credit Guarantee Scheme to provide credit to manufacturers and small and medium enterprises, N200 billion commercial Agriculture Credit Fund to fast-track the development of the agricultural sector.

Investment Opportunities

Key Nigeria facts:

- Investment Opportunities exist in all sectors of the economy, especially:
  - Infrastructure
    - Power – Generation, Transmission & Distribution
    - Transportation – Rail, Air, Road
  - Agriculture & Agro Allied
  - Services
    - Telecommunication, Postal Services
    - Health Care Services
    - Banking & Financial services
    - Tourism/Hospitality
    - Education
    - Waste Management & Treatment
  - Mineral Mining
  - Manufacturing
    - Pharmaceuticals, Textiles & Garments, Automobiles, Iron & Steel
  - Oil & Gas (up-and down-stream operations)

Oil Sector

- *Nigeria's hydrocarborn resources are the mainstay of the country' economy but production and growth are constrained by instability in the Delta region and the lack of investment*

Key Nigeria facts:

- Reserves estimated at over 37 billions barrels, found mainly in the Delta region.
- Nigeria accounts for 22% of African production and 2.6% of total crude oil production. Production estimated at 2.3 mbpd
- Light, sweet quality of the Nigerian crude make it a preferred gasoline feedstock
- 4 refineries but with very low capacities
- Trouble in the region caused by communities disrupted production and leads to serious loses
- PIB lack of investment in the oil sector as there is a wide difference on the proposed fiscal regime between the oil companies and the government regarding the impact of the Petroleum Industry Bill on future oil production and government oil revenues.

Gas Sector

- *Gas sector is expected to grow as new infrastucture is developed to produce energy and power*

Key Nigeria facts:

- Proven reserves estimated at 1.84 tr cubic feet, 7th largest reserves in the world and largest in Africa
- About1/3 of production is consumed locally while produced LNG is exported mainly to the US
- Gas master plan promote new gas-fired plants to reduce gas flaring and increase electricity generation
- 75% of the gas consumed is for power generation
- Oil field lack of infrastructure to produce and market associated natural gas it often flared representing a lost revenue of about US$2bn

Mining Sector

- *To diversify the oil based economy the Government promotes investment in the exploration for and the development of solid minerals*

Key Nigeria facts:

- The mining of minerals in Nigeria accounts for only 0.3% of its GDP, the industry is underdeveloped, leading to Nigeria having to import minerals that it could produce domestically, such as salt or iron ore.
- Widespread Gold production
- World's 6th largest producer of cassiterite (Tin Ore) 3 billion tonnes, Exporter of coal (2.7 billion tonnes), columbite, tantalite, bitumen,
- Issues include inadequate geological information, prevalence of illegal mining activities

Power Sector

- *Infrastructure indicators imply that Nigeria's power supply and transport infrastructure were grossly insufficient to meet the needs of the country's population.*

Key Nigeria facts:

- Electricity prod/million pop: 0.13bn kilowatts. India produced 5 times as much, and South Africa had 36 times more per person!
- Only 40% of the population has access to power
- Ongoing privatisation process as annual funding requirement has outstripped the capacity of government funding
- Power Generation: sale of government owned PHCN, thermal power plants, and concession of Hydro power plants, gas fired plants
- Power Transmission; Government retains core ownership but private sector management
- Power Distribution; the transfer of ownership of the distribution companies to the private sector

AGRICULTURE

- *The agriculture sector is central to Nigeria's economy, accounting for 40 per cent of GDP and providing 60 per cent of employment. But productivity remains largely inefficient…*

Key Nigeria facts:

- In the 1960s, Nigeria had over 60% of global palm oil exports, 30% of global ground nut exports, 20-30% of global ground nut oil exports, and 15 % of global cocoa exports. By the 2000s, Nigeria global share of exports of each of these crops was 5% or less.
- Nigeria is a net importer of agricultural produce, with imports totalling $4.2 bn. Large food products import include wheat ($1.1bn), fish ($0.7b), rice ($500m), and sugar ($400m). Total food import bill of USD 4.2 billion annually.
- Nigeria faces a large and growing global agricultural market – Rising commodity prices, growing demand for food, and opportunities in bio-fuel all present significant opportunities.

Infrastructure

- *Nigeria's transportation infrastructure is a major constraint to economic development…*

Key Nigeria facts:

- Principal ports are at Lagos (Apapa and Tin Can Island), Port Harcourt, and Calabar. The implementation of 100% destination inspection of all goods entering Nigeria has resulted in long delays in clearing goods since the ports lack facilities to carry out the inspection.
- Of the 80,500 kilometers of roads, more than 15,000 kilometers are officially paved, but many remain in poor shape. Extensive road repairs and new construction activities are gradually being implemented.
- Four of Nigeria's airports--Lagos, Kano, Port Harcourt and Abuja--currently receive international flights. There are several domestic private Nigerian carriers, and air service among Nigeria's cities is generally dependable.

Manufacturing

- ***Consumer electronics, motorcycle, footwear and textile sectors:*** *These sectors have been selected because of their low skills and high labor intensity, the existing interest of foreign investors in these sectors, availability of raw materials and the large and growing domestic and regional market for these products..*

Key Nigeria facts:

- *ICT indicators are favorable.* **Internet users** (% pop): 28.3%, higher than India (7.8%) and South Africa (12.3%) **Mobile phone users** (% pop): 55.1%, similar to India
- The **consumer electronics** industry in Nigeria has experienced strong growth the market for television sets has been growing by 20% yearly, air conditioners by 6% percent, refrigerators by 8%.
- **International presence**: LG, Samsung, Panasonic, Haier, Hyundai, and Hisense. These firms are all assembling products imported in 'knocked down' (unfinished) form, and selling to domestic and West African markets.
- **Motorcycle:** Bajaj (Indian), Honda (Japanese) and Suzuki (Japanese). The market for Chinese-Japanese motorcycles estimated at 1 million units in 2010 and 1.3 million units in 2011.

Manufacturing

Key Nigeria facts:

- Nigerian **footwear** producers have been in decline owing to competition from cheap Chinese imports (plastic shoes), the preference by Nigerian consumers for imported products and the absence of reliable supply chains of rubber. Also, many of the existing leather tanneries have shut down, while high-quality leather has been exported rather than sold domestically, in part because of incentives through the Export Expansion grant (EEG).
- **The market for textiles** appears to be growing rapidly. However, notwithstanding growing demand Nigerian firms have in recent years been increasingly crowded by illegal imports, including Chinese manufactured traditional African clothing.
- Nigeria has the potential to develop to develop a domestic textile industry given the possibility to develop a supply chain for textiles given the availability of raw materials (such as cotton, polyester yarn)

WORLD BANK GROUP'S CONTRIBUTION TO PRIVATE SECTOR DEVELOPMENT IN NIGERIA.

Growth and Employment in States (GEM) Project

Lagos: Commercial capital and Africa's largest city. Key value chains; **construction** overcome 15 million missing units, **access to land** (IFC support), finance and improved construction techniques.

Kano: Northern capital and trading hub for neighbouring states. Key value chain; **meat and leather**. Nigeria's largest non-oil export. Support to feed markets, abattoir practices and leather goods industry. Possible support to Kano IT park.

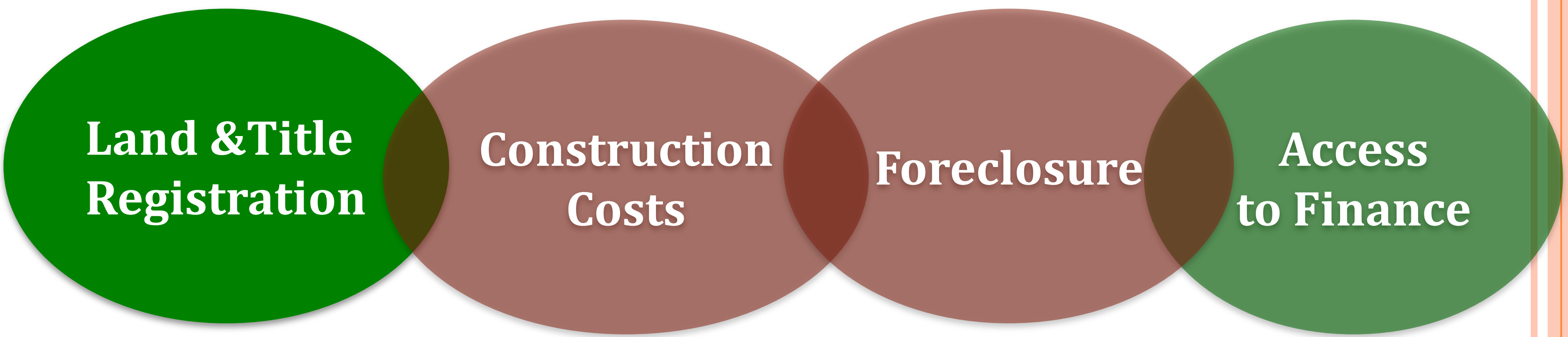
Abuja: Site of **ICT industry** hub the Abuja Technology Village. BPO industry will be spurred initially by government contracts. IT also rolled out in Lagos and Kano. Investments in fibre connectivity, IT park infrastructure and call center training.

Kaduna: Former hub for the north will start with meat & leather, **wholesale and retail** activities as well as ICT. The latter includes support for bandwidth and call center operations.

Cross River: Center for Nigeria's tourism industry. Investments will support local associations, IT platforms for websites, booking and payment. **Tourism** site development, hotel school and star rating system. IFC investment in hotels in secondary markets (Protea chain) and fast food industry (Tantalizers).

Entertainment: Nigeria's film industry most prolific in the world. Turnover of US$250m and employs 1m. Investments will support anti-piracy, equity financed film fund (IFC early stage interest and collaboration), improvements to export chain, distribution model, copyrighting and business registration as well as film and music festivals in Nigeria and internationally.

Key Issues

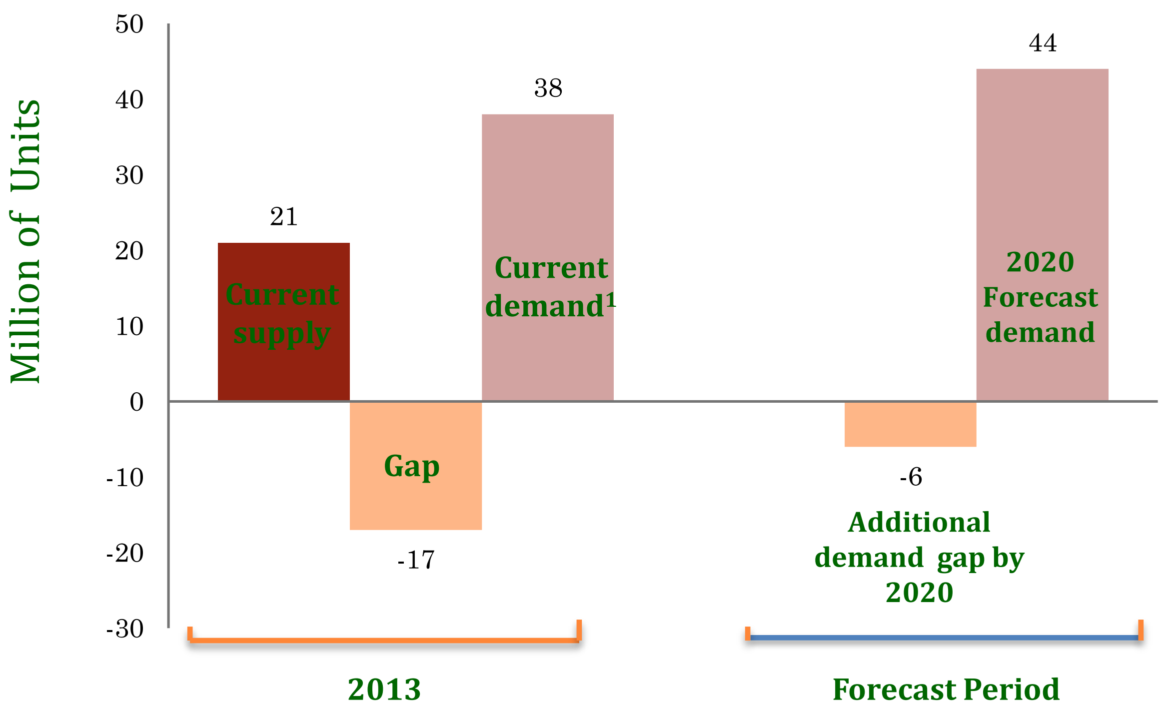


- Prolonged registration process and high cost of registration
- High cost of locally produced building materials
- Protracted foreclosure process
- High interest rate and funding mismatch

Nigeria Housing Market

The Nigerian housing market currently has a deficit of about 17 million units

Demand and Supply Gap



- Nigeria needs to add 23 million homes by 2020 to meet demand.
- an estimated 2.6million homes per year
  - Population Growth : Over 167 million people.
  - Rapid urbanisation rate: **>50%**

1:Number of Households
Current Supply also includes the under housed population
Source: Creating a Housing Finance Environment through the Mortgage Liquidity Facility

Expected Outcome

Efficient Land Title & Registration System

Reduced Cost of Housing Construction

Cheaper & Longer Term Access to Finance

Efficient Foreclosure Process

New Approach to Development Finance based on International Experience

The new DFI based on international experience:

- Clear and well defined Mandate:
  - Increasing access to finance in Nigeria;
  - Wholesale delivery through primary institutions;
- Good Governance:
  - Prudential regulation and supervision by the Central Bank of Nigeria;
  - Strong corporate governance standards;
  - Management and board selected on the basis of merit.
- Operationally and Financially sustainable:
  - Pricing to reflect cost and credit risk;
- Designed to leverage private sector funding and capital markets;

Project Description

Project Development Objective

- *The project development objective is to increase the availability and access to finance for micro, small, and medium enterprises through eligible financial intermediaries with the support of a new wholesale development finance institution.*

Project Components

- The US$500 million project consists of four components:
  - ✓ Technical Assistance and Capacity Building - US$12 million;
  - ✓ Line of Credit Facility - US$445 million
  - ✓ Credit Guarantee Facility - US$35 million; and
  - ✓ Project Management - US$6.75 million.

In addition, the front-end fee of US$1.25 million will be financed out of the proceeds of the loan.

Project Beneficiaries

- The project will support the new Development Finance Institution (DFI), and eligible private sector micro, small, and medium enterprises (MSMEs), small corporates, and the participating financial institution (PFIs) with technical assistance, funding, and guarantees

DFI Capital Structure

- Initial equity US$150 million from the Government and African Development Bank
- Eventual loans of around US$1 billion of loans sourced from international development partners (e.g. WB, AFDB, KFW, AFD) through the Ministry of Finance

Indicative Capital Structure

Balance Sheet Structure

Assets

- Funding for MSME finance
- Cash and reserves

Liabilities

- Minority from international partners; Majority from Government — *Equity*
- 100% government sourced from International financial institutions — *Subordinated Loans*
- Bonds and Long Term Loans — *Senior Debt*

Income Statement	
Operating Costs	Income from Loan Portfolio
Financial Costs	Investment Income
PROFIT → Capital Build Up	

IFC Investment activity in Nigeria

C. Investment Portfolio (as of *July 31, 2014*)

Client	Sector	Committed Portfolio (in US
Diamond Bank Nig	Finance & Insurance	185.8
GTB	Finance & Insurance	173.4
Access Bank PLC	Finance & Insurance	170.4
IEFCL	Chemicals	150.0
Zenith Nigeria	Finance & Insurance	149.6
FCMB Nigeria	Finance & Insurance	125.8
Seven	Oil, Gas and Mining	75.0
Olam Intl	Food & Beverages	70.0
Persianas	Construction and Real Estate	54.0
PPL - Persianas	Construction and Real Estate	33.0
Other		287.2
Total		**1,474.2**

IFC CONT……..

A. Investment Pipeline (as of *Sept 22, 2014*)

Project	Sector	O/A Commitment (in US$
Azura Edo IPP	Electric Power	155.0
Dangote Ind.	Chemicals	150.0
2nd Niger Toll Bridge	Infrastructure	150.0
GTB VI	Finance & Insurance	100.0
HydroDive	Oil, Gas and Mining	100.0
Sahara Equity	Electric Power	75.0
7 Energy Bond	Oil, Gas and Mining	50.0
IHS Nigeria 2	Information	50.0
Lekki Port	Infrastructure	50.0
DiamondRights I	Finance & Insurance	47.0
Other		184.9
Total		**1,111.9**

THANK YOU.

ANY QUESTIONS?